

Development Opportunity Profile

Cumberland 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 Cumberland 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.**

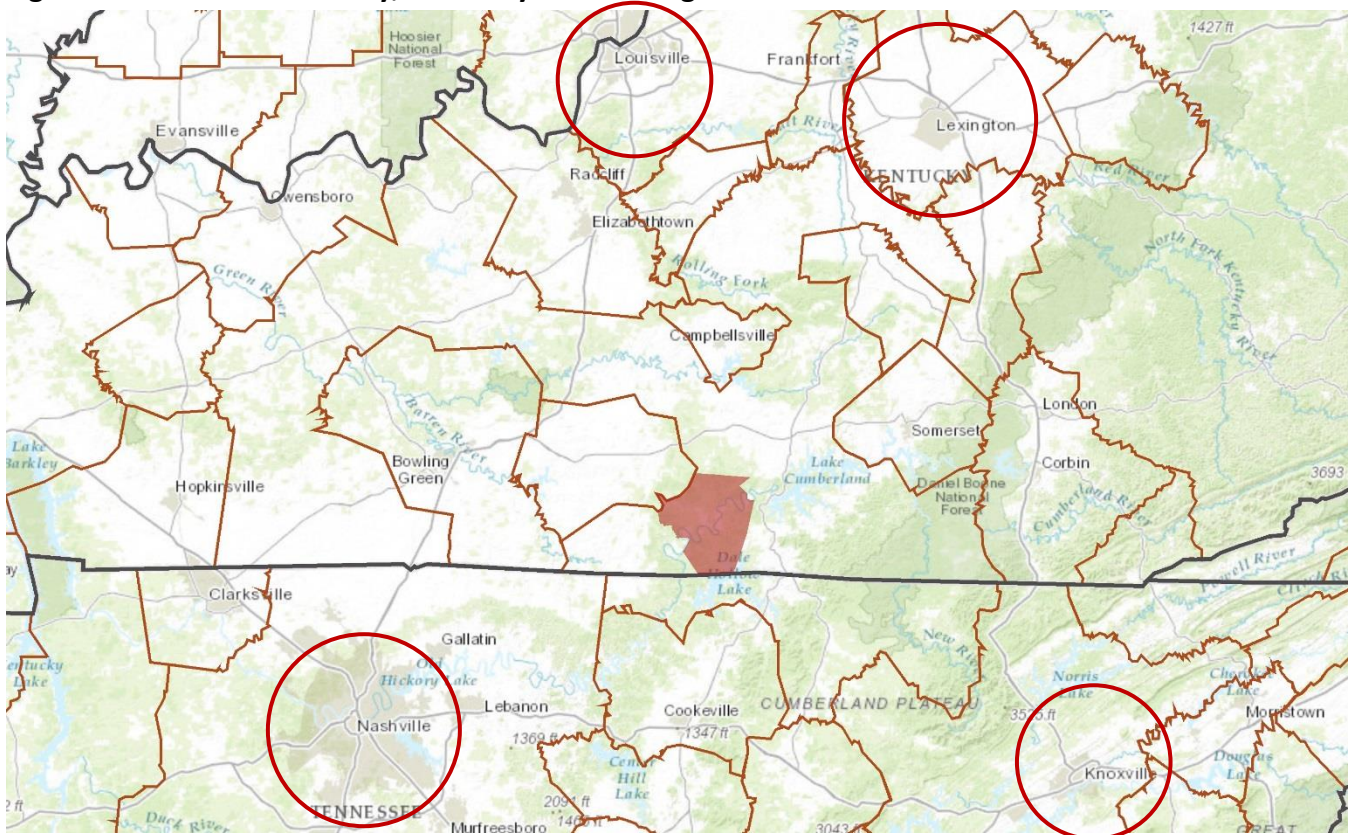
Understanding the Economy – Historical Overview

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.

Cumberland County is located in south central Kentucky on the Tennessee border. It is located west of massive Lake Cumberland and north of Dale Hollow Lake. Within its region, there are significant natural resource amenities attractive to tourists, retiring Baby Boomers and recreation-oriented younger generations. These assets are a development opportunity. While the county is rural and somewhat remote, within a day's drive, there are four major metropolitan areas including Louisville, Lexington, Knoxville and Nashville with millions of consumers. For someone wanting a rural lifestyle but wanting access to the business market and economic opportunities in these metro areas, the county's location is a development asset.

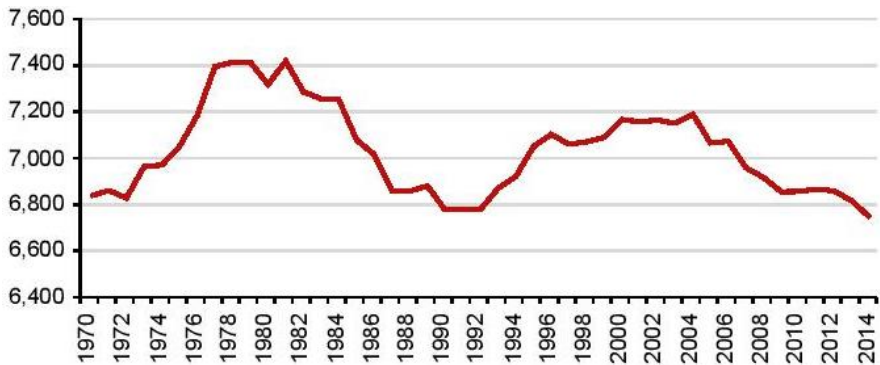
Figure 1. Cumberland County, Kentucky and the Region



Population Trends

The county has experienced two major population boom and busts with the first coming in the 1970s and 1980s and the second occurring in the 1990s and 2000s. Population during this 44 year period has dropped from around 7,400 to 6,900 residents today (see Figure 2 below).

Figure 2. Population Trends, Cumberland County, KY



Cumberland County, Kentucky
Quick Demographic Profile

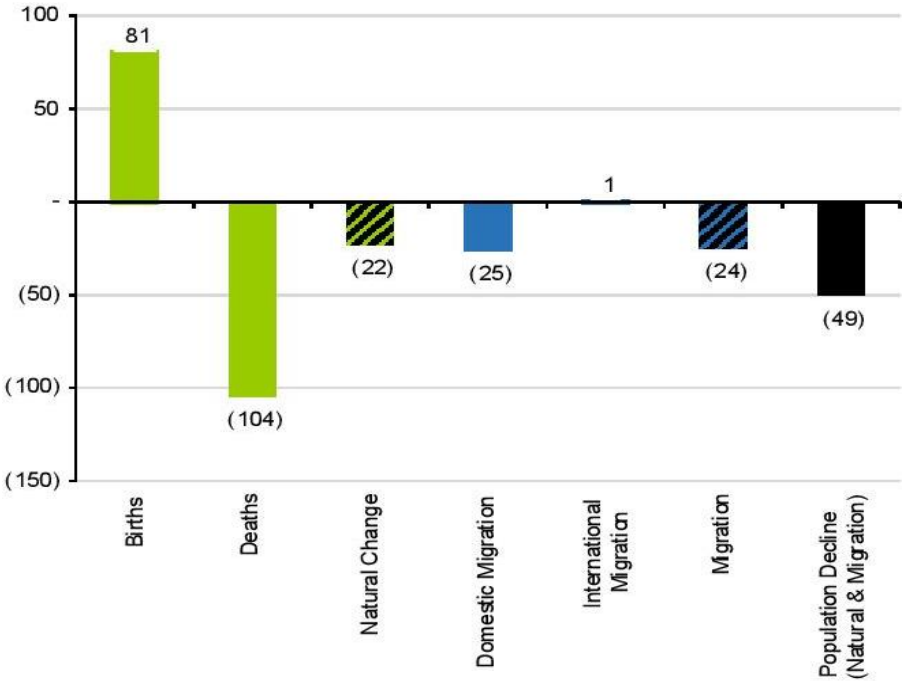
2010 Population – 6,856
Median Age – 45.0 Years
Households – 2,995
Average Household Size – 2.34

2015 Projection – 7,096
2020 Projection – 7,419

Projected 2015-2020
Growth Rate = 0.89% per year

Figure 3. Population Change, Cumberland 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. Both natural population and migration are negative. Stabilizing the county’s population should be a development priority. 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

There was relatively strong employment growth in the 1970s. Starting since the 80s, employment has remained relatively stable fluctuating around 3,000 part-time and full-time workers. In order to stabilize and grow the county's population, it is essential that the county increase economic

opportunities creating jobs and careers through increased entrepreneurial activity. 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, Cumberland County, AR

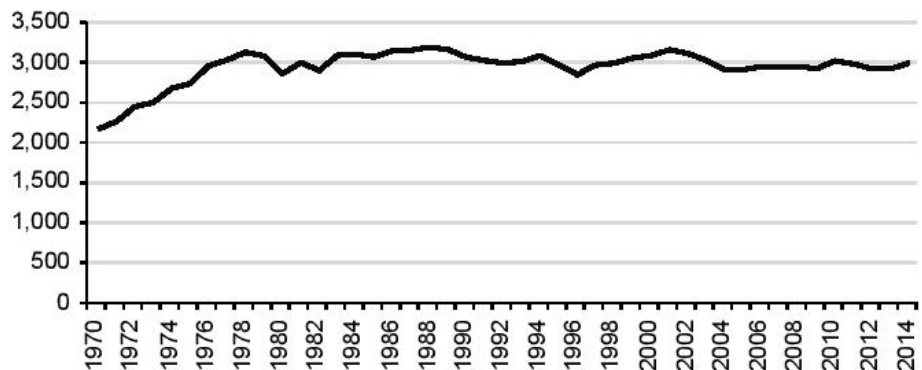
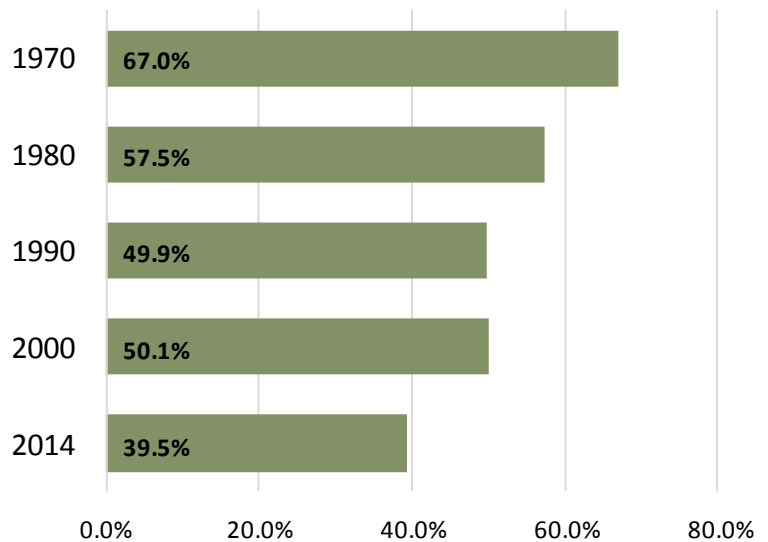


Table 1. Net Job Growth During Recession Periods

2001 Recession		Great Recession	
Recession (Mar-Nov 2001)	0.1%	Recession (Dec 2007-June 2009)	0.3%
Recovery (Dec 2001-Nov 2007)	-0.2%	Recovery (July 2009-Present)	-0.1%

“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 from 1970 to 2013 for the county. This indicator of economic vitality has dropped from a healthy mid-60% range in 1970 to below 40% in 2014. This is a red flag calling for more robust and aggressive community economic development. Moving this indicator back over time into the 60% range is essential if the county is to reverse population losses and position itself for renewed economic growth and prosperity.

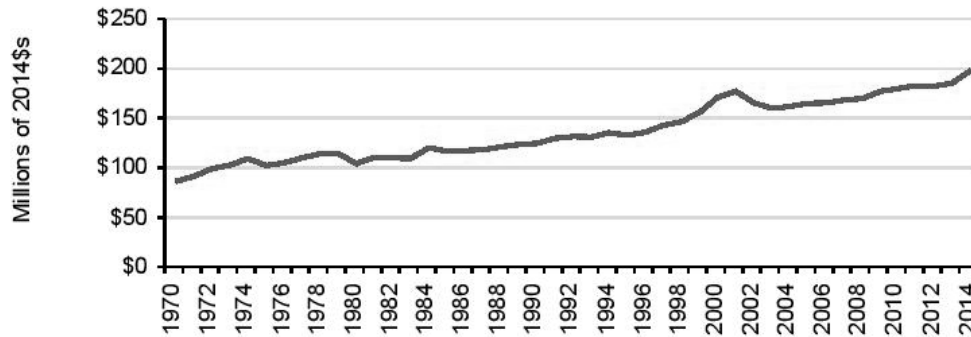
Figure 5. Labor Earnings



Personal Income Trends

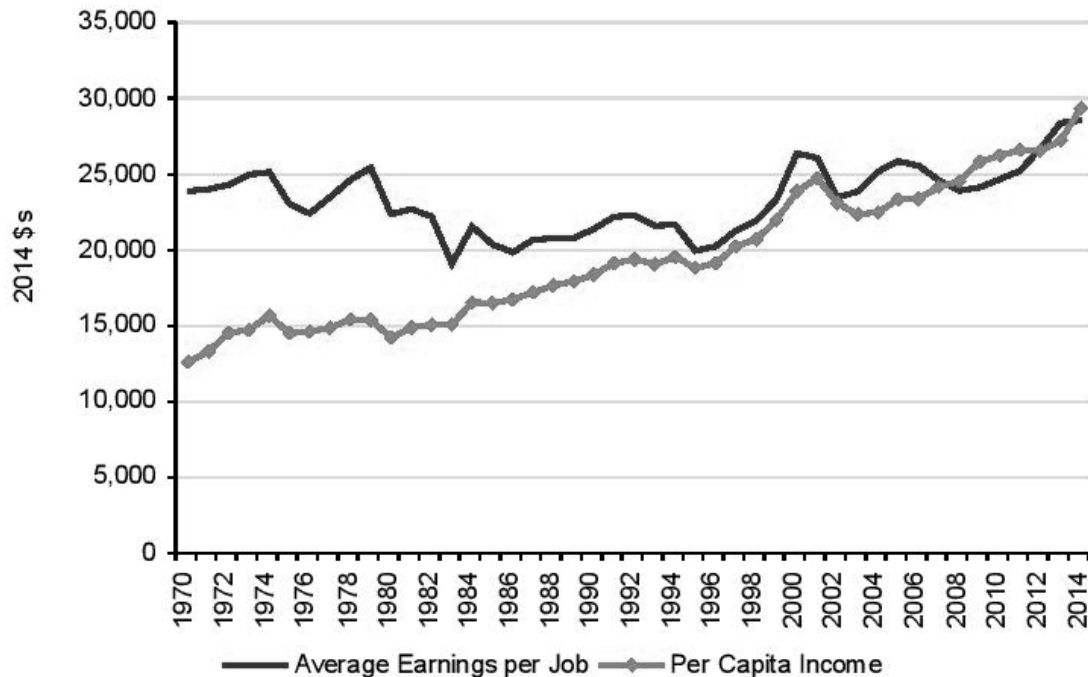
Personal income, measured in real or inflation-adjusted dollars, has increased throughout the 1970-2013 period (Figure 6). There is relatively strong personal income growth over time primarily due to the rise in non-labor income. Increasing labor related income through business development and job creation is essential or overall personal income will begin to decline further eroding the county's development prospects over time.

Figure 6. Personal Income Trends, Cumberland County, AR



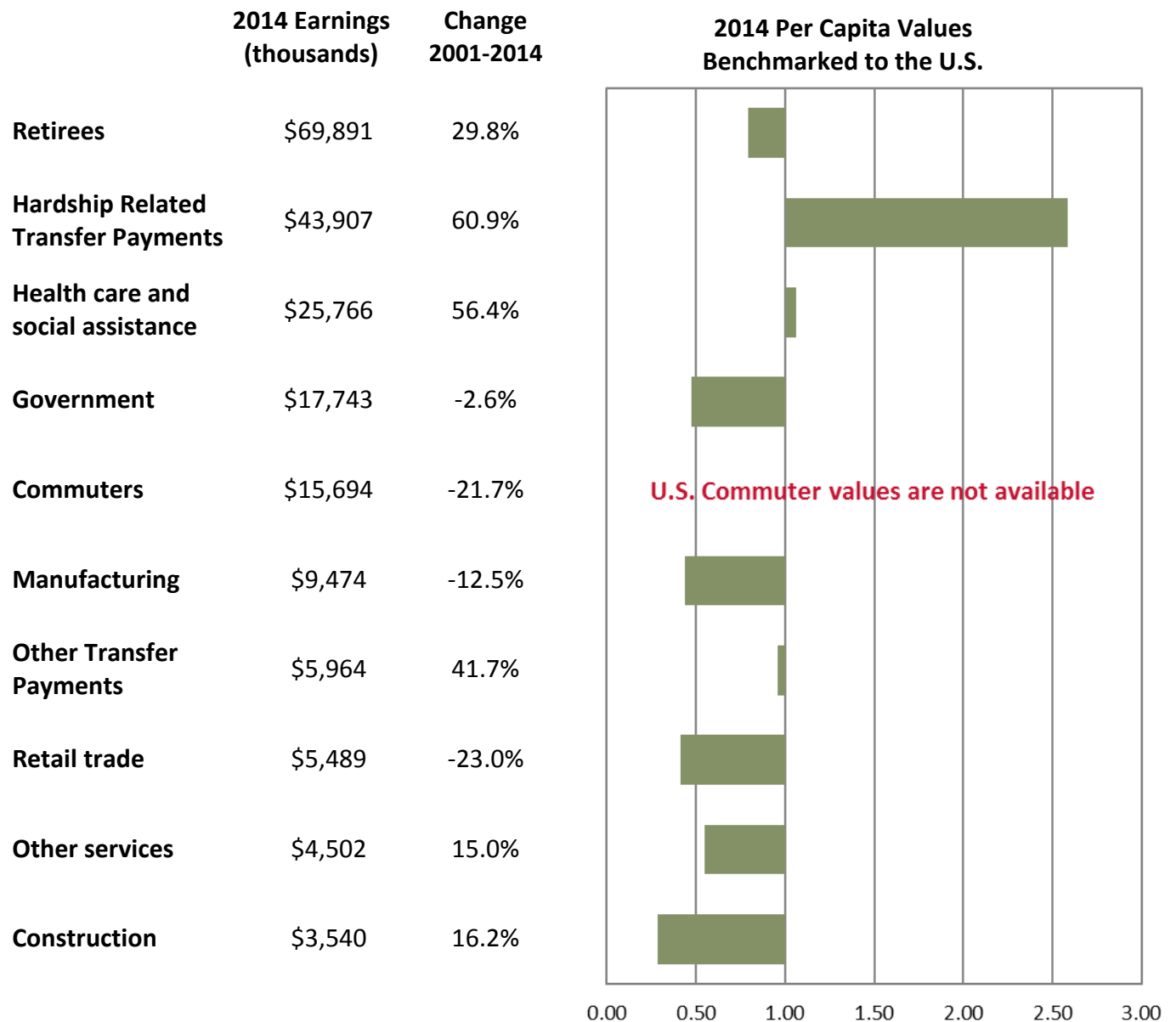
Per capita income or total personal income divided by total permanent residents has increased steadily over time. This is primarily due to rising non-labor income from sources like Social Security and Medicare payments. Recently, there is a positive sign in rising real average earnings per job increasing from under \$25,000 in Great Recession to nearly \$30,000 today. This suggests economic improvement. Rising wages drives economic spending and growth.

Figure 7. Average Earnings per Job & Per Capita Income, Cumberland 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. The county is aging and retirees are the single largest driver of economic activity in the county today. Retiree related income (e.g., Social Security, Medicare, retirement, etc.) has grown dramatically over time. Age related transfer payments alone have grown from \$8 million in 1970 to \$46 million in 2014. Between 2000 and 2014, Age Related Transfer Payments have risen by \$16 million. Retirees are a stabilizing force in most economies.

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 \$44 million of all personal income and has grown by 61% between 2001 and 2014. Hardship payments are more important to the county's economy when compared to the U.S. averages.

Health Care and Social Services. The third largest economic driver is Health Care and Social Services accounting for \$26 million of personal income in 2014. Health care has grown by over 56% between 2001 and 2014. Health care creates jobs and a wide range of career opportunities. This kind of development is important and tied to an aging population. Between 1970 and 2014, the number of health care and social service jobs has grown from just over 529 to 548 in 2014. Between 2010 and 2014, health care personal income has grown by \$6.4 million.

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 \$18 million in personal income in 2014 dropping by 2.6% between 2001 and 2014. Government created 355 jobs in 2014. Future government growth is constrained by budget cutting efforts at the federal, state and local levels.

Commuters. Commuters are another non-traditional economic sector but one that is very important to this community. Commuters include both "inflow commuters" or those who live in the county but work outside of the county and "outflow commuters" or those who live outside of the county but commute into the county to work. In 2014, inflow commuters accounted for nearly \$16 million of personal income but declined by 22% between 2001 and 2014. Outflow commuters are important as well pulling \$12 million in personal income in 2014 from the county. Outflow commuting is rising.

Manufacturing is critically important to this county. It offers important economic diversification and jobs. Manufacturing is the sixth largest economic driver generating \$9.5 million in personal income in 2014. Overall, manufacturing personal income declined by 12.5% between 2001 and 2014. Manufacturing jobs dropped from 372 in 1970 to 261 in 2010. Since 2010, manufacturing employment has rebounded to 303 or by 42 jobs. This is a positive development. Manufacturing personal income dropped from \$11 million in 1970 to \$7 million in 2010 and rebounded to \$9 million or by \$2 million in 2014.

Other Transfer Payments. Other Transfer Payments include Veterans benefits, Workman's Compensation and other pension programs related to railroads and the Federal Government. Other Transfer Payments is the seventh largest economic driver in the county in 2014 accounting for nearly \$6 million in personal income. This source of income has risen from \$3.4 million in 1970 to the nearly \$6 million level today.

Other Leading Economic Sectors. Other important sectors include Retail Trade (addressed later in this profile), Other Services and Construction. For additional information, check out the electronic library.

Understanding the Business/Entrepreneurial Economy

Big Picture Overview

A central driver of regional prosperity is the business community. Figures 8-10 provide an overview of the county's business community, including for-profit, non-profit and governmental enterprises, from 1995 through 2013. Figure 8 highlights the change in total establishments over this period, showing growth from the early 2000s through the Great Recession followed by declining business numbers since 2010.

Cumberland County, KY 2015

Total Businesses
302

Businesses per 1,000 Residents
Cumberland County – 43
Kentucky – 38
U.S. – 77

Total Employees
2,035

Employees per 1,000 Residents
Cumberland County – 287
Kentucky – 477
U.S. – 447

Figure 8. Establishments

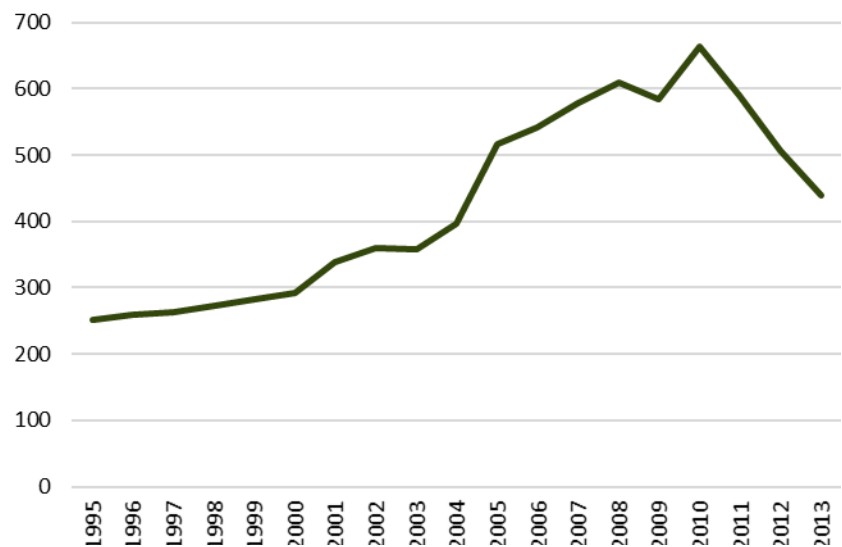


Figure 9. Jobs

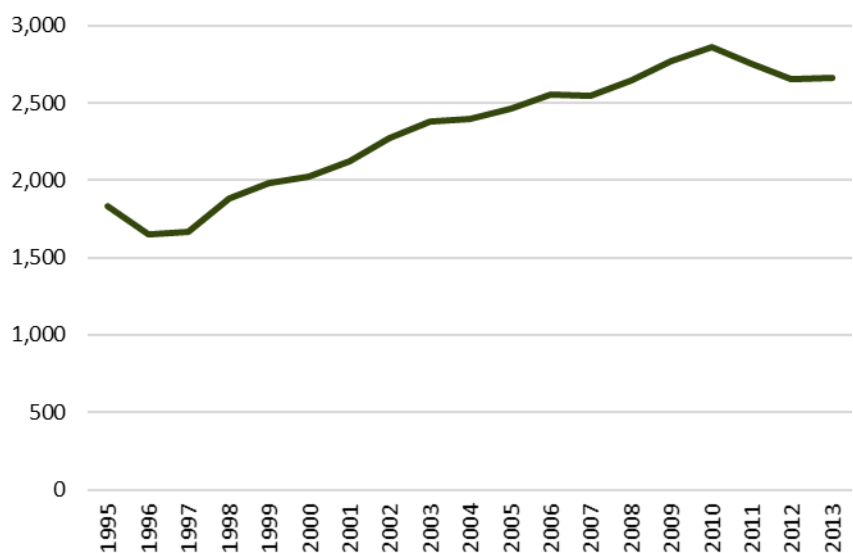


Figure 9 provides a comprehensive view of jobs in Cumberland County. There was relatively strong job growth all the way into the Great Recession rising from over 1,500 to nearly 3,000 workers. Following the Great Recession, employment contracted with stabilization in jobs now occurring.

Data in Figures 8-10 is from www.youreconomy.org. Find the source data for these figures in the electronic library.



COMMUNITY
DEVELOPMENT
PHILANTHROPY



NEW
GENERATION
PARTNERSHIPS



Figure 10. Sales (millions)

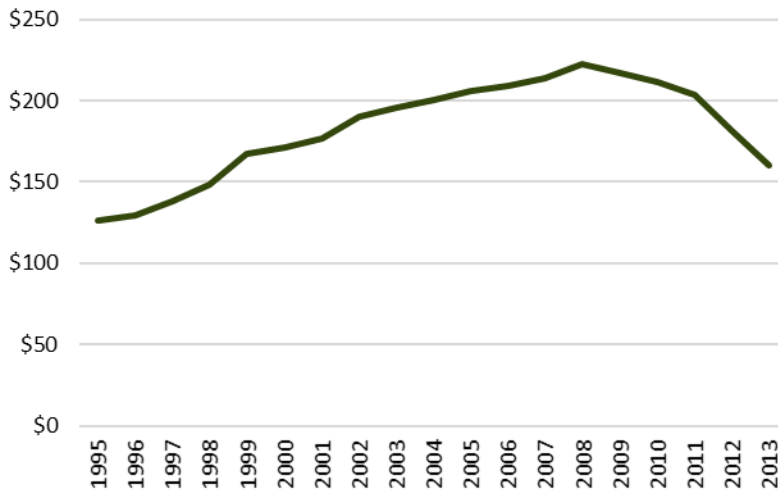


Figure 10 shows that total business sales from 1995 to 2013 for the county. There were relatively strong venture sales from 1995 up to the Great Recession. Since then, there has been a drop from over \$200 million in sales down to just over \$150 million in venture sales. With economic recovery, sales should level out and possibly begin to grow in the future. Growing sales is foundational to increasing employment opportunities.

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 county's economy in 2015 (Table 2). Economic sectors are organized into two components. A county's *traded sectors* produce products and services that are sold outside the county, bringing new income into the county. 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 are 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, the county has a positive retail trade balance. Total regional **retail demand** in 2015 was \$67 million and total **retail supply** (provided by businesses within the county) was \$55 million, resulting in a **retail gap** of \$12 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. Your 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 Cumberland County, KY, 2015

Sector	Businesses	Employees
Agriculture	6	12
Mining & Utilities	6	40
Construction	18	55
Manufacturing	9	95
Wholesale Trade	8	113
Retail Trade*	55	303
Transportation & Warehousing	5	18
Information	9	89
Finance & Insurance*	25	68
Real Estate	12	34
Professional Services	18	44
Management & Administrative	1	3
Education	8	249
Health Care	17	398
Arts, Entertainment & Recreation	7	84
Accommodations	6	33
Food Service	13	163
Hospitality Sector**	26	280
Other Services	43	80
Public Administration	34	147
Unclassified Establishments	2	7
Total	302	2,035

*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 the county. The county has a small hospitality sector with 26 businesses and 280 related jobs. Food service dominates this sector and these services are most likely dependent upon local consumers but provide amenities for current and future visitors. 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

Cumberland County, KY
Cumberland County, KY (21057)
Geography: County

Prepared by Esri

Summary Demographics						
2015 Population						7,096
2015 Households						2,995
2015 Median Disposable Income						\$22,435
2015 Per Capita Income						\$15,673
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	\$66,685,344	\$54,651,808	\$12,033,536	9.9	67
Total Retail Trade	44-45	\$61,469,236	\$49,631,155	\$11,838,081	10.7	54
Total Food & Drink	722	\$5,216,108	\$5,020,653	\$195,455	1.9	13
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$14,836,538	\$12,675,535	\$2,161,003	7.9	15
Automobile Dealers	4411	\$12,081,898	\$9,190,230	\$2,891,668	13.6	7
Other Motor Vehicle Dealers	4412	\$1,909,160	\$2,296,168	-\$387,008	-9.2	4
Auto Parts, Accessories & Tire Stores	4413	\$845,480	\$1,189,137	-\$343,657	-16.9	4
Furniture & Home Furnishings Stores	442	\$1,395,021	\$568,412	\$826,609	42.1	2
Furniture Stores	4421	\$847,012	\$568,412	\$278,600	19.7	2
Home Furnishings Stores	4422	\$548,009	\$0	\$548,009	100.0	0
Electronics & Appliance Stores	443	\$2,100,699	\$374,264	\$1,726,435	69.8	1
Bldg Materials, Garden Equip. & Supply Stores	444	\$2,935,409	\$2,261,738	\$673,671	13.0	4
Bldg Material & Supplies Dealers	4441	\$2,481,395	\$2,261,738	\$219,657	4.6	4
Lawn & Garden Equip & Supply Stores	4442	\$454,014	\$0	\$454,014	100.0	0
Food & Beverage Stores	445	\$11,054,102	\$15,952,801	-\$4,898,699	-18.1	5
Grocery Stores	4451	\$10,114,317	\$15,952,801	-\$5,838,484	-22.4	5
Specialty Food Stores	4452	\$293,439	\$0	\$293,439	100.0	0
Beer, Wine & Liquor Stores	4453	\$646,346	\$0	\$646,346	100.0	0
Health & Personal Care Stores	446,4461	\$4,122,138	\$2,562,029	\$1,560,109	23.3	3
Gasoline Stations	447,4471	\$4,931,512	\$9,100,783	-\$4,169,271	-29.7	10
Clothing & Clothing Accessories Stores	448	\$2,093,893	\$264,228	\$1,829,665	77.6	1
Clothing Stores	4481	\$1,363,978	\$0	\$1,363,978	100.0	0
Shoe Stores	4482	\$362,592	\$0	\$362,592	100.0	0
Jewelry, Luggage & Leather Goods Stores	4483	\$367,323	\$264,228	\$103,095	16.3	1
Sporting Goods, Hobby, Book & Music Stores	451	\$1,525,855	\$546,084	\$979,771	47.3	3
Sporting Goods/Hobby/Musical Instr Stores	4511	\$1,168,544	\$546,084	\$622,460	36.3	3
Book, Periodical & Music Stores	4512	\$357,311	\$0	\$357,311	100.0	0
General Merchandise Stores	452	\$12,594,390	\$2,396,187	\$10,198,203	68.0	2
Department Stores Excluding Leased Depts.	4521	\$9,781,104	\$1,403,173	\$8,377,931	74.9	1
Other General Merchandise Stores	4529	\$2,813,286	\$993,014	\$1,820,272	47.8	1
Miscellaneous Store Retailers	453	\$3,034,440	\$2,929,094	\$105,346	1.8	8
Florists	4531	\$100,850	\$85,190	\$15,660	8.4	2
Office Supplies, Stationery & Gift Stores	4532	\$633,548	\$473,704	\$159,844	14.4	3
Used Merchandise Stores	4533	\$174,935	\$0	\$174,935	100.0	0
Other Miscellaneous Store Retailers	4539	\$2,125,107	\$2,370,200	-\$245,093	-5.5	3
Nonstore Retailers	454	\$845,239	\$0	\$845,239	100.0	0
Electronic Shopping & Mail-Order Houses	4541	\$346,885	\$0	\$346,885	100.0	0
Vending Machine Operators	4542	\$100,248	\$0	\$100,248	100.0	0
Direct Selling Establishments	4543	\$398,106	\$0	\$398,106	100.0	0
Food Services & Drinking Places	722	\$5,216,108	\$5,020,653	\$195,455	1.9	13
Full-Service Restaurants	7221	\$2,514,842	\$4,762,828	-\$2,247,986	-30.9	12
Limited-Service Eating Places	7222	\$2,508,764	\$257,825	\$2,250,939	81.4	1
Special Food Services	7223	\$104,958	\$0	\$104,958	100.0	0
Drinking Places - Alcoholic Beverages	7224	\$87,544	\$0	\$87,544	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 county. 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 11 shows self-employment trends for the county from 1995 through 2013 (www.youreconomy.org). In 1995, self-employment was just under 75 and grew steadily (except for a dip during the initial year of the Great Recession) peaking in 2010 at 350, a nearly five-fold increase.

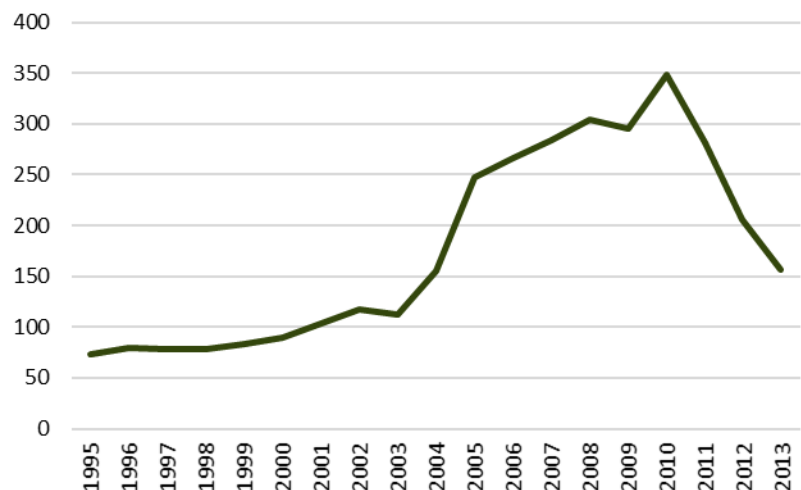
There was a particularly strong spike in self-employment in 2009-2010, what we call the “Recession Effect.” When finding a traditional wage and salary job is hard (as is the case in a severe recession), a talented and motivated person may choose self-employment as a career and/or survival strategy. As the county recovered from the Great Recession, self-employment dropped from about 350 in 2010 to around 156 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 ventures grew into Stage 1 (2-9 employees) or Stage 2 (10-99 employees) businesses.

Despite the recent contraction, the county saw a net gain of 83 self-employed ventures, a 114% 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?

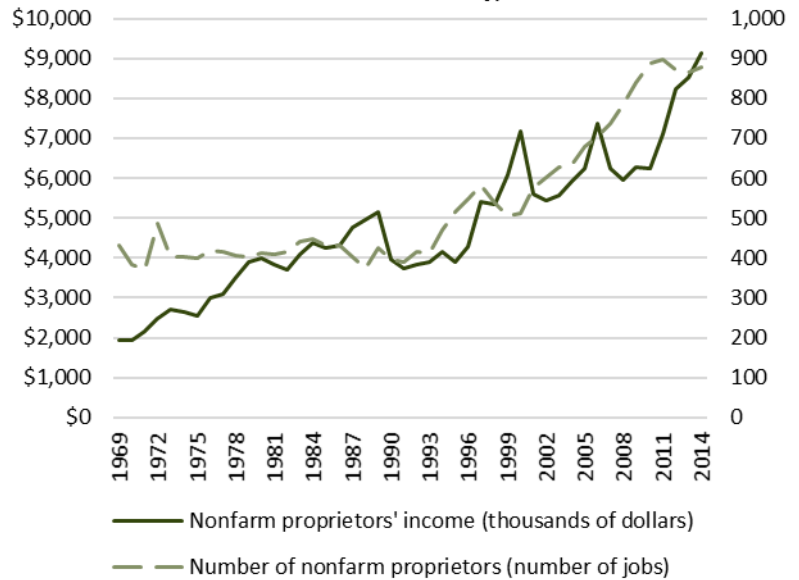
Figure 11. Self-Employed



Established, Locally-Owned Entrepreneurial

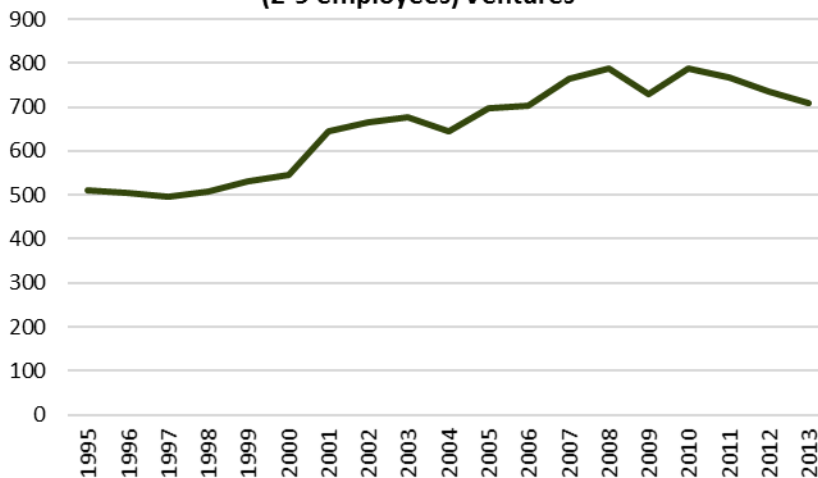
Ventures are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic Analysis (Figure 12) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org (Figure 13) 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 12. Nonfarm Proprietors, Cumberland County, KY



There has been consistent long-term growth and very strong recent growth in both nonfarm proprietor employment and income – a very positive trend for the county.

Figure 13. Employment in Stage 1 (2-9 employees) Ventures



The employment data on Stage 1 ventures (Figure 13) shows good growth all the way up to the Great Recession with an early rebound in employment followed by a more recent decline where employment dropped from nearly 800 to 710 in 2013.

The trend lines for what we are describing as established, locally-owned entrepreneurial ventures are relatively strong, suggesting development opportunities for the 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 14 display employment changes for Stage 2 ventures with strong growth in the 1990s followed by a plateau during the 2000s. The Great Recession did not greatly impact these ventures in terms of job losses, and there has been an uptick in employment more recently.

Figure 14. 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.

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. Figure 15 provides employment data for larger Stage 3 businesses. After losses in the 1995 through 2001 timeframe, there has been improvement with overall job levels above 500 in 2013. This is a positive development.

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. Regional and local 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 the 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.

According to this data source there are no Stage 4 ventures or very large employers with 500 or more workers.

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.

**Figure 15. Employment in Stage 3
(100-499 employees) Ventures**

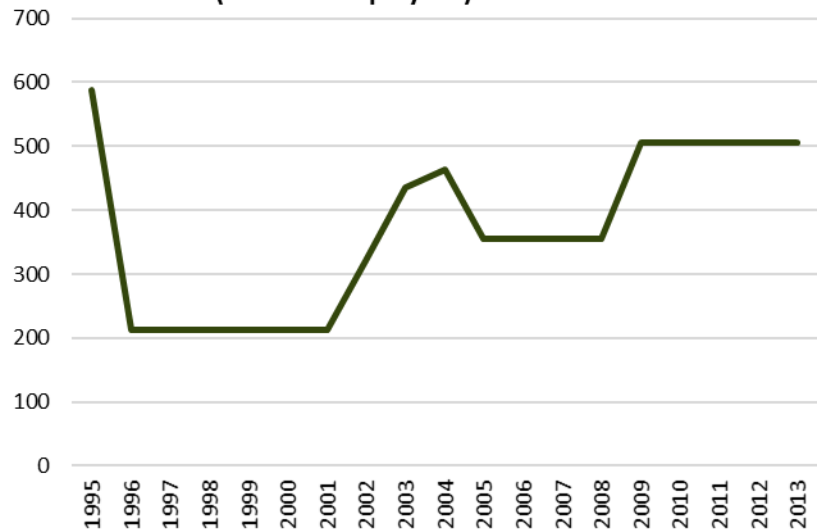


Table 3. Cumberland County's Entrepreneurial Pipeline

Establishments	1995	2001	Change	2001	2013	Change
Total	252	338	86	338	439	101
Self-Employed (1)	73	103	30	103	156	53
Stage 1 (2-9)	146	190	44	190	230	40
Stage 2 (10-99)	29	43	14	43	49	6
Stage 3 (100-499)	4	2	-2	2	4	2
Stage 4 (500+)	0	0	0	0	0	0
Jobs	1995	2001	Change	2001	2013	Change
Total	1,833	2,122	289	2,122	2,664	542
Self-Employed (1)	73	103	30	103	156	53
Stage 1 (2-9)	511	646	135	646	710	64
Stage 2 (10-99)	662	1,161	499	1,161	1,293	132
Stage 3 (100-499)	587	212	-375	212	505	293
Stage 4 (500+)	0	0	0	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 county. 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 Cumberland County, Kentucky. We hope these insights provide the fodder for your initial community conversations.

<p>Retirees</p> <p>Retirees are the single largest driver in the regional economy. Retiree spending provides stability to local and regional economies. A focused development strategy on meeting the needs of retirees should be considered. Nationally, meeting retiree needs as they age in their homes is a business growth area.</p>	<p>Hardship Transfer Payments</p> <p>Hardship Related Transfer Payments from primarily federal and state government sources is now the second most important economic driver in the county. This growth in hardship payments illustrates economic challenges experienced by the county. Rebuilding the local economic is central to reducing transfer payment dependence.</p>	
<p>Health Care</p> <p>The Health Care and Social Services sector is important in the county's economy. This sector not only provides essential community services but it enables the county's retiree economy to grow. Health also provides a wider range of good jobs and careers important to younger worker attraction.</p>	<p>Rural Life</p> <p>This county and its communities offer a unique rural and smaller town quality of life. This is a development asset worth further exploration.</p>	<p>Location</p> <p>This county is rural in character. It is physically large. But within one day's driving distance, there are major metropolitan areas and many regional trade centers. The region's location offers significant opportunities through market development with these urban centers with millions of consumers.</p>
<p>Retail Capture</p> <p>According to Esri research, the county has a moderate retail trade gap. Given the county's size, this is not unusual. However, retail trade in the county has taken some big hits in the 2000s. There is room for rebuilding the retail economic base of the county that would in turn strengthen overall competitiveness and quality of life amenity offerings.</p>	<p>Entrepreneurial Energy</p> <p>Despite economic challenges, there are important signs of entrepreneurial energy in the county. Growth in self-employment and non-farm proprietor businesses and job gains with Stage 1, 2 and 3 ventures all suggest that a focused entrepreneurship strategy makes sense.</p>	
<p>Government</p> <p>Government is the fourth largest economic driver in the county. Government has remained fairly stable over time but with recent income and jobs losses. Pressure on government budgets is likely to remain strong. Ensuring sound local government and schools is foundational to the county's ability to compete and grow over time.</p>	<p>Commuters</p> <p>The county is part of a regional economy and its fifth largest economic driver is commuters (persons living in the county but working outside of the county on a daily basis). Learning about commuters and supporting regional community economic development is recommended.</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, , 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.

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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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