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Choosing Place First: Remembrances and Observations About Entrepreneurship

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I am a rural woman, and I am an entrepreneur. I have lived all but eight years of my life in northeastern Minnesota, and while I now live in Duluth, I lived most of that time either in Hibbing, where I was born, or Eveleth, where I went to high school.

I grew up with an entrepreneurial role model, which was unusual on the Iron Range. My father, Abe W. Mathews, was an entrepreneur. He started his engineering company in the upstairs of our little home in Hibbing when I was three years old. Reportedly I would hang out in his office taking refuge from my older brother by hiding under Dad's drafting table. I learned early the benefits and challenges of a home-based business, although as Dad's business grew, he quickly moved out of the house into an office in downtown Hibbing.

I saw Dad having (what seemed to me) exciting adventures and trying new things. In the late 1950s, he bought a patent and began to design and build large door systems. Although the business was eventually sold, Electric Power Door still operates in Hibbing today and is a global business. The engineering company was initially formed to serve the mining industry and ultimately became part of Barr Engineering.

Some of Dad's ventures weren't so successful. In the 1960s, his company manufactured Trailmaker snowmobiles and in 1964 he sold 500 machines, which represented 25% of the national industry sales that year. The company subsequently lost market share when Dad and his partners decided, as engineers, that snowmobiles were intended for utility, not recreation, and designed them accordingly. Several years later, Dad built a foundry in Hibbing. While that business failed, the foundry was state of the art and is today Northern Castings LLC Internet.

Learning the entrepreneurial ropes

My first woman entrepreneur role model was Maxine Butler. She started a fabric shop in Hibbing around 1960 called Calico Cat Fashion Fabrics. She encouraged me as a young sewer and as a young woman. After I graduated from Iowa State University with a degree in textiles and clothing merchandising and spent four years working on the East Coast in the home sewing industry, I returned to Hibbing in 1975 and bought her business. I operated the business for eight years, learning first hand what it's like to worry about cash flow, making payroll and holding on to — and trying to grow — market share. Unfortunately, the 1970s saw the end of the independent fabric store era, the end of a business model life cycle.

My best business teacher was Mel Sachs, who owned Sachs Brothers Clothing next door to my fabric shop. Among many things I learned from Mel was the importance of turnover. Mel was ruthless about keeping his inventory fresh and current.

After my experience with Calico Cat, I worked for the Hibbing Chamber of Commerce as its executive director for eight years. I focused primarily on business development, helping very small businesses launch as well as larger businesses grow. What I enjoyed the most was helping an individual start the small business of his or her dreams.

In 1985, when Duluth attorney Nick Smith began formulating his vision for an organization that would enable people to start their own businesses with the aid of small loans, I committed to helping him make it a reality. In 1989, when the Northeast Entrepreneur Fund was launched, I hoped to be a board member — if I wasn't hired as staff. As it turned out, I was the first person hired, as president, and I have held that position ever since.

Rediscovering entrepreneurial roots

The Northeast Entrepreneur Fund is itself an entrepreneurial company whose tax status happens to be that of a nonprofit. Our mission is to help existing and aspiring entrepreneurs start and grow successful businesses. Our day-to-day function is to provide effective training, consulting and lending programs. Along the way — aiming at our larger, longer-term purpose — we seek to create a culture of opportunity and entrepreneurship in a region that has lost its historical entrepreneurial roots.

In the late 1800s, it was entrepreneurs, pioneers, and adventurers that discovered iron ore and timber here and built businesses using those natural resources. Those resulting enterprises, however, were often owned elsewhere (a century ago, that meant the East Coast;

today it would likely be overseas), and northeastern Minnesota became essentially a big company town serving those businesses. The people of this region had to figure out how to survive the boom-and-bust cycles of both the iron ore and timber industries. There were a few noteworthy entrepreneurs — like my dad — but not many, and they weren't visible role models in the region.

By the early 1980s, when the mines began to dramatically reduce their workforce and make improvements in technology and processes in order to survive, business and civic leaders in the region recognized that if and when mining regained its strength, the lost jobs wouldn't simply return. New strategies were necessary to respond in a new environment. As a region, we needed to be responsible for our own futures.

Organizations like the Northeast Entrepreneur Fund, the University of Minnesota-Duluth Center for Economic Development, and the UMD Natural Resources Research Institute were started in the 1980s to support and encourage the region's entrepreneurial talents — in effect, to take us back to our roots. Perhaps the biggest challenge for the economic development community in northeastern Minnesota was to build on what I might call the region's survivalist spirit and transform it into an entrepreneurial spirit. We needed to go from figuring out how to just get through the bust cycles (getting by) to starting and growing sustainable, profitable businesses (getting ahead). Indeed, that continues to be the vision and focus for business owners and their supporters in communities throughout the region.

Choosing place first

One of the difficult circumstances in rural America is frequently the (real or perceived) lack of a traditional career path — a ladder to success. Young people especially ask: If I want to progress, if I want to build a career in a rural community, how can I do that? In a larger community, even in Duluth, there are typically more opportunities for traditional jobs in business, education, government, etc. But in smaller communities, those opportunities to stay and succeed are few or even nonexistent. For women in rural communities, the problem of limited career options may be even more acute.

In my own experience as a chamber of commerce executive, I couldn't simply take a new position at a different business association because, in my community, the Chamber was the only one. For me to progress while remaining on that career path, I would have had to move to a new place.

I am committed to rural northeastern Minnesota. This is where I live and work, and where I long ago decided to stay. I didn't want

to move to a new place. There were times in the past 19 years that I might have changed jobs, as a way to expand my opportunities and experience, but it likely would have meant moving out of the region. Choosing place first, I elected instead, with ongoing board support, to grow the Northeast Entrepreneur Fund. For me, because of the commitment I had made, it was in reality my best — and perhaps my only — career option.

In retrospect, my decision to remain in an entrepreneurial management role with NEF was the right one. The original business plan for the company envisioned a staff of four. We now have a staff of 17 full-time and part-time employees. Our loan fund assets have grown from \$315,000 to nearly \$3.5 million. Holding fast to its mission and vision over the years, NEF has helped start, stabilize or expand more than 1,000 businesses.

The larger conclusion for me — based on my personal and professional experience — is that to attract and retain businesses and jobs in rural communities, we need to provide more than traditional career paths. We can encourage talented, ambitious people to consider entrepreneurship as a career and life choice. Entrepreneurship is more than an option for a few exceptional individuals. It is a realistic choice for many people who want to remain in (or relocate to) a rural community, and the skills necessary for starting and growing successful businesses can be identified and learned.

Developing entrepreneurial skills

In order to grow the Northeast Entrepreneur Fund, I had to continue to evolve as a manager. One of the most difficult transitions was moving out of providing direct client services (working *IN* the business) to becoming a full-time president, leader and strategist (working *ON* the business). Client work was fun and productive, more fun than long-range strategic planning, organizational development, and fundraising. It took me years to make the switch, much longer than it would have if I had had a coach or mentor guiding me and telling me that this was a normal transition. It is a transition that is necessary if a business is to grow.

Today I find equal or greater satisfaction in doing my executive work and in forward-focused thinking as I did in helping individual entrepreneurs grow. And I know that to stay ahead of the curve and keep our business growing, I need to keep learning and developing my entrepreneurial skills. I have a coach, a mentor, and consultants who help me today.

Building entrepreneurial skills and success for women has been an important focus for NEF. Women represent 54% of our

current individual clients. In 2004, NEF was designated a Small Business Administration Women's Business Center, one of only two in Minnesota and about 100 nationwide. As a Women's Business Center, we actively support networking lunches for women business owners, and we are a major sponsor of the annual Women's Expo in Duluth. At the 2008 Women's Expo, more than 200 attendees took advantage of several NEF-hosted workshops for current and aspiring women entrepreneurs.

Identifying and nurturing entrepreneurial skills for individual business owners is a key component of regional business success. This common-sense notion is supported by academic research and real-life experience alike. But it's even more critical for rural economies, where the resources for entrepreneurial development may be sparse or difficult to access.

Graduating to entrepreneurship

So where are some of the opportunities for regionally based entrepreneurial education and development? An exciting opportunity is unfolding among the eight community colleges located in northeastern Minnesota. The colleges include Lake Superior College, Fond du Lac Tribal & Community College, Vermilion Community College, Mesabi Range Community & Technical College, Hibbing Community College, Itasca Community College, Rainy River Community College and Pine Technical College. The Northeast Entrepreneur Fund is working as a resource with these institutions — half of whose students come from rural northeastern Minnesota — to pursue collaborative efforts for entrepreneurial development programs and curricula.

With support from NEF and the Northland Foundation, the Center for Rural Policy and Development conducted a study of community college entrepreneurship programs (Center for Rural Policy and Development, 2005). Surprisingly, many students already evidenced an already well-developed entrepreneurial orientation. More than 12% of the students surveyed reported that they had previously owned their own business or were otherwise self-employed, and 52% reported that they were considering owning their own business after graduation. Moreover, 54% indicated that someone in their immediate family had at some time owned a business.

However, the study did unveil some areas of concern. Only 35% of the students surveyed said that they had ever taken a class that would be useful in starting or operating their own business. And only 37% showed a propensity to stay in northeast Minnesota after

graduation, compared to 41% expressing a propensity to leave and 22% uncertain.

The reality is that nearly every course of study in the colleges could lead to a business as well as a job. An example is Rebecca Spengler, who moved swiftly from college student to entrepreneur and is now owner of a viable, small-town business.

Rebecca, raised in rural Babbitt, Minnesota, was transplanted in the early 1980s, as many were when the mines slowed operations on the Iron Range. During her teen years, she relocated with her family to the Twin Cities, where she finished high school. In 1989 she began studies at the University of Minnesota and then took an opportunity to work and live abroad. In her thirties, she returned to her northern Minnesota roots. She attended Vermilion Community College in Ely, where she graduated with an associate degree in business, an art-based business diploma and an entrepreneurship certificate.

While at Vermilion, Rebecca worked with the Entrepreneurial Campus Initiative to promote and encourage entrepreneurial activity on campus and in the community. She developed "E-Camp," an experiential business camp focused on teaching production, development and marketing skills to children 6 to 12 years old. She also worked with a business developer from the Northeast Entrepreneur Fund to develop a business plan and arrange financing for a business opportunity she had.

In June 2007, Rebecca purchased an existing laundry business and opened "A Laundry Room, Inc.," in Ely. Serving the needs of both local residents and tourists, she continues to upgrade to more efficient equipment and offers an engaging community service-based business with free wireless Internet access and drop-off laundry. With projects in process to include thermal hot water and other conservation technologies, her Laundromat seeks to be a community alternative energy model.

Today, this mother of three children is also a member of the board of directors of the Northeast Entrepreneur Fund.

Creating an entrepreneurial culture

My dream for rural entrepreneurship is this: Every man and woman who wants to live in a rural environment can figure out how to use their skills, experience, and education to create a sustainable job for themselves wherever they choose to live.

In his book *We Are All Self-Employed*, author Cliff Hakim argues that we can determine our own direction in our work life, whether we work for others or work for ourselves (Hakim, 2004). With job security increasingly a thing of the past, at every level of

employment and in every industry, workers must adopt a more entrepreneurial and responsible attitude toward their career and the world of work. Hakim challenges workers to be their own champions, actors rather than reactors, to find fulfillment. If in fact, “we are all self-employed,” then the work/career options open to us are limitless.

This mindset isn’t limited to entrepreneurs or people who aspire to be business owners. At the Northeast Entrepreneur Fund, we have many anecdotal reports from past training clients that, because they now understood business as a result of the business planning they did in our class or workshop, they were more valuable and productive in their regular jobs.

Entrepreneurship isn’t all about being a business owner. Entrepreneurship is one of those words that have many definitions. I think of it as a state of mind — finding, seizing and acting on opportunity, whether leading a company or working within a company. It matters little whether the context is for-profit, nonprofit, education or government. It’s about taking risks — risks that are calculated and considered — and finding solutions to problems.

Overcoming entrepreneurial isolation

One of the biggest issues for entrepreneurs is isolation. By this, I don’t mean remoteness from markets, or transportation problems, or difficulties finding suppliers or employers — although these are very real challenges for many companies. (And many are overcoming them through the Internet and telecommunications.) What I mean is more personal. Whether they are in an urban or rural setting, business owners (both women and men) often think and act alone, enjoying little interaction with other entrepreneurs who may be experiencing similar issues or considering similar opportunities.

In rural areas, the isolation is magnified by time and distance. I sat in on a group meeting of regional business owners recently and saw what happens when entrepreneurs take the time to talk to each other. Many of them did not know each other beforehand or perhaps had only a passing acquaintance. Some had traveled long distances. All had to adjust their schedules to attend. In the course of their discussion, though, it was fascinating to observe how quickly and naturally they found common ground. Opportunities emerged for them to collaborate on new projects across businesses. Suggestions for new business approaches began to surface. Shared business problems were met by practical solutions.

Every business starts small. Some stay small and employ the owner. Some grow large, often incrementally, sometimes rapidly.

Candy Reimer, owner of K&B Drive-In, south of Eveleth, recently told me that she is now manufacturing and selling her pasties (wrapped, meat-filled pastries popular on the Iron Range) to area grocery stores, supplementing her restaurant and catering business. By listening to the ideas of others — especially her customers — she had learned how to capitalize on the popularity of her pasties and maximize the use of her existing facility and equipment. As a result, her business is experiencing significant growth.

None of these observations about the process of growing an enterprise are new or necessarily profound, or even surprising to entrepreneurs themselves. A business model, product or distribution system may be revolutionary, but the skills an entrepreneur needs to manage and grow the business are not new. Learning from others who have gone before shortens the learning curve and increases the probability that the entrepreneur and the business will be successful.

Finally, creating an entrepreneurial culture also means supporting entrepreneurs — through success and failure. It means acknowledging, encouraging and applauding our neighbors who are entrepreneurs.

Launching the Greenstone Group

In my 35-year business career, first as a business owner and then in my role in growing the Northeast Entrepreneur Fund, I have naturally had the opportunity to conceive and introduce a number of new programs and services. I believe our newest effort, though, may have the most significant long-term impact on rural entrepreneurship and in transforming our culture. In January 2008, NEF launched the Greenstone Group, a 10-year initiative with more than 30 partner organizations and institutions from northeastern Minnesota and northwestern Wisconsin. The Greenstone Group seeks to foster a culture of entrepreneurship and strengthen entrepreneurs through professional coaching, peer support and coordinated business services.

In addition to my own experience, the idea for the Greenstone Group grew out of my reading about what others across the country were learning about entrepreneurship and applying it to rural economies. We had the opportunity to learn from the work of Tom Lyons and Gregg Lichtenstein at Advantage Valley in West Virginia. Their Entrepreneurial League System® builds a systems approach to entrepreneur development akin to a baseball farm system, which provides professional coaches and an organized system and strategy to grow the skills of baseball players (Lyons, 2002). We've also followed the progress of the Kellogg Foundation Rural

Entrepreneurship Initiatives and other efforts documented by the RUPRI Center for Entrepreneurship. All of this innovative research and thinking has inspired us to think hard about how to promote entrepreneurial development in our region.

The Greenstone Group aims to engage more than 500 already-established business owners over the next decade in building their entrepreneurial skills. This will be done primarily through their participation in “growth groups” where they can network with and provide mutual support to other like-minded entrepreneurs. The groups are led by a skilled and experienced business coach, who meets regularly with each participant and with the group as a whole. The coaching sessions revolve around identifying and meeting their needs for entrepreneurial development, while helping them develop and implement plans for significant business growth. Group members will also have access to a variety of service providers to support the needs of their businesses.

The ultimate payoff of the Greenstone Group will be seen in increased jobs and wealth in our communities, and in renewing an entrepreneurial spirit throughout the region.

As of September 2008, about 20 business owners are participating in two “growth groups” of business owners, with three more groups to be formed by the end of the year. It is noteworthy that as many as 40% of the current and anticipated group members are women business owners, as are two of the three coaches.

The responses of the participants so far reveal an untapped desire for entrepreneurial interaction, learning and support. To quote one women entrepreneur who is a member of the first “growth group” formed by the Greenstone Group initiative: “Who wouldn’t want to take advantage of pulling this knowledge out of people who’ve been in the same situation as you? What I’ve accomplished in the last month (has helped me to build) the solid foundation that I need to take my business to the next level.”

Another women entrepreneur described her Greenstone Group experience like this: “I feel like I have this team. It’s like those television commercials for the cell phones where the guy shows up and there are all these people behind him.”

Looking to the future of rural entrepreneurship

If we as a region make targeted investments of time and resources in entrepreneurs who have a dream to significantly grow their businesses, we will create new role models for further entrepreneurial opportunity. With an initiative like the Greenstone Group, we intend to showcase the success of these first entrepreneurs

to demonstrate to the region what is possible — inspiring and supporting other entrepreneurs to pursue growth.

We are still in the early stages of entrepreneurial renewal in northeast Minnesota. Expectations of quick payoff and short-term fixes will be inadequate to this rebuilding effort. The economic vitality of the region will require increased entrepreneurial commitment, greater community recognition for entrepreneurial businesses as they seek to innovate and grow, and a more intentional approach to entrepreneurial development.

How can interested individuals and organizations help promote the future of entrepreneurship? Here are just a few ideas:

- Encourage and support entrepreneurship education and financial literacy in K-16 classrooms and community education programs.
- Encourage teachers to include business examples — in any class — to illustrate or make relevant what is being learned.
- Use career days at school to include business ownership/ entrepreneurship as well as traditional job opportunities.
- Support your friends, relatives and neighbors who are taking an entrepreneurial risk.
- Participate in business associations, community groups and economic development organizations that support entrepreneurs and business growth.

Supporting rural entrepreneurs: How can state and local governments help?

Whether a business aims at significant growth or is primarily a lifestyle business, the entrepreneurial spirit leverages vitality and economic opportunity in rural communities. However, an entrepreneur's need for knowledge, skill development, support and capital is different at each stage of his or her development, and at each stage of the business's development. In fact, there is a continuum of need from "rookies" to the "major leagues" (using the Entrepreneurial League System analogy) and from microloan funds to venture capital funds. No one organization, agency or product can fill the needs of every entrepreneur.

Recognizing that business growth depends on entrepreneurial development, local and state governments can have the greatest impact by developing a "pipeline" approach that engages many partners and invests in strategies that grow entrepreneurs, as well as their businesses, to develop a "deal flow" for the next stage of growth. For example, venture capital is a good financial tool for

business development only if there are entrepreneurs who have reached a stage of development where they are prepared to use it productively to fuel growth. For early-stage entrepreneurs, other strategies such as microenterprise lending may be more effective in creating and expanding their business.

In the 2008 legislative session, Governor Pawlenty proposed the Strategic Entrepreneurial Economic Development (SEED) initiative. Members of the legislature introduced similar bills focused on rural business development and entrepreneurship. While these measures ultimately did not pass, with the exception of creating an Office of Entrepreneurship, they sparked a dialogue that needs to continue and expand.

Such a dialogue needs to bring together elected officials and public administrators throughout rural Minnesota with business leaders, community groups and economic development organizations. Perhaps most importantly, all of them need to engage rural entrepreneurs themselves to discover their varied needs and concerns. This outreach can be the spark for innovative strategies that promote an entrepreneurial culture, which in turn can be the linchpin for rebuilding and renewing rural communities.

Facts about women-owned businesses in Minnesota, 2006

- 199,540 businesses are owned by women (50% or more), employing 208,134 people and generating more than \$35 billion in sales.
- These businesses account for 40.1% of all privately held firms in the state.
- Between 1997 and 2006, the number of majority (51% or more) women-owned businesses increased by 42.3%.
- Among the 50 states and Washington, D.C., Minnesota ranks 17th in the number of privately held, majority (51% or more) women-owned firms.

Source: Center for Women's Business Research. See www.cfwbr.org.

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