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AGAINST THE GRAIN: WHAT MOTIVATES ENTREPRENEURS TO LOCATE IN PENNSYLVANIA’S NON-METROPOLITAN CITIES AND BOROUGHS

A Thesis in

Community and Economic Development

by

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Abstract

According to a recent report by the Brookings Institution, there is a widespread loss of small businesses from the Commonwealth’s older central business districts (CBD’s), as many formerly prosperous storefronts have been replaced by larger, suburban retail chains. This is especially true in the Commonwealth’s smaller cities and boroughs in non-metro counties (2003). Despite this negative trend, some new businesses still choose to locate in these declining areas. This research will examine what motivating factors led recent entrepreneurs to locate in these places. Motivating factors in the location decision will be analyzed for relevance to two competing models of rural small business growth, social ecology and individualism, to determine which model, if any, is more prevalent in these areas. These factors will then be analyzed to determine which, if any, also helped the small business to keep its doors open. A conceptual framework for the research is elaborated using these two approaches. This research is designed to assist development practitioners in designing better, more effective entrepreneurial and place-based attraction and retention strategies in non-metro cities and boroughs in Pennsylvania. The study is also intended to give the reader an overview of the historical and biographical context in which small business owners decide to locate in these cities and boroughs. An action plan containing suggestions for improved
entrepreneurial development is proposed, as well as proposed directions for future research.
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Chapter I – The Research Problem

This study explores the relative importance of motivational factors that contribute to the location choice of small business owners in cities and boroughs\(^1\) in non-metropolitan counties in Pennsylvania. These cities and boroughs have for years been areas typically affiliated with economic decline and the departure of small businesses unable to adjust to structural changes in the macro-economy, including large-scale shifts in local employment, general population decline and out-migration, and the inability to compete globally or even regionally with large competitors (Brookings, 2003). The motivations for establishing a small business in any location are numerous. In fact, a multiplicity of motivations for establishing a business may be both inevitable and desirable for rural communities (Dabson, 2001).

Two Models of Small Business Attraction

What has been most interesting to development practitioners, including development corporations, local decision-makers, and potential investors, is the notion that some communities spawn far more business start-ups than others. The differentiation of these communities (i.e., what seems to be working at the

\(^1\) Includes one town, Bloomsburg, PA, that is a unique governmental form in Pennsylvania.
community level in some) can serve as the basis for a development strategy (Hoy, 1996). In the literature, the idea that aspects of a community’s social and economic structure make it better suited to enable and facilitate the creation of small businesses has been called the social ecology model of entrepreneurship, or ecological approach to entrepreneurship (Aldrich, 1979; Hannan and Freeman, 1989). In other words, some communities, due to the presence of strong business and interpersonal networks, access to other cities and towns, and a physically attractive setting, are more attractive to entrepreneurs than communities lacking these attributes.

However, a competing school of thought suggests that entrepreneurs emerge in localities from the inside, starting businesses in areas where they already have family ties, areas with which they are most familiar. This is known as the individualist model of entrepreneurship (Green et al., 1990; Van de Ven, 1993). In this model, there is a slow accretion of individuals who start small businesses until a community of small business owners has been established. In this model, entrepreneurs can be found anywhere, and these individuals choose their locations with little consideration of the presence of non-family social networks, accessibility, or the physical attributes of that place.
Uneven Growth (Decline) in Pennsylvania

The small business trends in Pennsylvania’s older cities and boroughs, as described by Brookings, are suggestive of a landscape dotted with once-thriving towns. Today they are fraught with boarded-up and abandoned storefronts and less pedestrian activity with most retail activity moving to the outlying suburbs. It is frivolous to believe that every town with an established CBD in non-metropolitan Pennsylvania has been equally incapable of sustaining any level of business activity. Brookings (2003) mentioned that economic growth in the state has been uneven, and particularly weak in “older” urbanized areas, like cities and boroughs (versus “newer” sub-urbanized areas like first- and second-class townships). The populations of many cities and boroughs have also declined in the long-term.

The fact that clusters of small businesses in some towns have appeared and prospered, despite a general trend of state-wide non-metro population and economic decline, lends credibility to the notion of a social ecology of entrepreneurship in some towns. However, many rural enterprises are also started by original members of the community who wish to remain close to important personal social networks, or for reasons unrelated to the community and its attributes (Hoy, 1996). A thorough search did not reveal any formal studies that compared the ability of these two models to predict small business
startups in rural America.

The Research Questions

Some clear questions about small business location can be drawn from what the literature says about economic development in Pennsylvania as it relates to business location. What motivates small business owners to locate their businesses in places typically affiliated with economic decline? In non-metro cities and boroughs affiliated with economic decline, were their motivations to choose the locality for their business due to the presence of formal business organizations and institutions, informal business networks, a customer base or customer need, accessibility to other towns and cities, and the physical attractiveness of the community (social ecology), or due to some other personal motivation such as the presence of family and friends or a history of living in the community (individualism)? If both, which was relatively more important? And if the local social ecology was the primary factor in the decision, which aspect of the ecology was most important: the presence of formal institutions (local governments giving incentives, development agencies, chambers of commerce), the presence of social networks for business (friends and family who are also small business owners or investors, other small business owners, customers, customer traffic, casual business acquaintances), or the presence of physical amenities
(proximity to highways, airports, a charming downtown area, city beautification, low real estate costs, public transit, the physical environment as it relates to business rather than personal preference)? I will look to vibrant² non-metro cities and boroughs to gather information that will shed light on these important questions.

Furthermore, once the entrepreneurs have arrived in town, do the same factors that attracted them there also help them to stay in business? Which factors that attracted entrepreneurs became more important, or became unimportant, as the business progressed?

Understanding what motivates entrepreneurs to locate in non-metro cities and boroughs is the first step in understanding more about the nature of entrepreneurship in non-metro Pennsylvania. This information tells us what matters most to entrepreneurs when making a location decision, and what helps them to stay in business. If one understands these motivations, development practitioners can develop better strategies that are tailored to suit these motivations, to generate a better entrepreneurial climate, to revitalize the town center, and to bring entrepreneurs back to the downtown area.

² Vibrant in the sense that an adequate small business base exists for study despite persistent decline.
What to Expect In This Study

This study begins by exploring both the social ecology and individualist models in more detail in Chapter II, and how these relate to small business location decisions. A methodology is presented in Chapter III that identifies research sites that typify the overall economic situation in Pennsylvania, and a framework for interviewing entrepreneurs about which of the two models were more important to their location decision is described. The economic history and recent demographic trends in each selected research site are explored in Chapter IV to provide a historical context. Chapter V presents reflections on the research process, including thoughts about what worked well, what did not work, and other observations about the research process. Chapter VI provides the results and basic analysis of quantitative data in the study, while Chapter VII provides qualitative support of the findings and explanations of the results based on comments made by the entrepreneurs themselves. Chapter VIII discusses the importance of the findings from Chapters VI and VII, pulling them together, and Chapter IX posits future directions in research, policy, and activism, and other ways to go beyond this study toward an even better understanding of entrepreneurship in the smaller cities and boroughs of the Commonwealth of Pennsylvania.
Chapter II – Conceptual Framework and Review of the Literature

The Importance of Entrepreneurship in Economic Development

The importance of entrepreneurship as an essential component of regional development and revitalization can be traced back to Schumpeter (1911; 1942) who used entrepreneurship as the engine for his dynamic theory of economic development, followed by Knight (1921) and Baumol (1968, 2002, 2007). Since Schumpeter, the positive role of entrepreneurs in local development has become heuristic truth among academics. According to Birch (1979), there is now a general acceptance that small firms have made a significant net contribution to the job generation process on a nationwide basis. Four percent of all American adults, or about 8.4 million people, are trying to start a business at any one time, reflecting entrepreneurship’s growing prominence as a lifestyle and career identity (Reynolds & White, 1997; Census, 2007). In 2004, sole proprietorships and small business (firms with less than 100 employees) comprised over 99.6% of all U.S. firms, and 99.8% of employer businesses (firms with payroll employees). Over 41.8 million Americans were on the payroll of a business with less than 100 employees in 2004, or 36.4% of Americans employed in the private sector (Census, 2007). The National Commission on Entrepreneurship sees entrepreneurship as “the critical force behind innovation and new wealth
creation, the key drivers of our country’s economic growth,” because small businesses have the potential to grow rapidly, develop new technologies, products and services, create jobs, and stimulate economic growth and investment (2001). Even in the rural or non-metro setting, any model describing change in rural economies must include the role of entrepreneurs, and, specifically, their investment in the commodification of rural heritage (Mitchell, 1998). Ideally, entrepreneurs can be seen not only as an engine for local growth, but guardians of the local heritage and a force in the revitalization of non-metro CBD’s.

Uneven Patterns of Rural Economic Decline

The flight of many ex-urban residents back to smaller towns in the countryside has given way to a resurgence of non-metro businesses in some areas, leading to somewhat of a rural renaissance in many small towns (Bryant, 1989). This trend of rural renewal and renaissance has been uneven in Pennsylvania, which continues a long trend of spreading out and hollowing out in its cities, boroughs, and smaller towns (Brookings, 2007). Across the nation, the decline of rural service centers (once clearly demarcated by CBD’s) in agricultural areas has declined along with the agricultural population, and the consolidation of retail and consumer services operations has been well
documented (Hodge and Qadeer, 1983). One useful set of explanations about why this has happened comes from MacKenzie (1992), who states that entrepreneurship is discouraged in rural areas due to declining rural populations, low buying power, scarce capital, poor entrepreneurial climate, little innovation, fewer support services such as health care, and less-developed electronic and transportation infrastructures. Lichter (1989) adds that sagging farm economies, increased foreign competition, and declining rural industries also contribute to entrepreneurial decline in non-metro areas. Green (2001) states that rural population and job expansion as recently as the 1990’s favored areas rich in scenic amenities, like the mountain states, warmer climate areas, and areas close to water and recreation. According to a study by McGranahan (1999), Pennsylvania lacks scenic amenities and/or a mild climate to the level at which they exist elsewhere in the nation, like California, the Rocky Mountains, Florida, and the southeast United States.

The Social Ecology Model of Entrepreneurship

To determine the causality behind why some towns attract entrepreneurs and why others do not, many scholars focused their attention on the motivating factors behind the location decision, or why entrepreneurs choose one location over another to start their business. 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 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 include entrepreneurs as part of a larger collective: There exists within the local social structure an entrepreneurial infrastructure or small business community. This makes some communities more likely to attract and retain small businesses than others, and makes it easier for small businesses to remain open.

The social ecology model of entrepreneurship is typically operationalized as some combination of three components: the existence of formal institutions (governments, government agencies, development agencies, chambers of commerce, banks, business organizations), social networks (friends, family, and acquaintances who are also part of the local business community, especially if they are entrepreneurs), and physical infrastructure (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). Van de Ven (1993) proposes that informal 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.

It should be noted that social networks can be both business-oriented (friends and family within the entrepreneurial infrastructure), and personally-oriented (friends, family, and acquaintances without ties to the entrepreneurial infrastructure). This is a large distinction in this research, as only social networks within the small business community will be considered as part of the entrepreneurial infrastructure and thus as part of the social ecology model. All other networks, like friends and family who are not part of the small business community or local government are considered personal.

Physical attributes of place enhance a particular place through its scenic amenities (like mountains and lakes), or the construction of a variety of facilities
(retail and recreational, for example) that, once in place, serve to cast a favorable shadow on the entire region, enhancing its competitive position within the broader settlement system (Mitchell, 1998). The importance of physical attributes to entrepreneurial attraction has been a popular theme in the current entrepreneurship literature. McGranahan (1999) found that employment change in high amenity areas was related to a natural amenity index over the past 25 years, although less so for the Midwest, Great Plains, and Northeast (including Pennsylvania). Beyers and Lindahl (1996) identified two specific types of entrepreneurs attracted to scenic amenity areas: “lone eagles,” or export-oriented sole proprietors, and “high fliers,” or export-oriented companies with at least one employee. These authors found that a majority of lone eagles and high fliers cited a “high quality of life” in their area as a motivation to locate there, much more than any other motivational factor. The authors then tied the growth of lone eagles and high fliers to higher-than-average sales above other locally-oriented firms, thus demonstrating the potential of such firms to stimulate regional development. 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.

*Formal institutions, social networks, and physical attributes* comprise what Van de Ven (1993) calls the “entrepreneurial infrastructure.” This infrastructure
is the physical and social manifestation of the social ecology model of community entrepreneurship. The stronger the entrepreneurial infrastructure in a locality, the greater the likelihood that entrepreneurs will locate in that area. For the purposes of this study, this is taken to mean that small business owners want to locate in a locality because of the excellent institutions, networks, and physical attributes of a place to help their business. In other words, small business owners locate there because something about the place makes it good for business, not just a nice place to live.

The Individualist Model of Entrepreneurship

Many scholars with experience in rural America have disagreed with the social ecology model, pointing to 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) points out 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) sought to determine the extent to which entrepreneurs interact with the networks in their local environment when starting a new firm in St. Joseph’s County in rural Indiana. Contrary to expectations, the study found that most firms were started by local people
formerly employed in similar local industries, 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 friends and family who were not business owners. Thus, it appeared
clear from the study that most small business owners tend to locate close to
family and friends for personal reasons, even if these family and friends did not
own a small business. Most entrepreneurs appeared to be ignorant of any
formal institutions 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 networks that are not contained in the “entrepreneurial
infrastructure,” is called the individualist model of entrepreneurship.

In two crucial articles, Korschning and Allen propose that self-development
programs can improve a community’s capacity for small business creation, and
that this small business creation drives the local economy (2004a,b). This
approach uses interaction theory to explain the complex dynamics of community
action from a place-based point of view (Wilkinson, 1991; Luloff and Bridger,
1999). The articles seem to blend the notion that entrepreneurs do indeed
emerge from the community, but once established, rely on dense local networks
to remain in business. This is beneficial for the community because
locally-grown entrepreneurs have a commitment to the community sphere,
unlike footloose recruited businesses that demand financial incentives and regulatory concessions (McNamara et al., 1995). Other scholars have used an interactional approach to community economic development to explain how such development arises from within the community. Flora and Flora (1988) define entrepreneurial communities in terms of their capacity for community action, or, “communities that are able to respond to the changing macro-economic circumstances and cause development to happen.”

The Divergence of the Two Models

It is still unclear which is most predictive of small business attraction: individual motivations (personal reasons unrelated to the “entrepreneurial infrastructure”), or ecological motivations (formal institutions, physical attributes, and social networks among the business community and government, or within the “entrepreneurial infrastructure”). Furthermore, once the entrepreneur has been attracted to the locality, it will be interesting to know 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 research question conceptually can be seen in Figure 1.
The two competing general models of how entrepreneurs choose their location 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 communities that improve their entrepreneurial infrastructure will also improve their capacity to attract entrepreneurs. The individualist model suggests that entrepreneurs should be cultivated from within the community, capitalizing on existing personal networks rather than professional networks created for small businesses within the community. In the middle of the debate is the community developer who must decide, using the best information available, which of these two strategies will be most likely to motivate new small business owners to locate within the community. Further investigation into whether the motivations to choose a location are due to ecological factors stemming from the presence of an

Figure 1: Factors Contributing to the Small Business Location Decision
entrepreneurial infrastructure, or rather due primarily to personal motivations, would reveal important clues about entrepreneurial behavior in Pennsylvania, and may give clues about “what works” for programs intended to attract entrepreneurs to the area.

Recent Studies on Entrepreneurial Motivation

Two related studies conducted on entrepreneurial business attraction in rural areas deserve attention. The first was a study by Johnson and Rasker (1995) that evaluated 473 small businesses in the vicinity of Yellowstone National Park. Small business owners were interviewed about the relative importance of select motivational factors to their location decision across four categories: economic values (the local tax structure, cost of doing business, and proximity to a university), qualitative values (a quality environment, scenic beauty, and proximity to public lands), community values (a low crime rate and small town atmosphere), and recreational values (summer/winter and wildlife recreation, for example).

This study provided much of the inspiration for the design of the study in this report with some notable differences. First of all, the Johnson and Rasker study was designed to assess the importance of scenic amenities to entrepreneurial attraction, and a great preponderance of survey items dealt with
scenic amenity attractions, many of which are absent to a great degree in Pennsylvania, like snowcap mountains and national parks. Second, the study made no distinction between individualist and social ecological motivators, which this report is designed to investigate. However, scaled items were used effectively to determine the relative importance of different motivational factors using the authors’ own typology. Johnson and Rasker found that new business owners (less than 5 years in business) were more motivated by the region’s scenic beauty, while older business owners (more than 5 years in business) placed a greater emphasis on the local town atmosphere and raising a family in the area, although both groups were generally attracted to the area by its environmental and recreational benefits.

A second article by Robert D. Sopuck (2003) examined the attraction of “lone eagles” to rural areas through a series of small, open-ended case studies. The seven entrepreneurs he studied revealed a combination of physical attribute and individualist motivations for choosing their business locations. These entrepreneurs were attracted by scenic amenities, a clean environment, and proximity to recreation, as well as personal desires to live in remote areas, to find safety away from the city, and to have a low-stress lifestyle. It should be noted that these entrepreneurs all located in areas of Canada rich with scenic amenities (like high mountains, lakes, and dense forests). The open-ended nature of
Sopuck’s interview protocol, and drawing his analysis from the entrepreneurs’ own words, were inspirational to the design of this study.

Other articles have directly addressed the notion of social ecology motivations and entrepreneurs. Two such studies are Birch (1999) and Bruno and Tyebjee (1982). Each proposes between 10 and 12 environmental influences that contribute to entrepreneurial attraction. However, many of these influences exist solely in major metropolitan areas, such as access to venture capital, accessibility to suppliers (only via roads in rural areas), and the ability to name several other startups in the town. This may be a tall order in Pennsylvania’s non-metro cities and boroughs, where such influences may be nascent or non-existent.

Examining Small Business Attraction and Retention Motivators Separately

One difficulty with the articles described above is that they confound the notion of business attraction and retention, treating them as one phenomenon: small business development. There is logic to this line of thinking: What good is a new business to a community if it folds within the first two years? For this reason, small business attraction and retention are considered to be concomitant goals in economic development planning. However, it is possible that the factors that attract a business to a particular location may be strikingly different
from those that help to keep the business in operation once established. One clue comes from the Birley (1985) study that demonstrated that entrepreneurs were mostly local residents who were ignorant of formal networks, starting their businesses according to the *individualist* model. Once their business had been established, however, informal social networks began to appear among small business owners, and this *social ecology* factor contributed to business retention.

It is also important to separate location motivations from retention motivations on logical grounds: What good is a retention strategy if a community is unable to attract new businesses, and what if new businesses appear copiously in a community but fail within months of opening? For example, if an entrepreneur locates her business in a town to be close to family, but is ignorant of networking opportunities within the town, then business attraction was successful, while retention failed.

**Summary of Concepts**

To briefly summarize the conceptual framework, what motivates small businesses to locate in a community can be examined according to two divergent models: *individualist* and *social ecology*. In the *individualist* model, small business owners locate in communities for personal reasons unrelated or partially-related to their business, like being close to friends and family (who can provide
financial and moral support), or appreciating the town for personal reasons. In the social ecology model, there is something about the place itself that makes it a better place to locate a business, such as the presence of beneficial formal institutions, social networks for business, and physical attributes as they relate to business. This research attempts to determine which model of entrepreneurship is more relevant to entrepreneurs in non-metro cities and boroughs of Pennsylvania: Are Pennsylvania entrepreneurs motivated to locate in these places, traditionally affiliated with economic decline, according individualist or social ecology model? If both, which was more important? Furthermore, is individualist or social ecology motivations more important for business retention? To answer these questions, an interview protocol was developed. Data analysis procedures will be put forth that attempt to determine, in the words of entrepreneurs themselves, what types of motivations were most important to Pennsylvania small business owners in their location decision, and in their efforts to remain in business.
Chapter III – Research Methods

In the movie, *It's A Wonderful Life*, Frank Capra presents the town of Bedford Falls to America. It is an idyllic small town that remains, to many Americans, the quintessence of what life used to be. Bedford Falls represented the best of everything small town America had to offer: a bustling town center, mom-and-pop stores lining the streets of the central business district, local people in daily, public interaction. It was large enough so there was plenty to do and plenty of places to gather, but small enough that everyone knew the local grocer, the local pharmacist, and the cab drivers. Bedford Falls, in many ways, *represents* the good life, the all-American life, a place everyone would want to live if they could. At one time, Pennsylvania was full of vibrant towns much like Bedford Falls. These towns still exist today, but times have changed. To get a good idea of what they look like, it becomes necessary to remove the rose-colored glasses of yesteryear and analyze such places in the context of history, society, and the current economic climate.

**Economic Decline and Micropolitan Pennsylvania**

Towns like Bedford Falls are about the right size to be considered “Micropolitan” areas by the U.S. Census Bureau. Micropolitan areas are central
places, cities and boroughs, that have more than 10,000 but less than 50,000 inhabitants (Census, 2007). Generally speaking, these central places serve as retail and service centers for inhabitants of the single county that surrounds them. Such counties are typically rural in character with a low population density, and they are often heavily dependent on agriculture and/or natural resource extraction as primary industries. In the 2000 census, there were 560 such micropolitan areas in the United States, 18 of which are located in Pennsylvania (Census 2000 American FactFinder, 2007).

Micropolitan areas are particularly interesting targets for this study because these cities and boroughs are often associated with economic decline. The Pennsylvania Economy League recently released a report illustrating that Pennsylvania towns of this size are among those experiencing the worst fiscal distress in the Commonwealth (PEL, 2007). The Brookings Institution has echoed this sentiment, stating that Pennsylvania cities and boroughs continue a harmful and inefficient trend of spreading out and hollowing out (Brookings, 2007). However, there must be some economic (and entrepreneurial) activity in these declining areas, or they would probably disappear completely. What causes small business owners to locate their businesses in rural areas associated with economic decline is at the heart of the research question.
Micropolitan areas are easier to study than smaller cities that are part of a metropolitan statistical area (MSA) because they are more insulated from social and economic changes in major cities. Micropolitan areas are small enough to be representative of the type of towns experiencing the economic decline mentioned before, but are large enough to have an adequate number of small businesses for analysis.

Given time and budget constraints, the selection set of respondents was kept sufficiently small so that in-depth interviews could be conducted in a short time-frame, but large enough that basic statistical operations could be performed. To meet these criteria, I selected between four and six entrepreneurs to interview from eight micropolitan areas across Pennsylvania for a total of forty-two respondents. There is no specific heuristic in choosing these numbers but eight micropolitan areas provided a nice array of different geographical, cultural, and historical perspectives across the Commonwealth. I required a minimum of four interviews in each research site so that situations unique to each site could be investigated more fully. For example, the existence of a college or university in one city may present a different set of business motivations than a city that lacks such an institution. Acquiring interviews with multiple subjects in this town gave a fuller explanation of the importance of such an institution in the location decision.
This raises another important point. At the onset of this writing, I had considered omitting cities and boroughs that contained a major institution, such as a college, university, major hospital, prison, or government facility, as well as county seats, because these institutions “protect” the local economy from economic downturns. They may provide an “abnormal” incentive to locate a business in these towns due to the existence of a built-in customer base that will most likely not disappear. However, a discussion with a professor\(^3\) led me to realize that the existence of such institutions in Pennsylvania cities and boroughs are often more typical than cities and boroughs that lack them entirely. So, if one is to study “typical” Pennsylvania localities, then cities and boroughs containing such institutions should be included along with cities and boroughs without them. If these types of formal institutions have a noticeable impact on the decision of entrepreneurs to locate in some Pennsylvania towns, their role in the motivation of entrepreneurs should be fully explored.

To select the eight sites for research, I selected the eight largest micropolitan areas in the state. These sites are small enough to be considered non-metropolitan by the U.S. Census Bureau, but large enough to contain a wide variety of businesses started within the past ten years. In 2000, the largest, New Castle, PA, had 26,309 inhabitants, and the smallest, Oil City, had 11,505

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\(^3\) Many thanks to Dr. Tim Kelsey of Penn State University for pointing this out.
inhabitants (Census 2000 American FactFinder, 2007). A brief community economic profile of each site selected for research will follow in the next section.

One final note about these sites: Half of all sites chosen are in the northwest quadrant of the Commonwealth, one is in the southwest quadrant, two are in the southeast quadrant, and one is in the northeast quadrant. Pennsylvania is a diverse state with regional economies that differ depending on their location in the Commonwealth. Research sites in the northwest tend to be more similar among themselves than with research sites in the southeast (in terms of economic history, culture, demographic composition, and economic activity). The apparent skew of towns toward the northwest quadrant is not undesirable: This area of Pennsylvania has the highest concentration of micropolitan areas. The Pennsylvania Economy League states that cities and boroughs in this particular quadrant are among those experiencing the highest levels of fiscal distress in the Commonwealth (PEL, 2007). Examining such areas more closely may reveal greater insights about the motivations to locate businesses there, something that is particularly relevant to cities and boroughs that have been experiencing fiscal distress. These localities may look to the small business sector as a strategy to reverse economic decline. Overall, these sites can be compared to the other four sites dispersed around the rest of the Commonwealth for general differences in motivation, should they exist.
The Target Entrepreneur Defined

Entrepreneurs are a diverse group, and the types and nature of businesses they start are as diverse as the individuals that start them. This study makes the assumption that any new business in a micropolitan city or borough is a promising sign for the revitalization of that locality considering the current low rate of business start-ups in such places. Therefore, any entrepreneur that has a presence within the boundaries of the city or borough is an appropriate subject for the research.

Amidst trends of entrepreneurs leaving the center of small towns to start businesses in the suburbs, there are undoubtedly reasons that these entrepreneurs chose to locate their business within city/borough municipal boundaries instead of locating in a suburban community, or close to regional commercial centers containing larger chain stores. Any entrepreneur that has started a business within municipal boundaries can provide insights about their motivation to locate there.

The term entrepreneur is typically associated with a small business owner. Entrepreneurship evokes images of cavalier businesspeople who start their business with very meager inputs, make quick decisions, and whose primary objective is profit-driven quick growth (Birley, 1985). Furthermore, the entrepreneur always searches for change, responds to it, and exploits it as an opportunity (Dees, 1998: emphasis in original). It has already been explained above how
such small enterprises contribute beneficially to job growth and local economic sustainability.

In this study, entrepreneurs must have started a business him/herself. This can include national franchises if the franchise is locally-owned. Franchises, while not originating within the community, still represent initiative on the part of the entrepreneur to open a business in the community, and often times represent an easier way to do so than creating a business from scratch. Additionally, franchises often purchase supplies from local suppliers, and participate in the local business community. However, a franchise owner must live within the micropolitan area to be considered for this study. Branch offices of larger businesses will not be included. These larger, national chains are excluded from the study because larger businesses that are not locally-owned franchises do not contribute as significantly to the local export base and multiplier: Their profits are transferred to entities outside the community. Entrepreneurs who also own businesses in other towns will still be considered as long as they themselves live in the micropolitan area and their business concept is non-national in scope.

There is no clear definition of what constitutes a new enterprise. Anecdotally, a new restaurant in New York City ceases to be new after several prominent critics have eaten there and written about the experience, a period of
three to six months, while the new terminal at the Pittsburgh International Airport is still referred to by locals as the new airport, even though, at the time of this writing, it is fifteen years old. In the fast-paced world of high technology, or trendy boutiques in the consumer sector, a new enterprise may have a very different meaning than a new enterprise in a traditional, manufacturing-based firm.

My selection of an appropriate time-frame for new businesses is therefore largely arbitrary, but for this study, I mainly include businesses that have been started in the past ten years. There are several reasons for this. First of all, even somewhat “large” small towns in non-metro areas in Pennsylvania simply do not have very many new businesses. In the public mind, a time-frame of ten years can be considered relatively new compared to older enterprises that have been in the area for decades. A ten-year time frame is sufficient to include at least eight businesses in the micropolitan city or borough that have been opened recently. A five-year time-frame was considered, based on a study by Johnson and Rasker (1995), but for smaller boroughs this restriction excludes many businesses within municipal boundaries from analysis. Finally and most importantly, it is presumed that most small business owners clearly remember why they decided to locate their business in the CBD within ten years of starting their business, after which their rationale may become increasingly fuzzy as their
attention turns to more routine business operations. Businesses that have been open for longer than ten years are considered if the entrepreneur has a vivid and specific recollection of why he or she selected the business location.

Part of the intention of this research is to assist communities in their efforts to revitalize “Main Street.” While the CBD is the primary focus of most revitalization efforts, it should also be noted that small businesses within the municipal boundaries but outside the CBD can still contribute significantly to the revitalization of the CBD. These businesses are still “town-based,” and often utilize products and services found within the CBD. For this reason, small business owners outside the CBD are also interviewed if they are still within one or two miles of the CBD and in an area that has noticeable pedestrian and/or automobile traffic. Small businesses that appear outside the municipal boundaries are usually located around “big box” retail centers, in other small towns, or in rural areas. While interesting, these businesses have a different character and set of developmental challenges, and contribute less to the revitalization of the central place (especially since taxes are often paid to an outlying municipality). “Strip mall” and “big box retail center” businesses are therefore omitted from this investigation.

In this study, an entrepreneur is therefore any small business owner who has located their business anywhere within a Pennsylvania micropolitan city or
borough in approximately the last ten years, and who is not in some way connected to a larger business entity other than by locally-owned franchise.

A Grounded, Phenomenological Approach

This research will analyze a total of forty-two (42) interviews with small business owners across micropolitan Pennsylvania. It should be noted that this research is not intended to produce conclusive, quantitative results that statistically explain why entrepreneurs choose to locate in non-metro CBD’s in Pennsylvania. In fact, there is little conclusive evidence in the literature that explains what motivational factors affect the location decision for small businesses in rural areas, other than the two general models described in the conceptual framework. Even these can be generalized beyond non-metro Pennsylvania to include urban areas as well. Therefore, before a more complete, empirically-testable theory of micropolitan small-business location choice can be attempted, it is important to first examine and define which motivators are most pertinent to entrepreneurs in these areas, which of these motivators seem to be universal, and which ones produce some variation in responses across the sample of entrepreneurs. The research should also reveal whether or not other motivators exist that were not present in the literature, or were not previously apparent to the researcher. The identification of this selection set of motivating
factors and their relative importance sets the groundwork for future research on entrepreneurship.

To begin to determine what led to the location decisions of the entrepreneurs in the sample, I used a combination of qualitative *phenomenological* and *grounded theory* techniques. These are established traditions in qualitative research (Creswell, 1998), and each pure tradition contributes something useful to this project.

The phenomenological aspect of inquiry involves the development of a conceptual framework based on a review of the literature, and the creation of a logical interview protocol that follows from this framework. By doing so, I am bracketing preconceived ideas about the phenomenon, in this case motivations for business location and attraction, to understand it through the voices of the informants (Field & Morse, 1985; Polkinghorne, 1989). The informants then describe their experience in the context of the conceptual framework (Giorgi, 1975). In this fashion, entrepreneurs can state, in their own words and without researcher bias, why they chose their current location. Patterns then emerge from the data in the findings.

At this point, the qualitative data either fits the conceptual framework or diverges from it. Switching to *grounded theory* techniques, any outlier or extraneous variables from the open-ended questions (those that do not seem to
fit the pattern) are complicated\(^4\) using probes during the interview, and subsequently analyzed. In this way, the conceptual framework that was used as the basis for the interviews can be modified and improved for future research endeavors. The researcher leaves the field with categorical data from the conceptual framework (through axial coding into categories), as well as a better idea of how to improve the framework (Strauss & Corbin, 1990; Glaser & Strauss, 1967).

The Interview

The interview consists of seven semi-structured, open-ended questions followed by 22 scale item questions. The open-ended questions serve two purposes: First of all, it is important to know some very basic information about the entrepreneur for the analysis, such as the entrepreneur’s age and sex, how long they have lived in the community, how long they have been in business, and whether or not they knew other members of the community before starting their business, as well as the nature of this relationship (family, friends, etc.) Secondly, it is important to know, in the entrepreneur’s own words, what the single most important reason was for choosing their current business location.

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\(^4\) A qualitative analysis term, “data complication” refers to the use of probe questions to expand and clarify ambiguous answers until they are more fully explained.
(the primary motivator) followed by any other reasons that come immediately to mind and may also be important (secondary motivations). Also, I asked what other factors help them to stay in business (retention motivations). Following these questions, I asked a series of scale item questions (similar to Likert-type questions, but on a 1-to-10 scale) about the perceived importance of 22 common features of many communities that either belong to the *individualist* motivator set, or one of the three sub-groups of the *social ecology* motivator set (*formal institutions*, *social networks*, and *physical attributes*). The logic behind this exercise is to ensure that the entrepreneur can respond to a set of pre-determined factors that they may not have considered in open-ended questioning. A “1-to-10 scale” is easy to administer and insures wider variation than a standard 5-point Likert scale. The entrepreneurs were asked how important several community features were in their location decision, and the 10-point interval scale will give an idea of what features were relatively more important to the entrepreneur than others. The interview protocol can be found in the Appendix. Human subjects guidelines for ethical research were strictly followed, and recruitment, confidentiality, and risk information can also be found in the Appendix.

Returning to the open-ended questions momentarily, probes were used to clarify answers that were ambiguous. For example, a respondent in Pottsville, PA may say, “I opened my hardware store here because of the proximity to
Philadelphia.” Obviously, there are plenty of places that are close to the Philadelphia market; why Pottsville specifically? “A lot of Philly commuters live here, and they’re always out on the street shopping.” An existing customer base, or network of existing customers, is an ecological feature of the community falling cleanly under social networks.

Additional probes will be used to separate individualist from social ecology motivations. For example, a respondent might say, “I opened my business here because I’ve always wanted to open a store in a town like this,” which is a social ecology motivation (business vision) based on the physical/social attributes of the place, versus, “I opened my business here because I’ve always wanted to live in a town like this and be able to walk to work,” which is a personal (individualist) motivation. Another example is, “I have friends and family in this town, and I wanted to be close to them,” which is an individualist motivation, versus, “I have friends and family who own businesses here and are in the local government, and they were able to help me get a good start,” which is a social ecology motivation based on social networks. A pure individualist motivation might be, “I’m from this area, where else would I start a business?” A formal institution variation might be, “I wanted to escape my job on Wall Street and start my own financial consulting company somewhere nearby in the country, so I contacted
some Main Street programs and the local one here convinced me that there was a real need in this town.”

The scale item questions (“1-to-10 scale”) were “asked twice,” once regarding attraction, once regarding retention, so that any change from the time of the location decision until the present could be examined.

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. For example, one possible outcome (at the onset of the research) could have been that in micropolitan cities and boroughs, only 12% of all entrepreneurs stated a social network motivator as the most important factor in their location decision, but 68% listed at least one social network motivator as “[an]other reason this location was attractive.” The actual findings of such analyses shed light on the relative importance of each model of entrepreneurship among non-metro entrepreneurs.
The most important factor for business attraction was assessed using an open-ended question that was coded into categories and compared to see which category was mentioned most often. Other attraction motivators were counted, categorized, and compared across categories. Retention motivators were then counted, categorized, and compared. The most important attraction motivators were added to the other motivators, and these were compared to the total number of retention motivators given to determine if certain motivators became more or less important from the time of the location decision through the present day.

To analyze the 22 scale items, a frequency analysis was conducted to determine how often a “10” was given in each category, how many “9’s,” and so on. The arithmetic mean response of each category was compared to determine, in absolute terms, which categories received higher absolute responses. This was done for both business attraction and retention. The data were tested for significance using ANOVA to ensure that the responses were not due to random scatter.

To determine the relative ranking of each scale item (which items were relatively more important to entrepreneurs than others), scale items were standardized using a Z statistic that transforms the 1-to-10 ranking into a number that measures the number of standard deviations of each ranking from the mean.
ranking for each entrepreneur. These Z values are then averaged, compared, and ranked. These data analysis procedures are revisited in the data analysis section, which again reviews these procedures step-by-step as they are completed.

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, to report any useful insights or explanations that explain more general patterns in location decisions, and finally to report any abnormalities and to analyze the reasons these abnormalities exist. A discussion section will follow the data analysis that will tie together both the quantitative and qualitative aspects of the research, and propose both relevant implications and revised conceptualizations for future research and applied consulting work.
Chapter IV – A Brief Community Economic Profile of Selected Research Sites

The eight largest micropolitan areas in the Commonwealth of Pennsylvania were selected as research sites for this project. These communities are distinctively non-metro in character, yet contain enough new businesses to facilitate data collection. Despite these similarities, each locality had its own culture and feel, a unique economic history and employment structure, different primary industries, average incomes, and education levels. This diversity was desirable: It represents the wide variation of history and culture of Pennsylvania’s non-metro cities and boroughs across the entire Commonwealth.

This section aims to put the research sites in their historical and regional context in order to better understand the entrepreneurs that do business there. The following analysis will briefly examine commonalities and contrasts between the sites based on their economic histories, basic demographics, and recent population trends. The eight research sites were (in alphabetical order) Bloomsburg, Chambersburg, Indiana, Meadville, New Castle, Oil City, Pottsville, and St. Marys. The location of these towns can be found on Map 4.1.
Three sites can be found in the northwest area of the Commonwealth, Meadville, Oil City, and New Castle. This region was once known as the “Erie Triangle,” and historically has been economically involved in manufacturing, agriculture, oil, and shipping. Meadville is the county seat of Crawford County, and home to Allegheny College, a mid-sized liberal arts college that is highly regarded in the region. Meadville rose to prominence as a tool and die and munitions manufacturing center because of its close proximity to the Port of Erie,
although today it is primarily a local service and retail center, and a college town. New Castle is the most populous research site in the set, and the seat of Lawrence County. The city rose to prominence in the mid 1800’s as the seat of two specialty industries, fireworks and tin plates, due to the presence of the city’s canal system (City of New Castle, 2007). The city continues to have an industrial feel, with pockets of dense development spread across a wide area. The city was also home to Warner Bros. first theatre, now a newly-renovated shopping complex. Oil City was close to the first oil discovered in the United States (in nearby Titusville). This dense, urban-feeling city soon became headquarters to John D. Rockefeller’s Standard Oil, Pennzoil, and Quaker State, due to the rich oil deposits in the area and easy shipping on Oil Creek. The oil dried up decades ago, and the major oil companies moved to Houston, TX and New York, NY. All three cities in this region are surrounded by gently rolling hills and rich farmland, although the terrain immediately surrounding Oil City is a steep valley due to the erosive action of Oil Creek.

Indiana is located in the Southwest region of the Commonwealth in the highlands, and is surrounded by good farmland on steep, hilly terrain. The seat of Indiana County and home to Indiana University of Pennsylvania, Indiana is an idyllic small town with quaint brick facades and a populous main street. Once considered the “Christmas tree capital of the world” because of the amount
of tree farms in the area, Indiana also grew in prominence due to coal mining and banking. Indiana, a borough of under 15,000, is home to three publicly-traded companies including two major commercial banks, and it is the hometown of legendary actor James Stewart (Indiana Chamber of Commerce, 2007).

St. Marys and Bloomsburg are both located in Central Pennsylvania, but are very different in character from one another. St. Marys is located in the dense hardwood forests of the Northern Tier, and rose to prominence as a lumber center and eventually as the powdered metal capital of the world. This historically German-Catholic area remains a major manufacturing center, although the town has seen more prosperous days. Also home to Straub Beer, St. Marys Borough consolidated with adjacent Benzinger Township in 1994 to create St. Marys City (PA Great Outdoors, 2007).

Bloomsburg, on the other hand, is the seat of Columbia County, a former iron ore mining city that later became an industrial center for textiles, undergarments, and carpets. Many of these facilities are still in business today, along with the cut flower industry from where “Bloomsburg” derives its name (Barton, 2007). Bloomsburg is Pennsylvania’s only incorporated town, and boasts well-maintained facades along its main street along with a world-class fountain in its main square. The town feels more like Indiana in the west than
manufacturing-based St. Marys, partially due to the presence of Bloomsburg University, the style of brick architecture, and the similar surrounding landscape.

Pottsville, in the southeast, is a very dense, bustling, but charming city nestled into steep hillsides in Schuylkill County. Local residents frequently boast about their anthracite mining roots, although the city’s main street is dotted with at least a dozen banks, also an important industry. Pottsville is nationally famous because it is home to America’s oldest continuously-open brewery, Yuengling, although far more individuals are employed in the service sector and by the county government. Farming is sparse in the surrounding area due to the inhospitably-steep terrain.

Finally, Chambersburg was an important trade center dating back to colonial times. Chambersburg was a convenient stopover on major westward manufacturing routes from Philadelphia and Baltimore. The city was burned to the ground by Confederate forces during the Civil War, and subsequently rebuilt (Borough of Chambersburg, 2007). Today, Chambersburg retains its colonial flavor through its well-preserved architecture, and the borough has few empty storefronts. The surrounding area is growing quickly due to Chambersburg’s proximity to Baltimore and its superb location at the junction of two major roads.

Some basic demographic comparisons of the eight research sites can be seen in Table 4.1.
Table 4.1: Basic Demographic Characteristics of the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2007)

<table>
<thead>
<tr>
<th>Site</th>
<th>Median Age</th>
<th>% Minority</th>
<th>% With Bachelors Degree</th>
<th>Pop 1990</th>
<th>Pop 2000</th>
<th>Population Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomsburg</td>
<td>22.4</td>
<td>5.6</td>
<td>26.0</td>
<td>12,439</td>
<td>12,375</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Chambersburg</td>
<td>40.0</td>
<td>13.6</td>
<td>17.9</td>
<td>16,647</td>
<td>17,862</td>
<td>7.3%</td>
</tr>
<tr>
<td>Indiana</td>
<td>21.8</td>
<td>8.5</td>
<td>36.2</td>
<td>15,174</td>
<td>14,895</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Meadville</td>
<td>34.7</td>
<td>8.0</td>
<td>23.9</td>
<td>14,318</td>
<td>13,685</td>
<td>-4.4%</td>
</tr>
<tr>
<td>New Castle</td>
<td>39.4</td>
<td>13.2</td>
<td>12.0</td>
<td>28,334</td>
<td>26,309</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Oil City</td>
<td>37.9</td>
<td>2.2</td>
<td>14.5</td>
<td>11,949</td>
<td>11,504</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Pottsville</td>
<td>40.5</td>
<td>4.3</td>
<td>14.0</td>
<td>16,603</td>
<td>15,549</td>
<td>-6.3%</td>
</tr>
<tr>
<td>St. Marys*</td>
<td>39.4</td>
<td>1.2</td>
<td>15.5</td>
<td>5,511</td>
<td>14,502</td>
<td>163.1%</td>
</tr>
<tr>
<td><strong>State Average</strong></td>
<td><strong>38.0</strong></td>
<td><strong>14.6</strong></td>
<td><strong>22.4</strong></td>
<td><strong>1,181,643</strong></td>
<td><strong>12,281,054</strong></td>
<td><strong>3.4%</strong></td>
</tr>
</tbody>
</table>

*Consolidated with a neighboring township in 1994

As can be seen in Table 4.1, Bloomsburg and Indiana have median ages that are noticeably below the state average. This is due to the presence of large universities in these towns, as many students opt to list their college town as their permanent residence during their college years. 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: Many students stick around after completing their degree. Only Chambersburg grew in population from 1990 to 2000, while other sites lost population despite overall
population gains in the state over the same time period. This reinforces the report by the Brookings Institution that many non-metro cities and boroughs are losing population in Pennsylvania (2003).

Income figures for the eight research sites can be found in Table 4.2.


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

*Data are for the micropolitan county.
**This figure reflects the non-metro average only.

The high state average weekly wage is due primarily to higher wages paid in metro areas, while wages in even the largest non-metro cities and boroughs lag well behind the average. Personal annual income, however, is higher than the state average for non-metro areas for all cities except St. Marys. In terms of personal income, wage earners in Pennsylvania’s largest non-metro cities and
boroughs are generally paid higher than wage earners in other non-metro areas, but less than the state average, driven by higher wages in metro areas.

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 major 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 4.3.

**Table 4.3: Unemployment and Unemployment Growth for the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2007)**

<table>
<thead>
<tr>
<th></th>
<th>% Unemp 1990</th>
<th>% Unemp 2000</th>
<th>% Unemp Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomsburg</td>
<td>5.3</td>
<td>6.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Chambersburg</td>
<td>7.2</td>
<td>3.9</td>
<td>-3.3</td>
</tr>
<tr>
<td>Indiana</td>
<td>7.0</td>
<td>6.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Meadville</td>
<td>8.9</td>
<td>4.9</td>
<td>-4.0</td>
</tr>
<tr>
<td>New Castle</td>
<td>10.4</td>
<td>5.0</td>
<td>-5.4</td>
</tr>
<tr>
<td>Oil City</td>
<td>7.8</td>
<td>4.4</td>
<td>-3.4</td>
</tr>
<tr>
<td>Pottsville</td>
<td>7.2</td>
<td>3.6</td>
<td>-3.6</td>
</tr>
<tr>
<td>St. Marys</td>
<td>7.9</td>
<td>1.7</td>
<td>-6.2</td>
</tr>
<tr>
<td><strong>State Average</strong></td>
<td><strong>5.9</strong></td>
<td><strong>3.5</strong></td>
<td><strong>-2.4</strong></td>
</tr>
</tbody>
</table>
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% over the period, and only two sites, Bloomsburg and Indiana, did not beat this figure. Unemployment actually increased slightly in Bloomsburg over the period. This phenomenon is telling of the economic structure of these research sites. Indiana and Bloomsburg have the highest percentage of government employees of any of the research sites. These government jobs tend to be very stable and insulated from macroeconomic booms and busts. Therefore, unemployment changed little from 1990 to 2000 in these towns. The employment structure of the other six cities and boroughs is more volatile, and thus unemployment declined dramatically over the period in response to the economic boom. 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 4.4.
Table 4.4: Percentage of Individuals Living Below the Poverty Line in the Eight Selected Research Sites (Source: Census 2000 American FactFinder, 2007)

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

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. In fact, the consolidation led to the creation of a municipal boundary so large, that it encompasses not only the center city but most of the affluent residential neighborhoods surrounding it. This probably accounts for St. Marys’ very low poverty rate against the state average, while other municipalities in the study do not include the affluent suburbs surrounding the central place. Poverty dropped modestly in Pottsville.
but rose faster than the state average in the remaining four sites. This rise in poverty occurred despite a macroeconomic boom over the same period.

In summary, the eight research sites that comprise this study cannot be generalized. 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 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, so it will be interesting to see how important these factors were in motivating entrepreneurs when choosing their business location.

But this is not a complete picture of the research sites. The following chapter goes beyond the mere numbers and takes experiential factors into account. By reflecting on the research process, I will illustrate how the culture of these places affects not only how the research is conducted, but how I was perceived as a researcher by local entrepreneurs.
Chapter V – Reflections on the Research

Recruiting Entrepreneurs

In a typical research situation, most researchers will contact their research subjects in advance, first explaining the purpose of the research using a typical recruitment script, then setting up an appointment. At first, this was the method that I employed. However, it became apparent early in the research process that entrepreneurs, who are very busy and normally preoccupied with meeting the constantly-changing needs of their business, were generally unable to keep any appointments that I had made. Several entrepreneurs said, “Are you going to be around tomorrow? Maybe stop in around this time...” or, “just stop by and if I have time, we can talk then.” When setting up appointments by phone, most entrepreneurs never returned my call.

Thus, if I was to complete this project with any reliability and expediency, and guarantee a higher number of appointments for the interview, I had to adopt a different technique that was more appropriate to the volatile schedule of the subjects under study. Having been an entrepreneur myself, and understanding the nature of small businesspeople, I altered my recruitment and interview procedure slightly (but well within the bounds of research protection requirements) to ensure a higher completion rate for interviews and a more efficient use of my time. I refer to this technique as “guerilla recruitment.”
Guerilla recruitment requires that the specific research sites are well-defined, and that the types of subjects needed for interviews are clearly understood. The first step is to simply “arrive” at each research site, walk around, and get a feel for the “rhythm” of the site as it relates to the research problem. Wander about. Observe. Are there people on the street shopping and going about their business? Is there automobile traffic? How many vacant store fronts are there? Do the second and third floors of the downtown buildings appear to be occupied? Are people approachable, or “stand-offish” when greeted on the street? Does the downtown look attractive or unattractive in the researcher’s opinion? In what parts of town do the new businesses seem to be located, or are they scattered around? Are they anywhere to be found at all?

By surveying the research site in this way as a reflective observer, the researcher already begins to understand with more depth and clarity the setting in which the research is embedded, some basic challenges facing small businesses in the area, the local attitude towards outsiders, and several of the assets and liabilities of the town. Knowing a little bit about the town first-hand is also a great way to start conversations with research subjects, which often leads to an enhanced comfort level and sometimes genuine interest in continuing with the interview following recruitment. For example, opening a recruitment
conversation with, “wow, I noticed your business right away because you have a really attractive store front,” is a statement that cannot be used without first-hand experience from actually visiting the town.

The second step is a visit to the Chamber of Commerce. Armed with some basic knowledge about the town, a quick talk with one of the Chamber directors can often open the doors to more effective recruitment. The Chamber is normally aware of which businesses in town are new, and a good Chamber will tell you about businesses that are not Chamber members as well as those that already are. Quite frequently, a good Chamber will give you the names and contact information of the entrepreneurs themselves. In one particular case, a Chamber director walked with me around town, introducing me to what must have been half of the new small business owners within the research site, including a few who were not yet Chamber members. This kind of access is like rocket fuel for the research process, enhancing relationships and creating a level of comfort and familiarity between the researcher and the subject through association with an accepted local institution. In many cases, the ability to a) hold a conversation about the town and region and b) say that I was referred to the entrepreneur by a director at the local Chamber has resulted in an immediate interview being granted.
The third step is the actual recruitment process. Under the research protections code at Penn State, guerilla recruitment qualifies as “in-person recruitment,” and still requires briefing the research subject using the recruitment script found in the appendix. To find entrepreneurs to recruit, I usually walked around town armed with suggestions from the Chamber, and found businesses that I knew to be new. I looked for businesses that seemed to make some sort of positive contribution to the downtown area, either by providing an important service, employing a lot of people, or by improving the look and feel of the downtown area. Once I identified an entrepreneur that looked interesting, I walked in off the street (without an appointment), chatted briefly with the entrepreneur, mentioned what I was doing in their town, often mentioned the Chamber, and talked with them informally about their business. Using this method, I was given immediate access to an interview more than two out of three times, or asked to come back a little later the same day or a few days later to conduct the interview then. I would then formally recruit using the recruitment script. This method was much better than the approximately 10% success rate I had trying to schedule research over the phone. It showed that I had an interest in the well-being of local entrepreneurs, an interest in the subject, an appreciation of the research site, and an interest in protecting the subject’s confidentiality. Also, the researcher’s flexibility is enormously important, as
busy entrepreneurs are often occupied “at the moment” but may be available to meet over some broad period of time, say, between 1pm and 4pm. The researcher should be flexible enough to spend a full day in the field and stop back as often as necessary to ensure the interview.

Simply put, most entrepreneurs have a difficult time predicting their schedules and don’t have time to fraternize with complete strangers who appear to be telephone solicitors. The research therefore takes on a tone that is just as entrepreneurial as the entrepreneurs themselves. I would recommend using this method any time that small businesspeople, busy or active research subjects are the focus. Again, the three steps to guerilla recruitment used in this research:

- First-hand, ground-level familiarity with the research site
- Befriending the local Chamber of Commerce or local development agency
- Knowledgeable, flexible, friendly, impromptu recruitment
Using this method, many entrepreneurs were willing to clear their schedules to give an interview because I had taken the time to get to know their town, their business, and because I stopped by in person and spoke to them using a friendly and unpretentious demeanor.

Selecting the Businesses for Study

Once in the town, it was relatively easy to locate at least eight potential businesses for study. In some places, eight businesses less than ten years old were all there was to be had. In others, the small business community was expanding rapidly. It was important to me as a researcher to gather data from the widest diversity of businesses possible.

Retail businesses, restaurants, coffee shops, and art stores were the easiest to find. In some towns, it seemed as though these businesses were popping up everywhere. Sometimes these businesses employed the sole proprietor and one other employee. In larger establishments, like full-service restaurants, the business provided upwards of two dozen jobs. Due to the high incidence of such establishments in these towns, they are highly represented in the overall sample. I made it a priority to include a wide variety of restaurants and retail operations to get a diversity of feedback. It can be argued that such businesses do not contribute significantly to the local job base and are therefore not the
kinds of job-generating businesses worth attracting to the area. Also, high rates of business failure and turnover in retail and restaurants are often cited as a reason why attracting such businesses is a “dangerous” strategy. Some development professionals disagree, finding these establishments essential to the economic health of the town: “These businesses are destination businesses in our town,” said Amy Burkhart, Executive Director of PADCO in Pottsville, PA. “They bring people into the town, and keep them there. It helps to revitalize the whole area (personal interview; Pottsville, PA, 2007).”

Ed Edwards, Executive Director of the Bloomsburg Chamber of Commerce tends to agree. “Everybody measures their downtown in terms of retail activity,” he says. “It creates a sense of busy-ness, having people out on the streets. Retail creates an energy that attracts other things... it creates a “psychology” of success.” But he adds, “it’s a chicken-or-egg question... what comes first, retail or bigger enterprises? There are towns like Harrisburg, PA and Sacramento, CA that have fully-occupied downtowns with larger companies, but the streets are dead, and retail is just starting to creep in. In other towns, retail shows up first, and other types of businesses want to locate downtown to be near the energy.” Edwards concedes that “retail is what gives the town its flavor and helps define what we are as a community... even with high turnover, like a pizza shop going out and a boutique coming in, these businesses are
psychologically connected to how people feel about the area (personal interview; Bloomsburg, PA, 2007)."

With such a high incidence of retail businesses, it was important to me to be sure to find other types of businesses when they were available. In a few towns, this was not possible. Several towns simply did not have any new technology, industrial, or manufacturing businesses. In several other towns these firms were so far out of the CBD that it is difficult to argue that they contributed much to the revitalization of the CBD, often contributing more to the economy of the near suburbs. One of my first tasks in each town was to identify businesses that were not traditional retail or restaurant locations: I was able to include an industrial manufacturer, two computer tech consulting companies, an internet media company, a private development corporation, a custom builder, an accounting firm, a fitness and diet center, and an auto repair center. All of these businesses employed highly-skilled workers with advanced training in their fields.

Dress and Candor

As in business, getting an interview often means dressing and presenting one’s self to make the right impression. I first started my interview rounds wearing a suit and tie to appear as professional as possible. The unintended
result was that I was often ignored for long periods of time at the front of the establishment because most entrepreneurs, as one business owner put it, “figured I was selling insurance.” “No Solicitors” signs hung in many of the establishments that I visited, so I had to work very hard to reassure several entrepreneurs that I was not selling anything. A few thought I was seeking donations for Penn State, and nearly sent me away.

I also began to notice that I was the only one in a few of these towns wearing a suit of any kind. In fact, even “business casual” attire seemed to identify one as an upper-class white-collar business person. Most of the local business community and workers were dressed quite casually, often sporting (for the men) a polo shirt and jeans or casual slacks, or just a t-shirt in many cases. The same was true of bankers and other white-collar professionals. On one occasion, two young men in a truck pulled up next to me and shouted, “Hey Millionaire, go back to your mansion!” “Man, I want your job, this [expletive] is rollin’ in money,” said one young man dressed in baggy jeans and an oversized 76’ers t-shirt. Many entrepreneurs, upon entering their establishment, clearly shot me a look of distrust, and cocked their head as I shook their hand as if to say, “what do YOU want?” Several entrepreneurs asked to see my credentials, and a few grilled me on my background. I felt a minor makeover was in order.
I began to dress like most of the locals I saw. I showed up to town wearing a tucked-in polo shirt, tasteful belt, and casual khakis. Although I am accustomed to wearing my hair choppy and chaotic (all the rage in Europe and New York at the time of this writing), I began to wear my hair combed slightly to one side with no hair product. I left my sleek designer sunglasses at home and brought a pair of all-American sports shades, and chose to wear square-toed shoes instead of flashy Italian dress shoes. I relaxed my stance, appeared calm and unassuming, and spoke more colloquially and less professionally, the way I do around my friends, and never resorting to vulgarity.

The difference in subject reactions was extraordinary. Entrepreneurs seemed more eager to shake my hand and hear what I had to say. Virtually nobody questioned my credentials, and most individuals seemed much more relaxed and happy to talk to me. I revisited one town where I had previously worn a suit, and one of my old subjects that I had paid a visit immediately asked, “Hey, what happened to the creepy guy in the suit?”

“I pushed him in front of a bus,” was my reply.

What Worked Well In The Interviews

I was very pleased to see that the survey instrument I had designed was yielding excellent results from the very beginning of the interviews. I was
getting good variation on all questions. At the onset of the project, I was uncertain about how well a 10-point interval scale would produce good variation in the results. It turned out to be very easy to explain this type of scale to my subjects. Stating, “please rank the following features on a scale from 1 to 10, 1 being ‘totally unimportant to my business decisions,’ 10 being ‘absolutely crucial to my business decisions,’ and anywhere in between as you see fit.” The subjects seemed to enjoy this exercise, and using the 10-point scale gave the subjects more precision in their answers than a 5-point “very important/important/somewhat important/not very important/unimportant” scale. It was clear that subjects made full use of the 1-to-10 values, often stating, “Well, I scored that last one a six, and this was a little more important, but not too much, so I’ll give it a seven.”

Surprisingly, the entrepreneurs were all happy to give their age, sometimes shrugging or sighing as they revealed this information. I would usually preface this question by telling the entrepreneurs, “I’m going to ask the hardest question first.” The subjects had little trouble understanding the qualitative (first seven) questions in the interview, and all gave straight-forward answers. On questions 5-7 dealing with the most important motivating factors, probes were rarely used to clarify answers, as most answers clearly fit into one of the four motivator categories outlined in the previous chapters (individual,
formal institution, social networks, physical attributes). One answer that was given more than once and required a probe was “I am interested in the revitalization of our downtown.” I asked what it was about the downtown that they wanted to revitalize, and the response was always some social network motivation, like bringing people back into the center of town, building a community of committed citizens, or bringing other professionals back to the CBD. A few entrepreneurs declined to answer question seven, saying, “I just can’t think of anything about this town that helps me to stay in business.” It was for this precise reason that I followed up with the scale-item questions as a memory jog.

Adjustments to the Interview Process

One scale-item question gave the subjects some trouble, specifically the question about the importance of an existing customer base. I had to rephrase this question slightly to convey the proper meaning. Under the business attraction questions, I asked how important it was to recognize that a potential customer base (a social network of potential customers) existed in the town. Under the business retention questions, I asked how important the in town customer base has been to keeping them in business. Subjects had little trouble answering this question following the clarification.
Two common qualitative responses also gave me pause in terms of their classification. The first was the common motivator, “I saw a business opportunity here.” I would usually follow this response with a probe, asking what specifically made you see an opportunity here in town. The answer always dealt with the potential customer base, a social network response. The other difficult response was, “A low cost of doing business.” Business costs are comprised of many things, including rent, supplies, payroll, taxes, etc. I specified, “what about this town made it a bargain?” The answer always dealt with low rents, or “this great building at such a cheap price,” which is clearly real estate-related, or a physical attribute motivator.

Speaking of which, in the scale-item questions, when I asked many entrepreneurs about how important the low cost of doing business was to their location decision, a large number said, “What low cost of doing business?” One remarked with a laugh, “If you’re doing business right, then there’s nothing low-cost about it!” I usually followed up this response by saying, “low cost compared to starting this business in Pittsburgh, Philly, Manhattan…” The entrepreneurs clearly understood what I meant after this clarification, most saying something like, “Oh, yeah, well, obviously that’s really important,” or, “Oh, I could never make this business work in a place like that.” Some stated that it
was unimportant to their business because their costs would be about the same anywhere.

Translating Words into Actions

One of the great pleasures of this research was the opportunity to speak with some entrepreneurs at great length about their impressions of their business, the local community, and life in general. Interviews could last a mere 10 minutes for the busy professional, but several entrepreneurs were willing to spend a full half-hour to nearly two hours with me, unleashing a multitude of rich, detailed qualitative data. This data served to embed the quantitative results in the setting of the local society. Many times, I felt like a journalist “getting the real dirt” on the town: its politics, its scandals, its gossip, happenings around town, where the “big-wigs” hang out, where the “real people” hang out, where to grab a great sandwich for cheap. Most often, I found that such data gave a very solid rationale for why the entrepreneurs responded the way they did. Some data were consistent across towns and industries. Some data were very place-specific, as it became apparent that several sites were very business-friendly, some were business-neutral, and others “chase their entrepreneurs out of town,” as one business owner put it. Most of the
differences were town-to-town rather than industry-to-industry, and it appears that the geographic location of the research site in the state had very little to do with the business climate there. Each town, each small business community, was as individual as the entrepreneurs themselves.

The subjects and I would often get off on tangents to the research questions. I encouraged this, as it was a great opportunity to build trust with the subjects, and often led to more detailed discussions about life as an entrepreneur in their community. I promised to keep all personal information confidential up front, and reassured several entrepreneurs of this, but many said that I could publish their life story for all they care. In their town, everything is everyone’s business.

However, in the cases where my discussions with entrepreneurs became extended, one question always arose toward the end: What are you going to do with this information? To quote one conversation:

“Well, I explained that at the beginning, I want this information to be available to small business organizations, the Chamber, and the likes, so they can create better small business policies.”

“No, I mean what are you going to do with this?”

The entrepreneur was getting at the fact that this report, when completed, is simply a collection of words on paper. It will take individuals committed to
the purpose of improving our communities to turn the words on this page into purposive, community-centered action. Any good study deserves to be well-read, but those who read also deserve the opportunity to transform those words into change at the community level.

It is my goal as a researcher to give a copy of this report (or at least an executive summary) to those affected by this project: the entrepreneurs who participated, micropolitan governments, chambers of commerce, development agencies, and development officials at the state level. From here, it is my hope that each individual will take this information and put it to a higher use by understanding it, applying it to their own community, and taking action. To help this process along, a series of potential policy directions and action initiatives can be found in Chapter IX. But before discussing policy, let us first examine the results of the research in the following chapter.
Chapter VI – Results of the Quantitative Analyses

The quantitative analyses reveal that entrepreneurs in the sample are predominantly non-native to the community, equally male and female, and in their early forties on average. Most chose their current business location based on social ecology motivators. Individualist motivators were also given, but to a much lesser degree. This section begins to paint a picture of non-metro entrepreneurs in Pennsylvania’s micropolitan cities and boroughs as a dynamic group of individuals from diverse backgrounds. These individuals did not locate in their current community to be near family and friends in most cases, or for other personal reasons, but rather sought out specific ecological factors of the community that were beneficial to their business.

Demographic Traits of the Entrepreneurial Sample

In all, 42 entrepreneurs were interviewed across the eight research sites. Between four and six entrepreneurs were interviewed in each site to ensure that each geographic site was roughly equally represented. The selection of entrepreneurs found in each site was already discussed in the previous chapter.

Entrepreneurs under study ranged in age from 19 to 65 years of age, and their average age was 42.6 years (N = 41). One individual abstained from giving
their age. Fifty percent of the sample was female (N = 21), 50% was male (N = 21). This 50/50 split was coincidental.

Of the 42 entrepreneurs, 31% were native to their community (N = 13). I classified anyone having lived their entire life in the community, or having a permanent residence in the community their entire life, as native. For example, someone who left the community to go to college, but who returned immediately following their education, and who maintained a “permanent residence” in their community with the intention of returning (such as with a parent), would be classified as a native despite their four years spent away. The finding that only 31% of the randomly-selected non-metro entrepreneurs are native to the community is contrary to the individualist notion that non-metro small business communities arise from an accretion of “home-grown” entrepreneurs who emerge from within the community.

The entrepreneurs in the sample spent an average of 20.3 years in their current community. This figure includes community natives. Non-native entrepreneurs in the sample (N = 29) spent an average of 9.8 years in their community. These same non-native entrepreneurs spent an average of 13.7 years in the community where they lived prior to their current residence. Of the non-native entrepreneurs, only 31% (N = 9) lived elsewhere in Pennsylvania prior to moving to their current location. Five entrepreneurs lived in New York
prior to their current location, three in California, two in New Jersey, and one each from Connecticut, Maryland, Ohio, North Carolina, South Carolina, Wisconsin, Texas, Oklahoma, Alaska, and a Pacific territory of the United States. Of the non-native entrepreneurs, twenty also lived in a metropolitan area of more than one million inhabitants prior to moving into their current location in non-metro Pennsylvania. These urban newcomers represent 69% of the non-native sample (N = 29) and 48% of the total sample (N = 42). The random sample of non-metro entrepreneurs is comprised nearly one-to-one of individuals who moved into the non-metro area from a large city. This finding is again contrary to the individualist tenet that these entrepreneurs emerged from within their native community.

An important question to consider was whether or not the high proportion of non-native entrepreneurs had any kind of roots in the community prior to moving there, such as family and friends. The data show that 58.6% (N = 17) of non-native entrepreneurs did know someone in the community prior to moving there. Four of these entrepreneurs originally moved to the community because their spouse relocated there for work purposes. All four were women between the ages of 42 and 56 whose husbands moved to non-metro Pennsylvania to take a job. Ed Edwards, Executive Director of the Bloomsburg Chamber of Commerce, agrees that most new entrepreneurs in the Chamber are
in town “trailing a spouse” if they are not competing with an ex-employer (personal interview; Bloomsburg, PA, 2007). This “tag-along” phenomenon brings many potential entrepreneurs into the area, but is not in itself a motivating factor for starting a small business since many incoming spouses find employment with an existing business.

In addition to following spouses, six entrepreneurs relocated close to siblings, cousins, or other extended family. One restaurant owner who relocated from the New York City area remarked that his extended cousins helped him get a good start in business in non-metro Pennsylvania, and without a family of his own, kept him from feeling alone in his new residence. One very young entrepreneur relocated with her parents when they accepted jobs in non-metro Pennsylvania. Two entrepreneurs knew friends and acquaintances in the area prior to relocating.

Another demographic phenomenon present in the sample are individuals who grew up in the community, left during their young life (usually age 20-29), and later returned to raise their family, usually in their 30’s and 40’s. Johnson and Cromartie (2006) found that this trend has been evident since at least the 1950’s. Fitchen (1991) talks about how return migrants to the community are looked upon very favorably and normally occupy important positions in the local community; it is the phenomenon of “our children” coming home. Rather
than lump these entrepreneurs into the “native” category, they are a special type of non-native. These return migrants bring back valuable life and work experience from their time spent outside the community. Five entrepreneurs, three male and two female between the ages of 27 and 58, returned to the community where they grew up to be closer to their parents and friends after spending several years outside the community.

Finally, 42% of non-native entrepreneurs (N = 12) knew absolutely nobody in their current community prior to arriving there. When asked why they initially chose to move to the area, these entrepreneurs cited market research for business, choosing the town after “shopping for a new place to live and work,” or completely by accident. For example, one entrepreneur from California found the community where he started a business after making a wrong turn on a solo motorcycle trip from San Luis Obispo, CA to Niagara Falls, NY. Seeing the business opportunities in the town and enjoying the quaint atmosphere, he immediately decided to move there. Another entrepreneur didn’t even know his current town was “on the map” until the week he moved there to live in a building owned by a family member. Knowing someone in the area was evidently important to many of the non-native entrepreneurs in the sample, and provided an initial set of strong ties in the area.
The average business duration (time since opening) for the entrepreneurs in the study was 3.3 years. Initially, businesses less than ten years old were targeted for study because it was expected that entrepreneurs who were in business for less than ten years would have a clearer recollection of why they chose to locate their business in the focus community. In the study, the business duration ranged from two months prior to opening, as was the case with one very progressive and artistic entrepreneur who was still building his concept coffee shop and art gallery, up to fourteen years for an entrepreneur in a technology-related industry. The business duration for the entrepreneur still preparing his business was recorded as “0.” Two businesses exceeded the original ten-year target for business duration. When initially asked, these entrepreneurs were eager to participate in the study because they insisted that they had a very clear recollection of why they chose to locate their business in their community. Since the ten-year target was purely arbitrary for recollection purposes, and these entrepreneurs were both enthusiastic and demonstrated lucid recall of their start-up, I have included both businesses in the study.

Table 6.1 summarizes the demographic characteristics of the entrepreneurs in the sample.
Table 6.1: Summary Demographic Characteristics of the Entrepreneur Sample

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

Motivating Factors in the Location Decision

The entrepreneurs in the sample were asked to list the single most important reason that they chose the downtown area in their city or borough to locate their business. Entrepreneurs were specifically asked to discuss why they chose the downtown location rather than a suburban retail location or a location in another city. What was the single most important feature of their town that drew them to their current location? The question was open-ended, and the response was subsequently placed into one of four categories based on the
content. The four categories, described in Chapter III, were individualist, formal institution, social network, and physical attribute.

Recall that these four typologies represent the two predominant classes of thought surrounding entrepreneurial attraction. The individualist category is solely representative of the individualist approach to small business attraction. Responses that were purely personal in nature, that could not be attributed to the business environment of place, fell under this category. This category includes the popular notion that entrepreneurs arise from within the communities where they grew up or have lived most of their lives. The other three categories, formal institutions, social networks, and physical attributes, comprise the social ecological approach to small business attraction. In other words, responses in these categories suggest that there is something about the place, i.e., the city or borough, that convinced the entrepreneur to locate a business there above and beyond personal motivations. Generally speaking, responses that involved some institution, recognized organization, or formal group fell under formal institutions. Any response that cited a social attribute of the city or borough as it relates to business was placed under social networks. This included some common responses like the presence of a business opportunity. When probed, all entrepreneurs conceded that “opportunity” meant that there was a population of locals who were underserved in their particular business niche. In general, any
response relating people to business in the place fell under this category. Finally, any response dealing with the look or feel of the town, its infrastructure, or the assets it contains, fell under physical attributes. This included a low cost of doing business. When probed, entrepreneurs who gave this response conceded that labor costs are federally set through the minimum wage, taxes are relatively consistent, so the cost of physical buildings and rent was the primary differentiator between their town and a larger city. In general, any response that related something other than people or the place itself to business in the place was categorized under physical attributes.

The categorization of primary motivators can be seen below in Chart 6.1.

![Chart 6.1: Categorization of Primary Attraction Motivators Given by Sample Entrepreneurs](chart)

Of the 42 entrepreneurs in the sample, 22 cited a social network motivator as the single most important reason the entrepreneur decided to locate a business
in the downtown area. The most common of these responses dealt with customers, an underserved customer base, or the density of pedestrian (or less frequently, automobile) traffic. Sixteen entrepreneurs cited the physical attributes of their city or town as being most important to their location decision. For most of these entrepreneurs, common responses dealt with the presence or availability of a nice building or storefront, or the low cost of rents in the downtown area. Three entrepreneurs listed an individual motivation as being more important, like being close to family and native ties. Only one entrepreneur saw formal networks as being the most important factor (a “Main Street” development agency, in this case). Overall, social ecological motivators outnumbered individual motivators 39 to 3.

The above data represent the single most important reasons entrepreneurs chose their current locations, but surely there must be other reasons why these downtown locations were attractive. For this reason, entrepreneurs were asked what other features of the town were important to their location decision, in their own words. The same four-category classification scheme used above was also used here. Entrepreneurs gave between zero and four additional reasons here. The frequency of the total categorized responses across the entire sample was calculated, and the results are below in Chart 6.2.
These “other reasons” were similar to the primary motivators. *Physical attributes* were listed as other important reasons a total of 35 times, with *social networks* nearly even, being mentioned a total of 34 times. Individual motivations (like family, nativity, personal initiative) were mentioned a total of 11 times, and formal institutions (Chambers of Commerce, local development agencies) were mentioned a total of 6 times. Overall, *social ecology* motivators outnumbered *individualist* motivators 75 to 11.

**Which Motivating Factors Also Helped With Business Retention**

It was initially suggested that the factors that lead entrepreneurs to locate in the downtown area may have little bearing on the motivational factors that help them to stay in business. Factors that were important in *attracting* an
entrepreneur to the area may be different from factors that are important to keeping the entrepreneurs in business. To assess this attraction-vs.-retention question, entrepreneurs were asked to list the most important factors of their business location that help them to stay in business day-to-day. Responses were categorized using the same scheme as above. The results are detailed below in Chart 6.3.

![Chart 6.3: Frequency of Categorized Responses for Retention Motivators Given by Sample Entrepreneurs](chart)

Compared to the motivating factors for attraction, the total responses dropped from 86 to 60, individualist motivators increased from 11 to 13, formal institution motivators dropped slightly from 6 to 5, social network motivators dropped from 35 to 32, and physical attribute motivators dropped below the level of individual motivators, from 34 to 10. Looked at another way, one can combine the primary motivators for attraction with other motivators of attraction,
and compare the percent change (of total responses) for each category. This can be seen in Chart 6.4.

![Chart 6.4: Percent Change of Motivator Responses - From Attraction to Retention - By Category](chart)

According to the chart, the frequencies of individualist and social network motivations cited for business retention (as a percentage of total responses for business retention) were 10.7% and 9.6% higher, respectively, than their frequencies for business attraction. Formal institution motivations were given only slightly more frequently for retention than they were for attraction (2.9% higher). The frequency of physical attributes was far less commonly cited for business retention as it was for attraction. Overall, social ecology motivations still outnumbered individualist motivations 47 to 13.

It should be noted that several entrepreneurs (N = 8) gave no motivating factors for business retention. These eight entrepreneurs, when asked what it
was about their location that helped them to stay in business, had a similar comeback. “There is nothing about this town that helps me to stay in business,” said one restaurant owner. Similar pessimism was reflected across all eight entrepreneurs who abstained from answering this question. One entrepreneur abstained from answering this question because his business had not opened yet.

Using Scale Items To Assess The Importance of Motivational Factors

While the above data convey some compelling evidence about what motivated entrepreneurs to locate their business in their current non-metro community, and what it is about that community that helps them to stay there, it was mentioned earlier in the report that the entrepreneurs may have forgotten or neglected to consider other factors that were important at the time. An oral survey of twenty-two scale items representing motivations from each of the four categories was administered in order to “jog the entrepreneur’s memory,” picking up any features of the community or the individual that may have been important to the entrepreneur, but neglected in the open-ended part of the interview. These scale items were administered by asking entrepreneurs to rate their importance to both the location decision and business retention on a 1-to-10 scale. This scale was intended to be easy for entrepreneurs to understand in an oral interview. The interview protocol can be found in the Appendix.
Using an interval scale to examine potential motivational factors from all four broad categories also permits the data to be analyzed arithmetically to establish relative importance. In other words, which of these potential motivational factors were, on average, more important to entrepreneurs in the sample. All four broad categories of potential motivational factors were represented in the interview, as seen in Table 6.2.

**Table 6.2: Twenty-Two Potential Motivational Factors (Scale Items) by Category**

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

Each of the 42 entrepreneurs interviewed gave one response to each of the 22 scale-item questions, for a total of 924 responses. One way to examine this data is to see how many times a particular category of motivators was given a “10,” how many times a “9,” and so on. To examine this absolute rating of the motivational factors to each entrepreneur, the frequency of ratings obtained from the scale-item motivations can be compared by category. Scale-items were grouped into categories, and the frequency of each rating (1 through 10) was measured for each category. The mean of each category ([frequency of response] / [total responses]) is reported, and an ANOVA analysis was conducted to ensure significance of the model. These results can be found in Table 6.3.
Table 6.3: Frequency Analysis of Scale-Items by Category

<table>
<thead>
<tr>
<th>Rating</th>
<th>Attraction</th>
<th></th>
<th></th>
<th></th>
<th>Retention</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual</td>
<td>Formal Institution</td>
<td>Social Network</td>
<td>Physical Attribute</td>
<td>Individual</td>
<td>Formal Institution</td>
<td>Social Network</td>
<td>Physical Attribute</td>
</tr>
<tr>
<td># Scale Items</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>32</td>
<td>32</td>
<td>65</td>
<td>46</td>
<td>37</td>
<td>35</td>
<td>69</td>
<td>49</td>
</tr>
<tr>
<td>9</td>
<td>11</td>
<td>10</td>
<td>13</td>
<td>11</td>
<td>12</td>
<td>9</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>13</td>
<td>17</td>
<td>25</td>
<td>23</td>
<td>14</td>
<td>23</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>7</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>21</td>
<td>9</td>
<td>15</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>12</td>
<td>8</td>
<td>15</td>
<td>4</td>
<td>8</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>8</td>
<td>24</td>
<td>23</td>
<td>18</td>
<td>13</td>
<td>28</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>5</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>17</td>
<td>10</td>
<td>6</td>
<td>6</td>
<td>11</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>11</td>
<td>9</td>
<td>7</td>
<td>4</td>
<td>14</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>1</td>
<td>69</td>
<td>110</td>
<td>119</td>
<td>59</td>
<td>63</td>
<td>95</td>
<td>95</td>
<td>52</td>
</tr>
</tbody>
</table>

Mean Rating

<table>
<thead>
<tr>
<th>Attraction</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.76</td>
<td>4.12</td>
</tr>
<tr>
<td>4.84</td>
<td>5.60</td>
</tr>
<tr>
<td>5.12</td>
<td>4.46</td>
</tr>
<tr>
<td>5.44</td>
<td>5.91</td>
</tr>
</tbody>
</table>

F-Statistic

<table>
<thead>
<tr>
<th>Attraction</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.17**</td>
<td>5.94***</td>
</tr>
<tr>
<td>25.96***</td>
<td>20.41***</td>
</tr>
<tr>
<td>6.48***</td>
<td>8.45***</td>
</tr>
<tr>
<td>26.67***</td>
<td>18.66***</td>
</tr>
</tbody>
</table>

** p < 0.01  d.f. = 41.1
*** p < 0.001  d.f. = 40.1

It can be seen from the above data that “1” was the most frequently reported answer across all categories, indicating that there were several items in each that were not important at all to the entrepreneur in the location decision, or in keeping his or her doors open. This is to be expected since it was unlikely that all 22 scale-items would have played an important role. “10” was the next most frequent response, reflecting the tendency of many entrepreneurs to give answers at the extremes of the scale. These “10s” represent motivational factors that were crucial to either the location decision or remaining open. The
remainder of responses were more or less evenly distributed across the other ratings, 2-9, with slightly higher frequencies at the midpoint ("5") and at "3."

To compare categories, the arithmetic means of the ratings given by entrepreneurs for each category were calculated. In both the case of attraction and retention, physical attribute scale-items were given the highest absolute ratings, followed by social network, individual, and formal institution scale-items, respectively. Charts 6.5 and 6.6 below show the remarkably similar patterns between attraction and retention data.
Overall, mean ratings for retention items were higher as a whole. An ANOVA analysis was conducted on each category and the total model to ensure that entrepreneur responses were not random scatter (due to chance). All categories and the total model were significant at the $p < 0.001$ level, except for the *individualist* category for business attraction, which was still significant at the $p < 0.01$ level.

**Comparison of Relative Scale Item Ratings**

Suppose one wishes to know if one motivational factor is more important than another in the classification scheme. One can examine the relative importance of each item on the scale using a simple standardization scheme. The 10-point interval scale allows us to determine which of the surveyed factors
were relatively more important to the entrepreneur than others. A 10 is relatively higher than a 6, which is relatively higher than a 4. However, making this distinction is impossible across entrepreneurs. A 6 might be high to one entrepreneur, but a low value to another. Some entrepreneurs scored their responses uniformly high or low (high skewness), concentrated around one value (high kurtosis), spread very evenly apart (low kurtosis), or tending toward extreme values (u-curve). These biases can be eliminated by measuring the responses in terms of standardized units, i.e., standard deviations from the mean response. The Z score tells us, in units that can be compared, relatively how much higher or lower than the mean each item was scored. The Z score always returns a data set with a mean of 0 and a standard deviation of 1. Items can be standardized using the following equation:

\[ Z = \frac{X - \mu}{\sigma} \]

Where \( Z \) is the normalized (standardized to the mean) value being sought, \( X \) is the absolute, raw score given by the entrepreneur, \( \mu \) is the mean of scores for each entrepreneur on all 22 items, and \( \sigma \) is the standard deviation of the distribution of items (Gravetter and Wallnau, 2000).

Once the normalized score has been obtained for each entrepreneur, it can be compared by item across entrepreneurs. The sum of all \( Z \) values for each
item can be averaged by dividing them by the total number of items in the sample:

\[ Z_{\text{avg}} = \frac{\Sigma Z}{n} \]

Now the average number of standard deviations above or below the mean for that item in the scale is known. Once \( Z_{\text{avg}} \) is obtained, these values can be ranked. Those items with a high positive \( Z \) score were, on average, relatively more important to the aggregate of entrepreneurs than the mean score for all entrepreneurs. Those items with a low negative \( Z \) score were, on average, relatively less important to the aggregate of entrepreneurs than the mean score for all entrepreneurs. Those items with a \( Z \) score close to 0 were, on average, neither particularly important nor unimportant to the entrepreneurs in the aggregate. The ranking of \( Z_{\text{avg}} \) scores can tell us which items were scored high, neutral, and low on average. One can also examine the variances to determine which items had high levels of agreement.

**Attraction Motivator Scale Items**

The above analytical scheme can be used to examine how entrepreneurs ranked the scale items in terms of how important these items were to them when choosing their current business location. The ranking of \( Z_{\text{avg}} \) scores can be found in Table 6.4.
Table 6.4: Attraction Motivator Item Ranking by Average Z Score (With Variance, Category)
SN = Social Network, PA = Physical Attribute, FI = Formal Institution, I = Individualist

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

As can be seen from the table, the four highest-ranking items (those with the highest $Z_{avg}$ scores) were part of either the social network or physical attribute categories. These top four had a $Z_{avg}$ score of 0.48 or above.

The highest ranking item was the presence of a good customer base, or in the case of business attraction, the recognition that a customer base existed in the
town that needed the product or service being offered (SN). This item was scored, on average 1.03 standard deviations above the mean response for entrepreneurs, and it had the fourth lowest variance of any item (7.72) indicating that there was fairly strong agreement across entrepreneurs in the sample on this item. A strong, existing customer base and sense of customer opportunity was exceptionally important to the entrepreneurs in the sample. A low cost of doing business (PA), attractive central business district (PA), and nearby small businesses were the next highest-ranking group of items, with $Z_{avg}$ scores between 0.48 and 0.69, with variances between 9.66 and 10.49. These items were also very important to most of the entrepreneurs in the sample.

The next group of items all had $Z_{avg}$ scores between 0.17 and 0.34, representing items that were somewhat important to entrepreneurs, although not nearly as important as the customer base, low cost of doing business, an attractive central business district, and other small businesses in the area. These variables were (in order) the attractiveness of the physical setting of the town (PA), roads and highways to other towns (PA), the town as a good place to raise children (I), the presence of community banks and lending institutions (FI), friends and family who were not part of the local small business community (I), and the presence of a highly-educated workforce (SN). This group of items includes the highest-ranking individualist items, as well as the highest-ranking
formal institution item. Variances were between 9.60 (physical setting) and 15.57 (raising children). In the case of raising children, the entrepreneurs held widely differing opinions on this item whether or not they had children.

The next group had $Z_{avg}$ scores between 0 and -0.11, representing a relatively neutral stance by the entrepreneurs. These items were, from highest to lowest rank, wanting to live or work in a town like this (I), proximity to another specific enterprise (SN), the presence of a local development agency (FI), an active Chamber of Commerce (FI), and having friends or family with a small business in the community (SN). These items had variances between 12.04 and 13.94, illustrating some disagreement between the entrepreneurs on these items.

The next group had $Z_{avg}$ scores between -0.41 and -0.57, and can be interpreted as somewhat unimportant in aggregate to the location decision for entrepreneurs in the sample. These items were, in order from highest rank to lowest, the presence of business clubs and associations (FI), being native to the area (I), the local tax structure (FI), local government incentives (FI), and friends in business clubs and associations (SN). Variances for this group were slightly lower, between 5.65 for the local tax structure and 10.14 for local government incentives, showing higher agreement among the entrepreneurs in the sample on these items.
The last group represents items that had very low $Z_{avg}$ that can be interpreted as being very unimportant in aggregate to the entrepreneurs in the sample in their location decision. The least important items were the presence of air, bus, and train connections (PA) with a $Z_{avg}$ score of -0.81, and lastly having friends or family in the local government (SN) with a $Z_{avg}$ score of -0.87. The variances were 6.97 for air, bus, and train connections and 4.55 for friends and family in the local government, showing that there was high agreement among these items.

In summary, a mix of social ecological factors (social networks and physical attributes of place) were ranked, on average, the most important to entrepreneurs in their location decision. These factors had high agreement among entrepreneurs. A mix of factors from all four categories were ranked, on average, the least important to entrepreneurs in their location decision, and also had high agreement among entrepreneurs. Factors that were neutral (toward the middle of the scale) included items from all four categories and had high variance, indicating that some entrepreneurs ranked these items high, some low, and there was less agreement across the sample.
Retention Motivator Scale Items

The rankings for business retention were slightly different than those reported for business attraction. Using the same schema provided in the previous section, the $Z_{avg}$ scores for business retention were as shown in Table 6.5.

Table 6.5: Retention Motivator Item Ranking by Average $Z$ Score

(With Variance, Category)

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

<table>
<thead>
<tr>
<th>Item</th>
<th>$Z_{avg}$</th>
<th>Variance</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Base/Opportunity</td>
<td>0.833</td>
<td>6.456</td>
<td>SN</td>
</tr>
<tr>
<td>Low Cost of Doing Business</td>
<td>0.550</td>
<td>10.224</td>
<td>PA</td>
</tr>
<tr>
<td>Attractive CBD</td>
<td>0.459</td>
<td>7.654</td>
<td>PA</td>
</tr>
<tr>
<td>Small Businesses Nearby</td>
<td>0.364</td>
<td>6.780</td>
<td>SN</td>
</tr>
<tr>
<td>Physical Setting</td>
<td>0.243</td>
<td>10.005</td>
<td>PA</td>
</tr>
<tr>
<td>Roads/Highways to Other Towns</td>
<td>0.182</td>
<td>11.124</td>
<td>PA</td>
</tr>
<tr>
<td>Community Banks</td>
<td>0.139</td>
<td>10.406</td>
<td>FI</td>
</tr>
<tr>
<td>Raising Children Here</td>
<td>0.132</td>
<td>15.638</td>
<td>I</td>
</tr>
<tr>
<td>Non-Business Friends/Family</td>
<td>0.112</td>
<td>14.026</td>
<td>I</td>
</tr>
<tr>
<td>Highly-Educated Workforce</td>
<td>0.035</td>
<td>13.988</td>
<td>SN</td>
</tr>
<tr>
<td>Wanting to Live/Work Here</td>
<td>-0.070</td>
<td>13.305</td>
<td>I</td>
</tr>
<tr>
<td>Proximity to Another Enterprise</td>
<td>-0.078</td>
<td>13.510</td>
<td>SN</td>
</tr>
<tr>
<td>C of C</td>
<td>-0.151</td>
<td>12.350</td>
<td>FI</td>
</tr>
<tr>
<td>Friend with a Small Business</td>
<td>-0.160</td>
<td>10.378</td>
<td>SN</td>
</tr>
<tr>
<td>Local Development Agency</td>
<td>-0.210</td>
<td>14.248</td>
<td>FI</td>
</tr>
<tr>
<td>Business Club/Association</td>
<td>-0.527</td>
<td>10.961</td>
<td>FI</td>
</tr>
<tr>
<td>Local Taxes</td>
<td>-0.588</td>
<td>6.945</td>
<td>FI</td>
</tr>
<tr>
<td>Native to Area</td>
<td>-0.589</td>
<td>10.178</td>
<td>I</td>
</tr>
<tr>
<td>Friends in Business Clubs</td>
<td>-0.680</td>
<td>9.800</td>
<td>SN</td>
</tr>
<tr>
<td>Local Incentives</td>
<td>-0.722</td>
<td>8.938</td>
<td>FI</td>
</tr>
<tr>
<td>Air, Bus, Train Connections</td>
<td>-0.943</td>
<td>8.455</td>
<td>PA</td>
</tr>
<tr>
<td>Friends in Government</td>
<td>-0.988</td>
<td>7.652</td>
<td>SN</td>
</tr>
</tbody>
</table>
The four highest-ranked categories for business retention were identical to those for business attraction. In order from highest to lowest, these were the presence of a customer base or market opportunity (SN), low cost of doing business (PA), an attractive central business district (PA), and having other small businesses nearby (SN). These had slightly lower Zavg scores for business retention than for business attraction, with values between 0.83 and 0.36, and a wider range of variances, with values between 6.45 and 10.22. The presence of a customer base or market opportunity, an attractive central business district, and having other small businesses nearby had the lowest variances of this group, demonstrating high agreement among entrepreneurs on these items. The physical setting of the town (PA), roads and highways to other towns (PA), the presence of community banks and lending institutions (FI), raising children in the community (I), and the presence of family and friends who are not part of the small business community (I) were somewhat important to the entrepreneurs, with Zavg scores between 0.24 and 0.11. These items had much higher variance and less agreement among entrepreneurs, with values between 10.00 and 15.64.

The presence of a highly-educated workforce (SN), always wanting to live or work in the town (I), and proximity to another specific enterprise (SN) returned relatively neutral Zavg scores by the entrepreneurs, with values between
0.03 and -0.08. Variances were high, between 13.30 and 13.99, showing disagreement among entrepreneurs on these items.

An active Chamber of Commerce (FI), friends who also own small businesses in the town (SN), and the presence of a local development agency (FI) were all somewhat unimportant to entrepreneurial business retention in the sample, with $Z_{avg}$ values between -0.15 and -0.21. These items had variances between 10.38 and 14.25, showing some disagreement among entrepreneurs on these items.

The lowest-ranking items for business retention were, in order, the presence of business clubs and associations (FI), the local tax structure (FI), having grown up in the area (I), friends in business clubs and associations (SN), local government incentives (FI), air, bus, and train connections (PA), and friends and family in the local government (SN). These items all had $Z_{avg}$ scores between -0.53 and -0.99, and variances between 6.95 and 10.96, showing greater agreement among entrepreneurs for these items.

To examine the differences between the $Z_{avg}$ scores for attraction and retention, the absolute change in $Z_{avg}$ scores between attraction and retention items can be analyzed. These changes can be found in Table 6.6.
Table 6.6: Changes in Motivator Scale Items from Attraction to Retention (with Category)

<table>
<thead>
<tr>
<th>Item</th>
<th>Attraction Zavg</th>
<th>Retention Zavg</th>
<th>Change</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raising Children Here</td>
<td>0.341</td>
<td>0.132</td>
<td>-0.209</td>
<td>I</td>
</tr>
<tr>
<td>Local Incentives</td>
<td>-0.515</td>
<td>-0.722</td>
<td>-0.207</td>
<td>Fi</td>
</tr>
<tr>
<td>Customer Base/Opportunity</td>
<td>1.030</td>
<td>0.833</td>
<td>-0.197</td>
<td>SN</td>
</tr>
<tr>
<td>Roads/Highways to Other Towns</td>
<td>0.342</td>
<td>0.182</td>
<td>-0.160</td>
<td>PA</td>
</tr>
<tr>
<td>Community Banks</td>
<td>0.291</td>
<td>0.139</td>
<td>-0.152</td>
<td>Fi</td>
</tr>
<tr>
<td>Low Cost of Doing Business</td>
<td>0.690</td>
<td>0.550</td>
<td>-0.140</td>
<td>PA</td>
</tr>
<tr>
<td>Non-Business Friends/Family</td>
<td>0.251</td>
<td>0.111</td>
<td>-0.140</td>
<td>I</td>
</tr>
<tr>
<td>Native to Area</td>
<td>-0.452</td>
<td>-0.589</td>
<td>-0.137</td>
<td>I</td>
</tr>
<tr>
<td>Highly-Educated Workforce</td>
<td>0.169</td>
<td>0.035</td>
<td>-0.134</td>
<td>SN</td>
</tr>
<tr>
<td>Air, Bus, Train Connections</td>
<td>-0.809</td>
<td>-0.943</td>
<td>-0.134</td>
<td>PA</td>
</tr>
<tr>
<td>Local Development Agency</td>
<td>-0.081</td>
<td>-0.210</td>
<td>-0.129</td>
<td>Fi</td>
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<tr>
<td>Friends in Government</td>
<td>-0.871</td>
<td>-0.988</td>
<td>-0.117</td>
<td>SN</td>
</tr>
<tr>
<td>Small Businesses Nearby</td>
<td>0.480</td>
<td>0.364</td>
<td>-0.116</td>
<td>SN</td>
</tr>
<tr>
<td>Business Club/Association</td>
<td>-0.413</td>
<td>-0.527</td>
<td>-0.114</td>
<td>Fi</td>
</tr>
<tr>
<td>Friends in Business Clubs</td>
<td>-0.568</td>
<td>-0.680</td>
<td>-0.112</td>
<td>SN</td>
</tr>
<tr>
<td>Physical Setting</td>
<td>0.345</td>
<td>0.243</td>
<td>-0.102</td>
<td>PA</td>
</tr>
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<td>Local Taxes</td>
<td>-0.497</td>
<td>-0.588</td>
<td>-0.091</td>
<td>Fi</td>
</tr>
<tr>
<td>Attractive CBD</td>
<td>0.541</td>
<td>0.459</td>
<td>-0.082</td>
<td>PA</td>
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<tr>
<td>Wanting to Live/Work Here</td>
<td>0.004</td>
<td>-0.069</td>
<td>-0.073</td>
<td>I</td>
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<tr>
<td>C of C</td>
<td>-0.095</td>
<td>-0.151</td>
<td>-0.056</td>
<td>Fi</td>
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<tr>
<td>Friend with a Small Business</td>
<td>-0.118</td>
<td>-0.160</td>
<td>-0.042</td>
<td>SN</td>
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<tr>
<td>Proximity to Another Enterprise</td>
<td>-0.068</td>
<td>-0.078</td>
<td>-0.010</td>
<td>SN</td>
</tr>
</tbody>
</table>

One of the great surprises of this research is that, in the aggregate, every factor declined in importance between the entrepreneur’s decision to locate in their community and the influence of these factors on current business retention. This is due to the fact that the mean scores given by the entrepreneurs for each factor were lower for retention than for attraction, while the standard deviations
were higher (less agreement). However, some factors declined only slightly in importance, while others declined by a large margin. Raising children in the community (I), local government incentives (FI), and the local customer base and market opportunities (SN) declined by approximately 0.20 $Z_{\text{avg}}$ points, indicating that these factors were far more important to the entrepreneurs when selecting their business location, but much less important to the entrepreneurs in keeping their businesses going. It should be noted that although the presence of a local customer base and market opportunity declined by nearly 0.20 points, it was still the most important factor to entrepreneurs in business retention, although by a lesser margin. The physical setting and atmosphere of the town (PA), the local tax structure (FI), an attractive central business district (PA), always wanting to live and work in a community like this (I), an active Chamber of Commerce (FI), friends who were also small business owners in the community (SN), and proximity to another specific enterprise (SN) all underwent changes of approximately 0.10 points or less. These items had roughly the same importance to the entrepreneurs’ ability to keep their doors open as it did when the entrepreneur chose the business location in the first place. It should be noted that there is no clear pattern between the change in $Z_{\text{avg}}$ score and the category of the item response; all four categories had items that changed significantly between the two measurements, and others that changed very little.
Chapter VII – The Qualitative Context of the Data

As mentioned at the beginning of Chapter V, Mills (1959) states that biography, history, and society are the proper coordinates of the study of man. In other words, a close look at the historical and biographical context of the data helps to explain societal phenomena more richly. If the community economic profiles provided the history and backdrop of the society being studied, this section serves as the biographical context within which the society, and the data, happen. This section explains why the entrepreneurs in the sample answered questions the way they did, and explains the data more thoroughly than a simple analysis of the numbers. One gets a better understanding of what excited these entrepreneurs about locating in a small, Pennsylvania town, and of the realities of small town entrepreneurial life. The entrepreneurs also reveal ways that my techniques could be made stronger in future research endeavors by discussing hidden rationale about their decision-making process that were not evident in the literature. What follows, then, is the story of the data, the story of how forty-two entrepreneurs came to start businesses in small town Pennsylvania. This story is broken down into responses pertaining to the four motivational categories elaborated throughout the document, and sub-topics within each category.
Social Networks

In the quantitative data, social network motivators were identified as being very important to the location decision for entrepreneurs in the sample. Social network motivators were most commonly cited for business retention purposes, and it became clear in the quantitative data that some social network motivators (customer base, opportunity, small business community) were more important than others (friends who own a small business, proximity to another specific enterprise, friends and family in business clubs and associations). This section is intended to illustrate why social networks were so important to the entrepreneurs in the sample.

Customer Base/Need/Opportunity

In scale item analysis, the single most important motivational factor was the presence of a strong customer base, or an opportunity that presented itself because of a customer need. If necessity is the mother of invention, then it is also the stuff that seems to drive entrepreneurship in Pennsylvania’s non-metro cities and boroughs. “We make everything from scratch in this place,” said one coffee shop owner. “‘Buy Local’ and ‘Buy Fresh’ are huge in this area.”

“Build it and they will come,” said a local grocer. “That’s how we did so well… the locals wanted to see [this building] put to its original use as a market.”

“This place is great for business reasons. Lots of opportunity,” said a
clothing boutique owner, referring to the lack of clothing boutiques in town.

A lifestyle store\(^5\) owner quipped, “Somebody needs to provide products for all these newcomers from the East Coast.” The urban influence on small Pennsylvania towns was noticeable, as storefronts are increasingly transformed to look more like minimalist, glass-and-metal-fronted boutiques (similar to what can be seen in New York City boutiques regularly).

Some entrepreneurs cater to entire segments of the population. “There was no discount [business like mine] in [this town],” said one entrepreneur. “I saw an ad for commercial property in a New Jersey paper, and I came out right away to buy this ugly building. Now, all the ‘regular’ people, the normal folks trying to save a buck, they come to my store. There’s rich and poor and no in-between here, just a giant wealth gap.”

“I do what I do for the community, because they need my services. You don’t have any other choice. If you do [business] for yourself, you will fail,” said another entrepreneur.

“I make every effort to serve the needs of the customer,” said a coffee shop owner, “You treat them like they’re coming into your home.”

However, the community does not always respond to the presence of

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\(^5\) This unique boutique was called a “lifestyle store” by its owner. It sells urban-style furniture and home décor, modern bath and body products like scented candles and incense, and exotic food products like fine teas and candies. There were dozens of other pieces of household bric-a-brac and antiques as well.
niche concepts. “I sell most of my wares at festivals,” said a local artisan.

“[People in my town] aren’t buying much... I’m breaking even. Besides me, people here aren’t motivated, they’re just providing services for the county seat.”

Lack of variety was identified by many entrepreneurs as a small town problem, and a source of opportunity. “I wanted to give [my town] a great place to eat, with a trained staff, great presentation and décor – parsley on the platter goes a long way,” explained one entrepreneur. “I wanted more restaurants to open here, there wasn’t enough variety, too many sub and pizza shops for the college kids. No Chinese or Indian restaurants. The lack of variety was depressing.”

“There is a creative drought in this town,” another entrepreneur explains. “One thing I really see going wrong in this area: When a business succeeds, lots of follow-ons pop up that saturate the market. That’s why it’s so important to be the first to fill a need.” When asked to explain the creative drought further, the entrepreneur explained, “There are mimickers everywhere. It dilutes the market to the point where nobody makes money. For example, people get mad at their boss at the local tool and die company, so they start their own tool and die using the identical model, and go bankrupt. No wonder we have such a bad reputation for bankruptcy here!”

Once the local need has been addressed, a sustained customer base is the
critical ingredient to business success, and social reinforcement of the business’s importance to the local community. “I have great customers,” says one entrepreneur. “Some become employees.”

Word usually spreads quickly about new businesses and their perceived quality in the community. “Word-of-mouth is the best advertising there is,” said a clothing boutique owner.

Many consumers believe in buying locally and supporting the local business community. “The university community here is made of foodies,” said a local organic grocer. “This place has local flavor in its food, and our concept is local value-added products. The college people and white collar workers come here every Saturday. And we send them a ‘sustainable eating’ newsletter with recipes featuring local products.”

“People in this town really make an effort to shop locally and support small businesses,” said the owner of a framing store.

“I find people saying, ‘I’ll buy from you, because you’re local,’” said another entrepreneur. “‘You’re someone I can talk to.’ Otherwise, it’s the same customer base as anywhere.”

Local customers can be fickle, however. “This town is too small not to please your customer base,” said one entrepreneur. “If you make mistakes in this town by giving [the customers] poor quality, you’ll be run right out in a
hurry.”

Many businesses chose their current location simply because there were always people on the street walking around, creating a psychology of success and prosperity. “I love the pedestrian traffic here,” said a furniture store owner, “and the visibility. Destination businesses tend to fail.”

“The pedestrian traffic in this location is very good,” said the owner of a tattoo parlor. “50% of our business is spur-of-the-moment passers-by coming in for a tattoo, so we’re more pedestrian-oriented here.”

To summarize the importance of the customer base to this research question, entrepreneurs felt that it was extremely important to locate in their community to serve an underserved client base with distinct needs, or because they were lured by the presence of pedestrian and automobile traffic. This factor is clearly social ecological because it involves customer networks for business defined by the place rather than personal motivations to locate in an area.

The Small Business Community

The second most important social networking factor was the presence of other small businesses in the immediate neighborhood. A collection of entrepreneurs in a small geographic area (provided they communicate) creates the sense of a small business community: a dense system of networks that
entrepreneurs can rely on for advice, cross-promotion, and collective action. “All the female entrepreneurs in this neighborhood, we formed our own informal organization. People call us the [Chadwick Street] Chicks,” quipped one entrepreneur (the actual name of the street has been substituted). “We run our own joint advertising and promotions, and we team up so the customers can go window shopping. That means not having a blank window next door.”

This entrepreneur believes her small business networks are crucial to collective action and survival. “We only have strength if we pool our resources.”

“Downtown businesses help each other out with word-of-mouth advertising,” remarked a clothing store owner. “We take care of each other. It wasn’t important to me when I opened up, but it sure is now.”

Another entrepreneur in the same community echoed these sentiments about the small business community. “Social networks among individual entrepreneurs, all investing against the odds together, is absolutely what made the difference here. [A large factory] protected [our town] from the Great Depression, which led to a big class divide. It was the ‘just get by, don’t strive’ attitude, versus the ‘pro-business’ attitude most of the entrepreneurs here share.”

When asked how the entrepreneurs collaborate, this small business owner added, “We’re being pro-active about it! Communications between businesses is just beginning. We’ve started a website so that local entrepreneurs can get together
and start talking to one another. The biggest challenge is getting e-mail addresses. But we think that communication, and having a cohesive group, are crucial for the downtown area to grow.”

“The nice thing about having a small business community downtown is that we help each-other with similar problems,” said yet another entrepreneur.

“80% of the businesses do fail here,” said a coffee shop owner. “Social networks are so crucial to a small business’s success.”

“Other restaurants seem to bring more people to town, rather than competing with them,” said a new restauranteur.

A candy maker said, “Local restaurants buy our candy.”

“I’d give this one a ‘12’ if possible,” said a computer technician. “[Small businesses] are my customer base!”

“Businesses attract each other!” exclaimed a clothing boutique owner.

“The more the merrier,” said a clothing store owner. “The more businesses, the more traffic.”

“I like the fact that I’m getting neighbors,” said a non-native entrepreneur. “I’m promoting my neighbors, they’re promoting me. In fact, I’m developing synergies with a contiguous restaurant. Go get dinner there, come here for coffee and desert afterwards. Initially, I didn’t want that... but now I’m really encouraging it.”
“There are too many empty storefronts, and it drives me crazy,” said a non-native artisan. “People need to get motivated. The antique store next door draws business, when it’s open, so getting these places filled can really help businesses if people would just give it a try.”

“The more the merrier,” when it comes to restaurants, says a restauranteur. “Destination businesses bring people into the town, into the central business district.”

Some entrepreneurs invoked the names of towns they saw as being ideal due to their superior business diversity and networks. “New Hope is the only town in Pennsylvania that I think is successful,” said one entrepreneur. “It has everything you could ever want – great business diversity.”

“Asheville, NC is my idea of an ‘ideal’ downtown area,” said a boutique owner. “It’s a model of a good, working downtown.”

Only one entrepreneur cautioned about too much competition. “Businesses are entering at the expense of others. Development is killing local business.” Despite such concerns, however, the small business community seems to become especially important to entrepreneurs once they are already established as a means of survival in a challenging environment where promotion is difficult and business failure rates are high. An accretion of businesses indeed helps existing businesses as expected in the individualist model,
but it should be noted that in this sample, the accretion is often due to
entrepreneurs coming to the community from the outside as in the social ecology
model.

_A Highly-Educated Workforce_

A highly-educated workforce was deemed an important factor in the
location decision of the sample, but less so than customers and the small business
community. Some entrepreneurs do not require highly-trained employees,
while some are disgusted at what they perceive to be a low level of general
education in their town. Others see highly-educated workers as potential
customers with dispensable income.

“We need people with lots of technical knowledge, and so does my
husband [who owns a neighboring contracting business],” explains one
entrepreneur. “Education in your skill is really important when hiring
employees.”

“A highly-educated workforce is _very_ important in this business,” said the
partner of an accounting firm.

One entrepreneur was exasperated. “This _needs_ to be better,” she
complained. “I’ll take _any_ workforce, as long as they can speak and write,
which isn’t everyone. People here actually can’t speak or write!”

Others were downright pessimistic about the workforce. “We don’t have
[an educated workforce],” complained a manufacturer. “But we should. I’m getting people from [a nearby city] to work in my business. If I ever relocated, I would definitely look at the workforce quality.”

And some findings were simply bizarre. “We have a very prejudiced workforce,” said one entrepreneur, puzzlingly. “They’re prejudiced against minorities! That took some getting used to.” He sighed. “We had a lot of welfare recipients who came in here for a job. The problem there is that they usually quit within a few weeks, and go back on welfare. They’re not bad employees, but they’re not too motivated, at least not in my experience.”

Welfare was a recurring topic with some entrepreneurs in the sample. “People here are very poor, and poverty makes me very sad, it really does,” said one entrepreneur. “But here, I swear, people are trying to milk the [welfare] system.”

“Many employees have drug problems,” explains a restaurant owner with a sizeable staff. “Absentee business owners hire these folks to run the place, and they hire their friends. I’ve gone through 450 employees in the past four years. Hiring irresponsible folks is the biggest waste of my money I can imagine, it’s so hard to find good, well-educated people here.” He continued, “These employees want reassurance and training to build expertise, not an outlet for drug money. That’s one advantage big chains have over the little guys...
standardized training.”

An entrepreneur with a tech startup explained, “Everyone that had smarts left this town a long time ago. I mean, what are you gonna do around here?”

“[This town] has a great work ethic, but with a ‘plant’ mentality,” said a baker. “Workers punch in, punch out. Everything is systemized.”

“A highly educated workforce usually ends up being the customers with money,” said a clothing boutique owner.

Nonetheless, even businesses that were deemed risky, like a fancy restaurant in a working-class town, have enjoyed tremendous success and served as anchors for neighborhood transformation by attracting a highly-educated clientele. “They’re our best customers,” said an upscale restaurant owner. “I wanted to give them a real epicurean education and service by an outstanding staff. These folks are educated about our product offering, that’s what we appreciate here.”

Another entrepreneur in a different town takes a very different tack. “We tell mentally-disabled folks that they can make crafts and sell them here. It’s like a mini-charity, and their stuff is great.”

In many cases, high education is superfluous. “Customer service is more important than a highly-educated workforce,” said a gift shop owner in one town. “We have no college-graduate employees.”
“Lowes is about the best paying job around here, so why get educated?” mused a coffee shop owner. “We have hard-working, blue collar ethics around here.”

And finally, lack of a highly-educated workforce has been cited for poor entrepreneurship. “Access to higher education is tough here,” said an entrepreneur. “Copycat businesses are the result of low education. Nobody has the know-how or foresight to start an original concept. Education needs to improve.”

The consensus seems to be that a highly educated workforce is an important and desirable feature in these towns, but currently most individuals are not as highly educated as they are elsewhere in the state, and this is an area where these localities need to improve. Highly educated workers are good employees, and educated customers too. Recall from Chapter IV that all of the research sites with the exception of Indiana, Bloomsburg, and Meadville had bachelors degree attainment rates well below the state average.

**Being Close to Another Specific Enterprise**

Being close to another specific enterprise, like a supplier, client, or related business, was not as important to the entrepreneurs in this sample for attraction or retention purposes. A few entrepreneurs did locate close to another enterprise to improve their business concept, however. “We piggy-backed our
business off of the business from the grocery store next door!” remarked a video store owner.

“The [new theatre] next door drives foot traffic, which is better for everyone, and we see a slight increase in business when they do a show there,” said an upscale restauranteur. By and large, however, this motivational factor was rarely mentioned.

Friends and Family in Local Government

Friends and family in local government were ranked unimportant for both business attraction and retention in the sample. Virtually none of the entrepreneurs in the sample were friends or were related to someone in the local government. The very low ranking makes this particular sub-category somewhat of an outlier, suggesting that motivational factors related to government might be isolated into their own category in future studies. Other government-based motivators, such as local taxes and government incentives, also ranked very low in contrast to other formal institutions. This tendency reveals somewhat of a “distrust” or “dislike” of local government that will be discussed later in this section.

Advertising Outlets

Advertising was not considered in the original interview scheme, but it was mentioned by a handful of entrepreneurs. I place advertising outlets under
social networks because they are usually provided by other businesses. Evidently, sufficient outlets for advertising and promotion are in short supply in Pennsylvania’s smaller cities and boroughs. “Lack of good marketing is the number one critical impediment in small towns,” remarked an independent local developer. “The newspaper is the easiest place to advertise right now… otherwise, there isn’t much.”

“An open sign on the door… that’s advertising in [my town],” said a franchise owner.

“The city doesn’t advertise my side of town,” grumbled one entrepreneur.

One baker was very pro-active about local advertising. “My wife and I are spearheading a campaign to get [our town] maps with categorized business listings.”

Another entrepreneur made the best use of the outlets available to him. “I tried advertising,” said a computer repair service owner. “It’s simple, inexpensive. The phone book works best, word-of-mouth too… reputation in this area is a big deal. I tried Christian radio too, but that didn’t work too well for the money.”

**Cultural Prejudice**

In one town, it was mentioned by more than one entrepreneur that a culture of prejudice and stubbornness pervaded local society, and part of this
prejudice included bias against new businesses. It is not my intention to belabor this point, but prejudice can exist, and may potentially be a variable worth examining in future research efforts. Prejudice against entrepreneurs or minority entrepreneurs, if it is evident, would certainly affect business attraction.

**College Town**

Upon entering most college towns, it was expected that the college or university would be a major factor in the location decisions of entrepreneurs there, and a major provider of student customers. Surprisingly, colleges were rarely mentioned as having any effect on the business. In late August interviews, several entrepreneurs in college towns even seemed perturbed at the thought of the student population returning. “Town and gown don’t really interact,” said one entrepreneur, “they get in their car and go to Wal-Mart. And college coupon booklets and information pamphlets only feature national chains... none of them are downtown.” Ever optimistic, this entrepreneur replied, “We’re still really trying to get in that book, though.”

“There’s youth, education, a young environment, ideas here,” said another entrepreneur from the same town.

“There’s been a student housing boom on our main street,” said an entrepreneur. “Kids have more money for luxury dwellings these days, there’s a lot of money in student housing. It affects local businesses, too. It keeps all
the sub and pizza shops in business. There are too many sub shops in this town. And these kids are the main customers of Wal-Mart and Starbucks. Older people won’t go to Starbucks with all the kids around."

It was anticipated that the “typical Pennsylvania college town” would have a high degree of entrepreneurs who located there specifically to be close to the college. However, for entrepreneurs in these places, the role of the college was deemphasized, while other social network factors remained strong.

Physical Attributes

In the quantitative data listed above, it was found that physical attributes were often mentioned as being very important to the location decision. However, as the business became established, the physical attributes of the town became much less important for business retention, even less than individual motivators. The physical aspects of place, including the setting, infrastructure, and atmosphere of the central business district, were very important attractors but have little bearing on business success. To established businesses, the attitude seems to be reflected in the phrase, “it’s nice, but not necessary.”

**Low Cost of Doing Business**

One of the greatest advantages to opening a business in a small town elaborated in the conceptual framework is the opportunity to open a business
with great access to infrastructure and customers “on the cheap.” Although most of the entrepreneurs agreed that the low startup costs of their business were among the most important factors to their location decision and continued success, most also disagreed with the notion that their business was, in fact, a low cost operation. I had to interject the term “compared to the big city” for most entrepreneurs as a referent. However, there was wide disagreement about what constituted low cost, which aspects of their operations were low cost, and whether a quality business could be started cheaply. Overall, the consensus was that opening the same business in a large city would have been impossible due to cost prohibitions. “Low cost is so important when you’re just starting out,” said a computer repairman.

“Low cost of doing business is huge,” said a boutique owner. “It’s much better here than in [Washington,] DC. This store would be $7,000/month there. It’s a fraction of that here. I think [entrepreneurs] are squandering the opportunity to come to this town. Why aren’t people lining up? There’s low cost, and opportunity.”

“The low cost here was a side-effect at first, not as important to me,” said an event planner. “But it would have been impossible to start this business in California, so I guess that makes low cost crucial.”

“The mall is so expensive,” said the owner of a skateboard shop. “It’s
much cheaper downtown. It costs a fortune to be out at the mall, and you have to stay open according to mall rules.”

A high-quality operation is often counter-intuitive to a low-cost business scheme, however. “Only the building is low cost if you’re doing things right,” said one entrepreneur. “Doing a quality business is expensive no matter what. But cheap real estate helps.”

Another entrepreneur echoed these sentiments, “There is no low cost if you put quality into your work. Period.”

“We were blind-sided by a lot of hidden costs,” explained a baker. “Especially when you get used baking equipment when you’re first getting started, it breaks down a lot, and that’s expensive. We’re a high-cost operation.”

“There is no low cost... we have unions here,” said an independent local developer. “They’re the best people to get the job done, but you gotta pay for it.”

The low cost of doing business meant different things to entrepreneurs in different towns. “Low cost for utilities was a bigger factor here,” said a clothing store owner.

“Well, the building was reasonable, the taxes are lower here than in the city,” said a coffee shop owner. “But the electric company charges $250-350 per
month for lights! Whatever your maximum kilowatt output is during the month, they charge you that rate for the whole month! It makes no sense. And the phone company is just as bad.”

“Labor costs are going up around here,” stated an entrepreneur in a different town. There was little agreement on what business inputs were “cheap” from town to town, but the overall consensus was that it is cheaper to run a business in a small Pennsylvania city or borough rather than in a larger city or nearby retail area.

**An Attractive Central Business District (CBD)**

“Downtown is still the hub!” said one smiling entrepreneur, who summed up why the central business district is still considered to be the nexus upon which the region’s economic health is judged. “There’s easy access from all sides. Professionals *should* be downtown, it’s the ‘seat’ and the ‘seed’ of the county. And it’s central to [a handful of large urban centers] with easy access to all of them. [Another city’s] major airport is pretty close, there’s good proximity to local colleges, good transit, it’s relatively safe, plenty of churches, religious bodies, good healthcare, very central. It’s the hub! I want to see professionals come back to the center, that’s why *I*’m here!”

“I like ‘Main Streets,’ and I saw potential in this one,” said the proprietor of a framing store. “I value the historic architecture and saving older buildings.”
In one town, all six entrepreneurs who were interviewed stated that they had an explicit interest in the revitalization and historic preservation of the downtown area, and that downtown businesses were working together to achieve this very important goal.

“We need to keep downtown looking good,” said a restaurant owner. “If you have empty storefronts, it’s disheartening. Psychologically, I mean. Gotta fill these places. Right now, there are only cars driving up and down the street, and pedestrian traffic isn’t so good because there’s nothing going on here except the new theatre.”

To some entrepreneurs, customer traffic trumped the importance of an attractive downtown area. “It was important that our CBD wasn’t run down, but the automobile traffic was more important,” said an event planner.

Downtown development can also take a wrong turn, according to some. “Our CBD is dominated by slum lords who buy low, then jack up the price,” said a computer repairman. “My business is still in town and on [the main street], but far away enough to avoid the slum lords.”

“This needs to get better in our town, it’s important,” says a local franchise owner.

“I like being in a nice place, a place where I can bring my clients out for a nice dinner,” said an entrepreneur in a rapidly-renovating town.
“Our downtown was terrible when we first opened up,” said a baker. “It’s getting better, but we want to see it improve, brought up to code.”

Finally, some had mixed views of their CBD. “Mixed things. Sign approval is too tight,” says the owner of a tattoo parlor. “Very strict. Overall it’s nice though. Historic improvement is under-appreciated. There are a lot of pedestrians during the day, but not many customers. It’s mostly older people.” No matter, the high ratings given to the attractiveness of the CBD as a motivator for attraction suggests that a healthy-looking downtown is consistent with a psychology of success, and seems to invite entrepreneurs to prosperity. Jump-starting this process, and whether or not the renovation of downtown areas is a guarantee of entrepreneurial growth, is a question that remains to be answered through research.

A Nice Building

Related to the attractiveness of the CBD, but not included in the original schema, many entrepreneurs mentioned that the availability of a very special building was critical to their location decision. “I love the building, the architecture, the environment… if this building were in another town, I would have bought it,” said one native entrepreneur.

A former Philadelphia resident remarked, “[This building] existed, but it was ‘cheap crap.’ And this block really had a ‘Philly neighborhood’ feel.”
Small town buildings have limitations, especially in older downtowns. “You can’t do mass retail in these buildings, just niche,” mentioned a boutique owner. “And there’s a negative opinion of ‘small’ in the U.S. It’s part of the ‘Ponderosa/Wal-Mart’ mentality.” Despite this, several entrepreneurs mentioned that their building is part of their overall business concept.

**Setting and Physical Atmosphere of the City or Borough**

Closely related to the attractiveness of the central business district, this variable measures the importance of the surrounding environment, including scenic amenities, to entrepreneurial attraction and retention. It was considered by entrepreneurs to be almost as important as the attractiveness of the CBD for business attraction, and consistent with other physical attributes, much less important for retention. “I always thought PA was cool, but I didn’t understand how people could make a living here. To me, it feels like where I grew up in Western New York,” said a newly relocated entrepreneur.

“This town actually has balanced suburban growth,” said an entrepreneur. “That’s rare, but I like living there and working downtown, the suburbs are actually nice here.”

“Americans aren’t thinking,” about small towns, says one entrepreneur. “There’s tourism opportunity here in PA, and water and cheap utilities. You can build a $4 million mansion in Las Vegas, but there’s no water.”
Roads and Highways to Other Towns

Roads and highways to other towns in the region were generally regarded by entrepreneurs as being very important for both business attraction and retention. This is one physical attribute that remains very important to entrepreneurs once the business is established. However, not every entrepreneur in the sample needs roads and highways. Some cater to a purely local clientele, while others see roads and highways as a disadvantage. “[The major highway] bypasses [this town],” one entrepreneur complained, “that was a big mistake for small business. We need more connections in general.”

“There’s a good workforce [in the region], but no highway so it’s difficult to get here,” said another entrepreneur. “There’s a lot of regional traffic… bottlenecks. Our proximity to [a larger college town] is helpful, but there’s no highway. This is major for us – major for our suppliers and for our regional customer base.”

“The roads here keep our shipping rates down,” says a manufacturer.

The importance of roads and highways is diminished for businesses transitioning into more and more internet sales. “I have a lot of customers coming from out of town,” said a clothing store owner. “But more and more people are just buying my stuff online.”

“We mostly get locals,” said one entrepreneur. “Roads to other places,
well, you need them, but they’re not essential to our business.” This sentiment was reflected by a half-dozen other entrepreneurs who draw most of their customers from the immediate neighborhood.

“Oh, it’s important, but it can work against local businesses,” said a local franchise owner. “Everybody spends all their money in [a nearby town] because there’s not enough variety here. Travel is their answer to the creative crunch here – just drive farther. There’s a mass exodus from this town to [a small city two hours away] every Friday and Saturday.” The entrepreneur mentioned the irony of this situation, since people are traveling two hours to a city that has a widespread reputation as being a dreadful place to shop, eat, and live – one of the dreariest cities on the East Coast. “Folks around here think that’s the big city… they just don’t know any better.”

Air, Bus, and Train Connections

Air, bus, and train connections to other cities were listed as relatively unimportant to the entrepreneurs in the sample for both business attraction and retention for one important reason: they barely exist. Only one research site, New Castle, is within a 45-minute drive of an airport with commercial air service. A few sites lacked even bus connections, and none had train connections. Therefore, entrepreneurs opened their doors in the absence of such connections in the first place. “There aren’t enough connections here to drive growth,” said
one entrepreneur.

“There might be a new train station going in down the street,” said an entrepreneur. “That could drive my business a little, I suppose. But now, nothing.”

Parking

Several entrepreneurs brought up the problem of inadequate parking in their town, but it was usually in the context of the local government’s inability to facilitate its town’s entrepreneurs with adequate parking. No matter, it is a physical attribute and deserves mention here. “Parking is a big issue,” said the owner of a very young bakery. “People want to park right out front of where they’re going. They don’t want to use garages. Town built a couple of garages right down the street, and they’re empty most of the time.”

Individualist Motivators

Individualist motivators comprise the sole category in the individualist approach to entrepreneurship, and were shown to be less important than both social networks and physical attributes in the location decision. Individual motivators became more important than physical attributes for business retention, however. The sampled entrepreneurs pointed out that keeping a business open in a small town takes personal drive and motivation, and
sometimes family support, none of which are ecological features of place but rather a characteristic of the entrepreneur as an individual. Also, some entrepreneurs clearly relied on their individual strengths and talents more than others, while others actively sought out support from the social networks for business. Therefore, individualism may be a very valid attraction and retention motivator for some, but it is unlikely that all entrepreneurs choose their location due to the reasons listed below.

**A Good Place to Raise Children**

Moving to a small town to start a business is often a good idea for ex-urbanites who seek a refuge for their kids from crime, urban influences, and the fast pace of adult life. However, many of the entrepreneurs in the sample (a surprisingly large number, in fact) did not have children, and did not plan to. Several also had adult children who were adults prior to the opening of the business. For entrepreneurs with younger children, this variable was an important issue, but this importance cannot be generalized to all Pennsylvania entrepreneurs. Even entrepreneurs without younger children were happy to sound off about the safety of their community. “This place is *safe*, it’s a good place to raise kids because everybody knows everybody,” said the owner of a framing shop.

“I don’t have kids, but it’s a very safe community,” said a candy maker.
“That’s important to a lot of people.”

“I don’t have kids,” said the owner of one boutique. “But any place that’s bad for kids probably isn’t good for business anyway.”

“Developers should examine the value of bringing a family here. This place is great for kids, that’s why I’m here,” said the owner of a tech startup. “It’s all about my family. I think urban-to-rural relocation has a lot of potential for people with families.”

“[My husband and I] investigated schools,” said a coffee shop owner. “[This town] has a very good school district, so that was important in our decision.”

“I have kids,” said one entrepreneur. However, “It wasn’t important in my decision to come here.” Raising children in a small town is not a priority for everyone.

Friends and Family Outside The Business Community

In the conceptual framework, it was suggested that many entrepreneurs might relocate to be close to friends and family; a support network. Indeed, this support network seems to exist, but surprisingly, entrepreneurs often relied on their families not only for moral support but also for business and promotional support. “They were crucial,” remarked one entrepreneur. “And they help push business this direction,” he said with a wink.
“Friends and family were very supportive of our start-up,” said a candy maker. A baker in a different town echoed this exact sentiment.

“They helped us get set up,” said a clothing store owner. “And they built our reputation with word-of-mouth. That was very important at first.” A computer technician in another town echoed these exact sentiments.

“They’re our best customers,” said another entrepreneur. The fact that this individualist motivator was not more important in the sample is probably due to the fact that such a high percentage of entrepreneurs relocated to their current town knowing nobody, relying only on themselves, their customers, and their networks and institutions.

Always Wanting to Live/Work in a Town Like This

Entrepreneur responses and opinions varied greatly on this motivation. Some entrepreneurs really identified with their town, and envisaged their lifestyle choice as ideal. Others were more interested in the business (rather than the social) opportunities in the town, and several never expected or wanted to live or work in a town like this. In fact, a few entrepreneurs wanted to leave their community as soon as possible.

“Work, yes, it’s great to work here,” said a clothing boutique owner.

“Live, no way. Coming from New York City, I’m used to having choices, like in entertainment. This town is boring. It has nice things, but coming from the city
it’s difficult to adjust.”

“Absolutely,” said the owner of a more urban “lifestyle” boutique when asked if he always wanted to live and work in a town like his. “I’m a total romantic.”

“[My husband and I] went shopping for good places to live,” said a coffee shop owner. “Looking back, we feel we picked the right place.”

Some business owners were outright gloomy about their town. “No, I don’t like it here,” said one native entrepreneur. “This place is losing all its class… it’s really going down.”

“This is a bad town for a business,” said an entrepreneur catering to young people. “I just don’t like it here. I prefer the beach… I miss it there.”

“It’s a fight to stay here,” says a manufacturer. “I would have walked away if I weren’t still active in the community.”

**Nativity**

Being native to the area where one starts a business is, under the individualist approach to entrepreneurship, a crucial feature of local entrepreneurs. In the sample, however, being native to the community did not matter much even to the 31% of sampled entrepreneurs who were native to the community. For many of them, their hometown represented a logical choice, as in “if it isn’t broke, don’t fix it.” Some entrepreneurs never saw a need to
relocate. “I never would have considered [this town] for a business if I hadn’t
grown up here,” explained a restauranteur. “But it’s just not that important,
then or now.”

One entrepreneur returned to the community near where she grew up
after spending 25 years in Philadelphia. “I didn’t even want to take the time to
look for other areas,” she said, “I knew this one.”

“I grew up here. This place just seemed logical,” said a coffee shop
owner.

**Superior Business Offering**

A superior business offering was included among the original 22 scale
items, but multiple entrepreneurs stated that they started their business because
of a personal desire to provide better services to community members. Also,
pursuing excellence helps to keep many entrepreneurs in business against giant
competitors like Wal-Mart. One retail store owner is very proud of her product
offering as being a good mix of quality and low cost. “I make all my own crafts
– this was supposed to be a craft store, not a discount place. It’s not your same
old dollar store. We have a unique offering. [A major discount chain] gets
what they get… in here, I picked everything out or made it myself. We even
rotate our shelves so customers see everything we have at eye level. Pretty soon
I’m opening up a new lunch spot in town with the same concept: quality,
low-cost, different. Caters to local nurses on lunch break from the hospital."

Some wanted to provide services at a more reasonable cost. “I wanted to drive down prices for computer tech support in my town,” said a young entrepreneur. “I target the ‘old money’ in town, upgrade their systems. I’m also a graphic artist. I did formal projections before opening my business here, to be sure it was the right kind of market.”

Others refuse to bid their products below Wal-Mart’s prices, but compete on quality instead. “I can never compete on price, only quality. I compete on selection,” says a boutique owner who offers ex-urbanites the comforts of the city in his store. “You can only buy this stuff in [Washington,] DC.”

Also, honesty, and the notion of personalized, friendly service who will remember your name, goes a long way with customers. “We’re extremely honest people, it’s pathetic,” said one entrepreneur. “It’s amazing we made it this far as entrepreneurs. But people trust us because of it.” Going the extra mile is a personal decision, and an individualist motivation. While important to some, it is less important to others, and was judged to be less important than other social network and physical attribute motivators.

**Personal Motivation**

Many entrepreneurs cited personal motivation and tenacity as being fundamental to staying in business in a small town. “Personal motivation is
really important to keeping your business open,” said an event planner.

“I’m a go-getter, a self-promoter, and I do my own advertising,” said a computer specialist. “And from here, I can work on computers in Oklahoma if I want to.” This young man was truly of the “high-flyer” variety mentioned earlier. “I’ll even come to you, or you can come in by car. In this town, one business goes in, two shut down. I’m not shutting down.” Like offering a superior product or service, the importance of this motivator varied widely in the sample depending on the individual.

Prayer

For one entrepreneur, the motivation to start a business came from a higher place. “I lost my job at [a major corporation], the office closed down,” said a computer repair service owner. “Prayer has been very important to me. I told God, ‘I need work.’ This opportunity followed shortly afterwards. And my wife and I enjoy working together. Spiritual motivation has really kept me going in this business.” The role of faith in business is a personal one, and although a driving force for this entrepreneur, this response was not heard from the other entrepreneurs in the sample.

Being a Big Fish

Finally, starting a business in a small town gives one the opportunity to stick out from the crowd and make a noticeable difference in the community.
“I’m arrogant, and I want to feel important. I’m not rich, but I love what I do,” said a boutique owner. “I used to work for [a very large company], and I was tired of feeling like a small fish in a big pond, working like an automaton, etcetera.” Now he is “very happy” being a big fish.

What ties individualist motivators together is that they are highly personal, and as such, the importance of such motivators depends on the entrepreneur. Many of the motivations given by the entrepreneurs in the sample were not widely held, given perhaps by one or two people. Individualist motivations are as individual as the entrepreneurs themselves, and for this reason there is less agreement about their importance. While motivators from this category were meaningful for some, most judged them to be only somewhat important to their location decision and their day-to-day business activities.

**Formal Institutions**

Formal institutions were the least important motivators to entrepreneurs in their location decision, and in keeping their doors open. Although classified in the social ecological category, formal institutions seem to take on very different connotations among the entrepreneurs in the sample, many of which are negative. Entrepreneurs often judged formal institutions as being bureaucratic, disinterested, elitist, fraught with cliques, exclusive, and aligned with big
business and against small business. This is not true in every case, but the mention of many formal institutions drew sharp commentary by a wide range of entrepreneurs who are distrustful of organized systems designed to “assist” small businesses. Conversely, there were always examples cited of formal institutions that were helpful, even instrumental, in the business’s success. *Formal institutions*, while possibly inhibitory, may be a great asset to entrepreneurs if they are engaged in the small business community and the sphere of small business activity: well-organized, well-intentioned, well-run, and transformational in character.

**Community Banks and Lending Institutions**

Community banks were ranked the most important of the formal institution motivators, which was expected. Banks often provide the funding necessary to start the business, and a community-focused bank will often give personalized attention to local entrepreneurs, and grant loans more liberally to those starting businesses within the community. However, banks can also be bureaucratic, impersonal, and difficult to work with in some cases.

“The bankers here really know the entrepreneurs,” glowed the owner of a framing shop.

“They’re awesome,” said another entrepreneur, “but they need to be pickier about the kinds of businesses they lend to around here. There are too
many uncreative businesses getting loans, then going bankrupt because they never had a chance to begin with.”

Conversely, sometimes local lenders fund projects that are rejected elsewhere. “They’re the only ones who would fund us,” a baker commented.

“The banks here have an ‘everything is possible’ attitude,” says a coffee shop owner. “And look how many banks we have! They’re everywhere in [this town].”

“I was excited to see so many banks,” said an entrepreneur from the same town. “Sustaining so many banks must mean there is money here!”

One entrepreneur in the same town had a very different outlook. “The banking industry is the biggest holdback for small business here – people can’t get the loans they need! The banks are afraid that small business is too risky here.”

“I had to do a Phase I environmental assessment because bankers won’t come to town to look at my property. That was $1,800,” sighed one non-native entrepreneur. “They wouldn’t give me a loan otherwise.”

“Banks here are difficult to work with, and they have a vertical structure with no community involvement,” said an independent local developer. Clearly, the response depends on the level of community involvement and belief in the local community exhibited by the banks. A good bank is clearly an
advantage for small business, while an impersonal or overly-restrictive bank is clearly an obstacle.

*Chamber of Commerce*

An active Chamber of Commerce can be a tremendous resource for small businesses seeking to create business networks in their town. However, this is only the case if the Chamber is active, and gives equal attention to both small and large businesses. Several of the research sites had a very active Chamber that was involved in the small business community. Several others did not, and the mere mention of the Chamber drew negative comments.

“Chambers are very important, we rely on them a lot,” said one entrepreneur.

“[My husband and I] spoke to the Chamber before locating here, and we still talk to them regularly,” said an event planner.

“We don’t do much with [our Chamber]... they’re important to the community though,” says the owner of a tattoo parlor.

“Our Chamber is really into downtown redevelopment,” said a clothing boutique owner. “They put together a lot of events and festivals for us.”

Some Chambers are titular and practically invisible to some entrepreneurs. “The Chamber here does nothing for me,” said an entrepreneur in a different town.
“The Chamber isn’t too helpful,” lamented another entrepreneur. “You really need to be involved to benefit. Who has time?”

“We’re members, but they aren’t that helpful,” said a coffee shop owner.

According to some entrepreneurs, the Chamber even works to the disadvantage of small business, the advantage of the Chamber as an isolated unit, or both. “Our Chamber is bad,” complains one entrepreneur. “They’re more interested in perpetuating the Chamber than helping the member businesses.”

“They’re no help at all,” says a clothing store owner. “They didn’t even show up to our grand opening.”

“Festivals in town thrown by the Chamber don’t include small businesses,” complained one entrepreneur.

“Our business festivals are held in that parking lot, which is, by the way, the only parking lot that serves business!” complained one entrepreneur. “Figure that one out.” She continued, “Our Chamber is terrible. They do not refer businesses. [A nearby town’s] Chamber does a lot for small business. Here, it’s golf outing, golf outing, golf outing…”

“Our Chamber doesn’t do anything,” said an entrepreneur. “It wouldn’t matter if they pulled up and left. Oh, but you can find them visiting the older, established manufacturers in the area. We need new Chamber leadership here!”

The entrepreneur remarked that the Chamber never stopped by once, even
though they are located next door.

Entrepreneurs in towns with an active Chamber tended to rank the importance of the Chamber higher than in towns where the Chamber was invisible or at odds with the small business community. According to the data, therefore, a good Chamber can help to attract and retain entrepreneurs by enhancing existing social networks for business.

Local Development Agency

Local development agencies were neither particularly important nor unimportant to the aggregate of entrepreneurs in the sample. However, much like the Chamber of Commerce, a local development agency or Main Street program was ranked higher in places where the program was more active, and more tightly connected to the small business community. Overall, local development agencies drew less ire from entrepreneurs, perhaps because entrepreneurs in some areas are not informed about such programs, or have lower expectations of such programs.

“[Our local agency] really helped us get established in the local scene,” said a non-native entrepreneur.

“Our redevelopment authority is the only one who gives money to downtown businesses,” said one entrepreneur, “and they give money to failing businesses to help them to survive. Banks won’t always do that.”
One entrepreneur traveled a long way to get to Pennsylvania. “[A local development agency] is a big reason I’m here! They gave me money to start my business. The banking system is backwards for mortgages, only loaning to established businesses…”

“Our old Main Street manager was crucial in our initial location decision,” said a baker. “That program was so supportive, then and now. The small business development center at [a nearby university] was also very helpful in getting us started.”

“So I had insomnia one night,” said one entrepreneur, “and I saw this ad for a business plan competition by [the local redevelopment agency]. So I figured, I’d give it a try.” Did she win? “I came in second! First and third went out of business already.”

“Oh, they come in a lot!” one entrepreneur said. “We didn’t even know about them until after we opened, and now they’re here all the time.”

Not all entrepreneurs gave their local development agency a rave review. “[Our town] sucks at this,” said a pub owner of her local agency. “I wish it were better, that would be so helpful.”

“They just lack in letting everybody else know what’s going on here,” said an entrepreneur from the same town. “It’s tough to get the message out.”

Sometimes the agency is tightly connected to other formal institutions, for
better or for worse. “They only help established manufacturers,” said a local franchise owner. “It’s a big ‘golf outing’ clique with the Chamber, the government, and the manufacturers.” Overall, the lesson seems to be that active, connected local development programs would be helpful to entrepreneurs. Without a proactive spirit, such programs seem only to perpetuate themselves.

**Business Clubs and Professional Associations**

Business clubs and professional associations are formal places for businesspeople to network and engage in social activities, charity, and community improvement. For new small business owners, these clubs also represent the existing power structure, old money, broken promises, and wasted time. Few entrepreneurs claimed active membership in a business club or professional association, and even fewer had friends in such associations that influenced the location decision or business retention. The perceived clique-like nature of these clubs became apparent in the interviews.

“Belonging to business clubs, that’s really important in small towns, or you can be ostracized,” said an entrepreneur. “These places are very political.”

“You have to go to the [local country club] and the [local restaurant] to be part of the ‘in’ crowd here… I don’t,” said one exasperated entrepreneur. “I’m not a muckety-muck… I like to be around the real people. But you get excluded if you don’t do the right things here. And they’re so boring! Even the mayor is
boring. Normal people are interesting to me. The powerful are really high-society.”

“Business clubs say they will use your business, then they don’t. They’re a bunch of liars,” explained an entrepreneur, “I lost money on my membership.”

“I get so much more done outside of meetings, on my own,” said a coffee shop owner. “So I just don’t go to those functions anymore.”

Active business clubs seem to have less promise for entrepreneurial attraction and retention in small towns than improved versions of the Chamber of Commerce and local development agency. Perhaps a business organization exclusively for small businesses would provide an outlet for entrepreneurs to gather and engage in collective action within their community, although the existence of such an organization was not made plain by those interviewed.

Local Tax Structure

Virtually nobody in the sample stated that the tax structure of their town was important to their location decision, and most agree that taxes in their town are high enough to inhibit small business. Taxes are very high in these places to make up for population losses in the town, since services must still be delivered to the resident population. Most entrepreneurs agree that high taxes are a nuisance, and probably keep more entrepreneurs out than drawing them in.

“The tax structure should have been important to me when I picked this
place, but it wasn’t,” said an entrepreneur.

“The taxes are too high,” commented a furniture store owner, “which is funny because there’s nobody in town to tax! All the businesses left because taxes were so high.”

“Horrible. Horrible, horrible!” said an artisan, hands flailing. “So expensive for a small store.”

“I’m not too happy about [what the government charges],” said an entrepreneur. “Just way too high.”

“The tax structure isn’t going to change because we don’t have any industry coming in to bring taxes down,” said a gift shop owner.

“If you live here, you get to pay taxes twice,” said a coffee shop owner. “I’m not thrilled.”

“We’re taxed on gross receipts, not net receipts. That’s horrible,” says a manufacturer. “The government is trying to force us out with taxes.”

“The taxes are too high in town,” explained the partner of an accounting firm. “A lot of businesses avoid these by moving out of town but within the county. That leads to sprawl. There are wage taxes, opportunity taxes in town. And businesses do react to raising taxes by leaving.” It is commonplace among citizens to complain about taxes, but in many of these smaller cities and boroughs, the lesson is that taxes are too high because there are fewer and fewer
businesses to tax, and keeping taxes high only serves to push out more businesses.

*Local Government Incentives*

This was the only motivator to regularly draw laughter from the entrepreneurs. According to the entrepreneurs in the sample, local government funds for small businesses either do not exist, or they are not visible to the entrepreneurs. In one town, arcane clauses apparently prevent non-native entrepreneurs from having access to local funds. Entrepreneurs who received funds ranked such incentives much higher than those who did not. Unfortunately, the majority of entrepreneurs sampled did not.

“Huh? What?” said a local builder. “Wait, those exist? Here? Haha!” Nearly a dozen other entrepreneurs gave a very similar response. “Nonexistent,” was the operative word.

“There are no incentives here, no grant money,” complained a baker.

“I suppose if you consider the 33% low-interest loans available an incentive, then yes,” said a native entrepreneur, sarcastically.

“I think there’s a lot more out there at the state and federal level for incentives,” said an event planner about her town, “there isn’t much here.”

Some entrepreneurs did have the good fortune of receiving local grant money, and put it to good use in their business. “I got grants for downtown
beautification,” said a retail store owner. “I was shocked. ‘You mean, I get to keep this? I don’t have to give this back?’ I said.”

Some were optimistic about the prospect of future funding. “We may eventually get historical society funding,” said a pub owner in a historic location.

“There are dollars out there for small businesses,” said a gift shop owner, “but there are also plenty of clauses to eliminate you from the running for any reason. That is, unless you’re part of the ‘in’ club.” I inquired further about the “in” club. “This town is very favorable to its native children, not so much to newcomers.” A local jeweler from the same town agreed, stating that the town government and police department had a clear bias in favor of entrepreneurs who had grown up in the community.

If local incentives are to be an effective motivator for small businesses, one of the major obstacles to be overcome is that people must know about these grants in order to apply for them. It is difficult to argue with free money, and certainly such grants bring the cost of starting a business down even further for potential entrepreneurs who otherwise would not, or could not, start a business downtown.

The Local Government

The mere mention of the local government to entrepreneurs in the sample drew severe criticism in many cases. There was a clear difference between the
attitudes toward the local government in different towns. Some were viewed as being ambivalent toward small businesses, others were considered “stodgy and backwards,” and in a few cases the government was perceived to display outright favoritism toward larger business interests and opposition toward small business interests. The concept of “cliques” came up regularly when discussing the local government, and this clique typically does not include new entrepreneurs, and certainly not non-native entrepreneurs. Such cliques should be investigated more thoroughly in future research, as this may reveal well-defined power structures that are capable of either facilitating or inhibiting entrepreneurship in the community. This motivator was not included in the original scheme as a formal institution, but its future inclusion may elucidate the contentious relationship between small business and the city or borough government in many places.

“The city works against people who have invested here,” said one entrepreneur with a young business. “They’ll hold a street fair, then put unfair restrictions on small businesses, like closing off vehicle access to our street. And the fair is supposed to help small businesses!” Speaking of the attitudes of the local power structure in his town, this entrepreneur stated, “Oh, there’s a lot of animosity against outsiders and entrepreneurs, who have made things better, made a difference.”
“The local government stinks,” complains a baker. “They’re doing nothing. There’s no parking for my customers, no places to park at all in some parts of town, and plenty of broken promises. ‘We work to make the community better,’ but there’s no application to the small business community. We work our tails off to make a paycheck, the city brings around heavy machinery at lunchtime and drives my customers away. And when we ask for improvements, the mayor and the city council don’t listen.”

“This town is politically-isolated, probably the number one issue in any small town,” remarked a restauranteur. “The local government controls how many tables I put on the sidewalk, the kinds of construction permits I get, which you need for everything. Even the paint you use indoors needs to be approved if it can be seen from the outside.” I asked whether or not the town was aligned against small business. “Well, there is a culture of narrow-mindedness here. There’s a real focus on detail, on exerting authority. This is supposed to be a perfect, little community where everything is just right... but no business diversity. And there’s no government support for business diversity either. I won’t get what I need out of [my town] to make this business great, I’m too intense for them.”

“The local population and the government are very political, very societal,” said an entrepreneur. “Cliqués are huge in this town. And there’s very
politicized zoning. You can get the zoning permits you need depending on who you are willing to rub noses with. By the way, it’s not equal-opportunity.”

“The government doesn’t do anything for me,” explains the owner of a tech startup. “They may hate us [newcomers], but I don’t give a crap. Who needs ‘em. They should be happy... any business that moves in here makes a huge impact.”

“Parking tickets are out of control!” exclaimed one entrepreneur furiously. “That’s really bad for our customers when they try to park out front.”

“Our politicians are in the stone age,” said a native entrepreneur. “They manage things like it’s the 1920’s, 1930’s. They’re not business friendly. They sit on crucial issues.”

“There’s a clique here containing the government and bigger manufacturing businesses,” said a baker of her town’s societal structure. “[That clique] does not like to see small business succeed. It’s like they have a sadistic pleasure in seeing others fail. That goes for other entrepreneurs too, at times.”

“Politics used to be bad here, but it’s improving,” said a native entrepreneur. “Public service used to be public service. Now it’s me first. Politicians expect rather than respect things.”

Surprisingly, there was never any mention of anything positive that the government has done, even after asking whether or not the government had
done anything to improve the small business community. It seems from the sample that, at least in these diverse cases, the government and small business are safely quarantined from one another, neither being able to listen, give feedback, or act on the other’s criticism. The overall perception of local governments is that they are not important to the small business decision, and if anything, they make keeping one’s doors open more difficult.

**The State Government**

A few entrepreneurs complained about the Commonwealth’s lack of participation in the startup process for small businesses in Pennsylvania. A supra-local entity, the state government often acts locally to foster community development.

Some see the state as being absentee in the lives of local entrepreneurs. “I get no real help from the state,” says the owner of a clothing store.

Others had a message for the state government. “Pennsylvania does not help out as much as they say they do,” says one tech entrepreneur. “They promise entrepreneurs the world on their website, but I think it’s mostly fluff. They really need to know that.”

Some saw spending and power inequalities between the urban and rural parts of the state. “There’s too much emphasis on Philadelphia and Pittsburgh in the state,” says one entrepreneur. “We need more politicians who won’t take
pay from wealthy areas.”

Others seek specific forms of aid. “The state needs a program for insurance,” said one entrepreneur. “Insurance is very expensive, and there’s none available through the Chamber of Commerce. Insurance costs are killing small businesses. And furthermore, workman’s compensation is too liberal: It’s more pro-employee than pro-employer. I understand why, but there needs to be a better balance. If businesses go under because of a slip or fall, that’s a dozen people losing their job over an accident.”

The role of the state was never considered in the original interview scheme. However, several entrepreneurs call for more involvement by the state in supporting non-metro Pennsylvania entrepreneurs.

**Sitting on Boards**

One final formal institution that was not considered in the interview scheme is the board of directors for a local company, credit union, or planning agency. Only one entrepreneur mentioned this, but sitting on boards is an excellent way to organize collective community action from the point of view of that particular organization. “I sit on eight boards,” said the boutique owner, “including a local credit union. My goal is to use this strategy as a catalyst for local development. I carry my message into each meeting.”
Updating the Framework

The qualitative approach utilized above was a combination of phenomenological and grounded theory techniques. From phenomenology, the field research was begun using the best conceptual framework possible, and data was categorized according to the original framework. Borrowing from grounded theory, data that did not fit into the framework can be used to improve the framework itself for future research efforts. The qualitative data that was collected fit the original framework well, as expected, new categories and sub-categories emerged that better represent the true nature of entrepreneurship in non-metro Pennsylvania cities and boroughs. These categories represent, from the entrepreneurs’ own words, the types of issues that had an impact on their decision to locate in their community, and their ability to remain open there. The inclusion of these new categories and sub-categories can be incorporated into an improved framework for further research. I propose the following updated framework in Table 7.1 upon which new scale-items can be created.
Table 7.1: Updated Motivators by Category

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

By incorporating the feedback of entrepreneurs, it is anticipated that this scheme will “hang together” conceptually to give a better representation of how
motivational factors should be grouped among the Pennsylvania sample. *Government* was given its own category because these motivations were perceived as being unimportant by the sampled entrepreneurs, and they also appear to be factors that carry uniquely negative connotations. The new category includes local taxes and incentives, friends and family in the government, the presence of elitist cliques and favoritism, the government attitude toward small businesses, and participation in boards and committees. State government involvement was not included because it is not specific to the community, but to the entirety of the Commonwealth.

Parking and the presence of a nice building or property for the business or business concept were included in *physical attributes*, and air, bus, and train connections were removed since these were usually not present in the research sites. To reiterate, a low cost of doing business is included with *physical attributes* because the biggest cost savings typically involve features of the place itself, like lower rent and utilities. *Formal institutions* now includes sitting on boards of non-government institutions like local development agencies, credit unions, and any other public or quasi-public agency not directly part of the local government. *Social Networks* also gained three sub-categories: advertising outlets, lack of prejudice or elitism outside of the government (excessive or exclusive “cliques,” or a pervasive anti-small business attitude), and college town
effects. Finally, the *individualism* category received three new sub-categories based on entrepreneur responses: the desire to offer a superior product or service (personal, not based on market need), the desire to be a big fish in a small pond (more individual exposure), and personal motivation or tenacity to start a small business and keep the doors open. These modified categories and sub-categories seem to hang together better than the original framework. Further research implications using this updated framework will be discussed in the next section.
Chapter VIII – Discussion of the Findings

This research was conducted with the intention of determining which of two competing approaches to business attraction and retention in the current literature, *individualism* or *social ecology,* were more important to entrepreneurs in their motivation to locate in Pennsylvania’s micropolitan cities and boroughs. Each approach has important implications for policy and local development strategies in these communities.

Summary of Findings

The sample used in this study is intended to be representative of micropolitan entrepreneurs in Pennsylvania. The results show that these individuals are diverse, but exhibit some interesting characteristics. In brief, these entrepreneurs:

- Are more likely to come from outside the community than from within the community.
- Are more likely to choose their business location to take advantage of social networks and physical attributes (*social ecology* motivations) rather than for personal reasons (*individualist* motivations).
- Stated that *formal institutions* were relatively less important to both business attraction and retention than *physical attribute, social network,* and
individualist motivations, even though they are part of the local social ecology.

- Agree that a combination of social network and physical attribute motivators attracted them to their current location, but only social networks remain just as important for business retention.

- Stressed the importance of an existing or developing small business community in open-ended questioning, which is a social network motivator. The presence of such a community appears to have multiple benefits for the small business owners involved, including advice and support, cross-promotion, and the development of symbiotic relationships and product offerings.

These findings are examined here in more detail.

**Finding 1:** Entrepreneurs in the sample were more likely to come from outside the community than from within the community.

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. In the individualist model, a small business community arises from an accretion of entrepreneurs from within the community. In the social ecology model,
attributes of place attract entrepreneurs to start businesses in the community both from outside and within the community. The majority presence of entrepreneurs from outside the community is suggestive that the social ecology model has an effect on entrepreneurial location decisions in these places. This finding is particularly important because it also suggests that entrepreneurs are being attracted to smaller cities and boroughs, and nearly half of the entrepreneurs in this sample came from larger metropolitan areas (48%).

Finding 2: 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).

Formal institutions, while considered a social ecological feature of the community, were relatively less important to entrepreneurs in their location decision than motivators from the other categories. In open-ended questioning, individual motivations were more commonly cited as being important than formal institution motivations, but far less often than either social network or physical attribute motivations. Overall, social ecological motivators in all three
social ecology categories outnumbered individualist motivators 75 to 11 in open-ended questioning. Physical attribute and social network motivations were given the highest respective absolute rankings among scaled items in the interviews, followed by individualist and formal institution motivations, respectively. Additionally, social network and physical attribute motivators comprised the six highest-ranked community features that were important to the location decision when standardizing the scale items. Two individual, one formal institution, and one social network motivator were identified as being “somewhat important.” For the entrepreneurs in the sample, it can be concluded that social ecological motivators were relatively more important than individualist motivators when choosing a location to do business. However, it should be noted that individualist motivators were not completely absent in the responses, and may play some role in attracting entrepreneurs.

This finding has strong implications. The individualist model of entrepreneurship suggests that entrepreneurs are home-grown. Therefore, if this were the prevalent model of entrepreneurial growth in non-metro Pennsylvania cities and boroughs, localities might concentrate on implementing programs that educate local residents to help them realize their potential. Self-help programs, such as those described by Flora, Flora, Green, and Schmidt (1990) would be a useful way to educate individuals who are interested in
entrepreneurship, and motivate them by helping these interested business owners to take the next step toward business ownership. However, the findings suggest that two components of the social ecological approach, social networks and physical attributes, may have a greater effect on the entrepreneur’s decision to locate in the community instead of going elsewhere. Localities may benefit more by enhancing these networks, like an active small business community and small business organizations, and also restoring their valuable real and infrastructural assets. This will be elaborated in greater detail in Chapter IX.

It is important to note that small business attraction from within the community has different ramifications than attraction from outside the community. The intention here is not to discuss the effects of outsiders coming into a non-metro community to start a business, or any concerns that may arise from an influx of newcomers. Rather, it should be clear that entrepreneurial attraction can be performed both from within and from outside the community, that emphasis should be on the creation of an identity among entrepreneurs, and that those entrepreneurs willing to take part in the creation of this identity may come from anywhere. What seems to be important, as this study reinforces, is that small business networks are important no matter if the entrepreneur is native or a newcomer. The emphasis is that the small business community, and
the customers they serve, are there, and both native and non-native entrepreneurs have the same potential to contribute positively to the community and serve a common interest in the betterment of the locality. Localities may explicitly choose to develop entrepreneurs from within, or seek them from without according to their preference and strategy, but the end goal matters more than the means of attaining it.

**Finding 3:** 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. Individual motivators grew somewhat in importance and formal institutional motivators remained unimportant relative to the others.

In open-ended questioning, social ecology motivations dropped versus individualist motivations, from a ratio of 86 to 11 (difference of 75) to a ratio of 60 to 13 (difference of 47). The frequency of physical attribute motivations was the only single category that appeared less often (by 23.2%), while individualist, social network, and formal institutions appeared somewhat more often (by 10.7%, 9.6%, and 2.9%, respectively). This suggests that a combination of social networks and physical attributes were important in the location decision, but only social networks remained important to business retention, while individualist
motivations increased and formal institutions remained just about the same. The qualitative data especially reinforces the importance of social networks. Most entrepreneurs were drawn to their current location by a customer need or by the presence of pedestrian and automobile traffic. Some wanted to bring customers back to the downtown area because they inherently value these places as good areas for professionals to congregate. The availability of a good building or property that was consistent with the business concept was also important in attraction, as was an attractive CBD. However, most entrepreneurs stated the small business community, a sustained customer base (and sustained customer need), and personal tenacity were more important when keeping the business open, while the presence of the physical attributes that drew them there were nice, but non-essential.

Finding 4: Among scaled items, physical attributes and social networks remained most important to both attraction and retention, followed by individualist motivations and formal institutions, respectively.

Physical attributes were given the highest absolute (unadjusted) ratings in the scale-items, followed by social networks, individualist motivations, and formal institutions. This was the same for both attraction and retention. When adjusted (standardized to the mean) to remove individual bias, both social
network and physical attribute motivations were found to rank the highest, with 
individualist and formal institution motivations relatively less important. In 
particular, a good customer base or market opportunity was most important to 
the entrepreneurs (SN), followed by a low cost of doing business (PA), attractive 
CBD (PA), presence of a small business community (SN), and roads and 
highways to other towns (PA). Rankings changed little from attraction to 
retention.

The difference between this finding and the one before it, that physical 
attribute motivators diminished in importance for business retention compared to 
social network motivators, is perhaps more a function of the weakness of the 
original classification scheme than inconsistent data. In open-ended 
questioning, it is plausible that many entrepreneurs remembered the availability 
of their building, and the low cost of its purchase, as a major reason they first 
located in their community, since these factors are so closely tied to the location 
decision. However, in continued questioning with the scaled items, 
entrepreneurs seemed to “become aware” of the continued importance of physical 
attributes such as the low ongoing cost of doing business. In fact, many 
entrepreneurs did not consider their operations to be low cost until it was plainly 
asked, “compared to a major city.” Most entrepreneurs conceded that it would 
be impossible to keep their doors open given those kinds of costs. Additionally,
the presence of an attractive CBD was stated to contribute to the “psychological health” of the city or borough, and provides a good place to take clients for business dinners and after-work entertainment. *Physical attributes*, then, is not totally unimportant to business retention as was suggested by the open-ended responses.

*Finding 5:* The four categories used to define the approaches to entrepreneurship did not hang together, but they can inform a better categorization scheme.

Certain *social network* motivators were ranked as being very important, others very unimportant. The same was true for *physical attribute* motivators, and less so for *individualist* and *formal network* motivators. This “splitting” of categories is indicative that the categorization scheme used in this research can be refined. If *social network* and *physical attribute* motivators ranked as being very important in general, what was it about a few of these motivators that the entrepreneurs in the sample found them to be unimportant? It is possible that the *social network* and *physical attribute* categories are too broad, and that there are other latent categories in the data that are different from the *social network* and *physical attribute* categories.

Qualitative analysis revealed that several motivations in the *physical attribute* and *social networks* categories dealt with government structures and
issues. Also, the presence of air, bus, and train connections was so infrequent that it can effectively be removed. An updated framework for future research is presented at the end of Chapter VII, including a new category, “Government.”

Finding 6: Power structures that counteract emerging small businesses and community newcomers exist to varying degrees across the eight research sites, according to the entrepreneurs in the sample.

Many entrepreneurs in the sample were openly critical of their government and some of the formal institutions in their city or borough. The level of distrust, and of negative feedback, seemed to change from town to town. In some towns, entrepreneurs either praised their local institutions or had little to say about them. Entrepreneurs in other towns described these institutions as “stodgy,” “overly concerned with details,” and “forming cliques.” In some towns, local institutions were accused of being “anti-small business,” “anti-newcomer,” and “anti-entrepreneur.” Formal institutions were occasionally praised when their influence and involvement in the small business community resulted in better conditions for small business in the city or borough. The institutions were criticized when they were uninvolved, or involved with established businesses. Governments, regardless of place, were robustly criticized for being exclusive, and for their overt favoritism toward larger,
established businesses⁶. Further research should reveal the pervasiveness of such power structures in each town, and their effects on the small business community.

Finding 7: Air, bus, and train connections were physical attributes that were unimportant to entrepreneurs in the aggregate

Despite the conventional wisdom that better connections make business easier, that does not appear to be true in the sample of entrepreneurs. Entrepreneurs in the sample judged proximity to automotive and pedestrian routes to be important motivators in their location decision, but air, bus, and train connections were unimportant to these entrepreneurs.

Finding 8: High and low \(Z_{\text{avg}}\) scores are coupled with lower variation in scale-item analysis, showing higher agreement among entrepreneurs on the (un)importance of these factors.

Scale items that received either high or low \(Z_{\text{avg}}\) scores received their scores with higher agreement among entrepreneurs than \(Z_{\text{avg}}\) scores towards the middle of the range. In other words, factors that were deemed important in the location decision (or retention) were deemed important by many entrepreneurs.

⁶ It would be interesting to see if large businesses in the same cities/boroughs agree with this notion.
so there is general agreement in the aggregate that those factors were important. The same is true for factors that were unimportant. Factors toward the middle of the $Z_{mrg}$ range showed more disagreement among entrepreneurs, so some may have scored these items high, some low, some in between. These factors may or may not be important to the location decision, but this depends upon the specific needs of the entrepreneur. This report is more interested in those factors that showed strong agreement across all entrepreneurs in the sample, i.e., those toward the top and bottom of the $Z_{mrg}$ range.

**Weaknesses of This Study**

As with any exploratory study, issues of generalizability and external validity arise. As Blalock (1979) points out in his critique of quantitative sociology, the findings of one specific study are too often extrapolated in the analysis to supposedly hold true for all similar situations. Based on the small data set, this report cannot conclusively state that the findings are equally true in non-metro micropolitan areas of Montana, in sparse rural areas or dense urban areas of Pennsylvania, or true for larger industries or non-profit organizations. The intention of this study is to develop a framework that is replicable in these diverse economies, and comparative across economies, and to take note of some general trends that exist among entrepreneurs in micropolitan Pennsylvania.
This study is also not a substitute for a full factor analysis of the proposed conceptual framework. The sample size is sufficiently large to treat the entire sample as one group, but too small to make generalizations about sub-portions of the sample (differences between responses from town to town, industry to industry, and so on). Qualitative elaboration helps to illustrate some of these differences, but these data inform the creation of better frameworks and are no substitute for continued empirical testing, both quantitatively and qualitatively. This study is strongly suggestive of several trends, but should not be taken as scientific proof.

Aside from updates to the conceptual framework (a desired outcome), some improvements to the methodology are warranted. A 1-to-10 scale was used because it is easy to describe during an oral interview. Essentially, it is a 5-point Likert-type scale “times two” (there are ten points in the scale). However, the 5-point Likert scale is a well-understood, commonly used survey instrument with broader applicability. A colleague\(^7\) mentioned that I could have used the 5-point Likert and, to make it easier for people to understand, place a card in front of them with a description of what the ratings mean (1= not important, 5= very important, and so on). With a card that can be referred to

\(^7\) My thanks to Nataliya Baytalskaya of Penn State Industrial/Organizational Psychology for her suggestion
visually, the process remains simple and the study could have utilized the power of the Likert-type instrument, which may be more comfortable and familiar to some readers.

**Strengths of This Study**

This study has several features that improve upon classical location studies in entrepreneurship. First of all, the study stresses business location from the perspective of the entrepreneur rather than on the place to be developed. By seeing the research problem the way that entrepreneurs do, one can get a better understanding of what truly motivated their location decision in their own words, rather than comparing strategies between places empirically and assuming that the researcher knows what caused the differences. The qualitative aspect of the research more fully explains the reasons behind the entrepreneurs’ location choices, and contextualizes the data. The study also contains researcher reflection, and considerations of researcher and subject biases, as well as a discussion about what worked and what the obstacles were in the research process. The reader gets a better idea of the complete research process and how the researcher and subjects interacted. The meanings and intentions expressed by both are made plain in the process of reflexive analysis.
Furthermore, this report attempts to avoid abstract empiricism by placing the research question in the context of two existing conceptual models, and testing one model against the other to see which is more relevant. Through qualitative elaboration, problems with the original categorization scheme were clarified, and an updated model for further testing was proposed. In this way, this report is an attempt to go beyond the exploration of the research question to synthesize existing hypotheses and models into a more cohesive understanding of entrepreneurial motivation, at least as it relates to non-metro Pennsylvania. It provides a more concrete starting point for continuing research efforts.

Finally, the next chapter goes beyond a better understanding of the research problem and offers a series of options for translating the findings into meaningful action at the practitioner level. This report cannot offer panacea for every community that wishes to attract and retain more entrepreneurs: Every community requires a plan that is as unique as the community itself. However, any of the suggestions that follow can be used as starting points for local practitioners. Incorporating these ideas in future small business planning efforts have been designed to facilitate the transition from the attraction of individual entrepreneurs to the cultivation of a self-supporting small business community that compliments the vision of the total community, rather than
represent a threat to that vision, or serve as a special interest in the community.

This will be elaborated in the next chapter.
Chapter IX – Future Directions in Research, Policy, and Action

The implications of the findings on future research, local strategy, and policy formation are many-fold. At this early stage, it is difficult to make bold statements about how the findings ought to be used to craft policy and strategy. However, the data are sufficient to begin to see a clearer picture of what matters to Pennsylvania’s small town entrepreneurs, what attracts them to struggling cities and boroughs, and what helps them to keep their doors open.

It is clear from this research that social networks matter. Social networks include networks of customers, captive audiences for much-needed products and services, and the support of other small business people. Strategically speaking, cities and boroughs interested in attracting and retaining entrepreneurs should cultivate this ecological feature as much as possible. I offer several ideas about how to do this for the reader’s consideration:

- Inform local organizations who work with entrepreneurs about current needs in the town. Entrepreneurs identified networks of customers as being crucial to their attraction to that locality, and these customers often have unrealized needs in the form of products and services. Needs assessment surveys are targeted at local citizens, who may complain about having to drive a long distance for a basic (or intermediate-level) product
or service. Organizations like the Chamber of Commerce and a local development agency can play a leading role in informing would-be entrepreneurs about the biggest needs in their town, thus reducing the risk for start-ups or the introduction of duplicate competition.

- A greater emphasis on the development of a small business community can contribute to small business attraction and retention. This can be done at a formal institutional level from within the Chamber of Commerce, local government, or a local development agency; semi-formally through the creation of a “small business association” in the city or borough; or informally through the engenderment of casual groups of businesses like the “Chadwick St. Chicks” mentioned in Chapter VII. To encourage the acceptance of small businesses and business newcomers in the larger community, institutions can make an explicit effort to encourage entrepreneur participation in social clubs where large businesses and government representatives are present. An explicit emphasis on mixing large and small businesses can lead to the creation of better networks, even partnerships, between the two and among other small business owners. In any case, networking among entrepreneurs has been shown in this study to result in stronger individual businesses, and a healthy
atmosphere for small business. The general attitude among entrepreneurs in this sample is, “the more the merrier!”

- Cities and boroughs may actively recruit entrepreneurs by introducing individuals interested in starting or expanding a small business to local business networks and organizations. These cities and boroughs may consider holding open houses or mixers to introduce them to members of the local small business community. For areas with a local college or university, graduates interested in entrepreneurship may wish to start a business locally if they are introduced to the local business networks mentioned above before graduating.

- Finally, accepting small business owners into the larger community and encouraging their participation in local decision-making is important. Small businesses have the potential to transform cities and boroughs, giving them an air of prosperity while generating jobs and local tax revenue. Many newcomers relocate to the area precisely because they want to be there. Therefore, including these individuals in the important business decisions, city planning affairs, and the strategic visioning process provides the town with the opportunity to forge new relationships between big business, small business, citizens, and the government.
Physical attributes were shown to be very important to business attraction, and may play a role in business retention as well. There are several ways that cities and boroughs in Pennsylvania can inform potential entrepreneurs about the physical attributes of their town:

- Entrepreneurs in the sample were often very impressed with a particular building or property. Many entrepreneurs have a business with a “town/city” concept, or they simply support the idea of downtown revitalization. Such properties are often available at very low costs. Better marketing about commercial real estate opportunities will often draw speculative entrepreneurs who wish to improve facades, thus improving the attractiveness of the downtown area.

- If the town has an attractive CBD, or a beautiful physical setting, let people know about it! It was mentioned in the conceptual framework that “high fliers” and “lone eagles,” in particular, were drawn to their business locations because of plentiful scenic amenities and recreation opportunities (Beyers and Lindahl, 1996; Sopuck, 2003). A large corpus of evidence exists that scenic amenities attract footloose entrepreneurs. Pennsylvania lacks the snow caps of the Rockies, the beaches of Florida, and the climate of San Diego. However, the Commonwealth houses rich
forests and rolling terrain dotted with antebellum towns and villages with a rural, colonial flare. And in the spirit of Beyers and Lindahl and Sopuck, Pennsylvania has plenty of recreation opportunities as well. This is a treasure for any entrepreneur seeking the provincial charm of New England or the recreational opportunities of the American West at a fraction of the cost, with better proximity to major urban marketplaces.

- Parking is not a minor issue. Many small towns lack adequate public transit, and citizens are not willing to walk very far to get to a store or service provider. Adequate parking throughout town, and less stringent application of parking fines, would be a boon to small businesses.

- Continued maintenance of roads and highways to other towns is crucial to small businesses, especially to new manufacturing operations that require access to customers and suppliers.

*Individual motivations* were less important than *social networks* and *physical attributes* to attracting entrepreneurs, but became more important once the businesses were established. *Social network* and *physical attribute* motivators were deemed more important in the location decision, but *individualist* motivations were not absent in the sample of entrepreneurs. Some started their businesses for personal reasons, especially the opportunity to provide a superior
product or service than was currently being offered, the opportunity to raise their children in a safe and caring community, and the chance to have greater individual exposure as a small businessperson in their community. Personal tenacity, motivation, and drive were important to a few entrepreneurs in the sample. Although these factors played a lesser part in attracting businesses, the self-help strategies offered by Green, Flora, Flora, and Schmidt (1990) could be an excellent approach in areas where attracting entrepreneurs from outside the community is expensive or unlikely. Entrepreneurial education programs like EDGE (Korschning and Allen, 2004a,b) have the potential of “awakening” dormant potential entrepreneurs from within the community, giving them the information they need to get started and overcome anxiety about taking risks.

Formal institutions were the least important motivations for business attraction and retention. Chambers of Commerce, local development agencies, and local governments did not play a crucial role in attracting entrepreneurs in several of the research sites. However, these institutions have the potential to play a more pivotal role, to improve their image in the small business community, and they already seem to be perceived positively by entrepreneurs when they are active in the small business community. In one town, the local government created an “Artist Relocation Program” to bring resident artists into
the community to start creative businesses and occupy downtown dwellings. The program, though nascent, is off to a good start. Furthermore:

- Chambers can take a more pro-active role in the small business community by including small businesses in Chamber activities, promoting small business products and services to larger businesses, and by facilitating relationships across businesses and with the local government.

- Local development agencies can create better programs to attract entrepreneurs, including incentive blocks (incentives for redevelopment of a particular area with a certain type of business, like recreation or hospitality), creativity programs (like artist relocation programs), 2nd floor recruitment programs (to attract non-retail businesses), and targeted entrepreneur recruitment programs that suit the needs of the town.

- Local governments can better serve the small business community by providing incentives directed at the community of local entrepreneurs rather than toward individual entrepreneurs. This can include incentives for joint promotion of businesses, development of a small business identity, revitalization of an area of the CBD, or the creation of a small business organization or alliance intended to provide community-level support for entrepreneurs. Wilkinson (1991) has identified the
remoteness of many rural areas (defined as non-metro in this case) from business services and financial institutions. Community-level incentives enable local entrepreneurs to share best practices advice and partake in mutual investment and strategy development collectively. Like a well-diversified portfolio, developing small businesses as a collective mitigates the risk of individual entrepreneurs using incentives to “go it alone” and encourages teamwork to keep going concerns going.

Directions for Future Research

Several questions arose out of this research, the investigation of which would greatly illuminate the challenges facing entrepreneurship in smaller cities and boroughs in Pennsylvania and beyond.

First and foremost, the current study should be refined and conducted on a larger scale. It seems clearer which factors were most important to entrepreneurs in their location decision. However, the sample size of the current, exploratory study was too small to warrant a complete factor analysis. A factor analysis using the updated conceptual framework as its starting point would illustrate with very good certainty which specific factors or groups of factors have the greatest impact on Pennsylvania entrepreneurship. This can be compared with other competing models, such as the model discussed in Johnson
and Rasker (1995), or the interactional model discussed in Korsching and Allen (2004b), to see which theoretical model has the greatest relevance to entrepreneurial attraction in a much larger sample. Realistically, the study could be reasonably expanded beyond the state boundaries into other regions with similar economic histories, such as the Upper Midwest and entire Mid-Atlantic region, or comparatively across regions and nations.

Second, it is important to make the distinction between what happens in rural towns versus rural spaces. Although social networks were a prevailing motivator for business attraction in micropolitan areas, this situation may be very different for startup businesses in outlying townships, smaller boroughs, or in very sparsely-populated areas. Rural entrepreneurship “on the farm” or nearby is just as important to rural development as “in-town” entrepreneurship. A comparative study of the factors that contribute to business attraction, and a revisit of the individualist versus social ecology distinction may be warranted, since social networks are often diminished in areas where population density is low and weak ties are less prevalent (Wilkinson, 1991).

Several retail businesses were interviewed for this project. However, technology and manufacturing businesses often create more jobs, and higher-wage jobs. But which comes first, first-floor businesses (like retail) or second-floor businesses (professional, technology, and manufacturing)? Should
rural Pennsylvania communities attempt to develop a retail core first before attracting other enterprises, or attract other enterprises in the hopes that a retail core will develop in response? Or, are these concurrent or dialectical endeavors? In-depth interviews of both first- and second-floor businesses will likely be required across a variety of different local economies in the Commonwealth to get at this perplexing problem.

“Main Street” programs, and other programs designed to attract entrepreneurs to the CBD, exist across the Commonwealth. Some utilize grants, tax breaks, and other incentives to attract entrepreneurs to the area. Since it seems that many entrepreneurs come to smaller Pennsylvania cities and boroughs from outside these communities, how effective have these programs been in attracting entrepreneurs? Have they been designed to develop social networks within the small business community, or rather to incentivize individual entrepreneurs? Have they targeted entrepreneurial recruitment inside or outside of the community? Are entrepreneurs aware that these programs exist, and what are their feelings about them? How have these programs fared against other programs strictly designed around tax incentives and grants?

It is still somewhat unclear what role physical attributes play in retaining entrepreneurs. In open-ended questioning, entrepreneurs regarded physical attribute motivators as being much less important to business retention than they
were for business attraction. In this line of questioning, entrepreneurs were attracted to the particular area by a particular piece of real estate or an area of town, but this became less important (while social networks remained most important) as the business progressed. However, in scale-item questioning, most entrepreneurs conceded that physical attributes like inexpensive real estate, an attractive CBD, and roads and highways to other towns were about as important as social network motivators like the small business community and the local customer base. Research that enhances one’s understanding of the role that physical attributes play in places like Pennsylvania will inform the creation of entrepreneurial strategies built around these attributes.

Finally, a broader question arises. How is wealth generated in smaller cities and boroughs in Pennsylvania? This is a multi-faceted question, but it has definable features. For example, large manufacturing industries have long been associated with high job creation. Such businesses often arrive to take advantage of government incentives, then leave quickly following their expiry, or a shift in the broader economy, leaving under-diversified towns stranded to find means of providing work for their citizens. Can small businesses create more enduring jobs? Will new jobs eventually lead to more higher-paying jobs? Is government investment necessary, and if so, how much? And what does a well-diversified small town economy look like in today’s Pennsylvania? Most
importantly, how do the citizens of such small towns envisage their economic future? What strategies will be most palatable to them? A better mechanism for job growth and economic sustainability that is grounded in the community should be proposed, piece by piece, taking into account dynamic trends in Pennsylvania and controlling for as many externalities as is feasible. Such an endeavor, although broad, has the potential of generating significant revenue for the Commonwealth, and guiding sustainable growth policy well into the future.

**Designing Policy and Programs: Community, Scarcity, and Action**

Although this study cannot provide definitive policy directions, this exploration into what motivates entrepreneurs to locate in non-metro Pennsylvania cities and boroughs suggests some tentative directions in policy and program design when attracting and keeping entrepreneurs is the primary goal. Specifically, this study points to the importance of the small business community as the focal point of small business development efforts.

The importance of community to development efforts is a very popular topic in the literature, so rather than belabor this point, it is sufficient to say that the development of stronger networks of small businesspeople has had many benefits for the entrepreneurs in this study. In fact, several entrepreneurs remarked that a “the more the merrier” attitude exists in their small business
community, and this was a major motivation to locate there. This study suggests that the development of a sense of community within the locality is one of the most effective ways to attract and retain entrepreneurs.

How can this be done? In only a few cases, communities in the study utilized *formal institutions* to bring the small business community together, like the Chamber of Commerce or a development agency. But, it is clear that many of these localities contain embedded power structures that may be resistant or indifferent to the inclusion of small businesses and community newcomers into their established institutions. In these cases, the responsibility to organize falls on the shoulders of the entrepreneurs themselves. Even informal groups of entrepreneurs, like the “Chadwick Street Chicks” from Chapter VII, or the collective spirit of development found among entrepreneurs in Chambersburg, PA (who publish their own promotional “downtown” magazine), to entrepreneurs who act collectively, independent of government to provide public maps with small business listings; all of these groups enhance the local small business experience. *Formal institutional* involvement is therefore a tool to encourage community creation, but it is by no means necessary or the only way. By acting collectively, entrepreneurs can manage risk and uncertainty by acting as one unit. This unit eventually grows and evolves to form a local *identity*, a locality-based social field comprised of small businesses (and hopefully some
large enterprises as well). In places where such an identity exists, it appears to
be infectious, itself a reason to locate in the community.

Rather than following the conventional wisdom of incentivizing
individual entrepreneurs and businesses, it is possible for local and regional
government entities to incentivize community-based endeavors instead. For
example, grants could be made available to facilitate community rather than entice
individual action where it is desired. Funds made available for the creation of
small business organizations in the community, informal clusters of entrepreneurs with a small business identity (i.e., the colonial district filled with
colonial-themed shops and a focus area for private medical and law practices),
and group projects like the creation of entrepreneurial publications, maps, and
local attractions; all these are innovative steps toward facilitating the creation of a
small business community. Better integration of these coordinated small
business group endeavors into open discussions and debate in public forums,
like the city or borough council, may hold more power for small businesses than
the atomistic and disorganized voices of a dozen individual voices. In other
words, community capacity is engendered among small business owners, and
their ability to seek purposive change to meet their own needs is enhanced.
Insofar as these changes are consistent with the overall community vision, and
the voices of the small business social field have been effectively integrated into
the total community, then the community’s capacity to meet its needs has been improved in concert with community interaction theory (Wilkinson, 1991). It has already been described in Chapter II how entrepreneurs can improve the economy of the total community, and play a vital role in the continuing economic vitality of the community.

Local development agencies and Chambers of Commerce might provide better public information about services that are needed in their town. The entrepreneurs surveyed stated that customer need and an existing customer base was the single most important factor both in their location decision and their ability to keep their doors open. Many individuals have to travel a long way to get a specialized good or service. The appearance of increasingly specialized firms is consistent with central place theory (Christaller, 1966), and since many non-metro cities and boroughs serve as retail and service centers for their hinterland, good needs assessments of badly-needed goods and service providers serve both to mitigate the risk of starting an uncompetitive business as well as bringing vibrancy and product/service diversity back to the central place.

Local development entities might also do a better job connecting with larger state agencies to advertise physical features of their community that affect the bottom line of small business, like the low costs of doing business compared to larger cities, lower costs of living, great real estate buys, and cost savings due
to excellent transportation networks. Much of this information is already readily available through chambers of commerce and real estate listings. However, it seems surprising that more small businesses have not chosen to take advantage of these physical attributes. Small technology businesses, like web designers and data management shops, can effectively be located anywhere as long as they are connected to their customers via broadband. It seems unusual that many of these service providers continue to locate in major cities where business costs are much higher and where there is more local competition. Better promotion may lead to better awareness of the breadth of cost and quality-of-life benefits offered by Pennsylvania’s non-metro cities and boroughs.

The main point to be taken away from this discussion of the results is that, in non-metro micropolitan cities and boroughs in Pennsylvania, local and state policy makers should begin to look at attraction strategies that emphasize the small business community rather than the individual, enhancing the existence of social networks and more effectively promoting the physical attributes of the community. Stauber (2001), along with Flora and Flora (1990), emphasize the need for community leaders to be flexible and inclusive, and to seek new competitive advantage rather than protect old competitive advantage. In other words, communities must be willing to back the entrepreneurial community, which is committed to change and reinvention by its very nature, and to include
this social field in local planning and governance activities. As this study illustrates, communities must also be willing to accept newcomers from the outside, as most entrepreneurs in the sample (58%) were not native to the community\(^8\). Small business groups must have the freedom, as Sen (1999) asserts, to seek improvement and increased well-being if development efforts are to be effective. Wilkinson (1991) would concede that the exclusion of the small business community from total community development is not community development at all. Such efforts that ignore the voices of the small business community, or benefit other members of the community at the expense of small businesses, contradicts Wilkinson’s proposed mission of development of rather than in the community. No matter, this research suggests that effective policy designed to attract and retain entrepreneurs will require a change in how localities think about such development activities based on what motivates entrepreneurs: from the attraction of atomistic individuals to the cultivation of a small business community, from entrepreneurial development within communities to the acceptance of new and diverse entrepreneurs across communities, from the risk of going it alone to the development of a stable and supportive collective small business identity that reflects the unique social and

\(^8\) That is not to say that effective entrepreneurial development cannot be achieved from within the community as well, bolstering entrepreneurs from within the pool of existing or nearby residents.
physical features of the total community. Several vibrant entrepreneurs have shown that this can be done, and perhaps should be done on a larger scale across the Commonwealth.

Closing Thoughts

I once explained to a New York City friend of mine (who complained endlessly about having to drive through “ugly” Pennsylvania), “Pennsylvania is like an Isaly single-malt scotch. It is mesmerizing, unexpected, and dynamic, but I agree that it is an acquired taste.” Pennsylvania is not currently en vogue as a place to do business like La Jolla, CA, South Beach, FL, or Aspen, CO. But to those that have acquired a taste for the state’s subtle majesty and grandeur, the warmth and ease of its people, the vast diversity of landscapes and micro-cultures it holds, it is difficult to see why Pennsylvania has not experienced even a mild entrepreneurial boom. This is considering, especially, the low cost of opening a business here, and the proximity of virtually every county to a major urban market. Pennsylvania is an “undervalued stock” filled with undervalued assets, an area that awaits bold and creative communities of entrepreneurs willing to take on the challenge of opening businesses to serve the changing needs of a diverse audience. This report is merely a salvo into the larger undertaking of entrepreneurial studies in Pennsylvania, and the entire
non-metro northeast with the hopes that these treasured areas will, somehow, see a return to prosperity and spirited entrepreneurship, particularly in its neglected rural areas.
References


Burkhart, Amy. 2007. Personal Interview; Pottsville, PA, 17 Aug.


Appendix A: Interview Protocol

Open-ended questions

1. What is your age?
2. How long have you been living in this community?
   a. Where did you live before moving here?
      i. How long did you live there?
3. Did you know anyone who lived here before you moved here?
   a. If so, what is your relation to this person?
4. How long have you been in business in this location?
5. What was the single, most important reason that you chose to locate your business in the central business district of [name of town]?
6. What were some other reasons that you chose to locate your business in the central business district [name of town]?
7. What is it about [name of town] that helps you to stay in business?

Scale Item Questions

[Following each community feature is a code labeling the feature as formal institutions (FI), social networks (SN), physical infrastructure (PI), or individualist (I).

I will now mention several features of the town where you do business. After hearing each feature, I will ask whether that feature was a) important to your decision to locate your business here, and b) important to staying profitable in your business. Please answer on a scale of 1 to 10 how important this feature was to your location decision, with 10 being “very important,” 5 being “somewhat important,” and 1 being “not important.”

   a) How important was/were [feature] in choosing your business location?
   b) How important is/are [feature] to staying profitable in your business?

8. … an active chamber of commerce… (FI)
9. … friends and family who also own a small business… (SN)
10. … good road and highway connections to other towns and regions… (PA)
11. … favorable tax structure… (FI)
12. … government incentives for small businesses… (FI)
13. … growing up in this area… (I)
14. … business clubs and associations in town… (FI)
15. … friends and family in business clubs and associations in town… (SN)
16. … friends and family who are not small business owners, or part of business clubs and associations in town… (I)
17. … always wanting to live or work in a town like this… (I)
18. … the setting and physical atmosphere of this town… (PA)
19. … nearby air, bus, and train connections… (PA)
20. … the presence of a local development agency… (FI)
21. … the presence of a community bank or lending institution… (FI)
22. … the presence of several other business owners in town… (SN)
23. … a good customer base for my business… (SN)
24. … friends and family in the local government… (SN)
25. … wanting to raise children in this town (because of good schools, nice atmosphere, etc.)… (I)
26. … being close to another enterprise… (SN)
27. … low cost of doing business… (PA)
28. … a highly-educated workforce… (SN)
29. … an attractive central business district… (PA)
Appendix B: Research Protections

1. Exempt Review

This research, according to policies set forth by the Office of Research Compliance, is appropriate for an exempt review, because subjects and their businesses will not be identified by name, and precautions will be taken to ensure that the identity of the business owners and their businesses cannot be deduced.

2. Recruitment

Chambers of commerce will be contacted by telephone to determine which small business owners should be contacted according to the criteria in the research proposal. This portion is exempt from research protections. Upon calling the individual entrepreneurs, the following script will be utilized.

Hello, my name is Michael Fortunato, a master’s degree candidate at Penn State University in Community Economic Development. I am conducting a research project for my master’s thesis regarding why small business owners choose to locate their businesses in smaller towns in Pennsylvania. I am currently seeking research volunteers who are entrepreneurs in smaller Pennsylvania towns. I would like to set up a short interview with you, either in-person or by phone, to ask you about why you chose [borough] as your business location. You must be at least 18 years of age to participate. The interview should take no more than a half-hour, and the findings could help governments and small business organizations to design better small
business policies in your area. Would you be available on [date]? Your input is very important.

3. Implied Consent

Implied, rather than formal, consent is appropriate for this research project. Prior to the interview, the following script will be utilized:

My name is Michael Fortunato, a master’s degree candidate at Penn State University in Community Economic Development. I am conducting a research project for my master’s thesis at Penn State regarding why small business owners choose to locate their businesses in smaller towns in Pennsylvania. I would like to conduct this interview to ask you about why you chose [borough] as your business location. The interview should take no longer than a half-hour, and involves some simple questions about why you chose to locate your business here. By agreeing to participate in this interview, you acknowledge that you are at least 18 years of age and are hereby giving your consent that I, Michael Fortunato from Penn State University, can use this interview for research purposes and analysis. This interview is completely voluntary, and you may stop the interview at any time and ask that I not use the contents of the interview in my analysis. If you have any questions regarding the interview, you may contact myself at 412.480.4974 (or by email at mwf117@psu.edu), or my advisor, Dr. Ted Alter, at 814.863.8640 (or by email at tra2@psu.edu).
4. Confidentiality

All interviewed small business owners will be given a code, and their responses will never be directly attributed to them in the analysis. Prior to the interview, the following script will be utilized:

*The information contained in this interview will remain strictly confidential. Your responses are being coded, and in no way will your responses be identified as having come from you. Your name and the name of your business will not be used in any way in the data analysis. These data will also not be circulated, and only utilized by me, the principal investigator, and my advisor, Dr. Ted Alter of Penn State University. You do not have to answer any questions that you are uncomfortable answering, or that you feel may reveal proprietary or legal information about your business that you would like to keep confidential, and you are free to terminate the interview at any time and request that I do not use this interview in my analysis. I will only identify the name of the borough in which you do business, and the general type of business that you do (such as “retail,” or “a restaurant”). I will not identify you personally, or give the identity of your business, in my analysis. I will also take careful precautions to avoid writing any information that might reveal you or your business. By continuing with the interview, you hereby consent to the terms that I have just stated. If you agree with these terms, let’s begin.*