

# Center for Rural Entrepreneurship

energizing entrepreneurial communities



## Field of Interest Funds & Economic Development

*A Primer*



## About This Guide

This guide explores the importance of a field of interest fund as an entrepreneur-focused economic development giveback strategy. We also explore some “best-practices” of these funds as well as examining just a couple of examples.

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*A Primer*

## FIELD OF INTEREST FUNDS & ECONOMIC DEVELOPMENT

### Background & Introduction

Our Guide to **Field of Interest Funds & Economic Development** provides a powerful strategy for marrying community philanthropy with entrepreneur-focused economic development. Unlike business attraction, where there are clear limits to the ability of communities to use charitable donations for economic development, there are clear IRS (U.S. Internal Revenue Service) rulings and precedents for using tax-advantaged charitable gifts through foundations and non-profit organizations for entrepreneur-focused economic development programs. As you might expect, it is wise to do your research and construct your programming within the limits permitted by the IRS. Working with a certified area community foundation can ensure your compliance and protect your donors.

### Philanthropy & Economic Development

There are myths about how economic development can be supported by tax-advantage philanthropy. Some foundations will not support “economic development.” Pioneering work by the West Central Minnesota Foundation and others has demonstrated that many types of economic development programs can be supported through philanthropic giving.

## Why Field of Interest Funds?

### What is a “Field of Interest Fund”?

As the title suggests, this is a fund capitalized through charitable donations focused on supporting a special area of interest – in this case, entrepreneurship programming. Typically, these funds have greater flexibility than a specified program fund where a donor gives to support things such as scholarships for students studying entrepreneurship. With these funds, the advisory board can support a wide range of programming as long as it fits within the fund’s mission.

America has just survived possibly the worst economic downturn since the Great Depression. Pull-backs and cut-backs are widespread and deep. Economic development organizations and programs have not been immune. Even before the recession, there was under-capitalization for most economic development organizations and programs. Bottom line, there is a critical need to increase funding, but it is vastly important that it be flexible, stable and secure. As your community works to grow your entrepreneurship game plan, ensuring proper capitalization that you can count on long-term is essential. **Remember, a primary reason why economic development strategies fail is that funding is not adequate or sustained.**

Traditional sources of economic development funding are challenged today. Start-up grants are just that, start-ups. They can help you begin a program, but then you must find a way to sustain it. Unless you can create a sustainable funding strategy, your efforts are compromised and unlikely to realize desired impacts. **Field of Interest Funds** (or “Funds”) can become a core feature of this funding strategy.

Donors are often unlikely to step up and pledge major endowed gifts for even the most visionary programs, but typically there are those in your community who are willing to provide seed funding. By creating a Fund, you can begin the all-important process of education and commitment building. By combining multi-year, small underwriting gifts with a strategy to create legacy donors and endowments, you can plant the seeds necessary for success.

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*We will talk more about this approach to marry underwriters with legacy donors later in this Guide.*

Another reality is that donors tend to give to specific purposes. It takes a long, deep and trusting relationship to secure an **unrestricted legacy gift**. The field of interest fund can provide the donor greater confidence as to how their gift will be used (e.g., growing local entrepreneurs) while providing greater flexibility as to how it is used (e.g., specific programming). Our field experience suggests that this approach is very promising and can accelerate the development of legacy donors.

While our work is emergent, we believe there is a powerful connection and giveback opportunity by engaging successful entrepreneurs in your game plan. Successful entrepreneurs appreciate the power of people like themselves and once they have succeeded, they often have the capacity for giveback and, in some cases, legacy giving. But successful entrepreneurs are pragmatic and practical. You need to engage them and seek their counsel and the “**prove-up.**” By proving-up we mean demonstrating that their support can make a real difference. This takes time, hard work and demonstrated success with your program. The timeframe is typically five to seven years from initial engagement to significant legacy gift.

### Gerald Strom

For the past decade, we have had the honor to work with Dickinson State University (DSU) in Southwestern North Dakota. Today, DSU is home to the Strom Center for Entrepreneurship. This Center is an innovative force in development in this rural region. Gerald Strom went to DSU, and he loves DSU. Working with then DSU President Lee Vickers, Mr. Strom made a major legacy gift to create DSU’s entrepreneurship center. Mr. Strom is a successful entrepreneur. He became engaged in DSU’s commitment to entrepreneurs and, in giving back, he is making a difference.

Gerald Strom is a remarkable human being, but to be honest, based on our field work, there are thousands of Gerald Stroms across rural North America. Identifying them, building meaningful relationships with them and opening the door to them to give back to what they love (i.e., their communities and entrepreneurship) represents a powerful funding opportunity.

*The table on the next page highlights some of the key considerations you should review and address in creating field of interest funds.*

<b>Field of Interest Fund Considerations</b>	
<b>Charitable Status</b>	<i>Anyone can give to economic development, but the Federal Government has created an effective vehicle for giveback by enabling community foundations and field of interest funds. Tax write-offs will not be the prime driver for giveback (passion for what you are doing is the key), but having a charitable status can enhance willingness to give and often increase the size of a gift.</i>
<b>Giveback Case</b>	<i>There are two primary reasons people give. First, they believe in the mission of what you are doing and that it can and will make an important difference. Second, they give to people and organizations they believe in and trust. Building a <b>giveback case</b> that passionately communicates both elements is key.</i>
<b>Management Trust</b>	<i>Concern about misuse and fraud is part of this landscape. Working with a certified and well-managed community foundation is essential. Donors, particularly larger donors, must have confidence that their gifts will be well managed.</i>
<b>Advisory Board</b>	<i>A particularly important element for success is selecting and supporting a strong advisory board. This board must be able to help with donor development and ensure the prudent management and deployment of spending from the fund.</i>
<b>Underwriters &amp; Legacy Donors</b>	<i>Targeting donors who provide smaller and short-term underwriting (three year annual pledges, for example) and then can be cultivated into legacy givers is a key strategy element. It takes time, patience and good work to make this game plan happen. Underwriters need to be kept informed and the doors open for guidance. Good performance coupled with effective communication is essential.</i>

## Putting Field of Interest Funds to Work

The table above provides some sound advice for creating effective field of interest funds. There are many building blocks, but we believe three are foundational:

1. Vision for Impact
2. Game Plan & Execution
3. Tracking & Demonstrating Progress & Impact

*Let's address all three foundational building blocks in greater detail now.*

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### *Vision for Impact*

We tend to focus on our great “program” or “strategy.” While this information is important, entrepreneurs who are also donors want to know your vision for impact. In other words, if I give you this support, what will you accomplish? Having a compelling, clear and achievable vision for impact is so important to building a relationship with potential donors.

### *Game Plan & Execution*

Entrepreneurs are also “nuts and bolts” people. You do not need a 100 page business plan, but you need solid answers that address your **game plan** and how you will **execute** it. Keep it focused and as brief as you can. Remember, most folks will not listen for more than a few minutes or read more than a few pages initially. As they become interested, be prepared to go into greater detail and be open to input. You want engaged donors, and they may offer some advice that you should be open to considering. If they are too directed and want to micro-manage your efforts, they may not be a good fit as a donor. **Remember, not all gifts are worth taking.**

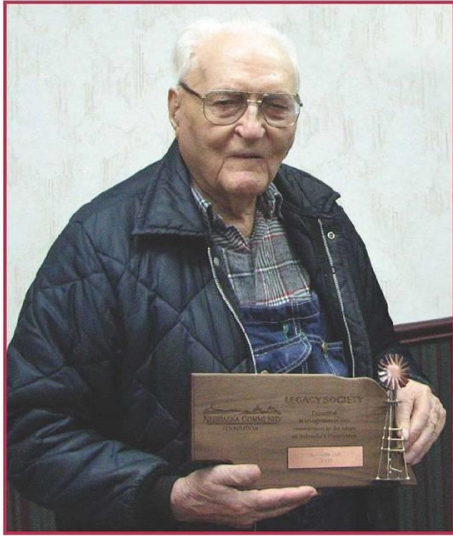
### *Tracking & Demonstrating Progress & Impact*

So, you have opened the door a crack and there is interest. Now, the key to closing the deal is demonstrating that you have clear performance benchmarks, that you will track progress against these benchmarks and will communicate (at least annually, preferably quarterly) your progress toward achieving impact. The Center can help with tools and guides for establishing realistic performance benchmarks and communicating your progress.

*Ironically a major reason why an initial underwriting donor does not become a legacy donor is poor communication. Too often we hear from donors when we are doing evaluation work that “I was interested, and I wrote my initial check and then I did not hear from them again until they asked for the second check.” Developing and executing a simple but effective communication strategy is as important as your success with your entrepreneurship game plan. Without sustained funding, your ability to achieve your goals is compromised.*

## Entrepreneurs

There is a lot of mythology around entrepreneurs. In America, this idea of “self-made success” abounds, but any successful entrepreneur will tell you that many folks helped them get where they are today. They understand at a very personal level the keys to their success. These are the entrepreneurs you want to reach out to and engage. They will be more open to the idea that helping newer entrepreneurs is a great idea.



*The late Rudy Ellis accepts his recognition as a member of the NCF Legacy Society.*

### **Rudy Ellis**

Rudy Ellis was a life-long resident of Northeast Nebraska. He was a farmer; he kept to his own business. He was a Garrison Keller kind of farmer: single, worked hard, was thrifty, saved and invested well. Most folks would not have seen Mr. Ellis as a legacy donor. In fact, he was not planning to give back to his home. He was not sure that his home communities had much of a future, but about 15 years ago, there were stirrings in Holt County Nebraska. A group of civic and business leaders embraced HomeTown Competitiveness (HTC) and its framework for building stronger communities. One of their first

actions was to create a county-wide leadership development program. It is important to understand at this point in our story that Holt County is a geographically large county with multiple cities and villages. The tradition of collaboration and “county-wide” cooperation was weak. These leaders felt that a county-wide leadership program might begin to build relationship and bridges. The first leadership class was a winner and their class project was ambitious. They decided they would work to create a county-wide economic development organization. This was a great idea, but a very challenging undertaking.

It took time and lots of effort, but they succeeded with their project. The Holt County Economic Development Organization was birthed in the early 2000s. There was the supportive old guard, but this development movement was energized by some amazing young adults like Nicole Sedlacek (now their paid economic developer). Nicole and her partners began to make progress. The local newspapers were full of hopeful stories. The local radio stations covered their events and there was a growing sense that something good was happening. Apparently, Rudy Ellis was listening and watching. One day he approached a local attorney (who was part of the Nebraska Community Foundation and the local community fund) and indicated he wanted to give back.

In 2006, Mr. Ellis donated \$2.3 million to create the Rudolph H. Ellis donor-advised fund with the purpose of supporting entrepreneurship and people attraction in North Central Nebraska. From 2010-2011, the Ellis Fund made its first grants and provided funding to hire Holt County’s first full time business coach. Every year, the Ellis Fund will support this mission giving Holt County reliable funding for their entrepreneurship game plan.



## Parting Thoughts

The intentional linkage between economic development and philanthropy is not new, but it is still somewhat rare in rural areas. The opportunity is promising, but more work and success must be done before this opportunity can become proven best practice. We hope this Guide is helpful to those rural communities in North America wanting to secure new, significant and sustained funding for your entrepreneurship programs. In parting, we want to share an emerging story, maybe a best practice in a few years from Pickaway County Ohio.

### *Pickaway County Ohio*

Pickaway County is located just south of metropolitan Columbus. The northern part of the county is seeing significant suburban development with strip malls and tract homes. The southern part of the County is part of Appalachian Ohio with chronic poverty, but a rich family and community based culture. In the middle is the primary city of Circleville where the changing winds of manufacturing have created both challenges (factory closures) but also opportunities (new industry and expansions).



Just 15 years ago a civic leader by the name of Shirley Bowser discovered through the W.K. Kellogg Foundation (where she was a board member) HomeTown Competiveness. HTC was new and it was still finding its legs as a community building strategy. Shirley was motivated to stimulate visioning in her home county. She recruited a diverse collection of civic, educational and business leaders that traveled to Nebraska and spent a week with the HTC team. They went home and created PCN or **Pickaway Competitiveness Network**. They had already created the **Pickaway County Community Foundation** or PCCF. PCCF was affiliated with the Columbus Community Foundation. These two key institutions went to work and over the intervening years have accomplished much.

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Beginning in 2009, PCCF and PCN created three working groups focused on three strategic priorities that emerged from their county-wide visioning: K-16 Education, Agriculture and Leadership. Based on updated strategic planning in 2009, they created field of interest funds for each of these priorities. A donor stepped up and provided challenge grants. Today these three groups are working to meet the match requirements. They are building giveback cases and reaching out to potential donors. This is an education and engagement process and not an end in and of itself. Once capitalized, these funds and their advisory boards will create a neutral, focal point for advancing each strategic agenda. The process has started transitioning broadly held consensus and vision into action and impact. Donors who give today to help meet the challenge grants hold the potential to become underwriters and legacy givers tomorrow.





## How The Center Can Help

The Center can help you increase prosperity through entrepreneur-focused economic development in a number of ways:

- **Awareness.** We can help you raise awareness of the entrepreneurship opportunity through keynote speeches, workshops and informational webinars.
- **Mentoring & Advising.** We offer very affordable mentoring to community leaders attempting to build or strengthen a strategy. This support can include procuring project funding.
- **Assessment.** We can provide quick to in-depth opportunity assessments essential for smart game plan development. We also have a team that does Targeted Industry Studies.
- **Strategy Development.** We have extensive experience helping communities craft customized and optimized development strategies.
- **Training.** Via our Working with Entrepreneurs program, we provide comprehensive and field tested training for development practitioners and leaders.
- **Implementation Coaching.** We can provide implementation coaching customized to your game plan on a real-time basis through modest retainer arrangements.
- **Sustainability.** We can help you find the long-term funding to ensure robust support for your entrepreneurship strategy.

Our Entrepreneurial Communities team is led by Don Macke, with more than 38 years of development experience. We have established a national team of practitioners, both inside and outside the Center, who bring research, coaching, incubation, market intelligence and other content expertise to this work. Additionally, we can draw on one of the largest networks of entrepreneurship practitioners across North America to support specific projects and provide learning partners for advancing our work and bringing value to your community.

## Questions & More Information



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**The Center for Rural Entrepreneurship's** mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing empowering research, community engagement and strategy development to you through our many Solution Areas. Our **Solution Area Teams** empower communities to discover their own answers to the challenges and opportunities they face:

- **Community Development Philanthropy:** Providing research and community engagement strategies that help communities build philanthropic capacity and create development resources now and in the future.
- **Youth Engagement:** Providing tools and a framework for communities to engage young people now and to bring them home in the future.
- **Measurement Research Policy:** Providing the tools to help communities define development goals, measure success and improve outcomes.
- **Entrepreneurial Communities:** Providing a roadmap for communities to design and deliver entrepreneur-focused economic development strategies that work.

To learn more about us, go to [www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org).

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