



**Entrepreneurship:  
The Future of Texas Rural Communities**  
**Brian Dabson**

**Texas Rural Challenge**

May 25, 2010

San Marcos, Texas

# The Re-Emergence of (Metro) Regionalism



- Arguments that future national prosperity depends on strong and vibrant *metropolitan* regions...Brookings Institution
- Framing of Federal approach to place-based strategies...White House
- Sustainable Communities initiatives – HUD, USDOT, EPA – integrated goals for metropolitan regions

# Where does Rural fit in?



- Growing appreciation that thinking/acting regionally requires better understanding of rural-urban interdependence...much more complex than usual definitions suggest
- Ideas of **Rural Regional Innovation** now surfacing – recent USDA program
- Long history of regionalism in rural America re-emerging

# Twin Tracks for Rural Revitalization



- **Globalization**

- Ensuring that rural communities have capacities and attitudes to compete as regions
- No hiding place from the global economy – some places will win, some will lose
- Accept that global economic engines and hubs of innovation and creativity will be in most vibrant city regions – but still a role for rural
- Food systems, biotechnology, alternative energy, distributed systems

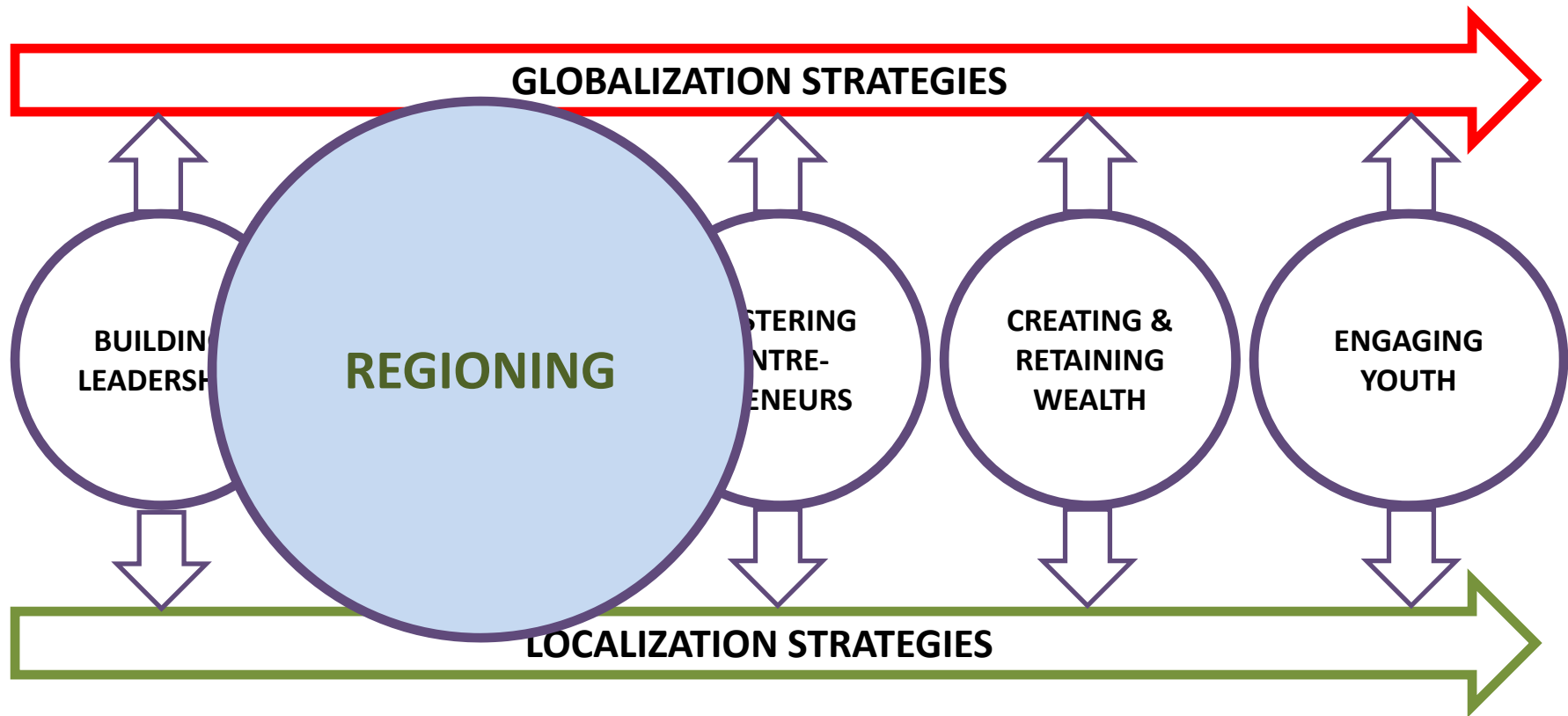
# Twin Tracks for Rural Revitalization



- **Localization**

- In part a response to unwanted effects of globalization – loss of economic opportunities from outsourcing, technology applications; loss of biodiversity, landscapes, culture...
- Growing interest in low mileage and organic food, innovative farming practices, local scale renewable energy, wealth creation and capturing of value of local assets
- Shifting from “waiting to be saved” to “growing our own”

# Strategies for Rural Revitalization



# “Regioning”



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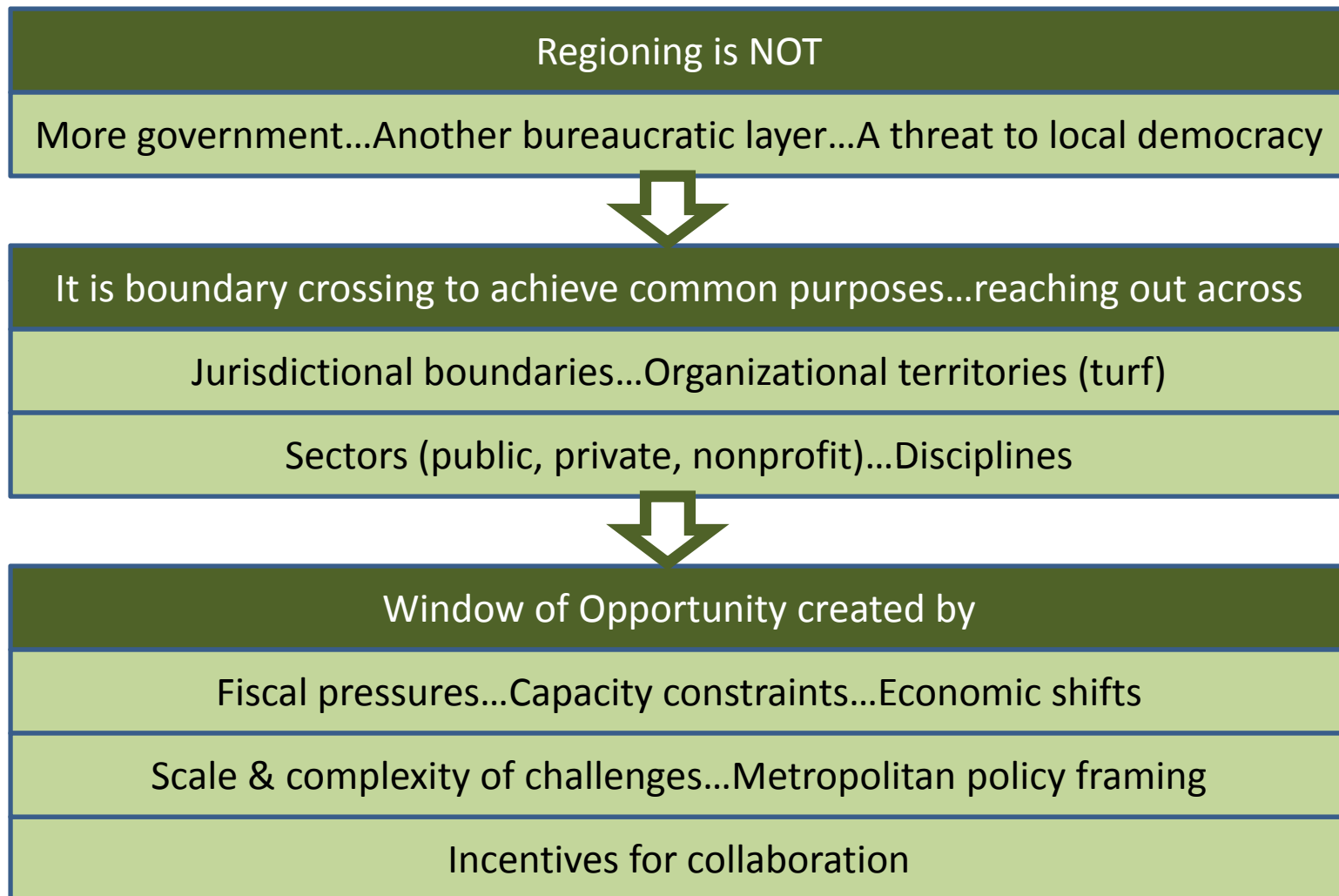


It is boundary crossing to achieve common purposes...reaching out across

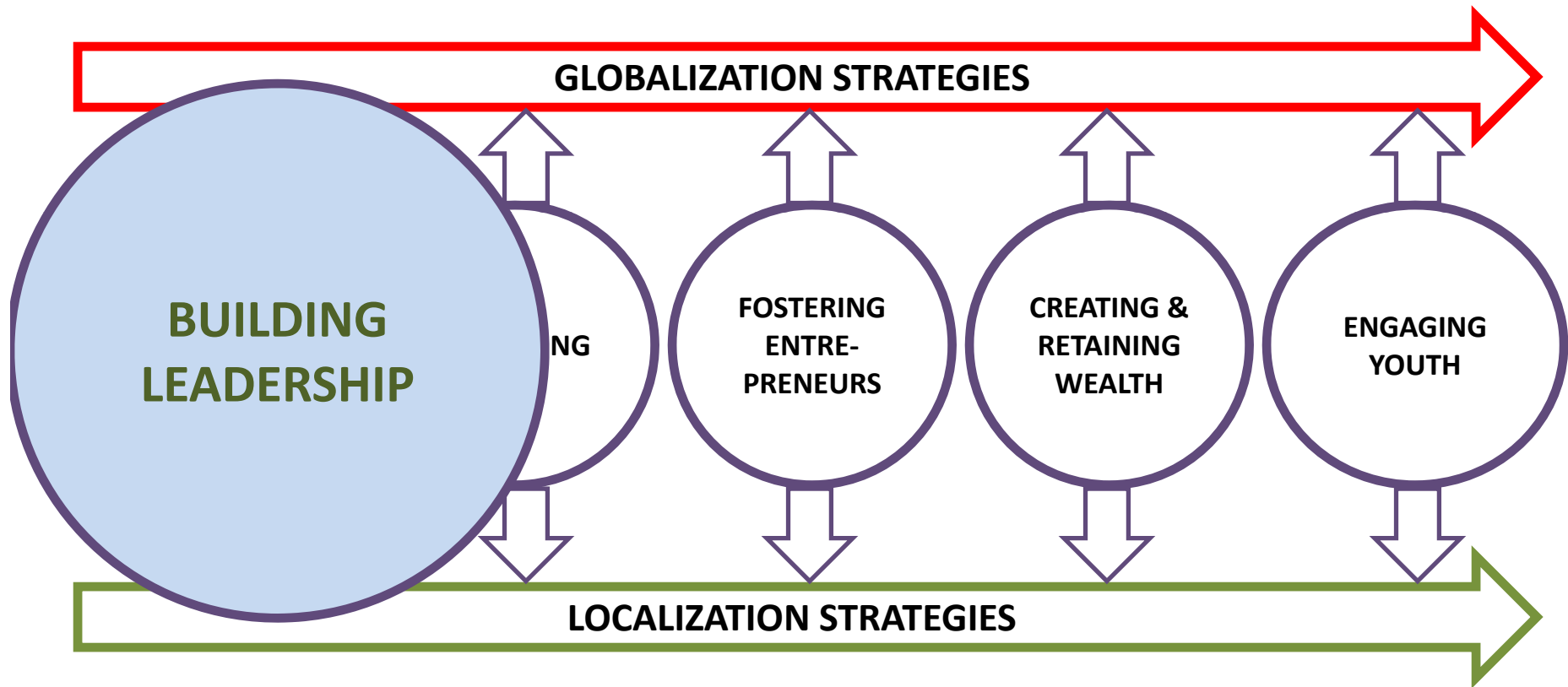
Jurisdictional boundaries...Organizational territories (turf)

Sectors (public, private, nonprofit)...Disciplines

# “Regioning”



# Strategies for Rural Revitalization

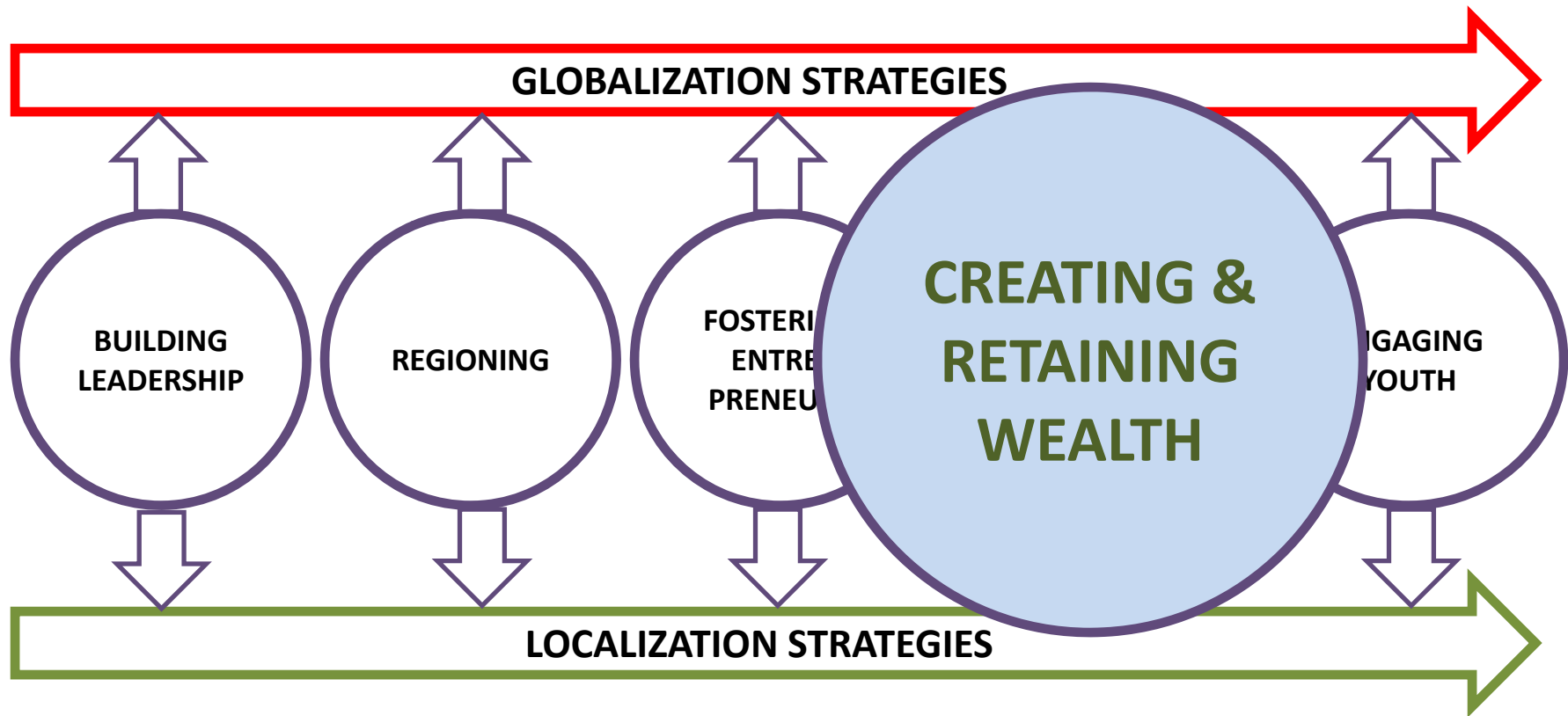


# Building Leadership



- Strong and inclusive leadership is key to rural success
  - Public, educational, private, nonprofit
- Visioning, strategic planning, focused implementation
  - Shown to bring on new leadership and more positive attitudes to change

# Strategies for Rural Revitalization

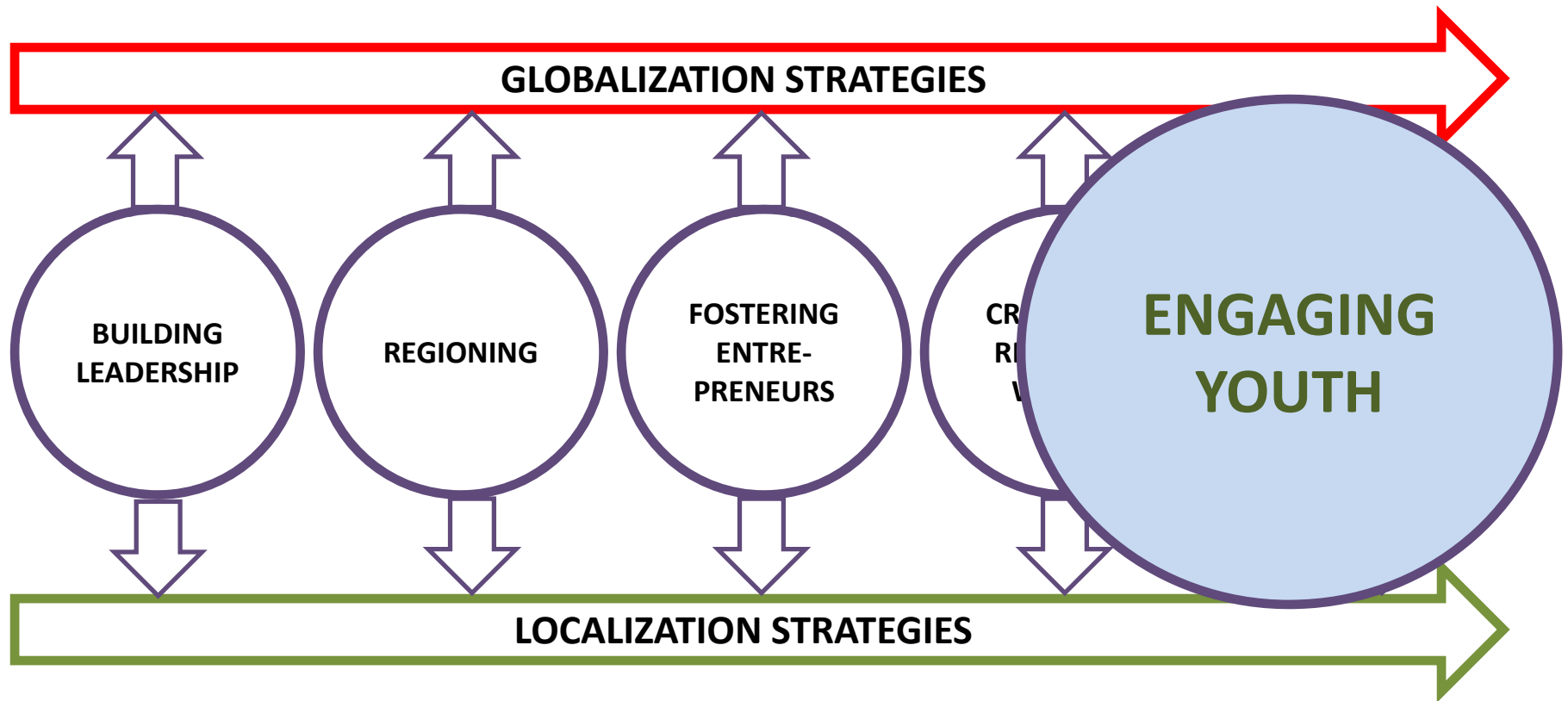


# Creating and Retaining Wealth

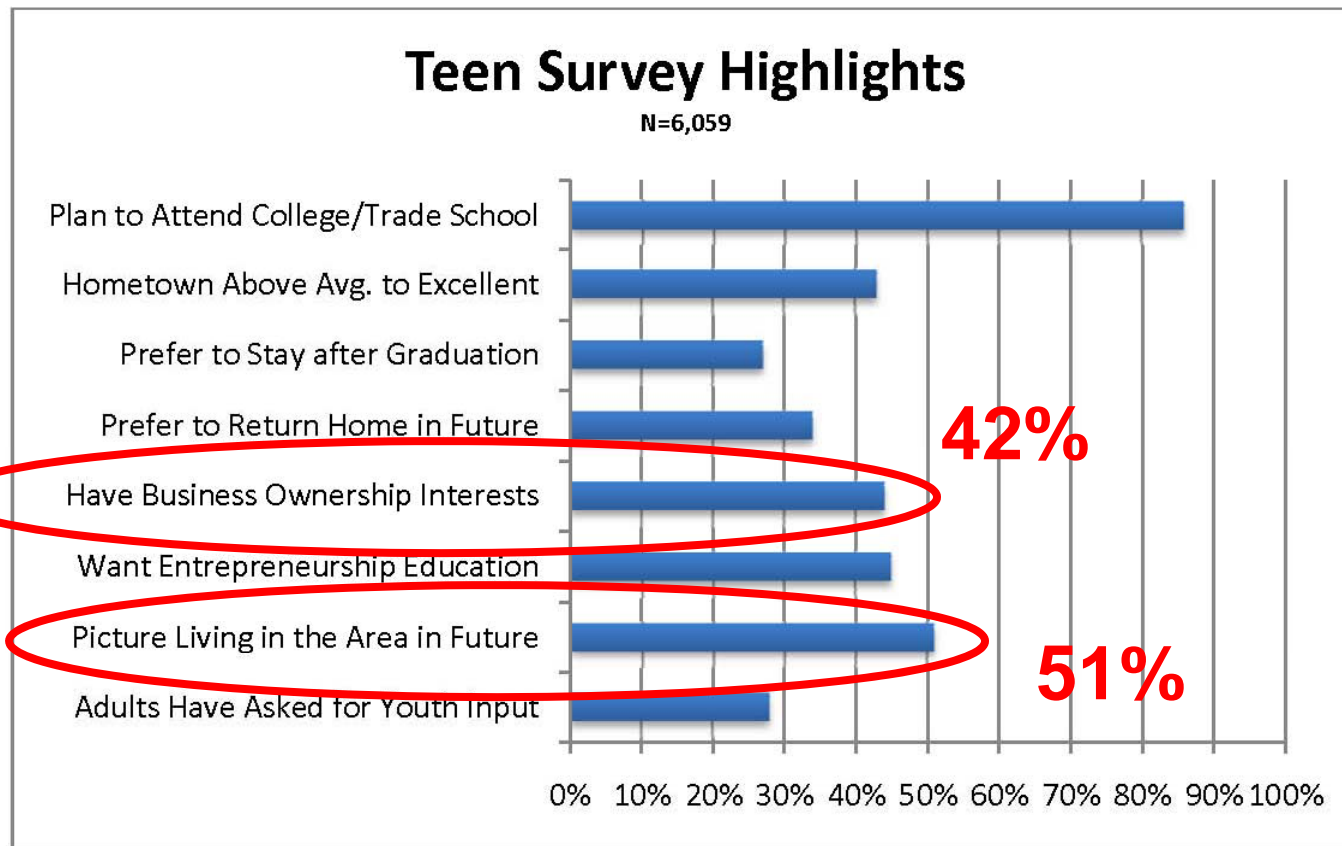


- **Community mapping** to identify and inventory positive assets – social, economic, environmental – that:
  - could make communities distinctive
  - offer competitive advantage
  - provide base for entrepreneurial development
- **Transfer of wealth studies**
  - Estimates of wealth to be transferred from one generation to another and leave community
  - Capture some of draining wealth – community foundations for pooling resources for development

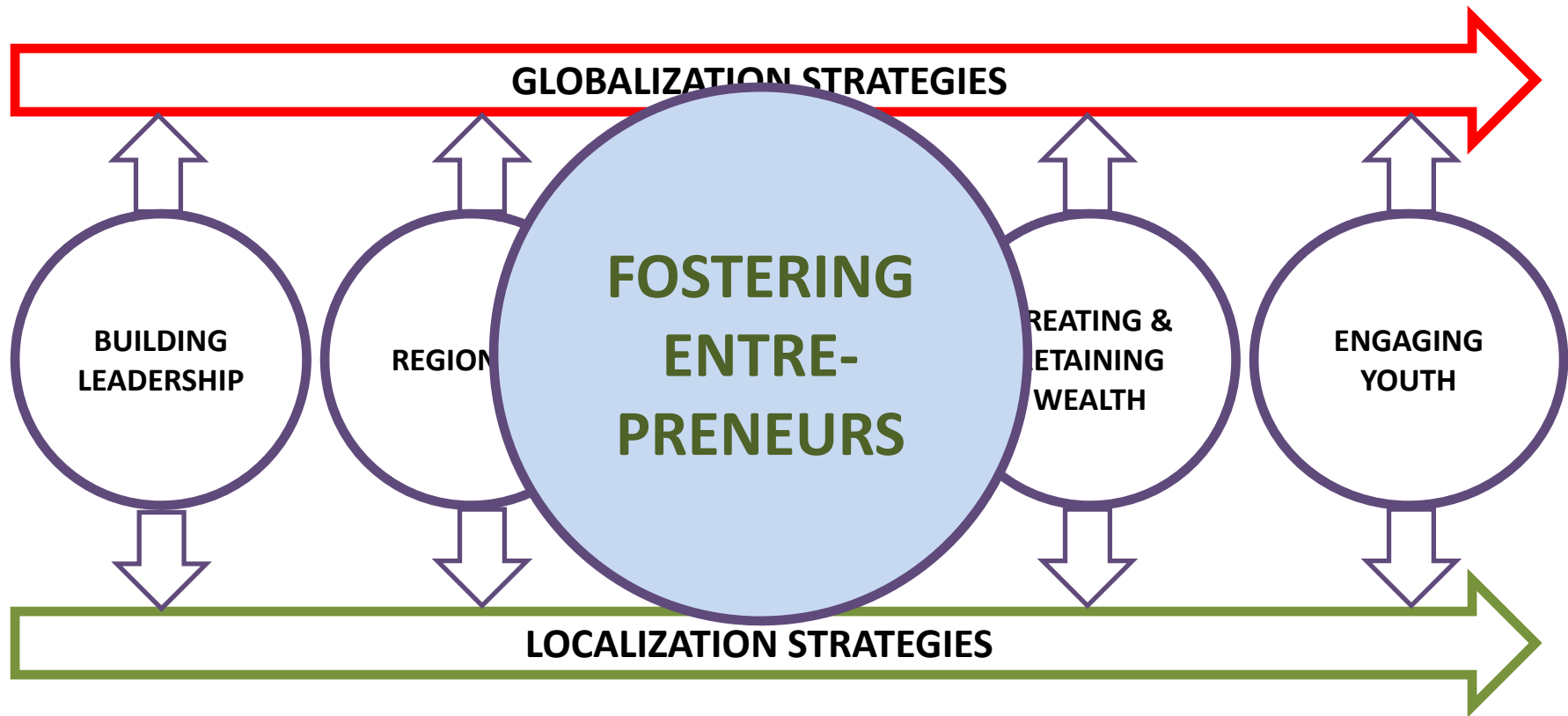
# Strategies for Rural Revitalization



# The Youth Perspective



# Strategies for Rural Revitalization



# Public perception of entrepreneurs









*Luntz, Maslansky Strategic Research and Kauffman Foundation,  
September 2008*

- **70%** think that success and health of our economy depends on the success of entrepreneurs
- **40%** think that entrepreneurs are important for job creation in current economic crisis, but **71%** thought that the crisis makes it more difficult to be an entrepreneur
- **27%** said that they are planning to start their own venture in next five years
- **80%** think that the Government should encourage more entrepreneurship







# Kauffman Index of Entrepreneurial Activity



- In 2008, every month, an average of over **three out of 1,000 adults** created a new business – 530,000 new businesses (2007 = 495,000)
  - 4.2 men  2.4 women 
  - 4.8 Latinos 
  - 3.5 Asian Americans 
  - 2.2 African Americans 
  - 5.1 immigrants 

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  - 5.1 immigrants 
- **Texas** had 13th highest entrepreneurial activity rates – 3.7 per 1,000 adults

**% adult (aged 20-64) non-business owner population that starts a business each month**

# Some Definitions



- **Entrepreneurs**...*people who create and grow enterprises*
- **Entrepreneurship**...*the process through which entrepreneurs create and grow enterprises.*
- **Entrepreneurship development**... *the infrastructure of public and private policies and practices that foster and support entrepreneurship.*
- **Entrepreneurship policy**... *fostering of a socially optimal level and type of entrepreneurship*

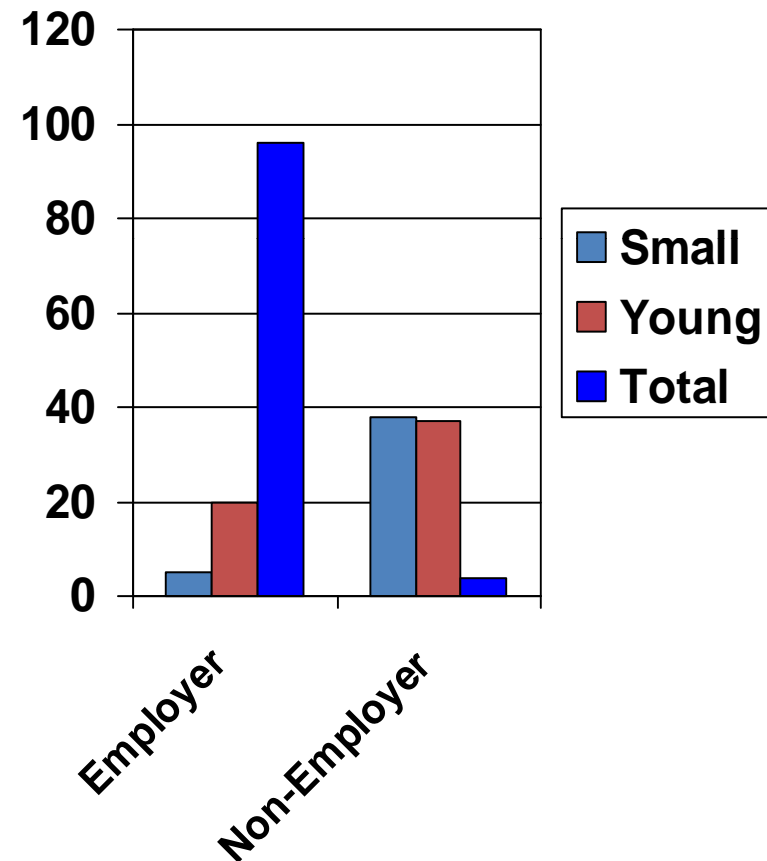
# Many types of entrepreneurs

- **Survival entrepreneurs** – *resort to creating enterprises because there are few other options*
- **Lifestyle entrepreneurs** – *choose self-employment to pursue personal goals*
- **Growth entrepreneurs** – *motivated to grow their businesses to create wealth and jobs in their community*
- **Serial entrepreneurs** – *over their lifetimes will create several businesses*

# Modest impact individually...rupri

*Davis, Haltwinger & Jarmin (2005)*

- **Non-employer firms** account for only **4%** of *total* business revenues
- **Small firms** account for only **5%** of employer business revenues
- **Young firms** account for only **20%** of employer business revenues

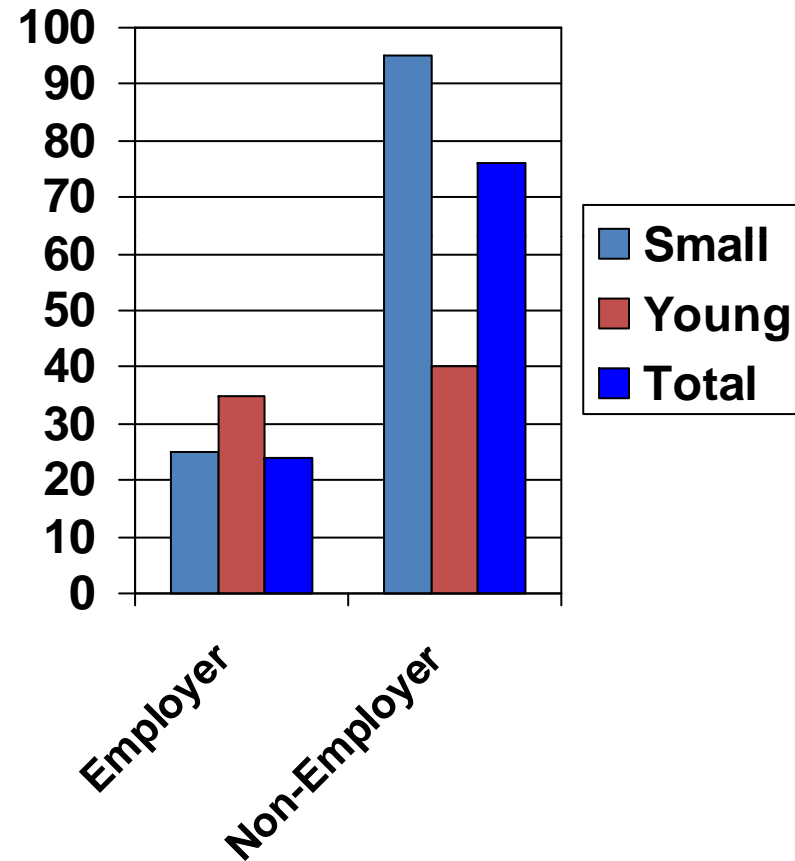


# ...but large numbers...

*Davis, Haltwinger & Jarmin (2005)*

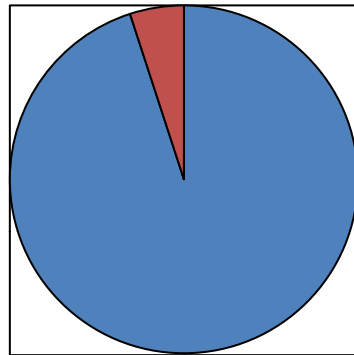


- **21 million firms** in US  
**76%** non-employer firms
- **16 million small firms**  
(<\$90K revenues)
- **8 million young firms**  
(<4 years)

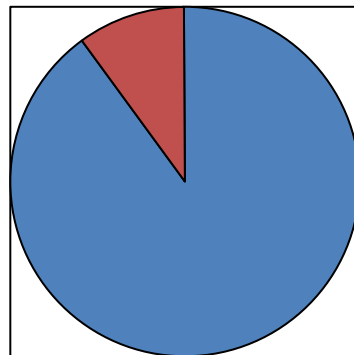


# ...make them critical to US business dynamics...

*Davis, Haltwinger & Jarmin (2005)*



Firms



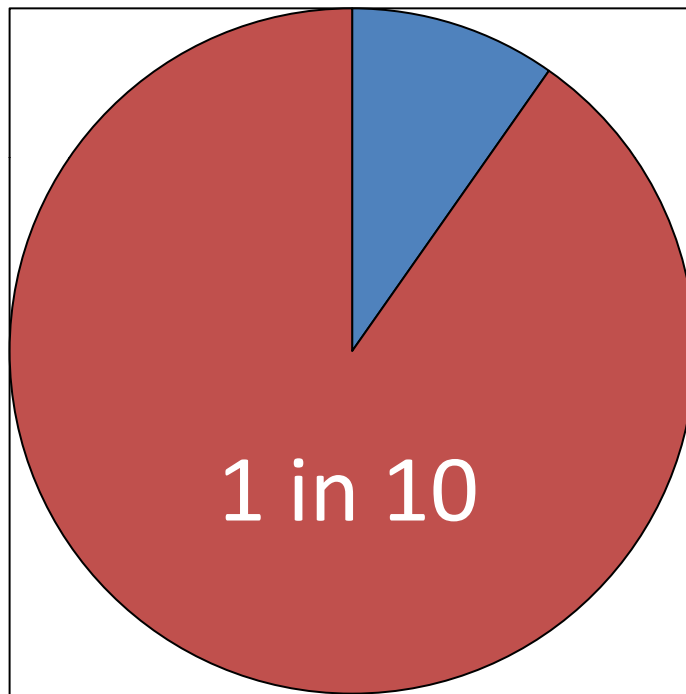
Revenues

- **5%** of non-employer firms (10% of non-employer business revenues) become employer firms within 3 years
- **750,000** businesses

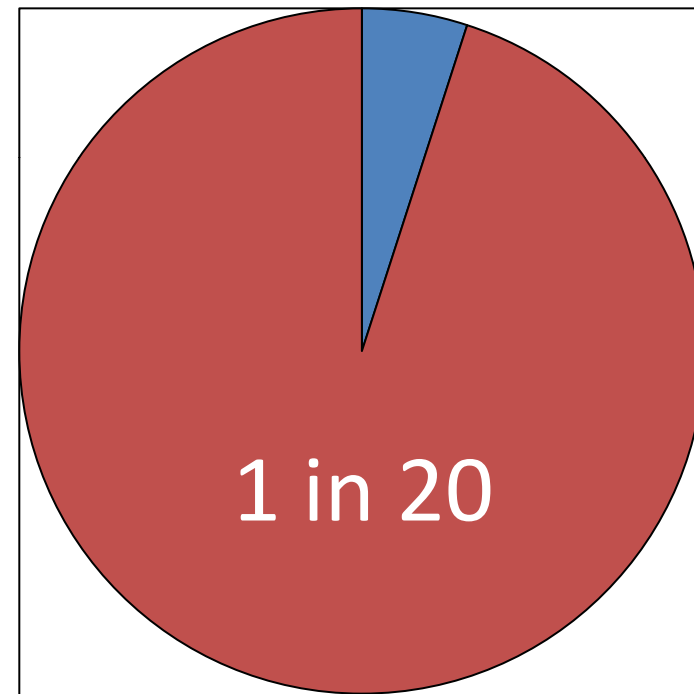
# ...and many expect to grow

*Autio, Hancock, (2005)*

**20+** employees within 5 years

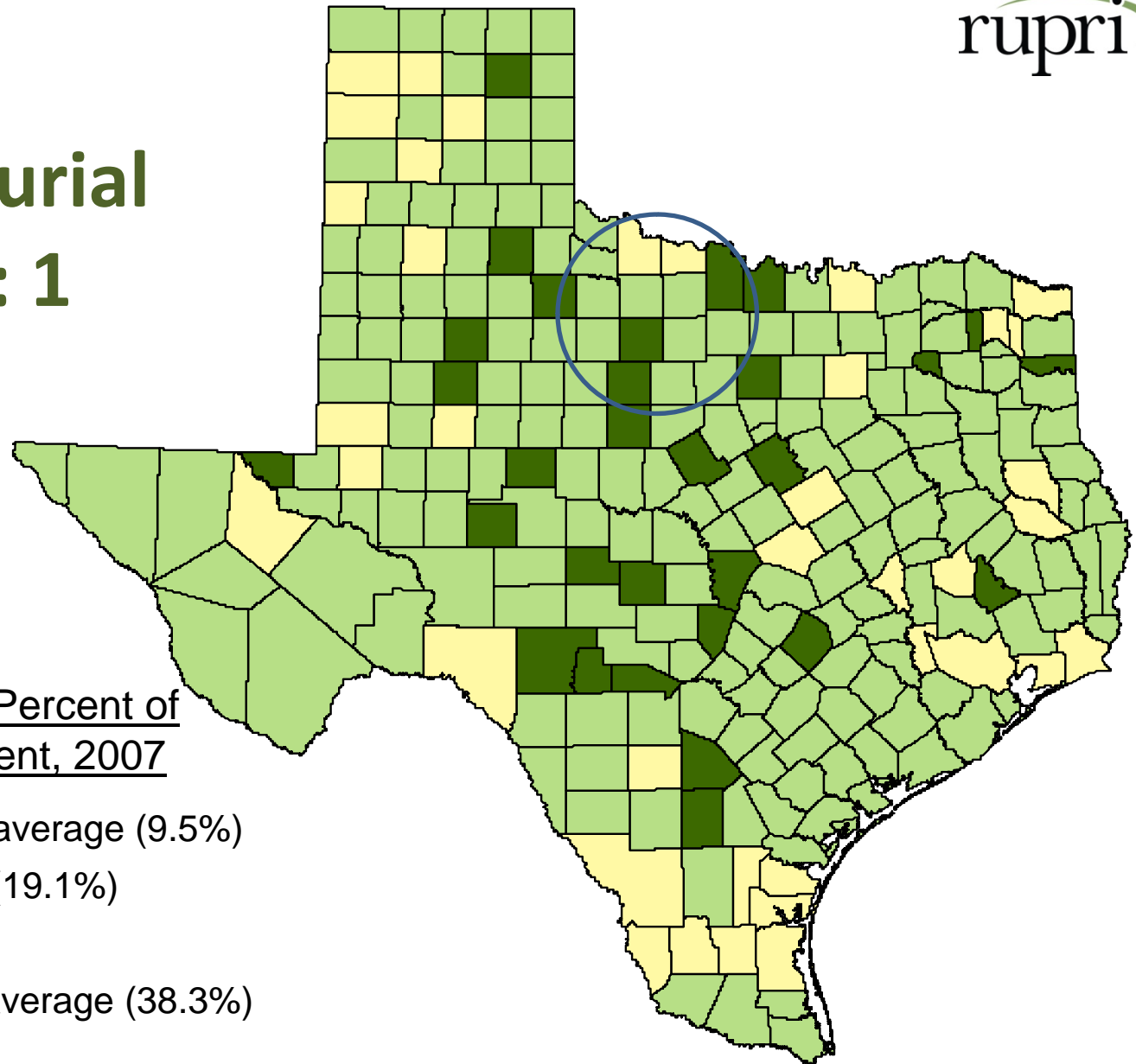


**50+** employees within 5 years



**Start-ups and newly-formed businesses**

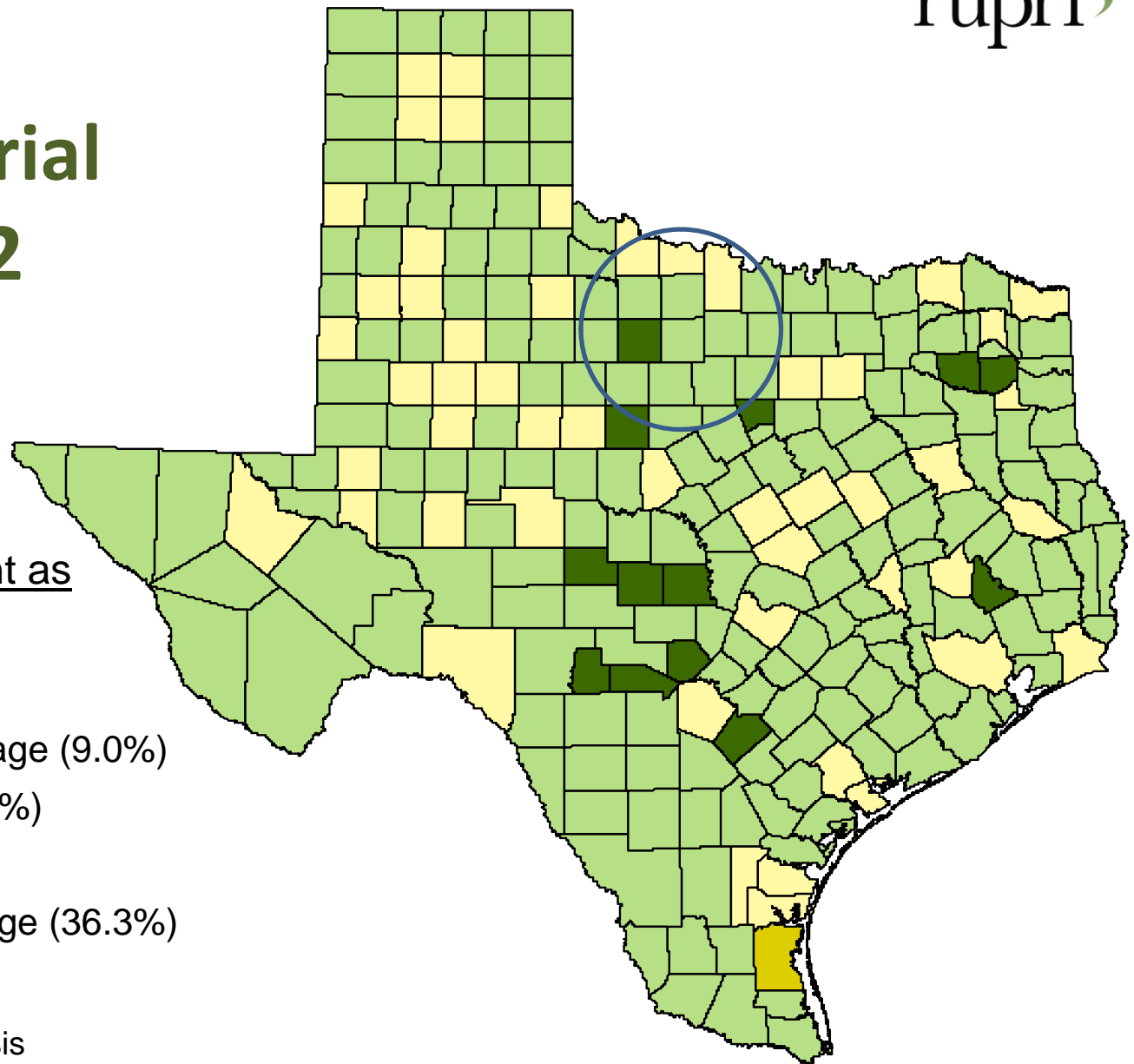
# Texas's Entrepreneurial Counties: 1



Nonfarm Proprietors as Percent of Total Nonfarm Employment, 2007

- Less than half of U.S. average (9.5%)
- 9.6% to U.S. average (19.1%)
- 19.2% to 38.2%
- More than twice U.S. average (38.3%)

# Texas's Entrepreneurial Counties: 2



Microenterprise Employment as Percent of Total Nonfarm Employment, 2007

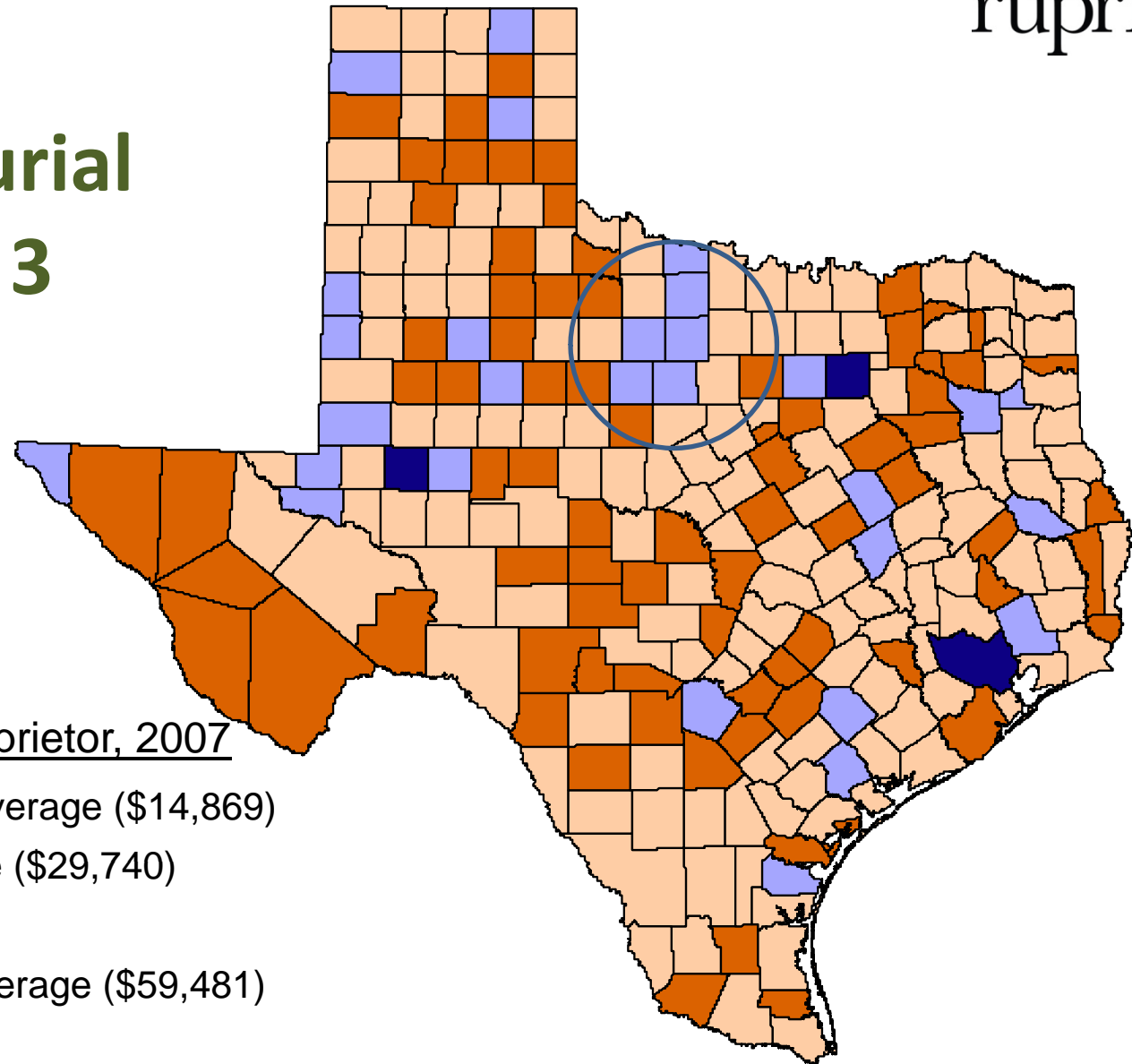
- Less than half of U.S. average (9.0%)
- 9.1% to U.S. average (18.1%)
- 18.2% to 36.2%
- More than twice U.S. average (36.3%)

Source: Bureau of Economic Analysis  
Regional Economic Information System;  
U.S. Census Bureau Nonemployer Statistics  
and County Business Patterns

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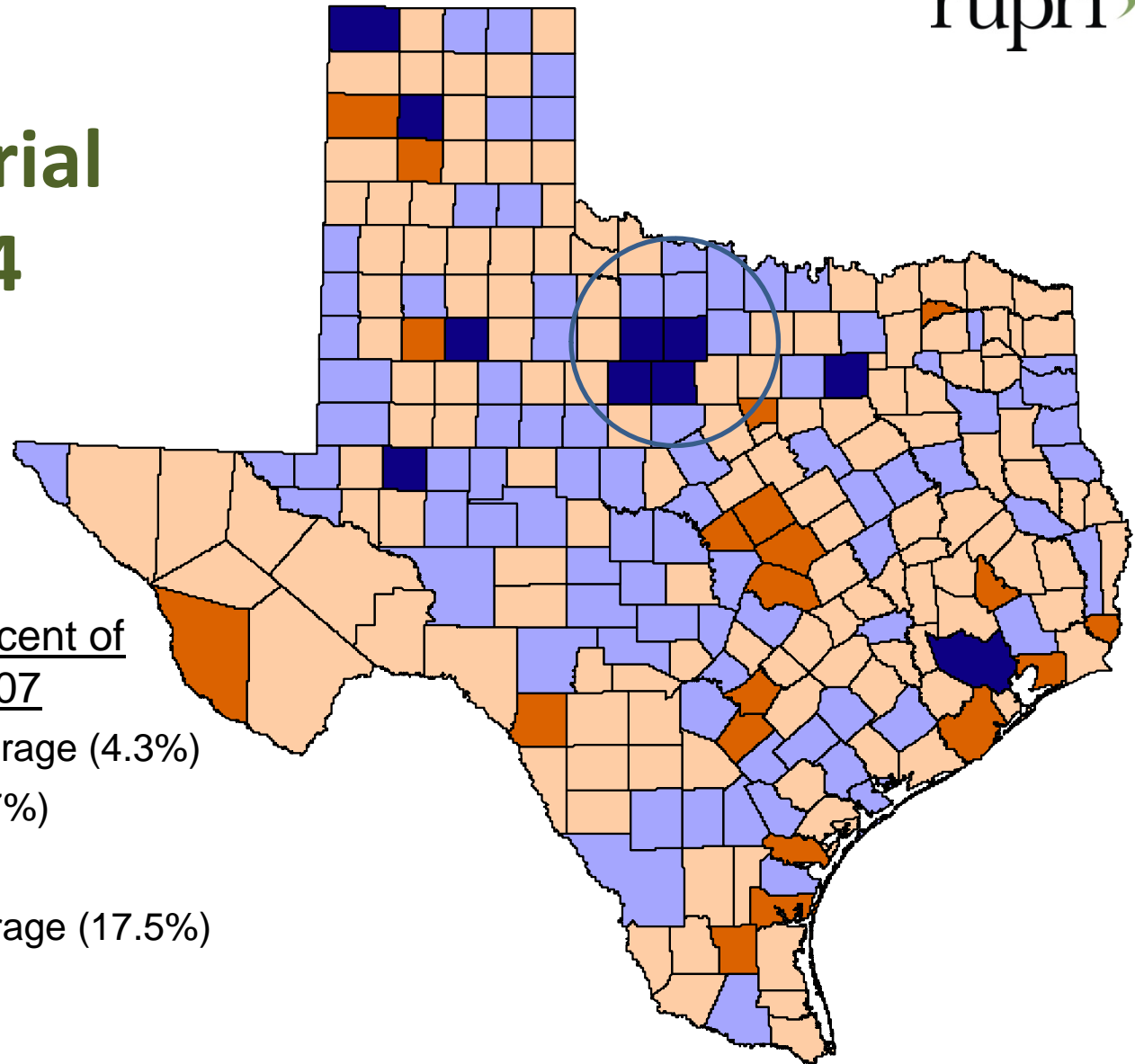
# Texas's Entrepreneurial Counties: 3



## Income per Nonfarm Proprietor, 2007

- Less than half of U.S. average (\$14,869)
- \$14,870 to U.S. average (\$29,740)
- \$29,741 to \$59,480
- More than twice U.S. average (\$59,481)

# Texas's Entrepreneurial Counties: 4



Proprietors Income as Percent of Total Personal Income, 2007

- Less than half of U.S. average (4.3%)
- 4.4% to U.S. average (8.7%)
- 8.8% to 17.4%
- More than twice U.S. average (17.5%)

# Entrepreneurship as Economic Development Strategy



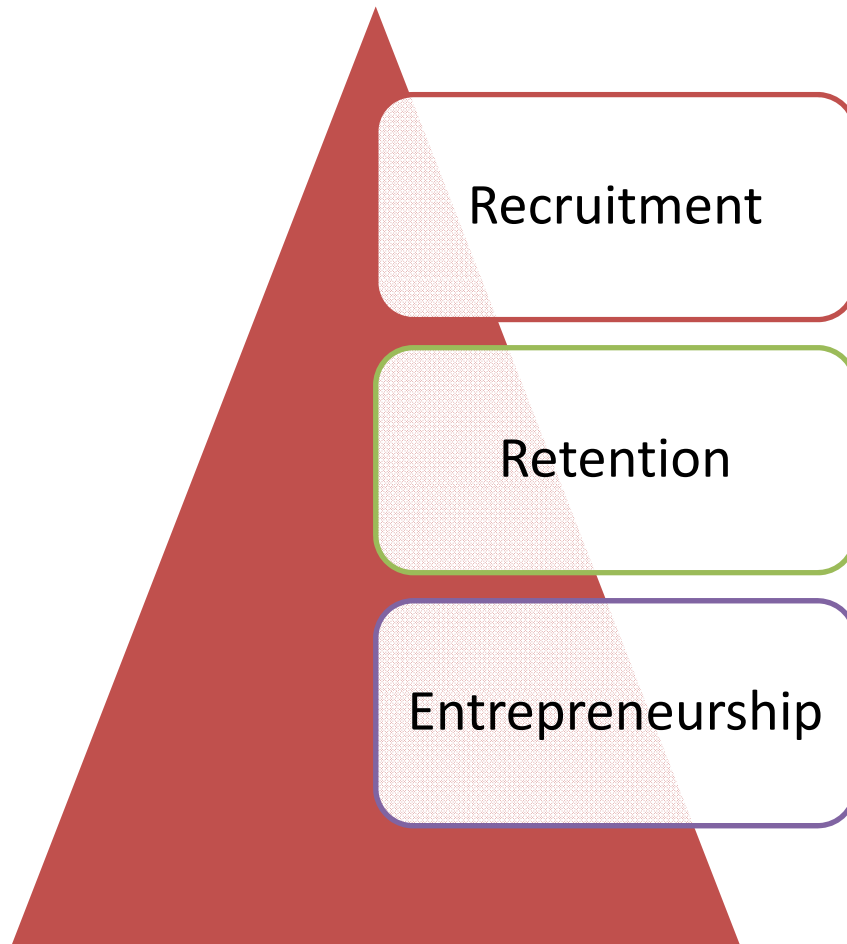
- **Entrepreneurship** – the link between assets and finding new sources of competitive advantage and economic opportunity
- **Entrepreneurs** – recognize opportunity and bring together resources to turn opportunity into a viable business venture
- **Entrepreneurial communities and leaders** – understand their assets and mobilize to employ these assets through entrepreneurship development

# Starting Points for Policy



- Key working assumption – entrepreneurship should be *the* core rural economic development strategy
  - Recruitment is irrelevant strategy for most rural communities, except for those with particular locational attributes
  - Entrepreneurs and small businesses are the drivers of local and regional economies; represent appropriate scale of activity for rural places

# The New Economic Development



- Entrepreneurship as the bedrock for economic development
- Emphasis on creating an e-friendly community – easier to attract and retain businesses
- E-friendly = business ***and*** community environment

# What we think we know



- Entrepreneurs are **diverse** in education, skill, motivation and found in many contexts – defining characteristic is willingness to **innovate**
- **Innovation** can be found anywhere – not restricted to certain sectors or places
- Only one in ten entrepreneurs will succeed in creating significant jobs and wealth
- Unwise to try to pick winners – need to create **diverse pool** of aspiring and early stage entrepreneurs

# What we think we know



- Main challenge in US is to **increase conversion rate** of early stage entrepreneurs into established businesses
- Context for economic development is rapidly changing – global integration means both **threats and opportunities** – entrepreneurial approaches more important especially in rural
- Some rural areas better endowed than others for sources of innovation or entrepreneurial climate, but all can benefit to some degree

# Some trends



- **Focus on transformational potential of entrepreneurship**
  - Increasing focus on the individual entrepreneur through mentoring, coaching, peer learning – transformational skills
  - Increasing understanding of **systems approaches** to “connect the dots”, break down institutional barriers – shifting from supply to demand orientation
  - Increasing recognition of **importance of place** – both positive and negative influences (assets and attitudes)

# Some trends



- **Critical importance of being clear about goals and outcomes, theory of change**
  - Need for integrated evaluation process – baseline assessment, agreement on appropriate portfolio of measures, regular monitoring, rigorous evaluation, dissemination of findings

# Some trends



- **Separation of agriculture and rural development leads to overlooked opportunities**
  - 80% of farm household income is from off-farm sources; Successful farming dependent on vibrant rural communities
  - Important part of new **opportunities** in rural America – bio-energy, local food systems, ecosystem services – all offer farm- and land-based entrepreneurship possibilities
  - Weak system linkages between business support services and farm organizations – unique role for Extension

# Policy Goals



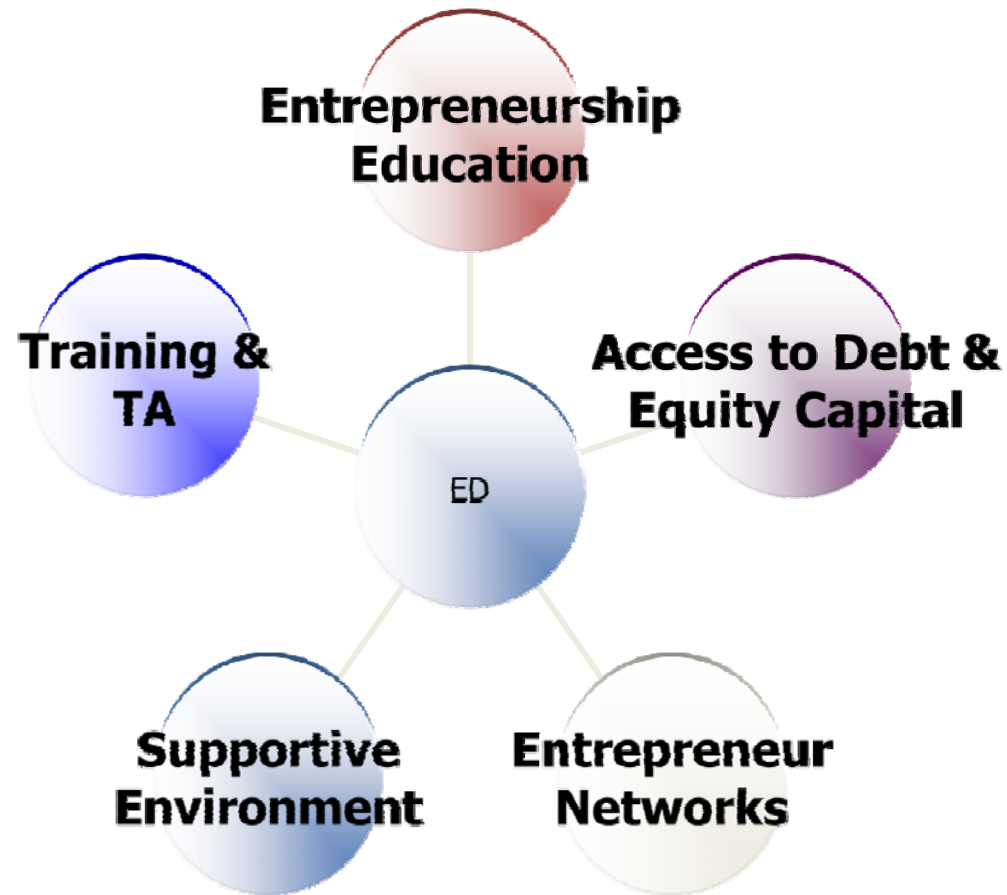
- **More** entrepreneurs
  - *Increase the numbers*
- **Stronger** entrepreneurs
  - *Increase the survival rate*
- **More high growth** entrepreneurs
  - *Increase the number that create jobs and wealth*

# Program Goals



- More entrepreneurs in the **pipeline**
- More entrepreneurs staying in their **community**
- Better **informed** entrepreneurs
- Better **skilled** entrepreneurs
- More **job creating** entrepreneurs
- Greater business **productivity**

# Entrepreneurship Development rupri rural policy research institute



# Some US Models



- **Entrepreneurship Development Systems**

- Six Kellogg-supported initiatives putting key principles to the test – NC, NE, NM, OR, SD, WV
- Big Tent (Supply Side) vs. Transformational (Demand Side)

# Entrepreneurship Development Systems

- Create a **pipeline** of entrepreneurs by identifying and supporting youth and adult entrepreneurs
- Implement a **system** of financial and technical support for entrepreneurs of all types
- Foster a policy and cultural **environment** supportive of entrepreneurship



- 12 county area straddling West Virginia, Kentucky and Ohio
- 5 rural regions in Oregon
- 4 counties in northern New Mexico
- Statewide in Nebraska
- Statewide in North Carolina
- Three Native American reservations in South Dakota and Wyoming

# Some US Models



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- Mobilizing local leaders, energizing entrepreneurs, engage & attracting young people, capturing wealth transfer – NE

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- Lyons & Lichtenstein – entrepreneur diagnostics, service delivery systems – WV, KY +

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- **Economic Gardening**

- Chris Gibbons – access to information, infrastructure, connections – emphasis on market research – a developing movement

# Some more models



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- **Energizing Entrepreneurs (e2)**
  - RUPRI/CRE – training and tools for entrepreneurship development by communities

# Role of State Government



- **Advocate for an entrepreneurial Texas**
  - Commission research, convene summits and competitions, promote entrepreneurial education, streamline regulatory processes
- **Invest in an entrepreneurship system**
  - Leverage dollars, target investments to key market audiences, increase capacity, invest on a competitive basis, measure performance, encourage innovation
- **Be a catalyst, convener, connector, and coordinator**
  - Build commitment, encourage collaboration

# Role of Higher Education



- **Provide educational leadership**
  - Develop programs for entrepreneurship education and training, make entrepreneurship part of curricula; encourage technology/knowledge transfer
- **Be a resource for research and analysis**
  - Conduct fundamental and applied research to inform and guide entrepreneurship investment
- **Connect students and entrepreneurs**
  - Provide experience and capacity

# Role of Private & Nonprofit Sectors



- **Be the ‘connector’ for entrepreneurs and communities**
  - Brokers of networks & knowledge, local conveners
- **Advocate for responsive government and appropriate resources**
  - Argue for policies, regulations, and funding that best promote entrepreneurship
- **Provide direct services and systems**
  - Deliver range of capital, training, technical assistance and other services within comprehensive system



**Rural Policy Research Institute  
(RUPRI)**

[www.rupri.org](http://www.rupri.org)

**RUPRI Center for Rural  
Entrepreneurship**

[www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org)