



**Home Town Competitiveness:
Helping Rural Communities Retool for Success
in the 21st Century**

A Monograph

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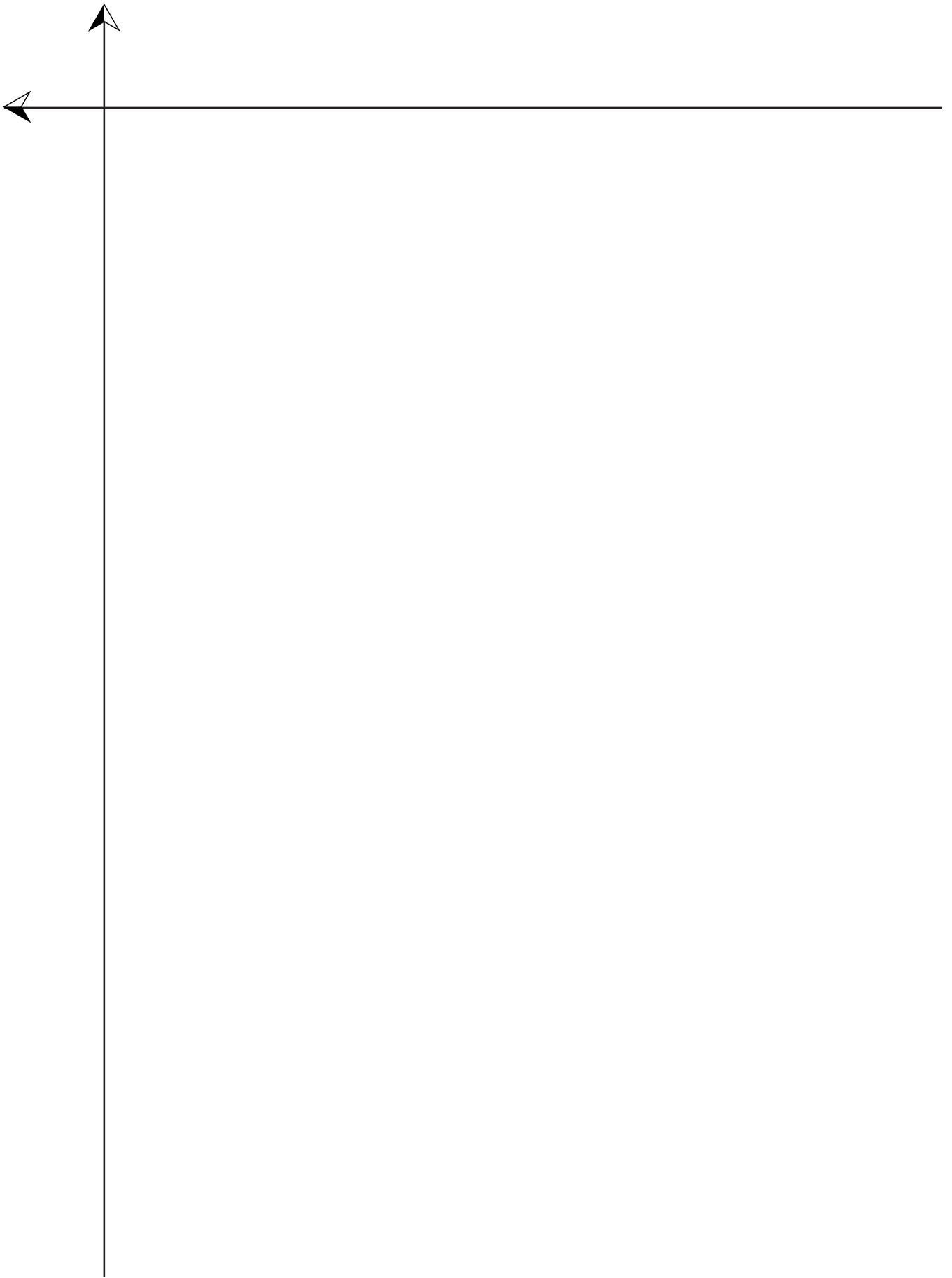
Heartland Center for Leadership Development

RUPRI Center for Rural Entrepreneurship

Nebraska Community Foundation

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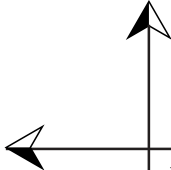




Home Town Competitiveness: Helping Distressed Communities Retool for Success in the 21st Century

We think the future of these communities holds abundant promise if a new rural development paradigm is swept in. Policy makers and communities in the region must recognize the character of the region is based on entrepreneurial activity and must build rural development strategies around that character. Any rural development model for the region must recognize that cookie-cutter policies and strategies that work in metropolitan areas have not and will not work in most rural communities. Finally, and possibly most importantly, the region and its people must make the status of the agriculturally-based communities a priority and focus thoughts, strategies, initiatives and resources upon them.

Bailey and Preston, Swept Away: Chronic Hardship and Fresh Promise on the Rural Great Plains, Center for Rural Affairs, 2003



We've seen a real increase in the number of people actively engaged! We want to see more willingness to step up and be part of the solution – more new people to fight burnout.

We believe that the Home Town Competitiveness approach offers hope for communities being swept away by change: change that has caused severe outmigration, growing levels of poverty, and the flight of youth. By targeting leadership and community capacity building with focused entrepreneurship efforts, and encouraging local philanthropy to support ongoing economic and community capacity building, communities can escape being swept away and build for themselves a successful and healthy future.

The National Rural Funders Collaborative funded a small pilot project in rural community development in 2002-03. "Building Philanthropic Support for Rural Entrepreneurship" represents a unique collaboration between the Heartland Center for Leadership Development, the Rural Policy Research Institute Center for Rural Entrepreneurship and the Nebraska Community Foundation. This new venture seeks to use existing statistical data to help communities identify reachable targets on specific break-through strategies so carefully designed and focused they have the power to reverse decades of stagnation. The resulting strategies emerge from a three-prong approach to reversing rural decline including, leadership and community capacity building, entrepreneurship support, and fostering local philanthropy.

Distressed Communities Face New Challenges

For the last century and a half the vast and rich natural resources associated with rural living have been expropriated to build the American Industrial machine. Rural communities have long exported their labor to power this machine. And, in the past 50 years, rural communities have increasingly lost their youth to the corporate and industrial appetite for new talents and skilled workers. Now, with the country poised to experience the largest generational shift of wealth ever, rural communities are on the brink of losing what little they have left as vast quantities of owned assets transfer from one generation to another. More often than not this new generation no longer resides in the community where the assets were grown. The resulting loss of these capital resources may very well doom these rural communities to new century of dependency.

The Project Pilot: Ord and Valley County

Nowhere is this picture more accurate than in Ord, Nebraska. A community home to the farmers and ranchers who have fed the growing American population, its own population now is in decline. A walk around the town square offers a picture of a once proud and thriving community, struggling to retain its downtown vitality and its small town identity. A rural commercial center of 2,269 (2000 Census), Ord is also the county seat of Valley County (4,647). As in many rural communities, the smallest age cohort is the group 18 to 24 (257) indicating that many youth

We have established some wonderful examples, and we need to keep them in front of people.

have left the community. The largest age category, 35 to 44 (630), is followed by one of the fastest growing cohorts, the group over 75 (614), signifying that Ord, like many rural areas, is rapidly aging.

Valley County's labor force of 2,440 experienced an unemployment rate of only 2.58% in 2002, masking a serious problem of underemployment as the number of jobs and median income associated with them offer only limited opportunities. The comparatively small size of the workforce reflects the high number of self-employed people and small business owners including ranchers, farmers, and shopkeepers. Manufacturing is limited, and government, both medical and educational, is among the largest employers. Ord is also the kind of community that, on first glance, lacks the amenities that attract tourists and retirees. For some, Ord is the perfect picture of a declining Great Plains community – losing people, jobs, and assets to more urban areas.



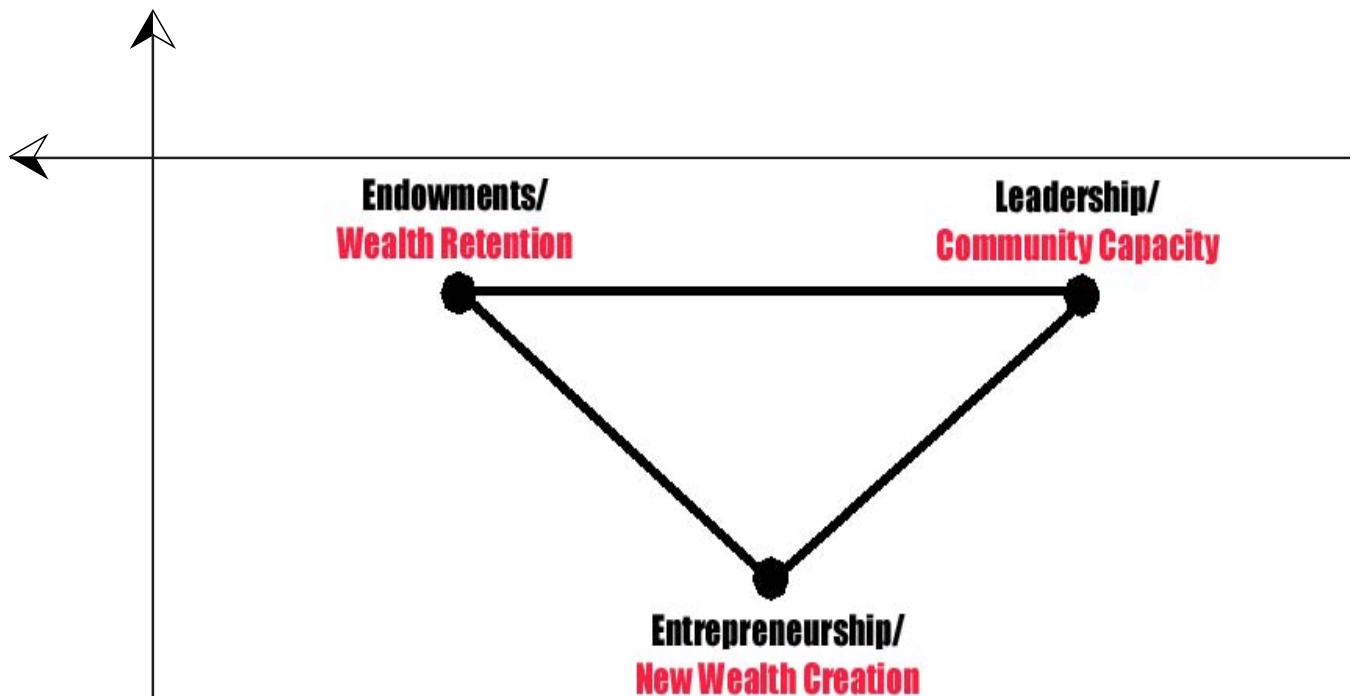
Despite the bleakness of the picture, the people of Ord and Valley County love their community and believe in its future. Indeed, they have committed to that future by passing a resolution to fund the Valley County Economic Development Council (VCEDC) and hire a professional staff person to manage their efforts and staff the Chamber. Determination, good intentions, and money, however, are not enough to turn around decades of decline. The leadership of Ord realized they needed help to identify how best to use limited resources for the most strategic outcomes. They invited the Nebraska Community Foundation, the Center for Rural Entrepreneurship, and the Heartland Center for Leadership Development to become part of their team. This joint effort became the test bed for what has become known as the Home Town Competitiveness Program.

We need to spend more time educating people on the impact of entrepreneurship and community building - on the multiplier effect.

Creating a Strategic Intervention:

A Three-Pronged Approach to Rural Community Competitiveness

Ord and Valley County are not alone; many rural areas, particularly those with low per-capita income levels and chronic out-migration, also face a bleak future. Such communities not only are exporting more of their youth to urban areas, but they are also grappling with decline of the dominant industry, such as timber, agriculture, or textiles. Piece-meal approaches to reversing the decline cannot address the root issues of dependent development. Often the lack of success with such approaches leaves the community more distressed, as people feel their community is unable to measure up.

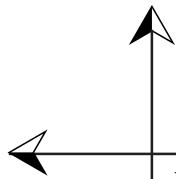


Combining decades of experience in rural development, the Heartland Center for Rural Development, the Center for Rural Entrepreneurship, and the Nebraska Community Foundation used their complementary strengths to focus on relieving the plight of communities in Nebraska and the Great Plains area. Recognizing the dearth of local resources available to rural communities, the group identified specifically targeted strategies that, when undertaken in unison, create a synergy that can significantly impact the future prospects of a distressed rural community. From this collaborative venture, the group identified three critical and interrelated intervention points:

1. Building new and expanded leadership and community capacity.

Just identifying effective strategies is not enough—community change requires expanding local capacity to implement them, to mobilize community members to work for a new future, and to marshal resources for the community good. Of equal concern, however, is the need to reverse the out-migration of youth. A critical plank in the capacity building strategy requires addressing the out-migration of young people. More and more youth are leaving rural areas and few return. It is not just the call of the city that impels them; it is also the lack of opportunity that drives them. The Center for Rural Entrepreneurship has developed a formula that small towns can use in their efforts to halt this trend. Using existing data on population change, the formula can provide small towns with a realistic target for action. In some cases, the retention of one additional high school student per year can stabilize the population.

Leadership training is planting seeds and letting them grow; planting a variety of colors and backgrounds. Each can help educate and inspire others.



While Ord had a small group of dedicated residents committed to making a difference, all agreed that leadership development was their greatest challenge. Working to increase the number of people committed to building a new future for Ord, as well as their skills to effectively do so, is the cornerstone upon which other strategies depend. Transforming from an old style of community leadership to one that is dynamic and inclusive is key to implementing the targeted strategies.

2. Local wealth retention through building community-based endowments.

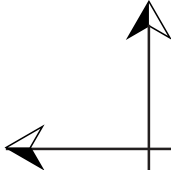
A study of the transfer of wealth possibilities indicates that many rural communities will lose millions of dollars as real assets are passed on to the next generation — a generation that no longer lives in those home towns. The loss of these assets, and thus control over the production capacity of the community, will seriously hamper future efforts toward economic and community development. Both the power and the will to use these assets will no longer be tied to the community. Using this data, the Nebraska Community Foundation developed a reasonable target for capturing some 5% of this transferred wealth into a community foundation capable of funding future community and economic development efforts.

Developing New Leaders and Building Capacity

The Leadership Quest Program (LQ) has brought new energy and new leadership to the task of creating a sustainable and healthy community in Valley County. Nineteen people including four high school students completed the nine-month training program. With technical assistance from the Heartland Center, the Leadership Committee designed LQ to take advantage of local resource people and to involve local groups. Workshops, group activities, and class work helped participants learn new things about themselves and their community, develop and practice new skills, and recommit to working to build a better community.

LQ has done more than develop the skills and talents of participants. As a result of this new focus on leadership, more people in the community are volunteering to help with the task of community building by running for office, agreeing to serve on local boards, and volunteering for projects. The Leadership Committee plans to offer the program yearly and orchestrate alumni reunions to keep the spirit of helping growing.

We were amazed at the projected transfer in wealth.



3. Empowering local entrepreneurs to build new community-based wealth. Finally, many rural communities invest resources in economic development, but lack a strategic plan for investing those resources toward real job creation and business development. Using strategies developed by the Center for Rural Entrepreneurship and the results of a business survey, the VCEDC planned to target their energies in two strategic efforts: (1) the inter-generational transfer of small businesses and, (2) companies with the potential to break-through to a broader product line and/or a larger market. Prior to this intervention, the VCEDC had a strategic plan detailing over 20 specific economic development goals.

Together, this three-pronged approach provides communities with specific attainable goals allowing them to strategically target scarce resources for maximum impact. Together, these strategies address the root causes of rural decline and offer communities a way to work toward a healthy and sustainable future. Specifically, this approach to reversing rural decline offers rural communities a way to focus their efforts in three specific arenas: setting realistic targets to capture a portion of the transfer of wealth, expanding the leadership core and retaining youth, and working to build specific place-based businesses with potential for growth and wealth creation.

Strategically Focusing Resources for Change: Initial Results

At the end of the first year of project activity, “Building Philanthropic Support for Rural Entrepreneurship” shows great promise in addressing the roots of decline in Ord and Valley County, Nebraska. Since the pilot was started in May 2002, the community has celebrated many successes. We have documented the achievement of several outcomes including:

- Millions are being given charitably to support and sustain Valley County;
- New and existing leaders, including young people, are being trained and further engaged in forward-looking community economic development;
- Even though Valley County is a comparatively poor, residents are beginning to embrace asset-based economic development strategies;
- Numerous small businesses and entrepreneurs have been evaluated, and several of these businesses are ripe to grow, prosper and generate new wealth; and
- These collective efforts are beginning to create positive momentum and attitude shift about the future prospects of living and prospering in Ord and Valley County.

**VALLEY COUNTY AFFILIATED FUND
ENDOWMENT GOAL SETTING**

July 2003

Peak Decade for County Wealth Transfer	=	2000-2010
County Population	=	4,647
10-Year County Wealth Transfer	=	\$129,400,000
5% of 10-Year Transfer	=	\$6,470,000
Current Endowed Assets	=	\$1,450,000
Current Expectancies (5 expectancies)	=	\$5,250,000
Total Endowment & Expectancies	=	\$6,700,000
Percent of 5% Wealth Transfer Achieved	=	103.55%

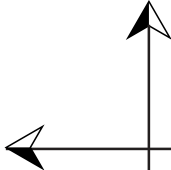
As is true in most communities, change does not come easy. The leadership core recognizes that building a broader leadership team and expanding community involvement will take long-term sustained effort. Challenges facing the team and the community include:

- The leadership core is very thin and vulnerable should someone leave
- The community is divided about the value of change
- Continuing community conflict over the proposed new projects could derail efforts
- The community needs to see and feel real direct change to continue building support for these strategies
- The community want to actively involve more young people.
- Follow up – continuing the effort over time

Future Activities in Ord

The future, while not without challenges, looks much rosier to the leaders in Ord. They anticipate more successful ventures in the future including:

- Implementing an effort to retain youth
- Ongoing expansion of the leadership program



*Thoroughly
enjoyed the
youth!
High school
kids are
awesome!*

- Development of a regional economic development strategy
- Expansion of philanthropic efforts including opportunities for youth to give
- Revival of local investment club
- Act on the likelihood that additional people will direct more resources to the community
- More successful business start ups
- Access to real alternatives in a situation where grants are more difficult to get and government funding is dwindling
- Develop a concerted effort to reverse negativism by focusing on the positive in coffee shops and meetings
- Revisit the need for a county-wide visioning process that coordinates efforts by the county, city, hospital, and schools with economic development plans

While Ord has many unique characteristics, those working with Ord believe that any community with a highly committed and energized leadership core can adapt the three-pronged approach to work for them. To be successful, this core must be willing to have a focused economic development strategy, to work hard, to be open to change, to seek help from outside.

The process of change is still very new in Ord and Valley County. Several years from now project participants will be in a better position to determine exactly how successful this approach has been. The initial results, however, are very promising. Those involved believe this model can be replicated, and given the interest from additional areas, others believe it will work in their rural landscape as well.

Beyond Ord: Exporting the Model

At the end of this first year, other communities have expressed interest in the model and the project will expand into three other regions in Nebraska. Every week new communities and partnerships request information on this model. They see the value of these interactive strategies for:

- Developing a more engaged leadership and stemming youth out-migration
- Capturing a portion of the transfer for wealth to create access to locally controlled capital for community reinvestment and new wealth creation
- Focusing on specific business development efforts that will retain and expand existing businesses and create a supportive atmosphere for entrepreneurship

Currently the collaborative venture is working with a number of partners to identify funding to support Home Town Competitiveness in a variety of states and locales.



Valley County & Entrepreneurship

Less than 5,000 people call Valley County home. It is a place that is very rural located over two hours from the nearest instate highway. Historically, Ord, the largest community in the County, has served as a local trade center supporting the farm and ranch community. Valley County never really did participate in the industrial attraction trend. The County has been economically challenged for a long time with outmigration and an aging population the key indicators and outcomes of this reality.

But Valley County holds considerable economic development promise and opportunity. Within this very rural place is entrepreneurial talent capable of growing a relevant and successful economy for the 21st century. The critical development question facing Valley County is how to support this talent so it can grow a new generation of successful businesses. There are over 750 businesses in this County. About half are farms and ranches, and the other half, are main street type businesses. But within this mix of traditional businesses largely tied to commodity agriculture or serving declining local markets, are some very remarkable entrepreneurs.

There are many examples, but let's focus just one – the local drug store. Ord has a courthouse square and on the west side of the square is the local drug store. It looks like a thousand other rural drug stores. It is an aging business meeting the critical needs of the local community. But first appearances are deceiving as this store front is just part of the story. Understanding that local markets were in decline, the owners of this drug store started a second business serving the pharmacy needs of area long-term care homes. This venture created new jobs for young professionals and enabled the owner to open other stores in some of the communities where they were serving the care homes. But moving from the local market to a regional market was just the next step. These entrepreneurs (by the way they do not call themselves entrepreneurs) perceived an opportunity to go national by compounding customized drugs. Today, more young professionals are in Ord serving a national market. Other ideas abound and growth opportunities are clear that could impact the larger community.

This is not an isolated story. In our work in Valley County we discovered at least 25 remarkable entrepreneurs with great growth potential. Analysis suggests that these businesses alone are capable of creating enough economic growth to reverse the population decline in the County by the end of this decade! Valley County is now intentionally focusing on how it can help its entrepreneurs succeed and build a stronger community economy.



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