Seizing New Economic Frontiers: The Role of Nebraska’s Entrepreneurs

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Seizing New Economic Frontiers: The Role of Entrepreneurs

Today’s Outline:

- Solid economic growth in Nebraska.
- Uneven economic gains are leading a search for new economic engines.
- The impact of entrepreneurs on economic growth.
Nebraska’s job growth strengthens

U.S. and Nebraska Nonfarm Job Growth

Percent change from year ago

Calculations based on Bureau of Labor Statistics three-month moving average data
Job growth is broad-based, driven by manufacturing and service-producing firms.

Nebraska Job Growth by Sector

Percent change from year ago

Calculations based on Bureau of Labor Statistics data

* 2006 is through August
Manufacturing activity continues to surge outside Lincoln-Omaha

Nebraska Manufacturing Job Growth

Percent change from year ago

Calculations based on Bureau of Labor Statistics data
Stronger foreign economies and a weaker dollar fuel a rise in exports

Nebraska Manufactured Exports

Million dollars


Source: WISERTRADE.COM
High value products are pacing agricultural export growth

Source: USDA
*2006 is through July
Drought limits agricultural economy

U.S. Drought Monitor
September 12, 2006
Valid 6 a.m. EDT

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm

Released Thursday, September 14, 2006
Author: Mark Svoboda, National Drought Mitigation Center
Nebraska’s economic challenge is its Urban/Rural divide

Percent change 2003 to 2006*

Calculations based on Bureau of Labor Statistics data
*2006 is through July
Seizing New Frontiers: the Role of Nebraska’s Entrepreneurs

- Why does entrepreneurship matter?
  - Places that grow more entrepreneurs have stronger economic growth.
  - This occurs at all geographic levels …
... at the national level,

National Entrepreneurship Index and GDP Growth

Average GDP Growth (2004 to 2006)

Total Entrepreneurship Activity Index (2003)

Source: Global Entrepreneurship Monitor, 2003 and International Monetary Fund
...at the state level,

State Entrepreneurial Growth and Employment Growth

Calculations based on BEA, Regional Economic Information System data
...at the county level.

Nebraska Entrepreneurial and Employment Growth

Employment Growth (Wage and Salary: 1990-2004)

County Proprietor Growth (1970-1990)

Calculations based on BEA, Regional Economic Information System data
What kinds of entrepreneurs matter?

- High-growth entrepreneurs
  - Motivation: to grow a large highly visible and valuable firm.

- Lifestyle entrepreneurs
  - Motivation: to provide a family income or lifestyle.
What kinds of entrepreneurs matter?

- **Necessity-based:**
  - Motivation: alternative work options are absent or unsatisfactory.

- **Opportunity-based:**
  - Motivation: want to exploit a perceived business opportunity.
National entrepreneurial activity and economic growth

Entrepreneurship and GDP

Early Stage Entrepreneurship

More Necessity-based Entrepreneurship

Venezuela

Thailand

More Opportunity-based Entrepreneurship

China

U.S.

Norway

GDP Per Capita

Source: Global Entrepreneurship Monitor
Nebraska’s entrepreneurial base

- Nebraska has a strong entrepreneurial climate.
Entrepreneurs are emerging in Nebraska.

U.S. and Nebraska’s Non-farm Proprietors

Calculations based on Bureau of Economic Analysis data
Nebraska Ranks 7\textsuperscript{th} in Entrepreneurial Climate

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
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<tr>
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Source: Goetz and Freshwater, 2001
Nebraska’s entrepreneurial base

- Nebraska has a strong entrepreneurial climate.
- Entrepreneurs struggle to generate high levels of income.
Entrepreneurs in Nebraska struggle to generate high-growth

U.S. and Nebraska’s Non-farm Proprietor Income

Real income per proprietor (thousand dollars)

Calculations based on REIS, BEA data
Challenges to Growing High-Growth Entrepreneurs

- Benefits are long-run not short-run.
The Benefits of Entrepreneurship Grow Over Time

Impacts of Proprietor Growth on Employment Growth

Marginal impacts on employment growth 1991 to 2001


Calculations based on Drabenstott and Henderson (2006)
Challenges to Growing High-Growth Entrepreneurs

- Benefits are long-run not short-run.
- Benefits flow to neighbors that are often viewed as competitors.
Counties benefits from entrepreneurial development in neighboring counties

Impacts of Proprietor Growth on Employment Growth

Marginal impacts on employment growth 1991 to 2001

Calculations based on Drabenstott and Henderson (2006)
Challenges to Growing High-Growth Entrepreneurs

- Benefits are long-run not short-run.
- Benefits flow to neighbors that are often viewed as competitors.
- Most entrepreneurs are lifestyle entrepreneurs.
Most U.S. entrepreneurs are necessity or lifestyle entrepreneurs

Reasons for Becoming a Business Owner

- Be own boss
- Primary source of income
- Secondary source of income
- Freedom for family responsibilities
- Have a job
- Advance in profession
- Bring a New Idea to the Marketplace

Source: Census Bureau
Challenges to Growing High-Growth Entrepreneurs

- Benefits are long-run not short-run.
- Benefits flow to neighbors that are often viewed as competitors.
- Most entrepreneurs are lifestyle entrepreneurs.
- Developing entrepreneurial skills to boost deal flow and the odds of success.
A Major League System for Entrepreneurial Development

<table>
<thead>
<tr>
<th></th>
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Despite entrepreneurial climate, Nebraska trails in some entrepreneurial factors.

Source: Goetz and Freshwater, 2001
Challenges to Growing High-Growth Entrepreneurs

- Benefits are long-run not short-run.
- Benefits flow to neighbors that are often viewed as competitors.
- Most entrepreneurs are lifestyle entrepreneurs.
- Developing entrepreneurial skills to boost deal flow and the odds of success.
- Entrepreneurs need a full range of debt and equity capital.
A Full Range of Equity and Debt Capital


Nebraska's Share of U.S. Businesses and Venture Capital Investments

Note: This illustration shows stages of growth and financing sources relevant to many, but not all, small businesses.
Source: GAO analysis of SBA, N/C/A, and California Bureau of Research data and available articles.
Nebraska ranks 33rd in financial capital.

Source: Goetz and Freshwater, 2001
Conclusions

- Nebraska is enjoying solid growth.
- Nebraska, especially rural Nebraska is searching for new economic engines.
- Nebraska has a lot of entrepreneurs, but high-value ones are more scarce.
- Entrepreneurship is linked to economic growth, but it is risky business and poses lots of challenges.

*Is it a risk worth taking?*