

**Governor's Giant Vision Contest: The Initiative to Increase South Dakota
Entrepreneurial Activity**

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GOVERNOR'S GIANT VISION CONTEST: THE INITIATIVE TO INCREASE ENTREPRENEURIAL ACTIVITY IN SOUTH DAKOTA

ABSTRACT In October, 2003, Mike Rounds, the Governor of South Dakota, launched the 2010 initiative, a plan to increase economic development in the state by 100% by 2010. As part of this effort the Governor added a contest to stimulate entrepreneurial activity in the state in 2005. This paper documents the results of the contest and the efforts taken by a particular South Dakota university to encourage entrepreneurial activities among its students.

INTRODUCTION

As shown in Figure 1 The South Dakota economy as measured by its Year 2000 Gross State Product – the measure of goods and services produced - is led by the Financial, Insurance, and Real Estate; Services; Manufacturing; Government; and Retail sectors.

FIGURE 1
Percent of Gross State Product South Dakota, 2000
By Industry Sector

Finance, Insurance, Real Estate	\$4,655,000,000	20.0%
Services	\$4,100,000,000	17.6%
Manufacturing	\$3,015,000,000	13.0%
Government	\$2,941,000,000	12.6%
Retail Trade	\$2,322,000,000	10.0%
Transportation & Utilities	\$1,769,000,000	7.6%
Agriculture	\$1,745,000,000	7.5%
Wholesale Trade	\$1,524,000,000	6.5%
Construction	\$ 995,000,000	4.2%
Travel	\$ 700,000,000	3.0%
Healthcare*	\$ 700,000,000	3.0%
Mining	\$ 125,000,000	0.5%
Total GSP	\$23,192,000,000	

*Healthcare's GSP is included in Services

A slightly different picture of South Dakota's economy is given by its Personal Income data which is provided in Figure 2. Personal income is defined as the money received by individuals in the form of wages, dividends, rent, interest, and transfer payments such as Social Security and Medicare/Medicaid. For 2001 South Dakota had total personal income of \$20.2 billion as follows:

Dividends, Interest, and Rent	- \$4.1 billion
Transfer Payments	- \$2.8 billion
Wages & Salaries	- \$10 billion

As shown in Figure 2 the largest segments of Personal Income were Government, Health Care, Manufacturing, Retail Trade, and Finance, Insurance, and Real Estate. It is noted that Tourism consisting of Arts, Entertainment, and Recreation and Accommodation and Food produces a total personal income of 3.4%. When combined with an appropriate percentage for retail sales, Tourism would be near the top five of the list.

FIGURE 2
South Dakota Personal Income by Industry Group 2001

Government & Gov't Enterprises	\$2,608,000,000	12.9%
Health Care & Social Assistance	\$1,695,000,000	8.4%
Manufacturing	\$1,453,000,000	7.2%
Retail Trade	\$1,100,000,000	5.5%
Finance & Insurance	\$ 980,000,000	4.9%
Construction	\$ 872,000,000	4.3%
Farm Earnings	\$ 841,000,000	4.2%
Wholesale Trade	\$ 753,000,000	3.7%
Accommodation & Food Services	\$ 531,000,000	2.6%
Professional & Technical Services	\$ 506,000,000	2.5%
Other Services Except Public Admin.	\$ 429,000,000	2.1%
Transportation & Warehousing	\$ 408,000,000	2.0%
Administrative & Waste Services	\$ 320,000,000	1.6%
Information	\$ 283,000,000	1.4%
Management of Co's & Enterprises	\$ 264,000,000	1.3%
Arts Entertainment & Recreation	\$ 161,000,000	0.8%
Educational Services	\$ 144,000,000	0.7%
Utilities	\$ 133,000,000	0.7%
Mining	\$ 71,000,000	0.4%
Forestry, Fishing, Related, & Other	\$ 64,000,000	0.3%
Total	\$20,173, 940,000	

Finally, to round out the picture of the South Dakota economy, one needs examine where people are employed. In 2001 total employment for the state was 523,566 with 401,093 people working for wages and 122, 473 working as proprietors. Of these 122, 473 proprietors, 33,103 were farm proprietors with the remaining 89,370 non-farm proprietors. Total farm employment was 37,927 (this figure includes farm proprietors) leaving 485,639 individuals in non-farm employment.

Figure 3 shows where people were employed in South Dakota in 2001. The five largest employers in the state in terms of industry group were: Non-Farm Proprietors, Government, Retail, Health Care Services, and Manufacturing. It is noted that Non-Farm Proprietors cut across all industries and that many of them also work for wages in the other listed industries.

It is also noted that when farm and non-farm proprietors are combined South Dakota has a much higher percentage of proprietors, 23%, than the US national average of 16.6%.

Combining these three measures indicates that South Dakota is led by Services in general and Government Services in particular. The latter measure also indicates a rather sizeable amount of participation in entrepreneurial activities in the state.

FIGURE 3
Employment by Industry Sector, 2001, South Dakota

Non-Farm Proprietors	89,370	17.1%
Government & Gov. Enterprises	79,058	15.1%
Retail Trade	64,398	12.3%
Health Care & Social Assistance	57,068	10.9%
Manufacturing	42,932	8.2%
Farm Proprietors & Employees	37,927	7.2%
Accommodation & Food Services	37,173	7.1%
Finance & Insurance	32,985	6.3%
Construction	29,843	5.7%
Other Services, Except Public Admin.	27,225	5.2%
Wholesale Trade	19,371	3.7%
Administrative & Waste Services	17,801	3.4%
Professional & Technical Services	15,706	3.0%
Transportation & Warehousing	13,089	2.5%
Real Estate, Rental, & Leasing	11,518	2.2%
Arts, Entertainment, & Recreation	10,471	2.0%
Educational Services	7,854	1.5%
Information	7,854	1.5%
 Total	 523,566	

2010 Initiative

While the previous section and its accompanying three tables portray South Dakota's economy as small, entrepreneurial, and service/government driven they do not address the state's economic future. In 2002 the Progressive Policy Institute published "Technology and New Economy Project – 2002 State New Economy Index" which ranked South Dakota 43rd overall in elements thought to be necessary for future success. Alarming, South Dakota was ranked last of the 50 US states in the following categories:

- Export Focused Manufacturing
- Commercial Internet Domain Names
- Number of Patents
- Industry R&D Investment

As well South Dakota ranked 48th out of 50 in Venture Capital and Managerial/Professional Jobs. In contrast, South Dakota's eastern neighbor – Minnesota – ranked 13th overall, 8th in patents, 14th in research and development, and 1st in online manufacturers.

Partially in response to this discouraging ranking, the South Dakota Chamber of Commerce suggested a rethinking of South Dakota's investment strategy was in order. Previously, the focus of economic development in the state had been the recruitment of existing businesses. In fact, the majority of manufacturing jobs created in South Dakota during the decade of the nineties resulted from businesses headquartered in Minnesota.

Instead, the Chamber cited two entrepreneurial firms as examples of South Dakota business start-ups that created jobs in South Dakota. Daktronics was begun by Dr. Aelred Kurtenbach, a South Dakota-trained engineer and faculty member of South Dakota State University. The firm builds scoreboards and video displays for major league sports stadia, Las Vegas resorts, as well as international

venues such as the Olympics and World Cup Soccer. The firm employs over 1000 individuals; is headquartered in Brookings, South Dakota; and pays some of the highest wages in the state.

The other firm is RESPEC was begun by professors from the South Dakota School of Mines and Technology. RESPEC has recognized expertise in geo technical evaluations, generates revenue internationally, and employs nearly 100 high wage people.

The Chamber termed these two firms “archetypal examples of the benefits of encouraging local entrepreneurs” and urged a new emphasis on encouraging and nurturing new business start-ups in South Dakota. Two programs to encourage entrepreneurship sprung from these urgings. One was the development of an entrepreneurship minor to be offered at all South Dakota universities. The other was a competition to identify and financially reward entrepreneurial ideas.

Entrepreneurship Minor

In 2003 representatives of the six South Dakota public universities commenced a series of meetings which culminated in the adoption of a nineteen credit minor in entrepreneurship which is displayed in Figure 4. Part of the rationale for having a minor in Entrepreneurship was to encourage non-business students into taking these courses to develop their business skills.

Figure 4

Entrepreneurial Studies Minor

BADM 334, Small Business Management (3 credits)
BADM/ENTR 336, Entrepreneurship (3 credits)
BADM 370, Marketing (3 credits)
BADM/ENTR 438/538, Entrepreneurship II (3 credits)
BADM 474, Personal Selling (3 credits)
BADM 489, Business Plan Writing & Completion (1 credit)
Choose one of the following: 3 credits
 ACCT 210, Accounting I (3 credits)
 ACCT 211, Accounting II (3 credits)
 ACCT/BADM 406/506, Accounting for Entrepreneurs (3 credits)
 ACCT 520, Foundations of Accounting (3 credits)

Total 19 credit hours

Initially the courses originated at two universities which had historically offered courses in entrepreneurship. These courses were broadcast over the South Dakota Digital Distance Network (DDN) to the other four university sites. In time all six public universities offered the courses on their respective campuses with their respective faculty.

Initial enrollment at Northern State University has been low. Entrepreneurship I was offered for the first time on campus in the Spring of 2006. 10 students, the minimum requirement, were enrolled. Only 7 students were on the Northern State campus. Two students took the course via DDN in Huron and one via DDN in Mobridge.

In the Fall of 2007 Entrepreneurship II was offered for the first time on campus. Eighteen students were enrolled. One via DDN in Mobridge, one faculty member, and three international students.

In the Spring of 2007 Entrepreneurship I was offered for the second time on campus Eighteen students were enrolled. Four students were international students.

Contrary to the intent of the program none of the students who enrolled in any of the Entrepreneurship I or II classes has been a non-business student. Efforts are currently under way to address this situation.

Governor's Giant Vision Competition

The Governor's Giant Vision Competition was announced by Governor Mike Rounds' office in 2005. The competition was hosted by the South Dakota Chamber of Commerce. Any South Dakotan with an idea for a new business was asked to submit an extensive written business plan outlining his/her idea to a panel of judges, made up of venture capitalists, financiers, educators and established business leaders, who reviewed all of the submitted plans and then invited qualifying entries to a formal competition held on April 7, 2005 in Sioux Falls.

These finalists were expected to give an extensive presentation, a five-minute videotaped presentation and discuss their ideas with business leaders, finance experts and others invited to attend the event. The best entrant received a prize of \$20,000 and the opportunity to enter the "2006 World's Best Technologies Competition" in Arlington, Texas. Two second place winners received \$10,000 each while two third place finalists received \$2,500.

The contest was repeated again in 2006 and 2007. Based on the entries in 2005 and 2006, it was decided to hold a separate Giant Vision Competition for university students in 2007. Thus, in addition to the five winning prizes above three additional prizes of \$5,000, \$2,500, and \$2,500 respectively were made available to any university student, regardless of attending a public or private institution, in the state of South Dakota. The winners of this years competition and their ideas are contained in Figures 5 and 6.

Figure 5

Student Competition

\$5,000 - Flight One Corporation, Kelly Patnoe, Augustana College

Flight One Corporation's primary focus is on helping the traveling athlete or recreational enthusiast explore the world without sacrificing their love of sport. When Flight One's founder, Kelly Patnoe, spent a semester studying abroad she was heart-broken when she could not bring her tennis racket on the long journey for fear that it would be cracked or broken. She realized the tennis industry needed a protective case that would guard fragile rackets as they traveled through airport security and customs' check points.

\$2,500 - Pro mAGs, Eric Hesla, University of South Dakota

Pro mAGs are planter gauge wheels designed primarily to save farmers time and effort. The unique design features allow farmers to plant in wet soil conditions where other gauge wheels are prone to plugging up. Additional benefits include easier maintenance and better accessibility to other planter parts.

\$2,500, Whoa Doggie Co., David Napolitano, University of Sioux Falls

Whoa Doggie Company will manufacture and distribute the Whoa Doggie to retail pet stores throughout the nation. The Whoa Doggie is a shock absorbing leash accessory invented by the Napolitano family in rural Mt. Vernon, South Dakota. The company plans to continue creating unique products of utility and innovation, becoming a brand name producer of products in the pet industry.

Figure 6

Regular Business Competition

The \$20,000 winner was Chad Maxwell for his company Natural Farrowing System (NFS) of Vermillion.

NFS is a patented, standardized alternative to confinement hog production, with producers raising pigs in seven different states, producing 17,000+ antibiotic free and "compassionately raised" pigs per year. NFS is dedicated to bringing an economically viable, ecologically sound and socially responsible method of hog production back to the family farm and fundamentally changing the way swine are raised in the USA and the world through a low cost and low labor, odor free system that works with the animals natural instincts.

Two second place prizes of \$10,000 each were awarded to the following.

Dakota Ties, Dennis Kisch and Tim Frohreich of Yankton

Dakota Ties will be a manufacturer of construction related, patent-pending products called "REDI-Built" headers and construction components. These environmentally friendly or "Green Build Products" can be utilized in the construction of single or multi-family dwellings, as well as light commercial projects. Manufacturing operations are planned to be set up in Yankton, South Dakota.

Art of the Hills, Ray Berberich, Deborah Casey and Kristin Donnan Standard of Hill City

Art of the Hills is a magazine of high production values, beautiful photography, creatively conceived editorial content and a multi-faceted approach to embodying what is irresistible about this corner of the world. Through national distribution and marketing of Art of the Hills, the artistic and cultural contributions of Midwesterners, their fine art and cultural venues and their historical legacy will be offered to a wider audience than has previously been achieved.

There were also two third place prizes of \$2,500 each awarded to the following businesses.

Octaflex, Richard Gross of Timber Lake

OctaFlex Environmental Systems is a manufacturing company specializing in metal and fabrication. Liaisons have been established with the United States Army, Navy and Marines in manufacturing vehicle service ramps and wash systems for environmental cleaning. Research and development is another facet of OctaFlex and they have been the recipients of numerous Small Business Innovative Research awards.

Glamme^Systems, Lance Glammeier of Colton

Glamme^Systems is a patent-pending system, when implemented will prevent or greatly reduce needle sticks. Needle stick injuries can happen whenever you are using a syringe. With 300 health care workers dieing each year from contaminated needle sticks, it is imperative that we all do what we can to prevent as many accidents as possible. The Glamme Clamps are a simple effective solution to the problem. It holds all bottles securely, both hands on syringe, that's complete control.

Conclusions

The effort to encourage entrepreneurial activity in South Dakota continues. Lately there has been talk of adding a major in entrepreneurial studies to the six South Dakota public universities. The Governor's Giant Vision Competition is scheduled again for 2008. The Small Business Development Corporation of Aberdeen in conjunction with Northern State University, Presentation College, and Aberdeen Area High Schools will hold a competition this fall for high school students with entrepreneurial ideas.

References

www.2010initiative.com A Giant Vision for South Dakota

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