

**Response**  
**Returns on Entrepreneurship Development Investment in Rural America**

**Exploring Rural Entrepreneurship: Imperatives and Opportunities for Research**

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Each of today's presenters have made several interesting and useful observations about the issues surrounding and our ability to measure entrepreneurial performance at the international, national and sub-national level. Maria Minniti, using the data from the Global Entrepreneurship Monitor (GEM), reinforces the relationship between entrepreneurial activity and economic growth yet questions whether our research is resulting in any new theory of entrepreneurship. Tom Johnson, returning to Schumpeter's classic definition of entrepreneurship as "creative destruction," suggested we need to pay more attention to innovation and industry churn associated with entrepreneurial activity. Finally, Erik Pages explored the role of public policy in creating more entrepreneurial economies and job creation.

While each of these perspectives are valuable and raise interesting questions, I wonder if we, as researchers, are promoting the same kind of "creative destruction" in our own discipline as we teach and endorse for other sectors of the economy and society. At Miami University, we have a course called "Imagination and Entrepreneurship." One of the creative heuristics we employ is "asking dumb questions," a phrase derived from the contention that the only dumb question is the one we do not or are afraid to ask. Today, I would challenge each of us to question whether the current avenues of inquiry associated with entrepreneurial performance are grounded in a view of the world and the economy more appropriate to an era when the economy was dominated by large companies and branch plants.

Entrepreneurs continuously tell us it is not about the money or the number of workers they employ. Instead, they state the two primary factors for taking the entrepreneurial leap are to be in control of their own destinies and to pursue a passion. Perhaps America remains a

hotbed of entrepreneurial activity, not only because we are the descendents of risk-takers who left their homes to settle in a new world as suggested by Michael Novack in *Fire of Invention*, but because it is so closely tied to the founding fathers' promise of "life, liberty and the pursuit of happiness."

Often I am asked by my colleagues at Miami, "What is the difference between entrepreneurship education and other business disciplines such as marketing, management or finance?" For me, the answer is simple. The other disciplines are about processes and institutions. Entrepreneurship is about the individual. The focus is human development. For this reason, at Miami, we now include Guy Kawasaki's definition of entrepreneurship on our materials. "Entrepreneurship is no longer a job title. It is the state of mind of people who want to change the future."

So my dumb question today is, "If we really want to understand entrepreneurial performance, are we currently measuring the wrong things?" Michie Slaughter, the first president of the Kauffman Center for Entrepreneurial Leadership, warns us that many unimportant things are easily measured and many important things are hard to or cannot be measured. Are we drawn to data on jobs and income because the Bureau of the Census and the IRS conveniently collect these for us? And because we have the data, do we seek a theory of entrepreneurship consistent with these numbers?

Additionally, we need to ask who the primary beneficiary of current research is. In *Sacred Cows Make the Best Hamburgers*, sports psychologist Robert Kriegel paraphrases Pogo's famous line, "We have seen the enemy and it is us." Kriegel suggests we always ask the uncomfortable question, "Who is feeding on this sacred cow?" Is the primary audience of all this research activity only ourselves? To what extent does it really have an impact for entrepreneurs and the communities in which they live and work?

As I listened to Maria talk about the need for more entrepreneurial theory, I began to wonder if our current approach to performance research is not the academic equivalent to what Jeffrey Timmons refers to as the "brontosaurus economy." Never have I heard an entrepreneur say, "If only I had more theory!" Instead of being agile, risk-taking educational

entrepreneurs, are we becoming “corporate academics” who are comfortable only with incremental change following lengthy and costly market research?

Perhaps we should throw caution to the wind. Let’s quit counting jobs and income. Are not these merely symptoms of entrepreneurial activity? Instead, let us get outside our academic comfort zones of business, economics and geography and entertain the possibility that understanding entrepreneurship and measuring its impact may lie in different disciplines such as psychology and sociology. And if so, what should be the tenets of this new approach? Let me suggest a few questions that might guide this exploration.

- GEM data confirms the correlation between rise in GDP and entrepreneurial activity. Since its inception in 2002, GEM reports that every growing economy has an above average rate of entrepreneurial activity and every lagging economy has a below average rate. How much value is there in further parsing this information versus focusing our research energy on other questions?
- If we can agree that entrepreneurship is about the individual, should the research focus more on individual attitudes, behaviors and actions? Instead of worrying how large a company Ann Price has built at Motek, are we better served understanding why, after being turned down by bankers and outside investors, she decided to raise approximately \$750,000 using only personal credit cards?
- While we may argue over the exact percentage of start-ups that survive, we know entrepreneurship is a risky undertaking. To return to an earlier point, the Declaration of Independence does not guarantee us success, only the pursuit of happiness. Therefore, should we not be interested in the extent to which individuals see entrepreneurship, regardless of their level of success, as the means to reach personal as well as professional goals?
- In *Seeds of Success*, Marilyn Kourilsky and William Walstad point out the disparity between the desire to own one’s business and the confidence in one’s skills and knowledge. In their book, results from a Gallup survey of adults and high school seniors suggest that seven in ten Americans have some entrepreneurial ambitions. Yet only one in ten respondents felt they had the prerequisite skills and knowledge to

succeed. One can argue the key to more entrepreneurial activity is a greater number of confidence individuals who believe they have the capacity to beat the odds against entrepreneurial success. Therefore, isn't one important performance metric some measure of "entrepreneurial competence and confidence?"

- We need to challenge Schumpeter's assertion that entrepreneurship is driven by the more productive use of scarce resources. For example, there was certainly no shortage of music, audio CDs or CD players when Apple introduced the iPod. Entrepreneurship seems less responsive to concerns about limited resources than the ability to tap into the demands of collective markets and individual consumers. Instead of measuring jobs and income, perhaps we should be focus on what differentiates one person's ability to recognize opportunity versus another.

In 2002, while still at the Kauffman Foundation, I began to wonder, "If necessity is the mother of invention, what is the mid-wife of entrepreneurship?" Listening to hundreds of interviews conducted by Richard Tavener from his radio show "Entrepreneurs: Living the American Dream," I heard a common thread in every story. Each successful entrepreneur had experienced frustration. Sometimes it was a woman who bumped against the corporate glass ceiling or an employee who felt undervalued for the contribution they made. But mostly, these were ordinary people who knew they could do something better than it was already being done.

Everyone is frustrated about something, but not everyone acts on it. So the second question became, "What differentiates the doers from the complainers?" I believe one answer may be the intersection between level of frustration and perceived risk. In other words, once an individual's frustration exceeds his/her perception of risk in taking the entrepreneurial leap, the individual will act. Thinking back on my experience at Kauffman, we were trying to make Kansas City, a city where the unemployment rate remains fairly constant in both good and bad times, more entrepreneurial. This does not breed the same kind of frustration that one sees in communities like Pittsburgh or San Diego where there were major employment dislocations following the decline of the steel industry or a military base closing. The same forces that influence community behavior will likely have similar effects on individuals.

If this (dare I say) theory is correct, we then have two paths to greater entrepreneurial activity. Facetiously, we could take actions to undermine the economy, increase unemployment and raise frustration to a level that perceived risk is no longer a factor and entrepreneurship is the only option. This may sound crazy, but Bill Bynum, CEO of the Enterprise Development Corporation of the Delta, often says, “In rural America, entrepreneurship is not an economic development strategy; it is the only economic development strategy.” Likewise, GEM’s reporting of ‘necessity’ entrepreneurship in developing nations sends the same message.

In contrast, we can also lower the perceived risks associated with the entrepreneurial leap. And to some extent we already do this through the increase of entrepreneurship education in primary and secondary schools, institutions of higher learning and for adults. Any increase in individual capacity and confidence should translate into lower risk perception. However, we can also change perception of risk by helping individuals and communities accept the fact that entrepreneurship should be viewed from a portfolio versus individual success perspective and that the constant birth and death of new enterprises is part of the natural order and need not be feared.

The nexus of frustration (“I want to do something differently.”) and level of risk (“I know I can do it.”) at an individual level may provide one method of both explaining past entrepreneurial success and predicting future activity. It is clearly not the only method. I only suggest that we need to question what we do now so that we do not become the protector of sacred cows.

Thank you.