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Roots of Prosperity

**How Community Assets Create the
Conditions for Rural Entrepreneurship**

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EXECUTIVE SUMMARY

Entrepreneurship is one of rural America's greatest economic strengths. New businesses create jobs, build wealth that stays local, and give communities more control over their economic futures. But entrepreneurship does not emerge in a vacuum. It grows out of the people, relationships, institutions, infrastructure, culture, and other assets already present in a place.

Created in partnership with the [Capital One Insights Center](#), the Center on Rural Innovation's [Rural Entrepreneurship Index](#) identifies the rural counties that are outperforming the nation in entrepreneurship. This report takes the analysis a step further, asking: What is it about those places that creates the conditions for entrepreneurs to start and grow businesses?

To answer that question, we use the Community Capitals Framework, which organizes a community's assets into seven forms of capital: natural, human, cultural, social, built, financial, and political. We build a county-level index for each capital and test its average relationship with a county's Rural Entrepreneurship Index score. We then pair that national analysis with fieldwork in Bozeman, Montana, home to one of the highest-performing rural-rooted entrepreneurial economies in the United States.

Bozeman is a case study in how a place can build from its own distinctive mix of assets. Interviews with founders, investors, university leaders, and economic development practitioners show something the national data cannot: how one form of capital can reinforce another, where entrepreneurs encounter real constraints, and how local strengths that are difficult to measure can become meaningful economic advantages.

Looking across the full analysis, a few key findings stand out:

Natural amenities are a leading entrepreneurial advantage. Natural capital is the strongest predictor of rural entrepreneurship in the analysis, particularly in rural counties. Landscapes, recreation and other amenities can help communities attract and retain skilled workers and founders while creating opportunities for businesses built around those assets.

Traditional economic-development incentives do not tell the whole story. Political capital is the only one of the seven capitals consistently associated with lower entrepreneurship. The findings

point toward broadly shared investments — including broadband, workforce training, childcare, healthcare and entrepreneurial infrastructure — as important components of a strong local ecosystem.

Rural America's older population is an entrepreneurial asset. Median age is positively associated with rural entrepreneurship. The research notes that experienced workers can bring industry knowledge, professional networks, and financial resources that help them identify and pursue business opportunities.

Broadband is important, but it takes more than connectivity to build an entrepreneurship ecosystem. Built capital overall is not significantly associated with rural entrepreneurship. Infrastructure appears to have greater impact when paired with coworking spaces, mentorship, incubators, accelerators, and other programs that connect entrepreneurs with one another and with resources.

Relationships can matter as much as institutional investment. Rural entrepreneurs rely on local networks such as community banks, Community Development Financial Institutions (CDFIs), business associations, veteran networks, and local nonprofits. These relationship-driven connections are associated with stronger rural entrepreneurship, enabling business owners to connect with customers, mentors, investors, outside capital, talent, and one another.

Taken together, these findings reveal a different way of thinking about rural economic development.

Rural communities do not need to reinvent themselves to create economic opportunity or invest equally in every form of community capital. Particularly in places where resources are limited, a stronger strategy may be to identify the assets that already set a community apart, invest in those strengths, and build the connections that allow them to reinforce one another and support rural entrepreneurs.

One of the clearest lessons from applying the Community Capitals Framework is that entrepreneurship does not emerge from any single program, institution, or investment. It grows from an interconnected ecosystem that includes a community's people, network, infrastructure, natural assets, and institutions to work together to create the conditions for businesses to start and grow.

For rural communities, this report offers both a practical and optimistic path forward. Building a stronger entrepreneurial economy does not begin by focusing on what a community lacks, but by recognizing what already makes it distinct and investing intentionally to turn those strengths into opportunity.



The Community Capitals Framework

Economists define capital as a resource you invest in today to generate value tomorrow. Money is the most familiar example, but far from the only one. Take a river running through a small town: left alone, it's just water, but a community that builds a riverwalk and hosts a summer festival on its banks turns it into a draw for residents, visitors, and the businesses that serve them. The river hasn't changed; the investment in it has. That's the idea behind "community capitals". A community's natural surroundings, people, relationships, buildings, even its culture and civic life, all function like capital. A community can invest in them, draw them down, neglect them, or convert them into other kinds of value, and its long-term prospects may depend on how deliberately it manages that portfolio.

This way of thinking builds on a broader shift toward asset-based development, starting from what a community has, not what it lacks ([Kretzmann & McKnight, 1996](#)). The seven capitals are: natural capital, a place's land, water, climate, and scenery; human capital, the skills, education, and health of a community's people; cultural capital, the shared traditions and worldview that shape whose voices and knowledge carry weight; social capital, the web of relationships and trust that let people act together; built capital, its physical infrastructure, from roads and buildings to broadband; financial capital, the money available to invest, lend, and accumulate; and political capital, access to power and influence over how resources get used ([Emery & Flora, 2006](#); [Flora & Flora, 2013](#)). The capitals also work together. Invest in one, and the returns often spill into others. Job training (human capital) or a new gathering space downtown (built capital) can build the kind of local trust and connections (social capital) that help a new business land its first customers. The researchers who developed the framework call this "spiraling up." Success in one capital compounds into others, building greater success ([Emery & Flora, 2006](#)). This is consistent with decades of research treating trust and knowledge as functioning economically much like money: built up, spent down, and traded for other kinds of value ([Bourdieu, 1986](#)).

Starting and growing a local business often draws on a community's own assets: money, yes, but also local trust and a warm introduction to that first customer (social capital), practical know-how (human capital), a place to work and a broadband connection (built capital), a culture that rewards innovation and risk (cultural capital), and a supportive regulatory environment (political capital). That makes entrepreneurship a direct test of this framework. If development flows from a community's full stock of assets, not money or infrastructure alone, that should show up in which rural places produce entrepreneurs.

Entrepreneurship is one of rural America's greatest and most durable strengths, a tool for building wealth that stays rooted locally, creating jobs, and building community resilience ([Weinstein,](#)



[Dewbury & Gonzalez, 2026](#)). While the Center on Rural Innovation's [Rural Entrepreneurship Index](#) combines several measures of entrepreneurship to show which counties are outperforming, it doesn't yet answer why. What conditions of place and local assets are most strongly associated with entrepreneurial rural economies?

In this report, we build county-level indices for all seven capitals and test how each relates to a county's Rural Entrepreneurship Index score. Full details on how we constructed each capital index, and on how we estimated each capital's relationship with the entrepreneurship index, are in the online appendix¹. This estimates average patterns across the country, but it doesn't tell us how a capital actually works in practice in a particular place. For this, we pair that national analysis with in-depth qualitative fieldwork in one entrepreneurial, rural-rooted economy, Bozeman, Montana. For each capital, we describe what it is, how we measure it quantitatively, what the county-level analysis shows, and what our interviews in Bozeman reveal about how it functions in practice.

¹We measure the capitals in the years preceding the 2023 entrepreneurship outcomes, so the conditions we observe come before the entrepreneurship they may support. No single indicator fully captures a community capital. Together, the indicators that comprise each community capital index approximate the underlying capital rather than measure it directly. We also report Gallatin County's percentile ranking against all U.S. counties for each community capital. Bozeman was reclassified as a metropolitan area in 2023, but our capitals are measured before that, when Gallatin was still nonmetropolitan. Where the rural comparison differs meaningfully from the national one, we note both.



Natural Capital

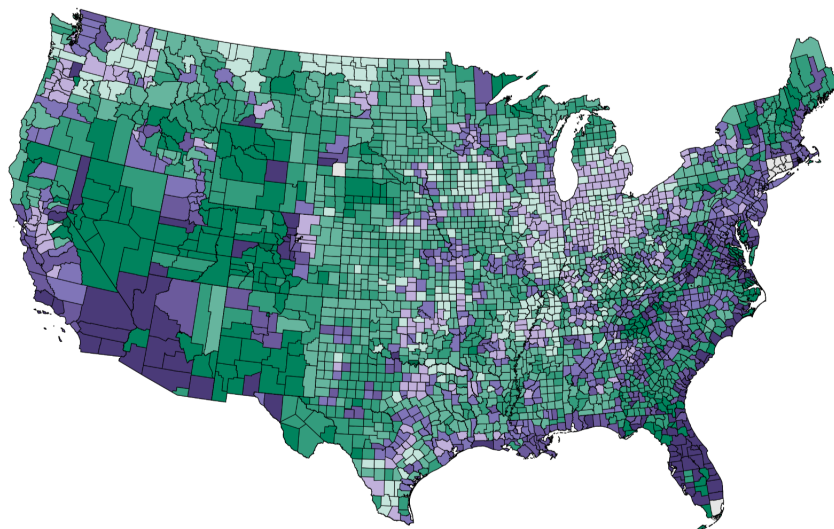


Natural Capital

Natural capital comprises the place-bound environmental assets a community holds: land, water, air, soil, climate, biodiversity, and the scenery and natural amenities that make a place attractive. Because people and economies are embedded in their environment, natural capital is often treated as the bedrock on which the other capitals rest. How a community treats that bedrock matters. Extractive development, such as mining or drilling, converts natural resources into short-term revenue but has historically left communities worse off ([James & Aadland, 2011](#); [Center on Rural Innovation, 2023](#)). Because natural amenities are hard to relocate or replicate, they can instead act as a durable draw for mobile workers and founders. That amenity-led in-migration feeds a local talent and customer base that outlasts any single employer, while directly enabling the

Natural Capital

Rural shown in green, nonrural shown in purple



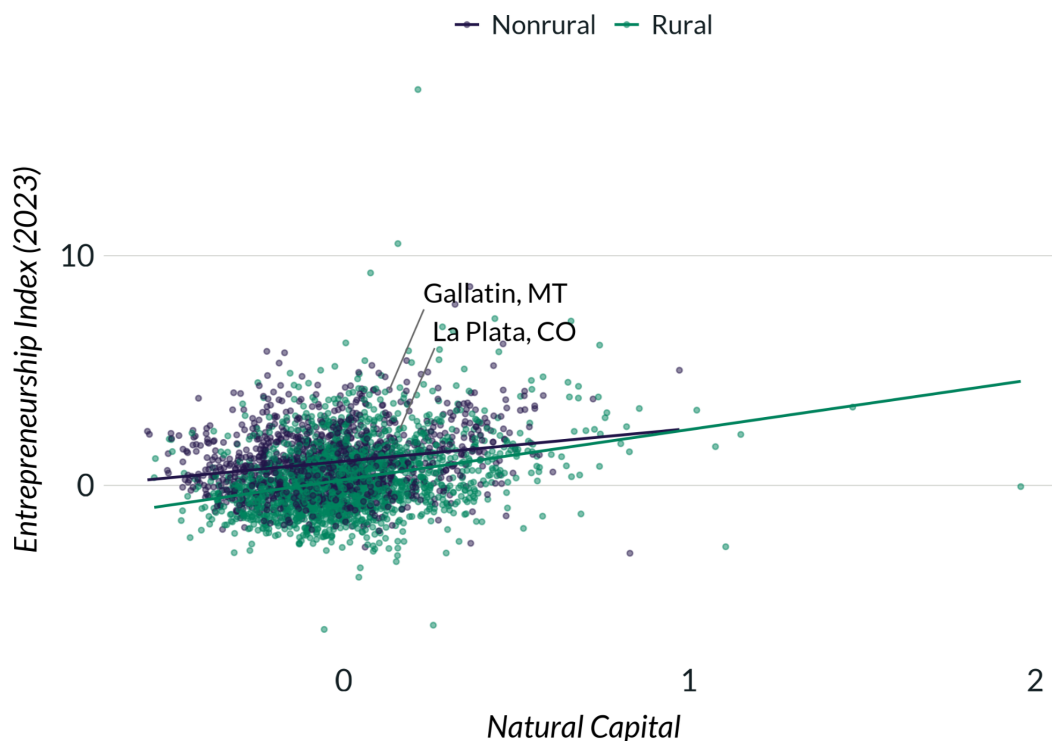
Note: Alaska and Hawaii not shown due to lack of data.

recreation- and tourism-based ventures that turn the landscape itself into a product. Natural amenities seem to draw people in first and job growth follows ([McGranahan & Wojan, 2007](#)). What matters most, though, is not which specific amenity a place has, but how deliberately a community leverages whatever natural amenities it has ([Weinstein, Hicks, & Wornell, 2023](#)). Amenity preferences also vary by region. Most people prefer mild winters, but not everyone. While colder winters slow growth in most of the country, they are associated with stronger growth in Wisconsin and the surrounding rural upper Midwest, where snowmobiling and winter sports make cold an amenity rather than a drawback ([Partridge et al., 2008](#)).

HOW WE MEASURE IT: moderate temperatures, sunlight, low humidity, topographic variation (hilliness), elevation, water area, forested land, air quality, public and protected land, proximity to a coast, recreation intensity, and low natural hazard risk.

WHAT THE DATA SHOW: Natural capital is the strongest and most consistent predictor of entrepreneurship in our analysis, positive and statistically significant nationally and separately across both rural and nonrural counties. Its advantage is strongest in rural counties, where its coefficient is roughly four times that of any other capital. Within our natural capital index, water area and topographic variation are the two individual indicators that predict entrepreneurship most reliably on their own for rural areas (Appendix Table A12, Panel A). This aligns with earlier research findings that outdoor amenities are associated with new-business growth within rural counties, especially where a skilled, creative workforce and an entrepreneurial local context are already in place ([McGranahan et al., 2011](#)). A related study finds that rural counties with a surplus of educated workers see the biggest jump in business formation, especially where natural amenities are also strong, particularly in the Mountain West ([Conroy & Watson, 2023](#)).

Natural capital is the strongest predictor of entrepreneurship in rural counties



Durango, Colorado (La Plata County), in the Mountain West, is building on its natural capital, turning its outdoor economy into an entrepreneurial pipeline through the [Southwest Colorado Accelerator Program for Entrepreneurs](#). Two Durango ski guides who went through that program founded the tech startup [MTN FX](#) to solve their own daily headaches, tracking avalanche mitigation and mountain operations that ran on paper forms and whiteboards. A place's natural assets also

draw and keep the talent behind innovative companies in any industry. For example, Agile Space Industries, a Durango-based rocket propulsion company founded in 2009, has grown to more than 100 employees.

IN BOZEMAN: Gallatin County ranks in the 78th percentile nationally on natural capital, with elevation, recreation businesses, and topographic variation all above the 95th percentile and more than half the county in public or protected land. Interviewees described natural capital powering Bozeman's entrepreneurship ecosystem in two distinct ways. Some businesses build directly on the landscape: [Bridger Watch](#), founded by Cody Rich, makes a GPS smartwatch purpose-built for backcountry hunting. It is named for the mountain range that dominates the Bozeman skyline and inspired its creation. Other businesses simply use the landscape as an asset without selling into it directly. Bozeman's growing defense tech sector, supported by the [Defense Innovation Unit OnRamp Hub](#), treats the region's altitude and extreme winters as a built-in proving ground. Steve Rast, the Hub's Ecosystem Liaison, and Mike Veselik of Montana State University's economic development office both pointed to the area's climate and topographic variation as ready-made testing conditions for technology that has to work in harsh environments. Across both organizations, interviewees pointed to natural capital as a recruiting tool as much as a product ingredient or testing ground. As one founder put it, "it makes it a really easy conversation to say, hey, do you want to work on something cool? And oh, by the way, do you want to do it in a place where you actually want to live?"

However, the same natural capital that draws people in also increases the cost of living, and affordability was the concern interviewees raised most consistently. With the median home price around \$800,000, several founders described housing costs as a direct drag on recruiting talent, both from outside the region and from Montana State University's own graduates. As one interviewee put it, "it's hard to be an entrepreneur. It's hard to live on the margins and be able to do that."

Bozeman's experience matches a broader pattern. Rural counties with strong natural amenities tend to see higher incomes, but the higher cost of living in those same places often cancels out the gain ([Hunter et al., 2005](#)). Natural capital, in other words, is not a free asset. It's one a community has to actively manage, converting a landscape's draw into affordable homes and stable talent pipelines rather than letting rising costs price out the very founders and workers it attracts.



*Bridger Watch
Founder Cody Rich*



Human Capital

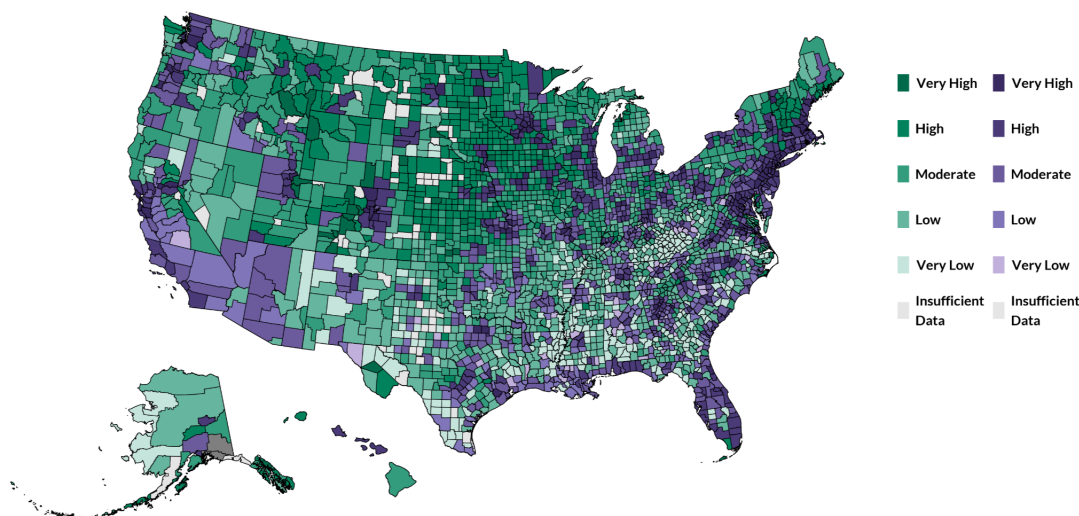


Human Capital

Human capital captures the skills and capabilities of individuals, including education and training, knowledge and experience, and health. These same skills and abilities help create ideas and convert them into a new business. Human capital is strongly associated with employment growth in metropolitan counties and more weakly so in rural ones ([Taylor et al., 2025](#); [Faggian et al., 2017](#); [Stephens et al., 2013](#)). Part of the gap is about supply: nearly all of the net movement of college-educated workers in the past ran from rural to nonrural counties, and 96% of the rural counties that lost population lost college graduates disproportionately, a pattern known as rural brain drain. However, this trend is not universal, as rural counties in the Mountain West and New England gained college-educated residents over the same period ([Artz, 2003](#)).

Human Capital

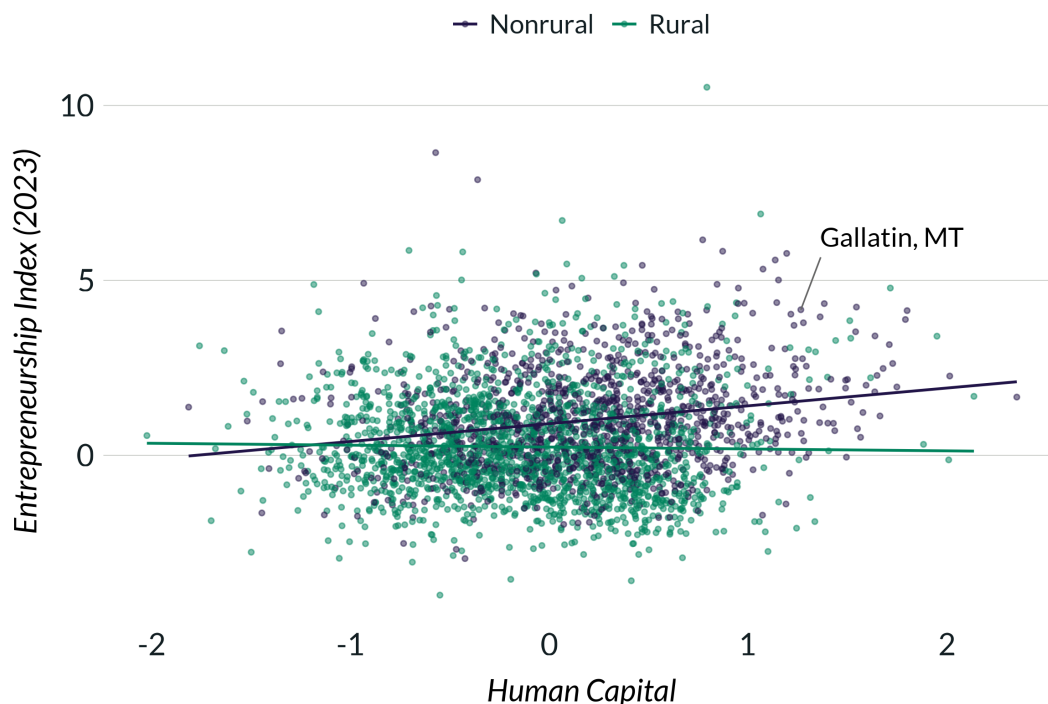
Rural shown in green, nonrural shown in purple



HOW WE MEASURE IT: share of adults with a bachelor's degree or higher, average years of schooling, median age (a common proxy for experience such as on-the-job experience and other workforce training), labor force participation, K-12 reading scores, adult literacy, preschool enrollment, disability rate, life expectancy, and higher education institutions per 10,000 residents.

WHAT THE DATA SHOW: The same pattern we see in the broader job-growth literature holds in our own entrepreneurship data. Human capital is positively and significantly associated with entrepreneurship in nonrural counties, but not in rural areas. A look at the indicators separately reveals that bachelor's-degree attainment and median age are both positively associated with rural entrepreneurship (Table A11, Panel B). The mean founding age among the fastest-growing new ventures is 45, not the 20s or 30s popular narratives suggest ([Azoulay et al., 2020](#)), making rural counties' older population an asset. Age comes with years of industry experience and training, which makes it easier to spot a market gap or an unmet need, since the opportunities a person notices depend heavily on what they already know ([Shane, 2000](#)). Older residents can also bring their own financial capital with them ([White, 2025](#)).

Human capital predicts entrepreneurship in nonrural counties, but not in rural



Fast Forward, an AI-powered utility line inspection company in rural Kearney, Nebraska, shows what that looks like in practice. Founder Dusty Birge earned an industrial distribution degree from the University of Nebraska at Kearney, then built utility expertise. That mix of formal training and industry experience led him to found Fast Forward, a faster, cheaper way to inspect rural power lines, improving grid reliability for rural utility providers.

IN BOZEMAN: Gallatin County ranks in the 98th percentile nationally on human capital, its highest score of the seven, with bachelor's attainment, average years of schooling, and adult literacy all above the 98th percentile. Much of that talent moved in, drawn by the landscape. The rest is homegrown, and interviewees credited Montana State University (MSU). That makes Bozeman something of an exception. Across rural counties in our data, higher education institutions are actually negatively associated with more entrepreneurship (Table A11, Panel B). A college's presence alone isn't enough. Research on rural ecosystems suggests that leveraging local resources to produce new ventures requires people doing the deliberate work of connecting knowledge to would-be founders ([Dutta & Forbes, 2025](#)).

MSU is doing that work in three ways: It trains the workforce, and its Launchpad gives student and alumni founders mentorship and microgrants. It moves research into companies through its Technology Transfer Office and Catalyst Incubator. It moves research into companies through its Technology Transfer Office and Catalyst Incubator. Its photonics program shows that pipeline working end to end. Crystals developed at MSU in the late 1980s helped seed what TTO Director Daniel Juliano calls likely the densest photonics cluster in the world, with over 1,000 employees in a city of 55,000. Every founding team member at [LinQ Photonics](#), a recent startup, is an MSU student or graduate. And with research expenditures roughly tripling since 2017, MSU is now drawing employers to Bozeman: “It used to be talent had to go find the company,” one institutional interviewee said. “Now the companies are starting to say, we want to be near the talent. We want to be near a campus where we do research activity... and we might actually be able to create jobs for them here.” The university, in other words, has become a reason for companies to locate in Bozeman as well as a source of founders.





Cultural Capital

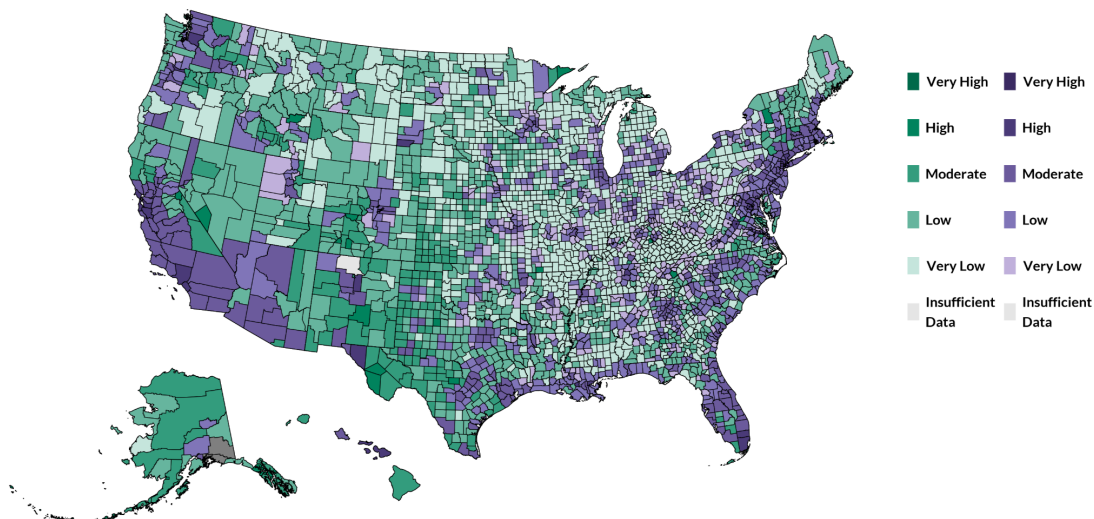


Cultural Capital

Cultural capital refers to how people understand the world and act within it, including traditions, language, heritage, and shared values. Like natural capital, a distinctive local identity or creative culture can also help retain and attract residents seeking out a place's character. Rural residents in particular report a stronger attachment to their communities and are less likely to want to leave them than their urban and suburban counterparts, reflecting a sense of place central to rural civic identity ([Jacobs & Shea, 2023](#)). Cultural capital is positively and significantly associated with job growth in both rural and nonrural counties, though the effect is larger in metropolitan areas ([Taylor et al., 2025](#)). That identity can also become a product in its own right. It gives founders something to build a business around that outsiders can't easily copy. A national network of nonprofit rural arts organizations has built on exactly this pattern, turning rural creative assets, people, and places into genuine economic prosperity ([Ma et al., 2025](#)).

Cultural Capital

Rural shown in green, nonrural shown in purple

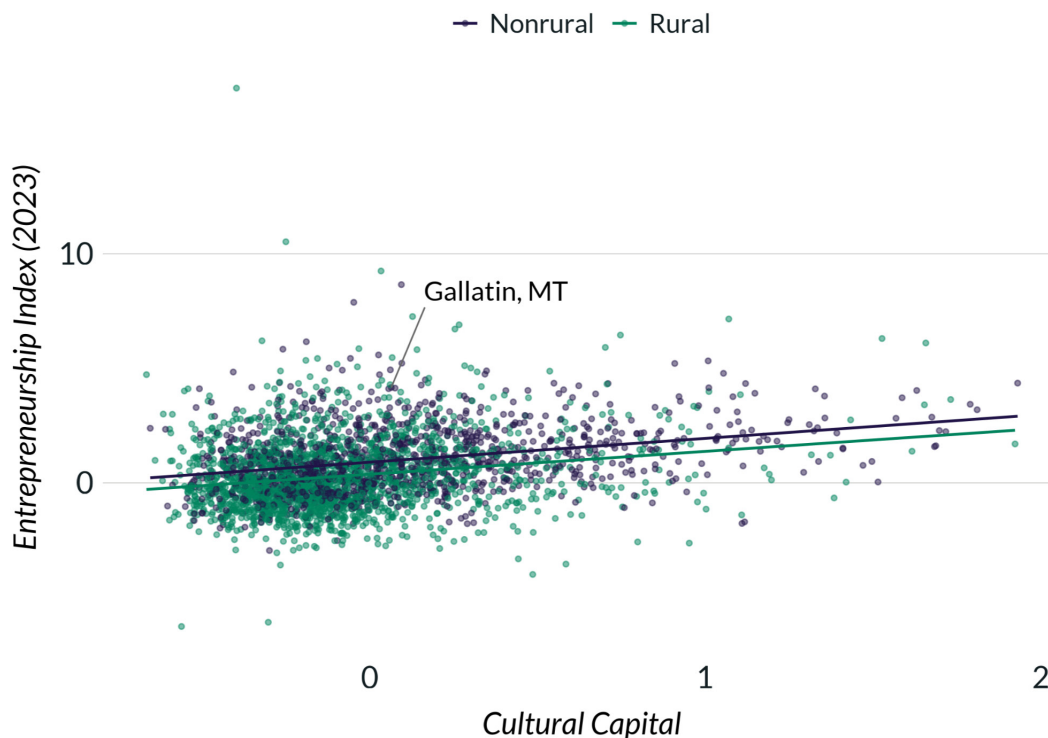


However, cultural capital isn't only about arts and heritage. It also includes something less visible as it can signal a broader openness to new ideas and the community's tolerance for risk and failure. In a place where a culture treats failure as a normal part of trying something new rather than a lasting mark against a founder, entrepreneurs are more willing to take the first risky step. Places that sustain higher entrepreneurship than others for decades tend to owe it to exactly this kind of durable, informal culture rather than to any single institution ([Wyrwich et al., 2016](#)). That entrepreneurial culture can be cultivated directly, through how a place talks about failure, who it celebrates, what risks it makes easier to take. The Bozeman interviews below reveal exactly this kind of culture.

HOW WE MEASURE IT: cultural institutions and venues, including museums, historical sites, local arts and entertainment venues, and public libraries; a “Bohemian Index” of arts employment; and measures of openness and diversity, including racial and ethnic diversity and the share of residents who are foreign-born.

WHAT THE DATA SHOW: Cultural capital is positively and significantly associated with entrepreneurship in nonrural counties. In rural counties, it shows no association. When we examine the components of the index separately, we find that the Bohemian Index and the density of local arts and entertainment venues are the two components that predict rural entrepreneurship most reliably (Table A11, Panel C).

Cultural capital predicts entrepreneurship in nonrural counties, but not in rural



Cultural capital doesn't act alone, either. Its interaction with human capital is positive and statistically significant, and it is the strongest interaction we find between any pair of capitals (Appendix Tables A8 and A9). Rural counties that pair a strong cultural identity with an educated workforce see a bigger entrepreneurial payoff than either capital predicts alone. Other research finds the same pairing. Rural businesses that design their products around the customer from the start, not as a finishing touch, tend to be in counties with a more educated workforce and a performing arts organization. Rural areas with these businesses also see higher wage growth ([Wojan & Nichols, 2018](#)).

Taos, New Mexico, shows what that combination looks like. Its cultural capital is inseparable from its identity: the Taos Pueblo, a UNESCO World Heritage Site inhabited for nearly a thousand years, and an art colony dating to 1898 that has grown into more than 80 galleries and three museums. That culture is a draw for newcomers and Taos' educational attainment exceeds the state average, with 39% of adults holding a bachelor's degree versus New Mexico's 31% ([U.S. Census Bureau, n.d.](#)). And it has built capital to draw on. The [UNM-Taos HIVE](#), a coworking and business incubator space run as a public-private partnership among the university, local cooperatives, and municipal partners, gives residents mentoring, workshops, and an incubator program for turning that identity into small businesses and tech startups, not just galleries ([Center on Rural Innovation, 2025b](#); [UNM-Taos HIVE, n.d.](#)). The county's entrepreneurial activity reflects it. Taos scores in the 85th percentile among rural counties on our own Rural Entrepreneurship Index, with an 11% business creation rate and an 18% self-employment share, both signs of a rural county punching above its weight on new business formation.



*UNM-Taos
HIVE*

IN BOZEMAN: Gallatin County ranks in the 67th percentile nationally on cultural capital. Participants described a distinctive local ethos: self-reliant yet collaborative, reputation-governed, and comfortable with bootstrapping. Self-reliance runs alongside a norm of mutual aid, one extended once asked for rather than offered unprompted: “What I love about Montana is that people generally let you do your thing, let you kind of live your life however you choose to live it. But if you need help, they’ll show up at your place with a truck, a rope, a gun, a shovel, whatever you need to help you, they’ll come, but you’ve got to ask for it.”

The pattern isn’t unique to Bozeman. Counties with longer histories of frontier settlement show more persistent individualism today ([Bazzi, Fiszbein, & Gebresilasse, 2020](#)). That persistence carries into economic behavior directly. Counties with more frontier exposure see measurably higher rates of new business formation now, a legacy of conditions that once rewarded independence when there was no infrastructure to rely on ([Barrios, Hochberg, & Macciocchi, 2021](#)). Bozeman’s frontier history makes it a clear case of this pattern, as Veselik put it: “There was a saying back when Montana was first coming into being... you’ve got to bring your job with you.” That individualism coexists with the mutual aid interviewees described: founders are expected to carry their own venture and to help others when asked.

The Bozeman interviews and the county data capture different sides of cultural capital. The data highlight the importance of the arts, while the themes that stood out in our interviews were norms of self-reliance, reputation, and mutual aid. Those norms don’t show up in a count of museums or galleries, which is the limit of measuring cultural capital with county-level data. What is easiest to count is not always what matters most to founders.



Social Capital

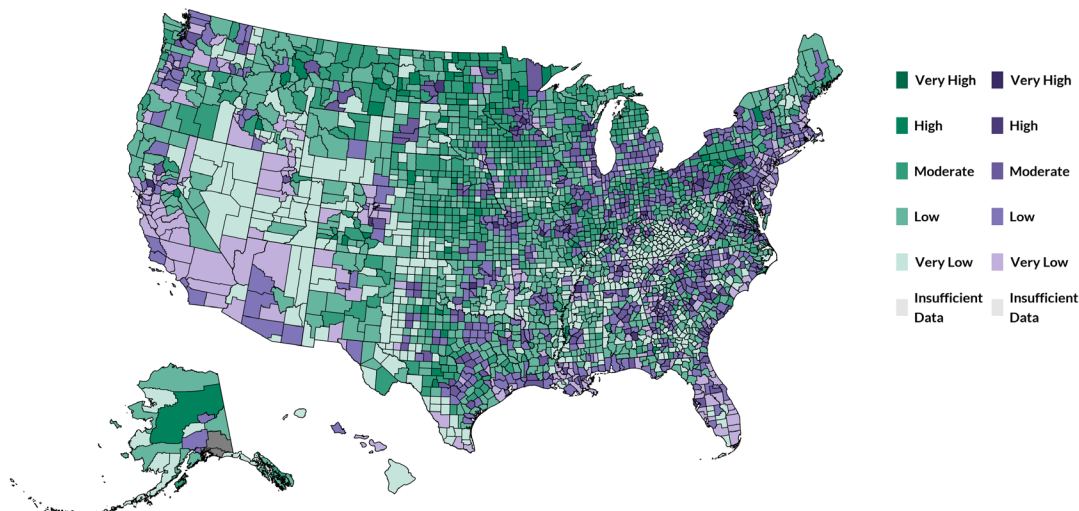


Social Capital

Social capital is the connections among people and organizations, the relational “glue” that allows collective action. The literature distinguishes bonding social capital (close, redundant ties within a group) from bridging social capital (looser ties that link different groups and communities). Communities that convert social capital into organized collective action tend to share three traits: acceptance of diverse viewpoints and leadership, networks open enough to draw in outsiders and new resources, and the capacity to mobilize resources beyond any single institution. Social capital’s relationship with local economic outcomes isn’t settled even in the literature. A recent study of job growth across Great Plains counties found social capital negatively associated with job growth in metro counties but positively associated in rural counties ([Taylor et al., 2025](#)). For new businesses, these ties do concrete work. Social networks can help entrepreneurs find their first

Social Capital

Rural shown in green, nonrural shown in purple



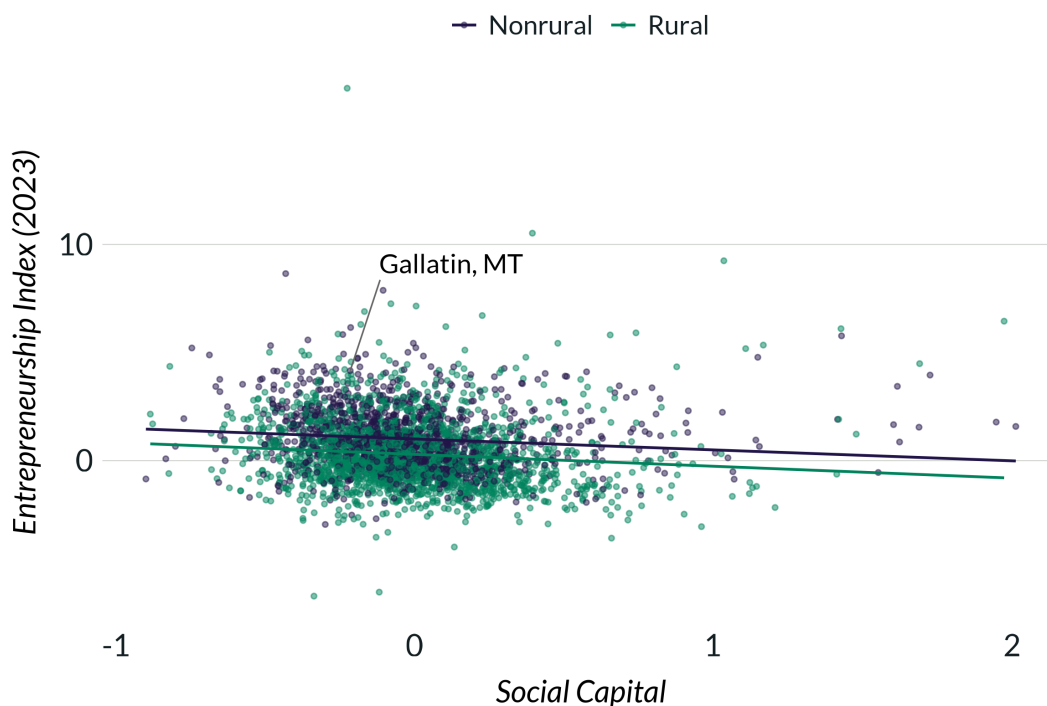
customers, recruit mentors and early employees, and get introduced to lenders or investors, particularly before a business has a track record to sell on its own (Aldrich & Zimmer, 1986). Bonding and bridging ties tend to carry different parts of that load: bonding ties, family, friends, and other founders nearby, are usually the first source of capital, labor, and moral support, while bridging ties carry information, customers, and investors from outside the community that a small, tightly-connected network is unlikely to generate on its own. Founders are often the ones who have to build that outward-facing capacity themselves, rather than waiting for an institution to build it for them (Feld, 2020).

Importantly, social capital is not uniformly positive, and both kinds of ties carry tradeoffs. Tightly bonded networks build the trust that lets people share sensitive information, extend credit on a handshake, and solve problems together faster than any formal contract could, but that same closeness can exclude outsiders and entrench existing power. Bridging ties carry the opposite tradeoff. They expose a business to information, customers, and capital a closed network would never surface, but they're slower to activate, thinner on trust, and can't substitute for the depth of support bonding ties provide (Uzzi, 1997). In theory, entrepreneurship depends on both dense bonding ties and bridging ties.

HOW WE MEASURE IT: the shares of residents born in-state, the share of residents who are veterans, and the density of business associations, civic, professional, sports, religious, and nonprofit organizations.

WHAT THE DATA SHOW: Social capital's relationship with entrepreneurship varies by geography. It is weakly negative in rural counties, and not statistically significant in nonrural counties, a pattern consistent with the tradeoffs described above, where dense, closed networks can insulate a place as much as they support it. Alternative measures point in a similar direction in rural counties; Chetty et al.'s (2022) measures of network closure are negatively associated with entrepreneurship, while

Social capital has a mixed relationship with entrepreneurship, depending on how it is measured 



their measure of connections across social divides shows no relationship (Table A16), consistent with the distinction Putnam drew between ties that reinforce a group and ties that link across groups ([Putnam, 2000](#)).

Breaking the index into its components shows that the overall pattern masks a distinctly rural story. The share of veterans, nonprofits per capita, and business association density are all positively and significantly associated with entrepreneurship in rural counties specifically, with no comparable relationship in nonrural counties. Sports and recreation clubs are the one component positively associated with entrepreneurship in both samples (Tables A11 and A12, Panel D). Two interaction results sharpen this rural story further. Social capital's relationship with entrepreneurship strengthens in rural counties where natural or cultural capital is also high. The cultural-social pairing holds in nonrural counties too, though more weakly, while the natural-social pairing is significant only in rural counties. Together, the component and interaction results suggest a specific kind of social capital may matter for rural entrepreneurship — the associational, veteran, and amenity-linked ties bound up with a distinctive place — rather than organizational density.

IN BOZEMAN: Gallatin County ranks in the 24th percentile nationally on social capital, its second-lowest score of the seven, yet interviewees described social capital as a clear local strength. Founders describe the county's social fabric as running on “one degree of separation” and a culture of the “warm handoff”. Interviewees noted, and our team experienced firsthand, a real willingness to meet and talk even when cold-called. That openness comes with an obligation. Several Bozemanites described a social penalty for opting out: “if you get a reputation for not playing well in the sandbox, you're done.” The gap between the county's lower ranking and how central social capital was to these conversations is itself a finding, a sign of how much of what matters here is informal, and hard for a national indicator to count.

That culture isn't just ambient; it's deliberately built and maintained. The weekly “Walk the Block – Motivation Monday” business walk, co-founded by hospitality professionals Mollie Bryan of [Element Bozeman](#) and Amy Horton of the [Baxter Hotel](#), gathers a rotating group of downtown professionals every Monday afternoon to tour the community and spotlight a local business. Our team joined one, and the rapport built up over months of weekly walks was evident.

Built capital helps foster social capital in Bozeman at a larger scale. Coworking spaces provide venues for connections within and between industries, building bridging and bonding social capital. The [EngineWorks](#) complex, an 80,000 square foot facility with office suites and workspaces for lease, was intentionally designed for innovation and collaboration. Located on [MSU's Innovation Campus](#), EngineWorks is home to the [Catalyst Lab Incubator](#), a deep tech incubator affiliated with MSU's Technology Transfer Office, the [Defense Innovation Unit OnRamp Hub](#), and a slate of tech-focused companies including the defense tech, cybersecurity, and quantum sectors. This intentional investment in built capital pays dividends in social capital, providing the physical setting for social interaction and connection building. This is desirable for entrepreneurs, as one early-stage founder noted:

“We realized in a small town like this you've got to team up. And the Catalyst group and this EngineWorks group in general, which is linked to MSU and MSU MilTech, was the place to be. So we're here and we get to work around and with all the other folks that are kind of adjacent to the work we do. So it's a small but well-connected group.”



Bozeman also has a high number of “third places” ([Oldenburg, 1989](#)), the built environments outside of work and home, like coffee shops, bars, clubs, and parks where people come together in community. Our team observed high levels of social interaction in Bozeman’s third places, including working meetings. One third place, the Shine Beer Sanctuary, is a known hangout for Bozeman’s tech community and the venue for a happy hour hosted by Catalyst Labs and BZN Stack, the Bozeman tech community’s Slack workspace and another locus of social capital development.

What the qualitative research surfaces that the county-level indicators can’t is both the scale and structure of these connections. For example, a handful of individual connectors carry outsized weight, creating some fragility. Bozeman’s advantage may come from combining strong bonding capital (small-town trust) with unusually strong bridging capital (a steady inflow of newcomers through Montana State University) — a combination that our county-level indicators do not directly observe.

One interviewee described how easy it is to plug in: “We have so many ways to get involved in networks. We’re always looking for lecturers at the university... we have events all the time on campus, industry associations... because we’re such a small community, a lot of these events happen in person. Just put yourself out there and start meeting people and then people will start helping you.”

Communication and trust substitute for formal process. As one participant put it: “for me, the most important measure of success is how well everyone communicates and works together. and I would rate Montana at the very top of the list... It’s the ability to talk and communicate and let others know what you’re doing and then work together... what you look for is, can you get a handshake agreement here? Yes, you can. You meet people here, and in an hour, it’s like you’ve known them all your life.”



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Built Capital

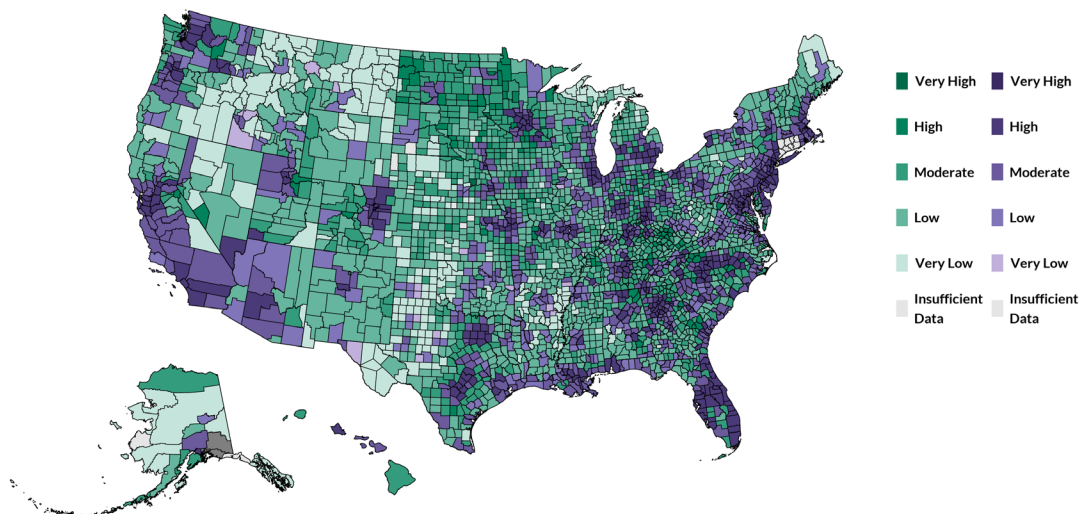


Built Capital

Built capital is the physical infrastructure that supports community activity, such as buildings, roads, utilities, water and sewer systems, and broadband. Built capital can lower the costs of starting and running a business and increase revenue. Affordable commercial space and reliable roads cut the friction of reaching suppliers, talent, and customers. Reliable broadband lets a rural founder sell to customers anywhere without being near a metro market. Rural counties that have faster broadband see higher business startup rates across nearly every industry and higher economic growth ([Conroy & Low, 2022](#); [Deller et al., 2022](#); [Weinstein et al., 2024](#); [Whitacre et al., 2014](#)). Metropolitan areas have long had a head start here. Private providers have historically built out density-dependent infrastructure, from electricity to broadband, in higher-density markets first, leaving rural communities dependent on public financing and cooperative models to close the gap ([Weinstein et al., 2026](#)). The stakes of closing it are real. When rural counties gained electricity access in the early

Built Capital

Rural shown in green, nonrural shown in purple

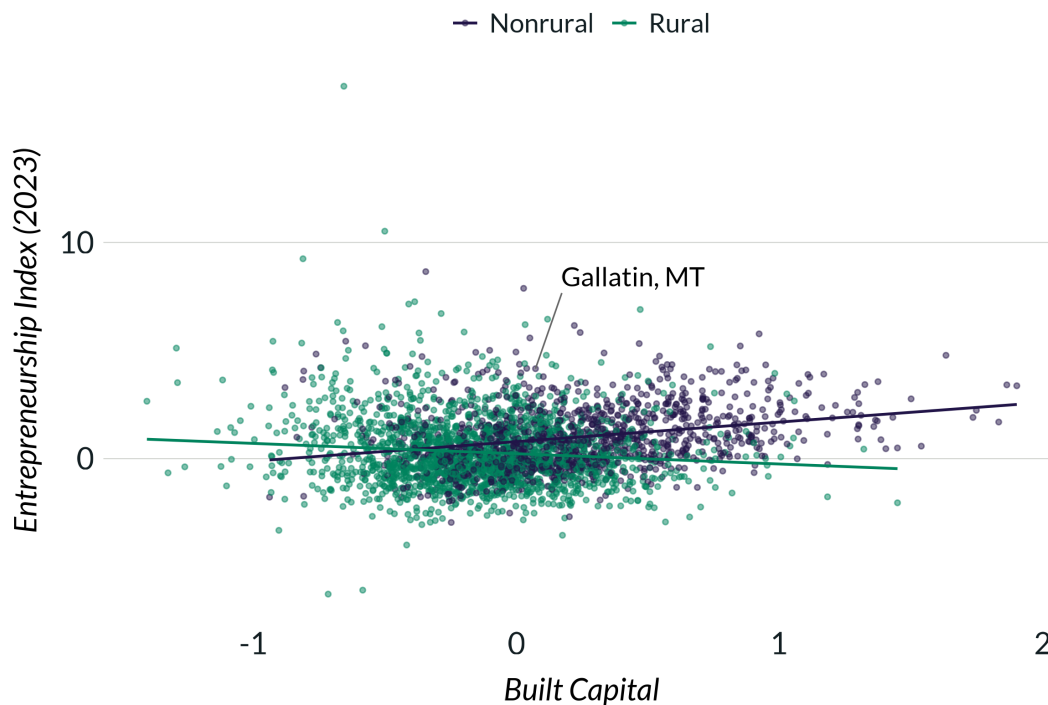


twentieth century, the resulting shift out of farming and into higher-value work was concentrated almost entirely in those counties rather than in places that were already urban ([Gaggl et al., 2021](#)). That rural-urban gap in built capital shows up in jobs too; built capital is positive and significant for job growth in metro counties but not in rural ones ([Taylor et al., 2025](#)).

HOW WE MEASURE IT: broadband access, interstate and arterial highway density, distance to a hub airport, median housing age, and local government infrastructure spending.

WHAT THE DATA SHOW: Built capital's relationship with entrepreneurship varies by geography. It is positive and significant in nonrural counties, but not statistically significant in rural counties, consistent with the density-dependent build-out pattern. Once we account for the population density and market access that tend to travel with it, infrastructure looks more like a foundation than a direct driver of entrepreneurship. The economic payoff depends on how deliberately a community leverages it once it's in place ([Weinstein et al., 2024](#)). [Wilson, North Carolina](#), shows what that leverage looks like. Wilson built one of the first municipal fiber-to-the-home networks in the country in 2007–2008, then built on that infrastructure through [Gig East](#) and other programs that turned raw connectivity into a coworking space, mentorship, and startup support for local founders. Infrastructure access is necessary, but it is not sufficient on its own.

Built capital predicts entrepreneurship in nonrural counties, but not in rural



IN BOZEMAN: Gallatin County ranks in the 61st percentile nationally on built capital and the 75th percentile among rural counties. In interviews, built capital showed up almost entirely as a story of local institutions building for themselves what the market wasn't going to build for them, most visibly in broadband and flight connectivity (housing issues, a constraint that shows up in data as well as interviews, is discussed above in Natural Capital).

Bozeman made purposeful investments in broadband infrastructure. A city-appointed Broadband Steering Committee formed in 2012 led to Bozeman Fiber Inc., a nonprofit that built its first 27 miles of open-access fiber with a \$4 million loan from eight local banks and launched commercial service in 2017 ([Gilbreth & Phillips, 2026](#); [NBC Montana, 2023](#); [Treacy, 2024](#)). In 2021, it partnered with UTOPIA Fiber, raised \$65 million in county-issued bonds, and rebranded as Yellowstone Fiber



Bozeman
Airport

to serve the wider region ([Yellowstone Fiber, 2022](#); [Shelly, 2022](#)).

One growth-stage founder noted that quality broadband is a precondition for geography-agnostic tech businesses:

“In order to build a great business, you need a good source of talent, good quality of life, and an internet connection. And so with those three things, you could build a technology business anywhere.”

Air service followed a similar path. Starting in 2012, local businesses and civic organizations, including the Chamber of Commerce, Big Sky Resort, and the Yellowstone Club, pooled revenue guarantees to de-risk new routes, landing direct service from Newark (2012), Dallas/Ft. Worth (2016), and new carriers including JetBlue (2018) and Southwest (2021). Only about 40% of the revenue guarantees offered were ever used because the new routes largely filled on their own, demonstrating high demand for Bozeman air service (Personal communication, B. Sprenger, 2026).

That connectivity pays off across capitals. Founders cited it as easing recruitment, and, more consequentially, easing outside investors’ reluctance to back a Montana company. As one growth-stage founder put it, raising a B round meant hearing directly that “the threshold to invest in Montana is higher because the overhead of board meetings... is higher... it wasn’t about the quality of the company... it was more about the friction.”

Bozeman’s air connectivity, in short, is not a natural feature of its geography but the product of deliberate investment in built capital, one that keeps paying dividends in human, social, and financial capital alike.



Financial Capital

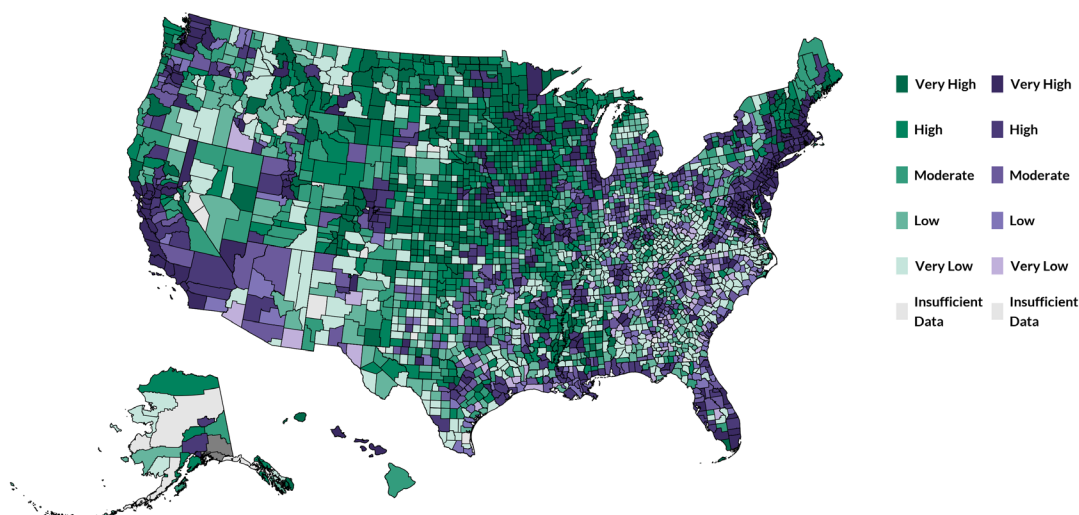


Financial Capital

Financial capital is the monetary resources available to underwrite businesses, invest in capacity building, and accumulate wealth for future development. Every business needs money to buy equipment, make payroll, or bridge the gap between an idea and its first sale. Rural entrepreneurs face compounding barriers across nearly every source of that capital, from personal savings and bank loans to venture capital, producing a stark and widening gap in private investment despite rural areas' strong entrepreneurial activity ([Weinstein & Dewbury, 2025](#)). Most new businesses don't start with a bank loan or an outside investor at all. More than half draw on personal or family savings to get off the ground, with a network of friends and family serving as its own form of startup capital before any institution gets involved ([Hwang et al., 2019](#)). Bank lending is also important. Small business lending positively affects new business creation, an effect that's strongest in rural counties ([Conroy, Low, & Weiler, 2017](#)), and counties with a stronger community bank presence see faster employment growth as a result ([Petach, Weiler, & Conroy, 2021](#)). Rural counties still have more

Financial Capital

Rural shown in green, nonrural shown in purple

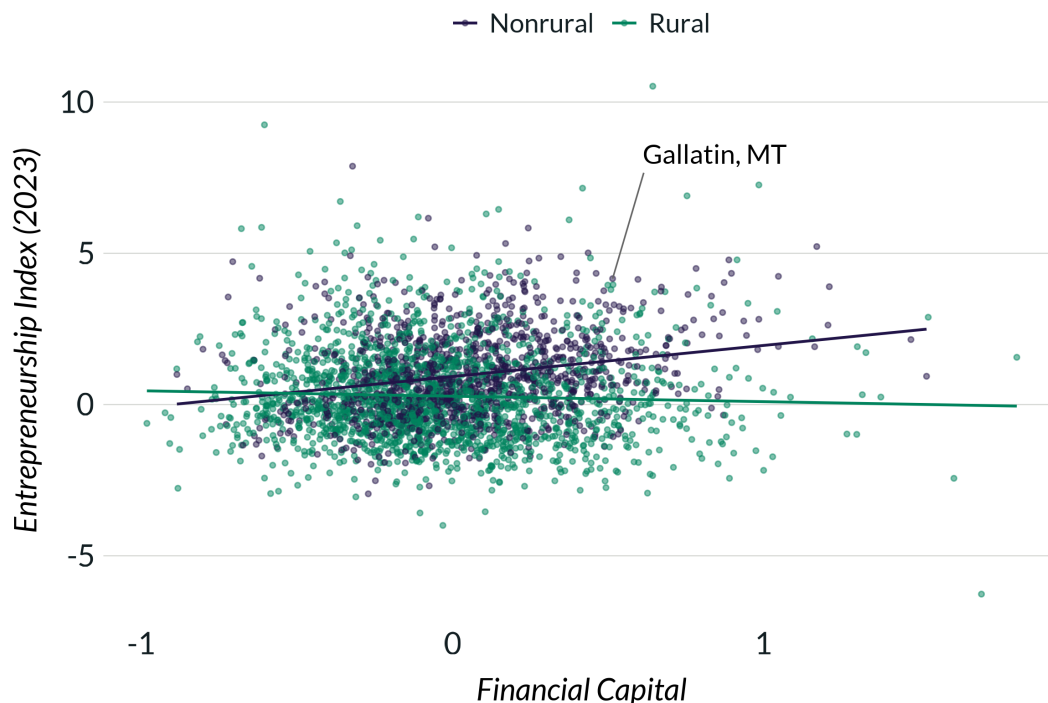


community banks per capita than metro areas, but that advantage has been eroding for decades, as the institutions most willing to lend on relationships rather than collateral have steadily disappeared ([Weinstein & Dewbury, 2025](#)). That decline matters because rural founders depend on relationships, not just dollars; 81% of rural entrepreneurs point to an existing lender relationship as key to securing financing, compared with 66% of urban entrepreneurs ([Robb, 2021](#)). Venture capital sits furthest out of reach. It's often the only source willing to fund high-growth companies that banks won't, since these businesses typically lack the collateral banks require, but venture networks are insular and highly concentrated in a handful of metropolitan areas, largely leaving rural founders out, with just about 1% of venture capital invested in rural areas ([Weinstein & Dewbury, 2025](#)). This suggests that other forms of capital that connect rural areas to larger metropolitan areas or help build relationships in rural areas may be particularly important for growing or leveraging rural financial capital.

HOW WE MEASURE IT: Federal Deposit Insurance Corporation (FDIC)-insured banks and deposits per capita, community bank branch share, the presence and lending activity of Community Development Financial Institutions (CDFIs), Small Business Administration (SBA) loan volume, venture capital raised per capita, and median household income and home value.

WHAT THE DATA SHOW: Financial capital does not show a statistically significant independent relationship with the rural entrepreneurship index. Breaking financial capital into its underlying components confirms many patterns in previous research. Median home value is the component most strongly and positively associated with entrepreneurship, consistent with research showing that home equity is a primary source of startup capital for entrepreneurs ([Corradin & Popov, 2015](#); [Adelino, Schoar, & Severino, 2015](#); [Fairlie & Krashinsky, 2012](#)). Home value is the financial capital component most strongly associated with entrepreneurship. This most important financial capital component is also the one rural founders have less of, because rural home values are significantly lower than in nonrural counties. Home values cut both ways, though. They provide equity to existing owners but raise the barrier for newcomers, as Bozeman's housing costs show, and they may partly reflect the amenities that draw people in the first place.

Financial capital predicts entrepreneurship in nonrural counties, but not in rural



In rural counties, Community Development Financial Institution (CDFI) lending per capita, a more relationship-driven form of financial capital we measure, is positively and significantly related to entrepreneurship (Table A11, Panel F). In practice, the presence of financial institutions may matter less than how they connect residents and businesses to financing. This fits a broader pattern in which rural entrepreneurship leans more on relationship-based capital than on raw institutional presence, with lenders who know a borrower personally extending credit that a purely formulaic, data-driven process would not.

IN BOZEMAN: Gallatin County ranks in the 92nd percentile nationally on financial capital, its second-highest score of the seven capitals. But that ranking masks where the money actually comes from. While the [Center on Rural Innovation's Private Funding Map](#) shows significant financial capital invested in Bozeman businesses, relatively little appears to originate locally. Interviewees across the ecosystem consistently pointed to a lack of local early-stage capital. Two interviewees offered a different read, suggesting the gap has less to do with a shortage of capital than a shortage of investable early-stage companies.

"We do not have early-stage capital in Montana. Our closest is Next Frontier Capital... they do Series A plus... there isn't a firm here in Montana dedicated to early-stage capital. Frontier Angels has made a little bit of a shift away from direct angel investments, especially in hardware defense or kind of this deep tech area. They just don't do it anymore. So that's an area that is significantly underserved."

The early stage capital landscape is changing. Graham Conron, managing director of [Frontier Angels](#), a Bozeman based angel investor network, recently created [Headwaters Capital](#), a seed-stage fund focused on funding early-stage hardware innovation. However, an early-stage gap still exists in Bozeman.

What fills that gap is relationships. Bridging social capital, connections that reach beyond Bozeman, does much of the work that local financial capital doesn't. One growth-stage founder credited relationships built with venture capital firms outside Bozeman with successful Series A, B, and C rounds. An early-stage founder pointed to local funders who were willing to make introductions into their own external networks. In Bozeman, financial capital often arrives through a bridge built by social capital.

The air service effort described under Built Capital is also a financial capital story. The pooled revenue guarantees were a form of collective, locally sourced capital doing for connectivity what a rural venture capital fund might do for a startup. Bozeman's direct flights give Bozeman founders something rarer in rural America, direct physical access to the capital markets that supply venture funding, layered on top of the tourism traffic.

Cultural capital also shapes how founders relate to financial capital, especially around bootstrapping. Founders described seeking non-dilutive funding, like federal Small Business Innovation Research grants, and building "lifestyle" companies, sustainable businesses meant to provide long-term income rather than a rapid exit. One interviewee explained: "It's a Montana culture thing. I have a good business. I make a good living. I've got good things. I've grown my company. I'm good." That preference has a cost, too. Founders who aren't chasing an exit can constrain the deal flow experienced investors depend on, an outcome one founder noted was already limiting in the region.





Political Capital

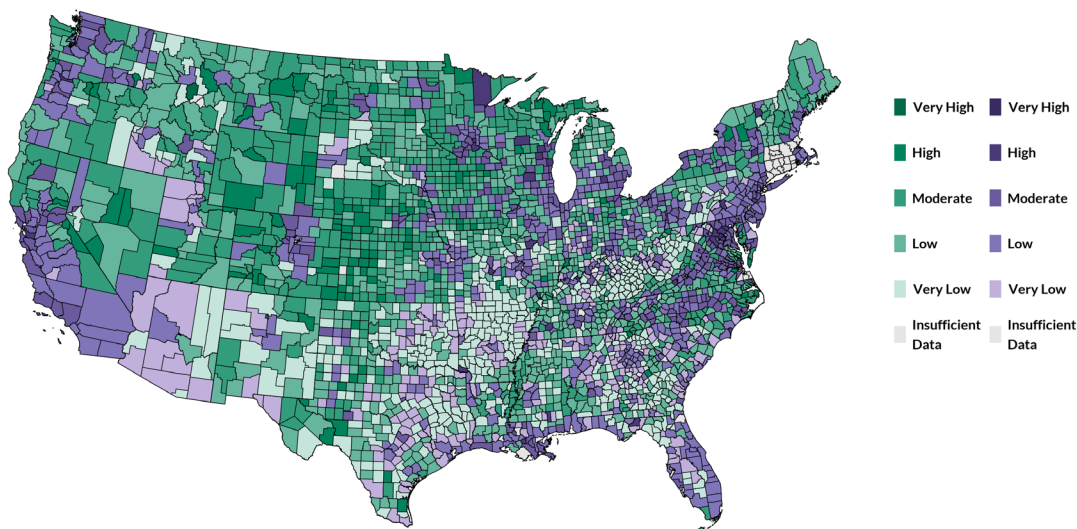


Political Capital

Political capital is access to power, voice, and the ability to influence the rules and decisions that govern resource allocation, including connections to officials and other power brokers. It also includes ordinary residents' ability to find a voice in community affairs. Local governments shape the community through the rules they set and the place-based investments they make. Rural local governments generally operate with smaller, less diversified tax bases, comparable or higher tax burdens for residents, higher per-capita costs of service delivery, and less administrative staff to plan for, apply for, and manage the funding streams that place-based investment requires ([Weinstein et al., 2026](#)). Outmigration compounds this on the leadership side as well, as rural communities see steady declines in the leadership capacity that would otherwise sustain civic and political institutions ([Shackelford et al., 2025](#)).

Political Capital

Rural shown in green, nonrural shown in purple



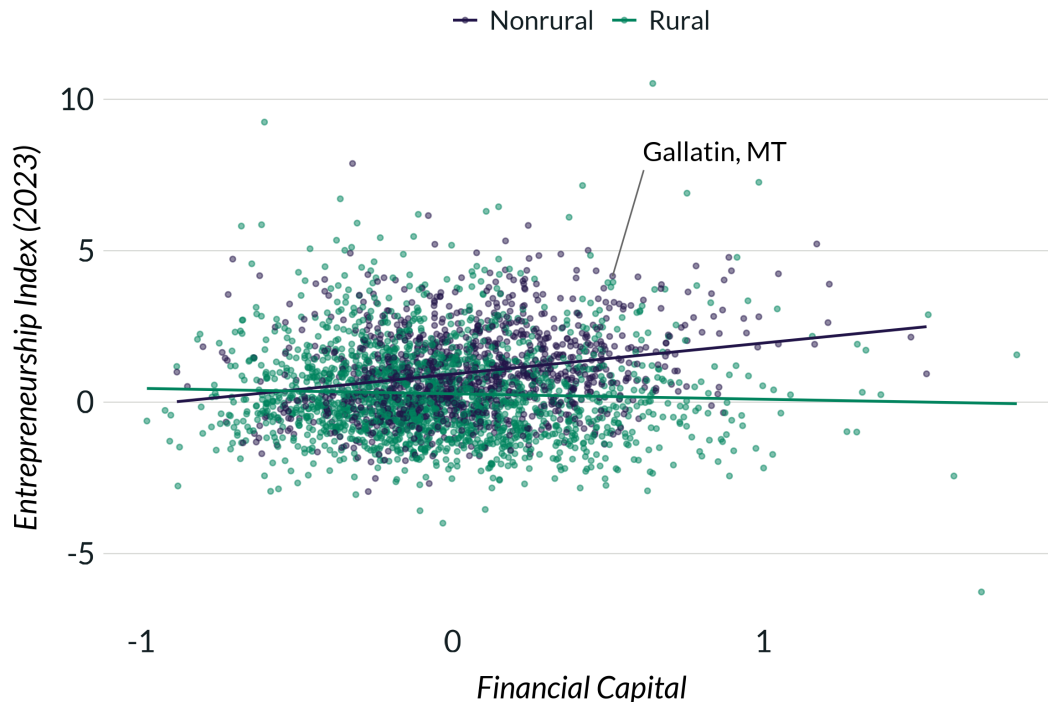
Note: Alaska and Hawaii not shown due to lack of data.

Capacity is only half the story, though. Where political access is concentrated among established interests, that capacity can be directed toward protecting large incumbent businesses from new competition rather than clearing a path for new ones. One channel is regulation. More governmental capacity can mean more permitting, licensing, and zoning requirements, and those fixed compliance costs weigh most heavily on small and young firms. Another is the set of tools local governments use for economic development. Economic development incentives tend to go to large established firms more often than to the small and young businesses that account for most new job creation ([Patrick & Stephens, 2020](#); [Bartik, 2018](#); [Slattery & Zidar, 2020](#); [Donegan, Lester, & Lowe, 2021](#)). One study finds that increasing a government's capacity to aid private enterprise is associated with lower employment, especially in rural counties ([Patrick, 2014](#)). Incentives are one legitimate tool among many, and the same capacity could instead let a community build a one-stop permitting office or a locally funded loan program. Whether it ends up helping or hurting may depend less on how much political capital a place has than on who holds it and what they choose to do with it.

HOW WE MEASURE IT: presidential voter turnout, the density of political and labor organizations, and local government employment and revenue.

WHAT THE DATA SHOW: Political capital shows a consistent negative relationship with entrepreneurship, and that relationship is weaker for rural places. The higher political capital of nonrural places may be used more toward the incumbent-protection dynamics than to support business startups. This aligns with previous research that shows rural counties are the least likely to win incentive competitions and that these incentives can crowd out other economic activity, including new business formation ([Partridge & Olfert, 2011](#); [Partridge et al., 2020](#)). The density of political and labor organizations is negatively associated with entrepreneurship, while voter turnout is positively associated with it. Broad civic participation, in other words, appears to go hand in hand with entrepreneurship, while the density of organized interests does not.

Financial capital predicts entrepreneurship in nonrural counties, but not in rural



Political capital and built capital interact negatively in our data. The two work against each other rather than reinforcing one another, consistent with the possibility that political capital directed toward incentives comes at the cost of the infrastructure investment built capital represents.

Independence, Oregon shows what it looks like when political capital gets pointed toward entrepreneurship by building on the industries a community already has. After becoming one of the first Oregon communities to bring municipally-owned fiber to the home in 2007, the city used that infrastructure to leverage its agricultural base by connecting it to the growing technology sector through the **Northwest Ag Innovation Hub**, which links farmers with technologists to solve agricultural challenges. Around that foundation, **Indy Kitchen**, **Indy Commons**, and the **Indy Idea Hub** built out support for food and micro-retail entrepreneurs, a coworking space, and entrepreneurship training. That foundation has been reinforced by political leadership. **Mayor Kate Schwarzler** has made supporting rural entrepreneurs and small businesses an explicit governance priority.

IN BOZEMAN: Gallatin County ranks in the 26th percentile nationally on political capital, its lowest score of the seven capitals. Interviewees didn't describe political capital as having much bearing on entrepreneurship; not because it doesn't matter, but because local government's role is unusually narrow.

Officials, including the governor, a former tech founder himself, were described as unusually accessible: "Montana is still a small town. We actually describe Montana as a small town with long streets. It's kind of a state joke. There's really only about one degree of separation still in Montana, which is really nice." That access comes with a narrow view of the government's role: removing barriers through deregulation rather than direct investment. Multiple interviewees pointed to shrinking state economic-development programs and a gap between the state's "open for business" rhetoric and what it actually delivers. As one interviewee summarized: "the [state] government's support has pulled back from the state and the local level. A bunch of economic development programs, they've put on tighter sunset timelines, and it feels like every legislative session we're fighting to keep those programs going."

This underpins how economic development itself works in Bozeman: "Montana's ethos and value system does not include giving away taxpayer dollars so that you can come here. Our ethos is you come here, and we will support you, and our talent pool and that people want to live here is an advantage to you, is a competitive advantage to your business."



Top: Indy Commons, **Bottom:** Independence, OR Mayor Kate Schwarzler



CONCLUSION

Rural entrepreneurship grows out of community assets. Across the country, natural capital shows the strongest and most consistent relationship with rural entrepreneurship, and that relationship is stronger still where human, social, and financial capital is also high. For the other capitals, what matters is less how much a place has than what kind. Several capitals that prior research links to job growth show no positive association with rural entrepreneurship as broad indices, yet specific components of each one do. Some of what matters most, such as norms of trust and tolerance for risk, is also the hardest to see in national data.

Bozeman shows how those assets reinforce one another. Its landscape draws talent, and its culture of self-reliance and mutual aid spurs entrepreneurship and connects founders to each other and to outside investors. But Bozeman is a case study, not a template. A community with a different mix of assets will need its own strategy. Rural communities, especially those with limited budgets, may be better served by building on the capitals they are already positioned to use, and the connections between them, than by spreading resources evenly across all seven. Specializing doesn't mean ignoring the rest, though, because a single bottleneck, such as housing, broadband, or access to capital, can prevent a community from cashing in on its strongest asset.

For policymakers and funders, the implication is to invest in places. Prior research suggests that investing in the conditions that support growth broadly tends to deliver more than competing for individual businesses with tax breaks and subsidies ([Goetz et al., 2011](#)). Our findings point the same way. The assets most associated with rural entrepreneurship are shared ones. They include natural amenities, a well-trained and educated workforce, local arts and culture, and business associations. EngineWorks in Bozeman, Gig East in Wilson, and Indy Commons in Independence each paired a physical investment with programming to leverage that investment.

Investments like these stay in the community. A subsidy can leave when the firm that received it leaves; a fiber network, skilled workers whose identity is more tied to place, and a trusted network of founders and lenders remain, and they support the next business as well as the current one. Entrepreneurship is key to rural revitalization and to dynamic local economies that can weather and adapt to shifting economic headwinds. The path to lasting rural prosperity begins with what a place already has and how deliberately it invests in it to help innovative business grow from the ground up.



**Center
on Rural
Innovation**