

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

- 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)

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- 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

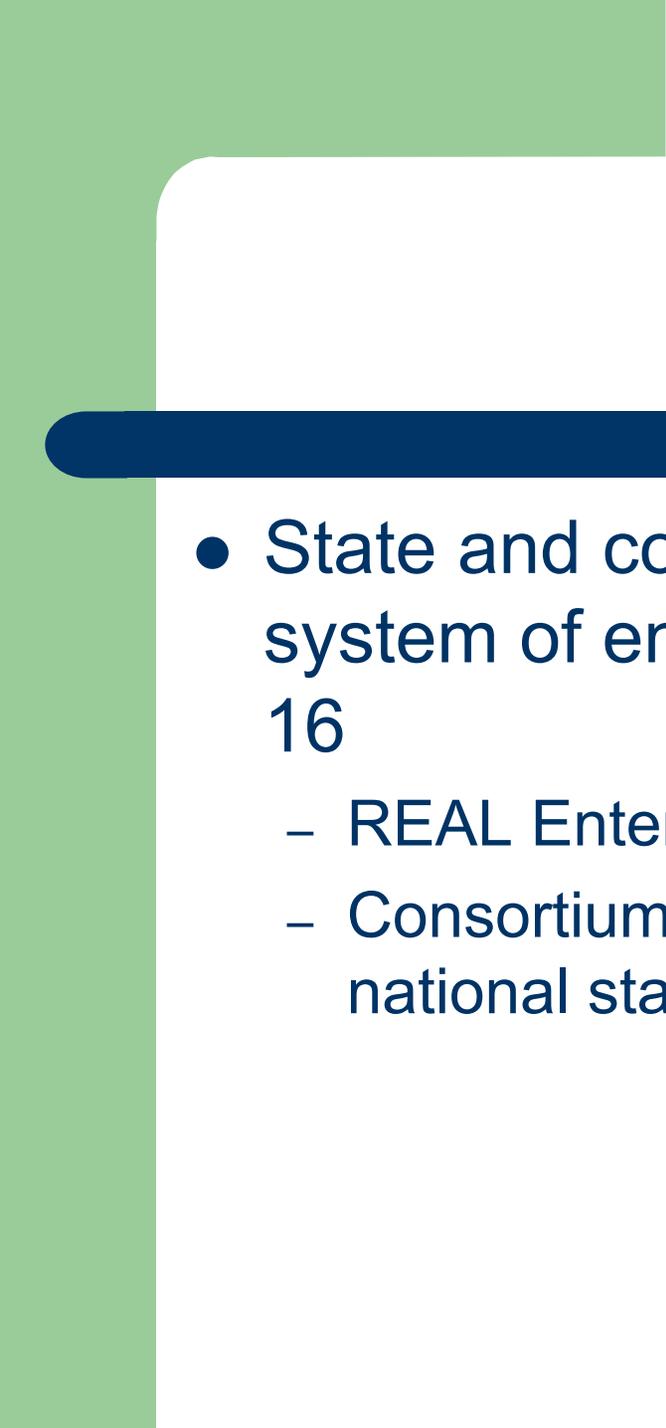
Successful Rural Entrepreneurship Development Systems

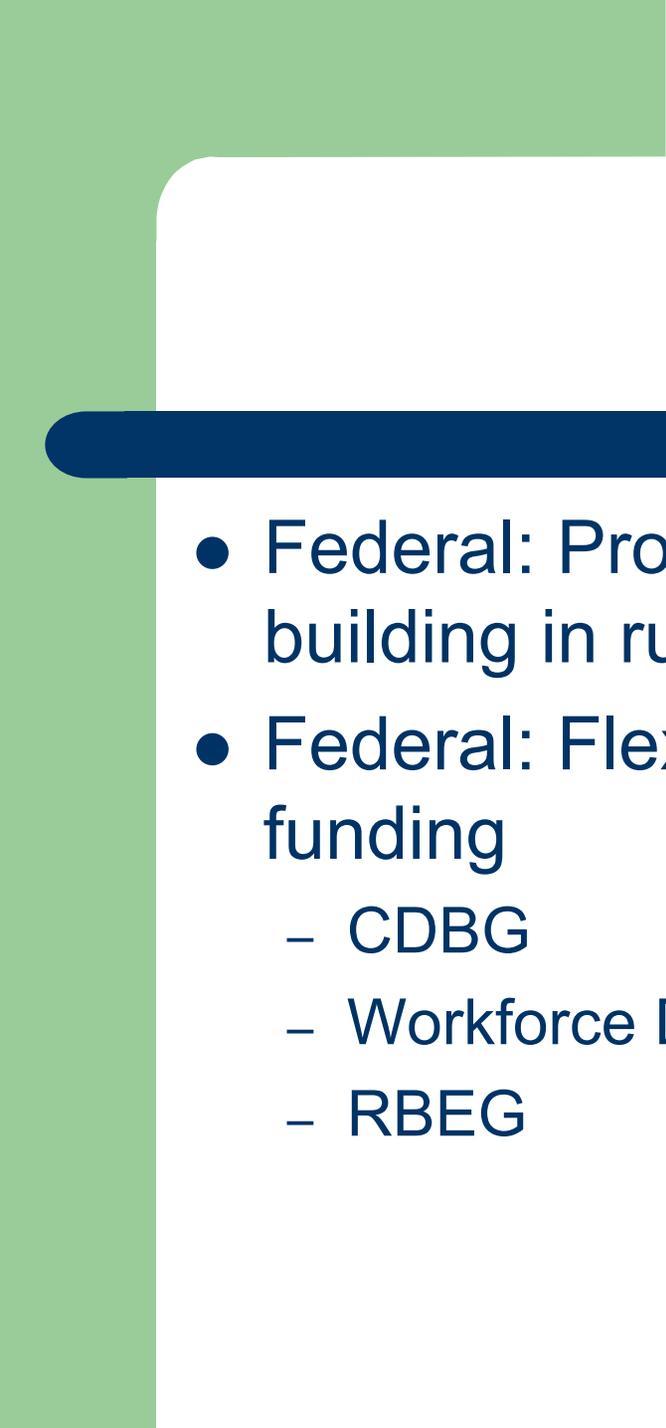
- Community based – culture of support
- Regionally connected
- Entrepreneur focused
- Systems orientation
- Connect community success and learning to policy making process

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

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- 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

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- State and community level: Institutionalized system of entrepreneurship education in K-16
 - REAL Enterprises
 - Consortium for Entrepreneurship Education national standards

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- 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

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- 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

For More Information

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