CHAPTER 7
SAMPLE PROJECT OUTCOMES AND BROADER POLICY IMPACTS

Chapter 6 reported on select metrics for the entire portfolio of projects in which ARC invested; these data describe one level of impact the EI had on the region. However, entrepreneurship development strategies, including those funded by ARC, are often designed to achieve goals that extend beyond job and business creation. In Chapter 6, the evaluation team identified an underlying set of programmatic goals related to the conceptual model that were attributed to each project type. In reality, each project was designed to address a unique set of goals that were relevant to a particular rural place. To understand the full range of project impacts, and to assess whether these projects were achieving their goals, it was necessary to do a more in-depth evaluation of a sample of projects. This part of the evaluation of ARC's EI has generated a series of findings that fall into two main categories – those related to the outcomes achieved by the representative sample of projects in which ARC invested and those related to the broader policy impacts on the Appalachian region associated with EI's entire portfolio of investments.

IMPACTS OF EI FUNDED PROJECTS

These findings are based on detailed analysis of project outcomes associated with a sample of 88 projects that reflects the diversity, geographic reach, and scope of the EI. As described in Chapter 4, the sample was representative of the universe of projects receiving ARC investments between 1997 and 2005 in terms of both program type and state.[82]

Quantitative Impacts

To understand the quantitative impacts of ARC investments, the evaluation team began by identifying three classes of metrics that were common to most projects within each program category (Table 7.1). One class included common goals that were articulated in project proposals but for which no outcome measures were provided by project leaders. These are metrics that were believed to be important during the design of the project but, for some reason, no outcome data were collected for most projects in the category. In some cases, it may have been a matter of definition – data collected as part of the project were not defined using the same terminology as project goals. For example, technical assistance providers often stated a goal of "number of businesses served" but actually

[82] While the sample was judged to be representative, the evaluation team is not suggesting that the quantitative results of this evaluation should be extrapolated to provide an estimate of overall quantitative impacts of the EI. Rather, outcomes associated with these specific projects should be viewed as reflective of what other projects might produce given similar capacity, assets, leadership, etc.

reported "number of clients". However, in some cases, it appears that data considered relevant when the project was designed were not collected. For example, entrepreneurship education providers often stated a goal of "number of jobs created" but did not report such data as an outcome measure. While these metrics do not provide insight into the overall performance of the EI, they were useful in considering the development of the "best in class" metrics system described in Chapter 9.

Table 7.1. Metrics Common within Program Categories

PROGRAM CATEGORY	PROJECT METRICS INCLUDED AS STATED PROJECT GOALS ONLY	PROJECT METRICS INCLUDED AS MEASURED PROJECT OUTCOMES ONLY	PROJECT METRICS INCLUDED AS BOTH STATED PROJECT GOALS AND MEASURED PROJECT OUTCOMES
Capital Access	- Businesses served - Businesses created	- Businesses created/expanded	- Jobs created/retained
Entrepreneurship Education	- Jobs created		- Number of participants/trainees (both students and teachers) - Number of business starts (student or adult)
Sectors	- Businesses served	- Number of participants/trainees	- Businesses created/expanded - Jobs created/retained
Incubators	- Businesses created - Businesses served	- Number of current clients - Total clients served - Number of graduated firms	- Jobs created/retained - Complete incubator feasibility study
Technical Assistance and Training	- Businesses served - Number of business plans created/assisted - Number of trainings, seminars, conferences	- Businesses expanded - Number of clients - Number of clients retained in service area	- Business created - Jobs created/retained

A second class of metrics included measured and reported project outcomes that did not appear among the goals articulated for most projects in the category. These are metrics that likely appeared relevant only after a project was implemented or that were measured in a way that was different from the original project goals. For example, most capital projects reported the number of "businesses created and expanded" but had set a goal that related only to "businesses created". And, incubator projects generally reported "graduated firms" as an outcome measure, but did not always include this metric as a project goal. These measures help describe the impact of ARC investments, but are not useful in evaluating the success of projects in achieving stated goals.

The third class of metrics included those that were both stated project goals and measured and reported project outcomes. These metrics provide a means of measuring the "success" of the portfolio of projects included within each program category as will be described in more detail below.

Table 7.2[83] provides initial quantitative results for metrics that were common within program categories. These results provide insight into the range of measurable impacts associated with EI investments. Entrepreneurship education projects, targeted to youth, exposed 11,634 students and teachers to entrepreneurship principles. Almost 1,500 entrepreneurs participated in sector-specific activities. Incubators served 475 clients and graduated at least 15 firms. Training and technical assistance were provided to 1,620 entrepreneurs in the region. While these data suggest positive outcomes for EI investments, it is difficult to quantify these results for the entire EI portfolio of investments since metrics varied across project types.

Some measures were found to be common across categories – jobs created/retained and businesses created/expanded.[84] Table 7.3 provides initial quantitative results for these metrics. These results show that EI investments did produce positive quantifiable results in terms of both job and business creation – metrics most often reported in evaluations of economic development projects. EI investments in sample projects created or retained 5,339 jobs, created 248, expanded 39, and created or expanded 324 businesses.

While the evaluation team cautions against using single performance measures to gauge the success and impact of ARC's EI, there is value in placing these entrepreneurship development investments within the context of more traditional economic development metrics – specifically, cost per job created/retained and cost per business created/expanded. Table 7.4 presents estimates of these costs for the ARC sample projects as well as for similar types of business development programs. ARC public costs per job or business created compare favorably with program investments made in a variety of similar types of programs. With the

[83] Job creation/retention and business creation numbers included in Tables 7.2 and 7.3 in this chapter differ slightly from those reported in Chapter 6, Table 6.7. Data in this chapter are more conservative because some individual projects were excluded from this analysis if they did not report both measured and projected outcomes. In Chapter 6, totals were calculated across the entire sample as a collective and, therefore, no observations were dropped.

[84] As with any data collection effort, there are caveats that must be stated. In conducting the follow-up interviews with project leaders, most reported jobs created and retained as a single category rather than separate categories. The evaluation team has chosen to report this combined category since it was not possible for most respondents to distinguish between new and retained jobs. In addition, one can consider the impact of a job retained within a community or region as being equivalent, from an economic development perspective, to a new job created. A similar caveat applies to businesses created and businesses expanded. Depending upon program type, some projects reported combined metrics – businesses created and/or expanded – while others, such as incubators, reported only business creation numbers. We have chosen to report these categories as they were reported during interviews with project leaders.

exception of incubator costs, ARC investments produced jobs and businesses at lower public cost than other types of investments. However, it is important to recognize that these ARC figures reflect the cost in terms of ARC dollars and not total dollars invested in these projects. Given that sample projects leveraged $1.20 in private investments per $1 of ARC investments, these costs are understated by about half. However, even inflating these cost figures to reflect total investments shows that ARC investments compare well against similar investments. As importantly, these job creation cost figures are relatively small compared to the average cost per job created via industrial recruitment strategies which can range anywhere from $7,000-$15,000 per job on an annual basis.[85]

While positive, these metrics alone cannot answer the question of whether EI projects have achieved their objectives. The evaluation team considered two factors in evaluating the overall success of the initiative:

- Whether project leaders considered the project to be successful
- Whether measured outcomes exceeded stated goals (for quantitative measures).

To assess the first factor, project leaders were asked whether they considered the project a success, whether the project had met stated objectives, and whether the project was sustainable over time, i.e., beyond the ARC grant period. The evaluation team felt justified in using this key informant information since there was no compelling reason why project leaders would not be objective in evaluating success. For most projects, ARC funding had ended and project leaders had nothing to gain by being overly optimistic about project results. In addition, ARC has not continued to fund the EI as a separate initiative, so project leaders had no incentive to overestimate impacts. Finally, project leaders were informed that the evaluation was about the overall impacts of EI projects and not about the individual performance of any single project. In addition, during the interviews, project leaders shared information about both the successes and failures associated with their activities.

Table 7.5 shows that, overwhelmingly, project leaders considered projects to be successful and to have achieved program objectives, as determined through follow-up interviews. Project leaders generally defined success in terms of accomplishing the goals set out at the beginning of the project. However, they were also likely to consider a project that had achieved some, but not all, of its objectives as being successful. And, they were less concerned about the extent to which a goal was met, as long as they saw some accomplishment toward the goal. For example, oftentimes a project manager would consider a goal of "creating 50 jobs" as being met if they had created some but not all of those jobs.

[85] Peter Fisher, "The Fiscal Consequences of Competition for Capital," Reining in the Competition for Capital, Ed. Ann Markusen (Kalamazoo, MI: WE Upjohn Institute, 2007).

If project goals are used as a benchmark for assessing project success, it becomes important to assess whether project goals, as initially defined, were attainable. That is, were project goals reasonable and realistic? Unfortunately, it is not possible through this ex post evaluation to determine on a project by project basis whether goals were attainable. However, interviews with project leaders suggest that project goals did change over time, often being revised as the project was implemented and the overall direction refined. For instance, some project leaders indicated that they learned over time that their goals had been too ambitious and that they did not realize how difficult implementing the project would be. In addition, there were qualitative results that contributed to the project leader's view that the project was successful, but which did not relate to the original goals of the project. In both cases, project leaders had legitimate reasons for declaring the project a success, based on their personal experience and understanding of the broad set of impacts achieved.

Project leaders were generally objective in identifying the sustainability of their projects – defined simply as whether or not the project continued beyond the period of the ARC grant. It is important to recognize that sustainability was defined in terms of the project itself and not in terms of the businesses or jobs that were created as a result. Again, there appeared to be no incentive for these leaders to overestimate sustainability and the responses to these questions suggest that project leaders evaluated sustainability more critically than they did success. Even when some part of a project proved to be sustainable, project leaders most often defined the project as "not sustainable" if the most substantive parts of the project did not continue.[86]

While the perception of project leaders is an important factor to consider in evaluating the success of the EI, follow-up interviews also generated data on both stated goals and measured outcomes for a set of metrics. These metrics provide quantitative information to assess the performance of the initiative. While individual projects experienced varying levels of success in achieving stated goals, the evaluation team chose to view the success of the EI from a portfolio perspective, i.e., data are reported for each program category rather than for each individual project within that category. From this portfolio perspective, it is clear that the initiative was successful in achieving most of the common goals identified for each program category.

Table 7.6 shows that for six of nine metrics, the stated goal was exceeded or met. For the other three variables, the stated goal was not met. However, it is useful to consider each of these variables in more detail. For entrepreneurship education projects, a stated goal was new business starts. Given our original conceptual model, the primary programmatic goal for these types of projects was to get more entrepreneurs into the pipeline – to build entrepreneurial skills in

[86] It is important to note that most of the projects that were sustainable beyond the ARC grant continued to rely on local, state, foundation and other support. Very few of these projects were sustainable defined as producing income sufficient to cover the operating costs of a program.

young people and expose them to entrepreneurship as a potential career path. The literature is quite clear that entrepreneurship education for youth is not about creating businesses in the short run. It is about inspiring young people to develop skills that can lead them toward entrepreneurship in the future. For ARC's EI, metrics were reported for entrepreneurship education projects that lasted from one to four years, as described in Chapter 6. Creating fewer new business starts than projected may have more to do with a misalignment of goals and metrics than with lack of success for this set of programs. Following students who participated in these ARC funded projects as they advance through school and into a career path would likely generate more accurate metrics on business creation than could be expected from this initial, short-term glimpse of project impacts. Unfortunately, none of these projects provided that long-term follow up.

In terms of incubator performance, one can argue that incubators are established to help create more informed and more highly skilled entrepreneurs whose businesses, as a result are more productive and more likely to remain in the region. These goals could very well be achieved with no impact on job creation, at least in the short run. In addition, the range of activities included in the incubator program category – from grants for feasibility studies to implementation grants – may skew job creation figures. Capacity building projects such as an incubator feasibility study are unlikely to have any measurable impact on job and business creation.

Similarly, one can argue that technical assistance and training projects serve to create better skilled and informed entrepreneurs who, in turn, improve the performance of existing businesses. While some aspiring entrepreneurs may create businesses as a result of the technical assistance and training they receive, new business creation is not the primary goal of many technical assistance providers, such as some Small Business Development Centers that work mostly with existing business owners.

The leveraging of private investment is a final quantitative measure that tracks local support of entrepreneurship. ARC investments were described by key stakeholders as catalytic. The ability to attract private investment, i.e., leverage, as a result of ARC investment is one measure of the impact that these funded projects have had on the region. Table 7.7 presents actual and projected total private leverage for all ARC projects and sample projects. Projected leverage includes the private investment associated with both closed and open projects, suggesting the longer term impact associated with ARC investments. For the ARC portfolio as a whole, private leverage rates range from 1.7:1 (actual) to 2.6:1 (projected). For the sample, leverage rates range from 1.2:1 (actual) to 1.4:1 (projected).[87] Collectively, ARC and leveraged private investments have

[87] The discrepancy in leveraging rates between the universe of projects and our sample results from four revolving loan fund projects that were not included in the sample but leveraged almost $32 million in private investment.

had an impact by creating the quantitative and qualitative impacts described in this chapter.

Conclusions Regarding Quantitative Impacts

Based on analysis of quantitative metrics for the evaluation sample, ARC's Entrepreneurship Initiative has had an impact on the region. Collectively, sample projects created or retained over 5,300 jobs and created or expanded over 600 businesses. While it is not possible to determine definitively whether these jobs would have been created without ARC investment, project leaders reported these outcomes and indicated that ARC investment was critical to achieving these impacts.

Business and job creation numbers tell only part of the story. Over 11,500 students and teachers participated in or received training from the sample entrepreneurship education projects in which ARC invested. Almost 1,500 entrepreneurs participated in sector-focused activities. Another 1,620 received training and technical assistance, while 475 were served by incubators. Every dollar invested by ARC in these sample projects leveraged $1.20 in actual private investment and is projected to leverage $1.40 private dollars for every ARC dollar invested when project investments are complete. And, project leaders and others in the region identified a number of qualitative impacts from these investments that are having far reaching consequences for the Appalachian region. In addition to supporting the conclusion that the EI has had an important positive impact on the region, these observations also suggest that a portfolio of programs like ARC's EI requires a "portfolio of metrics" to accurately tell the story of program impact.

Table 7.2. Quantitative Results for Metrics Common within Program Categories[88]

CAPITAL ACCESS		ENTREPRENEURSHIP EDUCATION		SECTORS		INCUBATORS		TECHNICAL ASSISTANCE AND TRAINING	
Metric	**#**	**Metric**	**#**	**Metric**	**#**	**Metric**	**#**	**Metric**	**#**
- Businesses created/expanded - Jobs created/ retained	223 1,229	- # of participants/ trainees (students or teachers) - New business starts (student or adult)	11,634 85	- # of participants/ trainees 1,497 - Business created/ expanded - Jobs created/ retained	101 994	- # current clients - Total clients served 475 - # graduated firms 15 - Jobs created/ retained -Complete incubator feasibility study 3	114 130	- # business expanded - # of clients 1,620 - # of clients remaining in service area 114 - Businesses created - Jobs created/ retained 2,986	39 163

Table 7.3. Quantitative Results for Metrics Common across Program Categories

PROGRAM CATEGORY	JOBS CREATED/RETAINED	BUSINESSES CREATED	BUSINESSES EXPANDED	BUSINESSES CREATED/EXPANDED
Capital Access	1229	---	---	223
Entrepreneurship Education	---	85	---	---
Sectors	994	---	---	101
Incubators	130	---	---	---
Technical Assistance and Training	2986	163	39	---
TOTAL	**5339**	**248**	**39**	**324**

[88] Only those metrics that were reported as project outcomes are included in this table.

TABLE 7.4. COMPARISON OF COST PER JOB CREATED/RETAINED AND BUSINESS CREATED/EXPANDED – ARC SAMPLE PROJECTS AND OTHER REPORTED PROJECTS

ARC SAMPLE PROJECTS[A]	EDA PROJECTS	PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS[G]	INCUBATORS[H]	ENTERPRISE FACILITATION IN KANSAS[I]	SBA MICROLOAN PROGRAM[J]
$ per job created/retained: Capital Access - 624 Sectors - 732 Technical Assistance - 579 Incubators - 3,994 **$ per business created/expanded:** Capital Access - 2,988 Sectors - 3,759 Technical Assistance - 7,818	**$ per job created:** Revolving Loan Funds[b] - 936 Rural Projects[c] - 6,157 Urban Projects[d] - 2,982 Public Works[e] - 4,857 Defense Adjustment[f] - 12,000	**$ per job created -** 929 **$ per business created -** 3,300	**$ per job created -** 1,100	**$ per job created -** 2,400 – 7,800	**$ per job created -** 4,568

[a]Figures are public cost per job, counting ARC project investments only, not total project investment including leveraged private funds.
[b]Figures are for EDA project investments only, not total project investment. Source: Robert W. Burchell, EDA RLFs: Performance Evaluation (Washington, DC: U.S. Economic Development Administration, 2002).
[c]Source: Amy K. Glasmeier, Cost per Job Associated with EDA Investments in Urban and Rural Areas (Washington, DC: U.S. Economic Development Administration, 2002).
[d]Source: Glasmeier (2002).
[e]Source: Robert W. Burchell, EDA Public Works Program: Performance Evaluation (Washington, DC: U.S. Economic Development Administration, 1997).
[f]Source: Robert W. Burchell, EDA Defense Adjustment Program: Performance Evaluation (Washington, DC: U.S. Economic Development Administration, 1997).
[g]Source: Pennsylvania Small Business Development Centers, “Return on Investment: 2005” 13 December 2007 <http://www.pasbdc.org/downloads/pdf/impact.pdf>.
[h]Source: Lawrence Molnar, et al., Impact of Incubator Investments (Athens, OH: National Business Incubation Association, 1997).
[i]Source: Don Macke and Deborah Markley and Erik Pages, “Enterprise Faciliation® in Kansas: Lessons and Recommendations,” RUPRI Center for Rural Entrepreneurship, August 2005.
[j]Figures include actual dollars loaned plus cost of technical assistance per job created. Source: Association for Enterprise Opportunity, Testimony by Kevin Kelly, Managing Director for Policy and Advocacy, before the House Committee on Small Business, September 27, 2007.

Table 7.5. Project Leaders' Perceptions of Project Success and Sustainability

QUESTION	# RESPONDING "YES"	% RESPONDING "YES"
Did you think the project was a success?	87	89.7
Do you feel you achieved the objectives set forth for this project?	85	92.9
Has the project continued after ARC funding ended?	86	79.1

Table 7.6. Measured Success of ARC's Entrepreneurship Initiative Portfolio

PROGRAM CATEGORY	STATED GOAL	MEASURED OUTCOME	PERFORMANCE (=/-/+)
Capital Access	79 jobs created/ retained	1,229 jobs created/retained	+
Entrepreneurship Education	4,483 participants/trainees (students or teachers)	11,634 participants/trainees (students or teachers)	+
	141 new business starts	85 new business starts	-
Sectors	38 businesses created/expanded	101 businesses created/expanded	+
	438 jobs created/retained	994 jobs created/retained	+
Incubators	162 jobs created/retained	130 jobs created/retained	-
	3 completed incubator feasibility studies	3 completed incubator feasibility studies	=
Technical assistance and training	177 businesses created	163 businesses created	-
	1,295 jobs created/retained	2,986 jobs created/retained	+

Table 7.7. Actual and Projected Leveraged Private Investment – Universe and Sample Projects

	ARC $	ACTUAL LEVERAGED PRIVATE $	PROJECTED LEVERAGED PRIVATE $
Universe	42,971,688	72,802,868	109,879,064
Sample	12,847,733	15,856,275	18,596,174

QUALITATIVE IMPACTS

There is an emerging consensus among practitioners, particularly in rural places, that entrepreneurship development is a long-term economic development strategy. It requires a cultural shift from a mindset of dependency to one of self-sufficiency. In other words, this requires a change in the view that growth will only come from decisions and investments that are controlled from outside the community to one that growth will come from encouraging homegrown entrepreneurs and the businesses they create. ARC's Entrepreneurship Initiative was designed to encourage this culture change and to build capacity within the region to become more entrepreneurial. One might expect, therefore, that the outcomes achieved through EI investments would extend beyond job and business creation. Interviews with project leaders and stakeholders across the region identified a set of cross-cutting qualitative outcomes, described below, that suggest a much broader impact on the region than that described through the analysis of quantitative metrics.

- **ARC investments raised the profile of entrepreneurship as a development strategy, helping to change the mindset within the region.** The investments made by the EI helped to raise awareness of entrepreneurship and to give credibility to entrepreneurship as an economic development approach. The EI projects "opened people's eyes to other possibilities" and showed that there was "more to economic development than infrastructure". According to one interviewee, the "most effective part was the fact that ARC recognized entrepreneurship as economic development. That, in itself, was a major step."
- **ARC investments represented "but for" money in the region, providing start-up funding for innovative projects.** The EI projects often represented "outside the box" thinking or demonstration projects that would not have gotten off the ground "but for" the ARC investment. In some places, these projects served to prove a concept or approach that then attracted additional investment. ARC investments were variously described as being "catalytic" or "foundational" to the efforts to encourage entrepreneurship in the region.
- **ARC investments leveraged additional resources that helped some projects achieve scale and impact.** As demonstrated in Table 7.7, ARC's EI portfolio leveraged significant private investment. To the extent that these private funds represented resources new to the region, the impact would indeed be positive. It is possible, however, that some of these investments represent a reallocation of capital from one use to another in the region. However, in the case of capital access, ARC investment leveraged additional resources that helped to create an industry, in this case, the venture capital industry in the region.
- **ARC investments facilitated networking and collaboration among practitioners.** The increased focus on entrepreneurship helped to reinforce that practitioners were doing "good work" and served to connect

both people and organizations in broader regional partnerships. The investment provided support and encouragement to what one interviewee described as a "fragile community" of practitioners engaged in entrepreneurship development. Practitioners realized that they had assets, skills and opportunities to combine that would help them achieve self-sufficiency. As one interviewee noted, "It's amazing what we can get done here."

- **ARC investments helped to change people's attitudes, particularly among youth and their teachers.** Project leaders noted increased enthusiasm and a change in attitude among young people in particular. These changes were described in a number of ways including increased self esteem, improved performance in school, and a new "entrepreneurial mindset" for students; increased enthusiasm and interest in pursuing their own entrepreneurial aspirations among teachers.

These qualitative insights are drawn from interviews with key stakeholders in the region. It was beyond the scope of this evaluation project to conduct the in-depth field work required to accurately verify these outcomes. However, these recurring themes were heard across our interviews, from people representing different states and organizations – non-profit and governmental – and engaged in different aspects of entrepreneurship development – from providing capital to educating youth. A more rigorous assessment of these qualitative impacts would be possible by designing a participatory evaluation approach as part of project design. The challenges and opportunities associated with this approach are discussed in Chapter 9 as part of the "best in class" metric system.

Conclusions Regarding Qualitative Impacts

By identifying the qualitative outcomes associated with ARC's EI investments, a more nuanced, in-depth picture of the impact on the region is obtained. The EI has served to "change the conversation" – to elevate entrepreneurship as a key component of economic development in the region. The beginning of a culture shift is evident at the community level, where EI projects have been having demonstrable quantitative and qualitative impacts. There is less evidence that these impacts are translating into policy change at the state level, suggesting the need to explore the lessons learned from the EI experience for both entrepreneurship development, generally, and the design and management of future ARC entrepreneurship investment activities.

What do these qualitative impacts suggest about the metrics needed to measure the broad set of outcomes entrepreneurship investments may have? The observation of these impacts supports the need for using a broad set of metrics to accurately depict project outcomes. These qualitative outcome measures could include:

- Public investment ($) in entrepreneurship development activities (pre- vs. post project investment)
- Private investment leveraged ($) as a result of project investment in entrepreneurship development
- Perceived change in community/regional support for entrepreneurship development (as measured through pre- and post-investment community surveys)
- Increased collaboration among support providers (as measured by the number of partners contributing resources to entrepreneurship development).

CHAPTER 8
LESSONS LEARNED FROM THE ARC ENTREPRENEURSHIP INITIATIVE EXPERIENCE

When ARC first announced the Entrepreneurship Initiative in 1997, ARC staff and its state and local partners had a very limited base of experience and effective practices upon which they could build. Yet the EI investments were not a completely new thing. In fact, many EI projects had similarities with earlier ARC investments in capacity building or sector development strategies. In addition, other small business development programs (such as the national Small Business Development Center initiative) or state business support programs (such as Pennsylvania's Ben Franklin Partners effort) offered useful ideas and lessons learned.

While these earlier programs provided some useful lessons, none of these predecessors sought to combine the objectives of supporting traditional economic development goals, such as new business starts, with a wider mission of knitting entrepreneurial development into the mainstream of economic development thinking and practice in Appalachia. As a result, the ARC team was, in some sense, building the road as they traveled it.

Through the course of the EI, ARC and its program partners learned a great deal about how to do entrepreneurial development right. These lessons were sometimes learned through the school of hard knocks, as once promising initiatives failed to pay the expected dividends. In other cases, successful pilot projects were replicated throughout Appalachia and throughout the US. For example, ARC's early investments in developing alternative equity capital sources were one stimulus for creation of the New Markets Venture Capital initiative and New Markets Tax Credit program which now supports more than $19 billion in investments in low-income communities.

Throughout the evaluation process, the research team has focused on gathering these "lessons learned" as means to capture established best practices, exemplary program models, as well as informal and tacit learning that has occurred through the life of the EI program. These lessons learned should inform future ARC investments (in entrepreneurial development and elsewhere) as well as other federal, state, and local efforts to promote entrepreneurship.

The compiled "lessons learned" generally fall into two broad categories. One set of lessons applies to those actively engaged in the practice of entrepreneurship development – people who are implementing entrepreneurship education, training and technical assistance, capital, incubator, and networking or sector specific initiatives in their communities, regions or states. The other set of lessons applies more directly to the design and implementation of ARC's Entrepreneurship Initiative and would be most useful to those seeking to create similar or additional region-wide initiatives.

LESSONS FOR PRACTITIONERS – WHAT WORKS IN ENTREPRENEURIAL DEVELOPMENT

Nearly all of the interviewees offered thoughtful lessons learned based on their participation in EI. Because EI was something of a “new thing” for many state and local partners, it forced many project leaders to think differently and move out of their traditional comfort zones. As the projects progressed, the project teams evolved in their thinking and became more sophisticated in understanding the key ingredients for a successful regional entrepreneurship strategy.

Project leaders and other regional stakeholders emphasized several key lessons learned. If one were concocting a recipe for successful regional entrepreneurship projects, the following ingredients would be required. Organizations with these attributes tended to be more successful than their counterparts who lacked some or all of the necessary key ingredients. These exemplary practices related to program and community leadership, a program’s management, goals and objectives, and a program’s outreach efforts (Table 8.1). Additional information on each of these factors is provided below.

Table 8.1. Lessons Learned for Practitioners from Evaluation of ARC’s Entrepreneurship Initiative

LESSONS FOR PROGRAM LEADERSHIP	LESSONS FOR PROGRAM MANAGEMENT	LESSONS FOR PROGRAM OUTREACH
Successful entrepreneurship initiatives had sparkplugs or local champions that provided leadership for these efforts. Local capacity was a key to success.	Program self-sufficiency (sustainability) and success went hand in hand. Entrepreneurship development was recognized to be a long-term process. Successful projects altered their goals and approaches as conditions warranted.	Partnerships and collaborations were important to success. Successful projects celebrated and shared the story of their success.

Lessons for Program Leadership

Successful entrepreneurship initiatives had sparkplugs or local champions that provided leadership for these efforts.

The need for committed local leadership is a critical requirement for success with regional entrepreneurship efforts – just as it is with other forms of economic development. The role of this local “sparkplug” became especially important in the EI since it was, in part, designed as a response to the decreasing dividends generated by traditional economic development strategies based on business recruitment and attraction. Changing thirty years of economic development practice would not occur overnight. In many communities, the concepts of entrepreneurial development were not well understood or were resisted by those who were comfortable with the status quo as the way things had always been done.

In the midst of this environment where the new concepts were poorly understood or discounted, strong leadership was required. Entrepreneurial development needed a strong “brand” and a compelling vision that would capture the imagination of local leaders and residents. In most cases, this vision was generated by a local champion who came to embody the new approaches and the new vision for the region.

These leaders came from non-profit organizations, community colleges, schools, economic development organizations, and other institutions. They included people who were visionaries and saw the potential for entrepreneurship to be a force for change in their communities. They embodied the characteristics of entrepreneurs themselves – they saw opportunities, marshaled resources, were flexible, and determined and committed to creating a new economic development path in their part of Appalachia.

Abingdon, Virginia’s Appalachian Sustainable Development (ASD) and its leader, Anthony Flaccavento, exemplify this pattern.[89] Founded in 1995, ASD seeks to promote sustainable farming and forestry in Appalachian regions of Virginia and Tennessee. Southwest Virginia had always been a center of agriculture and forestry, but these industries, especially forestry, had never previously focused on sustainable practices. And, for many local leaders, environmentalism and economic development were opposing forces. In their view, environmentalists were opposed to business and insufficiently concerned about strengthening the local economy.

Flaccavento and ASD sought to redefine the debate by highlighting the tremendous entrepreneurial opportunities presented by value-added agriculture and forestry. They educated farmers about sustainable forestry practices and enlisted their support, so that instead of simply harvesting logs, local entrepreneurs could sustainably gather the wood, process the lumber close to home and use it in value-added products like flooring and wood trim. The Appalachian Sustainable Woods Processing Center, created with EI funds, became a local symbol for home-grown initiatives. It combined exciting entrepreneurial opportunities with a respect for home-grown traditions and industries, and fostered a growing belief throughout the region that sustainable business practices can and do work. In 2001, ASD created and is actively building its own Sustainable Woods product line[90] to sell wood products that are environmentally friendly.

---

[89] An interview with Anthony Flaccavento can be found at PBS NOW *Enterprising Ideas* website, <http://www.pbs.org/now/enterprisingideas/asd.html>.
[90] To learn more, visit <http://www.asdevelop.org/sustainablewoods2.html>.

Local capacity was a key to success.

ARC has a long history of investing in local community capacity building,[91] and a number of the EI investments sought to develop local capacity for supporting entrepreneurs. For example, TEAM Pennsylvania sought to seed entrepreneurial assistance networks across the state. These networks would be affiliated with the seven economic development districts located within ARC's jurisdiction. This effort ultimately generated mixed results. Several of the networks jelled, and one effort (the Northeast Pennsylvania Entrepreneurial Alliance)[92] received a national award. Yet, few of these networks are now in operation and their role in supporting local entrepreneurs was limited.

The TEAM Pennsylvania experience was fairly typical for EI. Because of limited resources, EI faced significant challenges in creating new community capacity where none had previously existed. However, one case where EI contributed to building capacity is Tech 2020 in Tennessee. Tech 2020 was initiated in 1993 to build on the unique regional assets in eastern Tennessee and create a high tech industry. ARC made a series of investments totaling $1.2 million over five years to build the capacity of Tech 2020, primarily in the area of venture investing. Tech 2020 has grown over time into a significant economic development organization in the state and the region, playing a major role in establishing the Southern Appalachian Fund, one of the first New Markets Venture Capital Companies making investments in Tennessee, Kentucky and Appalachian Georgia and Mississippi.

When strong organizations with existing capacity were already in place, EI investments had a catalytic effect. In most of the successful cases, a community was home to an organization with a strong track record in other related fields of activity and this capacity was leveraged in support of entrepreneurship development. For example, the Kentucky Highlands Investment Corporation (KHIC) had been supporting community development efforts in Eastern Kentucky since 1968.[93] KHIC began as a traditional community development organization but its mission has evolved over time. Over the years, it has become an intermediary for many Federal lending programs, such as SBA and USDA, and had thus developed extensive in-house financial expertise and capacity. At the time of the EI's introduction, KHIC was seeking to increase the supply of seed-

---

[91] For an evaluation of these projects, see Brian Kleiner, et al., Evaluation of The Appalachian Regional Commission's Community Capacity-Building Projects, Final Report to the Appalachian Regional Commission, July 2004, xi.
[92] National Association of Development Organizations (NADO) Research Foundation, Business Not as Usual: Regional Development Organizations Promote Rural Entrepreneurship (Washington, DC: NADO, 2002), <http://www.nado.org/pubs/pioneer02.pdf>.
[93] To learn more, see Deborah Markley and David Barkley, Development of an Entrepreneur Support Organization: The Case of Kentucky Highlands Investment Corporation, RUPRI Center for Rural Entrepreneurship, Research Case Studies Series No. 1, March 2003, <http://www.ruraleship.org/content/pdf/KHICfinalstudy.pdf>.

stage equity in the region. Thanks to EI investments, KHIC was able to branch out into these new related markets. Today, the Southern Appalachian Fund, backed in part with EI dollars, manages $12.5 million that can be invested in local firms seeking early stage equity capital. The success with which the Southern Appalachian Fund emerged as a developmental venture capital force in the region was due, in part, to the strong KHIC base upon which it was built.

Lessons for Program Management

Program self-sufficiency (sustainability) and success went hand in hand.

While all ARC grantees seek to be self-sustaining, effective EI projects viewed ARC funds as start-up investments that were not an end in themselves. Instead, ARC dollars were used to jump-start programs that would rise or fall based on how they performed in the marketplace – just like any other entrepreneurial venture. Projects that had a goal of becoming self-sufficient appeared to create better outcomes and stronger sustained efforts. Leaders of these projects pursued sustainability by creating partnerships and finding resources to continue to build the program beyond the ARC grant. Creating sustainable economic development programs takes time; this lesson suggests that making self-sufficiency an explicit project goal may result in greater priority being placed on its achievement.

As a group, the EI's Capital Access projects performed best in terms of leveraging outside investments to have a sustainable impact on the region. As described above, a developmental venture capital industry was spawned through the efforts of organizations funded, in part, by ARC. KHIC and Tech 2020 were able to launch the Southern Appalachian Fund (SAF) as one of six New Markets Venture Capital companies in the country through initial support provided by ARC. SAF received $2 million in New Market Tax Credits in 2002, and was able to raise a total of $12.5 million from investors, including the Tennessee Valley Authority, foundations and a number of banking institutions. The principals behind SAF credit ARC with its creation. One noted that if EI's director "had not been creative, Southern Appalachian Fund would not have been created." ARC was also an early investor in Meritus Ventures, a $36 million Rural Business Investment Company established in 2002. As with SAF, Meritus brings a much needed source of equity capital to support expanding companies in the region. Among Meritus' investors are regional entities, such as TVA and the University of Kentucky, private financial institutions, and some high net worth individuals. Both SAF and Meritus are combining access to capital with business support services, funded in part by the U.S. Small Business Administration and U.S. Department of Agriculture.

Yet attracting new money is not the only measure of an effective and sustainable program. Sustainability can also be generated when programs succeed in attracting new partners, building local collaboration, and generating energy and buzz about local community-building efforts. The development of Athens, Ohio's Dairy Barn Arts Center reflects this pattern. Thanks to a $50,000 EI grant, the Dairy Barn Southeast Ohio Arts Center was able to build a shop to sell artwork and crafts produced by local craftspeople. The shop soon turned a profit, becoming self-sustaining and providing valuable income to approximately 100 local artisans. The shop has also stimulated new partnerships with local schools, and has generated buzz about the Arts Center's other projects. From an entrepreneurship standpoint, the project has also helped educate local people about the potential for "self-sufficiency through art."

The Clinch-Powell Community Kitchens (in Treadway, TN) pursued a similar path to sustainability. ARC's investments aided the kitchen in purchasing some new equipment, but more importantly, program managers invested these dollars to improve marketing capabilities for incubator clients. As the Community Kitchen has grown, it has developed close partnerships with the Clinch Appalachian Artists Cooperative. As artists and food producers have built partnerships, they have entered new markets with new combined products such as gift baskets. Many of these products are now sold via the Appalachian Spring Cooperative, a joint marketing effort designed to promote family farms and local artisans.

Entrepreneurship development was recognized to be a long-term process.

It takes years to produce the culture change that is a desired outcome of many entrepreneurship development efforts. Successful project leaders recognized the long-term nature of their endeavors and concentrated on developing the staying power – resources, leadership, organizational capacity, community support – needed. As one interviewee noted, "It usually takes longer to reach the critical mass (and resultant job and business creation) than you would expect." And, another noted the need to "be patient, education projects don't have immediate results."

By definition, the EI's entire portfolio of youth entrepreneurship education projects reflects this perspective. These projects rarely assessed their performance based on traditional economic development measures of job creation or leveraging of new investments. Appropriately, they measured progress according to unique measures, such as the number of schools offering entrepreneurship training or students' increased awareness of business concepts.

ARC sought to publicize the best regional youth entrepreneurship initiatives through its sponsorship of the 2002 and 2003 Appalachian Youth Entrepreneurship Springboard Awards (Table 8.2).[94] Twelve different programs were honored for their ability to teach youth about the key components of entrepreneurship, to develop clear and measurable outcomes that provided value

[94] See Appalachian Regional Commission, Appalachian Youth Entrepreneurship Springboard Award: 2002 and 2003 Winners, 2004, <http://www.arc.gov/index.do?nodeId=1994>.

to the local community, and to create models that could be sustained at home and replicated elsewhere.

The Springboard Award winners were located across the region, and were based at a variety of institutions including public schools, non-profits, and vocational training centers. Walhalla High School (in Walhalla, SC) was one of the first Springboard awardees. The Walhalla School District requires all ninth graders to be exposed to entrepreneurship training in their social studies class. When these students enter high school, they can take two separate entrepreneurship-related courses where they are introduced to basic business concepts and move on to start their own businesses. Each year, Walhalla High School students start dozens of new school-based companies. In 2007, a local student won the prestigious International Young Entrepreneur of the Year Award from the National Foundation for Teaching Entrepreneurship.

Other Springboard winners sought to use entrepreneurship education as an effort to slow the out-migration of area youth. Virginia's Lonesome Pine Office of Youth used ARC funds to support the Stay for Life Project at Bush Mill. This effort linked local youth with area volunteers who rebuilt and refurbished a local stone mill that is now used to produce flour and corn meal. Area youth continue to operate the mill and sell its products, and point to the effort as a great means to learn about entrepreneurship and about the history of their community. More importantly, they were exposed to the idea that they can enjoy a successful economic future without having to leave their hometowns.

Table 8.2. Springboard Award Winners – 2002 and 2003

2002 WINNERS	2003 WINNERS
Estill County High School, Irvine, Kentucky	Hale County Technology Center, Greensboro, Alabama
Tupelo Middle School, Tupelo, Mississippi	Monroe County High School, Tompkinsville, Kentucky
ACEnet, Athens, Ohio	Ripley Union Lewis Huntington High School, Ripley, Ohio
Walhalla High School, Walhalla, South Carolina	East Stroudsburg High School-North, Dingmans Ferry, Pennsylvania
Lonesome Pine Office on Youth, Big Stone Gap, Virginia	Carroll County Public Schools, Hillsville, Virginia
Randolph County Vocational Technical Center, Elkins, West Virginia	United Technical Center, Clarksburg, West Virginia

Additional information about the Springboard Awards can be found on the ARC website at http://www.arc.gov/index.do?nodeId=1994.

In addition to the Springboard Awards, ARC made investments in other youth education programs that have proven to be sustainable. ARC invested in a program run by the University of Alabama to bring entrepreneurship education to a 10-county region in the state. The program was successful in using the REAL curriculum to train students and to build school-based enterprises. The program continued beyond ARC funding, expanding to 14 counties. Many of the students were at risk and according to the project leader some businesses were started as a result of the training. In another case, ARC funded the Ohio-West Virginia YMCA to use REAL training in a summer camp for youth. Two of the important outcomes identified were the engagement of schools, communities and an economic development district in the project and the change in attitudes seen in the young people for participated in the camps.

While ARC's investment in youth entrepreneurship programs and approaches reflects a concern for changing the culture of the region, it was less apparent that portfolio investments were made with explicit attention to the development of entrepreneurs over time. Many of the incubation and TA projects measured outputs such as businesses served rather than measuring the transformation of entrepreneurial skills or the outcomes associated with the projects, such as improved business performance. Insights gained from the implementation of Lyons and Lichtenstein's Entrepreneurial League System® approach suggest that the long-term transformative impact of entrepreneurship investments depends, in part, on the development of entrepreneurs over time.[95]

Successful projects altered their goals and approaches as conditions warranted.

The EI was the first regional effort to encourage entrepreneurship development and investments were made when the field was relatively new. Project leaders were plowing new economic development territory and many projects were considered demonstrations. Effective project leaders adjusted their approaches to reflect changing demand and to overcome unexpected obstacles. As a result, these projects achieved outcomes that were positive but, in many cases, different from what was originally intended.

Georgia's Appalachian Community Enterprises' (ACE) experience during the EI may be instructive. ACE was established to help address a pressing capital gap facing many small businesses in North Georgia. As ACE developed its microloan program, it soon discovered that simply making new loan funds available was an insufficient response to the challenges facing the region's small firms and aspiring entrepreneurs. Many local residents lacked money skills or suffered from poor credit ratings that made it nearly impossible for them to do business with local banks. As a result, ACE quickly geared up its financial literacy education efforts. Programs such as ACE's Money Camp for Grown-Ups are now used to help residents learn personal money management skills.

[95] Gregg A. Lichtenstein and Thomas S. Lyons (2001).

As ACE has introduced new programs, it has also begun to enter new markets. North Georgia is in the midst of a massive influx of Latino immigrants who are changing the face of many of the area's small towns. These new residents are also very interested in starting new businesses, and ACE has now begun an aggressive effort to provide services to the region's Hispanic entrepreneurs.

In Coeburn, Virginia, the initial intent behind an EI grant was to provide training to low-income people to become crafters. However, according to the project designer, "We learned that you can't teach people to be artists and crafters unless they want to be." But through the exploration associated with the ARC grant, they learned that a significant number of musicians were seeking ways to expand their music businesses. The project leader credits the EI with helping the local area spawn a popular spot for bluegrass and country music. Now people of all ages are participating in the Friday night concerts and Thursday evening jam sessions. Crowds are coming from miles around to dance, eat, and enjoy affordable, excellent entertainment. The community center originally started through the ARC grant is a vintage downtown building that formerly housed Lay's Hardware. It is being conserved through income generated and utilized as a mecca for music, the arts, and various art-related training sessions. They are a site for, and one of the progenitors of, *The Crooked Road*, a 13-county effort to highlight and market country music venues throughout Southwestern Virginia.

Lessons for Program Outreach

Partnerships and collaborations were important to success.

Successful projects marshaled resources by forming partnerships and collaborating with other organizations to share resources and build capacity. They leveraged assets and avoided duplication of efforts. These partnerships also facilitated networking among service providers, creating a better environment for entrepreneurs.

Nearly all of the EI projects were built on partnerships of some sort. In fact, partnerships – at least in the form of matching dollars from state or local sources – were a requirement of all EI grants. But, several EI projects developed exemplary collaborations that still exist today. For example, ARC invested $100,000 to support a regional biotechnology initiative in western North Carolina. This project linked Advantage West (the regional development agency), NC Bio, Buncombe County, Western Carolina University, and several other key players. These funds allowed Advantage West to hire a full-time regional biotech coordinator, and to also develop biotech incubator space at Ashe-Buncombe Technical Community College. They also developed a region-wide biotech steering committee that still operates today. This effort is now an integral part of a statewide North BioNetwork, with Ashe-Buncombe College serving as headquarters for the state's BioNetwork BioBusiness Center.

Another example of regional collaboration can be found in the Start Smart initiative funded by the EI in a nine-county region of Appalachian Tennessee. Funding was provided to the Southeast Local Development Corporation to provide technical assistance and training to entrepreneurs in these rural counties – a region of the state that did not have a critical mass of business resources. This initiative built on prior successful work by the Southeast Women's Business Center and project leaders were able to leverage this reputation to get buy-in for the ARC-funded project. However, collaboration was not achieved through reputation alone. The Women's Center program director identified all the business resource providers who served the region and personally met with each of them. By understanding who the potential partners were – their strengths and potential weaknesses – the director leveraged significant resources in support of entrepreneurs throughout the region and designed a value-added program.

Successful projects celebrated and shared the story of their success.

Many projects engaged the media to help build community support as well as to publicize their activities as part of a broader marketing campaign. Some communities held up their successful entrepreneurs as role models. ARC was also instrumental in sharing success through their region-wide education efforts, e.g., conferences, and programs like the Appalachian Youth Entrepreneurship Education Springboard award.

Kentucky's Artisan Heritage Trails Program, headquartered in Richmond, Kentucky, was especially savvy in its media outreach strategies. Program leaders faced two challenges in terms of media outreach. First, they needed to engage local artisans to participate in the program. Second, they needed to market outside of the region to attract tourists to use the trails and visit local crafts people. In terms of engaging local artisans, project leaders focused first on using the Internet as a marketing tool. As local crafts people began profiting from online sales, word of mouth did the rest of the work. More artisans signed up and the project was off and running. The Trails program began with a small base of 82 artisans. Today, more than 600 artisans sell their wares through the program.

The Trails Programs has also been very savvy and fortunate in its efforts to attract tourists to the region. The most recent innovation is an online trail system that allows visitors to map out their travel plans (along 17 different trails) and also learn more about sites and shops long the trail. But, a more important partnership has been developed with National Geographic. The site was featured in *National Geographic Traveler* magazine and its online maps can be accessed at the *National Geographic Traveler* website.

LESSONS RELATED TO EI PROGRAM – WHAT WORKS IN PROGRAM DESIGN AND IMPLEMENTATION

While this evaluation uncovered significant praise for ARC's leadership in entrepreneurship development and the value of the investments made from 1997-2005, challenges experienced with the program provide some lessons that may contribute to the continuous improvement of this or other initiatives in the future. Interviewees cited several key challenges that relate to the program's initial design, its structure for implementation, and efforts to track and communicate its impacts (Table 8.3).

Table 8.3. Lessons Learned for Program Design and Implementation from Evaluation of ARC's Entrepreneurship Initiative

LESSONS FOR PROGRAM DESIGN	LESSONS FOR PROGRAM IMPLEMENTATION	LESSONS FOR PROGRAM IMPACTS
Practitioners and entrepreneurs have unique local knowledge that can be applied to program design and subsequent program refinements. Successful initiatives brought together related investments, in this case, other regional economic development or entrepreneurship-related investments.	Getting EI funds to local partners was dependent upon state program managers and varied based on the importance assigned to the initiative. The size of the ARC EI grants placed limits on regional impacts.	Building a broader base of support for entrepreneurship investments requires continued efforts to "make the case" to local leaders. Programs can be improved by embracing long-term and locally-driven evaluation of program outcomes and impacts.

Lessons for Program Design

Practitioners and entrepreneurs have unique local knowledge that can be applied to program design and subsequent program refinements.

Nearly every interviewee felt that the EI was an idea whose time had come. The initiative was appropriately tailored for local needs, and helped introduce new economic development concepts into the region. Nonetheless, two primary issues emerged when program managers and other stakeholders commented on the initial design of the EI. First, some practitioners felt they could have been more engaged in the design of the Entrepreneurship Initiative**.** People in the field felt they had limited input on how the EI was designed or on helping ARC understand what was needed in the region. And, they felt there was no explicit approach to engaging entrepreneurs – the customers – in program design. Second, they also suggested that ARC encourage a more holistic approach to entrepreneurship development. Successful programs weaved together the various ARC initiatives into a more holistic, systems approach to development, combining EI investment with broadband, etc. This lesson could guide ARC in designing future programs.

Critics recognized that the EI, and other ARC special initiatives, do not simply emerge out of thin air. ARC staff and state program managers are responding to trends in the field and to their own analyses of local economic development needs. Indeed, ARC engaged advisory groups with good representation from the private and non-profit sectors to inform the design and implementation of the EI. However, as ARC continues to develop future special initiatives or other entrepreneurship-related investments, it might consider supplementing these approaches with other methods that capture local input in a broader and more systematic manner. Multiple methods could be employed. These could include online surveys, public forums (e.g., listening tours or town hall meetings) that discuss potential new program ideas, or even a process of formal petitions or suggestions provided by state or local program partners. Of paramount importance in any approach taken by ARC, however, is to engage the entrepreneurs in decision making about entrepreneurship development program design.

These techniques are all designed to create a more transparent process of communication between local partner organizations and ARC staff. This more open process will not only help to improve local satisfaction with ARC programs, it will also improve their effectiveness as they become more responsive to local markets and more cognizant of local economic development capacities.

Successful initiatives brought together related investments, in this case, other regional economic development or entrepreneurship-related investments.

A second challenge concerns the relationship between EI and other regional economic development investments from ARC and other local, state or federal partners. For some communities, EI investments served as a one-time investment to support a youth entrepreneurship summer camp or to fund the start-up costs of an incubator. When these projects lacked a sustainability plan or were poorly coordinated with other regional development efforts, they tended to fizzle out once ARC funding ceased.

Virginia's use of EI funds presents a compelling contrast, offering a model of how to link ARC funding into a broader regional regeneration strategy. Southwest Virginia's economy had long depended on mining and manufacturing as regional drivers. At the time of EI's inception, state and local leaders were focused on developing new strategies for regional reconstruction. They viewed EI funds as seed investments to support strategies around heritage tourism, sustainable agriculture and forestry, and Main Street development. As such, they sought to tie EI projects to the Virginia Main Street program, and also used EI dollars to start-up marquee projects like *The Crooked Road* heritage music trail and the *Round the Mountain* artisans' network. In fact, six of the eight venues on *The Crooked Road* tour have received ARC funds. Virginia has invested dollars from subsequent ARC special initiatives (in broadband and asset-based development) to further support this larger region-wide strategy. As one statewide observer put it, “We see ARC as part of a mosaic, not as projects. . . . ARC programs are tools, not ends in themselves.”

A similar process occurred in Western Maryland’s Garrett County where local leaders linked the EI to an ongoing effort to revitalize the county’s downtown areas. EI investments were coordinated with Main Street programs. Main Street programs focused on issues of streetscapes, beautification, and supporting local retail; EI dollars supported expanded business technical assistance, a new microloan program, and creation of a business incubator. Together, these efforts have helped revitalize downtown Oakland and the county’s other town centers.

Lessons for Program Implementation

Getting EI funds to local partners was dependent upon state leadership and varied based on the importance assigned to the initiative.

State governments are the ARC’s key regional partners, so it is not surprising that several dimensions of state government helped shape the EI process. The differences between state approaches to the EI are quite striking. As we saw in the case of Virginia, several states used EI funds to support components of a wider regional development strategy. Other states, such as Pennsylvania, steered investments toward certain types of programs or strategies (e.g., entrepreneurial assistance through networking). Finally, other states supported grass-roots innovation and funded a host of local pilot projects.

In addition to pursuing different strategies, states also differed in terms of their commitment to promoting entrepreneurship as a regional development strategy. Some governors and state program managers were cool to the new approach, while others viewed it as a critical component for community transformation. Not surprisingly, the level of “buy-in” by state leaders had a large impact on how the deployment, outcomes and effectiveness of the program varied by state. If the EI was not a priority for state leaders, it was not likely to be promoted within their state. Statewide performance of EI projects also seemed to improve when state program managers had close ties with local community practitioners.

When it comes to state program management, there is no one best approach. Each strategy has its pros and cons, and each strategy may also exclude some programs from potential consideration for ARC funding. These programs may be located in regions or may be pursuing approaches that fall outside of the state’s primary strategic focus. State leaders will retain a central role in future ARC project decisions, but, in the case of special initiatives, ARC might consider setting aside some portion of funds that are open to direct application from localities or non-profits. Further details of this proposed Innovation Fund are presented in Chapter 9.

The size of ARC grants placed limits on regional impacts.

Practitioners, and state program managers, were challenged by the relatively small pool of money allocated to the EI. State program managers noted that it was difficult to figure out what to do with small amounts of money and it was hard to get recognition for the EI as a result. Most of those interviewed recognized the political necessity for ARC to spread resources throughout the region but noted that this often resulted in too little money to achieve significant impacts. As one stakeholder noted, the initiative sowed many seeds but the ground was not fertile enough to grow sustainability for most of these efforts.

Table 8.4 provides a summary of state-level EI investments on an annual basis. They indicate that ARC faced serious obstacles when seeking to transform regions or even a region's thinking about entrepreneurial development. ARC's investments were generally dwarfed by other economic development spending in the region. For example, Kentucky spent $808 million on economic development in 2004,[96] dwarfing ARC's 2004 Kentucky EI investments of nearly $384,000. Because of these disparities, ARC investments must be tightly focused on programs that can build scale, be sustainable, and have major impact.

One interviewee referred to the "sprinkling effect" of EI investments. ARC spent enough dollars to meet one of the EI's key objectives – to educate state and local leaders about the potential of entrepreneurial development as a regional development strategy. Unfortunately, the investments were not sufficiently large to meet ARC's other objectives of fostering "systemic change in the economic development landscape of the region."[97] With average per project investments of $126,387, the EI served mainly as seed stage funding for regional transformation. There are some noteworthy exceptions that prove the value of more sustained investments in program development. ARC made a series of grants to a number of programs throughout the region that have demonstrated sustainability after the EI investments were completed. The Shoals Entrepreneurial Center incubator in Alabama and the Natural Capital Investment Fund (NCIF) in West Virginia are two examples of multi-year grant making that helped build institutional capacity that ultimately led to sustainable organizations that continue to have an impact on their states and, in the case of NCIF, the region.

What this lesson learned suggests for the structure of any future entrepreneurship investments is that "next level" investments for local initiatives that the EI has spawned are needed. Interviewed project managers remained strongly committed to building on the momentum generated by EI. They noted

[96] Mountain Association for Community Economic Development, Accounting for Impact: Economic Development Spending in Kentucky (Berea, KY: Mountain Association for Community Economic Development, 2005).
[97] Appalachian Regional Commission, Entrepreneurship Initiative Program Summary, September 30, 2003, http://www.arc.gov/index.do?nodeId=1970.

that the EI had “kick-started the conversation” and had “got people thinking” about new ways to build community prosperity. The cultural shift sought by EI’s designers is starting to take hold. One community leader put it well, “I don’t hear the phrase, ‘this isn’t gonna work’ anymore.” The region’s residents – and its economic development organizations – are increasingly aware of local economic assets and their ability to support home-grown economic development approaches.

ARC has sought to build on this momentum through its regular programs and ongoing Chairman’s initiatives in broadband, energy, and asset-based development. But, it should not abandon its previous focus on local entrepreneurial development. Indeed, as demonstrated in Chapter 5, entrepreneurship is a key asset in the region and can be a driving force within ARC’s asset-based development initiative. ARC was instrumental in seeding entrepreneurship activity in the region, and it should consider some way to continue these investments. Emerging successful programs would benefit from “next level” funding that would allow project leaders to move these initiatives to a level that has the potential for transformative impact.

Lessons for Program Impacts

Building a broader base of support for entrepreneurship investments requires continued efforts to “make the case” to local leaders.

While the EI has been successful in beginning to change attitudes toward entrepreneurship, this cultural shift is by no means universal throughout the region. Particularly among local elected officials, capacity building and efforts to make the case are needed.

Interviewees were quite positive about ARC’s ongoing education efforts. Under EI, the agency sponsored several well-attended conferences on entrepreneurial development in general, and on specific topics such as business incubation and support for creative industries. All of these events were well attended and received high marks for attendees. Although ARC issued specific invitations to local elected officials in an attempt to get them to these events, for the most part, attendees were already engaged with ARC as grantees and partners in the EI program. ARC should consider additional outreach efforts, spread across the region to encourage participation, as well as investments to provide workshops or training to the region’s elected officials or those who work in government agencies or cooperatives focused on other rural development issues (e.g., rural telecommunications cooperatives, USDA Cooperative Extension officials, Conservation Districts, etc.) These programs need not be funded solely by ARC but could be developed in cooperation with relevant trade associations. Through these partnerships, ARC could not only spread the message about the importance of entrepreneurial development. It would also reinforce an important message that effective entrepreneurial development requires a holistic and collaborative approach to economic development. Entrepreneurial development is not the sole province of economic developers. It requires partnerships with elected officials, educators, local business owners, and other key stakeholders in the region.

Programs can be improved by embracing long-term and locally-driven evaluation of program outcomes and impacts.

Practitioners would have benefited from ongoing assessment of project outcomes and follow up from ARC to share lessons learned and support mid-course changes as needed. It was clear that a better metrics system, both in terms of defining relevant outcomes and collecting and reporting data, was needed.

This finding echoes the results of Westat's 2004 evaluation of ARC's community capacity-building projects which found that community program managers were ill-equipped to track, measure, and publicize the outcomes of their programs and ARC investments.[98] In EI's case, few projects tracked metrics beyond those required as part of the ARC grant. This measurement challenge was identified as part of the initial evaluation of ARC's EI investments, completed early in the life of the initiative.[99] This early study observed that the internal evaluation and monitoring systems used in the sample projects lacked "specific outcome measures." While most projects they studied had created an evaluation system, "43 percent of all projects cited 'monitoring outcomes' as a problem." The persistence of this measurement challenge suggests the need for corrective action for future entrepreneurship investments.

As noted in Chapters 3 and 4, these shortcomings are not unique to ARC projects or to the general field of entrepreneurial development. In fact, because of their short life spans, few entrepreneurial development programs have been subjected to rigorous performance measurement and assessment.[100] Moreover, most ARC grantees had limited budgets and limited staff who were primarily focused on delivering programs and serving customers. As a result, few programs could devote sufficient attention to performance measurement.

Given the resource and time pressures facing program managers, ARC cannot expect them to embrace rigorous performance measurement and should instead seek to create incentives for more effective program assessment. ARC could set aside some portion of all grant funds (1-2%) to support program measurement. ARC could also develop a program measurement "toolkit" that helps walk all

---

[98] Brian Kleiner, et al., Evaluation of The Appalachian Regional Commission's Community Capacity-Building Projects, Report to the Appalachian Regional Commission, July 2004.
[99] Regional Technology Strategies, Inc., Evaluation of the Early Stages of the Appalachian Regional Commission's Entrepreneurship Initiative, Report to the Appalachian Regional Commission, December 2001.
[100] Organization for Economic Cooperation and Development, OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes (Paris: OECD, forthcoming).

grantees through the evaluation process. Finally, ARC could designate resource experts among its own staff (or partner organizations) who can provide technical assistance (when needed) on pressing performance measurement issues. These recommendations are further discussed in the next chapter.

Table 8.4. Annual and Total ARC Entrepreneurship Investments, 1997-2005, by State ($)

STATE	1997	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
Alabama	0	159,000	381,663	537,187	198,850	405,000	92,000	518,892	112,675	**2,405,267**
Georgia	110,000	0	441,826	0	581,529	349,442	83,000	723,747	334,118	**2,623,662**
Kentucky	92,769	226,000	787,500	290,532	510,500	225,362	657,880	383,794	587,198	**3,761,536**
Maryland	0	207,000	455,200	548,918	312,379	139,000	99,000	130,000	45,000	**1,936,497**
Mississippi	0	220,577	30,000	164,970	594,835	157,000	0	200,000	226,000	**1,593,382**
New York	0	243,140	187,654	920,000	75,000	25,000	145,000	265,000	35,000	**1,895,794**
North Carolina	0	0	0	1,050,000	0	444,908	200,000	157,500	673,673	**2,526,081**
Ohio	0	153,940	406,213	451,921	613,700	244,500	1,673,330	15,000	50,000	**3,608,604**
Pennsylvania	313,397	1,072,808	1,099,000	199,900	659,636	383,750	362,000	460,000	125,000	**4,675,491**
South Carolina	0	500,000	0	750,000	119,105	752,000	500,000	891,382	58,750	**3,571,237**
Tennessee	0	451,748	325,000	390,000	410,185	185,000	93,000	201,133	35,000	**2,091,066**
Virginia	374,500	0	495,380	416,527	476,630	433,000	181,200	280,391	90,000	**2,747,628**
West Virginia	142,150	752,948	1,075,916	300,537	1,673,748	1,042,835	582,000	458,400	1,105,474	**7,134,008**
Regional	14,000	332,503	124,623	264,901	169,162	79,610	973,574	108,063	75,000	**2,401,436**
Total ARC	**1,046,816**	**4,319,664**	**5,809,975**	**6,285,393**	**6,395,259**	**5,126,407**	**5,641,984**	**4,793,302**	**3,552,888**	**42,971,688**

*Figures include all projects (closed and open) and investments from all funding sources within ARC.