



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

**Conference Presentation  
'Fostering Entrepreneurship in the Creative Economy'  
Monieson Centre, Queen's School of Business  
November 19<sup>th</sup>, 2010  
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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%
<b>COMBINED PROBABILITY OF SUCCESS</b>	<b>20%</b>

Table 1: Probability of success for new ventures

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## Our Preliminary Case Studies



radian<sup>6</sup>  
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%
<b>Combined Probability</b>	<b>3.5%</b>	<b>.5%</b>	<b>5.1%</b>	<b>2.73%</b>

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**