

rural development NEWS

Are Entrepreneurs Born or Made?

by Cornelia Butler Flora

Are entrepreneurs born or made? Is entrepreneurship simply a matter of personal traits and ambitions, or does entrepreneurship depend in part on context? And if context is important, is rural too much of a disadvantage for entrepreneurship to take root and thrive? The North Central Regional Center for Rural Development has been involved in listening sessions throughout the region on support for rural entrepreneurship. The dialogue indicates that both personal traits and context can be cultivated in rural America.

Literature suggests that the following individual characteristics of entrepreneurs contribute to their innovation, determination and success.

- **Nonconformity**—Low conformity to rules enhances original innovation (Kirton 1976, Mudd 1996, Rosenfeld et al. 1993). Such individuals are likely to recognize opportunities not visible to others and to ignore the messages that say following those opportunities is folly.
- **Self-efficacy**—Individuals with a high level of self-efficacy believe they are capable of attaining a goal (Goel and Karri 2006). Individuals with high levels of self-efficacy are more likely to have high self-esteem, emotional stability, optimism, and an internal locus of control (Judge et al. 2003, Watson, Clark and Tellegen 1988, Krueger and Dickson 1994). This characteristic is a good predictor of entrepreneurial behavior and success (Chen, Green and Crick 1998, Erickson 2002, March and Shapira 1992).
- **Achievement Motivation**—Entrepreneurs have higher achievement motivation than the rest of the population (Hornaday 1982). People with high needs for achievement value achievement more than they value power or affiliation (McClelland and Winter 1969). They set goals they can reach with their experience and ability; they are not gamblers, but realistic high goal setters.
- **Preference for Innovation**—Entrepreneurs seek to do new things or familiar things in new ways (Drucker 1985, Schumpeter 1934, Carland and Carland 1991, Timmons 1990). Most people seek to do the same thing the way they have always done it
- **Low Uncertainty Avoidance**—Entrepreneurs are more likely than others to accept uncertainty (Hofstede 1980, Doney, Cannon and Mullen 1998). They assume that they cannot predict the future, but instead can act to make a future that is different than that of the past.



Perhaps the most persuasive arguments for the importance of context for entrepreneurial creativity are those of Jane Jacobs (1984) and Richard Florida (2002, 2005) who argue that

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certain cities support innovation and entrepreneurship. Both see the diversity of urban areas as a necessary condition for creativity, implicitly classifying rural areas as places where people and ideas are homogeneous. Richard Florida identifies galleries, theaters, cafés, and places to hang out at night with music and a chance to meet others who work strange hours doing creative things as important elements for attracting the creative class—those knowledge workers who create new products, new services and new firms.

Yet we have evidence that rural communities can generate entrepreneurship and form supportive clusters. Entrepreneurial Social Infrastructure is associated with communities that stimulate entrepreneurial behavior (Flora and Flora 1993, Flora et al. 1997). McGranahan and Wojan (2007) found that, while not all rural areas are likely to benefit from a strategy to attract creative workers, rural areas most attractive to creative workers tend to have sufficient density to provide a reasonable level of services, appealing landscapes and other natural amenities, and growth in surrounding areas. Adjacency to a metropolitan area does not appear to be a prerequisite, and analysis provides intriguing evidence that attracting creative workers may be influenced by local development strategies.

There is also documentation that entrepreneurial behavior can be increased by positive interventions in rural communities (Sirolli 1999, Emery and Flora 2006). This work suggests that: 1) the networks critical for entrepreneurship can be created in rural areas, and 2) these networks can then support the personal characteristics shown by the research on individual entrepreneurs to be important. A number of community-based enterprise activities with positive results are reported in the case studies analyzed.

In analyzing approaches to enterprise development and entrepreneurial communities, Lichtenstein, Lyons and Kutzhanova (2004, p. 17) found that community-based strategies can be effective—but only if they follow five critical strategies:

1. Take a systems approach to enterprise and community development.
2. Customize the enterprise development system for each community.
3. Focus on developing entrepreneurs.
4. Develop new roles, skills and tools within the community.
5. Operate as a transformational business.

The Regional Rural Development Centers and our partners in the entrepreneurship listening sessions around the country found that building the systems approach by linking the pieces of education, technical assistance and financing is just beginning in many parts of rural America. Communities and businesses need to approach enterprise development in a holistic fashion.

Locality-based entrepreneurship strategies that provide community-based entrepreneurship education and mobilize the leadership and resources of the community have been successful in Nebraska. Enhancing, Developing, and Growing Entrepreneurs (EDGE), a community-based entrepreneurship development program, provides entrepreneurial training and builds community capacity for entrepreneurship by facilitating new structural arrangements through development of a broad-based coalition (Korsching and Allen 2004). Energizing Entrepreneurship (E2) shares these same two strategies, but also includes strategic leadership development for transformational change (Emery, Wall and Macke 2004). These holistic, community-based approaches are transformational for the community, the firm and the individual entrepreneur. ○

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Supporting and generating entrepreneurship is increasingly on the radar screens of economic development organizations across the country. Here in the North Central region, many communities are turning to Extension to help them learn more about how focusing on entrepreneurship can help revitalize their economies and encourage young people to return. In order to provide a forum so we can learn from one another, the North Central Regional Center for Rural Development has engaged in three new initiatives.

Listening Sessions on Entrepreneurship in Rural America

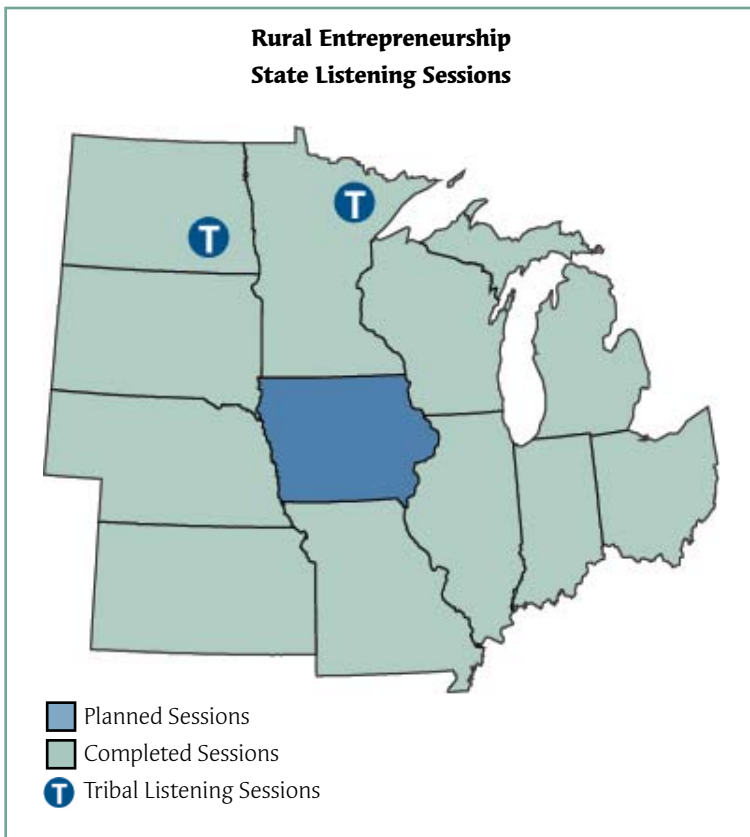
by Mary Emery


Entrepreneurship has become a national buzzword as well as a national priority for many organizations and agencies working in rural America. When the W.K. Kellogg Foundation and the Corporation for Enterprise Development put out a call for proposals to create Rural Entrepreneurship Development Systems, the response from organizations, agencies and communities was staggering—182 collaborations representing more than 2,000 organizations and agencies applied for this grant opportunity.

In an effort to provide a support system for entrepreneurship, the four Regional Rural Development Centers working with Dr. Jim Zuiches, drafted a proposal to the Kellogg Foundation to initiate the formation of the National Coalition for Rural Entrepreneurship that would create the Rural Entrepreneurship Development Program. The focus of the National Coalition for Rural Entrepreneurship is developing entrepreneurial capacity in rural communities and organizations through education, training, technical assistance, research, extension, outreach and demonstration projects.

The RRDCs then organized listening sessions across the country with the collaboratives that applied for the initial Kellogg grant and other groups and organizations interested in rural entrepreneurship. We wanted to learn about what is working well to generate and support entrepreneurship in rural America and how it might work better. The listening sessions were supported by the W.K. Kellogg Foundation; the Northwest Area Foundation; the Farm Foundation; Cooperative State Research, Education and Extension Service; and numerous local and regional funders, entrepreneurial service organizations, and state Extension programs.

We had originally planned to hold four listening sessions in the North Central region. However, the response astounded us. Interest and demand required that we more than double the number of listening sessions we had planned nationally. In the North Central region we have conducted 10 state-focused listening sessions, one listening session in Indian Country co-hosted by United Tribes Technical College, and one joint state/tribal-focused session co-hosted by Fond du Lac Tribal and Community College.





Those attending the listening sessions often used their own resources to support their participation and that of others because of their belief in the vital role entrepreneurship plays in reshaping local and regional economies. The listening session participants not only provided excellent input for the national policy agenda, they also made concrete suggestions for organizational efforts at the state, regional and national levels. Most importantly, the listening sessions have facilitated on-going activities, plus stimulated new actions at the state level. On the ground examples include projects in Wisconsin, Minnesota, Michigan and Indiana.

We are looking now for funding to build on the considerable momentum emerging from the listening session process with follow-up work in each region to create region specific councils plus support action at the national level.

Building Local Economies of the Future: An eXtension Community of Practice


Building on the Entrepreneurship Listening Sessions Initiative, the four Regional Rural Development Centers developed a team to submit a proposal for "Pioneer Communities of Practice" within the Cooperative Extension Service system. Titled *Building Local Economies of the Future: Entrepreneurship Education and Information Systems for Rural People and Places*, this effort involves building a community of practice around entrepreneurship. The Centers have created a two-step community of practice system—a regional entrepreneurship resource team in each of the four regions, and a core community of practice entrepreneurship team that is national in scope.

The entrepreneurship community of practice is designed to make available nationwide important information and useful tools related to entrepreneurship as an economic development and community-building strategy. The entrepreneurship community of practice consists of one group focusing on the entrepreneur as the end user, and another group focusing on finding, creating and disseminating information for communities interested in becoming more supportive of entrepreneurial activity.

For more information on the eXtension entrepreneurship community of practice contact Mary Emery at memery@iastate.edu, (515) 294-2878.

A Regional Entrepreneurship Resource Team

As part of the eXtension entrepreneurship community of practice, a regional entrepreneurship resource team has been created in the North Central region. A listserv has been set up, and the group has had four conference calls to date. A face-to-face work session is being planned for the near future. The regional team is interested in sharing ideas about how to help communities become more supportive of entrepreneurship, youth entrepreneurship and business succession planning.

If you are interested in joining the regional entrepreneurship resource team contact Mary Emery at memery@iastate.edu, (515) 294-2878. 

publications

I Said Yes!

I Said Yes! is about America's young people and what can be done to better serve them, especially the one in five living below the poverty line. Readers will be introduced to a growing movement that teaches entrepreneurship to young people from low-income communities, called the National Foundation for Teaching Entrepreneurship or NFTE (pronounced "nifty").

NFTE teaches entrepreneurship to at-risk youth, helping young people from low-income communities build life skills and unlock their entrepreneurial creativity. In *I Said Yes!*, Julie Silard Kantor, executive director of NFTE Washington, D.C., provides a first-person account of the transformative power that NFTE's mission of teaching entrepreneurship has brought to many young lives. The book includes real life stories of students, teachers and leaders involved with youth entrepreneurship in the school system. Kantor argues to support America's public schools in adopting the NFTE entrepreneurship program as an accredited class and fundamental life skill for our youth.

More information on *I Said Yes!* is available at <http://www.isaidyes.org>.

Successful Entrepreneurial Endeavors in Rural Regions

Although rural small businesses tend to be largely outnumbered by their urban counterparts, their contribution is vital for the economic success, or failure, of local and state economies. Many federal and state agencies and local rural development councils have expressed interest in analyzing the impact macro- and microeconomic factors have on the growth and profitability of small, rural-based businesses. This analysis is available in

a report titled *An Empirical Approach to Characterize Rural Small Business Growth and Profitability* from the Small Business Administration's Office of Advocacy.

The report examines a number of issues that determine the success of entrepreneurial endeavors in rural regions, and includes case study analysis from six states: Kentucky, Maine, Nebraska, Nevada, North Carolina and Utah. Conclusions include:

- A positive relationship exists between rural population growth and change in the number of rural small businesses. One of the key issues facing rural communities is how to retain the younger, more educated population.
- The growth rate in the number of rural small businesses is influenced by different factors during periods of different economic conditions.
- Rural policy initiatives are primarily geared toward specific topics or regions. Programs were focused on improving regions that were generally struggling in certain socioeconomic areas, such as high levels of unemployment and poverty.
- Rural areas have difficulty attracting profitable, high-tech businesses, primarily because of a lack of an educated labor force and a lack of infrastructure.
- The current focus in rural small business development involves helping the rural entrepreneur. Future research on rural entrepreneurship is warranted to assess the best ways rural entrepreneurship policy can be implemented to assist rural small businesses.
- Rural development centers and nonprofit organizations are vital components in rural small business development.
- The impact of urban changes on the rural small business environment was mixed.

An Empirical Approach to Characterize Rural Small Business Growth and Profitability is available from <http://www.sba.gov/advo/research/rs271tot.pdf>.

world wide web

E2—Energizing Entrepreneurs

<http://www.energizingentrepreneurs.org>

The Energizing Entrepreneurs Web site is home of the RUPRI Center for Rural Entrepreneurship and a companion site for the book, *Energizing Entrepreneurs: Charting a Course for Rural Communities*, created in partnership with the Heartland Center for Leadership Development (www.heartlandcenter.info/publications.htm). This Web site shares what they have learned about creating supportive environments for entrepreneurs in rural places. While the focus is on rural, much of what has been learned may have value to those working in urban places as well. The Center for Rural Entrepreneurship is a Rural Policy Research Institute national research and policy center. The primary goal of the Center is to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. The rationale for the Center is rooted in a clear opportunity for building more prosperous, dynamic and sustainable economies in rural America through entrepreneurship development.

digest

The Impact of Location on Net Income

America's home-based sole proprietors generate \$102 billion in annual revenue according to a report funded by the Office of Advocacy of the U.S. Small Business Administration. Titled *The Impact of Location on Net Income: A Comparison of Home-based and Non-Home-based Sole Proprietors*, the study details revenues, expenses and income for both home-based and non-home-based sole proprietors by industrial sector using federal income tax data from 2002 sole proprietorship returns (Schedule C).

Author Joanne H. Pratt finds that the average home-based sole proprietor earned \$22,569 in net income while their non-home-based counterparts earned \$38,243. Nonetheless, due to lower expenses, particularly in rent and labor costs, the average home-based sole proprietor consistently gained a higher return on gross revenues at 36 percent, versus 21 percent for the non-home based sole proprietor.

Find the full article at <http://www.sba.gov/advo/research/rs275tot.pdf>, or the research summary at <http://www.sba.gov/advo/research/rs275.pdf>. For more information on this study contact Ying Lowery at (202) 205-6947, advocacy@sba.gov.

New Census Studies on Self-Employment

In addition to just simply knowing another entrepreneur, new business owners gain invaluable experience from working in a family member's small business, according to research sponsored by the Census Bureau's Center for Economic Studies. In this research, Robert Fairlie and Alicia Robb examine how a family business background affects small business outcomes.

It's been conventional wisdom that many entrepreneurs had parents who were self-employed. According to some estimates, more than half of all business owners had a self-employed family member prior to starting their business. While this data is compelling, what's really driving intergenerational business ownership patterns? Is it nature or nurture? In other words, are some entrepreneurial traits inherited across generations or do entrepreneurs model the behavior displayed by their parents?

The research offers a number of interesting insights, but one main conclusion stands out. New business owners gain invaluable experience from working in a family member's small business. This work experience is critical in providing future entrepreneurs with the skills and knowledge needed to succeed in business ownership. The authors also note that few public sector programs help aspiring entrepreneurs obtain this kind of apprenticeship experience. Many programs do provide technical assistance and financial support, but they do not provide real life experiences that seem to be important for the acquisition of critical entrepreneurial skills.

Excerpted from the June 2005 U.S. Census Bureau Center for Economic Studies Discussion Paper (CES 05-07) titled *Families, Human Capital, and Small Business: Evidence for the Characteristics of Business Owners Survey*. Find the full report at http://webserver01.ces.census.gov/index.php/ces/1.00/cespapers?down_key=101720.

conferences

Rural TeleCon `06

The 10th Annual Conference of the Rural Telecommunications Congress is scheduled for October 22-25, 2006, in Little Rock, Arkansas. Rural TeleCon `06 will feature community success stories based around communities that have transitioned themselves using enhanced telecommunication services, Best Case practices, experts on programs and development issues, and what tools are needed in a community's toolbox.

The Rural Telecommunications Congress is a national stakeholder organization dedicated to assuring rural communities and rural residents in the United States have access to the information and support they need to obtain and use advanced telecommunications services, particularly broadband digital communications, for community and economic development. More information is available at <http://www.bringemback.us/files/rtc/index.htm>.

Exploring Rural Entrepreneurship

Exploring Rural Entrepreneurship: Imperatives and Opportunities for Research is scheduled for October 26-27, 2006, in Washington, D.C. This is a joint conference convened by the Rural Policy Research Institute and USDA's Economic Research Service with support from the Northwest Area Foundation and the Farm Foundation. Registration is limited to 75 participants. More information is available at http://extension.usu.edu/wrdc/Files/pdf/RUPRI-ERS_Conf_OCT_2006.pdf.

Visit the NCRCD Web site at <http://www.ncrcrd.iastate.edu> for more conference announcements.



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NCRCRD Evaluating Community Impacts from \$2 Million Entrepreneurship Grant

HomeTown Competitiveness, a Nebraska initiative currently working in seven counties and communities in Nebraska, is one of six recipients of grants provided through the W.K. Kellogg Foundation's 75th Anniversary Entrepreneurship Development Systems for Rural America. The North Central Regional Center for Rural Development is part of the HTC initiative and will help monitor and evaluate the community impacts of the coordinated efforts to increase rural community entrepreneurship.

HomeTown Competitiveness provides a framework for rural communities to help them identify reachable goals and strategies focused on the four pillars of reversing rural decline, including building leadership and community capacity, engaging young people, fostering local philanthropy, and supporting entrepreneurship.

The core partners in the Kellogg-funded initiative are the Nebraska Community Foundation, the Heartland Center for Leadership Development, the RUPRI Center for Rural Entrepreneurship and the Center for Rural Affairs. Other collaborative partners are colleges and programs at the University of Nebraska; the Nebraska Microenterprise Partnership Fund; Northeast Community College at Norfolk; Northern Great Plains Inc. of Fargo, North Dakota; the Nebraska Lied Main Street Program and the Rural Enterprise Assistance Project; and Consolidated Telephone Company and Great Plains Communications, Inc., who serve the rural HTC communities.

The intent of the Kellogg EDS grants is to allow recipients to promote entrepreneurial activity in their region, produce entrepreneurial models for other communities, leverage significant investments, and stimulate national and state interest in rural entrepreneurship policies and strategies.

For more information on the evaluation component of this program, contact Mary Emery at memery@iastate.edu, (515) 294-2878. ☎

Entrepreneurial Resources in the Region

The North Central Regional Center for Rural Development is surveying Extension community resource development program leaders in the region to learn about resources and programs related to entrepreneurship. The information received to date suggests there is a fair amount of variety in the extent of resources dedicated to support entrepreneurship, the programs being offered, and the partners involved in these efforts.

Information is being compiled on:

- Programs
- Staff
- Audiences
- Partners
- Research
- Publications
- Key Issues

For more information contact Mary Emery at memery@iastate.edu, (515) 294-2878. ☎