

## **Survival Entrepreneurship as a Launching Pad For a More Vibrant Central Appalachia**

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The purpose of this essay is to explore four major questions facing Central Appalachia: 1) What should be done to revitalize communities and small businesses in Central Appalachia? 2) What should be done to foster entrepreneurship and new business development? 3) What role do residents want to play in shaping their future, and what should planning officials do to help increase civic engagement in the economic transition? 4) Can collaboration between cities and rural communities create new opportunities for income?

### **The New Economic Reality for Central Appalachia**

Central Appalachia is experiencing a paradigm shift.

Central Appalachian communities have had some success in recruiting branch manufacturing or distribution plants, especially in areas that are metropolitan and adjacent to interstate highways. These venues have been especially attractive because of relatively low wages and land costs. However, this strategy is limited in rural areas as evidenced by vacant industrial parks and industries that left town as soon as the economic incentives ran out. Agriculture, coal and timber industries, while economically significant, have seen a steady decline in the number of jobs.

Appalachia's natural beauty has been touted for its potential to expand more vigorously into the burgeoning \$3.6 trillion global tourism market, especially in ecotourism (Fritsch and Johannsen, 2004). Yet the region has not fully explored this potential. While ecotourism can provide economic opportunities that respect local traditions and the environment, it can also be marked by low wages unless businesses are locally owned. In addition, Fritsch and Johannsen maintain that it would be a mistake for the region to depend exclusively on tourism because the industry can be fickle; it isn't a panacea to eradicate poverty.

There is growing attention towards entrepreneurship as an economic development strategy because traditional approaches aren't working. Entrepreneurship is the engine of economic growth that is often overlooked by economic developers. It is estimated that 44% of new jobs in the U.S. are created by start-up firms which grow into larger and

more successful firms. While small businesses employ about 50% of the Central Appalachia's non-farm private workforce, it should be noted that not all small businesses are entrepreneurial. Entrepreneurs are innovators who question the *status quo*. They listen to their customers and transform ideas into something that people want, need or value. It can be a product or service. It has been estimated that these entrepreneurial firms create about 70% of new economic growth (U.S. Small Business Administration, 2004). They create about two-thirds of all new jobs. Dabson argues we can not predict which entrepreneurs will grow rapidly. He suggests we must find a way to create a critical mass of entrepreneurs to drive local economies. Typically, entrepreneurs are less likely to leave because of tax incentives offered elsewhere. They tend to serve as local leaders and are often involved in local philanthropy or other efforts to improve the local quality of life. They make an emotional as well as an economic connection to the community and region.

If current trends continue, it is estimated that 25% of the nation's workforce will be self-employed by 2015 (Goetz, 2008). Many could be categorized as necessity entrepreneurs who turn to entrepreneurship as a form of self-survival. There are lifestyle entrepreneurs who are drawn to a particular lifestyle or a community. Only a few of these become opportunity entrepreneurs whose businesses grow at an annual rate of 15-20%. They usually incorporate technology as part of their innovative services, products or marketing approaches but they aren't always high technology oriented. It is difficult to predict which entrepreneurial ventures are more likely to be high growth. Hence, communities must create a climate in which it is easier for a critical mass of entrepreneurs to emerge in order to create more jobs and wealth in the region.

Central Appalachia has a rich history of survival entrepreneurs who find ways to subsist through bartering or other non-conventional approaches. One can see them at flea markets or in the cash economy as carpenters, day care providers or mechanics. The individuals who turn to illegal activities associated with drugs or alcohol sales can be viewed as entrepreneurs because they employ innovative approaches to produce, sell or market goods or services. In essence, Central Appalachia has a rich history of survival entrepreneurs who can make it through tough times employing a variety of innovative approaches. I believe we need to capitalize on these assets.

The question: How can Appalachia build on its asset of survival entrepreneurship in ways that can allow the region to prosper and to improve the quality of life? The bulk of this paper is focused on what can be done.

### **Entrepreneurship must be operated as part of a system.**

Entrepreneurship is often treated in isolation from the rest of the community as a project or a program. It must be viewed as part of a system that is integrated with education, citizenship, health and other aspects of the community. A human system is characterized by three aspects: 1) the whole is greater than the sum of its parts; 2) all parts are interdependent and affect each other; and 3) a living system perpetuates itself by adapting to its context (Moffitt, 1999).

One can ask what is the role of entrepreneurship in our educational system, our health system, our civic and religious life, transportation, finance and other parts of the community or region? How does it enhance our prosperity and quality of life? How is part of our community vision and local values? Those who treat entrepreneurship in isolation from the rest of community and civic life will not reap much success.

If entrepreneurship is about innovation and meeting new needs and wants, then a community or region must view itself as an entrepreneurial venture. Central Appalachia must foster a culture that welcomes and encourages creativity. Culture is a kind of collective mind programming that influences what is acceptable and what is not. It evolves. It is influenced by the closing of a manufacturing plant, government regulations or the opening of a major discount retailer. Entrepreneurship can be fostered within the Central Appalachian culture. It must involve civic engagement to be fruitful.

### **Step One: Build Entrepreneurship Literacy Among Elected and Community Leaders and Create Advocates for Entrepreneurship**

Many gifted local leaders invest the bulk of local economic development resources in traditional industrial recruitment because they are often unaware of the magnitude and promise of entrepreneurship for their community and region. Here is what can be done:

- Explore creative venues to convey information about entrepreneurship from Ewing Marion Kauffman Foundation or the Center for Rural Entrepreneurship.
- Follow-up with ways to honor innovators in the community or region with visits from local leaders.
- Overcome the stereotypes that entrepreneurship is only about retail or that it includes all small businesses.
- Create an “entrepreneurial hall of fame” that honors historic and current figures in the region.
- Incorporate entrepreneurship advocacy and awareness into all leadership programs at the community and regional level.

The Kentucky Entrepreneurial Coaches Institute is a grass-roots leadership program that has led to transformational changes at the local level because of new entrepreneurial advocates and leaders. Entrepreneurship literacy will increase the probability that communities can move from an exclusive focus on industrial recruitment to a broader economic development agenda.

### **Step Two: Discover how the educational system is an entrepreneurial venture and develop an action plan to maximize its impact.**

Educational institutions can rediscover their entrepreneurial natures. How are they innovative? How do they encourage free thinking to meet needs and wants? How can we expand on this creativity to build new ventures?

Begin at the middle school. The Appalachian Regional Commission is currently funding “E-Discovery Challenge” in Kentucky. It involves 55 middle school teachers in 19 distressed counties. They are using a field-tested curriculum that meets the state’s core content requirements. The teachers will guide students to create teams to launch entrepreneurial ventures in which they will sell products or services. Modest amounts of seed money will be lent to the student teams with the understanding that it will be paid back. It is anticipated that this new curriculum will inspire students to consider entrepreneurship as a viable option and that it will encourage creativity and innovation.

Expand entrepreneurship at the high school level. Create entrepreneurship clubs and contests for teens. There are state-wide and national contests that provide travel opportunities and feedback from respected mentors and guides as well as startup funds for various ventures. Plant the possibilities for students to view themselves as entrepreneurs who can make a living and a difference in their communities.

Most of Central Appalachia’s population is within a 30 mile driving distance of a two year or a four year educational institutions. These community colleges and universities should be viewed as knowledge mines that can foster entrepreneurial ventures. Incentives should be provided for these institutions to create classes for entrepreneurship, especially, those involved with engineering, biological systems, health delivery and the arts. Students should be encouraged to launch their own ventures and to take part in entrepreneurial contests. Every institution must have an entrepreneurial club that is part of a Central Appalachian student entrepreneurial network. Students must be given the opportunity to develop an entrepreneurial identity and to be tied to others with similar interests.

Adults can be inspired and learn from their children about entrepreneurship. They can serve as mentors or be trained as entrepreneurial coaches. There are many success stories about youth entrepreneurship. One comes from Big Stone Gap, Virginia in which an entrepreneurship program has expanded into seven high schools with involvement from 24 teachers. Twenty-three social programs have contributed financially to the program. Students have renovated an old corn mill for tours. They have produced Bluegrass music on compact discs and have sold old tinplate photographs they found. The students have also helped to control West Nile virus-carrying insects by building and selling bat houses to area residents. A beauty parlor, a catering business and a plasma cutter for manufacturing signs and other metal products have been part of this community-based youth entrepreneurship endeavor (Schroeder, 2007, p. 155).

### **Step Three: Discover and act on the region’s entrepreneurial vision of itself?**

Communities must view themselves as entrepreneurial ventures if they going to prosper. That is, they must determine their strengths and assets and focus less on problems. What are their most significant natural assets they want visitors to see? What are their skills and passions? What is their competitive advantage in the nation or world? After all, there is only one Central Appalachia in the world. There is only one Ivanhoe,

Virginia or Whitesburg, Kentucky. Build on that. What is Central Appalachia's brand or brands? How does it want to be known to the world?

A community should set a goal of involving at least 15 to 20 % of its citizens in developing a vision with clear goals and objectives for the next 10-20 years. One of the best resources for such an endeavor is the county's Cooperative Extension Service. Extension agents are adult educators who have access to the educational resources to help build a shared vision. They can link communities with those who have expertise about new trends in the economy without dominating the discussion. They can create venues for active group involvement. Critics argue that one can not expect citizens to show up at a county courthouse for a meeting. Rather, one must go to the places where they naturally meet: fire stations, churches, clubs and schools.

There are many examples of communities that have built a vision of themselves as an entrepreneurial venture (Hustedde, 2007, pp. 52-53). For example, Owen County, Kentucky has involved more than 25% of its adults and youth in creating a vision for the year 2020. Western North Carolina discovered one of its hidden assets: the nearly invisible craftsmen along back roads and highways of the Blue Ridge Mountains. A cluster of communities emerged to create a *Hand Made in America* trail which generates about \$120 million annually towards the local economy.

Without a community-based vision, it is difficult to develop a plan for action. Some leaders complain about apathy to carry out such a vision. But the literature suggests that people aren't apathetic. They don't know how to engage in collective action. They see meetings that are one-sided communication patterns or fighting matches. Leaders can cooperate with Extension educators to learn facilitation skills to actively involve citizens in a meaningful way. In any case, incentives are needed to encourage a community-based entrepreneurial vision. Otherwise, it becomes "one more thing to do."

The Georgia Department of Economic Development provides a community-based program to towns and cities that incorporate entrepreneurship into overall goals and strategies. When these communities meet these and other conditions, they are given the status and privileges associated with being one of Georgia's "entrepreneurial friendly communities." They become part of an entrepreneurial network with access to resources that aren't available to everyone. Central Appalachian communities could receive similar incentives to become certified as "entrepreneurial-friendly."

#### **Step Four: Create New Opportunities to Finance Entrepreneurs and Build Entrepreneurial Support Systems.**

Most entrepreneurial startups begin with modest capital from personal savings, family, friends and credit cards. According to a study of startup firms, only 7% receive funding from banks (Bhide, 2000). Capital may be needed to build and test a new prototype such as a trailer hitch device or to ask potential customers about a product or service. In many cases, entrepreneurs need operating capital until income exceeds expenses.

Entrepreneurs may have access to capital but be unaware about how to locate it. Some regions such as Pike County, Kentucky along the Virginia border have created a network of informal investors known as “angels” who listen to proposals from budding or current entrepreneurs and create a venue for them to find capital. They also provide feedback to launch businesses or to refine a business plan. Fairfield, Iowa has an Idea Bounce in which entrepreneurs share their ideas with a small group of other business people for feedback.

Significant amounts of locally-generated capital are leaving rural communities as part of the intergenerational transfer of wealth over the next 20 years. As a consequence, rural Nebraska communities are creating philanthropic foundations in which individuals are asked to leave 5% of their estate to the local community. When pooled together, these monies can reach significant sums that can be invested in local entrepreneurship or other creative endeavors that can foster an entrepreneurial climate.

In other cases, some communities have concluded that their economic development investments often lie idle in vacant industrial parks or buildings. Some have continued part of their portfolio in industrial recruitment but have shifted more resources for entrepreneurs by turning their vacant buildings downtown into business incubators with low-cost rent. They diversify into entrepreneurship education, micro-loans or other ventures.

Communities can foster partnerships to find capital for entrepreneurial endeavors. They include Community Development Financial Institutions (CDFIs) with the two-pronged purpose of serving communities and making a return on their investments. The Kentucky Highlands Investment Corporation in London, Kentucky is a CDFI with a rich history of partnering with federal agencies and others to provide startup and expansion capital for entrepreneurs. The Corporation also provides technical assistance through workshops or one-on-one guidance.

Entrepreneurs find it difficult to sort through the complexities about finance and the variety of technical assistance about market trends, competition mark research, financial projections and management strengths and weaknesses. Through the Kentucky Entrepreneurial Coaches Institute, five communities in South Central Kentucky have created entrepreneurial resource centers in their public libraries or Extension offices. These resource centers have desks, entrepreneurial self-help books and computers with a program that provides a one-stop guide for entrepreneurs. In most cases, the librarian has also received supplemental training from the University of Kentucky business librarian to assist entrepreneurs with data sources.

### **Step Five: Create Links with Urban Areas**

It is in the self-interest of rural communities to make strong entrepreneurial linkages and partnerships with urban areas. These linkages involve four approaches: 1) matchmaking; 2) inviting former residents to return; 3) attracting entrepreneurs from elsewhere; and 4)

making links with urban-based economic development organizations and professional or interest-based groups.

### *Matchmaking*

Central Appalachia has businesses and farms with aging owners who do not have a successor or a clear exit strategy. Hardware stores, bakeries, plumbing firms and automobile repair add to the local quality of life and prevent income leakages. But without successors, they are often closed when the owners retire, get sick or die. Communities can forge links with aspiring urban entrepreneurs who are interested in rural lifestyles and owning their own businesses. One can view it as a form of match making in which aging business owners find younger successors to learn about the business and explore a gradual buy-out to carry on and embellish their enterprises with new ideas and still service local needs. These successor entrepreneurs can bring new leadership and ideas to the communities they serve.

### *Come back home*

Several Nebraska communities keep in touch with high school alumni who live in urban areas. They encourage those who have been successful to return to the community and start new businesses. They provide low-cost rent, micro-funds and technical assistance. They link these aspiring entrepreneurs with the know-how they need to prosper. One community gives its high school graduates a mailbox and a letter inviting them back to the community when they finish their studies or gain some experience. In other cases, they create awards programs for former high school students to return. Such expressions create a hospitable climate to “come back home.”

### *Attract new entrepreneurs*

Rural communities have been creative in attracting physicians or other health care providers when vacancies exist. They forgive student loans or provide expenses to start up clinics. Paducah, Kentucky has launched an arts incubator program to attract artists from around the country. These attempts to lure can be expanded upon. For example, some communities can attract entrepreneurs where local entrepreneurial gaps exist in eco-tourism or heritage tourism. They can find butchers, plumbers, or provide business incubator space to start new enterprises. One small community attracted a grocer by offering low-cost loans, an inexpensive building and even stocked the grocery shelves, a major task, in order to launch this needed venture. A welcoming atmosphere along with a clear vision and forms of emotional, financial or technical assistance can attract existing or aspiring entrepreneurs to a region.

### *Form Direct Links with Urban Economic Development Organizations and Professional and Interest-Based Groups and Organizations*

In other cases, Central Appalachian communities can create direct links with economic development organizations and professional and interest-based groups in urban areas to promote their communities as venues for activities such as horseback riding competitions, scout expeditions, wildlife appreciation, bird sanctuaries and retreat centers. They can

capitalize on their quilts, scenery and the educational assets of their institutions which are valued by urban residents.

### **Step Six: Integrate the Arts into Entrepreneurship and Other Aspects of Your Community System**

Entrepreneurs are attracted to places that value creativity (Florida, 2002). They want to be in communities that nurture the arts, promote a healthy civic life, honor diversity and celebrate their cultural uniqueness. The arts can open up minds and hearts to new ideas and create a healthy civic life. Pike County, Kentucky has one of the nation's first fine arts Extension agents. Her role involves integrating the arts into all aspects of community life. She used local resources to start a community theatre that attracts well-known playwrights. She has started new arts programs that are woven into economic development, health, education and other aspects of community life.

Art takes many forms including storytelling, poetry, music, dance, the visual arts and other approaches. Some communities separate the arts from daily life. However, if art is incorporated into the other five steps listed above, it becomes more vibrant and relevant. Entrepreneurship is more than a cerebral activity; it involves the emotions integral to human life. Emotions are value judgments that are part of human survival. The arts provide emotional links between those whose stories have been hushed or not shared by all citizens. They stimulate the imagination and can foster a sense of delight and solidarity among citizens. Entrepreneurs are attracted to places in which a diversity of arts is valued.

Take the case of Palestine, a small municipality in Southern Illinois. Palestine wants its citizens to enjoy and experience the arts, which they see as part of their overall economic development strategy. The Palestine Artist Relocation Program has attracted artists of all genres and from various geographical locations with affordable housing, a cooperative gallery, low-cost historic and commercial sites, minimal interest loans and other resources. The community makes it clear that the arts complement its entrepreneurship endeavors and other community-based visions and plans.

### **Step Seven: Create Regional Clusters**

One of the myths of entrepreneurship is the lone entrepreneur who can succeed at everything. However, the reality is that the best entrepreneurs belong to teams in which individuals excel in one of three things: marketing or sales; the product or service; and finance. There isn't a single individual who is skilled in each of the three areas. Conversely, rural communities can not be lone entrepreneurs; they must integrate into a region in order to form entrepreneurial ventures. Entrepreneurs and their customers don't necessarily care about political boundaries.

In many cases, regional collaboration is essential. Elliott County, Kentucky and four other rural counties discovered their natural, historic and cultural assets poised them to



compete for the ecological and heritage tourism markets. They combined their resources to form a five-county eco-tourism organization in order to develop an asset map and to market their region to tourists. Their non-profit group has attracted significant funding from federal and philanthropic foundations to develop their tourism potential even further.

Central Appalachia may be too big and diverse a region to view itself as a cluster. Smaller regional clusters make more sense if there is a shared communication link with key television and radio stations and newspapers or if there are other systems of communication in place. Some of the rural communities in South Central Kentucky could not afford a full-time economic developer to foster entrepreneurship or other economic development agendas. Hence, they combined their resources to hire a full-time professional who can promote the region and still work with individual communities. Some communities may have access to unique resources such as Athens, Ohio with its regional kitchen incubator for gourmet food products, while other municipalities may employ their entire downtowns as incubators for a variety of retail and service-related businesses. In essence, regionalism makes more sense than a community working in isolation from its neighbors.

## **Summary**

This essay has explored four major questions facing Central Appalachia: 1) What should be done to revitalize communities and small businesses in Central Appalachia? 2) What should be done to foster entrepreneurship and new business development? 3) What role do residents want to play in shaping their future and what should planning officials do to help increase civic engagement in the economic transition? 4) Can collaboration between cities and rural communities create new opportunities for income?

Central Appalachia has a rich history of survival entrepreneurs who can adapt quickly to the ups and downs of changing markets. Survival entrepreneurship can be expanded into something more potent. If the region wants to prosper and survive, it must view itself as an entrepreneurial venture. It must assess its natural, physical, economic, human and cultural assets and their role in meeting the new needs of consumers at the regional, national and international levels. There are many resources to stimulate this kind of creative thinking (Michalko, 2006).

There are seven steps that will address the four questions listed above.

*Step One:* Build economic literacy among elected and community leaders about entrepreneurship and its promise and potential for the region. It doesn't make sense to exclusively invest limited resources and time in traditional industrial recruitment. Communities in the region must have a more diversified economic development portfolio.

*Step Two:* Discover how local educational institutions are entrepreneurial ventures and develop an action plan to maximize their impact. Entrepreneurship programs can be integrated into the mission and goals of middle schools, high schools, community colleges and regional universities in Central Appalachia, which can benefit education and lead to greater prosperity.

*Step Three:* Discover how communities or the region itself is an entrepreneurial venture. Build an innovative and provocative vision for the community that is realistic and builds on core strengths. The community must behave as an entrepreneur and look for new opportunities that others don't see.

*Step Four:* Create new opportunities to finance entrepreneurs and build entrepreneurial support systems. This essay has offered examples of how limited resources can be used creatively to provide financing and to support entrepreneurs with technical assistance for market research, competitive analysis, market trends and financial projections.

*Step Five:* Create direct links with urban areas. Strategies include matchmaking with aging business owners; recruiting former high school graduates back home; attracting new entrepreneurs and making direct links with urban-based economic development and professional groups to address their needs.

*Step Six:* Integrate the arts into entrepreneurship and other aspects of community life. Entrepreneurs want to be with other creative people, including artists. The arts opens up minds and hearts and can provide a sense of solidarity among peoples.

*Step Seven:* Create regional clusters with shared communication links such as a common newspaper, television or radio station. These clusters can combine resources to promote ecological or heritage tourism, to provide unique spaces for regional business incubators or to share the resources of a full-time economic and community developer. Small municipalities can no longer afford to go it alone.

The bottom line: Central Appalachia must build more boldly on its survival entrepreneurship strengths and view itself and behave as an entrepreneurial venture. It must explore new possibilities to meet changing global, national, and regional needs. A welcoming and nurturing entrepreneurial climate can be created for a critical mass of entrepreneurs to emerge. Entrepreneurship can not be an isolated program or project; it must be integrated into all aspects of community life and viewed as a system if the region wants to thrive. Central Appalachia can become the entrepreneurial hub for rural America.

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