



Entrepreneurship in Tennessee: Striving for Success

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Introduction

This project supports Governor Bredesen's continuing efforts to "place special emphasis on job development in our more rural areas" (Bredesen, 2008) and is a result of a burgeoning partnership between the Tennessee Department of Economic and Community Development, the University of Tennessee Institute for Public Service, and University of Tennessee Extension. The final report will be released during Global Entrepreneurship Week/Tennessee from Nov. 17-23, 2008 (<http://www.unleashingideas.org/>).

Goal of the Report

Economic development professionals, government officials and business leaders agree that economic development is more likely with a multifaceted strategy that goes beyond one-dimensional industrial recruitment. This includes promoting economic growth by creating and sustaining a supportive environment for entrepreneurs. This project specifically aims to measure entrepreneurship in Tennessee and the region using a range of metrics and will determine the level of service and support that entrepreneurs in Tennessee are currently and could be receiving. A particular emphasis will be placed on non-metropolitan areas across the state.

Definition and Scope

What is an "entrepreneur"? Some envision entrepreneurs as innovators who start high growth firms in the technology sector. Others see entrepreneurs more generally as individuals who assimilate ideas and generate new knowledge to be used as the foundation of marketing an economically-viable product or service. Still, others consider entrepreneurs as self-employed individuals willing to endure uncertain returns on their investments. On the ground, policy makers and resource providers typically consider self-employed individuals and small businesses to be entrepreneurs. We propose to define entrepreneurship as the county propensity to have small businesses. It is measured in three ways:

- Ratio of the number of non-farm proprietors to nonfarm employment,
- Ratio of the number of establishments to County Business Patterns employment (which excludes farm, public, and self-employment).
- Number of small businesses (1 to 19 employees).

Project Goals

We aim to answer the following questions:

1. Which factors contributed to economic growth in Tennessee from 1990 - 2000 and 2000 - 2005? To what extent was it related to entrepreneurship? How is the Tennessee economy linked to entrepreneurial activity at the local and state level? Which economic sectors benefit most from entrepreneurs?
2. What is the current state of entrepreneurial activity in Tennessee compared to other Southeastern states? Where does entrepreneurial and economic growth appear to be strongest? Are there differences between the metropolitan and noncore counties of Tennessee?
3. What federal, state and local resources/services are available to nascent entrepreneurs or those seeking to remain or expand their firms in Tennessee?



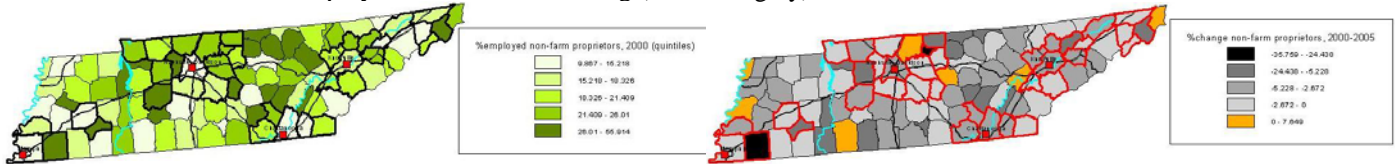
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Entrepreneurship in Tennessee – Preliminary Results

Entrepreneurs, as measured by share of non-farm proprietors, are concentrated in more rural areas (shades of green). Between 2000 and 2005, their share of total employment has been declining (shades of grey).

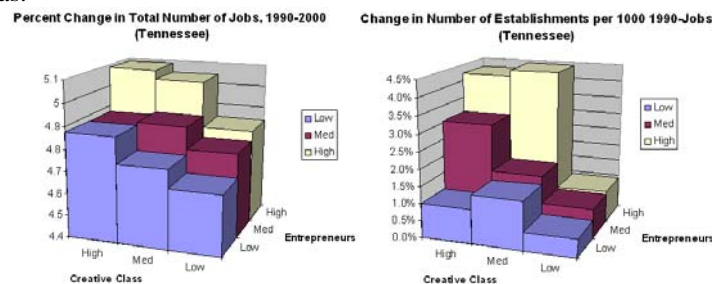


In comparison to other Southeastern states, Tennessee has an above average proportion of entrepreneurs and their income is significantly higher. Within Tennessee, entrepreneurship has been growing in metropolitan areas. In contrast, rural entrepreneurship has been declining and income is significantly lower. Overall, eighty-five percent of all Tennessee businesses have less than twenty employees.

Region	Item	Metropolitan	Non- Metropolitan
Tennessee	(Non Farm Proprietors/ Total Employment)	21% +/- 2.5%	22% +/- 2.5%
	Average Income	\$20,177 +/- \$2,712	\$17,025 +/- \$1,531
	%Δ in Sm Businesses 00-05	4% +/- 2.2%	-2% +/- 1.9%

T-test, Sig at .05 level

A strong relationship between entrepreneurship, the “creative class” and economic growth in Tennessee has been identified. “Creative class” occupations are those that involve “Developing, designing, or creating new applications, ideas, relationships, systems, or products, including artistic contributions”. These types of jobs should be attracted to and retained, expanded and fostered within our communities. As McGranahan, Lambert and Wojan (2008) note, “Creative capital provides the knowledge and ideas required for growth while entrepreneurship provides the means for incorporating knowledge and ideas into the local economy.” This relationship is strongest in non-metropolitan areas.



However, the creative class is migratory and tends to congregate in places with a high quality of life and require: networking opportunities, amenities that serve to retain / attract youth, access to outdoor recreational activities, a sense of community inclusiveness and quality infrastructure. Rural and metropolitan areas with moderate population densities are most desirable.

This supports the position of Markey et. al. (2005) that communities that are ‘ready’ to foster entrepreneurship are those that have: particular capacities in human, financial, and physical infrastructure; a supportive business/entrepreneurial climate; a strong self-image with positive citizen and community attitudes; open and creative community leadership, or leadership environment that encourages and nurtures emerging leaders.

To assist local communities as they develop into ‘entrepreneurial’ ones, UT Extension’s *Sustainable Tennessee* program provides information and training to help develop sensible infrastructures and strategies to attract, retain and grow businesses in an effort to strengthen the local and regional economy.



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