



Provincial Report

The State of Entrepreneurship in Rural Communities

A Comparative Study of Business Vitality in Nine Rural BC Communities

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Executive Summary

Rural BC residents overwhelmingly feel that their communities are facing an economic crisis or opportunity. In some cases that sense of crisis or opportunity has served as a wake-up call and a catalyst for community strategy and action, or for creating a stimulating environment for entrepreneurs.¹ This is one of the key findings from the **Business Vitality Index (BVI) Provincial Report** that assessed nine rural BC communities² throughout the province from November 2001 to June 2003. The study documents the findings, identifies problem areas and areas of strength and makes recommendations identifying future efforts for building prosperous entrepreneurial communities.

Among the weaknesses, the study found:

- A lack of available capital with lenders willing to take risk
- A lack of informal or formal forums around innovation and technology
- Few facilities that do research in rural areas
- Practically no entrepreneurial development programs in schools
- A lack of sophistication or “capital illiteracy” in knowing how to go about raising capital for ventures
- Few professional development or focused business training exists
- Little co-operative or joint marketing of products and services at the community or regional level
- Flexible and affordable skills training is not available to meet local business needs.

On the bright side, rural residents perceive their communities as:

- Having untapped opportunities for the communities and businesses
- Safe
- Friendly
- Physically beautiful & environmentally safe
- Possessing an abundance of quality recreational opportunities in the area
- Having high quality K-12 schools
- Possessing many of the “sense of community” traits that urbanites have lost and recent immigrants to Canada are searching for
- Having the ability to quickly coalesce around an issue and take action
- Practical, hard working and not averse to putting personal differences aside for the good of the community. There is a tremendous sense of commitment to communities. Most people would do almost anything to stay in their community.

Research suggests that entrepreneurs and small business are becoming an increasingly important part of the economic solution in North America, responsible for creating 60-80% of new jobs, representing 99.7% of all employers³. Studies also show that 80-90% of jobs are

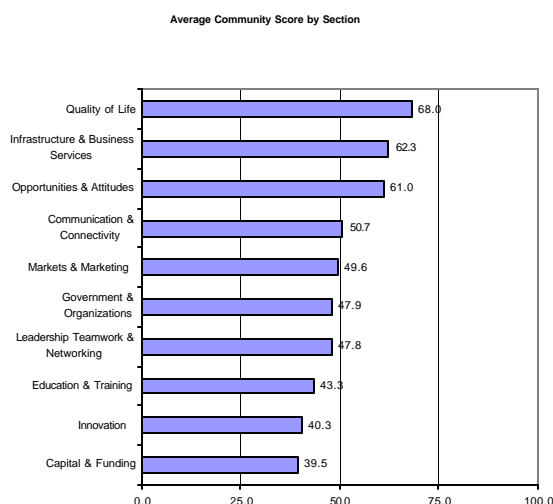
¹ See Appendix P for a success story from one community

² Pemberton, Creston, Harrop-Procter, Nakusp, New Denver, Grand Forks, Castlegar, McBride, Cache Creek

³ Hall, D. (2001). *Jump start your business plan: Win more, lose less and make more money with your new products, services, sales & advertising*. Cincinnati: Brain Brew Books; U.S. Bureau of the Census; SBA Office of Advocacy. (2003). *Small business by the numbers*. www.sba.gov/advo; A Report of the President. (2001) *The BVI Provincial Report*

generated from retaining and expanding business within a community.⁴ Increasingly, research shows entrepreneurs fare better in supportive communities with dynamic business support organizations.⁵ The BVI employed focus groups, a qualitative and a unique quantitative index – to discover the perceptions of businesses, leaders and others in the community – towards 99 indicators important for building business friendliness and entrepreneurial capacity. The BVI allows a community to assess business vitality, focus on perceptions and act on ideas to improve business friendliness.⁶

Access to Money, Capital and Funding (39.5⁷ out of a possible 100), *Innovation* (40.1), and *Education & Training* (43.3) were the weakest areas/sections. *Quality of Life* consistently scored as the highest section (68.0) in almost all surveyed communities, followed by *Infrastructure and Business Services* (62.3), and *Opportunities and Attitudes* towards entrepreneurship (61.0). *Education and Training* had the greatest variation between the highest and lowest scoring communities (68% from high to low) while *Infrastructure & Business Services* (21%) and *Quality of Life* (25%) had the least inter-community variation.



The Business Vitality Index (BVI) Provincial Study was funded by Western Economic Diversification Canada & was undertaken & written by Mike Stolte & Terri MacDonald⁸ of Community Futures Development Corporation of Central Kootenay and the Centre for Innovative & Entrepreneurial Leadership (CIEL), both based in Nelson, BC.

For full results or for more information please see our web-site: www.BusinessVitalityIndex.com or by contacting Terri MacDonald, tmacdonald@futures.bc.ca / tmacdona@interchange.ubc.ca, or Mike Stolte, mstolte@futures.bc.ca. Both can be reached at 250-352-1933 / 1-800-661-1395.

state of Small Business. Washington: United States Government Printing Office.
www.sba.gov/advo/stts/stateofsb99_00.pdf

⁴ Information gathered from Business Retention / Expansion programs across Canada and the U.S.

⁵ Center for Rural Entrepreneurship. www.ruraleship.org

⁶ See Appendix I for community actions selected as a result of the BVI & Appendix P for a success story

⁷ If all respondents *strongly agreed* to a positively worded statement, the question score would be 100. If all respondents *strongly disagreed* with the statement, the question score would be 0. For example a score of 75 or above would indicate very strong agreement, whereas a score of 25 or below would indicate very strong disagreement. A neutral response (*neither agree nor disagree*) would be scored as 50. Another way of looking at it, a score over 50 would indicate that there is positive capacity, while a score less than 50 would indicate a negative capacity.

⁸ See BVI Team bios in Appendix O
BVI Provincial Report

Other Key Findings

- While most respondents felt their community was in crisis many also agreed that there were an abundance of community and business opportunities. Communities could be classified into 5 basic personality types based on their response to how they perceived their situation – opportunity, neutral or crisis. See Appendix R (Five Community Personality Types or Archetypes) for their characteristics, business-related concerns & responses to their situation.
- Many respondents subscribed to a traditional view that a business friendly local government, low taxes, an industrial park, & good infrastructure - traditional hallmarks of a strong business community – were enough to encourage, grow, retain and attract businesses. Research increasingly demonstrates that many things that entrepreneurs and businesses seek out aren't just the traditional.⁹ They want a complete package: good schools, thriving arts scene, opportunities to informally network, etc.¹⁰
- In describing their communities (asking for three words to describe), respondents were overwhelmingly positive, with 10 positive comments for each negative. However, some communities found it difficult to focus on their assets and positives, sometimes dwelling on negatives and past failures.
- While many respondents stated the community encouraged business, there was a noticeable absence of promotion of entrepreneurial skills & aptitudes – flexibility, financial & communication skills, problem solving, risk-taking, entrepreneurial attitude – that are crucial for long-term individual and community health. This was especially evident at the elementary or secondary school levels where there was little or no focus on entrepreneurship or entrepreneurial skills. Entrepreneurship allows rural youth the potential for reasonable employment and income, one of the reasons they leave for urban centres.¹¹
- Ironically, as many urban residents strive for a lost sense of community, rural communities have exactly that, yet most are losing or not attracting new residents to replace ones that are leaving (2001 Census). This sense of community and attachment to community make rural residents extremely loyal to their way of life and should be highlighted in any efforts to attract new residents.

⁹ Richard Florida – *Rise of the Creative Class - and how it's transforming work, leisure, community and everyday life* – Basic Books, 2002

¹⁰ The "**Dirty Dozen - Gut Check 12**" – see Table of Contents - provides a snapshot & a reality check on how communities scored on some important, but hard to quantify, indicators. The Dirty Dozen are 12 of 99 BVI indicators.

¹¹ Don Macke & Jay Kayne, *Rural Entrepreneurship: Environmental Scan* – Center for Rural Entrepreneurship 2001.

- For some communities, there was a noticeable sense of desperation and impatience with a long-term commitment required to building a business friendly community. Many focus group participants had a mindset for quick fixes – hiring an economic development officer to recruit industries from the outside – to strengthen their economic development situation. For smaller communities without many competitive advantages (or none identified), this strategy is akin to playing a lottery or “rolling the dice”. While the evidence suggests that most job creation comes from within communities¹² - expansion of existing businesses and creation of new - it can be difficult to persuade communities to stick to a long-term approach that would encourage this.
- There is a significant issue of volunteer burnout, weariness, and lack of leadership replenishment in almost all communities (many have spent the last year or two dealing with divisive school & hospital closures or reductions in service, accentuating a chronic problem).

¹² Information gathered from Business Retention / Expansion programs across Canada and the U.S.

Recommendations

The BVI Team believes the following recommendations, put forward in broad themes, would serve to build prosperous entrepreneurial communities in rural BC. Specific recommendations for each section are contained within the report at the conclusion of each of the 10 sections.¹³

- **CULTURE & ATTITUDES** - Efforts should be made to create or enhance a culture that encourages entrepreneurs; specifically recognizing and rewarding entrepreneurs, K-12 entrepreneurial programs, accessing mentors from the community to share valuable experiences for ‘would be’ and existing entrepreneurs, etc. The importance of entrepreneurs and small businesses needs to be recognized within the community as necessary for community and economic growth.¹⁴ It should be made clear that this is a long-term approach to building sustainable and prosperous communities and that quick economic fixes are unlikely to be found or solve community problems and build capacity.
- **COOPERATION** - Encourage more cooperation within communities and especially regionally, possibly starting through small trust building projects with little political risk. More incentives should be made available for efforts aimed at creating regional collaboration and co-operation, looking to case studies of regions that have benefited economically through a regional approach.
- **YOUTH** - Efforts should be made to include and engage youth in a meaningful way to identify youth opportunities in entrepreneurship, education, and recreation. Rural communities supporting entrepreneurship is viewed as an effective way of not only retaining youth, but attracting them.¹⁵
- **LEADERSHIP** - Efforts should be made at renewing leadership in the community through rewards, success stories, mentoring opportunities, tapping into the talent / expertise of new residents and others traditionally not involved. A specific program recognizing and rewarding community entrepreneurs – those people who use entrepreneurial skills to build communities – should be initiated at the national, provincial and/or local level.
- **EDUCATION** - Future education and training efforts should make use of existing community-based organizations (i.e. colleges, Community Futures, youth centres, etc.), assure connection to closest college / university, be responsive to local needs, and reflect a diversity of learning and training opportunities & methods. In addition, efforts should be placed on improving attitudes toward continuous skill

¹³ The report’s themes do not correspond to the 10 “sections.”

¹⁴ “Communities that are viewed as supporting entrepreneurship are more likely to attract new residents (especially youth)” & Don Macke & Jay Kayne, *Rural Entrepreneurship: Environmental Scan* – Center for Rural Entrepreneurship 2001.

¹⁵ Don Macke & Jay Kayne, *Rural Entrepreneurship: Environmental Scan* – Center for Rural Entrepreneurship 2001.

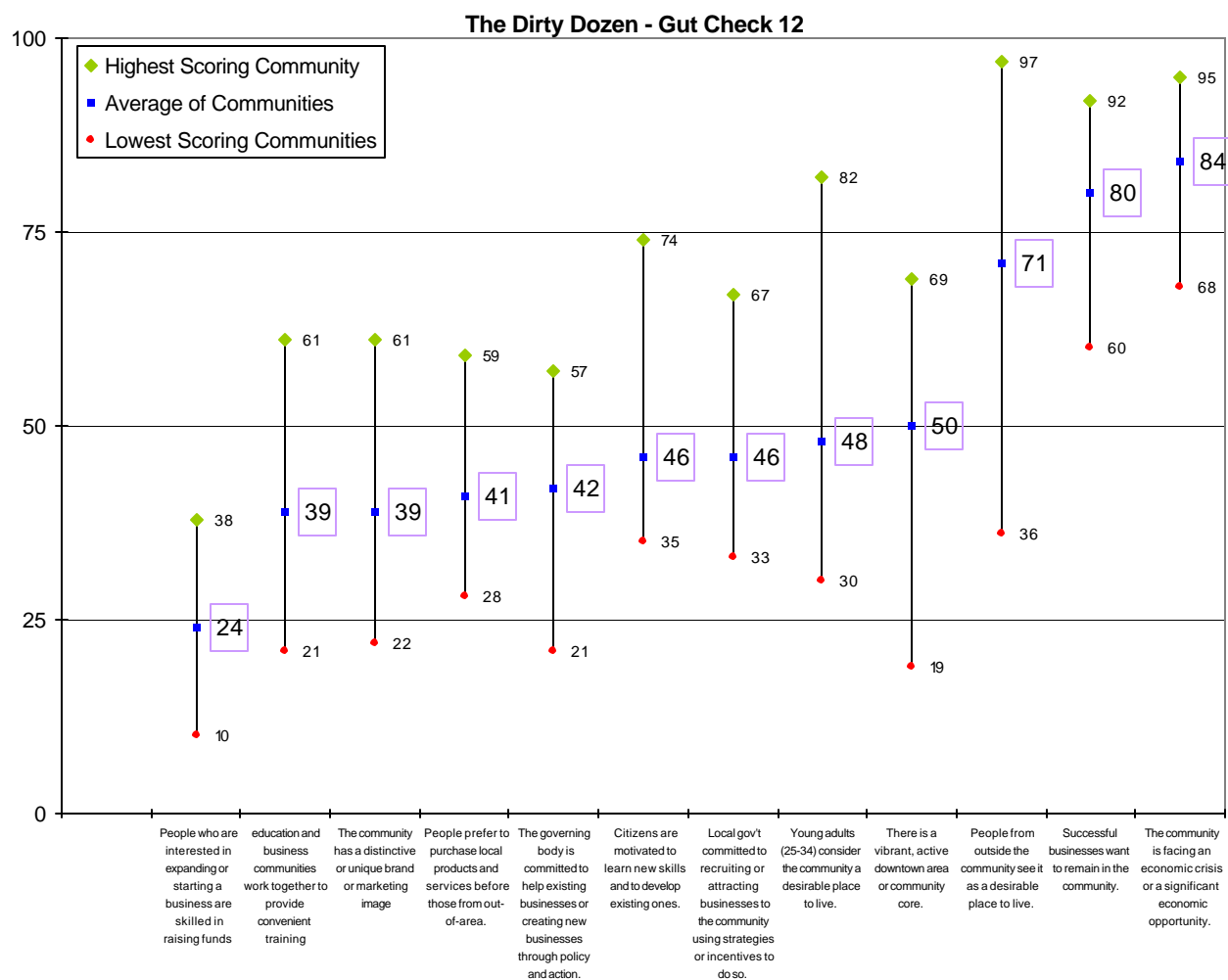
development and training and lifelong learning recognizing that the provision of opportunities for learning alone will not be sufficient.

- **NETWORKING** - Encourage the formation of formal and informal networks / networking opportunities through forums, community events, and breakfast meetings, etc. between and among businesses, business support organizations, community organizations, government and citizens.
- **CHANGE READY** – A switch in thinking is necessary from ‘what’s been lost’ to ‘how can we use our assets for future growth?’ to address burnout and negativity, & to build community spirit. This could be accomplished by profiling successful community initiatives, highlighting success stories of residents, or by using other similar communities as role models.
- **INNOVATION** – Promote attitudes that encourage and acknowledge the importance of innovation within the new knowledge-based economy. Communities should be encouraged to identify and utilize key assets as catalysts (i.e. community forests or existing innovative businesses within the community) for innovation, education and economic development. More attention needs to be paid to the importance of innovation as a key priority area in all communities.
- **CAPITAL & FUNDING** – Access to funding has historically been an issue in rural communities. However, issues around capital (i.e. the ability of business to understand and utilize capital, looking at alternative capitalization methods) must be addressed in a meaningful way through education, utilizing mentors experienced in finance, encouraging investors / angels, promoting forums which allow specific knowledge around capital to be shared and networks to be built, etc.
- **VISION** - More communities should be encouraged to objectively assess their entrepreneurial capacity through instruments like the Business Vitality Index in order to build self-sustaining, prosperous entrepreneurial communities. Ideally, communities should aim to effectively self-assess, lay out plans, visions & targeted measures, and take action.

Results

Dirty Dozen - Gut Check 12

*A business friendly local government, low taxes, an industrial park, & good infrastructure. Are these traditional hallmarks of a strong business community enough to create communities that are attractive and stimulating to entrepreneurs? Research increasingly demonstrates that many things that entrepreneurs and businesses seek out aren't the traditional. They want a complete package....good schools, thriving arts scene, opportunities to informally network, etc. **The Dirty Dozen – Gut Check 12** provide a snapshot & a reality check on how the nine rural BC communities scored on some important, but hard to quantify, indicators. **The Dirty Dozen** are 12 of 99 BVI indicators based on mean, highest and lowest scores from the nine BC communities.²⁸*



²⁸ The above graph demonstrates the average score for each 'gut check' question (the number beside the box), the highest score for each question (diamond), and the lowest score (circle). The vertical line represents the range of scores among communities.

Score 84 (High 95, Low 68) - Very high agreement. **The community is facing an economic crisis or a significant economic opportunity.** The perception of a crisis or opportunity is an important catalyst for taking entrepreneurial action, from an individual or a community perspective. Communities had an average score of 84 indicating very high agreement with the statement. Almost all communities surveyed saw the changing times as periods of crisis (one community, located next to a fast-growing larger community, was the exception). There was almost universal agreement (especially in the qualitative sections) that there were also untapped opportunities for businesses and communities.

Score 80 (High 92, Low 60) – Very high agreement. **Successful businesses want to remain in the community.** Coupled with qualitative questions, this mean score confirmed that there is a very strong degree of commitment to a home community. Communities that score low on this section would find it difficult to keep businesses anchored in the community over time.

Score 71 (High 97, Low 36) – High agreement. **People from outside the community see it as a desirable place to live.** The participants saw their communities as safe, friendly, physically beautiful, full of high quality recreational opportunities, possessing a true sense of community, and having a high quality of living. On this question, there was a tremendous range with one community scoring 36 while another scored 97.

Score 50 (High 69, Low 19) – Neither agree nor disagree. **There is a vibrant, active downtown area or community core.** “Main Street is the glory of Canada. If a community has no heart, it has no soul; and its heart should beat faster at the core.” Pierre Berton²⁹ - Downtowns affect the psyche of communities and a vibrant downtown often is directly related to high community pride and a sense of community vibrancy. Historically, they have served as commercial centres. Vibrant downtowns are important in attracting new residents, consolidating businesses and services, and providing opportunities for informal networking, a critical factor in building strong entrepreneurial communities. There was significant variation from community to community.

Score 48 (High 82, Low 30) – Slightly disagree. **Young adults (25-34) consider the community a desirable place to live.** This is the sister question to “People from outside the community see it as a desirable place to live” and a little bit of a reality check on the quality of life argument. While most communities perceive their quality of life as high, especially for those anchored in the community like older adults, it is important to consider the community’s attractiveness to young adults, especially those 25-34. Those in this age group are the likeliest to start businesses³⁰. They are more likely to start families, buy homes, plant roots, and are necessary to replenish the population, and the volunteer

²⁹Downtown Revitalization - Heritage Planning – U of T Press - 1985 – Harold Kalman editor – Forward by Pierre Berton

³⁰ Global Entrepreneurship Monitor 2000 – Executive Summary

and leadership base of communities³¹. Despite high marks on industrial parks, good business infrastructure, and low business taxes, communities scoring low on this question have to address this issue in a meaningful way. There was tremendous inter-community variation on this question. “Rural communities that are viewed as supporting entrepreneurship are more likely to attract new residents (especially youth)...progressive rural communities are ...focusing on youth attraction (rather than retention).”³²

Scores 46 & 42 (High 67 & 57, Lows 33 & 21) – Slightly disagree - **Local gov't. is committed to recruiting or attracting businesses to the community using strategies or incentives to do so & The governing body is committed to help existing businesses or creating new businesses through policy and action.** The results of these two questions together show there is a slight perception that local governments place more emphasis on recruiting/attracting businesses from the outside rather than helping existing/start-up businesses in the community. Research shows that 80-90% of job creation in businesses comes from within communities - new businesses and the expansion of already existing businesses³³. While there was strong agreement in almost all communities that local governments were business-friendly, they scored low in making this happen through business friendly policy or action.

Score 46 (High 74, Low 35) – Slightly disagree - **Citizens are motivated to learn new skills and to develop existing ones.** With the economy turning away from its traditional resource base it is more important than ever in a knowledge-based economy for individuals to continue to upgrade their skills and learn new ones. High scores on this question indicate the presence of a culture of learning, an important factor in adapting to change & possibly become entrepreneurial. There was significant variation among communities. Ironically, the community with the best educational infrastructure, scored lowest on this question, a troubling sign.

Score 41 (High 59, Low 28) – Slightly disagree - **People prefer to purchase local products and services before those from out-of-area.** This indicates a lack of loyalty to purchase locally from businesses in the community. Communities that cannot capture business from their citizens are facing an uphill battle, especially with a trend towards doing more business on-line and more demanding consumers willing to travel to make their purchases. As a result of the BVI some communities have instituted comprehensive “buy and shop local programs” for businesses, governments and citizens aimed at increasing awareness of the positive affects of spending locally.

³¹ Canadian Rural Partnership - Rural Youth Study, Phase II - Rural Youth Migration: Exploring the Reality Behind The Myths - 2002

³² Don Macke & Jay Kayne, *Rural Entrepreneurship: Environmental Scan* – Center for Rural Entrepreneurship 2001.

³³ Information gathered from Business Retention / Expansion programs across Canada and the U.S.

Score 39 (High 61, Low 22) – Moderately disagree - **The community has a distinctive or unique brand or marketing image.** This indicates that most small communities have not differentiated themselves from other communities for the purposes of attracting new residents and new businesses, or for the purposes of more effectively marketing the products and services of their region both within the community and outside. It is becoming increasingly important for communities to articulate their defining characteristics and to know their competitive advantages in relation to other communities. Some of the existing community branding were seen to be old and tired, had not been renewed in a long time or had not been used strategically (i.e. no targeted campaign to promote community brand).

Score 39 (High 61, Low 21) – Moderately disagree -**The education and business communities work together to provide convenient training.** Communities that are highly entrepreneurial have high levels of co-operation and synergistic partnerships between business and education. This indicates that there is a lack of connection between business and education. Should communities wish to build an entrepreneurial, problem-solving culture it is important that they connect educators (formal and informal) and businesses to provide entrepreneurial training in k-12, convenient opportunities for businesses to upgrade skills, and innovative and alternative post-secondary learning opportunities utilizing available & developing technologies.

Score 24 (High 38, Low 10) –Strongly disagree - **People who are interested in expanding or starting a business are skilled in raising funds.** Although access to capital is often seen to be one of the most significant business-related issues in rural communities, the responses to this question indicate that there is a perceived “capital illiteracy.” Even if capital were available businesses don’t necessarily have the financial acumen or skills to locate & utilize it. This could be rectified over time through formal and informal training and education.