Bootstrap Texas
An Entrepreneurial Strategy for Rural Economies

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Texas was built by entrepreneurs leveraging natural resources to grow businesses and communities. The cotton industry, for example, flourished because entrepreneurs created innovative irrigation systems to accommodate local conditions. Today, cotton covers five million acres in six different regions of the state. The Texas petroleum industry may have been born in Spindletop in 1901, but commercial activity in oil dates as far back as the 1860s in Nacogdoches County. The combination of natural assets, innovation, and entrepreneurship runs deep in Rural Texas and has allowed generations of people to prosper.

Today, by contrast, the locus of economic activity has shifted to large metropolitan regions. Nearly two out of three Texas residents live in the state’s four major metro areas—Austin, Dallas, Houston, and San Antonio—which also have 71 percent of all personal income, 67 percent of all jobs, and 65 percent of all business establishments. The combined region, referred to as the Texas Triangle, will get 68 percent of net job growth between 2008 and 2018, including seven out of ten manufacturing jobs. In fact, the only industry left with the majority of jobs located outside the Texas Triangle is agriculture (Chart 1).

Rural to urban migration is, of course, nothing new. But for many rural Texas counties it appears to be accelerating. Between 2000 and 2008, Texas was the fastest growing state in the U.S., increasing by nearly 3 million people. Yet, during that same period, 116 out of the 254 counties in the state saw their populations decline, with King (-18.7%), Borden (-18.2%), Knox (-17.0%) and other West Texas and
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Panhandle counties leading the way (see attached map). That’s nearly one out of five people gone in less than ten years in those communities.

As any local economic developer will tell you, no amount of free land or tax incentive will convince a company to invest in a location if the workforce it needs isn’t there, which begs the question: As the Texas economy continues to evolve and the state population increasingly concentrates in the Texas Triangle, what is in store for rural economies? What about rural economic development?

Entrepreneurship is one possible answer. Unlike traditional economic development strategies based on attracting industry and jobs, which may work fine for regions that can leverage growing populations and labor forces, entrepreneurship provides a way to grow an economy from the inside. Entrepreneurship is about leveraging local assets, such as multi-generational knowledge of the cotton industry, to create wealth and raise standards of living. Entrepreneurship is also about your neighbor adding 30 percent to her annual income by selling products on eBay. For rural communities, especially those struggling to keep residents from moving away, entrepreneurship is an economic development tool that gives you a fighting chance to retain and leverage your greatest asset of all—people. A rural county judge in Texas once put it this way to a roomful of economic developers: “I don’t want 20 percent more jobs in my county. I want people in my county to make 20 percent higher incomes.”

If you are reading this and smiling right now, then you are probably a local economic developer. Most people will agree—as long as the mics are off—that creating an environment where entrepreneurs can thrive is the best long-term strategy for sustained growth. But if your performance as a local economic developer is judged solely on job creation and tax base, then entrepreneurship suddenly becomes much less attractive, and for good reason. Entrepreneurship-based economic development is not for the faint of heart. It’s a long-term strategy that requires adequate funding, tolerance for failure, and patience. Helping people start and grow business may create jobs, but probably not immediately. The local tax base will expand, but probably only in small increments. Despite the buzz at economic development conferences these days, entrepreneurship is rarely sexy. You may discover the next Michael Dell, but more than likely you will be measuring progress in thousands, not millions, of dollars. Ribbon-cuttings will be few.

But for many rural communities, especially in Texas where the roots of innovation and natural resource development run deep, an entrepreneurship-based economic development strategy makes a lot of sense. Renewable energy, organic farming, and emerging life science industries present enormous potential for entrepreneurs outside of the major metros in Texas. The largest wind farm in the world, for example, is located in the Abilene region. Moreover, colleges and universities in rural areas are significant producers of innovation assets that can be leveraged to start new businesses and create wealth in a community. In 2006, patents were awarded to people and organizations located in 136 counties across Texas (Figure 1). Patent activity is strongly correlated to the existence of higher education institutions, and programs like the Texas Emerging Technology Fund make it possible to turn these discoveries into commercialized products and services in the global marketplace. A stronger commitment is needed to make sure that local officials understand the value and potential of this approach for economic development.

Based on the number of families and individuals engaged in agribusiness in the state, it’s clear that the spirit of entrepreneurship is alive and well outside of the major metros. However, most small metros and rural areas lack one or more of the conditions necessary for entrepreneurship to thrive, including access to funding, availability of professional networks for tacit knowledge exchange, mentoring, and business development, or access to experienced technical assistance providers.

Many organizations are actively engaged in promoting and developing entrepreneurship-based economic development strategies on the ground in Rural Texas, including Texas Department of Agriculture, Texas...
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Center for Rural Entrepreneurship, and Texas Rural Innovators Forum—a great start, but much more capacity is needed if we’re to call this a statewide strategy.

Here are a few of the elements of what a statewide program—we’ll call it Bootstrap Texas—could include based on what’s available here in Texas and in other states:

- Statewide economic gardening program, with a focus on small to mid-size metropolitan areas and surrounding rural communities.
- Create a team of seasoned entrepreneurs to help regions identify wealth generating assets, attract funding, and build businesses (e.g., VentureNet Iowa).
- Leverage existing business incubators and the Regional Centers of Innovation and Commercialization created under the Texas Emerging Technology Fund. Make sure that the RCICs have the resources required to do meaningful outreach.
- Create a regional business plan competition for high school students leading to a state championship—a Moot Corp for developing young entrepreneurs.
- Help entrepreneurs tap existing, or create new, support networks.

With its strong tradition in agriculture and natural resources, and solid foothold in renewable energy and other emerging industries, Texas has the potential to redefine the way we think about the role of entrepreneurship in rural economic development. What’s needed now is a strategy.

**Figure 1** Patents Registered in Texas Counties, 2007*
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Notes


iii U.S. Bureau of Economic Analysis, Texas Workforce Commission, EMSI. Metro area refers to the federally-defined Metropolitan Statistical Area (MSA).


v Thanks to Rick Rhodes, Becky Dempsey, and Judy Fort at the Texas Department of Agriculture for suggesting this concept based on their extensive work with communities on rural economic development projects.

vi U.S. Patent and Trademark Office, EMSI.