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Wisconsin Inventor & Entrepreneur Clubs: Investment in an Innovative Approach to Entrepreneurship

Preface

Research on entrepreneurship in rural areas has increasingly stressed the importance of a supportive environment and social networks in enhancing innovation. This report examines a novel approach to promoting entrepreneurship using regional Inventor & Entrepreneur (I&E) Clubs. A telephone survey of 21 I&E Clubs was completed to collect information on how they were established and organized as well as to document the outcomes of their activities. More than one-third (38%) of the clubs reported that new jobs had been created in their region because of participation in the club. The same number of respondents indicated at least one new patent had been filed by a member as a result of participation in the club. Similarly, 29 percent of the respondents reported members have received grants for research or business idea development. Several noted distance and lack of population density as major obstacles to promoting entrepreneurship in rural areas. Wisconsin I&E Clubs address these obstacles by providing a local venue for networking among entrepreneurs, as well as for linking participants into a larger system of support services outside the community.

Introduction

A growing body of research has demonstrated the importance of several ingredients in promoting entrepreneurial communities. The most important include (1) building and supporting business skills among entrepreneurs, (2) developing vital resource centers, (3) creating community awareness of and support for entrepreneurs, and (4) building networks and collaborations (Markley, Macke, and Luther 2005; RUPRI, Center for Rural Entrepreneurship 2003). Broad community support for entrepreneurs appears to be key to providing an environment for entrepreneurship to flourish.

This report examines the role I&E Clubs in Wisconsin play in promoting entrepreneurship in rural areas. These clubs offer a place for individuals to share new ideas, develop networks, and obtain support for their efforts. Clubs can offer a venue for entrepreneurs to explore new ideas and move their ideas to reality. The clubs also provide education on issues related to market feasibility, intellectual property, marketing, financing, and business planning. The clubs seem to play a significant role in bolstering the confidence of individual entrepreneurs by offering them a sense of legitimacy. The clubs have established an e-mail network (listserv) for the facilitators of the clubs, and the Wisconsin Entrepreneurs' Network (WEN) provides them with resources and support. These clubs represent a formal social mechanism to compensate for many of the disadvantages that rural areas face in promoting entrepreneurship. This research investigated how the clubs are initiated and organized, as well as the outcomes and impacts.

Wisconsin has developed an aggressive effort to promote and establish regional I&E Clubs. I&E Clubs serve several functions but focus mainly on providing education and networking opportunities for entrepreneurs. These clubs are a formal mechanism useful in enriching the environment for entrepreneurship in communities. At present, 43 clubs have been formed, representing 57 of Wisconsin's 72 counties. Many clubs are in the early stages, and only 23 clubs were deemed to be sufficiently established and active for the purposes of this survey.

With a high proportion of clubs in rural counties, many have focused on innovations in agriculture and natural resources or other rural enterprises. I&E Clubs and their proponents claim to have infused a new level of excitement about microenterprise, and they credit their development as leading to creative innovations. What are the characteristics of these clubs? How successful are the clubs in

generating new networks for entrepreneurs and improving support for their efforts? What has been their impact in terms of investment and business starts?

This report is based on survey data collected from 21 Wisconsin I&E Clubs. The phone survey was designed to provide a descriptive profile of their activities as well as their organizational structure. This research also aimed to document early returns produced by the Wisconsin clubs.

The next section of the report briefly discusses several issues regarding the entrepreneurial climate in rural communities. Although some previous research suggests rural areas are as competitive as urban areas in developing new businesses, recent studies show a majority of rural regions lag behind urban areas in most measures of innovation (Barkley, Henry, and Lee 2006; Lin, Buss, and Popovich 1990).

Entrepreneurial Climate

Economic and sociological research on entrepreneurship emphasizes two broad approaches: (1) supply-side and (2) demand-side perspectives (Thornton 1999). The supply-side usually focuses on the importance of the individual characteristics of entrepreneurs. For example, much of the research in this approach has examined how culture and ethnicity produces entrepreneurial behavior (Aldrich and Waldinger 1990; Light and Bonacich 1988). Additional research has emphasized the importance of values and motivation as determinants of innovation, assuming that individual values and attitudes explain the differential rate of entrepreneurship among groups.

Research on the demand-side focuses on the role of social and economic context in shaping entrepreneurship, examining the role of firms and markets in influencing rates of entrepreneurship. This research looks at how entrepreneurial firms spin-off from existing businesses and are shaped by market opportunities. There is some debate whether new firms are more likely to be created by large, core firms or small, peripheral businesses. Many of the high-tech establishments tend to be related to large firms and universities, while other establishments may be more autonomous.

Recent research has focused attention on the degree to which entrepreneurship is present in rural areas and the extent to which this activity influences the economy. Findings show that while rural areas support a disproportionately high number of entrepreneurs, those entrepreneurs lag far behind their nonrural counterparts in income and revenues (Goetz 2008; Low 2004). This research suggests that the challenge

is more how to make rural entrepreneurs successful (in terms of economic value) than it is how to increase their numbers.

Bruno and Tyebjee (1982) suggest that other environmental factors influence entrepreneurship, including access to venture capital, technical support, skilled labor, restricted regulations, low taxes, and access to new markets. There is considerable debate over the effects of these contextual influences on economic development in general and on entrepreneurship more specifically (Bartik 1991). This is especially the case with taxes and public policies. The debate in the economic development literature generally discusses whether employing these as incentives actually influence firm decisionmaking or simply subsidize firms (Mokry 1988).

Beyond these political and economic factors, there has been an increasing amount of attention given to the role social factors might play in entrepreneurship. Much of this work has focused on racial and ethnic differences in entrepreneur networks (Aldrich, Waldinger, and Ward 1990; Boyd 1990, 1991). This research has examined why some racial and ethnic groups have higher rates bonding and bridging capital and the effects of these different structural networks. Another important issue in this research is how the social and economic context may influence the effectiveness of these networks.

Burt (1992) has shown how the structure of networks, especially the level of redundancy among actors, may influence the likelihood of success among entrepreneurs. For example, social networks may improve the breadth and depth of information available to entrepreneurs; information about

available resources, markets, and sources of information can play a critical role in the success of entrepreneurs; and networks may play a role in stimulating and developing innovations and new ideas.

Many analysts have referred to network resources as a form of social capital. This concept has been criticized because it is seen as implying that social capital can compensate for the lack of financial and human capital available to entrepreneurs. Another way to conceptualize the role of social networks, however, is to view them as mediating influences on access to financial and human capital. Stronger and broader networks may increase the likelihood that entrepreneurs can access different forms of financial capital and ultimately improve their own human capital.

Social networks may be more critical to the success of entrepreneurs in rural than in urban areas because the lower population and organizational density makes communication much more difficult. Rural areas often have a lower level of specialized service firms to support entrepreneurs. Access to public and nonprofit agencies offering support to businesses is a greater challenge outside of metropolitan areas as well. Most high-tech start-up firms locate in urban areas where they have more access to professional services and contacts with similar needs. Rural

areas also tend to lack access to venture capital because venture capital firms usually locate in urban settings and prefer to lend to entrepreneurs in close proximity. Given all of this, social networks are even more important to generating community support for entrepreneurs in rural areas.

The Wisconsin Entrepreneurs' Network (WEN) is a network of diverse business and economic development service providers who share information and resources. The WEN's mission is to create seamless access to entrepreneurial resources and expertise, from across Wisconsin, to both spawn new ventures and help expand existing businesses. The WEN was created and funded by the Wisconsin Legislature as a part of Governor James Doyle's "Grow Wisconsin" initiative. The Wisconsin Department of Commerce funded the WEN through a grant provided to the State Small Business Development Center (SBDC), and the State SBDC Director serves as the Executive Director of the WEN. An early initiative of the WEN involved seeding I&E Clubs across the state with a start-up grant of \$1,000 per participating county. These funds were intended to provide promotional support, room and materials costs, and light refreshments. Although envisioned as a one-time grant, subsequent funding has been provided to active clubs. Some clubs formed without this assistance.

Survey of Clubs

The University of Wisconsin–Extension created a voluntary telephone survey to interview facilitators of Wisconsin I&E Clubs in the summer of 2007. The survey included 28 questions, both open- and close-ended, prompting varied responses. An e-mail message was sent explaining the survey to all facilitators, along with a copy of the survey for preparation purposes (see Appendix). The universe of clubs in Wisconsin (currently 42) includes those who have received start-up funding and those who have started without this support. It is further divided into clubs who have been actively meeting and clubs currently in the planning or forming stages. Phone contact was made with

facilitators of as many of the 23 clubs that were determined to be "actively meeting." Twenty-one of these active clubs (91%) completed the phone interview in full, providing the data used for this study. The phone interviews usually took 15 minutes.

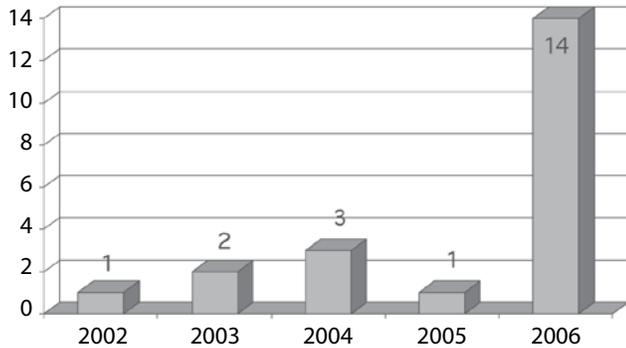
In addition to drawing insights from the surveys, this report draws on the personal insights gained through attending numerous I&E Club meetings and providing support to many of the clubs as they were being established. Informal discussions with other agencies and organizations involved in the WEN about club activities are also included.

Initiating Clubs

About two-thirds of the clubs surveyed were established in 2006 (Figure 1), with the oldest starting in 2002. Many were inspired by the Juneau County I&E Club formed in 2003. Terry Whipple, Executive Director of the Juneau County Economic Development Corporation and Juneau County I&E Club facilitator, has been a strong proponent of I&E Clubs and

has promoted them across Wisconsin and nationally. Seven of the facilitators interviewed specifically mentioned that their club was inspired by Whipple's presentations on entrepreneur clubs. About half of the clubs officially serve a single county, while the rest serve multiple counties (although all of the clubs welcome participants regardless of their home or

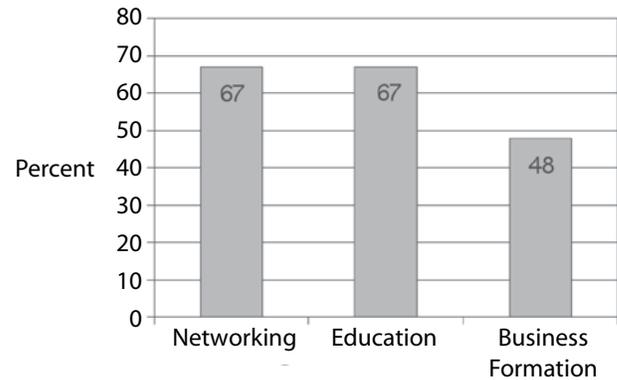
Figure 1. Year Club Was Established



business location). Many clubs have strong ties with other economic development organizations in their region.

When asked about the club's mission, most respondents mentioned three elements: (1) business formation, (2) networking, and (3) education. There appears to be relatively equal weight given to each of these three elements (Figure 2). Two-thirds of the respondents said the focus of their club was networking. About the same number reported it was education, and about half emphasized business formation.

Figure 2. Primary Focus of Club



The average budget for a club was a little more than \$1,300. Based largely on the early success of the Juneau County I&E Club, Wisconsin offered \$1,000 start-up grants to clubs for their activities, and most clubs have participated in this program. Augmented by voluntary "dues" and other donations, the grants represent a majority of club revenues. Club budgets were relatively small; most clubs reported they did not have many expenses beyond providing light refreshments.

Organizational Structure

Most I&E Clubs rely on volunteer staff who are in many cases drawn from local economic development organizations, University of Wisconsin–Extension county educators, or Chamber of Commerce staff. Few clubs have a formal advisory board; some had a steering committee consisting of economic development professionals and educational staff from technical colleges and local universities. Only about one-fourth have any approved mission statement, and one-third have bylaws.

Most clubs meet monthly, but a few meet bimonthly. An increasing number of clubs have shifted to taking summers

off as a drop in attendance occurs in the summer months. Average attendance ranged from 10 to 75, with a reported mean of approximately 27. The typical meeting includes a guest speaker followed by an opportunity to network. Examples of successful speakers include tax advisors, patent attorneys, advertising agency staff, and motivational speakers. A major portion of every meeting is devoted to networking opportunities. Of the topics mentioned by respondents, the most popular programs include successful inventors and entrepreneurs, education related to intellectual property, and networking opportunities.

Outcomes

Confidentiality is potentially one of the stickiest issues I&E Clubs face. Entrepreneurs must know that their ideas and innovations could be used by others. At the same time, the club wants to provide a safe environment to freely discuss new ideas and practices. Most clubs handle the issue through informal mechanisms. In many cases, the facilitator makes an announcement at the beginning of the meeting regarding disclosure rules. This announcement reminds everyone that it is an open meeting, and they should be careful not to reveal proprietary information.

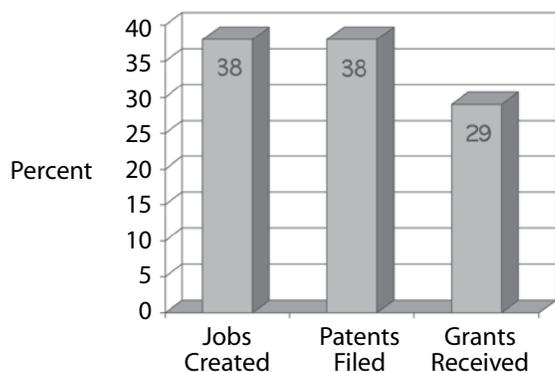
In five clubs, however, members are asked to sign a confidentiality agreement. Interviews with facilitators suggested both of these strategies for dealing with confidentiality are usually effective, and the choice of strategies is more one of fitting club policy to the character of the participants.

Facilitators differ in how much emphasis is placed on concrete outcomes and impacts of I&E Club activities. While some focus on job creation and innovation, most clubs view their

activity as part of the broader effort to promote a “culture for entrepreneurship” in their community. About one-half of the respondents indicated their organization’s charge included business formation and job creation.

More than one-third (38%) of the clubs reported jobs in their region had been created as a result of participation in the club (Figure 3). The same number of respondents indicated a new patent had been filed by a member as a result of their club participation. Similarly, 29 percent of respondents reported that members have received grants for research or business idea development. Most of these grants have come in the form of angel financing. In one case, a company received a grant for the design of a hydroponic greenhouse, and another

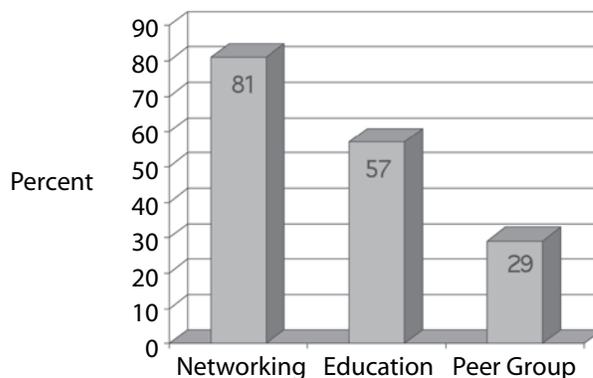
Figure 3. Outcomes



club member received funding from a private furniture company for a project.

When asked about the major benefits of their club for members, over eight in 10 facilitators thought networking was the major benefit, followed by education and access to information (Figure 4).

Figure 4. Major Benefit of Membership



More than half (57%) of the facilitators identified attendance and participation as their major challenges. A few clubs are changing the time of day they meet to attract more participants. Other strategies to keep attendance up include moving to an every other month meeting, taking summer months off, and modifying the format of the meetings and presentation topics.

Success Stories

David Berg and Cat Schmidt started their business, Sweet Soil Produce, in summer 2007 after participating in the Door County I&E Club. They sell organic produce mainly in the Door County area. Although they are starting small, they hope to purchase farmland in the near future and hire employees to help with the work on the farm. They had planned to start the business for some time, but the I&E Club inspired them to realize the potential of their ideas. They credited the club with providing important information, especially on marketing and press releases. David and Cat also established good contacts through the club. Finally, they suggested one of the keys to making the leap was the motivation to start their business gained from the club.

Pilar McDermott started a company, Bruno Innovation Group, in 2006 after participating in the Brown County I&E Club. Pilar started the company as a way to balance family life (two young children) with work. Her business works mainly as a marketing firm for investment companies. At this time, she intends to keep the business small, at least until her children

are older. She credits the I&E Club with providing excellent resources, especially information on legal issues, accounting, and graphic design. Pilar points to participation in the Brown County I&E Club as an important catalyst in her decision to start a business.

We also heard a story from one club attendee about the importance of the social network in a very different but meaningful way. She introduced an acquaintance who could best be described as burned out on corporate America to her local club. He assumed the feelings of being dissatisfied and undervalued (bordering on depressed) were simply facts of life that he was going to have to live with. But something unique happened when he attended the club. He found others like him who didn’t fit the corporate mold and had a passion for being an entrepreneur. He discovered a network of support, both peer-based and technical experts, which could help him follow his dreams. In short, his outlook on life was dramatically changed, and he had a new perspective on his business prospects—in large part because he attended an I&E Club.

Conclusions

Although quite young, I&E Clubs in Wisconsin are becoming an important place for potential entrepreneurs to share ideas, obtain information, and make connections with other entrepreneurs. Based on the survey of facilitators, an impressive number of participants have created jobs, obtained patents, and received grants for their ideas and enterprises. Many clubs reported struggling with attendance and participation. This is not significantly different from the normal course of development of new organizations in general. It is likely there will be some settling out of this “marketplace” based on travel distance, program emphasis, club dynamics, and personal interest.

I&E Clubs in Wisconsin are part of a larger effort to promote entrepreneurship through the WEN. Participants in I&E Clubs are referred to assistance programs in the network, including local economic development organizations, the regional SBDC, technical colleges, universities in

the Wisconsin system, and even private service providers. As a comprehensive and potentially seamless service provider network, the WEN offers the potential to satisfy the technical support needs of inventors and entrepreneurs.

While the image of an entrepreneur as a rugged individualist who identifies a new economic opportunity and pursues it plays well on “reality” television, this view fails to recognize the technical support and related social needs of most entrepreneurs. Inventors and entrepreneurs usually can assemble the resources they need to succeed, but they still face challenges. Low population density and a related lack of a critical mass of resources and peers are major obstacles to promoting entrepreneurship in rural areas. Wisconsin I&E Clubs are addressing these obstacles by providing a venue for networking among entrepreneurs, as well as by linking participants into a larger system of support services outside the community.

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Appendix: Wisconsin I&E Club Survey

1. When was your organization established?
2. How did the formation of this organization come about?
3. What is the geographic territory served by your club?
4. What is the focus of the club—business formation, inventors, investments, etc.?
5. What is the annual budget of your organization?
6. Does your organization have an approved mission statement? What about bylaws or other club operating rules? (If so, could you send them to us?)
7. Does your organization have a paid or volunteer staff person? Explain how this works.
8. What about advisors and club members serving on a board? Explain how this works and how they relate to the “staff” you might have.
9. How often does your organization meet?
10. What is the average attendance at these meetings?
11. What is the structure of a typical meeting?
12. Does one person typically facilitate or lead each meeting?
13. What are some examples of the most successful programs or speakers brought to the meetings?
14. How do you deal with confidentiality issues? Do you address protecting ideas in any formal or informal ways?
15. How much “free time” is there at meetings for attendees to network and talk among themselves?
16. Has the organization’s meeting attendance changed over time? If so, how?
17. How does your organization define success (for its membership)?
18. Have any businesses or jobs been created as a result of participation in this organization? Stated another way, what would your answer be to the question, “What impact did this club have on the economy in the past year?”
19. Have any members filed and received patents or other means of protection of ideas? Explain.
20. Have any members received grants for research or related product or business idea development? Can you provide some examples?
21. Approximately what percentage of your membership is female and male?

___ female

___ male

22. Approximately what percentage of your membership had a viable business prior to becoming active in the club, what percentage has launched a business since joining the club, and what percentage has yet to take their idea to the business stage?
- ____% had a viable business prior to becoming active in the club
____% has launched a business since joining the club
____% has yet to take their idea to the business stage
23. What do you consider to be the major benefit of membership in your organization?
24. Does your organization have any partnerships with other organizations in the region? If so, what are these organizations? What is the nature of the partnership?
25. Does your organization regularly refer members to formal assistance programs such as WEN, SBDC, etc.? If so, which ones?
26. What are some lessons you have learned about I&E Clubs that might benefit organizations that are just starting up?
27. What is the most difficult problem your organization faces in meeting its objective?
28. Is there anything else we should know about your I&E Club?

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