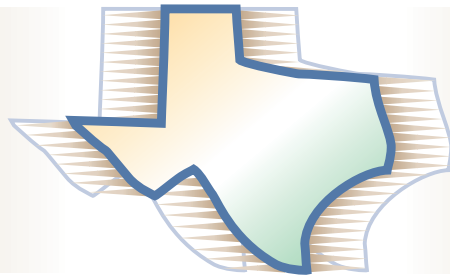


TEXAS ENTREPRENEURSHIP SUMMIT



Expanding Economic Opportunity

Summary Report
and Recommendations



Texas Agricultural and Natural Resources Summit Initiative



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Expanding Economic Opportunity

Summary Report and Recommendations

Introduction

Many stories about the plight of rural Texas contend that communities range from vibrant and progressive to those destined to disappear unless drastic changes occur. Most of rural Texas fits somewhere between these two extremes. Regardless of their status, communities must take action and plan for change unless they are satisfied with the status quo or with having their destiny determined by people and events from outside their communities.

Traditional economic development strategies such as business attraction, retention, and expansion programs have proven less than successful in most rural applications. Economic development happens at the local level. State and federal agencies can be effective partners in the process, but, in the end, it is up to each local community to build its own local economy.

Entrepreneurship is a way of turning local talent with creative ideas for business development into valuable human capital and overall community wealth. New ventures initiated by entrepreneurs are often more sustainable since entrepreneurs pursue opportunities, live proactively, effectively leverage resources, build networks that create better answers, and, ultimately, create value.

According to the USDA, 196 of Texas' 254 counties are rural and of these, 106 are located near one of the state's 27 metro areas. Less than a quarter (58) of Texas' counties are urban. Almost the same number (57) of counties is completely rural—containing no town with a population of 2,500 or more—and the rest lie somewhere in between.

In the 1990's, 70 rural Texas counties lost population. The largest losses occurred in rural counties that are economically dependent on farming or oil and gas and have no nearby metropolitan area. These losses resulted in severe challenges for rural communities trying to develop local business opportunities and implement economic development strategies. It is increasingly difficult for regions with declining populations to sustain tax revenues, a qualified workforce, community infrastructure, and other quality-of-life attributes that lead to healthy rural communities.

Rural Texas suffers from higher unemployment than urban areas and rural Texans generally have lower incomes than their urban counterparts. An estimated 3.4 million Texans lived in families with incomes below the federal poverty guidelines in 2002. The state's poverty rate is 15.6 percent overall, giving Texas the seventh-highest rate in the nation. The rate averaged more than 20 percent in the state's rural counties versus less than 16 percent in urban counties. The poverty rate is more than 25 percent for Hispanics and nearly 19 percent for African-Americans. Entrepreneurship offers excellent potential for many members of these economically challenged groups to improve family incomes, living conditions, and quality of life.

The term entrepreneurship describes the business growth and development, leadership, innovation, and risk-taking necessary to grow local economies. These new business ventures often start small and grow into businesses that have significant numbers of employees and large economic impacts. In fact, small businesses significantly contribute to our state and national economic prosperity, accounting for more than 50 percent of the nation's private gross domestic product (GDP). In addition, more than 60 percent of the new jobs created every year come from small business.

More can be done, however, to nurture entrepreneurs and encourage new business development. The role of entrepreneurship is often overlooked as a catalyst for expanding the economic opportunity in both rural and urban areas. *The Texas Entrepreneurship Summit: Expanding Economic Opportunity* brought together the stakeholders from business, state and local government, educational institutions, business, government, and academia to discuss what community-based and non-profit organizations can do to promote entrepreneurship.

In preparation for the summit, the Texas Center for Rural Entrepreneurship (TCRE) asked a group of rural entrepreneurs what was needed for them to successfully develop their businesses. They explained that rural entrepreneurs need assistance with applying basic economic principles to analysis and decision-making, business feasibility analysis and planning, capitalization, evaluating markets, financial planning, developing networks, and identifying potential business opportunities. Respondents also suggested that assistance must be provided in a timely fashion and in a manner conducive to entrepreneurs' learning styles and time constraints. They suggested that the most critical factor to entrepreneurial success is the development of a continuous supportive relationship with a network of service providers who will help incubate their business and continually move it toward success and sustainability over an extended period. They emphasized that assistance cannot be one-dimensional, but must involve a systems approach that contains the full array of critical elements to support entrepreneurs.

With these thoughts in mind, more than 100 people gathered at the first Texas entrepreneurship summit presented by the Texas Agricultural and Natural Resources Summit Initiative. Attendees at the March 29, 2005 summit in Austin included legislators, community leaders, economic development professionals, educators and numerous entrepreneurs. Texas Rep. Jim Keffer and Texas Sen. Todd Staples were among the speakers at the daylong summit, which focused on ways to identify, develop and support entrepreneurship, particularly in rural areas of Texas. The summit also provided an opportunity for Texas entrepreneurs to learn from other entrepreneurs and nationally recognized experts on entrepreneurship.

General Sessions

Summit speakers provided background information and thoughts for meaningful workgroup discussions and recommendations. The conference provided an outstanding opportunity for attendees to hear presentations from some of the most prominent authorities on entrepreneurship in the U.S. Keynote speakers were Dr. Brian Dabson, associate director, Rural Policy Research Institute in Columbia, Missouri, and Dr. Mark Drabenstott, vice president and economist, Federal Reserve Bank of Kansas.

The program included a successful entrepreneur showcase, during which three Texas entrepreneurs related their experiences about the benefits and challenges of business ownership. Fran Farmer, Farmer's Design Group, LTD; Nancy Nicholson, The Heritage Pie Company; and Joe Swinbank, Sprint Industries, each gave presentations on their companies and told what inspired them to become entrepreneurs.

Case studies in entrepreneurship from other states were presented by Leslie Scott, director of the Institute for Rural Entrepreneurship in North Carolina; Tracy Taylor, president and CEO of Kansas Technology Enterprise Corporation; Dennis West, president, Northern Initiatives in Michigan; and Dr. Rodney D. Holcomb of Oklahoma State University.

Workgroup Sessions

This conference gave participants an opportunity to provide feedback concerning Texas' most important community and economic development issues as they relate to the potential for entrepreneurial growth in their communities. Attendees separated into workgroups to discuss and make recommendations relating to various personal, economic, and community challenges to creating a successful entrepreneurial environment in Texas.

Summit participants helped identify key issues and recommendations to further the entrepreneurial spirit across Texas. The questions considered related to the following overarching themes:

- 1) Identifying Entrepreneurial Opportunities: How do we bring together the ideas for businesses, technology transfer, agricultural diversification, and value-added products with the entrepreneurial talent to make the ideas a reality?
- 2) Building and Developing Successful Entrepreneurs: What are the most effective approaches for identifying, training, and supporting entrepreneurs at the community and state level?
- 3) Understanding Entrepreneurship in a Community Context: How do we create a community climate that is favorable to new business development and engages entrepreneurs in local community development strategies? What needs to be done at the state level to foster the development of community capacity to support entrepreneurship?

Keynote Speaker Highlights

What is Entrepreneurship and Why is it Important?—Dr. Brian Dabson

This first keynote session set the groundwork for the rest of the day. Dabson defined terms for the discussion and explained

that there is a diversity of entrepreneurs in any given region or state in terms of motivation, circumstances, and demography.

“Survival entrepreneurs” resort to creating enterprises to supplement their incomes because there are few other options available. Sometimes called “entrepreneurs by necessity” these are often associated with areas undergoing substantial economic dislocation such as plant closings, or with areas that have long-term economic disadvantage such as many inner-city neighborhoods or remote rural regions.

“Lifestyle entrepreneurs” choose self-employment because they no longer want to work for someone else, because it provides a better way of balancing work and home demands, or because it enables them to stay in communities to which they have great attachment. The focus is usually on providing a living for the entrepreneur and their family. Often called “Mom and Pop” businesses, they can be found in every sector of the economy and are by far the most common form of small business.

“Growth entrepreneurs” are motivated to grow their businesses to create wealth and jobs in their community. From a policy viewpoint, these tend to be an attractive target, but only a proportion are likely to be founded on a product, process, or service innovation, with many being better categorized as business operators than true entrepreneurs.

“Serial entrepreneurs” enjoy the process of business creation and over their lifetimes will create several businesses, often selling their ventures in the process. These are the high-flyers in any community and a rare breed—they represent the hopes and ambitions of most regions when they embark on entrepreneurship development.

Dabson explained that there is a strong tendency within the business assistance community to focus on the business venture and technical processes of business planning and development and to downplay the importance of the individual characteristics, motivations, and abilities of the entrepreneur. He pointed to a set of five non-sequential, often overlapping stages of entrepreneurship: (1) discovery, in which the entrepreneur generates ideas, recognizes opportunities, and determines the feasibility of ideas, markets, and ventures; (2) concept development, in which the entrepreneur plans the venture, identifies needed resources using a business plan, and identifies strategies for penetrating markets or protecting intellectual property; (3) resourcing, in which the entrepreneur identifies and acquires the financial, human, and capital resources needed for the venture start-up; (4) actualization, in which the entrepreneur operates the venture and utilizes resources to achieve its goals and objectives; and (5) harvesting, in which the entrepreneur decides on the venture's growth, development, or even demise.

Dabson followed his description of entrepreneurship addressing the question, “Why does it matter?” In general, the answer is that it is the engine of wealth and job creation in the U.S., the source of most of the innovations and inventions in the economy, and as such is the root of our international competitiveness. He argued for a pyramid-shaped model to describe effective economic development including recruitment or attraction, retention, and homegrown development or entrepreneurship.

Finally, in order to provide a context for the rest of the conference, Dabson stressed three principles of entrepreneurship development that have provided the foundation for his Entrepreneurship Development Systems project:

- Focus on the entrepreneur. Make the entrepreneur the center of the policy and programs, not a customer to whom services are offered or sold. Take steps to differentiate between entrepreneurs and their differing levels of needs and skills. Organize the array of training, technical assistance, capital access and other services into integrated systems in place of the current uncoordinated, turf-oriented, under-resourced, and undifferentiated programs and agencies. Reach out to potential entrepreneurs across ethnicity, education, geography, age, and gender and use diagnostic tools to differentiate and serve, not to exclude.
- Focus on the community. Recognize the importance of the immediate context for entrepreneurship—the community. The more entrepreneurial and engaged the community is, the greater the likelihood of success for individual entrepreneurs. Communities need the tools and resources to identify and build upon the assets they have, to make appropriate choices, learn, and innovate. All sectors of the community can contribute—not just the usual suspects.
- Focus on the region. Embrace the region as the unit of economic competitiveness. Entrepreneurs need access to regional economic drivers for markets and support networks. Political jurisdictions rarely have economic rationale, and few have the resources to match the opportunity and need. Regional cooperation is critical, encompassing governments at all levels, the private sector, educational and non-profit institutions, and other interested parties. Arbitrary distinctions between urban and rural interests mask issues of common possibilities and prevent regional solutions.

Creating an Environment to Foster Entrepreneurship— Dr. Mark Drabenstott

With the alternative title of *Top Ten Ways to Create an Entrepreneurial Climate*, Drabenstott presented his recommendations for what public policy can do to support entrepreneurship based on several important issues gleaned from the literature on entrepreneurship. He quickly emphasized that private support is equally important.

He began his discussion by summing up the economic development challenge in the twenty-first century as the vigorous pursuit of a region's competitive edge in rapidly changing global markets. He argued that building regional competitiveness takes an understanding of a region's assets, identification of market opportunities and good strategies that exploit assets to capture markets. Two critical ingredients to carrying out these strategies are the "fuel" of innovation and the "engines" of entrepreneurs so that regions with more innovation and more entrepreneurs will be more successful in the new economy.

Drabenstott's top-ten list focused on how Texans can create a world-class entrepreneurial climate. His agricultural example

suggested that it is all about creating the best possible seedbed in which entrepreneurs can sprout and grow. The top ten suggestions for public support of entrepreneurship, in no particular order of importance, are:

1. Think regionally—one size no longer fits all. Globalization has created an economy of regions, each creating its own strategy to compete.
2. Ensure competitive access to a broad range of financial capital. Equity capital is the lifeblood of entrepreneurs. Debt capital is widely available in rural America, but equity capital is not.
3. Invest in entrepreneurship skills and education. K-12 entrepreneurship education is critical to "making" entrepreneurs. Public support might include school curriculum, entrepreneurial coaching, and entrepreneurship support systems.
4. Encourage better regional governance. Currently, economic development is mostly "local," but rapidly will become more regional in the future.
5. Encourage stronger business alliances. Clusters are a development strategy favored by some. They create synergies in market access, workforce skills, and technology transfer and adoption.
6. Invest in public goods and services that support entrepreneurs. Examples in this area included infrastructure, such as access to broadband, and services such as accounting, legal, and technical.
7. Create strong protections for intellectual property. Innovation drives entrepreneurs and intellectual property rights let them survive in markets.
8. Create a tax and regulatory environment friendly to entrepreneurs. One-size-fits-all regulations place a bigger cost of compliance on small, emerging companies. Differences in security regulations across states can hamper regional business initiatives.
9. Take a closer look at your entrepreneurial culture. Self-assessment questions to ask here include: Does it tolerate failure? Does it celebrate risk taking and success? Do social values constrain emerging technologies?
10. Be systematic in developing entrepreneurs.

Entrepreneur Panel Highlights

Farmer's Design Group, LTD— Fran Farmer

Fran Farmer started her business because she needed a second income, so she considers herself a survival entrepreneur. She started the business in 1996 as a small-scale sewing enterprise that supplied components of product displays for retail stores. It has grown to offer a much broader line of display-case items that are supplied to many of the larger upscale retail stores across the U.S.

The company has always had strong support from the local community because it offers part- and full-time employment to many people in their small rural community. The business has grown due to its attention to providing quality products in a

timely fashion. As the business expanded, there was a need to expand operations into more buildings.

Several displays have won awards at major point-of-purchase display contests in New York and are now incorporated into the business' marketing program. Farmer stated that she never realized they could win awards in a major competition being a small business from a very rural setting. The awards have opened up new opportunities and allowed them to diversify their product lines.

Farmer has never developed a business plan because she has been busy with operations and never slowed down long enough to realize she really had a business. She told the participants that the most valuable part of her business is loyal, hardworking employees who have helped the business become as successful as it has.

Partners who have helped the business with some of its challenges have included the local Texas Workforce office, Western Texas College (local community college), and local economic developers. Farmer stressed that being community-minded is important for entrepreneurs, as they will grow to depend on many elements in the community for their success. Many new business owners could easily find themselves in a situation similar to what hers was, not knowing there were places to go for assistance. For example, it took her several years to learn where to go for workforce training and grants.

Farmer believes that if she knew then where to get support, encouragement, and assistance, she could have been a better boss for her employees. She feels that one critical thing for people in rural communities to realize is that there is all the help they probably need in local areas and for sure within Texas, but they need to feel comfortable enough to ask for it.

Heritage Pie Company—Nancy Nicholson

Nancy Nicholson started her business in 2001 following an extended stint in the restaurant business with her husband. The business is based on a recipe for an apple pie they purchased from a lady who was selling the pies for corporate gifts. Started in a storefront in Jasper with a partner and support from a local economic developer, they started very small and quickly grew the business through ambitious marketing efforts and assistance from TDA through the Go Texan program.

The business started a rapid growth period after winning several national awards for their apple pies. This growth was the result of contracts with several major retailers as well as an aggressive program of marketing their products as corporate gifts. Several cooperative marketing agreements with other products such as Blue Bell Ice Cream have also boosted sales.

The addition of new partners and a broader product line recently have moved the business to a new level. This also allowed Nicholson and her husband to move out of the production part of the business to focus on marketing.

The seasonality of the business is a real challenge. Over half of their business happens during the holiday season at the end of the

year. They entertained some proposals to bake products for others (co-pack) during their slow months, but that did not materialize. However, now that the new partnership has broadened, the product line is utilizing much of their excess capacity.

Some of their major challenges have included order processing, shipping perishable food products, and finding national accounts. They face extra premiums to ship from a rural area. Another major challenge that she hopes entrepreneurs will realize early on is the need for endurance to sustain the business as well as their family and other activities in which they might be involved. It is important that the entrepreneurial support network continues to encourage entrepreneurs through the course of their business development so they will be sustained during the hard times and enjoy the good times.

Nicholson strongly believes that people will be reluctant to ask for assistance because of personal pride. She encouraged participants to check with local entrepreneurs on a regular basis so they will not give up too easily.

Sprint Industries—Joe Swinbank

Swinbank and his partner have started approximately 30 businesses and he considers himself a serial entrepreneur. He is always looking for business opportunities and is willing to sell any business when he finds someone willing to pay him an acceptable price for it.

During the description of some of his current businesses, Swinbank stated that he has never developed a business plan and has never had the need for one. His business success is based on "rolling with the punches" and taking advantage of opportunities as they arise. He stated that successful entrepreneurship results from being able to take knowledge from one business to another.

Swinbank explained that a major factor in his success was due to his father serving as a mentor and coach. His father taught him that it was acceptable to take chances and to fail as long as you picked yourself up and tried again. He has now reached the position where he can capitalize other entrepreneurs who come to him with a unique, viable business idea. He has also created a mentoring program within his companies.

Swinbank, who always strives for honesty in business, explained that this has paid off for him since he does not have to look for business opportunities; other people bring them to him.

Swinbank also attributed his success to the fact that he has a partner who is his lifelong friend. He admits they are polar opposites in terms of personality and educational background even though they share some common interests. He suggested that entrepreneurs acknowledge their weaknesses, make adjustments, and surround themselves with people who complement their weaknesses. Additionally, he stated that it is "lonely at the top" and it is always nice to have someone to talk to.

Swinbank discussed the role of education in the entrepreneur development process. His thoughts focused on the value of a general education rather than spending time with a narrow, specific

curriculum. He sees considerable value in the general diversity of experiences learned in a rural landscape that can apply to an urban setting.

Emotional endurance is an attribute he said he considers important but is not sure can be taught in standard programs that often do not recognize the people side of business. Swinbank said he considers this to be an important issue since most of his businesses provide services and that successful entrepreneurs should develop their people skills.

He has developed a template for successful business development based on an open-book system. All employees know how much money is being made and they share in the success of profitable business operations.

One of the biggest challenges to budding entrepreneurs is trying to decide whether they want to “enter the arena.” Some people understand what an opportunity is, while others do not. Swinbank’s philosophy is “just do it” and experience has taught him how to get out of tough situations by using his instincts and intuition.

He listed several challenges faced by start-up entrepreneurs in Texas. These include health insurance, the banking system, the state franchise tax, and the county economic development system that is aimed at “big deals.” He wrapped up his comments by listing SCORE as one of the valuable resources that he took advantage of during his early business career.

Case Studies Highlights

Leslie Scott, Director, North Carolina Institute for Rural Entrepreneurship

The Institute is part of the North Carolina Rural Economic Development Center, a nonprofit organization created by the North Carolina legislature in 1987. Until that time there had been very little focus in the state on rural economic development. Rural entrepreneurship is just one of the center’s more recent focused efforts.

The entrepreneurship effort sprang out of a continued decline in manufacturing over the last three decades. After looking at the characteristics of rural businesses, they realized that over 75 percent of these businesses had fewer than 10 employees. This created much more interest in microenterprise development.

Data also indicated that self-employment had increased rather rapidly during this same period. Thus, in 2003, the center decided it was time to rethink their economic strategies, to redirect their investments of time, energy, and money, and to create a vision for economic prosperity in rural North Carolina. This resulted in the institute’s launch in late 2003 at a rural partners forum that included the who’s who of economic development in the state.

The goals of the institute are:

- Support self-employment as an important source of jobs and income in rural North Carolina.

- Support development of entrepreneurial companies—new and existing—that can grow and generate jobs and wealth in rural communities.
- Support the development of a culture in rural communities that views entrepreneurship as a viable option for economic opportunity.
- Support overall improvement in the vitality of the small business climate in rural areas.

Scott shared some major concerns cited in 22 rural center focus groups with rural small business owners in 2003. These are:

- Need for tailored training and educational programs
- Difficulties in accessing outside resources and support services
 - Not aware of what was available
 - Accessed one and had a bad experience
 - Poor hand-off experience
 - Not able to ascertain the differences between service providers
 - Providers need to get their act together and market themselves better to clientele
- A sense of isolation
 - From markets
 - From other entrepreneurs
- Lack of access to capital
- Underappreciated by communities—operate under the radar because communities are so focused on large companies.

The center focuses on two main roles: (1) develop a reputation as the place for rural communities to go to for information resources, strategies, and models that support local entrepreneurship and (2) refer entrepreneurs to existing business service providers and help strengthen that network to create “no wrong door.” The center has such a microenterprise-rich community that they define entrepreneurs to include anyone creating or growing an enterprise.

The center has organized an alliance of service providers that is connecting its people and resources to build a comprehensive development system for entrepreneurs, which includes:

- Education and training
- Technical assistance and information
- Entrepreneurial networking
- Access to capital and infrastructure
- Leadership and policy development

Several pilot projects around the state are working on implementing this system.

Scott suggested some lessons for Texas and other states including:

- Service provider networks—state and regional—must eventually include all the organizations that work with entrepreneurs to avoid confusion for the end users.
- Network leadership must be entrepreneur-focused, collaborative across turf, innovative, and nimble (civic entrepreneurs from non-profits and outreach centers).

- Educating and coaching community leaders and service providers to be entrepreneurial is as important as working directly with entrepreneurs.

Tracy Taylor, President and CEO, Kansas Technology Enterprise Corporation (KTEC)

Taylor visited with summit attendees about what Kansas has done to focus on technology-based economic development and how they have tried to move that out into rural areas. KTEC is funded by the lottery and receives no state funding.

KTEC has three areas of focus: (1) funding of research and development at the major universities, (2) hands-on business incubators that help people commercialize technologies developed in academic environments, and (3) direct equity investments in early stage companies. They believe very strongly in metrics, which involves setting goals and objectives to increase the chances of success. One of their main goals is creating wealth and higher-paying jobs.

KTEC has been fortunate to create the largest corporate patent donation program in the nation in a rural university setting. There is a tax advantage to the corporation that helps with the success of the program. This has also led to turning down nearly two-thirds of the patent donations offered to them.

Their programs have allowed them to bring many successful people who left a rural environment to make their fortune back to a rural environment. These successful entrepreneurs are lured by the quality of life in the rural settings, the ability to give back to these communities, and the fact that they can continue their entrepreneurial efforts.

The state legislature recently passed the Kansas Economic Growth Act of which one component is the Kansas Center for Entrepreneurship. The center's mission includes providing increased access to capital, encouraging wealth and job creation through new business development, and assisting regional and community organizations in providing business assistance and capital to entrepreneurs.

Dennis West, President, Northern Michigan Initiatives

Northern Initiatives (NI) began in 1985 as an academic department of Northern Michigan University and initiated programs to affect local economies. In 1992, they began a partnership with Shorebank (Chicago), one of the foremost community development banks in several major U.S. cities and around the world in emerging economies.

NI operates under the belief that in order to be change agents in rural areas there must be ties to urban centers. They recognize that rural entrepreneurs face many challenges in regard to access to capital, information, and markets.

To address the capital issue, NI has developed an \$8 million loan fund with about two-thirds loaned to start-up businesses and one-third to manufacturers. NI is the manufacturing extension partner for the Upper Peninsula and is an SBA-approved microlender.

NI works with the manufacturing and nature tourism sectors because these clusters that offer the most potential for the region based on their natural resources. Secondary focus is on wood processors and the development of entrepreneurs.

NI looks at their constituents as falling into different stages of entrepreneurship development. These stages are:

- **Inspiration.** These are the people with ideas, but they need help thinking through the many opportunities and challenges to develop their concepts. For example, every seventh grader in one school system has to write a business plan as part of their core curriculum. Volunteers from a variety of backgrounds interview all the students to provide them with encouragement. About one-third of the students carry their business ideas through to a mall concept where they actually operate their business on a limited basis.
- **Start-up.** Those in this group are given support to see if they can take their ideas and make them into viable businesses. At this stage, it is important that the supporters truly believe that the entrepreneur has the energy and determination to make the business work.
- **Fledgling.** It is important to see whether members of this group are willing to exhibit leadership, to accept ideas and suggestions, and to adapt necessary systems. For example, most start-up companies start with a checkbook. At this stage, they should be willing to move to a more elaborate accounting and financial management system.
- **Sustainable.** This stage incorporates more systems and more learning on the part of the entrepreneur.
- **Scale.** Very few entrepreneurs out of the original group included in the inspiration stage ever make it to this final stage where the business begins to mature and/or grow.

West concluded with some recommendations on trying to put together a system to support and encourage entrepreneurship. His thoughts were:

- “Oh, for a silver bullet!” It takes many institutions working together.
- Working with entrepreneurs is all about relationships and having time to be involved with a company for a long (5 to 7 years) period.
- Collaborations are difficult but naturally evolve.
- Collaborations are always challenged by the introduction of money.
- For the customer, a large number of institutions can create some grave confusion as to where to enter and where in the system the company truly belongs.
- To that end, specialization is a difficult thing for every partner to grasp and accept.

Dr. Rodney Holcomb, Browning Endowed Professor of Food Science and Agribusiness Economist, Oklahoma State University

Holcomb heads up the Food and Agricultural Products Center (FAPC), which started in much the same way as others in Michigan

and Kansas. The FAPC was started with state money about 1997 with a focus on agricultural businesses since agriculture plays a major role in the Oklahoma economy. They work with a variety of product ideas from businesses that range from very small to very large.

The center links in with several academic and state agency groups around the state to accomplish entrepreneur development. These include the Department of Commerce, State Department of Agriculture, small regional universities, and a network of career and technology centers.

Center faculty and staff work with food and fiber businesses—everything from making ethanol from wheat straw to processing poultry litter to nutraceuticals to processed food products such as jams, jellies, and hot sauces. Faculty and guest speakers work with these businesses on basic elements of management and issues involved in business development.

Workgroup Highlights

Identifying Entrepreneurial Opportunities

The first step in the entrepreneurship process is to identify potential business opportunities. Ideas for businesses can materialize from a wide variety of activities and groups. Examples include brainstorming, research, existing industries, and community planning processes. Local business ideas might arise from a local competitive process where resources would be available for implementation. Suppliers and support industries might also have insight into ideas.

Groups suggested some methods for identifying people who might have legitimate business ideas. There was agreement that whatever the process, it should afford an opportunity for the “idea person” to present their concept or idea in an environment of trust and confidence.

Other suggestions included:

- Assess a region’s natural assets, current products, other support businesses, and human capital.
- Award grants to early innovators to see if they can obtain a patent.
- Provide seed money to individuals with an idea and a financial need.
- Think regionally—develop in-sourcing strategy for one or more products to surrounding areas who are presently outsourcing to businesses in larger cities.
- Investigate the scalability of existing businesses.
- Evaluate existing products and determine how to improve them.
- Change can create opportunities to provide associated business activities. For example, a new business comes to town that creates complementary opportunities.
- Develop a workshop (such as *So You Want to Own Your Own Business?*) for helping entrepreneurs understand their personality related to business enterprises.

- Look for niches or opportunities to improve market function where the entrepreneur has knowledge to build on.
- While identifying the opportunity, also consider the exit strategy.
- Develop a center that can facilitate idea development.
- Understand that a good idea in action becomes a catalyst for additional businesses.

Building and Developing Successful Entrepreneurs

Once ideas surface, assistance providers must work with entrepreneurs to develop their ideas. Assistance that most likely will be required pertains to:

- Communication with entrepreneurs regarding opportunities for starting a business with factors essential for success
- Forums linking those with ideas and those with capital
- Management skills, finance capability, etc.
- Potential for integration (vertical or horizontal)
- Use of a business excess capacity
- Fundamentals of marketing plans and salesmanship
- Understanding finances

Building and developing successful entrepreneurs might occur in a number of places within communities such as:

- Middle and high schools that could instill those qualities that lead to innovation, business planning, and creation of management expertise
- Educational opportunities through 4-H and FFA
- Forums linking those with ideas and those with capital
- Organizations that recognize the skills of individuals and match needs with people

NOT EVERYONE IS AN ENTREPRENEUR. Provide assistance in identifying management needs and issues. Then, assist with management and interpersonal skills development (be sure that individuals are in position with comparative advantage), helping people identify their strengths and weaknesses.

Other suggested methods for developing entrepreneurs and helping them face the many challenges associated with growing successful businesses included:

- Identify and provide financing.
- Provide leadership in developing package.
- Start young with educational efforts.
- Stress the importance of being a generalist—need broad understanding of all parts of operating and managing a business; identify a focused track that provides this broad education.
- Develop programs that bring opportunities to youth—make jobs more than just jobs.
- Foster an entrepreneurial spirit; overcome desires for immediate rewards.
- Identify ways to motivate students as to why they need entrepreneurial training.

- Help youth overcome their fear of taking risks and failing; teach them there are rewards for taking on risk and that it is all right to fail.
- Diversify education emphasis beyond just “higher education.”
- Develop marketing plans for personal development; identify requisite skills.
- Capture existing work ethic.
- Grow the business rather than start too big with excessive debt; operate within your means; develop experience first.
- Encourage perseverance.
- Develop visionaries who have the knack for identifying needs and opportunities and then taking the necessary action to bring ideas to fruition.
- Teach the value of offering and providing best product or service possible.
- Anticipate problems and make all possible efforts to avoid them, e.g., quality control program.
- Recognize issues of scalability and how to grow and manage growth.
- Teach systems for small business—finance, marketing, human resources.
- Realize the value of a support system—other businesses, community, etc. to provide assistance when unanticipated failure looms or occurs.
- Provide affirmation to failing efforts.
- Provide encouragement to beginners.
- Identify intrinsic rewards.
- Motivate through skill development.
- Do not overlook profit incentive of free enterprise.
- Must have passion for the business—varies by person and/or by type of business.
- Focus on customers, i.e., entrepreneur “wannabes”—ask them what they need.
- Encourage students to work in alternative jobs.
- Train parents—parents need guidance in encouraging children to be entrepreneurial.
- Do not squelch children’s creativity.
- Make students aware of the Rural Entrepreneurship option at TAMU Ag Economics.
- Develop entrepreneurial camps for high school juniors/seniors, e.g., WTSU “Business in a Box.”[©]
- Promote organizations such as the High School Business Professionals of America.
- Provide networking groups for entrepreneurs to facilitate information exchange.

Those working in this area must understand this is a long-term process in developing entrepreneurs. Those assisting entrepreneurs need to keep the focus on the entrepreneurs, not the business. Assistance needs to move at the speed of business, not at some other timetable.

It is frustrating to emerging entrepreneurs to not get the follow up from local, state, and federal agencies that have entrepreneurial support as part of their mission.

Entrepreneurs could form their own advisory group where they can give and get feedback relative to business ideas and management.

Understanding Entrepreneurship in a Community Context

It is important to remember that economic development will not be sustainable unless it is part of a community-based plan. Community-based plans should include:

- A strategic plan for the community
- Identification of the desirable results—what is needed for the future of the community
- Process for implementing or initiating the plan including communication, support, and opportunities for help
- Vision within the community
- Clusters in which the region has a competitive advantage and on which they choose to focus their efforts
- Follow-up plan which includes who will be responsible, timeline, business model for checking back on progress (bring group back together for status report)
- Listing of the advantages and disadvantages of the community
- Experienced community leaders who can articulate the needs of the community

Methods for communities to become better prepared to engage entrepreneurs and ways in which they can help entrepreneurs become more successful include:

- Recognize that one of the unheralded products of rural communities are the kids with good ethics and morals.
- Communities need to value, appreciate, and recognize entrepreneurs within their midst.
- Tie all social services together to foster successful environment for all employees of entrepreneurs.
- Conduct community and town hall meetings to talk through development issues.
- Attract “new money,” i.e., what is needed is not simply a revised version of an existing business (e.g., a better dry cleaner, better hamburgers, etc.) but rather new ideas that market outside of the area (bringing in “new money”) that requires additional support infrastructure.
- Good school systems are the foundation for the community.
- Assess the “unknown” factors of your community—need to be passionate about your town to attract new businesses.
- Mitigate your community’s liabilities and accentuate the positives.
- Connect E-ship in a “holistic” approach with the rest of the community. Front door of economic development and e-ship is community development.
- Find groups to understand and champion activities to support E-ship in the community. Every community has a group of seasoned opinion leaders who can make things happen if they support the concept.

- Define “community” in order to focus on supporting entrepreneurs. Community relates to those components of society in an area with common interest and support mechanisms. A community’s boundaries are not geographic.
- Understand that every entrepreneur or groups of entrepreneurs are unique with specific needs at that point. In addition, support of entrepreneurs must be dynamic as they change and develop.
- A supportive community can encourage innovation and business development.

Several items were mentioned that the “community” could offer to support E-ship. They included:

- The need to support the entrepreneur, not the business
- A community-based planning process
- Local network for entrepreneurs within the community
- Educational opportunities for entrepreneurs
- A sense of community
- Opportunities for providing mentorship to other new entrepreneurs
- Youth education on entrepreneurship in junior high and high school
- Facilitative ordinances and regulations to enable E-ship
- Incubator support
- Welcoming attitude toward newcomers and new ideas
- Chambers of commerce support
- Quality community services

Overall recommendations

- Training of economic development people needs to be completely revamped. The old economic development strategies are not sufficient for the 21st century. We need to start retraining and retooling economic developers equipping them with new tools that will make them more successful at building local economies.
- A strong management team is essential for success.
- Match business ideas and concepts with strong management teams to help them through the development and capitalization process.
- Texas has an opportunity with the Texas Center for Rural Entrepreneurship (TCRE) to open new doors and address the future differently and to create a system with the ability to adjust quickly. This group strongly recommends that the State strongly consider funding for TCRE to support its development.
- Accountability and measurement of successes will assure available support and capital in the future.
- **GROUP STRONGLY RECOMMENDS FUNDING TO BRING ECONOMIC DEVELOPMENT TO RURAL, URBAN, AND INTER-CITY LANDSCAPES.**

Texas Entrepreneurship Summit Co-Chairs

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Mr. Jason Skaggs, Senator Robert Duncan

Dr. Roland Smith, Texas A&M University, Department of Agricultural Economics

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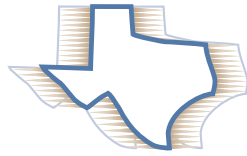
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Mr. W. E. West, Jr., Guadalupe-Blanco River Authority

TEXAS ENTREPRENEURSHIP SUMMIT



Conference Agenda

- 7:00 a.m. Registration Opens
- 7:30 a.m. Breakfast
- 8:20 a.m. Welcome
-Carlton Schwab, Texas Entrepreneurship Summit Co-Chair and President and CEO, Texas Economic Development Council
- 8:30 a.m. *"What is Entrepreneurship and Why is it Important?"*
-Dr. Brian Dabson, Associate Director, Rural Policy Research Institute
- 9:00 a.m. *"Successful Entrepreneur Showcase"*
-Fran Farmer, Farmer's Design Group, LTD
-Nancy Nicholson, Texas Heritage Provisions Company
-Joe Swinbank, Sprint Industries
- 10:00 a.m. Break
- 10:30 a.m. *"Creating an Environment to Foster Entrepreneurship"*
-Dr. Mark Drabentstott, Vice President and Economist, Federal Reserve Bank of Kansas City
- 11:00 a.m. *"Case Studies from Other States"*
-Leslie Scott, Director, Institute for Rural Entrepreneurship, North Carolina Rural Economic Development Center
-Tracy Taylor, President and CEO, Kansas Technology Enterprise Corporation (KTEC)
-Dennis West, President, Northern Initiatives, Michigan
-Dr. Rodney B. Holcomb, Browning Endowed Professor of Food Science and Agribusiness Economist, Oklahoma State University
- 12:15 p.m. Networking Lunch
-Pierce Miller, Summit Executive Committee Chairman
-Dr. Elsa Murano, Vice Chancellor and Dean for Agriculture and Life Sciences, The Texas A&M University System
-Dr. Marvin Cepica, Dean, College of Agricultural Sciences and Natural Resources, Texas Tech University
- 1:30 p.m. *"Current Initiatives and Future Potential for Entrepreneurship in Texas"*
-Dr. Greg Clary, Director, Texas Center for Rural Entrepreneurship and Economist, Texas Cooperative Extension
-Texas Representative Jim Keffer
-Ron Kessler, President, Ron Kessler Group
-Dr. Brian Dabson, Associate Director, Rural Policy Research Institute
- 2:30 p.m. Charge to the Workgroups and Break
-Dr. A. Gene Nelson, Summit Initiative Coordinator and Executive Associate Dean, College of Agriculture and Life Sciences, Texas A&M University
- 2:45 p.m. Breakout Workgroup Sessions
Blue Group
Green Group
Red Group
- 5:00 p.m. Summit Reception and Workgroup Results
- 5:30 p.m. Workgroup Response and Wrap-up
-Carlton Schwab, Texas Entrepreneurship Summit Co-Chair and President and CEO, Texas Economic Development Council
-Texas Senator Todd Staples



Texas Agricultural and Natural Resources Summit Initiative

The Texas Agricultural and Natural Resources Summit Initiative is an apolitical forum for people concerned about Texas' food, fiber, and natural resource system to meet and plan for a future we all must share. The initiative was begun in 1993 on the principle that Texans can find workable solutions to any challenge if they are given an open forum in which to share ideas.

The Agriculture Program of The Texas A&M University System in cooperation with the College of Agricultural Sciences and Natural Resources of Texas Tech University is the organizer of the Texas Agricultural and Natural Resources Summit Initiative process.

For more information about the Summit Initiative, visit
<http://agsummit.tamu.edu>

