The Rural Entrepreneurship Initiative

Survey Results for Salem, Missouri

Missouri Rural Development Partners

September 2004
The Rural Entrepreneurship Initiative:
Survey Results for Salem, Missouri

September 2004

by

Vickie M. Rightmyre,
Darryl M. Chatman
and
Thomas G. Johnson, Ph.D.

Report R-2004-10
Community Policy Analysis Center
University of Missouri-Columbia

Vickie Rightmyre is the Outreach Coordinator with CPAC, UMC;
Darryl Chatman is a Graduate Research Assistant with CPAC, UMC;
Thomas G. Johnson, Ph.D. is the director of the Community Policy Analysis Center (CPAC), UMC.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>1</td>
</tr>
<tr>
<td>Missouri Rural Development Partners Board</td>
<td>1</td>
</tr>
<tr>
<td>Rural Entrepreneurship Initiative Advisory Panel</td>
<td>1</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Key Findings</td>
<td>2</td>
</tr>
<tr>
<td>Key Concepts</td>
<td>3</td>
</tr>
<tr>
<td>About the Rural Entrepreneurship Initiative</td>
<td>5</td>
</tr>
<tr>
<td>About the Missouri Rural Development Partners</td>
<td>5</td>
</tr>
<tr>
<td>Report Outline</td>
<td>6</td>
</tr>
<tr>
<td>Using this Report</td>
<td>6</td>
</tr>
</tbody>
</table>

## Rural Entrepreneurship Initiative Survey Analysis

- **I. Summary Table**                                             | 7    |
- **II. Top Five Community Strengths and Weaknesses**              | 8    |
- **III. Tangible Factors**                                        | 9    |
- **IV. Less Tangible Factors**                                    | 11   |
- **V. Open-ended Questions and Responses**                         | 14   |
Acknowledgements

A number of people made valuable contributions to the preparation of this report. The Community Policy Analysis Center wishes to thank the board members of the Missouri Rural Development Partners for their vision and dedication to improve the employment opportunities, incomes and well being of rural Missourians. CPAC also wishes to thank the members of the Salem business community for providing their time and thoughtful input which makes up the results of this survey. CPAC especially appreciates the leadership of Jerry Craig for his enthusiasm for this project and his work in coordinating interviews with local business people. CPAC accepts full responsibility for the research findings and any errors in this report.

Missouri Rural Development Partners Board Members

John Bode - City of Shelbina
Carl Brown, DNR – Environmental Assistance Office
Gary Cook – Small Business Administration Office (SBA)
Janie Dunning – USDA – Rural Development
Michael French – AHEC – Kirksville College of Osteopathic Medicine
Terry Hackney – Missouri Department of Economic Development
Dennis Hardin – Creative Communities
Mike Haynes – Southwestern Bell Corporation
Glenn Lloyd – DNR
Vickie Rightmyre – Community Policy Analysis Center, UMC
Garry Taylor
Jim Tice – Southwest Missouri State University
Wayne Yokley – Dept. of Agriculture
Cheryl Zimny - MO Valley Human Resource Community Action Agency

Rural Entrepreneurship Initiative Advisory Panel

Matt Ashby – Federal Reserve Bank-St. Louis
Janie Dunning – USDA – Rural Development
Sharon Gulick – Missouri Department of Economic Development
Tom Henderson – UM-Extension
Tom Johnson – Community Policy Analysis Center, UMC
Gwen Richtermeyer – BRIDG, UMKC
Vickie Rightmyre – Community Policy Analysis Center, UMC
Frank Seibert – Small Business Development Center, Columbia
Ken Schneeberger, UMC
Cheryl Zimny – MO Valley Human Resource Community Action Agency
Executive Summary

Entrepreneurial development is gaining greater attention as its potential for generating new job growth is increasingly recognized. For rural areas who are experiencing a decrease of economic activity in traditional segments of their economy, such as agriculture, natural resources and manufacturing, entrepreneurship offers an economic development strategy that has great potential. For local leaders who are interested in supporting entrepreneurship, a better understanding of what entrepreneurs need to be successful is of value. Taken another step, local leaders need to know what they can do to foster entrepreneurial activity.

This report provides the results of a survey instrument developed to assess a community’s entrepreneurial environment. The instrument measures the perceptions of small business owners and entrepreneurs as to how they would rate ten factors that influence entrepreneurship. The survey instrument was tested in twelve communities throughout the state of Missouri, with Salem being one of the communities selected. Local leaders graciously worked with CPAC researchers in identifying business owners who had been in business for less than five years in the community. Face-to-face interviews with local business owners were conducted by CPAC researchers. A summary table provides an overview of the characteristics of businesses surveyed, as well as the mean scores for all ten factors. The results are reported in such a way as to avoid identifying individuals who responded to the survey. These results are to serve as input when making decisions regarding where to focus a community's time and resources in strengthening the community’s entrepreneurial environment.

Key Findings

Top five community strengths:

1. Availability of high speed Internet access
2. Quality of community natural and man-made assets
3. Availability of legal, accounting, printing and marketing services
4. Community access to health care
5. Long-term management of community assets

Top five community weaknesses:

1. Commercial lenders’ support
2. Availability of financial resources other than commercial lenders
3. Business owners’ ability to provide employees with access to affordable health care
4. Willingness of city government to use public funding to meet business needs
5. Commercial lenders' use of state and federal programs
Key Concepts

*Entrepreneur:* For the purpose of this report, an entrepreneur as defined by the Global Entrepreneurship Monitor is the definition being used. This broad definition was chosen given that in the context of rural communities, what is considered innovative in less populated areas may differ from urban areas. The definition is, “Any attempt to create a new business enterprise or to expand an existing business by an individual, a team of individuals, or an established business.”

*Tangible factors:* Based on a study of factors that influence economic performance of rural areas in Europe, called the “Dynamics of Rural Areas”, five factors of influence were identified as tangible, or more easily identified. These tangible factors include the following:

**Financial Infrastructure**
- knowledge of and willingness to use financial tools available to new businesses
- access to financing
- access to materials, education and other types of support in preparing for a business loan request

**Physical Infrastructure**
- availability of building space for new businesses
- availability of high speed Internet access

**Commercial and Professional Infrastructure**
- availability of assistance in business planning
- availability of business services, including accounting, printing, marketing and legal services

**Community Environment and Design**
- natural and man-made assets
- management of natural and man-made assets
- availability of public gathering places
- level of pedestrian activity

**Human Resources**
- availability of educational opportunities for youth and adults that support business ownership
Less Tangible Factors: Based on the same study, five additional factors that influence economic performance but were less identifiable due to their less visible nature were also identified. These five less tangible factors include the following:

Government and Institutions

- city government is responsive to small business needs
- city government is willing to work with small businesses on ordinances and planning requirements
- city government uses public funding and outside funding resources to enhance the community as a place to live

Markets

- unmet needs for products and services for the community are developed as business opportunities
- new products and services are being developed and marketed outside of the community

Networking

- business people network to exchange ideas
- business people network with various parts of the business community
- networks expand beyond the community
- networks are utilized for problem-solving
- existing networks are welcoming to new members

Quality of Life

- recreational opportunities exist for all members of the community
- arts and cultural opportunities exist for all members of the community
- access to health care
- affordable housing options

Community Beliefs and Attitudes

- locally owned businesses are patronized by community members
- business failure is not seen as a reason not to attempt another business venture
- diversity is tolerated
- regardless of gender, ethnic origin, sexual orientation or religion, people are treated fairly
- there is a can-do attitude to meet challenges
About the Rural Entrepreneurship Initiative

In 1999, the Rural Entrepreneurship Initiative (REI) was created by a partnership to support locally driven research on the topic of rural entrepreneurship. The idea was to support a growing learning community that would increase knowledge related to entrepreneurship in rural America. Partners of this effort include the Kauffman Foundation, Rural Policy Research Institute, Partners for Rural America, Inc., National Rural Development Partnership and the Nebraska Community Foundation, Inc.

REI has three desired outcomes:

1. Strengthen rural America through entrepreneurship;
2. Support learning that enables rural America to build a stronger and more supportive environment for entrepreneurship; and
3. Create and support a national learning community around rural entrepreneurship.

The Rural Entrepreneurial Initiative selected four states in 2000 – Maine, Minnesota, Missouri and West Virginia – to participate in its Discovery State Academy Program. The intent was to help these states better understand rural entrepreneurship opportunities and develop programs and policies to enhance a supportive entrepreneurial environment. In 2001, Discovery State work began in Colorado and Texas as well.

In April 2003 the Missouri Rural Development Partners, with funding from USDA-Rural Development partnered with the Community Policy Analysis Center to further the initial research by refining a survey instrument developed through the Discovery State grant and testing it in twelve rural communities in Missouri. A guidebook, entitled, “Growing Entrepreneurs from the Ground Up: A Community Based Approach to Growing Your Own Business” will be available in October 2004 for rural communities that wish to assess and enhance their entrepreneurial environment.

About the Missouri Rural Development Partners

The Missouri Rural Development Partners (MRDP) was formally organized in November 1992 and is one of nearly 40 state rural development councils comprising the National Rural Development Partnership (NRDP). MRDP recently received federal designation as Missouri’s official state rural development council.

The mission of MRDP is “to improve the quality of life, enhance opportunities, and help empower citizens and rural communities of Missouri by bringing together a coalition of public and private entities.” To fulfill its mission, MRDP brings together partners who represent the Federal, State, Local and Tribal governments, as well as private sector, for-profit and not-for-profit organizations, to identify and assess rural Missouri’s developmental needs, develop strategies, and facilitate actions for solutions. MRDP works on both programs and policies that remove barriers to rural development and bring about resources that assist citizens to help themselves in providing overall quality of life for all members of their communities.
Report Outline

Findings in this report are presented in five separate sections. The first section is the summary table and presents indicators of entrepreneurial activity, business characteristics of those business owners surveyed, and the mean scores of the community’s tangible and less tangible factors. The second, third and fourth sections report the survey results in a graphical format. The data are categorized as community strengths/weaknesses and as tangible/less tangible factors. The fifth section reports the survey responses to three open-ended questions.

Using this Report

The results of this report are intended to provide communities with information that will assist in identifying elements of their small business environment that are in need of strengthening. A guidebook entitled, “Growing Entrepreneurs from the Ground Up: A Community-based Approach to Growing Your Own Businesses” will be available in October 2004 to assist communities in developing an environment in which small businesses can thrive. For more information about the guidebook, contact the Missouri Rural Development Partners by calling 816-781-8631.
## Survey Analysis

### I. Summary Table

<table>
<thead>
<tr>
<th>Salem, Missouri</th>
<th>Variables</th>
</tr>
</thead>
</table>

#### Indicators,

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, 2000</td>
<td>4,854</td>
</tr>
<tr>
<td>Per Capita Income, 2000</td>
<td>$12,766</td>
</tr>
<tr>
<td>Number of Business Licenses Granted, 2003</td>
<td>26</td>
</tr>
<tr>
<td>Number of Business Closings, 2003</td>
<td>23</td>
</tr>
<tr>
<td>Net Business Creations, 2003</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Business Characteristics,

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Businesses Surveyed</td>
<td>16</td>
</tr>
<tr>
<td>Retail</td>
<td>8</td>
</tr>
<tr>
<td>Services</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
</tr>
<tr>
<td>Hospitality</td>
<td>2</td>
</tr>
<tr>
<td>Medical/Veterinary</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
</tr>
<tr>
<td>Median Number of Years Living in Community</td>
<td>16.0</td>
</tr>
<tr>
<td>Median Number of Years in Business</td>
<td>1.9</td>
</tr>
<tr>
<td>Median Number of Employees (FTE)</td>
<td>2.5</td>
</tr>
</tbody>
</table>

#### Tangible Factors,

<table>
<thead>
<tr>
<th></th>
<th>Survey Mean $^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Infrastructure</td>
<td>1.2</td>
</tr>
<tr>
<td>Commercial and Professional Infrastructure</td>
<td>1.7</td>
</tr>
<tr>
<td>Financial Support</td>
<td>-1.3</td>
</tr>
<tr>
<td>Community Environment and Design</td>
<td>1.0</td>
</tr>
<tr>
<td>Human Resources</td>
<td>0.6</td>
</tr>
</tbody>
</table>

#### Less Tangible Factors,

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and Institutions</td>
<td>0.1</td>
</tr>
<tr>
<td>Markets</td>
<td>0.4</td>
</tr>
<tr>
<td>Networking</td>
<td>0.3</td>
</tr>
<tr>
<td>Quality of Life</td>
<td>0.4</td>
</tr>
<tr>
<td>Community Beliefs and Attitudes</td>
<td>0.6</td>
</tr>
</tbody>
</table>

$^1$ One full-time equivalent (FTE) equals one full-time employee or two part-time employees.

$^2$ Survey response averages measured on a scale ranging from -3 to 3, with “-3” being strongly disagree, “0” being neutral and “3” being strongly agree.
II. Community Strengths and Weaknesses

The survey responses were measured on a scale ranging from 1 to 7, with “1” being strongly disagree, “4” being neutral and “7” being strongly agree. The mean survey responses were then converted to a scale ranging from -3 to 3, with -3.0 to -0.1 being a community weakness, “0” being neutral and 0.1 to 3.0 being a community strength.

Figure 1. Top Five Community Strengths

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Availability of high speed Internet access</td>
<td></td>
</tr>
<tr>
<td>2. Quality of community natural and man-made assets</td>
<td></td>
</tr>
<tr>
<td>3. Availability of legal, accounting, printing and marketing services</td>
<td></td>
</tr>
<tr>
<td>4. Community access to health care</td>
<td></td>
</tr>
<tr>
<td>5. Long-term management of community assets</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2. Top Five Community Weaknesses

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Commercial lenders’ support</td>
<td></td>
</tr>
<tr>
<td>2. Availability of financial resources other than commercial lenders</td>
<td></td>
</tr>
<tr>
<td>3. Business owners’ ability to provide employees with access to affordable health care</td>
<td></td>
</tr>
<tr>
<td>4. Willingness of city government to use public funding to meet business needs</td>
<td></td>
</tr>
<tr>
<td>5. Commercial lenders’ use of state and federal programs</td>
<td></td>
</tr>
</tbody>
</table>
III. Tangible Factors

Figure 3. Physical Infrastructure

1. For a new business, a person can find available building space.
2. High speed Internet access in this community is adequate to meet business needs.

Figure 4. Commercial and Professional Infrastructure

1. Getting help in business planning is available within thirty miles to someone with an interest in starting a new business.
2. Accounting services, such as bookkeeping and payroll, are readily available within thirty miles for someone starting a new business.
3. Legal services are readily available within thirty miles for someone starting a new business.
4. Printing services are readily available within thirty miles for someone starting a new business.
5. Marketing services are readily available within thirty miles for someone starting a new business.
1. There are several state and federal programs, such as the Small Business Administration’s Guaranteed Loan program and USDA’s Business Opportunities program to reduce the risk to commercial lenders when making loans for new businesses. In your opinion, would you agree that local lenders use these programs when they have a credit-worthy business loan application?

2. There are financial resources available, other than commercial lenders, to invest in new and growing businesses.

3. Commercial lenders provide support, such as courses or materials, in preparing for a business loan request.

1. The community has natural and man-made assets that make this an enjoyable place to live.

2. The community manages its assets in such a way that those living here twenty years from now will find this community as enjoyable as current residents.

3. There are places in the community where people can meet together and socialize.

4. There is a great deal of pedestrian activity in the downtown during the day.
1. There are educational opportunities available for youth to develop their ability to be innovative.
2. There are educational opportunities available for youth to develop skills needed for self-employment.
3. There are educational opportunities available for adults to develop their ability to be innovative.
4. There are educational opportunities available for adults to develop skills needed for self-employment.

IV. Less Tangible Factors

1. City government is responsive to the needs of those starting a new business.
2. City government is flexible to update ordinances and planning requirements to meet the needs of new types of businesses.
3. City government is willing to use public funding to encourage new business start-ups.
4. City government utilizes outside funding, such as Community Development Block Grants and USDA Community Facility grants to improve the community as a place to live and work.
1. Unmet needs for products and services in the community are seized upon as opportunities for new business development.
2. Local businesses are developing new products and services that are marketed outside of the community.

Figure 10. Networking

1. Whether it is a chamber of commerce meeting or getting together over coffee, people in the business community get together frequently (six times a year or more) to exchange information and ideas.
2. People from different parts of the business community get together to exchange information and ideas.
3. Business networks expand beyond the community to other parts of the world.
4. When in doubt about a business decision, there is someone that can be called upon for guidance.
5. Existing business networks are welcoming to new members.
1. There are recreational opportunities for all members of the community.
2. There are opportunities to enjoy music, dance, theatre, painting, sculpture and other various forms of arts in the community.
3. There is access to health care providers for all members of the community.
4. Business owners are able to provide employees with access to affordable health care.
5. There are affordable housing options available in the community.

1. People in this community support locally owned businesses by choosing to spend money with them whenever possible.
2. If someone fails at business the first time, people in this community will give a second business venture a chance for success.
3. Diversity comes in many forms. For example, a person can look different in some way than most others in the community. It may be that a person looks the same, but may have different religious beliefs, lifestyle choices, or interests than most others in the community. Would you agree that diversity among residents of this community is tolerated?
4. Anyone interested in starting a business is treated fairly.
5. People in this community have a can-do attitude to meet challenges.
V. Open-ended Survey Questions and Responses

If you could identify one aspect of your community that is its greatest strength as a place to start a business in this community, what would it be?

- People do try to do business locally.
- Quality of life.
- A tight knit community.
- The people - they're awfully good at helping each other.
- Hometown atmosphere.
- Church.
- A lot of interest by both individuals and businesses to "try" the new business. Word of mouth from my customers has also been very good.
- High motivation, ethics and low wages.
- Tourism.
- Openness of the financial institutions to listen, advise and steer.
- Small town atmosphere.
- People are friendly and hospitable.
- City government willing to listen and interested in bringing in new jobs. Cost effective in doing business.
- Atmosphere - slower pace and good work ethic - more so than in urban areas.

If you could identify one aspect of your community that is its greatest weakness as a place to start a business, what would it be?

- People are kind of slow to receive new ideas. Not exposed to new equipment, etc.
- Public perception regarding cost to value.
- Limited space available.
- Highway accessibility.
- Lack of support from officials of the town and the Chamber of Commerce.
- Social circles - you have to be in the right social circle. It depends on who you are socially.
- Lack of interest in doing business locally - when a few bucks can be saved, and need a little more "practical" education about starting a business - most new business owners are thoroughly uninformed.
- Activities in the evening, youth activities in particular and only one sit-down family restaurant in town.
- Bankers are not entrepreneurs.
- Fine Arts/Theatre.
- Demographics - inordinate percent of population dependent upon low revenue activities such as logging.
- I have found very little support from the community when opening my business.
- Location from I-44.
- Lack of employable workforce. Turnover is an issue.
- Location - 28 miles off the interstate Highway 72.
What activity would you most like to see happen that would enhance this community as a place to start a business?

- Finish the new road between Rolla and Salem - as well as other roads into the area. Better roads would bring in larger businesses that are dependent on trucking. Train no longer operates - trucking only transportation.
- Increased education levels to make available better paying jobs.
- Clean up riverways. Do away with the alcohol and drugs on riverways.
- Completely revamping the law enforcement because we have none.
- Hard time finding business suppliers that are local.
- Seminars on starting a small business - once a month. Had difficulty finding information on what was needed such as legal requirements.
- More opportunities for youth activities so the environment would be beneficial to the entire family.
- Fair treatment to all businesses. Some business owners receive better treatment than others - incentives are given to those in the clique.
- Active financial support to people who start in Salem.
- Downtown refurbish/rehab with tax discounts for participants meeting criteria with tighter tolerances on building and zoning codes.
- More support for educational opportunity - higher quality education.
- More support for the community at large.
- Highway 72 improvements.
- Need more building space for businesses.
- Real competition for the type of employee we're looking for. We would offer more benefits to attract employees, particularly health care.

Extra Comments:

- Attitudes - People tend to sit back and see how things are going to go.
- More "face to face" advertising for new businesses is valuable for new businesses to be introduced to the public. Need a "hook" for existing businesses and general public to meet new business owners. There is one for women; need one for family although there isn't much response. Perhaps a business fair to highlight new businesses.
- There are a lot of people retired here - No jobs - therefore people spend their money where they work, which is outside of community. Price difference between local and chain hardware stores makes it hard to buy locally.
- More opportunities for businesses to interact with one another. More involvement by businesses in the community.
- Recreation.
- Have small niche of leaders - hurt the community. Daisy BB, Harewood metals, Hardwood Cabinetry, Welding.
The Community Policy Analysis Center provides objective analysis and policy decision support for Missouri communities. Located at the University of Missouri-Columbia, CPAC is part of the Social Sciences Unit of MU’s College of Agriculture, Food and Natural Resources. Major funding for the Center is provided by the University of Missouri Extension.

CPAC scientists work closely with state and local government leaders, local businesses and community groups to provide research and educational programs that will inform key decisions, and assist them in understanding how policy decisions at all levels of government affect their community's quality of life.

For further information, please contact Professor Thomas G. Johnson, Ph.D. - Director, Community Policy Analysis Center- by phone (573/882-2157), fax (573/882-2504) or by mail:

Community Policy Analysis Center
215 Middlebush Hall
University of Missouri-Columbia
Columbia, Missouri  65211-6200