



RURAL REVIVAL OR REQUIEM? Establishing New Creative Ventures in a Rural Context

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'Fostering Entrepreneurship in the Creative Economy'
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The Questions



- **In the Creative Economy, can rurally based new ventures succeed?**
- **If so, *how?***

Some Definitions



- **What (who) defines 'rural'?**
 - Adam Smith (1776)
 - Jane Jacobs (1961)
- **What defines 'success'?**
 - Value creation
 - Proxies of which are: potential for acquisition, IPO-able
 - Focus on "Go big or go home" ventures

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What The Literature Says



- **Rurally based ventures are inherently at a disadvantage**
- **At least 12 factors work against success:**
 - Venture capital availability
 - Presence of experienced entrepreneurs
 - Technically skilled labour force
 - Accessibility of suppliers
 - Accessibility of customers or new markets
 - Favourable government policies
 - Proximity to universities
 - Availability of land or facilities
 - Accessibility to transportation
 - Receptive population
 - Availability of supportive services
 - Attractive living conditions

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What Entrepreneurs/Venture Capitalists Say



- **Rurally based ventures are at an inherent disadvantage**
- **At least 12 factors work against success:**
 - Lack of business, technology, functional talent pool
 - Lack of customer proximity – problematic for learning and validation
 - Lack of investors
 - Lack of experience business people
 - Lack of good executives/advisors/board members
 - Lack of suppliers and other ‘food chain’ participants
 - All business is ‘local’ meaning ...early and easy customers early on is tough
 - Travel to customers is costly, time consuming and a barrier to business
 - Lack of intense competitive pace
 - Lack of general business ecosystem
 - Lack of industry/channel/relationships
 - Media ignores you – out of sight, out of mind

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What They All Say



- **Rurally based ventures are at an inherent disadvantage**
- **At least 15 factors work against success:**
 - Lack of business, technology, functional talent pool
 - Lack of customer proximity – problematic for learning and validation
 - Lack of investors
 - Lack of experience business people
 - Lack of good executives/advisors/board members
 - Lack of suppliers and other ‘food chain’ participants
 - All business is ‘local’ meaning ...early and easy customers early on is tough
 - Travel to customers is costly, time consuming and a barrier to business
 - Lack of intense competitive pace
 - Lack of general business ecosystem
 - Lack of industry/channel/relationships
 - Media ignores you – out of sight, out of mind
 - Local population not receptive
 - Local living conditions are not attractive
 - Needed land and/or facilities are not available

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The Way Zider (1998) Thinks



| INDIVIDUAL EVENT | PROBABILITY |
|---|-------------|
| Company has sufficient capital | 80% |
| Management is capable and focused | 80% |
| Product development goes as planned | 80% |
| Production and component sourcing goes as planned | 80% |
| Competitors behave as expected | 80% |
| Customers want product | 80% |
| Pricing is forecast correctly | 80% |
| Patents are issued and are enforceable | 80% |
| COMBINED PROBABILITY OF SUCCESS | 20% |

Table 1: Probability of success for new ventures

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Our Preliminary Case Studies



radian⁶
social media monitoring



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Our Hypothesis



- Rurally based ventures are at an inherent disadvantage
- UNLESS, one or more 'unfair advantages' exist
- Radian6
 - Experienced founder/entrepreneur – Q1 Labs
 - Experienced start-up CEO – iMagicTV
 - Local boys
 - Low cost of customer acquisition
- HB Studios
 - Founder with deep deep networks in EA and gaming community
 - “Big Brother” – EA Sports
 - Founder married to local girl
 - Low cost of customer acquisition

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| Factor | Urban ventures - Probability of Factor Occurring | Rural ventures - Probability of Factor Occurring | Radian 6 - Probability of Factor Occurring | HB Studios - Probability of Factor Occurring |
|---------------------------------|--|--|--|--|
| Talent Pool | 80% | 70% | 80% | 80% |
| Customer Proximity | 80% | 70% | 70% | 70% |
| Availability of Investors | 80% | 70% | 90% | 70% |
| Availability of business people | 80% | 70% | 90% | 70% |
| Availability of executives | 80% | 70% | 90% | 70% |
| Suppliers | 80% | 70% | n/a | n/a |
| Size of local market | 80% | 70% | n/a | n/a |
| Cost base | 80% | 70% | 80% | 80% |
| Competitive pace | 80% | 70% | 80% | 80% |
| Business ecosystem | 80% | 70% | 70% | 70% |
| Industry factors | 80% | 70% | 70% | 70% |
| Media | 80% | 70% | 90% | 90% |
| Receptivity of local population | 80% | 70% | 90% | 90% |
| Attractive living conditions | 80% | 70% | 70% | 70% |
| Availability of land/facilities | 80% | 70% | 70% | 80% |
| Combined Probability | 3.5% | .5% | 5.1% | 2.73% |

Table 2: Summary of Analysis

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Our Preliminary Thoughts



- **Revival not Requiem - rurally based new ventures can succeed...**
- **...if one or more “unfair advantages”:**
 - **Start-up experience of founder and/or CEO**
 - **Low cost of customer acquisition**
 - **deep connections within local community**
 - **Fame within an industry ‘food chain’**
- **Next steps**
 - **Remove survivor bias with subsequent case studies**
 - **Larger sample**
 - **Trimming of success factors**
 - **Factor in rural context itself**