

RURAL ENTREPRENEURSHIP IN THE UNITED STATES

A PILLAR OF ECONOMIC DEVELOPMENT
FOR RURAL COMMUNITIES

A REPORT BY:

endeavor
INSIGHT

WITH SUPPORT FROM:

Google for Startups

ABOUT ENDEAVOR INSIGHT

Endeavor Insight is the research and policy division of Endeavor, a nonprofit organization with a 20-year history of supporting high-impact entrepreneurs around the world. Our team of economists, data scientists, and policy analysts provide data-backed insights on entrepreneurship and its contribution to economic development. We specialize in understanding how entrepreneurship networks can drive job creation and inclusive growth. We partner with organizations that support entrepreneurs, including foundations, multilateral agencies, and corporations.

The methodology utilized in this study builds on previous Endeavor Insight research supported by the Omidyar Network, the Kauffman Foundation, Knight Foundation, and the William Davidson Foundation.

ENDEAVOR INSIGHT STAFF

Leah D. Barto
Penmai Chongtoua
Jin Woo Chung
Alejandro Noguez-Ibarra

Martin Pickering
Hamza Shad
Divya Titus

ADDITIONAL CONTRIBUTORS

Maha AbdelAzim
Liliana Harrington
Rhett Morris

CONTACT

For more information about Endeavor Insight, contact Leah D. Barto at leah.barto@endeavor.org.

THIS RESEARCH WAS MADE POSSIBLE BY FUNDING FROM GOOGLE FOR STARTUPS

Google for Startups works to level the playing field for startup founders and communities to succeed. We do this by bringing the best of Google's products, connections, and best practices to startups at our global network of partners, at our seven Google for Startups Campus spaces, and online at startup.google.com. Paired with a deep commitment to create diverse startup communities, many of our offerings are designed specifically to provide underrepresented founders with access to resources and opportunities. We support startups everywhere to build something better. Because when startups succeed, we all succeed.

Google for Startups partners with over 80 startup organizations to grow diverse and inclusive entrepreneurial ecosystems and help startups succeed in over 150 countries. We offer our partners financial support, exclusive programming, and access to Google and our global partner network. Partners include local tech hubs from Accra to Zurich, as well as accelerators and organizations that provide trainings and resources for underrepresented founders.

SPECIAL THANKS

The authors of this report would like to thank their colleagues at Endeavor including Canem Arkan, Jake Budler, Luisa Fajardo, Adrián García-Aranyos, Raechele Gray, Patrick Linton, Tyler McKay, Dustin Poh, Linda Rottenberg, and Lili Török. A number of research assistants and analysts were also critical to the project's success, including Lucia Alvarez-Villalonga, Sarah Berlenbach, Lindsey Boss, Catherine Cano, Camila De Ferrari, Siena DeMatteo, Mike (Qiyuan) Feng, Maria Jose Fernandez-Concha, Sachin Ganesh, Sarah Haedrich, Tanya Kapoor, Isha Naik, Courtney Noll, Saskia Rohde, Juan Pablo Sabillon, Victoria Smith, Sean Wang, Shirley Wang, Aidan Xiao, Wendi Zheng, and Qinfei Zou.

Representatives from the following organizations provided valuable input as Endeavor Insight developed this project: 3D Corporate Solutions; Appalachian Investors Alliance; Appcast; AppHarvest; Center on Rural Innovation; Chime Solutions; CO.STARTERS; e2 Entrepreneurial Ecosystems; Endeavor Arkansas; Hannah Grimes Center for Entrepreneurship; Missouri Star Quilt Company; National Center for Economic Gardening; NetWork Kansas; Premier Technology, Inc.; PSI Pax; RAIN Source Capital; Rural Community Assistance Partnership; Shaping Our Appalachian Region, Inc.; Sterling Computers; SunCommon.

In addition, the following individuals provided valuable input as Endeavor Insight developed this report:

| | | | | |
|------------------|-----------------|----------------------|----------------|--------------------|
| Jared Arnett | Enoch Elwell | Chris Gibbons | Steve Mercil | Shelly Sayer |
| Natalia Broitman | Kaili Emmrich | Jim Hart | James Moore | Allison Stein |
| Andy Cole | Chris Forman | Ryan Jones | Justin Nabozna | Jonathan Webb |
| Hunter Cook | Cass Forsyth | Kevin Keeling | Nathan Ohle | Katherine Williams |
| Hannah Curran | Bronagh Friel | Mary Ann Kristiansen | Duane Peterson | Mark Wilson |
| Al Doan | Nicole Froker | Don Macke | Steve Radley | Shelly Wilson |
| Jenny Doan | Sarah Galbraith | Ed Mareth | Mark Rembert | |
| Matt Dunne | Lisa Gevelber | Genna McKeel | Patty Robrecht | |

INTRODUCTION

Endeavor Insight and Google for Startups have joined together to study entrepreneurship in rural areas across the United States.* This research included interviews and surveys of more than 100 entrepreneurs who lead businesses in rural areas, conversations with the leaders of entrepreneurship support programs and investment funds in rural areas, a review of existing entrepreneurship studies on this subject, and analyses of national data from the U.S. Census Bureau.

Three primary questions guided this project:

- 1 What is the current state of rural entrepreneurship in the United States?
- 2 What potential benefits could come from increasing the number of entrepreneurs who start companies in rural areas and who successfully grow their businesses in these communities?
- 3 What lessons can be learned from founders who have successfully grown businesses in rural areas that can help more entrepreneurs?

Rural communities have faced unprecedented challenges as a result of the COVID-19 crisis and are in need of new solutions to strengthen their economies. This report highlights the potential benefits of entrepreneurship as a reliable and robust pillar of rural economic development and job creation. With a focus

on entrepreneurial companies that scale in rural settings, the research combines analyses of the broader economic impact of entrepreneurial companies with individual examples of the outsized influence they can have on their communities.

The findings have implications for practitioners and policymakers as they work to address unemployment, diversify their local economies, and fortify local productivity. Endeavor Insight collected data for this study between September 2019 and March 2020, prior to the onset of the COVID-19 pandemic. The findings from some analyses are, therefore, based on the status of those companies before they sustained any impacts. Nevertheless, the analyses remain relevant for informing future strategies in rural areas. Where relevant, the report includes information from recently published secondary sources and follow-up interviews to characterize the impact of COVID-19 on rural communities as of the time of writing.

KEY THEMES

Entrepreneurship is an important pillar of rural economic development as it offers a more reliable and robust alternative to traditional strategies.

Founders in rural areas have access to fewer resources than their peers in urban areas and face greater challenges in scaling their companies. Access to talent with specialized skills and securing venture capital are particularly difficult.

Rural founders have the opportunity to harness digital technology, leverage the local quality of life, and collaborate with local decision makers as they scale their businesses.

Founders who scale their companies, especially ones operating in highly productive and tech-enabled sectors, can create jobs and increase productivity in rural economies.

Decision makers who wish to support entrepreneurs in rural areas can take specific steps to increase the availability of resources such as mentorship, investment, and talent, especially by taking a regional and holistic approach.

Founders who have strong networks — particularly mentors and investors who can help expand businesses — are more likely to scale their companies.

* Analysis in this report is based on counties where a majority (50 percent or more) of the local Census blocks are designated as rural by the U.S. Census Bureau, which takes into account population density, land use, and distance. For more information, go to [census.gov](https://www.census.gov).

Case Study: Duane Peterson & James Moore, SunCommon

RURAL COMPANIES THAT GROW CAN MAKE SIGNIFICANT REINVESTMENTS IN THEIR COMMUNITIES.

DUANE PETERSON & JAMES MOORE

had long advocated for cleaner energy in Vermont before they founded SunCommon in Waterbury. They met while working at the Vermont Public Interest Research Group (VPIRG), the largest environmental advocacy organization in the state, where they started looking at the marketplace for clean energy.¹ Peterson and Moore realized that the technology and policies were available to address the climate crisis, but there was a missing link in helping individuals adopt solar solutions.² To address this, they developed an innovative community-organizing model to make it easier for households to use solar technology. The project was so successful that in 2012 they launched SunCommon as its own company.³

Today, SunCommon has more than 160 employees and has expanded its operations to Rhinebeck, New York.⁴ It has helped over 6,000 homes, schools, and businesses in Vermont convert to solar energy use and have expanded their offerings to include services including home energy storage, electric vehicle charging stations, and solar canopies.⁵ Peterson wanted the mission of the company to extend beyond affordable renewable energy, a philosophy that evolved from his 12 years at an executive role at Ben and Jerry's.⁶ There, he found a mentor in Ben and Jerry's co-founder, Ben Cohen, who is now on SunCommon's advisory board. Cohen had pioneered the company's practice of engaging with campaigns that promote social change, and Peterson sought to do the same with his business.



PHOTO COURTESY OF SUNCOMMON



As he describes it, “the concept of embedding values into a business defines our company.” SunCommon is registered as a Public Benefit

Corporation and a B-Corp, which means it continues to pass a set of rigorous criteria for creating value for the general public (including its workers, community, and the environment) in addition to shareholders.

This mission is reflected throughout the business. Along with its expansive benefits package for employees, SunCommon is dedicated to professional development and creating a happier work environment.⁷ It was voted one of the best places to work in Vermont in 2019 and three years prior.⁸ The founders chose to locate in Waterbury with the same thoughtful approach. “In the values-led business world, every decision is an opportunity to reflect our business value,” Peterson explains.⁹ “Waterbury was a cool town near Montpelier and Burlington, where we could help rebuild in the aftermath of Tropical Storm Irene.”

SunCommon works with over 120 local shops and companies for its operational needs and has partnered with organizations such as the Vermont Foodbank and Habitat for Humanity.¹⁰ It also organizes events like the Climate Action Film Festival, which aims to bring together filmmakers from around the world to address the climate crisis.¹¹

“

The concept of embedding values into a business defines our company.

CONTEXT:

ENTREPRENEURSHIP IS AN IMPORTANT PILLAR OF RURAL ECONOMIC DEVELOPMENT.

New solutions are needed to help bolster entrepreneurship in rural areas and prevent further economic decline.

Rural areas were already struggling to keep up before the onset of the COVID-19 crisis. Compared to more densely populated areas, rural communities face higher rates of poverty and have aging populations.¹² Average employment rates across rural communities with populations of less than 50,000 had stayed below the levels seen prior to the 2008 Financial Crisis.¹³ As of August 2020, there were 800,000 fewer jobs in rural America than one year prior.¹⁴ Many smaller towns are at risk because their economies rely on a single long-established industrial or agricultural sector. The impact of the COVID-19 pandemic has further exposed this vulnerability — rural economies reliant on commodity and export-based goods, such as agriculture, food manufacturing, and equipment manufacturing, have been especially hard hit.¹⁵ In October 2020, the USDA calculated that U.S. agricultural producers would earn \$31 billion less in revenue over the year compared to its pre-pandemic forecast.¹⁶

Entrepreneurship can offer a more reliable and robust alternative to traditional economic development strategies.

As rural leaders look to address these challenges, traditional economic development strategies such as incentives to attract businesses may not be sufficient. Few policymakers may realize that efforts to recruit businesses to rural areas often come at a high cost and fail to produce the desired results.¹⁷ One economic analysis has shown that when large corporations set up satellite offices or factories, they do not necessarily create a net surplus of jobs. Instead, they often displace the jobs of smaller independent stores in the region.¹⁸

Locally owned businesses, in contrast to satellite offices or factories, generate value for others in the community as they procure most of their staff, goods, and services from the people and businesses around them. According to one study, local retailers returned 52 percent of their profits to their community, compared to just 14 percent by national chain retailers. Local restaurants returned 79 percent of their revenue locally, compared to just 30 percent for chain eateries.¹⁹

Other common economic development strategies, such as workforce development or innovation initiatives, are unlikely to make significant improvements to local productivity on their own in the short term.* Instead, entrepreneurship should become a more central pillar of economic recovery efforts. Entrepreneurship is positively associated with economic growth in rural areas.²⁰



* Endeavor Insight research found that the number of college graduates or patents per capita could only explain about one-third of the differences in productivity among major metropolitan areas. For more information, see "How Cities Can Identify the BEST Local Businesses for Economic Growth" available at endeavor.org/best-businesses.

Research suggests that areas with higher rates of entrepreneurship had significant increases in employment (73 percent higher than those with lower levels of entrepreneurship) and productivity growth that was 45 percent higher.²¹

Local founders in rural areas play a large role in building their communities.

Rural founders can make an outsized impact on the lives of their neighbors and the development of their regions. **PSI PAX** is an IT and financial services business headquartered in St. Mary’s County, Maryland. Founded in 2006 by Patty Robrecht, the company partners with local nonprofits to create stronger communities. During the pandemic, the PSI Pax team delivered hot meals to healthcare workers at nearby medical facilities.²²

PREMIER TECHNOLOGY, INC. is a woman-owned business located in Eastern Idaho. Founded in 1996 with one welder and a pickup truck, the company has since grown to become a full-service engineering, advanced manufacturing, and construction management company that employs approximately 300 skilled professionals. Premier works closely with the local chambers of commerce and economic development organizations to bring revenue and job opportunities into the local community. The company also supports local youth and education by providing financial sponsorship to Idaho students studying at the state’s universities. Several staff also serve on the boards for local universities throughout the region of Southeast Idaho.²³

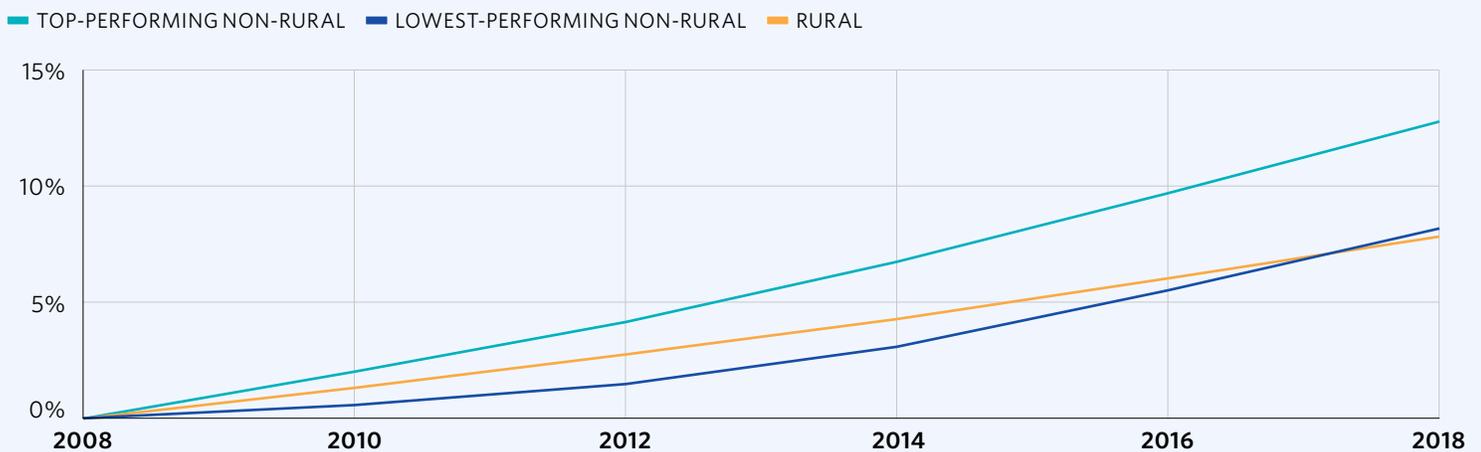
Many of the founders interviewed for this study noted that their main goal was to create jobs and opportunities in their communities. The conversations suggest that rural entrepreneurs often treat their communities as a place in which they want to invest, rather than simply a location in which to do business.

Rural America, once a leader in entrepreneurship, now lags behind urban areas.

Rural America has traditionally been a leader in entrepreneurship, with consistently higher rates of self-employment than cities and suburbs.* However, the overall rates of entrepreneurship in rural counties have not increased as swiftly since the 2008 recession compared to more densely populated areas.²⁴

ENTREPRENEURSHIP IN RURAL COUNTIES LAGS BEHIND OTHER AREAS

Percent Change in Self-Employment Per Capita in Counties - Indexed to 2008



Sources: Endeavor Insight analysis, U.S. Census Bureau.

Note: Top-performing non-rural counties are those with the top-third highest proportion of self-employment per capita in 2018. Lowest-performing non-rural counties are those in the bottom-third according to proportion of self-employment per capita in 2018. Rural counties are those where a majority (50 percent or more) of the local Census blocks are designated as rural by the U.S. Census Bureau, which takes into account population density, land use and distance.

Rural entrepreneurship — measured as the proportion of self-employed people per capita — grew only 7.8 percent between 2008 and 2018, while more densely populated areas

experienced growth of nearly 11 percent during the same period, as the chart above illustrates.²⁵ Even the non-rural areas with the lowest rates in entrepreneurship still surpassed

rural counties, on average. Decision makers will need to do more in the coming months and years to ensure the rate of entrepreneurship does not fall further behind.

* Self-employment is a proxy indicator of entrepreneurship available from the U.S. Bureau of Labor Statistics.

Case Study: Shelly & Mark Wilson, Chime Solutions

THESE FOUNDERS STARTED THEIR COMPANY WITH THE INTENTION TO CREATE OPPORTUNITIES FOR OTHERS IN THEIR COMMUNITY.

SHELLY WILSON and her husband **MARK** founded Chime Solutions in 2015 in their home state of Georgia. The company offers customer care and business process outsourcing through its contact centers and cloud-based customer platform. The decision to start the company was guided by the desire to “create opportunity in the community where we are,” says Shelly.²⁶ “We came to create jobs. We looked at a heat map and saw what areas had the highest unemployment rate.” This came after a successful exit from their previous call center business. They had originally planned to start a company focused on background checks, but found that demand from previous call center clients presented an opportunity to support economic development where it was needed most.

The biggest challenge at the startup phase was tapping into local networks to find talent. They overcame this by becoming more involved. “We marketed ourselves and became part of the community,” Shelly explains, “letting the first people become a mouthpiece for us.” This approach allowed them to gain additional support for their business. “We’ve gotten a lot of support from the local officials, and the local school district.” This level of direct access to local officials is extremely valuable to founders as they grow their businesses.

Shelly credits their location for much of the company’s success.* “It’s been important to be where we are. Being outside the urban area has allowed us to pull from a totally different



PHOTO COURTESY OF CHIME SOLUTIONS

* Chime Solutions is headquartered in Morrow, Georgia, a small town outside of Atlanta that had a population of 7,192 in 2019 according to the U.S. Census Bureau. Although the company’s location is not considered a rural area according to the scope of this study, the founders’ story is included here for demonstration purposes.



workforce, and it's been very easy for us to get the numbers that we've had." Within six months of starting the business they had grown the company to over 50 employees.

The Wilsons have continued to train their staff, which has allowed them to promote from within and retain talent. In 2018, they developed the Chime Solutions Total Life program to bring structure to their employees' professional development.²⁷ Chime Solutions now employs around 1,000 people, and has expanded with call centers in Texas and North Carolina.²⁸

They are now looking to grow further, with a goal of creating 10,000 jobs in the next 10 years. In order to do so, the founders recognized that they needed diverse, expert advice from founders who had successfully navigated exponential growth. Mark Wilson was welcomed to the Endeavor network in 2019, a move that they believe is essential to receiving the guidance and mentoring that the company needs.

We came to create jobs. Being outside the urban area has allowed us to pull from a totally different workforce.

OPPORTUNITY: ENTREPRENEURIAL COMPANIES CAN TRANSFORM RURAL COMMUNITIES IF THEY ARE ABLE TO SCALE.

“We had mayors and state representatives supporting us because they want and need us to succeed... whereas you fall through cracks in cities like New York City or San Francisco.”

*Founder Interview,
Endeavor Insight*

When entrepreneurial companies grow, they can have a significant impact on job creation and the local economy. Businesses with 50 or more employees generate the majority of jobs and sales.²⁹ Companies that scale to this size also tend to pay workers higher salaries, on average. These larger businesses are rare, however, representing only 5 percent of all companies in the United States. In rural areas, the proportion is even lower — only about 3 percent of companies in remote geographies reach this size.

Although companies of this size are uncommon, adding just one or two new companies that scale beyond 50 employees can significantly reduce unemployment in rural counties that typically have populations of around 15,000.* The relative impact of a company like **3D CORPORATE SOLUTIONS**, a value-added pet food ingredient manufacturer with over 500 workers, is much more powerful in its headquarters of Monett, Missouri — where the population is less than 10,000 — than it would be in a larger city.³⁰ **STERLING COMPUTERS** is a rapidly growing technology and services provider focusing primarily on government and education. It has over 250 employees

in North Sioux City, South Dakota, making up about 9 percent of the population.³¹

Increasing the number of entrepreneurial companies that scale in rural settings has the potential to strengthen local economies by:

- Attracting more revenue from outside the immediate region. Rather than selling only to local customers where value is circulated within the town, companies that scale are expanding to new markets and meeting demand from customers in other towns, states, or even countries.
- Increasing local productivity. Rural businesses that scale are often operating in tech-enabled industries with higher GDP per employee. These entrepreneurial, super-productive companies are some of the most valuable types of businesses a rural community can have.

The founders that scale these types of companies in rural communities are growing their companies by taking advantage of several assets of rural life. These include harnessing digital technology, leveraging the local quality of life, and coordinating with local policymakers.



PHOTO COURTESY OF 3D CORPORATE SOLUTIONS

* Endeavor Insight research found that the number of college graduates or patents per capita could only explain about one-third of the differences in productivity among major metropolitan areas. For more information, see “How Cities Can Identify the BEST Local Businesses for Economic Growth” available at endeavor.org/best-businesses.

Digital Technology

One of the key ways that rural entrepreneurs can grow their businesses is through digital technology. In a separate study, almost 40 percent of small business owners said that digital technologies, such as e-commerce, have allowed them to sell outside their state.³² As adoption continues, digital transformations like these are expected to increase 21 percent among rural businesses over the next three years. This translates into \$84.5 billion in additional sales per year.³³ According to the U.S. Chamber of Commerce, rural businesses could create more than 360,000 jobs and grow their revenues by more than 21 percent over the next three years by adopting more digital technologies.^{*,34}



Quality of Life

In interviews with Endeavor Insight, founders reported that quality of life was an important factor in their decision to start and continue operating their businesses in rural areas. According to the founder of a company in Biddeford, Maine: “We feel very happy where we are, the lifestyle is great, and our location is an advantage.”³⁵ Higher quality of life and lower cost of living can be a large factor in attracting and retaining employees.³⁶ Rural inhabitants often enjoy a shorter commute, more walkable areas, and easier access to nature — all selling points as candidates consider moving to a rural location for a new job.

Local Policymakers

Data from interviews for this study found that entrepreneurs in rural areas have more immediate access to local decision makers such as mayors and city council members who decide on business policies, compared to those in urban areas. Entrepreneurs in rural areas were more likely to report that they knew who to call in local government to address issues like zoning to create more office space, or other licensing issues and regulations. They were also more likely to have received an invitation to an individual or small group meeting with their mayor or city council members to discuss entrepreneurship or their business issues. When policymakers are in tune with the needs of their most productive entrepreneurs it can help to remove the constraints that prevent more businesses from growing.

* Grow with Google's tools and trainings are available to rural businesses, including resources on setting up an online business and improving digital marketing.

Case Study: Jenny & Al Doan, Missouri Star Quilt Co.

WHEN RURAL COMPANIES EXPAND TO REACH CUSTOMERS IN OTHER MARKETS, THE REVENUES THEY BRING IN CAN GROW THE LOCAL ECONOMY.

When **JENNY DOAN** and her husband **RON** lost most of their retirement savings in the 2008 market crash, their children, **ALAN DOAN** and **SARAH GALBRAITH**, wanted to give them some security. They scraped together enough money to buy a building and a long-arm quilting machine and set their mom up in their hometown of Hamilton, Missouri.

It was slow-going at first. Hamilton, with a population of 1,500, was too small to generate income at the brick and mortar shop. Galbraith says, "It soon became apparent it would be difficult to produce enough revenue to employ

our parents and also make a decent profit."³⁷ Doan turned to e-commerce and teamed up with his best friend David Mifsud, a certified financial planner, to launch QuiltersDailyDeal.com. This sold pre-cut pieces of complementary fabric to make it easy for anyone to make a good-looking quilt.

To boost traffic to the website, Doan asked his mother to do some video tutorials for YouTube. She proved a natural in front of the camera, making quilting seem easy and a lot of fun. Within two years the YouTube channel had 10,000 subscribers.³⁸



PHOTO COURTESY OF MISSOURI STAR QUILT CO.



At that point, realizing they needed more financial support, Mifsud persuaded his brother, Mike, a credit-risk analyst for Goldman-Sachs, to come on board as the company's CFO for \$15 an hour. "We were taking a startup approach to a traditional industry," says Mike.³⁹

Today Missouri Star employs over 400 people, and 80 percent of the employees are based in Hamilton. The company has bought and refurbished 26 buildings, including 14 quilting shops and three restaurants. Hamilton has become something of a tourist attraction for quilters, attracting up to 8,000 people a month, and Missouri Star's YouTube channel now has over 690,000 subscribers.⁴⁰

Doan cites several ongoing challenges that are typical for rural entrepreneurs. Finding qualified talent is "hand-to-hand combat," he says. "I spend a lot of my time recruiting. We also have a severe shortage in temp labor, so we have to employ every high schooler in the area."⁴¹

It is also challenging to be an entrepreneur in isolation. Another challenge is the lack of high-speed internet. Missouri Star spends a considerable amount to bring fiber internet to their warehouse.

In spite of the challenges, Doan is in Hamilton for the long haul and says he plans to be there 15 years from now. "It's small, simple, good people. Without the town, we're just another warehouse on the internet."⁴²



We were taking a startup approach to a traditional industry.

ANALYSIS:

FOUNDERS IN RURAL AREAS FACE GREATER CHALLENGES IN SCALING THEIR COMPANIES THAN THEIR URBAN PEERS.

New data collected through surveys and interviews for this project demonstrates that there are three major challenges that rural founders face when growing their companies.*

ACCESS TO TALENT

“Workforce is our biggest challenge.”

Founder Interview, Endeavor Insight

Access to talent was the most common obstacle cited by interviewees in this study. According to one founder, “Workforce is our biggest challenge. For us, it’s more for the skilled jobs — engineering, finance, and leadership.” This point was echoed by the majority of interviewees: candidates with specific technical skills are particularly difficult to find. One potential reason for this is that workforces in rural areas tend to have a narrower range of skills than those in urban areas.⁴³ Evidence from a 2019 study supports these findings, as tech companies in rural areas have previously reported struggles in finding candidates that have the required education, specific training, or relevant industry experience.⁴⁴

Despite these challenges, many founders interviewed for this study focused on the advantages that rural workforces can offer. They cited higher rates of retention and lower levels of competition over existing high-quality talent. Many entrepreneurs have found inventive ways to address their talent-related challenges. Some founders recruited highly skilled people who had moved away to other cities, but were looking for a reason to move back. Others enticed local workers away from jobs they drove to in larger cities. One interviewee reported, “There’s a lot of people in our town who drive to their job in the city an hour away, and they want to work

closer to home. We get really good people who are just sick of driving, so it’s a win-win.”

Founders have also taken it upon themselves to invest in the professional development of the existing local talent. In Kentucky, **APPHARVEST** has invested in, and partnered with, local education establishments. The company has purchased a high-tech container farm for local high school students and has connected Morehead State University with leading agtech universities in the Netherlands. Its support in developing agtech curricula will support the process of reskilling and upskilling the Appalachian workforce.⁴⁵ **APPCAST**, an online staffing recruitment platform founded by Chris Forman in Lebanon, New Hampshire, hires primarily by recruiting recent college graduates of a nearby top university.⁴⁶

The long-term changes following the COVID-19 pandemic may also expand the pool of remote talent available to entrepreneurs in rural areas. According to a March 2020 study, 74 percent of companies plan to permanently shift some of their employees to remote work.⁴⁷ As less populated regions expect an influx of highly skilled transplants, there are new opportunities for local founders. They can benefit from technology and infrastructure improvements made to attract remote workers, and eventually approach those new residents in recruiting efforts.

* Endeavor Insight analysis from data collection, surveys and interviews conducted between Sep. 2019 and Oct. 2020.

ACCESS TO CAPITAL

“We weren’t looking for VC money, and the VC money that was available was not attractive.”

Founder Interview, Endeavor Insight

Access to capital was another major challenge cited by the entrepreneurs interviewed for this study. Rural areas receive only a small fraction of venture capital funding in the United States⁴⁸; other studies have found that rural founders tend to avoid equity finance and use alternative sources of capital, primarily personal savings, while a smaller percentage use loans from banks or credit unions.⁴⁹ Many of the founders interviewed for this study also bootstrapped or avoided venture capital. “We weren’t looking for VC money, and the VC money that was available was not attractive,” said one interviewee.

There are several reasons that rural founders face difficulties when raising equity financing. First, most venture capital firms are located in large urban centers. Of the companies in this study, the majority that did raise equity funding did so from investors who were based on the coasts or in other large cities. As a result, the fundraising process often requires rural founders to spend a significant amount of time traveling or building relationships from

afar. This creates barriers for both investors and entrepreneurs, increasing tendencies on both sides to avoid these types of deals.

Another challenge is that venture capital firms are increasingly resistant to investments in rural areas, especially as average venture capital deals have become larger and focused on later-stages.⁵⁰ For many rural companies operating in smaller markets, it can take longer to meet expected thresholds. According to one founder, “our attempts at raising outside capital nationally have been difficult because our target population is relatively small.” However, one study found that while the average deal size and deal concentration in rural areas are smaller than in urban areas, rural investments performed at a similar rate in terms of multipliers, jobs, and outcomes.⁵¹ For one founder, raising capital was intertwined with showcasing the capabilities of rural companies to investors in large cities. “To show a private equity firm in Boston the value of this, and be able to grow as rapidly as we have, is a major milestone.”

Having a strong network is one of the key differences between rural founders who scaled their companies and those who did not.

Interviews for this study suggest that networks often play a significant role when founders build initial relationships with investors. In other words, access to capital is strongly tied to the types of connections that entrepreneurs have. For many of the rural founders Endeavor Insight interviewed, professional relationships improved their ability not only to fundraise but to expand to reach customers in new markets, particularly when their contacts were based outside the immediate rural area.

Having a strong network was one of the key differences between rural founders who scaled their companies and those who did not. Founders who scaled were 80 percent more likely to have mentors who were successful entrepreneurs themselves, according to the interview and survey data collected for this report. These founders reported similar access to successful mentors and personal networks as their counterparts in urban areas.

Rural entrepreneurship is generally complicated by the fact that there are fewer peers with whom to exchange ideas.⁵² One founder cited the “mental struggle of evolving as a business leader in isolation. I have to manufacture that with Zoom calls.” Overall, entrepreneurs in rural areas were less likely to have mentors than those in urban areas, and were even less likely to have mentors living in their immediate area.

How can entrepreneurs in rural areas build the networks that can help them scale? The vast majority of interviewed founders met their mentors at their previous jobs. This was also the main pathway for meeting mentors outside their rural area. More than half of rural founders who scaled companies had work experience in urban areas before starting their companies, compared to 33 percent of rural founders who did not scale. This data suggests that professional experience prior to launching a company is a key component to building a strong network.

Fortunately, the entrepreneurs who have received such support and who have scaled their companies are giving back to local entrepreneurship communities, and at higher rates than those in urban areas. Rural entrepreneurs were more likely than their peers in cities to be invited to lead local entrepreneurship support programs and to serve as partners in local investment funds.* This indicates that the knowledge of successful founders in rural areas is more often leveraged to support other local entrepreneurs, a pattern that has been shown to generate significant long-term improvements in the performance of local entrepreneurs. This, in turn, is a powerful mechanism for supporting a new generation of successful founders who reinvest their expertise in the same way.⁵³

* Endeavor Insight has studied entrepreneurship communities in urban centers around the world. Evidence from this previous research indicates that it is quite rare for successful founders and executives to be leading entrepreneurship support organizations, and therefore it is more common for urban areas to miss out on the benefits of entrepreneur-led efforts.

Case Study: Jonathan Webb, AppHarvest

RURAL COMPANIES THAT SUCCEED HELP BUILD THE INFRASTRUCTURE AND ECOSYSTEMS NECESSARY TO BOOST THE ECONOMY.

Born in Lexington, Kentucky, **JONATHAN WEBB** found few opportunities in his home region after graduating from college, so he moved away to pursue a career in sustainable energy and natural resource development. At the U.S. Army Office of Energy Initiatives in Washington, D.C., Webb worked on projects such as solar installations that contributed to a sustainable economy while bringing much-needed resources to underserved areas. Working in DC also exposed him to a wide range of global economic development approaches, including sustainable greenhouse technologies being implemented in the Netherlands. A seed was planted — it became Webb's mission to start an agtech company, AppHarvest, to make food production more sustainable and bring jobs to Appalachia.⁵⁴

He knew the Appalachian region had a strategic advantage: its central location. "Coal was successful because 70 percent of the United States is within a day's drive of Appalachia," he says.⁵⁵ He aimed to build "the largest sustainable produce hub in the United States," knowing he could deliver nutritious food to the East Coast, Midwest, and Southeast quickly and inexpensively.

Attracting investors was a challenge that Webb met by drawing on broad support networks as well as his local community. He crafted a compelling investment pitch with the help of supporters he met through Summit Series, an invitation-only conference for young entrepreneurs. He identified investors aligned with AppHarvest's mission.



PHOTO COURTESY OF APPHARVEST



AppHarvest closed its seed investment round in 2018 and began building the infrastructure for its greenhouses soon after. Since then AppHarvest has attracted \$150 million in investment and its 2.76 million square foot greenhouse facility — among the largest in the United States — opened in Morehead in October 2020 and is projected to provide more than 300 permanent jobs. The project has garnered the support of Kentucky Governor Andy Beshear: “Kentucky is eager to expand our agtech infrastructure, and we are so pleased to start out on this journey with Jonathan and the team at AppHarvest.”⁵⁶ In September 2020, the company announced plans to go public via a reverse merger with Novus Capital and an initial market value of around \$1 billion.

To ensure local networks are sufficient to support growth once it reaches scale, AppHarvest has taken several steps. Webb joined the Endeavor network in 2019, giving him access to the expert guidance of a global network of entrepreneurs. AppHarvest is also partnering with local universities, and connecting them with European universities, to develop agtech curricula that can accelerate the process of training the local workforce.⁵⁷ He has also begun mentoring budding entrepreneurs in Kentucky. His motives are not purely altruistic: “Selfishly, I want to see bright entrepreneurs and hang out with them. I need more friends.”

“I forced myself into rooms, snuck into office buildings, anything to make connections,” Webb recalls. He also leaned on strong community ties at his home and headquarters in Herald, Kentucky. “We had mayors and state representatives supporting us and introducing us to senators and congressmen. Going belly-up wasn’t an option.”

“ I aimed to build the largest sustainable produce hub in the United States, knowing that 70 percent of the United States is within a day’s drive of Appalachia. ”

RECOMMENDATIONS:

RESEARCH AND CONVERSATIONS WITH LEADERS SUGGEST FIVE WAYS OF SUPPORTING RURAL ENTREPRENEURS.

Endeavor Insight interviewed leaders of support organizations to identify strategies that can help more rural founders grow their businesses and overcome some of the most common challenges. The following recommendations emerged from those conversations.

#1

ADDRESS ACCESS TO TALENT CHALLENGES BY LEVERAGING GLOBAL RESOURCES, SHIFTING LOCAL POLICIES, AND COORDINATING REGIONALLY WITH PARTNERS.



CANEM ARKAN (MANAGING DIRECTOR, ENDEAVOR NORTHWEST ARKANSAS)

“Broadly speaking you need to look at two types of talent to grow your company: tech talent and managerial talent. Each needs a slightly different approach. For the tech talent you can train the existing population, but will likely need to outsource to achieve rapid growth and have specialized skill sets. The changes that the COVID-19 pandemic have brought have accelerated the trend of bringing on developers remotely from around the world. These employees can be more efficient, and they can also use time differences to their advantage. Support organizations and network groups can make these kinds of connections for rural entrepreneurs.

It is a challenge to attract the right managerial talent. The skills needed for a C-level executive of a 10-person company are different from those needed for a 100-person company. It is sometimes difficult to train the existing talent for these positions, so rural companies need to recruit people from outside their area. Incentives that can attract talent need to be driven by local policy. If you want a population influx then it may be worth looking at programs such as [Life Works Here](#) in Northwest Arkansas, launched in November 2020, which is investing \$1 million in incentives to attract talent to the region. This initiative would go hand-in-hand with infrastructure support to make rural locations attractive to those who may relocate.”



MARK REMBERT (HEAD OF RURAL INNOVATION NETWORK, CENTER ON RURAL INNOVATION)

“Most workforce training programs tend to be coupled with specific job openings in a region. If tech jobs are not yet growing in rural areas, there won’t be as much investment in training. We see this vicious cycle develop, which has become something of a systemic challenge. To address this, it is worth working with communities to explore alternative routes for workforce training, and support organizations need to find a way to step up.

We recently partnered with [Udacity](#), an online learning platform, to pilot a regional approach. We opened our Future Is Digital Challenge to residents living in our Rural Innovation Network communities and provided 300 scholarships to participants interested in completing Udacity Nanodegrees. Our community partners also connected participants to local resources and mentors to support their learning. Most rural communities aren’t large enough to get the attention of organizations like Udacity on their own. But our network covers an area that represents more than 1.2 million rural Americans — a network with that kind of scale makes working with a partner like Udacity more viable.”

#2

INCREASE ACCESS TO LENDERS THAT CAN SUPPORT THE COMMUNITY AND ITS INFRASTRUCTURE, AND FACILITATE INVESTORS GROUPS THAT CAN UNLOCK NEW FUNDING.



NATHAN OHLE (CEO, [RURAL COMMUNITY ASSISTANCE PARTNERSHIP](#))

“There is a dearth of capital for rural communities, as venture capital is not often available and even friends and family capital can be less common than in metropolitan areas. Consolidation is leaving rural communities without local banks, so you need to look to another route for early stage financing. Community Development Financial Institutions (CDFIs) can play a major role — they often have strong ties to the communities, and understand them in ways that other lenders do not.

One of the main strengths of CDFIs is that they provide technical assistance along with investments, such as how to develop a business plan or utilize online platforms, which is especially important in small communities. We have two CDFIs in our network that lend to both small businesses and infrastructure. The correlation between infrastructure and actual investment in businesses is very important, and having entities that lend to both and understand the interdependence between both is crucial.”



STEVE MERCIL (FOUNDER & CEO, [RAIN SOURCE CAPITAL](#); FUND MANAGEMENT AND FORMATION, [APPALACHIAN INVESTORS ALLIANCE](#))

“Many rural communities have potential investors, but they need to be organized into groups and motivated to invest in local companies. Finding angel investment is not much of a challenge: we work with a convening organization, typically a nonprofit development agency connected to the business community. We then create a formal but flexible framework of angel groups that are formed into LLCs.

The good thing with LLCs is that they have a formal organization, a structure, by-laws, and this ensures that capital is formally committed. Our requirement for investors is that the group be made up of business leaders with different backgrounds, and that they design an angel fund that works for them. It only takes a small group of high-performing angels and, after they start investing, entrepreneurs that come to present to them start to understand what it takes to grow in a less populated area.”

#3

INCREASE THE QUANTITY AND QUALITY OF MENTORS AVAILABLE TO RURAL ENTREPRENEURS BY TAKING A REGIONAL (OR GLOBAL) APPROACH, ESPECIALLY BY FACILITATING VIRTUAL CONNECTIONS.



CANEM ARKAN (MANAGING DIRECTOR, [ENDEAVOR NORTHWEST ARKANSAS](#))

“We help entrepreneurs build stronger networks outside their immediate local area. In smaller communities, I’ve noticed networks have already been established, so it is important to connect with others to get honest feedback. For us, pulling a larger city like Tulsa into the Northwest Arkansas fold is a part of the strategy of helping entrepreneurs in both regions work together without competing for resources. Looking beyond nearby cities, we facilitate introductions to national or global mentors. This will help our companies expand their product reach, and gain valuable knowledge and diversity of thought. For example, if you are wondering about how to compensate your salesforce, we can put you in touch with 100 other founders who have gone through that problem in your sector within a market similar to yours. The increase in virtual meetings that followed the outbreak of COVID-19 has helped this in some ways. It is somewhat easier for founders to get meetings, and virtual connections will continue to play a huge role in building networks.”



**JARED ARNETT (FORMER EXECUTIVE DIRECTOR, [SHAPING OUR APPALACHIAN REGION, INC. - SOAR](#))
RYAN JONES (DIRECTOR, [SOAR INNOVATION](#))**

“A lot of innovators are not the ones who know how to make a business, and that is why mentorship is so important. Our programs focus on identifying the needs of a business and making personalized introductions accordingly. Our networking events also foster cross-activity among entrepreneurs. These get entrepreneurs in the same room through different types of workshops. One of our objectives is to increase the network density of small business owners and entrepreneurs. The talent pool can also be strengthened by taking a regional approach as most of our entrepreneurs are in different towns but serve a regional geography.”



#4

HELP ENTREPRENEURS REACH CUSTOMERS IN NEW MARKETS TO INCREASE SALES AND SUPPORT THEM IN NAVIGATING GROWTH PAINS.



CHRIS GIBBONS (FOUNDER, [NATIONAL CENTER FOR ECONOMIC GARDENING](#))

“You need to help rural companies find markets beyond their immediate region. For us this means helping them with market research. We provide tailored services such as sophisticated data sweeps that would normally be beyond their budget. For business-to-business (B2B) companies, we subscribe to over 100 commercial database services on their behalf to provide intelligence on potential buyers. We also help them identify where markets are experiencing some volatility, because you are more likely to make a sale in a volatile environment than a stable one. That’s where you will get your sales, that’s how you can help rural companies expand outside their region.

There are new markets that are starting to appear since the onset of COVID-19 and the companies that are doing really well have pivoted. We work with a company in Virginia that makes movie screens for theaters and outdoor sporting events. The material they use also happens to be a great material to build cubicles to help with safe distancing in manufacturing stations. They shifted immediately over to that new business line and they are doing great.”



LISA GEVELBER (VICE PRESIDENT, [GROW WITH GOOGLE](#))

“With so much to do to keep operations running, many rural entrepreneurs find it tough to make time or find the resources to continue their business education. That’s where [Google Primer](#) can help — with Primer, all it takes is five minutes to boost your skills, better understand digital tools, and come away with practical next steps for improving your business. Primer’s free mobile app and web experience let entrepreneurs learn from anywhere and on their own schedule. Jargon-free interactive lessons transform insights from trusted industry experts into actionable tips and ready-to-use checklists that cover an [ever-expanding range of topics](#) including business planning, fundraising, workplace productivity, and more.”



DON MACKE (VICE PRESIDENT, [E2 ENTREPRENEURIAL ECOSYSTEMS](#); [NETWORK KANSAS](#))

“Given the need to expand sales beyond their region, this means innovation. We have one company, Misko Sports, in Ord, Nebraska, that started in the 1880s as a saddle shop. The new owners took advantage of e-commerce, one of the main ways a rural retail business can grow. They would not have been able to make it just on brick and mortar.

Pursuing growth to new markets can be even more challenging than the startup phase. Central to navigating that next phase is the development of new systems coupled with the right human talent attraction and development. A smaller venture can get by with organic and weaker systems in areas like HR or marketing. But as a venture grows, the core executive team must coordinate with a wider group of staff. That’s where having a sound plan with counselling from experienced entrepreneurs is fundamental.”

#5

TAKE A HOLISTIC APPROACH TO DEVELOPING RURAL ENTREPRENEURSHIP ECOSYSTEMS.



DON MACKE (VICE PRESIDENT, [E2 ENTREPRENEURIAL ECOSYSTEMS](#); [NETWORK KANSAS](#))

“Implement a holistic ecosystem approach to engage all of a rural area’s assets, including corporations, educational institutions, local government, and other community leaders. Entrepreneurship ecosystems are not universal, so they need to be curated. Smaller places with less dynamic economies are strongly correlated with less entrepreneurial activity, and to address this you need to take a bottom-up approach. Start by finding entrepreneurs and identifying their needs and how they can be met locally. NetWork Kansas offers tools on how to do that outreach with entrepreneurs and reverse-engineer what their ecosystems need.”



MATT DUNNE (FOUNDER AND EXECUTIVE DIRECTOR, [CENTER ON RURAL INNOVATION](#))

“If you only develop talent you just accelerate people leaving, so you have to focus on the whole ecosystem. This includes ensuring leadership development and sharing best practices across different rural areas that have seen successes. To further support a community’s talent, leverage the knowledge base and experience of diaspora living in other parts of the country to connect their networks to your local ecosystem. If you can then aggregate talent and resources, and retrain regenerative capital, you’re on the right path.”



NATHAN OHLE (CEO, [RURAL COMMUNITY ASSISTANCE PARTNERSHIP](#))

“In rural communities, it is important to understand the interdependence between small business growth, infrastructure, talent, and quality of life. What we see in small communities is that you need to create a holistic ecosystem that addresses those needs in order to draw people, particularly young people, into a community. You need broadband, safe drinking water, quality of life components like natural assets, and a culture that is welcoming and attractive to talent and small businesses of all kinds. Rural entrepreneurship ecosystems look and feel different in different regions of the country, and can provide opportunities for tech and non-tech businesses to grow and thrive when you build a holistic ecosystem locally.”

ENDNOTES

- 1 Ederly, Jessica. "Essex Reporter: Q&A with Duane Peterson, President of SunCommon." *The Essex Reporter*. 8 Nov. 2013. suncommon.com/essex-reporter-qa-with-duane-peterson-president-of-suncommon. Accessed 14 Oct. 2020.
- 2 Allen, Anne. "Q&A: SunCommon eyes New York state for expansion." *VTDigger*. 24 Mar. 2019. vtdigger.org/2019/03/24/qa-suncommon-eyes-new-york-state-expansion. Accessed 14 Oct. 2020.
- 3 LinkedIn. [linkedin.com/in/duane-peterson-07b32a10](https://www.linkedin.com/in/duane-peterson-07b32a10). Accessed 14 Oct. 2020.
- 4 Endeavor Insight interview, Nov. 2020.
- 5 SunCommon. suncommon.com. Accessed 14 Oct. 2020.
- 6 Endeavor Insight interview, Dec. 2019.
- 7 SunCommon. suncommon.com/work-at-suncommon. Accessed 14 Oct. 2020.
- 8 Vermont Businesses for Social Responsibility. "SunCommon Builds Brighter Future With Joyful and Caring Approach – Waterbury Solar Company Credits Employees for 2019 Best Places to Work Honor." 23 Jan. 2019. vbsr.org/news-item/suncommon-builds-brighter-future-with-joyful-and-caring-approach-waterbury-solar-company-credits-employees-for-2019-best-places-to-work-honor/. Accessed 14 Oct. 2020.
- 9 Endeavor Insight interview, Dec. 2019.
- 10 SunCommon. suncommon.com/suncommon-vt-foodbank-partnership-2018/. Accessed 14 Oct. 2020; SunCommon. suncommon.com/local-solar-company. Accessed 14 Oct. 2020.
- 11 SunCommon. suncommon.com/climate-action-film-festival/. Accessed 14 Oct. 2020.
- 12 PBS. "6 charts that illustrate the divide between rural and urban America." 17 Mar. 2017. pbs.org/newshour/nation/six-charts-illustrate-divide-rural-urban-america. Accessed 21 Oct. 2020; Rogers, Carolyn. "Older Women and Poverty in Rural America." United States Department of Agriculture, Economic Research Service. 1 Sep. 2005. ers.usda.gov/amber-waves/2005/september/older-women-and-poverty-in-rural-america. Accessed 21 Oct. 2020.
- 13 United States Department of Agriculture, Economic Research Service. "Rural Employment and Unemployment." 23 Sep. 2019. ers.usda.gov/topics/rural-economy-population/employment-education/rural-employment-and-unemployment. Accessed 14 Oct. 2020.
- 14 Bishop, Bill. "Jobs Report: August to August, Rural Jobs are Down by 4.3%." *The Daily Yonder*. 7 Oct. 2020. dailyyonder.com/jobs-report-august-to-august-rural-jobs-are-down-by-4-3/2020/10/07. Accessed 21 Oct. 2020.
- 15 Simpson, April. "Pockets of Rural America Are Less Vulnerable to Economic Fallout — For Now." The Pew Charitable Trusts. 7 Apr. 2020. pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/04/07/pockets-of-rural-america-are-less-vulnerable-to-economic-fallout-for-now. Accessed 14 Oct. 2020.
- 16 Johansson, Robert. "America's Farmers: Resilient Throughout the COVID Pandemic." USDA. 13 Oct. 2020. usda.gov/media/blog/2020/09/24/americas-farmers-resilient-throughout-covid-pandemic. Accessed 4 Dec. 2020.
- 17 Rork, Jonathan. "Getting What You Pay For: The Case of Southern Economic Development." *Journal of Regional Analysis and Policy, Mid-Continent Regional Science Association*, vol. 35(2). 2005. ideas.repec.org/a/ags/jrapmc/132308.html. Accessed 14 Oct. 2020.
- 18 Semuels, Amanda. "What Amazon Does to Poor Cities." *The Atlantic*. Feb. 2018. theatlantic.com/business/archive/2018/02/amazon-warehouses-poor-cities/552020/. Accessed 14 Oct. 2020; Jones, Janelle & Ben Zipperer. "Unfulfilled promises." Economic Policy Institute. 1 Feb. 2018. epi.org/publication/unfulfilled-promises-amazon-warehouses-do-not-generate-broad-based-employment-growth. Accessed 14 Oct. 2020.
- 19 Civic Economics. "Indie Impact Study Series; A National Comparative Survey With The American Booksellers Association." 2012. nebula.wsimg.com/09d4a3747498c7e97b42657484cae80d?AccessKeyId=8E410A17553441C49302&disposition=0&alloworigin=1. Accessed 14 Oct. 2020.
- 20 Wilmoth, Daniel. "The Retreat of the Rural Entrepreneur." U.S. Small Business Administration. 29 Sep. 2017. sba.gov/sites/default/files/advocacy/Retreat-Rural-Entrepreneur.pdf. Accessed 14 Oct. 2020.
- 21 Ring, J Kirk, Ana Maria Peredo et al. "Business Networks and Economic Development in Rural Communities in the United States." *Entrepreneurship Theory and Practice Volume 34 Issue 1*. 1 Jan. 2010. deepdyve.com/lp/sage/business-networks-and-economic-development-in-rural-communities-in-the-Hdm76ZR00?articleList=%2Fsearch%3Fquery%3Drural%2Bentrepreneurship%2BAND%2BUnited%2BStates. Accessed 14 Oct. 2020.
- 22 PSI Pax. psipax.com/local-giving. Accessed 14 Oct. 2020.
- 23 Premier Technology, Inc. ptius.net/about-us. Accessed 14 Oct. 2020.
- 24 Bureau of Economic Analysis. bea.gov/data/employment/employment-county-metro-and-other-areas. Accessed 14 Oct. 2020.
- 25 Wilmoth, Daniel. "The Retreat of the Rural Entrepreneur." U.S. Small Business Administration. 29 Sep. 2017. sba.gov/sites/default/files/advocacy/Retreat-Rural-Entrepreneur.pdf. Accessed 14 Oct. 2020.
- 26 Endeavor Insight interview, Feb. 2020.
- 27 PR Newswire. "Chime Solutions Launches Total Life Program, Helping Employees Win Outside of the Workplace." 6 Aug. 2018. prnewswire.com/news-releases/chime-solutions-launches-total-life-program-helping-employees-win-outside-of-the-workplace-300692463.html. Accessed 14 Oct. 2020.
- 28 LinkedIn. [linkedin.com/company/chimesolutions-/about](https://www.linkedin.com/company/chimesolutions-/about). Accessed 14 Oct. 2020.
- 29 Barto, Leah & Rhett Morris. "How Cities Can Identify The BEST Businesses For Local Economic Growth." Endeavor Insight. Sep. 2020. endeavor.org/best-businesses. Accessed 20 Oct. 2020.

- 30 Crunchbase. crunchbase.com/organization/3d-corporate-solutions. Accessed 12 Nov. 2020.
- 31 Sterling. "Inc. Magazine Unveils Its Annual List of America's Fastest-Growing Private Companies—the Inc. 5000" 10 Sep. 2019. sterling.com/inc-5000-2. Accessed 14 Oct. 2020.
- 32 U.S. Chamber of Commerce Technology Engagement Center. "Unlocking the Digital Potential of Rural America." Mar. 2019. americaninnovators.com/rural-report/. Accessed 14 Oct. 2020.
- 33 Ibid.
- 34 Ibid.
- 35 Endeavor Insight interview, Dec. 2019.
- 36 Peen, J. & R.A. Schoevers, et al. "The current status of urban rural differences in psychiatric disorders." Research Department, Arkin Mental Health Institute Amsterdam. 4 Jan. 2010. onlinelibrary.wiley.com/doi/full/10.1111/j.1600-0447.2009.01438. Accessed Oct. 2020; Manahan, Candice, Cindy Hardy et al. "Personal characteristics and experiences of long-term allied health professionals in rural and northern British Columbia." *Rural and Remote Health*. 8 Oct. 2009. rrh.org.au/journal/article/1238. Accessed 14 Oct. 2020.
- 37 Missouri Star Quilt Company. missouriquote.com/content/aboutus. Accessed 14. Oct. 2020.
- 38 Adams, Susan. "The Disneyland of Quilting" *Forbes*. 22 May 2018. forbes.com/feature/missouri-star-quilting/#1f504fab7486. Accessed 14 Oct. 2020.
- 39 Ibid.
- 40 Ibid; YouTube. youtube.com/user/MissouriQuiltCo. Accessed 14 Oct. 2020.
- 41 Endeavor Insight interview, Dec. 2019.
- 42 Ibid.
- 43 Walzer, Norman. "Entrepreneurship and Local Economic Development." Lexington Books. 2007.
- 44 Score. "Infographic: Rural Entrepreneurship." 26 Jul. 2019. score.org/resource/infographic-rural-entrepreneurship. Accessed 14 Oct. 2020.
- 45 GlobeNewswire. "AppHarvest Opens One of the World's Largest High-Tech Greenhouses in Appalachia to Redefine American Agriculture." 21 Oct. 2020. globenewswire.com/news-release/2020/10/21/2111890/0/en/AppHarvest-Opens-One-of-the-World-s-Largest-High-Tech-Greenhouses-in-Appalachia-to-Redefine-American-Agriculture.html. Accessed 21 Nov. 2020.
- 46 Lippman, John. "Lebanon tech startup sold for \$79 million." *Valley News*. 2 Jul. 2019. [vnews.com/Lebanon-digital-tech-startup-Appcast-sold-for-\\$79-million-26704724#:~:text=Appcast%20has%20a%20total%20of,its%20engineering%20team%20is%20based](https://vnews.com/Lebanon-digital-tech-startup-Appcast-sold-for-$79-million-26704724#:~:text=Appcast%20has%20a%20total%20of,its%20engineering%20team%20is%20based). Accessed 14 Oct. 2020.
- 47 Gartner. "Gartner CFO Survey Reveals 74% Intend to Shift Some Employees to Remote Work Permanently." 3 Apr. 2020. gartner.com/en/newsroom/press-releases/2020-04-03-gartner-cfo-surey-reveals-74-percent-of-organizations-to-shift-some-employees-to-remote-work-permanently2. Accessed 14 Oct. 2020.
- 48 McKenna, Matthew. "Rural America is ripe with potential, starving for capital." *The Hill*. 28 Jul. 2018. thehill.com/opinion/finance/399210-rural-america-is-ripe-with-potential-starving-for-capital. Accessed 14 Oct. 2020.
- 49 Rural Policy Research Initiative. "Access to Capital in Rural America — Interim Briefing for USDA." Apr. 2012. rupri.org/Forms/CapitalMarkets_Briefing_April2012.pdf. Accessed 14 Oct. 2020.
- 50 Scruggs, Patricia & Wayne Embree, et al. "The Role of Equity Capital in Rural Communities." *Wealth Creation in Rural Communities*. Feb. 2009. community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-scruggs-et-al.pdf. Accessed 14 Oct. 2020.
- 51 Ibid.
- 52 Dabson, Brian. "Supporting Rural Entrepreneurship." *Proceedings — Rural Conferences*. 1 Feb. 2001. citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.601.4265&rep=rep1&type=pdf. Accessed 14 Oct. 2020.
- 53 Morris, Rhett & Lili Torok. "Fostering Productive Entrepreneurship Communities." *Endeavor Insight*. Oct. 2018. endeavor.org/fostering-productive-entrepreneurship-communities. Accessed 20 Oct. 2020.
- 54 Webb, Jonathan. jonathanwebb.com. Accessed 14 Oct. 2020.
- 55 Endeavor Insight interview, Feb. 2020.
- 56 Chasan, Emily. "AppHarvest Raises More Cash for World's Biggest Greenhouse." *Bloomberg*. 6 Aug. 2020. bloomberg.com/news/articles/2020-08-06/appharvest-turns-to-murdoch-ubben-for-more-greenhouse-funding. Accessed 14 Oct. 2020.
- 57 Ibid.

ATTRIBUTION

The content of this report, including all text and graphics, are licensed under the Creative Commons Attribution-NoDerivatives 4.0 International License.

Users are free to: Share — copy and redistribute the material in any medium or format for any purpose.

Under the following terms:

Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

No Derivatives — If you remix, transform, or build upon the material, you may not distribute the modified material.

No Additional Restrictions — You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

GLOSSARY

ANGEL INVESTMENT: An investment in a company made by an individual, not on behalf of a business or investment firm.

ENTREPRENEURIAL COMPANIES: For-profit businesses that are started by individuals who possess ownership and control of the firm. This excludes businesses that began as either government entities or subsidiaries of larger companies.

MENTORSHIP: A connection through which a mentee has met the mentor at least three times for a minimum of 30 minutes to discuss critical business issues.

RURAL AREAS: Counties that are assessed to be majority (50 percent or more) rural by the U.S. Census Bureau based on population density.

SCALE: Companies that have grown to employ 50 or more people.

STARTUPS: New companies less than one year old with at least one employee. (Kauffman Foundation.)

SUPPORT ORGANIZATIONS: Organizations offering skill development programs, investment, mentoring or other support for entrepreneurs and startups. These include incubators, accelerators, and networks.

VENTURE CAPITAL: A type of investment typically for early stage businesses that have high growth potential. Venture capital firms (VCs) often provide expertise in finance and operations, in addition to capital.

METHODOLOGY

SAMPLING FRAME

Companies were included in the sampling frame if they met the following criteria: 1) they were founded in the United States or currently have their headquarters in the United States; 2) they were founded 1993 or later; 3) they operate in high-value sectors as defined in this study; and 4) they are entrepreneurial; i.e. they were started by individuals and did not begin as government entities or local divisions of existing corporations.

DATA COLLECTION

For the purposes of the analysis, the companies and founders identified were classified into two main groups:

- 1 **Companies at scale:** Companies with 50 or more paid, full-time employees.
- 2 **Companies not at scale:** Companies with 1 to 49 paid, full-time employees.

Endeavor Insight collected data on 720 rural companies at scale and 5,821 rural companies that are not at scale. As a comparison, Endeavor Insight also collected data on companies headquartered in urban areas — 5,748 companies at scale and 48,275 companies not at scale. The lists of companies and their data came primarily from D&B Hoovers, Crunchbase, Pitchbook, and Inc. 5000.

Endeavor Insight also collected data on the founders' work and education history from their LinkedIn profiles or their online biographies.

INTERVIEWS AND SURVEYS

Endeavor Insight used a survey to collect data on three main topics: founders' motivations for starting their companies, the main challenges they faced and how they overcame them, and their networks. The survey questions came from two primary sources:

- 1 Previous research by Endeavor Insight on how entrepreneurs successfully scale their companies; and
- 2 Interviews with entrepreneurship support programs and investment firms that focus on entrepreneurs in rural areas.

Entrepreneurs identified for this study received invitations to fill out an online survey or set up a phone interview. Interviews were used for the majority of founders of companies at scale. Endeavor Insight interviewed and surveyed 20 entrepreneurs in rural areas who founded a company at scale, 291 urban entrepreneurs who founded a company at scale, 90 entrepreneurs in rural areas who founded companies that are not at scale (i.e. with one to 49 paid, full-time employees), and 1,597 urban entrepreneurs who founded companies that are not at scale.

The interviews were conducted over a period of four months. Entrepreneurs who are featured as case studies in this report were invited to a follow-up, in-depth interview.

-endeavor
INSIGHT

Google for Startups