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Igniting Rural Entrepreneurship

Where Do Workforce Development Programs Fit In?

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Over the past 50 years, rural regions have been constrained in their ability to design and sustain effective economic development strategies and programs. Structural challenges of distance to markets, lower population density, and resource constraints place limits on rural economic development strategies of all types. In eras where traditional business recruitment and aggressive use of tax incentives prevail, rural regions sometimes lack needed infrastructure or sufficiently deep pockets to attract major employers. Newer strategies focused on start-up and scale-up companies are also affected, owing to local talent gaps and smaller markets that struggle to attract venture capital and other needed resources. Now, as workforce and talent development assumes greater prominence in economic development practices, similar constraints may emerge as the local talent base and education/training infrastructure in rural regions suffer from funding and other resource gaps.

This chapter examines one means to address these restraints by creating synergies between two types of economic development strategies now gaining prominence in rural development circles: entrepreneurial development and talent development. Both strategies are gaining adherents in rural America (Markley, Lyons, and Macke 2015). Faced with limited options to recruit large employers, more rural regions are embracing strategies to support home-grown business on Main Street and elsewhere. Meanwhile, community colleges and workforce agencies are coming to play a bigger role in supporting middle-skill jobs and in providing customized training to larger employers.

To date, these policy pathways are emerging on separate tracks. Main Street programs, chambers of commerce, and local economic developers are pushing entrepreneurship. Meanwhile, community colleges, workforce boards, and educators are pushing talent development.

However, a number of factors have limited potential collaborations. Differences in organizations, funding streams, rules and regulations, and customers make it difficult to collaborate. Small businesses typically have limited connections to the workforce system, and the workforce system has often shied away from providing business development services and entrepreneurial training.

This situation can and should change. This chapter focuses on how to make that happen. It makes the case for closer collaboration between entrepreneurial development and talent development efforts in rural America. It begins with a brief review of the state of rural entrepreneurship, and then highlights why talent development must be better integrated into rural entrepreneurship programs. It then offers a menu of potential options for where and how these collaborations might occur. Current practices limit the range of resources and talent available to rural entrepreneurs. With a few minor policy shifts, new strategies to build entrepreneurial talent in rural America have greater potential for success.

EMERGENCE OF ENTREPRENEURSHIP-BASED ECONOMIC DEVELOPMENT

Analysts have long known that entrepreneurial ventures are the primary creators of new jobs in the U.S. economy, but the latest research has further refined these results. When it comes to job and wealth creation, not all entrepreneurs are created equal. Haltiwanger et al. (2016) find that most small firms and start-ups fail or do not create new jobs. However, a small portion of new firms do grow quickly and account for the long-lasting contribution of start-ups to job growth. Together, new firms and high-growth firms (defined as those growing employment by 25 percent per year) account for about 70 percent of U.S. firm-level job creation in a given year (Decker et al. 2014).

Armed with this data, economic developers seek to create regional ecosystems that can fuel the growth of new businesses and help these firms generate new jobs and wealth. Beyond their benefits for job creation, entrepreneurial ecosystems also bring other regional benefits. As Auerswald (2015) has noted, ecosystems “promote diversity, encour-

age dynamism, and drive deal flow.” Ecosystems help regions spawn a larger number of entrepreneurs (diversity), which spurs more competition and innovation (dynamism), which in turn creates new opportunities (deal flow) for new entrepreneurs and their employees, customers, and investors.

Entrepreneurship researchers view regional ecosystems as providing both short-term and long-term benefits. Over the short term, entrepreneurial ventures are more likely to start and more likely to grow in regions with robust ecosystems in place. This dynamism brings many other benefits beyond economic growth; it also generates a “buzz” about the region, attracting more entrepreneurs and more investment and more attention. Over the long term, this virtuous cycle feeds on itself, as early generations of entrepreneurs spawn successors and generate other spillover benefits in the form of new companies, new jobs, and other economic and cultural benefits.

Entrepreneurship and Economic Development

This growing recognition of the importance of entrepreneurs and their critical role in spurring job and wealth creation soon spilled over into the theory and practice of economic development. In the words of Audretsch (2015), entrepreneurship became a critical cog in the “strategic management of places.”

The process of altering economic development priorities and practices moved slowly, and it is still underway today. Researchers and analysts of the history of U.S. economic development policies often refer to different “waves” of policy priorities (Bradshaw and Blakely 1999). When compared to earlier waves of economic development practice, entrepreneur-focused economic development efforts target a different customer: the entrepreneur. Previous economic development efforts focused on encouraging the relocation of existing firms or the development of new greenfield locations by larger corporate players. Different tools are also deployed. The traditional economic development tool kit of tax incentives and other strategies to reduce business operating costs offers fewer direct benefits to new and emerging entrepreneurial firms who tend to have more interest in local quality of life, access to talent, and strong connections to customers and partners. Finally, desired policy outcomes also differ. Entrepreneur-focused economic development

certainly seeks to support job creation, much like traditional business recruitment efforts. Yet, it also seeks to support other outputs and outcomes, such as increasing business start-up and growth rates, increasing local investment in local firms, and building a more robust regional ecosystem to support entrepreneurs.

Unique Challenges Related to Rural Entrepreneurship

Like their urban counterparts, rural economic developers are also seeking to nurture local entrepreneurs and to build regional ecosystems. Yet, they operate in a different environment, especially when compared to those working in high-technology hot spots or densely populated metropolitan areas. In fact, for many researchers, density is itself a key characteristic of effective ecosystems (Stangler and Bell-Masterson 2015).

Several unique features mark the rural entrepreneurship landscape. When compared to urban business owners, rural entrepreneurs are more likely to run smaller businesses or to operate multiple businesses at the same time. Rural entrepreneurs are also more likely to start businesses out of necessity, as opposed to the desire to capture new market opportunities. As such, rural regions may focus more attention on self-employment, microenterprises, or the unique needs of necessity or lifestyle entrepreneurs (Rupasingha and Goetz 2013).

Rural entrepreneurs also face unique constraints, including distance to markets, challenges in accessing peer networks, and more difficulty in finding a skilled workforce and accessing other specialized services and sources of finance. A recent review (Figuroa-Armijos, Dabson, and Johnson 2012) of numerous rural-targeted entrepreneurship initiatives concludes that, while the benefits of promoting entrepreneurship in rural places may be great, the costs are high as well. Rural places lack the agglomeration economies that often benefit entrepreneurs—access to robust input markets, knowledge spillovers from working in close proximity to other entrepreneurs—placing rural entrepreneurs at a relative disadvantage.

Finally, rural ventures typically grow at slower rates. While self-employment rates may be high in rural areas, fewer of these ventures become high-growth companies (Figuroa-Armijos, Dabson, and Johnson 2012). When compared to their urban counterparts, rural businesses

are much less likely to grow and generate significant community benefits in terms of job or wealth creation. Rural regions are home to many start-ups and lifestyle businesses but typically lack a deep base of high-growth companies or scale-up ventures.

Based on these characteristics, most rural regions operate with a traditional mix of small business support services. These resources typically include Small Business Administration (SBA)–backed programs like SCORE or the Small Business Development Center network, local chambers of commerce, and perhaps some small loan funds tied to economic development priorities. More recently, some states and regions have introduced more growth-oriented programs, and more sophisticated ecosystem building efforts are underway across rural America. Economic gardening is a prime example of an intervention targeted to growth versus start-up entrepreneurs. Developed in Littleton, Colorado, and now an initiative of the Edward Lowe Foundation, economic gardening focuses on providing the resources and assistance needed by Stage 2 businesses, defined as firms with 10–99 employees and annual revenues of at least \$1 million. Several states, such as Florida, Kentucky, and Louisiana, manage economic gardening efforts, and these programs are also found in many small towns across the United States.

Where Do Workforce Efforts Fit in?

At present, few of these entrepreneurship-focused efforts engage or collaborate with the workforce development system—despite the fact that most entrepreneurship advocates recognize talent development as a critical part of successful ecosystems. Several factors are at work. Small business owners typically lack the time or resources to access workforce development programs and may underinvest in workforce training. Meanwhile, few workforce investment boards (WIBs) provide entrepreneur-friendly programs or support services. A 2010 survey of WIBs found that only 5 percent targeted small business as a top priority, and few provided lower-cost services targeted to small or new companies (NAWB [National Association of Workforce Boards] 2010). WIBs and other workforce organizations face resource constraints of their own, and may often opt for working with larger employers where more sizable outcomes are likely and where the return on investment is larger. Recent changes in the Workforce Investment and Opportunity

Act (WIOA) are designed to encourage greater WIB focus on supporting local entrepreneurs, but these changes are too recent to allow for strong conclusions on their impact to date.

The status quo creates a challenging environment for rural entrepreneurs. They not only lack access to the specialized business services provided by WIBs and their partners, but they also fail to benefit from access to training for their current workers and to a pipeline of talent supported via the current workforce development system.

WHERE SHOULD WORKFORCE EFFORTS FIT IN?

While the connections between regional entrepreneurship and workforce development efforts are currently limited, the potential for closer linkages is significant. Closer linkages can improve outcomes on traditional business and talent measures, such as business starts, new job creation, and improvements in the local talent base. They can also generate broader community outcomes by enhancing economic inclusion and by supporting a more diverse and sustainable local economy. These efforts could range from expanded provision of self-employment training to a new menu of business services targeted to entrepreneurial ventures. These options are discussed below.

Promoting Self-Employment

The most direct means for workforce professionals to expand entrepreneur support efforts is to finance and provide training in how to become an entrepreneur. This type of training can play a critical role in developing a pipeline of entrepreneurial talent and in providing current and aspiring entrepreneurs with essential business skills and competencies.

Workforce boards have some experience in this field, as NAWB (2010) found that about 25 percent of surveyed programs do offer some form of entrepreneurial training. Additional WIB investments in such training are likely in future years. While traditional Workforce Investment Act (WIA) funds could not be deployed for this purpose, workers who qualified for trade adjustment assistance could participate in

self-employment assistance programs in participating states. With the passage of WIOA, federal rules have been revised to allow the use of traditional workforce funding to support self-assistance training.

To date, experience with self-employment training has produced somewhat mixed results. A 2009 evaluation of programs in three states (Benus et al. 2009) found that programs generated some increases in business ownership but had little impact on earnings or on overall usage rates of unemployment benefits. Anderson et al. (2016) found that program outcomes may improve when training is combined with focused case management practices and small micro-grants (\$1,000) to help seed new businesses.

Self-employment training may be an especially useful strategy for rural areas because of the unique demographics of the rural workforce. The rural workforce skews older, with a larger share of older workers in the workforce and a larger share nearing retirement. In the past, this aging workforce was sometimes deemed as a poor fit for self-employment training. However, data now shows that baby boomers are among the most entrepreneurial of all current U.S. age cohorts (Ewing Marion Kauffman Foundation 2017). Because many boomers may pursue self-employment as a second career or income-patching strategy, they may also be less adversely impacted by the lower earnings sometimes associated with self-employment.

Freelancers or gig-economy workers offer another potential target for self-employment training. The number of independent workers in rural America is growing at a slower rate than in urban centers, but rural regions are still home to a sizable share of gig-economy workers. These freelancers typically play an important role in rural entrepreneurship networks, and enhancing their capacities can certainly contribute to more sustainable rural ecosystems for entrepreneurs.

Supporting Economic Diversification

Many rural regions suffer from an overreliance on a small number of core industries, typically centered in agriculture, manufacturing, or resource extraction. For many, economic diversification is a core development objective. This work typically involves new strategies and investments that help develop new local industries or economic engines. For example, the Appalachian Regional Commission (2016) encour-

ages state and local partners to consider new investments in emerging sectors that include tourism and recreation, alternative energy, food systems, health, and advanced manufacturing.

Traditional workforce supports, such as customized training, are well suited to assist economic diversification strategies. But entrepreneurial development can also contribute. In general, the creation of new business start-ups typically improves a community's economic performance and promotes diversification. Entrepreneurial training can also nurture the development of new industry clusters as well. Such support has been critical in the development of certain sectors, especially tourism, recreation, and food systems. These sectors all share characteristics of low barriers to entry and limited capital requirements, thus making them promising sectors for new entrepreneurs. In much of rural America, these sectors also benefit from a core competitive advantage: access to scenic and natural amenities that may not exist in urban centers.

Appalachia has been a center of initiatives that tie entrepreneurship training to business opportunities in targeted sectors. For example, in Southwest Virginia, leaders have consciously linked the region's entrepreneur development efforts, known as Opportunity Southwest Virginia, to regional tourism initiatives that include the Crooked Road Trail linking country music heritage sites, the 'Round the Mountain arts and crafts project, and the Spearhead ATV Trails system. Between 2013 and 2016, this effort provided start-up training to 280 local residents.

Youth Engagement

Entrepreneurship-related programming can and should play a critical role in youth engagement activities. These efforts can take multiple forms, from classroom training to programs that occur outside school or in the summer months.

Entrepreneurial skills are closely aligned with the basket of competencies referred to as "twenty-first-century skills," which include collaboration, problem solving, digital literacy, and critical thinking. "Career ready" young people must master these skills to be successful in the modern economy, whether they opt to work for someone else or to pursue business ownership.

Both the Consortium for Entrepreneurship Education and Junior Achievement have developed content standards that link youth entre-

preneurship training to training in twenty-first-century skills. This work is having an impact, as 19 states now require that entrepreneurship education be offered in high schools, and 42 states have developed K–12 standards, guidelines, or proficiencies for entrepreneurship education (Junior Achievement 2015).

Provision of youth entrepreneurship training can occur in the formal K–12 system, but programs are more often operated outside the formal school curriculum. The range of venues for workshops, summer camps, or trainings is quite varied. Communities may operate such programs via youth-serving organizations (National FFA Organization, Young Men’s Christian Association, or Boys/Girls Clubs), local business groups (e.g., chambers of commerce), or via formal business or entrepreneurship-focused groups, such as Future Business Leaders of America, DECA, or Junior Achievement.

The University of Kentucky’s E-Discovery program provides K–12 students with the opportunity to learn and practice entrepreneurial and other business skills. Teachers are able to wrap E-Discovery components into their existing curriculum and provide hands-on opportunities for students to start a business.

West Virginia supports several innovative programs promoting youth entrepreneurship. The Governor’s School for Entrepreneurship runs a three-week intensive summer boot camp for high school students from across the state. Participants learn the basics of business and also participate in start-up and pitch competitions. Similarly, the West Virginia Simulated Workplace introduces entrepreneurship to students in the state’s career-technical education programs. In this project, students create simulated businesses in their respective fields, such as auto repair or cosmetology. Originally designed to teach soft skills, teamwork, and leadership, the simulated workplace also introduces students to the real-life issues that come with running one’s own company.

While K–12 entrepreneurship training is growing, the real boom is occurring at the community college level. Founded in 2002, the National Association of Community College Entrepreneurship (NACCE) now boasts more than 300 member colleges, many of which operate in rural settings. These institutions offer a variety of models and approaches (Hanover Research 2014). Providing courses or degrees in entrepreneurship is the most common approach. More advanced programs infuse entrepreneurship across the curriculum and provide entrepreneurship

training to students in a variety of majors. Many programs focus such training on the arts or in the trade-related fields such as auto repair, cosmetology, or HVAC. Finally, a handful of schools operate full-fledged entrepreneurship centers that provide a full range of services and that serve as hubs for wider regional ecosystems. The Northern Iowa Area Community College's Pappajohn Center is one of the best-known examples. It provides a full range of support services to local entrepreneurs and also manages classroom training, youth programs, and its own funding programs. Eastern West Virginia Community and Technical College (E WVCTC) has similarly become the regional hub for entrepreneurs in the area around Moorefield, West Virginia. In addition to its classes, the college operates the Launch Pad accelerator program and the Institute for Rural Entrepreneurship and Economic Development, which is supporting new business development in five industries: manufacturing, agriculture, arts and culture, tourism, and technology.

Providing Business Scale-Up Services

As companies grow, their business focus shifts from start-up to scale-up. Along the way, their technical-assistance and support needs also evolve. They no longer need basic training in how to start a business; they now need more sophisticated services such as market intelligence, mentoring, and infusions of equity capital.

Scale-up entrepreneurs typically turn to business accelerators, private consultants and investors, or local networking groups to tap into these opportunities. Workforce boards are rarely deemed part of this equation. However, the reality is that workforce professionals do provide many services that are essential to scale-up businesses, even if they are rarely branded in this fashion. The most commonly provided business services (NAWB 2010)—workforce training and human resources support—represent areas of great need and concern for high-growth entrepreneurial ventures.

While these business services are readily available, they rarely reach high-growth entrepreneurs and are typically targeted to large employers. As noted above, large employers are easier to engage and generate larger outcomes in terms of workforce engagement. At the same time, most entrepreneurs appear to be unfamiliar with the types of services available through the workforce development system.

These challenges could be surmounted with a few minor interventions. First, workforce professionals must undertake more aggressive outreach to rural entrepreneurs. This outreach should engage new partners, especially those with current standing and name recognition in the entrepreneurial community. Second, existing service offerings should be reconfigured to make them more user friendly for entrepreneurs. In particular, cost sharing rules should be structured on a sliding scale—based on firm size or revenues—to help smaller firms pay for their share of support services. Finally, performance metrics for workforce programs should be revised so that program managers can receive special recognition for outreach and service delivery to local entrepreneurs.

FINAL THOUGHTS

For today's rural economic developers, success depends on their ability to nurture local entrepreneurs and to build a strong local talent base. At present, these two program directions operate on separate pathways, with few efforts to align program objectives and activities. Both sides suffer from the status quo. Rural ecosystems struggle to develop a strong pipeline of new entrepreneurs, and workforce development professionals miss out on opportunities to work with emerging local employers and to provide new learning opportunities for rural youth.

Closer alignment is possible without major new investments or massive shifts in policy directions. Current rules and regulations permit most of the activities discussed in this chapter. What is needed is the will and the commitment to move forward. Workforce developers must consciously target rural entrepreneurs as core customers, market aggressively to this audience, and reach out to new partners, such as private entrepreneurial networks, for collaborative service delivery. They will also need to reconfigure their performance metrics and redesign programs so that they are more “entrepreneur friendly” and easy to access for smaller firms. By building closer collaborations between workforce and entrepreneurial development initiatives, rural regions can improve the quality of services provided to emerging rural ventures while also building a stronger entrepreneurial ecosystem for businesses of all types.

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