

GROWING ENTREPRENEURS FROM THE GROUND UP

A Community-based Approach to Growing Your Own Business

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December 2004

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Missouri Rural
Development
Partners



About the Missouri Rural Development Partners



The Missouri Rural Development Partners (MRDP) was formally organized in November 1992 and is one of nearly 40 state rural development councils comprising the National Rural Development Partnership (NRDP). In 2004, MRDP received federal designation as Missouri's official state rural development council.

The mission of MRDP is “to improve the quality of life, enhance opportunities, and help empower citizens and rural communities of Missouri by bringing together a coalition of public and private entities.” To fulfill its mission, MRDP brings together partners who represent the federal, state and local governments, as well as private sector, for-profit and not-for-profit organizations to identify and assess rural Missouri's developmental needs, develop strategies and facilitate actions for solutions. MRDP works on programs and policies that remove barriers to rural development and bring about resources that assist citizens to help themselves in providing overall quality of life for all members of their communities.

Missouri's rural conditions are ever changing. The MRDP collaborative framework is at the forefront of addressing these changing conditions, the diversity of rural areas, the complexity of its needs and the fragmentation of rural resources throughout the public and private sectors.

Together, we can all make a positive difference for rural Missouri!

Acknowledgments

Funding for this guidebook was provided by the U.S. Department of Agriculture-Rural Development (USDA-RD) as part of its support for the National Rural Development Partnership. In-kind contributions were also made by the Community Policy Analysis Center at the University of Missouri-Columbia, by the Federal Reserve Bank of St. Louis, and by the community and business people who took time from their busy schedules to participate in the research that makes up part of this guidebook.

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The Missouri Rural Entrepreneurship Initiative team retained the Community Policy Analysis Center at the University of Missouri-Columbia to refine and field-test a self-assessment tool for evaluating a community's small business climate, as well as to develop this guidebook. The Center's mission is to provide research, outreach and training that support improved policy decisions. Members of the Community Policy Analysis Center involved with the project were Dr. Thomas G. Johnson, Vickie Rightmyre and Darryl Chatman.

The Federal Reserve Bank of St. Louis provided the graphic design and layout for the guidebook as well as assistance with editing.

Funding for the first phase of developing and field-testing the self-assessment tool for measuring a community's entrepreneurial climate was provided by the Ewing Marion Kauffman Foundation as part of the Rural Entrepreneurship Initiative. Thanks go to those at the Kauffman Foundation for their interest in supporting entrepreneurship. This project would not exist without their financial support.

A number of other people who work in the area of small business development and entrepreneurship provided input into this project. Dr. John Bryden with the Arkleton Centre for Rural Development Research at the University of Aberdeen, Scotland, provided invaluable guidance in the development of the model used in the self-assessment tool. His work with the Dynamics of Rural Areas International Comparison project has served as a model for the components that influence small business development.

Don Macke and Deb Markley, codirectors of the Center for Rural Entrepreneurship, provided material that served as part of the foundation for this project. Chuck Fluharty, director of the Rural Policy Research Institute, also provided material that has been incorporated into this guidebook. Their contribution and support of research in this area is greatly appreciated.

In coordinating the field-testing of the self-assessment tool, particular thanks go to those individuals who worked with the researchers in identifying small businesses to be interviewed. Many of them took time out of very busy schedules to introduce us to numerous business people. To those who took the time from their business operations to answer our questions, we especially give our gratitude. Their input provided insight into the conditions that are considered important to small business growth.

The authors take full responsibility for any errors or omissions in this report.

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Survey Instrument

I. Welcome To This Guidebook

If you have ever grown a garden, you know that it takes good soil, a proper amount of water, sun and fertilizer for plants to thrive. Before you plant, you test the soil, determine what plants will do well in your climate and add nutrients the plants will need for healthy growth. You take care to provide water, remove weeds and protect your garden from bugs and animals. Now imagine that your community is like a garden. A nurturing environment can make a difference in the healthy growth and success of the people who live in your community.

This guidebook is designed to help you assess your community's environment, specifically for people who are growing a small business. Once you have completed the assessment, there are suggested actions you can take to make the most of your strengths and to address deficiencies in your small business environment. Resources and tools are included with the suggested actions. These include web sites, books, seminars, programs and foundations. This is not an exhaustive list, and it is recommended that you check to see what resources may be available for your particular region.

You may also want to explore communities that have already begun building up their small business environment for more ideas and for support. This is not a quick-fix approach to economic development, and encouragement along the way will help you stay with your program.

As with growing a garden, providing a supportive environment for small business growth takes time, patience and an ongoing commitment to the effort. The rewards for your effort include a diverse local economy, new job creation and increased revenue for providing community services and making infrastructure improvements.

It is our sincere wish that this guidebook helps you build a community environment in which small businesses thrive and grow. We welcome your feedback on the usefulness of this guidebook and what we can do to improve it.



II. The Valuable Role of Small Businesses

Nurturing new and existing small businesses is a community and economic development strategy that has been receiving greater attention in recent years from local and state government officials, foundations, colleges and universities, and public policy makers. This attention is the result of annual assessments by the Global Entrepreneurship Monitor (GEM) that show most of the new job growth in the United States over the past decade has been created by small businesses. The forecast is that this trend will continue. A closer look at the reasons behind this forecast reveals why small businesses will be increasingly important to the economic vitality of many small communities.

In today's economy, the pace and nature of change is moving along at a speed never experienced before. This change has been profound for traditional segments of many rural economies such as agriculture and manufacturing. Long-term competitiveness will depend on building upon newly identified advantages, not on maintaining advantages that worked in the past. Small businesses tend to be more flexible and are able to adapt more quickly to changes.

Advances in technology make it possible for small businesses to have powerful tools, such as personal computers, modems, color printers and software at affordable prices. These improvements in office equipment technology have reduced start-up costs for many types of small businesses and have encouraged a growing number of people to venture into their own business.

In many small communities, economic development strategies used in the past are no longer as effective as they were. Rural areas that have promoted their low cost of operating a business to manufacturers, calling centers and the like are finding that other parts of the world are able to provide even lower land and labor costs. Rather than focusing primarily on business attraction, many communities are now investing resources in small business development as a way to grow their own businesses.

Small businesses also provide amenities that add to the quality of life of residents and attract others to the community. People are drawn to clusters of small businesses, which may include specialty gift shops, coffee shops, restaurants and bars. Many offer music or artwork along with the food and drink. Activity may flow out to the sidewalks, with dining tables and musicians. Richard Florida, professor of regional economic development at Carnegie Mellon University and author of *The Rise of the Creative Class*, states that this kind of street scene provides a set of visual and aural cues that people look for in a place to live and work.

GEM found that 70 percent of the difference in economic growth among industrialized nations can be explained by their levels of entrepreneurial activity and

that the United States continues to be one of the leading entrepreneurial countries in the world. Each year, at least 700,000 new businesses are started in the United States. A small percentage of those are fast-growth companies that are credited for fueling most of the economic growth in this country. For these reasons and more, many places in the United States are paying more attention to what it takes to create and support small businesses.

The Difference between Small Business and Entrepreneurship

Let's briefly discuss the difference between a typical small business owner and an entrepreneur. While you will want to create a supportive environment for both the small business owner and the entrepreneur, it may make a difference to your local economy to identify which type of small business it is.

Typically, a small business owner operates a business enterprise that has the primary objective of making a profit and providing the owner and employees, if there are any, with a steady income. Some people are able to turn a talent or interest into a small business, creating fulfilling work for themselves. Growth of the business may be important to the small business owner, but not always. If growth does occur, the pace is typically slow and over a period of many years.

An entrepreneur is also a small business owner, but there's an important difference. The entrepreneur envisions something that did not exist before, creates something new or provides an existing product or service in a new way. The entrepreneur is also focused on the growth of the business, which often occurs at a rapid rate. Being entrepreneurial is an approach to business that relies on innovation, ambition and growth.

How entrepreneurs differ from those who operate a small business is illustrated by looking at one of the world's most recognized entrepreneurs, Bill Gates, cofounder



of Microsoft. Now one of the largest and most financially successful business enterprises, Microsoft started as a small business. What makes Gates an entrepreneur is that, when he began his company, he envisioned a future where everyone would have a personal computer on his or her desk. He saw that there would be a demand for an operating system that could accommodate desktop computers. He was already imagining that his company would become very big. At that time, others in the computer industry could not imagine what value people would find in having a computer on their desk. Gates had to work against a background of skepticism before others began to recognize that he was creating a wave of new technology that would change the way we work. Many new ideas are often first met with doubt and discouragement, but it's a challenge that entrepreneurs must face.

Using our garden analogy, you might think of small businesses as plants that you can assume will grow to a certain size and will stay about that size. Entrepreneurs, on the other hand, are interested in the process of creating something new and then growing their businesses as quickly as they reasonably can. Their businesses may start out as small plants, but they could grow into an entire forest. The percentage of entrepreneurs out of the total of small business start-ups is small, but their impact on the economy is great.

Throughout this guidebook, we will primarily use the term “small business,” which encompasses both the typical small business and the entrepreneur. As stated earlier, you will want to create a community environment that supports both the small business owner and the entrepreneur. However, given the potential of entrepreneurship on your community's economy, particular attention needs to be given to resources that entrepreneurs need to be successful.

III. The Difference That a Community Can Make to Small Business Success

Small businesses do not operate in a vacuum. Communities can provide a strong and supportive environment for small business activity, or they can inadvertently create an environment lacking in resources and support, making it difficult for people to start or expand their business. If the community environment is simply not conducive to small business, people will either start their business in another community where the environment is more favorable or choose not to start their business at all.

You may be asking yourself, “What difference does a community’s environment make to small business activity? Isn’t it primarily up to the individual to successfully launch a new business?” To a large extent, this is true. However, some communities have a greater rate of small business start-ups than other communities of similar size and nature. The research conducted for this guidebook looked at what could explain these differences. Results of the research were used to refine the self-assessment tool found in Section IV.

What goes into the creation of a new business is complex, and there is not a lot of research that identifies what exactly influences business creation in certain communities. What we do have to work from, besides our own research, is a body of literature that presents frameworks, theories and anecdotal evidence for what small businesses require for success. This guidebook is based upon the assumption that a community can increase the likelihood of small business creation by developing a supportive small business climate. There is a saying that luck is what happens when preparation meets opportunity. You can prepare your community and its people to take advantage of business opportunities by enhancing conditions that are favorable to small business creation.

Getting Organized

Creating a favorable environment for small businesses will take the effort of many people in your community as well as a few champions who will promote and support small business and entrepreneurship. You will need a team effort to assess your community’s current small business environment, to strategize how best to enhance the environment, to develop and implement a plan of action, and to measure the results. To guide this effort, it is recommended that you form a working group. This working group can start on an informal basis, with more structure added when you determine there is a need to create a more formal organization. Be sure to use the existing organizations in your community that are already supporting small businesses in some capacity.

The following list is a suggestion of segments of your community that should be represented on the working group:

- small business
- women in business
- ethnic minorities in business
- large business
- youth
- city departments
- city government
- banks and credit unions
- insurance companies
- accountants
- attorneys
- marketing businesses
- chamber of commerce
- community and/or economic developers
- human resource agencies
- utilities and/or electric cooperatives
- business associations
- schools
- colleges and technical schools
- university extension
- small business development center
- faith-based organizations

Before you begin to put together your working group, identify several individuals in your community who might be willing to serve as champions of this effort. Champions are individuals who believe in the value of an effort—in this case, enhancing the community environment to support small business—and who are willing to provide leadership and vision. These individuals could be successful business people themselves who are in a position to give some time to an endeavor such as this. Your champions may also be people who are entrepreneurial in their approach to getting things accomplished. If they accept your invitation to be champions in the effort to create a supportive climate for small business development, you have taken a big step in creating credibility as well as leadership for your working group.

Assessment of Your Community

Another important step is to do your homework about the current conditions in your community's small business climate. Planning is only as good as your assessment of your community's assets and deficiencies. In Section V of this guidebook,

there are several sources for gathering information about your community. These sources include demographics, identifying existing assets to build upon and a self-assessment tool that has been designed to measure your community's small business environment as perceived by small business owners. The survey also includes a SWOT analysis, which is a method for identifying your community's strengths, weaknesses, opportunities and threats to small business.

You may also want to take your own inventory of what your community provides to small businesses and see if it matches up to their perceptions. Small business owners may not be aware of all that exists in your community, and it might be that information could enhance their awareness. They may also have a difference of opinion, depending on their background, education level, age and life experiences. Their opinions should be taken into consideration, as they may give you insight on how to improve the community as a place to do business.

Identifying your community's deficiencies as well as its strengths in supporting small business development is similar to taking a soil sample to see if it can support the type of plants you want to grow in your garden. This assessment process will not only help you set priorities, but will increase the likelihood that your efforts will lead to results.

Developing a Plan

With the assessment completed, your working group is ready to develop a plan. At this point, you may recognize additional people whom you would like to involve in the effort to enhance your community for small business development. Keep in mind that not everyone is well-suited for planning, as it is a slow process that involves talking out ideas and getting into details. For those who are more action-oriented, it may work better if they are involved in the implementation of the plan.

Members of your working group will want to discuss what results or outcomes they want to see at various intervals of time. Because making changes to your community's small business environment is going to take time, it is recommended that your plan be for at least a five-year period, with short-term and long-term goals identified. You will also want to prioritize actions you decide to take, looking at what actions are most likely to help you reach your goals.

Because assessment and planning can be rather time-intensive, you may want to either identify someone locally who can spend the time needed or use resources such as a university extension or a Small Business Development Center to provide you with assistance. There are a number of other resources available for helping you develop a strategy and plan, some of which are listed in the resources section of this guidebook.

Implementing the Plan

With your plan now in place, you are ready to put it into action. Your working group can break out into smaller committees to take responsibility for specific actions and report back to the larger group at regular intervals, such as every month or every other month. There are a number of ideas and resources in this guidebook to assist you along the way. If you find yourself getting stuck in certain areas, call on regional or state resource people who can provide you with technical assistance. There are also a number of consultants whom you can contract with to provide you with specialized assistance.

Measuring Results

You are investing time and resources into an economic development strategy; knowing what results are being produced from your investment is important. First, you will want to know if your strategy is an effective one. You will also want to have the continued support for your efforts from those who are investing their time and resources. They will need feedback on what results their investment is producing. Some suggestions for measuring results are found in Section VII of this guidebook.

Spread the Word

You will want to involve other members of your community. One way to do this is to share what you are accomplishing with the media. If your media doesn't do this already, you may want to suggest profiles of your small business owners. Stories about the economic and social contribution of small businesses to your community will increase people's awareness of the vital contribution these individuals and their businesses make to your community.

You may also want to create an e-mail listserv to keep members of your working group in touch. This will not replace the use of the telephone or mail, as not all people have access to or use e-mail, but it is a quick and inexpensive method for getting information out in a timely fashion.

IV. What Does It Take to Grow Small Businesses?

To build a supportive environment for small businesses, you will need to understand what is necessary for business development to occur. People looking to start a business in a small community face additional challenges. There is a greater distance to markets and services, and the threshold of demand for their products or services may not justify the location of their business. Communities may also lack industry clusters and networks to link small business owners with each other. In addition, the culture of the community may present a challenge if it lacks an appreciation for small businesses and the contribution they make to overall economic vitality and quality of life.

There is a growing body of knowledge on what needs to be present for people to start a business, although most of this research has not focused on the unique challenges of small communities in rural areas. However, a recent European study, *Dynamics of Rural Areas*, provides a better understanding of the components that are present where there is a greater level of economic activity. The study's researchers explored reasons that could account for differences in economic performance between rural areas in the same geographic and political environment. The 10 components they selected are categorized as either being tangible or less tangible. The tangible components were fairly easy to select and include obvious needs for small business, such as building space, financing and a skilled workforce. The less tangible components were more complicated but are necessary for stimulating creativity and an acceptance of diversity, experimentation and risk-taking.

The 10 components identified as being influential in economic performance are:

Tangible Components

1. Physical Infrastructure

- Adequate and affordable building space
- Adequate and affordable land zoned for business development
- Highway accessibility
- Adequate water and sewer services
- Adequate phone services
- High-speed Internet access

2. Financial Resources

- Knowledge of financial tools available to assist small businesses
- Financial institutions' willingness to use financial tools
- Resources and training in preparing financial statements
- Access to venture capital

3. Business Services

- Technical assistance to start a business
- Legal services
- Accounting services
- Printing services

4. Human Resources

- Education and training for adults in starting a small business
- Education and training for youth in starting a small business
- Continuing education opportunities for new types of jobs being created

5. Community Environment and Design

- Natural and man-made assets that make the community an enjoyable place to live
- Natural and man-made assets that are managed for the enjoyment of current and future residents
- Places in the community where people can informally meet
- Downtown that attracts lively pedestrian activity

Less Tangible Components

1. Government and Institutions

- City government that responds to the needs of small businesses
- City government that provides a favorable climate by reviewing and updating policies, ordinances and planning regulations related to small businesses
- City government that is willing to use public funds for improvements that support small businesses
- City government that uses outside funding sources to improve the community as a place to work and live
- Higher education institutions that provide education and resources for those wanting to start a small business or for those to be employed by small businesses

2. Market Performance

- Identification of local needs for products and services and local businesses that meet those needs
- Development of new products and services by local businesses to meet emerging market demands outside of the community

3. Networking

- Formal or informal networking opportunities for people in the business community to exchange information and ideas
- Business networks that overlap between sectors
- Business networks that expand beyond the community
- Availability of guidance when making business decisions
- Existing business networks that welcome new members

4. Quality of Life

- Safe and affordable housing options
- Low crime rates
- Recreational opportunities for a wide range of community members
- Cultural opportunities for a wide range of community members
- Availability and accessibility of quality health care

5. Community Beliefs and Attitudes

- Community that sees locally owned small businesses as a valuable part of the community
- Community members who choose to shop at local businesses when possible
- Support for risk-taking
- Acceptance of ethnic, cultural and lifestyle diversity
- Opportunities for youth to participate in community and business activities

There are potentially many other components that influence small business creation, but we are going to focus on these 10 components in the next section to help you measure which ones your community possesses and which ones are lacking. However, do not limit yourself to these 10 components if you recognize an area that is impacting your community's ability to support small businesses.

The "Weather"

Although you may take great care in tending your garden, there are certain elements that cannot be controlled, such as the weather. So it is in supporting your small businesses. For example, global competition has an impact on your community's economy. You cannot control the fact that your businesses may have to compete in a global marketplace. There are, however, actions that the community can initiate to encourage small businesses to maintain a competitive advantage.

One action your community group can take is to host a speaker who can address national or global trends, or both, in a particular industry, such as tourism. Invite businesses within that industry to attend the presentation and encourage them to talk about what impact those trends may have on their business. They could then explore how to take advantage of these trends or how to lessen the nega-

tive impacts. In a sense, it is like getting a weather report. Current conditions and a forecast of what may lie ahead for that industry are reported. With this information, businesses can take measures to prepare for these conditions. While large businesses practice this regularly, many small businesses lack the staff or time to study trends. However, they could benefit greatly if offered this opportunity within their community.

V. Assessing Your Community's Entrepreneurial Climate

Self-Assessment Tool to Get Feedback on Your Small Business Environment

The survey at the back of this guidebook is designed to give you feedback from your small business owners on their perceptions of your community as a place to own a business and as a place to live. Providing both a good business climate and a good place to live is increasingly important, as a greater number of people are choosing where they want to live first, then starting their business.

There are two suggested methods for conducting this survey. When we tested the survey, the method that provided the most detailed results was to meet with each small business owner. Given that small business owners are generally busy, it is recommended that you go to their place of business to conduct the survey. Call ahead and ask if they can spend about 30 minutes answering questions about their perceptions of the community as a place to operate a business. While answering questions, the owners may be interrupted by taking care of customers, shipments and the like. Patiently wait until they can get back to you, as their business matters come first.

The second method for conducting this survey is to distribute it at a meeting where a large number of business owners will be in attendance. For example, you can request to get on the program of a chamber of commerce meeting, give an overview of the efforts underway to enhance the community's business environment and ask the attendees who own a small business to complete the survey. This method has two drawbacks. First, it will not provide you with as much depth of information as talking one-on-one with business owners. Second, it will prescreen your respondents and may leave out businesses that are not part of any business organization. The advantage to this method is that it saves time. As a compromise, a combination of these two methods can be used.

It is important that, whatever method you use, the respondents' answers remain confidential. You want business owners to provide you with their honest opinions, and if they are assured that their responses cannot be identified, they will be more inclined to tell you what they really think.

To tabulate survey results, it is recommended that you use a database software program such as Excel. You will also be able to generate graphs that can help you visualize the results of the survey. When you have completed tabulating the results, present them to your working group. This assessment tool can provide an

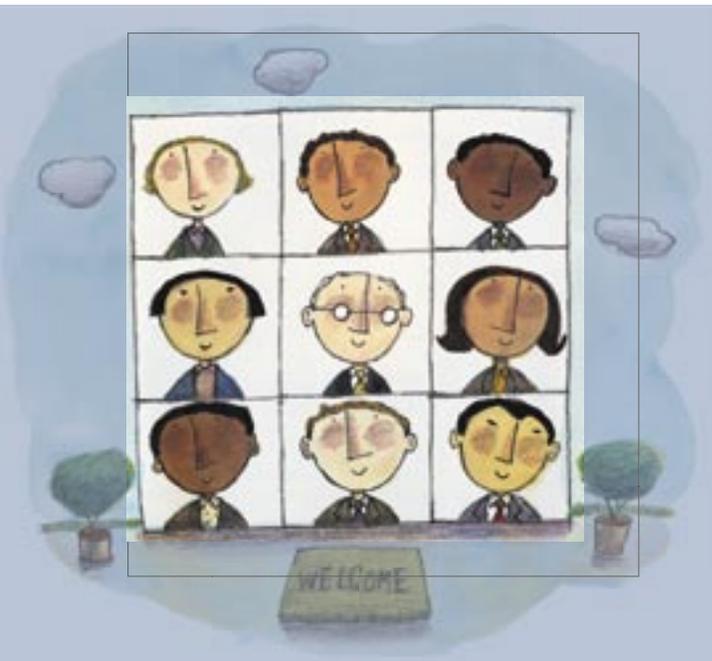
indication of which components of your community environment are adequate and which are lacking. This will be useful information when you are developing a plan and setting priorities.

Your Community's Demographics

The demographics of your community can give you additional indicators of its potential for creating small businesses. The annual GEM report, sponsored in part by the Kauffman Foundation, provides a look at entrepreneurial activity in 41 countries.

After identifying individuals who have started their own business, it looks at the demographics of these individuals. It has found a higher percentage of entrepreneurs among particular demographics. While GEM conducts its studies on a nationwide basis, you can begin your own study of business owners and their demographics. The survey instrument in this guidebook asks business owners information on their age, gender, education and income.

If you want to target your efforts to create a supportive business environment for those who have the greatest potential for starting a business, you will want to know the number of people in your community who are in various demographic categories. Information is provided below to assist with this effort. Demographics for your community are available through the U.S. Census Bureau and can be looked up by visiting its web site at www.census.gov.



Age

The GEM research showed that two of every three people involved in start-up businesses are between ages 25 and 44. However, 12 percent were 18 to 24 and 17.4 percent were 45 to 54. Only 6.7 percent were ages 55 to 64. While these percentages may give you some indication as to who may be most likely to start a business, this is not to suggest that entrepreneurs can't be found at any age. Young people, as well as individuals who retire early and have sufficient wealth, also start new businesses. Consider that at different ages, your community offers different opportunities.

Gender

GEM research showed that in the United States, one woman is involved in a business start-up for every two men involved. Women face some obstacles that may discourage them from small business development. Helping women overcome those obstacles could have a significant impact on the small business activity in your community.

Education

There is a strong relationship between education and entrepreneurial activity. The GEM study showed a strong correlation between entrepreneurial activity and enrollment in any secondary education program, such as trade school, vocational school, college, university, professional or graduate training. Assess the availability of secondary education in your area and determine where gaps may exist in providing educational opportunities necessary to meet the needs of new businesses.

Labor Market

The GEM study revealed that labor, particularly highly skilled positions, is acutely important to entrepreneurs. High technology and the Internet have created a new set of required skills. Rafe Needleman, editor of Redherring.com, adds, “While the United States does have great educational institutions turning out great entrepreneurs and engineers, that doesn’t begin to meet the demand that those people themselves are generating. Overall, our educational structure is not turning out enough qualified people, so we’re looking overseas and to immigrants.”

The U.S. Census Bureau can provide information on levels of education among the adult residents of your community. If you have the resources, conducting a labor market study would provide more details on skills and training that your community residents possess.

Many states produce demographic and economic profiles. Contact your local state resource for a profile of your community. There are also community policy centers around the country, such as the Community Policy Analysis Center at the University of Missouri, which can produce local economic studies.

Your Community's Assets

Focusing primarily on the deficiencies of your community and developing a needs-based strategy can lead to a sense of hopelessness for what the future holds. An alternative to this is to identify and build upon a community’s capacities and the skills and assets of its residents. This approach can be applied to developing and expanding small businesses. A useful guide to this approach is *Building Communities from the Inside Out: A Path toward Finding and Mobilizing a Community's*

Assets by Kretzmann and McKnight and distributed by ACTA Publications. You can obtain a copy by calling their toll-free number, 1-800-397-2282.

The philosophy behind the assets-based approach to development is that every person has capacities, abilities and gifts. Creating a fulfilling life depends on whether those capacities can be used, abilities expressed and gifts given. The community benefits from the contribution that each person is making. All communities have valuable resources that are fundamental to their future, and those resources are the capacities and abilities of its people.

To nurture the capacities of community members who are potentially business owners, you will need to identify those capacities. The questions on the following page are based on the *Building Communities from the Inside Out* guidebook. These questions can be used to identify individuals with the interest and capacity for starting a business.

1. Are you considering starting a business?

- Yes
- No

If yes, what kind of business do you have in mind? _____

2. What experience, knowledge or training do you have that will be valuable in starting this business? _____

3. Where do you plan to operate your business?

- Out of my home
- Storefront
- Office building
- Manufacturing facility
- Other

4. What obstacles keep you from starting the business? _____

5. What kind of information or support do you need to take the next step?

VI. What You Can Do to Enhance Your Community's Entrepreneurial Climate

You have tested the “soil” in which small businesses of your community are operating and you have an indication of which necessary “nutrients” are present and which need boosting. Your working group can target your efforts to build up the areas of your community that are most in need of attention. This section is designed to provide you with ideas on what your community can do to strengthen its environment for small businesses. It is organized in the same way that the survey tool is designed. Simply identify which environmental components you want to target and find the suggested activities and resources under the component listed on the following pages. The activities and resources are organized according to the Center for Rural Entrepreneurship's three levels of community support for entrepreneurship: basic, advanced and high-performing. A number of the suggestions and resources presented are from Building Entrepreneurial Community Champions, developed by Minnesota Rural Partners, Inc.

Physical Infrastructure

Basic Support:

1. Take an inventory of available buildings for various types of small businesses. Identify available space and rent for each available space.
2. Work with local and regional planning resources to develop a transportation plan that addresses highway accessibility needs of small businesses. Pay particular attention to traffic flows and how they impact retail businesses.
3. Identify what level of Internet access small business owners have available. Ask business owners whether the current level of Internet access is adequate to meet their business needs. If not, ask what they require for high-speed Internet access.

Advanced Support:

1. Establish a method so those wishing to start businesses can easily identify available building space that meets their needs.
2. If it is needed, explore ways to bring high-speed Internet access to your community. This could also be an entrepreneurial opportunity for an individual in your community.

High-Performing Support:

1. Support the development of a business incubator or a multi-tenant space for new businesses. Based upon your community assets, identify what types of facilities, such as commercial kitchens or studio space for area artists, could encourage new businesses.

Commercial and Professional Infrastructure

Basic Support:

1. Contact the chambers of commerce in cities within a one-hour drive from your city for listings of professional services. Print the listing and make it available in places where small business owners will be able to find it.
2. Ask existing local businesses who they go to for various professional services. Add this information to your listing.
3. Run advertisements or write articles in the local newspaper asking people who provide professional services to contact you if they are interested in serving businesses in your area. You may get responses from former residents who have left the area but are still interested in maintaining a connection or in finding a way to move back home.

Advanced Support:

1. Find out what regional or statewide resources already exist for your community. Ask them how you can help them better serve your community. What additional support or resources do they need? Can these be developed through partnerships? The following resources can help your community identify existing resources or help develop new business tools:
 - USDA-RD rural business programs
 - Rural Foundations Initiative: Learn more at www.aspenccsg.org/rdp/pages/brochure.pdf.
 - The Rural Policy Research Institute reports and resources regarding entrepreneurship in rural areas. Access its web site at www.rupri.org.
2. *Listening to Your Business*: Bring this seminar to your community and invite business owners to attend this four-hour session that is designed to enhance a company's performance. To find out more about this seminar, visit www.fastrac.org.

High-Performing Support:

1. Identify gaps in commercial and professional services in your area and find ways of filling those gaps. These could include bringing professional services into your community on a regular basis and letting small business owners know that these services are available to them.

Financial Resources

Basic Support:

1. Contact area lenders and identify what business financing tools are familiar to them and which ones they use. Make this list available to those considering where to go for a small business loan.
2. Gather references for various business lending programs and make this information available to those seeking financing options for a small business.

Advanced Support:

1. Bring representatives from state and federal small business programs to your community to explain how their financing programs can be valuable to your lenders and small business owners.
2. Identify what programs exist in your state that provide venture capital and seed capital for particular types of businesses and new technology.
3. Develop a web site with links that can help area residents identify and access available financing programs.
4. Identify what types of “pre-seed” capital funding are available in your state. This funding is designed to take new technology from the laboratory to the development of a prototype. At the point where the new technology has been further developed, it will be more attractive to venture and seed capital investors.

High-Performing Support:

1. Ensure access to a variety of debt and equity financing that a business may need to fulfill its potential in the marketplace. Realize that some companies with potential for significant growth may need equity, seed or venture capital to reach their full potential.
2. Consider starting an area-based angel investment network that could provide equity capital to businesses. Angel investors are individuals who invest in small, often local, businesses as opposed to other investment options, such as the stock market. Find out more through the following resources:
 - Regional Angel Investor Network (RAIN) Funds are a vehicle for accredited investors to become involved with local companies that have exciting ideas and high potential. Find out how to form your own investment group at <http://gemmagroup.com/site/angelinvestors.shtml>.
 - The National Association of Seed and Venture Funds is an organization of private, public and nonprofit organizations committed to building their local economies by investing and facilitating investments in local entrepreneurs. Find out more at www.nasvf.org.

- The Rural Policy Research Institute has assembled several reports and resources for nontraditional access to capital in rural areas. Access its web site at www.rupri.org. Then do a search for “Rural Equity Capital.”
- The Community Development Venture Capital Alliance is a national association of community development venture capital funds. Access its web site at www.cdvca.org.

Community Environment and Design

Basic Support:

1. Identify the natural assets that make your community attractive and unique. Find out what plans are in place to protect and maintain these assets.
2. Identify the man-made assets that make your community attractive and unique. Find out what plans are in place to protect and maintain these assets.
3. Work toward an intentional design of the built environment and integrating it with the natural environment to foster a variety of places where people can gather. These places could include sidewalk cafes and pedestrian corridors and should encourage informal and spontaneous socializing. An important component to small business growth is the opportunity to exchange ideas and to build social capital. Designing places in your community where people can meet informally will foster relationships and networks.

Advanced Support:

1. Read *The Rise of the Creative Class* by Richard Florida.
2. Find out more about the “creative class” that is attracted to areas rich in cultural and natural amenities by visiting www.creativeclass.org.
3. Find out more about “social capital” and its importance in building an entrepreneurial social infrastructure by visiting www.ag.iastate.edu/centers/rdev/newsletter/june97/build-soc-capital.html.
4. Create design guidelines to protect the integrity of historic areas while integrating newly developed sections of the community. The following are resources to develop guidelines:
 - The National Trust for Historic Preservation. Besides guidelines, the trust provides leadership, education and advocacy to save America’s diverse historic places and revitalize communities. Access its web site at www.nationaltrust.org.
 - The National Main Street Center. The National Trust for Historic Preservation’s National Main Street program has been working with communities across the nation to revitalize their historic or traditional commercial areas. Access its web site at www.mainstreet.org.

High-Performing Support:

1. Integrate small business and entrepreneurship into community planning and design considerations. Recruit small business owners and entrepreneurs to serve on planning committees or other input mechanisms.
2. Hold design charettes involving a wide range of individuals from the community. For more information on design charettes, read *Community Design: A Team Approach to Dynamic Community Systems* by Arthur Mehrhoff, available through SAGE Publications.

Human Resources

Basic Support:

1. Identify what programs local schools and organizations have in place to foster interest in starting a business. Identify what programs exist that teach business skills to youth.
2. Identify what programs local schools and organizations have in place to teach business skills to adults.
3. Identify what skills small business owners are looking for in new employees and feed this information back to local schools.
4. Establish a listing of distance-learning resources and make the list accessible via a community web site. What distance-learning resources are community members currently using? Check with your local schools. They may have videoconferencing and Internet access that could be put to use beyond the regular school day. For training specific to individual needs, your area community college or technical college could be contacted to do a search of certain disciplines or subject areas. The University of Wisconsin Extension Service has an excellent clearinghouse web site with links to a wide range of distance-learning resources. For listings of sources of distance education courses, follow the link below and click on “Programs” and “Courses”:
www.uwex.edu/disted/index.html.

Advanced Support:

1. Offer programs for those interested in starting a small business. One such program is FastTrac, which is a practical, hands-on business development program to help people hone skills needed to create, manage and expand a successful business. Community organizations can offer this training locally, though they need a certified instructor to teach the course. Find out more at www.fasttrac.org.
2. NxLevel is another business development curriculum to help current or future entrepreneurs learn the skills needed to be successful. This organization also requires that its trainers go through a short certification training program before teaching the class. Find out more at www.nxlevel.org.

3. Offer monthly seminars on how to start a business. This is useful for people trying to determine whether starting a business is right for them.
4. Offer programs that enhance the knowledge and use of new technology that can increase business effectiveness.
5. Encourage youth to start a small business. If your community is experiencing an out-migration of its young people, you may want to explore what you can do to bring them back to start their own business. In a white paper entitled, *Talent Capitals: The Emerging Battleground in the War for Talent*, the author says that the next generation of talent (they are not referred to as labor force) identifies more strongly with their communities than with who employs them. There is more to life than work for young talent. Small communities that can create a strong sense of community and quality of life for young people are at an advantage in encouraging their youth to return and to perhaps start a new business. Given that this young talent creates four out of five new businesses, it's a good idea to nurture their sense of community in their own hometowns.
6. At schools and college job fairs, promote starting a business as an alternative to seeking employment.

High-Performing Support:

1. Establish a scholarship fund that can be used to help a community member gain the required training to start a business.
2. Establish a mentoring program that matches people with an interest in a particular type of business with those who operate the same sort of business. This can include connecting youth to entrepreneurs or small business owners.
3. Integrate entrepreneurship into K-12 curricula to help instill an attitude that people can create their own businesses. Work with members of the school board and administration at the local schools to accomplish this at some level. There are existing curriculum and materials available for youth entrepreneurship education. NxLevel has a curriculum that is specifically designed for youth. You can review the curriculum at www.nxlevel.org.

Government and Institutions

Basic Support:

1. Increase awareness among local government officials and staff on the importance of small business and entrepreneurship. This can be done through printed materials or by inviting government officials to visit with small business owners.

Advanced Support:

1. Review zoning and regulations for your community and ensure that they take into account the needs of small businesses, including home-based businesses.
2. Review the comprehensive plan for your community and discuss to what extent the plan supports small business development.
3. Encourage the involvement of artists, designers, graphic artists, architects and landscape architects on planning and zoning boards.

High-Performing Support:

1. Hire a local coordinator to work with small business owners to help them maximize the potential of their ideas and businesses. For ideas on a job description for this position, view the Sirolli Institute's Web site at www.sirolli.com.
2. Create a nonprofit entrepreneurial support organization (ESO) to offer a comprehensive and sophisticated package of support for entrepreneurs. According to the Center for Rural Entrepreneurship, an ESO works to identify, encourage and support local entrepreneurs who in turn enhance the larger community business climate. For more information on ESOs, review the Center for Rural Entrepreneurship's monographs titled *Community Environment for Entrepreneurship and Entrepreneurial Support Organizations* at www.ruraleship.org.

Markets

Basic Support:

1. Help businesses identify the marketing expertise they need. Find out where they can get that expertise.
2. Conduct a survey to find out what goods residents shop for outside the community. Encourage existing businesses to offer those goods, therefore closing leakages in your local community's economy.

Advanced Support:

1. If the marketing expertise identified by small businesses does not exist, work with a college or university to develop it.
2. Identify industry clusters in your area. Survey them to find out what goods or services they are purchasing outside the area that could be provided by a local business.
3. Help local businesses assess the commercial feasibility of opportunities by making connections with consultants or bringing in training programs or speakers.

High-Performing Support:

1. Sponsor delegations to conferences, trade shows or trade missions to increase the awareness of new markets.

Networking

Basic Support:

1. Create networking opportunities for small business owners if none currently exist. Host regular meetings for small business owners. These are opportunities to not only share ideas and information, but to get feedback from business owners on barriers they may be experiencing that the community could address.

Encourage the chamber of commerce to start or expand a networking group for business owners. Some chambers of commerce host meetings where a set of business owners meet one to four times per month to exchange information about their businesses as well as about potential new clients for other members. Have one business per month host a “business after hours” networking opportunity. The business opens its doors to chamber members who get a better sense of what the business does. For more information on why networking is important to business as well as how to create and nurture networks, review the National Commission on Entrepreneurship’s study on *Building Entrepreneurial Networks* at www.techtransfer.fsu.edu/documents/networks_Report.pdf.

Advanced Support:

1. Encourage local business, government and education leaders in your community to meet and identify ways in which they can support small business development. Ideas generated by this group can be included in your plan for supporting small business development.
2. Explore Bizpathways, an online tool that helps small businesses identify available resources. If it is not available in your state, you can contract with the Minnesota Rural Partners (MRP) to develop one for you. MRP is Minnesota’s federally designated state rural development council, one of nearly 40 such councils across the United States.

High-Performing Support:

1. Host regular programs that bring together those with business ideas and those with funding for small businesses. Funding sources include, but are not limited to, area lenders. Some business ideas may be considered too risky for commercial lenders and are more appropriate for venture capital funds.

Quality of Life

Basic Support:

1. Ensure that there are places where community groups can meet. Contact USDA-RD about community facility loans and grants for buildings that can serve as community centers. For more information, check out the USDA-RD office web site for your state at www.rurdev.usda.gov.

2. Ensure that affordable housing is available.
 - Allow for the creation and sustainability of affordable housing in your zoning and comprehensive plans.
 - Contact USDA-RD about housing programs they have available.
 - Contact your state department that administers the Community Development Block Grant program and find out about the housing programs they have available.
3. Conduct an inventory of recreational opportunities in your community and review what segments of your community's population are served by them. Are there certain age groups that lack in recreational opportunities? Do those with physical barriers have access to parks? Make a list of recreational needs not currently being met and discuss what actions can be taken.

Advanced Support:

1. Conduct a housing assessment to determine specific housing needs in your community. Use this information to attract a developer to build the housing needed for your community residents.
2. Determine what level of quality health care is available in your area. If necessary, determine ways of improving access to quality health care.
3. Many small business owners have difficulty offering their employees health insurance due to the high cost. Explore what can be done to reduce health insurance costs for small businesses.

High-Performing Support:

1. Form a community betterment organization. A number of states offer support and assistance in forming and maintaining a community betterment organization that can mobilize and coordinate communitywide efforts to enhance your community as a place to live and work.

Community Beliefs and Attitudes

Basic Support:

1. Create a communitywide campaign to increase awareness of the value that small businesses provide. Work with local media, the chamber of commerce, faith communities and others to highlight the contribution that small businesses make to the community.
2. Create a small-business-of-the-month award. Print a profile of the small business in the local newspaper or other media. In the profile, make sure to include how and why the business came to be, lessons learned and the small business owner's dreams for the future so that a true picture of the reality of small business ownership is portrayed.

3. Help the community understand the needs and realities of entrepreneurs. The Center for Rural Entrepreneurship has compiled several informative articles on the challenges and benefits of entrepreneurship in rural areas. You can access them at www.ruraleship.org.

Advanced Support:

1. Identify a community that is experiencing success in supporting small business development and plan to visit that community for a day. Take notes on what attitudes are in place, as well as what types of activities and programs they have initiated, who from their community is involved, and what results they are seeing from their efforts. Present what you learn to others in your community. If there is something the other community is doing that you liked, consider incorporating it into your community's plan.

High-Performing Support:

1. Host public issues forums to discuss community beliefs and attitudes that can act as deterrents for small business creation. You may want to focus on one particular belief or attitude at a time, such as acceptance of racial diversity or attitudes toward women in business. The idea behind the public issues forums is not only to better understand these issues, but to begin to move on to attitudes that are more conducive to the kinds of change community residents want to see happen.



VII. Measuring Results in Your Community

What Results Do You Envision for Your Community?

Donella Meadows, a systems analyst, professor at Dartmouth College and long-time gardener, noted that while it is not possible to predict the future, it can be envisioned and “brought lovingly into being.” Begin to envision the kind of future you want for your business community. Remembering that we cannot control all of the factors that lead to small business success, we can design structures to support small businesses. If your plan for creating a supportive business environment is not providing the intended results, redesign the structures and see if the results are different. We can learn from the systems we create and discover what works best for our community.

Based upon recent small business activity in your community and what you consider to be reasonable projections, envision what results you want to see over the next five years.

	Years				
	1	2	3	4	5
Projected number of new small businesses					
Projected number of small business closings					
Projected growth among existing small businesses					
Projected downsizing among existing small businesses					

Measuring Results

You will know whether the environment for small businesses is actually improving by taking a few measurements related to small business activity. Your city clerk’s office may already be keeping a record of this activity, but if not, it is a good idea to begin doing so. It can be done on an annual basis, and it will provide your working group and the community as a whole with valuable feedback on whether your efforts are having the desired results. Compare these results with the results you projected for each year.

During the past year, identify the number of the following:

	Years				
	1	2	3	4	5
Actual number of new small businesses					
Actual number of small business closings					
Actual number of existing small business expansions					
Actual number of existing small business downsizing					

Continue to do this every year, and you will begin to see trends. Keep in mind that, while it's wonderful to see an increase in the number of business start-ups, it's equally important to see that businesses are not failing, particularly for reasons that can be attributed to your community's small business environment. A net gain in small business creation and expansion is what you want to see in your community. When you learn that a small business is closing, talk to the business owner about the reason for closure. What he or she tells you can give you potentially valuable information on the cause of closure and whether there is something in the community's entrepreneurial environment that needs to be addressed.

Going a Step Further in Measurements

There are several other valuable measurements that indicate whether your efforts are having an impact on your local economy. Keep in mind that various factors influence tax revenue, and changes as a whole cannot be solely attributed to small businesses. This information should be available either locally or at your state department of revenue.

During the past year, there was an increase/decrease in the following:

	Years				
	1	2	3	4	5
Percent of change in sales tax revenue					
Percent of change in self-employment tax revenue					
Percent of change in personal income tax revenue					
Percent of change in business property tax revenue					

VIII. Tending a Garden is an Ongoing Process

Cultivating a good environment for small businesses is an ongoing process; and, like cultivating a garden, the community can anticipate rewards for the effort. The community benefits from this improved environment by diversifying its economic base and increasing job growth and tax revenue, as well as creating an attractive place to live for all its residents.

After seeing the first results from your efforts to create a supportive environment for small businesses, it may be tempting to think that you can now relax and that your job is done. As with gardening, it is important to continually monitor progress and to anticipate changes that could impact your business climate. These changes could come from within the community, such as an influx of new residents, the election of new city officials or the opening of a large retail chain store. Changes could come from the state level, such as the restructuring of state tax laws or funding levels for higher education. Federal policies and programs can also bring about changes that have an impact on your local economy. It is important to watch for the impact these changes have on small businesses and your community so that you can respond with actions that maximize opportunities and minimize threats to small businesses.

We hope that you find this guidebook and other suggested resources useful in creating an environment where small businesses can grow and thrive. Don't get discouraged if you don't see immediate results, as this approach to economic development takes time and patience. Measurements of your progress may come in small numbers but, collectively, they do make a difference. Be sure to share your results with the entire community. Success has a way of attracting more success. We wish you all the best in your efforts to cultivate a thriving "garden" of small businesses.



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The Rural Entrepreneurship Initiative Survey Tool

The Rural Entrepreneurship Initiative Survey Tool is designed to give decision-makers at the local community level information on perceptions that business owners have about the community's small business climate. With this information, it may be possible to identify areas that need attention to enhance the climate for small business growth. Please answer the following questions based upon your experiences in the community. Your name will be kept confidential when survey results are reported.

Information about Your Business

We would like you to answer a few questions about your business.

Type of business _____
Number of years living in the community _____
Number of years in business _____
Number of employees _____
Source of financing for business start-up _____

Information about Yourself

We would like you to answer a few questions about yourself.

Age at which you started your business _____

Highest level of education completed:

- High School
- Technical College
- Community College
- Four-year College or University
- Advanced Degree

Gender:

- Male
- Female

Are you or a family member from this community?

- Yes
- No

Your Perceptions About Your Community

On a 1-7 scale, with 1 being “strongly disagree” and 7 being “strongly agree,” please rate your community in the following areas:

	Strongly Disagree > Strongly Agree						
	1	2	3	4	5	6	7
Tangible Factors							
<i>Physical Infrastructure</i>							
1. For the type of business you own, a person can find available building space.	1	2	3	4	5	6	7
2. For the type of business you own, highway access is adequate.	1	2	3	4	5	6	7
3. For the type of business you own, high-speed Internet access is important.	1	2	3	4	5	6	7
4. High-speed Internet access in this community is adequate to meet your business needs.	1	2	3	4	5	6	7
<i>Commercial and Professional Infrastructure</i>							
5. Getting help in business planning is readily available (within driving distance) to someone with an interest in starting a new business.	1	2	3	4	5	6	7
6. Accounting services, such as bookkeeping and payroll, are readily available (within driving distance) for someone starting a new business.	1	2	3	4	5	6	7
7. Legal services are readily available (within driving distance) for someone starting a new business.	1	2	3	4	5	6	7
8. Printing services are readily available (within driving distance) for someone starting a new business.	1	2	3	4	5	6	7
9. Marketing support is readily available (within driving distance) for someone starting a new business.	1	2	3	4	5	6	7

Financial Support

10. There are several state and federal programs that reduce the risk to commercial lenders when making loans for new businesses. In your opinion, would you agree that local lenders use these programs when they have a credit-worthy business loan application?

Strongly Disagree > Strongly Agree
1 2 3 4 5 6 7

1 2 3 4 5 6 7

11. There are individuals in the area who are willing to invest in new and growing businesses.

1 2 3 4 5 6 7

12. There is support in the community, such as counseling or resource materials, in preparing for a business loan request.

1 2 3 4 5 6 7

Community Environment and Design

13. The community has natural resources that make this an enjoyable place to live.

1 2 3 4 5 6 7

14. The community has built resources that make this an enjoyable place to live.

1 2 3 4 5 6 7

15. The community manages its resources in a way that future generations will find this community as enjoyable as current residents.

1 2 3 4 5 6 7

16. There are places where anyone from the community can meet informally.

1 2 3 4 5 6 7

17. There is lively pedestrian activity in the downtown area during the day.

1 2 3 4 5 6 7

18. Youth are provided opportunities to learn about starting a business.

1 2 3 4 5 6 7

19. Youth are encouraged to consider starting a business as an option for employment in the community.

1 2 3 4 5 6 7

20. There are educational opportunities available for adults to learn how to start a business.

Strongly Disagree > Strongly Agree
1 2 3 4 5 6 7

1 2 3 4 5 6 7

21. There are educational opportunities available for adults to develop skills that would allow them to become self-employed.

1 2 3 4 5 6 7

Less Tangible Factors

Government and Institutions

22. City government is responsive to the needs of those starting a new business.

1 2 3 4 5 6 7

23. City government is willing to use public funding to develop a supportive environment for small businesses.

1 2 3 4 5 6 7

24. City government uses outside funding, such as grants, to improve the community as a place to live and work.

1 2 3 4 5 6 7

25. Higher education institutions in the region have programs or personnel committed to supporting business creation.

1 2 3 4 5 6 7

26. Higher education institutions in the region provide training to meet the needs of new businesses.

1 2 3 4 5 6 7

Markets

27. Unmet needs for products and services in the community are identified and met by new businesses.

1 2 3 4 5 6 7

28. Local businesses have adequate access to markets for their products and services.

1 2 3 4 5 6 7

29. Local businesses are developing new products and services that are marketed outside of the community.

1 2 3 4 5 6 7

Networking

30. Whether it is a chamber of commerce meeting or getting together over coffee, people in the business community get together frequently (six times a year or more) to exchange information and ideas.

Strongly Disagree > Strongly Agree
1 2 3 4 5 6 7

1 2 3 4 5 6 7

31. People from city government and the business community get together to exchange information and ideas on improving conditions for small businesses.

1 2 3 4 5 6 7

32. Business people in the community have connections that expand beyond the community.

1 2 3 4 5 6 7

33. When assistance is needed to make a business decision, there is someone to call on for guidance.

1 2 3 4 5 6 7

34. Existing business networks are welcoming to new members.

1 2 3 4 5 6 7

Quality of Life

35. There are recreational opportunities for all members of the community.

1 2 3 4 5 6 7

36. There are opportunities to enjoy various forms of the arts, such as dance, theater, music and painting in the community.

1 2 3 4 5 6 7

37. There is access to quality health care for all members of the community.

1 2 3 4 5 6 7

38. There are restaurants that provide quality food and good atmosphere.

1 2 3 4 5 6 7

39. There are affordable housing options available in the community.

1 2 3 4 5 6 7

Community Beliefs

- 40. People in this community support locally owned businesses by choosing to spend money with them whenever possible.
- 41. If someone fails at business the first time, people in this community will give a second business venture a chance for success.
- 42. Ethnic diversity is accepted in this community.
- 43. Lenders evaluate requests for business loans on their merit and not on the gender of the person making the loan request.
- 44. Lenders evaluate requests for business loans on their merit and not on the ethnicity of the person making the loan request.
- 45. People in this community have an appreciation for the value of small businesses to the community.

	Strongly Disagree > Strongly Agree						
	1	2	3	4	5	6	7
40. People in this community support locally owned businesses by choosing to spend money with them whenever possible.	1	2	3	4	5	6	7
41. If someone fails at business the first time, people in this community will give a second business venture a chance for success.	1	2	3	4	5	6	7
42. Ethnic diversity is accepted in this community.	1	2	3	4	5	6	7
43. Lenders evaluate requests for business loans on their merit and not on the gender of the person making the loan request.	1	2	3	4	5	6	7
44. Lenders evaluate requests for business loans on their merit and not on the ethnicity of the person making the loan request.	1	2	3	4	5	6	7
45. People in this community have an appreciation for the value of small businesses to the community.	1	2	3	4	5	6	7

Open-ended questions

46. If you could identify one aspect of your community that is its greatest strength as a place to start a business in this community, what would it be? _____

47. If you could identify one aspect of your community that is its greatest weakness as a place to start a business, what would it be? _____

48. What do you consider to be the greatest opportunity to support new business creation? _____

49. What do you consider to be the greatest threat to new business creation in this community? _____

50. What is the first priority for enhancing this community as a place to start a business? _____
