

ENTREPRENEURSHIP AND SMALL BUSINESS: CHALLENGES AND OPPORTUNITIES WITHIN RURAL AMERICA

*Joseph R. Bell, College of Business, University of Arkansas at Little Rock, 2801 South University Ave.,
Little Rock, AR 72204, 501-683-7202, jrbell@ualr.edu*

ABSTRACT

This paper will identify the scope of rural America, examine the challenges that are unique to these areas and put in place a number of strategy recommendations for best practices for the development and sustainability of rural entrepreneurship and small business.

INTRODUCTION

In “Competitiveness in Rural U.S. Regions: Learning and Research Agenda” (2004), Michael Porter makes the following observations:

- Current policies to improve the disappointing economic performance of rural regions are, by and large, not working. This is increasingly the consensus among policy makers across political parties, not only in the United States but also in many other countries around the globe. Not only is the performance of rural regions lagging, but the gap in performance levels between rural and urban areas seems to be widening. This state of affairs exists despite significant efforts to boost rural regions through a wide variety of policies with budgets of billions of dollars in the United States alone.
- Rural counties account for 80% of land area, and 20% of U.S. population.
- Quigley finds long-term trends of declining rural population, a steep decline in total rural personal income, rural per capita incomes at about 70% of urban incomes, and a rising income gap between rural and metropolitan regions.
- Many experts highlight the common misperception that agriculture is the dominant source of employment and income in rural economies. In fact, agriculture is important in *only a small number* of rural *counties*, and its overall impact on rural regions in the U.S. is negligible. Quigley finds that less than 10% of the rural population lives on farms. Less than 7% of employment in rural areas is in farming, and farm income represents only about 2% of total rural income.
- The trend towards services has been seen as important for rural regions because many of them rely heavily on manufacturing jobs that have been threatened by foreign competition.
- The two dominant external forces shaping the evolution of rural economies that has been discussed in the literature are globalization and technological change.
- There is general consensus in the literature that the business environment in rural areas tends to be weaker than that in metropolitan regions. The lower density of population and economic activity raises the cost of physical infrastructure, makes it harder for educational institutions to specialize while serving the needs of the region, supports a smaller number of local competitors, and creates barriers to achieving a critical mass of related and supporting industries.
- Several experts have written about the role of universities and training programs in rural areas. Many universities and colleges in rural areas are focused on agriculture, particularly those near farming communities. Several experts have suggested that curricula in these schools need to be upgraded to include business management and entrepreneurship.
- The important role of community colleges for rural regions is emphasized in the work by Rosenfeld.

Examining four case studies on community colleges, he finds that a community college can have a significant and positive impact on the regional economy if it specializes in particular skills relevant to regional industries. Benefits to the region include better-trained workers, increased social capital and knowledge sharing, increased use of information technology, and increased levels of wages and innovation.

CONCLUSION

The development of a rural entrepreneurial based economy is a slow process rooted in cultural change, education and program development. Those involved must be patient and recognize that a high risk of failure is inevitable. Success factors will include strategy development, execution and ongoing follow-up. There is a significant responsibility on the part of private sector partners to support entrepreneurial development in rural America. Many resources currently exist but need to be identified, defined and assessed. And where resources are lacking either due to underperformance, or where a true gap exists, those resources need to be bolstered or developed. The historic lack of economic development funding for entrepreneurship needs to be reevaluated. If we are to increase the standard of living in rural America, or even more importantly compete on a global basis, we need to encourage the development and sustainability of entrepreneurial ventures. Successful rural economic development builds from its own regional strengths, rather than attempting to emulate the actions of other regions – each strategy needs to be entrepreneurial.

REFERENCES

- [1] <http://www.ers.usda.gov/AmberWaves/November05/Features/Education.htm>
- [2] <http://www.heartland.org/Article.cfm?artId=12402>
- [3] <http://rtc.ruralinstitute.umt.edu/RuDis/RuDemography.htm>
- [4] <http://www.ers.usda.gov/AmberWaves/November05/Features/Education.htm>
- [5] <http://www.ncruralcenter.org/entrepreneurship/markelypagesreport.pdf>
- [6] http://www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs/edasummer20045ffinal_2epdf/v1/edasummer2004_5ffinal.pdf
- [7] www.altconsulting.org
- [8] (http://www.carseyinstitute.unh.edu/documents/Demographics_complete_file.pdf)
- [9] http://www.ruraleship.org/index_html?page=content/State_Pages/NC/RuralCenterReport.htm
- [10] <http://www.ers.usda.gov/Briefing/IncomePovertyWelfare/>
- [11] <http://www.ers.usda.gov/briefing/Population/>
- [12] http://64.233.179.104/search?q=cache:P6VCJ7n1Ys8J:www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs/eda_5frural_5fregions_2epdf/v1/eda_5frural_5fregions.pdf+US+rural+population&h

l=en&gl=us&ct=clnk&cd=4

- [13] http://www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs/edasummer2004_5ffinal_2epdf/v1/edasummer2004_5ffinal.pdf
- [14] <http://www.cossa.org/rural.htm>
- [15] [http://72.14.209.104/search?q=cache:eQHhd02kD2MJ:www.nga.org/Files/pdf/MAC KE1.pdf+rural+retention+of+youth+strategies&hl=en&gl=us&ct=clnk&cd=14](http://72.14.209.104/search?q=cache:eQHhd02kD2MJ:www.nga.org/Files/pdf/MAC+KE1.pdf+rural+retention+of+youth+strategies&hl=en&gl=us&ct=clnk&cd=14)
- [16] Hatten, Tim, *Small Business Management, Entrepreneurship and Beyond, 3rd Edition*, Houghton Mifflin, (2006), Boston.
- [17] Quigley, John, "Rural Policy and the New Regional Economics: Implications for Rural America," University of California, Berkeley, May 2002.
- [18] Rosenfeld, Stuart A., "The South's Rural Community Colleges in the New Millennium," *The Rural South: Preparing for the Challenges of the 21st Century*, SRDC, Mississippi, Feb 2000.
- [19] Competitiveness in Rural U.S. Regions: Learning and Research Agenda Professor Michael E. Porter with Christian H.M. Ketels, Kaia Miller and Richard T. Bryden, February 25, 2004.