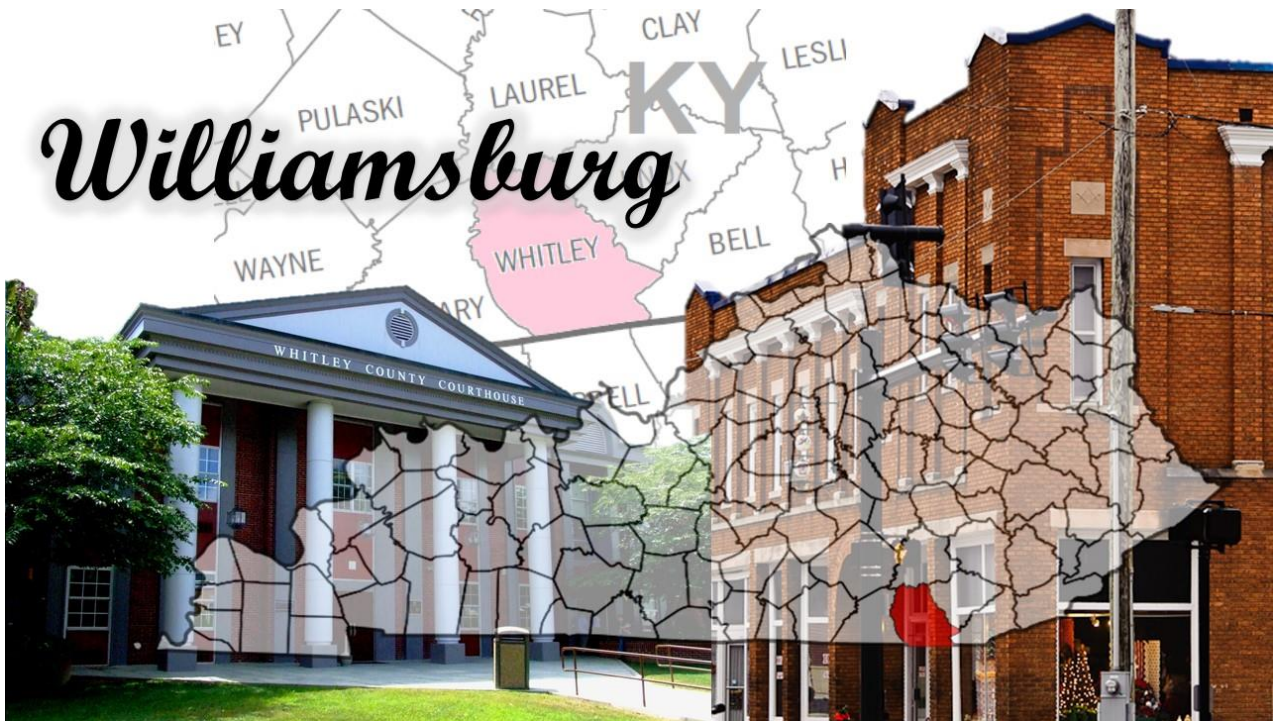


Development Opportunity Profile

Whitley County, Kentucky



April 5, 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 Whitley 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.**

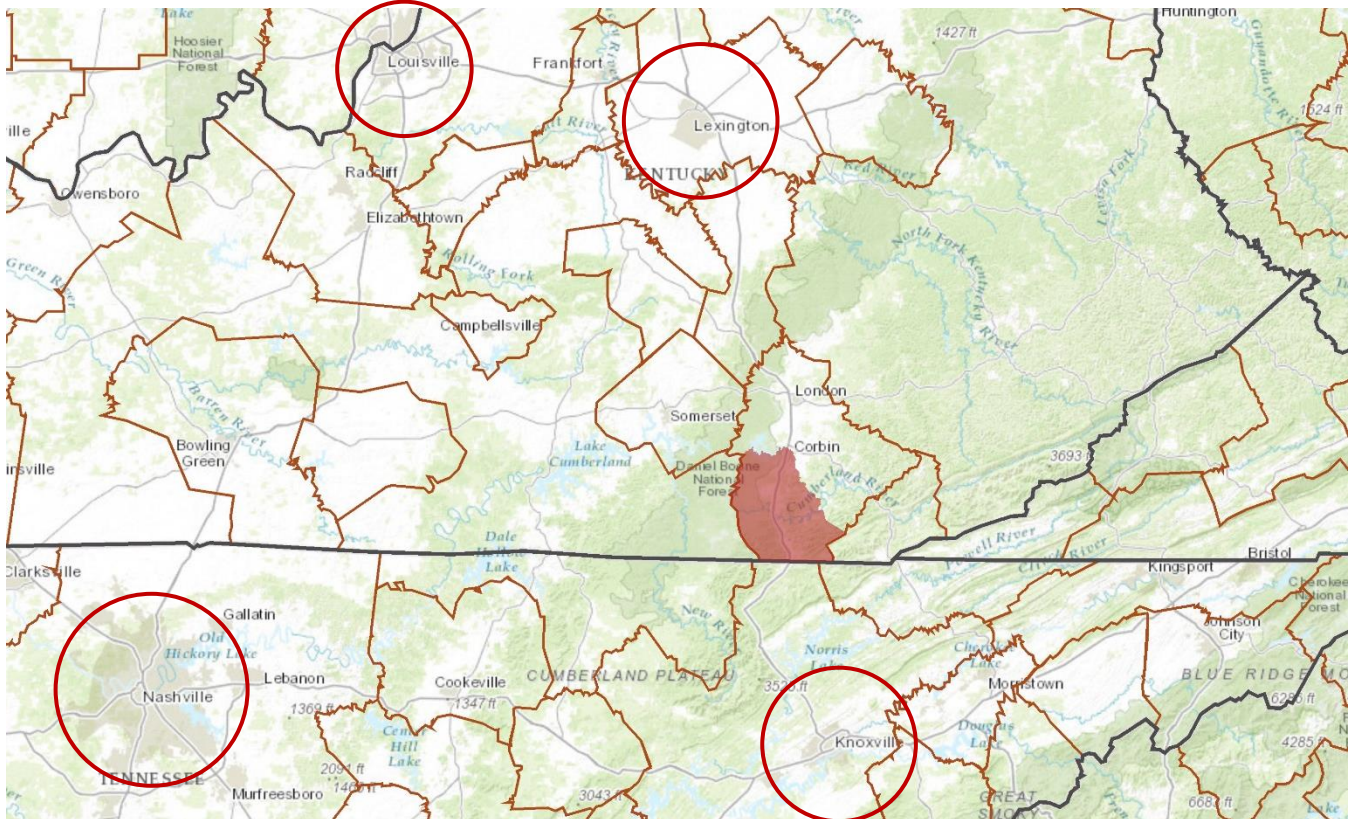
Understanding the Economy – Historical Overview

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.

Whitley County is located in south central Kentucky located along the Tennessee border. I-75, a major north south transportation corridor runs through the county creating development opportunities. The county is home to significant natural resource amenities including Cumberland Falls State Resort Park, the Daniel Boone National Forest, the Laurel and Cumberland Rivers and the Cumberland Mountains. Natural resources are increasingly important to younger generations and active retiring Baby Boomers. The county is within one day's drive of four major metropolitan areas. Access to growing metro regions creates development opportunities for area entrepreneurs seeking a more rural quality of life but requiring larger markets for business success.

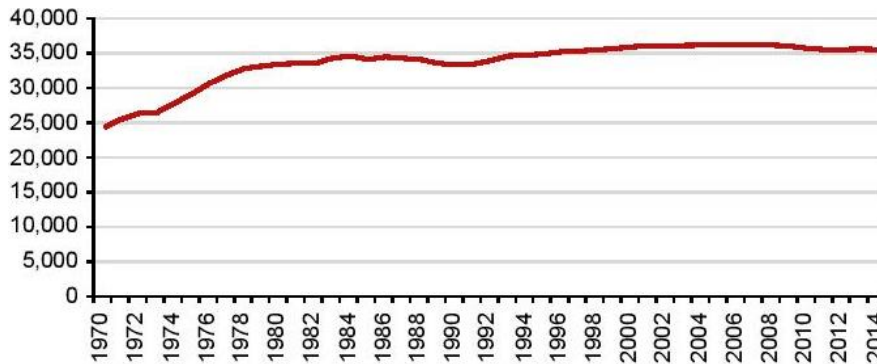
Figure 1. Whitley County, Kentucky and the Region



Population Trends

The county experienced strong population growth during the 1970s into the early 1980s followed by a period of stagnation. Since, the county's population has edged above 35,000 with relative stability (see Figure 2 below).

Figure 2. Population Trends, Whitley County, KY



Whitley County, Kentucky Quick Demographic Profile

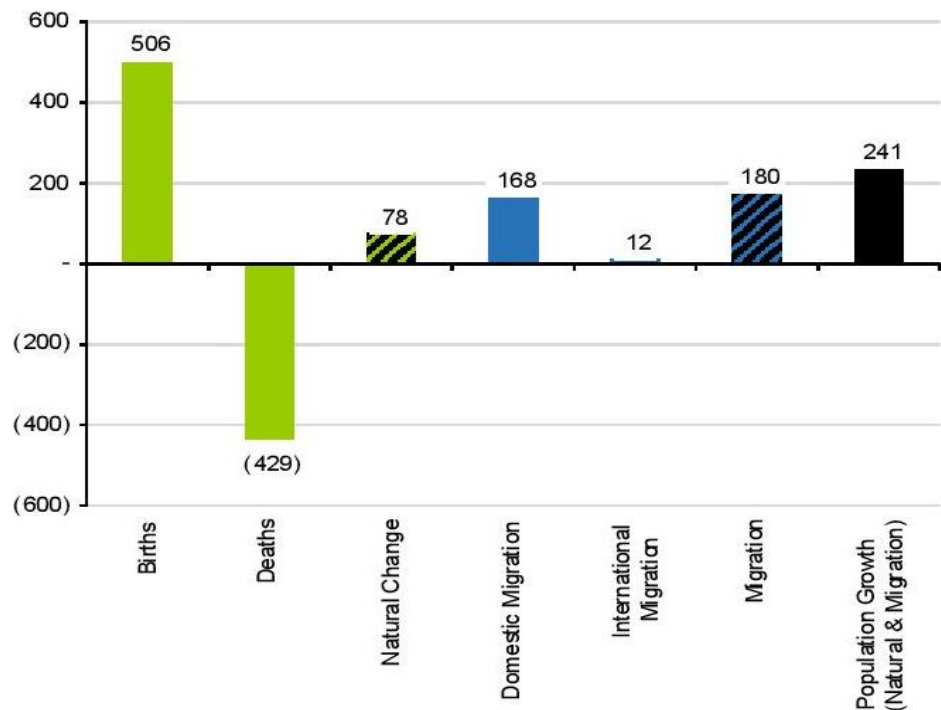
2010 Population – 35,637
Median Age – 39.4 Years
Households – 13,837
Average Household Size – 2.50

2015 Projection – 36,133
2020 Projection – 36,833

Projected 2015-2020
Growth Rate = 0.38% per year

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 change and migration are positive. 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.

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



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 strong job growth during the 1970s followed by a contraction in the early 1980s and then slower growth into the early 1990s. Since, the county's employment has fluctuated between 12,000 and 14,000 workers remaining relatively stable over the past two

decades. 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, Whitley County, KY

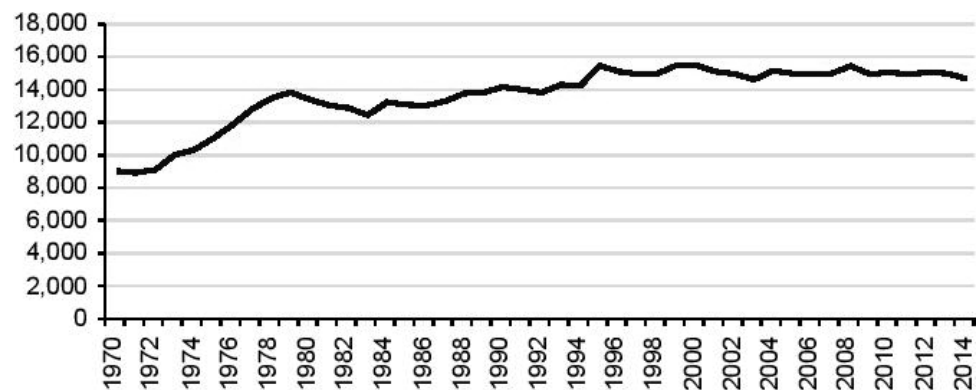
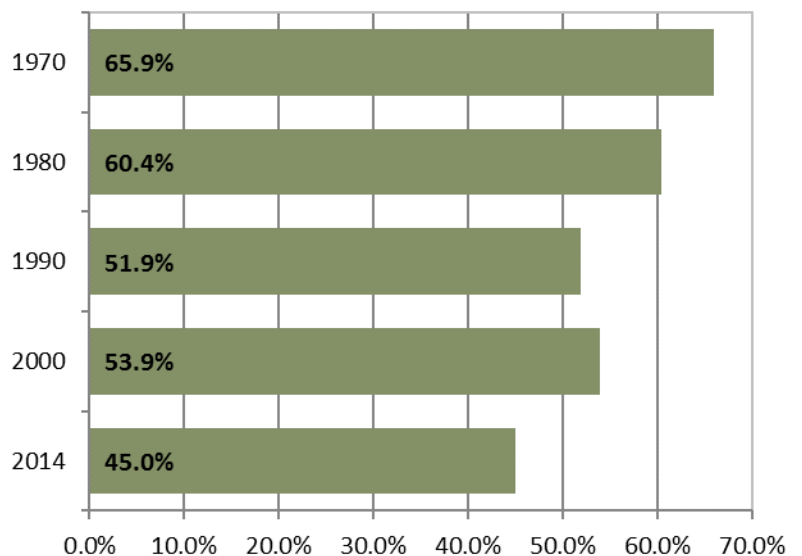


Table 1. Net Job Growth During Recession Periods

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)	-0.2%

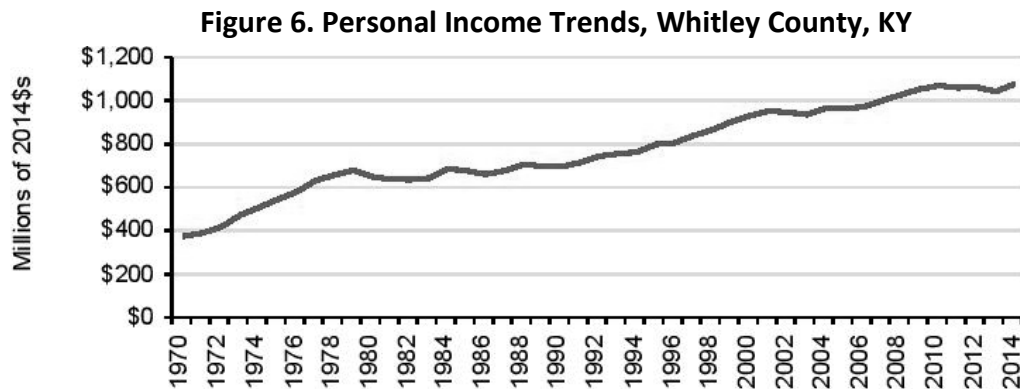
"Labor earnings to total personal income" is a good proxy for how dynamic or robust an economy is. Labor earnings reflect income flowing to households from employment; non-labor earnings are derived from transfer payments, retirement income, etc. Figure 5 provides the Labor Earnings Ratio for the county over time. This ratio is measured by taking total labor related earnings divided by total personal income. In 1970, this indicator of economic health and vitality was in the mid-60% range. Typically, we consider any value in the 60% range healthy. Over the years, the Labor Earnings Ratio has dropped and is now in the mid-40% range. This is a red flag and suggests that expanded and more aggressive development efforts are warranted.

Figure 5. Labor Earnings

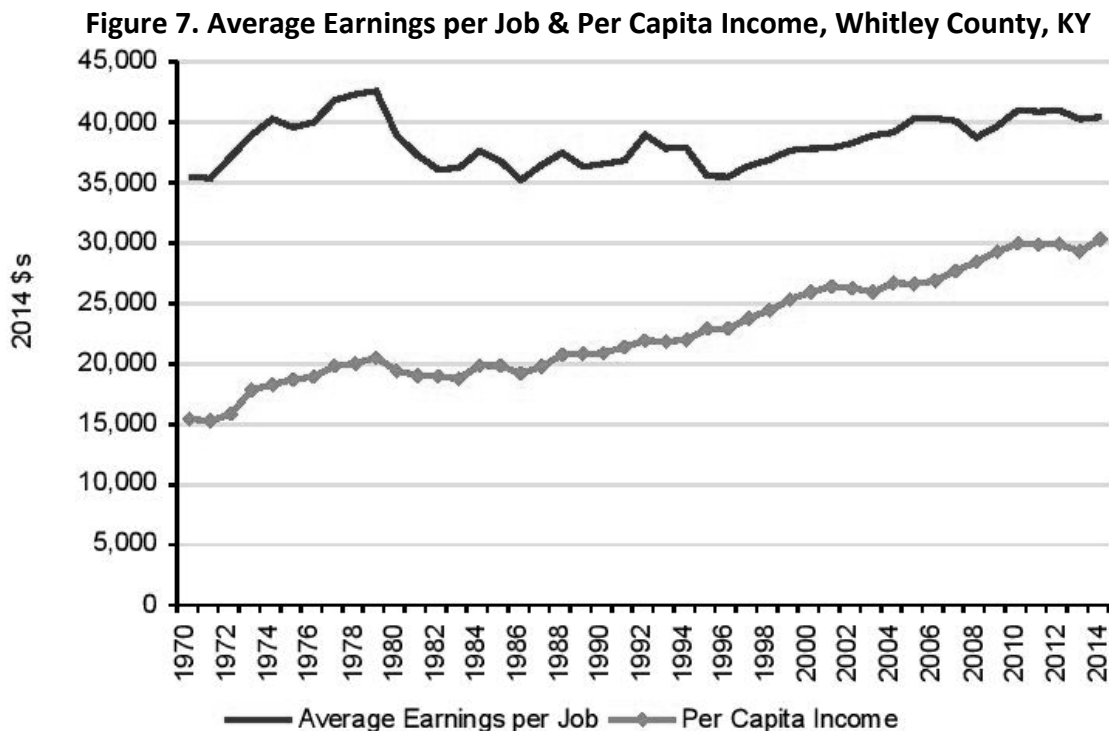


Personal Income Trends

Personal income, measured in real or inflation-adjusted dollars, has increased throughout the 1970-2013 period (Figure 6). Following similar trend line patterns as population and employment, personal income has grown over time. This growth has been driven, in large part, by rising non-labor personal income growth.

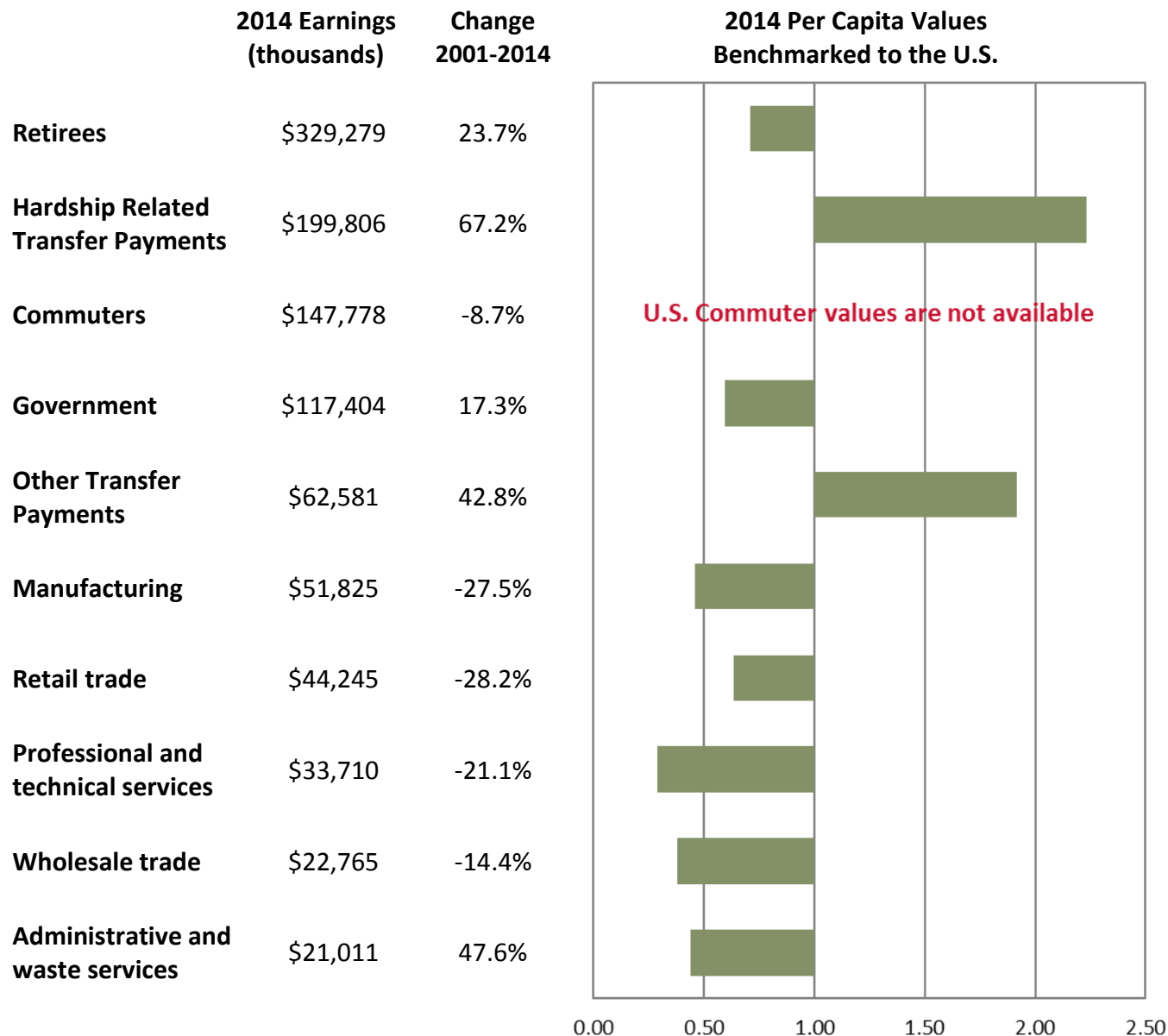


Per capita income, or total personal income divided by total permanent residents, has grown consistently over time surpassing \$30,000 per person in the most recent years. Rising per capita income is largely driven by increasing non-labor income associated with Social Security and hardship related transfer payments. Average earnings per job, or a measure of real wages, peaked in the late 1970s and experienced decline into the early 1990s. Since, average wages has grown in real dollars (adjusted for inflation) surpassing the \$40,000 per worker level recently. This is a very positive sign and suggests an improving economy.



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 by over 24% between 2000 and 2014. Retirees are a stabilizing force in most economies. Their incomes do not fluctuate as widely as other parts of the economy like agriculture or manufacturing. However, too much dependence on retirees can undermine economic development and future growth.



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 \$200 million of all personal income and has grown by 67% between 2001 and 2014. Hardship payments are more important to the county's economy when compared to the U.S. averages.

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 \$148 million of personal income and declined by 9% between 2001 and 2014. Outflow commuters are even more important pulling \$175 million in personal income in 2014 from the county. Outflow commuting is declining over time.

Government. Government includes federal, state and local agencies. Public education from K-12, public universities, colleges, community colleges and health care fall into this category. Government is the fourth largest source of personal income in the county in 2014. Government generated \$117 million in personal income in 2014 growing by 17% between 2001 and 2014. Government created 2,351 jobs in 2014. Future government growth is constrained by budget cutting efforts at the federal, state and local levels.

Other Transfer Payments including Veterans benefits, Workman's Compensation and other types of government pensions are the fifth more important economic driver in the county. In 2014, these other payments generated \$63 million in personal income and grew by 43% between 2001 and 2014. Other Transfer Payments are another form of non-labor personal income.

Manufacturing is critically important to this county. It offers important economic diversification and jobs. Manufacturing is the sixth largest economic driver generating \$52 million in personal income in 2014. Overall, manufacturing personal income declined by 28% between 2001 and 2014. Manufacturing jobs dropped from 1,607 in 2001 to 988 in 2014. Personal income related to manufacturing has dropped from a high of \$82 million in 2005 to \$52 million in 2014.

Retail Trade. Later in this profile, we will provide additional information on the county's retail trade sector. Capturing county spending is an important component of the economy. Retail trade employment dropped from 2,335 in 2001 to 1,545 in 2014. Retail Trade related personal income has dropped from \$62 million in 2001 to \$44 million in 2014. Remaining competitive in retail trade and services is essential to a strong overall economy.

Other Leading Economic Sectors include Professional and Technical Services, Wholesale Trade and Administrative and Waste Services. Further exploration of Professional, Technical and Administrative Services is recommended. These activities tend to create a broader range of careers diversifying an economy. There may be additional development opportunities associated with these economic sectors.

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.

Whitley County, KY 2015

Total Businesses
1,254

Businesses per 1,000 Residents
Whitley County – 35
Kentucky – 38
U.S. – 77

Total Employees
13,937

Employees per 1,000 Residents
Whitley County – 386
Kentucky – 477
U.S. – 447

Figure 8. Establishments

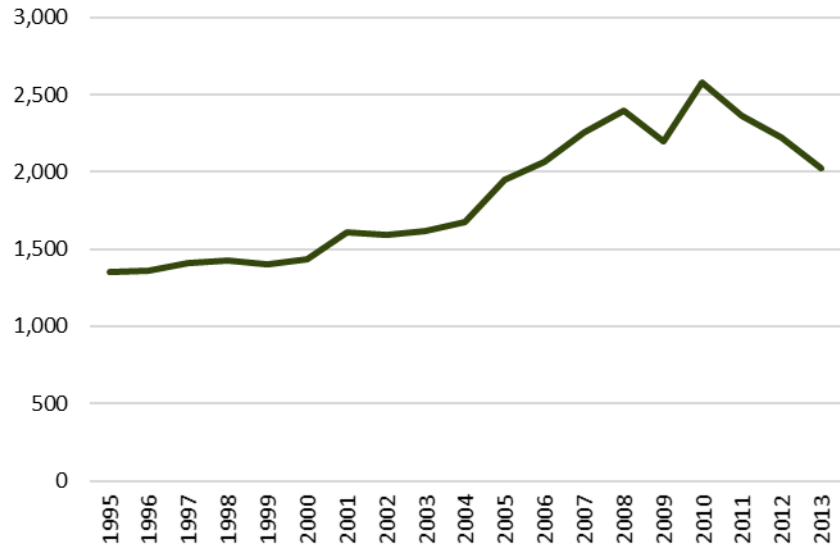


Figure 9. Jobs

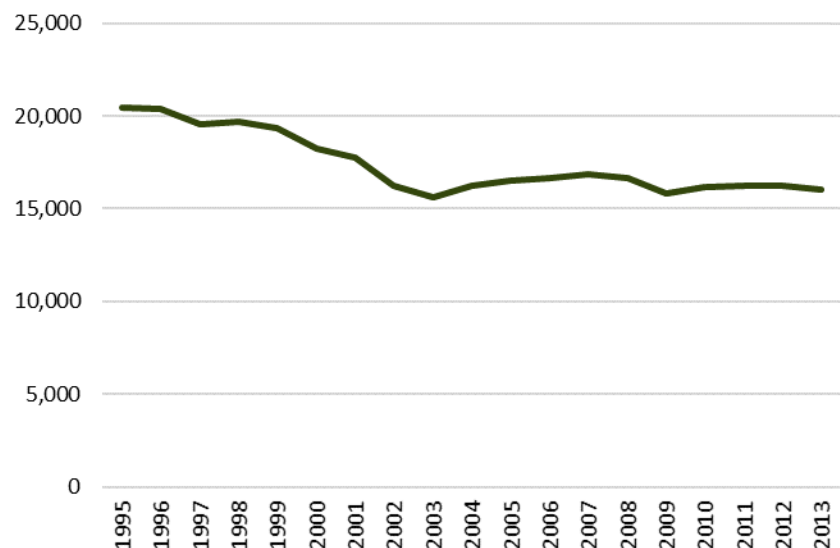


Figure 9 provides a comprehensive view of jobs in Whitley County. Total jobs dropped from over 20,000 in 1995 to nearly 15,000 by the early 2000s. Since, there has been improvement even with the Great Recession with total jobs sitting at over 16,000 in 2013.

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



COMMUNITY
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PHILANTHROPY



NEW
GENERATION
PARTNERSHIPS



Figure 10. Sales (millions)

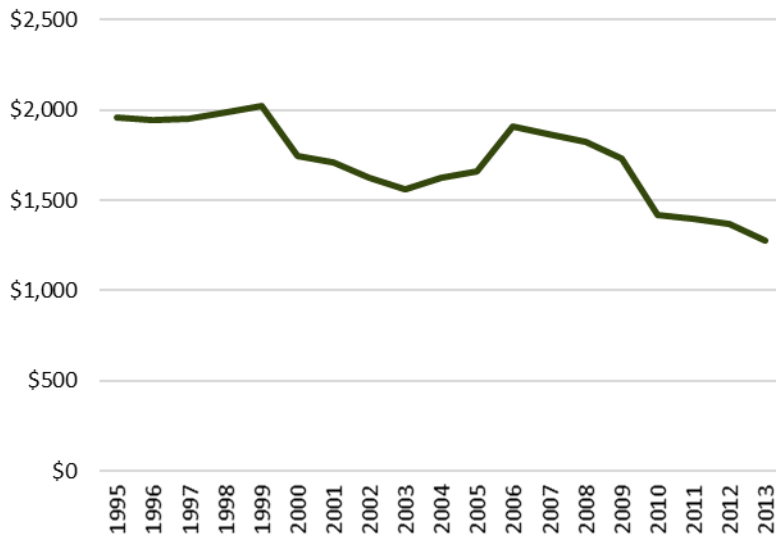


Figure 10 shows that total business sales from 1995 to 2013 for the county. In 1995, total venture sales were estimated at nearly \$2 billion. Sales fell in the late 1980s and early 1990s dropping to nearly \$1.5 billion. There was a strong recovery in sales following the 2001 Recession. With the Great Recession, sales continued to decline now resting at well below \$1.5 billion. Growing sales is key to increasing employment opportunities in the county.

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 \$327 million and total **retail supply** (provided by businesses within the county) was \$393 million, resulting in a **retail surplus** of \$66 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 Whitley County, KY, 2015

Sector	Businesses	Employees
Agriculture	7	14
Mining & Utilities	14	264
Construction	68	399
Manufacturing	29	1,289
Wholesale Trade	45	301
Retail Trade*	221	1,824
Transportation & Warehousing	32	354
Information	26	213
Finance & Insurance*	105	382
Real Estate	58	257
Professional Services	62	256
Management & Administrative	26	153
Education	44	2,044
Health Care	131	2,856
Arts, Entertainment & Recreation	14	331
Accommodations	17	352
Food Service	58	798
Hospitality Sector**	89	1,481
Other Services	174	541
Public Administration	111	1,300
Unclassified Establishments	12	9
Total	1,254	13,937

*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 sizable hospitality sector with 89 businesses and 1,481 jobs. Given the natural resource amenities in and near the county, there is considerable opportunity for growing the county's tourism related economy. A focused local and regional tourism promotion and development strategy is recommended. Particular focus should be paid to retiring Baby Boomers who are active, and seeking areas with natural resource amenities and historical assets. These consumers are seeking a wide range of lodging options and services.



Retail MarketPlace Profile

Whitley County, KY
Whitley County, KY (21235)
Geography: County

Prepared by Esri

Summary Demographics						
2015 Population						36,133
2015 Households						13,837
2015 Median Disposable Income						\$23,691
2015 Per Capita Income						\$15,617
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	\$327,341,141	\$393,217,452	-\$65,876,311	-9.1	265
Total Retail Trade	44-45	\$300,391,996	\$363,388,753	-\$62,996,757	-9.5	208
Total Food & Drink	722	\$26,949,145	\$29,828,699	-\$2,879,554	-5.1	57
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$71,144,707	\$55,464,818	\$15,679,889	12.4	35
Automobile Dealers	4411	\$58,527,090	\$30,801,918	\$27,725,172	31.0	15
Other Motor Vehicle Dealers	4412	\$8,280,969	\$15,917,837	-\$7,636,868	-31.6	3
Auto Parts, Accessories & Tire Stores	4413	\$4,336,648	\$8,745,063	-\$4,408,415	-33.7	17
Furniture & Home Furnishings Stores	442	\$7,098,677	\$22,810,870	-\$15,712,193	-52.5	10
Furniture Stores	4421	\$4,384,610	\$5,270,146	-\$885,536	-9.2	7
Home Furnishings Stores	4422	\$2,714,067	\$17,540,724	-\$14,826,657	-73.2	3
Electronics & Appliance Stores	443	\$10,758,067	\$8,907,296	\$1,850,771	9.4	6
Bldg Materials, Garden Equip. & Supply Stores	444	\$13,847,176	\$11,530,510	\$2,316,666	9.1	15
Bldg Material & Supplies Dealers	4441	\$11,786,282	\$11,310,789	\$475,493	2.1	14
Lawn & Garden Equip & Supply Stores	4442	\$2,060,894	\$219,721	\$1,841,173	80.7	1
Food & Beverage Stores	445	\$54,362,810	\$90,561,515	-\$36,198,705	-25.0	33
Grocery Stores	4451	\$49,579,369	\$70,439,477	-\$20,860,108	-17.4	28
Specialty Food Stores	4452	\$1,445,885	\$1,189,186	\$256,699	9.7	3
Beer, Wine & Liquor Stores	4453	\$3,337,556	\$18,932,852	-\$15,595,296	-70.0	2
Health & Personal Care Stores	446,4461	\$19,809,938	\$34,280,314	-\$14,470,376	-26.8	29
Gasoline Stations	447,4471	\$23,879,527	\$47,945,465	-\$24,065,938	-33.5	17
Clothing & Clothing Accessories Stores	448	\$10,792,964	\$2,523,253	\$8,269,711	62.1	8
Clothing Stores	4481	\$7,007,326	\$1,434,433	\$5,572,893	66.0	5
Shoe Stores	4482	\$1,811,367	\$0	\$1,811,367	100.0	0
Jewelry, Luggage & Leather Goods Stores	4483	\$1,974,271	\$1,088,820	\$885,451	28.9	3
Sporting Goods, Hobby, Book & Music Stores	451	\$7,471,509	\$5,124,956	\$2,346,553	18.6	12
Sporting Goods/Hobby/Musical Instr Stores	4511	\$5,566,161	\$3,007,465	\$2,558,696	29.8	8
Book, Periodical & Music Stores	4512	\$1,905,348	\$2,117,491	-\$212,143	-5.3	4
General Merchandise Stores	452	\$62,879,854	\$65,673,346	-\$2,793,492	-2.2	12
Department Stores Excluding Leased Depts.	4521	\$49,118,147	\$56,807,413	-\$7,689,266	-7.3	2
Other General Merchandise Stores	4529	\$13,761,707	\$8,865,933	\$4,895,774	21.6	10
Miscellaneous Store Retailers	453	\$14,413,155	\$17,754,615	-\$3,341,460	-10.4	29
Florists	4531	\$496,047	\$702,099	-\$206,052	-17.2	7
Office Supplies, Stationery & Gift Stores	4532	\$3,142,333	\$935,491	\$2,206,842	54.1	4
Used Merchandise Stores	4533	\$900,024	\$1,670,597	-\$770,573	-30.0	8
Other Miscellaneous Store Retailers	4539	\$9,874,751	\$14,446,428	-\$4,571,677	-18.8	10
Nonstore Retailers	454	\$3,933,612	\$811,795	\$3,121,817	65.8	2
Electronic Shopping & Mail-Order Houses	4541	\$1,718,302	\$0	\$1,718,302	100.0	0
Vending Machine Operators	4542	\$498,654	\$0	\$498,654	100.0	0
Direct Selling Establishments	4543	\$1,716,656	\$811,795	\$904,861	35.8	2
Food Services & Drinking Places	722	\$26,949,145	\$29,828,699	-\$2,879,554	-5.1	57
Full-Service Restaurants	7221	\$13,099,012	\$15,123,576	-\$2,024,564	-7.2	34
Limited-Service Eating Places	7222	\$12,816,833	\$13,414,026	-\$597,193	-2.3	20
Special Food Services	7223	\$539,522	\$1,159,377	-\$619,855	-36.5	2
Drinking Places - Alcoholic Beverages	7224	\$493,778	\$131,720	\$362,058	57.9	1

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>

Source: Esri and Infogroup. Copyright 2015 Infogroup, Inc. All rights reserved.

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 269 and grew steadily (except for a dip during the initial year of the Great Recession) peaking in 2010 at around 900, a three-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 around 900 in 2010 to around 454 in 2013. What happened to these

startup entrepreneurs? There are three possible reasons for this almost 98% 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 185 self-employed ventures, a 69% 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?

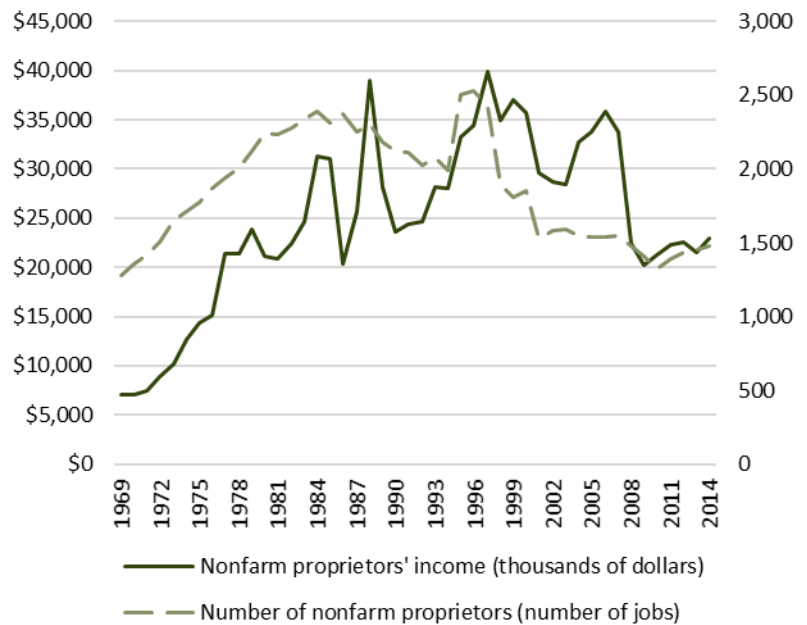
Figure 11. Self-Employed



Established, Locally-Owned Entrepreneurial Ventures

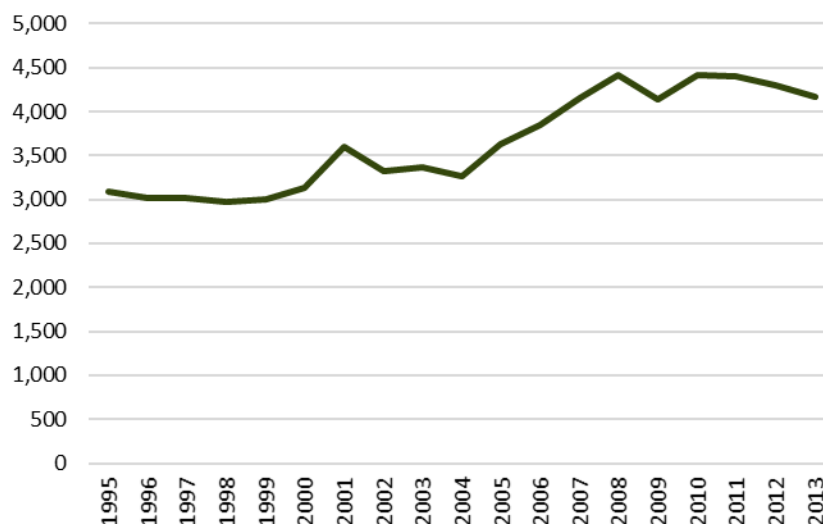
are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic 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, Whitley County, KY



After peaking in the mid-part of this period, there has been a severe contraction in non-farm proprietorships. This is a troubling development and calls for an aggressive small business development strategy.

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



The employment data on Stage 1 ventures (Figure 13) shows a more hopeful trend with good job growth in the 2000s and relative stability during and since the Great Recession.

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.

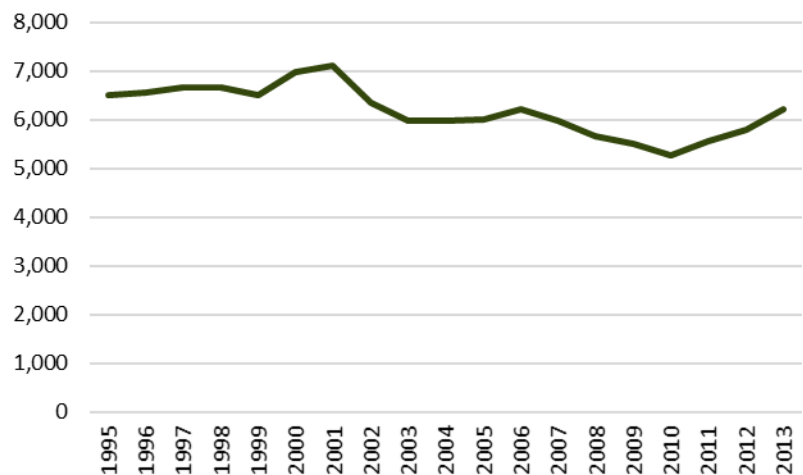
As a proxy for growth-oriented entrepreneurs, we use employment for Stage 2 ventures (10-99 employees). Figure 14 shows a promising growth trend in employment associated with Stage 2 ventures. This is very important and represents a recommended area of focus for development.

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 (next page) illustrates why overall job growth in the county is weak. Stage 3 related employment has dropped from nearly 5,000 to 3,000 in 2013. Rebuilding these mid-sized major employers is paramount.

Figure 14. Employment in Stage 2 (10-99 employees) Ventures



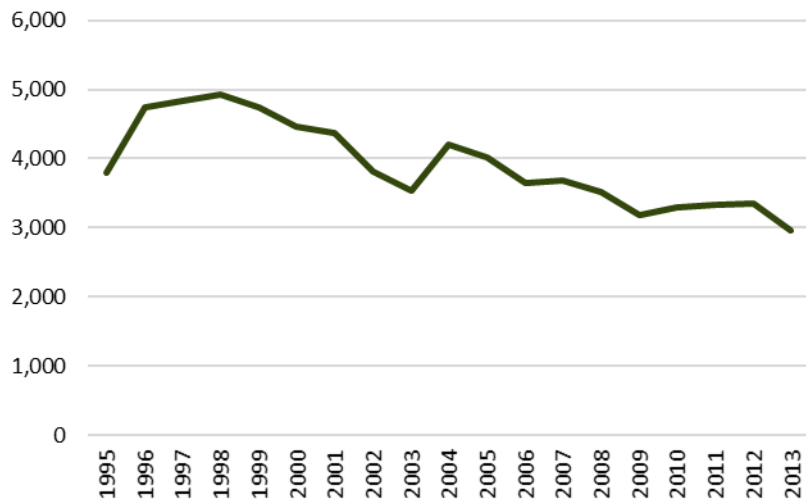
At the local level, it is relatively easy to identify potential breakout entrepreneurs (remember, they can be non-profits and public enterprises). At this stage, businesses are often moving out of existing space and building new office complexes or even campuses. They may be actively expanding their 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.

Figure 16 displays jobs related to the county's largest employers or Stage 4 ventures. After serious losses in the 1990s, employment among these employers has stabilized at over 2,000 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**



**Figure 16. Employment in Stage 4
(500+ employees) Ventures**

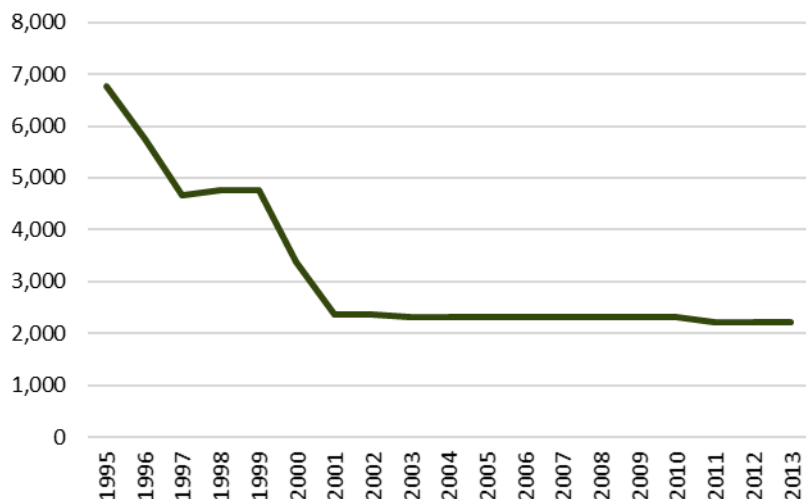


Table 3. Whitley County's Entrepreneurial Pipeline

Establishments	1995	2001	Change	2001	2013	Change
Total	1,350	1,605	255	1,605	2,020	415
Self-Employed (1)	269	327	58	327	454	127
Stage 1 (2-9)	806	994	188	994	1,285	291
Stage 2 (10-99)	247	255	8	255	261	6
Stage 3 (100-499)	21	26	5	26	17	-9
Stage 4 (500+)	7	3	-4	3	3	0
Jobs	1995	2001	Change	2001	2013	Change
Total	20,440	17,781	-2659	17,781	16,027	-1,754
Self-Employed (1)	269	327	58	327	454	127
Stage 1 (2-9)	3,088	3,600	512	3,600	4,170	570
Stage 2 (10-99)	6,516	7,103	587	7,103	6,213	-890
Stage 3 (100-499)	3,804	4,377	573	4,377	2,966	-1,411
Stage 4 (500+)	6,763	2,374	-4389	2,374	2,224	-150

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 Whitley 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. Each day 10,000 Baby Boomers retire. Many are seeking more rural communities as their new homes. A focused retiree development strategy is recommended.</p>	<p>Hardship Transfer Payments</p> <p>The county has experienced major worker layoffs over the past 20 years impacting its overall economic and social health. This pattern is all too frequent across parts of America. Slowly rebuilding the county's business sector offers the best strategy for rebuilding the county's economy and its ability to provide good work for residents.</p>	
<p>Tourism</p> <p>There is a significant hospitality or tourism sector in parts of this county. The county has major recreational assets capable of driving tourism development. A focused strategy on increasing the value-added quality of the region's tourism sector is suggested. Such a strategy would increase job quality and local venture profitability.</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 county's location offers significant opportunities through market development with these urban centers with millions of consumers.</p>
<p>Manufacturing</p> <p>Despite losses, manufacturing continues to be the county's sixth largest economic driver in 2014. To the extent possible, rebuilding the county's manufacturing sector is recommended. A strong business retention and expansion program coupled with lean manufacturing assistance is highly recommended. There are manufacturing related assets (facilities and workers) in the areas that can support development.</p>		<p>Entrepreneurial Energy</p> <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. We particularly recommend focusing on Self-Employed and Stage 2 entrepreneurial talent. Additional focus on rebuilding non-farm proprietorships is warranted.</p>
<p>Government</p> <p>The county is highly dependent upon government and government related transfer payments. This spending is sustaining the current economy in many important ways. Nevertheless, these sources of income are under stress with likely continued pressure for cuts. Diversifying the economy beyond government is likely to be very important to overall county prosperity.</p>		<p>Commuters</p> <p>The county is part of a regional economy with relatively high levels of both inflow (living in the county and working outside of the county) and outflow (living outside the county and working in the county). For many commuters, getting off the road becomes a personal goal and can offer development possibilities.</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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