

Engaging Small Businesses in Rural Economic Development: Seven Guidelines for Success

Finding locally led solutions to rural economic development challenges requires the time and capacity of many stakeholders. Practitioners navigate available infrastructure and connectivity, distance to markets, sparse populations, and access to resources as they seek opportunities. This publication focuses on one aspect of this work: meaningful engagement of rural small businesses in economic development decision making.

There are many ways to approach development, this guide is based on three years of experience implementing a strategic planning process which directly engaged business owners. In our specific program, a “value chain coordinator” engages businesses and stakeholders to gather information about market demand, analyze gaps and opportunities in the value chain, and coordinate stakeholders to address those gaps and opportunities in a way that builds multiple forms of wealth and enhances local ownership and livelihoods opportunities.

This guide provides business engagement examples from this work. While our approach is known as WealthWorks, we believe these guidelines are applicable across a range of economic development initiatives.

Guiding this complex, multi-stakeholder process is not easy. We offer seven guidelines to facilitate better business engagement and stronger wealth creation efforts. To effectively engage businesses while doing this work means to:

1. Focus on businesses’ self-interest.
2. Uncover shared interest and common interest.
3. Identify strong leadership.
4. Involve small businesses in problem solving.
5. Be results oriented.
6. Engage businesses respectfully.
7. Introduce concepts as needed and gradually.

These seven guidelines are meant to equip you — nonprofits, extension agents, community leaders, and

economic developers — with the tools to successfully engage small businesses in your economic development efforts. Many of the guidelines below are written with coordinators in mind, but they can be equally useful to other economic development practitioners.

“The right business need to be engaged at the right time, in the right way, and with their self-interest in mind.”

— Rural business owner

Types of small business engagement

Small businesses can and should be engaged in a wealth-building value chain development process in a number of ways:

- **Identifying sectors and market opportunities:** Businesses can be engaged in the earliest phases of an initiative during the sector identification process to inform which sectors and market opportunities provide the best opportunities for wealth-building. Because business participation is essential to this work, a sector whose businesses show interest will have momentum from the outset.
- **Data collection/value chain mapping:** Information gathered from businesses through one-on-one interviews, focus groups, or surveys should inform the work. Ask questions about their role in the value chain, how they are struggling, and what kind of support they need to sustain themselves or grow. This type of engagement is most intensive in the early stages of an initiative but continues to take place as more businesses are identified. The information collected helps to understand how the overall value chain works and the most significant challenges and opportunities.
- **Prioritizing areas of focus:** During the process of value chain mapping, a number of challenges and opportunities will emerge. Businesses assess their

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own self-interest, the larger impact on the value chain, and community wealth building potential.

- **Solving problems and filling gaps:** Once the priorities have been determined, businesses need to be engaged in addressing the specific challenges and opportunities of most interest to them. They are in the best position to come up with innovative solutions, since they are the ones experiencing the challenges.

Engagement can be difficult

A fundamental lesson we learned is it is often difficult to engage rural small business owners and entrepreneurs in economic development. They are busy with the challenging work of running a business, they do not necessarily see the value of, or their role in community and economic development work, and they may mistrust agencies and other businesses. Business is by nature competitive, so owners might be reluctant to share information and work with perceived competitors. Also, they may have participated in prior community initiatives which yielded little benefit for them.

These factors work against engaging the most important people to have at the table — those who can drive wealth creation in the community. Yet their participation is essential to success. We developed seven guidelines to support community based value chain coordinators to work more effectively with small businesses. In our experience, **all seven of these guidelines** must be met for overall success to be achieved.

“There are farmers in every area who are curious, interested, progressive, and willing to try new things – they are out there – you need to identify them. They have to see an advantage to themselves.”

Guidelines for engaging rural small businesses

1. Focus on self-interest

Self-interest should drive engagement, so that businesses are enthusiastic rather than reluctant to be involved.

Coordinators need to be aware of each business’s needs and priorities, and how they relate to the needs and priorities of other businesses.

Examples of appealing to self-interest:

- Food processing businesses will be more likely to come to a meeting to discuss collective marketing

Self-interest, shared interest and common interest

WealthWorks thinks about interest in three different but connected ways.

Self interest: “What’s in it for me?” is the strongest motivator.

Shared interest: “What’s in it for us?” is sparked when two or more value chain partners recognize win-win action within the value chain that will benefit each.

Common interest: “What’s in it for everyone?” includes benefits that flow from the value chain to people or places outside the value chain, both in the region or beyond.

Source: Module 3 - Construct a WealthWorks Value Chain:
<https://www.wealthworks.org/basics/construct-wealthworks-value-chain>

options if they are struggling to market their products on their own.

- Meetings can be designed as networking opportunities to give further incentive for participation; for example, local organic farmers can meet and talk to chefs that might be interested in purchasing their produce.

The direction of the overall initiative should aim to provide the most benefit to businesses and the community while not harming any of them. The coordinator should intentionally involve each business based on its particular needs.

2. Uncover shared interest and common interest

Engagement of businesses should simultaneously benefit the businesses themselves, and also help to achieve the broader WealthWorks goals of building community wealth, increasing local ownership, and improving livelihoods, particularly for those struggling to engage in the economy. You should look for alignment of a business’s self-interest with opportunities for broader benefit (shared interest and common interest). Generally, the ‘right’ businesses will have an interest in social and environmental outcomes in addition to the bottom line.

Example: Shared interest in the seafood sector

Many Oregon fishermen face strict catch limits and have low total sales. There are multiple ways to approach this problem, but an initiative that focuses heavily on enhancing direct sales might also inadvertently compromise the ability of existing small to mid-sized processors and traders to maintain connections between fishermen and markets if they cannot access sufficient volumes of product. A better approach might be to

strengthen opportunities for small processors that will also benefit fishermen.

Examples of overlapping interests:

- Providing support for a local food aggregator and wholesale business has resulted in better market connections and prices for many small local farmers.
- Support for the growth of a composting business has channeled seafood, dairy, and sawmill waste into a value-added product, in turn creating a new business, providing cost savings for businesses that would otherwise pay for waste management, and contributing to a healthier environment.

Example: Where interest did not overlap

One working group faced strong interest from two different entrepreneurs; however, the group was unable to find overlap between the entrepreneurs' self-interest and the community's interest. Specifically, the entrepreneurs were looking for public investment dollars for their private businesses, but were not interested in building wealth for the community more broadly. For example, neither owner was interested in exploring opportunities to hire local individuals, and they did not want to consider alternative ownership structures that would spread the costs and benefits of business growth among multiple owners. Both businesses were primarily looking to grow in ways that only benefited the owners, and therefore growth in these businesses would be best served through traditional business services.

Stay focused on the target group.

As you determine which businesses to work with, stay focused on creating the greatest impact for your target group (defined in Step 3 below). Sometimes this will come from working directly with the target group — such as with many small businesses — and sometimes from working with larger businesses. We have found that some of the most effective interventions come from working with businesses in the middle of the value chain, since those businesses can affect so many producers at the supply end of the value chain.

3. Be results-oriented

Engagement needs to be steadfastly results-oriented.

Businesses become frustrated and lose interest if there is not concrete progress toward a shared goal. It is the coordinator's role to ensure that the long-term goal and target population are clear and have buy-in. The coordinator also needs to facilitate the process of translating this goal into a set of priority actions, with next steps, a timeline and budget. Through this process, the coordinator should ensure that each encounter — group meeting, one-on-one meeting, community

gathering, survey, etc. — results in movement toward the larger goal.

There are times when this process will stall and the coordinating team will need to reconsider and redirect the focus. Most businesses, unless they have chosen to be part of the coordinating team, should only be consulted at strategic points to provide guidance and help inform and make decisions. They do not need to be present for this entire process.

Examples: Defining target population, goals and activities

The seafood sector

Target population: Small commercial fishermen, and small business owners and workers in the seafood sector trying to compete in a sector dominated by a few large businesses.

Goal: Improve livelihoods for the target population through increasing value-added processing and expanding access to premium markets.

Activities: Investing in equipment, marketing, and cold storage services that facilitate access to new buyers and improve seafood prices.

Juniper wood

Target population: Citizens of a remote resource dependent community experiencing habitat and pasture degradation from western juniper, and overgrown hardwood tree.

Goal: Find monetary benefit and creating jobs through juniper removal by expanding the value chain for juniper products that can compete in the sustainable forest certified market.

Activities: Building logging and sawmill capacity, training workers, testing hardwood products.

Using subgroups effectively

When one region's initiative really started to take off, the coordinating group found their meetings were becoming unwieldy, with too many activities to discuss. They decided to define subcommittees that would hold meetings focused on specific initiatives (small business support, infrastructure, regional branding, etc.). This new structure enabled them to more effectively engage specific businesses in meetings most relevant to them.

Resolving conflicting goals in a local food value chain

In a local food value chain, different people may have different priorities. Some people may be more focused on increasing local food access, while others may be focused on improving livelihoods for farmers. While both of these goals are important, achieving them would require different actions on the ground. Exporting food out of the region might have greater potential for improving livelihoods of farmers, but this would be at odds with

keeping food in the region for local consumers. The group will need to clarify its priority target population — farmers or local consumers — and its corresponding goals, and resolve which one takes precedence or how they can be balanced in order to make progress.

4. Identify strong leadership

The coordinator's role is to hold the big picture, understand the roles and interests of all of the stakeholders, facilitate the flow of communication, and drive the initiative forward. The coordinator can be a single individual or a small core group of individuals with the right composition of skills. This role is central to engaging businesses, and the following four factors are important for successful private sector engagement:

- **Goal and action oriented:** The coordinator should be outcome focused and motivate people to action. This means keeping stakeholders focused on the larger goals of community wealth-building. Coordinators need strong management skills for facilitating a group project. Businesses will be motivated to stay involved if they see forward movement.
- **Entrepreneurial thinking and understanding of market systems:** The coordinator should have a deep understanding of market systems and should either be an entrepreneurial thinker or be able to draw on people with that ability. People with economic development experience and/or business experience are often good candidates.
- **Paid staff time:** In our experience, regions that had some paid staff time for the coordinator role were more effective at maintaining momentum. Sustainability is easier when the functions of the coordinator can be built into an already existing role, such as a government or nonprofit role.
- **Decision-makers and respected industry leaders:** The coordinator should develop strong relationships with decision-makers and industry leaders. Business owners and industry leaders are ideal to have on a core coordination team, but as they often face time constraints it may be more effective to consult this group for input at strategic points. Industry leaders may personally engage with businesses to support them and encourage their involvement.

"[The coordinator is] a personality type, someone who gets it, who is self-motivated, and who is outcome based not process based... [who can] get things accomplished."

We found that dedication to the community and willingness to volunteer, though important, were not enough. Coordinating teams which did not engage

respected business leaders could not effectively facilitate stakeholder involvement and move the work forward.

Example: The coordinator role

One of the regions that made considerable progress had a coordinator in a paid position who was able to allocate time to develop the value chain. An innovative business leader, who was not involved on a day-to-day basis, provided strategic direction and innovative problem-solving approaches to the coordinator. This business leader also provided targeted hands-on support to small farm businesses such as advising them on how to expand their businesses.

"If you want to get anything done out here you have to have people with skin in the game. The other folks are good people with great ideas and are sincere, but did not have anything to lose. It was a group of people who liked to go to meetings and talk a lot."

5. Involve small businesses in problem solving

Businesses need to be involved in solving problems, and often need to be in the lead. Some of the regional coordinating teams involved in the program were made up of nonprofit and government representatives which felt they had to solve the problems for businesses. They spoke with businesses to understand challenges in the value chain, and then tried to come up with solutions without involving the businesses. The problems with this approach are that:

- Solutions often require changes within the private sector.
- Solutions often require that businesses work together.
- Businesses understand the nuances of the problems and are in the best position to develop innovative solutions.

The coordinating role should not be viewed as one of problem solving, but rather of facilitating a process to understand and then collectively address challenges. The coordinator is a convener and connector, and can sometimes leverage relationships or resources to remove barriers and pave the way for solutions, but the problem solving itself will usually be done with and/or by the businesses themselves.

Example: Business taking the lead

Cold storage and ice services are currently insufficient to meet the needs of commercial fishing boats in the smaller ports along Oregon's coast. However, ports and other public agencies are not well positioned to fill this gap, and large storage companies do not have an interest

in the small scale of business in these communities. In one port, locally owned seafood businesses — in coordination with the port — are incorporating these services into their future growth plans.

6. Engage businesses respectfully

Coordinators should engage businesses in a respectful way, giving careful consideration to what is being requested of them.

Some of the businesses involved in the WealthWorks program noted that attending many meetings created a burden and took them away from their businesses.

Government agency and nonprofit staff are generally paid to attend economic development meetings, but entrepreneurs will be taking time away from their businesses to participate. Consider covering transportation costs, keeping the number of meetings concise, and building in direct value to businesses at meetings by creating networking opportunities. Businesses can also be paid for their time to participate in surveys and interviews when there is no direct benefit to them.

“When I came over to [a meeting] – that was directly out of my pocket. That means I wasn’t here to see things, supervise, train, answer calls... I think that it is a worthy investment, so I am happy to do it, but just to [see] from a private business perspective and think about how to balance it.”

Coordinators should be flexible and creative in terms of how to involve businesses. Business owners do not need to attend every meeting. Coordinators can talk to them one-on-one to understand their perspectives and then engage them only in meetings that are of direct relevance to them. The coordinator role can be compared to a bumble bee — buzzing around from flower to flower — so that the process does not become too time consuming for participants. Meetings should be arranged at times and locations that are most convenient to businesses when they need to be at the table, and confidentiality agreements could be considered if businesses are sensitive about sharing information.

Examples: Building trust and understanding

Juniper wood: During the early phase of working on the juniper value chain, a Regional Development Initiatives staff member shadowed a juniper harvester for six hours in the woods, and a juniper mill owner for another two hours. The staff member learned about the businesses and built the trust and respect of the business owners who felt genuine appreciation for this investment of time and interest.

The seafood sector: A group working on the Oregon Coast held “listening sessions” at four different ports to learn about the concerns of fishermen. These sessions built interest among communities and informed the priorities of the group.

7. Introduce concepts as needed and gradually

Economic development practices through the WealthWorks approach or otherwise have concepts and corresponding vocabulary that takes time to understand. While it is important for the coordinating team to have a solid understanding of the theory and vocabulary, a more basic understanding is sufficient for most stakeholders.

To effectively introduce new economic development ideas, teams might try a combination of the following:

- Keep meetings light on theory and terminology, but provide deeper detail when people request more.
- Engage businesses (and other stakeholders) at the level of their particular interest.
- Unfold concepts and vocabulary in a gradual, digestible way, and use them when it is relevant to the action at hand.

We found when using WealthWorks, the terminology sometimes felt abstract and difficult to apply. Yet, the core concepts of working towards an economy that prioritizes local businesses, examines and plans for the careful management and growth of many forms of wealth in addition to financial wealth, and wants to help everyone more fully participate in the economy resonate with the majority of the people we encountered. Business owners often understand the concepts of multiple forms of capital and value chains more quickly than others because of their business mindset.

Example approaches:

- Introduce the forms of wealth vocabulary to talk about the assets and needs of individual businesses: Does the business have sufficient *social and intellectual capital* to reach new markets? Is hiring difficult because there is not enough *individual capital* in the form of skills in the local labor force?
- Draw out concepts as they emerge from the work: When a particular business can provide more logs to a local mill, this is an example of *shared interest*. When those two businesses spend more money in the local economy, that is an example of *common interest*. Fishing permits owned within a particular community are a form of *cultural and financial capital* that *flow out* and *reduce local ownership* when they are sold outside of the community. A business practice that enhances environmental sustainability is building *natural capital*.

Conclusion

Despite the challenges of engaging rural small businesses and entrepreneurs in economic development efforts, they can be some of the most effective agents of change. Fundamentally, coordinators — using the WealthWorks approach or other approaches — should be sensitive to the specific needs and situation of each business, and be able to frame engagement in a way that reflects genuine benefit for the business.

We believe that following these guidelines will help you to successfully bring this stakeholder group into a wealth-building process in order to tap into the many forms of wealth these businesses already embody, and the wealth they can build for themselves, their partners, and the community.

For more information about the WealthWorks approach to economic development, please visit www.wealthworks.org which provides videos, case studies, additional examples, and other resources.

Data sources

This guide is drawn from a broader set of evaluation results that were gathered over the first three years of the WealthWorks Northwest Program. This program was designed and delivered by a team of partners led by Rural Development Initiatives and Oregon State University Extension, including Dr. Mallory Rahe. The WealthWorks Northwest Program and its evaluation have been supported by the Agriculture and Food

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Twenty-five entrepreneurs and small businesses were engaged in varying ways during a three-year program, including participation at meetings, involvement in workshops, applications for grant assistance, and connections with support providers such as Small Business Development Centers. An estimated 100 or so additional farmers, ranchers, and fishermen were engaged to a lesser degree through listening sessions, outreach activities, and through connections with support providers.

An evaluation report from 2017 for the first two years of the initiative includes some of the material in these guidelines, and can be found at www.rdiinc.org/files/RDI_WWNW_EvalMay2017.pdf. Specifically, these guidelines summarize three data sources: 17 interviews with small rural business owners that occurred in 2017 and 2018; self-reflections of three individuals who convened meetings with coordinators and businesses in one or more of six regions; and larger focus groups or surveys with over 100 value chain businesses across four different value chains conducted throughout the program delivery process. Quotes throughout this guide come from small rural business owners.