Community Resiliency and Entrepreneurship

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Entrepreneurs and Resiliency: Two sides of the same coin?

• Entrepreneurs are critical to economic resiliency.
  • New businesses add back lost jobs.
  • Generate income growth.
  • Create stability.
  • Local sense of community.

BUT entrepreneurs also rely on community.
  • Benefit from social capital.
  • Need strong diverse social network.
  • Each interaction matters.
Job Creation

Job Creation by Establishment Size
United States, 2019

- 85% jobs <500 emp
- 65% jobs <100 emp
- 36% jobs < 20 emp
New businesses drive job growth.

![Average Annual Net Job Creation By Establishment Age](United States, 1998-2018)

- Age 0
- Age 1-5
- Age 6-10
- Age 11-15
- Age 16-20
- Age 21-25
- Age 26+
Average Gross and Net Job Creation
St. Croix Valley 1980-2020

St. Croix Valley Gross Job Creation

-15000 -10000 -5000 0 5000 10000

New Jobs from Startups
New Jobs from Existing Businesses
Job Loss from Existing Businesses
Average Gross and Net Job Creation
St. Croix Valley 1980-2020

St. Croix Valley Gross Job Creation

St. Croix Valley Net Job Creation

- New Jobs from Startups
- New Jobs from Existing Businesses
- Job Loss from Existing Businesses
- New Jobs from Startups
- Net Job Creation by Existing Businesses
Income Growth and Poverty Reduction

- Countries with more entrepreneurship have higher GDP.

- Regional Results:
  - Rural and urban income growth.
  - Rural poverty reduction.
  - Ex. Appalachia

- Helping low income individuals become self-employed can help them out of poverty and reduce the need for welfare.
Local Sense of Community

- Small businesses...
  - Create and support local amenities.
  - Leverage natural capital.
  - Provide specialty services.
  - Sell culturally-specific goods.
  - Give communities charm and unique character.
  - Contribute to livability and quality of life.
    - Childcare, bank, veterinarian
Local Sense of Community

Leavenworth, WA

Red Wing, MN

Fort Collins, CO

Pendleton, OR
Regional Stability

• Over time some businesses will close, others will do quite well.

• Relying on one industry can leave a region vulnerable.
  • Portfolio approach to economic development.

• Diversity is key to creating stable local economies.
  • Less vulnerable to the fluctuation of any one industry.

• Household stability?
Entrepreneurial activity and the pandemic

Annual Business Applications
St. Croix Valley
The Other 997

“Each month, **three out of every 1,000 people in the United States will start a business.** These three entrepreneurs take on a tremendous task and assume a great deal of risk.

But **the remaining 997 people constitute a community that plays a substantial role in the entrepreneurs’ success,** as well. In fact, we depend on these 997 individuals – those who are not entrepreneurs – to support entrepreneurs.”

*The Entrepreneurial Ecosystem Building Playbook Draft 3.0*
Social capital

- Social capital is key to entrepreneurial success.

- **Social capital**: networks, norms, and trust that facilitate coordination and cooperation for mutual benefit in a community. (Halstead and Deller, 2015; Putnam, 1995; Coleman, 1988).
  - Bonding social capital: Networks, norms, and trust *within* an institution.
  - Bridging social capital: Networks, norms, and trust *across* institutions.
Social Capital

• Entrepreneurship requires combining resources.
  • Information, money, talent, inputs.

• Networks are the channels through which resources flow.
  • Entrepreneurs rely relationships.

• Trust is essential to the usefulness of the resources.
  • The reliability of information, source of funds, workers, the commitment to and from suppliers.

• Norms can evolve to help or hinder entrepreneurship.
  • Experimentation, creativity, failure, openness

“\textquote“I’ve never asked for any help. I’ve never needed anything . . . I don’t ask for anything because I know they aren’t going to help. When a person is Latino, they’ll deny everything.”\textquoten”

Failure is a big part of entrepreneurial places.
Networks

• Resources and information flow through relationships.

• Entrepreneurs benefit from knowing entrepreneurs.
  • Role models and peers.

• Entrepreneurship leads to more entrepreneurship
  • Successes and failures help future entrepreneurs.

“Entrepreneurs rely on people they know and trust for information that is tacit, difficult to verify, nuanced or locally specific.” (Conroy and Weiler, 2019)
Networks

• They also need a variety of other contacts in their network.
  • Bankers
  • Lenders
  • Lawyers
  • Real estate agents
  • Customers/Suppliers
  • Elected officials
  • Economic development professions
PPP Program

- Example from the pandemic.
- Business owners of color are less likely to have a relationship with a bank.
  - Negatively impacted access to emergency funds.
Ecosystem

5 C’S OF THE ENTREPRENEURSHIP ECOSYSTEM

Capital Financial Resources

Climate Regulatory, Economic Development & Policy Environment

Capability Entrepreneur & Owner Skillset

The Business Owner

Connection Resource & Relationship Network

Culture The local communities’ perception & support of entrepreneurship

Center for Rural Entrepreneurship
Building Networks

• Not enough to establish resources.
  • Network connections facilitate knowledge of, access to, and utilization of resources.

• Women, people of color, newcomers may be at a network disadvantage.
  • Impacts their ability to start and sustain a business

• How do we build networks equitably?
  • Building networks with acts of generosity
  • Developing a culture of support
Networks are inherently local

• Interactions matter
  • Face-to-face interactions
  • Facilitate observation, learning, trust, and reciprocity

• “Close” relationships.
  • Often happen locally
  • Neighborhood, school district, city as the social unit.
The next Silicon Valley...

- Social capital and networks play a large role in determining economic outcomes.
- The social fabric of communities evolves uniquely.
- Entrepreneurial behavior accumulates in a particular places.
  - Silicon Valley
- Can’t replicate the social factors.
- Better to focus on local assets and local network development.
Happy to take questions or discuss these topics some more!

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