

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

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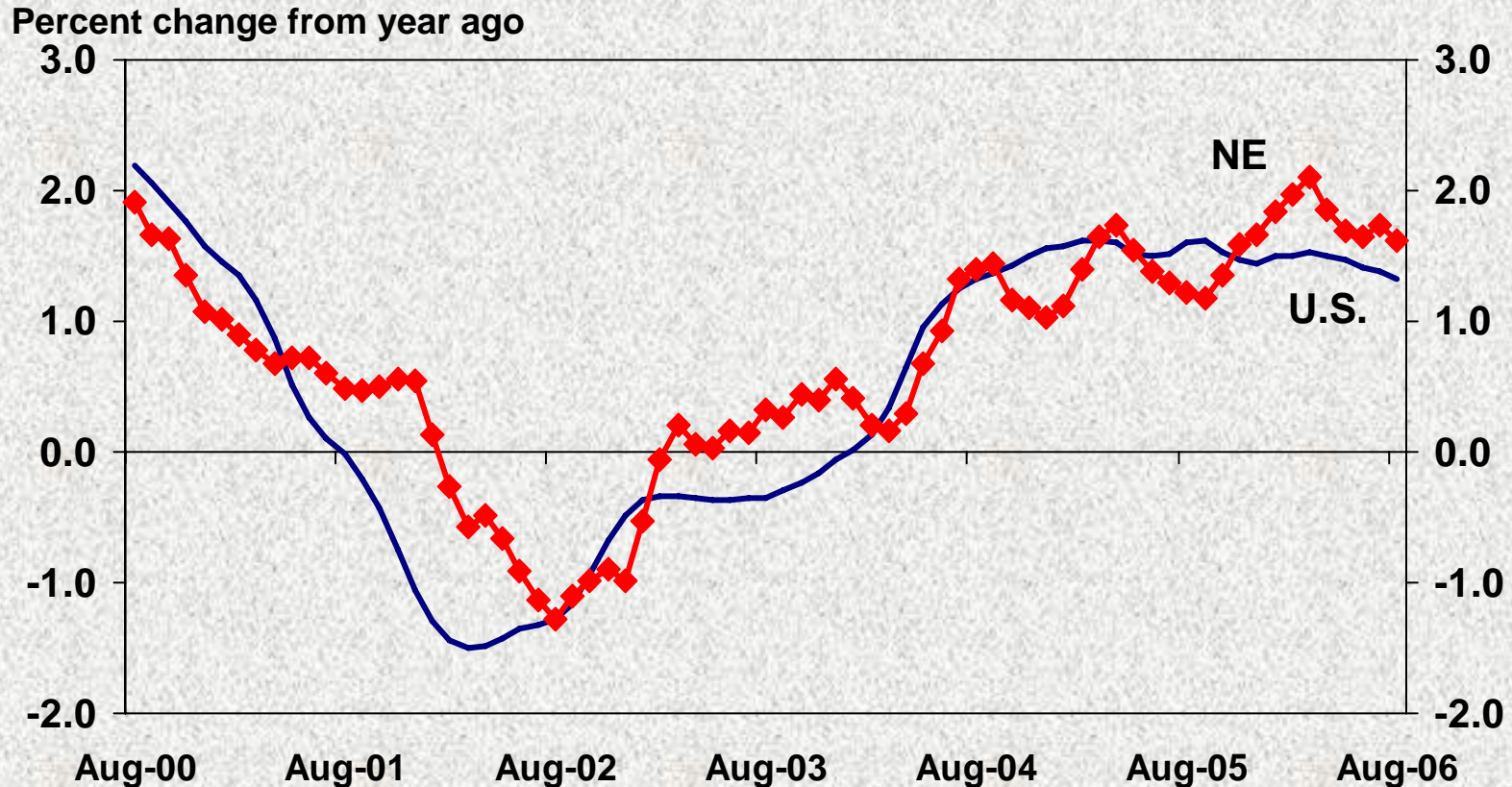
Seizing New Economic Frontiers: The Role of Entrepreneurs

- **Today's Outline:**
 - **Solid economic growth in Nebraska.**
 - **Uneven economic gains are leading a search for new economic engines.**
 - **The impact of entrepreneurs on economic growth.**



Nebraska's job growth strengthens

U.S. and Nebraska Nonfarm Job Growth

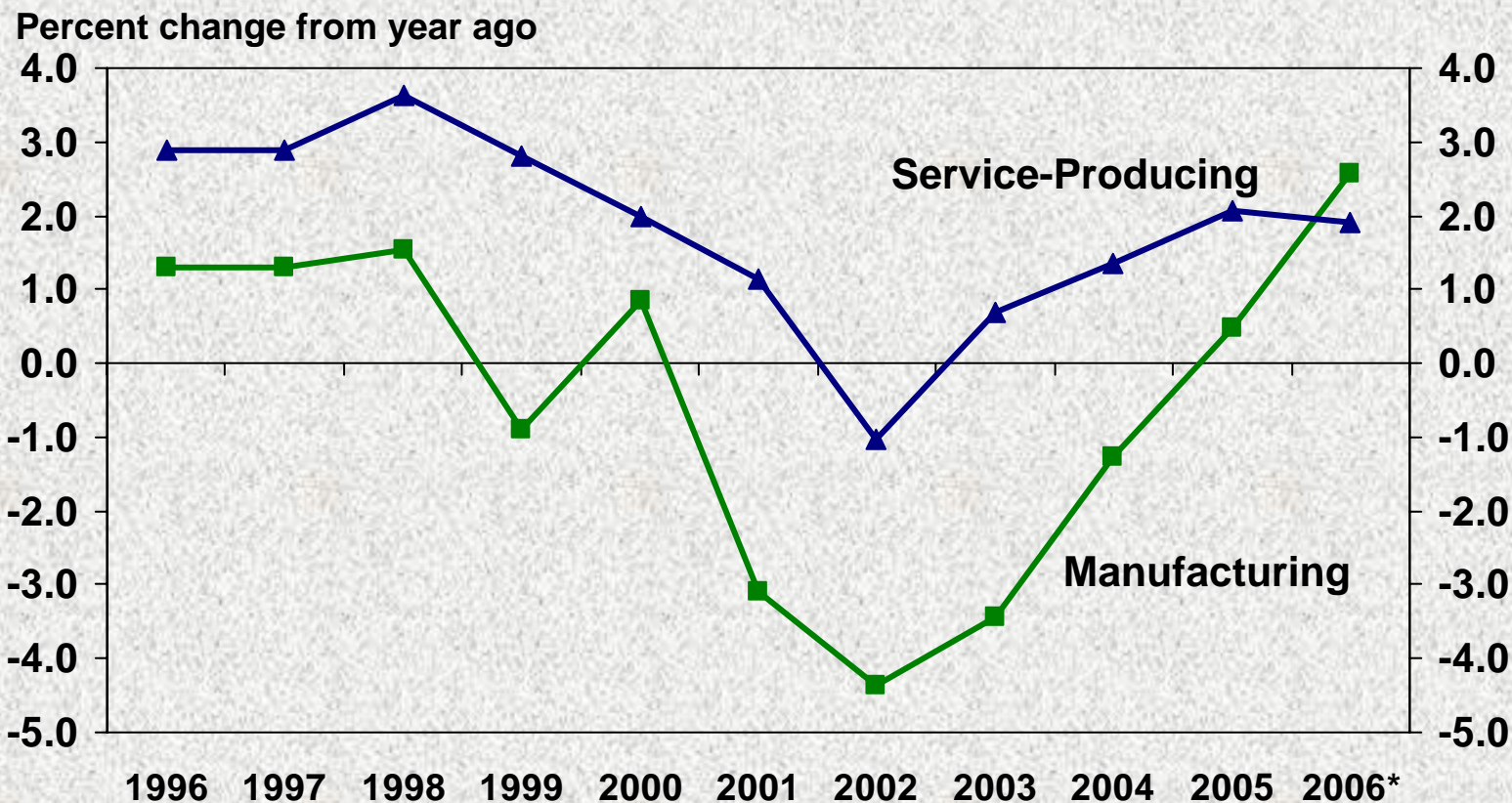


Calculations based on Bureau of Labor Statistics three-month moving average data



Job growth is broad-based, driven by manufacturing and service-producing firms

Nebraska Job Growth by Sector



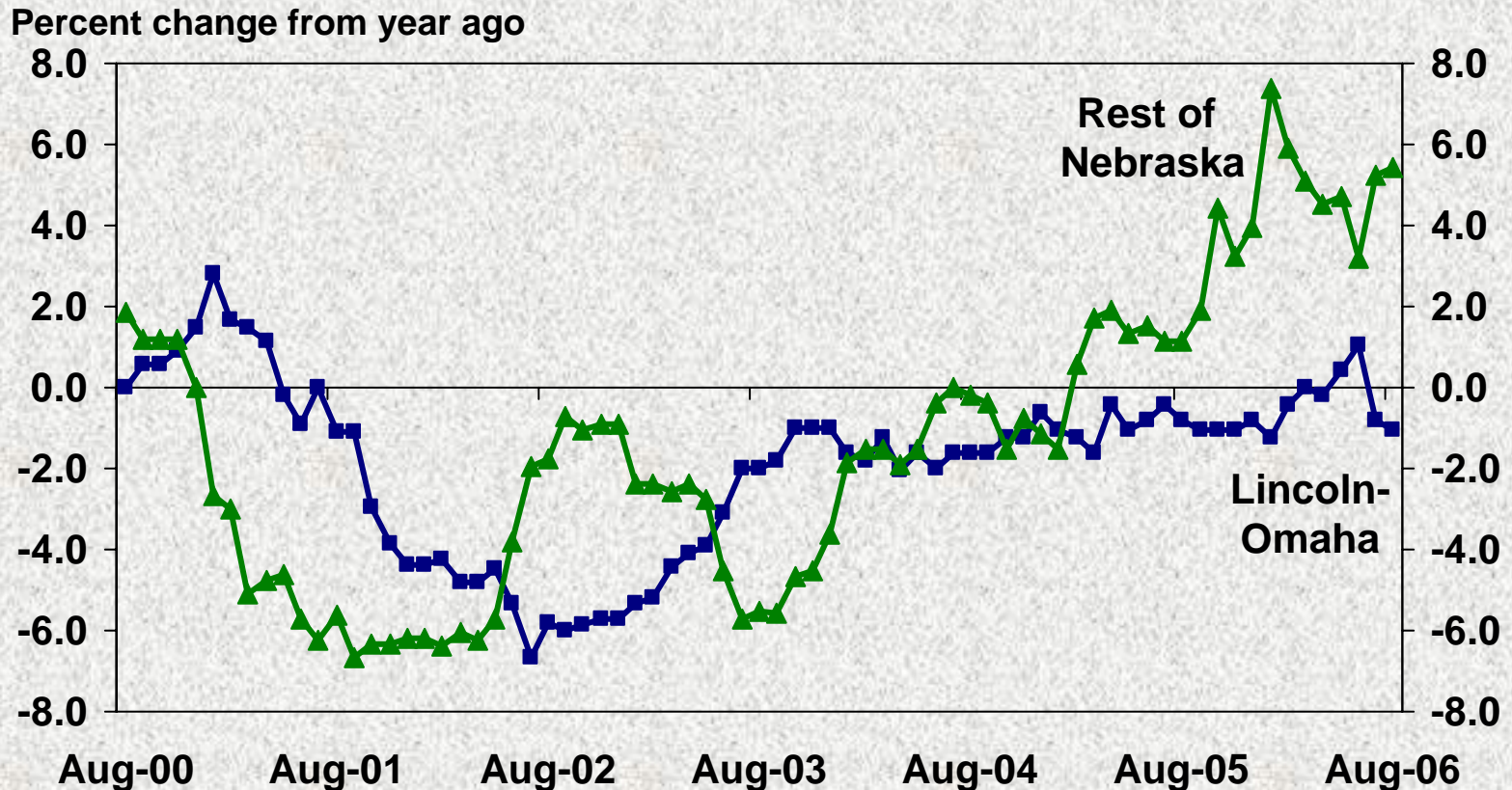
Calculations based on Bureau of Labor Statistics data

* 2006 is through August



Manufacturing activity continues to surge outside Lincoln-Omaha

Nebraska Manufacturing Job Growth

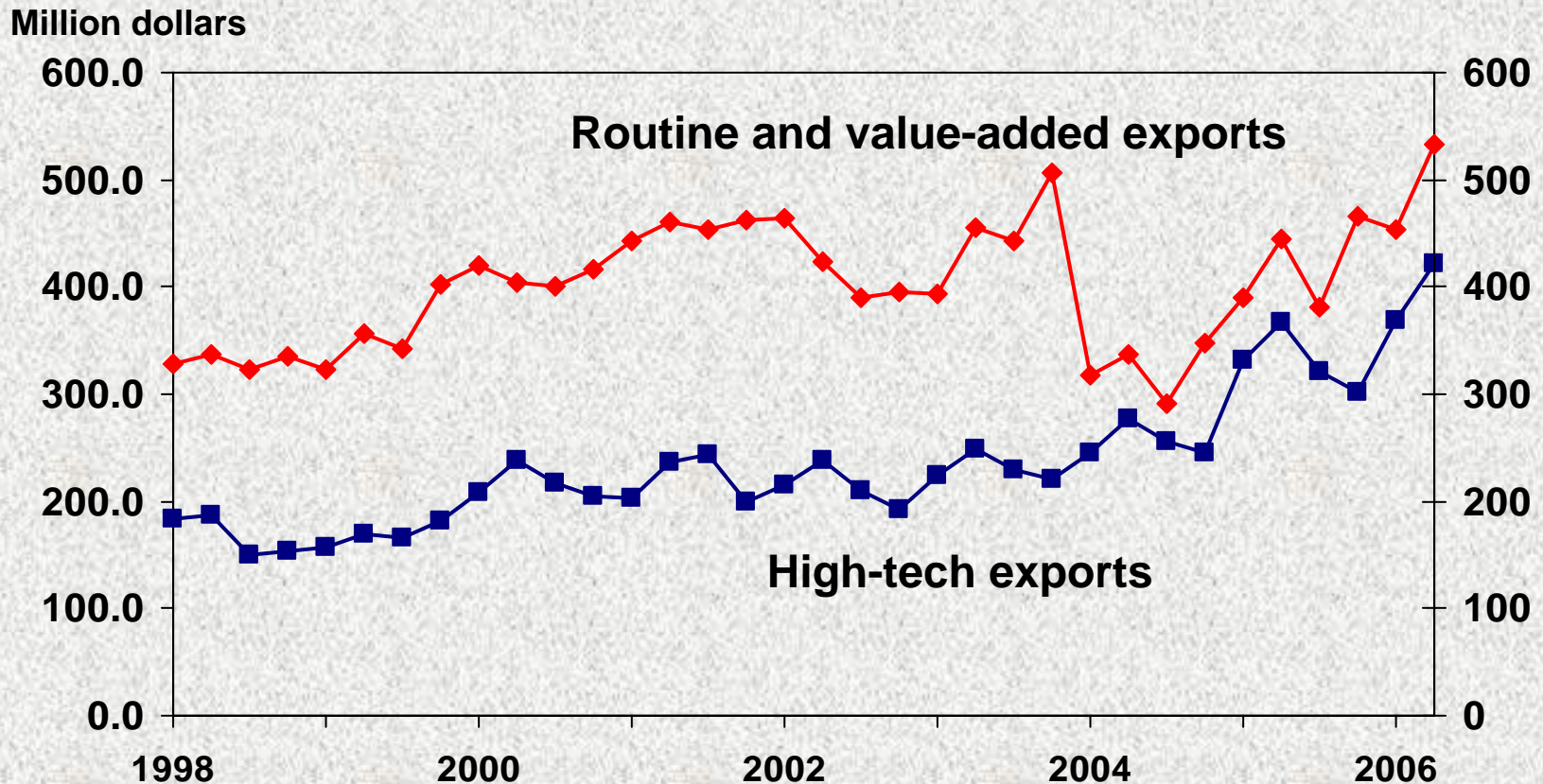


Calculations based on Bureau of Labor Statistics data



Stronger foreign economies and a weaker dollar fuel a rise in exports

Nebraska Manufactured Exports

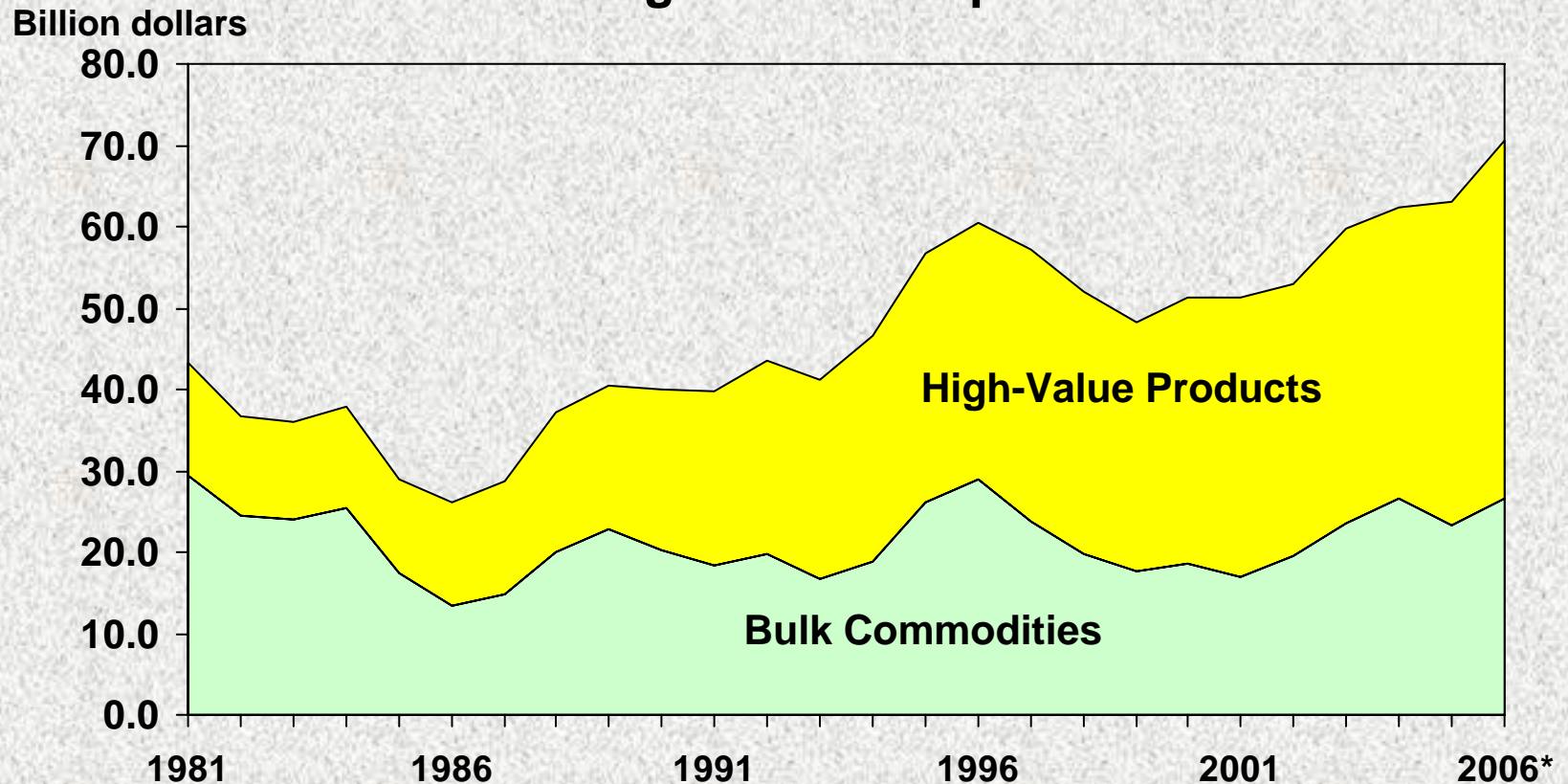


Source: WISERTRADE.COM



High value products are pacing agricultural export growth

U.S. Agricultural Exports



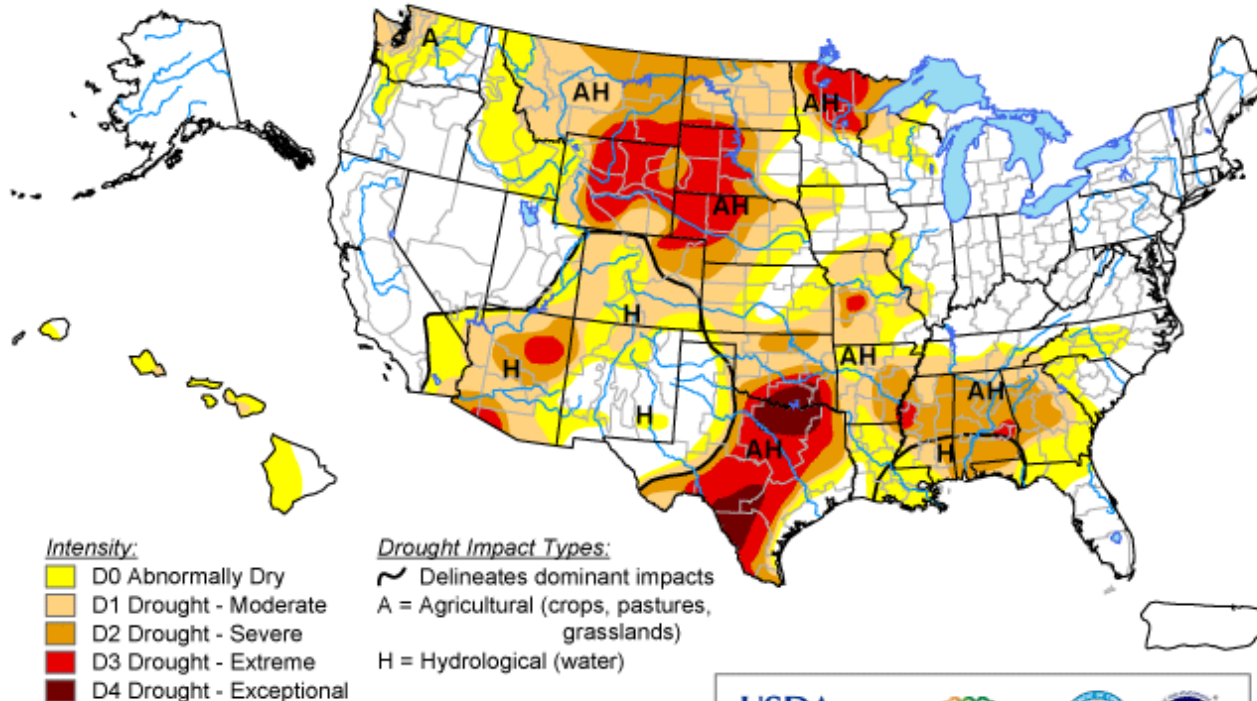
Source: USDA
*2006 is through July



Drought limits agricultural economy

U.S. Drought Monitor

September 12, 2006
Valid 8 a.m. EDT



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

<http://drought.unl.edu/dm>



Released Thursday, September 14, 2006

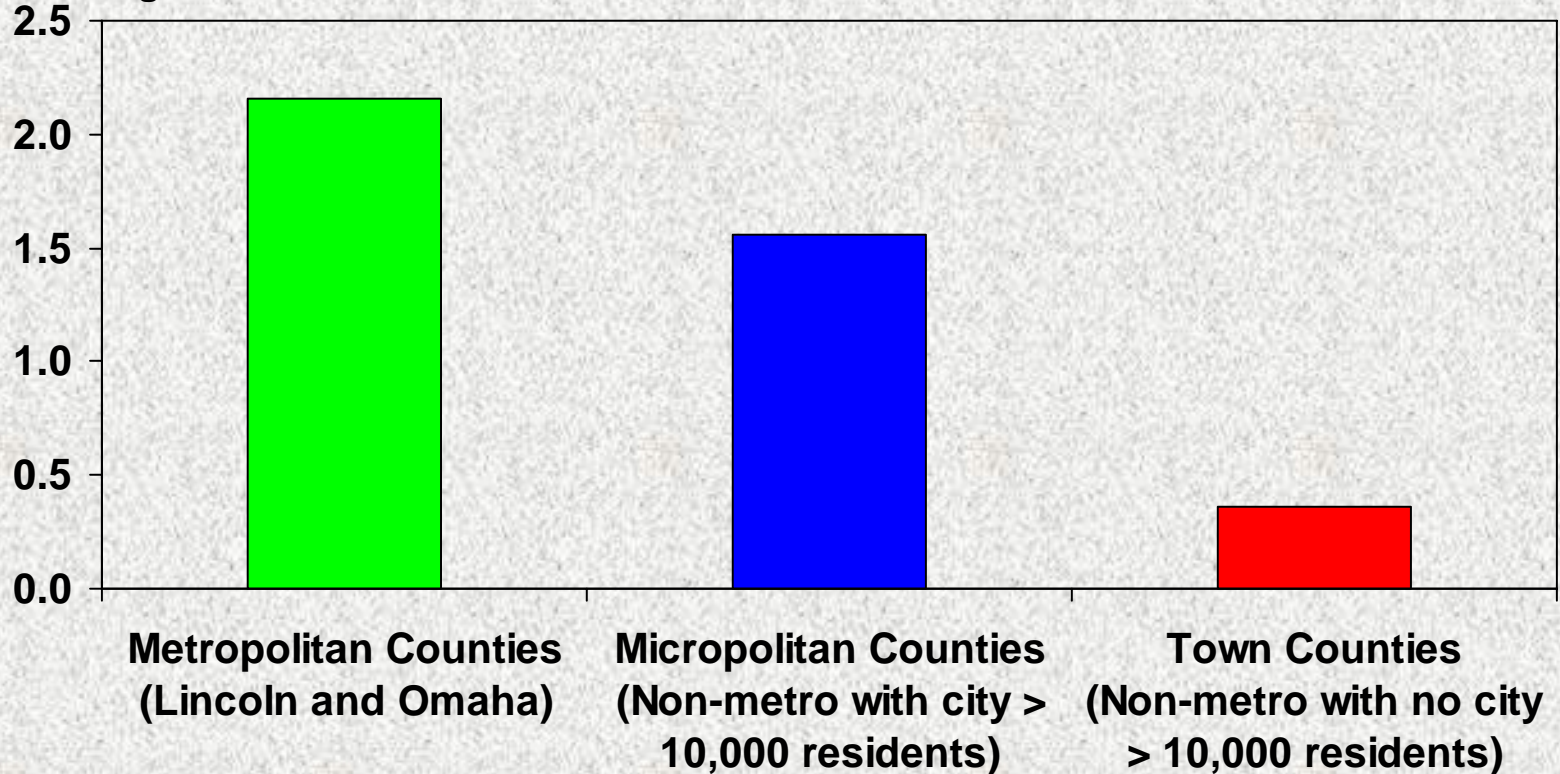
Author: Mark Svoboda, National Drought Mitigation Center



Nebraska's economic challenge is its Urban/Rural divide

Nebraska Employment Growth

Percent change 2003 to 2006*



Calculations based on Bureau of Labor Statistics data
*2006 is through July



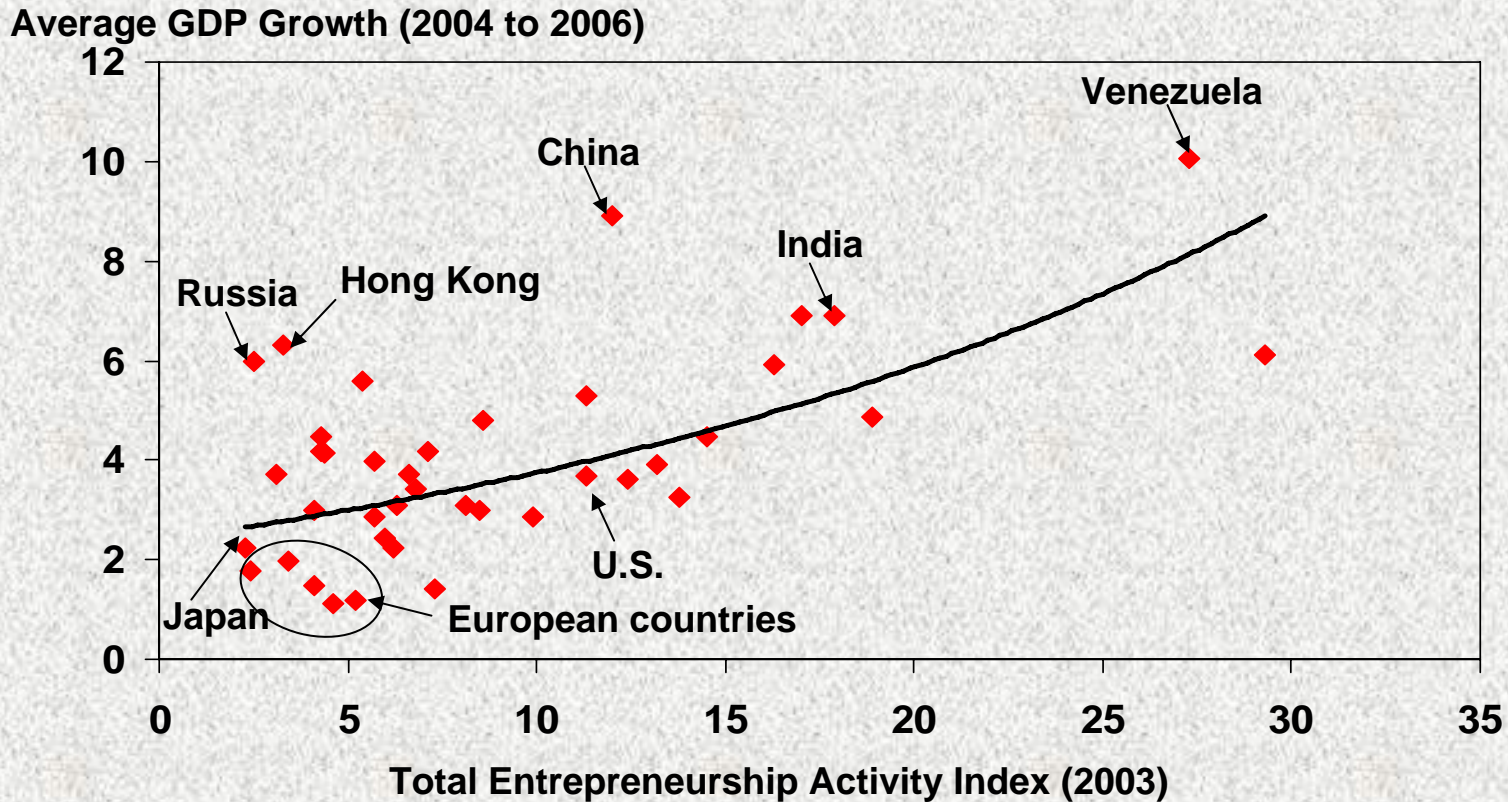
Seizing New Frontiers: the Role of Nebraska's Entrepreneurs

- **Why does entrepreneurship matter?**
 - **Places that grow more entrepreneurs have stronger economic growth.**
 - **This occurs at all geographic levels ...**



... at the national level,

National Entrepreneurship Index and GDP Growth



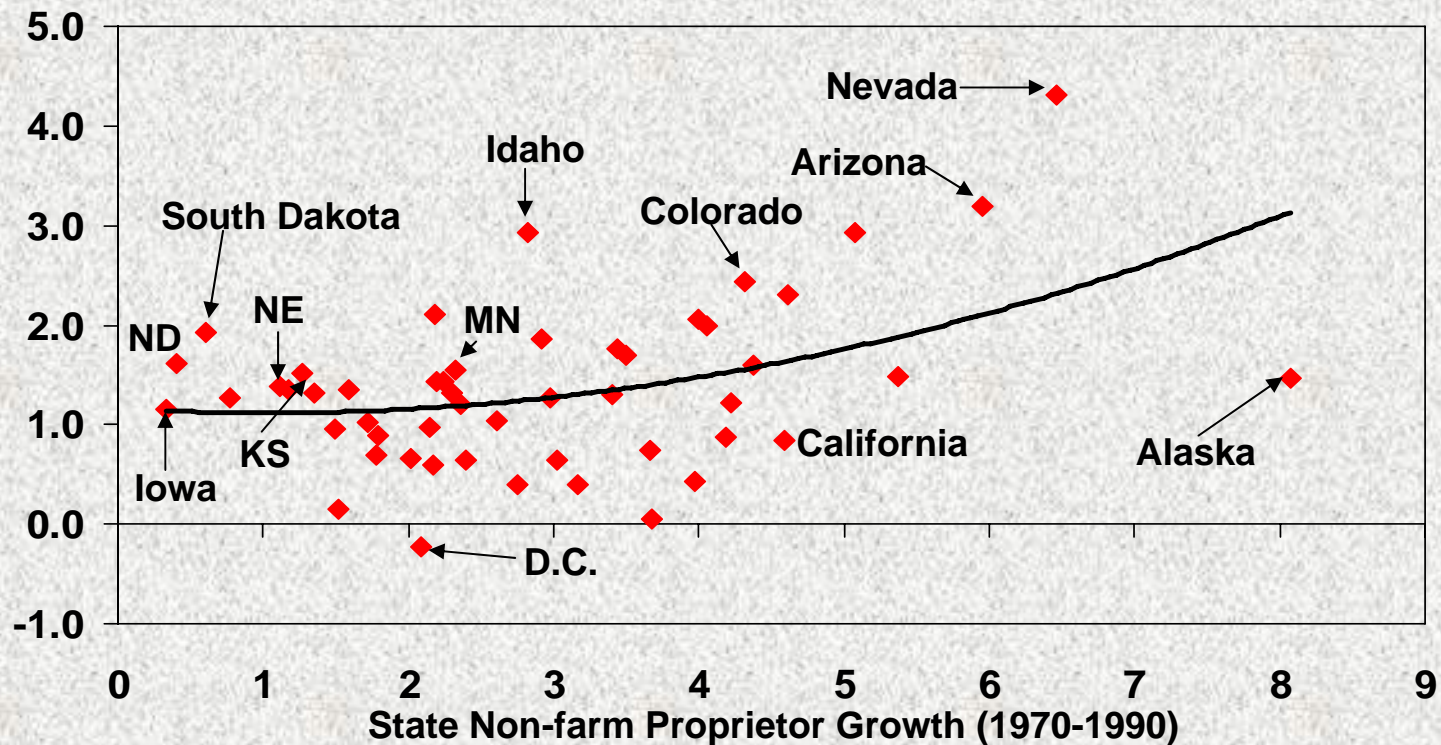
Source: Global Entrepreneurship Monitor, 2003 and International Monetary Fund



...at the state level,

State Entrepreneurial Growth and Employment Growth

Employment Growth (Wage and Salary: 1990-2004)



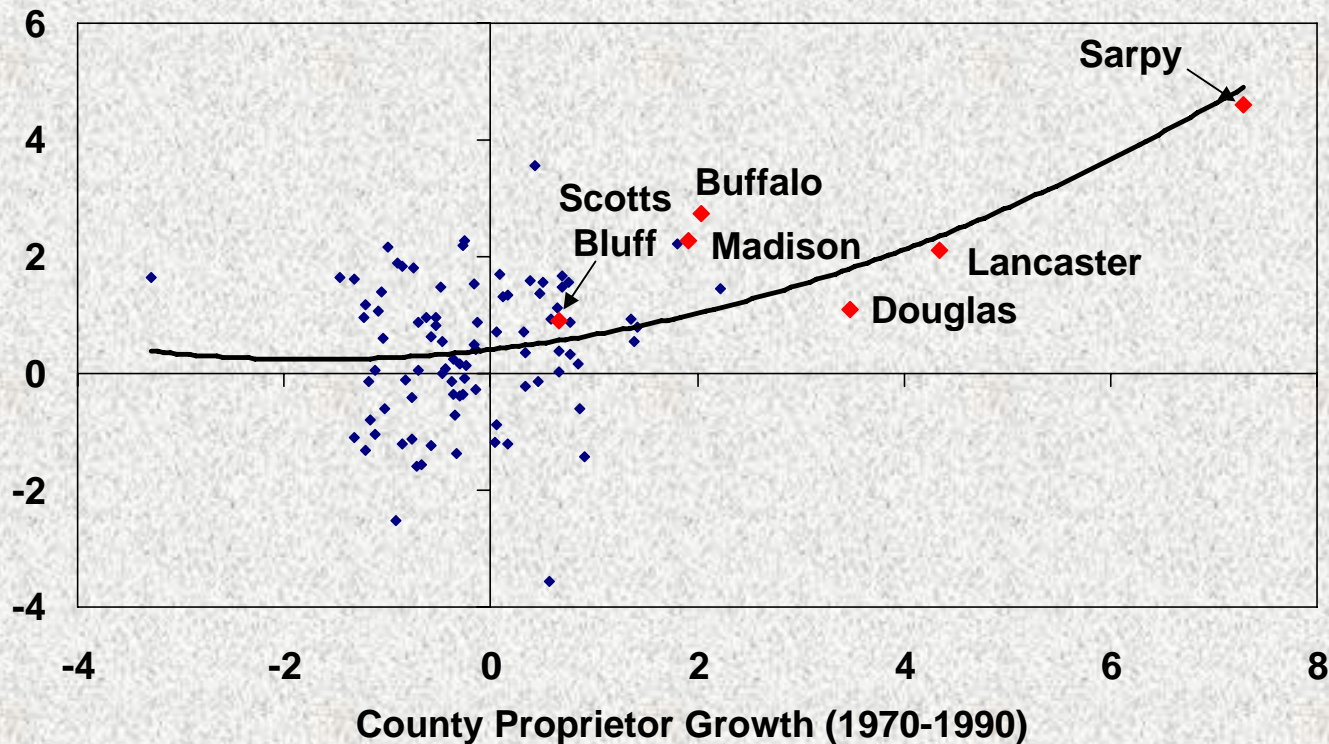
Calculations based on BEA, Regional Economic Information System data



...at the county level.

Nebraska Entrepreneurial and Employment Growth

Employment Growth (Wage and Salary: 1990-2004)



Calculations based on BEA, Regional Economic Information System data



What kinds of entrepreneurs matter?

- **High-growth entrepreneurs**
 - Motivation: to grow a large highly visible and valuable firm.
- **Lifestyle entrepreneurs**
 - Motivation: to provide a family income or lifestyle.



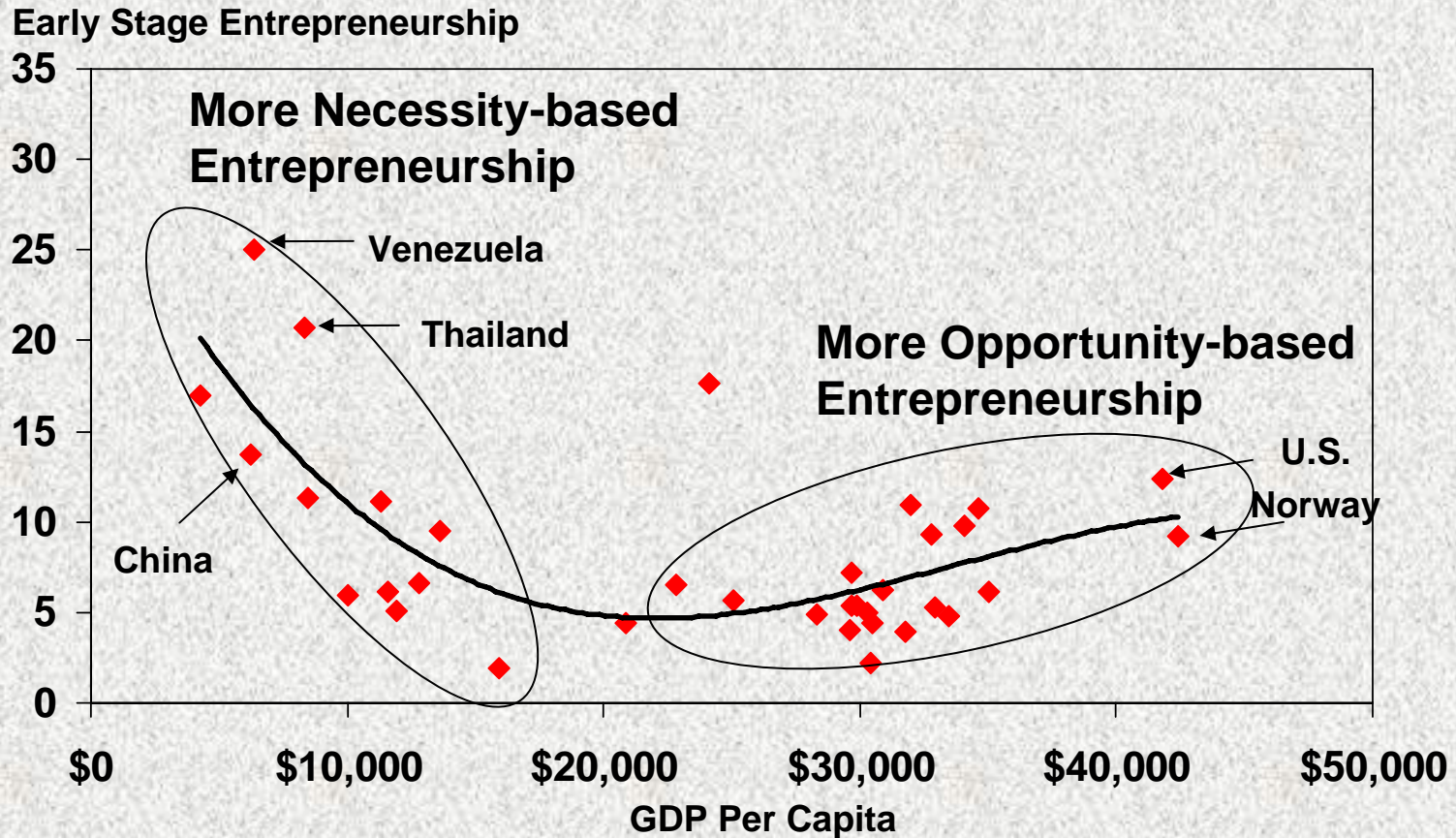
What kinds of entrepreneurs matter?

- **Necessity-based:**
 - Motivation: alternative work options are absent or unsatisfactory.
- **Opportunity-based:**
 - Motivation: want to exploit a perceived business opportunity.



National entrepreneurial activity and economic growth

Entrepreneurship and GDP



Source: Global Entrepreneurship Monitor



Nebraska's entrepreneurial base

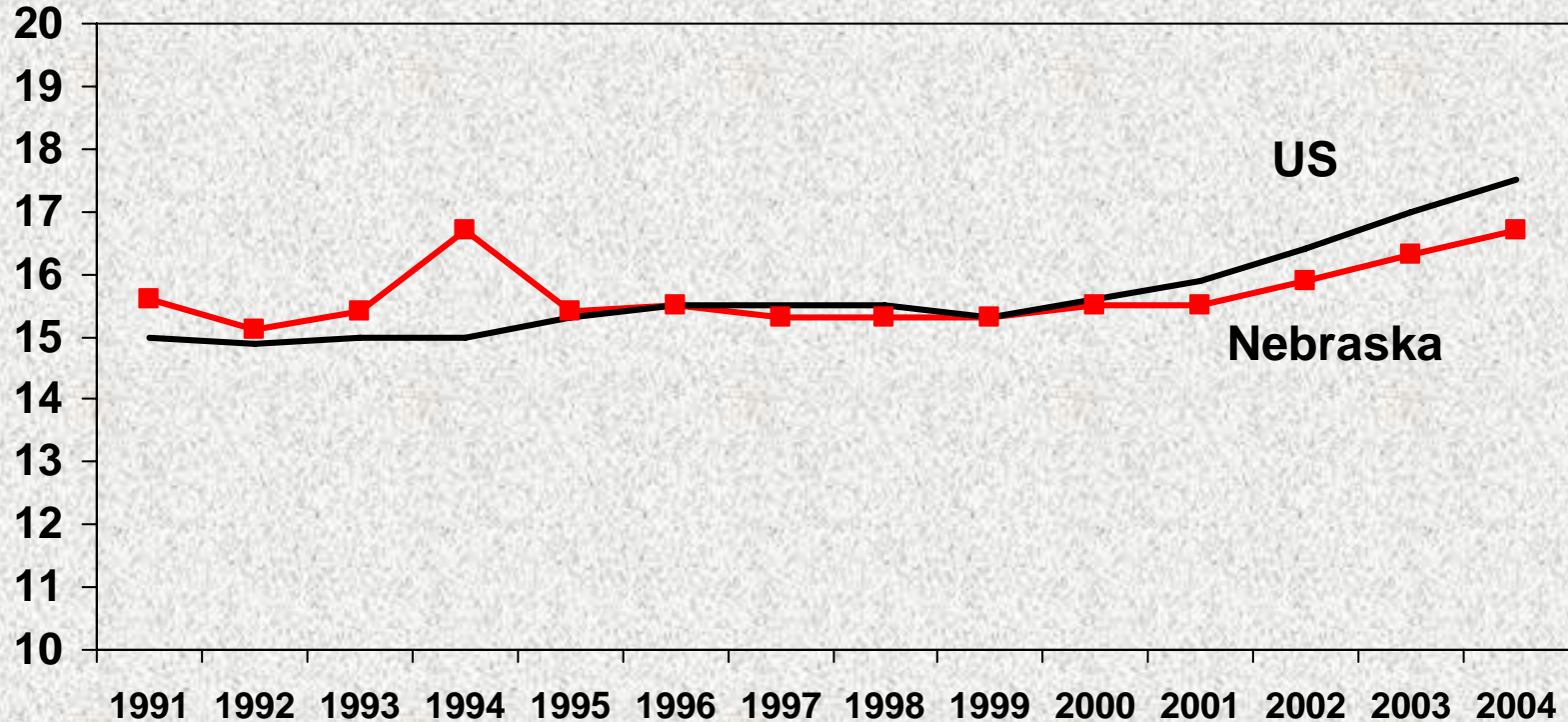
- **Nebraska has a strong entrepreneurial climate.**



Entrepreneurs are emerging in Nebraska.

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

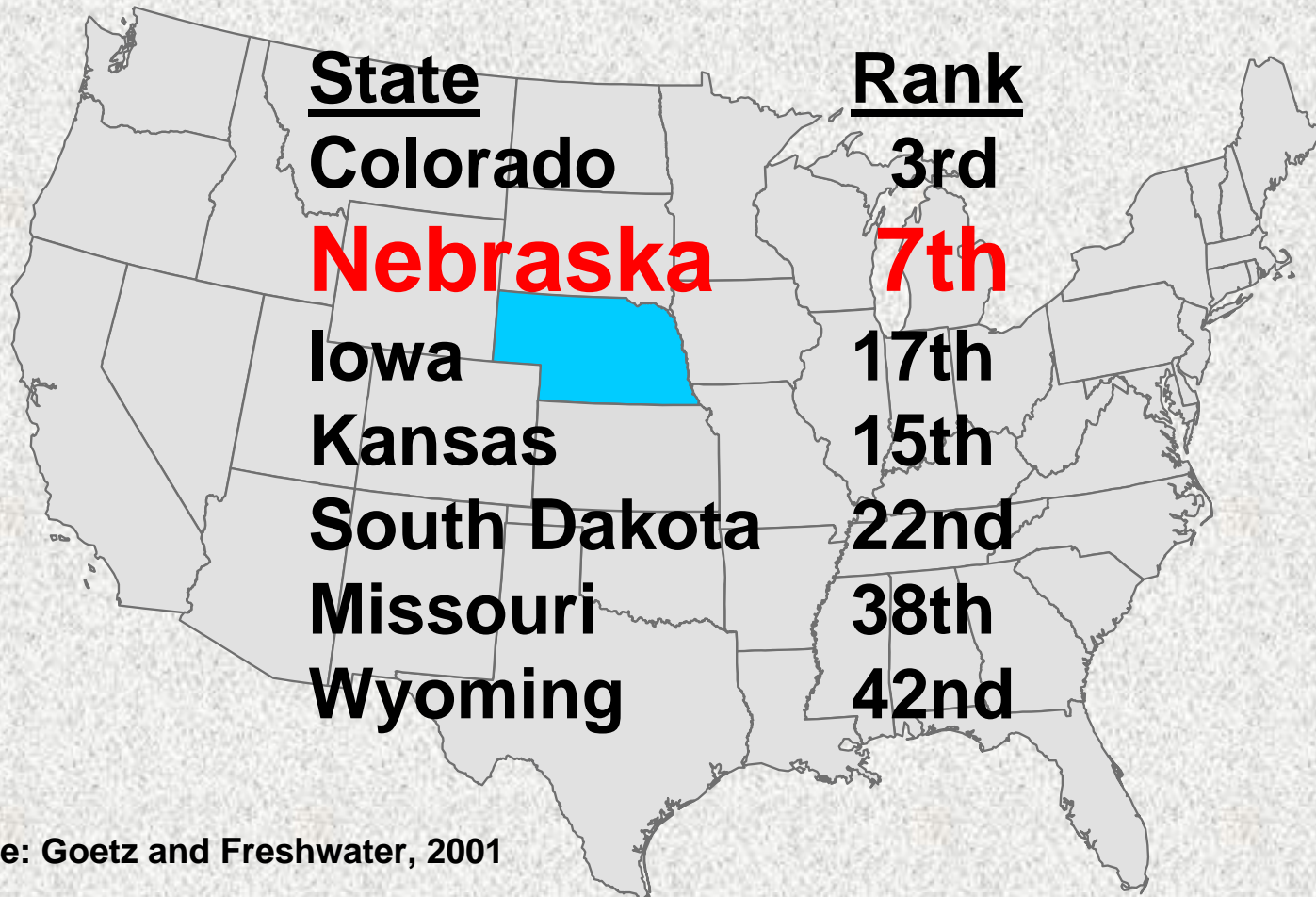
Share of Employment



Calculations based on Bureau of Economic Analysis data



Nebraska Ranks 7th in Entrepreneurial Climate



Source: Goetz and Freshwater, 2001



Nebraska's entrepreneurial base

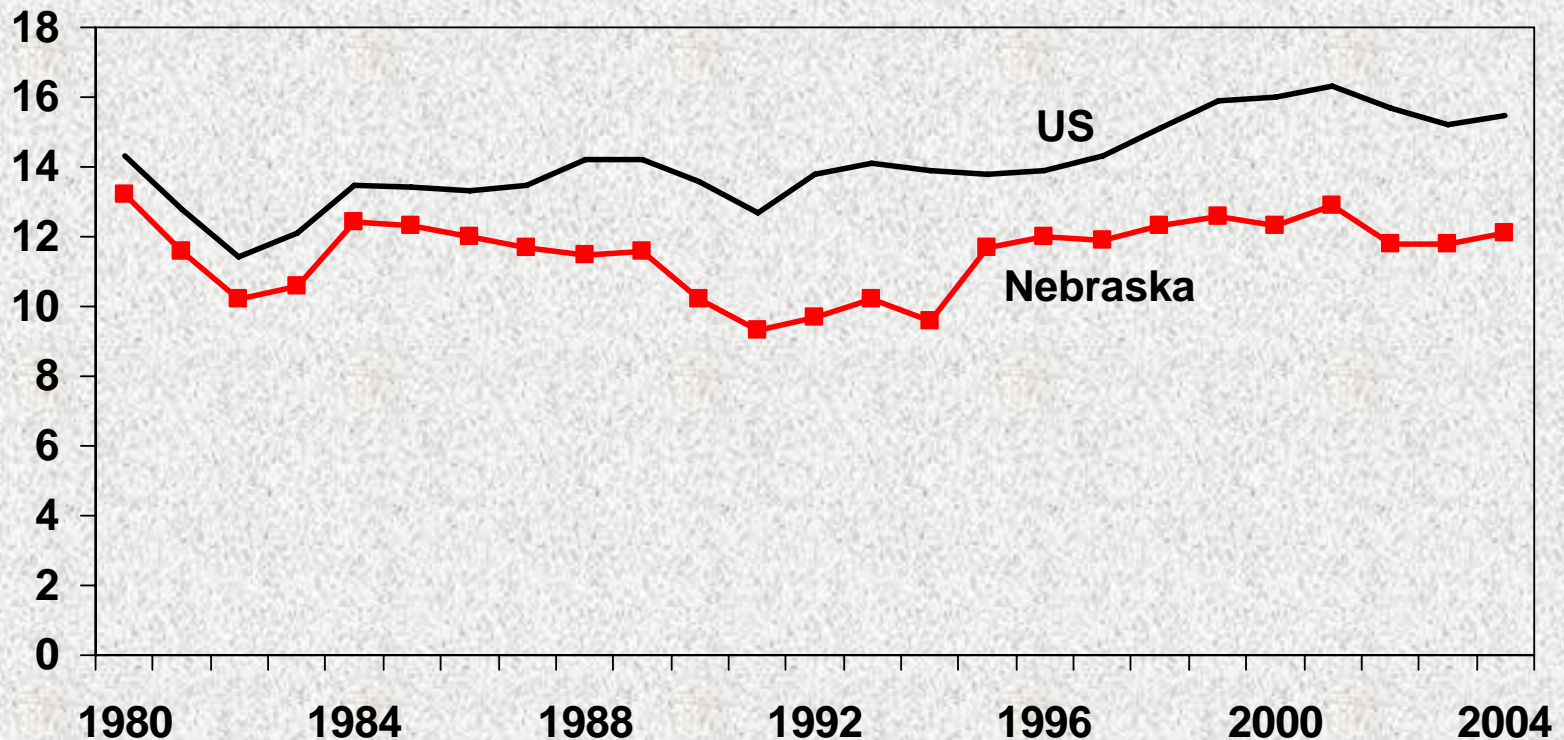
- **Nebraska has a strong entrepreneurial climate.**
- **Entrepreneurs struggle to generate high levels of income.**



Entrepreneurs in Nebraska struggle to generate high-growth

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

Real income per proprietor (thousand dollars)



Calculations based on REIS, BEA data



Challenges to Growing High-Growth Entrepreneurs

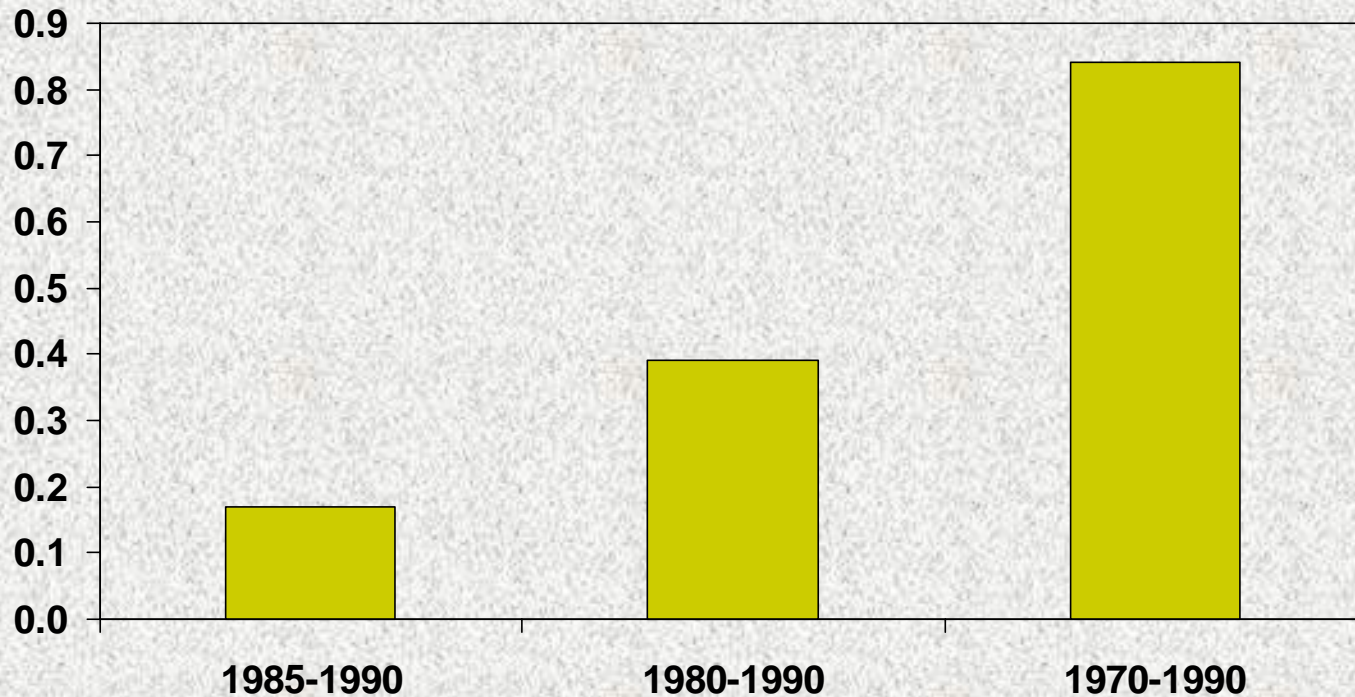
- **Benefits are long-run not short-run.**



The Benefits of Entrepreneurship Grow Over Time

Impacts of Proprietor Growth on Employment Growth

Marginal impacts on employment growth 1991 to 2001



Calculations based on Drabenstott and Henderson (2006)



Challenges to Growing High-Growth Entrepreneurs

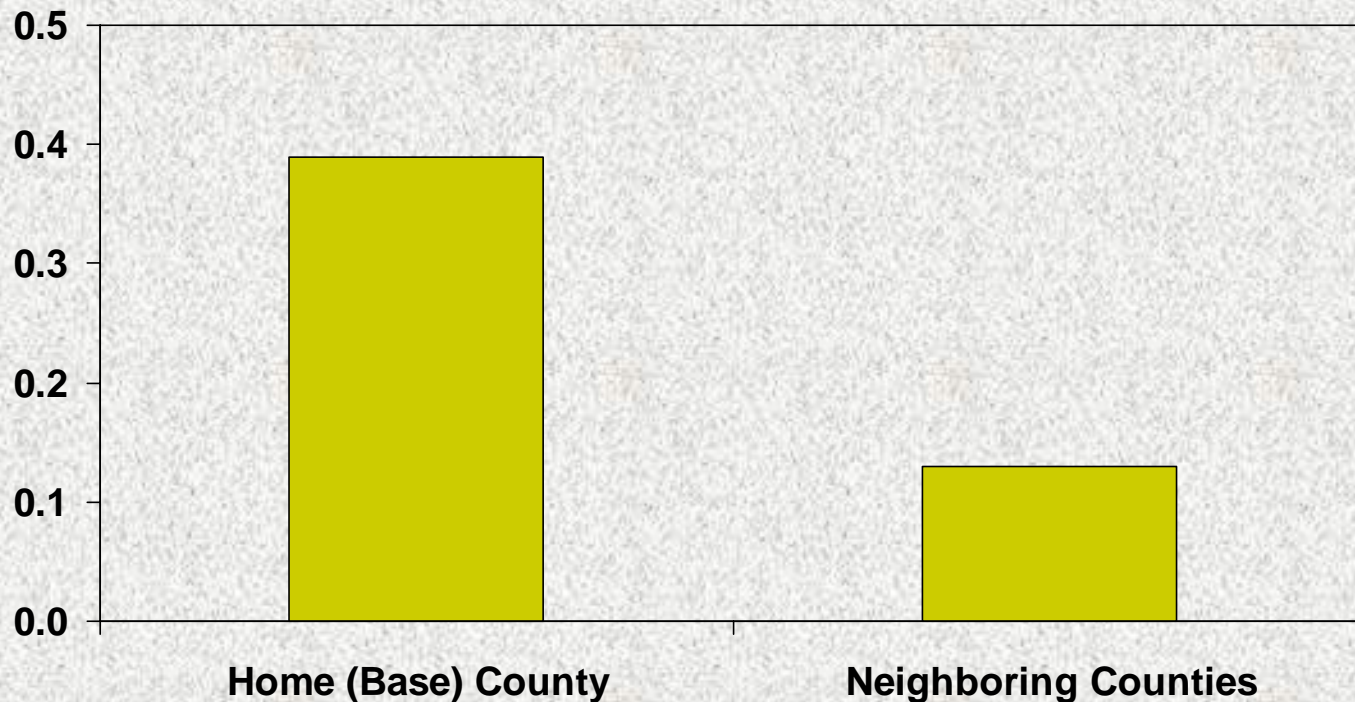
- **Benefits are long-run not short-run.**
- **Benefits flow to neighbors that are often viewed as competitors.**



Counties benefits from entrepreneurial development in neighboring counties

Impacts of Proprietor Growth on Employment Growth

Marginal impacts on employment growth 1991 to 2001



Calculations based on Drabenstott and Henderson (2006)



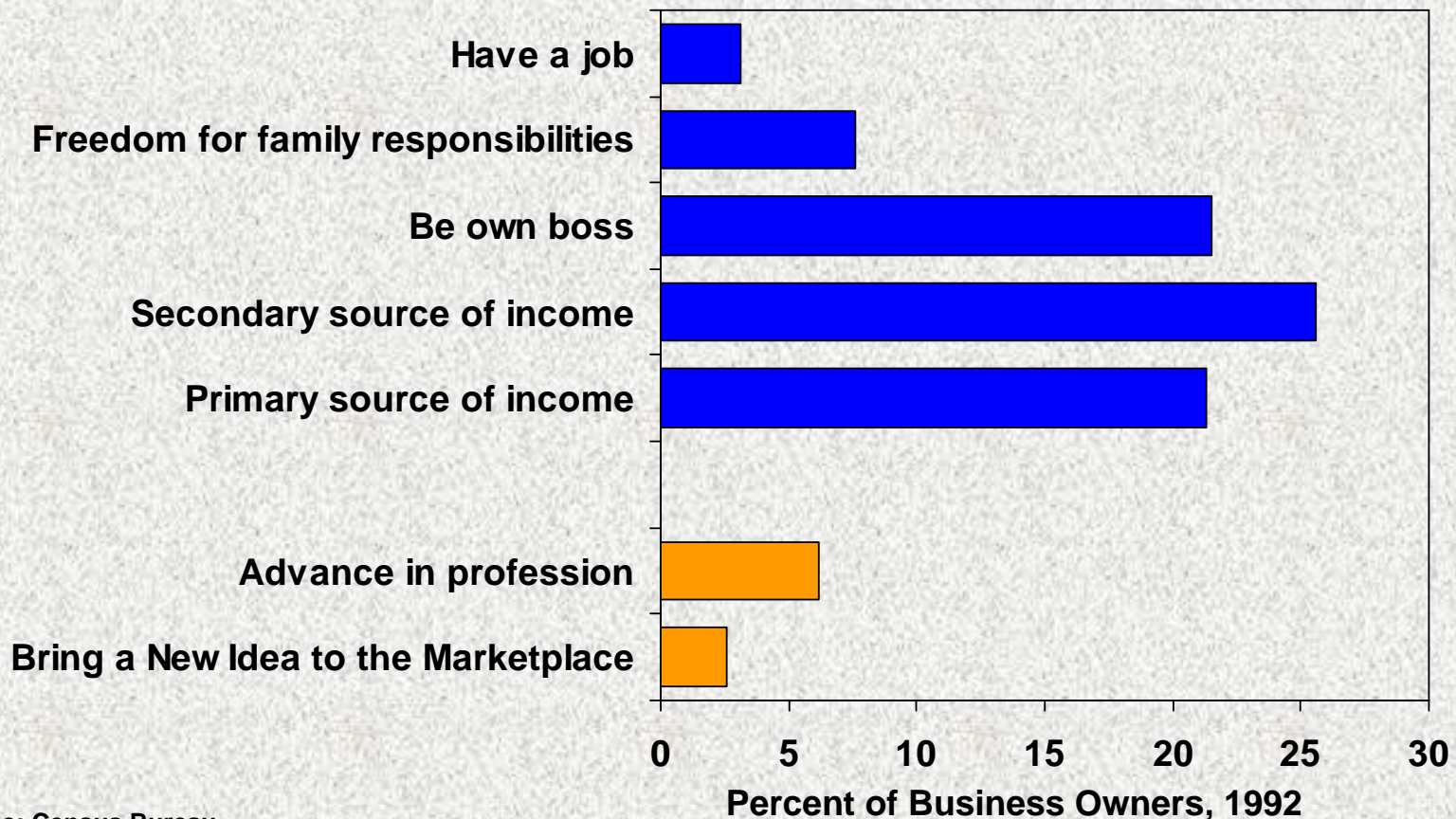
Challenges to Growing High-Growth Entrepreneurs

- **Benefits are long-run not short-run.**
- **Benefits flow to neighbors that are often viewed as competitors.**
- **Most entrepreneurs are lifestyle entrepreneurs.**



Most U.S. entrepreneurs are necessity or lifestyle entrepreneurs

Reasons for Becoming a Business Owner



Source: Census Bureau



Challenges to Growing High-Growth Entrepreneurs

- **Benefits are long-run not short-run.**
- **Benefits flow to neighbors that are often viewed as competitors.**
- **Most entrepreneurs are lifestyle entrepreneurs.**
- **Developing entrepreneurial skills to boost deal flow and the odds of success.**



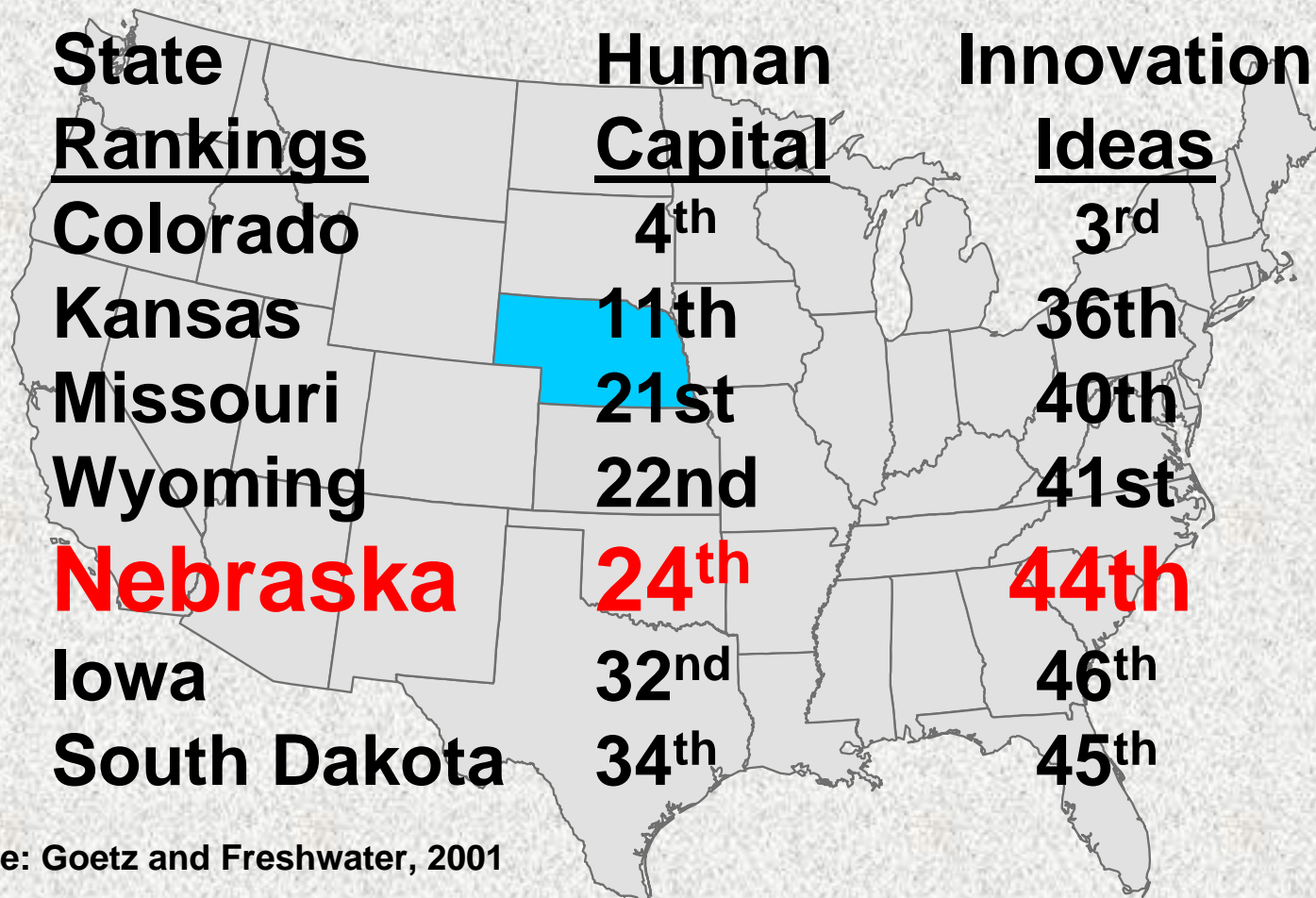
A Major League System for Entrepreneurial Development

	<i>Technical</i>	<i>Managerial</i>	<i>Entrepreneurial</i>	<i>Personal Maturity</i>
Major League:	Outstand./ Exceptional	Outstanding	Outstanding	Outstanding
AAA:	High	High	High	High
AA:	High	Medium	Medium	Medium
A:	High/ Medium	Low	Low	Low
Rookie League	Low/No	Low/No	Low/No	Low/No

Source: Thomas S. Lyons, "[*Policies for Creating an Entrepreneurial Region*](#)", *Main Streets of Tomorrow: Growing and Financing Rural Entrepreneurs*, 2003.



Despite entrepreneurial climate, Nebraska trails in some entrepreneurial factors.



Source: Goetz and Freshwater, 2001

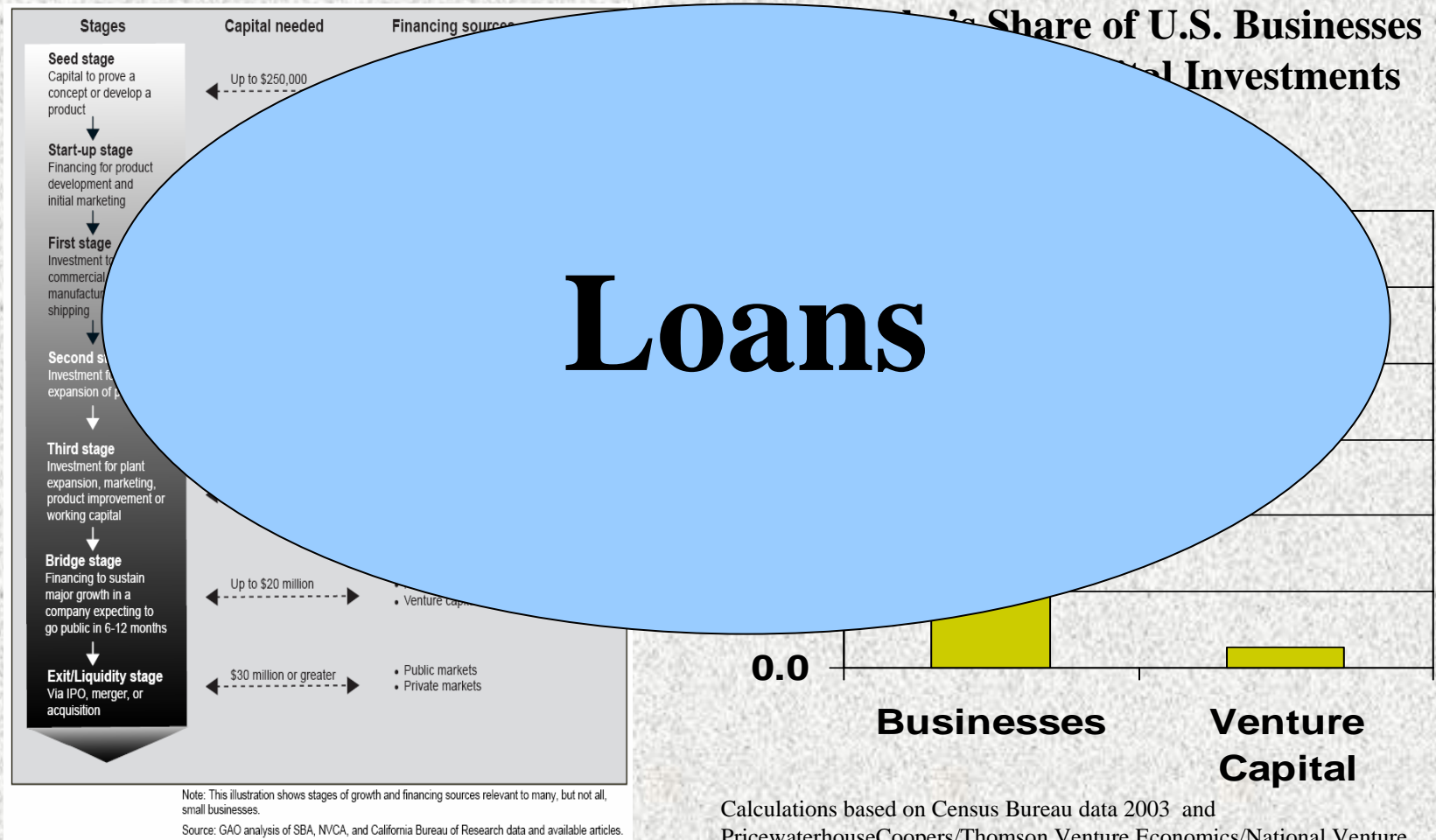


Challenges to Growing High-Growth Entrepreneurs

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



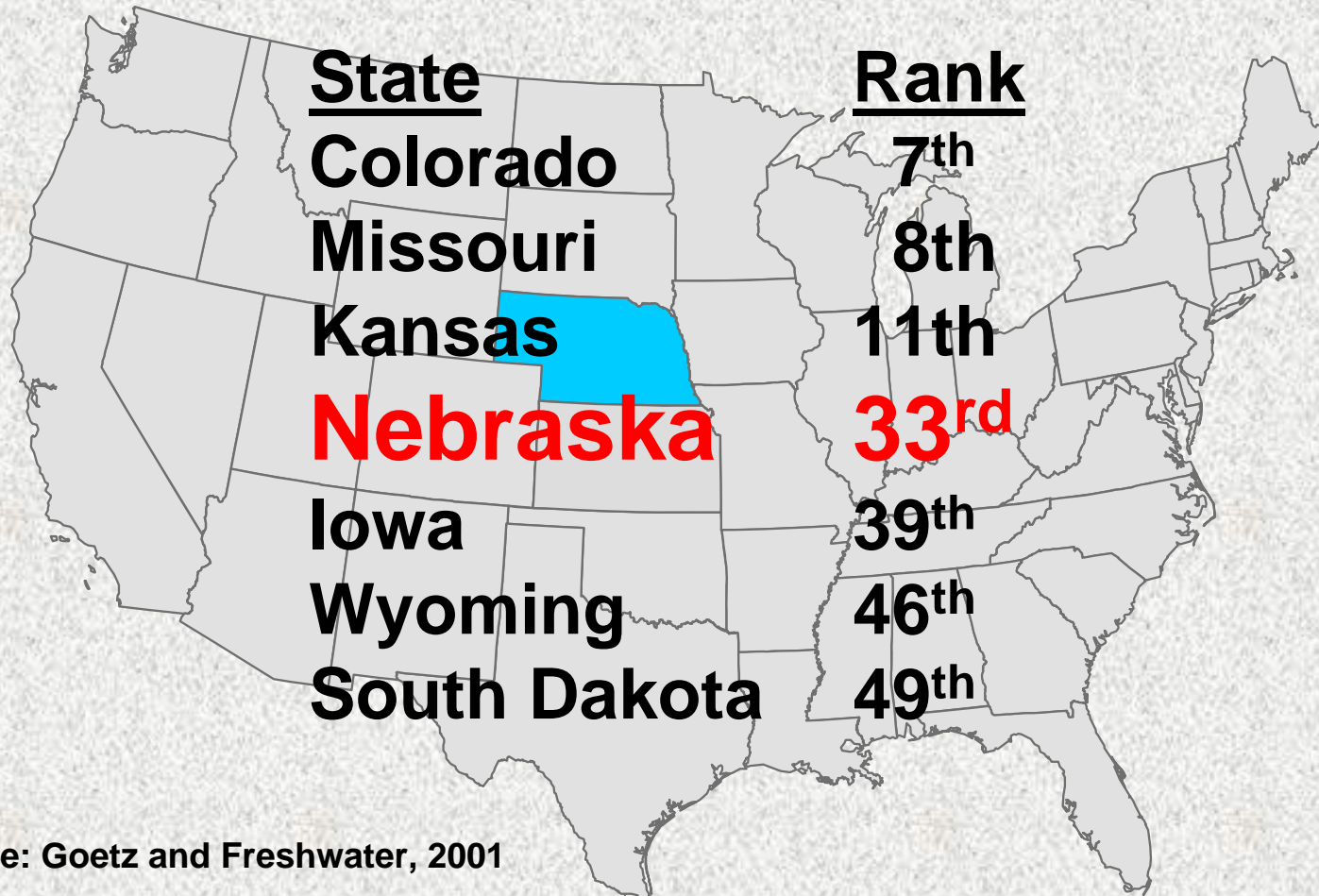
A Full Range of Equity and Debt Capital



Calculations based on Census Bureau data 2003 and PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey 1991 to 2005



Nebraska ranks 33rd in financial capital.



Source: Goetz and Freshwater, 2001



Conclusions

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

Is it a risk worth taking?

