



# What is an Entrepreneurial Community?

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Entrepreneurship is an economic development strategy that has been growing in popularity in recent years. While small businesses have always been important components of local economies, interest in entrepreneurship can be attributed to:

- an appreciation of local assets and talent;
- a perception of better odds, and lower cost, of job creation than alternative development strategies;
  - In Oklahoma between 2000 and 2008, job growth was negative for resident businesses with more than ten employees; job growth among self-employed persons was 134 percent, and job growth in businesses with two to nine employees was 18 percent. Jobs at firms with 500+ employees fell by one-third.
- a response to job losses elsewhere in the economy;
  - Since 2007, firms with more than ten employees shed 1.8 percent of their jobs, while firms with nine or less employees grew their employment by 6.9 percent.<sup>1</sup>
- a desire to determine the community's destiny by growing from within.

Small businesses also seem to contribute relatively more to the local economy, as they tend to purchase products and services locally for their businesses and, as local residents, shop their peers (i.e., other locally-owned, small businesses). There may also be additional benefits from encouraging entrepreneurship and locally-owned businesses. Just as local foods promote "knowing your farmer," locally-owned businesses provide the opportunity to know your \_\_\_\_\_ (fill in the blank with whatever's appropriate: pharmacist, banker, etc.). Locally-owned businesses may also be less susceptible to national, economic 'contagions' such as the financial crisis of 2007, though they typically have access to fewer resources to sustain them through tough times.

Regardless of the reason for pursuing entrepreneurship, entrepreneurship development is a paradigm shift from traditional economic development (e.g., industrial recruitment, business retention and expansion), so local communities need to understand how best to engage and support entrepreneurs. This fact sheet will describe why the encouragement of entrepreneurs requires a different community strategy than traditional economic development techniques, and will advise community leaders about fostering entrepreneurship in their community.

This fact sheet will help communities understand their role in aiding entrepreneurs, help them in assessing their community's current readiness for entrepreneurial programming, and it recommends specific actions to increase readiness.

<sup>1</sup> Numbers calculated using data on job growth from YourEconomy.org; growth rates are calculated for "resident" companies, or companies headquartered in OK. They do not include, therefore, non-commercial employment or employment of firms not headquartered in OK.

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## What Makes Entrepreneurship so Unique?

For the purpose of this fact sheet, an entrepreneur is "one who undertakes or manages."<sup>2</sup> It includes entrepreneurs and small business owners – everything from the kitchen accessory salesperson working out of his/her home to the CEO of the next great biotechnology firm. Note the definition refers to an individual; herein lies the uniqueness of entrepreneurship. Whereas traditional economic development focused on a business with profit-maximizing motivations (hence the tax incentives and subsidized infrastructure to lower production costs), entrepreneurship is about a person, whose decision-making process involves considerations for the business and his or her personal goals/desires. Often, the location decision of an entrepreneur will be almost solely determined by personal goals/desires and not business ones. For example, the serial entrepreneur (i.e., one who has started several new companies) is building a business with the intent of selling it; barring the need for specialized or bulky inputs, such as a technology-based company, the business could be located anywhere. In other cases, like the home-based business owner who operates the business "on the side," the business is secondary to personal reasons for residing in a given community – maybe it's proximity to family, location of his/her (or spouse's) primary job, etc. **Quality of life in, and personal preferences toward, a community are potentially more important to entrepreneurs than business-enhancing programs of traditional economic development.** This is not to say that quality of life does not matter in traditional economic development, nor that access to appropriate infrastructure is not important to entrepreneurs. However, corporations and entrepreneurs generally rank these attributes differently. As a result, community leaders seeking to pursue entrepreneurship as an economic development strategy need to pursue policies to enhance the living experience of the community, not necessarily the economic competitiveness of it.

## What is an Entrepreneurial Community?

An entrepreneurial community is a community that intentionally acts to cultivate and support entrepreneurs. Because of our familiarity with industrial recruitment (characterized by infrastructure projects such as industrial parks and highway access), it is only natural that people automatically begin to think about the infrastructure needed to support entrepre-

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neers. Ideas such as incubators, access to financial capital, and broadband/e-commerce may come to mind. These are important policy tools to address issues facing entrepreneurs within a community, but this way of thinking presumes to know what entrepreneurs within a community need/want and is typically driven by funding availability. It also leads to a piece-meal system of services for entrepreneurs, which is confusing for these individuals to navigate and is likely missing key services (Lichtenstein, Lyons and Kutzhanova, 2004). Furthermore, there are likely less expensive strategies the community can pursue to support entrepreneurs.

As an alternative to the approach just described, one should use a systems approach to entrepreneurship. A systems approach requires a very broad perspective of entrepreneurship, recognizing that multiple dimensions of a community contribute to an entrepreneur's success. For example, local government policy, the local school system, and the availability of financial capital are necessary for entrepreneurial success. However, if they do not work in coordination with one another (i.e., as a system), the schools may produce entrepreneurs with skills that the local banks will not finance and local zoning regulations will not accommodate production of their product.

In addition to this system perspective and collaboration, entrepreneurs require unique infrastructure relative to more traditional recipients of economic development support. Specifically, entrepreneurs need an appropriate climate and certain support systems to nurture their enterprises that larger, established firms may not require. For the established firm, they have either grown to a point that division of labor is possible (such as hiring an accountant to manage finances). Or, they have figured out a way to address those areas of the business the entrepreneur may not have adequate skills and/or time to address. In other words, they have either created the necessary services within the firm, or they have secured them from outside. Entrepreneurs, lacking this infrastructure of business competencies, look to social networks, mentors and coaches as a means of compensating for the lacking expertise, knowledge or awareness of service availability. The networks are valuable by enabling the entrepreneurs to interact and identify solutions through others' experiences and/or knowledge. Sometimes this is manifest in one entrepreneur buying goods and services directly from another entrepreneur; other times, one entrepreneur shares how he/she dealt with an issue that introduces another entrepreneur to that solution (e.g., a referral to a local accountant or lawyer). Furthermore, entrepreneurs and small business owners tend to be isolated in their communities, as they are consumed with getting their businesses "off the ground" or making them succeed. They lack the time or ability (usually financial) to seek out support from trade groups and associations, the usual outlets where business managers get re-energized, develop professionally, and are rewarded for their success by their peers. Small business recognition programs can fill this void for small business owners and draw them as individuals into the mainstream of the community.

An additional infrastructure required by small business owners is access to appropriate business services. These would include lawyers capable of working with entrepreneurs on a range of issues, such as protecting intellectual property (e.g., trademarks, patents), incorporation, and product liability; accountants that can assist with accounting system creation, taxes, and financial reporting; marketing agencies that can aid business owners with marketing strategy, promotion development, and advertising placement. Not all communities will be able to host professionals that can provide all of these services. This is where the concept of a system comes back into play. Thinking systematically, where might some of these services reside in your community? Oklahoma Cooperative

## Real World Examples

### Traveling Lawyers:

[http://www.abajournal.com/magazine/article/green\\_achers/](http://www.abajournal.com/magazine/article/green_achers/)

### Intensive Support:

#### Example Communities:

Fairfield, Iowa ([www.fairfieldfirst.biz](http://www.fairfieldfirst.biz))

River City CDC, North Carolina ([www.rivercitycdc.org](http://www.rivercitycdc.org))

### Case Studies:

- RUPRI Center for Rural Entrepreneurship [Innovative Approaches to Entrepreneurial Development: Cases from Northwest Region](http://www.extension.org/pages/Entrepreneurs_and_Their_Communities_Case_Studies) ([www.extension.org/pages/Entrepreneurs\\_and\\_Their\\_Communities\\_Case\\_Studies](http://www.extension.org/pages/Entrepreneurs_and_Their_Communities_Case_Studies))
- NC Center for Rural Studies, "Hello, My Business Name is . . . : A Guide to Building Entrepreneurial Networks in North Carolina." (Includes additional case studies of community networks in NC; [www.ncruralcenter.org/images/PDFs/Entrepreneurship/hello%20my%20business%20name%20is%202008.pdf](http://www.ncruralcenter.org/images/PDFs/Entrepreneurship/hello%20my%20business%20name%20is%202008.pdf))
- Community Vitality Center, "Entrepreneurial Rural Communities National Case Studies Series." ([www.cvcia.org/content/communityentrepreneurship/national.case.studies.series/index.html](http://www.cvcia.org/content/communityentrepreneurship/national.case.studies.series/index.html))

Extension Service offices, community colleges and technical schools, high school vocational education instructors, and library databases may be alternative sources of information related to these services. A community could also consider regionalized service, where an attorney might visit the community once a week or three days a month, while maintaining an office in a larger community nearby.

Once these initial elements are in place, such as entrepreneurship networks and access to appropriate business services, then the community should consider more intensive support options. These options would include technical training (e.g., seminars on writing business plans, marketing, financial management for small businesses), local access to financial capital, market promotion, and programs targeting youth. These are considered intensive because they require significantly more manpower and money than the previous strategies. At a minimum, these type of programs will require at least one employee to maintain the program, not to mention funds to purchase materials, basic office needs (e.g., computer, phone and utilities), and possibly money for a loan pool or other form of financial capital. Collaborations with other organizations, such as USDA-Rural Development, vocational or community colleges, Small Business Development Centers, etc. can be helpful so the community does not have to recreate these services from nothing, but even the collaborations will require something from the community.

## What are the Next Steps for a Community Interested in Entrepreneurship?

The assessment presented in Figure 1 is helpful in developing a broader approach to entrepreneurship. This exercise can serve two purposes for your community:

1. it helps you identify what resources/services/capacities already exist to support entrepreneurship;

## Figure 1: Community Readiness Assessment

Six community entrepreneurship readiness factors are described below. For each, rate your home community on a scale of 1 to 5, where 1 indicates limited degree of readiness and 5 indicates a high degree of readiness. This activity is best done as a group (e.g., city council, the local economic development authority, and /or the Chamber of Commerce), so that the collective insights into the community can be assessed (i.e., average individual responses for each category and sum the averaged scores).

<p><b>I. Openness to Entrepreneurship.</b> Is the community open to exploring entrepreneurship as an economic development strategy? Central to such a commitment is the firm belief that within your community there are entrepreneurs who can create a new generation of successful businesses and there are service providers and community leaders willing to help them achieve success.</p>	<p><b>IV. Balancing Business Attraction.</b> Does the community balance a traditional economic development approach with a focus on local businesses and energizing entrepreneurs to create and build homegrown enterprises? For 50 years, the mainstay economic development strategy has been business attraction, particularly the search for industries. Supporting entrepreneurship requires a willingness to broaden the economic development strategy beyond the traditional recruitment model.</p>
<p><b>II. Entrepreneurship Programs.</b> Has your community had experience with entrepreneurship programs already? Does your community offer (or did it offer at one time) any of the following programs (note: this list is not meant to be exhaustive):</p> <ul style="list-style-type: none"> <li>• Networking infrastructure for entrepreneurs</li> <li>• Mentoring programs for entrepreneurs</li> <li>• Efforts to improve business services for entrepreneurs</li> <li>• Micro lending or other business financing services</li> <li>• Entrepreneurial training programs such as “how to start a business” seminars or courses</li> <li>• Business counseling services</li> <li>• Youth entrepreneurship education programs</li> <li>• Other programs specific to your community</li> </ul>	<p><b>V. Willingness to Invest.</b> Most rural communities have limited experience with entrepreneurial programs. Do not assume you cannot create an entrepreneurial development strategy if your experience with these kinds of programs is limited. What is most important is a willingness to develop and support these kinds of activities. Rate your community’s willingness to invest in entrepreneurship, both in financial and non-financial means.</p>
<p><b>III. Leadership Team.</b> Can your community create a team that will work on an entrepreneurial strategy? To be successful, a community needs a core leadership team committed to building and supporting an entrepreneurship program. Remember, as Margaret Mead once said, “Never forget that a small group of thoughtful, committed citizens can change the world. Indeed it’s the only thing that ever has.”</p>	<p><b>VI. Beyond Town Borders.</b> Is your community willing to create partnerships with other area communities to find the human and financial resources in order to be in the economic development game? Are you willing to look outside the community’s borders to find the resources to support your entrepreneurs? In today’s competitive world, we must collaborate to create enough scale and capacity to support effective economic development strategies.</p>

Now sum your scores and determine which of the following categories characterizes your community:

<b>1-6</b>	Weak Score	Little Readiness – Capacity Building Required
<b>7-12</b>	Soft Score	Some Readiness – Gap Filling Necessary
<b>13-18</b>	Good Score	Readiness Potential – Begin to Build on Assets
<b>19-24</b>	Strong Score	Readiness Present – Build on Assets
<b>25-30</b>	Very Strong Score	Considerable Readiness – Energize Your Entrepreneurs

- it characterizes your community’s ability/readiness to support entrepreneurship.

Each box represents a different component of a community’s entrepreneurship strategy. Read the description of each component, and rate your community on a scale of 1 to 5 (1 = limited readiness and 5 = high degree of readiness).

Any box for which your community scored less than 3 represents an area for development. In Table 1 is a list of activities for each entrepreneurship component to address the weakness.

An overall score greater than or equal to 19 suggests your community has significant resources in the community and has potential to be an entrepreneurial community. If you community has not already developed a strategy to support

entrepreneurship, it should do so by “connecting the dots” between the existing resources and promoting them throughout the community. If the community is focusing on entrepreneurship, it should continue to promote its success and seek out the more intense service options such as incubators, access to financial capital, and small business training.

Small business owners and entrepreneurs are a significant component of the economy, but they are most visible and critical at the local level. In addition to providing access to goods and services for residents, entrepreneurs provide jobs, income and quality of life that make communities desirable places to live. Local communities can affect their entrepreneurial climate, and actions to improve the climate are often easy to implement.

**Table 1: Activities to Build Your Community's Entrepreneurial Climate.**

<i>Component</i>	<i>Activities for Development</i>
Openness to Entrepreneurship	<ul style="list-style-type: none"><li>• Use editorials and/or letters to the editor in local newspapers to promote entrepreneurship</li><li>• Encourage your local economic development organizations to establish award programs for small businesses</li><li>• Host a public forum to discuss entrepreneurship in your community</li><li>• Ask your local newspaper to feature/profile a local, small business owner weekly/monthly in the Business section</li></ul>
Balancing Business Attraction	<ul style="list-style-type: none"><li>• Advocate at public meetings of the local economic development organizations, city council and county government meetings about a balanced approach to ED</li><li>• Propose local policies to modify existing codes/strategic planning documents to make your ED plan more balanced</li></ul>
Entrepreneurship Programs	<ul style="list-style-type: none"><li>• Start an entrepreneurship network in your community</li><li>• Survey community business owners to identify their service needs</li><li>• Create a directory of institutions and organizations that provide technical support for entrepreneurs</li></ul>
Willingness to Invest	<ul style="list-style-type: none"><li>• Seek funding for an entrepreneurship program in your community from local government/organizations</li><li>• Identify local institutions (e.g., banks, schools) willing to back/provide in-kind services for an entrepreneurship program</li><li>• Cast a vision for small business ownership among high school students</li></ul>
Leadership Team	<ul style="list-style-type: none"><li>• Conduct a visioning trip to nearby communities that are known to be entrepreneurship friendly</li><li>• Use the voice/influence of entrepreneurship supporters in their spheres of influence to promote the idea (e.g., speak to civic clubs, labor organizations, youth program, etc.)</li></ul>
Beyond Town Borders	<ul style="list-style-type: none"><li>• Identify previous/existing (positive) experiences with other communities that might set the precedence for collaborative entrepreneurship programming</li><li>• Identify resources/communities with whom partnership/collaboration makes sense</li><li>• Contact state and regional organizations (e.g., state department of commerce, Extension) to access their networks for potential collaborations</li></ul>

**References and Resources:**

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