

Kentucky Highlands Investment Corporation  
40<sup>th</sup> Anniversary Celebration (1968-2008)  
Somerset, Kentucky  
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Keynote Speech  
Brian Dabson

I am truly honored to be asked to give a keynote speech at such an important occasion for an organization whose people and activities I have long-admired.

I lead the Rural Policy Research Institute, a Congressionally mandated and funded national effort housed in three Midwestern universities to provide unbiased analytical advice to policymakers on the impacts of policy in rural America. We have specialist centers in health, poverty and human services, regional competitiveness, and entrepreneurship.

My job and my vocation is to be an advocate for rural America – I am unashamed enthusiast for rural people and places. Moreover, I am an optimist about the future of rural America. We are seeing an exciting confluence of forces associated with natural resources, the environment, climate change, food systems, and energy, in which rural people and rural places will have a major part to play.

Whether I am correct in my optimism will depend upon whether rural people are ready to take the lead or are just prepared to let others exploit these resources and opportunities.

We need people with imagination and creativity – people who can convert rural assets into economic opportunity while safeguarding what is so special about rural America for future generations. I believe that such people will be *entrepreneurs* scattered across every rural community in the country. So...there you have the theme for my remarks this evening.

If you read some of the business magazines, you will be familiar with the stereotypical entrepreneur – the swashbuckling business venturer, the self-made businessman, the hard-charging, marginally legal opportunist. If you visited Moscow soon after the collapse of the Soviet Union you would have heard Sylvester Stallone look-alikes with long leather coats and gold jewelry described as entrepreneurs as they illegally purloined public assets for personal gain.

Indeed, some people regard the entrepreneur with disdain – a French sociologist once challenged to come up with a definition is reputed to have said “The entrepreneur is a pig!” Nowadays, to be an entrepreneur is quite fashionable and even mainstream, as these older stereotypes fade away with more women and young people showing that they too have what it takes.

I have a simple – some would say simple-minded – definition of an entrepreneur. To me an **entrepreneur is someone who creates and grows an enterprise.**

People become entrepreneurs for many different reasons. There are those who just love starting up new ventures and then either keeping them or selling them on – these are often called **serial entrepreneurs**. In the economic development world, these are the folks you want in your state and community as they are often the engines of jobs and wealth.

There are also those who want to create and grow a business and to make it their life's work, and they too will provide jobs in their community – what we term **growth entrepreneurs**.

But these two types represent just a small minority of people engaged in entrepreneurship. The largest group comprises self-employed people and microenterprises, employing fewer than five people. Their motivations tend to be a little different.

Some are entrepreneurs because they want to work for themselves instead of being under the thumb of a boss, some want to make a living from their hobby, others want a way of better balancing their work-home life or staying in their home community. These are who we call **lifestyle entrepreneurs**.

Another type is what we call **survival entrepreneurs** – those who have no choice but to create a business in order to generate an income, there being few other choices in their area; these are particularly common in places where there have been factory closings or significant economic downturns. Some of these would probably return to employment if the opportunities presented themselves.

I strongly believe that we need all of these motivations if we are to create a truly entrepreneurial economy. We need the high flyers because they are the innovators, the folks who convert regional assets into competitive advantage; but we also need all the others as they represent the pool from which 750,000 businesses emerge each year as they transition from self-employment to employers – they are critical to a dynamic American economy.

In most places around the country – and Kentucky I know is no exception – if I say economic development, the majority of people with an interest in the economic well-being of the state, region, or county, will assume I am talking about the attraction of companies from elsewhere to locate in their midst. Commonly-called “smokestack-chasing” or “buffalo-hunting” or “recruitment”, it is assumed that we have to buy our economic future by providing tax and other incentives to companies looking for a new location. Although, with a few well-publicized exceptions, such as the attraction of foreign car manufacturers to this region, the public money spent on such efforts seldom yields worthwhile results.

Instead, we have to make homegrown business development a critical part, and in some locations, the principal part of our economic development strategy. We have to focus on three related policies:

- ✧ Creating **more** entrepreneurs
- ✧ Creating **better skilled** entrepreneurs
- ✧ Building stronger, more **productive and competitive** entrepreneurial businesses

Our objective should be to increase the number of people in Kentucky who are actively pursuing entrepreneurial ideas and to provide them with the support they need to grow successful businesses. The state's role is to create an environment in which these ventures can take hold, grow, and flourish.

Kentucky has over 336,000 small businesses, 99 percent of which employ fewer than 100 people. In fact, three-quarters of these businesses are non-employer proprietor firms. Firms with fewer than 100 employees account for 35 percent of total employment and 31 percent of total payroll. This underscores the importance of entrepreneurship and small business development to the state.

While there has been a steady growth in proprietor employment, with many counties having growth rates higher than the national average, Kentucky's overall rate of growth has been six percentage points behind the nation as a whole. Proprietor income levels are less than three-quarters of those of the US and many counties have seen a decline in income levels. The contribution that entrepreneurship makes to the local economy has increased in 30 counties and decreased in 90 counties. All this suggests that there is much work still to do.

Earlier this year, my colleague Deb Markley and I undertook a rapid soon-to-be-published study of Kentucky for MACED to see what is needed to reverse these trends and make entrepreneurship a more effective economic strategy across the state. We concluded that:

- ✧ Kentucky has a rich and diverse set of resources available to support entrepreneurs and small business owners;
- ✧ The state's commitment to supporting high tech, innovation-focused entrepreneurs is highly visible and a model for other states; and
- ✧ Kentucky has all the necessary ingredients to create a more effective system of support for entrepreneurs.
- ✧ But there is not yet an acceptance of the broader definition of entrepreneurship and the contribution that all types of entrepreneur make to the Kentucky economy, or indeed that entrepreneurship is a critical component of economic development.
- ✧ What is needed is support for "connecting the dots" – taking a systems approach to entrepreneurship that focuses on:

Building a pipeline of new entrepreneurs through education and information;

- ✧ Creating stronger, more profitable entrepreneurs and small business owners through technical assistance, networking and capital access; and
- Helping to translate these gains into economic development by creating local and state environments in which these stronger enterprises can grow.

We made a number of recommendations, the most important of which were directed at state government:

- ✧ **Make a serious commitment to entrepreneurship** – make it a central pillar of economic development in the state, increase the share of resources devoted to it.
- ✧ **Be a strong advocate for entrepreneurship**, create a commission to oversee the implementation of an entrepreneurship development system, use research and analysis to develop indicators of entrepreneurial performance, convene an annual summit, and create a consortium for entrepreneurship education K-16.
- ✧ **Invest in an entrepreneurial system** – and by that I mean, making best use of available, limited resources; thinking regionally beyond local jurisdictional barriers, and providing tailored, integrated, and responsive services to entrepreneurs. The state should gear investments in organizations and institutions that are willing to collaborate and go the extra mile to ensure that Kentucky entrepreneurs get the best support possible in education, training, capital, networking and so on.

In Kentucky, there are many who have an important role to play: the Cabinet for Economic Development, other state departments, universities, community and technical colleges, the nonprofit sector, local communities all have resources and expertise to bring to the table.

This brings me to the Kentucky Highlands Investment Corporation, which I believe can play a vital part in this new policy thrust.

KHIC has shown that it is possible to be successful in a part of the country which is seldom associated with entrepreneurship. The products and services provided by southeastern Kentucky entrepreneurs are not the high technology, high flying ventures that attract most venture capital funds, but they are rooted in the people and the economy of the region.

Just a look at the strength and variety of businesses in this room!

Five years ago, my colleagues wrote a case study of KHIC and identified five important lessons that would be of value to other organizations serving rural regions:

- ✧ **KHIC has a focus on entrepreneurs** and their enterprises rather than the capital used – intent on putting together a package that increases the chances of success, including plugging gaps in management skills.
- ✧ **KHIC has a committed and skilled staff** – longevity of the key staff is an important asset – together with a range of technical skills provides a blend of deal-making and business management skills vital for inexperienced entrepreneurs.
- ✧ **KHIC has a focus on grantsmanship** – shown ability to access a range of Federal programs that expand the array of financing tools, including some programs that were highly competitive nationally.
- ✧ **KHIC has an active and supportive board** that continues to challenge the staff to be innovative and risk-taking.
- ✧ **KHIC is an active partner in creating an entrepreneurial region** – exploring partnerships with other key organizations, including the formation of the Appalachian Development Alliance, and is very active in a range of national organizations. These bring information and resources that continue to strengthen KHIC.

If Kentucky is to provide the opportunities for its people in the next 40 years, it is critical to move with some speed to create an entrepreneurial state, where its enormous assets are converted into economic opportunity through the creativity and innovation of its own people. It is obvious to me, and I hope to you all here this evening that the Kentucky Highlands Investment Corporation has what it takes to be one of the leaders of that transformation. Happy 40<sup>th</sup> birthday!

Thank you.

Brian Dabson is the President and CEO of the Rural Policy Research Institute (RUPRI) and Board Chair of the RUPRI Center for Rural Entrepreneurship. He is also Research Professor at the Harry S. Truman School of Public Affairs at the University of Missouri, Columbia where, among other things, he teaches a graduate course in regional development policy.

Brian Dabson has over 30 years of experience in public, private, and nonprofit sectors on both sides of the Atlantic dedicated to expanding economic opportunity for low-income people and distressed communities. Recognized nationally and internationally for his work on entrepreneurship development, particularly in a rural context, he has given many keynote presentations and consultations across the United States, Europe, and India. He is also a frequent speaker and writer on rural policy and the implications of global forces on rural America. He is a member of the Community Development Advisory Council of the Federal Reserve Bank of St. Louis.

Prior to his current appointment, Brian Dabson was President of CFED (formerly Corporation for Enterprise Development), a Washington DC-based national nonprofit organization dedicated to expanding economic opportunity through asset-building, entrepreneurship, and economic development. He held that position for 13 years. At the same time, he served two terms as President of the Organization for Economic Cooperation and Development's (OECD) Forum on Social Innovations. Before joining CFED in 1992, he was for nine years, the Managing Director of a European consulting and research organization specializing in economic development, training, and employment issues. Prior to that he worked for 13 years in metropolitan and city governments in Liverpool and Glasgow.