

**Inventor & Entrepreneur Clubs:**

**Investment in an Innovative Approach to Entrepreneurship**

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Paper presented at the conference on “Conversation, Collaboration, and Democracy—Creative Community Engagement,” Community Development Society 40<sup>th</sup> Annual International Conference, June 23, 2008, Saskatoon, Saskatchewan and the conference on “Frameworks for Entrepreneurship Research in Food, Agriculture, Natural Resources & Rural Development: A National Conference on Entrepreneurship Research,” October 18-19, 2007, Kansas City, Missouri.

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### **Investment in an Innovative Approach to Entrepreneurship**

#### **Abstract**

Research on entrepreneurship in rural areas has increasingly stressed the importance of a supportive environment and social networks in enhancing innovation. This paper examines a novel approach to promoting entrepreneurship through the establishment of regional inventors and entrepreneurs (I&E) clubs. We completed a telephone survey with 21 I&E clubs to collect information on how they were established and organized, as well as to document some of the outcomes of their activities. Over one-third (38%) of the clubs reported new jobs had been created in their region as a result 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% of the respondents reported members have received grants for research or business idea development. Several of the clubs 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 venue for networking among entrepreneurs, as well as 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. Among the most important are: (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 (RUPRI Center for Rural Entrepreneurship). Community-wide support for entrepreneurs appears to be a key to providing an environment for entrepreneurship to flourish.

Wisconsin has developed an aggressive effort to promote and establish regional inventors and entrepreneurs (I&E) clubs. I&E clubs serve several functions, but they primarily focus on providing education and networking opportunities for entrepreneurs. These clubs are a formal mechanism useful in enriching the environment for entrepreneurship in communities. To date, over 45 clubs have been formed, most in rural areas of the state, although at the time of this study, only 23 were deemed to be established and active. Not surprisingly, many of these clubs have focused on innovations in agriculture and natural resources and other rural enterprises. I&E clubs and their proponents claim to have infused a new level of excitement about micro-enterprise, and 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 the impact in terms of investment and business starts?

This paper is based on survey data collected from 21 Wisconsin I&E clubs. The phone survey was intended to provide a descriptive profile of their activities, as well as

their organizational structure. This research also aims to document early returns the Wisconsin clubs have produced.

In the next section we briefly discuss several issues regarding the entrepreneurial climate in rural communities. Although some previous research has suggested rural areas are as competitive as urban areas in developing new businesses, recent studies suggest the majority of rural regions lag behind urban areas in most measures of innovation (cf. Barkley, Henry and Lee 2006; Link, Buss and Popovich 1990).



Juneau County Wisconsin I & E Club, March 2005

### **Entrepreneurial Climate**

Economic and sociological research on entrepreneurship has emphasized two broad approaches: supply-side and demand-side perspectives (Thornton 1999). The supply-side is usually characterized by its focus 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 important determinants of innovation. This research assumes it is the individual values and attitudes that 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. Much of this research has examined the role of firms and markets in influencing rates of entrepreneurship. This research looks at how entrepreneurial firms spin-off from existing firms 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 firms. Many of the high-tech establishments tend to be related to large firms and universities, while other establishments may be more autonomous.

Bruno and Tyebjee (1982) suggest 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 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 decision making 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 (e.g., Boyd 1990; 1991; Aldrich, Waldinger and Ward 1990). 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. 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. 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 has been viewed 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 entrepreneurs can access different forms of financial capital and ultimately improves their own human capital.

Social networks may be more critical to the success of entrepreneurs in rural than in urban areas. The smaller population and organizational density makes communication much more difficult. Rural areas generally 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 will locate in urban areas where they have greater access to professional services and contacts with similar needs. Rural areas also tend to lack access to venture capital. Most venture capital firms tend to locate in urban settings and prefer to lend to entrepreneurs in close proximity. Given the structure of opportunities in urban areas, social networks may be critically important to the community support for entrepreneurs in rural areas.

This paper looks at 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 to 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 also appear to play a significant role in bolstering the confidence of individual entrepreneurs by offering them a sense of legitimacy. The clubs have established a listserv for the facilitators of the clubs and the Wisconsin Entrepreneurs' Network, or WEN, provides them with resources and support. These clubs represent a formal social mechanism to compensate for many of the disadvantages rural areas face in promoting entrepreneurship. We are interested in how the clubs are initiated and organized, as well as the outcomes and impacts.

The WEN is a network of diverse 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 Doyle's "Grow Wisconsin" initiative. The Wisconsin Department of

Commerce funded the WEN through a grant provided to the State Small Business Development Center and the State SBDC Director serves as the Executive Director of the WEN.

### **Methodology**

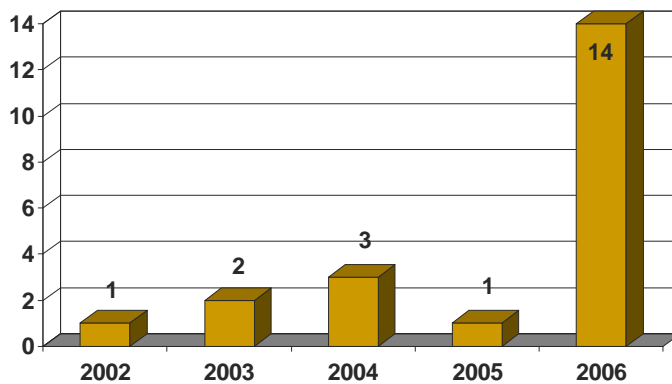
The University of Wisconsin-Extension created a voluntary survey intended for telephone interviewing of facilitators of Wisconsin I&E Clubs in the summer of 2007. The survey consisted of 28 questions, both open- and close-ended, prompting varied responses. Using the most up-to-date list of clubs available as provided from the WEN, we sent an e-mail message explaining the survey to all facilitators, along with a copy of the survey for preparation purposes (see appendix). Target clubs were drawn from a list of active clubs kept by the WEN, most of whom had been granted small start-up funding. The universe of clubs in Wisconsin (currently over 45) 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 stages. Phone contact was made with facilitators of as many of the 23 clubs determined to be ‘actively meeting’ as possible. Twenty-one (21) of these active clubs, or 91%, completed the phone interview in full, providing the data used for this study. The phone interviews generally took around fifteen minutes to complete.

In addition to drawing insights from the surveys we draw on the insights of one of the authors who has attended numerous I&E club meetings, and provided support to many of the clubs as they were being established. We also had informal discussions with other agencies and organizations involved in the WEN about club activities.

## Initiating Clubs

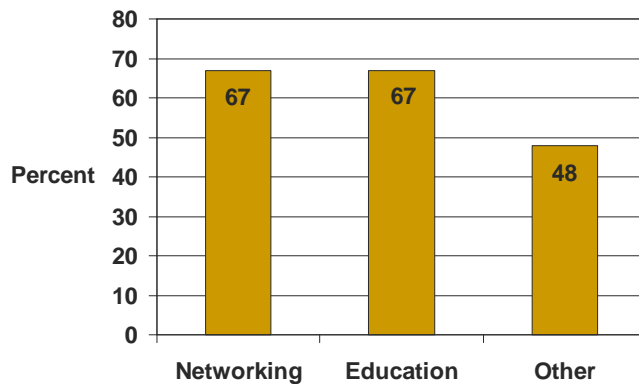
About two-thirds of the clubs surveyed were established in the past year (Figure 1). The oldest club was established about five years ago and another 14 clubs are less than a year old. Many of the clubs were inspired by the Juneau County club, which was formed in 2003. Terry Whipple, Executive Director 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 we interviewed specifically mentioned their club was inspired by Terry Whipple's presentation on entrepreneur clubs. About half of the clubs officially serve a single county, while the rest serve more than one county (although all of the clubs welcome participants regardless of their home or business location). Many of the clubs have strong ties with other economic development organizations in their region.

Figure 1. Year club was established



When we asked I&E clubs about their mission, most of the 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 goals (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 clubs 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.

Only a few clubs have resources beyond this grant, generally revenues from minimal dues. Although the 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. In many cases, the volunteers are drawn from local economic development organizations, University of Wisconsin-Extension county faculty or Chamber of Commerce staff. Few of the clubs have a formal advisory board; some had a steering committee that consisted 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 by-laws.

Most clubs meet on a monthly basis. A small number meet every other month. An increasing number of clubs have shifted to taking summers off, as a drop in attendance occurs in the summer months. Average attendance ranged widely from 10 to 75 (the mean was about 27 people attending). The typical meeting includes a guest speaker and an opportunity for networking. 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. The most popular programs, of the topics mentioned by respondents, include those featuring successful inventors and entrepreneurs, education related to intellectual property, and networking opportunities.

Confidentiality is potentially one of the stickiest issues I&E clubs face. Entrepreneurs need to be aware 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 it is an open meeting and they should be careful not to reveal proprietary information. In five clubs, however, members were asked

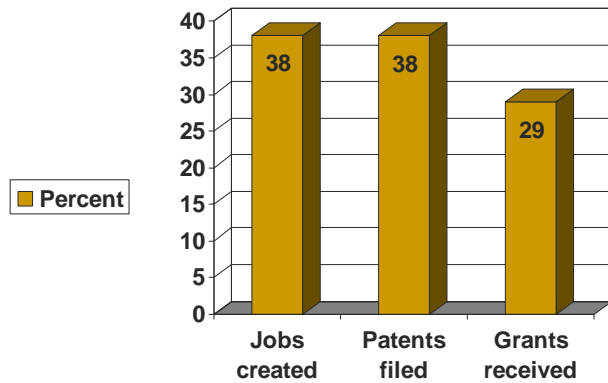
to sign a confidentiality agreement. Our interviews suggested both of these strategies for dealing with confidentiality were generally effective and the choice of strategies was more one of fitting it to the character of the participants.

### **Outcomes**

Facilitators differed in how much emphasis they placed on concrete outcomes and impacts of I&E club activities. While some focused on job creation and innovation, most 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.

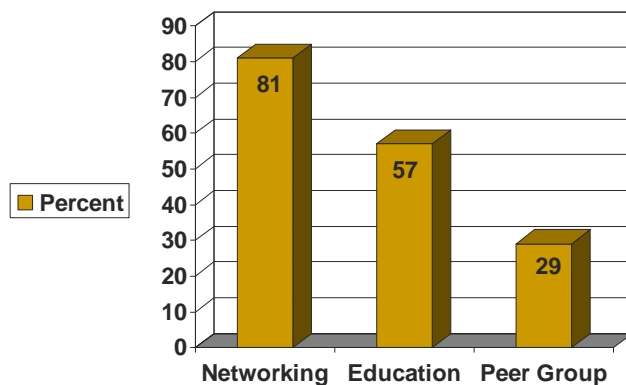
Over one-third (38%) of the clubs reported new jobs in their region had been created as a result of participation in the club (Figure 3). The same number of respondents indicated a new patent had been filed by a member as a result of participation in the club. Similarly, 29% of the respondents reported 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 design of a hydroponic greenhouse and another club member received funding from a private furniture company for a project.

[ Figure 3. Outcomes ]



When asked about the major benefits of their club for their members, over 8 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 facilitators identified attendance and participation as their major challenges. A few of the clubs were changing the time of day they met to attract more participants. Other strategies to keep attendance up include moving to an every other month meetings, 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 the summer of 2007 after they participated in the Door County I&E club. They sell organic produce primarily in the Door County area. Although they are starting small, they hope to purchase some farmland in the near future and hire some employees to help with the work on the farm. They had been planning to start their 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 her 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 primarily works as a marketing firm for investment companies. At this point, she intends to keep the business small, at least until her children are older. She credits the I&E club with providing her with excellent resources, especially information on legal issues, accounting, and graphic design. Pilar points to her participation in the Brown County I&E club as an important catalyst in her decision to start the business.

We also heard a story from one club attendee who related the importance of the social network in a very different, but meaningful way. She introduced an acquaintance to her local club who could best be described as “burned out” on corporate America. He assumed his feelings of being dissatisfied and undervalued (bordering on depressed) were simply facts of life he was going to have to live with. But something unique happened when he attended the club. He discovered there were others like him who didn’t fit the corporate mold and had a passion for being an entrepreneur. He discovered there was a network of support, both peer-based and technical experts, which could assist him in following his dreams. In short, he found 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, we find an impressive number of participants have created jobs, obtained patents and received grants for their ideas and enterprises. Many of the clubs reported they struggle with attendance and participation. We don’t believe this is 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, such as local economic development organizations, the Small Business Development Center (SBDC), the Innovation Center at the University of Wisconsin-Whitewater, 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 the 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 are generally capable of assembling the resources they need to be successful, but they still face challenges. The low population density and a related lack of a critical mass of resources and peers, however, are major obstacles to promoting entrepreneurship in rural areas. Wisconsin I&E clubs address these obstacles by providing a venue for networking among entrepreneurs, as well as linking participants into a larger system of support services outside the community.



Juneau County Wisconsin I&E Club (Director Terry Whipple left facing camera),  
February 2006

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## Appendix A: 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 by-laws 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 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?