

Entrepreneurial Rural Communities National Case Studies Series

Eight case studies of entrepreneurial rural communities and a summary report have been developed from presentations and discussions at a National Entrepreneurial Rural Communities Workshop held in Fairfield, Iowa, on June 3, 2005. The series includes:

Report 1: The Appalachian Center for Economic Networks (ACEnet) in Athens, Ohio

Report 2: Northern Initiatives in Michigan's Upper Peninsula

Report 3: *Tapetes de Lana* Weaving Center, Mora, New Mexico

Report 4: Douglas-Coffee County, Georgia: An Entrepreneur-Friendly Community

Report 5: The IDEA Center Incubator of Tupelo, Mississippi

Report 6: North Iowa Area Community College Entrepreneur and Capital Networks

Report 7: AgVentures Alliance: An Entrepreneurial Value-Added Agriculture Network

Report 8: Fairfield, Iowa: The Emergence of a Serial Entrepreneurial Community

Report 9: Reflections on Local, State and Federal Policies to Support Entrepreneurs

Supplement: *"Entrepreneurial Community Ecosystems..."* by Sohodojo

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A Report Prepared by the

Community Vitality Center

478 Heady Hall

Ames, IA 50011-1070

Phone: 515-294-3000

FAX: 515-294-3838

E-mail: cvc@iastate.edu

Web site: www.cvcia.org

The National Entrepreneurial Rural Communities Workshop and Case Study Project was sponsored by Farm Foundation. The case studies were edited by Sue Lambertz, Sandra Burke, Becky Johnson, and Mark Edelman of the Community Vitality Center, Iowa State University. The workshop was organized by Burt Chojnowski, past President of Fairfield Entrepreneurs Association. Companion PowerPoint presentations are available for download from the CVC web site: www.cvcia.org. Video excerpts recorded by Fairfield Public Access Community television (FPAC) and are being made available at <http://www.brainbelt.com>.

Report 8: Fairfield, Iowa: The Emergence of a Serial Entrepreneurial Community

by Burt Chojnowski, past President, Fairfield Entrepreneurs Association

Fairfield is a unique entrepreneurial community of 9,600 in Southeast Iowa. Fairfield's entrepreneurial spirit has its roots in the rich early history of the community. Fairfield was home to Iowa's first state fair and claims the oldest golf club west of the Mississippi. William Louden, one of Fairfield's early entrepreneurs, designed and manufactured one of the first manure spreaders, one of the first modern dairy barns, and one of the first ceiling-suspended single-track rail systems that formed the basis for in-plant movement of materials for many manufacturers nationally. The Louden manufacturing works still stands today as a facility that continues to provide an atmosphere for startup ventures.

The current entrepreneurial spirit in Fairfield is largely traced to decisions made by local leaders during the 1970s. The closure of Parsons College in 1973, the city's largest employer, left a gaping void in the community. Located 60 miles from the nearest interstate and more than an hour away from any major airport, Fairfield had limited success in attracting and retaining major manufacturers. So how does a community go from despair to being a recipient of the 2003 National Grassroots Rural Enterprise Award presented by the Kauffman Foundation and the National Center for Small Communities? "Easy," says Burt Chojnowski, former President of the Fairfield Entrepreneurs Association, "you return to your entrepreneurial roots and you focus on establishing entrepreneurial networks and relationships."

A key factor was Fairfield's Maharishi University of Management (MUM), which located in Fairfield on the former campus of Parsons College. MUM brought with it a large influx of professional people from both coasts and some from abroad, who were attracted by the philosophical principles of the Transcendental Meditation (TM) program. Starting in 1979 and 1980, TM practitioners were encouraged to move from around the world to Fairfield to participate in a utopian community experiment that encouraged world peace. Many stayed. They had to find creative ways to earn a living and began using their business and technology connections from around the world to establish their own local companies.

Several clusters from the grassroots emerged – brokerage firms that could sell securities or fuels over the phone. Other new companies took advantage of the growth of personal computers and developed software. The deregulation of television advertising resulted in the first "no money down real estate" infomercials, and they were produced in Fairfield. This spawned a whole new industry that is still dominated by Fairfield's *Hawthorne Direct*.

Several companies such as Telegroup and USA Global Link leveraged the de-regulation of telecommunications to create international "callback services" that helped accelerate the deregulation of telecommunication markets around the globe.

Marci Shimoff, co-author of *Chicken Soup for the Mother's Soul* teamed up with fledgling *Books Are Fun*, a direct-sale book distributor. The result was the start of the *Chicken Soup* franchise of books. Thirteen *Chicken Soup for the Soul* co-authors live or have lived in Fairfield. Revenues for *Books Are Fun* grew to \$400 million in twelve years, before the company was acquired by Reader's Digest.

Another emerging cluster includes artists, health, and art-based businesses. Fairfield has launched a number of art-based businesses, including Creative Edge, Bovard Studios, and Art Select. Each employs 50 or more people. Fairfield has become home to many authors, musicians, filmmakers,

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and artists. Several have regional or national reputations. Fairfield has attracted a place for creative people to rejuvenate. Fairfield residents have included filmmaker David Lynch, Mike Love of the Beach Boys, comedian Andy Kauffman, and magician Doug Henning. Several alternative medicine specialties are linked to Fairfield. It is home to the Raj, a center for ayurvedic spa treatments.

Over time, the entrepreneurial networks and practices have encompassed second stage growth for some of Fairfield's long-established businesses. Harper Brush Company is an example where the third generation owners of this Fairfield company benefited from the local entrepreneurial expertise, culture, and networks. This in turn stimulated rapid growth for this mature 100-year-old company.

The diversity has proven to be a great resource for the community, bringing a wide variety of ethnic foods and restaurants – and visitors who travel to Fairfield for its excellent cuisines. “We have more restaurants per capita than San Francisco,” says Chojnowski. “Part of the reason is because of the all the business networking lunches that occur on a daily basis.” This has also encouraged the development of a strong community food cluster that supplies locally grown organic and natural foods.

One of the unique characteristics of Fairfield is its ability to attract capital for startup companies. According to local sources, since 1990 over \$250 million has been invested in 50 new companies. These projects include software development, marketing, financial services, media and telecom businesses. This investment has netted Fairfield with 3000 new jobs locally, 12,000 jobs globally, and nearly \$1 billion in new equity. Chojnowski says that over 60 companies with national and international offices are headquartered in Fairfield.

“Fairfield is ranked 3rd in the nation per capita for giving,” according to February 2003 issue of *The Chronicle of Philanthropy*. Chojnowski says that successful entrepreneurs created an environment of giving that has fostered a culture of social and civic entrepreneurship that has resulted in a new trail system, a new convention and civic center, the 1st Friday's Art Walk, a cultural district and one of the top farmer's markets in Iowa.

Fairfield has been recognized by several national publications, such as Wired, Business 2.0, Computerworld, Sky, Entrepreneur.com, Body and Soul, Red Herring, Fast Company and others. “Venture capitalists on the coasts think of us as ‘Silicorn Valley’,” says Chojnowski. “We think of ourselves as the *Entrepreneurial Capital of Iowa*.”

Prior to the early 80s, there was little or no infrastructure to support entrepreneurs. Chojnowski describes Fairfield in the 1980s as an early stage entrepreneurial community. “There was a lot of trial and error – and failures – to get to where they are today,” he said. Fairfield experienced some ups and downs with the fortunes of the information and technology industries nationally, but the failures of some companies have provided cheap space, office furniture, and equipment for another round of startups. Failure has freed up talented people who again ask what new concepts and companies can we start here in Fairfield. And this cycle has repeated itself a couple of times. Business failure in Fairfield is seen as an opportunity. It does not carry the negative stigma that it has in other rural communities of similar size. Chojnowski says, “Earl Kaplan of *Books Are Fun* was a good example. His first two businesses were tofu and appliances and they failed before he created the company that Reader's Digest acquired.”

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In the early 1990's, Fairfield became a "second stage entrepreneurial community." According to Chojnowski, the culture began to create a lot of Fairfield companies that generated significant revenue traction and a few acquisitions.

The key catalyst has been the Fairfield Entrepreneurs Association, (FEA) and it was established in 1989. It has been a volunteer organization that has operated on a total budget of \$50,000 over the past 16 years. This means that FEA spent about \$3000 annually, primarily for promotion and educational programs. The FEA was organized by a number of successful entrepreneurs who wanted to provide more support to early stage companies and increase the survival rate of start-ups. This was the genesis of the peer-to-peer networking, mentoring and support that is the foundation for Fairfield's creative and entrepreneurial success. Chojnowski describes the process as allowing individual entrepreneurs to "tap into the collective wisdom and experience of a variety of other businesses." He contends it is easier to network in a small town where the social and business life is closely intertwined. He suggests that it is easier to arrange a meeting over lunch or a cup of coffee. Chojnowski says, "90 percent of what local entrepreneurs learn is learned from other entrepreneurs."

"Fairfield grew up with the Internet," says Chojnowski, "we talked about making Fairfield into the digital suburb of every major city in the world." The FEA has taken a networking approach to entrepreneurship. As companies were acquired or completed an IPO, the managers of those companies started new endeavors. Chojnowski describes this as the evolution of Fairfield into a "serial entrepreneurial community." As one company would exit--whether successful or not--it would release the resources, people, money and office furniture to start a new business. Chojnowski says the senior management talent pool grew and matured with various experiences in multiple endeavors.

The low overhead of rural Iowa allows many companies to incubate, which is a luxury compared to California-based or east coast-based companies. Cambridge Investment Research was 10-years old when they moved to Fairfield with \$500,000 in annual revenue and five employees. From year 10 to year 20 they grew to over 160 employees, \$100 million in revenue. CEO Eric Schwartz says their ability to bootstrap and finance their expansion was due to two competitive advantages – lower overhead than big city competitors and a loyal, highly skilled workforce.

Chojnowski recommends that other communities consider doing the following:

- Recognize that peer-to-peer networking and mentoring of entrepreneurs is the key and tantamount to creating an open-sourced entrepreneurial development system
- Change the paradigm to support start-ups and make startups a priority
- Re-define failure as a step of innovation
- Freely share the wealth of experience and wisdom of the successful businesses and entrepreneurs
- Leverage the Internet whenever possible to market globally
- Celebrate entrepreneurs by recognizing success stories and establish awards and award ceremonies, such as Entrepreneur of the Year or Hall of Fame

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- Offer networking events, workshops and seminars, monthly if possible on topics of interest to entrepreneurs
- Create an entrepreneurs support organization or committee to create a critical mass of leaders who focus solely on supporting local entrepreneurs and helping them to avoid mistakes, to learn from others, and to make connections

Above all, Chojnowski adds, communities, and entrepreneurs, should not fear failure. “Company failures are the compost that supports the startup of new companies or builds the second generation start-ups-- those who have had one business failure and started another.”

Entrepreneurship is all about risk and building on your experience. It is not going to happen in one or two years, and you have to understand the dynamics of going from an early stage all the way to a serial entrepreneurial community,” he said.

For more information on the Internet see:

www.fairfieldiowa.com/economic_bureau/fea.php

www.mum.edu