

# Fairfield, Iowa



	Fairfield
Population (2000)	9,500
Municipal Budget (2005)	\$14 million <sup>107</sup>
Per capita income (2000)	\$19,700
Median household income (2000)	\$31,200
Poverty rate (2000)	14%
Minority population (2000)	5%
Proximity to urban center	120 miles from Des Moines, Iowa
Proximity to interstate highway	60 miles
Strategic approach	Entrepreneurship Downtown development
Time frame	1989–2006

Over the past decade Fairfield, located in southeastern Iowa, has become recognized as one of the nation's most entrepreneurial small towns. Residents refer to the town as the entrepreneurial capital of Iowa or Silicorn Valley. In 2003, the National Center for Small Communities named Fairfield the top entrepreneurial small city in America by awarding it the inaugural Grass Roots Entrepreneurship Award.

Asked how Fairfield overcame the disadvantage of a remote location, the former president of the Fairfield Entrepreneurs Association responded, "Easy, you return to your entrepreneurial roots and you focus on establishing entrepreneurial networks and relationships." This, in essence, has been Fairfield's strategy. The results include 2,000 new jobs, \$250 million in new investment and the creation of a civic infrastructure that rivals that of large cities.

## The community and its history

Fairfield, population 9,500, sits among the cornfields of southeastern Iowa. Given its rural location, first-time visitors are immediately struck by Fairfield's lushness and vibrancy. This small Midwestern town, where community theater and artistic expression flourish, is home to 55 restaurants that include Chinese, Indian, Thai, Mexican, French and American cuisine. The main downtown square, fully occupied by thriving local retailers, art galleries, coffee shops and restaurants, surrounds an open park with an old-fashioned gazebo in the center. On any given weekend, the square may be filled with people inspecting produce at

<sup>107</sup>Interview with Mayor Ed Malloy, August 30, 2006.

*After losing Parsons College, the town's economic anchor, civic leaders in Fairfield take a risk and sell the campus to an alternative California university. The move leads to unique town-gown relations and ultimately plays a role in Fairfield's rich diversity, strong civic infrastructure and pioneering entrepreneurial networks.*

the farmer's market, speaking with local artists or enjoying live music.

As a county seat in an abundant agricultural region, Fairfield has always been at a busy cross-roads where innovation and entrepreneurship flourished. William Loudon, one of Fairfield's early entrepreneurs, designed and manufactured the first manure spreader, the first modern dairy barn and the first ceiling-suspended, single-track rail system. Over the last 100 years, Loudon Machine Works built and occupied 23 facilities across Fairfield (although production has since moved away). Around the same time that Loudon was experimenting with manure spreaders, one of his contemporaries – A.K. Harper – was peddling sewing needles door to door throughout southeastern Iowa. In 2004, Harper Brush, with its headquarters in Fairfield, generated \$60 million in revenue.

In the more recent past, the proliferation of broadband communications has catalyzed the diversification of Fairfield's economy, and the town has become headquarters for more than 70 mostly homegrown companies. One of these is Hawthorne Direct, a pioneer in infomercial production and direct-media marketing. Hawthorne Direct employs 65 people and generates more than \$50 million a year in revenue from clients ranging from Abflex and Turtle Wax to the U.S. Navy. Another is Cambridge Investment Research, which Eric Schwartz started 25 years ago. When Schwartz relocated his operation to Fairfield 15 years ago, Cambridge had five employees and \$500,000 in annual revenues. Today, Schwartz employs 120, generates \$70 million a year in revenue and manages \$9 billion in assets.

Higher education also has deep roots in Fairfield. In the late 1870s, Lewis Baldwin Parsons founded a Presbyterian college on the outskirts of town. Over its nearly century-long existence, Parsons College gave the town an economic anchor that was the envy of other small Midwestern towns. Parsons College grew significantly in the 1960s, when eased admissions standards drew thousands of academically suspect young men looking for student deferments from the military draft. The college, then the town's largest employer, lost its accreditation in 1967 and shut down in 1973.

Although the departure of Parsons College was a major blow to Fairfield, the community took an entrepreneurial approach to the challenge of re-occupying the 260-acre campus on the edge of town. The campus's relatively remote location created a major obstacle to recruiting a manufacturing facility. Instead, community leaders decided to seek out a new college to occupy the campus. At the time, in 1973, there was a strong buyers' market for college campuses (23 were for sale across the country), creating a particular challenge for luring a traditional institution such as Parsons College back to Fairfield. An alternative university in California was looking for a deal, however. Weeds had grown waist high at the old Parsons College when the leaders of Maharishi International University purchased Parsons' 72 buildings for \$2.5 million in 1974.

The Maharishi University, now the Maharishi University of Management (MUM), is the creation of His Holiness Maharishi Mahesh Yogi, who wanted followers of his transcendental meditation practice to be well educated. The original mission of the university was to infuse a philosophy of collective consciousness into traditional academic subjects. Over time, the university curriculum has evolved into one that emphasizes the practical value of gaining deep knowledge and experience. Today the university offers graduate-level degrees in teaching, computer science, business and management. The campus is accredited at the bachelor's, master's and doctoral levels by the North Central Association of Colleges and Schools, and it attracts a diverse student body hailing from over 60 countries.

In summary, modern-day Fairfield is a thriving small town in the rural Midwest with 150 years of history in entrepreneurship, innovation and higher education. The 30-plus-year mixing of traditional Midwestern values with the diverse student population from MUM has led to a contemporary culture that, by and large, values creativity and civic engagement.

## The strategy

Fairfield's economic development strategy is to support entrepreneurship and the expansion of small business by facilitating the creation of networks among entrepreneurs. The goal of Fairfield's strategy, which was officially initiated in 1989, is to link entrepreneurs with a community of colleagues and to provide them with support, through various public programs, for establishing and expanding their businesses. The strategy is almost entirely volunteer driven and is supported by two main organizations: the Fairfield Entrepreneurs Association and the Fairfield Economic Development Association.

Fairfield is an example of a small community that has moved well beyond industrial recruitment. "It's not that we haven't tried to attract big manufacturing plants to Fairfield, because we have," said Dave Neff, vice president of Iowa State Bank. "The bottom line is that strategy hasn't worked for us, and we've had to move on." Now, rather than providing incentives to lure major employers, resources are devoted to building a civic infrastructure that values and supports small businesses and entrepreneurship.

Fairfield's 10-year strategic plan, completed in 2003, established a series of goals for expanding the town's dynamic economy, including "to enhance business and job opportunities arising from our economic base" and "to create an economic environment that nourishes innovative business development." These goals reflect a choice that civic leaders have reaffirmed: to focus on building an economy from the town's existing economic assets and its reputation as being entrepreneur-friendly, as opposed to recruiting investment on the basis of low-cost inputs.

Fairfield's strategy is supported by two organizations with overlapping membership: the

developers association and entrepreneurs association. According to the leaders from each organization, the two groups work hand in hand in their mutual dedication to helping entrepreneurs and local businesses prosper and expand. The main objective of the entrepreneurs group is to create networks among entrepreneurs. This networking activity is supported by programs and resources housed within developers group.

Even under the best circumstances, entrepreneurship can be an isolating activity. In 1989 a group of successful entrepreneurs launched the Fairfield Entrepreneurs Association to provide more support to early-stage companies and increase their survival rate. Every month, the group sponsors one or two workshops, which are broadcast on public access television. The association also matches successful business entrepreneurs with early-stage entrepreneurs and hosts conferences and boot camps that attract investors from all over the country. Burt Chojnowski, one of the founders and the former president of the group, described the process as allowing individual entrepreneurs to “tap into the collective wisdom and experience of a variety of other businesses.” Local restaurants and coffee shops sponsor association events with meeting space and in-kind food donations.

The entrepreneurs association is a volunteer organization that has operated on less than \$50,000 since its formation. On average, it spends approximately \$3,000 annually for promotion and educational programs.

In addition to holding networking events, it operates a revitalization loan program, an entrepreneur relocation program and an entrepreneur-of-the-year award program. The loan program is part of a partnership among the entrepreneurs association, the developers association, the Chamber of Commerce and several local banks. Local businesses are eligible for up to \$100,000 for major capital purchases such as real estate, remodeling, equipment and expansions. A relatively new initiative, the relocation program is designed to attract early-stage entrepreneurs to Fairfield by offering discounts on rents and telecommunications, training and access to capital. Sohodojo, a research and consulting operation that caters to small rural businesses, was attracted to Fairfield through this new program. The association also convenes an angel investor roundtable, which is made up of successful business entrepreneurs looking to reinvest in local companies. Start-up entrepreneurs are given the opportunity to present their business ideas and solicit financing from local investors.

While the entrepreneurs association provides entrepreneurs with more soft-touch support, the Fairfield Economic Developers Association supports small-business entrepreneurs by facilitating financing for expansions/relocations, linking them with vacant manufacturing facilities and providing incubator space. With an annual budget of approximately \$75,000 and a professional staff of 1.5, the developers association administers state development programs, including the state’s brownfield redevelopment program and an economic development grant and loan program.

Finally, attracting recognition as an entrepreneur-friendly community requires a significant amount of public relations and marketing. The entrepreneurs association, the developers association and the Chamber of Commerce work together to spread the word about Fairfield. Coordinating a consistent message is crucial here. Each organization touts the same catch phrase, that Fairfield is the “entrepreneurial capital of Iowa.” Events that bring attention to Fairfield are always sponsored jointly by these organizations. From the perspective of outsiders, these organizations are one and the same.

## The outcomes

The outcomes of Fairfield’s strategy include:

- More than \$250 million invested in start-up companies since 1990, which is one-third of Iowa’s overall venture capital investment.
- 2,000 new jobs created since 1990.
- \$8 million invested in new construction per year since 1990.
- According to the *Chronicle of Philanthropy*, in 2005, the town was ranked No. 3 in the nation for per capita giving.
- Local investment in bike and foot trails that connect open space and parkland with neighborhoods and civic infrastructure, including a 17-mile foot and bike trail that loops around the whole town.
- First Friday Art Walks attract 2,000 to 3,000 people from across the state and region.
- One of the largest organic farmers markets in the Midwest.
- Some of the state’s best schools, which have received numerous awards for academic, creative and athletic achievement.
- Future home of the Jefferson County Civic Center (currently under construction), which will house a 520-seat theater, an 11,000-square-foot pavilion, two classrooms, a commercial kitchen, an art studio, gallery and conference room.

## How and why the strategy is working

Given Fairfield’s tremendous success with a network-driven strategy for entrepreneurial development, the question then becomes, how and why has this small town in rural southeastern Iowa been so tremendously successful? First, community leaders were willing to take a risk by luring Maharishi “meditators” into the old Parson’s College campus. Second, although the inevitable clash of cultures between old-time residents and meditators has not been easy, the collision has resulted in the integration of traditional Midwestern values with the risk-taking psyche required for entrepreneurship to flourish. Finally, leaders across Fairfield have recognized the value of entrepreneurial networks for building community capital and have leveraged these networks to create a civic infrastructure that is attractive to young, creative and civic-minded residents.

***Integration of fresh blood and new ideas.*** The Maharishi University of Management has attracted a diverse population of bright, young professionals who, in all likelihood, would not have settled in Fairfield otherwise. The integration of MUM into Fairfield, however, has been a long and difficult transition. It has taken almost 30 years for the wall dividing meditators from non-meditators to crumble. The disappearance of this divide is due in large part to the leadership of Mayor Ed Malloy.

A native New Yorker, Malloy came to Fairfield in 1980 to study and meditate at MUM. Malloy's entrepreneurial spirit led him into the energy trading business before he decided to devote himself to civic stewardship – first as city council member, then as mayor. "Malloy's first public campaigns (in the early 1990s) brought out a substantial amount of nastiness from native residents who were opposed to the meditators' way of life," one resident said. This nastiness had been festering for years. To address this, the mayor began by putting the town through a sort of group therapy, conducted over several years under the umbrella of an official community-relations committee. The process was open to anyone willing to leave cultural bias behind.

Malloy's leadership created space, through a vision of shared prosperity, for the integration of meditators with traditional Fairfield residents. One native resident put it this way: "We're looking at these people as neighbors and friends. We now have people who came to Fairfield to be part of the meditators' movement who have raised their children from birth to adulthood here. Fairfield is their hometown, and it's the only place they've ever known. We're just mixing it up." Meditators are no longer outsiders.

In essence, Fairfield's success can be partially attributed to a dramatic change in culture over the last 20 years, shepherded into being by strong leadership from Malloy. Innovative and outside-the-box thinking has been combined with traditional Midwestern conservative business values to create an entrepreneurial community with nontraditional ideas about how to flourish in small-town America.

***Acceptance of failure as a step on the road to success.*** Given Fairfield's deep entrepreneurial roots dating back to the mid-19th century, the town's collective psyche has come to grips with the cyclical nature of entrepreneurial success and failure. "There was a lot of trial and error – and failures – to get to where we are today," Chojnowski 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 start-ups. 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."

One example of this is Earl Kaplan, who sold his company Books are Fun to *Reader's Digest* for an undisclosed amount. Kaplan's first two businesses were tofu and appliances, both of which

failed before he stumbled into a successful endeavor. Rather than being stigmatized for making bad business decisions, Kaplan was supported by the community as he learned from his mistakes and moved on. The entrepreneurial networks around town are ripe with folks working on their fourth or fifth business venture.

***Leveraging entrepreneurial networks to build civic amenities.*** Fairfield is thriving because the primary characteristics of an entrepreneurial culture, including innovation and the willingness to assume risk, have become pervasive in the town's approach to creating civic infrastructure. There is no line between a business and a social entrepreneur in Fairfield. "Business folks might get together to discuss a market opportunity and end up planning strategies to bring new hotel rooms into Fairfield to support the new civic center," one entrepreneur explained. When entrepreneurs are networked together, the success of private sector entrepreneurship can spin off into a kind of social capital that benefits the entire community.

For example, the idea for the First Friday Art Walk came from a group of entrepreneurs sitting around a table and brainstorming about how to attract tourist dollars into Fairfield's economy.

Andy Nelson, a Fairfield native and the founding director of the town's Live on the Square concert series, said local entrepreneurs encouraged him to take a risk and bring live music into Fairfield's downtown square. Today, in the midst of the series' fifth season, Nelson relies on local entrepreneurs for funding and support.

### **What are the lessons from this story?**

***Bring everyone's talent to the table to address critical community issues.*** Embracing cultural diversity is a critical step in the process of creating a compelling community vision. The integration of MUM "outsiders" into the cultural fabric of Fairfield has been a long and difficult process. Pervasive cultural divisions must be dealt with if a community is to move forward. Strong leadership is the key to crossing the divide. Referring to Malloy's leadership, a long-time resident explained, "The boundaries of who's who in Fairfield are fading away, and I just see this great group of people all moving forward together."

***Build an economy from a community's existing assets.*** Fairfield's priorities are aligned with the practical realities of small-town rural America. Fairfield does not compete on the basis of having the cheapest labor and location. Fairfield took a very broad view of its assets, which include small-town character and work ethic, an entrepreneurial culture, civic amenities that rival those in big cities and a reputation for being entrepreneur-friendly. Fairfield proves that a focus on building from the community's existing assets is a valid (albeit long-term) strategy.

***Community development propagates economic development and vice versa.*** Traditionally, community development is viewed as the creation of infrastructure (largely by the public sector), and economic development is viewed as the creation of jobs and investment (largely

by the private sector). When the two are viewed as having similar ends, synergies can raise a community's standard of living beyond what would have been possible otherwise. By viewing economic and community development as one and the same, Fairfield has created a cultural infrastructure that helps to retain and energize entrepreneurs. Job opportunities increase and the tax base expands in tandem with the creation of recreational, cultural and civic amenities.

***Importance of a small-town champion.*** In economic development, there is untold value in having a champion or champions who are not shy about tooting the town's horn. For example, Fairfield is known as having more restaurants per capita than San Francisco. This fact is the result of a quick-and-dirty analysis by Burt Chojnowski, Fairfield's No. 1 champion. While it is true that plenty of places have more restaurants per capita than San Francisco, the idea is to make sure people know what your town has to offer and to use creative communication to hammer home the point. Having a member of the community who is willing to go out and spread the good word about your town can have tremendous impact on the perception of outsiders.

***Small-town location as a competitive advantage.*** The perception, whether warranted or not, is that businesses located in small-town rural locations carry a moral and ethical standard above their urban competitors. Businesses in Fairfield have exploited this perception to their competitive advantage. "We are geographically challenged," businessman Tim Hawthorne said. "There isn't a lot of credibility to having a creative advertising agency outside New York, Chicago, Los Angeles, Minneapolis or Atlanta. However, people perceive Fairfield, with its Midwestern values, as being morally superior to urban areas." Hawthorne has turned this perception into a competitive advantage.

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