

**Abstract.** *Entrepreneurs are also people – people who live and work in communities. Economic development takes place at the community level. The community’s role in supporting or limiting the development process is critically important. This monograph – Community Environment for Entrepreneurs – explores the role that communities do and can play in energizing rural entrepreneurship.*

## Background&Introduction

Our favorite definition of economic development is from Steve Buttress. It reads:

*“Economic development is a choice.  
It is willed within an economy.*

*Economic development occurs when local leaders choose to identify, invest in, and develop their comparative advantages to enable workers, firms, farms, and industries to better compete.”*

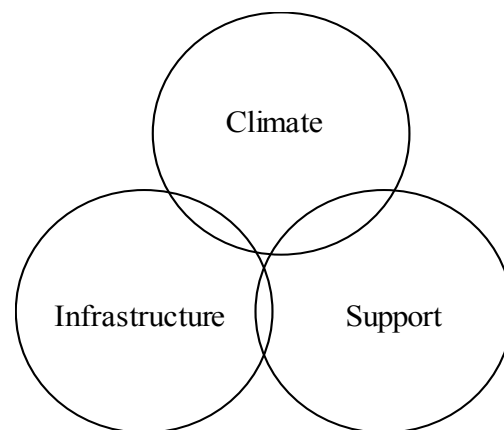
Central to Steve’s definition of economic development is community leadership. Each generation of community leaders, confronted with economic conditions they can not control, choose (or do not choose) to enact development strategies that hopefully will create economic opportunities for the community and its residents.

Ideally, entrepreneurs live and work in a circle of support – support that encourages and assists them in the creative process of venture development. Within this circle of support is a community environment that at a minimum recognizes and values the role of entrepreneurs (both private & public) in developing the community. Optimally, this environment includes specific initiatives that effectively encourage and support entrepreneurs.

Communities that have what we call *entrepreneurial support organizations (ESOs)* typically do a much better job directly supporting entrepreneurs and their ventures. Ultimately, within this circle of support we find a dynamic cluster of entrepreneurs building enterprises (private) and organizations (public) that contribute to a community’s success economically and socially.

Three elements constitute a community’s entrepreneurial environment – climate, infrastructure and support. The balance of this monograph describes each of these elements and suggests specific attributes and efforts that a community can address in building a stronger entrepreneurial environment.

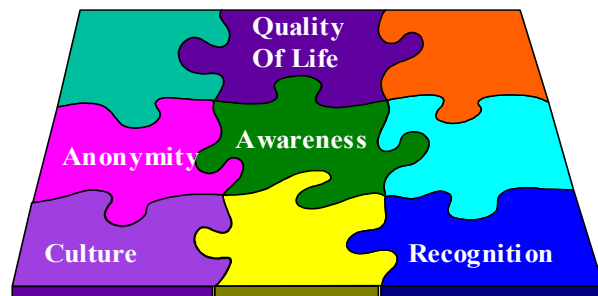
*Figure 1 - Elements of an Entrepreneurial Community Environment*



## Community Climate

Local communities have little to say about macro economic issues such as trade, fiscal or monetary policies. The cost of money or regulations governing the export of food products is the purview of national governments. But, communities do play a fundamental role in creating a supportive and stimulating climate for entrepreneurship. The following elements are central to a strong entrepreneurial climate.

*Figure 2 - Climate Elements*



## Community Environment for Entrepreneurship

**EAwareness.** Creating a supportive climate for entrepreneurs begins with community awareness. Communities can hardly support entrepreneurs who are not recognized as important to the economic future of the community. Awareness of the potential role that entrepreneurs, particularly growth entrepreneurs, play in economic development is the first step in building an entrepreneurial environment.

**Recognition.** Entrepreneurs face many challenges including the likelihood of failure in one or more venture tries. Communities must understand the essence of entrepreneurship and its dynamic nature of creation, growth and sometimes failure. We may celebrate our community's entrepreneur of the year this year only to see the enterprise fail a year later. Recognition must be present and deeply rooted in a celebration of the creative process. Out of failure can come learning and future success. Fair weather support for entrepreneurs will not create an enduring supportive E environment.

**Culture.** Culture is so important to entrepreneurship, we have developed a separate monograph that exclusively deals with *Understanding Rural America*. Rural culture can play a critically important role in supporting or limiting entrepreneurial behavior. Our community's attitudes towards entrepreneurs and their successes and failures are very important to evolving a supportive E environment. In rural communities, a business failure may well mean that your neighbor does not get paid and your daughter is not invited to a birthday party. Too much success may mean the social marginalization of your family from the mainstream community. Rural communities by their very size are intimate and demand that residents contribute to social harmony. It is harder to become lost in a small place and conflict can threaten the very future of a community. Too much failure, as well as too much success, can unbalance a rural community creating strife and conflict. A key challenge for rural communities is to learn how to cope with the challenges that entrepreneurial failure and success can bring to social order.

**Anonymity.** Entrepreneurs are creative persons. Growth entrepreneurs are driven to create and grow enterprises. To a socially ordered rural community, the behavior of an entrepreneur may seem odd or unacceptable. Entrepreneurs need room and a degree of anonymity to succeed. Rural communities, because of their small size and close personal nature, often can not afford adequate room or anonymity. A challenge rural communities face is learning how to give entrepreneurs the space they need

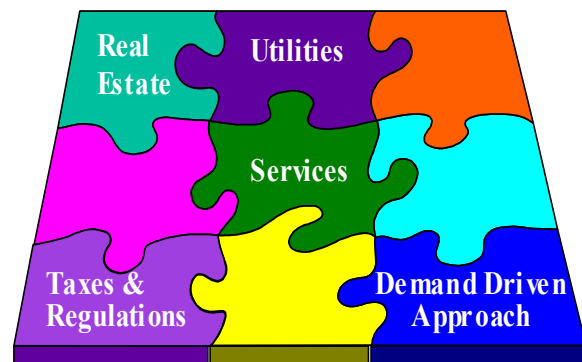
to be creative. While this may be hard on the community's coffee shop gossip, it is one more element in creating a strong E environment.

**Quality of Life.** Entrepreneurs generally have families and like all persons seek a high quality of life. They want good schools, churches, recreational facilities, and entertainment amenities. Rural communities that are able to strike a good balance between local tax rates and high quality public services are best able to offer quality of life amenities essential to meeting the private needs of entrepreneurs, their families, and workers. The low cost community may have had the competitive advantage during the recruitment wars of the past generation. But today, communities must have strong quality of life amenities to retain and recruit entrepreneurs.

## Community Infrastructure

Rural communities are often situated in high cost and low density markets, markets where access to diverse, high quality, and affordable infrastructure is harder to develop and sustain. Government programs have worked to ensure universal infrastructure ranging from banking services to telecommunications. However, in the era of deregulation, rural America is increasingly challenged to keep pace with state of the art infrastructure.

Figure 3 - Infrastructure Elements



**Real Estate.** Entrepreneurs need different kinds of space in which to operate their enterprises during different stages of development. Communities have a great deal to say about the kinds of real estate available to support the needs of entrepreneurs. In the early stage of development, an entrepreneur may need to set up the enterprise in a spare room in the home or a garage. How a community treats home-based businesses may create a supportive or restrictive environment for early stage entrepreneurs. Eventually, as the entrepreneurial enterprise grows, it will need different kinds of space ranging from downtown store fronts to industrial park space.

## Community Environment for Entrepreneurship

Availability of a range of real estate, or the ability to meet these needs as the entrepreneur grows the firm is a critical element in building a supportive E environment.

**Utilities.** Water, power, telecommunications and the like are fundamental utilities central to the needs of commerce. Like any business, entrepreneurial businesses require sound and affordable utilities to be competitive. Rural communities often operate or regulate these utilities and therefore have influence over their offering and cost.

**Services.** Access to general business services such as banking, insurance, freight, and the like are as important to entrepreneurs as any business. Massive consolidation of such services has changed, and often reduced access for many rural communities to these bread and butter services. Rural communities that are committed to ensuring local access to basic business services will be more E competitive.

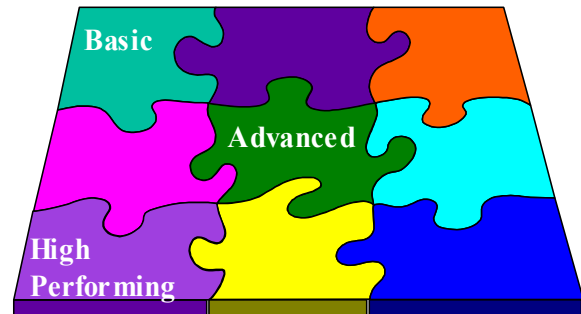
**Taxes & Regulations.** No matter where entrepreneurs operate, they will face a wide range of local taxes and regulations. The nature and size of taxes and regulation can be a barrier to entrepreneurial development, particularly in the startup phase of an enterprise. However, often the size of the tax or complying with a certain regulation is not as big a challenge as the administration of these policies. Clear information on what a business must comply with and one stop servicing can ease red tape and create a more supportive E environment. Rural communities should conduct an independent assessment (see our Community Self-Test Tool) to determine how local tax and regulatory policy is impacting entrepreneurial development.

**Important Insight:** *Essentially, a community with 500 residents must do all the things a community with 50,000 residents does. Unfortunately, the smaller community does not have the resources to support and ensure the diversity of infrastructure needs. Where does a community begin to meet this challenge? We recommend a demand driven approach. Employing visitation to local entrepreneurs and discovery of what is most important to their future development can establish priorities. Focus on themes and work to meet infrastructure needs necessary to keep your entrepreneurs' ventures growing.*

## Community Support

There is a wide range of things a community can do to pro-actively support its entrepreneurs. There is no single set of actions that a community should adopt, but we have organized possible investments into basic, advanced and high performing levels of support.

Figure 4 - Community Support Strategies



### Basic Support

There are four basic actions a community can take to create a basic support package for local entrepreneurs.

First and foremost, a community should ensure it has addressed issues central to creating a positive **climate and strong infrastructure** for entrepreneurs. The greatest entrepreneurship development program operating in a weak climate with poor infrastructure will come up short.

Second, before public programs are created, we would encourage a community to take stock of its current access to appropriate **business services** (e.g., legal, marketing, production, financial, accounting, etc.). Access to the *right* services is important. Having these services within the community is great, but not necessary to ensuring access.

Figure 5 - Basic Support Strategies



## Community Environment for Entrepreneurship

Third, a community should create a **focus on entrepreneurs** – both public (those who build communities) and private (those who build businesses). Creating a focus on entrepreneurs might include raising the awareness level of community residents and leaders about the role of entrepreneurship within the community. Going a bit further, a community might identify entrepreneurs and provide periodic recognition for their contributions to the community. Most importantly, a community should value its entrepreneurs and their unique role in community and economy building.

Fourth, entrepreneurs themselves indicate that the most important support they can receive is **networking** with other entrepreneurs and access to **mentors**. Communities can create regular opportunities that encourage networking and mentoring.

### Advanced Support

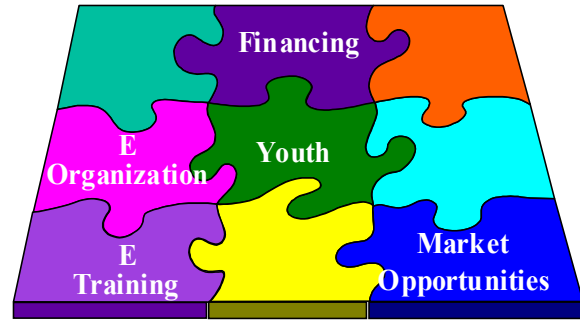
Once the basic elements of a support system are in place, a community can consider a number of advanced activities to further energize its entrepreneurs. We have identified five key considerations for action:

First, a community might want to organize within its general area an **entrepreneurial training** resource such as FastTrac, NxLevel, REAL or some other program. These programs are particularly helpful to startup and early stage businesses.

Second, a community may want to ensure (in addition to supportive lending institutions) that an entrepreneur has access to appropriate **financial capital**. The development of micro lending services for smaller startup entrepreneurs and revolving loan programs for growing and restructuring businesses are likely first steps in building a stronger financial capital system for entrepreneurs.

Third, successful entrepreneurs are very market focused. They develop strong skills in identifying **market opportunities** and assessing the commercial feasibility of various opportunities. In rural areas particularly, market awareness may be more limited. A community may want to implement programs that increase local entrepreneurs' access to and awareness of new markets. Sending delegations to conferences, trade shows and trade missions are all good ways to increase market awareness.

Figure 6 - Advanced Support Strategies



Fourth, young people are a driving cultural force in our nation and communities. Sooner or later, these same **young people** will form the backbone of our economies and communities. Communities should consider programming that introduces youth (the younger the better starting in kindergarten) to entrepreneurship. Creating opportunities for young people to engage in venture and community building is critically important.

**Important Insight.** Youth are remarkable change agents. This is particularly true in many rural communities and cultures where youth are given greater range to challenge norms that may restrict innovation and change. Youth entrepreneurship activities can energize the entire community rather quickly due to youth's unique role as change agents.

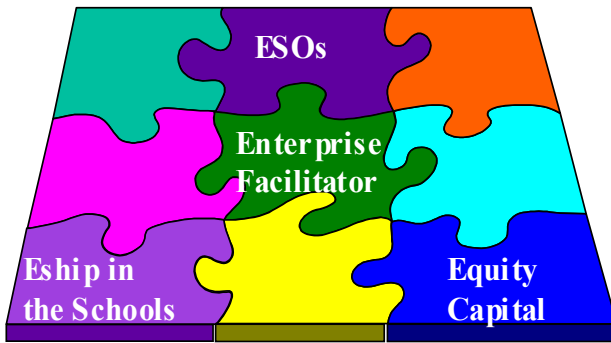
Finally, communities must make the efforts easy and simple for entrepreneurs. Massive directories and complicated pathways to help can be counter productive. We urge communities at this level to create some kind of simple **organization** (probably using existing organizations) to ensure that entrepreneurial support efforts are understandable, easy to access and seamless.

### High Performing Support

To be a high performing community that is optimally supporting its entrepreneurs requires considerable community commitment and investment. We suggest four activities central to becoming a high performing entrepreneurial community:

## Community Environment for Entrepreneurship

Figure 7 - High Performing Support Strategies



First, communities should consider strategies that offer customized help to the full range of local entrepreneurs. The hiring of one or more skilled entrepreneurial facilitators or coaches who work one on one with entrepreneurs helping them build better ventures requires a major community commitment.

Second, capital is fundamental to growing ventures. Growing ventures sooner or later need more than debt capital – they will need access to **equity capital** if they are to realize their fullest potential. Communities should consider building on current financing resources by creating area-based angel investment networks and pathways to more traditional venture capital resources (generally external to the community). As entrepreneurial deals emerge and grow, the ability to help these ventures' meet their capital needs is key to keeping these businesses within the community.

Third, today's youth are extremely busy. Trying to engage youth in entrepreneurship via extra-curricular activities is a real challenge and promises only marginal support. High performing communities find ways to integrate entrepreneurial opportunities into the **core curriculum** of their K-16 educational systems. Quality time for entrepreneurship is a critical next step in building an entrepreneurial culture.

Finally, places with higher levels of entrepreneurial activity are often places with high capacity organizations dedicated to supporting entrepreneurs. We call these **entrepreneurial support organizations** or ESOs. ESOs are rooted in communities and provide a more comprehensive and sophisticated package of support that energizes startup entrepreneurs and grows entrepreneurial growth companies. See our monographs on ESOs.

## Conclusion

We hope this monograph has started your engine and gotten you thinking about what it takes to create an entrepreneurial community. You probably have more questions than answers based on your review of this monograph. Please contact us at our web site for more information on specific places and programs that can make these ideas real. You can reach us at [www.ruraleship.org](http://www.ruraleship.org).

### Entrepreneurial Community Checklist

#### Climate

- Awareness
- Recognition
- Culture
- Anonymity
- Quality of Life

#### Infrastructure

- Real Estate
- Utilities
- Services
- Taxes & Regulations
- Demand Driven Approach

#### Support

##### Basic Package:

- Positive Climate & Infrastructure
- Business Services
- Focus on Entrepreneurs
- Networks & Mentors

##### Advanced Package:

- Entrepreneurial Training
- Financing
- Market Development
- Youth Entrepreneurship

##### High Performing Package:

- Customized Facilitation or coaching
- Equity Capital
- Entrepreneurship in Schools
- Entrepreneurial Support Organizations

## About the Center

The Center for Rural Entrepreneurship is a RUPRI or Rural Policy Research Institute national research and policy center with founding support from the Ewing Marion Kauffman Foundation of Kansas City, Missouri. Our mission is to *enable every rural resident to achieve his or her full entrepreneurial potential*. This mission will be achieved by collaborating with individuals and organizations engaged in the study, practice and policy of rural entrepreneurship. The Center supports research, field work, and policy development through collaborations with national, state and community interests. For more information on the **Center for Rural Entrepreneurship** contact Taina Radenslaben at 402-323-7336 or [taina@ruraleship.org](mailto:taina@ruraleship.org).

