

Development Opportunity Profile

Adair County, Kentucky



April 4, 2016

Introduction

The Center for Rural Entrepreneurship believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community. This **Development Opportunity Profile** is one of our **Getting Started Tools**. This profile was prepared for Adair County, KY, by the Center, for our partner, the [Lake Cumberland Area Development District](#). Other **Getting Started Tools** include our **Philanthropic Opportunity Profile** and our forthcoming **Generational Diversity Profile**.

Taking Stock – The Power of Assessment

Whether a community or a region is successful over time – or not – depends upon the commitment and choices of its leaders and people, and the investments they make in their development. As Deepak Chopra says, “When you make a choice, you change the future.” Making the *right* development choices is a prerequisite for achieving community and regional prosperity. The best way to make the *right* development decisions is to commit to a thoughtful and robust assessment of your region’s opportunities. By taking the time to discover and better understand your region’s genuine development opportunities, you will make smarter investments and enhance your region’s potential for greater prosperity.

This **Development Opportunity Profile** is a start on a pathway to prosperity. But, it is only a start. It reflects one view of your region, based on secondary data. We challenge you to build on this work, draw on your own knowledge of the region and its assets, and create a deeper understanding of your unique development opportunities. Then use this understanding to craft and implement a smart development game plan. We hope this **Development Opportunity Profile** is helpful and contributes to your future development success.

Exploration ...

Dreaming ...

Visioning ...

Planning ...

Goal-setting ...

Action ...

Impact!

Asking the Right Questions

To be successful and achieve sustainable prosperity, every region needs to achieve two things, at a minimum – economic renewal and demographic renewal. These two things are intimately connected. New residents are attracted to and put down roots in places that offer diverse economic opportunities. And, a healthy population supports a more robust quality of life and the amenities that go with it – schools, health care, shopping, arts and recreation, for example. This **Development Opportunity Profile** helps you begin to answer a number of questions about your community or region:

1. What is the regional context for your place?
2. What are the demographic trends in your place?
3. How is your economy doing in terms of job creation?
4. How is your economy doing in terms of income generation?
5. What is driving your economy?

You may choose to address additional questions for your community – how are families doing; how is the ethnic makeup of your community changing? The answers to these and other questions will help you focus in on your genuine development opportunities.

The first section of this Profile provides an historical overview of your economy as a whole:

- The regional context
- Population trends
- Employment trends
- Personal income trends
- Economic drivers

The second section delves more deeply into the business or entrepreneurial economy, describing general business ownership trends and specific entrepreneurial attributes of your county. In the final section, we provide a summary of key development opportunities for your community as well as some identified development challenges.

Electronic Library

Research collected and analysis completed in support of this Profile is available through an Electronic Library at the following site:

<https://goo.gl/Zqfn2D>

Being a Smart Data Consumer. We provide a summary of research sources at the end of this Profile. Detailed source information can be found by reviewing specific research items in the Electronic Library. **Data used in this Profile is based on sampling and estimates. Through the sampling process, data can be skewed particularly in smaller, more rural counties. We encourage you to carefully review the data and question the results if they are at odds with your experience. At the same time, remember that others – prospective residents, employees, and entrepreneurs – are using this same secondary data to learn about your county.**

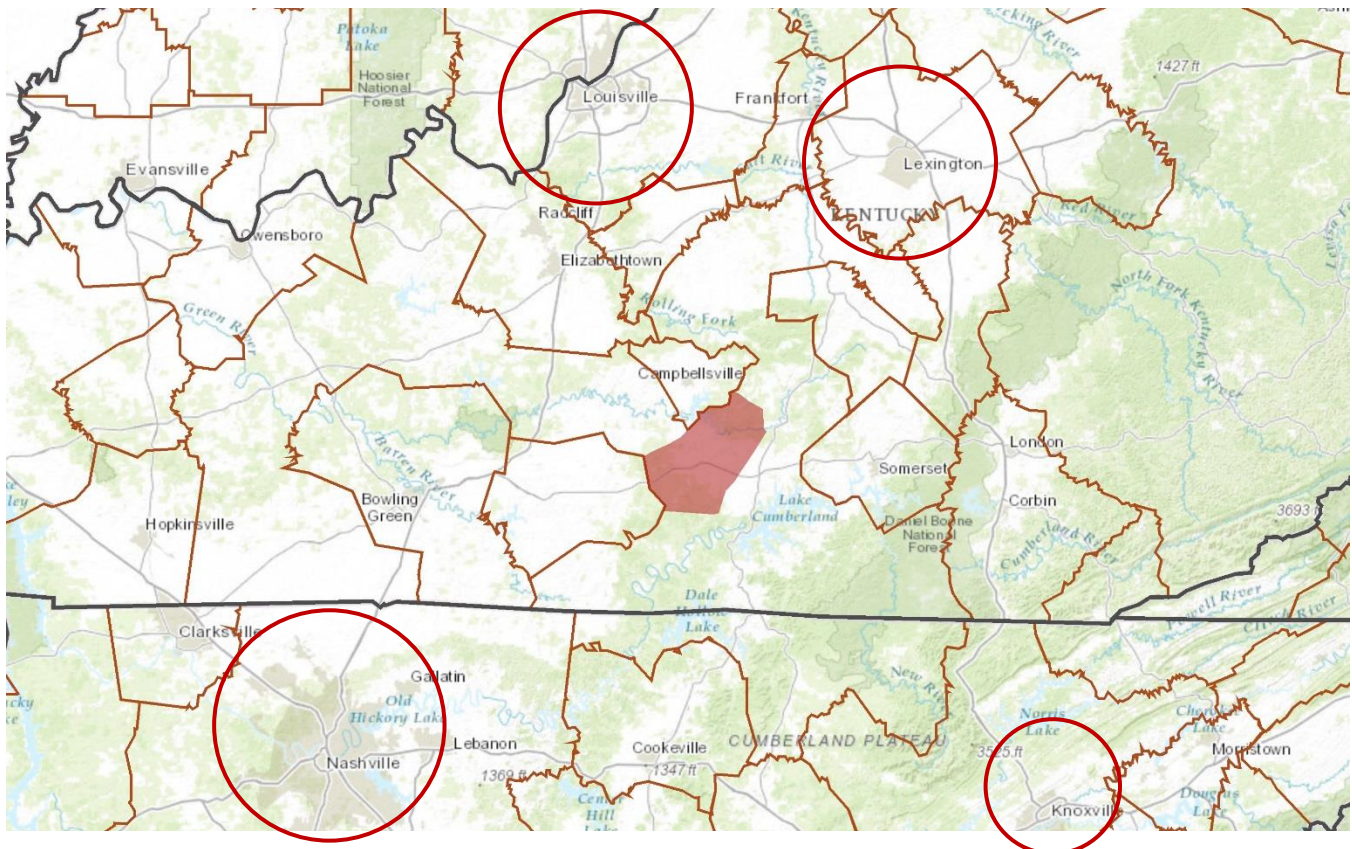
Understanding the Economy – Historical Overview

Regional Context

Every county has a unique location offering both opportunities and challenges. Even in our globally interconnected world, location still matters. Early in America's history, a county's access to water transportation was a plus. Today, a location with access to high speed internet and a unique quality of life might attract, for example, entrepreneurs or telecommuters who can choose to work from anywhere. Individual communities exist within a larger regional context that drives both economic and residential development.

Adair County is located in south central Kentucky. It is predominately rural and situated (northwest and southeast) between two major lakes and recreational areas. Natural resource amenities are increasingly important as quality of life amenities and business development opportunities. The county is part of the Cumberland Parkway transportation corridor connecting Bowling Green with eastern Kentucky. Major transportation corridors are important assets. Business development and employment associated with transportation are increasing as volume traffic grows. Such corridors are important and provide communities an opportunity to market themselves to traffic passing through. The county is also within a day's drive of four major metropolitan areas – Louisville, Lexington, Nashville and Knoxville.

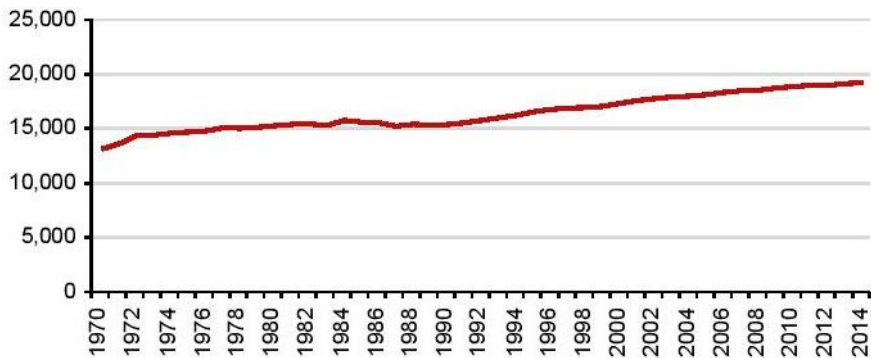
Figure 1. Adair County, Kentucky and the Region



Population Trends

From 1970 through to 2014, the county has experienced slow but steady population growth. Today the county is approaching 20,000 residents. The Esri Corporation is projecting that between 2015 and 2020 the county will grow at a healthy 0.47% per year. With population growth, there are expanding development opportunities (see Figure 2 below).

Figure 2. Population Trends, Adair County, KY



Adair County, Kentucky
Quick Demographic Profile

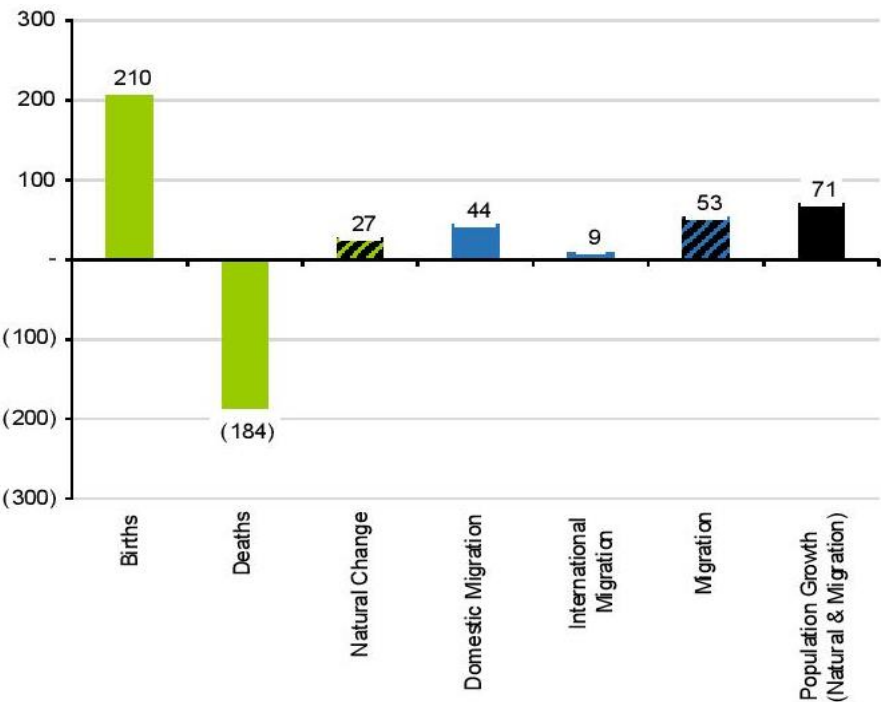
2010 Population – 18,656
Median Age – 40.1 Years
Households – 7,564
Average Household Size – 2.40

2015 Projection – 19,242
2020 Projection – 19,699

Projected 2015-2020
Growth Rate = 0.47% per year

Figure 3. Population Change, Adair County, KY 2000-2014

Figure 3 shows average annual change in population, including natural change (births and deaths) and migration (in-migration and out-migration), for 2000 through 2014. Natural population change and migration are both positive resulting in the net population gain on an annual basis. While rapid population growth is not necessary to move the community to increased prosperity, any development game plan must focus on stabilizing the community's population by attracting younger families and retaining aging residents as a first step toward demographic renewal.



The Census Bureau makes a minor statistical correction called a "residual" which is included in Figure 2, but omitted from Figure 3. Because of this correction, natural change plus net migration may not add to total population change in Figure 2.

Employment Trends

Overall, total employment (both part-time and full-time jobs) grew rapidly from 1970 into the mid-1990s. Since then, employment growth has become more unvaried with slight dips during the 2001 and Great Recessions. More recently, total employment for the county

has grown above 8,000 workers. This is a healthy sign suggesting some economic recovery. However, for increased economic prosperity, the economy must not only create jobs, but create a wider range of career opportunities that are attractive to current residents and those who might be attracted to the region. In today's knowledge-driven economy, attracting and retaining human talent is a key to sustained economic prosperity.

Figure 4. Employment Trends, Adair County, KY

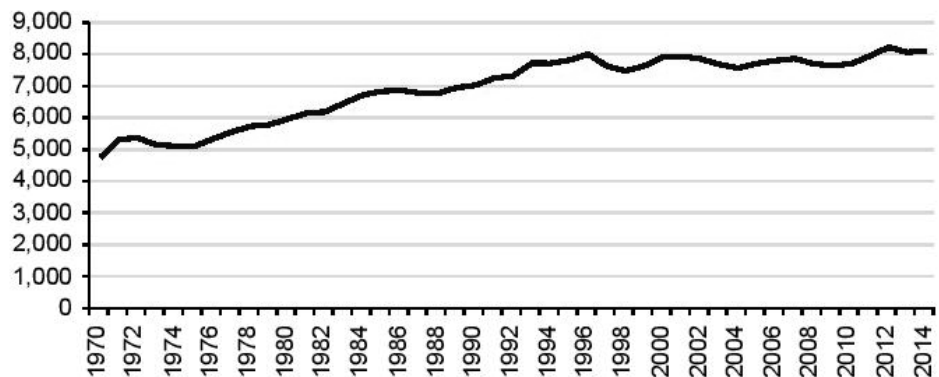
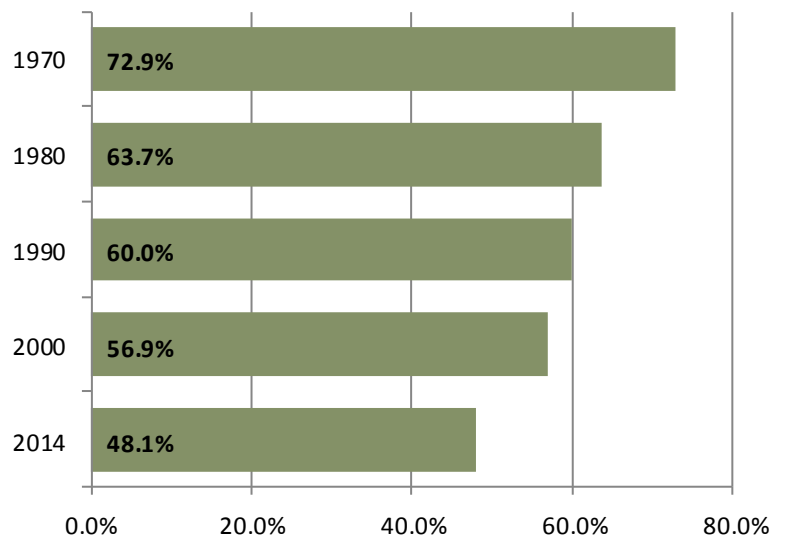


Table 1. Net Job Growth During Recession Periods

2001 Recession		Great Recession	
Recession (Mar-Nov 2001)	0.1%	Recession (Dec 2007-June 2009)	-0.1%
Recovery (Dec 2001-Nov 2007)	0.0%	Recovery (July 2009-Present)	-0.3%

“Labor earnings to total personal income” is a good proxy for how dynamic or robust an economy is. Labor earnings reflect income flowing to households from employment; non-labor earnings are derived from transfer payments, retirement income, etc. Figure 5 shows Labor Earnings as a percent of total county personal income. This is a measure of economic vitality. Labor Ratios in the 60% range suggest a healthy economy capable of creating economic opportunities for its residents. The county's Labor Ratio has dropped from the 73% range in 1970 to just over 48% in 2014. This decline is a red flag suggesting the community should invest more heavily in its economic development with a primary focus on supporting existing businesses and increasing entrepreneurial activity. Moving this ratio back towards the 60% range should be a development goal for the county.

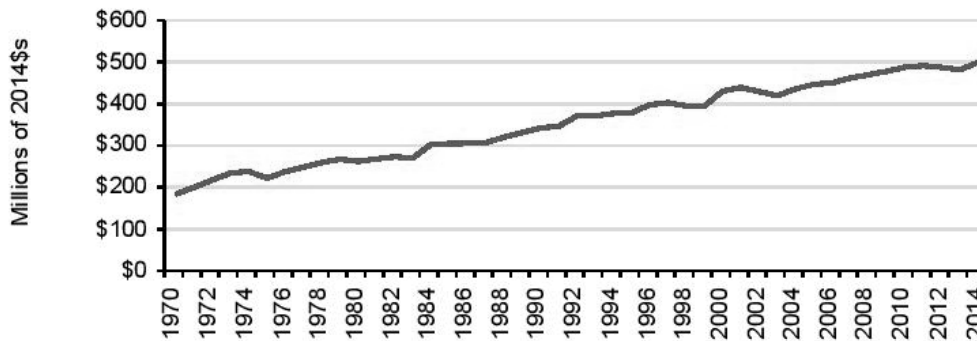
Figure 5. Labor Earnings



Personal Income Trends

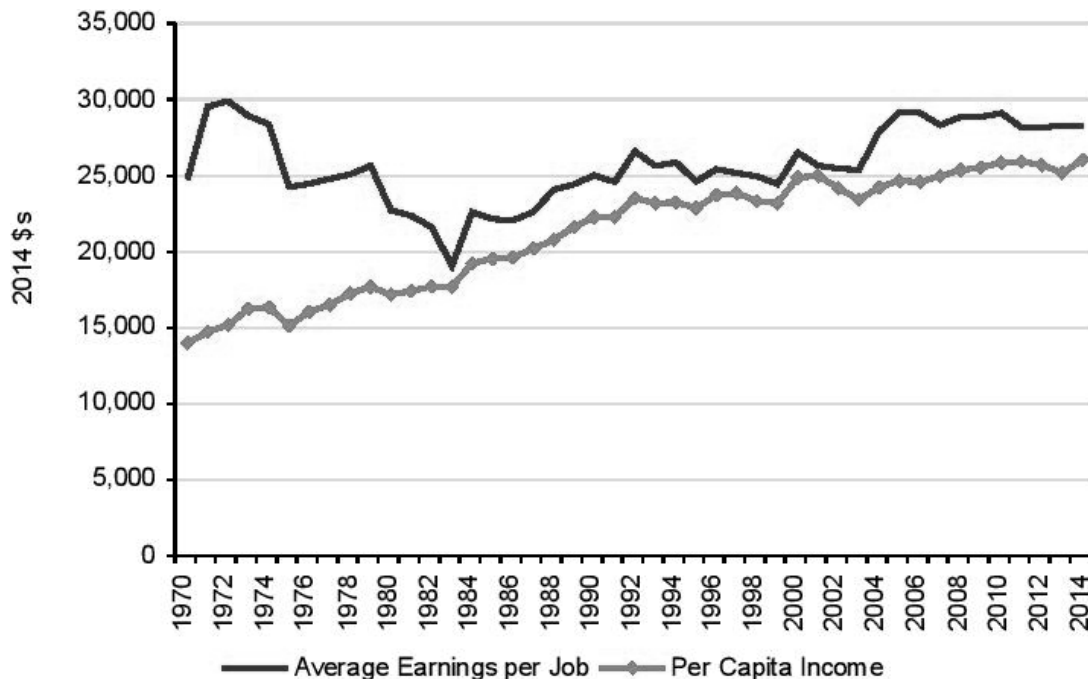
Personal income, measured in real or inflation-adjusted dollars, has increased throughout the 1970-2013 period (Figure 6). Personal income growth has been consistent and relatively strong over time. There were net declines with both the 2001 and Great Recessions. The data is now showing renewed growth in the latest years. This is a positive sign.

Figure 6. Personal Income Trends, Adair County, KY



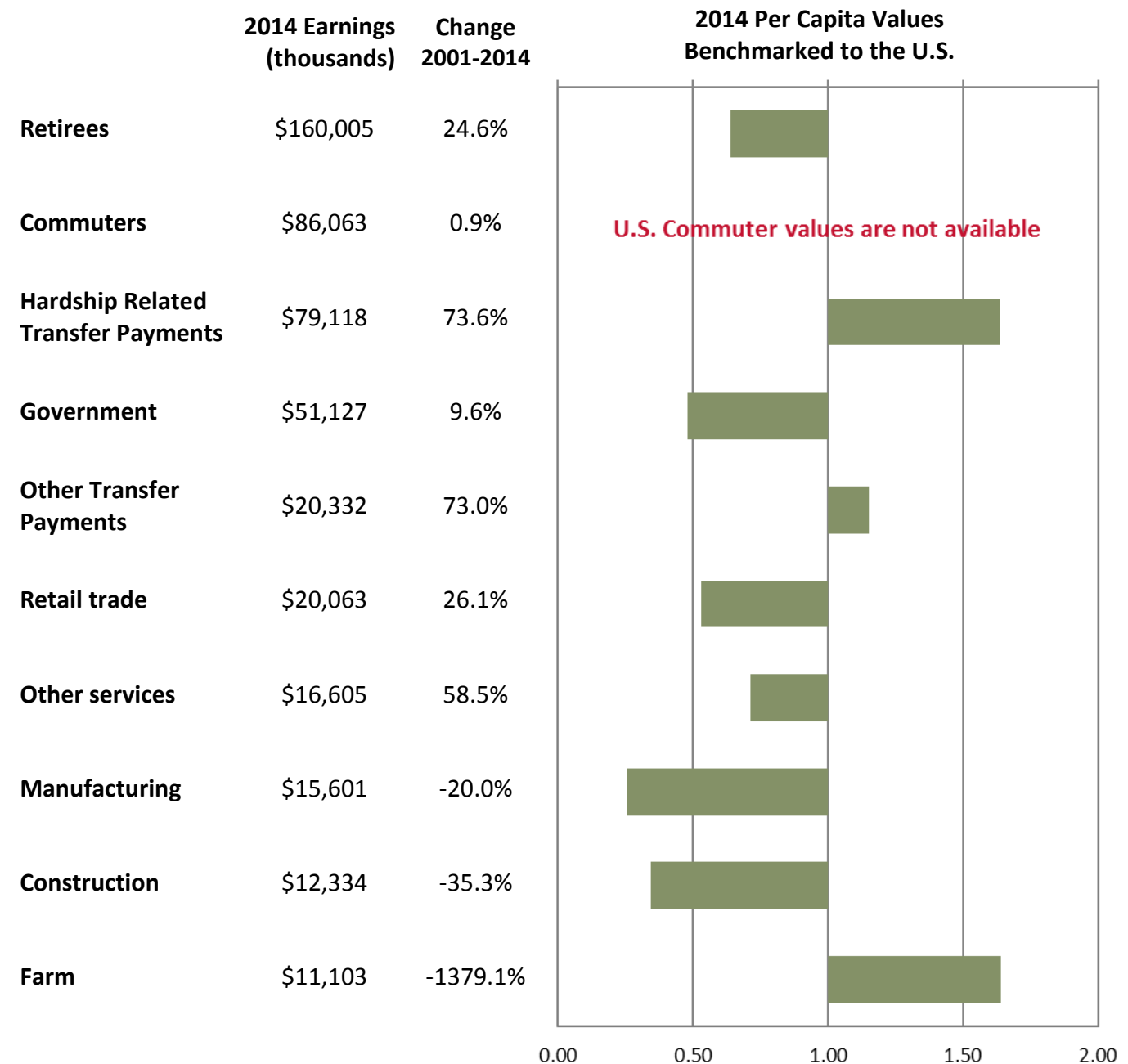
Per capita income is total personal income divided by total permanent residents. Per capita income is growing over time primarily due to an aging population and an infusion of transfer payments from outside the county. After a sharp decline in average earnings per job between the 1970s into the early 1980s, worker earnings have been rising. More recently this growth has flattened. Growing real worker earnings should be a development goal and can be best supported by growing more competitive and successful local businesses.

Figure 7. Average Earnings per Job & Per Capita Income, Adair County, KY



Economic Drivers

Every community or state is shaped by certain **economic drivers** that generate income. Using data on total earnings by industry, this profile highlights the top 10 **economic drivers** for the community, how each of these has done in the last decade and its relative importance benchmarked to U.S. averages.



Retirees are a non-traditional economic sector and represent the single largest economic driver in the county generating \$160 million in personal income in 2014. Over the 2001 to 2014, period retiree income and spending

has grown by nearly 25%. Addressing the consumer needs of retirees desiring to age in their homes represents a significant business development opportunity for the county.

Commuters. Commuters are another non-traditional economic sector but one that is very important to this community. Commuters include both “inflow commuters” [those who live in the county but work outside of the county] and “outflow commuters” [those who live outside of the county but commute into the county to work]. In 2014, inflow commuters accounted for nearly \$85 million of personal income. Outflow commuters are important as well pulling \$47 million in personal income from the county in 2014. While outflow commuting is relatively flat, the number of commuters coming into the county for work suggests the county is an employment hub.

Hardship related transfer payments (e.g., Medicaid, welfare payments, unemployment insurance, etc.) are the second largest source of personal income in the county’s economy. Part of this dependence is related to an aging population and part due to historic and current economic distress. Hardship related income now accounts for \$79 million of all personal income and has grown by 74% between 2001 and 2014. Hardship payments are more important to the county’s economy when compared to the U.S. averages.

Government. Government includes federal, state and local agencies. Public education from K-12, public universities, colleges and community colleges fall into this category. Government is the fourth largest source of personal income in the county in 2014. Government generated \$51 million in personal income in 2014 growing by 9.6% between 2001 and 2014. Government created 992 jobs in 2014. Future government growth is constrained by budget cutting efforts at the federal, state and local levels.

Other Transfer Payments (e.g., Veterans benefits, Workman’s Compensation, etc.), Retail Trade, Other Services, Manufacturing, Construction and Farming round out the other leading economic drivers in the county.

Manufacturing and Farming represent “basic” sectors that generally sell outside the county drawing income into the county. Also these two sectors tend to create more spending given their employment and personal income numbers when compared to other economic sectors. Supporting competitiveness within these sectors is paramount. Retail Trade is also important and is addressed later in this profile.

**Figure 8. Farm Proprietors,
Adair County, KY**



Understanding the Business/Entrepreneurial Economy

Big Picture Overview

A central driver of regional prosperity is the business community. Figures 9-11 provide an overview of Adair County's business community, including for-profit, non-profit and governmental enterprises, from 1995 through 2013. Figure 9 highlights the change in total establishments over this period, showing growth from the early 2000s until the Great Recession followed by declining business numbers since 2008.

Figure 9. Establishments

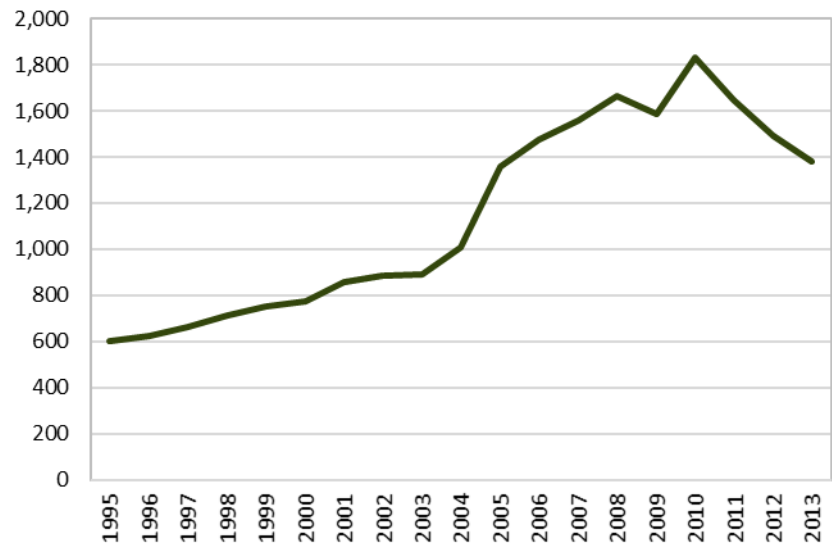
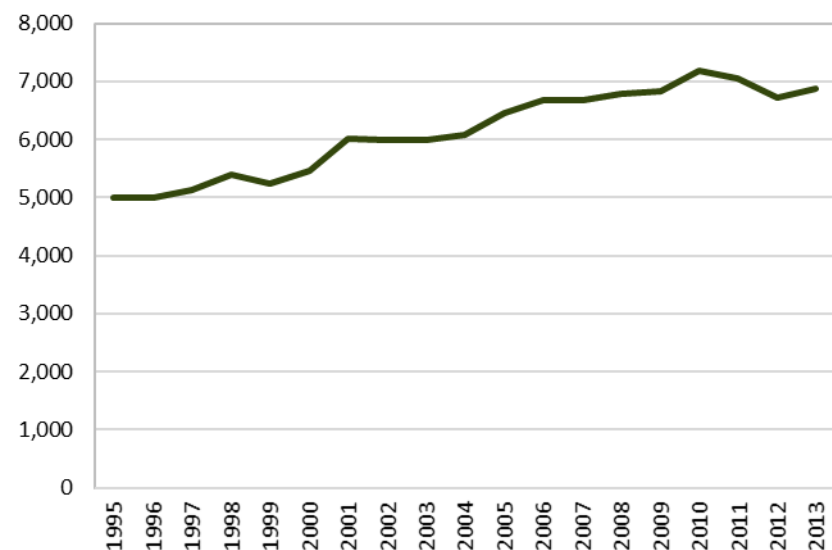


Figure 10. Jobs



Adair County, Kentucky 2015

Total Businesses
663

Businesses per 1,000 Residents
Adair County – 34
Kentucky – 38
U.S. – 77

Total Employees
5,390

Employees per 1,000 Residents
Adair County – 280
Kentucky – 477
U.S. – 447

Figure 10 provides a comprehensive view of jobs in Adair County. Total jobs (both part and full-time jobs) grew consistently from 1995 through the Great Recession. Since the Great Recession, there is a net loss with a more recent rebound. Over time, this shows a decrease in full-time employment and rise in part-time employment.

Data in Figures 9-11 is from www.youreconomy.org. Find the source data for these figures in the electronic library.



COMMUNITY
DEVELOPMENT
PHILANTHROPY



NEW
GENERATION
PARTNERSHIPS



Figure 11. Sales (millions)

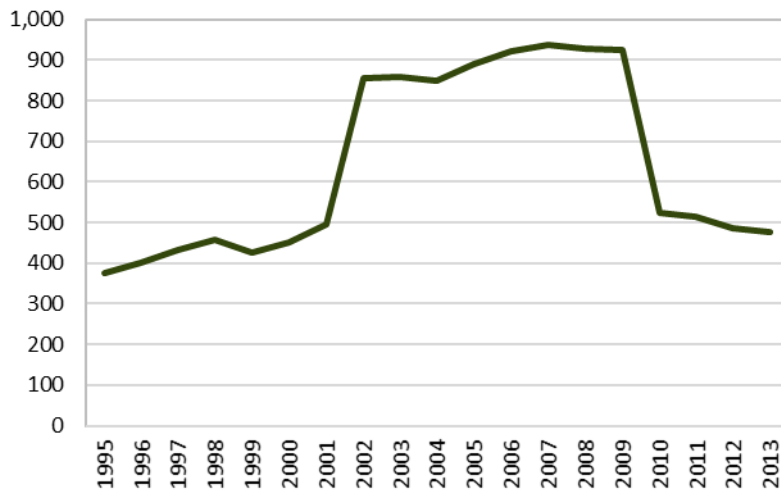


Figure 11 shows that total business sales from 1995 to 2013 for Adair County. Like other counties in the region, there was sales growth from 1995 up to the 2001 recession in Adair. During the 2000s, sales grew slightly but remained strong. There was a steep decline with the Great Recession. More recently, there are signs of sales stabilization.

Esri (www.esri.com) produces community-level analysis of businesses and employment by sector. The data provides a useful overview of the relative

importance of specific sectors in the Adair County economy in 2015 (Table 2). Economic sectors are organized into two components. A region's **traded sectors** produce products and services that are sold outside the region, bringing new income into the region. Traded sectors are also referred to as **basic industries**. Strong regional economies have strong and diverse traded sectors.

Local sectors are also important, enhancing the economy by capturing and re-circulating local spending to create additional economic activity. **Local sectors** (also called **non-basic industries**) help create more livable and competitive communities and regions. Local access to a wide range of goods and services such as shopping, entertainment, health care and education is essential to thriving communities and regions. Two particularly important sectors warrant additional analysis – retail trade (a **local sector**) and hospitality (a **traded sector**).

Retail Trade nationally has undergone major changes as once dominant locally-owned retailers are now competing with externally-owned big box stores and online sellers. A strong and diverse retail sector is important to capturing local spending and generating additional economic growth. According to Esri, Adair County has a positive retail trade balance. Total regional **retail demand** in 2015 was \$187 million and total **retail supply** (provided by businesses within the county) was \$221 million, resulting in a **retail surplus** of \$34 million. The **Retail MarketPlace Profile** that follows provides more detail on retail demand and supply, identifying positive trade balances (in red) and spending leakages (in green). The electronic library includes a more detailed Retail MarketPlace Profile. Adair County might want to consider a two-part retail strategy focusing on (1) assisting business transitions in the **local sector** and (2) finding competitive niches for existing or new retail businesses.

Table 2. Economic Sectors in Adair County, KY, 2015

Sector	Businesses	Employees
Agriculture	18	39
Mining & Utilities	11	69
Construction	37	342
Manufacturing	25	186
Wholesale Trade	30	263
Retail Trade*	121	932
Transportation & Warehousing	28	212
Information	21	128
Finance & Insurance*	46	222
Real Estate	21	47
Professional Services	25	76
Management & Administrative	15	52
Education	16	782
Health Care	46	914
Arts, Entertainment & Recreation	5	19
Accommodations	6	37
Food Service	28	281
Hospitality Sector**	39	337
Other Services	100	261
Public Administration	49	508
Unclassified Establishments	15	20
Total	663	5,390

*Esri provides additional detail for these sectors including sub-sector information.

**Hospitality Sector is created by combining the three preceding sectors.

Hospitality Sector represents a **traded sector** with potential in Adair County. According to Esri, the county has a small hospitality sector with 39 businesses and 337 workers for 2015. Many of these businesses serve both local and traveler needs. A focused tourism development strategy that strengthens entrepreneurial activity in this area could grow this **traded sector** of the economy, adding diversification and growth. While these hospitality-related businesses and their employees may emphasize services to visitors, they also provide services to local residents and non-tourist visitors.



Retail MarketPlace Profile

Adair County, KY
Adair County, KY (21001)
Geography: County

Prepared by Esri

Summary Demographics						
2015 Population						19,242
2015 Households						7,564
2015 Median Disposable Income						\$25,871
2015 Per Capita Income						\$16,840
Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$187,575,499	\$221,618,982	-\$34,043,483	-8.3	147
Total Retail Trade	44-45	\$172,169,117	\$211,578,153	-\$39,409,036	-10.3	119
Total Food & Drink	722	\$15,406,382	\$10,040,829	\$5,365,553	21.1	28
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$41,148,150	\$39,223,451	\$1,924,699	2.4	28
Automobile Dealers	4411	\$33,970,389	\$32,854,773	\$1,115,616	1.7	17
Other Motor Vehicle Dealers	4412	\$4,700,325	\$2,910,737	\$1,789,588	23.5	3
Auto Parts, Accessories & Tire Stores	4413	\$2,477,436	\$3,457,941	-\$980,505	-16.5	8
Furniture & Home Furnishings Stores	442	\$4,124,699	\$1,674,873	\$2,449,826	42.2	5
Furniture Stores	4421	\$2,543,602	\$1,317,400	\$1,226,202	31.8	3
Home Furnishings Stores	4422	\$1,581,097	\$357,473	\$1,223,624	63.1	2
Electronics & Appliance Stores	443	\$6,153,983	\$2,303,350	\$3,850,633	45.5	6
Bldg Materials, Garden Equip. & Supply Stores	444	\$7,895,149	\$15,408,887	-\$7,513,738	-32.2	12
Bldg Material & Supplies Dealers	4441	\$6,698,054	\$14,296,663	-\$7,598,609	-36.2	8
Lawn & Garden Equip & Supply Stores	4442	\$1,197,095	\$1,112,224	\$84,871	3.7	4
Food & Beverage Stores	445	\$30,928,834	\$24,289,133	\$6,639,701	12.0	18
Grocery Stores	4451	\$28,200,555	\$23,638,550	\$4,562,005	8.8	16
Specialty Food Stores	4452	\$821,698	\$650,583	\$171,115	11.6	2
Beer, Wine & Liquor Stores	4453	\$1,906,581	\$0	\$1,906,581	100.0	0
Health & Personal Care Stores	446,4461	\$11,334,733	\$19,633,787	-\$8,299,054	-26.8	10
Gasoline Stations	447,4471	\$13,765,650	\$13,463,254	\$302,396	1.1	6
Clothing & Clothing Accessories Stores	448	\$6,138,832	\$1,350,700	\$4,788,132	63.9	5
Clothing Stores	4481	\$3,979,448	\$1,146,567	\$2,832,881	55.3	4
Shoe Stores	4482	\$1,025,945	\$0	\$1,025,945	100.0	0
Jewelry, Luggage & Leather Goods Stores	4483	\$1,133,439	\$204,133	\$929,306	69.5	1
Sporting Goods, Hobby, Book & Music Stores	451	\$4,265,996	\$1,093,400	\$3,172,596	59.2	3
Sporting Goods/Hobby/Musical Instr Stores	4511	\$3,180,480	\$1,093,400	\$2,087,080	48.8	3
Book, Periodical & Music Stores	4512	\$1,085,516	\$0	\$1,085,516	100.0	0
General Merchandise Stores	452	\$35,928,279	\$75,325,763	-\$39,397,484	-35.4	8
Department Stores Excluding Leased Depts.	4521	\$28,089,197	\$71,891,000	-\$43,801,803	-43.8	1
Other General Merchandise Stores	4529	\$7,839,082	\$3,434,763	\$4,404,319	39.1	7
Miscellaneous Store Retailers	453	\$8,233,490	\$10,954,918	-\$2,721,428	-14.2	17
Florists	4531	\$289,732	\$264,174	\$25,558	4.6	2
Office Supplies, Stationery & Gift Stores	4532	\$1,792,511	\$4,056,454	-\$2,263,943	-38.7	4
Used Merchandise Stores	4533	\$512,704	\$1,353,043	-\$840,339	-45.0	4
Other Miscellaneous Store Retailers	4539	\$5,638,543	\$5,281,247	\$357,296	3.3	7
Nonstore Retailers	454	\$2,251,322	\$6,856,637	-\$4,605,315	-50.6	1
Electronic Shopping & Mail-Order Houses	4541	\$981,522	\$6,856,637	-\$5,875,115	-75.0	1
Vending Machine Operators	4542	\$283,919	\$0	\$283,919	100.0	0
Direct Selling Establishments	4543	\$985,881	\$0	\$985,881	100.0	0
Food Services & Drinking Places	722	\$15,406,382	\$10,040,829	\$5,365,553	21.1	28
Full-Service Restaurants	7221	\$7,480,990	\$4,380,592	\$3,100,398	26.1	19
Limited-Service Eating Places	7222	\$7,339,537	\$5,660,237	\$1,679,300	12.9	9
Special Food Services	7223	\$309,336	\$0	\$309,336	100.0	0
Drinking Places - Alcoholic Beverages	7224	\$276,519	\$0	\$276,519	100.0	0

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>

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March 16, 2016

Entrepreneurial Profile

Entrepreneurs play a central role in revitalizing community and regional economies. Where you have more robust entrepreneurial activity, you typically have more competitive, dynamic and prosperous economies. This is particularly true when there are rooted entrepreneurs who are part of the overall community, contributing to the economy and actively engaging in the civic and social life of the region. Healthy economies support a range of entrepreneurial talent – a **pipeline of entrepreneurs** – from aspiring and startup to growth-oriented and breakout entrepreneurs.

Startup Entrepreneurs are the seeds of an entrepreneurial economy, making up the mouth of the pipeline. Successful startups create opportunities for business growth that generates employment and ultimately drives the economy. One good proxy for startup entrepreneurs is the number of **self-employed** (where the owner/operator is the only employee). Figure 12 shows self-employment trends for Adair County from 1995 through 2013 (www.youreconomy.org). In 1995, self-employment grew from just under 200 to over 900 with a brief pullback during the depths of the Great Recession.

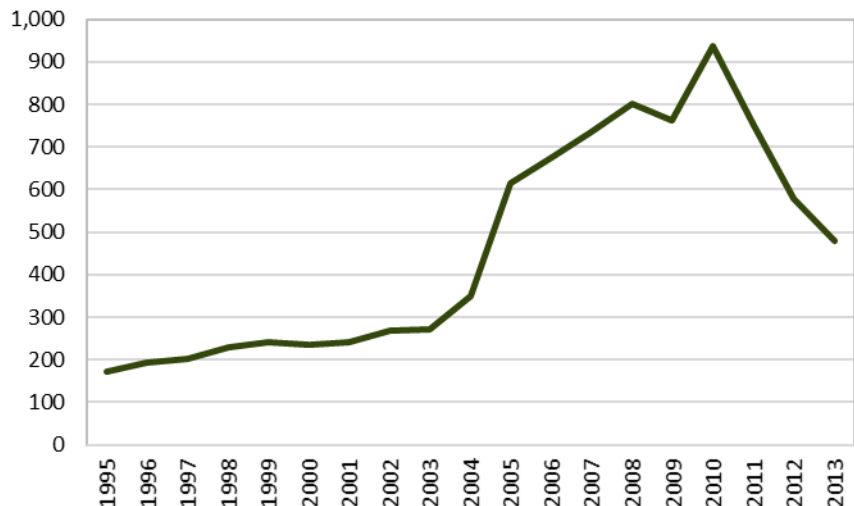
There was a particularly strong spike in self-employment in 2009-2010, what we call the “Recession Effect.” When finding a traditional wage and salary job is hard (as is the case in a severe recession), a talented and motivated person may choose self-employment as a career and/or survival strategy. As the county recovered from the Great Recession, self-employment dropped from over 900 in 2010 to just below 500 in 2013.

What happened to these startup entrepreneurs? There are three possible reasons for this almost 50% decline. One, as wage and salary jobs became available, those who entered self-employment as a temporary solution transitioned into those jobs. Two, some of these startup ventures may have failed. Three, some of these startups grew into Stage 1 (2-9 employees) or Stage 2 (10-99 employees) businesses.

Despite the recent contraction, Adair County saw a net gain of 300 self-employed ventures, a 150% increase, from 1995 to 2013. This is a very positive indicator and county leaders should explore the following questions:

- Who are these self-employed startups?
- What are they doing?
- How could we help them be more successful?

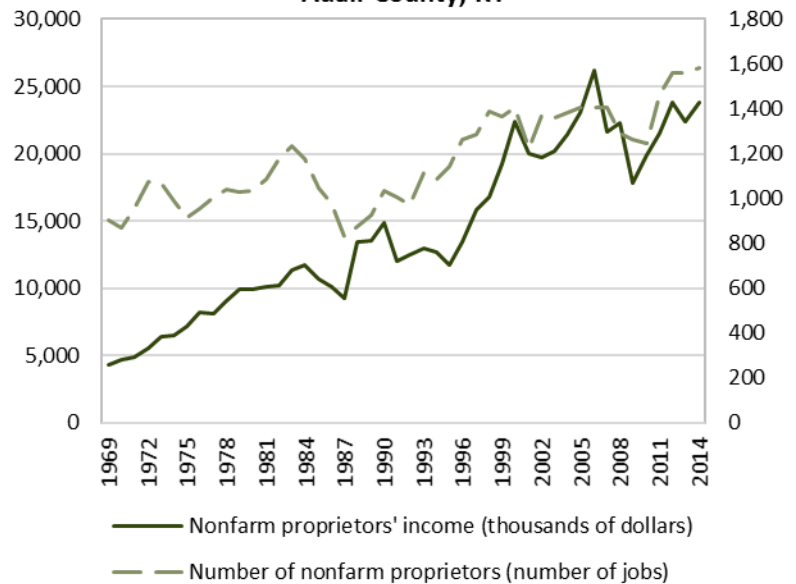
Figure 12. Self-Employed



Established, Locally-Owned Entrepreneurial

Ventures are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic Analysis (Figure 13) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org (Figure 14) tracks ventures based on the number of employees, with Stage 1 businesses (2-9 employees) representing small, most likely family-owned or locally-owned businesses.

Figure 13. Nonfarm Proprietors, Adair County, KY



There has been consistent long-term growth (with a decline during the Great Recession) and very strong recent growth in both nonfarm proprietor employment and income – a very positive trend for Adair County.

Figure 14. Employment in Stage 1 (2-9 employees) Ventures



The employment data on Stage 1 ventures (Figure 14) affirms the trends in nonfarm proprietorships for the county. Employment in Stage 1 businesses declined early in the Great Recession but appears to have stabilized and is now growing from 2009 to 2013.

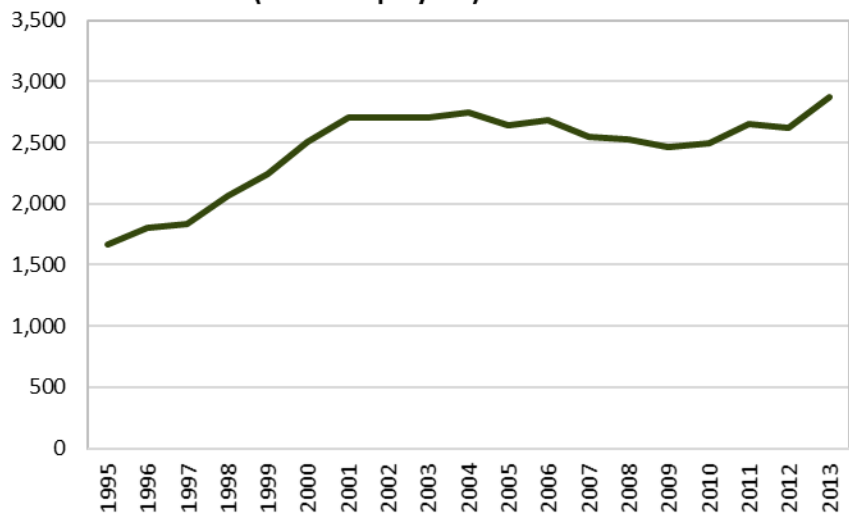
The trend lines for what we are describing as established, locally-owned entrepreneurial ventures are relatively strong, suggesting development opportunities for Adair County. Leaders should consider

identifying and visiting these entrepreneurs to discover their challenges and opportunities, and to determine how best to support their growth in the future. These ventures may be very important contributors to the **local sector** described earlier in this profile. And, some of them may be primed for growth, creating development impacts for the county.

Growth-Oriented Entrepreneurs comprise an important part of the entrepreneurial pipeline. These entrepreneurs have the desire to grow and have – or are seeking – the market opportunities to turn that desire into a reality. There is a great deal of attention paid to **growth entrepreneurs** – Economic Gardening (www.edwardlowe.org/tools-programs/economic-gardening) focuses almost exclusively on these entrepreneurs. In most community and regional economies, we have found fewer growth entrepreneurs and much larger numbers of **growth-oriented entrepreneurs**. This latter group includes entrepreneurs who are actively exploring ways to grow their businesses but who may still benefit from the types of business development assistance most regions and communities can offer. Helping growth entrepreneurs often requires much higher level resources, including diverse forms of capital.

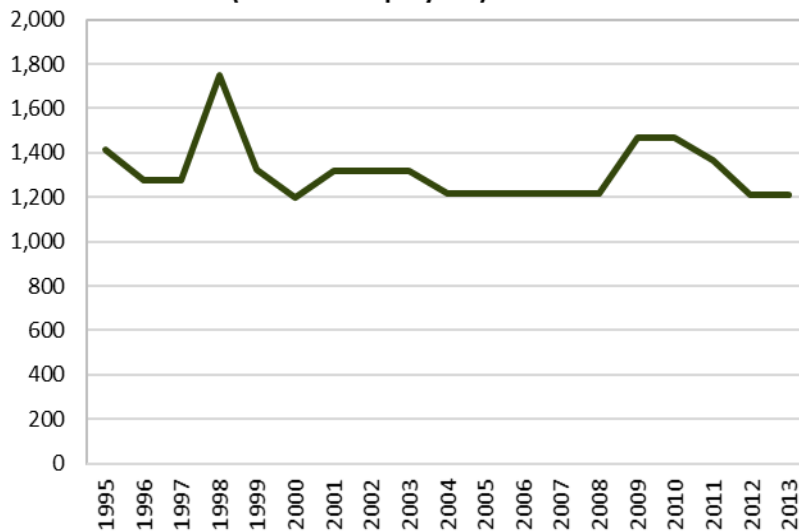
As a proxy for growth-oriented entrepreneurs, we use employment for Stage 2 ventures (10-99 employees). Figure 15 illustrates Stage 2 venture job creation with a sharp growth in the 1990s followed by stagnation and some decline up through the Great Recession. Since 2010, there is growth again which is a very positive development sign.

Figure 15. Employment in Stage 2 (10-99 employees) Ventures



Breakout Entrepreneurs are very important to both local and regional economies. Ideally, these entrepreneurial ventures create many jobs, stimulate economic growth and increase overall economic prosperity as new employee spending drives retail, service, construction and other sectors of the economy. In the **new economy**, many businesses are experiencing rapid sales growth but creating few jobs as they rely instead on contract employees and outsourcing strategies. As part of the entrepreneurial pipeline, communities should focus on those existing businesses that achieve breakout or rapid growth status **and** create many jobs in the process. According to Christine Hamilton-Pennell (former market research analysis with Littleton, Colorado's Economic Gardening program), the typical high growth entrepreneurial venture is one that has been around for several decades and reaches a point where there is both motivation and opportunity for high growth. It often takes an entrepreneur time to figure out how to achieve higher growth, creating opportunities for the community to provide support and resource connections. This observation also suggests that county leaders should not limit their focus to new entrepreneurial ventures. It is important to look at existing, established entrepreneurs who may be on the cusp of breakout growth.

**Figure 16. Employment in Stage 3
(100-499 employees) Ventures**



As a proxy for breakout entrepreneurs, we use employment associated with Stage 3 ventures (100-499). Many Stage 3 ventures achieve a certain level of growth and plateau. If we see employment growth among Stage 3 ventures, there is a strong probability that there is breakout entrepreneurial activity. In Adair County, the data shows a loss of Stage 3 jobs during the Great Recession followed by stabilization. Rebuilding these major county employers is important as these businesses typically pay better and provide stronger benefits to workers. There are no Stage 4 (more than 500 employers) in the county.

At the local level, it is relatively easy to identify potential breakout entrepreneurs (remember, they can be non-profits and public enterprises). At this stage, businesses are often moving out of existing space and building new office complexes or even campuses. They may be actively expanding their leadership teams or seeking new supplier relationships. County leaders should be watching for such evidence and meeting with these entrepreneurial teams to understand their plans and consider what support the community can provide.

Just as a water or natural gas pipeline is critical community infrastructure, the **entrepreneurial pipeline** is the lifeblood of a community or regional economy. A diverse set of entrepreneurial talent, across the entire pipeline, is one key to building a strong, diverse entrepreneurial economy. For Adair County, Table 3 provides a comprehensive picture of all private, public and non-profit business establishments across the entrepreneurial pipeline, using data from www.youreconomy.org.

This county has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. Local and county leaders should focus on understanding the entrepreneurial talent that exists in the county across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.

Adair County has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. County leaders should focus on understanding the entrepreneurial talent that exists in the county across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.

Table 3. Adair County's Entrepreneurial Pipeline

Establishments	1995	2001	Change	2001	2013	Change
Total	602	859	257	859	1,379	520
Self-Employed (1)	171	240	69	240	478	238
Stage 1 (2-9)	354	508	154	508	778	270
Stage 2 (10-99)	69	104	35	104	118	14
Stage 3 (100-499)	7	7	0	7	5	-2
Stage 4 (500+)	1	0	-1	0	0	0
Jobs	1995	2001	Change	2001	2013	Change
Total	4,987	6,003	1016	6,003	6,886	883
Self-Employed (1)	171	240	69	240	478	238
Stage 1 (2-9)	1,230	1,735	505	1,735	2,330	595
Stage 2 (10-99)	1,672	2,709	1037	2,709	2,868	159
Stage 3 (100-499)	1,414	1,319	-95	1,319	1,210	-109
Stage 4 (500+)	500	0	-500	0	0	0

Using this Development Opportunity Profile

This **Development Opportunity Profile** is meant to be used as a conversation starter in your community or region. We believe that the best development decisions are made after a thorough assessment of your assets and opportunities. This Profile provides one set of information to get you started. We encourage you to share this profile with a diverse group of community stakeholders and residents. The data shared here will be enriched by conversations with a range of partners who bring new and unique perspectives on your economy and opportunities. An entrepreneur is likely to look at this information from a different perspective than a community banker or county commissioner. Yet, all of these perspectives can help you establish a better understanding of your starting point, and create the space for you to dream about what might be possible in your community going forward.

At the Center for Rural Entrepreneurship, we have studied local and regional economies throughout North America. We have deep and long-term experience helping communities understand their development opportunities and create entrepreneur-focused development strategies. Based on this experience, we offer some initial insights into potential development opportunities for Adair County, Kentucky. We hope these insights provide the fodder for your initial community conversations.

<h3>Retirees</h3> <p>Retirees are the largest economic driver in Adair County. Retirees are a non-traditional economic sector but represent significant business development opportunities. There are business opportunities for providing services to both current and new retirees as they seek to age in their homes.</p>		<h3>Commuters</h3> <p>The second largest economic driver in the county is commuters or persons living in the county and travelling outside of the county for work. The county is part of an area economy. Focusing on the needs of commuters should be considered within the county’s overall development strategy.</p>	
<h3>Transfer Payments</h3> <p>The county is highly dependent on transfer payments ranging from retiree related Social Security and Medicare to hardship related payments associate with Medicaid for elders and families struggling with poverty and unemployment. Transfer payments are sustaining the county’s economy but can be reduced with stronger economic growth.</p>	<h3>Rural Life</h3> <p>The county offers a rural and smaller town quality of life. For segments of America’s population this type of quality of life is preferred. Playing to this strength is recommended.</p>	<h3>Location</h3> <p>The county is rural in character but within a day’s drive there are millions of consumers including the metro areas of Louisville, Lexington, Knoxville and Nashville. It is possible for someone to live in the county but create business linkages with consumers in this larger and growing regional economy.</p>	
<h3>Retail Capture</h3> <p>According to Esri, county has a relatively strong retail trade and service sector. Capturing local spending is an important economic development strategy. Competition in this area is strong and growing. Helping local retailers and service provides compete in this environment is a recommended strategy.</p>		<h3>Entrepreneurial Energy</h3> <p>While the county has entrepreneurs across the pipeline, more of the entrepreneurial talent is concentrated in early stage ventures. There is an opportunity to identify those entrepreneurs who have growth-orientation and target resources toward helping them grow.</p>	
<h3>Government & Health Care</h3> <p>Government including public education and health care are mainstays in the county’s economy. Government creates not only jobs but a wider range of career offerings. These kinds of careers are important to attracting and retaining younger adults. Despite budget challenges sustaining strong schools, health care and local government functions like roads and parks is essential to the county’s economic health and ability to expand development.</p>		<h3>Manufacturing & Farming</h3> <p>Manufacturing and farming are both important corner stones within the county’s economy. Both industries are challenges in the U.S. today. Focused development efforts to increase competitiveness are recommended. Workforce development is critical for manufacturing and value-adding options for farmers should be explored .</p>	



Sources

Data for this **Development Opportunity Profile** were obtained from the following:

- Esri (www.esri.com), Assorted Esri Market Intelligence Reports, August 2015
- Edward Lowe Foundation (www.youreconomy.org), August 2015
- Headwaters Economics (www.headwaterseconomics.org), Various Profile Reports, August 2015
- Google Maps
- U.S. Department of Agriculture, *Census of Agriculture 2012*, August 2015

Research documents associated with these sources can be found in the E-Library at <https://goo.gl/Zqfn2D>.

Reading Library

Useful reading related to entrepreneur-focused economic development:

- [Overview of Economic Development](#) (Don Macke and Nancy Arnold, RTC, The University of Montana Rural Institute, 2012.)
- [Creating Entrepreneurial Communities: Building Community Capacity for Ecosystem Development](#) (Deborah M. Markley, Thomas S. Lyons and Donald W. Macke, *Community Development*, Vol. 46, No. 5, December 2015.)
- [Creating Entrepreneurial Communities in Kansas](#) (Deborah Markley and Ahmet Binerer, Center for Rural Entrepreneurship, 2014.)
- [Energizing Entrepreneurial Communities – A Pathway to Prosperity](#) (Donald Macke, Deborah Markley and John Fulwider, Center for Rural Entrepreneurship, 2014.)
- [The E Myth Revisited – Why Most Small Businesses Don't Work and What to Do About It](#) (Michael E. Gerber, HarperCollins Books, 2001.)
- [Innovation and Entrepreneurship](#) (Peter F. Drucker, HarperCollins Books, 1985.)
- [Startup Communities](#) (Brad Feld, John Wiley & Sons, Inc., 2012.)
- [The Good Jobs Strategy](#) (Zeynep Ton, New Harvest – Houghton Mifflin Harcourt, 2014.)
- [Investing in Entrepreneurs – A Strategic Approach for Strengthening Your Regional and Community Economy](#) (Gregg A. Lichtenstein and Thomas S. Lyons, Praeger, 2010.)
- [The Illusions of Entrepreneurship](#) (Scott A. Shane, Yale University Press, 2008.)

Other Center Resources

These additional [Empowering Research](#) tools can help you better understand your community and economy, the first step toward creating a vision and optimal prosperity plan.

More Development Opportunity Resources

- Economic Diversity report
- Economic Cluster report
- Manufacturing sector report
- Tourism sector report
- Agriculture sector report
- Community conversation report

Philanthropic Opportunity Profile draws on research unique to your community to help you better understand the drivers of wealth in your community and the potential for community-based philanthropy to support your economic development dreams and plans.

More Philanthropic Opportunity Resources

- [Donor Opportunity analysis](#)
- [Transfer of Wealth Opportunity analysis](#)
- Philanthropic Sector analysis
- Charitable Giving analysis

Generational Diversity Profile will help you understand generational change, some of the differences across the generations and potential impacts on community leadership, philanthropy and development.

More Generational Diversity Resources

- [Generational Diversity analysis](#)
- Generational Scenario analysis

We can also help you share this research with key stakeholders in your community through webinars, workshops and other types of engagements.

- Consultations
- Webinars
- Toolkits
- Keynotes
- Customized workshops and training institutes
- Coaching support
- Community-based projects and initiatives

To learn more, go to the [Get Started](#) page on our [website](#).

About the Center

The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity.

Our **Solution Area Teams** – [Entrepreneurial Communities](#); [Community Development Philanthropy](#); [New Generation Partnerships](#) – empower community leaders to find their own answers to the economic development challenges and opportunities they face.

To learn more about the Center, go to www.energizingentrepreneurs.org.

421 S. 9th Street, Suite 245
Lincoln, NE 68508
(402) 323-7336

Our Team



Don Macke is Co-Founder and Director of the Entrepreneurial Communities solution area. Through this work, Don helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with a group of strategic partners across the country to deliver customized economic development solutions.



Deborah Markley is Co-Founder and Managing Director of the Center. Deb guides the Center's measurement and research agendas, including development and implementation of tools for measuring success, practice-driven research, and evaluation of model entrepreneurship development systems and initiatives in rural places.

Ann Chaffin is Senior Associate for Marketing Communications with the Center. Ann heads the Center's Communications team and is responsible for overseeing and branding all content the Center distributes and keeping communications current and professional for each of our solution areas.



Dana Williams is Project Associate with the Center. Dana provides management assistance and operational support across the Center, including providing executive assistance to each of the Center's solution areas and has been actively engaged in product development, supporting the creation of a number of online toolkits.



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