

# Why is Entrepreneurship an Important Economic Development Strategy?

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## Defining Entrepreneurship

### Who is an entrepreneur?

- Potential Entrepreneurs
- Aspiring Entrepreneurs
- Active Entrepreneurs

### What are the dimensions of active entrepreneurial ventures?

- Motivation
- Type of venture
- Industry
- Type of entrepreneur
- Entrepreneur's characteristics
- Geographic environment

#### Dimension: Motivation

- Survival
- Lifestyle
- Growth
- Innovation

#### Dimension: Type of Venture

- Economic Core
- Resource-Constrained
- Ambitious
- Glamorous

# Dynamic Capitalism Typology

Author: Bruce Kirchoff

High	<b>Resource-Constrained</b>	<b>Glamorous</b>
<i>INNOVATION</i>	R&D Firms Universities Inventors	"Microsoft" Communications High-Tech
<i>LEVEL</i>	<b>Economic Core</b>	<b>Ambitious</b>
Low	Mom & Pop's Boutique stores Professional firms	Franchises: "McDonalds" Large companies: "Wal-Mart"
	Low	<i>GROWTH POTENTIAL</i> High

## Dimension: Industry

- Agriculture, Forestry, Fishing
- Communication
- Construction
- Financial Services
- Manufacturing
- Retail
- Services:
  - Professional
  - Personal
  - Business
- Transportation
- Wholesale

## Dimension: Type of Entrepreneur

- Gender
- Race
- Ethnicity
- Age

## Dimension: Entrepreneur Characteristics

- |                          |                                |
|--------------------------|--------------------------------|
| ✓ Tolerant               | ✓ Analytical                   |
| ✓ Confident              | ✓ Ambitious                    |
| ✓ Knows self             | ✓ Flexible                     |
| ✓ Leader qualities       | ✓ Personable                   |
| ✓ Objective              | ✓ Knowledge of product/service |
| ✓ Experience             | ✓ Interpersonal skills         |
| ✓ Education              | ✓ Training                     |
| ✓ Management skills      | ✓ Leadership skills            |
| ✓ Problem-solving skills |                                |

## **Dimension: Geography**

- Rural
- Urban
- Urban Core

## **Why is Entrepreneurship Important?**

- 1 in 10 is an Entrepreneur
- Between 600-800,000 new starts/year
- 2 million more start self-employment
- Makes up 98% of all businesses
- Employ most people
- 5-15% fast-growing or high-growth
- 1.2 million small businesses in rural
  - Represent 90% of all rural establishments
  - Employ 60% of rural workers
  - Three-fourths employ less than 20
    - Account for 25% of all rural jobs
    - One-fifth of rural payroll
- Use of innovation improves quality of life
- Creates new jobs
- Improves position in global economy
- Creates new wealth for reinvestment in communities

## **What do entrepreneurs want and need?**

- Financial Capital
  - Debt
  - Equity
- Services
  - General
  - Specific
- Supportive environment
  - Governments
  - Local community
    - Banks
    - Suppliers
    - Customers
    - Workforce
  - Networks

## Top ten problems faced at start-up

Cash flow	54%
Finance	43%
Control of own time	37%
Insufficient sales	36%
Pricing goods/services	32%
Finding/retaining employees	31%
Cost-effective advertising	28%
Selling	26%
Setting goals	24%
Delinquent accounts	23%
Understanding financials	23%

Source: BRIDG, 2002

## Top ten problems faced now

Control of own time	43%
Cash flow	41%
Finding/retaining employees	37%
Cost-effective advertising	34%
Delinquent accounts	32%
Competition from large companies	28%
Insufficient sales	27%
Identifying new opportunities	26%
Business use of the Internet	24%
Obtaining long-term loan	23%

Source: BRIDG, 2002

## What can you do?

- Assess your assets
  - Capitals
    - Human
    - Intellectual
    - Social
    - Financial
  - Infrastructure
  - Policy
  - Business economy
  - Climate
- Assess available assistance
  - University Extension
  - Small Business Development Centers
  - Women's Business Centers
  - Chambers of Commerce
  - Rotary and other service clubs
  - Local college/university
  - Government – SBA, SCORE

- Identify the stakeholders
  - Government
  - Civic
  - Education
  - Professional Services
  - Financial Institutions
  - Economic Development Agencies
  - Entrepreneurs
  - Large Businesses
  - Non-profit Agencies
  - Press
  
- Create an Entrepreneurs Network
  - Reach out to entrepreneurs
  - Sponsor networking opportunities
  - Listen to entrepreneurs
  - Host a web-based network
  
- Acknowledge their value
  - Get the story out
    - Entrepreneur
    - Entrepreneurship
    - Economic impact
  - Co-mingle the stakeholders
  
- Collaborate with others
  
- Learn from other communities
  
- **TAKE ACTION!**

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