

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on January 31, 2003 in Room 123-S of the Capitol.

All members were present except: Senator Jim Barone, excused
Senator Pete Brungardt, absent

Committee staff present: April Holman, Legislative Research
Deb Hollon, Legislative Research
Mitch Rice, Revisor of Statutes
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Don Macke, Center for Rural Entrepreneurship

Others attending: See attached list.

Mike Murray, Director of Governmental Affairs for Sprint, requested that the committee introduce a bill on wireless enhanced 911, on behalf of the wireless industry, including Sprint PCS, Verizon, Cingular, Western Wireless, AT&T Wireless, and Alltel. Sen. Steineger moved to introduce the bill, Sen. Emler seconded. The motion carried.

Chairperson Brownlee introduced Don Macke, of the Center for Rural Entrepreneurship. Mr. Macke gave a powerpoint presentation on entrepreneurship in rural America (Attachment 1) and distributed four articles on rural entrepreneurship (Attachments 2, 3, 4, and 5) and a booklet titled, "Building Entrepreneurial Networks," available from the National Commission of Entrepreneurship in Washington, DC.

The Center for Rural Entrepreneurship is an initiative of Rural Policy Research Institute and the Ewing Marion Kauffman Foundation. Mr. Macke explained why entrepreneurship is important, who are entrepreneurs, and how state policy can increase entrepreneurial talent. Much research has been done on entrepreneurs, but it has not been done with a rural perspective. The Center has done research in 22 states on rural entrepreneurship. Mr. Macke shared the results of his research and his recommendations for state policy based on his research.

Most rural communities do not have an economic development strategy; those that do are limited. Opportunity for industrial attraction has declined. Many communities are now focusing on small business, and supporting entrepreneurs within small communities.

Mr. Macke presented the findings of the Global Entrepreneurship Monitor Report from the year 2000:

- The level of entrepreneurial activity explains 70 percent of the difference in economic growth among nations.
- All nations with high levels of entrepreneurial activity have above average rates of economic growth.
- Only a few nations that have above average rates of economic growth have low levels of entrepreneurship.

Mr. Macke presented the findings of the National Commission on Entrepreneurship:

- High-growth companies are truly extraordinary in the economy; fewer than one in twenty U.S. businesses achieve high-growth rates.
- High-growth companies are found in all regions of the country, often concentrated in the most surprising areas.
- Most fast-growing, entrepreneurial companies are not in "high-tech" industries.
- Most regions' high-growth companies concentrate in certain specific industry sectors.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on January 31, 2003 in Room 123-S of the Capitol.

Mr. Macke believes that growth-oriented entrepreneurs are critical to regional economic competitiveness, and many rural regions are now struggling because they have limited entrepreneurial energy. Rural communities must be willing to cooperate, to build regional cooperatives. Though research shows that entrepreneurial talent is less in rural areas, it is present. Mr. Macke recommends investing in the group of people that are aspiring entrepreneurs, such as someone frustrated with their job who wants to start a new business.

Some rural assistance programs are failing because they offer general instead of specific assistance, they are unsure who their market is, and they have inadequate capitalization. Programs that work are multi-community, have an entrepreneurial focus, a local resource network, and are performance driven, among other qualities.

Valley County, Nebraska, is a community the Center for Rural Entrepreneurship is working with. The community had its population peak in 1910, has little industry, but has 15-20 individuals with entrepreneurial talent. They hope to reverse their current demographic decline in ten years.

In considering policy changes, states should focus on a small pool on entrepreneurs. Their success often motivates those who are potential entrepreneurs. A regional approach is best. People must overcome "turf battles" between communities.

Mr. Macke answered questions about his presentation, discussing what is needed to develop strong community leadership.

Chairperson Brownlee mentioned that this issue will be put into a subcommittee.

The meeting was adjourned at 9:30 a.m.

The next meeting is scheduled for February 4, 2003 at 8:30 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Friday, Jan. 31, 2003



NAME	REPRESENTING
St. Clair	Senate
Ron Seiber	Hein Law Firm
Nelson Krueger	Western Wireless
Sandy Braden	Cingular Wireless
Mike Murray	Sprint
Andy Shaw	ALLTEL
Karel Stout	Kansans
John Peterson	Ks Government Consulting
Paul Johnson	PACK
Mark Leonard	Kansas, Inc.
Stephanie Buchanan	DOB
Rebecca Zepick	Federico Consulting

**Commerce Committee
Kansas Legislature**

Topeka, Kansas
January 31, 2003

Don Macke
Co - Director

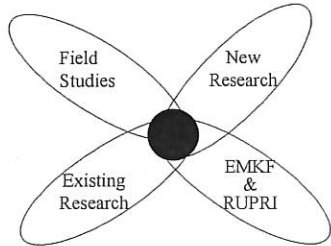
Center for **RURAL**
ENTREPRENEURSHIP

My Presentation

- ✓ Research Basis.
- ✓ Why?
- ✓ Who?
- ✓ How?
- ✓ State Policy Considerations.
- ✓ Center.

Research Basis



Our Work Across America



Why? – The Opportunity

- Rural Reality
- Economic Development Focus
- Entrepreneurs & the Economy
- The Rural Challenge

Rural Reality

- ↔ Rural Urban Differential
- ↑ Outmigration
- ↑ Poverty
- ↓ Opportunity
- ↑ Aging
- Rural/City vs. Suburbia

Economic Development Focus

- ✓ No Strategy
- ✓ Not Robust
- ✓ Attraction & Commodities
- ✓ Small Business
- ✓ Entrepreneurs

Key Research

- ✓ GEM
- ✓ National Commission
- ✓ Michael Porter
- ✓ Panel Study
- ✓ Others

**GEM 2000:
Entrepreneurship is strongly associated
with economic growth!**

- The level of entrepreneurial activity explains 70 percent of the difference in economic growth among nations.
- All nations with high levels of entrepreneurial activity have above average rates of economic growth.
- Only a few nations that have above average rates of economic growth have low levels of entrepreneurship.

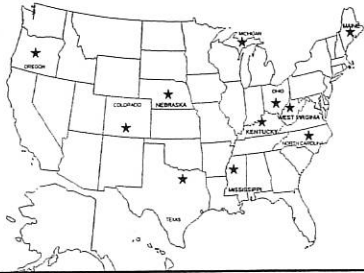
NCOE Report:

- High-growth companies are truly extraordinary in the economy; fewer than one in twenty U.S. businesses achieve high-growth rates.
- High-growth companies are found in all regions of the country, often concentrated in the most surprising areas.
- Most fast-growing, entrepreneurial companies are not in "high-tech" industries.
- Most regions' high-growth companies concentrate in certain specific industry sectors.

Panel Study

- 64,622 National Sample
- 830 Entrepreneurs
- Entrepreneurial Rates are Higher in Urban
- Rural Entrepreneurs are Present

High Performing ESOs



Key Insight #1

Growth oriented entrepreneurs are critical to regional economic competitiveness.

Key Insight #2

Many rural regions are struggling due to more limited entrepreneurial energy.

The Rural Challenge

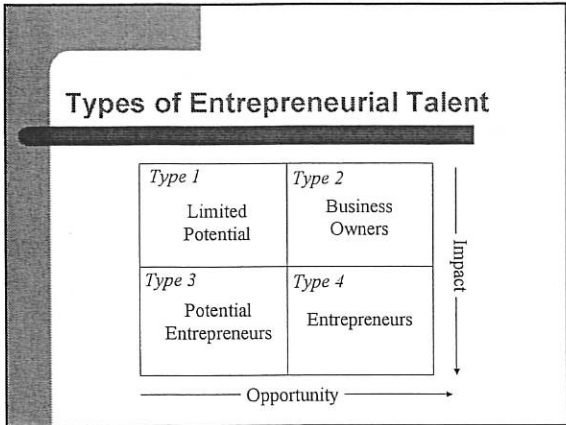
- Commit to Economic Development
- Be Strategic
- Invest
- Cooperate
- Build Capacity

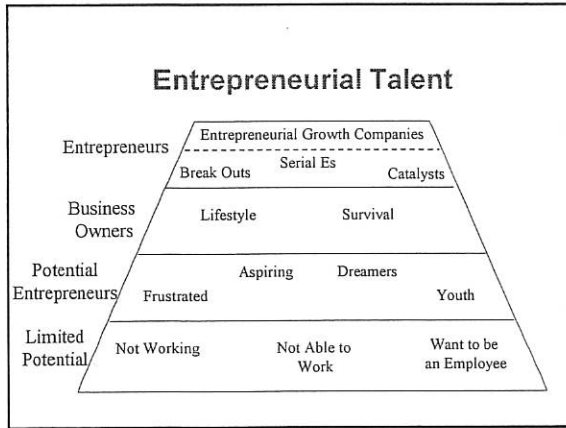
Who?

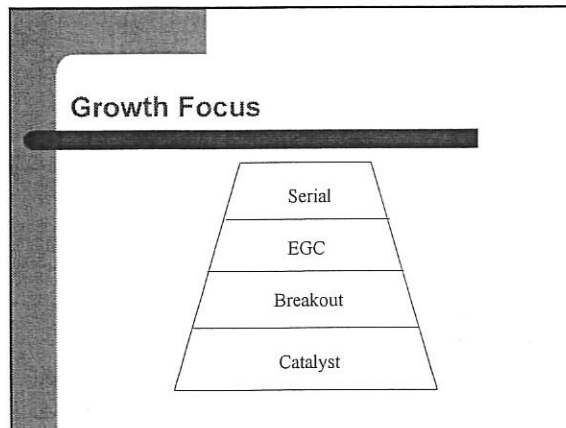
Research shows that while E talent is more limited in rural areas – it is present.

Entrepreneurial Talent

- Types
- Growth Focus
- Strategic Focus
- Strategies







Need to be Strategic

- Diverse Opportunities
- Capacity to Engage
- Match E Talent with Capacity
- Build Capacity to Do More
- Broader Research

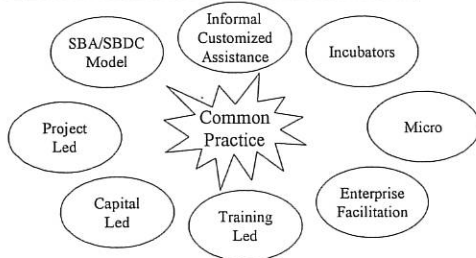
Strategies

Youth	School
Potential	Examples
Aspiring	Micro
E Traits	Training
Catalyst Breakout	} Customized Assistance
EGC's Serial	} IR

The Practice

- Many Forms
- Reasons for Failure
- Elements of the Practice
- Process

Many Forms

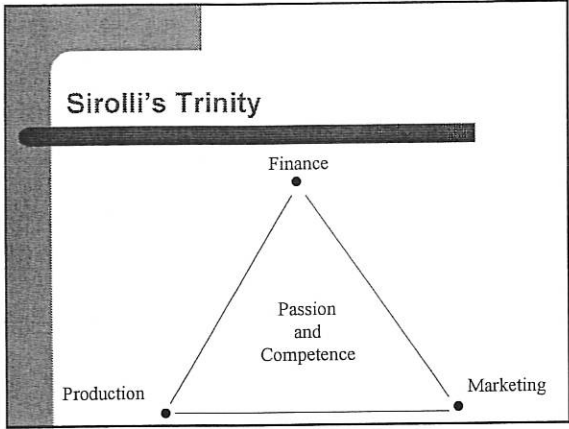


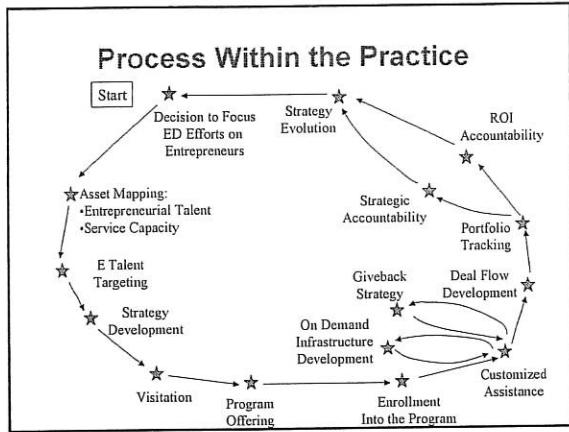
Why the Practice Fails

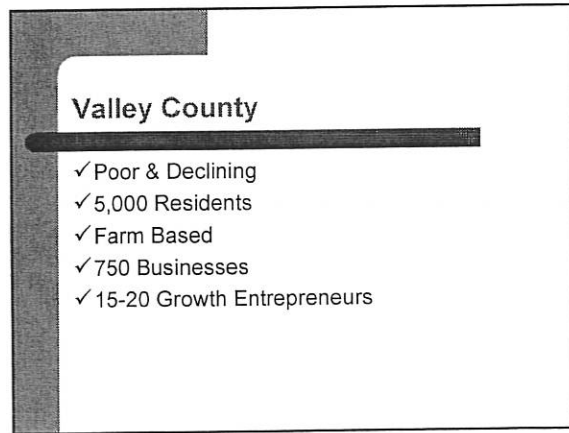
- One Size Fits All.
- General Versus Specific Assistance.
- Provider Dependency.
- Unstable and Short-Lived Programs.
- Unclear Goals.
- Lack of Accountability.
- Failure to be Strategic.
- Poor Execution of the Program.
- Inadequate Capitalization.

Elements of the Practice

1. Entrepreneurial Focus
2. The Right Geography
3. Facilitator Driven Customized Approach
4. Creation of a Portfolio
5. Business Services
6. Local Resource Network
7. Systems Approach with Higher Order Services
8. Performance Driven
9. Robust Capitalization
10. Accountability







State Policy Considerations

- ✓ Focus
- ✓ Practice Over Form
- ✓ Capacity Building
- ✓ Area Approach
- ✓ Sirolli Initiative Lessons
- ✓ Demand Driven Supply

How We Can Help

- Rural Entrepreneurship News and the Web
- Monographs
- Tools
- Case Studies
- Policy Academies
- Customized Technical Assistance

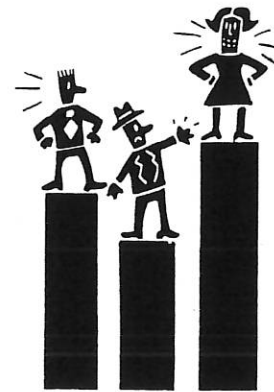
For More Information. . . .

- ✓ Center for Rural Entrepreneurship – <http://www.ruraleship.org>
- ✓ Ewing Marion Kauffman Foundation – <http://www.emkf.org>
- ✓ Rural Policy Research Institute (RUPRI) - <http://www.rupri.org>
- ✓ National Commission on Entrepreneurship (NCOE) <http://www.ncoe.org>

BACKGROUND AND INTRODUCTION

Successful initiatives are strategic and intentional. A key to continuous progress is rooted in an appropriate and functional outcome measurement system. The Center for Rural Entrepreneurship is crafting *Tools for Energizing Entrepreneurship*. This tool – *Outcome Measurement* – reflects our current thinking with respect to the criteria for deciding on appropriate outcome measures and the indicators useful for outcome measurement.

Specific metrics are being explored that can be employed to make this system operational. This tool should be viewed as a starting point or framework. Users are encouraged to craft their own outcome measurement systems based on their unique needs, informatics capacity and intervention focus. The focus of this tool is with respect to economic development with an entrepreneurship slant.



POSSIBLE OUTCOME METRICS

Economic development is a long-term process. Measuring cause and effect can be difficult because of the lengthy periods of time required for investments to result in outcomes. It is even more difficult to measure the impact, reach and capacity building outcomes of economic development efforts (Table 1). Unintentional (both good and bad) as well as non-associated outcomes can further distort outcome measurement. While the outcome measurement approach presented here relies primarily on quantitative information, we strongly recommend an active qualitative evaluation approach along with outcome measurement to ensure a deeper understanding of outcomes.

Outcome measurement requires some common terminology. Criteria and indicators, defined in Table 1, are the focus of Tables 2-4. Here we suggest possible criteria

and indicators that are appropriate for outcome measurement over the short, medium, and long term. We have not identified data sources for these indicators. In some cases, indicators can be obtained by using secondary data sources available through state and federal sources, such as household income data. In many cases, however, local data collection may be needed to develop these indicators, such as when identifying the extent of community philanthropy. We have, however, alluded to the cause and effect relationship involved. For example, enterprise activity is a criteria used to measure short-term outcomes of an entrepreneurship development strategy (Table 2). Enhanced enterprise activity, in turn, can be demonstrated by showing an increase in the number of entrepreneurs assisted by area support programs and/or an increase in the engagement of support providers with their

client entrepreneurs.

These tables should be used to stimulate a community-based dialogue about what the expected outcomes of entrepreneurship development activities are and how successful implementation of these programs will be measured. This information should be used as a first step in identifying what criteria are important to your community's entrepreneurial development efforts and what type of indicators might be useful in helping to measure outcomes.

Table 1 - Terms

Criteria. Measures employed to support decision making or selection among various choices.

Indicators. Measures employed to track performance associated with specific actions or a program of work.

Reach. Relates to the scale of impact associated with an intervention.

Impact. Relates to the depth of outcome associated with an intervention.

Capacity Building. Relates to the ability of an initiative to engage in development activity.

8-2

Table 2 – Short-Term Outcomes (6 to 12 months)

Criteria	Indicators	Discussion
Enterprise Activity	<ul style="list-style-type: none"> ▪ More Entrepreneurs Assisted ▪ Increased Client Engagement ▪ Increased Deal Flow ▪ Better Deal Flow 	<p>Economic development is a long-term activity. Bottomline outcomes only happen over time. Measuring success shorter-term is problematic. However, there are short-term indicators that can track progress toward ultimate outcomes. An entrepreneurial focused approach centers on specific entrepreneurs and their ventures. Indicators of enterprise activity such as the number of entrepreneurs being assisted, the level of engagement with the entrepreneur, expanding deal flow (private investment into ventures), and the quality of the deal flow are all sound short-term indicators to track progress.</p>
Capacity Building	<ul style="list-style-type: none"> ▪ Focused & Strategic ▪ Move From Reactive to Proactive ▪ Adequate Capitalization ▪ Community Engagement ▪ Resources Articulation into More Rational Assistance System ▪ Expanded Program Team 	<p>Chances are that any community, area or state seeking to build an entrepreneurial focused development program must start with what they have and evolve the program to greater sophistication, impact and reach – capacity building. We believe indicators within this evolutionary process include whether the program is focused on entrepreneurial needs and strategic targeting resources to entrepreneurship. Many development programs are reactive (e.g., responding to a new business lead or closing). Another measure of program success is when these programs move from being reactive to being proactive, thereby focusing resources on building a stronger E environment and meeting entrepreneur needs. Adequate funding of the program is essential and represents another measure. Expanding community engagement, understanding and ultimately support are essential for building a better program over time. One clear step is the articulation of available resources into a more rationale, accessible, affordable and real time assistance system for entrepreneurs. Finally, another measure is the development of a program team that is passionate and effective.</p>

Table 3 – Medium-Term Outcomes (1 to 3 years)

<i>Criteria</i>	<i>Indicators</i>	<i>Discussion</i>
Enterprise Success	<ul style="list-style-type: none"> ▪ Increased Competitiveness ▪ Increased Profitability ▪ Successful Transfers to New Owners ▪ Higher Survival Rates ▪ Increased Startups ▪ More Breakouts to New Markets and Growth 	<p><i>A big part of economic development is helping firms become more successful - enterprise success - so that job creation, tax base expansion and other outcomes can be realized. In rural areas the keys to success begin with creating more competitive venture models that result in higher profitability, growth and reduced failure rates. Other indicators of enterprise success include higher rates of business transfer as aging owners are seeking exit strategies from their businesses. We also measure success with higher new business startups and entrepreneurial breakouts. Breakouts are successful businesses that create a more competitive model enabling them to reach new markets and sustain growth.</i></p>
Community Success	<ul style="list-style-type: none"> ▪ Broader Career Options ▪ Expanded Employment ▪ Rise in Living Wage Jobs ▪ Expanded Tax Base ▪ Increased Give Back to Communities 	<p><i>Economies exist to serve the needs of people within communities. Community success is a second tier of medium-term outcomes we are seeking. For example we typically are seeking job creation from our economic development efforts. But increasingly we are also seeking jobs with attractive career tracks. Educated and motivated rural youth will move if good career options are not offered by their rural community. The term quality jobs has also emerged as a refined ED goal. We want more than job number – we also want jobs that provide living wage incomes. Two other community outcomes include expanded tax base (thereby increasing the ability of a community to meet public needs) and increased give back (the giving of time, talent and treasure to charitable causes).</i></p>
Organizational Success	<ul style="list-style-type: none"> ▪ Stronger Development Organization ▪ More Sophisticated Development Agenda ▪ Increased Volunteer Engagement ▪ Larger Budget ▪ Sharper Strategic Focus 	<p><i>In years 1 through 3 we are still creating capacity to engage in entrepreneurial focused economic development. A number of mid-term measures of organizational success include building a stronger development organization that can evolve a more sophisticated agenda. Such organizations inherently require more volunteer human talent, larger budgets for staff and programs, and ever sharper strategic game plan.</i></p>

2-3

Table 4 – Long-Term Outcomes (3 years or larger)

Criteria	Indicators	Discussion
Creation of Rooted Wealth	<ul style="list-style-type: none"> ▪ Increased Assets Per Household ▪ More Equitable Distribution of Assets ▪ Presence of Community Endowments and Philanthropic Giving 	<p>The long-term outcome of economic development investments should be the creation of rooted wealth. Measuring wealth is challenging as appropriate and readily available secondary data are scarce. However some information is generally available including assets property values (often by type such as residential, commercial, etc.) from state property tax databases. Information on assets per household can only be estimated using an indicator such as residential assessed value of property per household for example. Income is also a limited indicator as wealth per household is typically higher when higher income levels that are sustained over time. Finally, with a little work, community endowments and philanthropic giving can be measured locally.</p>
Sustainability	<ul style="list-style-type: none"> ▪ Increased Diversity of Businesses in Economy ▪ Increased Competitiveness of Businesses ▪ Increased Local Ownership 	<p>Sustainability is an ecological concept suggesting environmental systems are robust and stable with a capacity to handle shocks (such as droughts). Sustainability can also be employed with economic and social systems. For example, an area economy with a wide range of business types is generally more sustainable when compared to a single industry town. Other indicators can include the competitiveness of the economy based on industry type and firm competitiveness as well as the level of local ownership of firms.</p>
Smart Growth	<ul style="list-style-type: none"> ▪ Sustainable Development ▪ Fits Scale of the Community ▪ Minimized Disruptions 	<p>Smart growth suggests a bias. Actually smart growth refers to an emerging development approach that ensures growth is managed, intentional and beneficial to a broad segment of the community. Rapid or unplanned growth can be damaging to the social fabric of communities and fundamental quality of life.</p>
Constituency	<ul style="list-style-type: none"> ▪ Informed of Economic Development Strategies ▪ Engaged in Developing and Implementing Strategies ▪ Supportive with Time and Resources 	<p>Our democratic system, as well as market economic system, are based on an informed, engaged and supportive constituency. Active engagement of the residents of a community in economic development and community affairs is fundamental to the achievement of other long-term outcomes.</p>

4-2

FOUNDING PARTNERS

The Ewing Marion Kauffman Foundation and its partners look beyond need to identify and develop pivotal opportunities to help create successful businesses and improve the education of children in Kansas City and nationwide. Established in the mid-1960s by the late entrepreneur and philanthropist Ewing Marion Kauffman, the Kauffman Foundation works to advance entrepreneurship by reaching individuals of all ages through the delivery of entrepreneurship education and development, and the promotion of an entrepreneurial environment. For more information about the Kauffman Foundation, visit www.emkf.org.

The Rural Policy Research Institute (RUPRI) is the only national policy institute in the U.S. focusing solely upon the rural implications of public policy. This comprehensive approach to rural policy analysis involves scientists from universities, research institutions, governments, and non-governmental organizations. To date, more than 200 scientists representing 16 different disciplines in 80 universities, 40 states, and three countries have participated in RUPRI projects. Additional information on RUPRI can be found at www.rupri.org.

Author. This monograph was prepared by Don Macke. Don can be reached at don@ruraleship.org or 402-323-7339.

RESOURCES

- Entrepreneur Self-Test - A tool to help community residents identify and understand their entrepreneurial potential.
- Entrepreneur and Community Support Test - A tool to help community residents assess their own entrepreneurial potential and to help assess the level of community support for entrepreneurs.
- Readiness Factors - A tool to help rank your community in terms of "readiness factors" to build a successful entrepreneurship-based economic development strategy.
- Rural Community Entrepreneurship Survey - A tool to gather baseline information about your community's support for entrepreneurs.
- Rural Entrepreneur Survey - A tool to gather baseline information about your community's entrepreneurs.
- Outcome Measurement - A tool to help you begin the process of measuring outcomes of entrepreneurial development programs by suggesting criteria and indicators of short, medium, and long-term outcomes.
- Understanding Entrepreneurial Talent - A tool to help you identify and understand the support needs of different types of entrepreneurs in your community.

ABOUT THE CENTER

The *Center for Rural Entrepreneurship* is new. It is an outgrowth of the *Rural Entrepreneurship Initiative*. The Center is a RUPRI National Research and Policy Center with founding support from the Ewing Marion Kauffman Foundation of Kansas City, Missouri.

Our mission is to enable every rural resident to achieve his or her full entrepreneurial potential. This mission will be achieved by collaborating with individuals and organizations engaged in the study, practice and policy of rural entrepreneurship.

The Center supports research, field work, and policy development through collaborations with national, state, and local interests. For more information on the *Center for Rural Entrepreneurship*, check out our web site at www.ruraleship.org or call Taina Radenslaben at 402-323-7336.

Understanding

Entrepreneurial Talent

TOOLS FOR ENERGIZING ENTREPRENEURSHIP

No. 2, August 2002

Web: <http://www.ruraleship.org>

Don Macke, Co-Director
Deb Markley, Co-Director

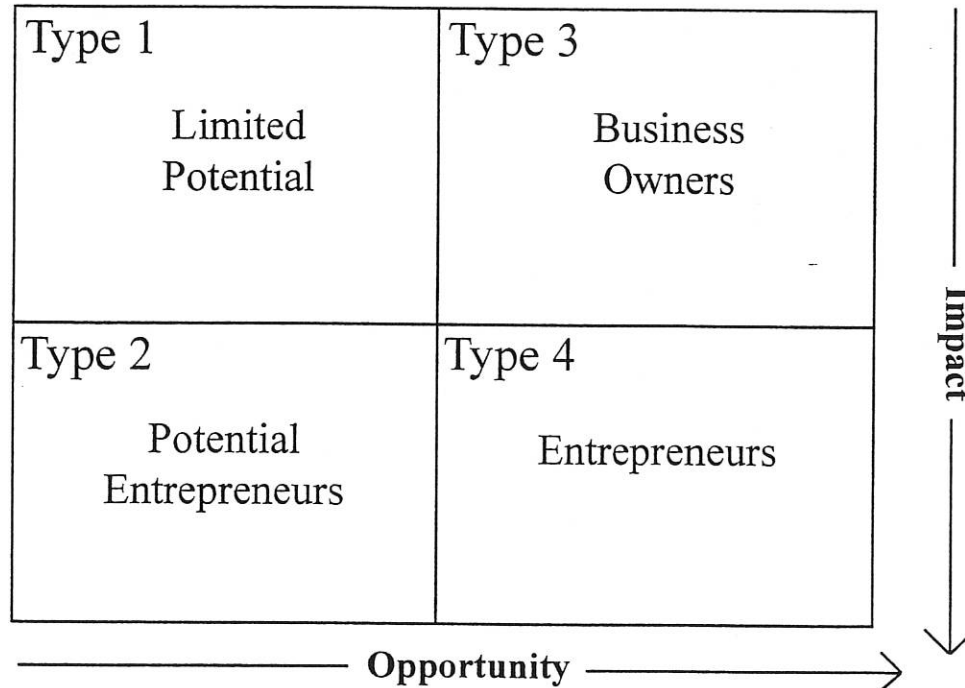
BACKGROUND AND INTRODUCTION

Entrepreneurship is an American value and it is rooted in our culture. We Americans see ourselves as entrepreneurial in our passion to create and our motivation to build. Everyone who is in business probably has some entrepreneurial traits. But most persons in business are not entrepreneurs. True entrepreneurs represent a relatively small segment of American society.

Entrepreneurs are those who have a passion for creating and a capacity for growing enterprises. Entrepreneurial talent is rooted in motivation and capacity. Both are learned traits and can be developed, expanding the nucleus of entrepreneurs at the community level. This tool – *Understanding Entrepreneurial Talent* – is part of the Center for Rural Entrepreneurship’s *Tools for*

Energizing Entrepreneurship series. This guide can help development practitioners and community leaders better understand the local pool of entrepreneurial talent. A companion tool – *Matching Resources by Entrepreneurial Type* – provides insight on what types of assistance are most appropriate and effective for each type of entrepreneurial talent (Figure 1).

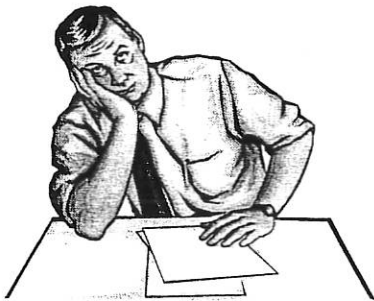
Figure 1 - Entrepreneurial Talent Matrix



Opportunity. *The likelihood of a group to become more entrepreneurial.*

Impact. *The probable likelihood of a group creating a more robust entrepreneurial community and economy.*

Type 1 - Limited Potential. The largest type within our classification system includes those persons with little or no potential for engaging in entrepreneurship. Included in this group are persons who cannot or do not work, persons who strongly prefer to work for someone else and persons who lack the motivation or capacity to engage in entrepreneurial activities.



Type 2 - Potential. Many people have the potential to be entrepreneurial. The potential pool represents a large segment of our population that includes both youth and adults. The transition from having the potential to aspiring to be an entrepreneur is rooted in some motivation to move from working for someone else to creating and growing ventures. This motivation may be based in the desire to create or frustration with one's lack of opportunity. For many other reasons – perception of risk or inability to see how to proceed – most persons in this potential pool never aspire to become entrepreneurs.

Type 3 - Business Owners. All entrepreneurs are businesspersons – but all businesspersons are not entrepreneurs. Clearly, if one is in business and successful, chances are that person has sound entrepreneurial traits. There are two Type 3 subgroups – lifestyle and survival businesses. Lifestyle business owners are often successful, but they generally have limited motivation to grow or create a more competitive venture model. Survival business owners often struggle to make ends meet. Survivalists are very creative in patching a wide range of activities together to make a basic living. Often survival business owners cannot see any opportunity for development.

Entrepreneurial Motivation...

We know that attitude is powerful. Strong motivation or passion can enable a person to overcome many barriers and realize great dreams. The motivation to leave the security of working for someone else and strike out to create a future for oneself by creating and growing an enterprise is diverse. The following are some of the motivations that move persons to become entrepreneurial...

- Dislocation from a Job
- Escaping a Dead End Job
- Passion to Create
- Desire for Greater Flexibility
- Need to Prove Oneself
- Hitting a Career Glass Ceiling
- Desire for More from Life
- Freedom from Economic Want
- Necessity to Pursue an Idea
- Economic Empowerment

Type 4. Entrepreneurs. Our Monograph 2 – *Entrepreneurs & Entrepreneurship* – provides detailed definitions of entrepreneurs. Entrepreneurs are unique business people who create new venture models, discover expanded markets and create competitive enterprises. There are many types of entrepreneurs including: catalysts, breakouts, serial and gazelles. Catalysts are those entrepreneurs who are succeeding in business and are actively exploring new venture ideas, expanded markets and ways to create a more robust enterprise. Breakouts are very similar to catalysts in orientation, but have been successful in “breaking out” into new markets and growth opportunities. Serial entrepreneurs are those who create multiple ventures over time. They are highly creative and less interested in running a business once it is launched. Finally, there are the gazelles or entrepreneurial growth companies (EGCs). EGCs represent just four percent of all American businesses but account for a large share of job creation and growth.

SPECIFIC SUBTYPES

Limited Potential

Type 1a. Not Working. There are many Americans who are not actively working within the economy. Children and elders may be too young or too infirm to be engaged. Other Americans may have disabilities that limit or preclude involvement. Still others are productively engaged in economic activities through military service, family care or other vocations. These persons are unlikely candidates for entrepreneurial pursuits in their present circumstances.

Type 1b. Want to be an Employee. America is among the most entrepreneurial societies in the world. Even with our high entrepreneurship rate, most working Americans choose to be an employee of someone else versus running their own enterprise. Behind this trend, there are many motivations and these motivations change with circumstances. In most places, eight or nine working persons out of 10 choose to be employees.

Potential

Type 2a. Youth. Youth entrepreneurship is a hot topic these days. Everyone is for it and numerous efforts are underway to promote it. Possibly one of the most compelling rationales for a community-based youth entrepreneurship initiative is not necessarily to create more ventures – it is to create cultural change. Youth are remarkable change agents. Each generation eventually asserts its values and norms on previous generations. Within a community, youth have great latitude as change agents. They can challenge current norms and practices more easily than adult members within a community. Because of this reality, youth engaged in entrepreneurship can introduce a much broader community to these concepts, more quickly and with less social fabric disruption.



Type 2b. Frustrated. Motivation is a key ingredient that drives entrepreneurial behavior. One source of motivation is frustration that moves someone to aspire to and engage in entrepreneurial pursuits. The source of the motivation is multifaceted and includes job loss, the need to prove oneself and the desire for more from life (see the insert on page 2).

Type 2c. Dreamers. Frustration may motivate some persons to become entrepreneurially engaged – a dream motivates others. Again the source of this motivation is multi-dimensional and can include a new idea, the desire to meet a perceived need or simply the desire to be creative with business as the outlet.

Type 2d. Aspiring. Aspiring entrepreneurs are actively exploring the process of creating and growing an enterprise. Their motivation is high and they are attempting to assess how to proceed and what the risks might be. Jay Kayne with the Ewing Marion Kauffman Foundation theorizes that the balance between motivation (desire to create or frustration) and risk determines whether a person moves from aspiring to actually engaging in entrepreneurial pursuits. Lowering risk perception through enriched entrepreneurial support systems can increase the number of actively engaged entrepreneurs.

Business Owners

Type 3a. Lifestyle. These business owners seek a particular lifestyle and build economic activities to support it. Lifestyle entrepreneurs can often be very successful and prosperous as illustrated by a physician's strong general practice or a lone eagle with a great consulting business. By their nature, lifestyle enterprises may self-impose limits with respect to growth and development. However, given perceptions about potential opportuni-

ties, these enterprises can evolve and become more entrepreneurial.

Type 3b. Survival. Being in business is not enough to being an entrepreneur. Entrepreneurs have a sharper edge competitively and are driven to innovate, create and grow. One group of business people might be classified as survival enterprises. These folks are found through out Rural America. They are cre-

ative, hard working and very adaptive at piecing together enough economic activity to enable them to stay in a particular setting. But despite their talent for surviving, they are struggling on the margins of economic success. Given appropriate support, there is considerable opportunity for some within this type to move forward and become more entrepreneurial and economically successful.

Motivation and Risk

Jay Kayne formerly with the Ewing Marion Kauffman Foundation theorizes that the size of the entrepreneurial pool at any given time and place is largely a function of motivation and risk. Motivation is largely situational and often outside of our control from a development standpoint. Communities with larger historical entrepreneurial communities may create a tradition of eship not found in other places. Corporate downsizing associated with mergers or recessions may spawn a new group of entrepreneurs driven to create new careers because they refuse to leave a community they love. The tension between motivation (the force to become entrepreneurial) and risk (the force keeping one from being entrepreneurial) determines entrepreneurship rates. Assuming motivation levels are largely set by macro forces outside of our control, development interests should focus on reducing risk perceptions. Lowering perceptions about risks associated with entrepreneurship may result in more persons taking the plunge. Good support systems will not only increase startup activity, but likely contribute to

Entrepreneurs

Type 4a. Catalysts. In the rural landscape, catalyst entrepreneurs represent a critical group with respect to building a more entrepreneurial environment. Catalysts are those in a community who are successful at business and open to new ideas. They are often searching for new ventures, venture models and profit centers. Catalysts represent the sweet point in this market. Focusing on and supporting catalysts can result in more immediate development impact.

Type 4b. Breakouts. If there are relatively few catalyst entrepreneurs in most rural communities, there are even fewer breakout entrepreneurs. Breakouts are those who have found a venture model that allows them to realize significant and substantial growth. Often connected with reaching a new market, breakouts typically have multiple profit centers with respect to markets.

Type 4c. Serial Entrepreneurship. Some entrepreneurs spend their lives reinventing their core venture. But some entrepreneurs are driven to the process of creating ventures. Serial entrepreneurs engage in a progression of venture creations and often move on to the next venture as the process of early creation wanes. Serial Es are a creative force, but require partners to ensure that ventures they start mature and succeed.

Type 4d. Entrepreneurial Growth Companies. At one end of this continuum are persons with absolutely no entrepreneurial leanings. At the other end of this continuum are EGCs or *entrepreneurial growth companies*. The National Commission on Entrepreneurship spotlights EGCs in its landmark research High-Growth Companies: Mapping America's Entrepreneurial Landscape (NCOE, 7/01). Earlier research and literature refers to EGCs as ga-

zelles. The entrepreneurial teams that lead these companies (estimated at 4% of all firms) are remarkable in their ability to achieve rapid and longer-term growth.



DEVELOPMENT OPPORTUNITY

The following chart summarizes the basic development opportunity associated with each of these 10 types of entrepreneurial talent.

<i>Type</i>	<i>Development Opportunity</i>
<i>Limited Potential</i>	<i>Little opportunity for development. Long-term challenge.</i>
<i>Potential Aspiring</i>	<i>Limited opportunity. High cost relative to impact. Long-term. Moderate opportunity. High cost. Long-term. Large pool.</i>
<i>Survival Lifestyle</i>	<i>Moderate opportunity. Moderate cost. Mid-range. Large pool. Moderate opportunity. Moderate cost. Mid-range. Large pool.</i>
<i>Catalysts Breakouts Serial Es</i>	<i>Significant opportunity. High cost/benefit ratio. Modest pool. Significant opportunity. High cost/benefit ratio. Small pool. Significant opportunity & challenges. Small pool.</i>
<i>EGCs</i>	<i>Limited opportunity. Capacity to help is shallows. Tiny pool.</i>

Generally speaking the cost/benefit relationship at either end of the continuum is relatively low compared with those types in the center. However, if the development goal is to increase the pool of entrepreneurs, focusing on potential, aspiring, survival and lifestyle groups is essential. Conversely, if the development goal is an above average robust economy, focusing on entrepreneurial growth companies is fundamental. EGCs create impact at scale that shapes a regional economies. Engagement with EGCs requires a well resourced and sophisticated strategy. Simple put, most local development efforts are marginally helpful to EGCs.

MAPPING ENTREPRENEURIAL TALENT

One way to assess the types of entrepreneurial talent in your community or region is through the use of asset mapping. A group of informed citizens can begin to identify specific persons/ventures based on this typology. The mapping exercise output can be used to target (e.g., actual, catalysts, breakouts, etc.) for visitation. Visitation (employing a Business Retention and Expansion model) can provide deeper insight with respect to entrepreneurship traits and enterprise needs.

Step 1 – Build a Team. Step one involves pulling together of team of folks who have considerable familiarity with the community and its residents and businesses. This team will provide the expertise for the entrepreneurial talent mapping work. Possible team members might include someone from the newspaper, local government, chamber of commerce, development corporation or the bank.

Step 2 – Gather Informational Resources. Before the team meets to begin the mapping work, gather various information resources that might help identify possible entrepreneurial talent. Information resources might include the local business directory, the telephone book or other directories that cover persons engaged in business.

Step 3 – Identify Your E Talent. Once the team is gathered, use the attached worksheet to begin identifying and categorizing businesses within the main entrepreneurial talent categories. Do not worry about exact placement. This is a first cut exercise intended to generate a list that can be used for further targeting.

Step 4 – Focus, Focus, Focus. Few communities or organizations have the capacity to work with all types of entrepreneurial talent initially. Focusing on those entrepreneurial talent groups that best fit your community's economic development needs and support capacities is important. Focusing on a few development efforts initially is important not only to success, butto building capacity necessary for expanding.

Step 5 – Visitation. Once your group has focused on which groups of entrepreneurial talent you want to work with, plan visits to each and every person/business on your list. *We have developed interview and survey tools that can guide your visitation efforts via web* http://www.ruraleship.org/resources_tools.htm.

Step 6 – Strategy Development. The visitation process should provide considerable insight into the needs and opportunities of your entrepreneurs. Use this information to begin assessing what resources you have access to that can help you address these needs and opportunities.

Step 7 – Execute, Execute, Execute. The best plan poorly executed will fail just as well as a poor plan executed well. Focus on completing the process that directly helps each entrepreneur achieve greater business success.

Step 8 – Track Your Efforts. Be sure to track your efforts and capture stories of impact connected with your work. Reputation is everything in building a stronger program.

Step 9 – Build Capacity. Well focused good work will create results. Results will enable building greater capacity to expand the work to more types of entrepreneurial talent. Be intentional about how your community or organization will leverage small success to build greater capacity for future engagement.

Step 10 – Celebrate Good Work. Always remember to take time periodically to celebrate your good work. Plan regular social events that recognize your work and inform the community of your efforts.

ENTREPRENEURIAL TALENT CHECKLIST

Entrepreneurial Growth Companies

- Experiencing Rapid Growth in Employees or Sales
- Reaching New Markets
- Developing New Products or Services
- Experiencing Growth in Customers or Users
- Innovative and Dynamic Leadership and Workforce

Serial Entrepreneurs

- A History of Creating and Growing More than One Business
- They Tend to Move on to a New Business Idea Quickly
- Often Sell a New Business Startup Once it is Up and Running
- Generally on the Look Out for New Ideas and Opportunities
- May have Multiple Business Interests Going at One Time

Breakouts

- Successful in Business
- They are Finding New Markets - Regional, National or Even International
- They are Open to New Ideas and Ways of Doing Things
- They are Actively Evolving their Venture Model to be More Competitive
- They are Proactive and Anticipate Future Challenges and Opportunities

Catalysts

- Successful in Business
- They are Tied to a Few Markets Generally Locally or Regionally
- They are Open to New Ideas and Ways of Doing Things
- They are Beginning to Explore Ways to Make their Venture more Competitive
- They are Open to and May be Seeking Help with their Business

Lifestyle

- They are Generally Successful
- They are Often Well Established
- They are Not Actively Seeking to Change Their Business Model
- They are Not Actively Seeking to Grow
- They have Established and Comfortable Goals

Survival

- They are Struggling to Make Enough Income to Sustain Their Family
- They are Doing Multiple Things to Generate Enough Income
- It May be Hard for Them to See Opportunities (new markets for example)
- They are Often Stressed Out
- They are Reluctant to Seek Out Help

Aspiring

- They are Actively Considering Going into Business
- They are Actively Research a Business Idea
- They are Attending Business Workshops
- They are Networking and Testing their Ideas with Other Folks
- They are Motivated Towards a Change in Their Life

E TALENT MAPPING WORKSHEET

EGCs

Lifestyle

Serial Es

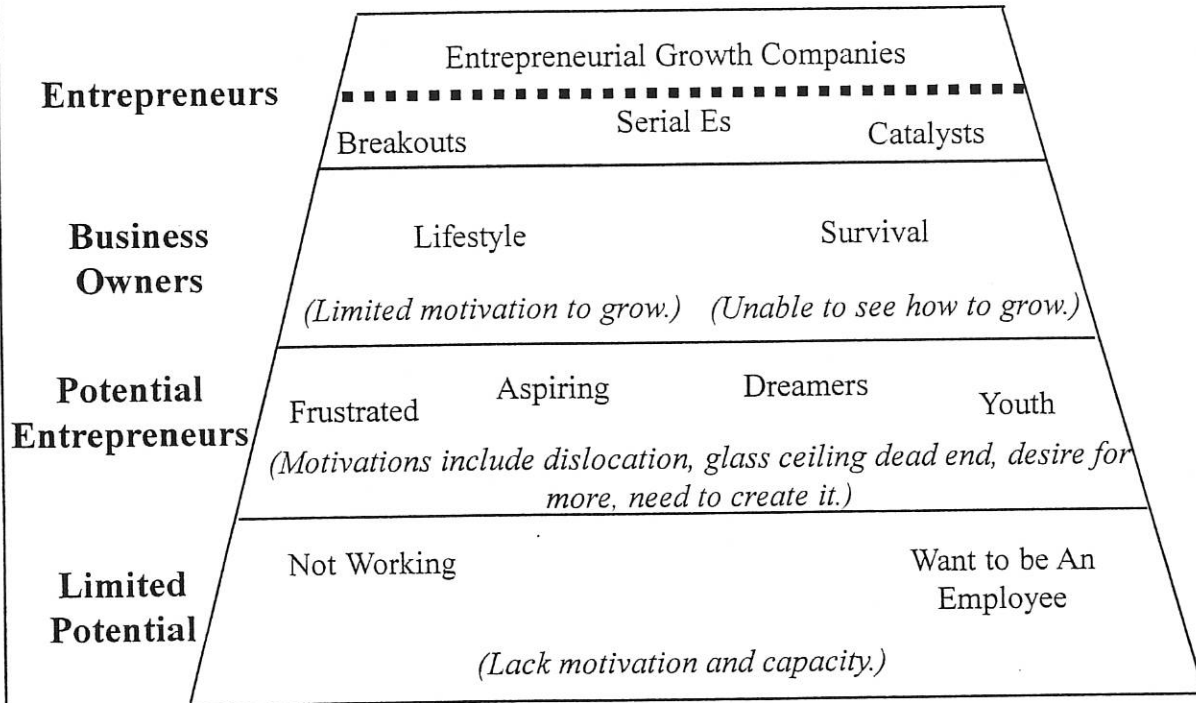
Survival

Breakouts

Aspiring

Catalysts

UNDERSTANDING ENTREPRENEURIAL TALENT



Thanks. *This tool is being developed with support from a number of partners including Bruce Boggs with the Nature Conservancy, Milan Wall and Reggi Carlson with the Heartland Center for Leadership Development, Nancy Stark with the Center for Small Communities and Deborah Markley with the Center for Rural Entrepreneurship. Thanks are extended to these folks for their support and creativity in developing this tool.*

FOUNDING PARTNERS

The Ewing Marion Kauffman Foundation and its partners look beyond need to identify and develop pivotal opportunities to help create successful businesses and improve the education of children in Kansas City and nationwide. Established in the mid-1960s by the late entrepreneur and philanthropist Ewing Marion Kauffman, the Kauffman Foundation works to advance entrepreneurship by reaching individuals of all ages through the delivery of entrepreneurship education and development, and the promotion of an entrepreneurial environment. For more information about the Kauffman Foundation, visit www.emkf.org.

The Rural Policy Research Institute (RUPRI) is the only national policy institute in the U.S. focusing solely upon the rural implications of public policy. This comprehensive approach to rural policy analysis involves scientists from universities, research institutions, governments, and non-governmental organizations. To date, more than 200 scientists representing 16 different disciplines in 80 universities, 40 states, and three countries have participated in RUPRI projects. Additional information on RUPRI can be found at www.rupri.org.

Author. This monograph was prepared by Don Macke. Don can be reached at don@ruraleship.org or 402-323-7339.

RESOURCES

- Entrepreneur Self-Test - A tool to help community residents identify and understand their entrepreneurial potential.
- Entrepreneur and Community Support Test - A tool to help community residents assess their own entrepreneurial potential and to help assess the level of community support for entrepreneurs.
- Readiness Factors - A tool to help rank your community in terms of "readiness factors" to build a successful entrepreneurship-based economic development strategy.
- Rural Community Entrepreneurship Survey - A tool to gather baseline information about your community's support for entrepreneurs.
- Rural Entrepreneur Survey - A tool to gather baseline information about your community's entrepreneurs.
- Outcome Measurement - A tool to help you begin the process of measuring outcomes of entrepreneurial development programs by suggesting criteria and indicators of short, medium, and long-term outcomes.
- Understanding Entrepreneurial Talent - A tool to help you identify and understand the support needs of different types of entrepreneurs in your community.

ABOUT THE CENTER

The *Center for Rural Entrepreneurship* is new. It is an outgrowth of the *Rural Entrepreneurship Initiative*. The Center is a RUPRI National Research and Policy Center with founding support from the Ewing Marion Kauffman Foundation of Kansas City, Missouri.

Our mission is to enable every rural resident to achieve his or her full entrepreneurial potential. This mission will be achieved by collaborating with individuals and organizations engaged in the study, practice and policy of rural entrepreneurship.

The Center supports research, field work, and policy development through collaborations with national, state, and local interests. For more information on the *Center for Rural Entrepreneurship*, check out our web site at www.ruraleship.org or call Taina Radenslaben at 402-323-7336.

Abstract. *The economic development process is as complicated as the diverse economies it is trying to impact. Historically, and even today, economic development in rural America has been dominated by industrial attraction and natural resource related promotion (e.g., farm commodity programs, forest development, mineral extraction.) There are a bewildering array of agencies, programs and strategies from which the local development community can choose. While some of these efforts can help entrepreneurs, few are intentionally focused on energizing entrepreneurs. This paper, Energizing Entrepreneurs – The Practice, represents lessons from the field. We believe we are on the verge of a key discovery. While forms of economic development may range widely, the practice within these successful forms appears rooted in key elements central to energizing entrepreneurs.*

Forms of Assistance

If we focus only on those forms of economic development with the potential to help entrepreneurs realize their dreams, we discover a diversity of programs and strategies. These many programs and strategies reflect the creativity within the economic development community. The forms originate from agencies, funders or communities of development interests. Most are not intentionally focused on energizing and supporting entrepreneurs. By intentional, we mean a clear focus on entrepreneurs (not necessarily the ventures) with growth orientation and potential. Sometimes strategic, often organic, each of these forms of intervention has a history of both success and failure from which we can draw insights. Figure 1 on Page 2 highlights the forms of assistance potentially helpful to entrepreneurs. Following are short descriptions of each form.

Incubators. Business incubators are an established business assistance form in many regions of the country. Incubators are often housed within a physical facility where space, support services and technical assistance are provided. In recent years *incubators without walls* have taken root. In these settings, services are provided using the elements of an incubator model but without housing these elements within a physical facility. Incubators often have a sectoral focus such as technology or food processing.

Micro Enterprise Development. Micro enterprise development, with origins including the Bangladesh model, has become widespread throughout urban and rural America. Micro enterprises are often described as businesses with five or fewer employees. Micro strategies are a mainstay among economic empowerment groups targeting distressed communities and populations. The practice of micro enterprise development has diversified over the past 20 years providing a rich venue of experiences.

SBA/SBDC. The U.S. Small Business Administration (SBA) through its Small Business Development Centers (SBDCs) delivers a package of services targeting small business (defined by the SBA as firms with 500 or fewer employees). SBDCs provide generalized assistance including business planning, feasibility studies and skill development workshops. Some SBDC counselors have evolved a form of entrepreneurial facilitation that is customized and high impact.

Project Led. A number of development interests including Cooperative Extension, Development Districts, Cooperative Development Centers, Councils of Government, and Resource Conservation and Development Areas often engage in “project led” development. This assistance is often customized and geared to completing a project such as the creation of a marketing cooperative.

Capital Led. Community Development Corporations and other development entities (e.g., revolving loan funds, SBA programs, CDBG programs and local/state financing programs) often provide entrepreneurial assistance as part of their efforts to support deal flow development and deal polishing activities necessary for packaging financing for a client.

Training Led. There has been considerable growth in *training led* programs including Fastrac, REAL, Next Level, SBDC programs and others. These programs provide generalized and customized assistance to entrepreneurs seeking to create a competitive business. Training led programs with strong coaches and extensive resource networks often connect entrepreneurs to additional customized services that are most helpful.

Energizing Entrepreneurs

Lone Eagles. The Center for New West coined the Enterprise Facilitation. *Enterprise Facilitation* is a concept articulated by Ernesto Sirolli and the Sirolli Institute. Sirolli has taken a widely successful, but largely organic practice, and packaged it into a program communities can readily adopt. There has been considerable experimentation with Enterprise Facilitation and Sirolli has even trademarked the concept. (For more on enterprise facilitation see the box in this monograph on Page 5)

Strategy. Our fieldwork also suggests that there is a range of entrepreneurial talent within communities. Many business assistance providers have broad and general missions such as serving all small businesses (often defined as any firm with 500 or fewer employees.) In most states, that includes 95% of all enterprises. Assuming most communities have limited capacity to engage in E², then strategic choices must be made. Focusing on catalyst and breakout entrepreneurs offers the greatest opportunity for initial success.

Informal Customized Assistance.

From local chamber executives to state agencies, there is considerable informal customized assistance being provided to entrepreneurs in rural settings across the United States each day. There is little research on this practice. We assume some of the assistance is helpful, while other assistance results in little impact.

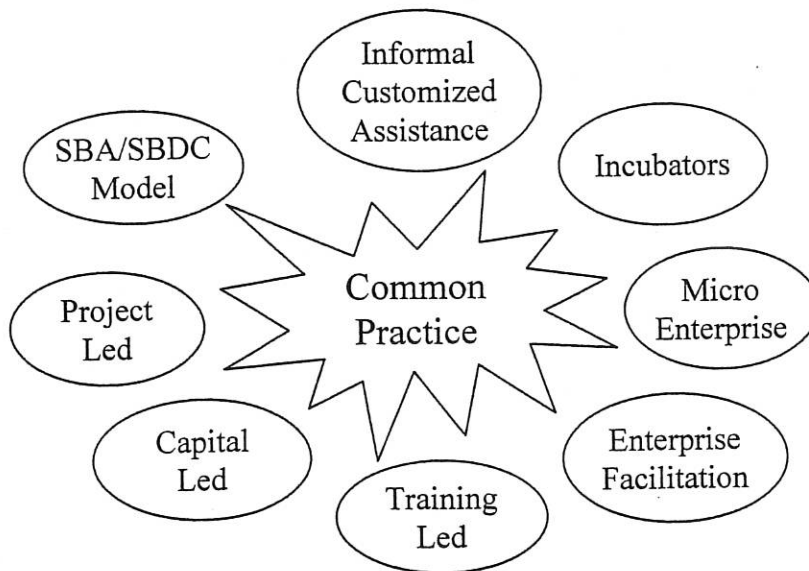
Unfortunately, this practice is highly dependent upon the experience, orientation and approach of the individual providing the assistance. But the widespread nature of this practice strongly suggests that at a grassroots level, customized assistance makes sense and has impact.

Elements of Successful Practice

We have observed that there are a number of elements associated with more successful programs designed to assist entrepreneurs. These elements may be found within any one of the forms of economic development described above.

Entrepreneurial Focus. The philosophy of Energizing Entrepreneurs (E²) rests on the belief that within most, if not all communities, there are persons with the passion and capacity to create successful ventures if only they are supported by entrepreneurial assistance programs that focus on the entrepreneur not the business. Our fieldwork strongly supports this belief.

Figure 1 – Many Forms, Common Practice



Catalyst entrepreneurs are those who have a solid background in business but are open to and actively engaged in evolving a stronger venture model. Breakout entrepreneurs are those who have already figured out how to reach new markets and grow their venture to meet expanded demand. Focusing energy on these two relatively small groups of entrepreneurs

potentially offers the greatest immediate impact. As confidence and capacity in the E² strategy build, it becomes both feasible and effective to reach more broadly to potential and aspiring entrepreneurs. It takes longer and requires greater investments of time, talent and resources to take a potential or aspiring entrepreneur to successful venture status. (For more information on entrepreneurial talent targeting, go to the Center's web site, www.ruraleship.org → Tools → Understanding E Talent.)

The Right Geography. We have observed that development efforts work best within the appropriate geography. There is no formula or body of research that can answer what is the "right size." Generally speaking, development landscapes are multi-community and often multi-county in size. Our observations suggest that optimal development landscapes are determined by three considerations:

- The ability to effectively build and sustain relationships requires a geography small enough that travel time does not undermine the ability to maintain personal contact.

Energizing Entrepreneurs

•The geography must be large enough to provide a critical pool of entrepreneurial talent to engage in an effective E² approach.

•The geography must be larger than a single rural community to escape from the limitations of insular community culture.

Facilitator Driven Customization. One stop centers and services are popular in economic development circles. This focus recognizes the challenges the entrepreneur faces in patching together help in meaningful ways. A critical attribute of successful practice is the use of business coaches, counselors, and enterprise facilitators who work one on one with the entrepreneur and rationalize assistance one need at a time. Interventions that provide customized versus general assistance tend to be more valuable to entrepreneurs. The more effective services provide this assistance over time, ensuring continuity of engagement and assistance. However, customized, long-term assistance, when done right, tends to be more expensive and complex for service providers as compared to generalized assistance.

Use of Networks, Peers and Mentors. Customized assistance takes many forms, but we have observed that some of the most promising practices shy away from the model where experts lecture in a workshop setting and instead employ more organic forms such as networks, peers and mentors. These approaches assume that other entrepreneurs represent the best assistance an entrepreneur can receive. One tool is to provide access to robust networks that connect entrepreneurs to expertise, services and insights. Peer groups and mentors provide other ways in which entrepreneurs with experience (mentors) and those struggling with the same issues (peers) can provide mutual assistance.

Creation of a Portfolio. Many economic development programs, particularly those supported with public dollars, tend to be politically risk intolerant. Ten success stories are often not enough

to overcome the concern created by one deal gone wrong. As is the case with investing, programs that embrace a portfolio approach tend to create

The Staffer!

The venture coach, business counselor, mentor or enterprise facilitator is a key human resource central to the practice of energizing entrepreneurs. In fact one could argue that it is the cornerstone of the practice. We are actively engaged in learning about what enables such a key person to remain successful and effective over time. This is not a new issue, but one that has challenged chambers of commerce, main street programs, development corporations and most organizations where success is dependent on one key person. Our field learning suggests the following design elements may help ensure the long-term retention and effectiveness of the staffer:

- Strong oversight and clear expectations regarding mission.
- Strong support that appropriately enables the staffer to work.
- Being part of a system with other colleagues and a corporate culture.
- Having a strong and active peer group.
- Career tracking.
- Realistic capitalization that ensures reasonable compensation.
- Performance-related compensation.
- Avoiding situations that create lone ranger or savior behavior.

appropriate expectations around the performance of the portfolio rather than the success or failure of individual deals.

Private Business Services. Most public business assistance programs with finite budgets have difficulty developing and providing higher order value-added services. To overcome this limitation, successful public programs are willing and adept at engaging private sector business services into the

Aurora Colorado SBDC

The Aurora Colorado Small Business Development Center (affiliated with the SBA Program) has a remarkable program that engages private sector business service providers with clients early in the assistance process. The program is called ABAT for Aurora Business Advisors Team. ABAT members include attorneys, accountants, marketing specialists, production analysts and other types of business service providers. ABAT is a well-developed program with sound protocols and a proven track record. ABAT is a good model for creating private sector engagement and growing entrepreneurs into clients for higher order business service providers. For more information about the Aurora SBDC and its ABAT Program contact Randy Johnson at asbdc@rmi.net or 303.341.4849.

Energizing Entrepreneurs

practice. Often they build stronger venture teams by enabling entrepreneurs to access and work with private service providers early in the assistance process. These entrepreneurs then graduate into clients for these private service providers, receiving higher order services than they could receive from the public service providers alone (see box on the Aurora Colorado SBDC on Page 3.) Public programs often limit themselves from building such relationships to avoid giving preference to one private vendor over another. Successful practices overcome this barrier and are able to leverage a wider and richer set of resources for entrepreneurs.

Local Resource Network. Economic development is a community process where every resident has a stake in its success or failure. The ED process should be transparent to the members of the community, not a mystery. Creation of a local resource network is an important step in the right direction in keeping faith with this ED concept. It is also a critically important tactical step as well. Creating a robust local resource network mobilizes the community to support the customized assistance program by engaging in mentoring, peer groups, networks and other assistance venues.

Systems Approach with Higher Order Services. We believe E² can work most effectively within a systems approach. It is one element of a multi-element program approach that is both sophisticated and comprehensive. Local E² initiatives will likely prove more sustainable and effective if they connect with broader development infrastructure. The facilitator can only broker assistance to the extent that rich, appropriate and affordable development infrastructure is available. Furthermore, it may be desirable organizationally to connect E² with a regional development corporation to ensure optimal value to the entrepreneur. (For more on entrepreneurial support organizations, go to the Center's web site, www.ruraleship.org→Rural Eship Monographs→#11.) In fact, E² may be one of the more effective ways for high performing regional development organizations to partner with local practitioners, generating better deal flow for their investment and technical assistance portfolios.

Performance Driven. Sustained and effective economic development can often mean the difference in the future of a community. Much is at stake, however, and the intervention must be performance driven. Focusing clearly on the goals to be achieved, crafting a relevant strategy, and executing it effectively are fundamental to realizing successful

performance. Too often goals are unclear, tracking is weak, and performance is not attained.

Kansas Model

The State of Kansas through its Community Development Block Grant Program has launched one of the more unique experiments focusing on EF. Partnering with the Sirolli Institute and three multi-county regions, Kansas offers an innovative approach worth watching. The National Commission on Entrepreneurship and the Center for Rural Entrepreneurship are teaming up to follow this initiative and capture its learning. For more information on the Kansas Model, go to the Center's web site, www.ruraleship.org→Rural Eship Library→Reference Library→Enterprise Facilitation.

Robust Capitalization. *Very little can happen without capital. Capital is needed to fuel the development program and capital is needed to grow ventures. Successful places invest smartly and adequately in economic development programming that enables success. While traditional economic development activities enjoy core and stable funding through 50 years of evolved public and private programs, entrepreneurship development programs are generally on the outside of historic economic development funding systems. Entrepreneurially-focused programs often work with soft funding (e.g., grants) and they lack adequate and stable capitalization. Successful programs have secured the more adequate and stable funding that is necessary given the long-term nature of entrepreneurship development.*

Accountability. Successful entrepreneurship interventions have a strong commitment to accountability. The reasons for accountability are many, but at the core is the need to provide sound performance information to providers to ensure continuous learning and improvement and to supporters to ensure capitalization so the program continues. Solid systems of accountability begin with clear and reasonable expectations. When a community invests, is there clarity around what the investment is intended to do? How do we know whether progress is being made? There needs to be an effective and objective tracking system based on short, medium and long-term outcomes that can be measured. If public funds are involved, the system needs to be transparent and rooted in an agreed upon cost/benefit relationship. (For more information on measuring outcomes, go to the Center's web site, www.ruraleship.org→Tools→Outcome Measurement.)

Energizing Entrepreneurs

Sirolli's Enterprise Facilitation

Enterprise facilitation is garnering considerable attention within development circles these days. Most notably, Ernesto Sirolli and his Sirolli Institute are marketing enterprise facilitation as a proven and highly effective development approach. While Sirolli captured the term enterprise facilitation, the practice of customized support for entrepreneurs is wide and rooted among many development practitioners. Ernesto Sirolli has done what others practicing this form of development have not – he has created a programmatic approach that communities and developers can get their hands around and implement.

The Sirolli enterprise facilitation (EF) program is focused, direct, well thought out and includes enough field success to warrant serious consideration. EF as a development approach is not new; in our considerable field travels we have found many persons across rural America employing EF approaches ranging from Small Business Development Center counselors to extension educators to local chambers of commerce. Unlike the Sirolli Institute, these practitioners have not captured their methods into a program that can be readily shared with others.

The Sirolli Institute is organized as a private, not-for-profit consulting firm. The Institute is engaged in the business of selling its program to communities, states and others interested in adopting this programmatic approach. A good overview of the Sirolli model is provided in his 1999 book Ripples from the Zambezi, Passion, Entrepreneurship and the Rebirth of Local Economies (New Society Publishers, ISBN #0-86571-397-9, www.newsociety.com. Specific information on the Sirolli Institute can be obtained from Yvonne Fizer, Marketing Director for the Sirolli Institute at 1-877-SIROLLI or www.sirolli.com.)

As we have traveled rural America and explored development practices, we have consistently observed various forms of EF being pursued in many different venues. The following are emerging field observations related to EF as practiced within the Sirolli model and by others through their more personal models.

Sound Concept. *We believe that there is considerable field evidence to suggest that EF can be a highly effective development approach. We have also observed where EF has not been as effective and this learning contributes to our discussion of successful design elements found in the next section of this paper.*

Trinity of Management. *The Sirolli Institute places great emphasis on its Trinity of Management – Production Skills, Ability to Market, and Financial Skills. We find this a reasonable and useful starting point. Clearly these three skill areas are critical to venture success. We also agree that most entrepreneurs do not have strength in all three areas and that weakness in one or more areas can undermine ultimate venture success. While this Trinity of Management offers a focused approach, it tends to oversimplify the challenges of creating robust growing ventures. Program deliverers should be sure to assume a more sophisticated approach particularly with catalyst and breakout ventures.*

Other Insight on EF. *Unfortunately, we have found little formal research and writing on EF (except for materials generated by the Sirolli Institute). There is a need for a more engaged and broader learning community focusing on EF as practiced by Sirolli and others. One research piece was prepared by Catherine Lane of C. Lange Consulting for the Credit Union Central of Ontario – “Research on the Role of Credit Unions in Community Economic Development and the Sirolli Institute Approach” (March 2001). For a copy of this report, go to the Center's web site, www.ruraleship.org→Rural Eship Library→Reference Library→Enterprise Facilitation.*

The Center in partnership with the National Commission on Entrepreneurship is engaged in a two-pronged project to learn more about enterprise facilitation. One, we are conducting a long-term evaluation of the Kansas Sirolli Project. Two, we are seeking field learning from across North America.

Disclaimer. *The Center for Rural Entrepreneurship does not endorse specific programs. Our intent is to objectively share information about promising rural development strategies with a focus on entrepreneurship.*

Energizing Entrepreneurs

Why the Practice Fails

There are incubators that become nothing more than marginally successful real estate deals. There are micro enterprise programs that create a culture of dependence versus empowering clients to become independent. There are endless SBDC-sponsored business workshops that provide enough knowledge to get an entrepreneur into real trouble. There are many examples of interventions that come up short. We often learn as much from these failed interventions as from the successes of other endeavors. Following are attributes that appear to most often contribute to failed interventions.

Factory ED. Numbers drive many programs, such as the number of business plans prepared, workshop attendees or manuals distributed. Often the accountability systems associated with these types of metrics do not track outcomes – what happens because of the business plan, workshop or manual. Factory type economic development is geared to mass production, not necessarily to the development and growth of entrepreneurs capable of creating and growing a new generation of ventures. Programs focused on or geared to factory ED tend to be ineffective in helping entrepreneurs grow.

General vs. Specific. The majority of resources being provided to entrepreneurs in rural settings are of a general nature. While rural entrepreneurs need access to general assistance, ultimately they need specific help to address those issues challenging their ability to grow their ventures. To build a robust support system for entrepreneurs, it is essential to create the capacity to provide customized and specialized assistance to rural entrepreneurs.

Dependency. Although formal documentation is limited, some economic development professionals become the center of assistance efforts. They create value and loyalty for themselves by creating dependency among those they serve. This self-serving strategy limits entrepreneurs to what the service provider can provide. This form of practice is counter to more successful practices that are rooted in building capacity within the entrepreneur to more independently get what they need to prosper.

Continuity. Growing a business is a long-term proposition. Programs and strategies that are short-lived will not be there as the entrepreneur continues to meet the challenges of creating and growing his venture. Lack of continuity of assistance is a major cause of failed interventions.

Clarity. The mission of many economic development efforts is so broad relative to capacity that the program cannot effectively serve any market segment. Creating clarity is fundamental to creating a more effective intervention, even if that means narrowing mission scope. However, many programs narrow the scope of services provided rather than the target audience they serve. They continue to serve everyone who meets a broad client definition (e.g., women seeking to create a business), but they only provide feasibility or business planning services. Programs that are more helpful to entrepreneurs focus more narrowly on which clients they serve, but provide a fuller continuum of services.

Accountability. We have found that programs struggle or are short-lived when performance goals are not clear and tracking of performance is lacking. Alternatively, programs with sharp performance goals and sound tracking systems tend to be more robust. This can be particularly true if performance tracking and goal setting are used to evolve the effectiveness of the practice over time.

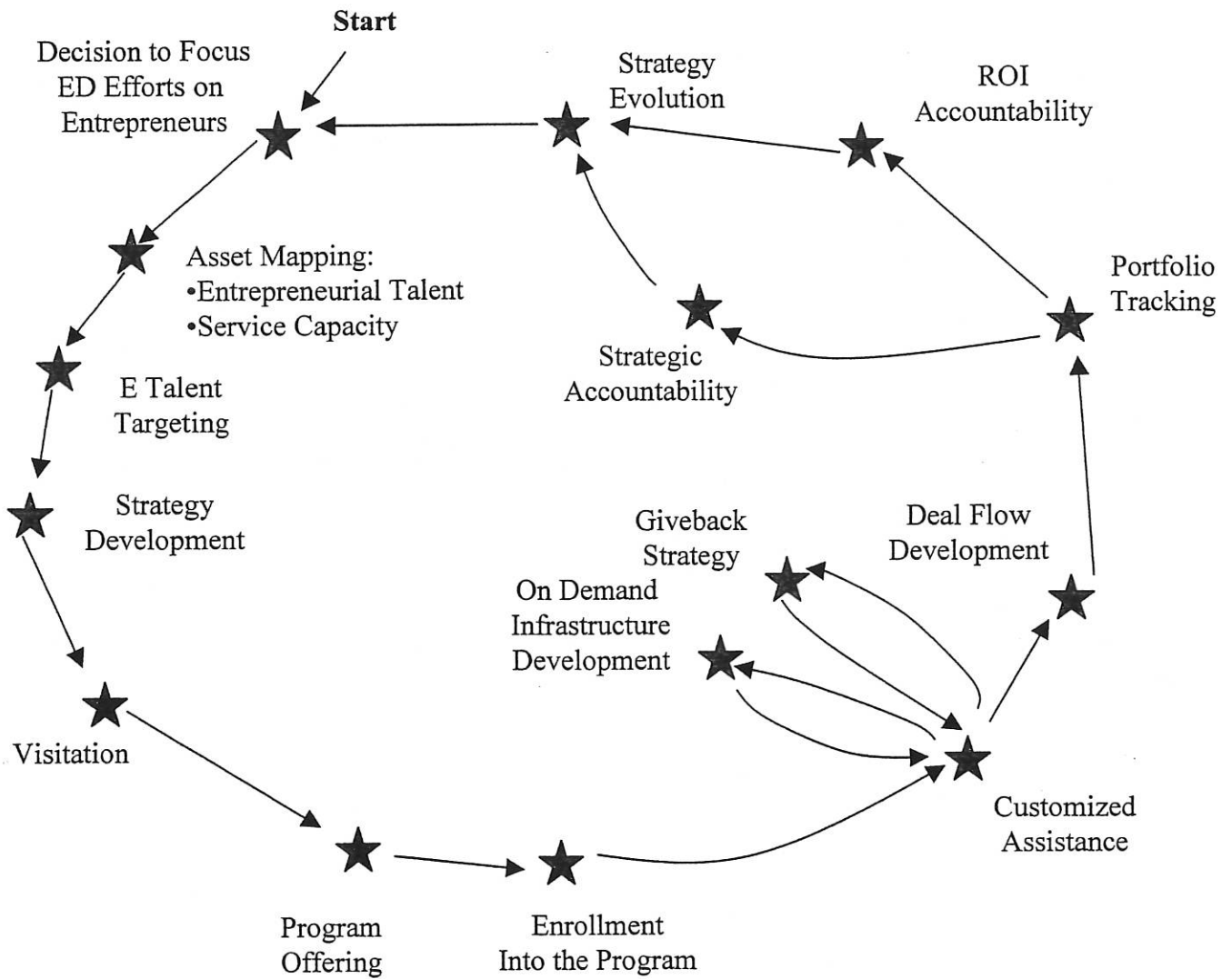
Strategic. There is so much need and so little capacity to serve it. Programs that fail to focus strategically tend to move towards intermediate are generally on the outside of historic economic outcomes such as helping an entrepreneur write a business plan, but do not actually help the business move towards the next level of performance. Lack of strategic thinking tends to keep the program from building the capacity to serve a defined market segment effectively, negating the opportunity for high impact.

Execution. A weak plan is a prescription for limited success. But even for programs with strong plans, poor execution often undermines both reach and impact. The causes of poor execution are many. Unrealistic expectations, under capitalization, the wrong staff, a dysfunctional support system, or geography too small to enable success.

Capitalization. Under capitalization of entrepreneurship development programs is a fundamental challenge that adversely impacts this practice. Soft dollars, too few dollars and resources that are not tied to performance and growth combine to starve this work and keep it at sub-robust levels.

Energizing Entrepreneurs

Figure 2 – Process Around the Practice



Process Within the Practice

In most rural areas, a focus on energizing entrepreneurs represents a significant departure from past economic development activities. Regardless of the form chosen to implement these programs (e.g., an incubator or an enterprise facilitator), our fieldwork suggests that the following process elements contribute to program success (see Figure 2 on Page 7).

The Decision. The first step in the process is making a conscious decision to focus development efforts on area entrepreneurs. This decision creates the context for evolving a programmatic approach that increases entrepreneurial energy within a landscape and spawns more successful enterprises.

Asset Mapping. Asset mapping has proven to be a successful way of approaching development. In this case, two types of asset mapping or assessment are needed. First, there must be a general assessment of the types and degrees of entrepreneurial talent residing within the development area. Second, there should be a candid assessment of the capacity of the community or area to support different kinds of entrepreneurial talent. This step in the process provides critical insight to targeting decisions.

Entrepreneurial Talent Targeting. It is unlikely that most communities have the capacity to engage with all forms of entrepreneurial talent initially. Choices must be made. Decisions around which segments of the entrepreneurial talent pool (reflecting relevant development capacity) should be served are strategically important to initial success and longer-term capacity building.

Strategy Development. With targeting decisions in hand, it is now possible to focus on those assistance strategies that make the most sense. Development of a direct and simple initial strategy that can be effectively executed is important. Sophistication can come, in time, as capacity and experience deepen.

Portfolio Tracking Visitation. It is likely that in most cases visitation will be part of the process. It is quite important to take time to get to know and build a relationship with those entrepreneurs targeted for assistance within this process. Visitation begins with insight learning and relationship building that must be nurtured long term.

Program Offering. Economic development can be very informal and organic. But within this process, the decision to partner (the entrepreneur and

the development effort) is deliberate. The program offering defines what the development group is proposing to provide and clarifies the responsibilities of the entrepreneur. This is a partnership not a retail transaction.

Enrollment. The flip side of the program offering is enrollment. Enrollment occurs when the entrepreneur says yes – that he or she is prepared to partner with the development organization.

Customized Assistance. A central element within this process is long-term customized assistance. This assistance can take many forms but generally is anchored in mentoring, peer groups, networking and mini-cluster development. Training, workshops and the like may be part of the assistance package, but the core technology is connecting the entrepreneur with expertise that can meet her immediate and long-term needs.

Infrastructure. As the portfolio of entrepreneurs emerges and visitation is undertaken, greater insight is realized about the broader infrastructure needs of individual entrepreneurs as well as the portfolio. Technology, workforce, capital and other needs will be defined in greater detail. This insight should be used by the development group to create an *are generally on the outside of historic economic* infrastructure strategy that meets the immediate needs of the entrepreneurs today and over time builds a more robust climate.

Giveback Strategy. A possible process element is the creation of a giveback strategy. When entrepreneurs are hungry and wanting any help that might give them a better chance of success, the environment is ripe to create a *giveback culture*. The basis of this strategy is simple – we help you now and in the future when success is yours, you will help others so the process can continue. A giveback strategy often involves gifts of time, talent and treasure.

Deal Flow Development. For the development group, a critical bottom line is deal flow development. More and better deal flow means investment, job creation and tax base expansion. The goal is to energize entrepreneurial talent that creates viable deal flow.

Portfolio Tracking. Like any other investment group, tracking is fundamental to success. Tracking the challenges and performance of the portfolio should follow many of the same rules employed by a funds manager. The only exception is the staples of this portfolio are entrepreneurs and their ventures.

Energizing Entrepreneurs

Accountability. Accountability is a critical step in the process and it involves two elements. First, there should be regular accounting around the portfolio's performance with respect to strategic goals. For example, is the portfolio creating jobs with career tracks appealing to younger persons? Second, there should be return on investment (ROI) accounting. Any development program, whether private or public, must account for the returns it is realizing over time relative to its investment. Strong performance is central to ensuring continued program investment.

Strategy Evolution. Some would suggest that economic development is more art form than science. We believe that entrepreneurial development as an ED strategy is clearly an art form. The process we have visualized and described is composed of effective practice drawn from across the Americas. Intentionally assessing and evolving the strategy over time can optimize long-term success with this strategy.

Conclusion

We hope this information is helpful to those interested in and considering energizing entrepreneurs as a development strategy. This is an exciting and dynamic time with multiple experiments employing various forms to *energize entrepreneurs*. We are committed to tracking these initiatives and urge you to share your ideas, experiences, concerns and suggestions. Together we can evolve the practice of supporting entrepreneurship in rural America. *Please share your insight with us by contacting Don Macke at (402) 323-7339.*

Finding the Resources

Ensuring long-term and adequate capitalization to sustain interventions that energize entrepreneurs is a fundamental challenge. New and inventive strategies are emerging worth watching. Here are two we are tracking.

Ohio. *AceNet, a non-profit development organization based in Athens, Ohio (located in Appalachian Ohio) is evolving a strategy with the entrepreneurs supported through its customized assistance and incubator program. AceNet is developing a dual strategy involving "giveback" and "royalties" to generate future resources for its programs. The giveback premise is simple, direct and powerful – if we help you, then you as an entrepreneur are obligated to help others in the AceNet program via mentoring and other venues. The royalty concept involves AceNet receiving an equity position with the companies it is helping.*

Nebraska. *The Nebraska Community Foundation, the Heartland Center and RUPRI are teaming in Nebraska to build a more effective economic development strategy. Central to this strategy is community investment and giveback. The Nebraska team is piloting programmatic approaches that leverage philanthropic giving to support enhanced ED efforts.*

Michigan. *A third place developing an innovative give back strategy is Northern Initiatives, Inc. located in the Upper Peninsula of Michigan. Northern Initiatives is exploring a royalty arrangement with ventures it is assisting.*

Other Monographs in this Series

#1	<i>About the Center & Resource Guide</i>	#9	<i>Capital</i>
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#7	<i>State Environment for Entrepreneurs</i>	#15	<i>Rural America's New Economy</i>
#8	<i>National Environment for Entrepreneurs</i>	#16	<i>Energizing Entrepreneurs – The Practice</i>

* Under Development

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Founding Partners

The Ewing Marion Kauffman Foundation and its partners look beyond need to identify and develop pivotal opportunities to help create successful businesses and improve the education of children in Kansas City and nationwide. Established in the mid-1960s by the late entrepreneur and philanthropist Ewing Marion Kauffman, the Kauffman Foundation works to advance entrepreneurship by reaching individuals of all ages through the delivery of entrepreneurship education and development, and the promotion of an entrepreneurial environment. For more information about the Kauffman Foundation, visit www.emkf.org.

The Rural Policy Research Institute (RUPRI) is the only national policy institute in the U.S. focusing solely upon the rural implications of public policy. This comprehensive approach to rural policy analysis involves scientists from universities, research institutions, governments, and non-governmental organizations. To date, more than 200 scientists representing 16 different disciplines in 80 universities, 40 states, and three countries have participated in RUPRI projects. Additional information on RUPRI can be found at www.rupri.org. RUPRI is a core funder and supporter of the Rural Entrepreneurship Initiative.

Resources

Top 10 Recommended Resources...

- #1 The Center's monograph series.
- #2-5 The National Commission's Booklet Series → www.ncoe.org:
Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow. March 2001.
High-Growth Companies: Mapping America's Entrepreneurial Landscape. July 2001.
From the Garage to the Boardroom: The Entrepreneurial Roots of America's Largest Corporations. August 2001.
Building Entrepreneurial Networks. December 2001.
- #6 Daring Visionaries: How Entrepreneurs Build Companies, Inspire Allegiance, and Wealth by Ray Smilor. Adams Media Corporation. ISBN: 1-58062-476-6. 2001.
- #7 Enterprising Non-Profits: A Toolkit for Social Entrepreneurs by J. Gregory Dees, Jed Emerson and Peter Economy. John Wiley and Sons, Inc.. ISBN: 0-471-39735-0. 2001.
- #8 Ripples from the Zambezi: Passion, Entrepreneurship and the Rebirth of Local Economies by Ernesto Sirolli. New Society Publishers. ISBN: 0-86571-397-9. 1999.
- #9 Seeds of Success: Entrepreneurship and Youth by William B. Walstad and Marilyn L. Kourilsky. Kendall/Hunt Publishing Company. ISBN: 0-7872-5828-8. 1999.
- #10 The E Generation: Prepared for the Entrepreneurial Economy? by Marilyn L. Kourilsky and William B. Walstad. Kendall/Hunt Publishing. ISBN: 0-7872-6892-5. 2000.

About the Center

The **Center for Rural Entrepreneurship** is new. It is an outgrowth of the **Rural Entrepreneurship Initiative**. The Center is a RUPRI National Research and Policy Center with founding support from the Kauffman Center for Entrepreneurial Leadership within the Ewing Marion Kauffman Foundation of Kansas City, Missouri.

Our mission is to enable every rural resident to achieve his or her full entrepreneurial potential. This mission will be achieved by collaborating with individuals and organizations engaged in the study, practice and policy of rural entrepreneurship.

The Center supports research, field work, and policy development through collaborations with national, state, and local interests. For more information on the **Center for Rural Entrepreneurship**, check out our web site at www.ruraleship.org or call Taina Radenslaben at 402-323-7336.

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Abstract. *The cold war has thawed and in the 21st Century most of the world is committing to market economies as the economic system for meeting society's desires and needs. Emerging research is documenting a powerful link between economic performance and entrepreneurship. Other research suggests that the origin of this linkage is a relatively small group of high growth enterprises driven by remarkable entrepreneurs. This monograph, Why Entrepreneurship?, summarizes relevant research around entrepreneurship and economic performance while exploring what this might mean for Rural America.*

Performance Link

The Global Entrepreneurship Monitor 2000 Report (GEM 2000) focuses on three fundamental research questions:

→ Does the level of entrepreneurial activity vary between countries and, if so how much?

→ Does the level of entrepreneurial activity affect a country's rate of economic growth?

→ What makes a country entrepreneurial?

While the GEM 2000 Study focuses on comparisons among countries, these same three questions can be asked as we look at Rural America. This is what we have done through our field work in Maine, Minnesota, Missouri, Nebraska, Nevada, and West Virginia.

The GEM 2000 Study reached the following conclusion regarding the relationship between entrepreneurial activity and economic performance:

Among nations with similar economic structures, the correlation between entrepreneurship and economic growth exceeds 0.7 and is highly statistically significant. All countries with high levels of entrepreneurial activity have above average economic growth. Only a few high growth countries have low levels of entrepreneurial activity.

[GEM 2000, Executive Summary Report, Page 4]

Note – There may be a bit of a “chicken and egg” question here. Does the presence of entrepreneurial activity lead to stronger economic performance or does a strong economy enable higher levels of entrepreneurial activity? Like a fire, the relationship may be symbiotic. A small fire is able to ignite fuel and increased fuel grows a larger fire. We theorize that economic performance and entrepreneurial activity levels are like the fire – they feed each other, resulting in higher levels of both.

The 2000 Global Entrepreneurship Monitor (Kauffman Center for Entrepreneurial Leadership) clearly documents in 21 industrial countries throughout the world the powerful linkage between economic performance and level of entrepreneurship. GEM concluded that up to 70 percent of the differential in economic performance is associated with varying levels of entrepreneurship.

Simply put, countries with active and dynamic entrepreneurial communities, generally are achieving stronger economic performance.

As we drill down into the research we find an emerging picture where a relatively small number of enterprises, driven by remarkable entrepreneurs, are accounting for significant shares of this economic development.

The National Commission on Entrepreneurship (NCOE) found “...entrepreneurial growth companies or gazelles made up just 4 percent of all companies but generated 60 percent of the net new jobs” {Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow, March 2001} This study and other research strongly supports the view that a relatively few companies – these EGCs or gazelles – are the engines that drive economic development and growth.

NCOE recently released a study {High-Growth Companies, Mapping America's Entrepreneurial Landscape, July 2001) which identifies on a substate national basis the location of EGCs/gazelles. The concentration of high growth companies correlates to areas of the country with more dynamic and expanding economies. This research confirms the findings from the Rural Entrepreneurship Initiative's field research – Rural America has far fewer EGCs or gazelles than metropolitan America.

The question remains – what does this mean for Rural America?

Why Entrepreneurship?

Our Hypothesis

Our hypothesis is that *weaker economic performance in rural areas is due in large part to lack of entrepreneurial activity* – particularly among growth oriented entrepreneurs.

Our proposal suggests that a key – possibly the key – to rural revitalization rests with energizing rural entrepreneurs and rural entrepreneurship.

Our field work supports the conclusion that most Rural Americans have strong entrepreneurial orientations and traits. The heritage of Rural America rooted in self-employment and business owners may form the foundation of this emerging finding. But our field work also suggests that Rural America has fewer entrepreneurs – particularly growth oriented entrepreneurs.

The National Commission on Entrepreneurship's recent study on high growth companies maps the location of EGCs or gazelles by labor market areas throughout the United States. This map and the supporting data reached two very important conclusions. First, every region had EGCs based on this study. Second, the concentration of EGCs was greater in urban places than in Rural America.

Our emerging hypothesis is that certain entrepreneurs are perceptive in seeing new opportunities to organize ventures. These entrepreneurs live and work in supportive environments that enable business concepts to be executed resulting in a small, but critically important, set of growth enterprises. These enterprises revitalize area, regional and national economies. These companies are the drivers remaking our economy. We believe that where they exist in sufficient numbers, we find more dynamic and prosperous economies and societies.

In fact, this view is shared by the Federal Reserve Bank through its Center for the Study of Rural America (based in Kansas City). The Center has identified five key strategies essential to the development of Rural America. Among these five strategies is energizing rural entrepreneurs. Like the Fed, we believe these entrepreneurs are taking full advantage of the "new economy" and the commercial opportunities it is presenting.

The New Economy

In economic theory there is a concept called velocity. Velocity suggests that the rate of economic growth increases as it is fueled with increasing levels of activity. In a macro economic sense, velocity is at work in our new economy. The ability of Rural America to survive, let alone thrive, in the new economy may in fact depend on acquiring and strengthening certain social entrepreneurial traits. These traits center on an entrepreneur's ability to be innovative, flexible, open to collaboration, and resourceful.

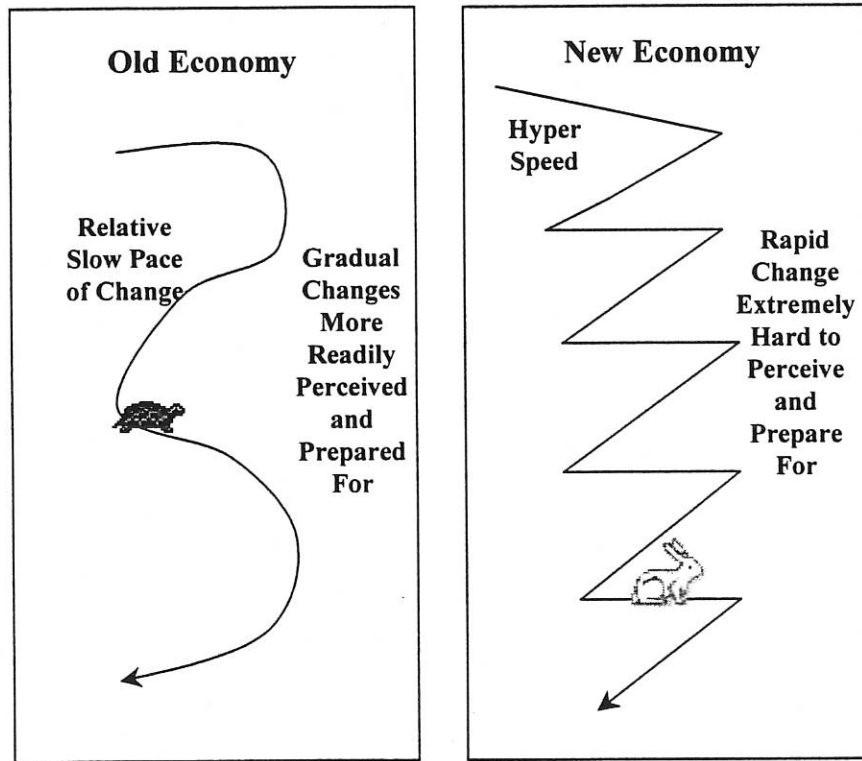
Economists suggest that our economic ages are coming more quickly and being overlaid with new economic ages more rapidly (Figure 1). For example, the primary economic ages of human existence include the hunter/gatherer age, the age of agriculture, the industrial revolution, the nuclear age, the age of information technology, and the bio-technology age. The hunter/gatherer age spans most of human existence and only recently has receded to a marginal activity among some communities. The age of agriculture is also very extensive, covering a significant portion of human history, and continues today. Subsequent ages have not disappeared but their dominance has enjoyed shorter time spans being more quickly eclipsed by emerging new technological ages. The information technology age is still changing the way our economy works and how we live, but the emerging bio-technology age is already bringing about even greater and more profound changes.

Why is this short review of human history relevant to the arena of entrepreneurship? The answer may be rooted in those entrepreneurial traits that enable some people, some communities, and some nations to thrive under increasingly rapid change. Rural sociologists might conclude that the social nature of rural communities inclines them to struggle more with change. Discussions later in this report on culture will address the rural sociological underpinning of this observation.

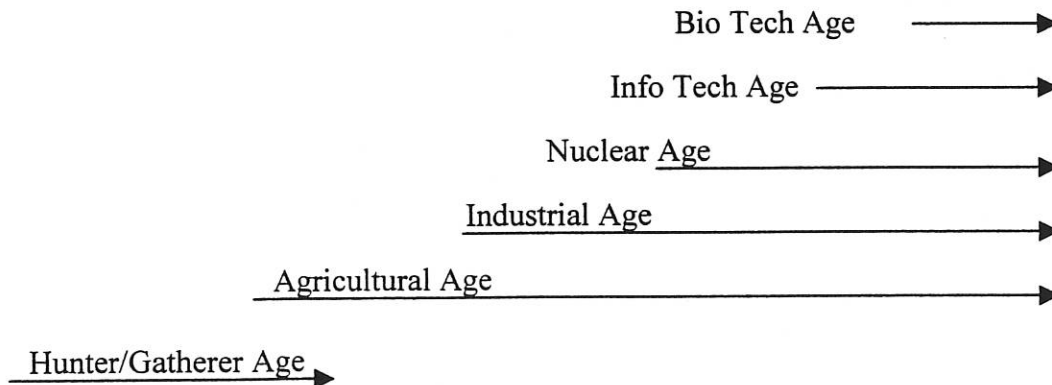
The bottom line here is that entrepreneurs are America's innovators who account for upwards to one-third to two-thirds of all American innovations.

Why Entrepreneurship?

Figure 1 – Old and New Economies



Each new age or each new economy overlays the old age and economy. Older economies and ages generally do not end, simply change.



Why Entrepreneurship?

Figure 2 – Keys to the Old and New Economies

ISSUE	OLD ECONOMY	NEW ECONOMY
Economy-Wide Characteristics:		
Markets	Stable	Dynamic
Scope of Competition	National	Global
Organizational Form	Hierarchical, Bureaucratic	Networked
Industry:		
Organization of Production	Mass Production	Flexible Production
Key Drivers of Growth	Capital/Labor	Innovation/Knowledge
Key Technology Driver	Mechanization	Digitization
Source of Competitive Advantage	Lowering Cost Through Economies of Scale	Innovation, Quality, Time-To- Market, and Cost
Importance of Research/Innovation	Low-Moderate	High
Relations With Other Firms	Go It Alone	Alliances and Collaboration
Workforce:		
Policy Goal	Full Employment	Higher Real Wages and Incomes
Skills	Job-Specific Skills	Broad Skills and Cross-Training
Requisite Education	A Skill or Degree	Lifelong Learning
Labor-Management Relations	Adversarial	Collaborative
Nature of Employment	Stable	Marked by Risk and Opportunity
Government:		
Business-Government Relations	Impose Requirements	Encourage Growth Opportunities
Regulation	Command and Control	Market Tools, Flexibility

Source: National Association of Development Organizations

Why Entrepreneurship?

Social Development

The final case point for the importance of entrepreneurship to the future of rural communities rests with social considerations. Economic development is not a goal, it is a means to an end. Economies exist to meet the material needs of the people within a society. Economies that generate true wealth are able to support other social goals such as cultural pursuits. A growing body of research suggests that entrepreneurial persons, whether they ever create and grow an enterprise, have certain traits that enable non-economic goals to be pursued and realized. The American author Stephen E. Ambrose in his books D-Day, Undaunted Courage, and Citizen Soldiers presents case studies in non-economic focused entrepreneurial behavior. Whether it is Ambrose's story of the soldiers of D-Day in France or the Corps of Discovery, they are case studies in entrepreneurial action. These same traits are needed today in Rural America to enable it to cope with emergencies, realize emerging opportunities, and spur learning that will ensure its place in the new global community.

Conclusion

The reality is that entrepreneurial growth companies (EGCs are just 4% of American businesses) are primary creators of new jobs within the American economy. By some counts, EGCs account for two-thirds of all American job creation.

If our theory is correct, then the future economy of many rural places may rest in their ability to support higher levels of entrepreneurship, thereby growing more dynamic and wealthier economies and societies.

High Growth Companies

Key Findings

High-growth companies are truly extraordinary in the economy; fewer than one in twenty U.S. businesses achieve high-growth rates. Only 4.7 percent of all businesses that existed in 1991 grew their employment by at least 15 percent per year or at least doubled their employment over five years from 1992 until 1997. An even smaller percentage of all U.S. start-ups, 4.5 percent, grew to 20 employees or more by the end of 1996. So fewer than five percent of all U.S. businesses are the big creators of new jobs in the U.S. economy.

High-growth companies are found in all regions of the country, often concentrated in the most surprising areas. For example, many areas in the "rust belt" – long viewed as an area of slow economic growth – show a surprisingly large number of high-growth companies.

High Growth Companies: *Mapping America's Entrepreneurial Landscape* maps high-growth companies, using the latest available Census Bureau data, in every single county in the United States. These comprehensive data allow every community, no matter how small, to compare itself with other similarly sized areas nationwide. Other studies that focus on growing companies most often analyze only major metropolitan areas, while a few others look at perhaps 50 or 100 other smaller cities.

Most fast-growing, entrepreneurial companies are not in high-tech industries. Flying in the face of conventional wisdom that high-growth companies are all found in high-technology industry sectors, the data show that fast-growing, entrepreneurial companies are widely distributed across all industries.

Obtain the complete report entitled **High Growth Companies: Mapping America's Entrepreneurial Landscape** at the web address: <http://www.ncoe.org/lma/lma.pdf>

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*Under Development

Founding Partners

The Kauffman Center for Entrepreneurial Leadership was created in 1990 within the Ewing Marion Kauffman Foundation of Kansas City. The Foundation is a private foundation created by Ewing Marion Kauffman (founder of Marion Laboratories) that strives to achieve the vision of self-sufficient people in healthy communities. The Center focuses on entrepreneurs and entrepreneurship supporting research, learning, and education activities. Additional information on the Kauffman Foundation can be found at www.emkf.org.

The Rural Policy Research Institute (RUPRI) is the only national policy institute in the U.S. focusing solely upon the rural implications of public policy. This comprehensive approach to rural policy analysis involves scientists from universities, research institutions, governments, and non-governmental organizations. To date, more than 200 scientists representing 16 different disciplines in 80 universities, 40 states, and three countries have participated in RUPRI projects. Additional information on RUPRI can be found at www.rupri.org. RUPRI is a core funder and supporter of the Rural Entrepreneurship Initiative.

Author. This monograph was prepared by Don Macke. Don can be reached at don@ruraleship.org or 402-323-7339.

Resources

The following resources are recommended if you would like to learn more about *Why Entrepreneurship is Important to the Future of Rural America*:

- The Lexus and the Olive Tree, Understanding Globalization by Thomas L. Friedman. April 2000, Anchor Books, ISBN #0-385-49934-5, 490 pages.
- The Third Wave, A Classic Study of Tomorrow by Alvin Toffler. April 1981, Bantam Books, ISBN #0-553-24698-4, 537 pages.
- Guns, Germs, and Steel, the Fates of Human Societies by Jared Diamond. 1999, Norton Books, ISBN #0-393-31755-2, 480 pages.
- The Tipping Point, How Little Things Can Make a Big Difference by Malcolm Gladwell. 2000, Little, Brown & Company, ISBN #0-316-31696-2, 279 pages.
- The Origin and Evolution of New Businesses by Amar V. Bhide. 2000, Oxford University Press, ISBN #0-19-513144-4, 412 pages.
- Daring Visionaries, How Entrepreneurs Build Companies, Inspire Allegiance, and Create Wealth by Ray Similor, 2001. Contact Adams Media Corporation to purchase this book at 1.800.872.5627. ISBN #1-58062-476-6, 253 pages.
- Five Myths About Entrepreneurs, Understanding How Businesses Start and Grow by the National Commission on Entrepreneurship, March 2001. Contact NCOE at www.ncoe.org for free copies, 24 pages.
- High-Growth Companies: Mapping America's Entrepreneurial Landscape by the National Commission on Entrepreneurship, July 2001. Contact NCOE at www.ncoe.org for free copies, 28 pages.
- Global Entrepreneurship Monitor, 2000 Report by the Kauffman Center for Entrepreneurial Leadership. For free copies of this and other GEM Reports contact www.entreworld.org.
- Enterprising Nonprofits, a Toolkit for Social Entrepreneurs by Gregory Dees, etc., 2001. Contact KCEI for information on acquiring this book. ISBN #0-471-39735-0, 330 pages.

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