

Abstract. *The work of the Center for Rural Entrepreneurship is research based. We are committed to evolving research-based practices and policies that can guide those engaged in economic development, as well as policy makers who shape and support it. This monograph – Research & Learning Focus – provides an overview of the Center’s approach to its research and learning.*

Introduction

The rural American landscape is massive, diverse and it can be categorized into one of three camps:

Urbanized. The largest segment of rural America demographically is experiencing urbanization and the profound transition from a rural to an urban place. America’s ever-expanding metropolitan places and high amenity (e.g., Aspen, Colorado) communities are converting big chunks of rural America into urban landscapes.

Challenged. The largest segment of rural America spatially is often a landscape in decline with heavy out-migration, rising poverty, aging populations and declining communities. These are the places that are losing their historic economic purpose (often tied to natural resource industries) and desperately need economic development.

Hot Spots. Finally, there are the hot spots, places located in the heart of rural America (excluding high amenity and urban adjacent places) that are doing better to great. Somehow they have made a more successful transition from declining older economies to growing new ones.

The foundation of our central hypothesis is rooted and shaped by these observations about the three rural Americas. While rural America has been studied extensively, this research has largely focused on changes in rural America. Much of the story is tied to what is not working and too little work has been done on places that are succeeding like Kearney, Nebraska or Tupelo, Mississippi. This realization is shaping our research and learning focus. But for now, let’s take a look at the Center’s central hypothesis.

Central Hypothesis

Research and insights associated with the *Global Entrepreneurship Monitor* Project (GEM) and the work of the National Commission on Entrepreneurship have greatly influenced our thinking. We have used this work as a benchmark for our rural work. Our central hypothesis is anchored in the following statements.

Statement 1. In today’s increasingly important market economy, entrepreneurs are fundamental to building stronger and more sustainable regional economies.

Statement 2. A core difference between expanding, robust regional economies and ones that are struggling is the level of entrepreneurial activity and particularly the incidence of entrepreneurial growth companies (EGCs).

Statement 3. A fundamental reason for the weaker economic performance in many rural regional economies is the lower level of entrepreneurial activity and a lower incidence of EGCs.

Statement 4. Many, if not most, rural areas that have more robust economies have higher levels of entrepreneurial activity and a higher incidence of EGCs.

Statement 5. Increasing entrepreneurial activity levels, particularly the incidence of EGCs in rural regional economies, represents one of the core economic development strategies for the first half of the 21st Century.

In order to test this hypothesis, the Center is exploring two basic research questions.

Critical Questions

Our critical research questions are as follows:

Question 1. Is there compelling evidence to support the view that a core difference between better performing rural regional economies and weaker performing ones is the level of entrepreneurial activity and particularly the incidence of EGCs?

Research and Learning Focus

Question 2. Why have some regional economies been able to increase entrepreneurship rates and achieve higher incidences of EGCs?

Combined, these two questions are driving our research and field work throughout rural America. Towards this objective, we are pursuing three tracks of research work:

Research Track 1. First, we are continuing to challenge and document the linkage between entrepreneurship/EGCs and rural regional economic performance. In its early stages, this work was informed by the Kauffman Foundation's *Regional Catalyst Project*. With the elimination of that research activity, we are working with the Center for the Study of Rural America (Federal Reserve Bank of Kansas City) and others to capitalize this work.

Research Track 2. Second, we are conducting case study research of rural places like Kearney, Nebraska and the Kentucky Highlands region to better understand how they are energizing entrepreneurial talent in their rural landscapes. (For more information on the evaluation framework developed to guide this research activity, contact Deb Markley, dmarkley@nc.rr.com.)

Research Track 3. Finally, through our field work, we are continuing to gather insight within the Rochester Framework.

The following section provides the Rochester Analytical Framework that is guiding our field research and learning.

Analytical Framework

Figure 1 on page 3 of this monograph emerged during a Rochester, Minnesota academy session summarizing the flow of the discussion. Jay Kayne drafted this decision tree reflecting the input of the Minnesota academy participants.

This overall framework asks a progression of three questions related to how entrepreneurial a particular rural economy and society may be. This framework provides a useful structure through which we are gaining additional national, as well as local, insight into entrepreneurship in Rural America.

Question 1. Do rural residents have a propensity to become entrepreneurs?

What our research suggests is “yes,” with significant qualifications. Clearly rural people are heavily engaged in self-employment activities requiring certain levels of entrepreneurial attitude and behavior. However, we also find significant cultural, social, and individual attributes that appear to inherently limit or undermine entrepreneurship. Simply put, rural people are entrepreneurial to a point.

This research suggests a need for policies and programs that address cultural and behavioral issues that limit higher levels of entrepreneurship.

Question 2. Do rural residents have the knowledge and skills associated with entrepreneurship?

The field research strongly suggests that many rural residents have key entrepreneurial skills and considerable experience with entrepreneurial undertakings. However, we also find significant deficiencies in critically important entrepreneurial knowledge and skills sets. We believe this is particularly true with respect to experiences, knowledge and skills related to entrepreneurial growth companies.

This research suggests that there is a critical need for appropriate policies and programs that prepare rural residents to be entrepreneurs. Underlining our preliminary findings is the suggestion that many, if not most, assistance programs focus on enterprise issues, not necessarily the knowledge and skill sets required to be successful as an entrepreneur.

Question 3. Are rural residents succeeding as entrepreneurs?

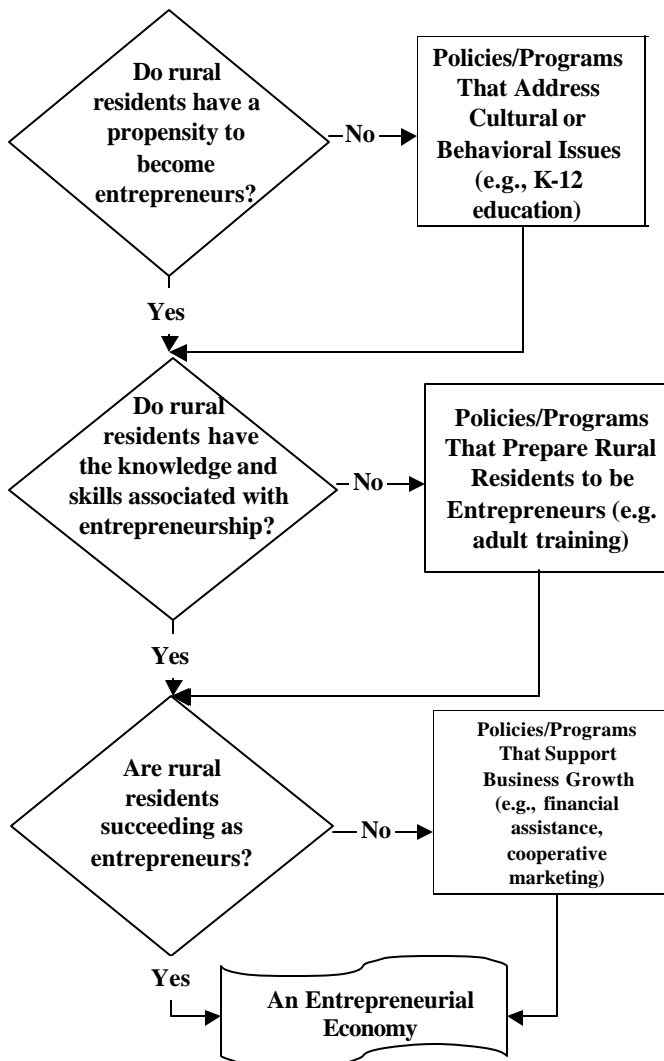
In a limited sense the answer is “yes.” Many, if not most, working age rural residents are engaged in entrepreneurial activities directly contributing to their personal and economic well being. Conversely, it appears fewer rural residents are succeeding in creating or growing successful entrepreneurial enterprises when compared to urban America. This preliminary finding might provide a powerful explanation for the economic and social decline of many rural regions within North America.

Research and Learning Focus

These findings suggest a critical need to explain the incidence of a relatively high share of rural residents engaged in some forms of entrepreneurship, but only managing to sustain marginal enterprises.

Rural America is very different from urban America with respect to entrepreneurship in three basic ways – market, isolation and culture – challenges that when explored help explain the difference in entrepreneurship rates from high performing to low performing areas.

Figure 1 – Framework for Encouraging Rural Entrepreneurship



Jay Kayne
Kauffman Center for Entrepreneurial Leadership
2000

Unique Challenges

Jay Kayne formerly with the Kauffman Foundation identifies five unique challenges for entrepreneurs in Rural America. These are:

- 1) Greater distance to markets and services;
- 2) Inability to meet thresholds of demand to justify location of support services;
- 3) Absence of other entrepreneurs;
- 4) Absence of industry clusters; and
- 5) Independent spirit of the rural population.*

* For example balancing the entrepreneurial desire to be “one’s own boss” with the realization that successful entrepreneurs cannot go it alone.

Field research undertaken by the Center for Rural Entrepreneurship focused on Kayne’s “unique rural challenges” and developed the following hierarchy of challenges:

Market. For most of Rural America the characterization of low density and high cost markets is applicable. Kayne’s (1) and (2) challenges fall under this issue area. As a result the following research and learning issues emerge:

- 1 How does distance from larger and urban markets impact rural entrepreneurship?
- 2 How does distance from necessary and desired services impact rural entrepreneurs?
- 3 How do rural markets create adequate thresholds of demand to justify the location of support services?
- 4 Are there threshold barriers as rural entrepreneurs grow from local and area markets into regional, national, or international markets?

Isolation. Dramatically improved transportation, national media access, and telecommunications connections have all greatly reduced the isolation of Rural America from the mainstream economic and cultural life in the United States and the world. However, isolation continues to be real and a significant barrier to development:

- 5 How does the absence of other entrepreneurs impact the ability of rural entrepreneurs to succeed?
- 6 How does the absence of industry clusters impact the ability of rural entrepreneurs to compete and grow?
- 7 Does isolation limit the ability of rural entrepreneurs to see opportunities and envision enterprises capable of growth and development?

Research and Learning Focus

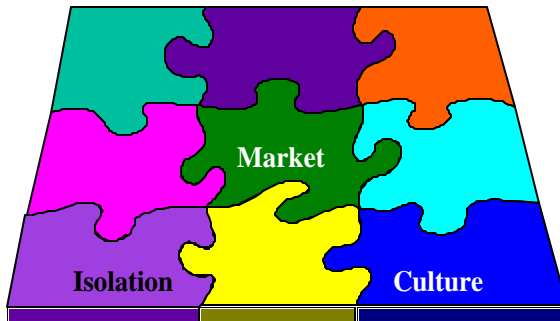
Culture. Our preliminary research suggests that rural culture is a powerful force supporting and limiting entrepreneurship at the same time. It is a culture that celebrates self-employment and individual accomplishment. But it is also a culture that can punish success and failure with equal force. It is often a culture that encourages entrepreneurs to succeed to a point, but not over-succeed, creating tensions within the community where others might be struggling.

- 8 Does rural culture create a negative that limits (or chases away) entrepreneurs?
- 9 Is there a lack of awareness and recognition that entrepreneurship is central to building a renewed and more dynamic economy and society?
- 10 Does rural culture compound the isolation of entrepreneurs, contributing to the insular nature of rural societies and economies?

Conclusion

There is a growing belief that entrepreneurship is critically important to the American economy. This belief is rooted in solid research undertaken by the federal government, the Kauffman Foundation, the National Commission on Entrepreneurship and the Corporation for Enterprise Development. Some are beginning to believe that entrepreneurship is also critically important to building stronger rural economies. The Center for Rural Entrepreneurship's research program is committed to providing objective research to support practitioners and policy makers as they explore how energizing entrepreneurs can energize rural economies. *We welcome your comments, suggestions and particularly your research. For more information contact Deb Markley dmarkley@nc.rr.com or through our web site at www.ruraleship.org.*

Figure 2 – Unique Rural Challenges



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.

