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Against the Grain: What Motivates Entrepreneurs to Locate in Pennsylvania's Non-Metropolitan Cities and Boroughs

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Against the Grain: What Motivates Entrepreneurs to Locate in Pennsylvania's Non-Metropolitan Cities and Boroughs

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Introduction

In the decades following the prosperous 1970s that marked the height of heavy industrial manufacturing activity in rural Pennsylvania, cities and boroughs within those areas have experienced many faces of economic decline. Non-metropolitan cities and boroughs, once centers of culture and trade for agriculture- and manufacturing-dependent areas and culturally-important gathering places for the region's citizens, have hollowed, losing both businesses and residents to outlying townships and larger urban areas (Brookings 2007). Along with this flight from cities and boroughs, once-thriving "Main Streets" filled with downtown businesses have begun to abandon or be replaced by low-value-added services (Brookings 2003), and small cities and boroughs have been constrained in their ability to improve local conditions, as municipal governments of this size have been among those experiencing the worst fiscal distress out of Pennsylvania's 2,566 municipalities (PEL 2007). In the most rural parts of the Commonwealth – the Northern Tier and rural Northwest, and its cities and boroughs – the period from 2001-2007 was almost universally a time of both job and population loss, with mounting unemployment and a declining supply of jobs (Alter et al. 2009).

Small cities and boroughs¹ face many difficult challenges at the hands of these trends, as they continue to feel increasing fiscal and economic pressure with few outlets

¹ I will use the term "small towns" interchangeably to mean cities and boroughs, as these places are often embodiments of the "small town America" ideal that is a centerpiece of American rural culture.

to generate employment. Conceptually floating somewhere between a rural and urban identity, and often embodying the benefits and pitfalls of both types of areas, these in-between places often fall under the radar of analysis in urban studies and policy, and are too dense to exhibit the characteristics of many rural farm- and natural resource-dependent places. But small towns play an important role in the functioning of non-metropolitan regions, and in Pennsylvania, there are plenty of them. Behind Philadelphia, Pittsburgh, and Allentown, there are 53 third class cities (small cities under 100,000 population, with one exception – Erie had over 103,000 population in 2000), and 961 boroughs, all with less than 40,000 population (General Assembly of the Commonwealth of Pennsylvania 2006, U.S. Census Bureau 2010). Many of these small cities and towns date back to the American Revolution or before, and in the pre-automotive era served as service-oriented central places for rural areas where farmers, families, and townspeople alike could gather to trade, socialize, purchase goods and services, and find sources of entertainment and leisure.

Pennsylvania's small towns have, however, not seen the sustained growth seen in urban centers of the Commonwealth. While the urban population of Pennsylvania grew 1.3 percent over the period from 2000 to 2007, rural areas grew unevenly by 0.9 percent on average, with over a dozen rural counties losing population during that period (U.S. Census Bureau 2010). Most rural growth was in the counties closest to major East Coast cities like New York, Philadelphia, and Baltimore, with central and northwestern counties experiencing most of the population decline (Alter et al. 2009). Many of Pennsylvania's small towns have been plagued by trends of "spreading out and hollowing out," with many residents and businesses leaving the historic streets of the central business district

and situating out at the periphery, close to national chain stores and big box retailers (Brookings 2007, 2003). This has led to the abandonment of many establishments along “Main Streets” across Pennsylvania – a cyclical problem that leaves many downtown areas looking empty and neglected. Furthermore, many rural youth, especially educated youth, have fled these small towns for the big city to find better, more modern, more appropriate work opportunities (Florida 2002). Although many small towns still retain their historic charm, a complete suite of functioning infrastructure, and the real estate and basic services needed to do business, for many Pennsylvania small towns, attracting and retaining a sustainable core of entrepreneurs in downtown areas, from both inside and outside these communities, has not been free of challenges (Brookings 2003).

The inspiration for this research came from the notion that Pennsylvania small towns, even if they are business-challenged relative to their urban counterparts, still have *some* small businesses, and very likely several start-ups. Given the situation in Pennsylvania’s smaller downtown areas, why then would entrepreneurs – who are drawn to clusters of innovation (Cooke 2001, Porter 2000), growth-oriented areas rich with business support networks (Henderson 2002, Brüderl and Preisdorfer 1998), and lifestyle-oriented areas rich with scenic amenities and mild climates (Sopuck 2003, McGranahan 1999) – choose to locate in a small town Pennsylvania central business district (CBD)?

Conventional wisdom of the past has spread the belief that rural entrepreneurs locate close to home to be close to family members and support systems (Hoy 1996, Van de Ven 1993, Green et al. 1990) – a view that is undoubtedly an inductive extension of social network theories that characterize rural areas as having a wealth of strong, kin-

based social ties (Wilkinson 1991, Granovetter 1973), as exhibiting bonding social capital (Ring et al. 2010) and more traditional, folk mores reinforced by strong kinship (Redfield 1947), and characterized as remote and distinctively removed from urban identities (Bell 2010, Dabson 2001, Wilkinson 1991). However, this research problematizes this notion, and to uncover insights about entrepreneurial behavior from the entrepreneurs themselves. If these factors that attracted entrepreneurs to smaller cities and towns can be understood, and that help them to stay profitable once they arrive, this information can be used to develop better strategies that capitalize on the needs and desires of entrepreneurs and would-be entrepreneurs – across Pennsylvania, and perhaps other regions as well.

The purpose of this investigation was exploratory in nature: to understand which personal and/or community-based factors motivated entrepreneurs to launch their businesses in the CBD of eight selected non-metropolitan Pennsylvania cities and boroughs. Furthermore, factors that enabled entrepreneurs to keep their doors open in their current location (business retention) were also investigated. The study is intended to compare the usefulness of two theoretical models in explaining entrepreneurial business location and retention in these areas: *individualism* and *social ecology*. 42 entrepreneurs were examined who launched a business within the past ten years in eight census-defined *micropolitan* areas in Pennsylvania. Micropolitan areas are single-county settled areas with a dense central place of at least 10,000 residents, but no more than 50,000 residents in the county. According to the Pennsylvania Economy League, towns of this size are among those experiencing the worst fiscal distress in the Commonwealth (PEL, 2007). These very small urban areas are large enough to have a density of recent entrepreneurs

for analysis, but small enough to have rural character (surrounded by ag land, typically with an economic history of natural resource extraction and agriculture), and are not included in metropolitan statistics by the U.S. Census Bureau.

This article begins with a working definition of entrepreneurship, followed by the development of two conceptual frameworks that help to explain the location decision for small businesses: *individualism*, where entrepreneurs are primarily motivated to situate their business locally for personal reasons, and *social ecology*, where entrepreneurs are primarily motivated by reasons having to do with the characteristics of the community itself. A collaborative, mixed-method *case study* methodology for the research is elaborated next, followed by a brief description of the communities under study. The study then focuses on the quantitative results of the case study, but due to the small number of participants in this exploratory study, the data is contextualized and supported by qualitative data in order to provide a more robust explanation of the phenomena under study. Finally, the results are summarized and discussed in the context of the implications of the research on entrepreneurship development, and the initial conceptual frameworks are modified for continued research.

Defining Entrepreneurs for Study

Shane and Venkataraman (2001) defined entrepreneurship as “an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed (in Shane 2003: 4).” In the spirit of Schumpeter (1934), this does not preclude individuals who bring an established product

to a new market, as they are bringing goods and services to bear in a novel location. To capture the essence of this definition for practical research, the inclusion criteria for research is that *entrepreneurs* must be owners of established businesses within the community type of interest: CBDs of the eight largest Census-defined micropolitan areas in Pennsylvania (out of eighteen). These businesses excluded franchises, and had to be open for less than ten years in one location. Businesses were recruited through a combination of random identification using chamber of commerce business directories, chain referrals from other entrepreneurs, and random selection by walking through the CBD. Using multiple recruitment techniques helped to ensure that the selected businesses were not all chamber of commerce members, and included businesses with a presence both on and off “Main Street,” but still within the CBD. Attention was given to finding a variety of businesses, not just retail and restaurants.

Developing Two Models of Entrepreneurial Attraction and Motivation

In rural America, different areas have different shares of self employment per total population, and different returns to self employment (Goetz 2006). To understand why some towns attract entrepreneurs and others do not, scholars had for a long time focused their attention on personal motivations for starting a business (Busenitz et al. 2003). To quote Witt (2004, 391), “The typical object of observation [in the mainstream entrepreneurship literature] is an individual person or an individual institution that has durable information contacts, exchange relations, or both, with other people or with organizations such as firms, universities, or authorities.” Looking to classic articles by Knight (1921), Schumpeter (1934), and Kirzner (1973), the entrepreneur is characterized

as a market maker, a creative destroyer of old industries, and an individual with the capacity to bring innovation to the marketplace by taking risks and bringing new innovations to bear through the identification of needs and organization of firms. It is the individual's ability to competitively identify and exploit opportunity through new means of organizing that, through the perspective of neo-classical economics, acts as the central change agent and growth mechanism of modern economies (Shane 2003, Kirzner 1973).

One of the most common personal characteristics relating to rural America is the long-held convention that most rural businesses are started by native members of the community (Green et al., 1990; Van de Ven, 1993). Hoy (1996) notes that new ventures are initiated in communities by original members, and Johannisson (1987) remarks that entrepreneurship is seen to be "the outcome of a society-bound choice." An older study by Birley (1985) found that most firms in a rural Indiana county were started by local people formerly employed in local industries similar in character to their business venture, and that most of the networks used to amass resources and information for the new business ventures were not professional social networks (friends and family who also own small businesses), but rather kin – friends and family who were not business owners. It appeared that most small business owners tended to locate close to family and friends for personal, non-business related reasons, and most of them appeared to be ignorant of any formal small business support that did exist in the county. This preference to locate a business for personal reasons, like proximity to friends and family, and to capitalize on personal rather than business networks illustrates an *individualist* mode of entrepreneurship decision-making.

A multiplicity of personal motivations and characteristics of the individual to locate in an area did not satisfy scholars who noted that some areas systematically spawned more small business activity than others (Goetz 2006, Florida 2000, Birch et al. 1999). Some researchers proposed that certain cities and towns have features that are more attractive to entrepreneurs, and examining small business birth and death rates, posited an *ecological approach* to entrepreneurship (Aldrich, 1979; Hannan and Freeman, 1977). This approach, often called the *social ecology* model of entrepreneurship, suggests that new company start-ups are highly dependent upon macro-processes both within the community and between actors in the community (Aldrich, 1990). Granovetter argues that networks of weak ties are critical for gaining access to information about opportunities (1973), and economic environments are embedded in social and structural relationships that modify neoclassical preconditions of atomistic economic behavior (1985). In other words, some communities contain fundamental networks, relationships, cultural norms, government policies, and processes that collectively enhance the entrepreneurial culture of a place, and potentially the relative success of the entrepreneurs it contains (Hustedde 2007). Flora and Flora (1988) define entrepreneurial communities in ecological terms of having capacity for community action, or, “communities that are able to respond to the changing macro-economic circumstances and cause development to happen.”

Attributes of the social ecology, or the community as it pertains to small business, are exceptionally broad in scope. For the purpose of this research, they are divided into three primary categories: *formal institutions* intended to support business and the community (governments, government agencies, development agencies, chambers of

commerce, banks, business organizations), *social networks* of weak-tie relationships through which information about business and opportunity is shared (friends, family, and acquaintances *who are also part of the local business community*, especially if they are entrepreneurs), and *physical infrastructure* that provides a physical setting for doing business and a means to transport supplies, products, customers, and information (attractiveness of place, connections to other cities and towns, highways, airports, and pedestrian shopping areas). Formal institutions may or may not have their own established set of business contacts, and may deter some entrepreneurs due to their large, bureaucratic nature (Birley, 1985). They also have the power to facilitate and inhibit the emergence of new technologies and industries and support a more competitive environment (Van de Ven, 1993; Mowery, 1985; Nelson, 1982).

Social networks enhance entrepreneurship through the slow accretion of numerous institutional, resource, and proprietary events that transcend the boundaries of many formal public- and private-sector organizations, and thus enhance the community ecological system and the recognition of opportunities (Arenius and DeClercq 2005, Van de Ven, 1993). It should be noted that social networks can be both business-oriented (friends and family within the small business community), and personally-oriented (friends, family, and acquaintances without business-oriented ties to the small business community). The distinction is important, as only social networks within the small business community are considered to be part of the *social ecology*. All other networks, like friends and family who are not part of the small business community or local government are taken here to affect and moderate *individualist* motives.

Physical attributes, including a diversity of critical infrastructure in the built environment, the natural environment, and in cyberspace and the informational environment, are essential to the functioning of society and of business (Alter et al. 2010) – and in Pennsylvania, in a state of increasing disrepair due to insufficient funding (ASCE 2008). In particular, several studies (Sopuck 2003, McGranahan 1999) have covered the movement of entrepreneurs to areas rich with scenic amenities to start businesses. Green (2001) also noted that many entrepreneurs are driven toward scenic amenity areas, although they often relocate there to live (for personal reasons), and later start firms.

In Pennsylvania’s smaller cities and boroughs, it remains unclear which set of motivations would be most relevant to developing stronger business attraction strategies: individual or ecological motivations. Furthermore, once the entrepreneur has been attracted to the locality, it is equally unclear whether or not the same factors are important to business retention. The way that the individualist and social ecology models of entrepreneurial attraction relate to the question posed by this research can be seen in Figure 1.

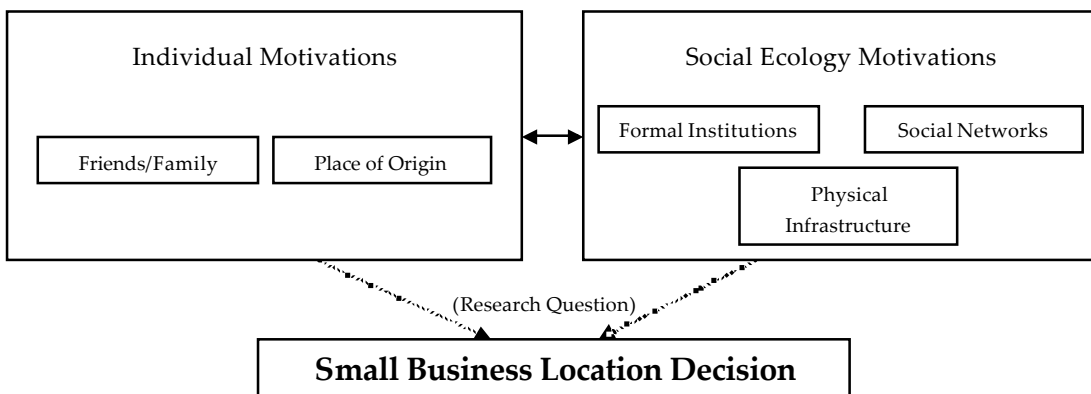


Figure 1: Factors Contributing to the Small Business Location Decision

To test this model, a series of twenty-two community attributes comprised of common community assets was developed, many of which were identified in the individualist and social ecology literature discussed above. These attributes were divided into the four conceptual motivational categories: individualism, formal institutions (social ecology), social networks (social ecology), and physical attributes (social ecology). The study was designed to test the relative importance of each of these motivational factors for both business attraction and retention, and also to qualitatively test the model for theoretical completeness and accuracy. Therefore, face-to-face interviews were used to determine whether other conceptual categories or motivations exist, whether these conceptual categories hang together theoretically, and if some of these motivational factors are totally unimportant. The hypothesized model is as follows.

Table 1: Twenty-Two Potential Motivational Factors (Scale Items) by Category

Individual	Formal Institutions	Social Networks	Physical Attributes
Growing Up in This Area	Active Chamber of Commerce	Friends and Family Who Are Also Small Business Owners	Good Road and Highway Connections to Other Towns
Always Wanting to Live/Work In a Town Like This	Favorable Local Tax Structure	Being Close to Another Specific Enterprise (i.e., a Client, Supplier, etc.)	Air, Bus, and Train Connections to Other Towns
A Good Place to Raise Children	Local Government Incentives	Several Other Business Owners Nearby (Small Business Community)	The Setting and Physical Atmosphere of the Town and Its Surroundings
Friends and Family Outside the Local Small Business Community	Business Clubs and Associations (i.e., Rotary, Professional Organizations)	Friends and Family Who Are Part of Local Business Organizations	An Attractive Central Business District
	Local Development Agency	Friends and Family in the Local Government	Low Cost of Doing Business
	Community Banks and Lending Institutions	A Good Customer Base/Market Opportunity	
		A Highly-Educated Workforce	

These models have different implications for programs intended to attract entrepreneurs to a particular locality and keep them there. Adherence to the social ecology model suggests that development is *place-based* – that it inheres in the development of the total community, and encompasses a wide diversity of stakeholders and interests within the community. The individualist model suggests that development inheres in *people* – that entrepreneurs should be cultivated from within the community through education and mentoring, capitalizing on existing personal ties to keep these individuals in the area once they have developed their entrepreneurship potential.

Methodology

With limited empirical data about which factors contribute to the location decision, and an explicit emphasis on retrieving rich data about the mental processes framing the location decision, it was necessary to choose a research design that balanced the depth of a case study with the generalizability of a broader survey. As a result, a mixed-method *collective case study* approach (Stake 1995) was chosen to provide a combination of deep insights about the targeted subjects of location and retention, and comparability between communities suggesting whether the insights gathered were idiosyncratic to participants and their communities, or possibly generalizable across small town Pennsylvania. Collective case studies utilize multiple case sites and a series of *triangulated* mixed methods to develop a detailed understanding of the phenomenon being studied within the context in which it exists (Cresswell, 1998). These multiple triangulated cases are then compared conceptually to suggest how the phenomenon is likely to be different across geographic space, areas of different socio-economic background and history, and places of different cultural identities and beliefs. Case studies also capitalize on a well-established call for mixed methodological analysis, balancing the advantages of each by viewing the same phenomenon from multiple perspectives, leading to a richer measurement in context and concept development (Tashakkori and Teddlie, 2003).

Across study sites, the two phenomena to be compared were a) motivational factors for locating a business in the community, and b) factors perceived to contribute to the retention of that business within the community. These phenomena were examined through three triangulated lenses: a brief, semi-structured face-to-face interview, a

quantitative, face-to-face survey, and a community economic profile to frame the context in which these phenomena occur.

The face-to-face interview utilized a semi-structured protocol asking the entrepreneur to describe the single most important factor that prompted them to launch a business in that community, and to describe the single most important factor that helps them to keep their business going in their current location. After this, the entrepreneurs were asked to brainstorm more deeply about any other factors that may have contributed to their location decision, or that help them to keep their doors open locally. The interview was conducted in this order to establish the primacy of the single most important factor that came to mind for the entrepreneurs, and to compare this to other, deeper insights through systematic reflection. Such “retrospective protocols” are particularly advantageous when investigating information about a final decision like a location decision (Kuusela and Paul 2000). Entrepreneurs were then asked why these factors were important – and generally needed little prompting to do so.

Following this brief interview, a face-to-face survey was administered asking entrepreneurs to rank the importance of various common community and personal attributes. These factors included examples of the four basic motivation/retention categories described earlier in the article: personal motivations, formal institutions, physical attributes, and social attributes – the first being purely individualistic in nature, and the last three manifest in the community in some way. Survey items were scaled from 1 to 10, with 1 being very unimportant as a motivator and 10 being extremely important. Although this numerical scheme differs from standard Likert-type scaling, the time-constrained nature of the interviews made it important to choose a numbering

scheme that was easily understood in a face-to-face format. The survey was administered *following* the face-to-face interview in order to guard against conditioning the respondents' first impressions by providing them with a standard set of categorized responses in advance.

Finally, community socio-economic profiles were compiled to provide a background of social and economic trends in the study communities that may systematically account for differences in responses from community to community. Basic demographic and economic trends were identified for each of the eight communities. While all eight cities and boroughs have struggled with economic decline and fiscal distress in much the same way as other Pennsylvania municipalities, the selected sites represent a broad variety of different Pennsylvania regions with very different economic and cultural histories, industrial profiles, and environmental attributes.

Data Analysis. Direct quotes from the open-ended questions were analyzed and assigned to the distinct categories defined in the literature review: individualist, formal institution (social ecology), social network (social ecology), and physical attribute (social ecology). After the interviews, responses were categorized and the frequency of responses measured, and basic information about the entrepreneur's average age, sex, length of residence in the community, and time since opening the business were tabulated. The most important factor for business attraction was assessed using an open-ended question that was coded into categories and compared to tabulate which category was mentioned most often. Other attraction motivations were counted, categorized, and compared across categories. Retention motivations were given identical treatment. Attraction and retention motivations were then compared to determine if individualist or

social ecology categories became more or less important to the entrepreneurs under study as they transitioned from business launch toward maturity (from attraction to retention).

For the quantitative analysis of 22 community attributes, each representing a conceptual category, the means of each category were compared to determine, in absolute terms, which categories received higher ratings. This was done for both business attraction and retention. Since the sample was too small to reliably conduct an analysis of variance, a relative ranking for each scale item was calculated using a standardized Z statistic representing the standard deviation of each response from the mean. The standardized Z values were then averaged, compared, and ranked to determine which individual scale items were, on the mean, most important to entrepreneurs in the sample, and which were least important. Variances are reported as a measure of consensus among responses.

In summary, the methods of the research are designed to first identify which factors led the entrepreneur to locate in a non-metro city or borough in Pennsylvania, to judge the relative importance and variance of each set of factors, and to report any useful insights or explanations that explain more general patterns in location decisions. Through a combination of quantitative and qualitative measures, one can begin to ascertain not only which motivating factors attracted entrepreneurs to these Pennsylvania communities, but to understand with richer detail why those factors matter. Preceding these results, however, is a brief introduction to the eight study sites.

Summary Community Profiles

For this study, the eight largest micropolitan cities and boroughs in Pennsylvania were chosen for study: Bloomsburg², Chambersburg, Indiana, Meadville, New Castle, Oil City, Pottsville, and St. Marys. These eight sites represent each of the regions listed on the map below, with the exception of the quickly-urbanizing northeast region due to its proximity to New York City.

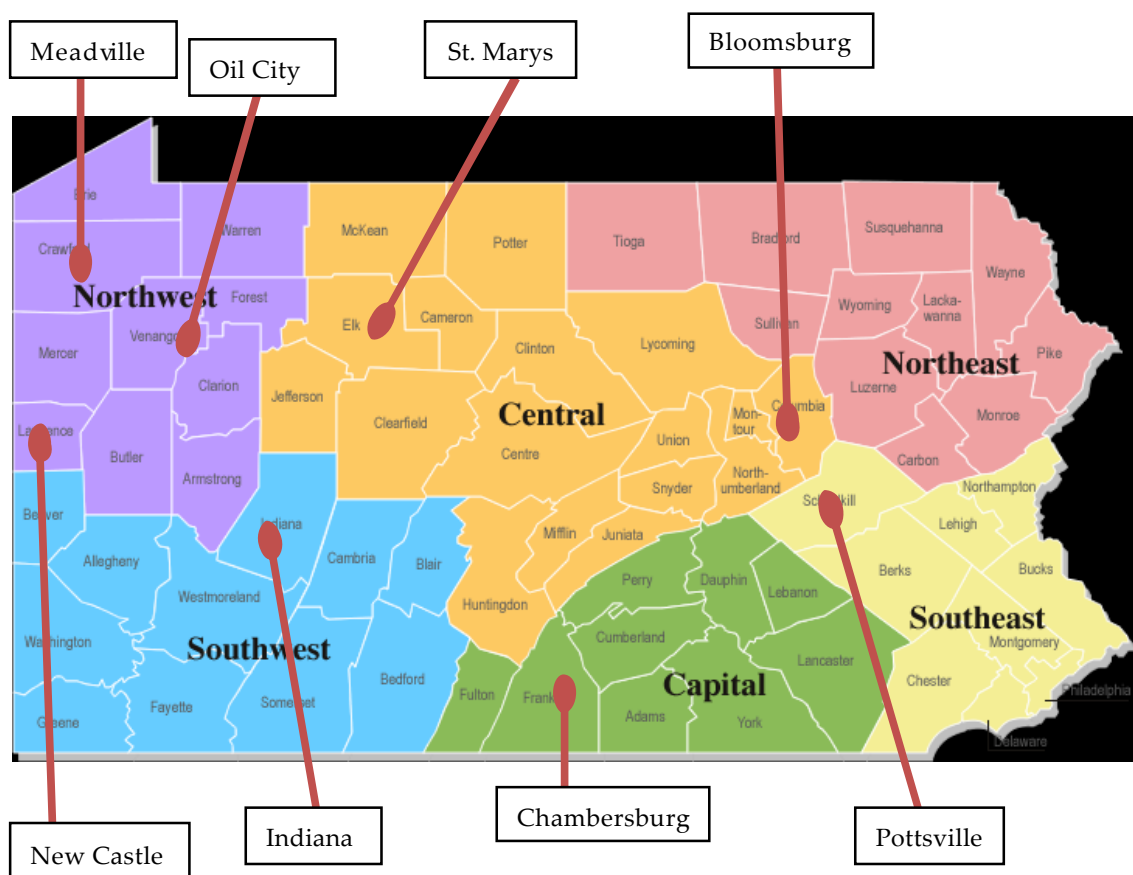


Figure 2: Map of Pennsylvania with Research Sites

² The anomalous Bloomsburg, PA, is neither a city nor borough, but stands alone as Pennsylvania's only "town" form of government out of 2,566 total municipalities.

Some basic demographic comparisons of the eight research sites can be seen in Table 2.

Table 2: Basic Demographic Characteristics of the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2010)

	Median Age	% Minority	% With Bachelors Degree	Pop 1990	Pop 2000	Population Change
Bloomsburg	22.4	5.6	26.0	12,439	12,375	-0.5%
Chambersburg	40.0	13.6	17.9	16,647	17,862	7.3%
Indiana	21.8	8.5	36.2	15,174	14,895	-1.8%
Meadville	34.7	8.0	23.9	14,318	13,685	-4.4%
New Castle	39.4	13.2	12.0	28,334	26,309	-7.1%
Oil City	37.9	2.2	14.5	11,949	11,504	-3.7%
Pottsville	40.5	4.3	14.0	16,603	15,549	-6.3%
St. Marys*	39.4	1.2	15.5	5,511	14,502	163.1%
<i>State Average</i>	<i>38.0</i>	<i>14.6</i>	<i>22.4</i>	<i>11,881,643</i>	<i>12,281,054</i>	<i>3.4%</i>

*Consolidated with a neighboring township in 1994

As can be seen in above, Bloomsburg and Indiana have median ages that are below the state average due to the presence of large universities in these towns. Chambersburg and New Castle have the highest percentage of minorities, but all eight sites have a smaller percentage of minorities than the state average. Indiana, Bloomsburg, and Meadville have a higher percentage of college graduates than the other sites, and this is at least partially due to the presence of colleges in these three towns. Only Chambersburg grew in population from 1990 to 2000, primarily due to its proximity to the growing Baltimore-Washington metropolitan area, while other sites lost population despite overall population gains in the Commonwealth over the same time period.

Income figures for the eight research sites can be found in Table 3.

Table 3: Personal Income and Average Weekly Wages for the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2010; Bureau of Labor Statistics 2000 State-Level Accounts Data, 2010)

	Average Weekly Wage (\$)*	Personal Annual Income (\$)*	Personal Income Rank*	% Private Sector
Bloomsburg	606	27,082	29	80.9
Chambersburg	646	28,208	22	88.1
Indiana	701	25,932	39	72.2
Meadville	599	23,646	60	87.2
New Castle	628	25,591	45	86.9
Oil City	608	26,118	36	83.8
Pottsville	602	25,779	42	84.3
St. Marys	633	28,077	23	94.0
<i>State Average</i>	<i>849</i>	<i>25,455**</i>	<i>n/a</i>	<i>88.7</i>

*Data are for the micropolitan county.

**This figure reflects the non-metro average *only*.

This table demonstrates that wages in even the largest non-metro cities and boroughs lag well behind the state average. Personal annual income, or “after tax” income, is higher than the state average for non-metro areas for all cities except Meadville. All but one of these towns have a higher percent of their population working for the government than the state average. In Indiana and Bloomsburg, this is due to the presence of state universities, as well as being county seats. All other sites are county seats as well, accounting for the higher percentage of government employees, except for Oil City and St. Marys. Oil City is home to a major state Department of Transportation office, accounting for its higher percentage of government employees. St. Marys is the only site that does not have a major government employer. Therefore, in most of these towns, the government plays a larger role in the stability of the job market than in the average Pennsylvania municipality.

Unemployment data for the eight sites can be found in Table 4.

Table 4: Unemployment and Unemployment Growth for the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2010)

	% Unemp 1990	% Unemp 2000	% Unemp Change
Bloomsburg	5.3	6.1	0.8
Chambersburg	7.2	3.9	-3.3
Indiana	7.0	6.5	-0.5
Meadville	8.9	4.9	-4.0
New Castle	10.4	5.0	-5.4
Oil City	7.8	4.4	-3.4
Pottsville	7.2	3.6	-3.6
St. Marys	7.9	1.7	-6.2
<i>State Average</i>	<i>5.9</i>	<i>3.5</i>	<i>-2.4</i>

Unemployment decreased across the state from 1990 to 2000 due to a macroeconomic boom that lifted employment in most industries over the period. Unemployment dropped by 2.4% statewide over the period, and only two sites, Bloomsburg and Indiana, did not beat this figure. Unemployment actually increased slightly in Bloomsburg over the period. Indiana and Bloomsburg have the highest percentage of government employees of any of the research sites, insulating them somewhat from macroeconomic booms and busts. The data are suggestive that the economies of these localities are very sensitive to macroeconomic trends, also noted in the Brookings Institution report (2003).

Finally, trends in the percentage of individuals living under the poverty line can be found in Table 5.

Table 5: Percentage of Individuals Living Below the Poverty Line in the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2010)

	Pov 1990	Pov 2000	Pov Change
Bloomsburg	17.3%	31.2%	13.9%
Chambersburg	12.5%	12.9%	0.4%
Indiana	27.4%	44.1%	16.7%
Meadville	20.8%	22.7%	1.9%
New Castle	19.2%	20.8%	1.6%
Oil City	18.0%	19.0%	1.0%
Pottsville	14.9%	13.9%	-1.0%
St. Marys	10.9%	4.8%	-6.1%
<i>State Average</i>	<i>10.8%</i>	<i>11.0%</i>	<i>0.2%</i>

With the exception of St. Marys, these micropolitan areas had higher levels of poverty than the state average, sometimes by a wide margin. The extremely high increase in poverty rates in Bloomsburg and Indiana should not be alarming: Much of this increase in “poverty” is due to rapid increases in student enrollment at the state universities, and students reporting their college town as their primary address. St. Marys rapid decrease in poverty is at least partially due to the city’s consolidation with a surrounding township that was more affluent than the city center. It is important to note that these small urban areas do not share the same affluence as larger cities – a fact that presents challenges to businesses who cater to local consumers, as there is restricted disposable income in areas with high and persistent poverty.

Each site has unique features that make the entire selection set representative of the diversity that can be found across non-metro Pennsylvania cities and boroughs. Some common tendencies do occur, however. Wage earners make less in micropolitan cities and boroughs than in metro areas, but more than in less populous non-metro areas. Workers in these localities are more likely to be employed by the government, but local

economies are still sensitive to economic shocks. The populations of these communities are declining, and poverty is on the rise, albeit slowly. Also, they are less ethnically diverse than the average Pennsylvania municipality, and cities and boroughs without a major educational institution lag well behind the state average for individuals who hold a college degree.

All of these characteristics have an effect on the entrepreneurial community. Wages and poverty affect the spending power of the local population. The presence of highly-educated individuals affects the kinds of businesses that can be started in some places (high-tech vs. service sector), and population losses to other areas could mean the flight of a customer base from the CBD. Growth trends, poverty and unemployment trends, and the stability of the workforce due to government employment all play important roles in business. Echoing situations described by the Pennsylvania Economy League (2007) and the Brookings Institution (2007), the research sites exhibit many of the same trends of population decline, above average poverty, and challenges with unemployment and lagging education rates.

Results

This study of entrepreneurship utilized a mix of community profiling, qualitative interviews, and quantitative surveys to triangulate the motivations of entrepreneurs who located their business in small town Pennsylvania. This article presents a blend of quantitative and qualitative findings, with the qualitative interview results being used to conceptualize and reinforce data uncovered in the face-to-face surveys. Quantitative analysis used a small sample of 42 entrepreneurs, limiting the generalizability of the

quantitative results. These results are therefore presented here as *suggestive* of broader trends. My intention is to bring in contextualizing information from the qualitative interviews where appropriate, to explain in greater detail why many of the entrepreneurs selected the responses they did, without going into a full discussion and analysis of the qualitative results in this particular article.

Before discussing the responses of the entrepreneurs, it is important to understand the characteristics of the entrepreneurial sample. The sample included 42 entrepreneurs representing a wide age range, between ages 19 and 65. The average entrepreneur was in his/her early forties, and the sample was evenly split by gender.

Perhaps most surprising here is that the sample of entrepreneurs seems to defy the conventional wisdom that small town entrepreneurs locate close to home, to be close to family and networks. While family members are not necessarily very far away, the sample is comprised of only 31 percent natives and about 12 percent return migrants, with 57 percent of the community having no previous life experience in the community. Just as remarkable, only about 59 percent of entrepreneurs in this sample knew someone in the community prior to locating there. Qualitative and quantitative inquiry confirmed that, while several of the entrepreneurs from outside the community located to be close to a spouse, parent, or extended family, nearly 42 percent of the entrepreneurs moved to their small town seeking some sort of opportunity with no outside help: a particular lifestyle, a great downtown area, or an untapped market niche. Moreover, 69 percent of non-natives and nearly 48 percent of the total sample moved to small town Pennsylvania from a large metropolitan area with more than 1,000,000 population. Thus, while the sample is too small to generalize statistically, the qualitative data offer some supporting

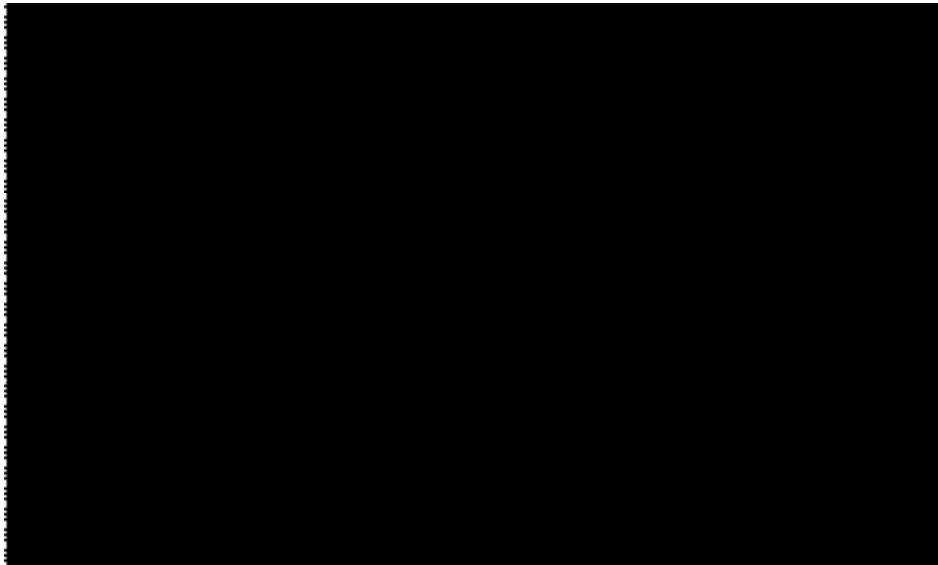
evidence that small towns in Pennsylvania have some drawing power for urban individuals seeking a different lifestyle, business concept, or opportunity set.

In general, the sample was well-rooted in the community, with the average respondent living in the community for just over 20 years. Even non-natives lived in the community for nearly 10 years on average, and some individuals established their residence for a period of time before attempting to start a business. Others, such as one entrepreneur who had lived in his community for only three months, showed up to town knowing virtually nobody – attracted by a special program to help artists establish businesses in the CBD. Selected demographic characteristics can be found in Table 6.

Table 6: Summary Demographic Characteristics of the Entrepreneur Sample

Characteristic		Range (if applicable)
Age	42.6 years (avg.)	19 – 65
Sex	50% male, 50% female	-
Native to Community	31.0%	-
Return Migrant	11.9%	-
How Long In Community?	20.3 years (avg.)	3 months – 65 years
How Long In Community? (non-natives only)	9.8 years (avg.)	3 months – 38 years
Time Living In Previous Community (non-natives only)	13.7 years (avg.)	1 year – 47 years
Previous Community Was Large Metro (1 million or more inhabitants, non-natives only)	69.0% of non-natives 47.6% of total sample	-
Knew Someone in Community Prior to Arrival	58.6%	-
This Person Was:		-
• A spouse	9.5%	
• A parent	14.3%	
• Extended Family	14.3%	

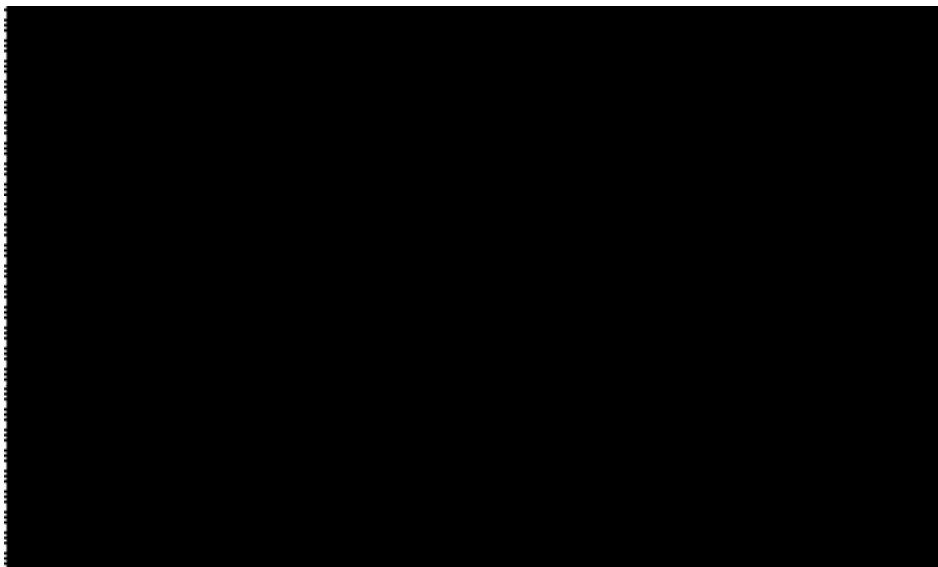
Interviews began by assessing the category of the primary motivation for attracting the entrepreneur (either from within the community or from another community) to launch a business in their current location. These motivations had primacy over others because they were the first and most important thing that came to the entrepreneurs' mind. As can be seen in Chart 6.1, social networks were by far the most important motivator (52 percent of responses), followed by physical attributes (38 percent), individualist motivations (7 percent), and formal institutions (1 percent).



In face-to-face interviews, entrepreneurs explained that a visible customer base in the town (the presence of pedestrians and traffic in the CBD), a low cost of doing business (a feature of the value of physical attributes – generally referring to inexpensive real estate and utilities), the attractiveness of the CBD, and having small businesses nearby were most important in attracting them to the area. On the contrary, having friends in the government, plenty of air, bus, and train connections to other cities, and friends in formal business clubs were very unimportant to the entrepreneurs' location decision. Sample entrepreneurs frequently cited that a vibrant downtown culture of

attractive small businesses made the location decision seem less risky, and showed evidence of the existence of a support network for small businesses. Many of the entrepreneurs in the sample collaborated frequently (but informally) with other small business owners in the area for the purposes of joint promotion and sharing business advice. The presence of customers, paired with the absence of a market niche that the entrepreneur could fill, generally “sealed the deal” for most. A complete ranking of the relative importance of the twenty-two community attributes from the quantitative survey related to small business attraction can be found in Table 1A in the appendix.

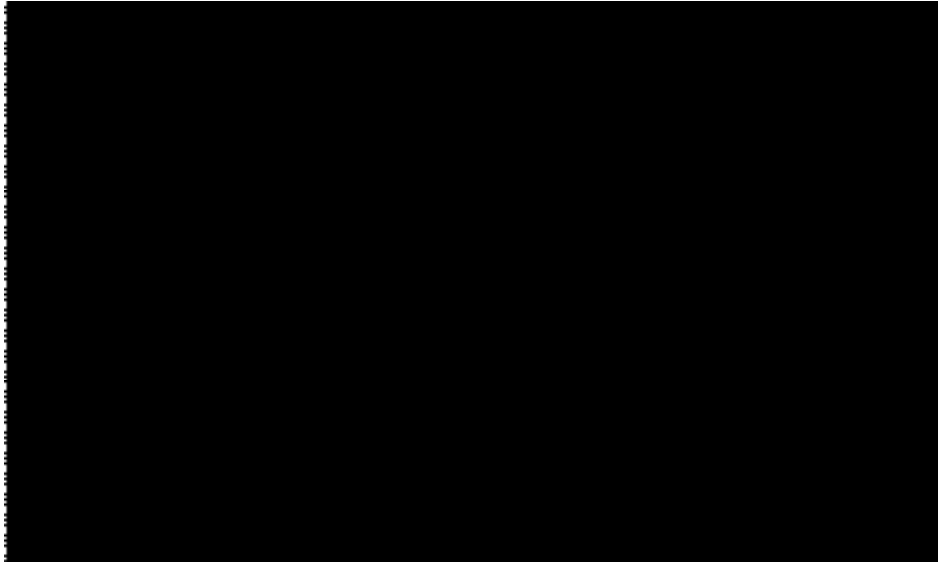
While the above motivations represented the single most important reasons entrepreneurs gave in their location decision, a follow-up question asked these entrepreneurs to think of all other reasons that were important in the location decision. Again, social networks and physical attributes scored highest, with 39 and 41 percent of total responses, respectively. Individualist motivators received 13 percent of responses, while formal institutions received only 7 percent. Again, sample entrepreneurs pointed to social ecological factors as being most important to their location decision (Chart 6.2).



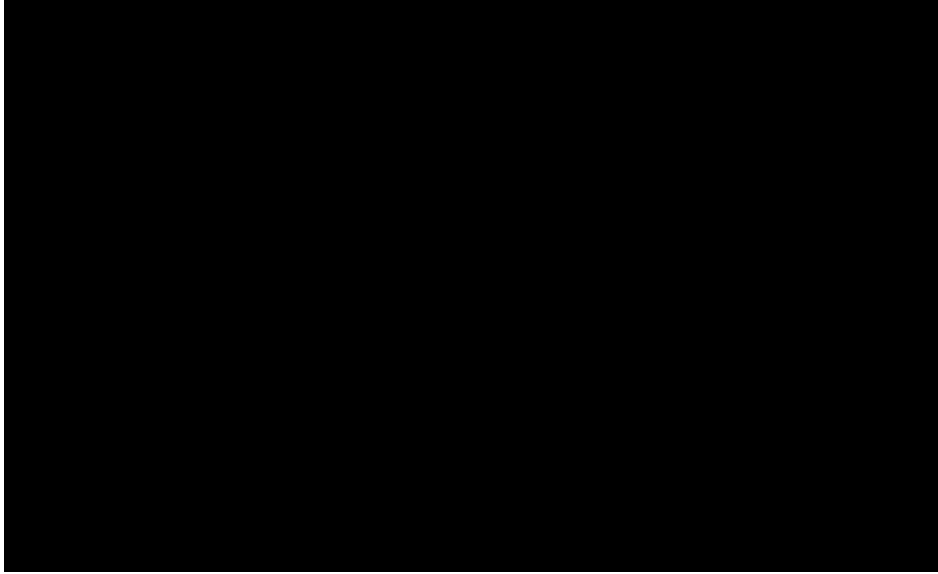
The focus of the interviews switched to business retention, with results below in Chart 6.3. When asked about factors that helped the entrepreneur to keep their business open, 53 percent of responses related to social networks in the community. Individual motivations became more important (22 percent), partially because some entrepreneurs wanted to keep their children in the same community, and many newcomers made strong and lasting friendships. This, combined with the personal tenacity of “making a business work,” encouraged entrepreneurs to stay local. However, this was strongly facilitated by the development of business ties with customers and other businesses.

Physical attributes, while still important at 20 percent, declined below individual motivations. While still helpful to keeping the doors open, there was far less consensus among entrepreneurs that the low cost of doing business and an attractive CBD mattered quite as much on a day-to-day basis. Personal relationships appeared to supersede these initial attractions. However, relationships with formal institutions remained relatively unimportant and were not perceived as useful by most entrepreneurs, with these motivations receiving only 8 percent of entrepreneur responses. A continued distrust of formal institutions was only exacerbated by the discovery of local power structures that often excluded entrepreneurs from local decision-making. Many entrepreneurs commented in face to face interviews that local institutional leaders preferred relationships with incumbent large corporations and other government officials, and did not do a sufficient job at reaching out to new businesses. This response was not universally held, however, as two communities boasted very active chambers of commerce that championed small business. A complete ranking of the relative importance of the

twenty-two community attributes as they pertain to business retention can be found in Table 2A of the appendix.



For quick comparison, between attraction and retention, it can be noted that individualist, formal institution, and social network motivations became more important over time, while physical attributes were most important to business attraction alone. It was revealed in qualitative interviews that these trends were generally due to the cultivation of relationships locally, over time. As entrepreneurs became more embedded in the business community, they were more likely to value these relationships – especially relationships with their customer base. Formal institutions only became slightly more important for the reasons mentioned before. These results can be seen graphically in Chart 6.4.



Summary and Discussion of Findings

Overall, the responses of entrepreneurs are suggestive of several trends that warrant broader research. This small snapshot, however, offers a glimpse into the mental processes of what drove entrepreneurs to locate in areas typically affiliated with economic decline.

First, more entrepreneurs in the sample came from outside the community than from inside. Over 58% of the entrepreneurs in the sample were non-natives, or were natives who moved away for an extended period of time before moving back. The majority presence of entrepreneurs from outside the community suggests that ecological factors, or factors of place, were prevalent in attracting entrepreneurs to the area from the outside. This finding has important implications from a development perspective. If Pennsylvania's small towns are capable of luring entrepreneurs of many stripes from other areas – particularly large urban areas – other areas may be able to do the same. While attracting outsiders does little to build the entrepreneurial capacity of local

citizens, it does bring a diverse set of business ideas, products, and services to these small towns from outside the area. One question for further research may explore the role of non-natives as pioneering small businesses who bring diversity and creativity to a community, and how locals can eventually be brought into this entrepreneurial mix.

Second, entrepreneurs in the sample were attracted to their community mainly by the presence of strong social networks for business (networks of customers, other small businesses, existing market opportunities, pedestrian and automobile traffic) and attractive, convenient physical attributes (low rent costs, attractive buildings, an attractive central business district and surrounding region, convenient road and highway transportation). The clear presence of consumers in the CBD with no convenient local access to certain niche market products and services was an important rationale in the business location decision, as were physical attributes that enhanced the feasibility of running the business. However, formal institutions such as chambers of commerce were found to be even less important than *individual* motivations.

Third, in open-ended questioning, both social networks and physical attributes were important to business attraction, but only social networks endured as a valuable motivator for business retention. Individualist motivations grew somewhat in importance and formal institutional motivations remained unimportant relative to the others. In qualitative interviews, the enduring importance of social networks was paramount. While social networks and physical attributes were cited as important factors to starting a business 86 times to 11 over individual factors in face-to-face interviews, physical attributes were the only category that dropped substantially in importance. Entrepreneurs who were initially lured to an area by an attractive CBD, low-cost rent, or the availability

of a particular retail space later found that it was continued interaction – especially with customers, and often with other businesses – that enabled these businesses to keep their doors open. Some individual traits, like tenacity, discipline, and management skill, also became more important as the business shifted from launch to maturity, but these remained less important than both social networks and physical attributes. The suggested lesson here is that a good physical environment for business is an excellent asset for attracting entrepreneurs, but without concomitant business and customer network development and a committed customer base, attractive, cheap real estate is unlikely to sustain businesses, even in prime locations.

Fourth, social networks and physical attributes were perceived to be far more important motivations than individual motivations and formal institutions, both to business attraction *and* retention. This finding supports the importance of the social ecology to business development. It also suggests that individual motivations, while important to many who started businesses in these locale, exhibited wide variations in terms of both the type of individual motivation (family, personal lifestyle, self efficacy, etc.) and the extent to which it affected the location decision. This wide fragmentation makes it difficult to design attraction strategies that capture the full range of individual motivations present in a given community.

Fifth, the inclusion of formal institutions in a true *social ecology* of place, while theoretically consistent, does not match with the responses from this sample. While in theory organizations like chambers of commerce, local development agencies, and the local government are typically entrusted with business development in most small towns, entrepreneurs frequently stated in interviews that they did not like or trust their local

chamber, did not associate with or distrusted the local government, were not aware of the presence of a local development organization, and did not have a formal small business association. One commonly cited reason for this distaste of formal organizing is that many of the chambers in the research sites were very closely tied to the local power structure – typically dominated by established small businesses, local financiers, and larger manufacturing and service concerns. Although formal institutions are theoretically entities through which small business owners can encounter one another and reap the benefits of networking, the exclusion of many entrepreneurs, often because they are frequently non-native, has damaged the reputation of such institutions. Exceptions do exist, as in one northwest Pennsylvania town where the chamber was widely regarded by entrepreneurs to be visionary and a champion of small business, or a southern Pennsylvania town where small businesses created their own small business joint promotion association. While formal institutions are intended as hubs for the creation of weak ties for economic benefit and knowledge about opportunities (Granovetter 1973), the power-laden nature of these groups possibly warrants a separate conceptual category from other social ecological factors.

Sixth, and related to the points directly above, local power structures directly impacted the entrepreneurs' perception of local support for small business. In cases where government and institutional leaders and representatives appeared to be disinterested with local entrepreneurs, passed excessive local ordinances and regulations on small business with little input from entrepreneurs, or associated excessively with leaders in larger corporations and the government, entrepreneurs expressed little confidence that their voice would be taken seriously. Qualitative interviews revealed that

many entrepreneurs felt like outsiders to the established power structures, even if they were native to the community. These interviews also revealed that, in places where this power structure was relatively flat, and where entrepreneurs had opportunities to participate regularly in local decision making, entrepreneurs also expressed higher levels of confidence in their local governments and institutions.

Finally, transportation options, though included with other physical attributes, were deemed to be very unimportant to most entrepreneurs in the sample for both business attraction and retention. Air, bus, and train connections provided very little incentive to the sample of entrepreneurs overall, although most businesses still rely on streets, highways, and for retail, sidewalks in good condition for access to customers and shipping. Given the results of the qualitative analysis, an adjusted model for ongoing research of motivations (and in some cases, *disincentives*) in non-metropolitan cities and boroughs is suggested here.

Table 7: Updated Motivations by Category

Individual	Formal Institutions	Government	Social Networks	Physical Attributes
Growing Up in This Area	Active Chamber of Commerce	Friends and Family in the Local Government	Friends and Family Who Are Also Small Business Owners	Good Road and Highway Connections to Other Towns
Always Wanting to Live/Work In a Town Like This	Participation in Non-Government Boards and Committees	Local Tax Structure	Being Close to Another Specific Enterprise (i.e., a Client, Supplier, etc.)	Availability of a Nice Building or Property
A Good Place to Raise Children	Community Banks and Lending Institutions	Local Government Incentives	Several Other Business Owners Nearby (Small Business Community)	The Setting and Physical Atmosphere of the Town and Its Surroundings
Friends and Family Outside the Local Small Business Community	Business Clubs and Associations (i.e., Rotary, Professional Organizations)	Government Attitudes Toward Small Business	Advertising Outlets	An Attractive Central Business District
Offering a Superior Product or Service	Local Development Agency	Participation in Government Boards and Committees	Lack of Cultural Prejudice/Elitism Outside the Power Structure	Low Cost of Doing Business
Personal Motivation, Drive, Tenacity		Existence of "Cliques" and "Favoritism" in Government	A Good Customer Base/Market Opportunity	Adequate Parking
Being a "Big Fish" in a Small Market			A Highly-Educated Workforce	
			College Town	

Conclusions: A Case for a Place-Based Interaction Approach

The findings of the research strongly suggest that community factors dealing with ecology – that is, place-oriented factors as they pertain to business – substantially

outweighed individualist factors in terms of their importance to attracting and retaining entrepreneurs to small towns and communities in Pennsylvania. While further research is certainly warranted to examine these motivations with greater generalizability, these early findings stress that one cannot assume that entrepreneurship is an endeavor driven exclusively by the rationality and mental calculus of satisfying individual needs and desires. Rather, entrepreneurs in this sample were particularly attracted by social attributes like the presence of a small business community and an untapped customer base with a visible downtown presence for strategic business reasons. Physical attributes, such as low rents and an attractive CBD, were effective in attracting entrepreneurs, but less important to their ongoing retention. Formal institutions, also a social ecology category, were less important than individual and personal motivations, primarily due to systemic distrust of the government and of local power structures. While individualist motivations were not unimportant to the entrepreneurs in the sample, tenacity, personal lifestyle choices, and the presence of family members were relatively unimportant compared to community-level ecological attributes – not surprising given the number of community “outsiders” found to be in the small business community.

More broadly, this study sheds some preliminary evidence that the development of individual skills and attributes alone will not necessarily lead to increased business attraction or success. Additionally, with the rise of an increasingly mobile workforce – especially those employed in high-growth, knowledge-centered industries – blanket investments in individuals may result in the flight of individuals from communities who are highly qualified to catalyze change (Florida 2002). One answer is a shift in both public policy and research focus toward the exploration of place-based strategies that

place ongoing effort behind the development of a specific place (Bridger and Alter 2008). Place-based policies are characteristically holistic in nature, focusing on the interdependencies between different local stakeholders including citizens, governments, institutions, social groups, the environment, business interests, and many others. The desire of many of the study's entrepreneurs to collaborate rather than compete, stressing the importance of local networks for competitive advantage *regionally*, transitions discussion of entrepreneurship development away from the development of individuals and firms, and toward place-based competitiveness based on local assets and strategic collaborations within and across firms and institutions (Bridger and Alter 2008). Interactions within the community around *opportunity* and *innovation*, and the way that entrepreneurs and institutions collaborate within regions, is certain to be a topic of ongoing importance in entrepreneurship research. The importance of social networks and physical attributes to business attraction in this particular sample is suggestive of fruitful continued explorations along these lines.

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Appendices: Scale Item Rankings of Community Attributes for Attraction and Retention

Table 1A: Attraction Motivator Item Ranking by Average Z Score (High Score = More Important). With Variance, Category.

SN = Social Network, PA = Physical Attribute, FI = Formal Institution, I = Individualist

	Z_{avg}	Variance	Category
Customer Base/Opportunity	1.032	7.717	SN
Low Cost of Doing Business	0.690	9.658	PA
Attractive CBD	0.540	10.028	PA
Small Businesses Nearby	0.480	10.485	SN
Physical Setting	0.344	9.600	PA
Roads/Highways to Other Towns	0.342	10.860	PA
Raising Children Here	0.340	15.472	I
Community Banks	0.291	12.386	FI
Non-Business Friends/Family	0.251	15.567	I
Highly-Educated Workforce	0.168	14.350	SN
Wanting to Live/Work Here	0.004	12.039	I
Proximity to Another Enterprise	-0.060	13.477	SN
Local Development Agency	-0.080	13.942	FI
C of C	-0.094	12.783	FI
Friend with a Small Business	-0.117	12.787	SN
Business Club/Association	-0.413	9.788	FI
Native to Area	-0.451	9.558	I
Local Taxes	-0.496	5.649	FI
Local Incentives	-0.514	10.144	FI
Friends in Business Clubs	-0.567	9.440	SN
Air, Bus, Train Connections	-0.809	6.971	PA
Friends in Government	-0.870	4.548	SN

Table 2A: Retention Motivator Item Ranking by Average Z Score (High Score = More Important). With Variance, Category.

SN = Social Network, PA = Physical Attribute, FI = Formal Institution, I = Individualist

	Z_{avg}	Variance	Category
Customer Base/Opportunity	0.833	6.456	SN
Low Cost of Doing Business	0.550	10.224	PA
Attractive CBD	0.459	7.654	PA
Small Businesses Nearby	0.364	6.780	SN
Physical Setting	0.243	10.005	PA
Roads/Highways to Other Towns	0.182	11.124	PA
Community Banks	0.139	10.406	FI
Raising Children Here	0.132	15.638	I
Non-Business Friends/Family	0.112	14.026	I
Highly-Educated Workforce	0.035	13.988	SN
Wanting to Live/Work Here	-0.070	13.305	I
Proximity to Another Enterprise	-0.078	13.510	SN
C of C	-0.151	12.350	FI
Friend with a Small Business	-0.160	10.378	SN
Local Development Agency	-0.210	14.248	FI
Business Club/Association	-0.527	10.961	FI
Local Taxes	-0.588	6.945	FI
Native to Area	-0.589	10.178	I
Friends in Business Clubs	-0.680	9.800	SN
Local Incentives	-0.722	8.938	FI
Air, Bus, Train Connections	-0.943	8.455	PA
Friends in Government	-0.988	7.652	SN