

Making the Case for Entrepreneurship as an Economic Development Strategy

Your Name
Your Organization

*Presentation to Local Community
Group
Location
Date*

Reality in Many Rural Communities

- Shuttered factories
- Abandoned farms
- Closed stores on Main Street
- Out-migration of the “best and brightest”
- Aging populations
- Inadequate infrastructure to support the “new economy”

Changing this Rural Reality

- Rural leaders are looking for ways to re-energize local economies and bring hope to community residents.
- Many leaders recognize the limited returns from traditional ED approaches and are considering new “grow from within” or entrepreneurship strategies.
- But, they are often using outdated economic development toolkits.

Current View: Three Legs of Economic Development

- Industry Recruitment
- Retention and Expansion of Existing Industry
- Entrepreneurship Development and Enterprise Creation

#1 Leg: Industrial Recruitment

- Where most state and local resources are targeted.
- Pro: Offers promise of major impact on state or region through large-scale job creation.
- Con: Costly and rare; too many dollars chasing too few plants.

Leg #2: Retention and Expansion

- Increasing attention since the 1980s.
- Pro: focus on what is already working in your region; most jobs created by existing industry; can identify cluster opportunities.
- Con: plant closings, layoffs are occurring faster than expansion of existing firms.

Leg #3: Entrepreneurship

- “Underdeveloped” leg.
- Pro: build on local assets; scale appropriate for most rural places.
- Con: long-term approach; create jobs in “ones, threes, and fives”.

Alternative View: Entrepreneurship as the Bedrock

- Creating an entrepreneur-friendly community/state makes it easier to attract and retain industry and other business.
- Entrepreneur-friendly relates to both business and community environment.
- Not three separate legs but interconnected strategies.

The Promise of Rural Entrepreneurship

- Makes better use of limited resources and market opportunities, and of available skills and talents
- Results in more diversified economies less impacted by external forces
- Provides new options for economic opportunity for youth and adults
- Offers a scale of economic activity more compatible with smaller communities

Why Entrepreneurship? Research Evidence

- Global Entrepreneurship Monitor Project (www.gemconsortium.org) – comparative international study concludes:
 - Positive and significant relationship between entrepreneurial activity and economic growth
 - No countries with high levels of entrepreneurial activity have low levels of economic growth

More Evidence

- National Commission on Entrepreneurship report (*Embracing Innovation: Entrepreneurship and American Economic Growth*):
 - Small entrepreneurs responsible for 67% of inventions and 95% of radical innovations since WWII
 - Small group of high growth entrepreneurs (5-15% of all firms) created 2/3 of net new jobs in late 1990s
 - Not all high tech (Jiffy Lube)

And, More Evidence

- Panel Study on Entrepreneurial Dynamics (Kauffman Foundation) found:
 - At any time, 10 million Americans engaged in starting a business
 - Gender and racial differences (men twice as likely and African Americans twice as likely to start businesses)
 - Place matters: Rates of entrepreneurship higher in urban than rural

Trends in Rural Entrepreneurship

- NCOE study, *High Growth Companies: Mapping America's Entrepreneurial Landscape*
 - Fewer than 5% of companies achieve high growth (15% per year from 1992-97)
 - But, these high growth companies exist in all regions, in places like Dickinson, ND and Twin Falls, Idaho
- CFED study, *Mapping Rural Entrepreneurship*
 - Initial impression of entrepreneurial activity in rural America
 - Concentrations in the Heartland, northern mountain states, Appalachia

Next Steps for Communities

- Entrepreneurship development requires an infrastructure of public/private supports to facilitate entrepreneurship – system of support.
- System of support should be responsive to the obstacles faced by rural entrepreneurs.

Obstacles faced by Rural Entrepreneurs

- Culture does not support entrepreneurship.
- Isolation from markets, service providers, and other entrepreneurs.
- Limited opportunities for mentoring and networking.
- Absence of sector clusters to support networking.
- Lack of capital and other support infrastructure.

In Spite of the Obstacles...

- Many rural residents have strong entrepreneurial traits.
- We do find high growth entrepreneurs in some rural regions (National Commission on Entrepreneurship report.)
- There are innovations in entrepreneurship development that provide “lessons learned”.

For More Information

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