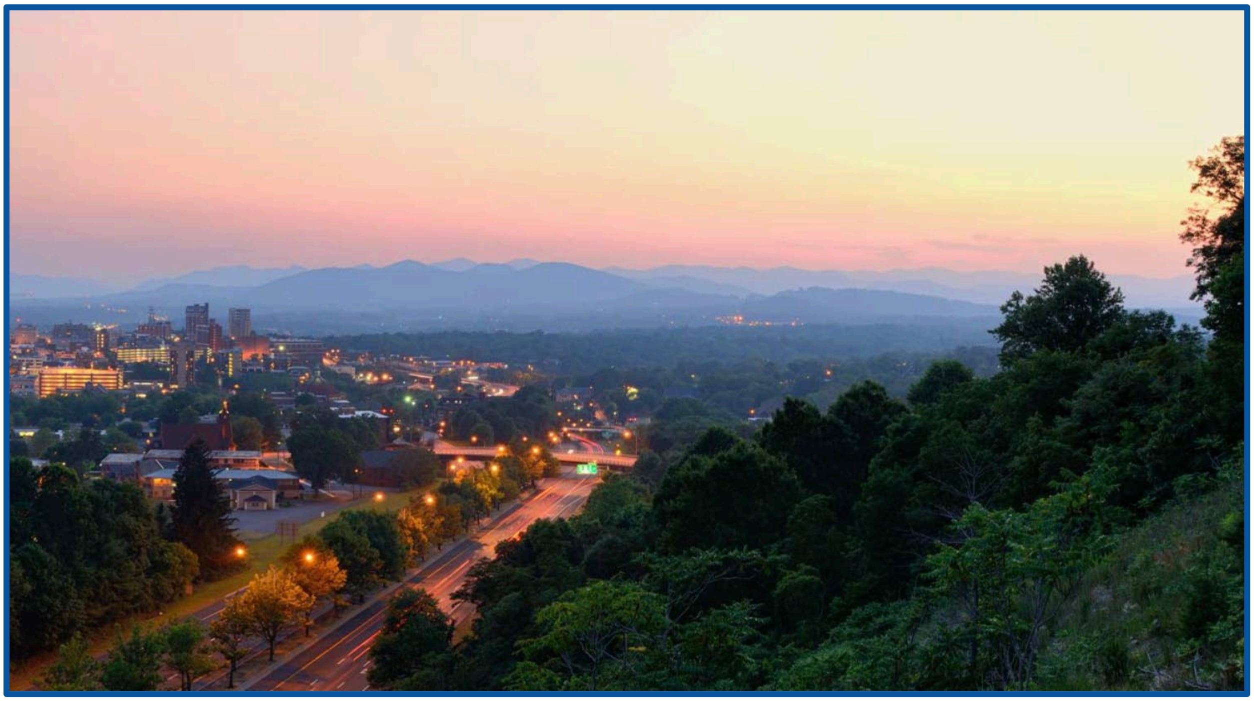
Making Connections for Stronger Businesses and Resilient Communities

Evaluation of ARC Business Development Grants Closed Between 2017–2021

October 2023



Prepared on behalf of

Appalachian Regional Commission

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Acknowledgements

The evaluation team would like to express our heartfelt gratitude to the grantees who took time to respond to requests for updated performance measures and to share their experiences in implementing their ARC grants. We would also like to thank the many partner organizations, community members, and business owners who made time to speak with us about their experiences and communities. Together, the information, experiences, and insights they shared enriched the quality of this evaluation. Their perspectives provided us with a deeper understanding of what is needed to effectively build an entrepreneurial culture and strengthen businesses in their communities.

We would also like to express our appreciation to the staff and leadership of the Appalachian Regional Commission for their partnership and consultation throughout the evaluation. Their vision, input, and feedback were instrumental to the evaluation.

Introduction

Photo by Pennsylvania Wilds Center for Entrepreneurship

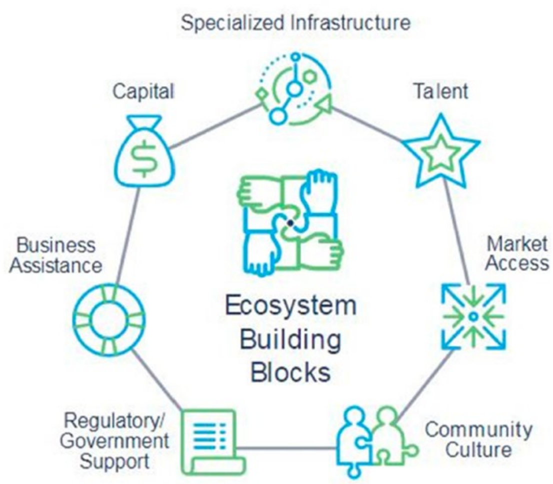
PA Wilds puts their money "where [their] heart is" by sourcing all the materials and services they need from local businesses and entrepreneurs. This keeps more dollars in their rural economy, helps unique businesses in the region thrive, and gives visitors something unique to take home.

About ARC's Business Development Grants

In its role as a regional economic development agency serving 423 counties across the Appalachian region, the Appalachian Regional Commission (ARC) works with a network of planning and development organizations across Appalachia and makes investments to build community capacity and strengthen economic growth in the region.

ARC's business development strategy is based on extensive research about the benefits of supporting local entrepreneurs, understanding the external factors that affect business growth, and creating an entrepreneur-friendly environment. As new ideas emerged, the concept of an entrepreneurial ecosystem was developed, and ARC established an entrepreneurial ecosystem model that guides its thinking about nurturing and supporting Appalachian businesses and entrepreneurs.

Figure 1: Appalachian Regional Commission's Entrepreneurial Ecosystem



ARC's efforts to foster the development of a strong entrepreneurial ecosystem in the region is visible in the place-based economic development and growth investments that have been made in the last decade, which support efforts in the following areas[1]:

- Business assistance: Providing easy access to tailored education, resources, and technical assistance for entrepreneurs, start-ups, and established businesses
- Access to capital: Providing diverse sources of capital to help firms start and grow
- Market access: Helping businesses and entrepreneurs access new and existing markets and leverage relationships to build their local presence
- Talent development: Building a regional talent base through entrepreneurship, education, and training

[1] *Entrepreneurial Ecosystems in Appalachia: Ecosystem Development Case Studies*. September 2018, 9.

- Specialized infrastructure: Addressing physical and other special infrastructure needs for entrepreneurs and small businesses
- Community culture: Honoring and embracing entrepreneurship
- Regulatory supports: Cutting red tape and promoting flexibility

To assess the impact of their investment portfolio, in Fall 2022 ARC released a Request for Proposals to conduct an evaluation of 220 grants, representing nearly $75 million in ARC investment.

The evaluation was conducted by a team of consultants who brought evaluation expertise together with business development leaders and entrepreneurs living and working in Appalachia. Additionally, the evaluation team was guided by an advisory council comprised of top-level experts in business and entrepreneurial development, including Don Macke, Senior Vice President of e2 Entrepreneurial Ecosystems; Donna Gambrell, President & CEO of Appalachian Community Capital; Nicole Dunn, Director and Co-Founder of Chamberlin/Dunn LLC; and Peter Hackbert, Chair of Entrepreneurship and Management at Berea College.

This report presents the findings of the evaluation, including the impacts achieved by the 220 grants, implementation strategies used, and factors of success and challenges encountered. The report concludes with ten case studies that highlight effective practices identified by grantees throughout the evaluation process.

Goals for the Evaluation of Business Grants Closed Between 2017 and 2021

The goals for the evaluation were to assess the performance of the business development grants included in the evaluation portfolio, to understand the grant implementation experience of grantees, and to highlight promising practices utilized among grantees. Additionally, ARC wanted to learn how grantees were affected by the pandemic and whether they were taking any action to foster equity and reduce inequalities in their target communities.

Accordingly, the evaluation was guided by questions that fell into six categories of inquiry:

> *Description of grantees in the portfolio*: What types of organizations received the business development grants? Where did grantees secure match funds? What experience did grantees have in securing ARC grants?
>
> *Grant performance*: To what extent did grantees meet their proposed goals upon conclusion of the grant period? To what extent were project-related activities sustained beyond the period of the ARC grant? What additional outcomes and impacts were realized since the conclusion of the grant?
>
> *Beneficiary impact*: What was the experience of ARC grant beneficiaries participating in the project? What changes did beneficiaries experience as a result of their participation?

Grantee implementation experience: What practices did grantees use to implement their grant? How did grantees develop and maintain critical partnerships? What factors influenced grant project successes or challenges?

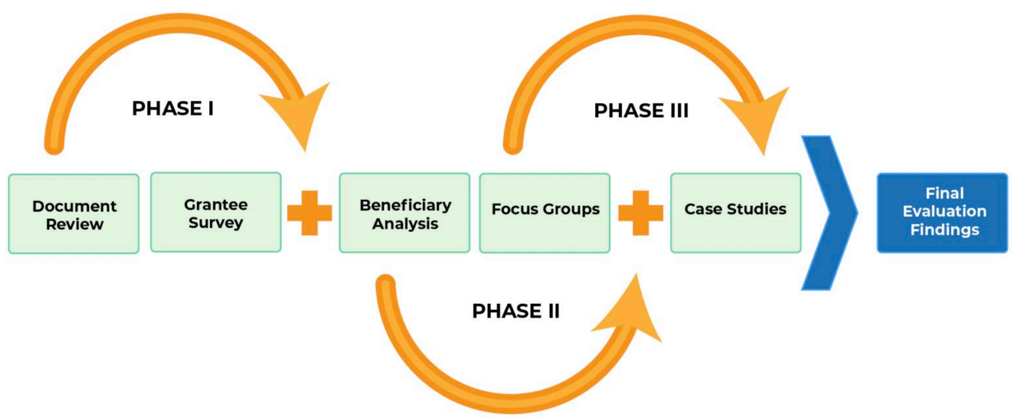
Impact of the COVID pandemic: What was the impact of the COVID pandemic on grantees' ability to serve their beneficiaries/communities? What changes, if any, have grantees implemented in response to evolving needs and opportunities that emerged from the pandemic?

Fostering equity: How did grantees foster equity and work to reduce inequity during the grant and after grant closeout? How closely do grantee organizations' beneficiaries reflect the demographics of the communities they serve?

Evaluation Methodology

The evaluation questions were addressed through three phases of effort using an iterative approach to collecting and analyzing quantitative and qualitative data.

Figure 2: Phases of the Evaluation Process



Initial data was collected and analyzed then reviewed with the evaluation team's advisory council and ARC staff for feedback. The findings that emerged from those conversations were used to shape the evaluation tools for the next phase of effort, as described in greater detail below.

1. **Engage grantees.** The evaluation team utilized a highly participatory approach to generate support for the evaluation and gain maximum input and feedback from all grantees. Recognizing that the evaluation portfolio included a large and diverse set of grantees serving equally diverse communities with different project goals, each member of the evaluation team was assigned a finite portfolio of grants, allowing them to become well versed in each project. The contact at each assigned grant then received an email to introduce the evaluation and determine the grant staff member who would serve as the point person for the upcoming work. All grantees were

then invited to attend one of two evaluation launch meetings. These sessions provided a forum to share the evaluation process and timeline, encourage grantees to participate, and respond to questions. As a further incentive to participate in the launch meetings, each meeting featured an expert speaker on a topic relevant to business development and entrepreneurship in the Appalachian region.

2. **Document review.** Concurrently, the evaluation team conducted a thorough review of materials related to the grants. Detailed data about the grants and outcomes were made available through ARCnet, ARC's grants management database, and prior studies and evaluations of ARC's business development program were reviewed.

3. **Update existing output and outcome data.** Once familiar with the grant projects under examination, the evaluation team worked to update performance measures for each grant project. Initially, the "Proposed" and "At Project Close" output and outcome data were extracted from ARCnet for all grant projects (n = 199 unique projects once renewal grants were bundled under one project). Individual output/outcome tables were then created for each grant and emailed to the grantees for updates. Recognizing that forty-four grantees (mostly POWER grantees) had participated in an evaluation or updated their performance measures in the spring of 2023, the evaluation utilized the updated performance measures submitted through these prior efforts so as not to unduly burden grantees. Using this process, updated measures were secured for 163 projects, representing 82% of the evaluation portfolio.

4. **Online survey.** To collect information about grantee implementation practices and other qualitative data about grantees' experience with COVID and fostering equity, the evaluation team worked with ARC staff to develop a grantee survey tool. Grantees were asked to complete the online survey and provide a list of beneficiaries that were served through their grant project within a two-month timeframe. Evaluation team members were available to answer any questions from grantees. Through the outreach efforts, the evaluation team received survey responses for 134 projects, representing 67% of the evaluation portfolio.

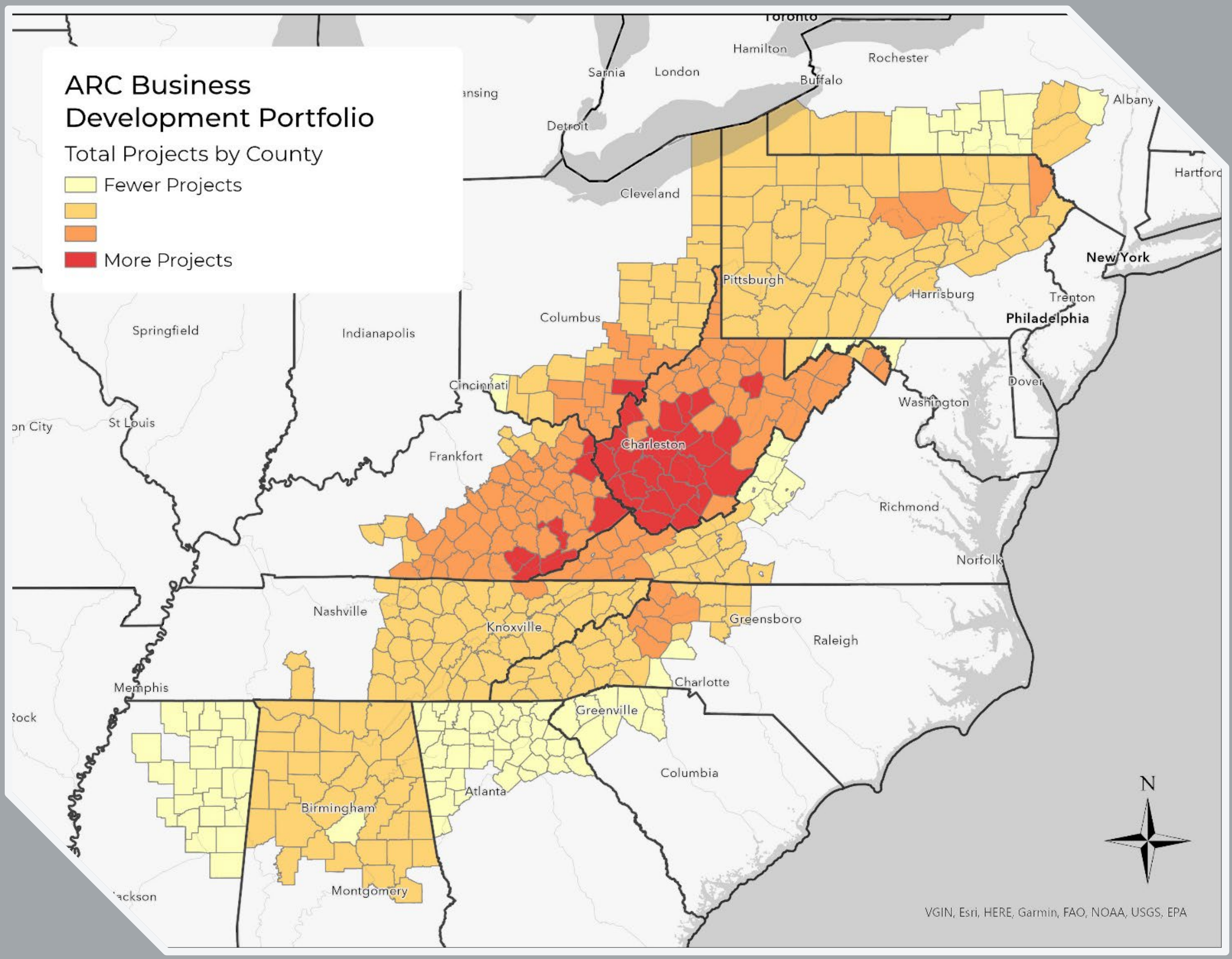
5. **Focus groups.** Upon closure of the online survey, findings were reviewed and discussed with the advisory council and ARC staff, and a set of seven topics to probe through focus groups was developed. The focus group topics were developed to explore practices, successes, and challenges in accessing capital; accessing new and existing markets; providing technical assistance and entrepreneur education; engaging in partnerships and collaborations; and offering bundled services. During the months of April and May 2023, staff members from 99 grant projects were invited to participate in focus groups; ultimately, the groups included staff from 42 unique organizations, representing 29% of all grantees. Focus group participants were guided through a facilitated conversation in which they reflected on the strength of

the entrepreneurial ecosystem in their communities, their experience with their grant project and working with ARC, and their perspective on fostering equity in their work and in their communities. Each focus group participant was given a $50 virtual gift card in appreciation for their time. Focus groups were transcribed using AI software for closer analysis.

6. **Interviews with select beneficiaries.** Concurrent with the focus group research, the evaluation team sought input from grant beneficiaries. Although many grantees provided beneficiary contact information, efforts to reach and involve beneficiary organizations proved to be a challenge. The initial plan to host beneficiary focus groups was shifted to individual interviews by phone to simplify scheduling; however, the evaluation team was still able to connect with only seventeen beneficiaries. The interviews inquired about the services received by the grantee, the value that beneficiaries ascribed to the grant project, their perspective of the business ecosystem in their community, and recommendations for additional supports needed to strengthen small businesses and entrepreneurs in their area. Later, in the case study phase, the evaluation team was able to conduct interviews with more than twenty additional beneficiaries. Learnings from both sets of interviews were combined to gain more insight into the experience of beneficiaries working with ARC grantee organizations.

7. **Case studies.** Finally, data gathered through updated performance measures, surveys, and focus groups were analyzed to develop a rich description of the grant projects, the successes and challenges that grantees faced, and the overall outcomes of the grant projects. Through this analysis, a refined set of success factor themes were identified and leveraged to identify ten best practice case study focuses. The evaluation team held conversations with eighteen grantees to explore interest in showcasing their project in a case study and selected thirteen grantees to feature around the chosen themes. Once confirmed, a formal interview with the grantee was conducted to gather information about grant implementation and best practices and lessons learned through these exemplary projects. Interviews were followed by in-person or virtual meetings with key project partners and beneficiaries to develop a fuller understanding of the project and its impacts.

Description of Grants and Grantees



Counties served by ARC Business Development Grants Closed between 2017–2021

The evaluation portfolio contained 220 grants that closed between fiscal years 2017 and 2021. After consolidating renewal grants, there were 199 unique projects under examination. The following section provides a brief description of the grant projects in the portfolio.

Grant Projects and Grantees

Grant projects served communities across all states in the ARC region, with 22% of grant projects serving all states or multiple states.

Table 1: Grant Projects by State

Grant Projects by State		
All States	17	9%
Multi-State	28	14%
Alabama	10	5%
Georgia	3	2%
Kentucky	14	7%
Maryland	4	2%
Mississippi	4	2%
New York	13	7%
North Carolina	17	9%
Ohio	9	5%
Pennsylvania	23	12%
South Carolina	5	3%
Tennessee	9	5%
Virginia	18	9%
West Virginia	25	13%

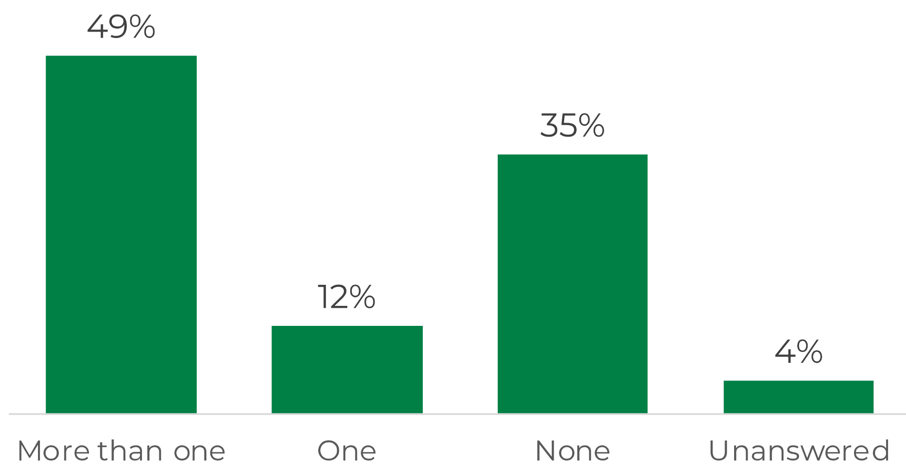
The grants were secured and implemented by a total of 147 grantee organizations as thirty-one organizations had more than one grant. Grantee types were diverse, with 47% being community-based non-profit and economic development organizations and 25% being governmental organizations, including local development districts and city governments.

Table 2: Organizational Types of Grantees

Type of Grantee	Number	%
Community and Economic Development Non-Profits	69	47%
Funders and Investment Networks	18	12%
Governmental Organizations	37	25%
Higher Education	20	14%
Other	3	2%

For many grantees, this was not their first ARC grant; more than 60% of these grantees had received at least one ARC grant previously, with many of the grants in the portfolio being continuing investments in projects demonstrating success.

Figure 3: Percent of Grantees That Have Previously Received an ARC Grant



NOTE: Data represents responses of 109 (74%) unique grantees who responded to the online survey.

Together, these grantees aimed to support local businesses, encourage entrepreneurship, and enhance communities for businesses success. Goals of their grant projects ranged across most of the entrepreneurial ecosystem elements, with nearly 50% of projects focused on increasing market access and providing technical assistance to existing businesses. Nearly 20% of projects aimed to increase access to capital, 17% of projects sought to establish specialized infrastructure (such as incubator space or equipment), and 17% of projects focused on nurturing local talent and the culture of entrepreneurship in the area through education, research, and/or planning.

Table 3: ARC Projects by Element of the Entrepreneurial Ecosystem

Project Type	Number	%
Market Access	50	25%
Business Assistance	44	22%
Access to Capital	38	19%
Specialized Infrastructure	34	17%
Talent/Culture of Entrepreneurship	33	17%

Grantee Outcomes

Photo by Coalfield Development Corporation

Revitalized by Coalfield Development Corporation using environmentally friendly techniques, the old Urlings General Store in Wayne, West Virginia, now provides the town of Wayne with five affordable housing units, a coffee shop, offices for the local housing authority, and a collaborative of family resource organizations.

Overall Impact of Grant Projects

At the highest level, the 199 ARC grants that closed between 2017 and 2021 served over 80,000 individuals and businesses. In doing so, they:

Helped to establish 1,944 new businesses.

Created or retained 29,352 jobs.

Attracted $923 million in leveraged private investment.

Made positive improvements to hundreds of Appalachian communities.

Grant Performance: Project Outputs and Outcomes Achieved

This section reports on the number of individuals, businesses, and/or communities served by the projects and the extent of their success in achieving their proposed performance measures. Because the average grant closed about four years ago, the evaluation examines the degree of projects' success at the time they were formally closed by ARC (at close) and whether the projects have continued to realize outcomes since the close of the project (updated).

The performance data reported below represents the outputs and outcomes of 182 projects in the portfolio, of which 163 (82%) provided updated performance measures. Given this high response rate, the outcomes are representative of all grantee types and project types. Note that ARC grant projects that are still open did not have data to report and so were not included in the analysis. Similarly, projects that reported significant and unverifiable outliers were removed so that only verified outcomes were included.

Table 4 illustrates the number of projects, by project and grantee type, that are included in the analysis.

Table 4: Number of Projects with Updated Measures Included in the Analysis

By Project Type	Total Projects	Projects with Updated Measures	%
Access to Capital	38	32	84%
Business Assistance	44	36	82%
Market Access	50	40	80%
Specialized Infrastructure	34	26	76%
Talent/Culture of Entrepreneurship	33	29	88%
By Grantee Type	**Total Projects**	**Projects with Updated Measures**	**%**
Community and Economic Development Non-Profits	81	66	81%
Funders and Investment Networks	41	39	95%
Governmental Organizations	45	32	71%
Higher Education	28	25	89%
Other	4	1	25%

Project Outputs: Individuals, Organizations, and Communities Served

Taken together, the grant projects proposed to serve:

- Nearly 25,000 individuals, including participants, students, and workers
- Nearly 12,000 businesses and organizations

Collectively, grant projects considerably surpassed these service goals, serving more than 60,000 individuals, exceeding the target by 141%, and more than 20,000 businesses and organizations, a 71% increase over goal.

Table 5: Individuals, Organizations, and Communities Served: Proposed, At-Close, and Updated

Beneficiaries Served					
Beneficiary	**Projects Reporting Measure**	**Proposed**	**At-Close**	**Updated**	**% Difference, Proposed to Updated**
Individuals					
Participants	45	10,412	27,737	32,359	211%
Students	17	9,372	9,693	18,632	99%
Workers	10	5,192	8,730	9,239	78%
Organizations					
Business	116	11,136	12,242	18,871	69%
Organizations	11	612	562	1,174	92%
Communities					
Community	56	772*	760	934*	

*Because of how communities are reported, these numbers are duplicated.

Project Outcomes: Successes Realized by Individuals, Organizations, and Communities

Similarly, the business development grant projects exceeded their proposed outcome goals of helping the people and organizations served realize measurable improvements. By the time performance measures were updated in early 2023, collectively, nearly 34,000 individuals had experienced at least some improvement in their knowledge and/or skills, exceeding the goal by 171%. These individuals included emerging entrepreneurs and staff of local businesses, college students or K–12 students attending entrepreneurial education programs, and workers receiving on-the-job training or other workforce development services. Additionally, 11,600 businesses and organizations saw improvements in performance, an 87% increase over the goal.

Table 6: Individuals, Organizations, and Communities Improved: Proposed, At-Close, and Updated

Beneficiaries Experiencing an Improvement					
Beneficiary	**Projects Reporting Measure**	**Proposed**	**At-Close**	**Updated**	**% Difference, Proposed to Updated**
Individuals					
Participants	35	7,414	17,041	19,083	157%
Students	16	2,751	7,075	12,268	346%
Workers	9	2,366	2,044	2,563	8%
Organizations					
Business	98	5,708	7,166	10,887	91%
Organizations	10	495	284	713	44%
Communities					
Community	53	588*	491*	584*	

*Because of how communities are reported, these numbers are duplicated.

Similar trends are evident in outcomes of the most commonly reported performance measures, including businesses created, jobs created/retained, revenues increased, and leveraged private investment. As illustrated in Figure 4 below, grantees were successful in creating and retaining jobs, exceeding those proposed goals by 79% and 39%, respectively. Grantees aiming to create new businesses had also exceeded their projected goals by 80% by the time of the update.

Figure 4: Businesses Created and Jobs Created/Retained, from Proposed to Updated

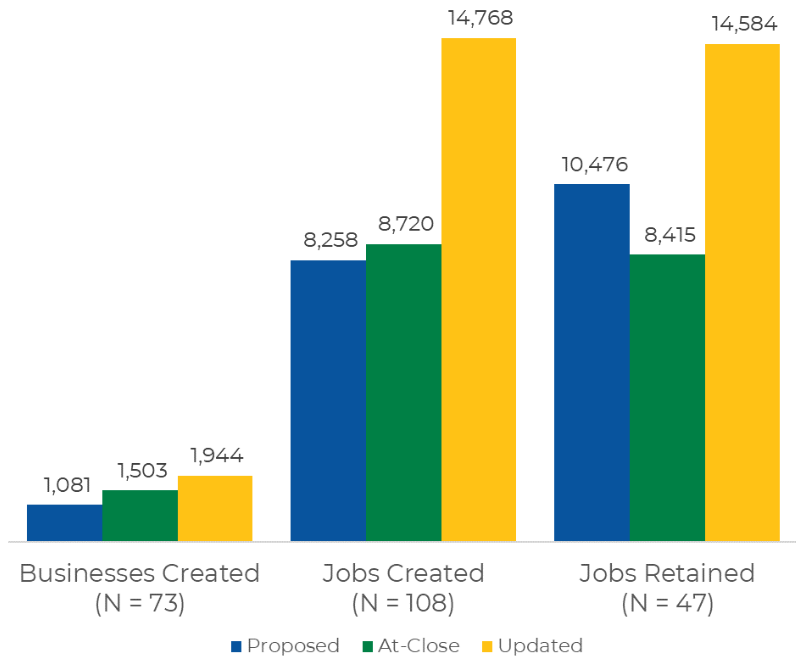
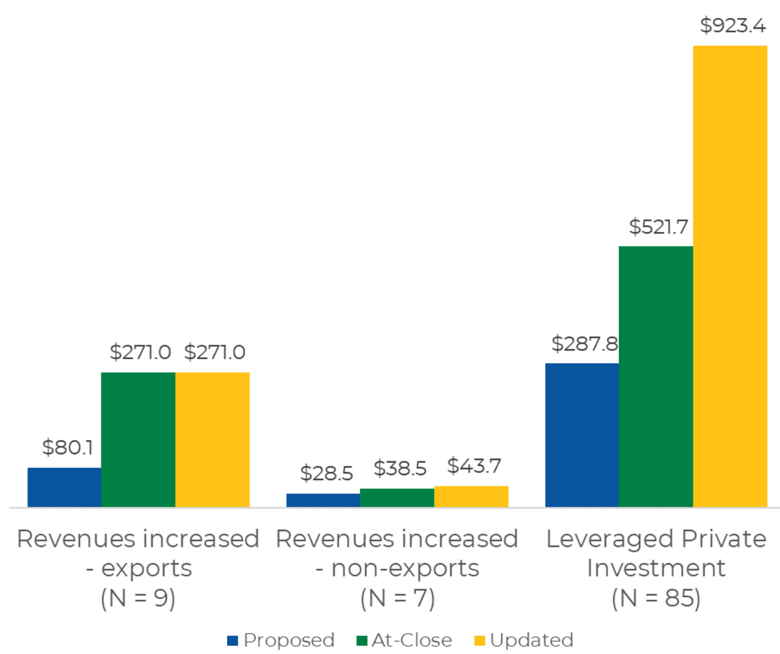


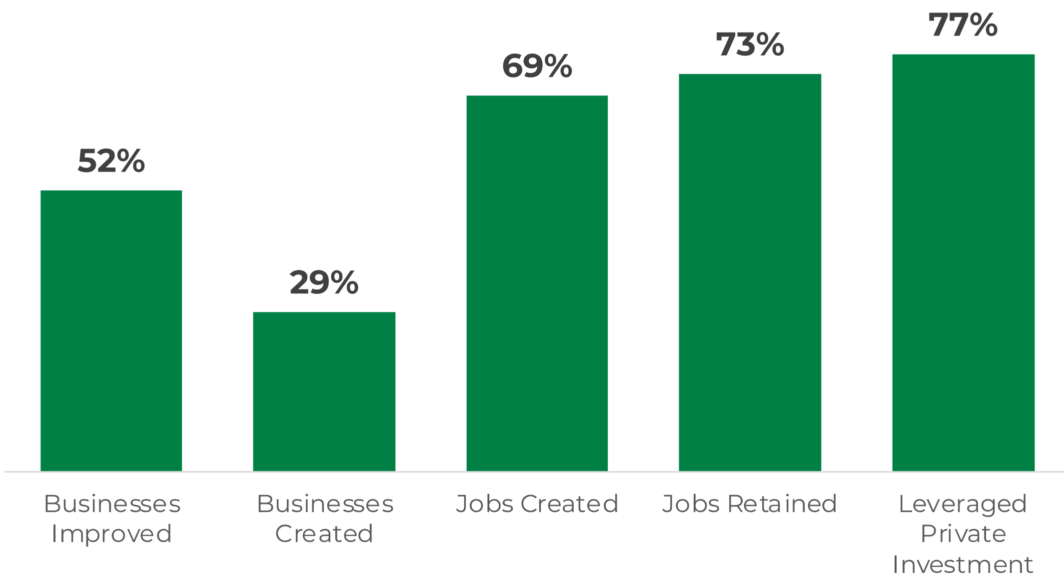
Figure 5 below presents the proposed goals and updated performance for revenue and leveraged private investment brought into the community. Goals for leveraged private investment were exceeded by 221%, while export-related revenues exceeded the goals by 238%.

Figure 5: Revenues Increased and Leveraged Private Investment, from Proposed to Updated (in Millions)



It is important to note that these outcome measures, especially businesses created and jobs created/retained, improved significantly when project activities had more time to realize impact. As demonstrated in Figures 4 and 5, and more specifically in Figure 6 below, the most commonly reported outcomes saw some of their greatest growth after the project had formally closed.

Figure 6: Percentage Change in Outcome Measures, from Project Close to Updated



In addition to the outcomes listed above, some grantees also proposed to meet several less common performance measures, including:

- Acreage – The number of acres impacted by an ARC site development or reclamation project. For example, Coalfield Development Corporation worked to help develop sustainable, organic agricultural fields through their Refresh Appalachia program.
- Linear feet – The number of linear feet of pipe, wire, cable, trails, etc., to be constructed or installed. For example, University of Kentucky Research Foundation undertook a downtown revitalization project serving several communities in KY and proposed to make improvements to pavement.
- Square feet – The number of square feet constructed or improved by an ARC project. For example, the town of St. Paul, VA, proposed to renovate a historic building in downtown to create space for tourism-related businesses and short-stay rentals for ATV riders visiting the Mountain View Trail System.

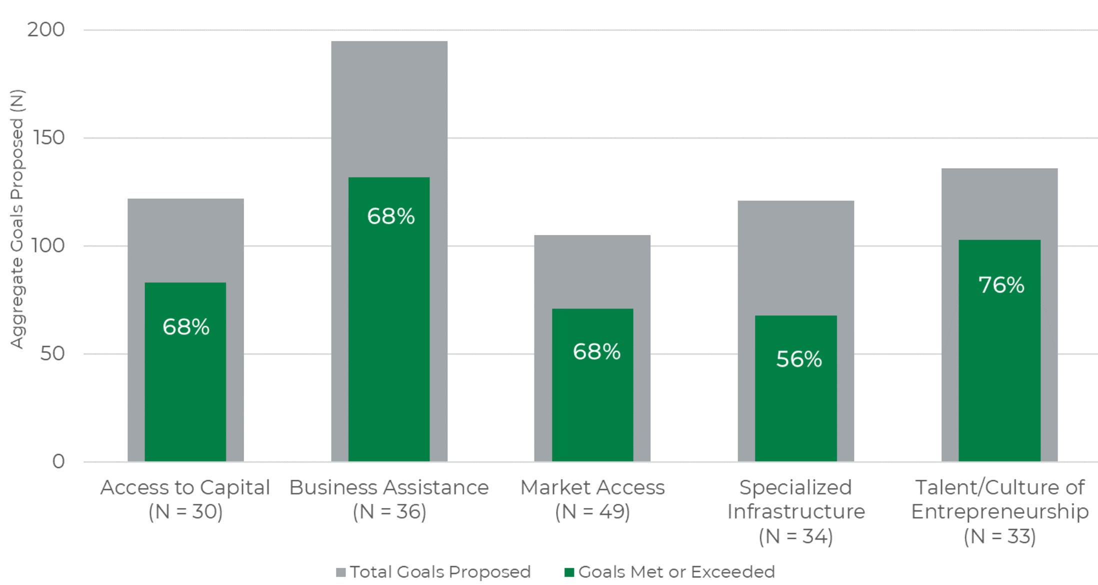
These grantees were also able to exceed their projected goals for other performance measures. Demonstrated in Table 7, all goals for these measures were exceeded, with the exception of new visitors (days) and households served.

Table 7: Outcomes for Other Performance Measures, from Proposed to Updated

Performance Measure	Projects Reporting Measure	Proposed	At-Close	Updated	% Difference, Proposed to Updated
Acreage	1	250	246	296	18%
Linear Feet	1	600	600	600	0%
Households Served	1	270	122	122	-55%
New Visitors - Days	2	22,000	0	0	-100%
New Visitors - Overnights	3	7,375	0	20,434	177%
Plans/Reports	47	303	337	425	40%
Square Feet	6	262,740	171,300	269,300	2%
Programs Implemented	11	20	18	60	200%

The outcomes reported above present the aggregate performance of projects reporting on each performance measure. When the outcomes are examined at the individual project level, some projects did not achieve all their goals, while other projects greatly exceeded some or all their goals, giving the aggregate results described above. Looking at goal achievement across all projects in the portfolio, on average, projects were able to meet or exceed 67% of the most common performance measures that were proposed. This suggests that most projects were successful in achieving or exceeding more than half of the goals that were proposed, as illustrated in Figure 7 below. Projects that worked to implement specialized infrastructure had the lowest goal attainment rate, largely due to external forces, such as flooding, that were beyond project control.

Figure 7: Percentage of Goals Met or Exceeded, by Project Type[2]



[2] The total projects sum to 182 as projects with unvalidated outliers were excluded from the analysis.

Apart from the tangible outcomes achieved, projects also realized valuable intangible outcomes, which may not have been proposed or foreseen. One important and more enduring intangible outcome reported by many grantees was the strengthening of their local entrepreneurial ecosystem as a result of their ARC grant project. Grantees identified deeper and more impactful collaborations or partnerships and a growing entrepreneurial mindset in the community as drivers of this stronger ecosystem.

Table 8: Grantee Perceptions of the Strength of Their Current Ecosystem

Ecosystem Element	A Strength	A Gap
Community Culture	60%	12%
Business Assistance	31%	7%
Specialized Infrastructure	24%	26%
Talent	24%	24%
Market Access	17%	19%
Access to Capital	12%	67%
Regulatory Support	7%	24%

Additional intangible outcomes reported by grantees included:

- Increased recognition, awareness, or understanding of a business or project.
- Development of new sources of funding or collaboration.
- Improved quality of life in the community.
- Newfound confidence of entrepreneurs and emerging businesses.

Beneficiary Experience and Impacts

> *"The relationships built through [the ARC grant] have helped to create an entrepreneurial ecosystem and supports for new businesses that didn't really exist before."*
>
> *~ ARC Grant Beneficiary*

The ARC grant projects served a wide, highly diverse range of beneficiaries, as illustrated in Table 9.[3]

[3] 134 grant projects (67% of all projects) provided information through the online survey about the beneficiaries they served.

Table 9: Types of Beneficiaries Served by Grant Projects

Type of Beneficiaries Served	Number of Projects
Individuals	
Workers/Employees	30
Farmers	27
Youth/Secondary Students/College Students	24
Organizations	
Small and/or medium-sized businesses	105
Entrepreneurs/startups	82
Aspiring entrepreneurs	58
Certified diverse business enterprises	40
Social enterprises	16
CDFIs or other revolving loan funds	10
Angel investment groups	7
Community	
Public Space/Infrastructure	18
Other	22

While grantees collected information about the impact of their projects on beneficiaries (such as the performance measures reported above), that data did not provide insight into the experiences beneficiaries had in receiving the project services or the extent to which the project helped them achieve their own business goals. Therefore, the evaluation set out to examine the beneficiary experience and the impact of the services on their organizations. As noted in the discussion of Evaluation Methodology, these findings are based on two different sets of interviews with approximately forty grantee representatives.

Overall, among beneficiaries interviewed by the evaluation team, most were positive about the services that they received from grantees and believed that they realized positive change for themselves or their business.

Beneficiaries cited several positive impacts from participating in the grant projects, with over half crediting the growth of their existing business or the start of a new venture to the services they received through the ARC grant. While beneficiaries reported several important supports and impacts of the ARC grants, including building and retaining wealth, money saved by being able to access needed services or equipment, and gaining visibility with target customers, the most valuable support reported was the facilitation of relationships and networking in their relevant ecosystems.

Table 10: Most Valuable Grant Supports and Impacts Reported by Beneficiaries

Most Valuable Aspect of ARC Grant	Impacts Realized
Relationships / Networking	New networks
Loan or grant funding	Growth of business
Education / training	Developed an entrepreneurial mindset
Direct service - space, equipment use	Building and retaining wealth
Marketing support	New marketing and visibility
Large bundle of many services	Other

Beneficiaries also noted several barriers to their success in their relative ecosystems. Accessing capital or not understanding the process to access capital and not having the skills and knowledge that they believed were needed to thrive as an entrepreneur were the top identified barriers. Importantly, several beneficiaries also noted challenges to entering an ecosystem without existing relationships. This is a particular challenge for minority entrepreneurs, including women, in less diverse spaces.

"There aren't a lot of women-owned businesses in the area. Luckily, I worked in economic development before this, so I was comfortable talking with men in the industry and already had relationships, but it's not that way for everyone."

~ ARC Grant Beneficiary

COVID also presented challenges for beneficiaries, although the extent of the impact varied by industry and sector. Generally, beneficiaries working in the outdoor and recreational sectors fared slightly better as COVID pushed many people toward outside activities and experiences.

Importantly, COVID also presented opportunities for beneficiaries; in fact, several beneficiaries noted that COVID was the reason they sought out the ARC-funded services. Others reported that COVID pushed them to diversify their service and product offerings, initially due to price fluctuations or distribution challenges, which in turn increased their client base. Others found that turning to innovations in technology resulted in access to new and more distant markets.

Table 11: Impacts of COVID on Beneficiaries

Negative Impacts	Positive Impacts
Delays in services / inspections needed to start business	COVID initiated their pivot into the services from ARC grantee
Limited capacity for customers - lost revenue	COVID forced beneficiaries' diversification of offerings, which has been positive
Movement to online education for young people was a net negative	Increased outdoor-based tourism
Business is still recovering	Forced innovations in how to sell products (online, take-out, mail)

When asked what other services or supports they would like to see in their communities to support small businesses and emerging entrepreneurs, all beneficiaries noted that help in connecting them to new networks and facilitating new relationships was the support most needed.

"These programs need to have an aspect that will facilitate relationship building. It is the most important aspect in helping an ecosystem thrive. We need voices from different industries and different demographics."

~ ARC Grant Beneficiary

Other needs included making improvements to facilities and physical spaces in which to operate a business; providing more help in navigating local regulatory requirements; and continuing to offer trainings on business finances, taxes, and marketing.

Implementation Experience

Photo by Mikki Uzupes, Wayne Tomorrow!

A unique community collaborative effort based in Honesdale, Pennsylvania, Wayne Tomorrow! has established an inclusive process for creating a shared vision that will enhance the community and help guide development of Wayne County, Pennsylvania.

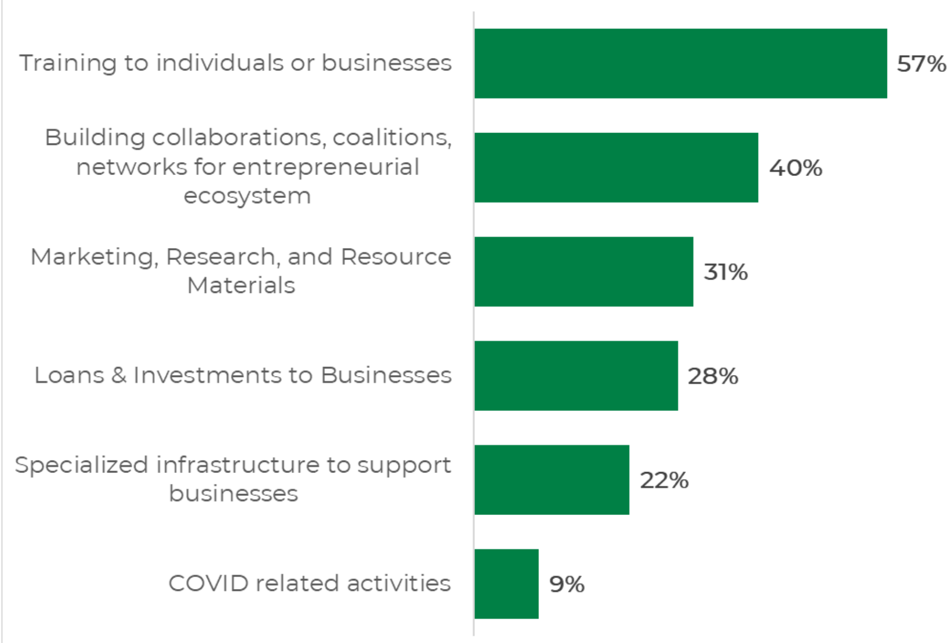
This section discusses grantees' experience in implementing their ARC project, the factors that contributed to their success or held them back, and their current efforts to foster equity and address inequalities in their community. The findings presented below were drawn from the online survey completed by 109 grantees (74%), focus groups, and learnings from case studies.

Services Provided

ARC grant projects provided a wide range of services, with projects often providing several services. In fact, only 51% of projects delivered just one or two services.

As illustrated in Figure 8 below, 57% of projects provided training or technical assistance to individuals or businesses, 31% of projects provided services to increase market access and planning, and 28% provided loans or business investments. Nine percent (9%) of projects were specifically related to supporting small businesses and entrepreneurs through the COVID pandemic.

Figure 8: Services Offered by ARC Grants, by Percent of Projects Offering That Service

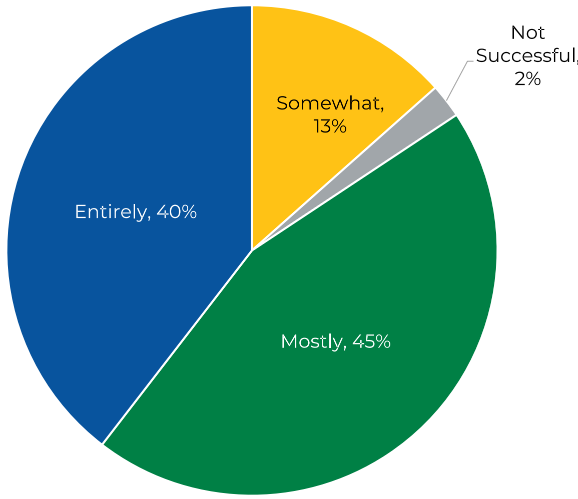


Importantly, 40% of projects were aimed at building coalitions, collaborations, or networks for an entrepreneurial ecosystem, echoing beneficiaries' comments about the importance of making connections and building networks.

Implementation Experience and Factors of Success

Of the 134 grant projects reporting on implementation experience, 85% (113) were described as entirely or mostly successful.

Figure 9: Reported Success of Projects



As an additional indicator of success, 66% of projects have continued beyond the close of their grant.

Success Factors

Grantees identified seven implementation practices that most contributed to their success, specifically:

- Make connections and build relationships continuously.
- Engage partners strategically.
- Have flexibility in implementation.
- Track performance from the beginning, throughout, and beyond project close.
- Hire and retain project staff.
- Leverage technology and increase digital literacy.
- Work with ARC staff and partners at the local, state, and federal levels.

The following discussion spotlights each of these key practices and its influence on project success.

Making Connections and Relationship Building

"The exercise of coming to the same table every month makes people think actively about each other. After a few of these meetings, you just couldn't afford not to be there."

~ ARC Project Partner

Relationship building and establishing local coalitions, although sometimes difficult to achieve, emerged as potentially the most important success factor for grantees.

For some grantees, making connections was critical to being able to identify and recruit the audiences they intended to serve. In spread-out and sparsely populated rural communities, making these connections was a particular challenge and so became a central, intentional component of their work. For others, especially those working in a coalition addressing a broader community goal, building deep and authentic relationships with partners and other stakeholders was essential for better understanding the needs and assets of the communities they served, connecting with additional resources, and building a collaborative mindset around a common goal.

Practices that proved effective for grantees in making connections and building strong relationships included:

- Having community-based staff to identify and engage target audiences.
- Having a local convener and a structured process for involving the target community in order to build a collaborative mindset, create a place to engage new voices, and keep everyone informed about the progress of the work.
- Using technology, which can be useful in maintaining already established relationships.

Engaging Partners

> *"You can do more with less when you work together with a partner."*
>
> *~ ARC Grantee*

Eighty-seven percent (87%) of grantees reported working with a partner to implement their grant. Of those grantees, 80% indicated that the partnership was a critical contributor to their success. Their partners were as diverse as the grantees themselves, including local government agencies, local economic development organizations, CDFIs and banks, universities, area non-profit organizations, farmers, artists, and others.

The benefits to working with partners were significant. In addition to bringing additional skills and resources that expanded the collective's capacity, partnerships were found to help with planning coordination, accessing new funding supports or new programming opportunities, bridging geographies, and raising awareness about an effort.

However, not all partnerships were equally beneficial. Partnerships that were the most effective were those that engaged people and organizations that were similarly passionate about the goals and possibilities of the project. It was also critical to be strategic in adding people or organizations that could fill gaps in skills or resources or help to expand the project to new audiences.

Grantees offered a number of practices for how to develop and maintain effective partners:

- Find the right partners by identifying and building on the assets—and limitations—of each. Do not engage too many partners; it can cause confusion and potentially dilute impact.
- Give every partner some benefit from the project, but ensure partners understand they are expected to give something to the project as well. Work to diminish expectations that everyone will get equal funding.
- Be clear about roles and responsibilities, and be strong in holding each other accountable.
- Identify strategies that allow partners to work together without losing their identity, but have partners leave their personal or organizational "agendas" at the door to focus on the goal of the collaborative work.

Having Flexibility in Implementation

> *"Some things we do are going to work, and those things we amplify. Some things we do are going to die on the vine; we let those things go and keep moving on the stuff that works."*
>
> *~ ARC Grantee*

While grantees cited the importance of a workplan with clear goals at the outset, nearly 80% of grantees reported that being able to pivot and revise their implementation plans was critical to success, enabling them to address unknowns or unexpected changes that arose. Common reasons for grantees to change their implementation plan included:

- Adding partners with new resources or enhanced vision.
- Identifying new community needs that emerge throughout project implementation.
- Data analysis that reveals that the project is not serving its intended audience or on track to meet project goals.
- Proposed goals being reached sooner than expected, requiring identification of next steps.

Track Performance from the Beginning Through and Beyond Project Close

> *"Investing in [a] system to track and communicate with people helps to secure investments in the community, better understand what is working, and take action when needed."*
>
> *~ ARC Grantee*

Half of grantees (51%) reported that being able to track their performance was a significant contributor to their success. Tracking and reporting on a project motivated them to stay focused on their goals, distribute funding effectively, and demonstrate success to funders while engaging additional funders.

At the same time, data collection and reporting also emerged as an area where many grantees need to grow.

Hiring and Retaining Project Staff

Many grantees cited staff turnover at their organization or at a partner organization as a factor that set projects back or even brought them to a standstill. Recognizing that staff turnover is an increasing organizational reality, grantees cited the importance of having a clear understanding of project staff needs and the roles and responsibilities of every member of the project team as critical to their ability to attract and retain the right staff.

Using Technology and Increasing Digital Capacity

Not surprisingly, grantees made use of new technologies or improved existing technologies to reach their markets during COVID. In many cases, their experience presented new opportunities that allowed them to explore the use of technology in different ways to innovate new processes, make stronger connections with target audiences, and serve people in different ways. While this is an emerging practice that not every community can adopt now, as people become more technology literate and new technology applications are developed, more opportunities will arise to leverage technology to reach project goals.

Work with ARC Staff and Partners at the Local, State, and Federal Levels

> *"ARC is wonderful. The staff engaged with us throughout the grant process and asked insightful questions that led to better outcomes."*
>
> *~ ARC Grantee*

At every stage of the data collection process, grantees frequently noted that ARC staff and partners at the local, state, and federal levels provided vital support to their project at some stage in implementation. Fully 92% of grantees reported in the survey that ARC staff always or often addressed any grant implementation needs, and grantees featured in the case studies frequently commented on the accessibility and collaboration of ARC staff in the development and implementation of their projects.

In addition to the regional convenings, trainings, and webinars that ARC offers, grantees most valued the research and access to data that ARC develops and makes available, the flexibility ARC allows for changes in grant implementation or use of funds, and the connections ARC staff make with key stakeholders.

Perhaps most importantly, grantees appreciated the deep understanding ARC staff members have for the challenges and opportunities of rural economic development and their role as champions for that work.

"It is hard to do rural economic development in a [remote] landscape like this. Of all the federal funders that we work with, ARC is the one that understands rural development the best. And the beauty of working with ARC is that they are very approachable."
~ ARC Grantee

Implementation Challenges

Based on survey results, not every grant project was perceived as a success, and even those that were successful encountered challenges in implementation. Beyond the challenging conditions often present in rural communities—such as declining populations, limited infrastructure (transportation as well as broadband), and workforce-related issues that include poor health and substance use—three issues were cited as obstacles to project success:

- Lack of organizational capacity
- Barriers to multi-state efforts
- Impact of COVID

The following discussion examines these challenges and their impact on project success.

Lack of Organizational Capacity

"We attempted both in-house and paid management/project implementation. The organization as a whole lacked capacity to implement the project and failed to utilize partnering entities as supports/participants. As a result, project implementation was initiated but not conducted in a sustainable manner, and ultimately the project failed."
~ ARC Grantee

Among grantees reporting no project success, issues related to the capacity of the organization were most frequently cited. Specific challenges included having insufficient resources to implement the project effectively, having delays in getting started due to staffing or funding issues that affected partnership buy-in, and having limited capacity to track progress or retain staff. Additionally, in some cases, proposed services were not well-matched to the target audience's needs, and the organizations did not have the capacity to address the newly identified needs.

Barriers to Multi-State Strategies

"We learned the hard way that each state is organized differently; even Local Development Districts (LDDs) function differently from state to state. When you start from a set of assumptions based on how things function in your own state and find that is not true in other states, it causes you to make major adjustments. ...[P]roject managers need to be prepared to take on work that they may not anticipate."

~ ARC Grantee

While multistate projects are attractive strategies for bringing a concept to scale, grantees cited several challenges to success when implementing projects across state lines. These included different processes and procedures within governmental organizations that create additional workloads for project staff; limitations on using state funds in other states; and different regulatory and economic policies that hinder implementation, especially in the energy sector. Grantees working on multi-state projects suggested that ARC, as a federal agency with deep knowledge of economic development, is well positioned to play a unique role in addressing some of these challenges.

Impact of the COVID Pandemic

"The supply chain challenges we experienced during COVID have helped us to understand the fragility of our overseas supplies."

~ ARC Grantee

Not surprisingly, the COVID pandemic was cited by 79% of grantees as presenting at least some challenges to successful project implementation. Most significant was an increase in demand for their services, especially by funders and investment networks, governmental organizations, and development non-profits. High stress and burnout among staff and staffing shortages were also broadly experienced by grantees. Other challenges included being unable to source materials for projects and to serve the intended audience in face-to-face formats.

However, while it presented significant challenges, COVID also presented unique opportunities. Indeed, 94% of grantees reported that their organization realized at least one positive change, and 71% of grantees noted that they experienced a significant positive change in their work because of COVID. The most significant positive impacts included the improved use of technology, increased collaborations with partners, and innovations in processes.

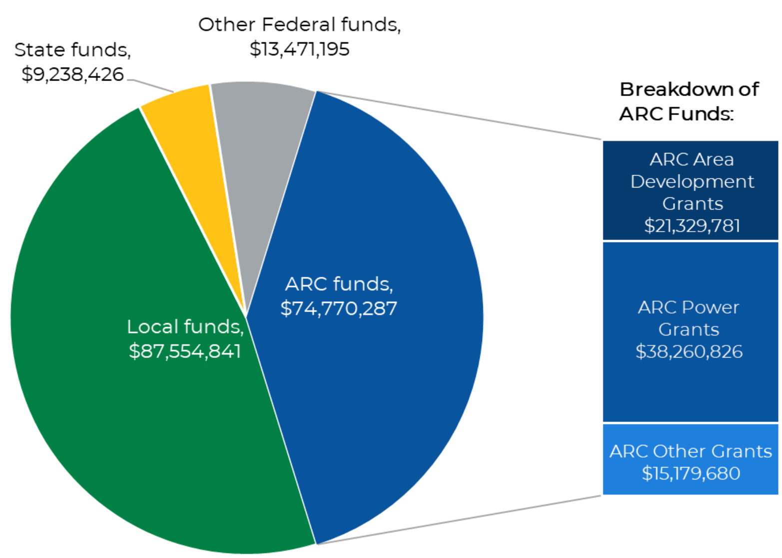
Table 12: COVID Challenges and Opportunities Experienced by Grantees

COVID Challenges	% of Projects Affected	COVID Opportunities	% of Projects Benefitted
Increase in demand	56%	Improved use of technology	91%
Staffing shortage	48%	Increased collaboration with partners	85%
Shortage of supplies or inputs	39%	Innovations in processes	83%
Addressing remote work	37%	Stronger connection with community	72%
Decrease in demand	23%	New products or services	61%
Difficulty moving or shipping goods	21%	Improved balance sheet	37%
Reduced salaries / wages	17%		

Funding and Sustainability

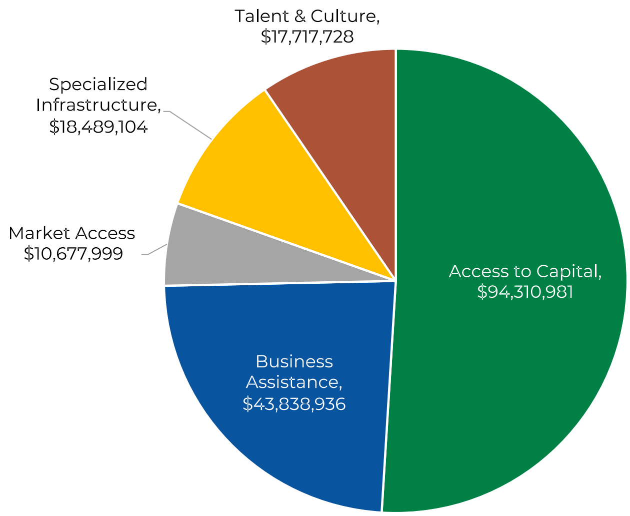
In addition to securing ARC grant funds for their projects, grantees raised matching funds and other funds in support of their efforts. Taken together, these grant projects represent a total investment of $185 million. ARC's $74.7 million in grant funds represents 40% of all funding, and funds from local sources, including local government, foundations, and others, represented 47% of the total, as illustrated in Figure 10 below.

Figure 10: Sources and Amounts of Grant Project Funding



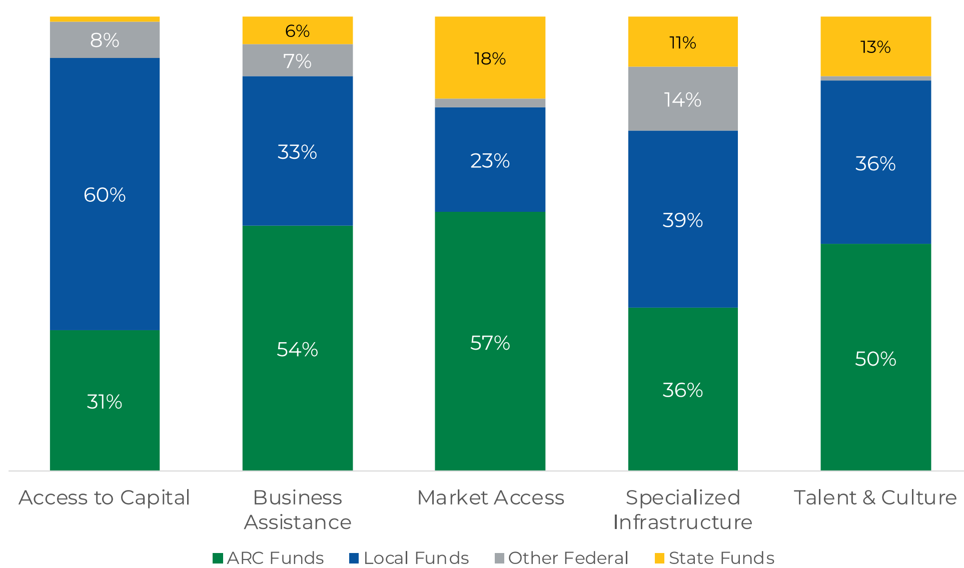
This total funding was invested across the various project types. Projects that worked to improve access to capital had the largest amount of funding: $94 million, or 51% of total funds. Projects that provided business assistance services received 24% of all funding.

Figure 11: Total Funding, by Project Type



However, analysis of funding by project type does not fully illuminate the role played by different sources of funding in driving projects to fruition. As illustrated in Figure 12 below, ARC funds made up the majority of funding for projects relating to market access, business assistance, and talent development. State funds were also important to projects that focused on market access and the culture of entrepreneurship, while local funds provided the majority of funds for access to capital projects.

Figure 12: Sources of Funding (Actual), by Project Type[4]

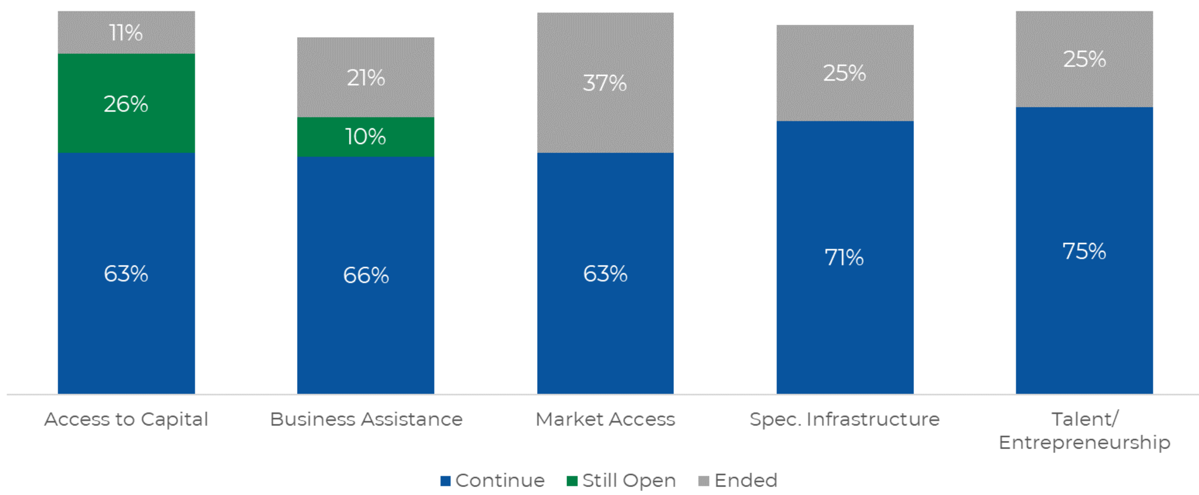


[4] The POWER program includes a provision that loan and investment projects are required to bring three private dollars for every ARC dollar, which may contribute to the high local match on Access to Capital projects (27% of Access to Capital projects were POWER projects).

Sustainability

The hope for these grants is that funded projects and their products and services will become sustainable, creating a regular resource of support to businesses and entrepreneurs in the region. Among survey respondents, 66% of grant projects have continued beyond the official close of the grant.

Figure 13: Grant Projects That Have Continued Beyond Official Close[5]



Among the 66% of grant projects that have continued, strategies used by grantees to continue their projects include the following:

- Sixty-six percent (66%) continued by securing additional funding, which highlights the importance of tracking project data and reporting on progress as mechanisms for sustaining a project. In some cases, the additional funds came from ARC, although local foundations and state funds also provided ongoing funds.
- Sixty-four percent (64%) continued by leveraging existing or new partners to continue the work and shifting the grant activities to a partner organization, again demonstrating the value that partnerships bring to the projects.
- Thirty-four percent (34%) continued by generating revenue through the project.

Importantly, grantees also reported that the intangible outcomes of their projects played an important role in securing ongoing support for their projects, most notably:

- Increased awareness and enhanced reputation of their projects helped them to extend their reach to new clients or provide "proof of concept" for their innovation to secure additional funding. In some cases, grantees gained new

[5] Grants for Revolving Loan Funds remain open as federal funds are redeployed as loans are repaid.

understanding about their beneficiaries' needs, which allowed them to pivot and implement a better program that strengthened their reputation.
- Improved community pride because a new downtown development or an innovative approach to meeting a community's needs brought increased support for the projects or the ongoing work of the grantee.

While many grantees reported that achieving sustainability is an ongoing challenge, some struggled more than others to secure funding and/or support to continue their grant project. Grantees that operate programs providing education and training to entrepreneurs and start-up organizations reported significant difficulties because of two particular factors:

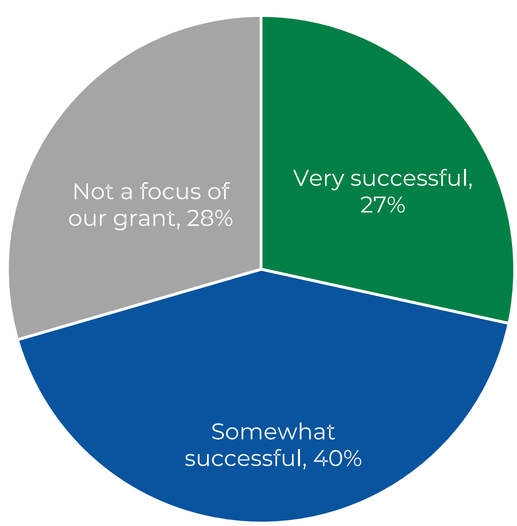
- While many programs have encouraging stories of success, they may not have the capacity to collect and report the hard outcome data that funders often demand.
- Many of these programs are run by smaller non-profit organizations that lack the organizational capacity to apply for grant funds or engage in grant management. The limited staff is generally consumed with recruiting and implementing the program, leaving little time for grant reporting or writing.

Fostering Equity

While fostering equity was not a specific focus of the grants in this portfolio, most of the grantees are organizations with missions to serve the community and its unserved and underserved populations. For this reason, grantees were asked to share the activities they use to foster equitable business development as part of the inquiry around implementation practices.

Understanding that this was how equity was being defined, 67% of grantees reported some level of success in serving underserved populations with their grant.

Figure 14: Extent to Which Grantees Report Success in Reaching Underserved Populations



Grantees also reported undertaking several equity and inclusion activities internally. Examples here included staff training, diversifying board leadership, and hiring staff that look like and speak the same language as the people they serve.

However, conversations with grantees uncovered an important lack of clarity about what “fostering equity” means in the business development space. In focus group discussions with grantees, most equated “equity” with access and/or outreach, while others defined equity in terms of the race/ethnicity of the populations that they served.

Given the lack of clarity about what fostering equity could include, there was considerable interest among grantees to learn more about strategies to integrate equity approaches into their business development work. At the same time, some grantees expressed concern about their ability to foster equity in an increasingly politically charged environment. Others felt that funding to support equity and inclusion activities was dwindling at a time when awareness was growing about the economic and systemic barriers facing marginalized populations.

Grantees offered several suggestions for training or support that they would like to have to help them do more to foster equitable business development, including:

- Learning about effective practices being used, especially in rural communities.
- Support for tracking data on underserved and BIPOC businesses being served.
- Help making connections with leaders in marginalized communities.
- Language supports.

Recommendations

Photo by Jessica Pugil, Working Partner LLC

LindenPointe Development's e-Academy keeps budding entrepreneurs inspired while providing training and incubator space to support entrepreneurs in action.

With these business development grants, ARC has invested in projects that have not only achieved their goals but have also introduced several innovations and best practices that promise to have widespread, enduring impacts on the communities and populations in the region. Additionally, feedback from grantees indicates that ARC supports (i.e., regional convenings, trainings, webinars, etc.) are on target with the needs of grantees and have provided vital contributions to the successes that grantees have realized.

For these reasons, the following recommendations for ARC's business development grants going forward only build on the excellent work already being done.

Continue to provide ARC training and resources in rural economic development.

Grantees are very pleased with and grateful for the broad array of supports offered by ARC, describing the trainings and webinars as "best in class." Continuing to make these resources available will be important for sustaining and growing the culture of entrepreneurship in Appalachia and the replication of innovations being developed by grantees.

Based on the findings of the evaluation and feedback from grantees, two areas emerge as opportunities for ARC to strengthen grantee efforts:

1. Help grantees to make connections. Making connections and building relationships emerged as one of the most important factors of success for grantees, but many grantees struggle to do this. ARC conferences are proven effective networking opportunities, and ARC staff members and partners at the local, state, and federal levels have played an important role in facilitating valuable connections. Other ARC offerings can include:
    - Fund more collaborative efforts, providing capacity-building assistance to the coordinating entity leading the collaboration, and invest in leaders and management teams that demonstrate the unique project management and facilitation skills that are needed for these initiatives. Finally, support mentoring initiatives among grantees aimed at building this capacity.
    - Explore best practices in multi-state collaborations. As best practices emerge, capture them and develop practical management tools, templates, and approaches that can be shared broadly.
    - Build grantee capacity to identify entrepreneurs (i.e., people that have a risk-taking mindset), especially those in marginalized communities.
    - Identify ways that new technologies can help grantees to strengthen their operations and service delivery capacity. Explore online platforms that could connect ARC grantees to other practitioners and relevant affinity groups so they can share best practices, tools/templates, or other examples of rural community economic development.

2. Invite a conversation with grantees about outcome measures. Throughout the evaluation, grantees expressed concerns or frustrations regarding ARC performance measures, specifically:
    - Grantees that focus on training youth and access to capital have outcomes that take time to realize or are hard to quantify and so feel unable to demonstrate their impact using measures like businesses created and jobs created/retained.
    - Similarly, projects that focus on improving communities, planning, and specialized infrastructure believe that other qualitative measures would be more effective in identifying the impacts of their efforts.
    - Grantees across the board suggested that the ARC reporting portal have a more user-friendly interface.

Given the concerns and opinions noted by grantees and the relative challenge of measuring the impact of these often complex projects, ARC might be best served by having broad conversations with grantees about performance measures. Once all issues have been identified, ARC can review its existing performance measures to determine if and what changes are needed. Along these lines, consideration can be given to using other evaluation approaches, such as Social Return on Investment, which takes into consideration social, environmental, and economic impacts of a program or rigorous qualitative approaches, for projects with outcomes that are harder to demonstrate via traditional quantitative analysis.

Leverage the ARC Entrepreneurial Ecosystem framework to further build the culture of entrepreneurship in Appalachia.

In focus groups with grantees, the ARC Entrepreneurial Ecosystem model proved to be a valuable tool for enhancing grantees' understanding about their role in the ecosystem and encouraging intentionality in connecting and partnering with stakeholders working in other aspects of the framework. Recognizing the value of this tool, ARC can continue to strengthen local ecosystems by raising awareness and encouraging use of the framework.

For example, drawing from the Kauffman Foundation's work on an entrepreneurial ecosystem-building playbook, ARC could convene grantees and practitioners to help write a similar playbook on best practices for ecosystem development for Appalachia. Topics could include agreeing on a shared purpose, vision, and values; building practitioner skills, knowledge, and resource development; and initiating collaborative efforts that support entrepreneurs in navigating the system of resources.

Explore new ways of addressing business and entrepreneur capital needs.

Access to capital was identified as a critical gap by grantees and beneficiaries alike. Yet the challenge is more complex than providing more flexible and innovative funding and merits deeper exploration on how to adequately address businesses and entrepreneurs' awareness and understanding of capital sources and strategies. Two issues, in particular, were identified as additional barriers to capital:

1. Beneficiaries need assistance to navigate the various technical assistance and business development programs available to them, but increasing accessibility will also require additional education and improvements in how technical assistance is provided:
    - Many ARC beneficiaries have misperceptions about equity capital that stymie their ability to access capital. Common misperceptions include not being clear about the difference between angel investors and venture capitalists and when to access these resources and having inflated ideas about what local banks can offer.
    - Some existing technical assistance supports may be contributing to misperceptions by not adequately preparing beneficiaries to understand and address the expectations of potential investors.

    More education, for both beneficiaries and technical assistance providers, about how and when to connect to capital and how to adequately prepare entrepreneurs to work with investors is needed.

2. CDFI providers and others identified weaknesses that need to be addressed to ensure adequate capacity in the field. Specific issues include:
    - The prevalence of staff on the cusp of retirement leaving younger colleagues without the experience needed to fill the void.
    - A lack of technical infrastructure to do secure data transfers, allow for peer-to-peer sharing, and enhance efficiencies.

Based on these identified needs, ARC can support capacity in the field by:

- Supporting efforts that provide education to grantees about the full process of additional funding and encouraging more flexible and innovative capital.
- Supporting efforts to educate businesses about capital-stacking strategies that leverage equity and quasi-equity, credit enhancements, and venture philanthropy. Additionally, ARC could convene discussions among community foundations, CDFIs, and venture philanthropists to explore and pilot stacked capital products or programs in local communities.
- Helping states access and innovate with federal programs (e.g., The State Small Business Credit Initiative, New Market Tax Credits, green banks, etc.) in order to attract new investment and assist with community revitalization efforts that will support new businesses in the community.

Provide clear guidance on how to foster equity and reduce inequities in ARC communities.

Building on grantees' interest in learning more about fostering equitable practices and addressing systemic barriers encountered by marginalized communities, ARC should leverage its research and learning resources to establish a clear definition for "fostering equity" and make recommendations for activities that grantees can engage in to connect with marginalized communities.

Case Studies

Photos by: Cheryl DeBerry, Garrett County Government
Katie Kelly Parr, LindenPointe eAcademy
Jessica Pugil, Working Partner LLC

The ten case studies contained in this section highlight effective or innovative approaches used by select ARC grantees to address key issues faced by many communities across the region. The case studies represent all project types—access to capital, market access, talent development, business assistance, and specialized infrastructure—and demonstrate proven strategies for building and nurturing critical connections and fostering equity.

Importantly, each case study concludes with "lessons learned," offering practical guidance for other organizations addressing similar challenges in their home communities. Table 14 provides a snapshot of all ten of the ARC projects and grantees featured in the case studies.

Table 14: Overview of ARC Grantees and Projects Highlighted in the Case Studies

Title of Case Study	Grantee	Project Title	State	Project Type	Year Started	Year Ended
Strategically Engaging Partners for Regional Success	Hatfield McCoy Regional Recreation Authority	Southern Coalfields Sustainable Tourism & Entrepreneurship Program	Multi-state	Business Assistance	2016	2021
Making Local Connections	Wayne County Economic Development Corporation	Wayne County Business Technology Enterprise Center	PA	Specialized Infrastructure	2014	2016
Fostering Connectivity to Encourage Innovation and Growth	Garrett County Government	Garrett Agricultural Asset Development	MD	Market Access	2014	2017
Advancing Shared Econonmic Prosperity	Access to Capital for Entrepreneurs, Inc.	Northwest Georgia Small Business Development Initiative	GA	Access to Capital	2019	2022
Collaborating to Retain the Talent Pipeline	Penn State Erie, The Behrend College	Northwest Pennsylvania Innovation Beehive Network	PA	Business Assistance	2017	2019
Building an Entrepreneurial Culture Through Youth Education	LindenPointe Development Corporation	LindenPointe Entrepreneurship Academy and Accelerator Program (LEAAP)	PA	Talent & Culture of Entrepreneurship	2017	2019
Breaking Down Barriers to Employment	Coalfield Development Corporation	Appalachian Social Entrepreneurship Investment Strategy	WV	Business Assistance	2016	2018
Creating a Place-Based Brand for Economic Growth	PA Wilds Center for Entrepreneurship, Inc	PA Wilds Artisan Trail and Trademark Licensing Programs; Nature Tourism Cluster Development in the PA Wilds	PA	Market Access	2014	2016
Filling in the Gaps: When Capital Providers Work Together	Mountain BizWorks	Filling the Gaps: A CDFI Partnership to Increase Small Business Success in Underserved WNC Communities	NC	Business Assistance	2018	2019
Accessing Equity Capital Close to Home: Building an Appalachian Angel Investor Network	RainSource Capital, Inc.	Appalachian Angel Investor Network	Multi-state	Access to Capital	2016	2019

Strategically Engaging Partners for Regional Success

Why This Topic Is Important to ARC's Work in Business Development

The work to diversify Appalachian economies and strengthen local business and entrepreneurial skills can be complex. Engaging partners in the work often helps as partners can bring diverse experience, resources, and local knowledge about the community that helps to create sustainable, inclusive solutions that benefit the community in the long term. However, not all partnerships are equally beneficial. Partnerships that are most effective are those that fill a gap in skills or resources and/or complement a project's existing resources to achieve the goal. As a result, selecting the right partner(s) requires careful consideration, thorough research, and a well-defined decision-making process.

The Hatfield-McCoy Regional Recreation Authority (HMRRA) demonstrated the power of strategic partnership engagement with its ARC POWER grant: Southern Coalfields Sustainable Tourism & Entrepreneurship Program. Aiming to rethink the role that tourism could play as an economic driver, HMRRA strategically partnered with a multi-state capital provider, a trail authority in Virginia, a visitor bureau in Kentucky, and two local education and technical assistance providers to overcome identified barriers and bring in new resources. Through this innovative collaboration, the partners have been able to market their cultural, natural, and recreational assets and build the infrastructure and capacity to serve a growing clientele of outdoor recreation user groups.

Community Profile

The region covered in this case study includes a total of twelve counties across three states: nine counties in southern West Virginia (Boone, Kanawha, Lincoln, Logan, McDowell, Mercer, Mingo, Wayne, and Wyoming), one county in eastern Kentucky (Pike), and two counties in southwestern Virginia (Tazewell and Buchanan). At the time of the grant, this region included six (50%) at-risk counties, three (25%) distressed counties, and three (25%) transitional counties.

The area targeted by HMRRA had been heavily dependent upon coal mining and coal mining-related employment as the core of its economic base.[6] The transition away from coal saw all counties in the project area experience coal-related job losses and decreases in population. By 2015 the average unemployment rate was 10%[7] and some 23% lived in poverty.[8]

Project Description

The Hatfield-McCoy Regional Recreation Authority (HMRRA) develops and maintains a series of mountain trails designed for off-road riding by all-terrain vehicles (ATVs), utility terrain vehicles (UTVs), and off-road motorcycles (dirt bikes). In 2000 the trail system had just over 300 miles of trails in two counties, which were intended to

[6] ARC Power Initiative Application, Hatfield-McCoy Regional Recreation Authority.
[7] Appalachian Regional Commission. 2015. Cited in HMRRA Power Initiative Application.
[8] U.S. Census Bureau. 2014. Cited in HMRRA Power Initiative Application.

serve as a tourism destination for off-highway enthusiasts. Yet by 2015, HMRRA had reached a crisis point: The trails were not getting the business that was anticipated and was needed to keep the trail system strong.

One key driver was clearly apparent: No one was focused on developing the lodging and other tourism-related businesses that would be needed to make visitors riding the trails want to stay and spend money in the area. However, other dynamics were also at play that would need to be addressed if HMRRA was to achieve the goal of shifting the prevailing thinking about tourism from "attraction" tourism to the more effective "destination" tourism.

- Local entrepreneurs and leaders of the local economic development community undervalued the local natural assets and their potential attractiveness to visitors. Rather than invest proactively in building market demand, the leaders approached the opportunity more passively, taking an "if you build it, they will come" perspective.

- There was a gap in access to capital for startup tourism operators. The local conservative lending environment at the time considered tourism as speculative or not generating high-value jobs, so lenders were unable or unwilling to lend.

- Untapped opportunities existed in the region that, if tapped, could generate significant tourism in the region. However, there was a need to engage and coordinate these regional assets to spur economic development. The Spearhead Trail system, just to the east in southern Virginia, could help bring more people to the area, but the Southwest Regional Recreation Authority (SRRA) that operated the trail system had a limited budget and did not initially appreciate the assets the trail system could bring to their economy. Across the state line in eastern Kentucky, the Pike County Convention and Visitors Bureau operating Hatfield McCoy Feud History sites brought in significant tourist traffic. But although the feud spanned both Kentucky and West Virginia—the McCoys lived on the Kentucky side of the Tug Fork River while the Hatfields lived on the West Virginia side—these tours only took place in Kentucky.

With a strong understanding of the region's gaps and assets, HMRRA set out to engage partners that would work together to increase ridership on the Hatfield McCoy Trails and assist in increasing visitation to other trails and tourist attractions in the region.

Partner with a Multi-State CDFI to Bring New Capital into the Region

An ARC POWER conference was the catalyst to start rethinking tourism as an economic driver as it provided a venue for the CEOs of HMRRA and Natural Capital Investment Fund (now Partner Community Capital, PCAP) to connect and share ideas. With encouragement from ARC leadership, the two CEOs developed a plan to bring new capital into the region. They used an innovative grant strategy, submitting a "sister grant" application to ARC whereby both proposals were contingent on the acceptance of the other. Once approved, PCAP's grant committed to creating a $4 million revolving loan fund dedicated to outdoor economic development in the region; HMRRA's would engage partners to develop a regional marketing plan and provide entrepreneur training and business coaching to new businesses.

Even with capital available, getting projects underway took longer than expected as the players needed to overcome local mistrust of an outside capital provider and to address the complex needs of the relatively high-risk lodging projects that were funded.

Given the reluctance of local business operators to participate, initially most of the new businesses were started by people from out of state who saw the opportunities for growth. But many of these entrepreneurs had no prior business or tourism experience and/or lacked understanding of real estate development and the pre-conditions required to move a lodging project to construction. As a result, PCAP provided more technical assistance than expected to get these new lodging businesses up and running.

For example, Brandon Frain and his Gold & Blue Cabin business partner were healthcare professionals with no prior experience in the hotel/lodging industry. They purchased property on which to build short-term rentals, but initial investments in public infrastructure, such as water and sewer services, were needed before construction on the lodges could commence. As a result, in addition to providing capital for the project, PCAP provided significant pre-development technical assistance, helping to educate and connect landowners with the public resources and tactics needed to get street, water, and sewer improvements and to produce feasibility studies to access construction and permanent loans.

Gold & Blue Cabin Rentals in Bluefield, WV
(Photo by Gold & Blue Cabin Rentals)

Partner with Providers That Offer Entrepreneur Training and Coaching

Key to the plan was to assist new and existing businesses with entrepreneur training and business coaching. Toward this end, a new Entrepreneurship and Business Coaching Center was established at Southern West Virginia Community and Technical College (Southern). Because of the need to deliver services to businesses and entrepreneurs located across the often remote and mountainous region, Southern's Entrepreneurship Center existed "without walls," leveraging existing facilities and infrastructure. The center developed an extensive network of coaches and trainers to provide formal classroom training as well as business coaching services on an as-needed basis. Additionally, the center's work was aligned with the West Virginia Small Business Development Center to capitalize on existing programs and services without duplicating efforts.

In addition to the services offered by Southern, West Virginia State University conducted outreach to existing businesses and local economic development agencies, which was vital to gaining community acceptance and awareness of the project. Together, the services provided by Southern and WV State University were important complements to the capital supports and technical assistance provided by PCAP.

Partner with Complementary Organizations in the Region to Maximize the Assets of the Region

Finally, recognizing that recruiting, expanding, and developing new businesses would be successful only if the tourism economy grew to accommodate new business capacity, HMRRA invited the Southwest Regional Recreation Authority (SRRA) in Virginia and the Pike County Convention and Visitors Bureau in Kentucky to participate in developing a regional marketing plan.

To make it attractive for these entities to participate, HMRRA put up all the matching funds required by the ARC grant. This incentive proved critical to bringing the other state partners on: SRRA did not have the budget to market their Spearhead Trails and, at the time, did not see the trails' potential. Similarly, the Pike County Convention and Visitors Bureau had never partnered on marketing before and was not sure what the impact of the partnership would be.

"If they had asked us to help with the match, we would have paused. It took a while for us to see that what was good for one of us was good for all of us."

~ Leader with Southwest Regional Recreation Authority

Collaborating on the development of the regional marketing plan empowered each entity to coordinate their marketing plans to maximize their effectiveness and to make more significant investments in tourism-based economic development. Toward this end, the comprehensive marketing plan included strategies for connecting the trails and developing cultural sites and tourist amenities along the Hatfield-McCoy Feud History Sites in the states of Virginia, Kentucky, and West Virginia. One highlight of the plan was a thirty-minute nationally aired program, *Fisher's ATV World*, showing the partnership between ATV riding in West Virginia, ATV riding in Virginia, and the whitewater rafting industry in creating a weeklong vacation for trail riders. All partners reported significant impact; each has seen their visitor logs book up more quickly, and the footprint of their visitor reach is expanding to other states and even internationally.

Project Impacts

As a result of the six years of this extensive investment (from 2016 to 2021), the Hatfield-McCoy Trail systems have grown from 300 miles of clear trails to more than 900 miles of mountain trails across five counties, connecting eleven incorporated cities and towns. Trail use permits expanded accordingly: Trail rider permits increased from 36,000 in 2015 to more than 94,000 in 2021, representing a 162% increase in ridership. The Spearhead Trail system has grown similarly, and plans are underway to connect their trails to HMRRA trails. Finally, thanks in part to HMRRA's advocacy supports, Pike County was successful in establishing the Pike County Trails Authority to add additional destinations for adventure tourism.

Impacts in the community were equally extensive: The HMRRA grant created 54 new businesses, saw 82 existing businesses increase their revenues, created 242 new jobs, and generated $19.9 million in leveraged private investment. These results have had the additional benefit of bringing banks along, which are now more willing to provide loans in this industry.

Lessons That Others Can Benefit From

- *Take tourism seriously as an economic development driver*, distinguishing between "attraction" and "destination" tourism.

> *"We were focused on the ATV stuff, but we didn't really do much tourism advertising and didn't think about the historical assets. Now we are doing research to develop and preserve our local history and expanding our trails. We needed the new mindset around tourism and to see examples of where it had been done to make progress."*
>
> *~ Leader with Spearhead Trails*

- *Have a catalyst organization like HMRRA that can bring public and private partnerships together* to spur economic development.

- *Avoid difficult issues about sharing costs by having one entity provide the funding and partners contribute in other ways*. For example, thanks to their partnership, the Pike County Historical Tours now cross into West Virginia and include HMRRA trailhead stops on their tour to bring additional tourists into West Virginia.

- *Lean into the resources and networks available to you*, including ARC staff. The inspiration behind the sister applications made by HMRRA and PCAP came from ARC leadership, and ARC staff provided important supports to HMRRA throughout grant implementation.

The Power of Making Local Connections

Why This Topic Is Important to ARC's Work in Business Development

> *"There is no one single cause or factor that leads to an entrepreneur's (or a region's) success. It is the connections and interdependence of multiple factors that matter."*[9]

Prior research on entrepreneurship focused on the personal characteristics or business processes—such as business planning or the ability to raise capital or manage employees—of an entrepreneur to assess their success.[10] These analyses did not consider the external factors and dynamics that can profoundly influence an entrepreneur's success or failure.

The entrepreneurial ecosystem concept, which emphasizes the importance of systems and networks in fostering entrepreneurship, was developed as a counterpoint to the earlier focus on individual values and processes. While the assets and programmatic resources of the ecosystem are important, the connections between elements in the ecosystem—and the ability of an entrepreneur to tap those assets and resources—are the more powerful drivers of success.[11]

County officials and community leaders in Wayne County, Pennsylvania, have realized the power of building relationships and making connections through their Wayne Tomorrow! community-based collaborative. Faced with a community deeply divided over local fracking policies, declining county revenues, and the lack of an integrated process for allocating resources throughout the rural county, Wayne County commissioners realized the need for common ground to move the county forward. In response, they brought together diverse business and community leaders to learn about the economic development needs across the county and from each other's perspectives. This dialogue set the foundation for the community collaborative Wayne Tomorrow! (WT!) and the creation of a shared vision to ensure the financial and cultural success of the county. Through this collaborative initiative, county leaders, businesses, organizations, entrepreneurs, and residents have built new relationships, created strong connections, and taken action in ways that are having a positive impact on the county.

Community Profile

Wayne County, Pennsylvania, is a largely rural county located in the northeast corner of Pennsylvania, approximately 100 miles west of New York City and 150 miles north of Philadelphia. Spanning 75 miles from north to south, the county contains 28

[9] Appalachian Regional Commission. 2018. "Entrepreneurial Ecosystems in Appalachia: Literature Review." September 2018, 5.
[10] Ibid., 3.
[11] Ibid., 13.

municipalities and an estimated 2020 population of 51,422.[12] The population is largely stable, with a small (3%) decline between 2010 and 2020.[13] Median household income was $56,096, and per capita income was $27,412 in 2019.[14] The county's economy is defined primarily by two sectors: healthcare and tourism, the latter through thirty overnight camps that operate throughout the summer months.[15] In 2020 ARC designated Wayne County as a transitional county, hovering between a strong and weak economy.

Project Description

> *"Wayne Tomorrow! is not an entity; it's a partnership and way of operating that engages our community in a powerful network of collaborators: people pulling together toward a shared vision of prosperity and opportunity for everyone."*
>
> *~ Wayne County Commissioner*

In 2013 Wayne County commissioners set out to create an inclusive process for defining a shared vision to guide the county's development. Initially county commissioners identified approximately fifty people from across the county representing diverse backgrounds, professions, and political perspectives to listen to community needs and concerns. Meetings were held on the first Friday of each month, with an average of thirty-five invited attendees; members of the public were also encouraged to attend.

Wayne Economic Development Corporation—a private, non-profit organization with a mission to create jobs and improve prosperity in Wayne County—served as the convener of these meetings. At first it was not easy to get leaders to the table, because of the conflict around fracking, so initial meetings focused on building relationships and trust, mutual learning, identifying community needs, and starting a dialogue around potential actions that had broad-based support. Guest speakers offered additional information about resources or programs available in the county.

> *"We were very intentional about listening carefully to others and appreciating what they were saying and why. Sometimes it felt like we were stagnant, but we were building the network, making sure we had diverse voices and people around the table who don't normally talk."*
>
> *~ Wayne County Commissioner*

[12] Wayne Tomorrow! A Collaborative Ecosystem. Presentation to the NEPA Learning Conference on August 9, 2021.
[13] Wayne County Population Statistics. Cited on Wayne County, PA, website.
[14] American Community Survey Estimate. Cited on Wayne County, PA, website.
[15] Wayne County Agricultural Development Plan. 2.

Several focus areas of interest emerged, and work groups were established to bring focused attention to five key issues: agriculture, business and economic development, human resources and education, quality of life, and sustainable communities. Each work group conducted a SWOT (Strengths, Opportunities, Threats, and Weaknesses) analysis, revealing several common themes, including broadband Internet access, a career and technical center, educational opportunities, health and wellness, transportation, and marketing the county's natural assets.

Findings from the SWOT analyses were used to inform a strategic plan that identified key goals and priorities for action. Community participants also created a structure for the collaboration, aptly named Wayne Tomorrow!

- *The Coordinating Committee*, which includes the county commissioners and the executive director of Wayne Economic Development Corporation, directs the efforts of the community-based collaborative. It is also responsible for keeping the collaboration representative and responsive and identifying potential new members, both individuals and organizations, from all regions of the county.

- *The Community Impact Network,* with members representing approximately forty-five agencies and organizations, serves as an "integrator," sharing information about relevant programs and keeping partners in the know about events across the county. Integrators play an important role in sharing knowledge about resources and bringing new players into the collaborative.

- *Five Taskforces,* aligned to high priority issues, are responsible for taking action in their respective arenas:
    - Agriculture
    - Community Health and Wellness
    - Community Hubs
    - Housing
    - Transportation

The convening process and structure has been an essential vehicle for making connections, building relationships, and thinking collaboratively. To date, over 100 participants representing diverse professions and perspectives, including county and municipal leaders, heads of county departments, librarians, farmers, business leaders, foundations, and residents, have been involved in the ongoing learning and visioning. While it is not always easy to recruit participants and keep them engaged, having structured, useful meetings; maintaining close relationships with county officials; and sharing information about programs and resources available in the county have been critical to sustaining interest.

"Before, everyone was just doing their own thing. The exercise of coming to the same table every month makes people think actively about each other. After a few of these meetings, you just couldn't afford not to be there."
~ Farmer Participant

Additionally, as communities across the county have different profiles and economic drivers, the collaborative conducts an annual assessment to ensure that diverse voices and interests are represented and heard and to identify new individuals and organizations that might participate.

Taking Action

Wayne Tomorrow! and the Wayne Economic Development Corporation also executed two studies (both funded with ARC grants) that played a critical role in helping the collaborative move to strategic action.

- A community and economic development study was commissioned to develop a work plan for redesigning Wayne County community development programs, implementing WT! priority action items, and managing and funding the work. The study determined that the county had "relied on a strategy of 'doing more with less,'" resulting in a lack of capacity—both financial and staff—that limited its ability to capitalize on new opportunities.[16] Accordingly, the study recommendations included creating the Wayne Tomorrow Community Prosperity Network, which would be responsible for seeking funding for activities and enhancing staffing capacity. The report also recommended implementing proposed work plans to enhance talent development, creating a network of community hubs to develop programming addressing select community needs, and tackling the broadband infrastructure problem.

- An agricultural development plan was commissioned to make recommendations to revitalize the agricultural sector and address workforce needs. The study report noted the need to cultivate an entrepreneurial culture built around agriculture, food, forest products, and related industries; create a young- and beginning-farmer development program; and establish a regional body to support cluster development in agriculture.

Recommendations from both plans are being implemented to positive effect. Notably, the Wayne Tomorrow Community Prosperity Network has been essential in

[16] EntreWorks Consulting and LOCUS Impact Investing. 2018. "Strengthening the Wayne County Community and Economic Development Ecosystem: An Assessment," 5.

accelerating the collaborative's ability to take action and sustain that effort. Two aspects of the Community Prosperity Network are particularly important:

- Wayne Community Foundation has taken the lead in raising funds that provide match dollars for community projects, seed money for innovative ideas, and emergency funding when a crisis strikes. In addition, the Community Foundation seeks out funding opportunities, works with the Community Impact Network to identify the right agency for each grant application, and helps to develop joint proposals, providing data and securing letters of support from collaborative members. The results tell an encouraging story: As of 2021, over $12 million in new federal, state, and local funding had been raised to support WT! projects.

- A Community Network Specialist actively promotes the work of WT! This critical communications role is responsible for keeping the community updated on WT! strategies, project implementation, and emerging results.

Over its ten-year history, WT! has implemented many projects in response to community needs, including food, broadband access, agriculture, and trails and waterways. Two such projects are highlighted below:

- The ARC grant project Wayne County Business Technology Enterprise Center, known as the Stourbridge Project, was an early effort to establish a co-working space and incubator services in response to the loss of some area businesses and the challenges of limited broadband access. The project has taken over a 1920s-era school building and renovated it to house co-working space, workforce development programs, and a clean energy co-op that is now supplying some energy to the county. A lender roundtable of local banks has been established to provide entrepreneurs with access to capital.
- An Agriculture Innovation Center is aimed at restoring agriculture as a driver of economic development in the county. In addition to partnering with Wayne Memorial Hospital on a food prescription program, the Innovation Center will create a shared space for small growers to aggregate, process, package, and distribute their farm products to meet the demands of wholesale and institutional buyers.

Today the collaborative remains strong and active, largely due to the central role of a convener, its spirit of collaboration, and a strategic framework for action.

"Being a County Commissioner has become more meaningful than just handling the budget. We are not managing the county anymore; we are leading it."

~ Wayne County Commissioner

Lessons That Others Can Benefit From

Founding members of the WT! collaborative report that the aspects of facilitating a collaborative - including diverse voices, listening for understanding, and moving from “me” to “we” to work toward taking collective action- have been core to their success. Other more structural practices include:

- *Identifying a convening entity with a strong moderator* that can lead the conversations and drive the collaborative toward action. A neutral, respected entity—in this case, the Wayne Economic Development Corporation—is needed to provide structure and focus to achieve the end goal.

- *Having local leadership (e.g., county commissioners, city officials) and key decision makers at the table*. The involvement of public officials that can fund projects or make policy changes in support of a community-wide effort is important to nurturing a “change is possible” attitude among participants.

- *Dedicated staffing*, which is needed to maintain the needed levels of communication and coordination among participants.

- *Taking action!* While WT! leadership felt strongly about the importance of building relationships and trust first, the lack of action in the early years resulted in some participants exiting the collective. Taking action, even with small steps, can help to maintain confidence that important, meaningful efforts—and results—are truly on the horizon.

Fostering Connectivity to Encourage Innovation and Growth

Why This Topic Is Important to ARC's Work in Business Development

"The agriculture and food economies of the Appalachian Region offer a unique set of levers to advance greater economic resilience and self-reliance across the region."[17]

In recent years, the development of local and regional food systems has garnered increased attention as drivers of economic development and resiliency in the regional food supply.[18] However, in many Appalachian communities, the rugged, mountainous terrain and limited transportation infrastructure make distribution of local agricultural products difficult and costly, hindering Appalachian farmers' ability to obtain fair prices for their products and compete effectively.

In western Maryland, a collaboration between local farmers, the Garrett County Department of Business Development, and the University of Maryland Extension Garrett County Office established an innovative producers' cooperative to connect local farmers to new markets. The collaboration, named the Garrett Growers Co-op, and its ARC grant, Garrett Agricultural Asset Development, have been a vital asset for local farmers, providing technical assistance and support to help farmers scale their operations, provide infrastructure for aggregation and distribution, and connect producers to a broader network of buyers by improving access to markets for fresh, locally sourced produce.

Community Profile

Garrett County is a rural county in western Maryland, bordering West Virginia to the south and west and Pennsylvania to the north. In 2020 the county had an estimated population of 28,852, a 4% decline from 2010.[19] Median household income was $52,600 in 2019, about 16% less than the national average.[20] The 2020 unemployment

[17] Kerrick, B, Sandusky, E, De Corte, B, Hostetler, E. 2022. "Agriculture and Local Food Economies in the Appalachian Region. KK&P and Mass Economics on Behalf of Appalachian Regional Commission." Accessed on October 31, 2023, from https://www.arc.gov/report/agriculture-and-local-food-economies-in-the-appalachian-region.
[18] Ibid.
[19] Garrett County Government Department of Business Development. Garrett County Data & Statistics, Historical Population. Accessed on October 31, 2023, from https://business.garrettcounty.org/data-resources/garrett-county-data-statistics.
[20] Garrett County Government Department of Business Development. Garrett County Data & Statistics, Economy Overview Garrett County, MD. Accessed on October 31, 2023, from https://business.garrettcounty.org/data-resources/garrett-county-data-statistics.

rate in the county peaked at 6.6% following the onset of the COVID pandemic but rebounded to 4.9% by July 2021, still below the national average of 5.4%.[21]
In 2017 Garrett County was home to just over 700 farms, encompassing over 90,000 acres. Largely, farms in the county are small family farms, with a mix of animal and crop producers [22]:

- Ninety-eight percent (98%) of farms in the county are family farms; only 18% of these hired farm labor.
- Fifty-six percent (56%) of farmers generated less than $10,000 per year in sales.
- Fifty-eight percent (58%) of sales were from livestock, poultry, and animal products, and 42% of sales were from crops.

Project Description

Farming has been an economic driver in Garrett County for decades. Prior to 1980, farms focused on dairy, beef cattle, and livestock, but in subsequent years, the rising cost of farming animal products saw many farmers begin to supplement their income with small-scale vegetable operations. Local farmers markets were established as a place where farmers could sell their produce, but in the 2000s, these sales stagnated. There was a need to identify new sales strategies to improve financial stability.

As Garrett County is a popular tourist destination with natural attractions, recreation, and camps for outdoor enthusiasts, there was ample demand for local produce that could be tapped. Tourists and visitors desired locally grown products, and area restaurants sought to meet that demand to enhance their competitiveness. However, most small family farmers were unable to seize this opportunity. Farms needed to scale their volume of produce to meet wholesale demand but often lacked the technical knowledge to do so, and pricing needed to be adjusted to accommodate the shift from small retail to wholesale markets. Additionally, most farmers lacked relationships with restaurants and the infrastructure to access wholesale markets.

The Garrett Growers Cooperative, inspired, owned, and led by local farmers, was established to help farmers overcome barriers to growth and improve sustainability by providing a structure for shared technical assistance, marketing, aggregation, and distribution of local farm produce to a broader market of buyers.

[21] U.S. Department of Labor, Bureau of Labor Statistics. 2021. News Release: The Employment Situation – July 2021. Accessed on October 31, 2023, from https://www.bls.gov/news.release/archives/empsit_08062021.pdf.
[22] U.S. Department of Agriculture, Census of Agriculture. 2017. County Profile: Garrett County, Maryland. Accessed on October 31, 2023, from https://business.garrettcounty.org/resources/about-us/pdf/County%20Profile.pdf.

"The Garrett Growers Co-Op was born out of need. Farmers needed to grow and sell more to survive. This was a vehicle to bring people together with strategies to meet demand and market access needs."

~ Garrett County Leader

While Garrett Growers is owned and controlled by farmers, it is operated through a collaboration between the Garrett County Department of Business Development (GCDBD) and University of Maryland's Agriculture Extension (UMD Extension). The UMD Extension brings technical expertise in farming and has played a critical role in helping farmers to scale their operations, implement new technologies, and revise their pricing structures. Leadership at UMD Extension and GCDBD, local farmers themselves, market the Co-Op produce to local restaurants and organizations. More recently, Garrett Growers hired a staff coordinator, who manages inventory and incoming orders.

Initially the Co-Op helped farmers to scale production and revise pricing. Additionally, many farmers interested in joining the co-op were new to vegetable farming or new to farming altogether and so required training and assistance to meaningfully participate. The learning curve was complicated by the region's mountainous terrain and high altitude, which forces a relatively short growing season. To ease the seasonal challenges and support new farmers, UMD Extension provided training and technical assistance relating to the use of high tunnels and other season-extending techniques, and secured funding to build storage infrastructure on site at local farms.

Garrett Growers "pop-up" farmers market in Friendsville, MD (Photo by Garrett Growers)

While area farmers saw value in the co-op model, initially many were leery about switching from a small retail sales model (farmers markets) to wholesale, especially given the significant drop in pricing that had to accompany the wholesale shift. Here, UMD Extension provided technical assistance and education to inform farmers about the benefits of selling wholesale and to teach them how to scale operations to meet volume demands and apply farming practices to enhance food safety and extend produce shelf life.

In addition to connecting with individual restaurants and boutique grocers, over time the Co-Op has partnered with other local food system organizations in the region to expand markets as well as supply.

This includes Turnrow Appalachian Farm Collective in West Virginia, which collaborates with Garrett Growers to supplement orders, and with the United Way in Morgantown, West Virginia, to provide fresh produce for nonprofits serving a historically underserved area. Additionally, Garrett Growers participates in several healthy food programs, such as Food Farmacy, Kids Box, and food bank Veggie Boxes. Most recently, the Co-Op has worked with the Garrett County Health Department to host “pop-up” farmers markets in very rural low-income communities, many of which do not have a local supermarket, supplying fresh produce that can be bought with SNAP and EBT payments.

The GCDBD’s 2014 ARC grant, Garrett Agricultural Asset Development, was essential for establishing a large regional food distribution loop that spanned Garrett County and identifying potential customers and farmers in adjacent West Virginia. A small box truck is used to travel through the distribution loop (similar to a bus route) and systematize regular pickups and deliveries. The truck receives produce at identified farms and then drives the loop, dropping off orders and/or picking up additional produce.

Garrett Growers delivering produce to local business (Photo by Garrett Growers)

Farmers are charged a 20% fee on revenues, which is used to support the Co-Op’s marketing, customer service, order tracking, aggregation, and delivery. While these fees help to defray some costs, they are not sufficient to cover all the staff time provided by GCDBD and UMD Extension. As a result, grant funding has been critical to keeping the Co-Op operating at the current capacity. Additionally, because of their dedication to the mission of Garrett Growers, staff at GCDBD and UMD Extension often volunteer the additional time required to keep the Co-Op operational. Both organizations are strongly committed to the co-op model and continue to seek additional grant opportunities to support this work.

The Garrett Growers Co-Op has been remarkably effective in strengthening farming skills and the capacities of farmers to access new markets while improving revenues and sustainability. The technical support, infrastructure, and marketing support provided by the Co-Op allows farmers to focus on what they do best: growing delicious produce. At the same time, providing local businesses with fresh foods has dramatically improved their revenues and sustainability, having an overall positive impact on the community.

> *"Garrett Growers has made a world of difference for our business. It is all about quality, and that is what Garrett Growers provides."*
>
> *~ Garrett County Restaurant Owner*

While challenges to long-term financial sustainability remain, the connections established between farmers, local businesses, and customers have resulted in a stronger farming community and more robust local business environment. To date, the Co-Op has served over 126 farmers and businesses and helped 31 farmers to improve operations through technical assistance and food distribution services.

Lessons That Others Can Benefit From

The following were identified as key learnings by Garrett Growers and may benefit others that aim to strengthen food systems in their region:

- *Start small and stay lean.* Garrett Growers benefited from a modest start then testing the model and proving the concept. Setting the foundation for the work helped to clarify what was needed to expand the operation.
- *Collect information to demonstrate results.* Once the Co-Op began to demonstrate the results of their work, many of the initial skeptics were convinced of the co-op's value and made the commitment to join.
- *A trusted support system helps to make informed decisions and increase capacity.* The partnerships with the county government and UMD Extension provided the mainstay of support that farmers needed to focus on their strengths.

Advancing Shared Economic Prosperity

Why This Topic Is Important to ARC's Work in Business Development

The Appalachian region is celebrated for its rich culture and traditions and its diverse population. Yet the region is also known for enduring a variety of economic and social challenges that have contributed to economic disparities within many communities in the region. It is recognized that economically vibrant communities are those that tap into the potential of all that want to contribute.[23] Accordingly, Appalachian rural communities that are inclusive of their diverse residents, including individuals that have been traditionally barred from resources, are better positioned to advance shared economic prosperity.[24]

Through its ARC grant, the Northwest Georgia Small Business Development Initiative, Access to Capital for Entrepreneurs (ACE), a Georgia-based CDFI, sought to support small businesses and entrepreneurs who faced historic barriers to capital or who had been systemically prevented from accessing opportunities. While the work to foster equity in rural economic development is dynamic and evolving, ACE's approach to serving the Hispanic population in Northwest Georgia offers a useful blueprint of effective practices in advancing shared economic prosperity.

Community Profile

The Northwest Georgia Small Business Development Initiative targeted 12 counties in northwest Georgia:

- Bartow
- Catoosa
- Chattooga
- Dade
- Floyd
- Gordon
- Haralson
- Murray
- Paulding
- Polk
- Walker
- Whitfield

Together, these counties had an estimated 2020 population of 826,000.[25] The region performed below the national average on economic criteria, and three counties had

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[23] NC Rural Center. "Investing in our own diversity, equity, and inclusion journey." Accessed at https://www.ncruralcenter.org/engagement/impactstories/investing-in-our-own-diversity-equity-and-inclusion-journey.
[24] "Investing in Rural Prosperity: The 'TRIC' to Shared Economic Prosperity"
[25] U.S. Census 2020. Accessed at https://www.census.gov/library/stories/state-by-state/georgia-population-change-between-census-decade.html.

poverty rates ranging up to almost 18%, well above the national average of 10.5%.[26] At the time of the grant, ARC designated three of these counties as at risk of becoming economically distressed and nine counties as transitioning between strong and weak economies.[27]

Project Description

Access to Capital for Entrepreneurs (ACE) is a Community Development Financial Institution (CDFI) that provides capital, coaching, and connections to small businesses and entrepreneurs in Georgia. While its mission is to serve the underserved, ACE places specific focus on eliminating historic barriers to accessing capital and supporting those that have been systemically prevented from accessing business opportunities. For example, recognizing the gender bias and societal norms that have historically limited women's ability to start and run businesses, in 2015 ACE established a Women's Business Center to empower women entrepreneurs. In 2019 ACE opened an office in the Russell Innovation Center for Entrepreneurs, located in a historic African American community designated as an Opportunity Zone and, during the pandemic, developed a methodology for equitably distributing COVID recovery funds, prioritizing businesses owned by low-income African Americans, women, and veterans.

> *"We try to create programs that work for the uncommon client."*
>
> *~ ACE Business Advisory Service Staff Person*

In keeping with the practice of intentionally reaching out to populations or communities that have been excluded from resources and services, in 2019 ACE identified an opportunity to serve the Hispanic population living in northwestern Georgia. ACE recruited a Spanish-speaking Hispanic business advisor with experience working with entrepreneurs. Importantly, this staff person had strong relationships with both the local Hispanic community and area banks. Office space secured from a local partner allowed the advisor to be physically based in the community to provide easy access, deepen relationships with partners in the community, and build trust.

Aware that many Hispanics in the area faced a number of barriers when considering a startup—notably, lack of documentation (Social Security Number/Individual Taxpayer Identification Number (ITIN)), limited English fluency, insufficient credit history, and a lack of knowledge about CDFI services or a concern that they would not qualify for CDFI services—ACE came prepared to offer wrapround services to

[26] ACE's Final Grant report to Appalachian Regional Commission.
[27] https://www.arc.gov/classifying-economic-distress-in-appalachian-counties.

help prospective entrepreneurs access its core lending products. Extensive pre-loan services were offered, such as helping clients to understand the loan application process and other capital-related topics and working with clients to build or improve their credit and financial status. Post-loan services were designed to ensure loan clients' success; these included help in strengthening business operations, pivoting the business in response to COVID, maintaining and/or generating jobs and revenue, and scaling a new business model.

"I live in a community that is largely White, and they don't tell the Hispanic community about CDFI resources. I tried to get a loan from a bank, but they wouldn't approve it. A friend steered me to ACE for help. Their rates are low, and I got one-to-one help on financial matters."

~ ACE Beneficiary in NW Georgia

In addition to providing direct services, ACE staff built partnerships and connections with ecosystem partners in the area. This deepened the staff's reach into the community, effectively building a pipeline of prospective clients for services. Local partnerships proved especially critical during COVID, when clients needed access to computers and other supports in completing online trainings or applications. Coalicion de Lideres Latinos (CLILA), a highly respected organization offering business education to Hispanic entrepreneurs, was a key partner providing both computers and tech-savvy experts. ACE also collaborated with CLILA on several workshops, including:

- Do Not Risk Your Business, which provided guidance to aspiring entrepreneurs about what to do (and what to avoid) and who to work with to start or grow a business.
- A business finance workshop, which trained participants on bookkeeping and accounting basics and the process for engaging a professional accountant.
- How to Promote Your Business Online and in Social Media, which offered participants strategies for reaching target clients on various platforms and for measuring success.

ACE also leveraged resources at the Women's Business Center to offer additional webinars, workshops, and one-on-one counseling services on topics including marketing, inventory control and employee management.

Despite the impact of COVID, which forced ACE to shift focus from fostering new businesses to helping existing ones pivot and persevere through the pandemic, over $3.6 million was deployed to forty-seven small businesses. Eighty-five percent (85%)

of loans were provided to entrepreneurs of color, women, and low-income small business owners. Additionally, three new businesses and 119 new jobs were created.

Lessons That Others Can Benefit From

ACE's efforts to serve populations that have been systemically blocked from accessing business opportunities underscore what is emerging in research literature about advancing inclusive rural development:

- *Both internal and external efforts are needed*. Internal efforts, which include hiring diverse staff and giving them a voice in decisions and policies, ensure that the organization itself is an inclusive place to work. External efforts, especially those that target marginalized populations, are needed to overcome systemic inequalities and promote shared economic prosperity in the broader community.
- *Be intentional about engaging populations or communities that traditionally have been excluded from resources and services*. In this work, it is critical to build trust in the community before services can be meaningfully engaged. In addition to meeting the specific needs of those populations, ensure that they are represented at tables where decisions are being made.
- *Take a tailored approach to clients*. Work first to understand what is relevant and important to the population or community being served, and then offer culturally and linguistically appropriate services.
- *Partner with place-based institutions that are grounded in the community.* These partners can help tailor products and services to meet specific community needs and connect the targeted populations to the right supports.
- *Recognize that promoting shared economic prosperity is a continuous process rooted in education and action.*

Collaborating to Retain the Talent Pipeline

Why This Topic Is Important to ARC's Work in Business Development

Many Appalachian communities face declining populations, which compounds the challenge of business and economic development. While there are several reasons that individuals might choose to leave their Appalachian community, the net effect of the loss of talent and skills developed through educational systems and training results in deficits in the available workforce.

To reverse this trend, four universities and a public library in Erie, Pennsylvania, built upon an established collaboration among themselves to provide technical assistance and support services to new and growing businesses through their ARC grant, Northwest Pennsylvania Innovation Beehive Network. This innovative collaboration is working to change the negative narrative about opportunities in the Erie community; retain jobs; and create a strong, motivating force for local talent to build businesses in the region.

Community Profile

Erie County, the home of Pennsylvania's fourth largest city, Erie, has experienced population decline for decades. Most recently, between 2010 and 2020, while the U.S. population grew by 7% and Pennsylvania's population grew by 2%, the population of Erie County declined by nearly 4%.[28] In the city of Erie, the population has declined at each decennial count since its peak population of 138,440 in 1960; in 2020 the population stood at 94,831, representing a 32% decline versus peak.[29]

Erie also struggles with the socioeconomic challenges often present in declining areas, including a 16% poverty rate and widespread substance use issues. In 2020 the Appalachian Regional Commission designated Erie County as a Transitional County, noting that the county contains twenty-two distressed areas (census tracts).[30] This means that the county falls between the worst 25% and the best 25% of counties in the U.S. based on three economic indicators: unemployment, market income per capita, and poverty rates. Decades of decline in American manufacturing, which was once a strong industry in Erie, had taken a toll on businesses and the community.

Project Description

The impetus for the Innovation Beehive came from recognition by the presidents of four local universities—Edinboro University, Gannon University, Mercyhurst

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[28] USA Facts. "Our Changing Population: Erie County, Pennsylvania." Accessed at https://usafacts.org/data/topics/people-society/population-and-demographics/our-changing-population/state/pennsylvania/county/erie-county/?endDate=2020-01-01&startDate=2010-01-01.
[29] Go Erie. 2015 "Erie's population sinks to lowest in nearly a century."
[30] Appalachian Regional Commission. "Distressed Designation and County Economic Status Classification System. FY2020."

University, and Pennsylvania State University's Behrend College— that their competition for students and resources was actually detrimental to the institutions themselves and to the larger community. With this realization, they collectively published a white paper. *The Path Forward: A Statement on the Future of Our Region*, outlining the important role that universities play in the region and mandating new efforts for collaboration toward a vibrant economic future for Erie.

Heeding the call for cooperation, in 2014 the leadership of entrepreneur support labs at Mercyhurst University and Penn State Behrend submitted a collaborative proposal to the Erie County Gaming Revenue Authority focused on one aspect of their presidents' vision: a collaborative network of existing entrepreneurial support incubators and services. The Gaming Revenue Authority not only funded the proposal, bringing the presidents' idea to life as the Northwest Pennsylvania Innovation Beehive, but also codified the collaborative approach by requiring that Beehive projects involve experts at one or more of the partner institutions.[31]

The purpose of the Northwest Pennsylvania Innovation Beehive is to develop talent both inside and outside the universities to encourage business expansion and development by providing accessible services to the entrepreneurial ecosystem.

Although the Beehive Network began with the Mercyhurst and Penn State Behrend proposal, it was designed to be a regional network. Therefore, all four universities that participated in the initial white paper were intentionally included in the Beehive. Early leaders of the network were bullish in being open, collaborative, and inclusive, specifically seeking out passionate, forward-looking people who were willing to "leave their titles at the door" to get the work done. While building trust and establishing norms around sharing credit and media recognition was an extended process, participants recognized that their collaboration turned good ideas into great ones. The Beehive Network is now managed by a core team of two representatives from each university and the public library that meets weekly to discuss projects, make referrals to services aligned to the needs of clients, and nurture an entrepreneurial culture.

The Beehive is now made up of hubs at five universities and a public library that serve two distinct populations: entrepreneurial Erie community members or businesses (the clients) that seek services to start a business or help their small business to grow and the university students that provide services to those clients. Students gain valuable work experience and skill sets through their work providing support services to Beehive clients and are exposed to practicing entrepreneurs and the work it takes to start a business. Entrepreneurs and small business owners are

[31] GoErie. 2017. "Local universities commit to collaboration to move Erie Forward."

provided with multiple "no wrong door" access points to practical and actionable services that can help them to establish and grow their businesses.

Indeed, the magic of the Beehive is in the mix of resources offered at each entity that represents a full suite of entrepreneur services while avoiding duplication and reducing competition among the players. Each hub provides a unique set of services that leverages their unique assets and resources to provide needed services to businesses and entrepreneurs. The participating hubs are described below:

- Allegheny College's Center for Sustainable Development provides sustainability research and consulting services, which include product and manufacturing life cycle assessments, renewable energy systems design and installation, and building energy audits.

- Erie County Public Library's Idea Lab offers classes to build creative skills and learn new equipment and technologies and provides free access to equipment and resources for beginning entrepreneurs.

- Gannon University's Center for Business Ingenuity provides expert consulting in crowd-funding analysis, pitch decks, start-up capital analysis, and other start-up services.

- Mercyhurst University's Innovation Entente Lab provides market analysis and competitive business intelligence and offers an innovation and production lab.
- Penn State Behrend's Meehl Innovation Commons provides experienced engineering consultation, product design, rapid prototyping, and app design.

- Pennwest Edinboro's Center for Branding and Strategic Communication provides clients with design and marketing services to enhance brand awareness and marketing strategies.

Importantly, potential clients can access any of the Beehive's services through a shared intake form by connecting to the Erie County public library system or through organization or community referrals.

Now, having completed nearly a decade of operations, the Beehive Network has had a meaningful impact on the students and entrepreneurs who engage with the Beehive as well as on the community as a whole. Entrepreneurs who have been served by the Beehive have become embedded in the entrepreneur community in Erie and are more likely to stay in the area. Over the two years of the ARC grant in 2017–2019, the Beehive Network improved 312 businesses and facilitated the creation of thirty-four new businesses. Later, in 2022 alone, the network served 140 small businesses and eighty-five early entrepreneurs, creating twelve new businesses, and engaging well over 100 students. The strong entrepreneur ecosystem created by the

Beehive has also attracted other services and outside funding into the Erie region; for example, an angel fund is now being developed in Erie for the first time.

Although some students do eventually leave the community, having enhanced job opportunities because of the portfolio of work completed at the Beehive, those that opt to remain are more connected to the entrepreneurial community and network in the region and believe that Erie is a place where someone can succeed in business.

Regardless, at the community level, where the conversation used to focus on corporations leaving and manufacturing losing steam, there is now a stronger sense of community pride about the business possibilities in the region.

Lessons That Others Can Benefit From

Members of the Innovation Beehive Network emphasize that the key to their success has been an honest and deep collaboration in which no member of the Beehive has an individual agenda or vies for more credit, media coverage, or funding than the others.

> *"For this system to function, trust between all collaborators is key. Presently, the Beehive leadership meets every week, even after many years of working together. Communication lines are wide open, and uncomfortable conversations take place when needed."*
>
> *~ Innovation Beehive Leader*

Understanding that strong, diverse partnerships were a key to building their talent pipeline, other effective practices that have helped to retain talent locally include:

- *Offer a wide range of supports that go beyond training and technical assistance*. Many small businesses and entrepreneurs need practical supports as well, such as research on competition and funding opportunities, data collection and analysis, product design and prototyping, and access to equipment. For example, the public library in the Beehive offers access to 3-D printers, laser cutters, and an audio studio.

- *Have multiple accessible entry points into the system of business and entrepreneur supports*. There must be no wrong door to connect with support, and doors must be accessible both geographically as well as culturally. For example, in the case of the Beehive, if a resident did not feel comfortable going to a university for supports, the public library was accessible and provided both equipment and more basic classes for emerging entrepreneurs. Similarly, recognizing its limited reach to marginalized populations, one of the university nodes has opened an office in an off-campus location in an underserved community.

- *Engage clients as allies and partners, not just customers*. The Beehive Network strives to invite client entrepreneurs into Erie's entrepreneurial ecosystem. If a client embeds themselves into the ecosystem, they will typically stay and grow in the region. If clients view service providers as vendors, they may not form attachments to the community. Likewise, the students that serve these clients tend to see more local opportunities than other students. Indeed, some of those that work in the Beehive Network have started their own local companies, taking advantage of the same services that they were a part of offering.

- *Track data and clients to ensure you are giving your clients all they need to be successful*. The Beehive Network shares a customer intake form and contact database to help all clients receive the services they need from each Beehive site. Additionally, the leadership circle discusses clients as a team and will check in post-engagement to see how clients are progressing and offer additional support if needed.

Building an Entrepreneurial Culture Through Youth Education

Why This Topic Is Important to ARC's Work in Business Development

A robust culture of entrepreneurship, where risk-taking is encouraged, innovation and curiosity are valued, and aspiring entrepreneurs are empowered to pursue opportunities and take ownership of their work, is the foundation of a strong entrepreneurial ecosystem. In Appalachian communities that face declining populations, promoting, and developing a culture of entrepreneurship among youth is critical to boosting talent retention as well as supporting job creation and community sustainability.

In the face of an aging population and declining city revenues, leaders of the city of Hermitage, Pennsylvania, and local education service agencies came together to establish an innovative entrepreneurship academy that would encourage youth to stay in the area. Through its ARC grant, LindenPointe Entrepreneurship Academy and Accelerator Program (LEAAP), the public–private program led by the LindenPointe Development Corporation, now known as the eAcademy, has become a recognized economic development driver successfully connecting talented high school students with local businesses and educational institutions.[32]

Community Profile

LindenPointe's eAcademy serves high schools in Mercer County and Lawrence County, with populations of 110,000 and 85,000, respectively.[33] ARC designates both Mercer and Lawrence Counties as transitional counties, placing them between strong and weak economies.[34] As the largest city in Mercer County, with a population of just over 16,000,[35] Hermitage lies within an hour of several major metros, including Pittsburgh and Cleveland.

Project Description

The impetus to foster leadership and entrepreneurship among young people in Mercer and Lawrence Counties was born of necessity. Out-migration of young adults has resulted in an increasingly aging population, impacting the community both financially and socially. There was a need to stabilize the population, find innovative

[32] eCenter@LindenPointe. Accessed at https://ecenterlindenpointe.com/eacademy.
[33] United States Census Bureau (n.d.). "Quick Facts: Lawrence County, Pennsylvania; Mercer County, Pennsylvania; Hermitage City, Pennsylvania. U.S. Department of Commerce." Retrieved October 23, 2023, from https://data.census.gov.
[34] Appalachian Regional Commission (n.d.). "Classifying Economic Distress in Appalachian Counties." Retrieved October 23, 2023, from https://www.arc.gov/classifying-economic-distress-in-appalachian-counties.
[35] United States Census Bureau (n.d.). "Quick Facts: Lawrence County, Pennsylvania; Mercer County, Pennsylvania; Hermitage City, Pennsylvania." U.S. Department of Commerce. Retrieved October 23, 2023, from https://data.census.gov.

ways to connect youth and communities, and develop a strategy to keep workforce-ready young people in the area.

"In ex-industrial communities, if you're not losing people, it's a win. Mercer County is aging, so it is vital to keep young people here in our community."

~ City Leader in Hermitage, PA

In 2013, the City of Hermitage, in partnership with the Midwestern Intermediate Unit (MIU), a local education service agency, launched a two-year entrepreneurial education pilot program to break down walls between school districts, strengthen the connection between students and their communities, and position high school students to enter the workforce after graduation. The pilot demonstrated that additional structures and resources, including dedicated staff and funding, would be needed to make the program sustainable longer term. The city approached the LindenPointe Development Corporation to house and administer the program. This public–private partnership between the city, LindenPointe, MIU, and other local business stakeholders proved to be a catalyst for the program's growth and success.

Visionaries of the eAcademy. From Left: Gary Gulla (Assistant City Manager for City of Hermitage), Sarah Palmer (Sr. VP & Chief Lending Officer Mercer County State Bank), Katie Parr (eAcademy Instructor), and Kim Zippie (Retired Superintendent Commodore Perry School District & formerly at Midwestern IU). (Photo by Working Partner LLC)

In 2017 LindenPointe received an ARC grant to strengthen the entrepreneurial education program, providing high school seniors with a hands-on experience designed to foster leadership and entrepreneurial skills. Other funding was secured from the Pennsylvania Department of Economic Development, the City of Hermitage, and MIU, with additional supports from the eCenter@LindenPointe, a local startup business incubator.

The eAcademy program is designed around four cornerstone practices:

Recruitment

The eAcademy program is offered as an elective course to seniors at twelve participating high schools. Students gain entry by submitting an application to a high school counselor, who reviews the applications and selects the seniors who may enroll. The program is best suited for students that are relatively strong academically (3.0 GPA or higher) and have a broad range of interests (not solely a future in business). Although the eAcademy teaches entrepreneurship and business, the curriculum is focused on career readiness. The high schools bear the cost of the students' program tuition and transportation for field trips. While this is intended to reduce barriers to participation, the number of students enrolling each year is influenced by the financial capacity of each school.

Strong Curriculum with Hands-On Experience

Unlike other youth entrepreneurship programs that focus solely on awareness of entrepreneurial principles via classroom education, the eAcademy utilizes an evidence-based curriculum that blends traditional book learning with hands-on experiences to keep the course real, relatable, and relevant. The hands-on approach to learning sets the eAcademy apart and is central to the program's success.

The curriculum includes four core areas of learning:

- **Entrepreneurial Mindset** – Classroom education that explores what it means to be an entrepreneur and the skills that are important to open a business or be well prepared to participate in the workforce. Learning topics include workplace personality, problem-solving, and interpersonal interactions.
- **Startup Business** – Students are grouped into small teams to develop and pre-incubate a business idea. A twenty-four-step entrepreneurial curriculum developed at MIT is used to guide students through the non-linear process of developing a concept then formulating a business plan. At year-end students participate in a pitch competition. In addition to a monetary prize, the winning team has the

eAcademy students take a tour of a local business with the business owner (Photo by LindenPointe) opportunity to further develop its business idea in the startup incubator on the LindenPointe campus.

- **Real World Experience** – Students take field trips to local businesses and learn from real-world entrepreneurs. Field trips are tailored to students' interests and designed to expose them to business/ job opportunities that exist in the local community. In addition to field trips, expert guest speakers offer additional perspectives to complement in-class learning.
- **Soft Skill Development** – Students have the opportunity to learn in-demand workforce skills, including leadership, collaboration, taking initiative, adaptability, effective communication, information analysis, curiosity, and imagination.

Opportunity for Dual Enrollment

Because of its rigorous curriculum and the credentials of the instructor, the eAcademy has partnered with Penn State Shenango to offer dual enrollment, which allows students to simultaneously earn high school and college credits, to students. For those who select this option, upon completion of the eAcademy program, their credits are transferable to the college level, potentially reducing the time needed to graduate with a baccalaureate degree. While the curriculum is the same for everyone, participation in the dual enrollment option is voluntary as those that opt for dual enrollment must pay discounted tuition. While this can be a barrier for some students, the opportunity to transfer credits adds to the value of the program for students and helps to foster buy-in from parents.

Classroom Environment

To enhance the applicability of what is learned, the classroom simulates a real-world work environment: It is set up to function like a co-working space, with students having their own workstations. Much of the work is done in small groups to improve participation and foster collaboration, and students are held accountable for their performance.

"By participating in the eAcademy, kids are transformed. They walk in looking like a deer in headlights and walk out ready to make a pitch on Shark Tank.*"*

-eAcademy Partner

To date, the eAcademy has helped 190 students realize significant improvement in their education and workforce skills and has improved twelve organizations and two communities.

LindenPointe's ARC grant provided critical funding that LindenPointe needed to scale the eAcademy. However, it is important to note that even as a successful high-capacity program, the eAcademy struggles to secure sufficient ongoing funding and staff—a dilemma common to many youth entrepreneurship programs. Staff members are focused on student education and needs and have limited time and capacity for fundraising. Staff recruitment is also difficult, as identifying candidates with the right experience and orientation—passionate about entrepreneurship, community focused and collaborative, skilled at teaching in a hands-on environment—and providing competitive compensation remain significant challenges.

Lessons That Others Can Benefit From

The following were identified as key learnings from the eAcademy experience that may benefit others that aim to develop a culture of entrepreneurship among youth in their communities:

- *Making strong local connections is critical.* Engage partners that recognize the need for the program and share a common vision for its achievements. Partners need to be collaborative, want to work together for the common good (leaving agendas at the door), and have a passion for the work to be done.
- *Hands-on learning is essential for a strong impact.* Students need ample time and opportunity to internalize the lessons and practice their skills.
- *Normalize entrepreneurship as a viable pathway, and lean into the interests of the students.* Students (and parents) may hear the word "entrepreneurship" and assume the program is not a fit if they don't have an intention to start a business. Connecting the program to the interests of students and demonstrating how it can support their post-secondary goals is key.
- *Use a strong curriculum and the right instructor.* There are many youth entrepreneur curriculums available; select one that is both rigorous and has the ability to meet the interests and dispositions of students. Similarly, a dynamic instructor with the skill to manage diverse student needs and a commitment to the spirit of the program (passionate and community focused) will help realize success.
- *Track performance to demonstrate success.* Stay connected to program alumni to track their progress and how they leveraged the skills learned (i.e., how many continued on to college, started a local business, or found rewarding employment in the community). The ability to share real-world success with both prospective students and prospective funders is critical to the sustainability of the program.

Breaking Down Barriers to Employment

Why This Topic Is Important to ARC's Work in Business Development

Building a robust talent pipeline is central to any entrepreneurial ecosystem and business development strategy. Achieving this in Appalachia often requires more effort and creativity than the standard route of offering skills and entrepreneur training. The global decline in coal demand, long relied on as a primary economic driver, and changing energy markets have caused high levels of unemployment in the region. As a result, many Appalachians today are disconnected from the workforce because of a multitude of barriers, including a lack of jobs, disabilities and poor health care, limited educational opportunities, and inadequate transportation options. More recently, public health issues, including the COVID pandemic and the opioid epidemic, have exacerbated these barriers, leaving many Appalachian adults out of the workforce and unable to secure employment.[36] Therefore the region needs innovative approaches to help reconnect workers to the workforce and support diversified business development opportunities.

Recognizing that the largest resource in Appalachia is not its coalfields but the capacities of its people, Coalfield Development (Coalfield) has worked to address these social challenges through its ARC grant, the Appalachian Social Entrepreneurship Investment Strategy. Aiming to help diversify the regional economy and create job opportunities, Coalfield created several social enterprises – mission-driven businesses aimed at advancing the well-being of its employees – that generate income to facilitate the personal, professional, and academic growth among people who face barriers to employment.

Community Profile

Coalfield Development Corporation is focused primarily on the 21 counties in southern West Virginia. ARC designates twelve (57%) of these counties as distressed, being the most economically depressed counties in the state; six counties (29%) as being at risk of becoming economically distressed, and three counties as transitioning between strong and weak economies. The region holds a population of nearly 600,000, of which 22% live in poverty, compared to the national rate of just under 13%. The average labor participation rate among the twenty-one counties is 32% versus the national rate of 62%,[37] reflecting West Virginia's status as the state with the lowest labor force participation rate in the country.[38]

[36] Reimagine Appalachia.org
[37] Coalfield Development Strategic Plan and Impact Report. 2023.
[38] Mountain State Spotlight. June 26, 2023.

Project Description

Coalfield Development Corporation is a non-profit organization that takes a holistic approach to workforce development and entrepreneurship through four core competencies:

- Incubating job-creating, employment-based social enterprises
- Providing professional, personal, and academic development
- Engaging in community-based revitalization projects
- Designing and securing funding for new programs in emerging industries

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By "employment-based" we mean enterprises that exist for the purpose of advancing the well-being of its employees, which we do primarily through our personal and academic development.

Coalfield views the most important element of its work and, indeed, its very reason for being as serving community members that face significant employment barriers, including those in recovery from substance use disorder and/or are justice involved, and helping to move them into meaningful employment.

Accordingly, they have pioneered a workforce development program called WRAPS (Workforce Readiness and Professional Success). Unemployed and underemployed individuals, especially prior mine workers, are invited to enroll in this six-month program that blends paid ($16 per hour for thirty-three hours per week), on-the-job training with paid personal and professional development ($16 per hour for three hours per week). Personal and professional development topics covered in the curriculum are designed to facilitate individual and team skills that are in demand by employers:

- Professional themes include safety, respect, work quality, attitude, following instructions, promptness, problem solving, initiative, focus, teamwork, communication, and planning.

- Personal themes include physical health, mental health, managing emotions, volition, optimism, long-term decision making, citizenship, life management, perseverance, integrity, lifelong learning, and financial health.

Recognizing the particular needs and challenges faced by WRAPS participants, Coalfield has found innovative ways to ensure that members are in the best position to succeed, achieving both program graduation and, ultimately, long-term gainful employment. In addition to providing direct, wage-based employment in one of Coalfield's four social enterprises, Coalfield provides other supports, including:

- Generous paid time off (104 hours over six months) to allow participants to manage personal issues/commitments (health appointments, obtaining/reinstating a driver's license, obtaining a GED, securing permanent

housing, etc.) that are often barriers to long-term employment. In a mainstream work environment, this time would likely be unpaid and might even threaten job security.
- A clear, drug-free workplace policy and the potential for employment retention during periods of relapse if reinstatement protocols are followed.
- A robust employee assistance program
- Partnerships/referrals with recovery resources and social service providers.

Just as importantly, Coalfield holds high expectations of accountability for WRAPS trainees, requiring a professional attitude and demeanor and steady focus on the goals set for employment. Coalfield's Human Development staff have identified the culture of accountability, along with the robust wrap-round services, as key to fostering a favorable learning environment and in developing more resilient workers prepared for long-term employment success.

Photo by Coalfield Development

Through one of its employment-based social enterprises, Coalfield hires local people and trains them in construction trades so they can rejuvenate empty buildings and attract new investment to the region. For example, Coalfield purchased and transformed this former men's clothing factory in Wayne County, WV, into a facility that houses Coalfield's social enterprises and employees along with an artist residency program and many community events.

At the conclusion of the six-month program, WRAPS graduates are supported in finding jobs in the private sector or may have an opportunity to take the next step in Coalfield's talent-building pipeline by joining the 33-6-3 Crew Member program. Crew Members work a 33-6-3 workweek: 33 hours/week of paid ($18–$21 per hour), on-the-job training at one of Coalfield's social enterprises; six hours/week of classes at community college, leading to an associate degree; and three hours/week of personal development coaching. Crew members continue to receive wraparound services and support from the Human Development team and have access to interest-free loans that can be used for personal and family medical care, housing, transportation, and/or to pay down fines and legal fees. The loans are capped at $700 and must be repaid in six months.

During the two-year timeframe of the ARC grant (2016–2018), Coalfield Development trained over 1,000 workers and students, created ninety-two jobs, created five new businesses, and attracted $3.5 million in leveraged private investment.

Our enterprise's successes are measured according to a triple bottom line: people, planet, profit. Revenue from our social enterprises enables our organization to create hundreds of jobs and to be less grant dependent and more financially sustainable."

~ Coalfield Leader

Lessons That Others Can Benefit From

Coalfield Development's combination of social entrepreneurship and social enterprise development and workforce training models demonstrates a deep understanding of the complex, underlying issues in a region that is undergoing rapid economic transition. As a result, they have been uniquely successful in addressing not only skills training but also the barriers and traumas that many Appalachian workers and their families have experienced.

Below are key takeaways we can all learn from Coalfield Development's approach:

- *Build trust and relationships at all levels.* Doing this will require listening, honoring promises made, and understanding that reaching a goal is rarely a straight-line path.
- *Use your performance data to track progress, and be willing to pivot to maximize results.* For example, the six-month WRAPS program was created when data indicated that people were dropping out of the 33-6-3 Crew Member program. The six-month WRAPS program allowed trainees to adjust to employment and concentrate on removing their self-identified barriers to long-term success.
- *Recognize the complex needs of an untraditional talent pool, and design special workforce development and benefit offerings that help workers stay on track and complete training*, as Coalfield Development did with its time-off and loan programs.
- *Building your team's capacity is just as important as building the community itself.* The more time and resources you can dedicate to teamwork and partnerships, the more longevity your organization will have.

Creating a Place-Based Brand for Economic Growth

Why This Topic Is Important to ARC's Work in Business Development

The ability to access markets is vital to the success and sustainability of entrepreneurial ventures. Accessing new markets or making deeper connections to existing ones offers opportunities for growth, diversification, and new investment. Yet in many areas of Appalachia, sparsely populated communities, limited broadband, and distance to markets can impede businesses' ability to prosper.

The Pennsylvania Wilds Center for Entrepreneurship (PA Wilds Center), operating in North Central Pennsylvania, understands these challenges and has developed a unique, place-based branding ecosystem that helps entrepreneurs and small businesses in the region boost their visibility, bring new products to market, develop new skills, and grow their operations.

Community Profile

PA Wilds Center serves the Pennsylvania Wilds Conservation Landscape, a thirteen-county region that represents 25% of the state and includes public lands comparable in size to Yellowstone National Park.[39] Currently, ARC designates one of these counties as distressed, being among the most economically depressed counties in the state; one county as being at risk of becoming economically distressed; and the remaining eleven (85%) counties as transitioning between strong and weak economies.[40]

Like many Appalachian communities, the region has experienced loss of industry, decades of population decline, and young talent leaving the area. Within the estimated 2020 population of 500,000,[41] 13% live at or below the poverty line. The labor force participation rate stands at 60%, just under the state average of 65%, with 8% of the workforce self-employed.

Importantly, the Pennsylvania Wilds region boasts extensive outdoor recreation assets, including more than two million acres of public land, twenty-nine state parks, hundreds of miles of trails, nearly 40,000 hunting and fishing camps, the largest wild elk herd in the northeastern U.S., and a certified international dark sky park.[42]

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[39] Pennsylvania Department of Conservation & Natural Resources. www.dcnr.pa.gov.
[40] https://www.arc.gov/classifying-economic-distress-in-appalachian-counties
[41] U.S. Census Bureau. Decennial Censuses.
[42] PAWildsCenter.org/the-pa-wilds-region/

Project Description

“No initiative exists in the country on this scale and level of strategic thinking around branding the region.”

~ Society of American Travel Writers (2007)

Pennsylvania Governor Ed Rendell launched the Pennsylvania Wilds Initiative in 2003 to grow the region’s nature tourism industry by combining conservation and economic development. A key objective of the initiative was to create a regional brand that would distinguish the Wilds as a premiere destination for outdoor recreation experience to attract new tourism and create jobs. A coalition of public and private partners, including the Department of Conservation and Natural Resources, the Department of Community and Economic Development, eight tourist promotion agencies, and the region’s thirteen county governments participating through their planning offices, among others, was established to create the brand and develop a plan to grow outdoor tourism consistent with the stewardship of the public lands and character of its communities.

After several years of studying, planning, and programming, in 2015 the coalition members selected PA Wilds Center for Entrepreneurship to lead regional branding efforts supporting conservation and local economic development. Since then, the PA Wilds Center has become a rural development hub, creating a robust entrepreneurial infrastructure around a place-based regional brand and public lands, which they refer to as the PA Wilds’ Entrepreneurial Ecosystem.

PA Wilds’ Entrepreneurial Ecosystem

The regional brand and outdoor recreational assets lie at the heart of the ecosystem, while the infrastructure around the brand provides the necessary professional development, marketing, technology, and stewardship that support local makers,

entrepreneurs, and small businesses to thrive while generating revenue to ensure the long-term sustainability of the public lands.
The following describes the work and impact of each element of the ecosystem:

Trademarked Logo and Licensing

> *"PA Wilds branding allows me to cast a wider net. Utilizing the brand means that our reach can be the same size as the reach of PA Wilds."*
>
> *~ PA Wilds Beneficiary*

The brand defines the Pennsylvania Wilds and the authentic experience it represents. Brand principles and values, including stewardship of the land and cultivating the relationship between people and the environment, integrate conservation and economic development for the good of the PA Wilds region. The brand is the foundation of the regional marketing strategy. Local entrepreneurs and non-profits can access the logo at no cost to market their products and services. Businesses that include the Wilds logo on their retail merchandise must enter into a licensing contract with the Center, which requires that a percentage of each sale be returned to the Center. The PA Wilds Center then uses those revenues to contribute to the sustainability of the program and help support the Center's broader mission while also helping to grow local businesses through new or expanded product lines. All uses and applications of the logo must adhere to the standards defined in the PA Wilds Brand Book.

Rural Value Chain Network
The Wilds Cooperative of PA is the Center's core business development program that serves as the entry point for makers, small businesses, and local entrepreneurs to access the tools, networks, marketing, and commerce platforms that make up the ecosystem. The cooperative has grown to nearly 600 members, who work together to grow the regional brand, drive visitors into the area, and steer visitors to spend money at local establishments and purchase locally made products. The cooperative is supported by brick-and-mortar conservation shops (operated by PA Wilds Center) in state park facilities and other recreation assets that sell locally made products and an e-commerce platform where makers and entrepreneurs can sell their products online.

PA Wilds Conservation Shop at Kinzua Bridge State Park (Photo by Working Partner LLC)

Professional Development and Access to Capital

The Center partners with several organizations to provide educational workshops, conferences, pitch contests, and programs to local small businesses and entrepreneurs. In addition to partnering with nearby economic development departments and Local Development Districts that offer a wide range of services and access to capital, one particularly impactful program is the PACE (Plan, Accelerate, Commit, Expand) program led by the Covation Center. Blending curriculum-based learning with one-on-one mentoring, the PACE program provides tailored lessons and coaching to entrepreneurs seeking to leverage the PA Wilds brand to market and scale their business. Participants give the program high marks, noting the tremendous benefit they get from networking with other entrepreneurs that know the challenges of operating in a rural community.

> *"The PACE Program gave me a community of people that were like me. Through the coaching provided, I learned how my business could survive in a rural community, and it made my business feel more legitimate. I used to say I had a craft business at home; now I tell people I'm a potter."*
>
> *~ PA Wilds Beneficiary*

Regional Marketing

Four separate platforms have been established to enable local businesses and entrepreneurs to engage the ecosystem or market their products through online platforms, social media channels, blogs, newsletters, and ad campaigns.

- **PAWilds.com** – Promotes the area as a destination, including the outdoor recreation activities and attractions and the region's maker culture
- **PAWildsCenter.com** – Promotes the work of the Center
- **WildsCoPA.com** – Where local makers and entrepreneurs apply to become a member of the cooperative. Through this portal, members can also post events, network with others, and advertise their businesses.
- **ShopThePAWilds.com** – A sustainable e-commerce platform that operates somewhat like Etsy. This is where makers and entrepreneurs can advertise their shops and sell their goods securely online.

More recently, the Center has established a media lab in Kane, Pennsylvania, that provides space, equipment, and expert support for local entrepreneurs to create their own marketing materials.

Importantly, the PA Wilds Center has worked to integrate the various platforms to enhance user experience and allow businesses to coordinate work and track impact.

"Developing systems that can work for you is very important. Investing in the backend system to track and communicate with people helps to secure investment in the community, better understand what is working, and take action when needed."

~ PA Wilds leader

Sustainable Commerce

PA Wilds Center has developed and scaled a regional commerce infrastructure, including updating and renovating facilities at two state parks that serve as sites for the conservation shops and developing a sustainable e-commerce platform (shopthepawilds.com). The commerce infrastructure improves market access for local makers and entrepreneurs. During the COVID-19 pandemic, this infrastructure was especially critical as most businesses had to move everything online. The platform provided by the Center allowed businesses to survive during a time of crisis, and utilization of the platform has remained strong.

Stewardship and Sustainability

After much of the Wilds' land was laid almost bare by logging operations in the early 1900s, the Center joins other organizations working to help the region strike a balance between nature and commerce. With funding support from the Department of Conservation and Natural Resources, the Center promotes the region's conservation legacy and includes stewardship messaging in all of their published and online materials. Additionally, expectations around conservation and stewardship are set with co-op members when they join the ecosystem, and a charity checkout campaign has been established on the Center's commerce platform to support investments in state parks and forests in the PA Wilds. The revenue generated from the retail shops, licensing fees, and programs is used to keep the Center's stewardship activities sustainable.

Through its development of the entrepreneurial ecosystem (with an initial ARC grant and a subsequent POWER grant), the PA Wilds Center has helped thirteen counties realize positive change and over 600 businesses achieve improvements, supported the establishment of nearly thirty new businesses, helped local establishments to create or retain over 275 jobs, and brought nearly $2 million of private investment into communities across the region.

Lessons That Others Can Benefit From

Leaders and partners of the PA Wilds Center identified several key learnings that have been central to their success.

- *A brand has to be more than just a sign on the road or a sticker in the window.* There needs to be substance behind the brand—the values, principles, and services that the brand represents—that local entrepreneurs, businesses, and neighbors can relate to and see impacting their community. The substance behind the brand increases participation and utilization of the brand, which in turn increases visibility and recognition across a broad area, driving visitors to local businesses and to purchase local products.
- *Focus on local entrepreneurs.* Local voices need to be at the center of the marketing effort. Listening to community needs and concerns, providing the resources to address those needs and concerns, and empowering locals to tell their stories instead of telling it for them has helped to create more authentic marketing that local residents and businesses can get behind.
- *Public–private partnerships are important when working with community assets.* Strong partners with shared resources and shared interests working toward a common goal can be powerful. In the Wilds case, foundational, long-term partnerships with the state Department of Conservation and Natural Resources and the Department of Community and Economic Development led to long-term contracts with the State to manage the PA Wilds Trademark and operate gift shops at select state parks.
- *Have dedicated staff and resources.* Establishing one "backbone" entity responsible for bringing partners together and implementing the work helps to create a clearer vision and clarifies roles and responsibilities for the work to be done.
- *Be patient and focus on the vision.* Creating an effective entrepreneurial ecosystem does not happen overnight. It takes vision to see the path forward and patience to see it through.

Accessing Equity Capital Close to Home: Building an Appalachian Angel Investor Network

Why This Topic Is Important to ARC's Work in Business Development

Access to capital is a critical element of the entrepreneurial ecosystem, but capital providers in this space face particular challenges. Unlike the coastal finance and tech hubs of Silicon Valley, Boston, and New York, Appalachian rural communities struggle to secure investment capital. While there is a recognized need for more growth and flexible capital, especially equity capital to help get more projects financed, less than 1% of venture capital goes to rural areas.[43]

The Appalachian Angel Investor Network project received a series of ARC grants from 2012 to 2020 to address this challenge in an innovative way. Rather than attracting venture capital travelers to the Appalachian region, the project intended to discover and leverage the untapped wealth among affluent Appalachians. This case study explores how the Appalachian Angel Investor Network organized angel groups, specifically by examining how one local angel investor group was formed and what best practices were identified.

Communities Served

The Appalachian Angel Investor Network project targeted micropolitan areas, all located within the Appalachian Regional Commission's (ARC) designated counties:

- Somerset, KY
- Ashland, KY
- Pikeville, KY
- Charleston/Morgantown, WV
- Southwest Virginia, VA
- Boone, NC
- Sylva, NC

While each of these communities had their own unique economies, small businesses and entrepreneurs were often hindered by commonly held misperceptions about the nature of equity capital, many of which align with challenges documented in national research. [44]:

[43] Jacob, Larry. 2018. "3 trends that prevent entrepreneurs from accessing capital." Researchers report to U.S. House Small Business Committee. Accessed at https://www.kauffman.org/currents/3-trends-that-prevent-entrepreneurs-from-accessing-capital.
[44] Mulcahy, Diane. 2013. "Six Myths About Venture Capitalists." *Harvard Business Review Magazine*: May 2013.

- *Angel investors are the same as venture capitalists, right?*
  Angel investors are defined as affluent individuals (those with over $1 million in net worth) that invest small amounts at earlier stages, typically in sectors they are familiar with. They often prefer businesses located close to where they live. On the other hand, venture capitalists (VCs) are individuals investing on behalf of a larger fund. While the individual may be an affluent partner, they make decisions based on the fund's strategy and often face fewer personal risks than an angel investor.

- *Equity investors will expect seven to ten times return on their investment, and therefore a business should not consider seeking equity investors if they can't offer those returns. If you are not a technology company poised for buy-out or IPO, don't even bother.*

  All equity funds use a portfolio approach that anticipates that some businesses will fail, some will underperform, and a few will exceed expectations. As a result, generally, equity funds require a higher return due to the risks. However, most venture firms earn fund management fees and make money regardless of portfolio success, whereas angel investors and angel group funds may have different strategies, lower risk/return tolerance, and other considerations. As a result, it is best not to assume that angel investors expect the same returns as VC funds.

- *We don't need equity funds. Community revolving loan funds are available to help our small businesses get started, and after that, local banks will help us grow.*

  All forms of capital, credit enhancements, tax credit programs, and private equity are needed in rural communities. Many rural communities do not have CDFI lenders, have only a few locally owned banks, and/or have big banks that may not be able or willing to take the risks. Even when local community capital providers are willing to lend, there may still be a credit and/or collateral gap. Additionally, because most entrepreneurs in ARC-designated counties do not have much equity or collateral to pledge, their businesses and projects can go unfunded or underfunded for growth. As a result, equity funds are often needed to help close these gaps and even unlock access to other capital.

Project Description

In 2012 Rainsource Capital (later known as Appalachian Investor Alliance, AIA) received an ARC grant of $175,000 for the Appalachian Angel Investor Network project to organize local angel groups. Rainsource had both expertise and a solid track record working in rural communities: It had identified 450 angel/accredited investors, organized them into twenty-four angel funds raised $20-plus million in committed capital within these funds, and helped them to invest in 80-plus portfolio firms. The same approach was proposed for targeted Appalachian communities.

The purpose of the grant was to organize five angel investment funds and capitalize $4 million to invest in fifteen expanding local firms. It was projected to have the impact of creating seventy-five new jobs.

The theory of impact was based on research trends that showed that more U.S. angel investors were providing capital to small businesses, rising to $25.3 billion in 2020 from $19 billion in 2008.[45] While dominated by lower-income households, many Appalachian communities also had a small cluster of affluent citizens that could be introduced to angel investing. The investment thesis called for a “member-managed” fund by local investors that would be more accessible to local entrepreneurs. Microventure funds would provide new equity capital as well as leverage other private–public dollars for rural business development.

Working closely with local economic development leaders, “fund champions” identified potential investors by facilitating a series of meetings aimed at organizing a fund according to SEC regulations. The champions also sought to engage various entrepreneurial ecosystem stakeholders, believing they would refer emerging enterprises to the angel investors and educate the community about new forms of capital available locally.

Entrepreneurs and small businesses were encouraged to apply to pitch their business to the entire angel group. When an application indicated that the pitch of the business model demonstrated realistic financial and operational efficiencies and the management team was qualified or had industry expertise, the business owners were invited to the next step of investment due diligence conducted by volunteer members or AIA staff. The investment was then presented for a vote before the group’s members before a structured investment was offered. This process provided beneficial learning for both the owners pitching their business and the investors making portfolio investment decisions.

To illustrate the process and its impact in local communities, this vignette describes the formation of one investment fund, Tri-State Angel Investment Group in Ashland, KY:

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[45] Sohl, Jeffrey. 2021. “UNH Finds Angel Investor Market on the Rise in 2020.” University of New Hampshire: May 19, 2021. Accessed at https://www.unh.edu/unhtoday/news/release/2021/05/19/unh-finds-angel-investor-market-rise-2020.

Following the AIA angel group formation process, two economic development and financial investment leaders in the community—Mick Fossom, of the Kentucky Small Business Development Center, and Don Perry, VP of Investments at Kentucky Farmers Bank and Tri-State Angels Chairman—began organizing potential investors. Fossom and Perry connected with affluent individuals and built awareness among entrepreneurs and ecosystem stakeholders in the region.

They formed the Tri-State Angel Investment Group, LLC in 2014 and worked for over a year to create the first fund; the twenty accredited investor members were each required to invest a minimum of $50,000. This initial fund closed at $1.2 million, with nearly 80% of those funds being invested within the Tri-State region.

Critically, this first fund helped build the capacity and confidence of local investors. Engaging members to volunteer to perform investment due diligence and offer their collective wisdom was also a key success for the Tri-State Angels. Additionally, as Chairman Perry noted, “We don’t invest in business ideas that we don’t understand based on our personal and professional experience,” reinforcing the investment thesis and approach for microventure angel organizing by AIA.

By 2017 a new round of fundraising had occurred for a second fund, Fund II, this time with a lower minimum investment ($25,000) that attracted even more local member-investors. When asked how that fund performed as opposed to the first fund, it was shared that by the end of 2022, the fund had made seven investments ranging from a hotel and a restaurant to a company that later had an IPO. Four of the seven investments had already resulted in positive liquidity events by this time. If the portfolio were liquidated at its current valuation, the result would be a nearly 20% rate of return with zero negative liquidity events.

Today the group is on a third fund, with forty investors investing about $1.2 million per year. A secondary benefit of the fund endeavor is that members are also joining together to support a talent pipeline of young and emerging entrepreneurs at the high school level. Members are sponsoring a local entrepreneurship program and have provided over $30,000 in pitch competition prize money. This has helped to spur a culture of entrepreneurship, encouraging young people to create businesses in their own communities.

At the time of the grant closing in 2018, the project had exceeded projections, having organized six angel funds. Collectively, the funds raised over $8 million in local investment capital, which was invested in twenty-six local businesses, creating eighty new jobs.

Additional grant support from ARC has since helped to advance the non-profit Appalachian Investor Alliance (AIA) to form additional microventure groups and syndicate investments among other angel groups across the region. As a result, AIA now supports twelve angel funds that have invested $21.5 million into fifty portfolio companies, with more than $4.3 million (22%) going to businesses in rural areas (defined as non-metro). These rural companies were able to raise an additional $302 million from other investors.

Lessons That Others Can Benefit From

Because access to capital is a barrier that exists in many of ARC's rural communities, the approach used by AIA to identify and develop local investors presents an exciting opportunity. Key steps that should be taken in pursuing this approach include the following:

- *Source capital locally, and package deals that fit local businesses.* Local affluent individuals are more likely to invest in local businesses that they understand and more likely to take risks with local businesses that can have the potential for regional economic development. As a leader with AIA noted, "We have found that the capital has been there all along, albeit it has not always been well-organized or obvious." AIA helps its network of investors to understand they can package investments as "near-equity," such as revenue shares and other debt instruments. They stress that early stage risk capital is not always packaged as equity, and these alternate deal structures help establish a blended portfolio model that works well in Appalachia. It is not an "equity or nothing" situation.
- *Provide more education to both entrepreneurs and TA providers about Angel Investors.* Entrepreneurs need to be better prepared to apply for early-stage funding, which necessitates having both a deep understanding of their business *and* the desired value proposition for investors. Likewise, technical assistance providers should understand the mindset and the needs of the investor to better prepare entrepreneurs to be competitive in their funding applications.
- *Understand that the formation of local angel investors is based on relationships.* Relationship building needs to be intentional and should include engaging a diversity of people. This process can be accelerated by having champions that will connect their existing networks and be willing to engage outside their circles. Research shows that some angels are helping to narrow the access to capital gap for diverse funders, including women and

people of color.[46] Accordingly, as most angels invest in people they can relate to, it is critical that prospective investor engagement include high-net-worth women and people of color in Appalachian communities.

- *Microventure funds need technical support and specialized services.* According to Jim Hart, Executive Director of the AIA, it is vital that each microventure group learn the angel investing process to "find, vet, pitch, invest, and curate." It is also important to provide help with due diligence, deal structuring, syndication, and portfolio management as a service to angel funds. AIA continues to provide administrative and technical support to funds based on a cost-share basis among their fourteen funds across Appalachia, and there is room for more support organizations.
- *Member-driven governance and decision-making work best.* Hart and Perry both stressed that the "member-driven management approach" (versus a traditional fund manager) has been key to the Tri-State Angels' success. Members should be actively involved in the process, starting at sourcing a pipeline of deals through to due diligence and investment decision making. This process both values and benefits from the contribution of each member's unique knowledge and experiences in an industry or sector.

[46] Angel Capital Association. Angel Funders Report 2021. Accessed at https://publuu.com/flip-book/37288/114988/page/1.

Filling in the Gaps: When Capital Providers Work Together

Why This Topic Is Important to ARC's Work in Business Development

Entrepreneurs can find it challenging to access affordable capital and to navigate the various technical assistance programs available to them. Due to FDIC requirements around high-risk portfolios, banks often avoid lending to start-up businesses, making loans to well-established businesses instead. When start-up businesses are not able to secure a business loan from traditional banks, many are forced to use their home equity or high-interest credit cards to get started[47]—not the ideal way to start a new venture. To address these challenges, Community Development Financial Institutions (CDFIs) were established to lend to underserved communities and connect entrepreneurs to training and technical assistance.

However, many entrepreneurs and small businesses do not access CDFI products and services. In part, this is because of insufficient market awareness and understanding of CDFIs' mission and resources. But also there are process and structural issues within the CDFI institutions themselves that impede accessibility to underserved communities. These include gaps in available financial products to meet needs (such as loan size, loan restrictions), "siloed" work that results in few coordinated referrals or co-lending among CDFIs, and CDFI loan officer turnover that erodes continuity of community relations.

Aware of these challenges, three CDFIs in western North Carolina set out to address these issues through their ARC grant project, Filling in the Gaps: A CDFI Partnership to Increase Small Business Success in Underserved WNC Communities. Their shared success and lessons can be applied in any entrepreneurial ecosystem.

Community Profile

The project service area covers the westernmost twenty-nine counties of Appalachian Regional Commission's (ARC) designated counties in North Carolina, with a total population of just over one million people. At the time of the grant in 2018, ARC's economic status data designated two of these counties as distressed, eleven were designated as at risk, and the remainder were designated as transitional. Collectively, these counties had unemployment rates ranging between 6.4% to 13.6%, compared to the state rate of 6.6%. Poverty rates in the westernmost counties were at 20%, well above the state's 17.4% rate, and per capita income was $27,434, well below the state's per capita income of $32,582.[48]

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[47] Hwang, Victor. 2019. Access to Capital for Entrepreneurs: Removing Barriers. Ewing Marion Kauffman Foundation.
[48] ARC. County Economic Status, Fiscal Year 2018: Appalachian North Carolina. Accessed at https://data.arc.gov/reports/region_report.asp?FIPS=37999&REPORT_ID=71.

Since the early 1990s, the region has experienced a significant economic transformation from an economy driven by traditional manufacturing and tobacco farming to one increasingly defined by diverse small businesses in sectors like technology, local foods, outdoors, arts, hospitality, and tourism. A recent regional analysis reports that the in-migration of retirement-aged residents to the area has contributed significantly to population growth as these newcomers seek a mix of outdoor and indoor recreation activities and a mountain-town lifestyle.[49]

However, the same study said that only one in every thirty existing small businesses in western North Carolina is getting access to start-up, operating, and/or growth capital from formal sources.[50]

Project Description

In 2018 three CDFIs—Mountain BizWorks, Partner Community Capital (formerly Natural Capital Investment Fund), and Carolina Small Business Development Fund—received an ARC grant award of $200,000 to provide training and technical assistance to their combined twenty-nine-county service area. The project was designed to leverage an additional $625,000 in funds as a match.

Each of these CDFIs brought their own unique history, loan products, and experiences in business development to their collective communities. Bringing the three CDFIs together was intended to increase the range of loans and services available to local entrepreneurs and small businesses. The following provides a brief description of each entity:

- Mountain BizWorks (MBW) was formed in 1989 and initially served the city of Asheville, North Carolina, and surrounding counties with entrepreneur training, technical assistance, and microloans. By 2019 the agency had total assets of more than $25 million and had over thirty business coaches and trainers in an expanded service area. Most loans at the time of the 2018 ARC grant were under-$50,000 microloans.
- Carolina Small Business Development Fund (CSBDF) was established in 1990 but did not become a CDFI until 2013. Historically, its community economic development work had occurred in the metro area of Charlotte, North Carolina; however, starting in 2014, it opened a Women's Business Development Center in Asheville to serve Appalachian entrepreneurs. As of 2019, CSBDF had total assets of more than $38 million with a 60% capital deployment rate and an average loan size of $79,409. In addition to serving

[50] Fripp, Jesse and Lilly, David. 2022. "WNC Capital Landscape Assessment." https://dogwoodhealthtrust.org/wp-content/uploads/2022/10/WNC-Capital-Landscape-Assessment_9-30-22_Final-Public-1.pdf.

rural communities, it administers a few specialized loan funds in urban areas and other credit facilities.

- Partner Community Capital (PCAP) was formed in 2001, initially as the Natural Capital Investment Fund, and primarily served the West Virginia market until its expansion into other Central Appalachian states, including North Carolina. PCAP has a history of being a subordinated lender on projects with local banks and other CDFIs. As of 2019, it had total assets of nearly $72 million with an 88% deployment rate of capital available to lend and typically larger loan sizes often structured as subordinated debt.

Through intentional collaborative and coordinated efforts among capital providers, more entrepreneurs found their way to access the right capital.

Using funds from the ARC grant, the three CDFIs initially planned to hold seventeen collaborative training events on topics such as access to capital, succession planning, and open networking to promote entrepreneurship and increase connectivity to technical assistance resources. The events were scheduled at public venues, often with local economic development partners throughout their targeted counties in Western North Carolina.

However, the institutions quickly realized that the topic-driven format of these training sessions was not attracting their targeted audience. With input from existing clients, they pivoted from a traditional workshop training to a "story-telling format," where a local small business hosted the event and shared its own startup story. Stories often included how the entrepreneur/small business accessed technical assistance, products, and other resources from CDFIs and local entrepreneur support organizations. This training format change drew a better turnout, reaching 425 entrepreneurs, and helped build a loan pipeline for the CDFIs.

The real-life stories are both instructive and inspirational, as exemplified by the first story-teller event hosted by Jennifer Perkins, owner of Looking Glass Creamery in Columbus, NC. Her small creamery had been sourcing milk from the historic Harmon Dairy in Polk County for over seven years. By 2016 her small business had outgrown her Fairfax, NC, space, and she approached the Harmon family to purchase their land as it was an ideal farm to expand her cheese-making operations and value-added products. Once she acquired the expanded space, Jennifer spoke about the value and impact of the training and technical assistance she received from the Western Women's Business Center, a program of the Carolina Small Business Development Fund, and a loan from PCAP to expand the farm.

Looking Glass Creamery in Polk County, NC (Photo by Paul Wright, Wright Ventures)

Since that first story session, the CDFIs have hosted ten additional story-telling events, and the format has remained a successful practice among the CDFI collaborators.

As a result of coordinating events, loan officers and staff at the three CDFIs reported strengthened inter-institutional relationships with one another and increased knowledge among staff about each other's loan products, policies, and constraints. This in turn drove more referrals of loan applicants among the CDFIs, which often resulted in participation loans. For example, in 2018, when one CDFI was not able to fund a business startup, Mountain BizWorks was able to offer their established microloan product. In another case, a referral was made to PCAP that could offer SBA 504 loans to address collateral shortfalls.

The benefit of stronger coordination of capital and technical assistance among CDFI staff was significant for local entrepreneurs, as exemplified by the experience of Angela Heavner, Founder of 180 Float Spa in Boone, NC. Angela had an idea to open a local spa but had been unsuccessful in getting a startup loan for her spa concept, which was new and unfamiliar to traditional lenders in Boone, NC. She turned to the three coordinating CDFIs. Initially she received investment crowdfunding training from Mountain BizWorks' crowdfunding course. She used her new skills in crowdsourcing to raise $20,000 and became the first business in North Carolina to offer a local public offering through the NC PACES crowdfunding program.[51] This gave her more equity, which she used to leverage a Partners Community Capital

[51] WataugaDemocrat.com. 2019. "Float spa buoyed by new law: Boone couple raises crowdfunding investments for new startup."

loan of $171,000 to start her business. She has continued to receive technical assistance and to access more capital from CDFIs as she has grown.

Angela Heavner opened an innovative float spa using locally crowdsourced equity and a loan from a CDFI in Boone, NC. (Photo by 180 Float Spa)

In working together, the three CDFIs well exceeded their ARC grant outputs and outcomes. Updated performance measures show that the project improved 215 businesses, 79% more than proposed; created 54 new businesses, a 12% increase over proposed; and created 203 new jobs, a 238% increase over the sixty proposed. Many of these accomplishments are due to the intentional local relationships built among the three CDFI staff teams to collaborate and coordinate to benefit entrepreneurs. Seeing the impact of their collaboration, the three CDFIs have begun to collaborate in new ways with other regional networks of capital providers, such as the Appalachian Community Capital (Opportunity Appalachia program).

While this unique collaboration has been an important success, sustaining these formal collaborations and collaborative marketing among capital providers in rural places will require funding that is not dependent on grant monies.

Lessons That Others Can Benefit From

Building deep and authentic partnerships among the three CDFI organizations and intentionally assessing their collective services to meet the diverse needs of the local communities they aimed to serve was critical to their success. The leaders of the participating CDFIs offered four recommendations to replicate their success and key lessons learned:

- *Make the time to build relationships with the staff of your partner providers on a regular basis.* Relationships are needed not just with the executive director, who is often busy, but with loan officers, underwriters, and portfolio managers too.

- *Catalog your loan and technical assistance resources*, thinking in detail about your capital products, loan size, programs/product constraints, industry targets, geographies, and technical assistance. Once mapped, align the resources to the identified needs of the communities to be served.
- *Don't worry about duplicating products or services*, the concern for which often is a barrier to getting started. Over time, coordinate and complement each other's products/programs through referrals, participation loans, or stacked capital projects.
- *Invite new and middle-level staff (internally or from other lenders) into formal and informal meetings among lenders so they can learn the process and lessons learned*. This will help to sustain the critical community relationships and the work of the capital providers.