Rural Entrepreneurial Development: Effective Policies for the 21st Century

by

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A Research Paper Submitted in Partial Fulfillment of the Requirements for the Master of Science Degree in Applied Psychology

Approved: 4 Semester Credits

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May, 2008
ABSTRACT

Focusing on making entrepreneurship a cornerstone in developing new economic opportunities in rural communities is forging a new policy frontier. Newly refined rural entrepreneurial development policies are being implemented in communities to generate community support for entrepreneurialism. Entrepreneurs are seen as viable resources that generate new employment opportunities, community wealth, and an overall improvement in the quality of life in rural communities. The fundamental purpose of this review is to identify why entrepreneurs are vital to rural economic growth, to determine how rural communities can support entrepreneurs, to explore rural policy initiatives which sustain entrepreneurial development, and to identify criteria used to build entrepreneurial communities. The author will follow the review with a discussion of the findings and offer practical policy recommendations to further foster the growth of rural entrepreneurial development in Dunn County. The compilation of
resources used to conduct this comprehensive review was collected using institutional websites dedicated to developing rural entrepreneurial communities, web-based entrepreneurial development resources, and the University of Wisconsin-Stout’s library databases and catalog system.
Acknowledgments

“At times our own light goes out and is rekindled by a spark from another person. Each of us has cause to think with deep gratitude of those who have lighted the flame within us.” Albert Schweitzer

First, I would like to thank my advisor Juliet Fox for her continuous support and encouragement throughout entirety of this project. Juliet offered great support in being a role model and inspiration. She fostered my maturation as an academic scholar and individual being. Juliet provided professional advice with her expertise in rural entrepreneurial development through multiple research initiatives. Juliet’s suggestions, guidance, and positive encouragement fueled the vehicle which drove this project to completion. She has been a friend, a mentor and colleagues who had confidence in my abilities from the first day I contacted her and asked her to be my advisor for this project. Juliet was there to pick me up when I stumbled, and guided me back to the beaten path when I went astray. She taught me the importance of having a proper balance between your individual work, and reserving time for oneself to enjoy life’s treasures.

Let me also say ‘thank you’ to the following people at the University of Wisconsin-Stout: Dr. Kristina Gorbatanko Roth (Program Director of Applied Psychology) Dr. Kat Lui (Program Director of Training and Development) and my fellow colleagues in the MSAP Cohort. I am greatly indebted to these individuals for giving me the opportunity to learn from them. I feel I have been able to learn so much from them.
and will be able apply these newly acquired knowledge, skills and abilities in tackling life’s great challenges. It has been an honor to diligently work, learn, and grow with you as a scholar over the course of these past two years.

Last, but not least, I thank my family: my fiancé, parents, sister, in-laws, friends, and everyone who has given me support and encouragement with all my endeavors. Sarah, you are my foundational grounding and I want to thank you for all the love and support you have given me. I thank you for always believing in my abilities, encouraging me to stay the course, persevering, and seeing this project to completion.

Mom and Dad, you have taught me to always put my best foot forward in every waking experience. I have found this to be a great approach in dealing with many of life’s unique opportunities. I thank you for fostering my growth and development as a young man, and there are not enough words or gestures to share how thankful I am for that. You have been extremely supportive, patient, and have given me the love a child all so needs to grow.

Jane thank you for your advice, phone calls, and text messages which offered positive encouragement. You have been a great support and I thank you for all you have taught me.

Tom and Liz, thank you for the wonderful meals, the laundry service, and evenings of playing five-hundred. I always looked forward to enjoying a Papa Murphy’s Pizza with you at the end of a long week. You have been an unbelievable support for me, and I want to take this opportunity to sincerely thank you.
A special thanks to everyone who has been there for me when I needed you the most. It is in this time you lifted me back up to continue down the path of this wonderful journey we so call life!
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Chapter I: Introduction

Statement of the Problem

Today, rural communities across the United States are witnessing solemn measures of change and are confronted with a plethora of adverse challenges which hinder its economic growth and development. Traditionally, rural communities have been deficient in providing its entrepreneurs an effective network of resources to build community capacity as well as a systems-based entrepreneurial program to facilitate business development. Thus, rural communities are looking for new policies which will create economic growth and community development. The quandary has been establishing effective policy which will generate and foster new economic growth within rural communities (Drabenstott, 2003).

Purpose of the Project

The purpose of this review is to address the current phenomenon of rural entrepreneurial development in communities across the United States. This paper will identify why entrepreneurs are vital to economic growth, identify how communities support rural entrepreneurs, and assess rural policy initiatives which sustain entrepreneurial development, and identify criteria used to build entrepreneurial communities. This review will provide practical recommendations that will assist Dunn County in encouraging continuous development of its entrepreneurs by addressing the following disciplines of entrepreneurial development:

1. Current Statistics in Rural America

2. Types of Entrepreneurs

3. Building a Rural Economy Through Entrepreneurship

4. Rural Entrepreneurial Industries
5. Entrepreneurial Development Policies
6. Barriers to Building rural entrepreneurial communities
7. A New Direction and Focus for Rural Entrepreneurial Policy
8. How to Establish Entrepreneurial Support Networks
9. Gauging Rural Entrepreneurial Potential
10. How to Build Entrepreneurial Communities
11. Assessing the Needs of an Entrepreneurial Community
12. Criterion for Supporting a Rural Entrepreneurial Community

Assumptions

General assumptions pertaining to the reliability of the literature collected to conduct this review apply to the project. It is assumed the literature is an accurate and complete reflection of rural entrepreneurial development and the identified disciplines noted in the review. It is assumed the credibility of the authors work is valid, and is therefore an adequate resource used to conduct this review.

Definition of Terms

*Entrepreneurship* - The process of uncovering or developing an opportunity to create value through innovation. (Leicht & Jenkins, 2001).

*Entrepreneur* - An individual, who assumes a business risk, decides when to be innovative, and when to adopt these innovative resources. Entrepreneurs are people who often manage the businesses operations, garner the benefits, and bear the outcome of their failures.

*Rural* - Counties which are non-metropolitan or fewer than 50,000 people.
Rural America – Refers to the counties which are non-metropolitan or counties with fewer than 50,000 people in America.

Methodology

The compilation of resources used to conduct this comprehensive review was collected using institutional websites dedicated to developing rural entrepreneurial communities, web-based entrepreneurial development resources, as well as the University of Wisconsin-Stout’s library databases and catalog system. In addition, resources pertaining to rural entrepreneurial development were collected from the Wisconsin Entrepreneurs’ Network Association.
Chapter II: Literature Review

Current Statistics in Rural America

Rural America has witnessed limited change in structure from nearly a century ago when approximately 35 million Americans lived in rural communities compared to the 56 million people who live in rural communities in the 21st century. Roughly 11 million Americans both live and work in rural communities across the country. Through assessing regional statistics in rural America, focal information is uncovered concerning the potential outlook for economic and demographic trends materializing across America’s rural landscape (Whitener & McGranahan, 2003).

The Midwest is known as the most rural part of the country with almost 25%, or 15.6 million people, living in rural communities. Across the Midwest, 40% of these 15.6 million people live in a county where the largest city is smaller than 10,000 residents. Traditionally, the rural Midwest has commonly been known as farm country, with majority of land invested in agricultural based resources; however, current statistics fail to support this trend as only 7% of Midwesterners live in counties where agriculture is the largest economic resource. Additionally, there are approximately 47% of Midwesterners who live in a county where manufacturing is the largest industry (Colocousis, Duncan, & Salant, 2006).

Economic viability in urban industries outside of the rural Midwest and an older age demographic has proven to increase the rate at which Midwesterners are leaving rural communities. The phenomenon of rural residents leaving their communities in conjunction with more rural resident deaths that outnumber rural births is far too common. Consequently, rural Midwestern counties are experiencing a decline in
population. Approximately 20% of rural Midwesterners live in a county which has lost population since the 1980’s and 1990’s (Colocousis, et al., 2006).

The Northeastern region of the United States is home to approximately 10%, or 5.3 million people, who live in rural counties. Of these 5.3 million people, roughly 30% of these individuals live in counties where the largest city is less than 10,000 people. The Northeastern part of the United States has traditionally been home to an important manufacturing industry which consisted of businesses that manufactured paper, wood products, and textiles (Colocousis, et al., 2006).

In the rural Northeastern region of the United States, 41% of residents live in manufacturing dependent counties. These counties, which rely heavily on the manufacturing industry for economic viability, have recently experienced a transition within the industry. From 2001 to 2003, 15% of jobs in the manufacturing industry were moved out of the region due to a competitive increase in productivity and globalization (Colocousis, et al., 2006).

The Southern part of the United States is a region where 22 million people live in a rural county. Of these 22 million people, 45% of people live in a county where the largest town is less than 10,000 residents. A steady, declining population is a prevalent trend in the rural South. Approximately, 33% of rural Southerners live in a county which has experienced a decline in population since the 1990’s (Glasmeier & Leichenko, 2001).

The Western region of the United States is home to approximately 7 million people who live in a rural county. More than one-third of rural Westerners live in a county where the largest town has less than 10,000 residents. The rural West has experienced a loss of population in remote landscapes and areas in which agriculture is
depended upon quite heavily. In 2000, one-fourth of all rural Westerners between the ages of 21-64 lived in rural counties, and 65% of these citizens were unemployed. The rural South is the only region that has a higher percentage of its residents who live in low unemployment counties. A high unemployment rate is a common trend for approximately 8 percent of rural Westerners who live in consistently poor counties. This is a higher proportion of people than the Midwest and Northeastern regions, but is still lower than the rural South (Glasmeier & Leichenko, 2001).

**Types of Entrepreneurs**

The definition of an entrepreneur has evolved over the course of the last 150 years into a broad term that encompasses the many facets of growth and the process of transformation in innovation. Entrepreneurship can be described as the process of uncovering or developing an opportunity to create value through innovation. It is through this innovative process that competitive markets and enhanced productivity were created. Entrepreneurs are individuals who assume risk, decide when to be innovative, and when to adopt these innovative resources. They are people who manage businesses operations, garner the benefits, and bear the outcome of their failures (Leicht & Jenkins, 2001).

Two identified categories of entrepreneurs are lifestyle and high growth entrepreneurs. Lifestyle entrepreneurs traditionally start new firms with the aspiration of creating a desired way of living. Lifestyle entrepreneurs typically start firms to seek independence or control their own working schedules. Family owned and operated businesses are classic examples of this type of entrepreneurship (often referred to as mom and pop stores), and these businesses typically provide the majority of services needed by local residents. Services provided to local residents by family owned and operated
general grocery stores, local hardware stores, or the home-based consulting business are some examples of these services. This type of entrepreneur adds to the personality and charm of the community that often attracts people to shop and live in rural communities (Leicht & Jenkins, 2001).

The second entrepreneurial category is high-growth entrepreneurs. High-growth business entrepreneurs are typically motivated to start a business in hopes of producing a larger, highly visible, and profitable firm. Many high growth business entrepreneurs tend to take their business public after a certain degree of success. In addition to high-growth business creating jobs, income, wealth, and a larger tax base for their communities, high-growth business entrepreneurs tend to reinvest in local community programs such as schools and social service programs. Many, diverse individuals compose various categories of entrepreneurs. Apart from the discipline of the entrepreneur’s classification, entrepreneurs create jobs, generate incomes, and enhance community wealth (Leicht & Jenkins, 2001).

Building a Rural Economy through Entrepreneurship

Every year, entrepreneurs seek to construct new economic growth in communities. Over the course of the previous decade, this phenomenon added more than a half of million new businesses. Subsequently, this trend in economic growth produced several individual job opportunities in the United States (Henderson, 2002). The United States experienced a considerable increase in economic growth in the 1990’s with the longest period of expansion in the history of the U.S economy. Because of this expansion, new jobs were created by small and medium size entrepreneurs who created opportunities for individuals to seek employment.
It is entrepreneurs who are recognized as a vital source of economic viability in communities. This ideology has spawned a large increase in the expansion of new entrepreneurial economic programs. Entrepreneurial development programs are continuing to be implemented across the country, which is in contrast to the prior pattern of high concentrations of entrepreneurial programs being implemented only in the Northeast and Midwestern regions of the United States (Leicht & Jenkins, 2001).

Nations who have higher rates of entrepreneurial activity are found to have a stronger annual Gross Domestic Product growth. It is a nation’s entrepreneurial activity rate that accounts for one-third of the difference in the economic growth rates between countries (Camp, Hay, & Reynolds, 2001). Small and medium sized entrepreneurial businesses provide the majority of the new jobs across the world. Entrepreneurs creating new jobs, higher employment rates, wealth, and a connection to the larger global market is also commonly seen at the rural community level; however, the rates at which these benefits are created vary substantially.

Over the past decade, more than 500,000 new firms were established by entrepreneurs who created job opportunities for Americans. This phenomenon has generated awareness from many state and local governments that are starting to see the job potential entrepreneurs are capable of creating. As a result, many state and local governments have shifted their economic focus on developing entrepreneurs who are in their community. This development is in contrast to previous strategies of recruiting business firms from the outside in and leads to the formation of new entrepreneurial firms that create new jobs. Additionally, entrepreneurs, unlike corporate branch plant
companies, are more likely to reinvest their profits back into their local communities (Devine, 2004).

*Rural Entrepreneurial Industries*

In 2001, more than one-third of rural entrepreneurs, or 34.5%, operated businesses in the service and manufacturing industry, and 19% of self-employed entrepreneurs owned and operated a business in the construction industry. Almost 16% of entrepreneurs made up the retail trade industry, while more than 10% of rural entrepreneurs operated their business within the agriculture, forestry, and fishing industry (Dabson, 2001).

Rural manufacturing has been a cornerstone of rural communities across America and have often provided rural communities with the highest wages in the area. Rural manufacturing is the single largest source of income for rural communities; however, the potential outlook for the manufacturing industry is not exactly clear (Drabenstott, 2003). In the previous decades, manufacturing firms moved into rural America in search of inexpensive land, labor, and taxes. Manufacturing firms were motivated to move into rural communities because they were also promised incentives such as tax subsidies. This phenomenon has emerged as one of the most popular rural development strategies of the last half-century (Beyers & Lindahl, 1996).

Unfortunately, this particular rural economic strategy has encountered opposition through forces of globalization. The successes of low-cost land incentives are being challenged by foreign territories that present manufacturing firms with even further reduced land prices in order to recruit their business and industry. In 2002, approximately 200 rural factories closed down their operations and relocated to
destinations outside of the country in search of a cheaper labor force, land incentives, and tax subsidies. In 2002, roughly 45% of layoffs were associated with manufacturing firms closing their doors and relocating to foreign countries. This trend has created a fundamental question of rural industrial recruitment which is the most common form of rural economic development. The question encompasses the notion of whether or not the concept of recruiting outside businesses is the most beneficial for rural communities, and if developing local entrepreneurs from within the community to create new jobs, economic growth, and community wealth is more advantageous (Drabenstott, 2003).

Rural entrepreneurial activity varies across different industries; however, industries which experience growth rates or higher levels of technological change can offer more opportunity for entrepreneurs to start up a business (Drabenstott, 2003). Entrepreneurs in rural communities that are within relatively close proximity to a metropolitan area have better access to products, services, and resources as well as larger markets. This trend was observed in the 1990’s when there was an increase in entrepreneurial growth in rural counties located next to large metropolitan areas. These rural counties averaged a 3.4 % increase in entrepreneurial growth, compared to a 2.8 % increase in rural counties that were not adjacent to a metropolitan area.

In the past, rural communities relied heavily on the agricultural industry. Combined with some of the world’s best natural resources and innovative technology, the agricultural industry was a main economic driver in rural communities. Now, however, the expansion of large, successful farming operations has created a new standard for America’s dairy farm. Consequently, many rural farming residents have not transitioned
their small dairy farm into a large scale operation, but have instead decided to leave the agricultural industry in search of other employment (McDaniel, 2000).

In 1972, more than one in four counties in the United States heavily depended on agriculture as their main source of income; however, this has decreased to one in ten counties that now rely heavily on agriculture has their primary economy. Approximately 6.3% of rural Americans live on farms, and the vast majority of these individuals find employment off the farm. Roughly 90% of rural workers have occupations unrelated to the agricultural industry, and approximately 1.8% of the rural population identifies farming as their main source of employment (McDaniel, 2000).

Entrepreneurial Rural Development Policies:

Rural policy makers are turning to new economic development policies that will help create new opportunities for their community. A focus on making entrepreneurship a key cornerstone in developing new economic opportunities in communities to generate profitability and compete in the marketplace is forging a new policy frontier.

Developmental policies have been initiated by rural policy makers across the country. These policies include facilitating the development of the knowledge, skills, and abilities necessary to effectively operate a business. Second, policies now aim to strengthen community resources for entrepreneurs that in turn foster the growth periods through the developmental and establishment periods of new business. Implementing these policies also helps create community networks that facilitate entrepreneurial development (Drabenstott, 2003).

Rural entrepreneurial development programs that focus on developing the technical and managerial know-how of individual entrepreneurs provide the tools
necessary to create, build, and establish a successful small business. Entrepreneurial development programs have emerged through partnerships between local governments and non-profit organizations. In addition to these programs, small business development centers across the country aid entrepreneurs in developing the proper managerial skills necessary to effectively own and operate their business. Assistance with developing knowledgeable business plans to financial and market analysis trends benefits local entrepreneurs in the development of their small business (Drabenstott, 2003).

According to Dabson, (2001) business development centers typically have a close relationship with local universities, communities, and technical colleges in the region. Institutions of higher education are becoming more involved in developing the appropriate skills necessary to produce successful business entrepreneurs. Secondary educational institutions such as Fairleigh Dickinson University offers an undergraduate major, masters degree in business administration, and a post MBA program certificate in entrepreneurship through its Rothman Institute of Entrepreneurial Studies. The phenomenon of implementing entrepreneurial business development programming in higher educational institutions has grown over the past 30 years. The number of higher education institutions offering entrepreneurship courses rose from a 6 in 1967 to more than 370 in 1997.

In the Midwestern region of the United States, the University of Minnesota has worked to improve the technical skills of Minnesota’s business entrepreneurs. The University has developed a program called the Access Minnesota Main Street Program. This program was created in order to improve the use of Internet and e-commerce skills of small and medium sized businesses entrepreneurs. This program has reported success
with increasing e-commerce skills and is currently being replicated at the University of Nebraska and Penn State University (Dabson, 2001)

Creating a community culture that supports entrepreneurialism is essential to fostering the growth and development of local entrepreneurs. The community's ability to provide adequate resources for its local entrepreneurs is critical in order for these entrepreneurs to excel and compete in the marketplace (Dabson, 2001).

Many rural communities are looking to focus their policies on creating a supportive culture for their local entrepreneurs, and several rural communities have discovered the importance of utilizing angel investors. Angel investors are typically wealthy individuals who are willing to lend money to local entrepreneurs to facilitate the start up process of a business. This method generates venture capital for the entrepreneur and furnishes the entrepreneur with managerial expertise and financial assistance in the early stages of business development. Minnesota is home to the Lakes Venture Group, which is an organized community association that has supported the start up of numerous independent business entrepreneurs in Minnesota's rural areas of the state (Drabenstott, 2003).

Creating and establishing a vibrant entrepreneurial culture with supportive community programs has proven to be a difficult course of action in many rural communities. The phenomenon of developing local entrepreneurs as an effective economic development strategy has created new cultural attitudes in many rural communities. Through acknowledging the successes of entrepreneurs with awards such as business entrepreneur of the year or small business owner of the year highlight the accomplishments and significance of rural entrepreneurs. Many rural communities have
adopted this practice of acknowledging and capturing the importance of local entrepreneurs through such community recognition awards (Branchflower, & Oswald, 1998).

In addition to local community business development awards that recognize the importance and significance of local entrepreneurs, college universities, state and local government entrepreneurship programs have also sponsored business plan competitions. These competitions facilitate the process of recognizing the importance of entrepreneurship in rural communities (Branchflower, & Oswald, 1998).

*A New Direction and Focus for Rural Policy.*

Drabenstott (2003) reveals there has been a significant amount of change since 1972 when the Rural Development Act was created. Globalization and rapid technological changes have left rural economic officials with the challenge of creating new policies to help rural communities seize the opportunities of the 21st century. Past policies will not create a new rural economy; instead new rural policy is created through drafting and defining a community’s goals.

A variety of goals have emerged as overarching themes to facilitate the growth and development of rural communities. These goals help build new policies and sources of competitive advantage for rural regions in the marketplace (Drabenstott, 2003). The following paragraphs are a description of these goals and themes.

It is important for rural policy officials to create an informed dialogue format in order to identify, refine, and implement community goals. Having clear goals in conjunction with a well defined framing principle allows rural community political officials to follow a designated course of action. Rural community officials have
analyzed policies to enhance rural economic development, and one policy has emerged to hold great promise for future economic development (Abraham, Drabenstott, & Novack, 2003).

Entrepreneurship is the keystone which holds great promise for rural economic development. Incorporating entrepreneur development through systematic programs and rural policy will address the unique needs of the community’s entrepreneurs and will provide the vehicle to drive economic development. Unfortunately, the vast majority of existing entrepreneur programs do not follow a systematic approach to business innovation and need to be restructured beginning with equipping them with the appropriate activities necessary to create successful entrepreneurs (Abraham, et al., 2003).

The availability of equity capital, or money invested by owners, stockholders, and others who contribute or share in business profits is an issue for many rural entrepreneurs. Entrepreneurs in rural communities have traditionally lacked in recruiting available resources, support services, and equity capital opportunities. For this reason, many rural policy officials have recommended an equity capital initiative program be designed to generate public and private funding to help finance rural business entrepreneurs (Barkely, 2003).

A resource that holds great promise for rural entrepreneurs is new investments in research and technology by rural policy officials. Broadband technology provides rural entrepreneurs resources readily available to them. This technology is crucial in supporting growth, development, and innovative opportunities for new entrepreneurs. Through newly redefined rural policy, the issue of expanding and providing information
technology infrastructure for rural entrepreneurs needs to be addressed. In doing so, the
digital gap in rural communities - which is an essential component to building new
entrepreneurial economic opportunities within the community - would be minimized
(Rosenfeld & Sheaff, 2002).

**The Importance of Establishing Entrepreneurial Support Networks**

Network building is a key strategy and the secret to developing a strong
entrepreneurial community. Networks consist of businesses, organizations, and informal
groups that provide entrepreneurs with the appropriate resources they need to excel.

One of the most common and successful networking programs that develops local
entrepreneurs are incubator programs. Incubator programs implemented in rural
communities provide local entrepreneurs with appropriate resources pertaining to
financial support, business management, marketing resources, employee relations,
partnerships, and day to day business operations. Incubator networking initiatives
provide the necessary resources for entrepreneurs to grow with their business and are
some of the most successful initiatives supporting economic growth and development in
rural communities. The number of business incubators increased from 12 in 1980 to more
than 900 in 2002. More than 90% of these incubators were still in business in 2002 with
84% of the incubated businesses remaining in their local communities (Jenssen &
Koenig, 2002).

Networks also fit the part of the social capital within a community and are
considered to be key resources for entrepreneurs. A network in a rural community is
often centered on social involvement and highlights the importance of social exchange as
factors in rural business survival. Rural entrepreneurial business owners maintain an
implicit, cooperative strategy of working together as a cohesive team by not competing
directly with other local businesses and duplicating the services they provide (Jenssen &
Koenig, 2002).

Long term residents in rural communities hold a strong sense of pride in their
history, reputation, and traditions (Duncan, 1996). It is through these traditions that rural
communities have a sound foundation of interpersonal networks and have created a
distinct identity. Distinct socio-cultural values, citizen engagement, community
cooperation, and strong community networks are formed within these rural communities
that link its business entrepreneurs together. Rural business entrepreneurs use
community networks as a primary method of advertising their services. This
phenomenon of advertising through word of mouth is a significant method in establishing
a business reputation in a rural location (Duncan, 1996).

**Rural Entrepreneurial Potential**

Having a reliable measure to gauge a rural community’s capacities, assets, and
identified primary regional drivers of economic growth is integral. One fundamental
driver which has emerged as a rural community driver is entrepreneurship; however,
there has been a struggle to pinpoint one standard method for resourcefully measuring a
community’s entrepreneurial potential. Rural community analysts often lack the
resources necessary to effectively utilize strategies to measure the breadth and depth of
entrepreneurship in a community. This uncertainty has created difficulty for rural policy
makers to effectively gauge their community’s entrepreneurial viability (Acs &
Armington, 2003).
In assessing a community’s entrepreneurial potential, there are two distinct measures which should ideally be incorporated into the equation. Analyzing a community reveals the rural community’s entrepreneurial foundation, which provides insight regarding how many businesses in the region are utilizing local resources, generating local community profitability, and enhancing the community’s overall quality of life. Second, assessing the depth or quality of community entrepreneurialism identifies the value these businesses generate for themselves as well as their local community. Depth also reveals whether or not a community’s entrepreneurs are reaching the frontiers of the marketplace (Acs & Armington, 2003).

Research points to the idea that communities rich in entrepreneurial businesses, or entrepreneurial breadth, witness more long-term job growth as well as regional economic prosperity. Calculating the number of self-employed individuals in a community divided by the county’s total number of employment yields a region’s breadth. By calculating this ratio, it provides a comparable statistic to identify where the highest concentration of entrepreneurs are located in a county, region, state, and country. The concentration of entrepreneurs is rather diversified and displaced throughout the United States; however, the Great Plains and Midwestern regions have some of the highest breadth rates reporting up to 70% in some counties (Acs & Armington, 2003).

Barriers to developing entrepreneurial communities

Rural entrepreneurs are faced with many challenges, including population density, consumer income levels, and lower educational levels than found in metropolitan areas (Drabenstott, 1999). Hardship posed by rural context is not a new hurdle for business
entrepreneurs. The geographic region and natural environment of a rural community are central factors in rural life and have a significant impact on rural economic development.

The remoteness of many rural communities also presents the challenge of overcoming transportation issues. Receiving and providing business services is a challenge rural business entrepreneur’s encounter because of sparse populations within rural communities. Rural business industries rely on transportation of resources and adequate travel infrastructure to compete in the marketplace; consequently, sparsely populated rural communities experience higher commuting and shipping costs opposed to more urban communities (Drabenstott, 1999).

The demography of a rural community and its population density limit the amount of growth and employment options for entrepreneurs. Sparse populations in rural communities restrict the number of available skilled workers that in turn limits the flexibility of entrepreneurs to hire appropriate help in rural labor markets (Drabenstott & Meeker, 1999). Rural consumer markets have poorer populations, lower educational rates, and a greater elderly population, which correlate with reduced computer knowledge and skills in rural communities. The per capita and household income in rural communities is lower compared to urban areas. In addition, rural communities have lagged urban areas pertaining to investments in infrastructure and digital broadband technology. It is these technologies which facilitate the development of entrepreneurship and rural business (Frenzen & Parker, 2000).

Perhaps one of the most heavily identified drivers of rural change is associated with the current trend of globalization. Globalization has impacted traditional, resource based, and manufacturing industries in all four rural regions of the United States.
Employment opportunities have dwindled; smaller firms across the country have disappeared, and more are following this trend at an alarming rate (Frenzen & Parker, 2000).

It is estimated that 14 million U.S white collar jobs are at risk for being replaced by foreign employees. What is more alarming is this prediction does not take into account the jobs lost from these positions moving oversees. The majority of jobs leaving the United States are information technology related and, more specifically, involve software development. However, global corporations will continue to tap into the young, international talent markets across the world because they earn roughly 20 – 30% of the wages garnered by an employee in the United States. It is both urban and rural jobs that are subject to being replaced by cheaper foreign labor policy (Frenzen & Parker, 2000).

*How to Build Rural Entrepreneurial Communities*

There are many trends and concepts to be aware of when building a rural entrepreneurial community to foster community economic development. Enterprise development has grown in popularity as key economic development strategy. At its foundation, enterprise development’s goals are to create wealth for business entrepreneurs by helping them establish and maintain their businesses. Enterprise development is thought to have many promising attributes that separate this economic development strategy from others. Enterprise development is arguably more sustainable, cost-effective, and attentive to community issues. In addition, enterprise development is thought to be more collaborative and inclusive than other economic development strategies geared towards business attraction, retention, and expansion (Harrison & Kanter, 1998).
The trend of enterprise development has recently shifted in focus. In the past, rural communities typically focused on how they could financially support their local entrepreneurs. The pendulum has shifted, and the direction of focus is now on how rural communities can build their own entrepreneurial kinship. A community that can create or capitalize on new economic opportunities through innovative practices by finding new solutions to existing problems, unmet needs, and other opportunities within the community such as building on local amenities will achieve this shift in focus (Lichtenstein & Lyons, 2001).

Entrepreneurial communities typically possess a critical mass of entrepreneurs who are actively engaged in tapping into new market prospects. Moreover, within the community there is a group of entrepreneurs that constitute their own distinct and recognizable community. An entrepreneurial community has strong networking relationships that support local business entrepreneurs by providing the skills, abilities, and know-how necessary to grow new firms. Lyons (2002) stated “the observation that it takes a village to raise a child applies here as well; it takes a community to develop an entrepreneur and his or her venture” (p. 195).

In building a vibrant entrepreneurial community, individuals must support the initiative to encourage the growth of entrepreneurship within the community. This phenomenon is often referred to as entrepreneurial spirit or culture and is representative of the actions conducted within the community to support entrepreneurialism. Supportive actions might include things like connecting entrepreneurs with affordable bank loans to start their business, passing favorable legislation that works for the greater
entrepreneurial spirit, or welcoming new members to join economic development campaigns within the community (Porter, 2000).

A plethora of ideas is offered regarding the best methods to foster business entrepreneurship in a community; however, the success and development of an entrepreneurial culture relies heavily on the community’s social capital. Regional entrepreneurial networks and partnerships between the community’s public and private sectors can enhance the community’s entrepreneurial culture (Porter, 2000).

Assessing the needs of an entrepreneurial community

The majority of entrepreneurial development programs are driven by the use of a particular tool or method as opposed to meeting a particular entrepreneurial need. This approach is supply based rather than demand driven. Economic developers typically tend to adopt a program that is already being used and has proven to be successful someplace else. Subsequently, entrepreneurial developers tend to adopt and implant the same program into their community with limited alterations. This practice traditionally leaves economic developers believing they have provided entrepreneurs with the appropriate program to address their needs; however, entrepreneurs view this practice as economic developers promoting convenient solutions to offer rather than assessing what entrepreneurs truly need (Shields, 2005).

Programs implemented without being grounded in the needs of entrepreneurs have a short shelf life. Conversely, when the entrepreneurs voice is listened to and addressed in economic development programs, communities experience entrepreneurial success through business growth. The phenomenon of enterprise development programs tailoring resources to prospective entrepreneurs through a precise needs assessment is
rare. Economic Developers habitually assume the needs of entrepreneurs and the feasibility of funding the program typically overshadows the true needs of the entrepreneurs (Shields, 2005).

Current enterprise development assessments are typically very selective and arbitrary in identifying entrepreneurial needs. Rural economic developers tend to focus their efforts in specifically developing financial needs and often fail to incorporate marketing, advertising, and other resource strategies (Shields, 2005).

Assessing rural entrepreneurial needs can be a difficult task; however, the identification of these needs is critical to economic development. Entrepreneurial development programs that facilitate entrepreneurs in identifying the needs of their business build strong rapport and establish effective working relationships. This valuable line of communication enables the entrepreneur to confide in economic developers regarding their most important business needs, concerns, and issues (Lichtenstein, 1999).

The phenomenon of fragmentation in enterprise development has created confusion and uncertainty for entrepreneurs. Economic service providers often specialize in one aspect of economic development, leaving entrepreneurs faced with the challenge of meeting with several economic representatives through different service providers. In 1992, there were 456 programs providing assistance in 28 different entrepreneurial categories for a total of 752 distinct service offerings in Wisconsin. However, integrating business services within communities by the means of one entrepreneurial program will relieve confusion and eliminate current obstacles of jumping back and forth between business service providers (Whyte, 1996).
The critical but often omitted factor in enterprise development is the phenomenon of making ideas a reality. There is insufficient focus on implementing entrepreneurial programs within a rural community, and too much attention paid to talking about them. Rural communities struggle with implementing successful enterprise development programs, but often have strong visions of what the program should entail. Communities need to have a stronger value in the importance of having an effective implementation and execution strategy; in doing so, this will facilitate the growth and development of rural entrepreneurial communities (Lichtenstein, 1999).

A shortcoming of enterprise development stems from the lack of attention focused on the entrepreneur. Traditionally, the focus has been directly centered on the business; however, it is the entrepreneur who drives the business, not the business that drives the entrepreneur. When enterprise developers focus solely on the business they are missing half of the equation. Establishing a genuine and long-term connection allows enterprise developers to keep the focus on the entrepreneur as the driver of the business. When the focus is on the business driving the entrepreneur the venture is in danger of failing (Flora, Sharp, & Newlon, 1997).

Entrepreneurial development programs are notorious for being reactive in nature. The vast majority of entrepreneurial programs wait for individuals to take the courageous initiative with their endeavor to walk through the door and ask for assistance. Successful entrepreneurial programs have an effective method to create their own customers for their enterprise development services. Reaching out into the community and generating awareness or sharing the advantages, rewards, and benefits entrepreneurs experience establish a pipeline of entrepreneurs within the community (Lichtenstein, 1999).
Enterprise development programs tend to have a laundry list of problems associated with them. The phenomenon of funders driving the direction of the program rather than clients is prevalent. The trend has been for government sectors provide the funding for the bricks and mortar of enterprise development facilities. Nonetheless, there is a failure to offer any financial assistance for soft costs associated with providing business management resources necessary to garner entrepreneurial success (Shields, 2005).

Funding for new initiatives is common, but funding for replication of a successful programs or expanding current programs is almost nonexistent. Funding tends to decrease over time and the support for operation diminishes greatly. Regardless of how great the demand may be, the argument that entrepreneurial development activities should be self sustaining is the primary reason for decreased funding (Flora, et al., 1997). These funding trends are traced back to a survey conducted in 1998 where entrepreneurial development programs accounted for less than one percent of the more than $2 billion in annual state economic investments.

Criterion for Supporting a Rural Entrepreneurial Community

According to Lichtenstein and Lyons, (2002) communities that utilize these five critical strategies as criteria to build an entrepreneurial community have success in creating new jobs, wealth, personal development, and an improvement in the overall quality of life.

1) Take a systems approach to entrepreneurial development

2) Customize the enterprise development system for each community

3) Focus on developing entrepreneurs
4) Develop new roles, skills, and tools

5) Operate as a transformation business

#1. Taking a systems approach to enterprise development produces a well organized and recognizable program. Successful rural entrepreneurial communities follow a systems approach to enterprise and community economic development. Simply, these communities work hand in hand with businesses in a holistic manner to ensure all concerns of the entrepreneur are addressed. Communities who lack a systems based approach to entrepreneurial development are often in the predicament of searching for a single method that will resolve their economic troubles. This approach is greatly unsuccessful and often unrealistic (Lichtenstein & Lyons 2002).

Over the course of the 1990’s many new initiatives were implemented, however not utilizing a systems based approach. Enterprise zones, empowerment zones manufacturing networks, community venture funds, and incubator programs were all pursued with the aspirations of finding a magical method to foster the development of an entrepreneurial community. These programs were implemented without the mindset of benefiting the entire entrepreneurial community and instead focused on the creators of the entrepreneurial initiative programs and their personal interests. This ultimately led to self-defeating, competitive, and non-systematic behavior. Communities need to complement one another in a synergistic manner. Working together through relationship building will produce a cohesive system that will benefit the entire entrepreneurial community and not just a selected group of clients (Lichtenstein & Lyons 2002).

#2 In order for a community to be successful in establishing an entrepreneurial community, it must customize its development program. This practice addresses the
unique needs and circumstances associated with each unique community. Similar characteristics may be found in other communities, but the entrepreneurial development program needs to assess, identify, and construct its own original program tailored to the needs of its entrepreneurs. The enterprise development program needs to be constructed in a way that it can provide direct benefit to develop its entrepreneurs (Lichtenstein & Lyons, 2002).

**#3 Successful entrepreneurial communities should focus their efforts on establishing a pipeline of entrepreneurs that are proficient in identifying and capitalizing new market opportunities.** Entrepreneurial development is an investment in the community’s future and requires time to pay dividends; however, a challenge community’s face is investing in future entrepreneurial development programs.

Prosperous entrepreneurial communities proactively engage and invest in development programs that focus on capturing new market opportunities. This change in focus is a shift from entrepreneurial development programs that traditionally focused only on preserving the success of existing business and is in contrast to the current focus of proactively engaging entrepreneurs in developmental programs (Lichtenstein & Lyons 2002).

**#4 Successful entrepreneurial communities build off of existing development programs already in their community by generating new skills, roles, strategies, and tools for entrepreneurial growth in the program.** Responsibility to ensure continued developmental tools are designed in the program, and effectively managing the process of establishing an entrepreneurial pipeline in the community should be delegated to a representative (Lichtenstein & Lyons 2002).
Successful entrepreneurial communities facilitate the development of the necessary skills to guide entrepreneurial transformations through its programs. Entrepreneurial development programs should facilitate the process of advising on a business location, developing business plans, and providing business management support (Lichtenstein & Lyons, 2001).

Effective entrepreneurial communities are those in which all residents - businesses, politicians, and government officials - think and act entrepreneurially. Developing a vibrant entrepreneurial community requires a conceptual framework as well as a systematic approach to facilitate people’s understanding of a larger vision, their particular role, and rules for engaging with one another to reach the goal of developing an entrepreneurial community (Lichtenstein & Lyons, 2001).
Chapter III: Project Goals and Recommendations

Rural communities across the United States are witnessing solemn measures of change and are currently confronted with a plethora of adverse challenges that hinder economic growth and development. Rural communities are looking for economic development policy which will create economic viability and foster community development; however the quandary is ascertaining and implementing effective rural economic policy (Drabenstott, 2003).

This review addressed the current phenomenon of rural entrepreneurial development policies, identified why entrepreneurs are vital to economic growth, acknowledged how communities can support rural entrepreneurs, identified how to create rural policy initiatives that will sustain entrepreneurial development in communities, and identified criterion on which entrepreneurial communities can be built.

This section of the review is reserved for recommendations based on the previous literature that will facilitate the process of establishing an entrepreneurial community in Dunn County. As noted through the course of the literature, there are several practical recommendations that will foster the growth and development of an entrepreneurial community, and the recommendations identified for Dunn County were taken from the most common themes that emerged over the course of this research.
Recommendations for Dunn County

It was suggested throughout the literature that communities need to regularly re-evaluate their entrepreneurial development policies. In doing so, communities are continuously meeting the needs of its entrepreneurs. In order for Dunn County to be successful in developing an entrepreneurial community, it must tailor its resources to the needs of current and prospective entrepreneurs. These needs can be identified by administering a needs assessment both to current and potential entrepreneurs within the county to determine what resources they still lack. This methodology will prevent entrepreneurial programs in Dunn County from assuming the needs of its entrepreneurs, selectively addressing these needs, or arbitrarily identifying any needs.

Utilizing the Dunn County Community Visioning project as a forum for entrepreneurs to collaborate, discuss, and identify their unique needs is a great tool for facilitating the process of conducting a needs assessment. Dunn County’s entrepreneurs are able to gather within their respective capital and share their unique needs, concerns, and aspirations. Utilizing this tool is the first step in accurately assessing the needs of Dunn County’s entrepreneurs. As a byproduct of this process, stronger rapport between these two entities will be established.

Dunn County’s continued efforts in developing networks for its entrepreneurs fit the part of social capital within a community. Connecting resources from businesses, organizations, and non-profit groups within a community’s social capital will connect Dunn County’s entrepreneurs to the appropriate resources necessary to compete in the marketplace. Inviting prospective business entrepreneurs within Dunn County to social events such as the “Business after Hours” meetings held once a month at different
locations throughout Dunn County connects entrepreneurs to resources and other entrepreneurs. Professionals at these meetings have knowledge regarding acquiring resources pertaining to business management skills, marketing tactics, financial support, building effective employee relations strategies, and day to day business operations. Consequently, entrepreneurs will be able to network and utilize resources from a variety of business professionals from within the community.

Dunn County should continue to work towards establishing a closer working relationship between the Chippewa Valley Technical College, the University of Wisconsin-Stout, and itself. Higher educational institutions are becoming more involved in developing entrepreneurial programs and are able to provide access to the skills necessary to produce successful business entrepreneurs. Educational institutions have the resources and technology available for entrepreneurs to learn and better compete in the market place. Continuing working relationships with these entities will allow programs to continue to evolve and address the unique needs of Dunn County's entrepreneurs.

By knowing entrepreneurial development programs are notorious for being reactive in nature, Dunn County can continue to find new ways to reach out into the community and engage entrepreneurs in their programs to become more proactive. Sponsoring business plan competitions or alternative methods to generate awareness would reach entrepreneurs from all across Dunn County. This would be a great opportunity to proactively engage entrepreneurs to participate and take advantage of the programs offered within Dunn County.

Continued development in creating an entrepreneurial program that is convenient for entrepreneurs to access and contains information pertaining to business management
skills, marketing resources, financial support, techniques in building effective employee relationships, how to build a healthy business culture, and general day to day business operations knowledge is essential to building such a community. Establishing a systems-based approach and working in a holistic manner to ensure all needs of the entrepreneur are being met will create a positive entrepreneurial environment.

An example of a program of this nature could be called the Dunn County’s Entrepreneur Network and be a smaller scaled version of Western Wisconsin Entrepreneurial Network. This program would connect entrepreneurs with the appropriate resources to generate the knowledge, skills, and abilities to effectively own and operate a business. Traditionally, economic service providers specialize within one aspect of economic development; thus, the issue of fragmented entrepreneurial programs has traditionally left entrepreneurs uncertain and confused in the direction they need to go to start their business or what program to consult when in need of advice. Therefore, continued effort in creating one entrepreneurial development program that would connect entrepreneurs to resources in a single location or entity will alleviate confusion entrepreneurs may be experiencing in Dunn County.

Finally, efforts in Dunn County should continue to focus on establishing a pipeline of entrepreneurs in the community. Developing an entrepreneurial pipeline that is proficient in identifying new market opportunities on which entrepreneurs can effectively capitalize will create a cyclical, self-sustaining entrepreneurial community. This can be accomplished by continuing to invest in Dunn County’s Young Professionals Group, which is a great foundation for building an entrepreneurial pipeline within the community. Effort towards establishing an entrepreneurial pipeline and facilitating its
development into a self-sustaining entity will ultimately create new jobs, wealth, personal development, and result in an increase to the overall quality of life in Dunn County.

Figure 1

Systems Based Approach to Entrepreneurial Development

In addition to developing a program for entrepreneurs where they can access multiple resources at a given point in time, Dunn County can continue to foster the growth and development of its entrepreneurs through expanding its broadband technology capability throughout the county. Providing an adequate technological infrastructure offers resources readily available to Dunn County’s entrepreneurs and innovative opportunities for growth to compete in the marketplace.
References


## Appendix A

### Dunn County Recommendations

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<thead>
<tr>
<th>Recommendations</th>
<th>Projected Outcomes</th>
<th>Structure to Utilize</th>
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<tbody>
<tr>
<td>Regularly revaluate entrepreneurial development policies and needs of entrepreneurs in Dunn County</td>
<td>Prevents programs in Dunn County from assuming the needs of its entrepreneurs</td>
<td>Entrepreneurial Capital of Dunn County Community Visioning Project</td>
</tr>
<tr>
<td>Continue finding new ways to reach out into the community and engage entrepreneurs in programs tailored to their needs</td>
<td>Will generate an entrepreneurial community by developing awareness, sharing advantages, and providing adequate resources for its entrepreneurs.</td>
<td>Business after Hours Chamber of Commerce</td>
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<td>Create an informed dialogue format in order to identify, develop, and implement community goals to facilitate entrepreneurial growth</td>
<td>A clear community goal will be established and will continue to generate an entrepreneurial spirit within Dunn County.</td>
<td>Greater Menomonie Economic Development / Dunn County Community Visioning</td>
</tr>
<tr>
<td>Continued effort in developing networks for Dunn County’s entrepreneurs</td>
<td>Connecting resources within Dunn County consisting of businesses, organizations, non-profit groups, will provide Dunn County’s entrepreneurs the appropriate resources to compete in the marketplace and to acquire business management skills, marketing resources, financial support, building effective employee relations strategies, and day to day business operations.</td>
<td>Wisconsin Entrepreneurs Network Dunn County’s Entrepreneurs Network Business Plan Development Guide Political Capital of Dunn County Community Visioning</td>
</tr>
<tr>
<td>Expand broadband technology capability throughout the county</td>
<td>Resources and technologies available for entrepreneurs to learn and to better compete in the marketplace</td>
<td>Chippewa Valley Technical College, the University of Wisconsin-Stout, and Dunn County</td>
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<td>Continue to foster working relationships between secondary educational institutions and the community</td>
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<th>Continue to develop a process which systematically identifies the needs of Dunn County’s entrepreneurs through engaging individuals to share their thoughts, concerns, and needs as an entrepreneur</th>
<th>New skills, roles, strategies, and tools for entrepreneurs will be a product</th>
<th>Dunn County Community Visioning</th>
</tr>
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</table>
| Continual effort in the development of creating an entrepreneurial pipeline | Create new jobs, wealth, personal development, as well as an increase to the overall quality of life in Dunn County | Young Professionals Group.  
Leadership  
Menomonie  
Wisconsin Entrepreneurs Network |