

## **BUILDING ENTREPRENEURSHIP DEVELOPMENT SYSTEMS IN NORTHERN IOWA<sup>1</sup>**

### **COMMON ROOTS, DIFFERENT APPROACHES – BACKGROUND ON THE JOHN PAPPAJOHNS ENTREPRENEURIAL CENTERS (JPEC) IN IOWA**

John Pappajohn's roots are in northern Iowa, having grown up in Mason City, and he has gone on to become a serial entrepreneur with many successful business ventures as part of his portfolio. For other entrepreneurs in Iowa, however, his civic entrepreneurship has been even more important. In the late 1990s, the Pappajohns donated money to create a network of entrepreneurial centers across the state. These five centers (at Iowa State University, the University of Iowa, the University of Northern Iowa, North Iowa Area Community College and Drake University) have a common purpose – to enhance the effectiveness of Iowa's entrepreneurs. Notably, each has developed a unique mission consistent with the talents and opportunities within its educational institution and in respect to the particular needs of entrepreneurs in the geographic region or sectors each school serves.

While the centers have found opportunities to collaborate in the past, the W. K. Kellogg Foundation's 2004 request for proposals to support their Entrepreneurship Development Systems for Rural America project provided an opportunity for the centers to connect in a deliberate way to make the breadth and depth of their expertise available to all entrepreneurs in the state. It also provided an opportunity to address an important gap in services – helping communities develop strategies to support entrepreneurs. The centers' proposal was not funded, but the work of the individual centers continues. Not surprisingly, efforts to build this broader collaborative have been diminished by the lack of funding.

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<sup>1</sup> This case study is one of four completed with support from the Northwest Area Foundation. The four case studies are based on interviews conducted in each rural region from March to October 2006 with collaborative partners, other economic development organizations, entrepreneurs and civic leaders. They are not intended to be evaluation case studies, describing the outcomes of the entrepreneurship development activities in the region. Indeed, many of the activities described here are still in the early or start-up stage. The purpose of all these case studies is to tell the stories of entrepreneurship development activities occurring in this region and to share these experiences with others working to build entrepreneurial communities throughout rural America. These stories could not be told without the thoughtful insights provided by the entrepreneurs and economic development practitioners in each region. Their time and contribution are greatly appreciated.

On the bright side, two of the institutions that were part of the Kellogg collaborative, North Iowa Area Community College and the University of Northern Iowa, are moving ahead with innovative initiatives that take a more systemic approach to entrepreneurship development, particularly in rural communities. These efforts, while different from each other, spring from the same seed of innovation planted by Pappajohn in the late 1990s.

## **ENTREPRENEURSHIP DEVELOPMENT INNOVATION – THE ROLE AND LEADERSHIP OF NORTH IOWA AREA COMMUNITY COLLEGE**

*Recognizing that workforce and economic development are linked, the leadership at North Iowa Area Community College is working to create an entrepreneurship development system in the region that addresses both issues. These efforts began by building on the "seed capital" invested in entrepreneurship development by John Pappajohn, but have grown to include a range of private and public sector partners that are crucial to transforming the support system and environment for entrepreneurship in the region.*

### **BACKGROUND ON THE REGION**

North Iowa Area Community College (NIACC) serves all or parts of nine counties in the north central part of the state. NIACC is located in the population hub of the region, Mason City (population 30,000), but covers territory with a total population of 130,000. Like many rural regions, all but one of the counties experienced population loss over the 1990-2000 period. Confronted with this reality, Michael Morrison, President of NIACC, is often quoted as saying that "demography is destiny – unless we do something about it." To that end, most of NIACC's entrepreneurship development efforts are part of a larger strategy recognizing that workforce and economic development issues are linked. It is agreed that the success of the region depends on articulating a collective vision that addresses the problems and opportunities related to both issues rather than each one separately.

NIACC was established in 1918 as Mason City Junior College, making it the first public two-year educational institution in Iowa. The college has grown into a position of educational leadership in the region, serving about 3,200 students each year through one- and two-year degree programs and continuing education courses for non-traditional students in the region. What is special about NIACC is its purposeful assumption of a regional leadership role in economic development and insistence that entrepreneurship must be part of that regional economic development strategy. Building on the capacity of the John Pappajohn Entrepreneurial Center (JPEC), NIACC and its partners in the region are working to craft an entrepreneurship development system.

## **THE ELEMENTS OF A SYSTEM**

According to Jamie Zanius, Director of NIACC's JPEC, one of the reasons for applying for the Kellogg Foundation's Entrepreneurship Development Systems grant was to provide resources that would drive the integration of the many pieces of support for entrepreneurship within the region and better engage communities in these activities. Even without the Kellogg funds, NIACC, through the leadership of the Pappajohn Center, has continued to build a comprehensive system of support for entrepreneurs in the region by identifying gaps in the support infrastructure and figuring out how to fill those gaps.

JPEC is creating a system that serves a wide range of entrepreneurial talent in the region. They have a full complement of business services to address the needs of youth (high school academy, Summer Youth Entrepreneurial Academy, and elementary school Entrepreneur for a day on campus), potential entrepreneurs (SBDC, FastTrac training and the recent addition of a business incubator), entrepreneurial existing business owners (business accelerator) and growth entrepreneurs (venture capital and angel investment capital).

The elements of this system include a number of related organizations and/or programs.

**The John Pappajohn Entrepreneurial Center (JPEC).** JPEC was established at NIACC in 1997, establishing the college's efforts to encourage and support entrepreneurs in the region. The mission statement says that JPEC "seeks to enhance quality of life through entrepreneurship education (teaching skills to maximize the likelihood of entrepreneurial success), entrepreneur and business support (helping businesses launch and thrive in a dynamic environment), and partnerships to stimulate entrepreneurship (work with others to leverage resources and maximize impact.)" JPEC is achieving this mission by:

- Offering seminars and workshops to entrepreneurs, including Smart Start, a short workshop to help potential entrepreneurs decide if starting a business is right for them, and FastTrac, offered as part of the Iowa Entrepreneurial Consortium that includes the University of Iowa's Pappajohn Center. Over time, 650 businesses have been started by FastTrac graduates, including 198 in north Iowa.
- Providing degree and certificate programs in entrepreneurship to NIACC students. NIACC offers an Associate in Science (Business) Entrepreneurship degree program that requires 60 credit hours including courses in entrepreneurship and entrepreneurial management along with other business courses. The Pappajohn Entrepreneurial Certificate Program, requiring 18 credit hours, is offered to any student interested in learning the fundamentals of starting his or her own business. Students in these two programs have opportunities to interact with entrepreneurs

through related programs such as the Pappajohn New Venture Business Plan Competition and the Collegiate Entrepreneurs of Iowa Conference. In addition, emerging cross-curriculum work, supported by the Coleman Foundation, will integrate entrepreneurship into communications courses at the college with the eventual goal of embedding entrepreneurship in the arts, math, science and other programs.

- Creating the Collegiate Entrepreneur Organization Club and hosting the Collegiate Entrepreneurs of Iowa Conference to bring together students with an interest in entrepreneurship.
- Offering the Youth Entrepreneurial Academy weeklong summer entrepreneurship experience for high school juniors and seniors who are interested in learning about starting their own business and where students actually create a business plan; offering Entrepreneur for a Day events on campus for 5<sup>th</sup> grade students and teachers to interact with entrepreneurs and learn more about developing and marketing a product and creating a business.
- Creating the Entrepreneurs' Exchange to provide opportunities for FastTrac graduates and other entrepreneurs to meet together and learn from one another.
- Hosting an Elected Officials Symposium in 2006 in the region to help set a course for regional entrepreneurial and economic development activities.

**Small Business Development Center (SBDC).** In keeping with JPEC's mission to partner with organizations to better serve entrepreneurs, the SBDC is co-located with JPEC on the NIACC campus. The SBDC offers a range of one-on-one counseling services to entrepreneurs and business owners as well as seminars on specific business topics. These services complement those offered through JPEC and the co-location creates the opportunity for synergy – trading programs, achieving some economies of scale, and creating a one-stop shop for entrepreneurs. Reduction in funding for many SBDC offices has made this type of partnership an important strategy for maintaining the SBDC presence in regions across the state.

**North Iowa Area Business Accelerator.** In early 2006, NIACC received funding to create one of five business accelerators supported by the Iowa Department of Economic Development. Business accelerators are designed to support new and existing businesses that are poised to grow. This additional piece of support infrastructure leverages existing programs offered through JPEC and the SBDC while providing the resources to better serve a different type of entrepreneurial talent – one that could have an important impact on the regional economy.

**Equity Capital Programs.** Access to capital for rural entrepreneurs, particularly equity capital, is often limited. The NIACC JPEC has been able to bring two

sources of equity capital to businesses in the region. The North Iowa Venture Capital Fund, LLC was established by JPEC to encourage angel investors to support regional businesses. The fund was capitalized (\$1.7 million) by 61 accredited angel investors from 14 north Iowa communities. These investors consider funding requests of \$50,000-250,000 from start-up and expansion businesses in the region, bringing not only their capital but also their business expertise to the entrepreneur. To date, nine businesses, five in the NIACC service area, have received more than \$1.4 million in investments from the fund and leveraged additional external equity capital for their businesses. As part of the network of Pappajohn centers in the state, NIACC's JPEC participates in the Wellmark Venture Capital Fund. The centers identify deals, conduct due diligence and make funding recommendations for regional entrepreneurs to the managing partner of Wellmark. These investments typically range from \$10,000-100,000 and provide an entree into the world of more formal equity investing for many entrepreneurs. Most recently, a revolving loan fund for small, private, start-up businesses in the region has been created as a result of a partnership between NIACC, NIACC's JPEC, the SBDC and USDA Rural Development, filling another capital access gap for entrepreneurs in the region.

**North Iowa Incubator and Business Center.** NIACC received funding to create a business incubator on campus that is scheduled to open in January 2007. The incubator will provide space to new businesses, particularly those that might benefit from access to the educational and infrastructure resources of NIACC, as well as provide access to services and support.

The Pappajohn Center at NIACC has created a comprehensive array of programs and services in one organization that provides students, youth, entrepreneurs and existing business owners with the resources to be successful. In addition to the partner organizations and programs described above, the Iowa Workforce Development Partnership regional office moved into the JPEC on NIACC's campus in 2005-2006. This move further strengthened the commitment to link workforce and economic development in the region and has facilitated the completion of a labor shed study and a cluster analysis for the region. To provide a more complete range of services, the JPEC director noted that co-locating regional Small Business Administration, USDA Rural Development, and Iowa Department of Economic Development staff in JPEC would provide benefits to both staff and entrepreneurs in the region.

Considering only the impacts of JPEC activities, their FastTrac<sup>®</sup> clients have started 198 businesses, creating 477 new jobs in the region since 1997. To date, there is a 78% success rate among FastTrac<sup>®</sup> graduates who have started a business. Over 6,000 people have participated in JPEC programs, bringing exposure to and support for entrepreneurship to many in the region. Equally important, however, has been JPEC's leadership in bringing the elements of a

support system together at NIACC that will better serve the needs of entrepreneurs and contribute to creating a culture of entrepreneurship in the region.

### **Regional Leadership – The Role of NIACC**

Community colleges, more so than other educational institutions, are dependent upon the economic vitality in a specific geographic region – enrollment and demand for programs by both traditional and non-traditional students is driven by what is happening in the regional economy. A new business may increase the demand for specific training programs offered by the college while a plant closure may generate increased demand for retraining, basic education and entrepreneurship education. Given this dependence, an active role in regional economic development leadership for community colleges makes strategic sense. However, not all community colleges choose to assume this leadership role.

For NIACC, this role is described in the college’s mission statement – “promote a strong economy by engaging in activities which develop and maintain a skilled and educated workforce and which promote and support entrepreneurial activity.” In addition to the core workforce and entrepreneurial development support activities described above, the college has used its presence as a regional institution to facilitate discussion and action about the future of the regional economy. Through the elected officials’ symposium, the completion of the labor shed and cluster analyses, and the creation of programs that serve the region (e.g., the North Iowa Venture Capital Fund), NIACC is able to bring economic developers from throughout the region together to recognize their shared challenges and opportunities. As President Morrison pointed out in May 2006, “we are working to bring our counties and cities and their economic development entities together to begin the process of deciding how we might envision our economic future and identify initial steps toward regional economic development.”

While the community college leadership recognizes that they have a major role to play in promoting a regional approach to economic development, it was not taken as a given that county and city economic developers accepted such a role for the college. As a result, NIACC’s leadership has, for the most part, been in partnership with other organizations within the region. For example, NIACC has partnered with the North Iowa Council of Governments. The college partnered with the regional Workforce Development Partnership and local economic developers on both the labor shed and cluster analyses. And, they are partnering with the economic development commissions in seven counties in the region on a marketing alliance to promote new business growth. These activities have been important for building trust in NIACC as a regional partner and not the sole driver of the vision for the regional economy. Based on the interviews for this case

study, it appears that the college has avoided being viewed as the “800 pound gorilla” at the regional economic development table.

While NIACC has been instrumental in bringing regional partners together to address the future of the region’s economy, the discussion to date has focused on relatively traditional economic development activities within a regional context – labor shed analysis, regional marketing alliance. It is not clear that the economic development partners have accepted the importance of entrepreneurial development for the future of the region. The ability to change the attitudes and approaches of the economic development partners in the region may very well depend on the continued success and demonstration effect of the entrepreneurship development system that is being built by NIACC and the ability of the college and JPEC to communicate this success throughout the region.

### **CHALLENGES TO BUILDING THE SYSTEM**

While NIACC and its partners have put in place some key elements of an entrepreneurial development system, those interviewed for this case study identified some challenges that may impact the long term success of the system. These challenges are not unique to northern Iowa but can be found in other rural regions that are experimenting with a systemic approach to entrepreneurship development. Four major issues are (1) spreading the word to entrepreneurs and others in the region about the resources embodied in this system and the importance of entrepreneurship development, (2) engaging communities throughout the region as partners in the system, (3) building a true regional identity and support for entrepreneurship development, and (4) viewing entrepreneurs as partners in the system.

**Spreading the Word.** A recurring theme among entrepreneurs and others interviewed for this case study was that more entrepreneurs, economic developers, elected officials and community leaders need to know about the efforts of NIACC and others to build an entrepreneurship support system. There are two components to spreading the word. First is the need to inform entrepreneurs in all parts of the region about the support services offered by JPEC and its partners. The value of tapping into the support system needs to be understood by entrepreneurs so that they are willing to devote the time to take a class, attend a networking meeting, or serve as a mentor to a young or start-up entrepreneur. While partnerships with local economic development organizations are effective in marketing support services, one entrepreneur suggested that the JPEC staff needs to do more “road shows,” getting staff out into smaller communities to spread the word.

Second is the need to make the case for entrepreneurship as a core part of the region’s economic development strategy. As one interviewee said, how do we

really change the culture in the region? While some communities in the region, such as Charles City, appear to be embracing this concept, it is not yet universal. The key question is “how do we get the passion for it [entrepreneurship] growing amongst the local leaders?” Activities that bring together community leaders, such as the elected officials’ symposium, are clearly essential tools to build support for entrepreneurship development in the region.

**Engaging Communities.** Related to spreading the word is the need to engage communities in the entrepreneurship development system. It was noted by one interviewee that it takes a community to get behind entrepreneurship, to create a culture where trying and failing at a new enterprise is celebrated and embraced, not fodder for local coffee shop gossip. Given constraints of time and money, it is not possible (or even efficient) for JPEC staff to be present in all communities throughout the region. Community leaders, however, can serve as coaches or facilitators linking entrepreneurs with resource providers that are part of the system. These local leaders are in the best position to understand the entrepreneurial talent in their communities, identify the resource and support needs of these entrepreneurs, and connect them with service providers at JPEC or elsewhere in the region. How to most effectively engage communities continues to perplex JPEC and its partners.

**Building Regional Identity and Support.** The vision of NIACC’s president, Michael Morrison, is of a region that comes together for “a democratic discussion of what the vision of north Iowa should be...Where are we at now? Where do we want to be and how do we close the gap?” Getting to this shared regional vision, however, is necessarily a slow process. During the interviews for this case study, it was clear that there is not yet broad buy-in from economic developers in the region about the need to support entrepreneurs or to develop a common regional approach to economic development. There is progress and forward movement, but there is not yet a commitment to building a regional institutional structure that joins NIACC’s resources with others in the region.

**Viewing Entrepreneurs as Partners in the System.** One final missing element was evidenced in many of the interviews for this case study, and that was the limited role of entrepreneurs in developing the system. For the most part, the partners in the effort have been organizations – economic development organizations, service providers, community organizations. Entrepreneurs were most often involved as clients rather than as partners to the system. It is plain that the ability to address some of the other obstacles identified, such as spreading the word or building a regional identity, could benefit from involving entrepreneurs. The concept of a regional economy often resonates with entrepreneurs, many of whom serve regional or larger markets, and they could help verbalize a regional identity or vision. And, who better than entrepreneurs to convey to their peers the value of an entrepreneurship development system

and to share their successes and failures in a way that begins to change the community's understanding of entrepreneurs and what they contribute to the region.

In spite of these challenges, it is clear that an entrepreneur who finds her way to NIACC's JPEC – whether she is just thinking about starting a business or is interested in growing her established enterprise, whether she needs help with a specific business challenge or is trying to develop entrepreneurial skills – will have access to a range of support services to meet her needs. And, community leaders that engage with JPEC will find resources that can help them more effectively support local entrepreneurs and begin to change the culture in their community.

### **LESSONS LEARNED FROM NIACC'S PAPPAJOHNS CENTER**

A primary purpose of sharing the story of NIACC's entrepreneurship development efforts in north Iowa is to provide insights for community leaders and economic development practitioners and policy makers who are working to create a more entrepreneurial culture in their rural places. There are several key lessons from this experience.

**Importance of "Seed Capital".** Building an entrepreneurship development system is like building a business – the entrepreneurial team needs a source of "seed capital" to support the strategic thinking, collaborative structuring, and capacity building activities that are part of any such effort. The John Pappajohn Center at NIACC provided this "seed capital." JPEC supplied the initial infrastructure upon which a broader system of entrepreneurship development could be built. The center was not just an umbrella organization for a number of programs but was the incubator of a systems approach to entrepreneurship development. While the financial support of the Pappajohns was central to building a center at NIACC, the "seed capital" that the JPEC brought to the table was much broader than financial – it includes the talents and commitment of the staff, their leadership and passion, and the capacity to leverage JPEC work in support of an extensive entrepreneurship development system in the region. **While other rural communities and regions may not have a self-supporting entrepreneurship center that can serve as the foundation of an entrepreneurship development system, it is important to find the institutional "seed capital" in some other organization(s) or individual(s).**

**Importance of Organizing Services and Engaging Communities.** An elemental step in building an entrepreneurship development system is the organization of support services to effectively meet the needs of all types of entrepreneurial talent within a region. NIACC's JPEC has assembled a wide range of services and partners that can address the needs of entrepreneurs at any level. However, organizing services is not all that is needed to build an effective

system. Communities need to be engaged so that entrepreneurs can be linked to support services and so that the culture of rural places begins to change as the benefits to the region's economic future of supporting entrepreneurs becomes more apparent. **The passion of support providers, in this case the JPEC and its partners, must be matched by the passion and commitment of engaged community partners in order for the system to reach its potential.**

**Community College Role in Economic Development.** North Iowa Area Community College, through its leadership in both entrepreneurship and regional economic development, powerfully demonstrates the role for community colleges in economic development. The college is imparting more than educational resources to the region – it is bringing the leadership and passion discussed earlier to enlist others in forging a vision for the regional economy; and it is offering resources to help encourage entrepreneurship development as a key part of that vision. NIACC has demonstrated a capacity for leveraging resources, using the JPEC as a foundation for entrepreneurship development, and adding new capacity to fill gaps in the support infrastructure for entrepreneurs in the region. **NIACC is a potential model for other rural community colleges that are interested in becoming key partners and facilitators of entrepreneurship development specifically and economic development more generally in their regions.**

**Importance of Leadership.** Margaret Mead's quote, "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has," applies again and again in case studies of rural entrepreneurship development. In the case of NIACC, the visionary leadership of the college president and the John Pappajohn Entrepreneurial Center staff are critical factors in the success of building an entrepreneurship development system in north Iowa. While one leader, NIACC's president, is focused on encouraging a regional vision and approach to economic development, JPEC's staff has built a support system with capacity to serve the needs of entrepreneurs and to begin the difficult and often slow process of changing the regional culture. Just as passion drives an entrepreneur to build a business, the passion of these leaders is driving entrepreneurship development in the region. **Identifying these champions of regional entrepreneurship development is a first step for any rural region interested in becoming more entrepreneurial.**

## **CONCLUDING THOUGHTS**

There is no silver bullet for turning around the economic fortunes of rural regions in the U.S. There is no single approach to entrepreneurship development that will work in all rural places. In north Iowa, the regional leadership of the community college combined with the "seed capital" of the JPEC has produced an emerging entrepreneurship development system that can serve as a model for other rural places. The lessons learned from the work of the North Iowa Area Community

College and its John Pappajohn Entrepreneurial Center can help to inform other rural development practitioners as they consider the approaches, partners and institutional arrangements that are most strategic to their local efforts to encourage entrepreneurship.

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