



# Economic Growth through Entrepreneurship

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*Entrepreneurs can create economic growth in rural and urban areas. This publication provides tips for communities to encourage entrepreneurship.*

## Entrepreneurship

Entrepreneurship refers to the development of a business or firm that creates economic growth in one's community. Most entrepreneurs operate in one of three industries: construction, retail, and service while new sectors such as technology and value-added agriculture are rapidly growing. Regardless of the industry, a common component of all entrepreneurship is innovation. New businesses illustrate the innovation of entrepreneurs who create something new or introduce change to the market.

Entrepreneurs are problem solvers in communities. They identify a need in their community and develop a strategy to solve this need. Entrepreneurs are able to develop their solution to a problem, but then also continually modify the solution to meet the ever-changing needs of their community. This helps to ensure that entrepreneurs are successful and continue to prosper.

It is frequently said that entrepreneurs have an "entrepreneurial mindset." The entrepreneurship mindset refers

to focusing on growth and supporting creativity, flexibility, and continuous innovation. Historically, it was believed that entrepreneurs had innate behavioral and personality characteristics that predisposed them to entrepreneurship. Scholars thought that the entrepreneurship mindset could not be developed. However, scholars now argue that the entrepreneurship mindset can be learned and developed, because it is based more on cognitive processes.

## Entrepreneurship Ecosystem

The entrepreneurship ecosystem refers to the social and economic environment affecting the local and regional entrepreneurship, developed to illustrate the entrepreneurship experience. In academic settings, entrepreneurship ecosystems commonly refer to programs within a university that focus on the development of entrepreneurs and/or the commercialization of technology or intellectual property developed at the university level. The ecosystem signifies the domains, besides the entrepreneur, that must be present for a career in entrepreneurship to be viewed as favorable and eventually sustainable. This ecosystem consists of six domains representing entrepreneurship that interact. If entrepreneurship is sustainable, these factors are

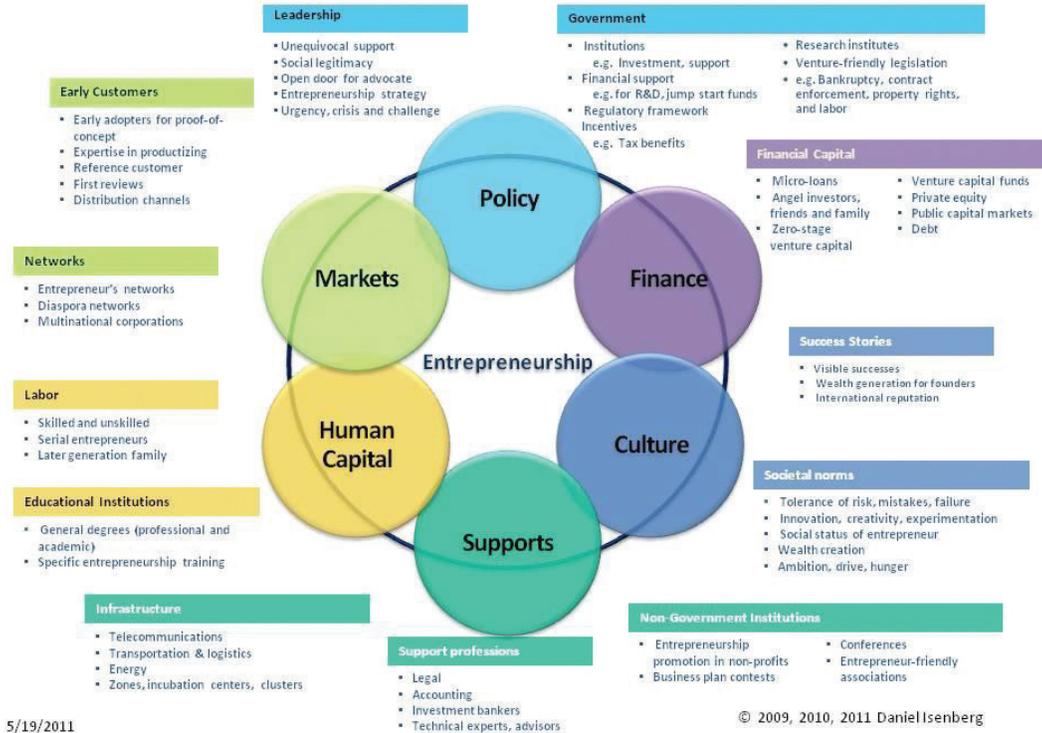


Figure 1. Source: Daniel Isenberg (2011)

always present and interacting. The six main domains are policy, markets, capital, human skills, culture, and support. Rarely does one domain result in successful and sufficient entrepreneurship.

## What Does Entrepreneurship Look Like?

Though many similarities exist between being an entrepreneur and owning a small business, many differences separate the two entities. Entrepreneurs focus on expanding their business and having a high level of productivity. In contrast, growth is not a priority for many small business owners. Likewise, entrepreneurs focus on innovation and developing something new to meet their community's need. Small business owners focus on established and recognized services and products.

Entrepreneurship may look different depending on your location. For instance, entrepreneurship in rural communities has more people working in agricultural and natural resource (e.g., fishing, forestry) industries. Entrepreneurship has actually seen stronger growth in rural communities, compared with urban communities, especially in rural communities that are geographically closer to metro areas.

Furthermore, with recent technological advances, entrepreneurship has grown and expanded. Technology provides ways for businesses to better communicate to form connections, develop ideas, and receive feedback. Technology is also a useful tool for advertising businesses and services through websites and social media platforms.

## Why Is Entrepreneurship Important?

Entrepreneurship benefits the community and our country in a variety of ways. At the local level, entrepreneurs are critical drivers of economic growth. They increase community wealth and local incomes, generate jobs for community members, and unite the community to the greater, global economy. In fact, many communities now focus on growing their own businesses, instead of recruiting other firms to locate to their community. Moreover, entrepreneurs have impact at the national level by contributing to the GDP growth.

Some individuals who start businesses are more specifically considered "small business owners," as their reason to start a business was for the quality of life (e.g., financially supporting family). In contrast, entrepreneurs start businesses with the intention of creating more jobs

and generating more income in the community; ultimately, entrepreneurs aim to grow their business.

Additionally, immigrant entrepreneurs contribute different skills and experiences, which often result in innovation in terms of productivity and production. Immigrant entrepreneurship also has been found to increase a community's social cohesion, as different groups are more likely to interact than they would have otherwise. Moreover, immigrant entrepreneurship plays a significant role in identity development. Many immigrants associate entrepreneurship with independence and freedom. Success as a result of entrepreneurship is associated with status and social recognition. Other aspects of identity development in a new country tend to cause stress, but entrepreneurship provides a sense of belonging and self-assurance.

### Tips for Promoting Entrepreneurship

Overall, communities can do a number of things to encourage entrepreneurship among residents. These tips are useful in both urban and rural communities to create high-growth entrepreneurs.

*Offer training programs.* Communities can partner with nonprofit and government organizations to offer training programs for individuals to develop the technical and managerial skills (e.g., business planning) necessary to be a high-growth entrepreneur. Many of these programs are offered through university extension programs that have developed curriculum and training for communities.

*Develop a support network.* Communities can provide opportunities for local entrepreneurs to develop and involve themselves in a support network. Support networks can be formal or informal groups of people that help connect entrepreneurs with partnerships, employees, capital, and other business services. Having local support networks can also help to create an entrepreneurial climate.

*Recognize local entrepreneurship.* Communities should establish an environment that recognizes entrepreneurship as a career option and economic development strategy. One

method of doing this is highlighting local entrepreneurs to increase entrepreneurship recognition.

*Expose youths to entrepreneurship.* Communities should connect youths to entrepreneurs in their own communities. Youth programs and educational opportunities should be made relevant to the local context so that youths are able to connect higher-level skills, education, and job prospects with the communities in which they are situated. Experiential and hands-on work is beneficial for youth entrepreneurship learning, because youths gain entrepreneurial experience by being involved in the process.

### RESOURCES

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