Local Strategies for Responding to Rural Restructuring: The Role of Entrepreneurship

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Economic Restructuring and Rural Communities

- Revisit two fundamental economic and community development principles:
  - Competitive advantage
  - Asset-based development
Competitive Advantage

- Rural communities must search for unique sources of competitive advantage that can lead to sustainable development.
- Look beyond traditional sources of competitive advantage of cheap labor, cheap resources, few regulatory limits.
- Emphasize local assets – e.g., heritage tourism, wine industry, houseboats
Asset-based Development

- Kretzman and McKnight’s work
- Identify and build on community assets:
  - Human
  - Economic
  - Social
  - Physical (built)
  - Natural
  - Cultural
  - Institutional
Role for Entrepreneurship

- Entrepreneurship is the link between asset-based development and finding new sources of competitive advantage.
- Entrepreneurs are those who recognize opportunity and bring together the resources needed to turn that opportunity into a viable business venture.
- Entrepreneurial communities are those that understand their assets and mobilize to employ those assets in support of entrepreneurial development.
Making the Case for Entrepreneurship as an Economic Development Strategy

- 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

- 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)
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
What about *rural* entrepreneurship?

- NCOE and CFED *Mapping Rural Entrepreneurship* found:
  - Entrepreneurial Growth Companies in all regions
  - Hot spots of entrepreneurship activity across rural America (Nebraska, Kentucky)

- RUPRI Center’s work suggests:
  - Fewer entrepreneurs in rural places
  - Less well developed systems of support
  - But, examples of successful entrepreneurship development initiatives across rural America
Successful Rural Entrepreneurship Development Systems

- Community based – culture of support
- Regionally connected
- Entrepreneur focused
- Systems orientation
- Connect community success and learning to policy making process
Key Policy Innovations in Support of Entrepreneurship

- State level: Create a system of support providers that is readily accessible by entrepreneurs – “no wrong door”
  - North Carolina
  - Georgia
State and community level: Fill the gaps in the support infrastructure

- Entrepreneurial coaches and facilitators
  - Kentucky Entrepreneurial Coaches Institute

- Capital gaps
  - Kansas Economic Growth Act – tax credits for angel investors
State and community level: Institutionalized system of entrepreneurship education in K-16
- REAL Enterprises
- Consortium for Entrepreneurship Education national standards
- Federal: Programs to support capacity building in rural communities
- Federal: Flexibility in use of existing program funding
  - CDBG
  - Workforce Development Funds
  - RBEG
Conclusions

- Rural communities are seeking alternative strategies to create sustainable economic futures.
- Entrepreneurship holds promise and is eliciting extreme interest:
  - Kellogg grant competition: 182 applications, covered rural regions in 47 states, over 2,000 organizations directly involved
  - 6 collaboratives awarded funding: OR, NM, SD, NE, NC, WV; very diverse approaches
Challenge: how do we as researchers and practitioners develop the rigorous evaluation framework to better “tell the story” of entrepreneurship as a rural economic development strategy?

Requires better secondary data combined with field work across the range of entrepreneurship development strategies
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