To the Graduate Council

I am submitting herewith a thesis written by Phillip Claxton entitled "Entrepreneurship Development: Strategies for the White River Planning and Development District." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master's of Science in Planning.

George E. Bowen, Major Professor

We have read this thesis
and recommend its acceptance:

Accepted for the Council:

Associate Vice Chancellor and
Dean of the Graduate School

ENTREPRENEURSHIP DEVELOPMENT: Strategies for the White River Planning and Development District

A Thesis
Presented for the Master of Science in Planning
Degree
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Dedication

This thesis is dedicated to my parents

Mr. James Claxton

and

Mrs. Georgia Claxton

for all their love and support.

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Abstract

Industrial recruitment has failed to bring economic security to rural areas. Small towns and rural communities are vulnerable to branch plant closures. Rural areas also generally have less to offer industry in terms of incentives. Entrepreneurship provides a new paradigm in economic development -- to grow indigenous companies. However, entrepreneurship is a difficult to define. Entrepreneurs are defined in this thesis as simply an individual who starts a businesses, excluding farmers and several professional occupations. Among the strategies currently used across the country include entrepreneurship education and business skills training, financial assistance, business incubators, one-stop permitting and information centers, and enterprise zones. The White River Planning and Development District (WRPDD) is a rural area in north central Arkansas which could benefit from entrepreneurship development. The WRPDD has been designated by the United States Department of Commerce as a long-term economically depressed area. Entrepreneurship development strategies can address many of the barriers to business formation in such rural areas. As a practical application thesis, several strategies are recommended for the WRPDD.

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Chapter I

Introduction

Purpose of Research

Entrepreneurship development has become an important economic development strategy of chambers of commerce, economic development planners, and non-profit development agencies across the country. Many communities are using entrepreneurship development strategies (EDS) in conjunction with industry recruitment strategies to diversify local economies.

J. Norman Reid cites entrepreneurship as an important strategy for the rural South and a source of rural jobs. He also states that "[e]ntrepreneurship can . . . lead to strengthened human capital by educating the citizenry and stimulating further new business" (Reid 328). He argues that a "strong base of locally controlled enterprises makes up a more socially desirable economic structure than one dominated by firms controlled from the outside" (Reid 328). He specifically points out that entrepreneurship development may be especially important in rural areas where the economy is dominated by branch plants that are subject to closure.

Ten contiguous counties located in the White River basin in north central Arkansas have been designated by Congress as a continuously depressed area. In

1969 the White River Planning and Development District (WRPDD) was created by the Arkansas State Legislature to solve the economic problems of the area, along with seven other Planning and Development Districts covering all seventy-five counties in the State. White River Planning and Development, Inc. was created to oversee economic development activities in the counties adjacent to the White River. An Overall Economic Development Program (OEDP) was written to guide the activities of planners and economic developers. The Program was developed through community input which established the goals of the OEDP; the OEDP was to serve as a "coordinative tool . . . to bring together under a single structure, the diverse agencies and groups, that have an impact on development" (White River OEDP 2). Entrepreneurship development was one of the goals established in the Program. However in the OEDP no strategies or techniques are delineated for area development agencies to utilize to achieve this goal.

The purpose of this thesis is to determine how entrepreneurship and new business formation can be cultivated in the WRPDD by local intermediary organizations and what specific strategies could be implemented in the area. As an exploratory thesis, this paper discusses the meaning of entrepreneurship and its importance in the economy, identifies potential barriers to entrepreneurship and new business venture formation indicative of the White River PDD and possibly other

rural areas, and what local strategies are being used across the United States to cultivate entrepreneurship which may be applied in the District.

Planners draw from the findings and theories of various disciplines to gain insight into and solve social problems. Similarly, this thesis draws upon the literature, input from local entrepreneurs, and economic developers to solve the problem of high unemployment in the WRPDD. This thesis looks at how entrepreneurship development techniques can be applied in the WRPDD to provide a healthy, growing, and locally controlled, economy.

Research Questions

The primary research question is how can entrepreneurship and new business venture formation be cultivated in the White River Planning and Development District? Under this are several layers of questions which serve to answer this primary question; here they have been grouped under five general secondary questions:

- What is entrepreneurship?

- What actions are local intermediary groups currently undertaking in the WRPDD to cultivate entrepreneurship and new business venture formation and what strategies are working?

- What entrepreneurship development strategies are currently being used across the nation which may be applied in the WRPDD?

- What barriers to entrepreneurship and new business venture formation are individuals facing in rural areas and in the WRPDD?

- How can the barriers to entrepreneurship in the WRPDD be overcome?

The scope of this thesis is focused on entrepreneurship development and new venture formation in small towns and rural communities. This thesis does not address other important economic development issues such as industrial recruitment or state or federal government economic development policy.

The sample of entrepreneurs interviewed come from the White River Planning and Development District and may not represent other rural areas. The observations represent twenty-two businesses and twenty-eight entrepreneurs. A randomly generated list of potential interviewees was compiled. Each interviewee

was contacted by telephone in order to obtain permission to be interviewed; many refused. Also, since "failed businesses or entrepreneurs" are not represented no comparisons can be made with "successful" businesses or entrepreneurs. Interviews were conducted with individuals which entailed structured questions as well as open ended questions.

Methodology and Organization of Thesis

This thesis contains seven chapters. The first chapter, the Introduction, contains the purpose of research, the research questions, and the methodology and organization of the thesis.

A review of the existing literature is contained in the second chapter, Entrepreneurship and Barriers to Entrepreneurship in Small Towns and Rural Communities. The purpose of the literature review was to define entrepreneurship to the economy, to relate the importance of entrepreneurship to the economy, to discuss the new business venture formation process, and to discuss barriers to entrepreneurship in small towns and rural communities. Most of the literature used in developing this chapter was developed in the mid-1980's.

In the third chapter, Entrepreneurship Development as an Economic Development Strategy, is highlighted by the existing literature on the techniques

communities across the United States use to develop local entrepreneurs and provide a favorable environment for new business venture formation. The purpose of this chapter is to outline the strategies which may potentially be used in developing a entrepreneurship development plan for White River PDD.

Chapter four focuses on the White River Planning and Development District and substate districting in Arkansas. It consists of a literature review of documents relating to the establishment, history, and goals of planning and development districts in Arkansas, and specifically the White River Planning and Development District. The library and staff of White River Planning and Development District, Inc. was instrumental in developing this chapter. The purpose of this chapter is to familiarize the reader with the White River PDD and its economic problems.

Chapter five, Entrepreneurship Development Strategies in the White River Planning and Development District, is the result of interviews with local organizations and intermediaries engaged in economic development activities. A series of open ended questions was asked to spur in-depth discussion. The purpose of this chapter is to determine the philosophy of these organizations, determine what services these groups make available to potential entrepreneurs, and to determine what strategies they believe are successful in cultivating entrepreneurs and providing a favorable environment for new business venture

formation. Also this chapter discusses what these organizations believe could or should be done to encourage entrepreneurship. The comments received were used to develop entrepreneurship development strategies for the WRPDD.

Similarly in chapter six, Entrepreneurship in the White River Planning and Development District, local entrepreneurs are asked a series of open-ended questions dealing with various aspects of starting a new business venture and barriers entrepreneurs face in the area. The actions that the entrepreneurs feel should be taken to provide a favorable climate for business start-ups are discussed. The comments provided were used in developing entrepreneurship development strategies for the WRPDD. The entrepreneurs were randomly selected from a sample frame consisting of two main groups; entrepreneurs who attempted and were successful at forming a new local business venture and those who attempted and failed. Businesses who were members of either the Batesville, Newport, or Searcy Chambers of Commerce (excluding farmers, medical professionals, attorneys, and accountants) and whose founder was still living locally and available to interview, and from a list of individuals who were recipients of a US Department of Commerce, Small Business Administration loan or an Economic Development Administration Intermediary Relending Program loan. Finding observations of "unsuccessful" entrepreneurs was much more difficult. Local economic developers were asked to identify businesses which have ceased operations. Five businesses

were identified and the founders were contacted either by phone or by mail. None of them agreed to be interviewed.

Chapter seven, the Conclusion, proposes a series of strategies which could be applied in the area and address local problems. After reviewing the literature, analyzing what strategies are currently employed, talking to economic developers and planners, and talking to entrepreneurs, strategies which synthesize the information gathered is developed for use by local organizations.

Chapter II

Entrepreneurship and Barriers to Entrepreneurship in Small Towns and Rural Communities

What is entrepreneurship? This chapter discusses the definitions "entrepreneurship" and "entrepreneurs" as depicted in the literature. This chapter establishes a working definition of an "entrepreneur" which will form the criteria for interview subjects within the WRPDD. After this is accomplished, the definitions of the term as defined by the interviewees will be compared with the definitions in the literature. Through this process a better understanding of entrepreneurship can be gained. Also in this chapter, barriers that entrepreneurs face in creating new ventures in small towns and rural communities will be discussed. This chapter will explore some of the problems that any entrepreneurship development strategies must address.

Defining Entrepreneurship

Economist Joseph A. Schumpeter ties the definition of entrepreneur to his ability to create profit or "entrepreneurial profit" (Schumpeter 128). Schumpeter explains that there is an equilibrium in the economy between the costs of factors of production and the prices of the products. Entrepreneurs upset this equilibrium by recombining resources to create entrepreneurial profit. "Entrepreneurial profit is a

surplus over cost" after all the costs associated with production are paid, including wages (Schumpeter 128). Profit is realized through the innovative use or recombination of resources. "They have employed existing means of production differently, more appropriately, more advantageously" (Schumpeter 132). "A complete reorganization of the industry" occurs according to Schumpeter; and a "new equilibrium position" in the economy is found (Schumpeter 131). Schumpeter notes that entrepreneurial profit is not static; "the surplus of the entrepreneur in question and of his immediate followers disappears" (Schumpeter 132). "Not at once, it is true, but as a rule only after a longer or shorter period of progressive diminution" (Schumpeter 132). Competition, new firm entry, drives the industry to a new equilibrium. The entrepreneurial function is "the vehicle of continual reorganization of the economic system" (Schumpeter 156).

Benjamin W. Mokry in his book Entrepreneurship and Public Policy: Can Government Stimulate Business Startups? outlines three approaches to entrepreneurship to explain entrepreneurship:

> Trait approach -- describes the characteristic of individual entrepreneur; "they [entrepreneurs] possess traits that cause them to seek out entrepreneurial opportunities to a greater extent than others"(Mokry 15). Traits include: alertness, aggressiveness, intelligence, internal locus of

control, low aversion to risk, and high need for achievement. Mokry states that "empirical work suggests that these characteristics do set entrepreneurs apart from the general population" (Mokry 15). He goes on to state that, however, managers possess many if not all these traits but do not go on to be entrepreneurs. This is a flaw in the trait approach. The trait approach does not explain success in entrepreneurial enterprises. The fundamental flaw with this approach is that "no consistent pattern of characteristics explains why certain people emerge as . . . entrepreneurs in given situations" (Mokry 15). These characteristics "do not by themselves determine entrepreneurial activity, they do seem to predispose people toward leadership in business" (Mokry 15).

Economic actor approach -- "describes entrepreneurial activity as a function that takes place in growing economies" (Mokry 15). Uncertainty and innovation link entrepreneurship and general economic theory. Entrepreneurship is the "process of creative destruction" or the "engine of capitalism," citing Joseph Schumpeter (Mokry 15). The entrepreneur in this approach "restores economic equilibrium by organizing resources to supply a need" (Mokry 15). This approach does not address the entrepreneur as an individual outside of an economic environment (Mokry

15). This approach is not very useful in developing economic development policy.

Contingency approach -- "attempts to [explain] entrepreneurship by combining personal, economic, and sociological variables" (Mokry 16). "This emerging perspective holds that entrepreneurial activity results from the interaction of individual characteristics, turning points in individual's lives, background and cultural factors, and exposure to examples of success" (Mokry 16). Key variables in this approach are:

> Psychological makeup -- need for achievement, locus of control, risk-taking propensity, etc. Psychological makeup "predisposes" one to entrepreneurship (Mokry 17).
>
> Role models -- "The family is important in making it seem desirable for a person to form a business" (Mokry 17). Mokry citing Shapero and Sokol in the Encyclopedia of Entrepreneurship, states that more than 50 percent of company founders in the United States had parents who were self-employed (Mokry 17).

Precipitating events – Also citing Shapero and Sokol's work in Encyclopedia of Entrepreneurship, Mokry states that events such as job loss or other "powerful changes can push individuals off their established paths into entrepreneurial activity" (Mokry 18). Most are "negative displacements" (Mokry 18). Mokry gives the example of immigration as a precipitating event. "A study of 109 entrepreneurs in Austin, Texas, found that 65 percent mentioned negative factors that led to their startup: being fired, company changed hands, transferred but did not want to leave city, or no future in the job"(Shapero and Sokol in Mokry 18). "The key point is that marginal groups seem, whatever the cause of their marginality, have few options and turn to independent business or trade to survive" (Mokry 18).

Supportive environment -- a supportive environment of the idea of establishing a business is very important to the potential entrepreneur. Shapero and Sokol are cited in Mokry's book as stating that two aspects of support mold the perception of starting a business: desirability and feasibility. If the environment or culture in which the potential entrepreneur is immersed "places a high value on innovation, risk-taking, and independence" that

individual is more likely to initiate a new business venture (Mokry 18).

In an article published in the Journal of Small Business Management, authors Barton Cunningham and Joe Lischeron examine the literature discussing the definition of entrepreneurship and point out that much of this literature can be aggregated into six classifications or schools of entrepreneurial thought.

The six schools include:

- The "Great Person" School
- The Psychological Characteristics School
- The Classical School
- The Management School
- The Leadership School
- The Intrapreneurship School (Cunningham 46).

The underlying thesis of literature falling into the "Great Person" category is entrepreneurs are born. Individuals "come into this world carrying the genes or the inborn natural capacity to perform these [entrepreneurial] activities" (Cunningham 46). This school stresses that entrepreneurs are born with a special intuition or instinct to identify and seize opportunities. "The successful entrepreneur is also [according to this school] described as having strong drives for independence and

success, with high levels of vigor, persistence, and self-esteem"(Cunningham 48). "This individual has, if nothing else, an exceptional belief in himself (herself) and his (her) abilities" (Cunningham 48). The authors note however there is little evidence to support the contention that successful entrepreneurs are just born. They speculate that the source of this school is the popularization of a few highly successful business personalities over the years by the media.

Similarly, the Psychological School ascribes particular "needs, drives, attitudes, beliefs, and values" to the entrepreneur (Cunningham 48). They have especially "unique values and attitudes toward work and life" (Cunningham 48). The authors cite several famous literary works (Principles of Political Economy with Some Applications to Social Philosophy by John Stuart Mill; The Theory of Economic Development by Joseph Schumpeter; The Protestant Ethic and the Theory of Capitalism by Max Weber) in their synthesis of the psychological characteristics of the entrepreneur. They state that "three personality characteristics have received considerable attention in the research; (1) the personal values such as honesty, duty, responsibility, and ethical behavior; (2) risk-taking propensity; and (3) the need for achievement" (Cunningham 48).

The Classical School looks at the 16th century French meaning of the word entrepreneur "to undertake." Ownership, innovation, creativity, and the role of the

entrepreneur as an intermediary are central the this school of thought. This school of thought distinctly separates the roles of entrepreneur and manager. "The same energy which drives an entrepreneur might sow the seeds for the destruction of effective management and administration" (Cunningham 51).

Conversely, the Management School of thought links the entrepreneurial role to that of management theory. Successful entrepreneurs must have management skill according to this school. "According to this school entrepreneurship is a series of learned activities which focus on the central functions of managing a firm" (Cunningham 52). While management skills may be exhibited by some entrepreneurs it has clearly been documented that many entrepreneurs do not have good managing skills; these entrepreneurs, however, are good at delegating the management function to individuals with such management skill. This school raises an important and fundamental question about the risk taking characteristic of entrepreneurs. Managers are risk averters; entrepreneurs are generally considered risk takers. This school does not reconcile this contradiction.

The Leadership School places emphasis on the entrepreneur's ability to motivate people, to excite them with his vision. This school is not dissimilar from the Great Person School; it is overly simplistic, and is the result of academic research based on literature reviews of business people's biographies.

The intrapreneur is an innovator in large companies. Intrapreneurs have "evolved in response to the lack of innovativeness and competitiveness within organizations" (Cunningham 53). These individuals serve as entrepreneurs in large companies, creating new products, reducing costs, and improving efficiency (in theory). For the purpose of this thesis, this school offers little. This school seems to be the product of innovation in management techniques, and is not in the traditional main stream of entrepreneurship research.

Many of the economic developers and entrepreneurs interviewed provided less esoteric, more practical definitions of an entrepreneur or entrepreneurship. "Hard work" and "freedom" was the most commonly associated with entrepreneurship. Also, "pursing a passion" was a common theme. Surprisingly, a less common but still substantial association with entrepreneurship was economic success. Most entrepreneurs interviewed, especially those who were very financially successful, viewed lifestyle as more important and more associated with entrepreneurship than financial gain.

For the purpose of this thesis, we will simply define an entrepreneur as an individual who starts a business, excluding farmers, attorneys, physicians, chiropractors, dentists, and accountants.

Considerably more important than understanding the entrepreneur's personality, or psychology, is understanding his/her role in the larger economy and society. What is of particular interest is the sociological dimensions of entrepreneurship.

Howard Aldrich and Catherine Zimmer have developed a social network theory of entrepreneurship; their explanation of entrepreneurship is a process of an individual's interaction within a network of people, ranging from family members, to close friends, to casual acquaintances. This unique view of entrepreneurship reveals potential leverage points in which economic development planners can be use to cultivate entrepreneurship in local communities.

In the book The Art and Science of Entrepreneurship a social network theory of entrepreneurship is discussed by Howard Aldrich and Catherine Zimmer. Aldrich and Zimmer "propose a perspective that views entrepreneurship as embedded in networks of continuing social relationships"(Aldrich 8). "Within complex networks of relationships, entrepreneurship is facilitated or constrained by linkages between aspiring entrepreneurs, resources, and opportunities" (Aldrich 8,9). They describe entrepreneurship in the context of the entire population of the community and as an evolutionary process. "From the population perspective, net additions to populations of businesses reflect the operation of four evolutionary processes:

variation, selection, retention, and diffusion, and the struggle for existence" (Aldrich 8). Aldrich and Zimmer further state that:

- "Any kind of change is *variation*, and the evolutionary process begins with variations that may be intentional or blind" (Aldrich 9).
- "Some variations – attempts at forming new enterprises – prove more beneficial than others in acquiring resources in a competitive environment and are thus positively selected" (Aldrich 9).
- "What is preserved through *retention* is the technological and managerial competence that all enterprises in a population use, collectively, to exploit the resources of their environment" (Aldrich 9). "The competencies of a population are held by the entrepreneurs and their employees." "Retained variations are passed on, with more or less variation, from surviving entrepreneurs to those who follow and from old to new employees, some of whom may leave to form their own businesses." "Linkages between enterprises facilitate the *diffusion* of beneficial variations, whereas isolated organizations contribute little or nothing to future generations" (Aldrich 10).
- "A competitive *struggle over resources and opportunities* occurs, fueling the selection process. Sometimes opportunities are so diverse and resources so abundant that a high proportion of entrepreneurs

are successful and the business population grows rapidly" (Aldrich 10).

Since entrepreneurs are formed through these processes a "comprehensive [explanation] of entrepreneurship must include the social context of behavior, especially the social relationships through which people obtain information, resources, and social rapport" ,i.e., social networks (Aldrich 11).

Aldrich and Zimmer define networks "as the totality of all persons connected by a certain type of relationship and is constructed by finding the ties between all persons in a population . . ." (Aldrich 12). There are three characteristics of networks including density, reachability, and centrality.

Ties may be strong or weak. Strong ties are those people with whom we have the most social contact. Weak ties are generally acquaintances.

Density "refers to the extensiveness of ties between persons and is measured by comparing the total number of ties present to the potential number that would occur if everyone in the network were connected to everyone else" (Aldrich 13).

Reachability is the "presence of a path between two persons . . . . Persons can be ranked by how many intermediaries a path travels before one person is indirectly linked with another" (Aldrich 13).

"The more persons that can be reached and the shorter the aggregate distance to these persons, the higher the centrality of a focal person" (Aldrich 13). Persons with high centrality act as brokers and may link third parties together. They also may have a high degree of influence in the community.

Aldrich and Zimmer believe that if the salience of a group's boundaries and identity can be raised, entrepreneurship has a better chance to flourish. If group identity is expanded, individuals with diverse backgrounds and resources will be available, directly or indirectly. Strong ties, which are generally one's closest friends, often provide "redundant information" (Aldrich 19). Weak ties have the potential to provide diverse range of information.

Individuals do attempt to broaden their information through the use of weak ties by using various intermediaries. "Voluntary associations, trade associations, public agencies, and other social units increase the probability of people making connections with one another" (Aldrich 17). "Rates of entrepreneurship should be higher in highly organized populations" (Aldrich 17).

The social network theory of entrepreneurship is an extremely compelling view. Not only is it a comprehensive view of entrepreneurship but it provides insight into how entrepreneurship can be encouraged. Generally from this perspective, entrepreneurship can be encouraged by any means which connect and organize individuals socially in the community.

Barriers to Entrepreneurship in Small Towns and Rural Communities

This section discusses barriers to entrepreneurship and new business venture formation that generally exist in rural areas as found in the literature review. The literature liberally generalizes problems indicative of rural areas; however, many of the problems presented are by definition rural in nature and are applicable to the White River PDD.

A national survey of 2,100 small U.S. manufacturers performed by the National Association of Manufacturers found that the most serious problems they faced were government regulations (33.2%), cost of health insurance for employees (24.4%), decreased cash flow resulting from increased taxes (11.4%), finding and keeping qualified employees (10.3%), environmental regulations (8.1%), litigation (3.7%), and difficulty obtaining financing (2.9%); 6% did not respond (Welles 78). This study reveals certain measurable problems or barriers that entrepreneurs face in starting and maintaining a business. While the study was not specific to rural

areas and its representativeness of rural areas is questionable, it does provide some interesting insights into the problems businesses face in the national economy.

Less measurable barriers faced by potential entrepreneurs in rural communities could be categorized as sociological or cultural barriers. "Community organization, institutions, and leadership appear to be especially important in providing both a supportive climate for entrepreneurship and in some cases the spark that unleashes creative potential. . ."for entrepreneurship (Reid 332). A high quality relationship must exist between public and private institutions and business. Cornelia and Jan Flora call this relationship entrepreneurial social infrastructure. The most formidable single barrier to new business formation and economic development in rural areas, according to Cornelia and Jan Flora, is the lack of entrepreneurial social infrastructure (ESI). The ideas of the Floras are very similar to the ideas proposed by Aldrich and Zimmer; they differ in that the unit of analysis the Floras use is the entire community as opposed to the single individual as previously discussed.

"Entrepreneurial social infrastructure (ESI) is a necessary ingredient for successfully linking physical resources and leadership for community development" (Flora 48). "ESI includes three elements: symbolic diversity, resource mobilization, and quality of networks" (Flora 48).

"Symbolic diversity is a collective or community-level orientation toward inclusiveness rather than exclusiveness" (Flora 51). High symbolic diversity is desirable for an environment conducive to entrepreneurship and new business venture formation. Communities with high symbolic diversity engage in constructive debate on the problems of the community. "Rather than fostering rancorous conflict or superficial harmony, symbolic diversity inspires communities to engage in constructive controversy . . . by focusing on community processes, depersonalization of politics, and broadening of community boundaries" (Flora 51,52). There are four characteristics of symbolic diversity including acceptance of controversy, depersonalization of politics, focus on process, broad definition and permeable boundaries of community membership (Flora 52-54).

Two barriers to symbolic diversity exist in rural areas -- high density of acquaintanceship of individuals and role homogeneity. "Density of acquaintanceship is defined as the extent to which community members interact with one another on a regular, informal, and relatively personal basis" (Flora 52).

"High density of acquaintanceship . . . leads to role homogeneity"(Floral 52). "Role homogeneity refers to the extent to which community members interact with one another across a wide variety of settings -- not only at work but also at school events, in civic organizations, and at the local grocery store" (Flora 52). "Because

people see one another across a range of roles, they develop relationships with one another based on the whole person"(Flora 52). "Rural communities . . . offer environments where people see each other often doing different things" (Flora 52).

"Because of role homogeneity, rural communities tend to suppress controversy" (Flora 52). "One risks too many relationships when one disagrees in public . . ." (Flora 52). In any public decision making process, controversy has the potential to arise. Controversy is avoided for the sake of maintaining good personal relations; open debate and meaningful decision making are discouraged. However, if politics can be depersonalized (the second characteristic of symbolic diversity), acceptance of controversy can be facilitated. "Under this condition, those who disagree with a particular position are seen as doing so not out of their evil nature but because of honest differences . . ." (Flora 53). Once a community agrees to accept controversy and not penalize community members for honest discussion, good decision making can begin. Communities with entrepreneurial social infrastructure focus on "process" in public decision making and planning. Process is just as important as the goals achieved in communities. A broad definition of and permeable boundaries of who the group or community is the fourth characteristic of symbolic diversity. "Expanding who 'we' are, with fewer . . . 'theys,' allows institutions to have allies, not adversaries" (Flora 54).

Communities with ESI have the ability to mobilize surplus resources and a willingness to invest collectively and locally. "Surplus must be relatively equitably distributed if innovation is to occur" (Flora 55). Flora and Flora state that communities where surplus is "concentrated in a few hands . . . there is much less entrepreneurial activity, either on the individual level or community level" (Flora 55). "Entrepreneurial communities are willing to tax themselves . . . to ensure that certain physical infrastructure and human capital are available to the community" (Flora 55). Also, communities with ESI invest private resources locally (Flora 56). "Enterprises . . . are able to obtain both debt and equity capital locally" (Flora 56). The Floras imply that rural communities typically have less surplus and are less willing to tax themselves

"Networks . . . within the community and with the outside, facilitate the flow of resources, particularly information" (Flora 56). Communities with ESI have a broad diversity of networks (Flora 56). "The process of decision making is opened up"and "[l]eadership is spread broadly . . ." (Flora 56). There are two types of networks -- horizontal and vertical. Horizontal networks are among similar individuals, similar background, education, etc. The Floras call this lateral learning and it "is important in technology generation and transfer and in organizational innovation . . ." (Flora 57). Horizontal networks in rural communities are generally poor sources of information and expertise because the population is extremely homogeneous.

Vertical networks provide "two-way flows of information" that are links "to private and public resources outside the community to gather information, credit, materials, and technical assistance" (Flora 57). The Floras have found that in rural communities that the lack of "management and social organization" of the community leadership was the greatest barrier to economic development (Flora 57). "Appropriately chosen expertise from the outside, via vertical networks, can ameliorate problems of both inadequate funding and inadequate management" (Flora 57). The Floras imply that due their isolation, rural communities generally have poor vertical networks.

Reid characterizes the barriers to entrepreneurship posed by rural economies by examining the benefits offered by urban economies.

> "Because they are already centers of economic activity, urban areas have certain advantages that rural areas lack. Urban areas have diversified markets, which means that new businesses are more likely to find local employees with needed skills. Urban economies also benefit from established networks of firms servicing other businesses that, taken together, make up a supportive economic fabric that allows new firms to concentrate on their innovations, rather than spread their efforts across all aspects of the business operation. Most urban areas are large enough to provide ready markets for specialized products, which reduces operating costs and permits

firms to adopt 'niche' strategies. The close proximity of urban firms to each other and their markets makes it easier for them to follow and respond to market developments, thus increasing their chances for profitability and growth. And most urban areas benefit from more highly developed systems of public infrastructure which, acting as inputs to business production, helps them produce at lower cost" (Reid 330-331).

Bruno and Tyebjee note several environmental factors that may potentially inhibit entrepreneurship in rural areas. Factors include:

- venture capital availability
- presence of experienced entrepreneurs
- technically skilled labor force
- accessibility of suppliers
- accessibility of customers or new markets
- favorable governmental policies
- proximity of universities
- availability of land or facilities
- accessibility of transportation
- receptive population
- availability of supporting services
- attractive living conditions (Bruno 293).

Rural areas, by definition, do not have many of these characteristics, especially accessibility and infrastructure characteristics.

Most of the economic developers and chamber of commerce directors interviewed in the WRPDD, cited that the lack of business skills by individuals starting new ventures in the area was the most significant barrier to entrepreneurship in the area. This may be due to long agrarian history of the area; entrepreneurship is not a cultural characteristic of agrarian societies. A discussion of barriers that the entrepreneurs which were interviewed faced will be discussed further in Chapter 6.

Chapter III

Entrepreneurship and Business Development as an Economic Development Strategy

Entrepreneurs and their innovations are the engine of economic development. "Economic development strategies that rely on entrepreneurship appear to offer not only a chance for improved local employment and incomes, but also a type of growth that responds well to broader community interests"(Reid 325). Some of these interests include strengthened human capital, a more educated citizenry and locally controlled companies (Reid 328). "Research evidence suggests that communities can stimulate enterprise development through community action" (Reid 325). Some of the most common strategies used by communities have included entrepreneurship education/business skill training, financial assistance, business incubators, enterprise zones, and one stop permitting.

This chapter draws from entrepreneurship development literature and is intended to be a general discussion of entrepreneurship development strategies that have been employed in communities across the United States. From this literature review, several options are brought forth which could potentially be used in the

WRPDD. This chapter discusses five strategies which are predominant in the literature and in use in communities, including:

- Entrepreneurship education and business skills training
- Financial support (loan packing, intermediary relending, venture capital)
- Incubators
- Enterprise zones
- One-stop permitting and information centers

This chapter is not intended to be an exhaustive discussion of entrepreneurship development strategies, but to illustrate the major strategies in use which could potentially be applied in the WRPDD. After reviewing the literature, it seems that most communities engaged in entrepreneurship development utilize most, if not all, of these strategies.

Entrepreneurship Education and Business Skill Training

It is generally believed by researchers that entrepreneurship can be taught. "A point of frequent confusion is the popular belief that entrepreneurs are born, not made." (Reid 327). "While it is true that successful entrepreneurs often share certain personal characteristics, most observers now regard many aspects of entrepreneurship as teachable" (Reid 327). "Qualities such as imagination and

foresight . . . either are or are not part of an individual's psychological make-up" (Blakely 172). "Much can and should be done, however, to encourage individuals with these qualities to become successful entrepreneurs" (Blakely 172, 173). Many studies in the area of business skill development look at programs which provide the education and/or supplant the educational needs of potential entrepreneurs. Some programs focus on educating children in high school to become entrepreneurs.

Donald L. Sexton and Nancy Bowman Upton performed a study of 401 Baylor University undergraduates in entrepreneurship, business, and nonbusiness majors. They used a modified Jackson Personality Index to determine characteristics regarding their inclination towards autonomy, change or the ability to deal with change, conformity, energy level, harm avoidance, interpersonal affect, risk-taking propensity, social adroitness including "subtlety and persuasiveness", and "succorance" or the "low need for support or sympathy" (Sexton 36).

> "Based on the study results, a profile of the entrepreneurship student was developed. They tend to be more autonomous than others, possessing a high degree of self-reliance and self-determination. They may also be more rebellious and unmanageable, depending on the restrictions inherent in the situation. Entrepreneurial students tend to welcome change and new experiences, and they can be both flexible and unpredictable. They may

often behave inconsistently when faced with routine situations. These students tend to be very energetic and capable of intense work over long periods of time. They prefer impersonal to personal relationships and are often perceived as emotionally aloof. One the one hand, they are sometimes seen as unresponsive and as having difficulty relating to others. On the other, they may be seen as manipulative when persuading others to achieve a particular goal. They appear to tolerate ambiguity well and feel little anxiety when faced with uncertainty" (Sexton 36,38).

From this profile Sexton and Upton "developed a teaching method that enhances the student's positive characteristics, provides skill to overcome negative ones, and increases the overall effectiveness of the learning experience" (Sexton 38). "The course should be unstructured, pose problems requiring novel solutions under conditions of ambiguity and risk" (Sexton 38). "It should also stress independent study rather than group efforts" (Sexton 38). "A 'frustration factor' (in the form of inadequate data availability) should also be included as a barrier to the successful completion of class projects" (Sexton 38). The course used a seminar type format with written assignments and market research projects. A "Likert-type scale" was used to assess the effectiveness of the course (Sexton 39). Student impressions on the novelty of the approach, its ability to encourage ambiguity

tolerance and deal with uncertainty, their preference to the unstructured style of the course and its ability to promote independence, the effectiveness of learning by doing, and its ability to improve self-confidence were observed (Sexton 39-42). The researchers imply that the course was an effective means of teaching entrepreneurship.

However, it is unclear if studies performed on entrepreneurship oriented students are applicable to real world entrepreneurs. Peter B. Robinson, Jonathan C. Huefner, and H. Keith Hunt believe that psychological characteristic approach studies such as the Sexton and Upton study are flawed because they assume these characteristics or traits are stable over time. They also state, that "[n]either the characteristics of the individual nor the characteristics of the environment (social, physical, financial, etc.) are sufficient in themselves to explain the phenomenon of new venture creation" (Robinson 42). Their study "used the Entrepreneurial Attitude Orientation" measure (Robinson 44). This tool is "based on the assumption that entrepreneurial characteristics are attitudes and not stable personality variables. . ." (Robinson 44). The research involved four groups -- student entrepreneurs, non-student entrepreneurs, non-entrepreneur students, and non-entrepreneur non-students. The study measured achievement in business, innovation in business, perceived personal control of business outcomes, and perceived self-esteem in

business (Robinson 46). The researchers concluded that "[i]n light of the differences found between student and nonstudent entrepreneurs . . . and in conjunction with previous research findings, it seems reasonable to conclude that student entrepreneurs are not the same as nonstudent entrepreneurs" (Robinson 47). "Therefore, using student entrepreneurs as surrogates for nonstudent entrepreneurs is a risky research practice" (Robinson 47).

Timothy S. Mescon evaluated the effectiveness of the Entrepreneurial Institute located in Dade County which focuses on minority business development. The Institute is an educational collaboration among the University of Miami, Florida International University, Barry University, Florida Memorial College, and Miami-Dade Community College. Each university focuses on a general area of educational content and serves a different geographic area. Content areas include planning and start-ups, contract bidding, bonding, financial management, loan packaging, management, import/export, marketing, franchising, accounting, and computer applications. The program required that each university "deliver five or six nonrepeating, five-week courses representing 15 classroom contact hours" (Mescon 64). "The classes were held on evenings and weekends and were offered over a twelve-month period" (Mescon 64). Continuing education units were offered and participants were charged a minimal fee (Mescon 64). Direct technical assistance

was also provided. "Working closely with the county and three public/private sector seed capital funds that had provided start-up financing for black owned businesses, each institution was assigned six small businesses which required immediate, practical technical assistance" (Mescon 64). The study surveyed 487 people who had participated in the program. "One hundred forty-seven participants (30 percent) responded" (Mescon 65). "Of those responding, 56 (38 percent owned their own businesses, 58 (40 percent) wanted to start businesses, and 33 (22 percent) were undecided . . ." (Mescon 65).

In India, a state sponsored program provides free training to individuals who are in the non-business community and castes. "The Indian Entrepreneurship Program was formulated as a package of training and counseling designed to encourage entrepreneurship throughout the Indian populace" (Gupta 67). "The program consists of three stages: (1) selection, (2) training, and (3) follow-up" (Gupta 67). An interesting note is that the "selection criteria include individual scores on: need for achievement (n Ach) [abbreviation for need for achievement], capacity for risk taking, positive self-concept, problem-solving abilities, and drive for autonomy" (Gupta 67). "Outside support is mobilized from among university faculty members, governmental agencies, and private sector business practitioners" (Gupta 67). "Field trips, in-plant training, and market intelligence are part of the program"

(Gupta 67,68). "The three main categories of training input are: (1) behavioral inputs focusing on achievement motivation; (2) business opportunity guidance; and (3) management skills" (Gupta 67,68). "In the follow-up stage, the trainer-motivator remains involved in the implementation of the entrepreneur's business idea" (Gupta 68). The time spent with participants varies, but "a standard model of six weeks full-time (about 150 hours) for beginners or 90 days part-time for trainees with some previous experience seems to be the emerging trend" (Gupta 68). The program has a high success rate -- 60 percent of participants go on to start their own business (Gupta 68). Also, the failure rate for participants is extremely low; one study showed that participants had approximately a 10 percent failure rate (Gupta 69). The program is cost-effective because it involves "pooling faculty and other support from existing agencies" which may have "multiple objectives" (Gupta 68).

The State of Minnesota in conjunction with the University of Minnesota has had success with a knowledge outreach program according to Peter Coyle. The Minnesota Project Outreach (MPO) provides "small business and entrepreneurs with direct access to the information and knowledge they need to prosper" (Coyle 72). "MPO has a primary objective of supporting the development and growth of manufacturing and other technology-driven businesses" (Coyle 72). However, non-manufacturing businesses also have access to the program. "Under MPO,

Minnesota small businesses are able to quickly and conveniently access a package of powerful knowledge-based support, including a national network of scientists and engineers, a global literature searching service, licensable technologies; a vendor locating service and a wide range of business assistance resources" (Coyle 72). The network of scientists and engineers are provided by the University of Minnesota faculty. The literature service "makes it possible for users to search the libraries of the world . . ." (Coyle 72). "A unique interactive format allows a professional searcher to access a full range of major technical and business databases while the client is in simultaneous telephone and computer screen contact" (Coyle 72). "The needed data can be down-loaded to his/her computer, or copied and faxed or mailed" (Coyle 72). With the vendor locator service ". . . the client simply calls a vendor specialist on the telephone and describes their product or service need" (Coyle 73). "The specialist then conducts the search using a variety of resources, including databases, experts and directories" (Coyle 73). The process may take a couple of days, but the client is provided a list of vendors with pertinent information (Coyle 73). "In addition . . . several special databases were created to supply information about licensable technologies and active research housed at the University of Minnesota, as well as to identify sources of free or low-cost business counseling and educational assistance" (Coyle 73). In the first year of operation

over 1,000 small business used the system; "more than 60 percent . . . are located in rural areas of the state" (Coyle 73).

Bernard Garnier and Yvon Gasse describe a fascinating entrepreneurship education program that was sponsored by Laval University and *Le Soleil,* a daily newspaper, in Quebec, Canada. In the face of high unemployment rates in Quebec in the early and mid-1980's, the University developed a "Becoming an Entrepreneur" course which was published in the newspaper over several weeks (Garnier 70). Moreover, an award of $16,000 U.S. was made to the best business plan (Garnier 70). The objectives of the program were to raise awareness of the importance of entrepreneurship, encourage potential entrepreneurs, and provide training. "Promoting a healthier entrepreneurial environment was deemed as important as aiding individuals, in that the local community would be encouraged to support individual efforts, thus increasing their chances for success"(Garnier 70). "Offering the course in a newspaper was therefore an ideal solution, enabling the authors not only to reach a broader public, but also that small percentage of the population believed to possess the personal characteristics required for successful entrepreneurship" (Garnier 70-71). The first issue looked at examples of successful business start-ups, next a questionnaire was printed to develop a profile of the potential entrepreneurs; following were topics on "design of the small business

project, evaluation of the market, preparing a business plan, buying a franchise or existing business, pertinent legal aspects, achieving success in business, and the response of the community to entrepreneurship" (Garnier 71). Participants could also acquire continuing education credits through Laval University if they followed the course in the paper, participated in a one-day workshop, and by submitted a business plan (Garnier 71). Four-hundred and ninety-six registered for the course, four-hundred and twenty completed the course, two hundred attended the workshop, and thirty-seven developed business plans (Garnier 71). Eighteen months after the course, a survey of 228 participants was conducted; thirty-two (14 percent) had started a business and 117 were developing their business idea (Garnier 71). These thirty-two businesses created ninety-eight new full time jobs, and was estimated to have sales of $2 million (Canadian dollars) (Garnier 73). The survey also showed that there was an increase in interest in entrepreneurship among young people under thirty and in women in general (Garnier 71). Many participants listed other reasons for taking the course, such as up-grading skills (Garnier 72). The program was unsuccessful in attracting unemployed persons. Also persons with less than a college education were not significantly represented. It was felt that this may have been the result of the "training medium" which "attracted a certain type of clientele, namely the more intellectually-inclined among *Le Soleil* subscribers" (Garnier 72). "The fact that the course was a university-level, university

sponsored one . . . may also help explain the high educational level of participants" (Garnier 72). With the success of this program, Laval University sponsored another program on "Owning a Business"; "[b]ecause of its widely recognized accessibility and effectiveness, television was chosen over the newspaper as the medium for this second course"(Garnier 73).

There are several federal and state programs which offer general business training and consulting in Arkansas. The U.S. Small Business Administration offers consulting services and training programs through their Small Business Development Regional Field Offices and main office in Little Rock. The Regional Field Offices are located in Fort Smith, Fayetteville, Harrison, Hot Springs, Jonesboro, Magnolia, Pine Bluff, and Stuttgart. Also, ASBDC Service Centers are located at the University of Arkansas, Fayetteville, Arkansas State University, Jonesboro and Henderson State University, Arkadelphia. The Service Corp of Retired Executives (SCORE) provide business consultation, seminars, and general business assistance; their office is located in Little Rock.

To conclude, there is significant evidence that entrepreneurship can be taught to a broad range of people, regardless of their background, age, sex, or

ethnicity; the survey of the literature provides many examples of successful training and education oriented programs.

Financing

Blakely describes the growth of new firms and the financing process and problems of the small business as follows:

> 'A small business is usually formed using the venture capital of the entrepreneur and his or her relatives and friends. If the business is successful, growth is rapid and the funds are quickly consumed in buying equipment and/or stock. At this stage, growing small firms need venture capital which will both improve their profitability and lower their risk of failure. The small business owner then usually approaches banks for finance. However, the existing financial system is not equipped to provide adequate venture capital to stimulate the growth of innovative small enterprises. Reasons for this shortcoming relate to the constraints on different classes of institutions, to an inability of existing financial institutions to evaluate the asset value of highly technical or market-driven innovation, and to a general insistence on physical assets as collateral for loans. Their emphasis on security makes it possible that some small firms with an inadequate security or equity base but sound profit expectations are forced either to higher cost

sources of finance or to defer or cancel development plans if such alternative sources are unavailable"(Blakely 162-163).

Most businesses do not receive help in financing or receive it from strong ties. "Almost all new businesses obtain their start-up funds from personal savings or 'business angels, that is, relatives, close friends, and wealthy individuals"(So 319). "It is estimated that there are over 200,000 business angels in the United States who provide $50 billion in venture capital per year, over twice the amount invested by venture capitalists" (So 319).

Blakely states that local investment companies (LIC) can be established to meet the need for local venture capital. This is accomplished by pooling local investment and loaning funds to start-up ventures directly. "By providing venture capital, an LIC becomes a shareholder in the companies in which it invests" (Blakely 163). "An LIC shares with other shareholders in the success (or failure) of investments" (Blakely 163). One aspect of the LIC is that it could be listed on the state's stock exchange "so that the shares issued to investors could be bought and sold as desired" (Blakely 163). Blakely states that for a LIC to be successful it must (1) be operated by a Board of Directors of experienced business people, (2) consider the experience and expertise of loan clients, (3) should not have greater

than a 50 percent share in the business, and (4) an investor exit method (Blakely 163). Also "local financial institutions need to be actively involved" (ICMA 6). They are "able to identify entrepreneurs . . . [and they] have the know-how to assist entrepreneurs in applying for loans" (ICMA 6).

Some local strategies used as outlined by an ICMA, Management Information Service Report entitled Strategies for Local Enterprise Development include:

- tax-exempt industrial revenue bonds
- mortgage guarantees
- interest subsidies
- private sector loan programs for small business
- loans from local development finance corporations
- SBICs (Small Business Investment Companies) [same as LIC]
- use of public structures as equity investment
- creation of secondary markets for the instruments of venture capital
- provision of funds to local development corporations to cut down the high cost of processing guaranteed loans to small businesses
- revolving loans to finance business expansion
- public pension funds -- depositing public funds in a bank that will then loan that money to businesses at long-term fixed interest rates (ICMA 4).

Many local communities use private economic development organizations to encourage financing of local business start-ups and expansions. Private Economic Development Organizations in Nebraska operating in communities from 100 to 5,000 in population were surveyed from September 1989 to October 1990 (Payne 90). "Of the 415 communities in Nebraska between 100 and 5,000 in population, a total of sixty-eight (16.4%) had organized some type of local economic development organization in their community that used local dollars to fund small business" (Payne 90). Seventy-eight percent were not-for-profit and 22% were for-profit corporations (Payne 90). Local private investment was the main means of funding the corporations. "Most used no public funds to start their organizations" (Payne 90).

"Most of the encouragement given to local residents to invest in the corporations, whether NFP or FP, was by word of mouth" (Payne 90). "NFP organizations issued memberships" (Payne 90). "These memberships were viewed as an investment in the community, not as personal money making investments" (Payne 90). "On the other hand, for-profit corporations were organized to not only revitalize or help the local community grow, but also for investors to see a return on the stocks they had purchased" (Payne 90). "More organizations listed $100.00 as the cost per membership or share than any other amount" (Payne 90). "Most of the

organizations had lent their funds to businesses within the first year of incorporating" (Payne 90).

The "organizations tended to work with businesses already in existence that were in danger of closing . . . or with local residents wanting to start new businesses" (Payne 90). "Half of the NFP loans were made to retail businesses, followed by loans to industrial concerns with around one-third"(Payne 90). "A third of the FP loans went to industrial firms while another third of the loans were lent to retail businesses" (Payne 90). "Half of the loans were made to couples" (Payne 90). "Less than twelve percent of all loans were made to females (alone) and not for-profit corporations made no loans to a female owning or managing a business by herself" (Payne 90). There was no clustering of loans to a particular age group. Approximately 30% of the NFP organizations required no collateral for loans; those that did, required buildings, real estate, or equipment to collateralize loans (Payne 90). Over half of the NFP organizations did not require owner's equity. "[E]ven one-third of FP organizations did not require the owners to make a financial investment in the business" (Payne 90). "About half of the respondents did not know what interest rate was charged to the businesses, and three loans did not charge any interest" (Payne 91).

The success of the Nebraska organizations is surprising considering the lack of formal project analysis to evaluate loan applications. "Almost one-fourth of NFP organizations used no investment criteria"(Payne 91). "One in five saw some kind of 'need' for a business in the town or wanted to keep a business already in the town operative" (Payne 91). "Another one-fifth sought some type of professional help" (Payne 91). However, "FP corporations tended to look toward collateral, financial statements and professionals more than did the NFP's" (Payne 91). The survival rate for businesses funded by NFP and FP was 80% and 87.5% respectively (Payne 91). "Over seventy percent of the businesses survived for more than five years" (Payne 91). Community support, skill of the business management, and the demand for the product or service were the primary reason for this success.

While these strategies can be used at the local level, several state-wide non-profits and federal and state agencies already provide financing for businesses.

Non-profit Programs

The Arkansas Capital Corporation (ACC) "is a privately owned corporation established to serve as an alternative source of financing" . . . providing "long-term, fixed-rate loans to existing operations and business start-ups" (Starting a Business in Arkansas 8). The maximum loan is $1,250,000.

"The Arkansas Enterprise Group (AEG) is a non-profit affiliate of Southern Development Bankcorporation" and operates the Good Faith Fund and the AEG Manufacturing Service (AMS) (Starting a Business in Arkansas 9). The Good Faith Fund, located in Pine Bluff, Arkansas (with a field office in Helena) provides loans from $1,200 to $50,000 to businesses located only in eastern Arkansas (the Delta) (Starting a Business in Arkansas 9). The Good Faith Fund operates a peer lending program which provides general business education (7 session course) and provides loans ranging from $1,200 to $7,500 (Starting a Business in Arkansas 9). The program offers long term loans with fixed rates. Technical assistance is also available. "AMS provides long term working capital, equipment financing and leasing, short term working capital and other financing options" to manufacturing companies "in 49 counties in southern and eastern Arkansas" (Starting a Business in Arkansas 9). "Loan amounts range from $5,000 - $172,500 with fixed rates" (Starting a Business in Arkansas 9).

Federal Government Programs

The U.S. Small Business Administration has three lending programs -- 7(a) Guaranteed Loan Program, 504 Certified Development Corporation Program, and the Direct Loan Program (Starting a Business in Arkansas 8). The 7(a) Guaranteed Loan Program provides loans for most start-up businesses.

"In this program, the loan is actually made by a commercial lender. A maximum of 75-80% of the loan amount (up to a maximum of $750,000) can be guaranteed to the commercial lender by the SBA. In the case of default by the borrower, the SBA will pay its guaranteed amount to the commercial lender and proceed with legal recourse against the borrower" (Starting a Business in Arkansas 8).

The advantages of the program are that most businesses are eligible and longer lending terms (Starting a Business in Arkansas 9). Disadvantages include the program depends on commercial lending institutions to participate (Starting a Business in Arkansas 9). "There is a common perception that the SBA offers 100% financing, lower interest rates, and requires little or no collateral" (Starting a Business in Arkansas 8). "All these perceptions are incorrect" (Starting a Business in Arkansas 8). The 504 Certified Development Corporation Program "is designed to finance land, buildings, and new equipment"(Starting a Business in Arkansas 8). "It requires the participation of a commercial lender and a Certified Development Corporation" (Starting a Business in Arkansas 8). The borrower need only provide 10% equity. "The commercial lender provides 50% of the total project costs, but gets first lien on 100% of the collateral" (Starting a Business in Arkansas 8). The Direct Loan Program makes loans up to $150,000 to individuals in "economically

depressed areas . . ., to Vietnam-era veterans, to disabled veterans, and to handicapped persons. However, the "government does not provide significant funding to this program and only a few loans are made each year" (Starting a Business in Arkansas 8). "There is normally a long waiting list for available funds and loan closing can take several months" (Starting a Business in Arkansas 8).

The United States Department of Agriculture, Rural Development has several programs to help business. Rural Development offers loans, grants, and technical assistance used to encourage business and industrial development in rural areas.

The Business and Industrial Guaranteed Loan is available to "businesses located in areas outside any city with a population of 50,000 or more and its immediately adjacent urbanized or urbanizing area" (USDA, Rural Economic and Community Development, June 1995). "Eligible entities include corporations, partnerships, cooperatives, federally recognized Indian Tribes, individuals, and other legal entities" (USDA, Rural Economic and Community Development, June 1995). The purpose is to "improve, develop, or finance business, industry, and employment, and to improve the economic and environmental climate in rural communities, including pollution abatement and control" (USDA, Rural Economic and Community Development, June 1995). "Loan proceeds may be used for working

capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing" (USDA, Rural Business Cooperative Service. Online). These loans are made by commercial lenders; they may loan up to $10 million for a single borrower and may be guaranteed up to 90 percent (USDA, Rural Business Cooperative Service. Online). "The maximum maturities are 7 years for working capital, 15 years for machinery and equipment, and 30 years for real estate" (USDA, Rural Business Cooperative Service. Online). In 1996 the program was funded for $699,673,913 (USDA, Rural Business Cooperative. Online).

Intermediary Relending Program Loans are used to finance business and community development "in rural areas including cities with a population of less than 25,000"(USDA, Rural Economic and Community Development, June 1995). "This is achieved through loans made by RBCDS to intermediaries who provide loans to ultimate recipients for business facilities and community development projects" (USDA, Rural Economic and Community Development, June 1995). In 1996 the program was funded for $37,638,655 (USDA, Rural Economic and Community Development, June 1995). WRPDD is an intermediary for the counties in its' area. This will be discussed further in Chapter 4.

Rural Business Enterprise Grants are used to help small and new business. "Costs that may be paid from grant funds include the acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, utility and service extensions; refinancing; fees for professional services; technical assistance and training associated with technical assistance; startup operating costs and working capital; providing financial assistance to a third party; production of television programs to provide information to rural residents; and creation, expansion, and operation of rural distance learning networks" (USDA, Rural Economic and Community Development, June 1995). The program was funded for $45 million in 1996 (USDA, Rural Business Cooperative Service. Online).

Rural Technology and Cooperative Development Grants are used to "finance the establishment and operation of centers for rural technology and/or improve cooperative development" (USDA, Rural Economic and Community Development, June 1995). Businesses do not apply directly; only public entities, nonprofit organizations, and Indian Tribal groups may apply (USDA, Rural Economic and Community Development, June 1995). There is no amount limit on the program. The program was funded for $1.33 Million in 1996. (Rural Business Cooperative Service. Online).

Local Technical Assistance and Planning Grants are used to "fund local technical assistance and planning activities in rural areas for the purpose of improving economic conditions" (USDA, Rural Economic and Community Development, June 1995). "Grants may be used for technical assistance and training for small businesses, identifying and analyzing business opportunities in rural areas, establishing business support centers, conducting local or multi-county economic development planning, coordination of economic development activities, and leadership development training of local government officials" (USDA, Rural Economic and Community Development, June 1995). "Grants will be available to public bodies and nonprofit organization" (USDA, Rural Economic and Community Development, June 1995). "Grants may be used to assist rural areas and any city or town with a population not in excess of 10,000" (USDA, Rural Economic and Community Development, June 1995).

Rural Economic Development Loans and Grants "are made to Rural Utilities Service (RUS) electric and telephone borrowers who use the funds to provide financing for business and community development projects" (USDA, Rural Economic and Community Development, June 1995). "Loans are provided to finance a broad array of projects, including for-profit businesses" (USDA, Rural Economic and Community Development, June 1995). "Grants are targeted to

certain purposes such as community development assistance, education and training for economic development, medical care, telecommunications for education, job training or medical services, business incubators, and technical assistance" (USDA, Rural Economic and Community Development, June 1995). The program provides zero-interest loans. "Funds are passed on to third party borrowers as zero-interest loans for projects that create jobs in rural areas, or that provide infrastructure or community facilities . . ." (USDA, Rural Economic and Community Development, June 1995). The maximum that may be requested is $400,000; the maximum maturity length is 10 years. The program was funded $13,093,398 for 1996 (USDA, Rural Business Cooperative Service. Online).

State Programs

The Arkansas Industrial Development Commission (AIDC) offers several programs aimed at new and existing industry. The Economic Development Loans are relend programs in which a city or county must participate. A city or county may receive a grant which may be used to lend to industry for an array of needs. The maximum that can be awarded is "$500,000 per project with a total amount of $6 million available through the program" (Arkansas 33). The program requires "1/3 maximum AIDC participation; 1/3 owner's participation; 1/3 other Financial Institution assistance" (Arkansas 33). The Economic Development Set-Aside Program works

in a similar manner but does not have any matching requirements and no maximum loan amount. Projects are rated by the number of jobs created in both programs (Arkansas 33,34).

AIDC operates the Minority Business Development Program which provides loans (and information) up to $500,000. This program is to be used for "gap" financing and projects are rated on the number of jobs created, "51% of which must go to low-to-moderate income persons" (Arkansas 53). AIDC also has a few programs which help local communities provide infrastructure to existing industry.

The Arkansas Development Finance Authority (ADFA) operates the Small Business Revolving Loan Fund which offers loans to "businesses with 50 or less employees and under $1 million per year in gross sales . . ." (Arkansas 55). Persons may apply for up to $100,000, but a minimum equity of 10% is required (Arkansas 55).

Like AIDC, ADFA has several programs that cities and counties may use to provide infrastructure to industry. The agencies represented indicate there is significant degree of help in obtaining financing for new or expanding firms in

Arkansas. It is unclear how much of this financing goes to firms in the WRPDD. Based on the opinions of area economic developers and entrepreneurs, not much.

Incubators

Business incubators have become an increasingly used tool to develop indigenous entrepreneurial firms. "Communities have been attracted to the incubator concept because of its potential for creating jobs and spurring economic development" (Nelton 41). The concept became so popular in the 1980's that the SBA started *Incubator Times*, a national newsletter (Smilor 2). The incubation concept has its own non-profit group, the National Business Incubation Association (NBIA), started in 1985 (Smilor 2). "The National Business Incubation Association provides members with the resources needed to develop and manage successful incubators"; the association currently has 800 members (National Business Incubation Association. What is NBIA?. Online).

According to NBIA there are currently 550 incubators operating in North America and one incubator opens every week. Forty-nine percent of all these facilities are public or non-profit sponsored, thirteen percent are college or university sponsored, eighteen percent are hybrids partnerships, twelve percent are privately sponsored, and eight percent are sponsored by other entities "such as art

organizations, Indian tribes, church groups, chambers of commerce, etc." (National Business Incubation Association. Industry Facts and Figures. Online).

NBIA conducted a survey of 497 incubators in 1995, 37% responding, which found that incubators:

- served an average of 17 entrepreneurial firms in-house in 1994 (the median number reported was 10), and that many also served affiliate firms located outside the incubator
- had 21 firms, on average, as program graduates (the median number of graduates reported was 8.5)
- had supported the creation, on average, of 288 FTE (full-time-equivalent) jobs per incubator among graduates and current clients, and an additional 41 jobs, on average by affiliate firms (median jobs created were 38 for in-house clients, 60 for graduates and 10 for affiliates)
- reported average aggregate revenues in the preceding fiscal year of $4.3 million for entrepreneurial firms served in-house, $2.8 million for affiliate companies, and $24 million for graduates (median values were $1.5 million for current clients, $500,000 for affiliates and $6.6 million for incubator graduates) (National Business Incubation Association. Industry Facts and Figures. Online).

The study also found that the clients consisted of 23% light manufacturing, 40% service, 22% technology, 7% research, and 8% other (National Business Incubation Association. Industry Facts and Figures. Online).

According to Edward J. Blakely in Planning Local Economic Development: Theory and Practice, an incubator is a critical strategy in local business development (Blakely 170). A national survey undertaken by Smilor and Gill, the results of which were published in their book The New Business Incubator: Linking Talent, Technology, Capital, and Know-How, showed that incubators "contribute to the process of building indigenous companies" (Smilor 28). Smilor and Gill note that almost fifty percent of small businesses fail in the first five years and that "nine out of ten businesses fail because of management deficiencies" alone (Smilor 13). Also, new businesses are very susceptible to failure due to "hypercompetition" (Smilor 15). Smilor and Gill state that there are four organizational models of incubators:

- university related
- community sponsored
- corporate/franchise
- private (Smilor 77)

The business incubator attempts to provide an environment conducive to successful business start-up. "A new business incubator is a facility for the maintenance of controlled conditions to assist in the cultivation of new companies" (Smilor 1). Smilor and Gill state that if the conditions can be favorably controlled, a new business venture has a better opportunity to succeed. "The controlled conditions include four types of resources: secretarial support, administrative

assistance, facilities support, and business expertise, including management, marketing, accounting, and finance" (Smilor 1).

Smilor and Gill state that there are ten factors in determining the success of a business incubator including:

(1) On-site business expertise

(2) Access to financing and capitalization

(3) In-kind financial support

(4) Community support

(5) Entrepreneurial networks

(6) Entrepreneurial education

(7) Perception of success

(8) Selection process for tenants

(9) Tie to a university

(10) Concise program milestones with clear policies and procedures (Smilor 23).

Possibly the most important aspect of incubators is the interaction among tenant entrepreneurs. A "conscious effort often is made to encourage the firms in the incubator to provide complementary services to one another . . ." (So 320).

More than this, however, is how significantly the learning curve is shortened by the sharing of experiences (Smilor 38). Many communities use incubators for dual purposes, economic development and urban revitalization. "Incubators are . . . seen as a means of breathing new life into old, sometimes empty-buildings and of helping to revitalize depressed areas" (Nelton 41).

A study was performed in 1986 by the University of Arkansas at Little Rock to determine the feasibility of using incubators, specifically technology incubators, as an economic development strategy for Arkansas at the request of Governor Bill Clinton. The researchers reviewed the literature on incubators and performed telephone interviews of incubator personnel representing 44 incubators across the nation (Opitz 11-13). Also, visits were made to several incubators (Opitz 11). The incubators represented four incubator models: private incubators, public and private non-profit incubators, university incubators, and hybrid incubators (Opitz 24). The study concluded that "there is no data to indicate that incubator facilities . . . have any significant effect in lowering the new business start-up rate of failure . . ." (Opitz 3), that "[t]here is little indication that existing incubators are having significant influence on encouraging people to start new firms . . ., there is no evidence to suggest that incubators add to the export base of a region," (Opitz 3) and that there was no indication "that faculty and students at universities are a great untapped

source of new technical firm start-ups," (Opitz 5) with the exception of "personnel at contract research laboratories attached to certain universities" (Opitz 3-5). The researchers believed that the rural character of Arkansas was an impediment to using incubators as an economic development strategy. They state that the process of company formation is a random process and "[i]n a random process fewer events can be expected to occur as the population becomes smaller" (Opitz 9). The study suggested that, however, "a potential for the use of incubators for the economic development of Arkansas exist in certain areas of the state" but did not indicate where (Opitz 47). The researchers further concluded that "state efforts should be concentrated more on the expansion of the incubation process, than on providing incubation facilities" (Opitz 47). And "there has to be a champion for new business firms . . ." but "this may be an activity that is best carried out by private efforts" (Opitz 47).

In 1986, the Genesis Technology Incubator was founded by the Arkansas Science and Technology Authority (ASTA), the University of Arkansas, College of Engineering, and the U.S. Small Business Administration. "Genesis was named National Business Incubator of the Year in 1992-93 for best overall program" (Genesis Technology Incubator Homepage.Online). "Genesis was established . . . to facilitate the development of technology-based business enterprises and the

resulting prospective increased employment" (Genesis Technology Incubator Homepage.Online). Genesis was founded to deal with the issues of technology transfer/commercialization and how a university hosted business incubator may benefit the state" (Genesis Technology Incubator Homepage.Online). Criteria for admission into the Genesis facility is rigorous and must be a technology based business. Genesis states that "every dollar Arkansas has invested in Genesis has been returned to the state 20 to 1" (Genesis Technology Incubator Homepage.Online).

While definitive research in the effectiveness of incubators is lacking, there does seem to be at least substantial antectdotal evidence that incubators have been used successfully to encourage indigenous business development and its use as a entrepreneurship development strategy should not be discounted.

Enterprise Zones

Enterprise zones were introduced in the United States during the 1980's and were encouraged by the Federal government and the Reagan Administration as part of the general deregulation of the period. "In March 1981, Representatives Jack Kemp and Robert Garcia introduced a bill (H.R. 7094) promoting 'enterprise zones' . . ." (So 55).

Edward J. Blakely in Planning Local Economic Development: Theory and Practice states that "[a]n enterprise zone is a defined area where planning controls are kept to a minimum and attractive financial incentives are offered to prospective developers and occupants" (Blakely 171). The "underlying assumption of the concept is that the removal or streamlining of certain statutory and administrative controls would encourage entrepreneurs to create or expand businesses and in the process provide the jobs and environmental improvements which depressed areas so badly need" (Blakely 171). Blakely states that this tool should be used especially in the attraction and retention of labor intensive industries (Blakely 171). Blakely notes three disadvantages of enterprise zones: 1) many times local leaders do not understand the relationship between the skill level of the local population and the skill level required by the industry that the community desires to attract or retain, 2) many times the establishment of an enterprise zone results in existing local industry simply to relocate without attracting outside industry, and 3) enterprise zones are "likely to place an unfair burden upon existing commercial taxpayers outside the zones" (Blakely 172).

The U.S. Department of Housing and Urban Development, Office of Community Planning and Development published a State Enterprise Zone Update: Summaries of the State Enterprise Zone Program. The document shows that

approximately 35 states, including Arkansas, have enacted some form of an enterprise zone program. Most of these programs were enacted in the mid to late 1980's (United States Department of Housing and Urban Development, 1987-1988). Benefits may include tax incentives, capital financing, and other miscellaneous incentives. The tax incentives used by some states include property tax reduction/abatement, credit for interest paid on loans, investment credit for real improvements, sales/sales and use tax refund, employer income tax credit, employee income tax credit, job creation/wage credit, and credit for selective hiring (United States Department of Housing and Urban Development, 1987-1988). Some of the capital financing incentives include industrial revenue bond/industrial development bond allocation preference, tax increment financing, venture capital funds, and direct state loans. The miscellaneous incentives used by states include infrastructure/public service improvements, program targeting, and regulatory relief (United States Department of Housing and Urban Development, 1987-1988). Eligibility requirements for geographic areas to be designated varies from state to state. Criteria generally include unemployment rate, poverty rate, per capita or median income, population size, population growth or decline. Most states follow census geographic boundaries, especially census tracts. Some, however, do not and simply delineate an area. Arkansas, Ohio, South Carolina, and Texas have no limits on the number of zones that can be designated (United States Department of

Housing and Urban Development, 1987-1988). The legislature made the entire state of Arkansas an enterprise zone (United States Department of Housing and Urban Development, 1987-1988).

Arkansas passed enabling legislation to allow municipalities the enterprise zone as an enterprise development tool. The purpose of the Arkansas Enterprise Zone Act of 1983 was to encourage growth in the economically depressed portions of the state by providing tax incentives in those areas and to create jobs opportunities. Since 1983, the Act was amended in 1989 and in 1993. Act 947 of 1993 made the entire state an enterprise zone. Before the 1993 amendment, the geographic areas eligible to become zones were census block groups and enumeration districts contained high unemployment and low income families.

Arkansas Industrial Development Commission (AIDC) is responsible for the administration of this program. AIDC is mandated under this program to:

- to monitor the implementation and operation and conduct a continuing evaluation of the progress made
- to assist the governing authority in obtaining assistance from any other department of state government, including assistance in providing training and technical assistance to new businesses and industries
- to assist any employer or prospective employer with a qualifying project in obtaining the benefits of any incentive or inducement program authorized by state law

- to promulgate rules and regulations . . . necessary to carry out the provisions of the Act (Arkansas Enterprise Zone Act of 1993).

It is the responsibility of local government, county or municipal, to submit an application for activation of enterprise zones on behalf of a qualified business. The local government must pass a resolution authorizing the Arkansas Department of Finance and Administration to refund all or part of the local sales and use taxes to the qualified business (Arkansas Enterprise Zone Act of 1993). Businesses that qualify are industries that fit into the Standard Industrial Classification (SIC) numbers 20-39, 7375, or 7376, or is a wholesale distribution center (with 25 or more employees), corporate headquarters (with 50 or more employees), office sector businesses (with 100 or more employees) or trucking sector business located within Arkansas (with 100 or more employees) (Arkansas Enterprise Zone Act of 1993).

Incentives include sales and use tax refund for building materials, machinery, and equipment and "an income tax credit equal to one hundred (100) time the average hourly wage paid with a maximum of two thousand dollars ($2,000) per net new employee" (Arkansas Enterprise Zone Act of 1993). Or if the business is located in a county where the unemployment rate is over 10% or 3% over the state unemployment rate, the income tax credit becomes two hundred times the average

hourly wage with a maximum of two thousand dollars (Arkansas Enterprise Zone Act of 1993).

Enterprise zones are used in the WRPDD and are encouraged by local economic developers. While this strategy alone will not encourage the first time entrepreneur it will financially benefit a new firm which will be especially important in the first few years.

One stop center/permitting

Blakely describes one stop centers as an "information center designed to serve as a key contact point between businesses of all kinds and local government" and it "must contain information on all planning and development matters that are of interest and concern to businesses . . ." (Blakely 161-162). Such information should include "local economic indicators and labor market statistics, local development plans, land availability, building regulations and permits, all aspects of finance . . ."(Blakely 162). The benefit of one-stop centers is that they "eliminate frustrating referrals from one department to another" and "the establishment of an organized professional approach to information dissemination to enterprises strengthens business confidence. . ." (Blakely 162).

The City of Detroit has two one-stop centers which opened in 1996. Detroit has a one-stop capital shop providing business loan information and a one stop permit shop. "Both shops are designed to boost entrepreneurship in Detroit by speeding the previously snarled process of getting business funding and regulatory approvals" (King, "One-stop shopping cuts red tape".Online). 'In the past, customers were required to visit as many as 14 separate departments for permit approvals" (King, "One-stop shopping cuts red tape". Online). The Small Business Administration provides various services such as training, business planning, financing, legal and technical assistance. The shop is staffed by 15 people with expertise in accounting, finance, and law. "Area financial institutions . . . provide a full-time loan officer at the shop on a rotating basis" (King, "One-stop shopping cuts red tape". Online).

The City of Fort Lauderdale, Florida "instituted the One-Stop Shop for all permitting and inspection services . . ." and "offers services for building plans review, utilities service applications processing, permits and inspections, planning and zoning information, occupational licensing services, and more" (City of Fort Lauderdale's One Stop. Online).

The City of Clearwater, Florida similarly has a Central Permitting Department but also provides all permit forms and applications used by the City on the Internet. The forms can be printed off the Internet, filled out and mailed to the Central Permitting Department (City of Clearwater Central Permitting. Online).

Prince George's County, Maryland has a one-stop permitting center but it is "geared primarily to the homeowner and the small builder" rather than business (The Guide to Business Regulations in Prince George's County. Online). However, Prince George's County Economic Development Corporation (EDC) has developed a World Wide Web Homepage which serves as a guide to business regulations. The Web page provide information and the necessary departmental contacts on such topics as business licenses, applicable employment regulations, environmental health and safety regulations, transportation requirements, and occupational licenses (The Guide to Business Regulations in Prince George's County. Online)

One stop center/permitting has been used across the nation to facilitate entrepreneurship. While the examples cited are generally more urban than the WRPDD, this strategy could be integrated successfully into a comprehensive local entrepreneurship development program.

Chapter IV

White River Planning and Development District and Substate Districting in Arkansas

This chapter provides a history and description of the White River Planning and Development District and of substate districting in Arkansas.

White River Planning and Development District

The White River Planning and Development District is composed of ten counties located in north central Arkansas; the White River flows southeasterly through the District. The counties include Cleburne, Fulton, Independence, Izard, Jackson, Sharp, Stone, Woodruff, Van Buren, and White.[1] Batesville, Newport, and Searcy are the redevelopment centers and largest cities within the District.[2] Eight counties of the District are located in the Ozark Highlands, while two counties (Jackson and Woodruff) are entirely located in the Mississippi Delta. "The White River Planning and Development District contains 4,286,300 acres, or 6,908 square miles, of which 2,177,058 (50.8%) are identified as farm acreage . . . approximately 2 percent of the land acreage is developed; approximately 47 percent of the land acreage is considered developed; and approximately 50 percent is agricultural"

[1] Figure 1:WRPDD and State of Arkansas may be found in the Appendix.
[2] Figure 2:WRPDD and Redevelopment Centers may be found in the Appendix.

(White River OEDP 41). "During the forties, fifties, and sixties, the region experienced consistent loss of population. The outmigration was largely due to a changed economic base previously agrarian, which no longer supported the number of residents in the area" (White River OEDP 18).

The District is rural, and consistently performs poorly in nearly every economic indicator. "The U.S. Department of Commerce, Economic Development Administration, under the Public Works and Economic Development Act of 1965, as amended, officially designated the counties as redevelopment areas based on a number of qualifications, such as substantial and persistent unemployment; low median family income; unusual and abrupt rise in unemployment resulting from the loss, removal, curtailment, or closing of a major employment source; special impact area; decline in per capita employment" (White River OEDP 20).[3]

Economic development attempts have been aimed largely at industrial recruitment. "Large scale industrial development has been confined to the three growth centers designated economic redevelopment centers: Batesville (Independence County), Newport (Jackson County), and Searcy (White County)" (White River OEDP 20). With ready access to the railway system and a more developed road network, these areas are able to offer a transport system to industry

[3] Table 1 and Table 2 showing the demographic information may be found in the Appendix.

. . . [and] much of the necessary infrastructure is in place and can adequately serve the larger industries" (White River OEDP 20).

Substate Districting in Arkansas

Substate districting, or regionalism, was introduced to states in the 1960's with the encouragement of the Federal government, particularly the Economic Development Administration, U.S. Department of Commerce to help coordinate the planning activities of federal, state, and local levels of government. Substate districting is defined as the 'coordinat[ion] of multi-county planning and development activities" (United States Department of Commerce 3). One reason for substate districting was "that in many rural and smaller urban areas, such coordination is required to avoid duplication of efforts, conflicts in local goals and programs, a drain on community leadership capabilities, and competition among planning organizations" (United States Department of Commerce 4).

"The stimulant for this proliferation is to be found largely in Federal legislation stipulating area-wide planning as a prerequisite for loans and grants for public investments," most of which came from the Economic Development Administration, United States Department of Commerce and the United States Department of Agriculture, Farmer's Home Administration (currently U.S.D.A., Rural Development) (United States Department of Commerce 5).

"President Johnson, on September 2, 1966, issued a special memorandum calling for the coordination of development programs and planning at the Federal level, and for Federal cooperation with state and local development agencies in establishing common bases and sharing facilities and resources" (United States Department of Commerce 3). "On January 31, 1967, the Bureau of the Budget issued Circular No. A-80 in the spirit of providing guidelines to Federal agencies in carrying out the objectives of the Presidential memorandum" (United States Department of Commerce 4).

The geographic delineation of substate districts "should be made up a of (a) an urban node capable of yielding economies of scale for public and private investors, (b) a periphery or hinterland whose interdependence with the central city is easily recognized by the population's trading and commuting patterns" (United States Department of Commerce 5). The White River Planning and Development District is an excellent example of this definition. Searcy located in White County, Batesville located in Independence County, and Newport, located in Jackson County are the growth centers of the District. While technically not urban, these are the three largest cities within the District and serve as the main commercial and industrial nodes in the District. The rest of the District could easily be characterized as the rural hinterland of these cities.

The districting and character of the substate districts in Arkansas has been influenced mainly by the economic status of the State (United States 220). "Because of its relative deprivation, government, business, and the general citizenry have been significantly preoccupied with economic development" (United States 220).

Arkansas Industrial Development Commission published a study in 1965 on how to implement regionalism in Arkansas (United States 220). The study suggested that Arkansas should be divided into 14 regions which would coordinate regional economic and community development efforts (United States 220). The study identified cities that already were serving as regional centers for State agencies such as the Employment Security Division of the State Department of Labor, the Welfare Department, the Highway Department, the Health Department, the State Police Department, the Department of Soil Conservation, the State Library Commission, and for utilities companies (United States 220). It was suggested that county lines be used as district boundaries (United States 220).

Winthrop Rockefeller, who was Chairman of AIDC at the time the study was commissioned, "used the regionalism adopted by the AIDC as a major issue in his successful gubernatorial campaign in 1966 when he sold the regionalism concept to the voters as a potential boon to economic development in Arkansas"(United States

220). "Regional planning, cooperation, and development were viewed as means to entice both industry and Federal funds into the State" (United States 220).

"[O]ne of Governor Rockefeller's first official actions was to proclaim the division of Arkansas into the 14 districts" (United States 220). Rockefeller established the Economic Development Program in the Office of the Governor. "One of the office's primary tasks was the implementation of the Governor's announcement" (United States 220). In effect this meant persuading the Federal Economic Development Administration (EDA) to approve the 14 districts for EDA funding" (United States 220). Only eight of the EDD's were funded by the EDA; many of the proposed districts did not meet EDA criteria and there was insufficient funds for all 14 (United States 220). EDA staff led the organization of the eight districts; they met with the county judges and worked to develop the districts (United States 220). North Central Arkansas Economic Development District (NCAEDD), the predecessor of White River Planning and Development District, was one such district. "In order to receive a designation as an Economic Development District and to qualify for EDA financial assistance, each of the eligible counties was required to manufacture an overall economic development plan (OEDP)" (United States 225).

"In 1969, the Arkansas General Assembly, at the behest of Governor Rockefeller and the EDD directors, passed Act 118, which gave statutory

recognition to the EDD's and renamed them planning and development district's (PDD's)" (United States 220, 222). Rockefeller felt "that statutory recognition of the organizations would help to prevent subsequent administrations from tampering with the districts for purely political reasons" (United States 222). Some State funding of the PDD's ($30,000) was also authorized under Act 118 which must be matched by local money.

"Arkansas Act 118 authorized the organization of PDD's for the following purposes: promoting economic development, assisting local governments and private organizations in obtaining governmental grants and loans; preparing comprehensive regional plans for economic development and improved governmental services; and coordinating private and public programs in multi-county districts" (United States 222). Act 118 change the name of NCAEDD to White River Planning and Development District. The PDD's were also established as regional clearinghouses for local federally funded project approval. The authority to review and comment (called A-95 Review) was granted to ensure that projects conformed to the districts' Overall Economic Development Plans (United States 224).

"With the availability of non-metropolitan HUD funds, planning activities in areas other than economic development were added to the planning and development district's functions" (United States 223). "Many PDD's work in varying

degrees in the areas of health planning, outdoor recreation planning, transportation planning, manpower planning, and non-metropolitan land-use and housing planning" (United States 223). They also served to collect and provide data necessary for community and economic development planning. "The PDD's are project oriented; their main concern is assisting their members to obtain Federal grants" (United States 223). "PDD's funnel millions of dollars of EDA money into Arkansas each year" (United States 225). These functions were originally housed in one regional office; today many of these functions, especially in the social services and housing, in the White River Planning and Development District have broken off into separate planning entities and are located in independent offices throughout the district.

"In his first year in office, Governor Dale Bumpers requested that all State agencies reporting to him make their regional boundaries consistent with the boundaries of the eight PDD's"(United States 226). "Also, he [took] the position that State programs should be subject to A-95 review" (United States 226). Some State agencies to date have conformed, but this has largely been ignored and forgotten. Regionalization of all Federal, State, and local services has not been accomplished. There has been a decentralization of many services in the WRPDD. The PDD's still primarily function to obtain and administer Federal grants for the local governments. However, PDD's offer numerous services in community planning and economic

development to local governments and residents. The PDD's are the primary community and economic development entities in regions of Arkansas.

Chapter V

Entrepreneurship Development Strategies in the WRPDD

Eight individuals involved in economic development within the District were interviewed to determine what entrepreneurship development strategies are being currently used in the District, whether these strategies have proven to be successful, what strategies should be implemented, and various aspects of entrepreneurship and the barriers faced by entrepreneurs in the District.

The institutions represented include the Batesville, Newport, and Searcy Chambers of Commerce; Jackson County/Newport Industrial Development Commission; Lyon College, Small Business Center; Harding University, Small Business Institute; Arkansas State University-Beebe/Arkansas State Technical Institute; and White River Planning and Development District, Inc.

Individuals were contacted by phone and asked to participate in a personal interview. The interview involved asking a series of sixteen structured questions. The following is a summary of these interviews.

The institutions can be classified into chambers of commerce, educational institutions, and traditional economic development agencies. Most of the agencies

had a semblance of an entrepreneurship development program at one point. Most of these organizations are biased toward recruitment as an economic development strategy, especially the Searcy and Batesville chambers and Jackson County/Newport IDC. While the questions asked were in regard to local indigenous entrepreneurship development, most of the answers were in regard to industrial recruitment and area promotion. Entrepreneurship development, per se, is a very minor activity or non-existent in these agencies, beyond providing general information about their areas to entrepreneurs and referrals to state agencies. The educational institutions provide little more than the chambers of commerce. The SBI at Harding University, however, provides the most in-depth consulting in the District, but the program is not used significantly by entrepreneurs in the District. Most entrepreneurs who use the university's services are from the Searcy area. Also, the orientation towards student education places service to entrepreneurs in the District in a secondary role. Funding cuts for such business development programs in past years have been the one primary reason for the minimal activity by the educational institutions.

The institutions have very small staffs supporting their programs, generally one to three persons. Also, the staff time is generally split between other activities.

Several barriers faced by entrepreneurs in the District highlighted by the economic development professionals interviewed in order of significance include: (a) lack of basic business skills, (b) undercapitalization of businesses, (c) lack of ability or willingness to adapt, and (d) small markets.

Most of the interviewees felt that entrepreneurship or business skills could be taught and should be part of an entrepreneurship development strategy for the District. They generally felt that "real world" experience should be a part of that training. They did not feel that entrepreneurship could be taught very successfully in a classroom setting.

Entrepreneurship development in the WRPDD is an uncoordinated, haphazard, fragmented effort of agencies working in virtual isolation of one another. Furthermore, there is a general lack of knowledge by these agencies for the kinds of services needed or demanded by business, industry, and potential entrepreneurs. Likewise, there are no research mechanisms used by these institutions to discover the success rate of their existing programs. There is an underutilization of the services provided as a result of insufficient marketing. There is a lack of comprehensive knowledge by District agencies of the existing programs at the state and federal level due to the narrow focus of experience with these levels of government and the poor coordination of state and federal programs with local

development agencies. While some traditional entrepreneurship development services are provide in the District or can be obtained from a state or federal agency in Little Rock, there is little inter-agency referral.

There seems to be little local ownership, i.e., not developed at the local level, of economic development strategies employed by these institutions. The strategies are formulated top-down from state or federal agencies because funding for such activity is generally from these levels of government. Economic development strategies at the local level are overly influenced by the state. Other than dues paid to District chambers of commerce and dues paid WRPDD, Inc. by the counties and major cities (which is minimal) no local money is utilized for economic development.

The following cases have been developed to provide further insight into the entrepreneurship development strategies currently used in the District.

Cases:

Jackson County/City of Newport Industrial Development Commission

Bob Stoner is the Executive Director of the Jackson County/City of Newport Industrial Development Commission (IDC). The IDC was formed in 1987 and is funded through county and city funds and fund raisers. Mr. Stoner has extensive background in industry. The IDC is staffed by himself and one secretary.

The philosophy of the IDC is to create a better place to live by bringing in new jobs and expanding the existing businesses in the area. "About sixty percent of your new jobs comes from existing industry expansion," according to Stoner. "Our philosophy is to work with our local people." One objective of the IDC is a four percent unemployment rate in Jackson County. The unemployment rate in the county currently is over eleven percent.

One of the most important strategies in encouraging new business to locate in the area has been to build a good rapport with the Arkansas Industrial Development Commission (AIDC). "We have our [community] profile down there with them"; this allows the community to reach more potential industry. "We are going to reach more people by having a good rapport with AIDC," according to Stoner.

In regard to local entrepreneurship development and encouraging new business venture formation, the IDC uses several strategies. The enterprise zone program is encouraged. "I push the enterprise zone," stated Stoner. "I keep the existing industry advised of this [program]." "It is working for our area and all over the state," he added. Also, some training for new or expanding business is coordinated through AIDC.

The IDC works formally and informally with banks, WRPDD, Inc., and the Small Business Administration (SBA) to assist entrepreneurs in getting loans. The IDC has some funds to occasionally make direct loans and guarantee loans through local banks. Guaranteeing loans for expanding local businesses has been the most successful entrepreneurship development strategy. The IDC also identifies prospective business locations and uses its influence to obtained reduced rents for entrepreneurs. The IDC makes a point to know owners of commercial rental property and build working relationships with them. The IDC also owns an industrial park from which space is sold to businesses at below market rates. "We try to provide whatever is needed." "We may not be able to provide a particular service, but we will find it."

The IDC measures success by lowering the "unemployment rate, bringing people into the area, putting people to work, getting people off welfare, and bringing students to our school," according to Stoner.

The IDC would "like to work closer with existing industry." The IDC has had success with its "Business After Hours" program. Mr. Stoner stated 100 to 125 people attended the last program and that another city in the District had a similar program but he was told that they "were lucky to get 25 to 30 people to participate." The IDC normally has ten businesses set up at the event and two to provide

presentations about their product. In this manner the public is educated about what types of businesses are located in the area and a rapport is built between economic developers, financing institutions, and entrepreneurs. The goal is "getting people involved." "Many people don't even know what is made in the county." The IDC has been pleased with the program over the last three years. "It is very successful," according to Stoner.

In the future, the IDC would prefer to see an expansion of its client base. "I want to work with people [businesses] we haven't worked with in the past." Expanding the working client base is an important objective of the IDC. According to Stoner, there are businesses that will not work with economic developers. "We need to spend more time with existing industry." Building personal and trusting relationship with the businesses is essential according to Stoner. "Without it you're dead." "They [businesses] talk to one another . . . if you burn one, others will withdraw from working with you." "If I'm not able to sit down with a person and find out the problem with his business, how can I bring in someone to correct the situation? How can I go to the city council or quorum court [for assistance]?" Also, if a business does not like an action of the IDC, "They may go to the media or to the coffee shop and express themselves against what you're trying to do if you don't have that rapport." This can cause problems with the credibility of the IDC.

"There is another problem existing here . . . people are jealous of one another." "Here is Joe Blow doing something . . . another guy over here doesn't want him to do it because he didn't think of it first." Some people will use whatever influence they have, political or otherwise, to hinder someone starting a business if they are inclined to do so.

There are four groups of people in the area to deal with as an economic developer according to Stoner -- farmers, retailers, political people, and the status quo people. Some people in these groups are against new business expansion. Some farmers and retailers fear that new business will drive up labor prices. Some people in the political group do not want progress unless they personally benefit. The status quo people are satisfied with the way the community is and "don't want to rock the boat."

Generally, the lack of long term planning has deterred economic development in the area. Some local leaders and their constituents do not give much thought for the long term good of the community, according to Stoner. "Why can't we have a vision down the road for what's best for the city?" This type of concern for only the present "holds back the cities," according to Stoner.

One problem in economic development in the past in the area has been the personal agendas and career advancement goals of some of the economic developers. Local development positions have been used as "stepping stones" to other jobs.

"The number one thing small towns should do is clean up your town." Number two is "to educate the people not to run down the town [verbally]." "There are people who come to look at your town and your not even aware they're here . . . they're sitting in the coffee shop listening to you run this place down." "You don't stop and think of who is looking at you." This shows that there is no "pride" in the city. "These are two critical areas for small towns."

As a resource for potential entrepreneurs, Stoner felt the organization is appropriately utilized. "We are going to continue to reach out to those who contact us . . . if they'll contact us." "A lot of times people won't contact you." "We need to get more publicity out on what our services are and how we can help people."

Stoner defined entrepreneurship as starting with ideas; "an individual who is strong enough to follow through and make it happen." "Entrepreneur is such a broad range . . . it is hard to define."

Stoner felt that the most important skill in forming a successful new venture is the ability to develop a business plan. "The first thing I ask for is the business plan." According to Stoner, if a client is not willing to provide a business plan, it is not worth using the IDC's time to help. The IDC does help in the preparation of business plans, but the client must initiate and put forth an effort. This helps the IDC identify its role in assisting the entrepreneur. "It tells me what I need to do for them . . . do I need to help them financially, find a location?"

Stoner felt that entrepreneurship could be learned. "Entrepreneurship is a learning situation." But, he felt that it could probably be only learned through experience. In a classroom setting one could teach the "rules and regulations of how a business should be run," but not how a particular business should be run.

One of the most significant barriers entrepreneurs face in forming a new business in this area includes the mentality that business hours are from 8:00 a.m. to 5:00 p.m. Business people in the area need to learn to adapt, according to Stoner. Businesses in the area need to "face the reality that they can't keep the 8 to 5 business hours." Stoner felt that this was especially important for a new business to understand.

"It seems we pay more attention to outside people than our local people. It seems we are more likely to roll out the red carpet for outsiders . . . that needs to be changed . . . we ought to treat locals the same." Stoner felt that this attitude was indicative of the community in general. "This is not just our organization but the community as a whole. A lot of this stems from the fact that you may know too many negatives about a local person. He might have a good idea or business that will bring twenty-five jobs, but he is not dealt with in the same manner because of personal reasons."

Another strategy that should be implemented is to ensure that companies are more integrated in terms of purchasing each others' products and services. With the pending construction of a prison facility in Newport, Stoner has worked with the prison and local business to ensure that local products and services are bought by the prison facility. "I have talked to several retailers and wholesalers and told them to prepare a plan to present to the prison people . . . what they have to offer and their price." "This should be done more."

White River Planning and Development District, Inc.

Ben Earls is Director of Business and Economic Development at White River Planning and Development District, Inc. Mr. Earls has a bachelor's degree in Biology and experience in the biochemical industry. Before coming to WRPDD, Inc., he worked within the Office of Minority Business Enterprise funded through the Economic Development Administration as a venture analyst.

The business development program at WRPDD was established in 1981. The philosophy of the program is to "help people who may have a good idea, but not had an opportunity or the expertise to package it." "To help those that couldn't help themselves." The program was designed to "help people who didn't have access to capital" . . . "we were not looking at supplanting the existing capital market, but to support it." According to Earls, capital is available in the area for business ventures . . . "our role has been to act as a catalyst to draw the capital and entice the bankers to come in on a venture." This strategy would make the venture and loan more attractive to lenders. "We would generally subordinate our position."

Earls stated that most people in the area "can't pull out the capital out of the system." Loans are not given in this area on the quality of the business but on collateral. "They are not looking at the business and cash flow, strictly collateral."

The primary service provided by the WRPDD, Inc. is financial packaging. In the past WRPDD, Inc. has provided plans, but this has become too time consuming especially in the face of funding cuts. "We do not have the resources to provide marketing information." "We prefer to deal with people that have experience, an existing business that we can come in and analyze." "For start-up ventures, we don't have the time and personnel to do the research for them . . . we try to give them technical assistance." "We give example business plans." "We are primarily packagers . . . deal makers."

WRPDD offers EDA Revolving Loan Fund, the SBA Micro Loan Program, and the RDA Intermediary Relending Program. These are in-house loan programs. "We also do SBA loan packaging, Rural Development Administration (formerly Farmer's Home Administration) loan packaging, and assist communities with the AIDC relend programs.

To qualify for a loan under the Revolving Loan Fund (RLF) the new venture or expanding business must meet certain criteria: the business must be located within the District and one permanent (non-seasonal) skilled or non-skill job must be created or retained for every $35,000 loaned which are filled by residents of the District. Also, borrowers must have some amount of equity in the business. Equity requirements can be made by providing cash, equipment, or by loans from other

sources. "Businesses must exhibit growth potential as determined by the Review Board" . . . "Priority is given to handicapped, economically disadvantaged, minority or female-owned businesses" and those firms who employ a significant number of these groups according to Earls. Three types of loans are made through this program -- direct loans, guaranteed loans, and participation loans. Direct loans up to $100,000 can be granted directly to the borrower. The stability of the program, however, can be jeopardized by such large loans. Mr. Earls states the average loan is $30,000. Guaranteed loans are made through local banks and guaranteed by the RLF. Participation loans include a direct loan from the RLF and a local bank or state or federal agency. This type of situation is preferred by WRPDD, Inc. This provides WRPDD, Inc. the ability to make more loans.

The Mirco-Loan Program offers "financial support . . . to existing and new businesses that do not have access to traditional financing," according to Earls. WRPDD, Inc. requires that the business be located in the District, that the borrower provide a business plan, and documentation that traditional bank financing cannot be secured. "Mirco-Loans may be used to purchase machinery, inventory, equipment and provide working capital," according to Earls. Some small amount of collateral is required. Loans range from $500 to $7,500 that are "[F]ixed for the term of the loan at the New York prime lending rate plus two percentage points."

The U.S. Department of Agriculture, Rural Development Administration has provided WRPDD, Inc. with approximately $2 million to operate a business relending program. Purchase of building, facilities, leases, material, supplies, equipment, and machinery. Also allowed are business acquisitions, start-up operating costs, and working capital. The terms include ten to fifteen years for real estate, seven to ten years for machinery and equipment, and one to three years for working capital. Interest rates are negotiable.

The loan packages are made through the city. A city may receive a grant from AIDC or Rural Development and lend this money at a below market rate to a business. WRPDD, Inc. helps the business and city with the application process.

The most successful strategy used to encourage entrepreneurship by WRPDD, Inc. is "acting like a catalyst in financing." WRPDD does this by forming partnerships with state, federal agencies and the banks in financing. This is also beneficial to WRPDD because the risk is shared by several groups. This is very beneficial to the entrepreneur. "We can provide a moratorium on pay, make the terms longer, reduce interest rate (this is true of the RLF and IRP)." "We can do a lot of things the banks can't," according to Earls. "We can carry the business longer than the bank . . . We can tie loan repayment to the life of the guys assets, your banks don't do that . . . some loans [by banks] are renewed every year."

Earls felt that the PDD has been successful with its programs if the business is operating and "mom and pop are making a living out of it." "Historically that's what we were dealing with . . . mom and pop type businesses." That is how the PDD measures success.

Earls would like to see hands on technical assistance for people who are starting new businesses and existing businesses offered in the District as one strategy to encourage entrepreneurship. Also, the development of markets for existing businesses should be explored. "We have people who have products and services that they could provide but there is nobody out there to help them package that and market that." Local existing businesses need to expand outside local markets. Earls felt that the private sector, the university system, or state government should provide this service.

Earls felt that the most appropriate strategies for small towns and rural communities would first include taking an inventory of the existing resources of the community. "We need to take an inventory in the rural areas of what you have already there and look at the possibility of expanding of what you already have." This would be a preferred strategy over industrial recruitment. "Attracting companies to rural areas is difficult" because of the lack of transportation and support businesses. "We need to look at what you already have." "We are not

going to pull a major company to Timbo or Newark . . . it is not going to happen!" Earls continued that WRPDD, Inc. should look at the "natural resources.. we don't do that and no agency is." Earls stated however that industrial recruitment has been the model for economic development. "That has been the strategy over the nation." As an alternative, communities "need to look at having twenty small [indigenous] businesses rather than one larger business." Earls felt that the structure of funding at the state level also somewhat "dictates the strategies [for economic development] . . . this has been biased towards industrial recruitment." WRPDD, Inc. should engage in more networking to promote their programs according to Earls. "We need to make contacts . . . we need to go out and talk to the chambers and civic organization."

Mr. Earls stated that approximately fifty percent of the businesses they serve fail within five years. He stated that he felt that this was better than the national average for business failure. "A lot of times our loans pay off. . . because they are small."

Mr. Earls felt that the agency was underutilized as a resource for potential entrepreneurs because he sees many businesses that "get into trouble." "If we could have seen them first, we could have helped them . . . . [maybe] it shouldn't have been done or done in that manner . . ." "Is it underutilized because we haven't

done our job in promoting and marketing?" "Probably so." "You have to realize we are usually not the primary lender." "In most instances we are secondary . . . often we don't see them [entrepreneurs] before the primary lender gets them and the deal is done . . . sometimes to the detriment of the business." "The banks are not considering the needs of the businesses as much as we would -- they look at it in a different way." "We can structure the payments for down seasons, if the business is seasonal. We can give the borrower concessions banks can't as a regulated lender."

Earls defined entrepreneurs as an "individual that is willing to take a risk to develop a concept, an idea in his head . . . a gutsy type person." "That comes sometimes because he lost a job . . . he didn't do it, he was pushed into it." "We see so much of that . . . the best thing that happened to him was that he lost his job."

Mr. Earls felt that the skills necessary in forming a successful new venture include "qualities of self-reliance, discipline . . . some knowledge of management, marketing, accounting." "There are a lot of qualities you must have ... you have got to be disciplined!"

Earls felt that entrepreneurship could be learned. "We have a lot of people who learn entrepreneurship through trial and error." He felt that some basic skills

can be taught in a classroom setting, but an individual needs the business experience. "We see so many people that if they had known just a little accounting and business management -- basic skills -- they would have been successful." "I see people come in here . . . they have a product or service, but they don't know how to market it, account for, price it . . . they need that training." This is common of most people seeking loans from these programs according to Earls. "They need at least ten to twelve hours of training in these basic skills and hands on training." "We see a lot of quality products and services, but they can't control it." Mr. Earl felt that this is possibly a failure of the public school system. "This is not being taught in the public school system . . . it should be . . . not everyone is going to go to college." "Just on borrowing money . . . most kids graduating high school have no idea about borrowing money." Mr. Earls believed that a local publication about going into business is needed. Such a publication should provide information about the institutions, state, local, and federal, which work to support entrepreneurs. Such a publication should delineate the regulatory processes which may affect a business such as permits, license, tax considerations, workman's compensation, and other legal considerations. Mr. Earls felt that the business skill level of people who are going into business in the area is very low; he sees this especially among those seeking loans from WRPDD, Inc. "These people don't even know what they need to know . . . they think it's just opening up the doors and here is what I have to sell . . . save up all this stuff and give it to H&R Block at the end of the year." "We get

people here who have an existing business that don't know anything about a balance sheet, profit and loss statement . . . they wouldn't know what they're looking at if someone gave one to them." "Nobody is teaching or advising [potential entrepreneurs]," according to Earls.

The single most significant barrier to successful entrepreneurship in the area according to Earls is insufficient capitalization of the business. "Capital is the most significant barrier . . . affordable capital." "Capital is out there . . often times it is not affordable." "Affordability of capital influences the type of businesses started in your local community." Mr. Earls also stated that the more stable existing business can negotiate more favorable interest rates. "It works in the reverse, the more stable the business the more favorable the interest rate . . . that is where we are supposed to come into the picture." Economic development financing must provide the lower interest to the less stable business or new ventures. This is accomplished by taking a subordinate lending position. The effective cost of capital for the venture can be lowered through economic development financing. "If you are starting a new business the capital barrier is amplified . . . it is tough to get a new business [financed]." "Even the SBA is tightening up."

Mr. Earls felt that the most significant difference between the barriers entrepreneurs face in urban areas and rural areas is the accessibility to capital. "I

think capital in the urban areas is more accessible. "The urban bankers are not as conservative as rural bankers . . . they are used to making deals . . . they will make loans ours wouldn't even think about." "We have bankers so conservative they won't do one [loan] with an SBA 90% guarantee on a new or existing business located in their own community." "They have enough business . . . they do not need the business . . . "they [bankers] don't want to deal with the SBA paperwork."

One of the strategies that should be implemented in the area is the development of a coalition for promoting products and services of the area, according to Earls. "We don't market the existing industry and business." This should be coordinated by several institutions in the area. "Everybody can play a part . . . the chamber and government." Such a coalition can be used also to provide better support services, especially in business financing, to those interested in starting a business or expanding. One barrier to such coalition formation, however, is the tendency by banks, local government, and development organizations to develop projects in isolation and secrecy to realize all the economic gains and/or recognition for themselves. For example, "If the banks are working with a blue chip company . . . they want to keep it for themselves." Subordinant economic development financing offered through WRPDD, Inc. will not be considered by the local banks. Further hindering such coalition formation is the fact that "most of the large industries that come in here [recruited industry] do not want

publicity." "They have enough capital to do the deal by themselves." However, individuals seeking venture financing through traditional lending institutions may be rejected, but then afterwards are not referred to WRPDD, Inc. In this way development of small indigenous business ventures is discouraged. "A lot of local small businesses are looking for deals that could help them . . . they are not provided that information . . . and we are not provided the information about them [from banks primarily]." There needs to be more communication between traditional financing institutions and economic development financing institutions according to Earls. "I don't know that when a client comes in to borrow money [from a local bank] that our loan officers in the District have been indoctrinated by us and others [economic development institutions] to think, 'Is there a role for economic development financing in this project?' . . . it never crosses their mind." "We, however, are mandated that we look elsewhere for funds before we become involved . . . we are always thinking of the bank." "They [the banks] are looking at the stockholders and the bottomline." "Economic development to them is just a by-product of them making a loan . . . they are not concerned [with economic development]."

Searcy Area Chamber of Commerce

Buck Lane is the President of the Searcy Chamber of Commerce. The chamber has operated in Searcy since 1946 and currently is staffed by two full time employees. The philosophy of the Chamber is to create an economy that is founded in quality jobs and to improve the quality of life. "We want to maintain and improve the quality of life in the Searcy area and to create an environment in which business and industry can flourish in."

The service that the Chamber provides is generally in industrial recruitment and promotion of the area. "We work with local business and industry in effort to help them expand and create jobs. We attempt to recruit new business and industry." The Chamber also sponsors seasonal local activities. "The majority of our efforts involve the expansion of existing business and industry and the recruitment of business and industry."

The Chamber does not generally work to encourage new indigenous venture formation in the area. The Chamber does, however, work with existing businesses to encourage expansion. The strategy currently used to encourage business expansion is communicating with members. "We talk to our businesses . . . we try to find out what needs they have and what problems might exist that might prevent them from expanding. That might be a piece of state legislation, existing or

proposed, or something in the city like parking or traffic." Also, keeping downtown viable is a high priority for the Chamber. "We want to maintain our downtown area and create additional shopping opportunities."

The most successful strategy employed by the Chamber to encourage entrepreneurship and business expansion is to work with the University to offer educational programs. Topics in the past have included how to compete with major discount chains, marketing, window dressing among others. "We did this a couple times." A problem with the seminars is making them convenient for the business people. "We had three or four . . . These merchants are not able to have something during the day." "There is some reluctance to spend two or three hours in another meeting following a days work." Another problem with seminars is design. "Preparing a course for business is difficult because different businesses have different needs." "Each business is the same and different," according to Lane. "We [also] have 'Business After-hours' and it has been very successful." "Business After-hours" is another program which helps business people. It allows Chamber members to network with one another and interested residents. "Chamber Coffees" are also used as a networking tool for members. Usually members have breakfast together and one industry will be highlighted, i.e., provide information about their product or service.

The Chamber measures success largely by the size of its membership. "We have one of the larger chambers in Arkansas . . . about 40% of the businesses in town are chamber members." However, the Chamber also measures success as the general economic well-being of the community. "We measure it by the growth we see in town, the new business start-ups and expansions, residential construction, new and expanding industries." "We do a survey once a year with our industry to determine if any new jobs are being created and any capital investment that has been made." "We would like to expand that to all our chamber members as well."

The education committee talks to schools about career opportunities. "Nobody we work with is out of business . . . any new business is not going to participate in our activities." "We are not very involved in new business-start-ups." "If somebody starts a new business, we will contact them tell them about the chamber and encourage them to become members . . . tell them some of the benefits from the stand point of networking, marketing." "Our emphasis is not on new business start-ups."

Mr. Lane felt that the most important strategy for small towns and rural communities is to become familiar with state level agencies in Arkansas, specifically "AIDC and the utility companies." "We [the Chamber] work to become on a first

name basis with AIDC personnel." "AIDC has cooperative advertising programs for cities."

In the future, Mr. Lane felt that more should be done to encourage members to network with one another. "I would like to have more meetings with our membership, more focus group meetings to develop a better flow of communication back and forth to make sure we know what is on the minds of our members. Everybody is busy [though] . . . we meet as often as our membership would like."

Mr. Lane felt that the services of the organization were underutilized. "Most people don't know what the Chamber does or is . . . that includes our members. That's a challenge we have to continually educate and inform our membership and potential members of the services and resources are at the chamber."

Mr. Lane defined an entrepreneur as "a person who has an idea and takes action on that idea to create a activity or business that makes money, to accomplish his goals. A self-reliant person who has a lot of confidence in themselves to accomplish a goal. A risk taker to some degree."

Mr. Lane felt that the skills necessary in forming a successful new venture include confidence in oneself, knowledge of their endeavor, research, planning, budgeting, drive to succeed, persistence, and faith in self.

Lane felt that entrepreneurship could be learned. "I think most things can be learned." He felt that the best way to learn would be by example; "case studies, that exemplify entrepreneurship." He felt that many business skills could be taught particularly management skills.

Mr. Lane felt that the most significant barriers to entrepreneurship in the area included the lack of capital, lack of management skills by individuals going into business, the lack of market research, and competition. "It is amazing to me the people who go into business with no more research or knowledge of what they're doing . . . I think that is indicative of the failure rate of small business."

Lane believed that the barriers faced by rural and urban were different. "It is more difficult to start in urban areas just because of the cost of doing business in an urban area is higher."

Lane felt that local intermediaries should encourage reform of state economic development legislation. "Some of the frustrations I have are with our state

constitution . . . it is unconstitutional to abate taxes. We have industrial revenue bonds and you can negotiate payment in lieu of taxes. I think if there were more competitive programs at the state level to attract industry that would be good."

Specifically in regard to entrepreneurship development, Mr. Lane had no suggestions of what local intermediaries could do. "I'm not aware of anything . . . that has been brought up to us." The suggestions made by Mr. Lane were more in the realm of industrial recruitment, instead of indigenous entrepreneurship development.

In the future Mr. Lane felt that inter-agency and inter-governmental cooperation would encourage economic development of the area. "I would like to see better cooperation between the city and the county. "I would like to see the resources of the entire county be utilized in making the Searcy and White County area more attractive and helping it to grow in a business climate . . . "

Batesville Chamber of Commerce

Nelson Barnett, Executive Director of the Batesville Area Chamber of Commerce worked in retail before coming to the Chamber. The Chamber has been active since 1919 and is the oldest in the District. The Chamber is currently staffed

with two full time people and one part time person. Mr. Barnett stated that a lot of the work is done by members on a volunteer basis.

The philosophy of the Chamber is "to help promote the Batesville area and improve business conditions." The Chamber's main focus is industrial recruitment and working with existing industry to "make sure the business climate is what they need to be able to grow and do well." "We have very strong industry in the area." Over one third of the employees in the county are employed in manufacturing industries, which is very high, according to Barnett. Barnett stated that the average for the state is approximately twenty-five percent. "Attracting industries is a very difficult task because there are not that many industries moving around." The Chamber has also come to be involved in providing internet access for the community; they hope that to use it as a tool to promote the community. Also the Chamber is working with improving housing in the area. Retail and service oriented businesses are provided information on property, demographic information, and statistics. "We don't do a lot of work . . . in training or working with entrepreneurs other than sharing information." The Chamber refers potential entrepreneurs to the SBA office in Little Rock, White River Planning and Development, Inc., or Lyon College. "We have looked at an incubator project, but financing has been a barrier to implementation." "I am hopeful that the college or Gateway will in the future might look at doing something like that." Mr. Barnett stated that their economic

development activities focus primarily on providing information. The Chamber provides some guidance in preparation; they provide a worksheet to show them what it takes to be successful. In the past the Chamber has been involved in the promotion of products. Also the Chamber hopes to use communication technology and telecommuting to allow people to live in the community who may work for a company located elsewhere.

One service or strategy used to encourage new business venture formation is to provide open access to all the county and city officials. "The city and the chamber work very closely together," according to Barnett. The Chamber seeks to "smooth the way for people interested in coming into the community to do business." The Chamber can "put them in touch with the people they need to talk to." Mr. Barnett sated that there was "no monitoring device that looks at businesses . . . that look if they succeed or fail."

The most successful strategy the Chamber uses is to find someone who will volunteer a lot of time to a particular project. "We don't have a program for advising new business." The Chamber measures success by ensuring that local businesses stay open and if the Chamber is meeting the needs of the industry. In regards to industrial recruitment, "if a community chooses Batesville over another community that is a measure of success," stated Barnett

Barnett would like to see improvements in infrastructure, specifically wastewater treatment. "This is really hampering growth, especially for industry." Barnett would also like to see a policy on annexation. "Resistance to annexation by outlying residents . . . hinders the Chamber's ability to market the area." "The population of Batesville is approximately ten thousand, but the number of residents in the outlying areas would raise that number to around twenty thousand." "The census does not reflect the area population." Barnett stated that the role of the Chamber in improving infrastructure is to "work with the city to encourage improvements."

As a resource for potential entrepreneurs Mr. Barnett felt that the chamber was appropriately utilized, considering the limited services offered in that area. "There is no other agency that provides the in-depth information about the community [that the Chamber does]."

Mr. Barnett defines entrepreneurship as "coming up with an idea and making it work . . . taking a chance." "There is not an English word that really describes what an entrepreneurs is."

The skills necessary in forming a new business venture depends on the kind of venture started. However, "people oriented skills" and the "willingness to adjust"

are very important. The ability to gather and understand information is also an important skill. "People too often don't gather enough information." "Patience is very important," according to Barnett. "It takes about five years to get a business stable and profitable."

Mr. Barnett believed that the business skills could be taught, but there is some innate characteristics of entrepreneurs that could not be taught. There is a "type of person it takes" and that "could probably not be taught." He felt that the best way to learn entrepreneurship would be "to do it." Any strategy that focused on teaching entrepreneurship should involve people who have actual experience as mentors.

The most significant barrier entrepreneurs face in forming a new business in the area is financial. "Not in obtaining financing, because the banks are real good to work with, but being able to make the venture last long enough to make money." "The best situation is . . . to have a regular income, then you won't have to take money out of the business . . . until it gets on its feet."

Mr. Barnett did not feel that problem's entrepreneurs face in small towns and urban areas were significantly different. But "in a small town it might be easier to get to know people, to do your preparations." "In a larger area you would have a larger

customer base." "In some ways it might be, in a smaller community, easier to get started." Lack of information is a significant barrier to entrepreneurship in the area. "People all too often go into business without near the information they should have." "Where you see it the most is small restaurants and small clothing stores . . . these open and close with a great deal of regularity." Another significant problem faced by businesses, according to Barnett, especially retailers is business hours. This is especially indicative of Main Street businesses according to Barnett. "They refuse to stay open after 5:00," stated Barnett. "If your open from 8:00 a.m. to 5 p.m. you are catering to the unemployed." Shopping patterns in society have changed according to Barnett.

Newport Chamber of Commerce

Celeste Taylor is President of Newport Chamber of Commerce. Her background is in education and state government. The Chamber has been operating since the 1930's. The Chamber currently has a staff of two people.

The philosophy of the Chamber is "provide a service to the membership" and to "generate a lot of enthusiasm" about the community. Some of the services the Chamber provides is coordinating with the IDC in their "Business After-Hours" program; making information about the community to business and tourists available; coordinating and sponsoring Porfest, a regional festival; sponsoring

"Leadership Newport" program, an educational program to encourage civic leadership; and promoting tourism.

The Chamber currently does not offer any services specifically oriented to encouraging entrepreneurship in the community. "We are not providing that service . . . entrepreneurship is a word you never hear here." There is some resistance to any entrepreneurship development because of the agriculture interests who feel "the area is fine the way it is," according to Taylor. Also, resistance may come from current Chamber members. The members might "feel short-changed" if the Chamber was to pursue entrepreneurship development. She felt that the members will not want their membership dues going to help other businesses. Mrs. Taylor stated that the Chamber is working to revitalize the old downtown. The downtown of Newport is very deteriorated. "The Chamber is working on starting and moving some businesses to the downtown area." The Chamber has worked to negotiate free rent space for businesses in old downtown buildings that are currently vacant. It is too soon to determine the success of this effort.

Taylor stated that more should be done in encouraging entrepreneurship in the area. "There ought to be a way to reach out . . . to help them look inside themselves and see what kinds of talents they have" and "help them develop these skills to be self-sufficient." "On going technical assistance [also should be provided]

to help people develop a skill or talent." This assistance would include help with finances, management and various business skills. Mrs. Taylor suggested that a role of the chamber should be to identify the needs of tourists and incorporate that into an entrepreneurship development program. The Chamber should work at "identifying local resources and better coordination of these resources to serve tourism." City beautification to include education, recognition, and stricter penalties for littering would also help tourism.

Taylor stated that there was a need to identify partners in the community that will "enhance what they are doing . . . and not be an island." Taylor felt that many of the institutions which do not work specifically to encourage entrepreneurship do offer services which may fit into a larger entrepreneurship development strategy. To accomplish this would involve creating formal relationships between all government agencies, businesses, institutions, and individuals that "have had no previous history of working together." The community institutions in the area "are not connected." "We don't know who are applying for business loans." Taylor felt that if it was known who was trying to start businesses, the Chamber and other institutions may be able coordinate support services for that person. Small towns and rural communities need a "survey . . . of what services are available in the community." Also, "What are the services that people want that are not available in the community?" Small towns and rural communities need to "find out who out there

would like to take the opportunity. . . and provide them the technical assistance to make them successful."

Mrs. Taylor defines entrepreneurship as "discovering [ones] talent and interests and turning it into a business." She added that one must "love what your doing" to be successful. "When I went through the interview process [to be hired] everyone said we want industry here . . . what can you do to bring industry here?" "We need to discover what industry we can create here." "It is knowing what services are needed."

"I think anything can be learned." "But, how do we go about teaching it." "Must be very hands on and proactive." "It must be very individualized." "It must be energizing and on-going . . . can't be text book learning -- must be shadowing, mentoring."

She felt that the skills necessary in forming a successful business include patience and vision; the ability to take an abstract idea and make it a reality. She felt that budgeting, trouble-shooting, and task analysis were also important skills. Task analysis is the ability to identify problems in the organizational structure; it is determining what will make the business more efficient. To be successful entrepreneur one also must have a high self esteem, she stated.

She felt that there was a need for a comprehensive support program that allows potential entrepreneurs the ability to pursue entrepreneurship. The support should provide basic services such as housing, food, and insurance.

The most significant barrier entrepreneurs face in forming a new venture in the area is their "inability to market products and volumize the business." This is caused by two things -- lack of business education and small markets.

Taylor did not think there were significant differences in the problems that entrepreneurs face in rural and urban areas, except for volume. Urban areas have larger markets generally according to Taylor. It is difficult for business in small towns to develop a significant volume business. Also, "the larger communities have more services to help entrepreneurs."

Taylor would like to see intermediaries establish more links between their organizations and work together to improve the environment for new venture formation. Also, the "leaderships" needs to be educated on what entrepreneurship means and its importance. This includes government officials and heads of organizations. There is a "need to educate local leadership about their role in developing entrepreneurship" and they "need to see their connection in the success

of entrepreneurs." "They need to see first hand how it helps the community and the economy."

Lyon College, Small Business Center

Rita Hunt is the Director of Small Business Center (SBC) at Lyon College located in Batesville, Arkansas. She has an extensive background in human resource development. The SBC was originally established through a grant provided by the Winthrop Rockefeller Foundation. Under Foundation funding, the goal of the SBC was to enhance economic development and increase job opportunities in the community. The SBC provided services to "business owners and would be business owners," according to Hunt. The SBC sponsored free seminars open to local entrepreneurs, provided consultation, business plan preparation assistance, and market analysis. The SBC also established a resource center which provided information on numerous business topics. The SBC still operates the resource center but according to Hunt it has not been updated in years. At the end of the grant period "the focus . . . changed to provide educational opportunities for students in business. . . ideally to provide hands on practical experience in the business world." Mrs. Hunt stated that demand still exists for the services that the SBC previously offered. "I continue to receive calls . . . I refer them out" generally to the chamber of commerce.

The philosophy of the SBC currently is to "provide collaborative or cooperative experiences with business, small and medium size business that are mutually beneficial [to the business and students] . . . meaning that the business will have a need, either a very small need such as development of a business plan to a very large need such as the environmental impact of using foam packaging, that the business can bring that need to the SBC and we will provide consultation and levels of services, involving students. That's where the . . . the students benefit . . . students get an opportunity to work on real business issues. Mrs. Hunt stated that the SBC will use a cross disciplinary approach to solving problems, drawing students from various academic majors. Basically, the service to be provided will be "helping people do their homework" before they start a business. In the past, the SBC "did surveys for companies" and these "these were at no cost." She added the demand for assistance "is very local . . ." The SBC does not get requests for assistance out of the Independence County area.

Hunt felt that the entrepreneurship development strategy most appropriate for small towns and rural communities is education. "There are a lot of people out there who have the dream or the vision . . . but they don't know all the technicalities. There is a real lack of understanding about what it takes to set up a business and keep it in business." She stated that there is "not very much thinking or analysis . . . a lot of purse string decision making" by entrepreneurs in the area. "In a community

where you have a development agency and a fairly active chamber, I think there needs to be some needs assessment going on out there that says to those people who are interested in starting their own business -- Here are the kinds of things we need . . . here are the things that can be sustained!" "If you think about a community that is planning in terms of civic planning, there has to be a way to say to people who are dreaming, 'Here is our vision – there will be opportunities for these kind of businesses and not so much these.'" "There is an absence of vision here or lack of ownership in the vision." "I don't think anybody is doing that." Mrs. Hunt stated that there needs to be more referral among institutions.

"This SBC has never tracked attendance and subsequent effectiveness." "But, I don't think there is a lot more business in the Batesville area because the Small Business Center has been here for five years."

As a resource for potential entrepreneurs she felt that the SBC was underutilized; however, that was the result of the agency's transition. "There is different perceptions among the faculty and businesses of what the role of the SBC is." "People have different expectations."

Mrs. Hunt felt that the skills necessary in forming a new business include tenacity; self-sufficiency; goal setting, the ability to internalize those goals and not

relying on external feed back; ability to provide support and motivation to oneself; faith; confidence or belief system; and a willingness to work hard. "The type of go-getter [entrepreneur] . . . that approach would be unpopular here." "You don't see a lot of that," according to Hunt.

Mrs. Hunt defines entrepreneurship as "drive to create something new . . . with a profit motive in mind." She stated that is involved "a personal need for achievement and being in control."

"So much of entrepreneurship is basic management skills and knowledge," according to Hunt. "You have to have the emotional composition to be really suited for it, but that is true of all careers." "It [entrepreneurship] is treated as a mystery..."

Mrs. Hunt felt that "the most significant barrier [to entrepreneurship and new venture formation in the area] is money" in small towns and rural communities. "It is so difficult to get the capital investment that people operate on a shoestring and fail." Fear prevents people from adequately capitalizing their business according to Hunt; "this is indicative of the numerous openings and closings . . . a fear of being appropriately capitalized. You see hand lettered signs . . . it looks like a shoe string business, not credible." A second problem is "the style of business in the area. The business hours kept are inconvenient for shoppers. However, "you don't see the

economic pressure to change." Another barrier entrepreneur's face in small towns and rural communities is the trend of out of state banks buying local banks. This will present a barrier to entrepreneurship and new venture formation in the future according to Hunt. "As the banks become less local there drying up of local investment or interest in local investment. They are going to go with the sure thing." Hunt stated that in the future "you [will] have to be very sophisticated, . . . [and will need] a business plan to get a loan from banks in the community." She felt that the sophistication and educational level of potential loan applicants in the area were not sufficient to obtain loans in that banking environment. A fourth barrier deals with the employment culture of the area. "To find out about jobs in this community is a big deal." "The jobs are not advertised in the newspaper!" "The job market is secretive in the area." "You would not know that there is manufacturing here by looking at the newspaper." "How do you find out?" "The job market in this community is secretive. This does not foster business growth."

Mrs. Hunt felt that in the future local intermediaries should strive to provide a greater base of information for potential entrepreneurs. She also felt that area institutions should provide "hands-on evaluation of business ideas." Potential entrepreneurs "need access to sophisticated guidance and information." "It is daunting in communities with an information and resource gap." She added that local intermediaries "are not aggressive or integrated." Local intermediaries should

work more closely together in the area to promote entrepreneurship. "They don't see themselves as part of a whole but as individual entities." Hunt also felt that the lack of vision from the community has resulted in a huge gap in the type of businesses in the area. "We have Wal-Mart and downtown merchants with nothing in between." She felt that the lack of entrepreneurial history in the area has also contributed to this gap.

Harding University, Small Business Institute

Bill Hemphill is the Director of the Small Business Institute (SBI) at Harding University in Searcy, Arkansas. The SBI has been operating for over twenty years according to Hemphill. At one point, the SBI was a Small Business Administration designated Small Business Development Center (SBDC). However, funding was cut and many of the regional SBDC's in the state were consolidated into one at University of Arkansas at Little Rock, according to Hemphill. The university was provided funding to sponsor start-up seminars but funding cuts for that activity eliminated that service.

The philosophy of the SBI is two-fold, according to Hemphill -- first give the students the tools they need to be successful in starting a business and secondly to serve the community. Services provided by the SBI includes a range from "initial sit-down sessions to talk about considerations -- in some cases that overwhelms

them -- to the development of a full blown business plan." Hemphill added that most of the time the business plan is more than what the entrepreneur wants or needs. The service of business plan development is structured through an academic course offered to university students. The students work with the entrepreneur to develop the plan. This experience provides the student with a "planning framework that will allow them to get a leg up on some of these other folks [starting businesses] . . . we have all heard the statistics that eighty percent of small businesses fail within the first five years . . . I want to give them some tools to help them." They are more inclined to want assistance in marketing ideas. The effort is collaborative in that faculty with different expertise are brought in on an as-needed basis.

"I don't know how successful we have been . . . we have had a few come to this who realized that there is a lot more to this and they were not ready for it . . . I consider that a success. The most successful strategy is to "find someone who knows what they want to do who has a good technical background in what they want to do." There are some unrealistic expectations of clients; many believe that they can come to the SBI and "verbalize a few business ideas and . . . the college students will provide them with a business plan." "It has to be interactive." They must also have enough "drive and want-to . . . or this thing doesn't have a chance."

An individual must have technical skills and business skills to be successful in forming a new venture. "You got to have both," stated Hemphill. He also added that, "Very few people have both." If one does not have both, then the entrepreneur must be able to purchase one of these skills. "I suggest to them that they find an entry level job in the industry that they are thinking about going into. . ." One of the first things someone starting a business should do is to acquire the services of a good lawyer, accountant, and insurance agent. Furthermore, "you need to be brutally honest with yourself" in assessing your ability to start a business.

You need to match infrastructure to the needs of the businesses. You have to analyze the capability of the community to support a business. "Do you have a business mindset." "It's amazing to me . . . how many communities, especially small and rural communities, do not have a business mindset . . . some have a very anti-business mindset." The communities say, "We are not interested . . . we don't want to be a big city." There "needs to be a business development mindset developed among local politicians." We "need to get away from business as usual or no business as usual." "I don't believe that you can just hand out grants" to develop business. "I think what government can do is assemble expertise and do some things to help facilitate business development." "Sometimes we make starting business so hard . . . we run people all over town or the county getting the licenses and permits -- this is without exception." "We need a one-stop shop for starting a

business where there are representatives of all the government agencies." "If we learned anything from what the SBA used to do in making direct loans . . . we learned that the business owner needs to take some financial risks . . . otherwise you are going to set up programs for abuse." The programs should not provide 100% financing.

The strategy that should be used in small towns is to "look outward," develop a forward thinking mentality this usually does not exist in small town and rural communities. "Identify the hot markets of the future." "Develop relationship with people from other disciplines." It is important for government to identify and provide the infrastructure for these new markets. One example Hemphill pointed out is the expansion of knowledge based services. This is going to require things like fiber-optics telecommunication systems and micro-wave relays. Hemphill felt that the government should provide this new type of infrastructure. "You have to develop a forward thinking mentality."

As a resource for potential entrepreneurs he felt that the SBI is underutilized. This is because of the lack of advertising. "We could support a whole lot more." Mr. Hemphill defines entrepreneurship as being distinct from small business management. He said to be an entrepreneur is to "take a new process or new idea and make it work." Something that is "cutting edge . . . involves innovation and

forward thinking. Hemphill felt that the skills of entrepreneurship could be learned. But you, "Can't teach someone to predict the future . . . I can show them a framework, the questions they should ask."

The most significant barriers entrepreneurs face in forming business ventures in the area is the lack of local investors. "You have to convince them that you are better than blue-chip stock . . . that's the big barrier." "People are so conservative with their money." New ventures in the area are usually significantly undercapitalized. "Two very significant events occurred in the 80's that effected the thinking of people who had money to lend -- the SBA debacle . . . they made a lot of bad loans ... many businesses saw this as free money, and the lack of trust of lending institutions caused by the S&L crisis." "This has tempered commercial loans." He added that, "It does not spell a very good climate for new business venture."

Mr. Hemphill felt that the problems entrepreneurs face in small towns and rural communities are not very different. "I think they are the same type problems. . . with different twists."

Hemphill believed that the role of local intermediaries should be to identify the future markets, specifically to identify the new export or basic industries.

Intermediaries should focus on export industries instead of non-basic industries. He stated, "[You] can't re-plow the same money . . . that is not economic development." Also intermediaries should focus on workforce development. "There are a tremendous number adults over the age of 25 who don't have a high school education."

Arkansas State University-Beebe/Arkansas State Technical Institute

Keith McClanahan is the Industrial Relations Coordinator for the ASU-Beebe/ASTI. ASU-Beebe/ASTI provides training for the Existing Workforce Training Program (EWTP) a program administered by the Arkansas Department of Higher Education, Arkansas Department of Education-Vocational Technical Division, and AIDC. Mr. McClanahan stated that this is the "educational delivery of economic development." The program reimburses, from 20 percent to 70 percent up to $50,000, manufacturing industries (companies with SIC 20-39 are only eligible) for training designed to upgrade the skill of their workforce. The Industrial Coordinators work with industry to design the type of training they need. This office was established as an Economic Development Center in the mid-1980's for the University. In the past the seminars and some consulting to entrepreneurs were provided; this function has been eliminated. These services were provided through a grant from the Arkansas Department of Higher Education.

There are twelve EWTP service areas across the state; parts of the WRPDD are located within four of these service areas. Besides the ASU-Beebe office (White County), Industrial Coordinator offices are located at Ozarka Technical College in Melbourne (Izard County), Bald Knob Vocational Center in Bald Knob (White County), ASU-Beebe/Newport (Jackson County), and Gateway Technical College in Batesville (Independence County). Offices in Conway, Russellville, Morrilton, and Malvern serve Van Buren County; these offices are located outside the WRPDD. The ASU-Beebe office is the largest institution and has the most resources available for this program within the District. The EWTP, however, does not provide start-up training. "When people are interested in start-up training, I refer them to AIDC," stated McClanahan.

One strategy Mr. McClanahan would prefer to see implemented by ASTI is providing a comprehensive source of economic development information. "One thing that hinders me . . . is sources of economic development information." Also there is a need for a local economic developers' forum to develop professional networks; this would facilitate economic development information. "The network that we ought to have could provide that [information]." "There is no formal network at all," according to McClanahan. He believed that there was some one-on-one relationship between local chambers and AIDC in regard to attracting new industry. In regard to entrepreneurship development no such relationship exists. He noted

that, "AIDC has people categorized in areas of expertise." This is not conducive to a comprehensive knowledge of their programs at the local level. He added, "There are networks available in the state that because my job title doesn't say 'human resource manager' that I can't go to." "For instance there is a personnel management association." "We are mostly education providers . . . that is an important part of economic development." "But we don't get involved in traditional economic development." The SBI "uses manufacturing directory to find contacts." "I purchase one every year." McClanahan also works with staff at "AIDC to find manufacturer's to market services to."

The most significant barrier to new venture start-up in small towns and rural communities according to McClanahan is the "lack of willingness of the community to accept growth . . . particularly in the small towns in this part of Arkansas a good portion like the small town atmosphere." "They don't want to change . . . they especially don't want to see a manufacturing company come in." "They want to pick and choose industry." McClanahan felt that this also included the attitudes of "the people actually working in economic development."

One of the things local intermediaries should focus on according to McClanahan is to reevaluate the incentives offered to businesses. "We have a lot less to give [in incentives] . . . a company" than other areas of the country. Mr.

McClanahan also feels that an industrial training internship program offered in the area would encourage entrepreneurship. "We don't have a lot of internship programs here." Such a program could provide potential entrepreneurs the technical training they need to start their own business.

McClanahan defines entrepreneurship as "taking an idea and making it a success." He felt that many entrepreneurs in the area do not have the basic business skills necessary in forming a successful new venture. He believed that these skills could be taught. McClanahan added, "The willingness of these guys to go out and take a chance is a natural self-confidence." "I don't think that can be taught." "The financial management, accounting, and cost-benefit analysis types things can be taught."

Chapter VI

Entrepreneurship in the WRPDD

This section presents a summary of the interviews of twenty-eight entrepreneurs in the District, representing twenty-two businesses. The businesses were randomly selected from a sample frame consisting of chambers of commerce members from the Cities of Batesville, Newport, and Searcy, Arkansas. Criteria for selection to be interviewed included that the business had been operating for at least one year, that the owner started the business, i.e., the business was not a branch plant or subsidiary of a non-local corporation. As many of the branch plants or corporate subsidiaries were removed from the sample frame as could be identified, as well as lawyers, physicians, accountants, and farmers. Five of the firms are coentrepreneurial firms, i.e., married couples and one partnership. Four interviews were developed into case studies to provide a greater sense of the entrepreneurial process in the White River Planning and Development District.

All the enterprises represented evolved from very humble beginnings, some to become multi-million dollar industries. While no question regarding the native origin of the entrepreneurs was specifically asked, only three of the entrepreneurs were not native to the District and only two were not Arkansas natives. The sample represents a very broad range of businesses; it includes a small daycare center

employing one person up to a furniture manufacturing firm employing over 100 persons. Most of the entrepreneurs had no previous experience in the industry in which they were working, but felt that their lack of experience did not hinder them seriously. This is contradicted by the fact that most listed the "lack of knowledge" of business and the industry or the "huge amount of learning that was required" as their most significant barrier in forming their business. The businesses represented are mainly non-basic industries and services; forty-five percent of the firms generated 100% of their sales from within the District. Forty-five percent of the firms were started solely by an individual man. Approximately 27% of the firms were started by an individual woman and 27% were coentrepreneurial firms, i.e., married couples. The interviews indicate that financing for the first year, especially for women, is difficult to obtain in the District. Forty-five percent of the firms financed 50% or more of the costs associated with start-up with their own personal money. Twenty-three percent of these firms were firms owned solely by women (18% of the firms were required to finance 100% of the start up cost, all of which were firms owned solely by females).

The businesses represented are very small. Thirty-two percent of the businesses employed only one person and seventy-three percent employed five or fewer. The entrepreneurs were fairly well educated; 31% have a college degree. The men tend to be more educated than the women; only two women had college

degrees. Nineteen percent of the women had only a high school education. The businesses, in general, were long lived. The average age of the firms was 13.66 years. Firms owned solely by men were somewhat older than those owned by women. On average male owned businesses were 18.70 years old, while female owned businesses were 10.5 years old.

Women were slightly older than men when they started their business -- 35 years compared to 32.19 for men on average. About 55% (12 firms) of all the firms required some amount of debt financing. All but one firm that used debt financing found financing through a local bank. However, about 45% (10 firms) of all the firms did not receive any financing assistance (four female owned firms, four co-entrepreneurial firms, and two owned by an individual male).

Most of the entrepreneurs felt they were "forced" into entrepreneurship or they started their business "out of necessity." Another common reason was that they had "always wanted to own a business." The personal definition of entrepreneurship by the entrepreneurs interviewed can be put into five categories (in order of greatest response) -- "vision/creativity," "control of life/freedom," "don't know/can't define" (14% did not know what the word meant), "profit motive," and "owning a business." Nearly 30% defined entrepreneurship in terms of "following a vision" or as a "creative" activity. Approximately 36% of the entrepreneurs stated

that "people skills" was the most important skill in forming a their business. About 21% stated that "persistence" or "determination" was an important trait. Twenty-one percent stated that simply being able to do "hard work" or "long hours" was the most important skill in forming their business. Women in general worked longer hours per week in their business than did men in the start-up year. Men worked 53.31 hours per week, while women worked 63.17 hours (including those in co-entrepreneurial firms). However, women worked slightly less than men currently; men work on average 54.07 hours per week, while women work 52.82 hours per week.

Most of the significant barriers faced by the entrepreneurs in forming their businesses can be categorized into five groups (in order of greatest number of response) -- "advertising/developing client or customer base" (seven firms), "lack of knowledge" (six firms) and "cash flow" (six firms), "capitalization" (four firms), "good help" (three firms) and "discrimination" (three firms, all of which were owned solely by women). One woman stated that her most significant barrier in starting her business was "being a woman in the South." Ninety percent of the firms felt that local community groups are supportive of entrepreneurs in the District. However, 40% of those who thought community groups were supportive did not personally receive any support from any community group. This indicates that community groups are probably given more credit than they deserve. Most of the entrepreneurs felt that local intermediaries, such as chambers of commerce, development

organizations, and local government should make more community improvements, particularly in infrastructure, to improve the environment for new business venture formation. They also felt that they should do more to promote the community and the products made in the community abroad. However, many firms did not know what could or should be done. Approximately 46% of the entrepreneurs had a parent that started a business; all of this 46% felt that their parents example influenced them to start a business. Most of the firms sought non-financial assistance from "people who worked within the industry." All of theses sources were non-local, i.e., not in the District (this provides some evidence regarding the proposition by the Floras that close ties offer redundant information). The entrepreneurs interviewed did not generally seek advice or information often. Approximately 36% of the firms sought advice only a couple of times in the startup year. Generally, immediate family members were supportive of the entrepreneurs' decision to start a business. Below is the list of questions and a summary of the responses in full. The questionnaire is located in the Appendix.

Questions for Entrepreneurs

1. Type of business? Description of services or products offered.

The twenty-two firms represent a broad range of businesses in the District. Businesses represented include a food wholesaler, a bridal and formal shop, furniture retailer, child day care center, stained glass art shop,

picture frame shop, furniture manufacturer and wholesaler, tool and die shop, custom clothing embroidery service, gymnastic school, restaurant, financial service, food processor, lumber mill, wholesale gift and home decor manufacturer, gift store, leather goods manufacturer, lingerie retailer, two gourmet food processors and wholesalers, and two insurance agencies.

2. Did you have previous experience in this type of business when you started your new business venture? If so do you feel that this experience contributed significantly to the success of your business? If not, do you feel that this hindered the formation of your business in any way?

Seven of the businesses did not have any previous experience in the industry in which they were working. Four of these said that their lack of experience was a significant hindrance in starting their business. Two felt that is was not a hindrance; this was the bridal and formal shop and the picture frame shop owners. One entrepreneur did not know if his lack of experience hindered his success. Fifteen of the observations had previous experience in the industry in which they were working. All felt that their experience had contributed significantly to their success.

3. What percentage of your sales are generated from within the area and outside the local area?

Ten of the businesses made 100% of their sales in the District. These were primarily the services and retailers. Three businesses sold nearly 100% outside the District; these included a large food processing company, a furniture manufacturer and wholesaler, and the lumber mill. The home decor manufacturer and wholesaler generated 70% of sales outside the District. One gourmet food processor and wholesaler had a 50% split. Seven businesses made 65% to 80% of their sales in the District. On average, 75.59% of all the businesses' sales were generated from within the District. Approximately 23.95% of sales are generated from outside the District (totals do not add to 100% due to rounding). On average the sample represents non-basic industry.

4. Gender?

Six of the businesses were started solely by female entrepreneurs. Ten were formed by male entrepreneurs. Three businesses were formed by entrepreneurial married couples where the female apparently assumed the dominant role. Two businesses were formed by couples where it was apparent that the male assumed the dominant role. One firm was a partnership; both partners were male.

5. Number of persons employed?

The largest firm in the sample employs 100 full-time employees and 60 part-time employees. Seven businesses employ only one full-time person. Five businesses employ two full time people. Two businesses employ five full-time people. One business employs three full-time people. So, seventy-three percent of the businesses represented employ five or fewer people. The total number employed by the businesses sampled was 323 full-time people and 97 part-time.

6. Educational attainment?

The businesses are represented by 28 entrepreneurs. Eight entrepreneurs had a college degree; six of which were male and two were female. Eight had some college education but did not hold a degree; five of this group were male and three were female. Two male entrepreneurs had graduated from a junior college and held an associate's degree; no females were in this group. Nine entrepreneurs had only a high school education; four were male and five were female. Only one entrepreneur, female, did not have a high school degree.

Of the female dominant businesses, one female had a high school degree while her husband held a college degree. Another female held a high

school degree and her husband held a high school degree. One female had some college while her husband held a high school degree. Of the male dominant businesses, one male had a college degree; the other male had some college and both females had high school degrees.

7. Number of years in business?

The average age of the businesses was 13.66 years. Businesses formed by men had an average age of 18.70 years; the average age of businesses formed by females was 10.5 years. Co-entrepreneurial businesses had an average age of 8.7 years.

8. Age when started business?

Females on average started their business at age 35; males started at 32.19 years. Co-entrepreneurs were on average 33.60 years old when they started their businesses.

9. Personal cash investment during start-up year (as percentage of total start-up cost)?

Ten firms, 45%, required 50% or more in personal cash investment to start up (five of these were firms owned solely by women); of these ten, seven financed 100% of the start-up cost. Four fell into the 11-20% category.

Three fell into the 21-30% category. Two firms did not require any personal cash outlay. Two required 1-10% and one fell into the 31-40% range.

10. If debt financing was utilized, state amount as percentage of total start-up cost?

Of the six businesses started solely by a female, four of the businesses did not use debt financing. One received borrowed 1-10% of required start-up capital from a local bank; another borrowed 100% from a local bank. Eight of the ten businesses started solely by men borrowed 50% or more of the capital necessary to start the business; all but one the loans were made by local banks. Two of the co-entrepreneurial businesses received 50% or more of the start-up capital from local banks; four did not use debt financing.

11. Lending source?

With one exception, all loans in the start-up year for the businesses that borrowed money received funds from a local bank.

12. Was it necessary to use several lending sources? If yes, what was the percentage breakdown of your debt financing by source and by location of source?

No business used more than one lending source.

13. Why did you to start your own business?

Most of the entrepreneurs indicated that they were forced into entrepreneurship or they started their business out of necessity. Some wanted to live in the area but could not find a job. Several were forced out of jobs. Many entrepreneurs indicated that they had "always wanted to own a business" as the primary reason for starting their business. Many indicated that self-employment worked better for their lifestyle.

14. What does entrepreneurship mean to you?

The responses can be categorized as "control/freedom," "profit motive/employment," "vision/creativity," "own a business," and "don't know". Most entrepreneurs (eight) felt that entrepreneurship involved following a vision or as something creative. The second most popular response (five) was that entrepreneurship involved "personal control" of one's life or "personal freedom." Four did not know what the term "entrepreneurship"

meant. Three stated entrepreneurship was "owning a business." Two stated that it involved making a "profit." Responses from coentrepreneurs represent one response.

15. What skills contributed to the success in forming your new business venture?

Ten of the entrepreneurs cited "people skills" as the skill that contributed most to their success; this was the most cited skill. Six entrepreneurs contributed "persistence" or "determination" to their success. Six stated working "long hours" or "hard work." Six stated that their past background experience in their industry contributed to their success. Numbers add to 28 due to multiple responses.

16. During the start-up year, how many hours per week did you work at your business?

Men, including those in coentrepreneurial firms, worked on average 53.31 hours per week. Excluding men in coentrepreneurial firms, the average was 63.70 hours per week. Women, including those in coentrepreneurial firms, worked on average 63.17 hours per week. Excluding women in coentrepreneurial firms, the average was 71.50 hours per week.

17. How many hours per week do you work now?

Men work on average 54.07 hours per week, including men who work in a coentrepreneurial firm. Women work on average 52.82 hours per week, including women who work in a coentrepreneurial firm. Persons working in coentrepreneurial firms work on average 48.8 hours per week.

18. What were the significant barriers you faced when forming your business?

The most significant barrier faced can be categorized into "advertising and/or developing client or customer base." Seven firms stated that this was a significant barrier. "Lack of knowledge" of business or the industry was the second most significant barrier, cited by six firms. Cash flow was cited by six firms. Adequate capitalization of the business was cited by four firms. Finding "good help" was cited by three firms. Discrimination was cited by three female entrepreneurs; one stated that "being a woman in the South" and in business was very difficult. Other barriers cited were "being small", "finding a place to rent" or "expensive rent", "government red tape", and "fear." One female entrepreneur stated that she "didn't have any" significant barriers. Numbers add to 32 due to multiple responses.

19. Do you feel that the local community groups are supportive of entrepreneurs? What groups are supportive? Did you receive any help from them? What was the nature of their help?

Entrepreneurs at twenty of the firms stated that local community groups are supportive of entrepreneurs in the area. One entrepreneur said they were not and one did not know. Of the twenty firms that stated community groups were supportive, eight (40%) said that they did not receive any support personally, however.

20. What actions should be taken by local intermediaries (chambers of commerce, development organizations, local government, etc.) to improve the environment for new venture formation?

The actions the entrepreneurs thought should be taken by local intermediaries can be categorized into seven responses (in order of greatest response) -- "physical/community improvements", "promotion", "don't know", "network building", "financial", "industrial recruitment", and "training." Six stated that more physical/community improvements should be made such as "keeping things neater", maintaining "good schools and hospital", "provide for good traffic flow", and "provide places to rent." Five firms responded that local intermediaries should promote products and the community abroad more. Five firms did not know or feel qualified to answer the question. Three

firms stated that local intermediaries should either provide financing, "make it easier to borrow money", or "make people aware of [the] financing available." Two of these firms were owned by women and one was a woman-dominant co-entrepreneurial firm. Three firms wanted local intermediaries to encourage networking among local businesses. One firm thought there was a need to "try to hook up people who want to start a business with people who are in the business." Three firms felt that local intermediaries should focus on industrial recruitment; one stated that there was a need "to develop [more] industrial parks." Only one firm stated that there was a need for training in business skills. Numbers add to 27 due to multiple responses.

21. Has anyone else in your family started their own business? Do you feel that their example influenced you to start your own business?

Thirteen of the entrepreneurs (46.4%) had a parent who owned a business; all but one of the entrepreneurs felt that their parents example influenced them to start a business (one entrepreneur's father died while he was very young). Fifteen (53.6%) of the entrepreneurs did not have a parent or other close relative start a business.

22. From whom did you seek non-financial assistance (advice, information, etc.) in the start-up year?

Ten firms sought non-financial assistance from "persons that worked within the industry" of interest. All of the sources were non-local except one. Family members were the next most used group; five firms sought assistance from local family members. Four firms used friends, all of which were local. Two firms sought assistance from professionals, one local professional and one non-local. Four firms did not seek any non-financial assistance.

23. How frequently did you seek advice and/or information from each?

Advice was sought very infrequently; eight of the firms responded that they only sought advice "a couple of times" in the first year. Only four firms sought advice on a daily basis. Four firms did not seek any advice. Three firms sought advice once per month, another twice per month. One firm sought advice two to three times per week in the first year. One stated that advice was only sought "as needed."

24. Was your immediate family (parents, spouse, and children) supportive of you decision to start a new business venture?

Four of the female entrepreneurs indicated that their family was supportive of their decision. One indicated that she was not married and has

not had any contact with her parents in many years so they were unaware of her decision. Eight of the male entrepreneurs indicated that their family was supportive. Two of these stated, however, that their wives were very doubtful in the beginning. Two indicated that their family was very much against their decision and tried to prevent them from starting their business. Twelve of the coentrepreneurs indicated that their family was supportive; this could be expected since all but two (the traditional partnership) were married. However, one woman indicated that her husband was very reluctant in the beginning.

The following entrepreneurs and their firms were selected as case studies to provide a greater sense of the process entrepreneurs go through in starting their business in the District. The names of the case study entrepreneurs have not been used to protect their identity.

Case Studies

Observation #1

The first observation was a thirty-seven year old man, an area native, who currently owns a financial services company. He is a first generation entrepreneur and dropped out of college after two years to start his first business, photography, at the age of nineteen, which subsequently became very successful. He is one of the

few interviewees that has owned more than one business; in this he is the exception. He sold that business at the age of twenty-eight and started the financial service business. The sale of his previous business provided him and his family with enough income to live without depending on his infant business for a livelihood. It also allowed him to start his new business without borrowing capital; he has operated the financial service business for the last eight years.

He cites a desire to change his lifestyle as the primary reason for starting his existing business. "I looked around in the community and targeted individuals in their sixties that I could point to and say, I'd like to be where that person is when I'm in my sixties. I liked their lifestyle, their working hours, and their health appeared good; most of these people were in similar types of businesses." "My time became more important than income . . . money and things don't make you happy, activities do."

Relationship building is one of the most important skills in building a successful new business. Decisiveness is very important. "You need to be able to size up a situation and make a decision quickly." The subject built name recognition in the community with the first business. "Everybody knows me, and I know everybody . . . in that way my first business has helped me tremendously (in this venture)."

During the start-up year the entrepreneur worked approximately sixty hours per week. Currently he works approximately forty hours per week. "In five years, I would like to work about thirty. I am in still in the building phase, but I don't like to work Saturdays."

He knew nothing about financial services when he started the business. The most significant problem was the amount of learning required. "The overwhelming education that I had to ingest quickly. It takes time to fill the gaps of what you don't know . . . it takes a lot of time. In the first few years you depend on others who have this knowledge . . . it took me six years to become competent. That was the biggest hurdle."

The subject felt that local intermediaries were supportive of new business ventures, but had not received any himself starting either business. He felt that he did not need help from local intermediaries. All the assistance he received was from his out-of- state parent company. The industry provided ongoing education, mentorship, and contacts, and a supportive management team. He was provided assistance, at one point, on a daily basis from peers in the industry. "Just because you have a license, doesn't mean you know what you're doing."

Being debt free from the beginning was the major factor in the success of his business. "Selling the first business gave me supplemental income to start this business. A big factor in the success of a new business is to be free of debt and not eat out of the business. That reduces the amount of capital free of debt to invest in your business. That is the biggest thing that swamps new business. If you look at most new businesses they make a profit, but not enough to provide the entrepreneur with a living, so he in turn cannot service his debt. The biggest key is to take the income pressure off the business, it's going to make it."

He felt that that local intermediaries could not do much to improve the environment for local new business venture formation. "There's only so do much they can do." "The best they can do is to promote the community abroad." "In this area [in business] there is a food chain . . . you got whales, then you got all sorts of smaller businesses that exist because of the whales; these are the minnows." "The biggest benefit [local intermediaries could provide] is to round up whales; because where there's whales, there are minnows." He also noted however that loans were more difficult to obtain in the area. "Eighteen years ago, loans were more character based loans . . . today I think there is less of that now."

He associates entrepreneurship with independence and opportunity. "[An] entrepreneur is someone who has a passion." "My first business was the most

important thing to me in the world." "What else will drive an individual to work fifty to sixty to seventy hours a week, twelve hours a day." "It is not money -- it is a passion." "Money is not the end object most entrepreneurs are going for." "An entrepreneur's company is like a member of your family, a child; when you sell your business it is like marrying-off a child. . . and you go through a grieving process!" "That business is just as important as your family." "It sound mortifying to say that your business is as important as your child." "But the truth is -- you spend more time with the business and [it] provides the wherewithal to support your children." "That business is a living entity to the entrepreneur."

He did not feel that most entrepreneurs looked at themselves as tremendous risk takers. "I think most people writing books about entrepreneurship, are people who are not comfortable without a sure thing." "[Entrepreneurs] like independence that self-employment provides; [they] like the control." "They create a job for themselves out of something they really want to do." "I work with people all day long who are living for retirement." "That is sad . . . a tragic waste of humanity." "Somebody who is forty years old whose goal is retirement." "Where are their priorities?" "These people spend eighty percent of their lives miserable, for twenty percent enjoyment."

Observation #2

The second observation is a husband and wife team whose business involves the production and wholesale of salsa. They also own a restaurant; however, the salsa is the primary focus. Both are natives of the local area and are first generation entrepreneurs. The husband holds a bachelor's degree in accounting with a strong financial background. The wife has a high school education and has learned the business as the company grew. The husband and wife team, age forty-seven and forty-two respectively, started their business from their home while the husband was working as an accounting manager for a local retail business. He has held this position for the past fourteen years and continues to hold this position. The wife is a homemaker and works full-time at their business venture.

The couple initially made the salsa for friends, family, and local community functions at home on the cooking stove and canned the product in unlabeled Mason jars. The couple then, at the suggestion of friends, introduced the product at local church craft fair. From the fair they received several commercial accounts, mainly local grocers. They continued marketing the product to local grocers by giving free samples. "We've also gone to these stores and set-up booths to give free samples to people as they walk through the door," said the wife. The husband added, "How are you going to get someone to buy something if they don't taste it." The couple

subscribe to Inc. Magazine and Nation's Business and found that these magazines recommend that sort of marketing for food products. "This has worked well to get the product into local stores," they said. The couple eventually became involved with a major food wholesale company through a friend, marketing primarily in the South.

Within a few months after receiving their first commercial account, the specialty food business outgrew their home. The Arkansas State Health Department required the couple to find a more suitable location for the preparation and packaging of the product. The couple rented space in an existing restaurant owned by a friend. Within a few months the business began to outgrow this facility.

The couple had an idea to start their own restaurant to pay the overhead for the production of the salsa business. This was intended to prevent tying-up the husband's salary income with the operation and maintenance of the salsa business. The creation of the restaurant was intended to be a means of supporting the manufacture and sale of the salsa. The couple was introduced to White River Planning and Development District, Inc. through the County Judge; the couple sought and received a loan from the WRPDD, Inc's. Revolving Loan Fund program. The loan was collateralized with the couples' savings which exceeded the face value of the loan. The funds were used to create the restaurant and to expand the

salsa business. As a percentage, the couple invested 10% of the total start-up cost. At this point the couple incorporated their business.

However, the couple underestimated the time and effort needed to make the restaurant successful. "Had we known of the existence of local food processing companies who would contract the packaging of our product, we would have not started the restaurant" . . . "the restaurant has be a drain on our assets and time," said the husband. He added, "It has caused us to be late on our loan payments a few times . . . it is a significant drain on our cash reserves." The salsa business has subsidized the restaurant, instead of the restaurant providing a friendly environment for the salsa business. However, the businesses combined are self-sufficient and do not require subsidization from the husband's salary income.

The couple now contract the production of their specialty food item with a local food processing company and have intentions of selling the restaurant. The couple now focus mainly on the financial aspects and marketing the specialty food item. Everything learned they learned themselves and from those in the industry. The couple relied heavily on friends who had contacts in the industry.

The couple felt that the most important skill in starting a successful business is the ability to keep control of unit cost. "It is very difficult to get reliable help who

see the necessity of controlling per unit cost." The couple had special difficulty with controlling cost in the restaurant which was managed by a hired individual. "Our first manager stole us blind." "I could look at the financial ratios and see that product was walking out of the store," said the husband. Also the employees did not conform to product specifications resulting in abnormally high per unit cost.

As for the salsa business, controlling cost was less difficult because the couple had more direct involvement in the production, and the wife kept the books. The couple felt that the food processing company that now contracts production does a good job of controlling cost. "They are well worth the money spent on producing and packaging the product," said the husband.

The salsa business was the primary interest all along. "That is what we want to do . . . we want to make a great product," said the husband. Also, of interest but seemingly of less importance was to provide independent means of income so the husband can quit his job, preferably before retirement age and spend more time with family and devote time to the business. "I could continue working at my present job and have a substantial retirement," he added, but this would not be conducive to the lifestyle the family desires.

The couple felt an entrepreneur was a person that is independently oriented; [one] "can't say be your own boss because when you're self employed everyone is your boss. It's service, to do well and do what you want to do. . . this is what we want to do."

During the start-up year the wife worked approximately forty hours per week at the restaurant and the salsa business. She works about sixteen hours per week at the restaurant now, and devotes as much time as necessary to the salsa business; generally meaning until midnight, every day. The husband would work twenty hours per week in both the salsa business and the restaurant during the start-up year, but he does not work any hours at the restaurant currently. The couple works thirty to forty hours on weekends on the salsa business. The work involved is primarily financial, making contacts, promoting the product, delivering to local grocers, product development, and providing ingredients to the contracted food processing plant.

The most significant problem faced when starting the restaurant was employee problems. As mentioned, many employees failed to control cost and stole from the company. Because the couple had significant collateral, securing a loan proved to be no problem. The most significant problem with the specialty food item was getting the large accounts interested. In the past year, the couple has taken on

a partner who is extremely well connected. "Just by making phone calls, he has opened doors we've been knocking on for six years," said the husband. The new partner works on a commission, receiving ten percent of the accounts he develops. The partner is employed full time within the food wholesale industry outside the local area.

The wife is currently working with a catalog company to introduce the product nationally. At the husband's 30th class reunion, he became reacquainted with a classmate who was an exporter. Through his classmate the couple are currently working to export product to the Middle East.

The couple felt that the County government, especially the Judge, was a tremendous help in promoting business in the County. "He was a big help to us," said the husband. "He represented us to White River Planning and gave us a good word." The mayor of the city had offered to help the couple and the local chamber "talks it up." The couple felt however the local government and other local intermediaries were limited in their ability to promote entrepreneurship locally. "I don't know if they would have the contacts to promote the product . . . you're better off getting private sector contacts." He added, "There is only so much they can do . . . besides there seems to be too much government intervention anyway." "At first, I would like them [local intermediaries] to have helped us obtain financing for a

processing plant." The couple felt in hindsight, that they were unprepared for running a large operation. "So it was good, in a sense, that they didn't help us do that."

The couple sought advice in the industry for sources of product. A friend who makes a specialty food item provided a lot of help. The husband's brother was a good general source of information. The husband did a lot of phone calling and visiting with knowledgeable people in the industry. The couple read business magazines but felt that the magazines were targeted for larger businesses, even the so-called small business magazine "[The] magazines did not focus on businesses that are as small as we are," stated the husband. At one time the couple were receiving some sort of help or advice daily. Now they make phone calls about once a week "when a particular problem arises." About half of the help the couple received was from local institutions and individuals. These people helped mainly during start-up. For the large-scale development of the product, nonlocal contacts were more frequently used.

"The restaurant was a bad idea . . . it took too much time from the salsa part of the business," said the wife. She added, "We should have set the salsa as our only priority, we have spread ourselves thin." The couple felt that focus was extremely important. "You have to know what you want to do, know how to do it and

don't let anything distract you." "Many times I would wake-up at two o'clock in the morning and throw-up from nerves. said the husband. He said, "I read an article in Parade [magazine] about Famous Amos . . . he said, 'one thing you don't want to do is get scared, if you're doing it, do it'; but you have to do it intelligently." "You have to be there . . . you can't depend on employees . . . work will not get done or you'll be stolen blind," said the wife.

The couple felt that, "The most necessary skill [in forming a successful new venture] is the ability to find demand and meet it in a profitable way." "That may seem like a obvious or simple answer, but everything else said and done, that is what matters, said the husband. The couple felt the business must be fun, but also must be profitable. "If it's not profitable, it just a hobby," said the husband. Controlling cost is extremely important. "We started the restaurant probably as cheap as we could." The couple's personalities seemed to compliment each other for creating a successful new venture. The husband who did most of the speaking, characterized himself as more "flamboyant," while he characterized his wife as more "level headed." They keep each other in check. "My wife is a lot more level headed; if not for her I would have probably found a way to build that plant and owed a million dollars."

Observation #3

The third case study is a middle aged man who started a furniture manufacturing company. He stated that he, ". . . grew up in the turbulent 60's and became quite disillusioned with the gap between my life and that of my professional parents." "The last thing I wanted to do was have a nine to five job, work every day, live in the suburbs, and have 2.3 children. I took a totally different approach. I wanted to do something fundamental, something that meant something to me spiritually; something that would change the world . . ." He got through one year of college and then quit. He said, "I wanted to be my own self-styled philosopher." "It was a different time back then [the 60's]; there was a huge gap between my generation and my parents." "There were a lot of influences then . . . the war [Vietnam]." At the age of twenty, the subject moved to Arkansas, bought forty acres in the woods and built a shack; he became a "back to nature type." He lived seven years in the woods without electricity or running water. He "tried to develop a lifestyle around [his] real values." He "became intrigued with blacksmithing [and] tried to make the craft applicable to modern lifestyle." He learned blacksmithing while working at a state park which demonstrated folk craft. The "state park had a program to train [blacksmithing], but [he is] mostly self-taught." He also learned from other local blacksmiths. He stated that he "was not driven to make a lot of money, but wanted to do something that had symbolic value, a quality product, timeless, with historical continuity." He also "did not overprice it"; he wanted to create a "humble

product." He had "no formal business plan . . . the plan was to try to create a business around my family."

He started his business with approximately $1,000 and found a forge and some steel. In the beginning everything was coal fire, hand made products. He started making fireplace tools and candle holders and then began making furniture; he was twenty-five years old at the time. Initially he started selling on consignment in local stores and with retail craft shows. About the time he started his business "there was a resurgence in interest in craft and folklore in the country -- it was just becoming popular." "I [was] an Eagle Scout and an outdoor type person and [was] disillusioned by the modern world," he stated. "Craft shows became a very hot thing in the 70's. A whole lot of folks my age were going to these shows . . . it was pure. Then people cared about what they made not about making money. Today the shows are more commercialized." The shows provided a way to create a cash flow and "it was an easy way to create new product ideas." He stated that, "You are so close to the customer you could find out whether something sold or not instantly." "My product line became whatever people were asking me for."

At one point he was participating in thirty-two shows per year. "I would work during the week [and] load up the van and drive out across the country." "I found I

was working myself to death." He estimated that he worked sixty hours per week during the start-up; however he continues to work the same hours.

He experimented with a few retailers. "At that time there was no iron products in the market in gift stores; nobody made iron products." He stated that he "had to create a market for iron products." Shortly, he stopped participating in as many retail craft shows and ". . . found it wasn't necessary to incur the overhead of the long drives to the craft shows and the expense of being on the road to sell the product." It was easier to establish a market and build a product for the wholesale market. This transition began with going to wholesale trade shows. He began selling to "craft galleries and art galleries. "The country look in home decor became an important trend in the United States." The company grew and the product line expanded. The company has evolved into a two manufacturing facility business, employing 100 full time employees and 60 part-time sales representatives. There is also a small retail business in town. The retail shop, however, is a negligible part of the business and is used simply to show case products. Now the company uses power forging units and hydraulic presses. The products "are less hand crafted today . . . many things are still by eye." Approximately ninety-nine percent of sales are made out of Arkansas. The company has been in business for eighteen years. He was twenty-five years of age when started the business.

He defined entrepreneurship as the "ability to create a vision that is different from anything else . . . a new direction . . . subjectively, as opposed to having a plan." He stated that, ". . . following a franchise plan is less entrepreneurial than creating something from scratch."

He felt that the trait that contributed to the success was that he was a "dreamer" and had "a lot of vision." He also felt that he was "too ignorant of real business practice to be discouraged. Tenacity and humility are also important traits. "I don't feel like I know everything so I listen real hard to what other people say I should do." "You should listen to more than one person." He added, "Then I try to seek out my own vision." He also thought that "determination" was responsible for his success stating that "staying with something is extremely important . . . it has never been easy, it is a constant struggle. He felt that having some artistic ability has contributed to his success. A very important factor in being a successful entrepreneur is ". . .not being driven by the money."

The most significant problems he faced when forming his business were lack of money and understanding of business. He did not feel that local community groups were supportive of entrepreneurs. "The local area is anti-business and basically unsupportive." This town is unusually stubborn and narrow minded. They want to hold on to a value system that they've always had . . . very subjective, that it

is right because it is their way. This community lives in denial about their problems. "The locals don't understand that they are inbreeding ignorance into their children, a backwardness."

Furthermore, local officials would not cooperate. He stated, "I tried to get into the industrial park which had no tenants." "I asked the county judge if I could move into it and he said no." "I was too naive or insecure to ask, 'Why?' or press the issue." "I [several years later] purchased some land; the banks loaned me enough money to buy the property." "It has cost this community hundreds of thousands of dollars that they did not let me in the industrial park." "Eventually he [the county judge] invited me into the industrial park." "[When] we moved we wanted a buffer zone around us to grow, but he [county judge] promised his buddies the land around us." "We had to buy out his buddies and it hurt us." "Our people down here are underpaid." "I cannot pay them what they should be paid; a lot of the reasons for that is the road blocks put in the way of this company by the ignorance of the local community . . . basic ignorance in how to work with us."

He felt that intermediaries, especially local government, should learn how to work with business and should not deny community problems. "There should be a open dialogue [with business]." He also felt that local zoning ordinances should be followed and aesthetic controls should be put in place. He also felt the community

should encourage tourism in the community. "They don't understand how big it [tourism] is." He also felt that some organization should offer mentorship. "I wished that I had had a mentor figure."

Observation #4

The fourth observation was a man who started a leather goods manufacturing company. He graduated from college in 1945 in Arkansas, but had to move because he could not find suitable employment in the area. He worked for a New York company from 1958 to 1980, twenty-two years. The company located a factory in his home town in Arkansas in 1979. The company asked him to move back to run the business. Once he moved back to Arkansas he did not want to leave again. "I always wanted to go into business for myself. My experience had been in manufacturing personal leather goods . . . I planned to go on in that, but it would have been in competition with the company I had worked for." However, "I took some stuff to Dillard's department store, some hand bags . . . they liked them." "The buyer told me she wanted one of each and that she was going to send them to Taiwan and have them copied." So, "I decided to look for a niche." He decided to make corporate gifts. His clients currently include companies such as Lexus, Jaguar, and FedEx. He also sells to the State of Arkansas. "I am not looking to become a big company." "My clients are mostly in Arkansas and states bordering Arkansas." "We are in a slow rate of growth . . . this is what we want." Only about

ten percent of sales are generated in the ten county area. The company currently employs twenty people full-time. The company has been in business for 13 years. He started the business in 1993, applied for loan in late 1994, moved into the current building in 1995.

He estimated that his personal cash investment in the start-up year as a percentage of total start-up cost was 20%. He financed the rest through a local bank. "I applied for an SBA loan in the start-up year but it took so long I couldn't wait on it . . . so I borrowed from a bank in small amounts at a time." By the time the SBA loan was approved, he no longer needed it. "I just had to start a lot slower. I went out and sold around $65,000 in orders before I had my machines. With those orders, I was able to go to a bank." "At that time interest rates were astronomical . . . I paid 17% [in interest]."

"I had a lot of contacts in the business." His contacts supplied him with materials and equipment, allowing him to pay when he could. "I gave them every bit of my business after that." He also used that in selling his products. "I told customers, 'You pay me whenever you want' . . . I haven't lost a dime."

He stated that one reason he started the business was that he, "always wanted to do [his] own thing." "I was in my late forties at the time and I was in line to

become president of the division I was in and I didn't get it for whatever reason . . . but they got to looking for younger guys and they began pushing us out in our late forties." "That's one of the reasons I left . . . I didn't see any future with them anymore." The company also made changes in product line that he didn't agree with. "They've been bankrupt for many years now." However, "when a company lets you go or forces you out, they can't say 'Leave all your knowledge here' . . . that's yours forever." He recommended that everyone should "get enough experience [in the industry you want to start a business] to do your own thing." He stated, "I feel very good about the move I made. If you work for someone else, in my opinion, you have to pay your way five times for them to keep you, so why not take the whole pie." However, ". . . it's hard to jump . . . because of the fringes and insurance; at the time I thought it [company benefits] was security, but it wasn't."

He defined entrepreneurship as "being creative. . . wanting to get ahead." He stated, "There is more than money to doing your own business. These ladies that work for me out in the factory, I feel good that I can give them a job. That is part of being an entrepreneur."

The most important skill that contributed to his success in forming the business was "people skills" He said, "You can't be pushy or over sell."

During the start-up year he worked 60 hours per week. He works approximately 50 hours per week now. "I don't really work hard [now] . . . you pay your dues before you get to that. "It was more difficult than I thought even with the experience. I would leave here, travel to St. Louis and maybe come back the same day . . . I would sleep at a rest stop." "I sold our 4,000 square foot house and we moved into a smaller house . . . it was like going from a Cadillac to a Nissan." "But you have to prepare." "You have to be ready to sacrifice." "Now we live in one [house] much bigger . . . paid for." The company now makes a million dollars plus in sales per year. "I make a decent living," he stated.

He stated that his family was very supportive of his decision to start a business. Eventually his family started working in the company. He stated that if you have a family business "there needs to be areas." "My wife is solely responsible for billing and all the office functions." "My daughter takes care of manufacturing now." "My son is the sales manager." "I'm going to retire." He added that family should only talk about the business at work . . . "don't talk about it at home." "My father could not read or write until he married my mother, but he never worked for anyone else." "He told me, 'Put your name on something even if it is nothing but a popcorn stand.'"

The most significant problem in start-up year was caused by the equipment. He had purchased used equipment and it was not working well. Another significant problem was getting good vendors and suppliers for brochures and catalogs. "In the New York company, we had people to handle that end of it." He was not experienced in that side of business. He stated that, "You need to investigate all the areas [of a business] . . . I didn't do as much as I should have." Another significant problem faced when he started his business was the tremendous competition. The way he competes with larger companies and cheap foreign products is that he "does it nicer, small orders, personalize the product, and better quality." "They can't do that with large orders from China." "I went to Anheuser-Busch a couple years ago . . . it was a cold call . . . a little girl came out . . . she said, 'I am so busy, I only have a couple of minutes.'" "I said, 'That's fine. I just want five minutes to show you my line and make you aware of what I do.'" "I was there for over three hours. "I showed her boss and his boss my line." "Wal-Mart called here . . . they wanted me to send them the cheapest thing I had." "I said, 'I'm not in a cheap business and besides you're too big for me.'" "I don't want that junk business."

He has had problems with employees, workman's compensation, and unemployment insurance, and the IRS. "I collected the state rate but the IRS [the State Revenue Office] did not notify me that I should be collecting city and county sales tax." "I never received notification from the IRS about this and was fined and

had to pay back taxes." "These are major problems for small business." "We don't have lawyers on staff and CPA's." He stated that, "The state and federal government have created so many rules and regulations for what we can do to run our own business that it takes a lot of the fun out of it."

He felt that the local community groups are supportive. "The state has some really good programs to help small business . . . I bought this building and renovated it with a state loan."

Local intermediaries should make the process for the programs they currently have more simple. "I made applications [for loans] . . . all the things you have to do to be considered is [formidable]." He also felt that intermediaries should advertise their programs better. "We don't know what is available . . . do more to advertise what you have available." He stated that the only reason he knew about the SBA programs was through an informal relationship with a local university. He felt that there should be a group that could provide real assistance. "If you had contacts with people who have been there . . . if you could talk to someone who has been there." "Business After Hours [a local Chamber program] is a social thing . . . that is good . . . it will not give them the expertise to start a business." A new business also "needs support of city council and mayor."

He felt that being able to communicate especially to write well was an important skill in starting a successful business. "Writing is very important, communication skills are so important."

He sought non-financial assistance from people he knew in the industry about two or three times per week. These were mostly out of state friends and acquaintances. "It would be very difficult to start out without friends." Some of his contacts were warned by his previous employer not to help him.

"I encourage people to do their own thing," he stated. "In our society today we do not encourage people to be creative." "We tell our kids to go to school, make good grades, so they can get a job in an office or factory and work thirty years to get a watch." "That's not what we need to be doing." He said, "I would do it all over again."

Chapter VII

Conclusion

While many definitions of "entrepreneur" can be found, all seem to agree that entrepreneurs are different from other people -- they are innovators. There is an increasing trend across the country to cultivate indigenous entrepreneurship, as a local economic development strategy.

Industrial recruitment has not brought economic security to rural economies. Small towns and rural communities are vulnerable to branch plant closures. Rural areas also generally have less to offer industry in incentives. This is especially true in the White River Planning and Development District (WRPDD). The area was designated an economically depressed area by the United States Department of Commerce in the 1960's and a local certified Economic Development District was created, namely White River Planning and Development District, Inc. Entrepreneurship development provides a new paradigm in economic development -- to grow indigenous companies in rural areas such as the WRPDD. Entrepreneurship development can be a successful

economic development strategy to diversify rural economies, providing some insulation to branch plant closures.

Many barriers to entrepreneurship exist in the WRPDD, including small markets, lack of management and business skills by the local population, lack of adequate infrastructure, and a pro-business attitude. Many of these can be overcome through entrepreneurship development strategies. However, entrepreneurship development is almost non-existent. Economic development in the District consists mainly of industrial recruitment. Economic development in the WRPDD is an uncoordinated, haphazard, fragmented effort of agencies working in virtual isolation of one another. Entrepreneurship development is a minor activity or non-existent at economic development agencies in the District. However, if entrepreneurship development is planned and implemented at the regional level, it can be a successful strategy for the White River Planning and Development District. The following is a list of strategies which may be applied in the WRPDD.

Strategies for the White River Planning and Development District

This chapter provides strategies that may be successfully used in the White River Planning and Development District to encourage indigenous entrepreneurship.

According the Reid there are three steps that communities can take to encourage entrepreneurship -- (1) Develop a community climate hospitable to new businesses, (2) Redirect resources toward entrepreneurship strategies, and (3) assist individual startups (Reid 335). In Chapter 4 several alternative strategies were identified by literature review and interviews. In Chapter 5, interviews with economic development professionals gave some insight on the strategies which are needed. Likewise the interviews of local entrepreneurs in Chapter 6 provided input into the strategies which are needed. The recommended strategies are placed into Reid's framework.

Developing a Community Climate Hospitable to New Business in the WRPDD

- One of the major tasks in the WRPDD will be to educate those individuals and organizations responsible for economic development about entrepreneurship development as an economic development strategy.

Most organizations are biased toward industrial recruitment. It will be difficult to make a paradigmatic change. However, industrial recruitment in the WRPDD should be done at the regional level as opposed to the local level. Most local officials and Chamber staff take industrial recruitment upon themselves. Generally, small town local officials and Chamber staff persons do not have the knowledge of the industrial recruitment incentives allowed under state enabling legislation to successfully recruit industry. They also do not possess the administrative capacity to implement serious industrial development strategies. Local officials should be educated on why entrepreneurship is important to the economy. Economic developers need formal, continuing education on the different entrepreneurship development strategies.

- Wide circulation of general information on how to start a business is needed in the WRPDD. Currently no organization provides this information in the District. The information should at the minimum include how to develop a business plan, how and where to obtain financing, and how much equity and collateral is needed to obtain a loan. The local chambers of commerce should fill this role.

- Communities in the WRPDD should recognize local successful entrepreneurs. This role should also be filled by the local chambers of commerce.
- Develop one-stop permitting and information centers in Batesville, Newport, and Searcy to streamline government regulatory procedures. These cities should at the minimum develop a Web site. City government will need to coordinate with state and federal agencies to provide the efficient delivery of this service.
- There is a serious need in the WRPDD to develop a local forum of economic development organizations, institutions of higher learning, local officials, chambers of commerce, state, and federal agencies. Economic development activities in the District are uncoordinated; organizations work in virtual isolation of one another. Such a forum will provide an opportunity for these groups to learn about the various programs that each operates. It will also bring an understanding how each group can play a part in entrepreneurship development.
- Communities should encourage participation in the state enterprise zone program. No businesses interviewed participated in the enterprise zone program.

Redirecting Resources Toward Entrepreneurship Strategies in the WRPDD

- Implementing entrepreneurship development strategies in the WRPDD does not need to redirect many resources from current industrial recruitment activities. Much could be accomplished through better coordination of existing programs and a commitment by organizations to work with local entrepreneurs.
- Most of the local intermediaries interviewed listed a need for business education for potential entrepreneurs before they attempt to go into business. This task should be coordinated through the institutions of higher learning in the District. Chambers of commerce and the other traditional economic development agencies do not have the expertise, staff, or equipment for this task.
- Local economic developers should identify the types of businesses that the District needs to diversify the economy. An economic base analysis of the District should be performed. The findings should direct the efforts of economic developers and entrepreneurship development strategies.
- There is a need for an entrepreneurship research function in the WRPDD. This role should be performed by colleges and universities in the District. There is a need for surveys to identify existing business needs, new

venture mortality rates, and degree of local business investment by financial institutions.

Assisting Individual Business Startups in the WRPDD

- There is a need for on-going hands-on technical assistance by new firms in the District. This role should be provided by the Chambers of Commerce in the District and through the Existing Workforce Training Program administered by the local junior colleges in the District.
- A feasibility study should be performed on locating a small business incubator for retail and wholesale business (the District does not have the technological advancement or research to operate a technology incubator) in Batesville or Searcy. These two cities have the best potential to develop a successful incubator: they have a major college or university; they have the largest population, hence the largest markets; and need commercial rental space. The study should be conducted by the White River Planning and Development District, Inc. The study could be funded from a USDA, Rural Development grant under the Rural Business Enterprise Grant Program.

- A "local investment company" should be formed in Batesville, Newport, and Searcy to provide residents the opportunity to invest in their community and venture capital for local potential entrepreneurs and their startup companies. White River Planning and Development District, Inc. as well as USDA, Rural Development and A.I.D.C. have the tendency to provide financial assistance only to existing businesses that have been operating for several years.
- All groups involved in economic development and/or entrepreneurship development should advertise their programs. Most organizations in the District do not advertise. Information on the existing programs offered in the District is not reaching the people these programs were intended to help.
- Local and county government should ensure that the infrastructure needs of small local businesses are addressed. Priority is given to out-of-state recruited industry.

These are some strategies that should be implemented to encourage entrepreneurship development in the White River Planning and Development

District. However at this point elaboration on the need to develop a forum of organizations is necessary.

Development of a Forum of Economic Development Organizations in the WRPDD and an Overall Entrepreneurship Development Plan

It is apparent that a forum of District planners, economic developers, chamber staff, and other closely related professionals should be created to develop, implement, and monitor strategies to encourage entrepreneurship in the District. Currently, in regard to economic develop activities, institutions, government, and intermediaries work in isolation. This will help to identify resources for entrepreneurship development activities.

The first step in developing the forum is to identify the primary actors. The primary actors in the District include:

Local

White River Planning and Development District, Inc.

Area Chambers of Commerce:

City of Batesville

City of Newport

City of Searcy

Educational institutions:

Lyon College

Harding University

Arkansas State University -- Beebe

City of Newport Industrial Development Corporation

State

Arkansas Industrial Development Commission

Federal

USDA, Rural Development, District representatives

These are groups whose primary objective is economic development. This interim group should identify other organizations whose traditional role is not in economic development but may have services available that can fit into the larger scheme of entrepreneurship development and pull them into the forum.

The Entrepreneurship Development Plan should be regional in scope, i.e., encompass the District. The group should work to develop District

economic cohesion and identity. There is a lack of cohesion which would benefit economic development activities. Cohesion among District businesses will bring about higher economic multipliers. This would include encouraging businesses to sell products and services to one another and encourage and strengthen a regional approach to economic development among those groups responsible for economic development. Enforcement of A-95 review would significantly contribute to District cohesion. This would require that all state and federal agencies report their activities to the regional clearinghouse -- White River Planning and Development District, Inc. However, this could only be done by an executive order from the Governor.

The purpose of the forum will also to be to educate its members about entrepreneurship development and techniques. It would also encourage the development of networks and professional relationships.

The group should focus on developing the first time entrepreneur. The group should develop a plan which:

1. Identifies measurable objectives.

2. Identifies businesses and industry which contribute to a diverse economy in the District.
3. Identifies potential entrepreneurs.
4. Provides initial education and technical assistance.
5. Provides a conducive environment for business success.
6. Provides on-going technical assistance.
7. Provides a monitoring mechanism to gauge the success of the participating entrepreneurs and the entrepreneurship development program.

The roles of each organization in the described process should be identified. The roles should be separate and distinct yet be interrelated to the whole strategy.

Future Research

Future research is needed in four areas: (1) entrepreneurship in the WRPDD, (2) an in-depth economic base analysis of the WRPDD, (3) a feasibility study of placing a small business incubator in Batesville or Searcy, and (4) a study to determine the effectiveness of financial assistance programs in the District.

A study which looks at the differences in successful and unsuccessful rural entrepreneurs in terms of the age when the entrepreneurs started their business, previous work experience, education, and other variable is needed. Such a study would might reveal characteristics which would be useful in developing entrepreneurship development strategies.

An in-depth economic base analysis of the WRPDD is needed to determine the types of businesses needed in the District to diversify the economy. This would be helpful to the economic developer in targeting entrepreneurs and businesses for assistance. Similarly, an analysis of District resources is needed to determine possible comparative economic advantages.

A feasibility study of placing a small business incubator in Batesville or Searcy is needed. These areas have the greatest potential for sustaining such a facility in the District. Batesville and Searcy have the largest populations and markets. They are the most urban cities in the District and have the greatest number of infrastructure improvements.

A study to determine the effectiveness of the financial assistance programs in the District would help economic developers determine if their programs should be modified. The study should begin by looking at the success rates of the businesses and the economic return on investments into participating businesses.

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Appendix

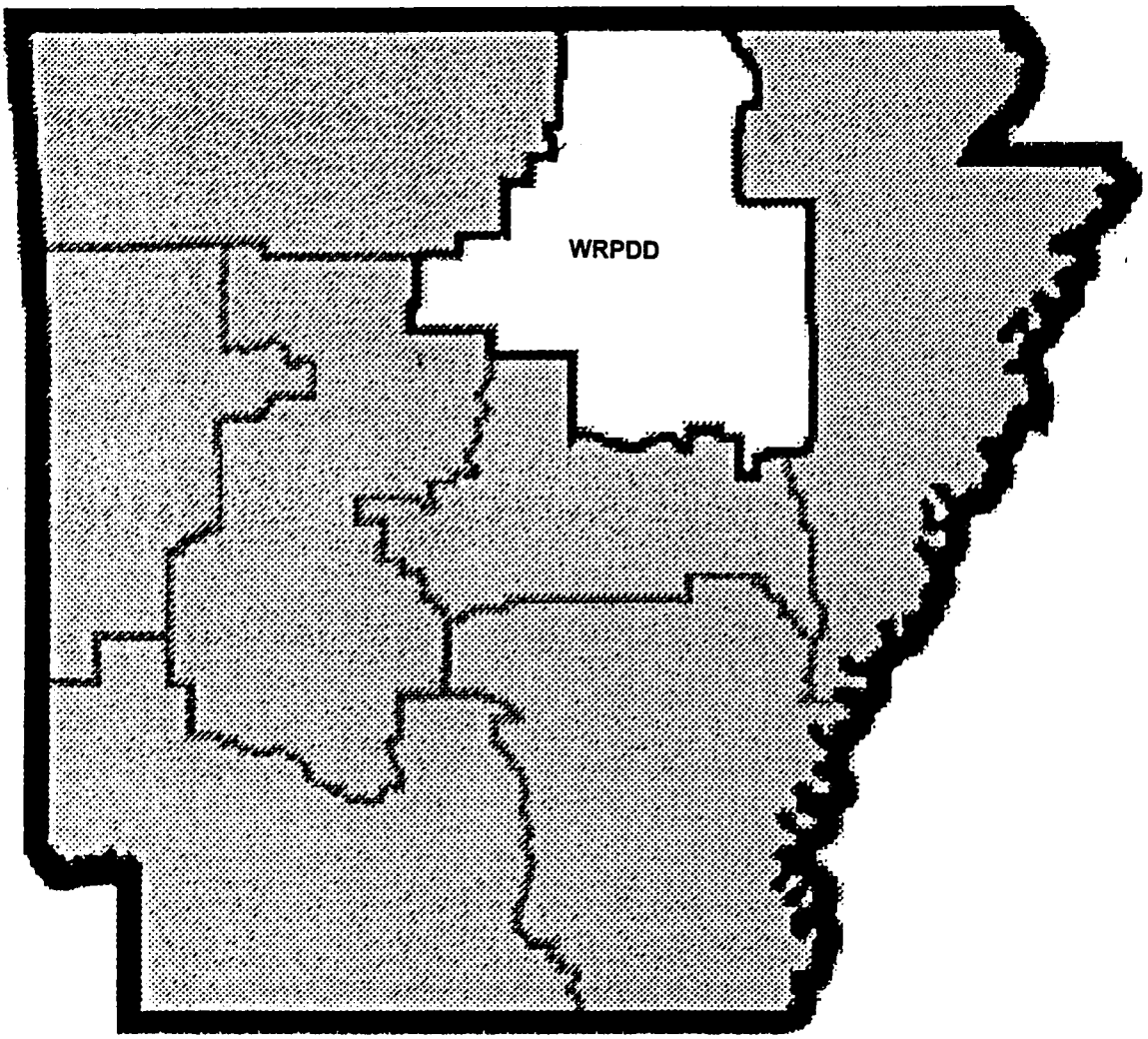


Figure 1: WRPDD & State of Arkansas

Source: Arkansas Institute for Economic Advancement. Online.

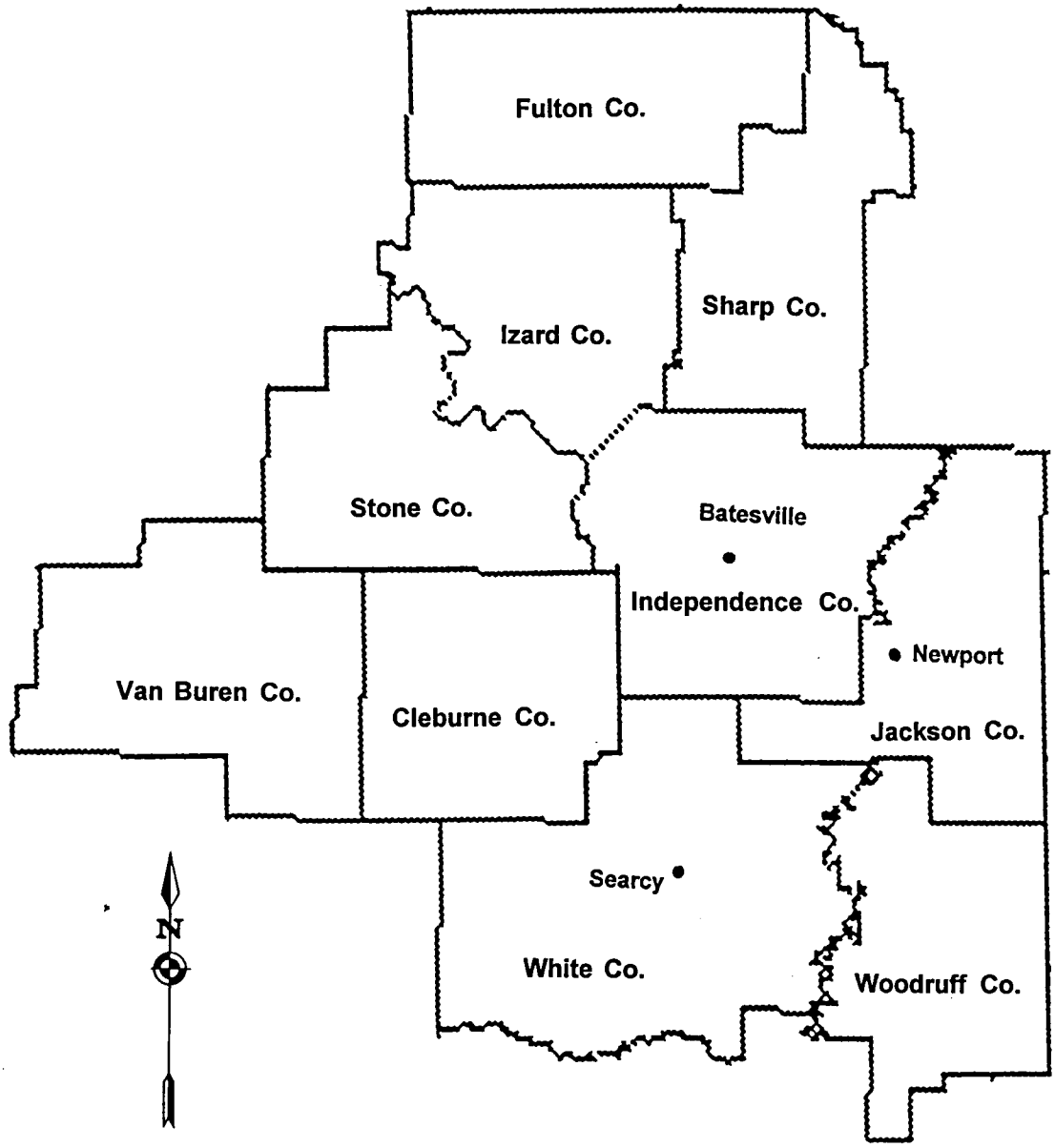


Figure 2: WRPDD & Redevelopment Centers

Source: U.S. Census. Tiger Map Service. Online.

Table1: County Demographics

County	Population	Person 25 yrs. or older	High school Graduates	College* Graduates
Cleburne	19,411	13,848	4,763	1,664
Fulton	10,037	6,942	2,532	528
Independence	31,192	20,123	7,116	2,682
Izard	11,364	8,157	2,920	1,020
Jackson	18,944	12,574	4,191	1,050
Sharp	14,109	10,117	3,789	1,093
Stone	9,775	6,759	2,246	872
White	54,676	20,123	11,371	4,674
Woodruff	9,520	5,197	1,817	540
Van Buren	14,008	9,918	3,466	1,303

* Includes Associate's, Bachelor's, and Graduate

Table 2: Major City Demographics

City	Population	Person 25 yrs.or older	High school Graduates	College* Graduates
Ash Flat, (Shrp)	712	489	59	170
Augusta, (Wd.)	2,710	1,652	517	152
Batesville, (Ind.)	9,187	6,112	1,823	1,290
Clinton, (V.B.)	2,207	1,571	567	171
Heber Springs, (Clb.)	5,598	3,993	1,241	581
Melbourne, (Iz.)	1,537	1,046	384	127
Mountain View, (St.)	2,465	1,721	171	623
Newport, (Jckn.)	7,459	4,976	1,455	614
Salem, (Ful.)	1,476	1,049	297	101
Searcy, (Whte.)	15,180	8,580	2,308	2,165

* Includes Associate's, Bachelor's, and Graduate

Source: Census Bureau. 1990 Census Lookup. Online.

Questions for Entrepreneurs

1. Type of business? Description of services or products offered.

2. Did you have previous experience in this type of business when you started your new business venture? If so do you feel that this experience contributed significantly to the success of your business? If not, do you feel that this hindered the formation of your business in any way?

3. What percentage of your sales are generated from within the area and outside the local area?

   100% from within
   80% within/20% outside
   60% within/40% outside
   40% within/60% outside
   20% within/80% outside
   100% outside
   other _____

4. Gender?

5. Number of persons employed?

   Part-time ____

   Full-time ____

6. Educational attainment?

   No high school
   High school/or equivalent
   Trade school
   Some college
   Jr. college (associate degree)
   College
   Graduate/professional

7. Number of years in business?

8. Age when started business?

9. Personal cash investment during year of start-up?

0%
1-10%
11-20%
21-30%
31-40%
41-50%
50%+

10. Personal cash investment during start-up year (as percentage of total start-up cost)?

0%
1-10%
11-20%
21-30%
31-40%
50%

11. If debt financing was utilized, state amount as percentage of total start-up cost?

0%
1-10%
11-20%
21-30%
31-40%
50%

12. Lending source?

a. bank (local/non-local)
b. venture capitalists (local/non-local)
c. insurance company (local/non-local)
d. Small Business Administration
e. Other government or public entity loan (local/non-local)
f. friends (local/non-local)
g. family (local/non-local)
h. other (local/non-local?); list _____

13. Was it necessary to use several lending sources? If yes, what was the percentage breakdown of your debt financing by source and by location of source?

    a. bank (local _____%/non-local _____%)
    b. venture capitalists (local_____%/non-local _____%)
    c. insurance company (local_____%/non-local _____%)
    d. Small Business Administration _____%
    e. Other government or public entity loan (local_____%/non-local _____%)
    f. friends (local_____%/non-local _____%)
    g. family (local_____%/non-local _____%)
    h. other (local_____%/non-local _____%);list_____

14. Why did you to start your own business?

15. What does entrepreneurship mean to you?

16. What skills contributed to the success in forming your new business venture?

17. During the start-up year, how many hours per week did you work at your business?

18. How many hours per week do you work now?

19. What were the significant barriers you faced when forming your business?

20. Do you feel that the local community groups are supportive of entrepreneurs?

    a. What groups are supportive?
    b. Have you received help from them?
    c. What was the nature their help?
        i) financial
        ii) management/marketing assistance
        iii) provided business contacts
        iv) studies, research
        v) other; list _____

21. What actions should be taken by local intermediaries (chambers of commerce, development organizations, local government, etc.) to improve the environment for new venture formation?

22. Has anyone else in your family started their own business?

    a. Do you feel that their example influenced you to start your own business?

23. From whom did you seek non-financial assistance (advice, information, etc.) in the start-up year?

    a. intermediaries -- public, quasi-public, private non-profits, etc.; (local/non-local?)
    b. family (local/non-local?)
    c. friends (local/non-local?)
    d. persons or groups within the industry (local/non-local?)
    e. professional advisors -- lawyers, CPA's, etc.: (local/non-local?)
    f. other (local/non-local?)

24. How frequently did you advice and/or information from each?

    a. Intermediaries -- public, quasi-public, private non-profits, etc.;(local/non-local);Daily, Time per week?, per month?
    b. family (local/non-local); Daily, Times per week?, per month?
    c. friends (local/non-local); Daily, Times per week?, per month?
    d. persons or groups within the industry (local/non-local); Daily, Times per week?, per month?
    e. professional advisors -- lawyers, CPA's etc.; (local/non-local); Daily, Times per week?, per month?
    f. Other (local/non-local); Daily, Times per week?, per month?

    Who offered the most valuable support?

    What was the nature of this support?

25. Was your immediate family (spouse and children) supportive of you decision to start a new business venture?

Questions for Local Intermediaries

1. How long has your organization been active in the community?

2. Staff size?
   Full time ____
   Part time ____

3. What is the philosophy of your organization?

4. What services does your organization provide?

5. What specific strategies does your organization use to encourage new venture formation in the area?

6. What strategies have been most successful?

   How do you measure success?

7. What strategies or service would you prefer to see implemented that are not currently being used?

8. What strategies do you feel are appropriate for small towns and rural communities? Why?

9. Out of 10 new ventures you served, how many are still in business after 12 months of operation?

10. As a resource for potential entrepreneurs, would you say your services are:

    a. underutilized
    b. appropriately utilized
    c. overutilized

    Why?

11. What is entrepreneurship?

    a. What is the entrepreneurial process?

12. What are the skills necessary in forming a successful new venture?

13. Can entrepreneurship be learned?

    a. What aspects can be learned?
    b. What is the best method of teaching entrepreneurship?

14. What are the significant barriers entrepreneurs face in forming new ventures in small towns and rural communities?

15. Are the problems that entrepreneurs in small towns and rural communities face different from those faced by urban entrepreneurs?

16. What actions should local intermediaries take to improve the environment for new venture formation?

    a. How so?

VITA

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