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## **Entrepreneurial Activity by Women in Rural South Dakota**

Abbigail Meeder and Carol J. Cumber<sup>1</sup>

### **Introduction**

The period since 1980 has been one of extensive, nationwide economic restructuring. This economic change has been particularly stressful in non-metropolitan areas of the United States (Bastow-Shoop et al. 1995). Rural development and rural employment growth have lagged behind that of metropolitan areas (Reed and Blair 1993). Earnings per job declined in rural areas in the 1980s. Rural development has moved from being an issue of the federal government toward being a state level issue (Leistritz and Bangsund 1998). Rural states are addressing this issue with an increased focus on rural community sustainability.

Entrepreneurial firms play an important role in economic and employment growth in the United States. Small firms produce more jobs than any other size firm, with startup firms generating twice as many jobs as existing firms that expand (Winders 2000). The United States is geographically defined as more than three quarters rural, and around one in five Americans lives and works in a rural area (Shields 2005). Small, entrepreneurial organizations add to the number of jobs available in rural communities, increasing a small community's economic viability. Economic development initiatives help to stabilize rural populations and increase the demand for housing (DeVuyst, Leistritz, and Schepp 2005). These businesses stabilize local services, enhance the local tax base, and add to local linkages, innovation, and sustainability in small communities (Winders 2000).

Even though rural firms provide almost two thirds of all rural jobs (McDaniel 2001), many rural women find it difficult to obtain employment (Shelleman and Shields 2003). The fact that rural women find it harder to find employment than non-rural women do may explain the trend that predominantly rural states have a higher proportion of women business owners than non-rural states. Rural areas often face disadvantages that urban locations do not (Robinson 2001). Business owners in rural areas may face difficulty obtaining business services such as advertising, legal consultation, accounting, and banking services (MacKenzie 1992). Physical isolation and unavailability of supplies in rural areas also pose a problem for rural firms. Rural development lags behind development in metropolitan areas (Robinson 2002). Access to technological services and electronic infrastructures are limited (MacKenzie 1992). Technology that may facilitate entrepreneurship like computer access and use is lacking in some rural areas (Shelleman and Shields 2003). Many rural areas lack information networks that will help entrepreneurs start and run their own businesses (MacKenzie 1992).

Rural areas also face problems concerning low population density, low education levels, low incomes, and high transportation costs (Shields 2005). People in rural areas are limited by location and physical difficulty in commuting to a work site (Robinson 2001). The Center for the Study of Rural America's research on Small Business in Rural America identified major challenges that hinder rural business development in rural settings as lack of infrastructure, labor, and capital (McDaniel 2001).

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<sup>1</sup> Meeder is a former Master's student and Cumber (Corresponding Author) is Professor, Department of Economics, South Dakota State University. The authors would like to acknowledge the financial support of the South Dakota State University Agricultural Experiment Station in conducting this research.

Although rural settings have traditionally been thought to have a negative impact on small businesses, there are a few characteristics of a rural setting that have a positive impact. Anecdotal evidence implies that rural business owners do not feel that their location is a disadvantage (Robinson 2001). New business survival rates are comparable in rural and urban areas (Buss 1990). Shelleman and Shields (2002) studied Appalachian Women Entrepreneurs and concluded that, contrary to prior experiences, women say they do not experience adversity due to resource constraints. Rural areas may offer a more relaxed, laid-back lifestyle. The slower pace and readily available access to outdoor recreation are positive attributes of rural areas (Robinson 2001; MacKenzie 1992). The cost of living in rural areas is lower than in metropolitan areas, which may result in a reduced cost of doing business. Rural business owners also benefit from the strong social ties of a small community (Robinson 2001).

The national trend toward an increase in the number of women business owners and entrepreneurs is mirrored in rural states such as South Dakota (Shelleman and Shields 2003). According to a fact sheet compiled by The Center for Women's Business Research, in 2004 South Dakota had an estimated 37,115 privately-held, at least 50% women-owned firms, both rural and non-rural, which accounted for 54.5% of all privately-held firms in the state. These firms generated nearly \$12 billion in sales and employed 79,296 people. From 1997 to 2004, the number of majority women-owned businesses (>50%) grew by 45.6% (Women-Owned Businesses in South Dakota 2004: A Fact Sheet 2004).

Although the number of women-owned firms continues to increase, very few studies exist that concentrate specifically on entrepreneurship by women in rural areas. This article reports the results of an exploratory study that focused on entrepreneurial activities by women in rural South Dakota in an attempt to assess the needs, challenges, and successes of these women.

The overall objective of this research was to evaluate how a rural setting affects South Dakota female entrepreneurial businesses, to identify business characteristics of female-owned rural businesses, to identify the factors that lead to the success of rural women entrepreneurs, and to identify the biggest business needs of rural women entrepreneurs.

### **Data and Methods**

In May 2006, three hundred ninety-six surveys were mailed to rural businesswomen who owned at least 50% of their rural business. The census definition of a rural area, i.e, an area or city with less than 2,500 in population in either a metropolitan or non-metropolitan county, was used.

Both snowball and random sampling techniques were used. Extension educators from around the state of South Dakota were asked to review a list of business owners in their area and recommend participants from the pre-constructed mailing list of 1,624 rural women business owners (acquired from InfoUSA) or business owners they knew from their area whose names were not on the list. Extension educators recommended 225 business owners (57% of the total). An additional one hundred seventy-one rural women business owners were randomly sampled (43% of the total). A total of 110 business owners (28% response rate) completed and returned the survey.

**Results**

The most common industry (nearly 34%) represented was retail trade, followed by professional, scientific, and technical services (23%), and health care and social assistance (8%). Over 27% of survey participants had gross annual sales in excess of \$90,000. Almost 68% of these businesses targeted a local market, and nearly 23% targeted a regional market. Only 9% targeted a national or international market. All but five of the 110 survey respondents defined themselves as successful.

***Rural Setting's Effect on Female Entrepreneurial Businesses***

Survey participants were asked to rate aspects of a rural area that may affect a business. Table 1 indicates the results.

**Table 1.** Impact of a rural setting on a business.

Rural setting's impact on:	Highly Positive 1	Moderately Positive 2	No Impact 3	Moderately Negative 4	Highly Negative 5	Index Average
	%	%	%	%	%	
Availability of customers (n = 105)	56.2	18.1	8.6	11.4	5.7	1.92
Availability of financing (n = 101)	30.7	33.7	23.8	9.9	2.0	2.19
Availability of technological resources (n = 97)	31.9	32.9	24.7	4.1	6.2	2.20
Availability of suppliers (n = 100)	27.0	26.0	37.0	7.0	3.0	2.33
Availability of support systems (n = 95)	22.1	33.7	31.6	10.5	2.1	2.37
Social networks (n = 97)	16.5	29.9	37.1	15.5	1.0	2.55
Workforce availability (n = 100)	23.0	27.0	25.0	22.0	3.0	2.55
Availability of training programs (n = 96)	16.7	29.2	34.4	19.8	0.0	2.57
Availability of organizational resources (n = 98)	10.2	35.7	35.7	17.4	1.0	2.63
Overall impact of rural setting on business (n = 98)	24.5	29.6	24.5	19.4	2.0	2.45

Fifty-six percent of respondents reported that a rural setting had a highly positive impact on the availability of customers. The index average was 1.92; the highest index average for all the factors. Although one might think that a rural area would limit the availability of customers because of a limited population, one explanation for this finding is that people in rural areas are more familiar with the people and businesses in this area than more populated areas. Customers of rural businesses could be friends of the business owner and may be more willing to support local businesses. The highest proportion of respondents found that a rural setting had a moderately positive impact in relation to financing, the availability of technological resources, the availability of support systems, and work force availability. Financing may be easier to acquire in rural areas because the people are more familiar with each other, and a banker may take into account not only financial stability, but also characteristics like work ethic and drive when considering loan applicants. Workforce availability may also be better in rural areas because rural residents may find it harder to attain other jobs in an area with limited businesses. In regards to availability of resources, the results were equal for moderately positive and no impact. The highest proportion of respondents indicated that a rural setting did not impact the availability of suppliers, social networks, or training programs. On the whole, a majority of respondents felt that the overall impact of rural setting on a business was either moderately or highly positive.

***The Impact of Female Ownership on a Business***

Survey participants were asked to rate aspects of running a business that might be impacted because they were female. Table 2 indicates the results.

**Table 2.** Impact of female ownership on a business.

Impact of being female on:	Highly Positive 1	Moderately Positive 2	No Impact 3	Moderately Negative 4	Highly Negative 5	Index Average
	%	%	%	%	%	
Customers' view of your business (n = 103)	40.8	26.2	26.2	6.8	0.0	1.99
How women are treated as business persons (n = 101)	27.7	22.8	30.7	15.8	3.0	2.00
Business sales (n = 99)	32.3	24.2	34.3	8.1	1.0	2.21
Acquiring financing (n = 102)	26.5	19.6	31.4	18.6	3.9	2.54
Overall impact of female ownership on business (n = 102)	30.4	23.5	37.3	5.9	2.9	2.27

Almost 41% of respondents believed that female ownership had a highly positive impact on customers' views of their business. The index average was 1.99; the highest index average for all the factors. The most frequently chosen response for how women are treated as business persons, the impact on business sales and acquiring financing, was no impact.

Overall, the majority of respondents felt that female ownership had either a moderately positive or highly positive impact on their business. The last factor supports this finding. This shows that, contrary to the belief that female ownership has a negative impact on a business, in this study, participants felt that female ownership had either no impact or a positive impact on their business.

**Factors Leading to the Success of Rural Women-Owned Businesses**

For the purposes of this study, success was defined not only by the sales of a business, but also by self-disclosure of participants as to what they believed defined success. Survey participants were asked to choose the top three factors they felt led to the success of rural women-owned businesses. Table 3 indicates the results.

**Table 3.** Factors leading to the success of rural women-owned businesses.

Factors Leading to Success:	# of responses*	% of total responses
Hard work	85	27.7
Drive/Passion	48	15.7
Owner's prior experience in that area of business	32	10.5
Strong support systems (family, friends, social groups, community, etc.)	28	9.2
Efficient financial management	28	9.1
Participation in community events (networking)	14	4.6
Organization and planning	14	4.6
Efficient time management	11	3.6
Supportive community with an entrepreneurial spirit	11	3.6
Well-trained employees	10	3.3
Adequate financing	10	3.3
Efficient marketing	6	2.0
Efficient advertising	5	1.6
Utilizing e-commerce	1	0.3
Luck	1	0.3
Other	2	0.7
Total responses	306	100.00

\* Participants were allowed to choose up to three factors.

The three most important factors leading to the success of rural women-owned businesses were hard work (28%), having drive or passion for what the business person is doing (16%), and the owner's prior experience in that area of business (10%). The other factors were each less than 10% of the responses.

**Characteristics of Successful Business Women**

Survey participants were asked to choose the top three factors they believed made a businesswoman feel successful. Table 4 indicates the results.

**Table 4.** Characteristics of successful business women.

What do you believe makes a female business person feel successful?	# of responses*	% of total responses
Helping others	64	20.9
Contributing to the family income	57	18.6
Making a profit	48	15.7
Feeling a sense of accomplishment	37	12.1
Working for oneself	27	8.8
Being in control	25	8.2
Having more flexibility in a job	18	5.9
Fulfilling a need in the community	17	5.6
Other	13	4.3
Total responses	306	100.0

\*Participants were allowed to choose up to three options.

The most frequently chosen factor that makes a female business person feel successful was identified as helping others (21%), followed by contributing to the family income (19%), making a profit (16%), and feeling a sense of accomplishment (12%). The remaining characteristics of successful business women each accounted for less than 10% of survey responses. When participants were asked if they felt their business was successful, very few stated that their business was unsuccessful. Only five of the 105 respondents to this question felt that they were unsuccessful. The results of these questions show that the female business owners do not define success entirely in monetary terms.

***Comparison of Prior Experience of Women Business Owners and Sales***

Survey participants were asked to report whether they had prior experience before starting their business. Table 5 indicates the results.

**Table 5.** Comparison of prior experience of women business owners and sales.

Did you have prior work experience in the area of business you now operate?	Yes %	No %	N=
Overall average of all women business owners surveyed	63.3	36.7	109
<\$1,000 in Annual Sales	100.0	0.0	1
\$1,001-\$10,000 in Annual Sales	45.4	54.5	11
\$10,001-\$20,000 in Annual Sales	46.1	53.8	13
\$20,001-\$30,000 in Annual Sales	50.0	50.0	10
\$30,001-\$40,000 in Annual Sales	60.0	40.0	5
\$40,001-\$50,000 in Annual Sales	75.0	25.0	4
\$50,001-\$60,000 in Annual Sales	57.1	42.9	7
\$60,001-\$70,000 in Annual Sales	100.0	0.0	1
\$70,001-\$80,000 in Annual Sales	87.5	12.5	8
\$80,001-\$90,000 in Annual Sales	50.0	50.0	4
\$90,001-\$100,000 in Annual Sales	100.0	0.0	10
>\$100,000 in Annual Sales	64.7	35.3	17

More than 63% of participants had prior work experience in the area of business they now operate. In all but one sales category (above \$50,000 in annual sales) there was prior work experience in the area of business they now operate. Four of the six ranges less than \$50,000 in sales had lower levels of prior experience. The business owners in the categories with higher sales have more experience than the women in the categories with lower sales. The higher the sales, the more likely business owners are to have prior experience. This trend can lead one to believe that if a business person has experience in the area of business she operates, she may be more likely to have higher sales and be more successful monetarily.

### ***Needs of Rural Women Business Owners***

Survey participants were asked to identify needs of rural women business owners. Table 6 presents the results. Survey respondents most frequently indicated a very high need for personal support systems, a willingness to take a risk, qualified workers, and sources of financing. An equal percentage (29%) of respondents indicated either a very high or a moderate need for mentors. A moderately high need was most frequently expressed for local services and supportive public policies. Regarding training programs, there was only a three percent difference between those who believed there was a moderate need versus a very high need.

A moderate need was most frequently identified in the areas of building/rental space, governmental support systems, institutional support systems, contact list/directory, youth and adult entrepreneurial programs, and institutional resources.

### **Conclusions**

The overall objective of this research was to evaluate how a rural setting affects South Dakota female entrepreneurial businesses, to identify business characteristics of female-owned rural businesses, to identify the factors that lead to the success of rural women entrepreneurs, and to identify the biggest business needs of rural women entrepreneurs.

Although some previous studies suggested that a rural setting would negatively affect businesses, our findings were the opposite in that less than one-fourth of the respondents felt that was the case. Most survey participants stated that being a female rural business owner either had no impact on their business or was positive. As expected, operating in the retail industry was most common, as was the finding that the majority of businesses had under \$100,000 in gross annual sales, and targeted a local market. The three factors considered most important to the success of these businesses were hard work, drive/passion, and prior experience. They dismissed the concept that luck played a role.

Interestingly, all but five of the women surveyed indicated that they were successful, even though they may have low gross annual sales. This can be explained by how they defined success, for the most frequently chosen indicator was that they were helping others. This was followed by contributing to family income, making a profit, and having a sense of accomplishment.

This research also sought to identify the needs of rural female entrepreneurs in South Dakota. There are many, including a need for training programs, personal support systems, qualified workers, sources of financing, mentors, and a willingness to take a risk.

The results of this research may be beneficial to rural women business owners and rural women who are considering starting a business. Rural women entrepreneurs can use the information



from this study to better understand business success and forecast and manage challenges they may face. If female entrepreneurs have a family, this study may also be useful. Having more information, female entrepreneurs will be better equipped to run a successful business. The increase in family income from the business will be beneficial to all members of the family. By increasing the family income, the female entrepreneur is increasing her family's quality of life.

Small business associations, training programs, and information and support resource providers may also find the results of this study useful. The information from this study can assist small business associations and training program leaders in planning seminars and helping entrepreneurs in the areas where help is most needed.

Policy makers may also be interested in the results. With the number of rural female entrepreneurs increasing in South Dakota, the state is experiencing an increase in rural economic development. Because South Dakota is a rural state, policy makers are very interested in economic development and rural sustainability. Policy and government action may take place to better support women in rural areas to start and succeed in business.

**Table 6.** Needs of rural women business owners.

Need for:	Very High 1 %	Moderately High 2 %	Moderate 3 %	Moderately Low 4 %	No Need 5 %	N =	Index Average
Personal support systems	65	21	10	2	2	104	1.54
Willingness to take a risk	67	15	13	3	1	104	1.55
Qualified workers	49	25	18	1	6	99	1.89
Sources of financing	43	31	19	3	3	99	1.91
Training Programs	34	22	37	5	2	95	2.20
Building/rental space	27	31	29	7	7	101	2.28
Local services	19	38	32	7	4	95	2.40
Supportive public policies	22	32	31	10	4	96	2.42
Mentors	29	23	29	11	8	98	2.47
Governmental support systems	26	26	31	11	7	98	2.49
Institutional support systems	18	25	34	17	6	96	2.69
A contact list or directory	11	32	36	12	8	97	2.74
Youth and adult entrepreneurial education programs	11	27	34	21	6	96	2.83
Access to institutional resources	12	20	45	16	6	93	2.85

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