Marketing Entrepreneurship from Within: a "City-Type" Strategy for Economic Development

Oscar T McKnight, Ashland University
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ABSTRACT

Too often city officials seek external expertise in advancing economic development initiatives when significant economic opportunities may exist internally. This research examines the relationship between “city-type” and entrepreneurial aspirations of its residents. A “START-UP” strategy that combines internal and external initiatives for the marketing of economic development is provided.

INTRODUCTION

There is increasing pressure on city officials to improve their economic situation. Often these officials rely on site selectors and relocation consultants to help them attract business into their communities in order to promote economic development. Their primary goal is often to shift the tax burden from local residents to the new corporation, and to do so as quickly as possible. How does the serious, well-intentioned city official achieve this goal? The answer is to hire an economic consultant.

Economic Consultants

LeRoy (2005; 2006) summarizes the role of an economic consultant as one who exploits the natural fears of community leaders and strongly suggests that cities and communities will be shunned by corporations unless they create an appealing “business climate”. This attractive “business climate” usually includes “incentives” like availability of substantial corporate tax breaks, low-cost financing, and infrastructure assistance. This would be acceptable if it worked, but LeRoy’s research suggests that subsides are simply crude tools that affect a small percentage of deals, and are in effect, wasted windfalls. Community officials are, in effect, paying corporations to do what they would have done anyway, and rewarding them handsomely for their own actions. Alternatively, some city officials have taken the initiative to jump-start economic development by creating business incubators.

Business Incubators

Campbell and Allen (1987) noted that the increasing number of small business incubators reflected the growing importance of the small business sector and the emphasis on partnerships between local officials and state representatives. By 2003, Linder’s review of the National Business Incubation Association (NBIA) Survey of Business Incubators indicated that approximately 950 business incubators were operating in the United States, with new incubators opening at the rate of one per week since 1986. In the midst of this frenzied activity surrounding incubator development, Campbell and Allen (1987) ruefully acknowledge that few incubating firms create more than a handful of jobs. Their research suggested that business incubators may be a long-term strategy for economic development, not a short-term quick fix. By 2007, Tamásy’s research indicated that although technology-oriented business incubators are a worldwide phenomenon, they tended not to support entrepreneurship, innovation, and regional development, and therefore did not fulfill their expected role as a policy instrument.

Entrepreneurship

What are city and community planners to do if the current strategies and techniques employed in economic development are failing to achieve their aspirational goals and objectives? Perhaps a closer examination of entrepreneurship is necessary. According to William Ng, Enterprise Asia president, “entrepreneurship may be the answer to tough times ahead and this makes it more important to promote” (Hamid, 2008). However, the critical issue of
location must be confronted. Since location is universally accepted as one of the most important components of any company’s success, is there a less patently obvious relationship with entrepreneurship?

De Meirleir (2008) provides a comprehensive reference on industrial location analysis, complete with practical anecdotes that emphasize the critical importance of site selection. What is often neglected, however, is the interaction of personality typologies and specific community locations.

Places With “Personality”

As previously discussed, city planners concerned with regional growth and economic development have focused primarily on the role of firms in cities, particularly on how these firms make location decisions. Richard Florida (2002), in his book The Rise of the Creative Class, focuses on diversity and creativity as basic drivers of innovation and regional and national growth. In further research conducted by Florida (2003), agglomeration and cluster theories, social capital perspectives, and human capital theories and their impact on regional economic growth are advanced. This stream of research suggests the need for some conceptual refocusing and broadening of perspective to account for the location decisions of people as opposed to those of firms as sources of regional and national economic growth.

In Florida’s (2008) most recent book, he argues that while globalization has vastly expanded economic opportunities in developing regions for readily outsourced functions like manufacturing, it has also created opportunities for higher-level economic activities such as innovation, design, finance, and media to cluster in an ever smaller number of specific, often specialized locations. This has produced what he calls a “spiky world”, scattered with nodes of creativity. He further elaborates why place matters and explains how to determine which cities will “encourage people to do more than they otherwise would, such as engage in more creative activities, invent new things, or start new companies”.

Florida (2008) also develops a compelling analysis which suggests that personality plays a substantial role in understanding cities, regions, migration and economic growth. And it is the interaction between personality types like “conscientiousness” and “openness to experience” and place that is critical. The three-way interaction between our psychological needs, wants, and what our communities can offer is what he calls “fit”. If people feel that the “fit” is not right, they will not be committed to remain in the community because of psychological, social, or economic reasons. This phenomenon begs an interesting and provocative question — does the population in a given city possess entrepreneurial characteristics that are unique to location? Perhaps personality types represented in cities should be examined in relationship to entrepreneurial proclivities.

RESEARCH QUESTIONS AND ATTENDANT HYPOTHESES

The purpose of this research was to examine the possible relationship between “city-types” and strategies for marketing entrepreneurial and economic development initiatives. Specifically, the research question was: Do “city-types” exhibit a natural tendency to attract unique entrepreneurial endeavors; and if so, what explicit information needs exist prior to the start-up of an entrepreneurial business venture?

Since a paucity of academic research exists in this area, three null hypotheses were examined.

H1: There is no difference between “city-type” and its citizenry’s proclivities for starting an entrepreneurial business venture.

H2: There is no difference between “city-type” and the category of business its citizenry desires to start as an entrepreneurial business venture; and

H3: There is no difference between “city-type” and the information requested by its citizenry prior to the start-up of an entrepreneurial business venture.

METHODOLOGICAL AND STATISTICAL CONSIDERATIONS

All research participants resided in one of four “city-types”, based on education and income characteristics provided by the U.S. Census Bureau: (1) high education/ high income (HEHI); (2) high education/ low income (HELI); (3) low education/ high income (LEHI); and (4) low education/ low income (LELI). By design, the total sample size was restricted to 400 participants, that is, a maximum of 100 participants per “city-type”. The actual number of participants who met the operational definition of
desiring to start an entrepreneurial business venture was 270.

Participants responded to four questions posed by the field researcher: (1) Do you live in “city-type” under investigation?; (2) Have you ever considered starting or running your own business?; (3) What type of business have you considered opening?; and (4) What information, service, or training would you need before deciding to start your business venture?

Personal interviews were conducted “on the street” in the downtown area of each “city-type”. Each participant’s open-ended responses were sorted into discrete categories. For example, if a participant stated that she wished to open a Wendy's; a bike shop; or lawncare service, the responses were classified into food service/restaurant; retail; and maintenance categories, respectively. Moreover, if a participant stated that he required information on selling techniques; hiring practices; and/or meeting other support professionals, the responses were classified into market research; employee certification; and networking categories, respectively.

H2 examines the relationship between “city-type” and the category of business its citizenry would like to start. H3 examines the relationship between “city-type” and the category of business its citizenry desires to start.

RESEARCH FINDINGS

H1 assesses the relationship between “city-types” and its citizenry’s proclivities for starting an entrepreneurial business venture. Given the operational definition, research design, and the percentage of participants clustered in each “city-type”, one standard deviation above or below the mean was used to determine statistical significance. Given a Mean of 67.5% and Standard Deviation of 6.95, a “city-type” possessing less than 60.55% or more than 74.45% of participants expressing a desire to start a business is statistically significant. Of the four “city-types” examined, the high education/low income (HEHI) city exhibited the strongest desire for starting a business and the low education/low income (LELI) city exhibited the weakest desire for starting a business. Specifically, the percentage obtained for each “city-type” was: HEHI = 68%; HELI =76%; LEHI = 67% and LELI = 59%.

H2 assesses the relationship between “city-type” and the type of business its citizenry desires to start. H3 assesses the relationship between “city-type” and the kind of information required prior to a business start-up. In order to address these hypotheses, a factor analysis was employed. The factor loadings are listed in Table 1, along with the conceptual headings [entrepreneurial area] that reflect the marker items, and resulting “city-type”. The cumulative variance accounted for in the matrix is 62.05%.

<table>
<thead>
<tr>
<th>WHITE COLLAR</th>
<th>PINK COLLAR</th>
<th>GREEN COLLAR</th>
<th>BLUE COLLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Education</td>
<td>High Education</td>
<td>Low Education</td>
<td>Low Education</td>
</tr>
<tr>
<td>High Income (HEHI)</td>
<td>Low Income (HELI)</td>
<td>High Income (LEHI)</td>
<td>Low Income (LELI)</td>
</tr>
<tr>
<td>Healthcare .828</td>
<td>Food Service/Restaurants .576</td>
<td>Maintenance .572</td>
<td>Piece Mfg. .301</td>
</tr>
<tr>
<td>Computers .804</td>
<td>Consulting .734</td>
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<tr>
<td>Retail .739</td>
<td>Education .693</td>
<td>Engineering</td>
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<tr>
<td>Consulting .734</td>
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<td>Food Service/Restaurants .576</td>
<td>Maintenance</td>
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<tr>
<td>Information Needs</td>
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<tr>
<td>Networking .451</td>
<td>Obtain Patents .641</td>
<td>Obtaining Loans .858</td>
<td>Taxes .747</td>
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<td>Pricing .323</td>
<td>Business Plans .636</td>
<td>Obtaining Capital .853</td>
<td>Obtaining Licenses/Permits .451</td>
</tr>
<tr>
<td></td>
<td>Incorporating .384</td>
<td></td>
<td>Insurance .386</td>
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Note. Extraction Method: Principal Component Analysis; Rotation Method: Oblimin with Kaiser Normalization.
DISCUSSION AND RESEARCH IMPLICATIONS

This research suggests that each “city-type” exhibits its own unique “personality” as well as its own specific information needs. H1 research results suggest that of the four “city-types” represented, the high education/low income (HELI) city exhibited the strongest entrepreneurial desire and the low education/low income (LELI) city exhibited the weakest entrepreneurial desire. What should be stressed, however, is that 67.5% of all participants, irrespective of “city-type”, expressed a desire to start or run their own business. This indicates a “spirited entrepreneurial zeal” that lies dormant among the local citizenry. Perhaps city officials charged with advancing economic development initiatives should look internally before expending inordinate resources externally toward business to relocate to their area.

The high education/high income (HEHI) city, the WHITE COLLAR archetype, exhibits entrepreneurial activities in healthcare, computers, retail, consulting, education, and engineering. Specific information needs are related to networking and pricing. This “city-type” has a tendency toward information-based, professional service ventures. It would not be prudent for an economic development director to encourage industrial development in this “city-type”. However, sponsoring breakfast meetings, roundtables, or evening exchanges would foster networking and intra-city collaboration.

The high education/low income (HELI) city, the PINK COLLAR archetype, exhibits entrepreneurial activities in food service/restaurants, and maintenance areas. Specific information needs are related to patents, business plans, and issues of incorporation. An economic development director should consider the promotion of workshops and educational forums related to direct personal services that focus on business development and planning.

The low education/high income (LEHI) city, the GREEN COLLAR archetype, is exemplified by its pursuit of capital. No specific entrepreneurial interests emerged, suggesting a “city-type” willing to pursue any entrepreneurial venture. Specific information needs are related to obtaining loans or capital. For a city economic development director, there appear to be no natural inclinations toward targeted entrepreneurial endeavors among the citizenry. An economic development director may consider the promotion of available franchising opportunities.

The low education/low income (LELI) city, the BLUE COLLAR archetype, exhibits entrepreneurial activities in piece manufacturing. Specific information needs are related to taxes, permits, and insurance. A city economic development director may focus on the promotion of industrial parks or business incubators with “fast-track offices” issuing business permits and addressing tax issues.

Upon review and reflection of these research findings, a model of “city-type” entrepreneurship is presented. This model is straight-forward, and can be implemented immediately. The “START-UP” model is illustrated in Table 2.

Table 2. Start-Up Model of City-Type Entrepreneurship

| S | Segment your city according to type: white; pink; green; or blue collar. |
| T | Target industries and information needs of potential entrepreneurs. |
| A | Audit your current resources that will assist the entrepreneur. |
| R | Resist the temptation to be something you are not, according to city-type. |
| T | Teach essential entrepreneurial concepts for city-type success. |
| U | Understand that entrepreneurship is a long-term strategy and local investment, not a quick fix. |
| P | Plan to use entrepreneurship in a marketing mix, encouraging from within and attracting from beyond. |

RESEARCH LIMITATIONS AND FUTURE RESEARCH

This study exhibits all the inherent concerns of examining population samples. All data were derived from one Midwestern regional area, in which four “city –types” were investigated. Each “city-type” was operationally defined in terms of education and income levels, with “cut-off” points established by national census guidelines. Moreover, since participants were encouraged to respond to the researchers’ prompts with open-ended responses, validity estimates of a structured, fixed-response research instrument are not applicable. Obviously, an examination of a larger, more representative sample is warranted in any attempt to generalize research findings and implications.

This research is an early attempt to validate the importance of “fit” in understanding cities, regions, and economic growth. Future research could examine the feasibility of a “city-type” model of entrepreneurship as offered. It may be erroneous to assume that entrepreneurs are aware of specific
business information and should be assessed. Moreover, participants were assumed to possess the same general characteristics of each “city-type”, but this is a research issue that requires additional research.

CONCLUSION

This research examined specific “city-types” and the potential influence each exerts on possible entrepreneurial activities and information needs of its citizenry. Each “city-type” exhibits its own entrepreneurial spirit or “personality” and requires specific actions by city officials. Although the primary implication is to encourage each unique “city-type” personality, it is not necessary to abandon efforts to rebrand or reposition your city. A strategic initiative that combines development from within and recruiting from beyond can also be effective. However, this research suggests that a long-term strategy for economic development is not to forsake those entrepreneurial types residing down the street from the economic development office.

REFERENCES


Hamid, Hamisah (2008),“Reinvigorating the entrepreneurship spirit”, New Straits Times (July 17).


