

Abstract. *Entrepreneurs and entrepreneurship are part of the American apple pie mythology. We all know the words. We think we know their meaning. But chances are, we only understand pieces of the larger entrepreneurs and entrepreneurship puzzle. This Center for Rural Entrepreneurship monograph provides a brief and to the point exploration of entrepreneurs and entrepreneurship with a rural twist. Resources listed later in this monograph can enable further learning on this topic.*

Entrepreneurs Defined

Figure 2 on the insert of this monograph provides some of the more commonly used definitions of entrepreneurs and entrepreneurship. In so many words, entrepreneurs are the people who create and grow enterprises (both public & private). The process through which these enterprises are created and grown is entrepreneurship.

Several points about the meaning of entrepreneurs and entrepreneurship warrant emphasis. First, entrepreneurship is all about specific individuals or groups of individuals, not businesses. The outcome of entrepreneurship is hopefully a successful commercial or philanthropic venture, but our focus is on the person who engages in this creative process – the entrepreneur. Second, small businesses are not necessarily entrepreneurs. Only four percent of American firms account for high growth companies {NCOE – *Five Myths*} and most are small businesses according to the U.S. Small Business Administration’s definition. The difference between most small businesses and entrepreneurial small businesses is the orientation and capacity of the owner/operator with respect to innovation and growth.

Rural Entrepreneurs

Thanks to the work of the Kauffman Foundation, the National Commission on Entrepreneurship, the U.S. Small Business Administration and others, we know a great deal about entrepreneurs and entrepreneurship in mainstream America. Unfortunately, this research is far less rich when we focus on Rural America. The national research, largely urban focused, creates the following picture of entrepreneurs and entrepreneurship in America to which we can benchmark our emerging rural picture.

The GEM study concludes that one in 10 Americans are entrepreneurs. This compares with one in 50 in Japan. This study supports the view that America is one of the most entrepreneurial countries in the world. Figure 3 of the insert illustrates the slice in America’s enterprise community where these entrepreneurs reside and labor. Entrepreneurs range from the ranks of the unemployed (e.g., dislocated workers in the process of creating a new job by creating a new business), to wage and salary workers (e.g. actively creating businesses outside of their wage and salary jobs) to business owners where the bulk of entrepreneurs reside. Most entrepreneurs do not reach high growth status (often measured by 20% per year growth rates), but they actively contribute to the reinvention of the American economy.

Entrepreneurs can be organized into a number of groups classified by where they are in the entrepreneurial process. Figure 4 provides a visualization of these core “E” groups.

We begin with **potential** entrepreneurs. Potential entrepreneurs are primarily youth, but also adults who, given a supportive environment, can acquire the motivation and capacity to engage in entrepreneurial activity. Kauffman research suggests that cultivating entrepreneurs should begin in the early elementary grades where attitudes and values are shaped. **Aspiring** entrepreneurs are primarily adults, who for various reasons, are considering creating, running and growing an enterprise. They have a root motivation and an orientation that can enable them to acquire the skills to engage in this process. **Active** entrepreneurs are the folks in the dirt creating, running and growing enterprises. But as we will explore later, they have varying motivations and capabilities that will shape their growth orientation and success. Finally, we have **EGCs** or entrepreneurial growth companies (often called gazelles). EGCs are high performing companies driven by an entrepreneur (or entrepreneurial team). These entrepreneurs are a corner stone in America’s dynamic economy.

In Rural America (based on our field research), there are three distinct groups of *active* entrepreneurs.

Entrepreneurs & Entrepreneurship

The largest group are **survival** entrepreneurs. Survival entrepreneurs are individuals or families that are tied to a place or a profession and creatively patch various economic activities together to maintain this tie. Examples of survival entrepreneurs are the family farmer in Nebraska or the displaced timber worker in Western Maine. Prosperity is challenging and growth opportunities are limited (either real or perceived).

Lifestyle entrepreneurs are individuals or families that have chosen a rural place to live and are able to generate a desired standard of living and quality of life. Part of the quality of life they are seeking tends to limit their growth orientation and in turn the likelihood that their enterprise will achieve EGC status. These entrepreneurs are often very successful and contribute to their community's economy and society in meaningful ways. Examples would include the family doctor in Northern Minnesota or the relocated lone eagle in the mountains of West Virginia. Lifestyle entrepreneurs are important, but they are unlikely to provide the drive to revitalize and reinvent rural economies.

Finally, there are **growth** entrepreneurs. These entrepreneurs are motivated to create and grow enterprises. They are the dynamos capable of generating growth enterprises that profoundly impact local and regional economies. Their enterprises create jobs, careers, tax base and economic activity benefiting other enterprises. Dick Cabela of Sidney, Nebraska is a case in point. Dick and his wife created Cabela's – now one of the largest outdoor goods retailers in the world. This company has grown and grown rapidly creating a network of operations in Western Nebraska. Today, Cabela's is the largest private employer in this entire region.

The Center for Rural Entrepreneurship has for the past two years targeted its research on Rural America. (See figure 5 on the insert.) The following summarizes our field work in over a dozen states:

→ Rural Americans have entrepreneurial traits due to their expansive experience with self employment and business ownership.

→ However, it appears fewer rural Americans fit the definition of growth entrepreneurs. Most fall into the survival and lifestyle categories.

→ Our research suggests that there are relatively few EGCs or gazelles in Rural America. Recent research by the National Commission (NCOE – High Growth Companies) begins to document the lack of EGCs in rural areas.

→ Rural Americans have strong basic business skills. But their advanced business skills (essential for growth) are more limited. Experience with markets, networking, strategic partnerships, equity capital, and managing growing larger firms is relatively weak.

→ Rural entrepreneurs are more likely to be women and minorities. Yet the business development systems typically are weak in working with these two groups.

Entrepreneurial Attributes

Much has been written about entrepreneurs and their personal and behavioral traits. At the core of this learning are two traits – motivation and capacity. Motivation and capacity are the building blocks enabling a person to be entrepreneurial and succeed in building an enterprise. A person need not be competent in both areas to start an enterprise, but long-term success requires dual competency. An exploration of entrepreneurial attributes becomes critical to our understanding of Rural Americans and their ability to be entrepreneurial.

Motivation. There must be a spark and drive to be an entrepreneur. Entrepreneurs are creative, innovative, perceive opportunities, are risk tolerant, smart, flexible, resourceful, independent, dynamic and growth oriented (Figure 1). What we have found in Rural America are people who have many of these attributes, but fewer who possess all of them.

Figure 1 – Entrepreneurial Attributes

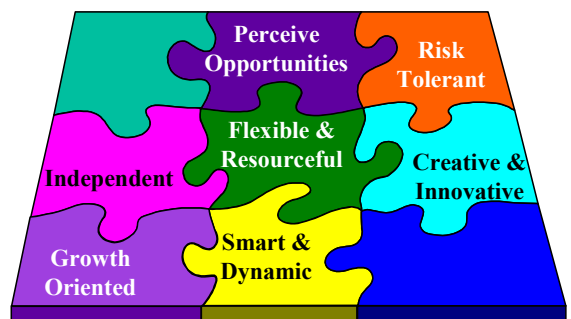


Figure 2 – Entrepreneurs & Entrepreneurship Defined

<p><i>“ . . . the condition of being an entrepreneur or the role of function of the entrepreneur. . . ”</i></p> <p style="text-align: right;"><u>Websters Pg. 759</u></p>	<p><i>“One that organizes, promotes or manages an enterprise or activity of any kind.”</i></p> <p style="text-align: right;"><u>Websters 3rd New Int. Doc. Pg. 759</u></p>
<p><i>“Any attempt to create a new business enterprise or to expand an established business.”</i></p> <p style="text-align: right;"><u>Jay Kayne, EMKF</u></p>	<p><i>“ . . . a person who sees an opportunity and acts to create an enterprise around that opportunity. . . ”</i></p> <p style="text-align: right;"><u>Jay Kayne, EMKF, 10/2000</u></p>
<p><i>“Entrepreneurship is the ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible and growth-oriented.</i></p> <p style="text-align: right;"><u>Jay Kayne, EMKF</u></p>	<p><i>As entrepreneurs become more visible in state and local economies, a general profile is evolving.</i></p> <ul style="list-style-type: none"> •<i>Entrepreneurs develop innovative products and services that improve quality of life.</i> •<i>Entrepreneurs create more dynamic and flexible new industries and firms to replace those no longer viable in a rapidly changing global economy.</i> •<i>Entrepreneurs provide most new employment opportunities.</i> •<i>Entrepreneurs create wealth that is reinvested in new enterprises and, through demonstrated philanthropic activity, in communities.</i> •<i>Entrepreneurs bring new wealth into a community; small businesses capture a share of existing wealth. While most state policies for small business benefit entrepreneurs, there are important aspects of entrepreneurship that can be nurtured by effective state policies targeted to their specific needs.</i> <p style="text-align: right;"><u>National Governors’ Association</u></p>
<p><i>“Entrepreneurship is the transformation of an idea into an opportunity.”</i></p> <p style="text-align: right;"><u>Jeff Timmons, Babson College</u></p>	<p><i>“Essential agents of change who accelerate the generation, application and spread of innovative ideas and in doing so. . .not only ensure efficient use of resources, but also expand the boundaries of economic activity.”</i></p> <p style="text-align: right;"><u>GEM 2000-6</u></p>

Figure 3 – How We Make Our Living

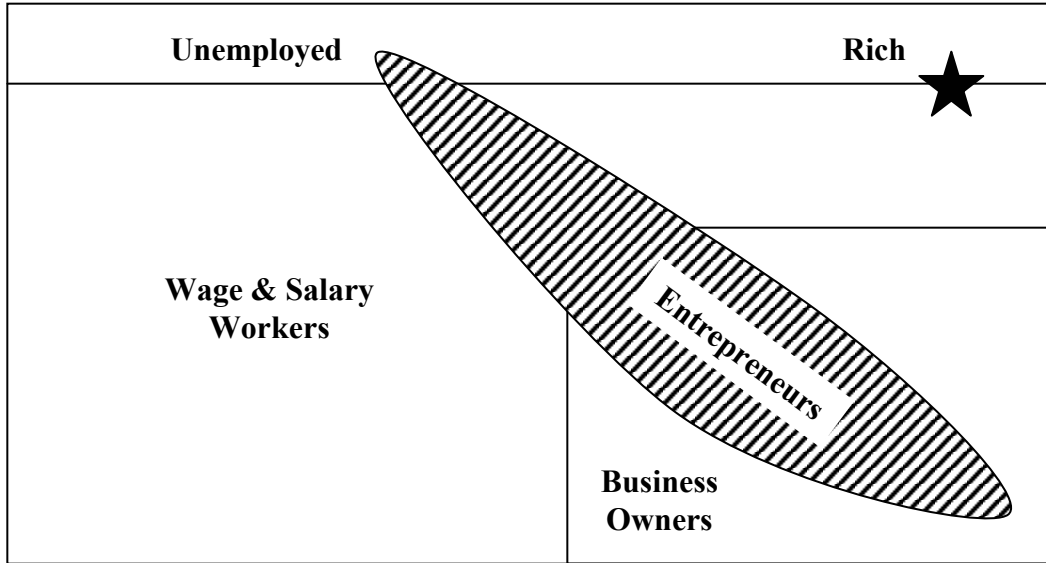
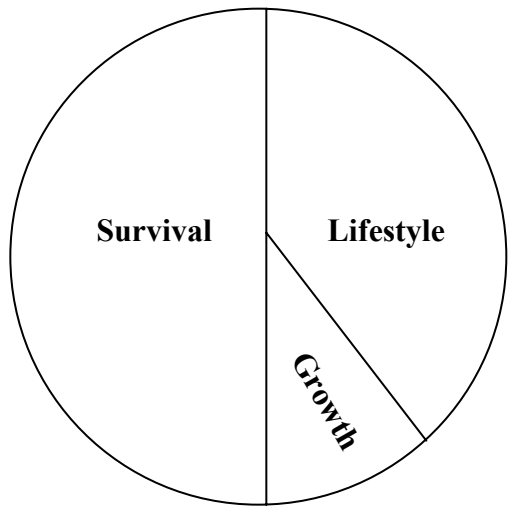
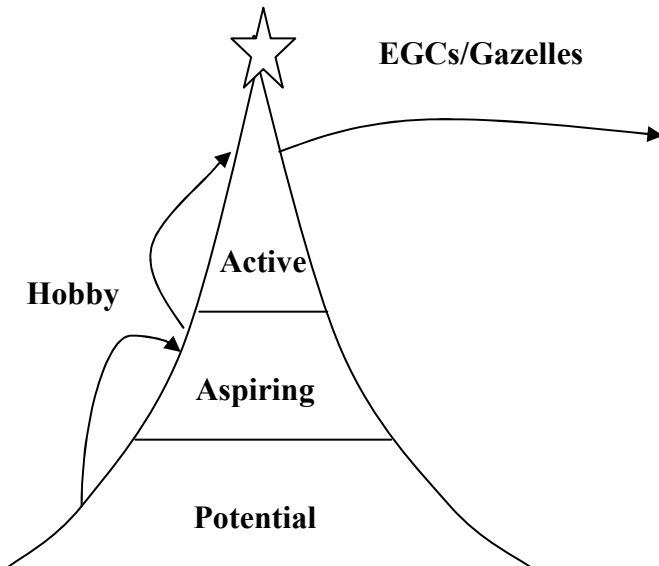


Figure 4 – Entrepreneurs

Figure 5 – Active Entrepreneurs



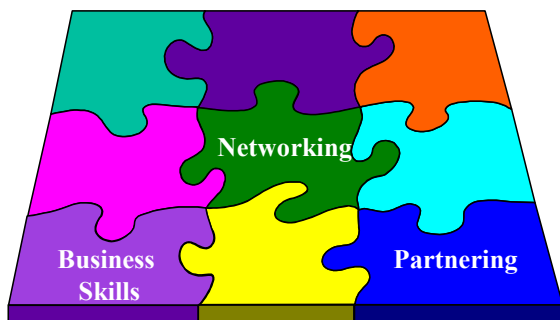
Entrepreneurs & Entrepreneurship

Capacity. Vision, drive and energy are essential to creating and building an enterprise, but capacity skills are fundamental. Success often comes to those who make the fewest mistakes. Management of risk is often achieved through a well thought out game plan that anticipates all the things that can kill an enterprise. Capacity is rooted in sound business skills, but it is also more than an MBA.

In today's new economy there are two additional capacity attributes that are even more important than business skills (Figure 6). The first is the willingness and ability to network. This skill is particularly important for smaller enterprises that are likely to build a sound management team not through hiring, but through networking. Given the importance of scale there is a second capacity skill that is central to the ability of enterprises to grow and that is partnering. Strategic alliances or partnering offer that dual advantage of remaining compact, but achieving scale. Whether it is a marketing alliance or a networked production chain, strategic partnerships can enable scale while protecting flexibility. However, partnerships are one of the most challenging relationships. For them to succeed and be sustained, there is a need for experience and sophistication among the partners.

Regarding Rural America, we have found a tradition of sound and basic business skills. However, the independent nature of rural people and isolation challenge rural entrepreneurs to acquire higher order business skills, effectively pursue networking, and support partnerships or alliances.

Figure 6 – Advanced E Attributes



Conclusion

By way of conclusion, we strongly suggest that if you read no other piece on entrepreneurs and entrepreneurship you read the National Commission on

Entrepreneurship's *Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow*. In less than 25 pages one can gain a much deeper understanding of entrepreneurs. The Commission's five myths are:

- #1 Risk Taking Myth
- #2 High-Tech Invention Myth
- #3 The Expert Myth
- #4 The Strategic Vision Myth
- #5 The Venture Capital Myth

Without fully disclosing the Commission's storyline this is our take on their findings. First, entrepreneurs are not wild risk takers in the gambling sense. They are very good at assessing and managing risk. Second, most growth businesses are not rooted in some high-tech invention. Two of the more recent successful enterprises are Krispy Kreme Donuts and Jiffy Lube – two old time technologies with fresh business strategies. Third, most entrepreneurs are not experts. Rather they are very good at assembling a team to ensure key competencies. Fourth, most entrepreneurs do not have a fully sorted out vision of their enterprise. They get started and evolve based on a good concept and great team. Finally, venture capital is not terribly important (except in certain sectors such a drugs & biotechnology) to emergent companies. Early ventures are financed by the three Fs – family, friends and fools (primarily credit card companies & suppliers).

In the final analysis, we are talking about one in 10 Americans (probably fewer in Rural America) who have the motivation and can acquire the capacity to create and grow an enterprise. A very small group of very special people, achieve the capacity and opportunity to create a high growth enterprise – only 4 in 100 enterprises!

Other Monographs in this Series

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*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

The following resources are recommended if you would like to learn more about *Entrepreneurs & Entrepreneurship*:

- ☐ 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.
- ☐ The Rural Entrepreneurship Initiative has developed a set of three practitioner tools to help communities, entrepreneurs, and service providers better understand their E quotient. For copies of our E Quiz, E Test and Community E Test check out the REI web site.
- ☐ 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.
- ☐ Microenterprise & the Nebraska Economy by Don Macke with the Rural Entrepreneurship Initiative, January 2000. For a copy of this report check out REI's web site at www.nebcommfound → Rural Entrepreneurship Initiative. 37 pages.
- ☐ Contact the Rural Entrepreneurship Initiative for the Alfred University entrepreneur survey. REI has replicated this survey generating a "rural" specific information set on rural entrepreneurs.
- ☐ Enterprising Nonprofits, a Toolkit for Social Entrepreneurs by Gregory Dees, etc., 2001. Contact KCEL for information on acquiring this book. ISBN #0-471-39735-0 – 330 pages.

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.