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Business starts in the Midwest: potential entrepreneurial groups

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Promoting business starts, as well as attracting and retaining employers, is an integral part of development efforts as local governments try to respond to the US economic recovery. Thus, targeting potential entrepreneurs and/or groups associated with business starts is important in designing and marketing development efforts. A growing literature has identified groups of likely entrepreneurs with motivations or interests in launching businesses. Successful business launches require financial resources, flexible schedules, and knowledge or experience in managing such an activity. This article briefly reviews the literature on entrepreneurship and then examines correlations between business starts and percent unemployed, pre-retirement groups, farmers with small operations, Hispanics, and females between 25 and 34 years of age using a sample of 850 counties in nine Midwestern states in the USA to determine the importance of these groups in business starts. Several successful programs targeted to these population groups are then described to help development practitioners focus entrepreneurship training, technical assistance, and consultation activities on these groups to promote start-ups.

Keywords: entrepreneurship; rural economic development; business starts; Midwest

Community and economic development agencies can employ a variety of tools to stimulate development or growth depending on size, location, and resources available. Promoting local business starts is especially important for practitioners in rural areas that have limited opportunities to attract large employers because of limited resources, access to markets, and other constraints (Walzer, Athiyaman, & Hamm, 2007). While small business starts may not generate as many jobs as expansions of larger companies (Neumark, Wall, & Zhang, 2008), they nevertheless are important in rural areas where small businesses account for a high proportion of the employment. For example, according to the U.S. Census Bureau's Business Dynamic Statistics (2010), nationally, businesses with fewer than 10 employees were responsible for 24.0% of the total jobs created between 2000 and 2010 while 42.6% were in businesses with more than 10 but fewer than 100 employees.

Small businesses including startups also contribute to higher employment growth in cities and counties (Acs & Armington, 2004; Henderson & Weiler, 2010) although, depending on size, may represent less than the 67% of new jobs often claimed (U.S. Department of Labor, 2012). In the states included in this study – Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, Ohio, and Wisconsin – small business, including those with five employees or fewer, represented one-quarter or more of the total employment in 2008.¹

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Small businesses have several attractions for revitalizing local economies. Woods and Muske (2007) claimed that promoting small businesses is key to diversification and increasing resistance to shocks, such as loss of a major employer. They also claim that small businesses add to the variety of goods and services available and encourage residents to shop locally, retaining income in the community. Markley and Low (2012) reported that counties with higher self-employment rates had residents with higher, more stable incomes, plus a greater investment in local education.

Public programs that promote entrepreneurship have been examined in depth (Goetz, Partridge, & Deller, 2009; Leitao & Baptisto, 2009) as nonprofit organizations, states, and local governments tried to foster local entrepreneurship (Stangler, 2009). These efforts identified groups with the need, potential, and/or motivation to launch businesses (Figuroja-Armijos, Dabson, & Johnson, 2012; Henderson, Low, & Weiler, 2007; Reynolds, Bygrave, & Hay, 2003).

The current article builds on these past studies by examining the relationships between the presence of groups that have a motivation and/or resources to start business ventures and actual business starts at a county level when other county characteristics have been considered. This study is not a microanalysis of entrepreneurs or their practices; rather, it tests whether the presence of groups likely to be entrepreneurs based on past studies are, in fact, correlated with business starts in counties in the Midwest Region of the USA.

Previous studies of entrepreneurship have been based on national data (Figuroja-Armijos et al., 2012; Goetz & Rupasinga, 2009) even though regions offer different opportunities for business development. In this study the focus is on the Midwestern US with special attention paid to rural areas. In these states, rural areas represent 10.2% of the total population in the region, but with a stagnant population (-.1%) between 2000 and 2010, compared with a four percent increase in overall state populations (US Census Bureau, 2000, 2010). As noted previously, small businesses are an important source of employment.

This article begins with a discussion of past research on motivations and capacity for entrepreneurial activity and then poses several hypotheses about groups with these characteristics.² The second section examines business starts using multivariate regression analyses to compare the relative contribution that each group makes to business starts. The final section documents programs that have worked with the identified groups and discusses ways in which the findings can help reshape local entrepreneurship outreach efforts.

Groups of entrepreneurs and motivations

The vast literature on entrepreneurship and business starts has taken several approaches. The Ewing Marion Kaufmann Foundation (Fairlie, 2010) and the Global Entrepreneurship Monitor (GEM) (Reynolds et al., 2003) surveyed new business owners to determine the characteristics of entrepreneurs and they identified young females as likely prospects. Other studies identified Hispanics as especially active in business creation (Lofstrom, 2011). The US Department of Agriculture (USDA) recently reported that farm households start businesses to augment their earnings and generate more stable sources of income (Vogel, 2012). Goetz and Rupasinga (2009) reported that US counties with more natural amenities and higher median ages had higher percentages of the population owning businesses.

Morrison (2006) identified three sources of motivation for entrepreneurship: social, psychological, and economic (Figure 1). Social factors include belonging to a culture conducive to starting businesses, having supportive social networks, having intergenerational role models, and coping with discrimination. Economic motivations include dissatisfaction with current employment opportunities and the identification of approaching economic opportunities. Psychological factors include a desire for social mobility, achievement needs, and aspirations of independence (Morrison, 2006).

The GEM classified entrepreneurs by necessity and opportunity (Minniti, Bygrave, & Autio, 2006). Necessity entrepreneurs start businesses when they cannot find adequate or suitable wage or salary employment in traditional environments. Unemployment, underemployment, and employment discrimination motivate necessity entrepreneurs (Dabson, Malkin, Matthew, Kimberly, & Stikle, 2003). Opportunity entrepreneurs, by comparison, start businesses more for personal or professional development and/or advancement. Dabson et al. (2003) further identified five groups including survival, aspiring, lifestyle, serial, and growth entrepreneurs. An important point is that entrepreneurs are motivated to start businesses for many reasons and it is key for development practitioners to recognize and support the efforts of these individuals. Also worth noting is that sources of motivation often overlap. For example, an immigrant may have social and economic motivations for becoming self-employed if the individual has family role models that started businesses and the individual is interested in the potential for greater income than that offered through traditional entry-level employment (Morrison, 2006).

Populations in one of the above classifications are present in many areas but potential entrepreneurs have several common characteristics. First, they may have an immediate need for additional income or finances (Wadwha, Aggarwal, Holly, & Salkever, 2009). This motivation may result from job displacement, relocation into a new region offering different business opportunities, desire to change careers, seeking a long-term income source, and a desire to be one's own boss (Shane, 2008).

Second, potential entrepreneurs require sufficient time to successfully start and manage a business venture (Peters, Frehse & Buhalis, 2009). While a business may start part-time, it still requires a sufficiently flexible schedule to manage the activity. Technical knowledge, expertise, and/or previous business experience are also important. Shaw (2008) reported that the human capital used in starting a business varied by age of the business owner, with young adults starting businesses for lifestyle purposes, drawing on professional and customer service experience. By contrast, pre-retirees starting businesses had rich occupational experience but minimal knowledge of marketing (Shaw, 2008).

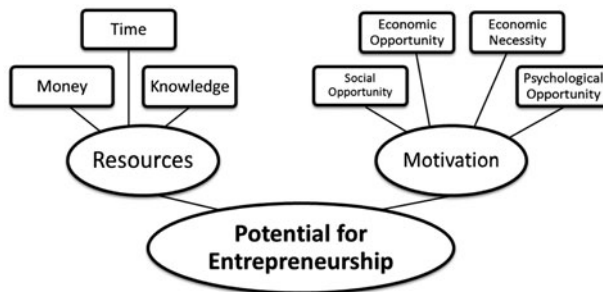


Figure 1. Framework for entrepreneurship potential. Source: Prepared by authors.

Third, business start-ups require financial resources, (Venancio, 2009) and a reason for business failures is that owners underestimate the funds needed to sustain the business until it is profitable (Shane, 2008). The 2007 Business Owners Survey conducted by the U.S. Census Bureau showed that 64.8% of business owners nationwide used personal savings as a source of startup capital, 20.3% used bank loans, and 10.3% used personal credit cards (US Census Bureau, 2012).

Conceptual framework and hypotheses³

Past studies noted above have documented that motivation and access to resources are necessary conditions for entrepreneurship. So, which population groups, especially in rural counties, are likely to start businesses given the specific motivations and resources described above? Based on past studies of entrepreneurial efforts, we hypothesize that several groups fit the motivational categories and/or have resources to start businesses instead of pursuing traditional employment options. These groups include: currently unemployed residents, immigrants (especially Hispanics), pre-retirees, farm operators with less than full-time year-round operations, and females between 25 and 34 years of age. An analysis of the correlations between these groups and business start rates (measured by percentage increase in business starts between 2004 and 2007) follows.

Following are justifications for each population cohort included in the analysis:

Percent unemployed. Unemployed residents, especially those displaced in mid-career, are likely to need a source of continued income and have time available to explore new opportunities including starting a business venture especially if they have savings and past business experiences (Foyelle, 2011). Fairlie (2010) reported a significant increase in business start rates from 2007 to 2008 and attributed it to the recession. Likewise, Alba-Ramirez (1991) found a significant positive correlation between unemployment rates and rates of entrepreneurship and the likelihood of seeking self-employment increased over longer durations of unemployment.

Pre-retirees. The effects of population age on business starts have been debated with different conclusions depending on measures of age used. Figueroja-Armijos et al. (2012) reported a significant negative correlation between the share of population 65 years and older and number of business starts. By contrast, Goetz and Rupasinga (2009) found that counties with a higher median age had higher rates of business creation and attributed their findings to survival entrepreneurship since older workers may face age discrimination in the job market. Older workers may have the knowledge or experience needed to start businesses related to previous employment (Zhang, 2008) and also may have sufficient financial resources and contacts (Stangler, 2009).

Walzer et al. (2007) reported a significant positive correlation between percent of residents between 54 and 65 years and the number of businesses with fewer than five employees suggesting that age is a factor in small businesses or self-employment but not for individuals past traditional retirement age. Pre-retirees (age 55–64) planning for retirement that will involve a more flexible schedule can start or partner in a business venture to maintain a positive income stream.

Farmers with small acreages. Agriculture can offer opportunities for entrepreneurship, (Barbieri & Mahoney, 2008) especially in areas such as the Midwest where much of the farming activity is seasonal. Farmers with smaller than full-size operations have the physical space, equipment, and/or financial resources to start small business ventures. According to USDA (2012), farm households derived only 17% of their income from farm production in 2004 and 14% in 2010. A recent USDA study (Vogel, 2012)

reported that one-third of all US farm households generate income through business ventures other than farm production. Thus, the reliance on other income sources has been well documented (Bagi & Reeder, 2012; Barbieri & Mahoney, 2008).

These farmers also may have a flexible time schedule in the off-growing seasons. Deller and Williams (2011) claimed that farmers may gain an even more flexible schedule as technology improves if the level of production and/or acreage remains constant which could strengthen the case for promoting entrepreneurship among this group. The percent of farms with 260 acres or less is included in this analysis, based on the hypothesis that counties with a higher percentage of small farms have higher business start rates.

Growth in Hispanic populations. Past studies have described Hispanics as both opportunity and necessity entrepreneurs depending on circumstances (Lofstrom, 2011). Immigrants can establish new market niches due to familiarity with other cultures, as well as being able to perceive economic opportunities in new locations (Waldinger, Ward, & Aldrich, 1990). Among those Hispanics who are immigrants, they may become necessity entrepreneurs when language barriers, discrimination, and unfamiliarity with a different labor market pose obstacles to finding traditional employment. Waldinger et al. (1990) refer to this phenomenon as adjustment entrepreneurship, the act of immigrants becoming self-employed until they have adjusted to a new labor market. Immigrants sometimes bring the resources necessary to start businesses (Waldinger et al., 1990) and/or rely on extended families as a source of emotional support (i.e. the ability to cope with risk and uncertainty), informal loans, and inexpensive labor.

Previous research has challenged the importance of Mexican-Americans as entrepreneurs (Sanders & Nee, 1996). However, Lofstrom (2011) reported that once barriers to firm entry are removed, Mexican-Americans are highly entrepreneurial. In industries that require less human and financial capital, such as repair services and landscaping, Mexican-Americans start relatively more businesses than whites (Lofstrom, 2011).

Females between 25 and 34 years. Historically the Midwest provided a favorable environment for female business owners especially in the apparel industry (Murphy, 1991), but the role of females in entrepreneurship has also been debated. Minniti (2010) found that, worldwide, women are less likely than men to start businesses after education, income, age, and work status are held constant. However, Mayer (2008) reported an increase in female self-employment, especially in high-tech industries.

Devine (1994) suggested that women most closely match the lifestyle form of entrepreneurship. Walzer et al. (2007) found that females between 25 and 34 years of age are associated with the creation of businesses with fewer than five employees and the GEM also found that women between 25 and 34 years of age were the most likely age group to become entrepreneurs (Reynolds et al., 2003).

Women may choose self-employment because of need for more time flexibility and a desired work-life balance (Budig, 2006). For females, especially those in rural areas, commuting to metropolitan centers for work may conflict with other responsibilities and they may prefer the independence of managing a small business to working for an established company (Alberts, 2008).

Control factors

Local conditions can also affect business starts so several variables used in past studies are included to adjust for these differences.

Housing

Entrepreneurs require access to financial capital as noted previously. Goetz and Rupasinga (2009) found that counties with higher median home values had more new business activity, and this variable is included to adjust for wealth.

Population density

Densely settled areas meet market thresholds within a relatively close geographical distance, which is crucial for new retail and service establishments (Figueroja-Armijos et al., 2012; Henderson et al., 2007). Other studies show that agglomeration economies can spread technology and enhance opportunities for small businesses (Audretsch, 1998; Feldman, 2000). Therefore, population density is included to differentiate between metro areas and rural counties and adjust for market access.

Natural amenities scale

The creative class is attracted to areas with a higher quality of life (Florida, 2002; Reese & Ye, 2011), so areas with more natural amenities may attract more entrepreneurs. These locations may already have higher business activity (Henderson et al., 2007; Henderson & Weiler, 2010) and, thus, offer opportunities for networking and innovation. The natural amenity scale in this analysis is calculated by the U.S. Department of Agriculture, Economic Research Service, and includes standardized scores for environmental factors such as average temperature during the winter, surface area covered by water, and average humidity levels during the summer.⁴

Commuters

The need to start a business is affected by availability of other employment opportunities and, especially in rural areas, residents may work outside the county in which they live. When suitable employment opportunities are available elsewhere, there is less need to start a business, other factors considered (Morrison, 2006). The percent of population commuting outside the county to work is included in this study.

Innovation index

Other local characteristics affect the entrepreneurial culture and environment but are difficult to measure precisely (Hustedde, 2008). Consequently, an Innovation Index including human capital, economic dynamics, productivity and employment, and economic well-being measures published by the Purdue Center for Regional Development. (2010) is a proxy for entrepreneurial environment.⁵

Empirical findings

The dependent variable in the ordinary least squares (OLS) regression equation is business start rates (number of starts between 2004 and 2007 as a percentage of business establishments in 2004) as shown in Table 1.⁶ Consistent data are not available to adjust for longevity or success of the businesses. Thus, it is not possible to estimate the overall impact on local economic development resulting from the business starts as has been addressed elsewhere (Deller & Williams, 2011). Instead, the focus here is solely on business start rates. As in several past studies, counties are the unit of observation to

Table 1. Description of variables.

Variable	Mean	Standard deviation
2004–2007 Business start rate	5.86%	2.31
<i>Entrepreneur groups</i>		
Unemployment	5.93	1.49
Pre-retirees	10.02%	4.71
Farmers with small acreages	75.80%	11.53
Hispanic population growth	27.98%	20.22
Females age 25–34 years	5.91%	.87
<i>Control factors</i>		
Median housing value	8.06	2.66
Population density	1.78	.50
Natural amenity scale	–1.66	1.46
Commuters	5.74	9.67
Innovation index	1.00	4.38

Note: $N=850$ counties in IL, IN, IA, KY, MI, MN, OH, and WI.

capture situations where entrepreneurs start businesses in places near where they reside but not necessarily in the same city. All data, including business start rates, are from secondary sources (see Appendix).

Each identified entrepreneurial group is significantly related to business start rates and the directional signs of these associations are consistent with the discussions above. The control variables also are significant at an alpha level of .05, except for the Innovation Index which is significant at only .085. The F -value (83.95) is statistically significant ($p \leq .01$) and the independent variables, collectively, are associated with nearly half ($R^2_{\text{adj}} = .49$) of the variation in the dependent variable. The variance inflation factor ($VIF = 1.97$) indicates that multicollinearity is not an issue. The findings are discussed in more detail next.

The county unemployment rate is significant ($p \leq .01$) with a positive sign suggesting that unemployed could be a group to seriously target for entrepreneurial outreach programs. Those displaced late in their careers could be especially important when they have past business management experiences and financial resources. Likewise, pre-retirees (55–64 years) are significantly related to business starts and may have personal resources, be planning retirement activities on a part-time or full-time schedule, and have previous business experience. These two groups have flexible schedules, financial motivations, and in some cases, past business experience which fit the motivations for entrepreneurship.

Less than full-time farm owners and/or operators are also positively associated with business start rates and meet the criteria of financial and/or physical capital, experience in managing a business operation (farming), and a flexible schedule during the off-season. State agencies such as Missouri's Value-Added Grant Program have expanded markets for raising and processing specialized crops on farms or in nearby locations encourage farm owners to undertake new ventures. The growth in farm businesses was documented earlier (Vogel, 2012).

Growth in the Hispanic population between 2000 and 2010 is statistically significant, supporting past findings. The correlation between Hispanics and business starts is important for development practitioners in the Midwest, because Hispanics are one of the fastest growing population groups (Kandel & Cromartie, 2004). Creating entrepreneurial support programs targeted to this group could help increase business starts in

the area, especially for those groups that have sufficient resources to launch business ventures. In some instances, they may bring business management experience and connections with businesses or access to markets in their previous locations.

Finally, females between 25 and 34 years are significantly related to business start rates, although at only the .076 level. Other studies (Gundry & Welsch, 2001) document the creative or entrepreneurial contributions of this group that may reflect a desired flexibility in work schedules causing them to start a business rather than pursue traditional employment opportunities. While the relationship between young females and business starts is not as strong as with several other groups, the correlation does suggest that entrepreneurial outreach programming to this group may be worth considering.

The findings for the control variables are consistent with the past research and expectations.⁷ Counties with higher amenities are associated with more business starts suggesting that creative people are attracted to higher amenities. Median value of owner-occupied housing, a proxy for wealth, is positively associated with business start rates. Counties in which higher proportions of residents work outside the county had *lower* start rates suggesting that residents participate in traditional employment opportunities elsewhere rather than start a business.

The Innovation Index, a proxy for local entrepreneurial climate, is significant with a positive sign, but at the .073 level. This variable includes many measures and therefore is an indirect measure of innovation potential which may explain its lower level of statistical significance.

More densely populated counties had higher business start rates consistent with the view that metro areas provide an environment more conducive to entrepreneurship and more opportunities for small businesses to network with larger companies. Higher population density also indicates larger markets within a smaller geographic area.

The Beta coefficients (Table 2) show the relative strength and importance of each variable in accounting for variations in business starts and thus can provide additional insights. The unemployed make the highest contribution (.14), followed by pre-retirees (.10). These findings make sense because the unemployed have a higher motivation to obtain an income stream if only part-time and also may have the time available to launch a business venture. They may, however, lack financial resources so economic development agencies could make them aware of opportunities for financing from public sources such as revolving loans and micro-lending.

Pre-retirees, on the other hand, may have the resources and past business experience, but may not have the time available while they are still employed. Thus, matching this group with those interested in collaborating on a part-time venture or perhaps with young adults interested in starting businesses but who do not have sufficient financial resources could lead to business formations.

Farmers with operations smaller than 250 acres are also an important group that can be targeted for entrepreneurship efforts, especially in light of the local foods movements underway in many communities. Among the groups included in this analysis, the farm operations ranked third in importance behind the unemployed and pre-retirees. Since they do not live in the community, it is possible that they are overlooked in entrepreneurial outreach support and educational programs.

Among environmental variables, wealth (as measured by median housing values) shows the highest importance in "explaining" variations and, as noted previously financing is a major consideration in starting businesses. Likewise, population density (as a proxy for markets) is very important in accounting for business starts.

Table 2. OLS regression results. (Dependent variable is business starts 2004–2007 as percentage of total firms in 2004).

Independent variables	Coefficient	<i>t</i> -value	Standardized coefficient
Constant	-.02	-3.62***	
<i>Entrepreneur groups</i>			
Unemployment	2.16E-3	4.82***	.14
Pre-retirees	.05	3.06***	.10
Farmers with small acreages	.02	2.33**	.08
Hispanic population	9.25E-8	2.67**	.07
Females age 25–34	.19	1.78*	.06
<i>Control factors</i>			
Median housing value	2.75E-3	7.93***	.31
Population density	.01	4.76***	.22
Natural amenity scale	2.13E-3	5.03***	.14
Commuters	-1.61E-4	-2.65**	-.06
Innovation index	2.56E-4	1.72*	.05

Notes: Adj. $R^2 = .494$, $N = 850$, $SEE = .016$, $F = 83.9^{***}$, $VIF = 1.97$, * $p \leq .10$, ** $p \leq .05$, *** $p \leq .01$

Targeted programs

The findings from the analysis document the relationships between specific population groups and business starts, suggesting that targeting small business development and entrepreneurship efforts to these groups could be worthwhile in local development practices. This section describes programs that have succeeded in such targeted efforts to guide practitioners in pursuing such activities.

Entrepreneurial training for the unemployed – New Jersey

The state of New Jersey has several services for unemployed residents interested in self-employment (2012). While not among the nine states in this study, New Jersey is innovative in waiving the job search requirement for receiving unemployment benefits while participants receive counseling and training. Weekly compensation is provided in lieu of unemployment benefits. Participants also enroll in a six-week business training course provided by universities and community colleges on topics such as business registration and management, small business insurance, marketing, and bank financing. They must report the status of their business operations after three and six weeks in the program, but the results or impact have not yet been published.

Illinois marketmaker

The University of Illinois has partnered with land grant universities and state agriculture departments to develop MarketMaker, a web database that matches buyers and sellers of agricultural products to provide opportunities for farm operators to launch supplemental business ventures (2012). MarketMaker allows farmers to locate purchasers such as schools, chefs, and food banks interested in purchasing produce. This service also allows food processors, retailers, and wholesalers to search for potential suppliers. Finally, MarketMaker promotes fisheries and agri-tourism sites such as orchards and wineries. The site includes free guides to help sellers optimize their exposure to buyers and manage relationships with clients.

Latino economic development center – Minnesota

The nonprofit Latino Economic Development Center provides a variety of support services for aspiring Latino/Hispanic entrepreneurs in Minnesota (2012). One-on-one counseling helps entrepreneurs obtain business licenses and permits and bank personnel help clients apply for business loans. The Center also offers monthly workshops on subjects such as English as a Second Language, marketing, and customer service.

The Latino Academy TTOIC within the Center provides training courses for entrepreneurs at all levels of experience. Entrepreneurs with businesses less than a year old learn financial literacy, learn bookkeeping methods, and receive information on complying with tax laws. Business owners with one to five years of experience learn marketing and human resources. These participants also receive personalized evaluations of their businesses to identify areas for potential improvement. Small business owners with more than five years in operation learn how to analyze financial statements and train supervisors for their businesses.

Targeted small business assistance – Iowa

The Iowa Economic Development Authority (IEDA) promotes business starts for women, minorities, and residents with disabilities (2012). IEDA offers loans of up to \$50,000, over five years at 5% maximum interest. Free counseling is provided for loan applications, refining business plans, and applying for certification as a Targeted Small Business (TSB). Certified TSBs also receive preferential treatment for government contracts. When the state of Iowa solicits bids for goods and services, TSBs have access to a web site informing them of the solicitation 48 hours before it becomes public. As of 2008, the state had 69 contracts with TSBs, and Iowa currently has 600 registered businesses participating in the program. The TSB program targets business owners by industry and demographics. Retail and food service businesses, two of the most common industries for business starts but also with high failure rates (Shane, 2008), are ineligible for TSB status. The state supports small businesses only in industries with which it would contract, such as construction, logistics, and chemicals.

Conclusions

Promoting local entrepreneurship and small businesses is an integral part of many local economic development strategies with public and private programs designed to support these efforts. This article analyzed the relationships between key groups with the potential for entrepreneurship and local business start rates in Midwestern counties in the USA. A main finding is that, when other factors have been considered, several groups are strongly associated with business start rates.

After reviewing the results, development practitioners can determine the extent to which these groups exist in their areas and then explore the types of programming that could help them launch businesses. In some instances, it may be that language is a barrier that can be overcome. In other cases, it may be that entrepreneurship programs need to be provided using different formats or at different times in order to accommodate people's schedules. Without recognizing who the potential entrepreneurs might be, it is difficult to market the outreach programs successfully.

A second benefit to local practitioners is to understand that many programs target specific groups and they are successful. The composition of the population in the rural Midwest is changing with an aging population, as well as significant immigration,

mainly Hispanics. Having programs to help immigrants find the resources to launch businesses and/or buy businesses where the owners are retiring will be important in keeping many small towns viable. Likewise, creating a succession program to link retiring business owners with young adults or other groups with an interest in managing the business will help keep some businesses in the rural areas.

Third, linking farmers having small operations with entrepreneurship opportunities and support through Federal and state value-added initiatives is crucial especially to small communities in the rural Midwest. Small businesses, even those with five or fewer employees, represent a larger portion of the economic activity in the area.

In designing such outreach programs, it is important to recognize different characteristics of these groups. For instance, pre-retirees bring a set of assets, experience, interests, and understanding of businesses different from younger groups such as females between 25 and 34 years of age. Thus, time spent examining the potential and/or assets possessed by each group can help in designing outreach programs. Even differences in program formats, delivery times, and publicity are worth considering. For instance, marketing programs through social media vs. traditional venues may reach different age groups. Time of day when programs are delivered may also affect who can attend.

Financial needs and educational needs differ among the groups identified. Pre-retirees more experienced with business management practices, for instance, may have different interests in market research about potential business ventures than small farm groups with a business focus more closely related to agricultural interests. Recognizing these specialized interests in marketing programs may help them succeed.

While the research presented in this article represents only a beginning in understanding factors associated with business starts and successes, it nevertheless can point to some directions for additional research about closure rates, expansions, and other business trends. Understanding factors related to business closures could help outreach efforts in designing prevention programs. A more complete understanding of these issues will allow us to design and market more effective education and technical assistance programs to promote business starts.

Notes

1. According to the Association for Enterprise Opportunity's Microenterprise Employment Statistics data-set for 2008, the average rural county in these nine states had 26.2% of employment in businesses with five employees or less. The largest concentration for a rural county in the data-set was 52.5%.
2. We recognize that entrepreneurship involves more than starting business and includes expansion of current businesses but comparable data for this analysis are available only for business starts.
3. See Appendix for information on data sources and calculations.
4. For more information on how the natural amenities scale is calculated visit: <http://www.ers.usda.gov/data-products/natural-amenities-scale/documentation.aspx>
5. For more information, see (http://www.statsamerica.org/innovation/guide/practitioners_guide.pdf).
6. The Brandow Company's BizMiner data-set is the source for the dependent variable. The BizMiner data-set tracks business starts and closures based on observations from numerous public and private sources such as IRS tax returns, employment reports from the Bureau of Labor Statistics, commercial real estate surveys, and data from credit report agencies. For more information visit: <http://www.bizminer.com/resources/technical/our-data.php>.
7. The housing and population density variables had high standardized coefficients relative to the entrepreneurship potential variables. However, the entrepreneurship poten-

tial variables remain stable when housing and density variables are removed from the model.

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Appendix. Sources of data.

Variable	Description	Source
2004–2007 Business start rate	Total number of business startups from 2004–2007, divided by total number of firms in 2004	The Brandow Company, BizMiner
Unemployment Pre-retirees	% of labor force unemployed in 2004 Change in the county total population age 55 to 64 between 2004 and 2007	Bureau of Labor Statistics Woods and Poole Economics
Farmers with small acreages	Number of farms smaller than 260 acres as % of total farms in the county	2000 Census of Agriculture
Hispanic population growth	% change in total Hispanic population from 2000 to 2004	2000 Decennial Census; 2004 population estimates from Woods and Poole Economics.
Females age 25–34	Percentage of total population in 2000 that is female and 25–34 years old	2000 Decennial Census
Housing	Median value of single-family, owner-occupied housing in 2000, in (\$00000s)	2000 Decennial Census
Population density	County population (2007) divided by county land area (natural log)	Woods and Poole Economics
Natural amenity scale	Indexed score of a county attractiveness based on factors such as warm winters, low summer humidity, and the county's water surface area	USDA Economic Research Service – http://www.ers.usda.gov/Data/NaturalAmenities/
Commuters	Percentage of workers commuting to work outside county of residence (2003)	USDA ERS – http://www.ers.usda.gov/Data/NaturalAmenities/
Innovation index	County competitiveness relative to the region based on: economic well-being; human capital; economic dynamics; and productivity and employment	Purdue Center for Regional Development- http://www.statsamerica.org/innovation/innovation_index/weights.html