



## Issues and Challenges Facing Kentucky Businesses: Implications for Rural Communities\*

*Betty King*

Small businesses in Kentucky are facing numerous challenges as they try to develop their business and compete in a changing marketplace. Some scholars argue that a reshaping or restructuring of employment patterns is taking place. These patterns include short-term or seasonal, part-time, or multi-job income sources. Women's increased labor force participation, the professionalization of social relations, and lifestyle or quality of life issues that emphasize individualism, self-employment, and entrepreneurship are factors (Fuller & Bollman, 1992). Multi-job or pluriactivity is not uncommon in rural and agricultural communities. Many individuals have more than one structured business or more than one income generating stream within their business. Farm communities, such as the Amish and Mennonite communities have long engaged in patterns of work that included farm work and non-farm activities to generate income.

The trend toward pluriactivity may have ramifications for rural communities in particular, especially in light of change in rural economies and the restructuring of agriculture. Many businesses cite the use of technology and computers as a way to transcend geographic boundaries to target markets for their products and services. In fact, most businesses can not survive on local trade alone. Technological advances are making markets more open and competitive in rural areas. Some experts suggest the 'new economy' as described recently at a Kentucky League Cities conference, "The Morphing of Mainstreet", will need technological infrastructure and trained workers. Rural communities, on the other hand, offer many of the qualities such as quality of life issues, neighborliness, and lower cost of living that attract 'new economy' small businesses. This has important implications for Kentucky business owners since parts of Kentucky are experiencing "digital divide" (Smith-Mello, Childress, Watts & Watkins, 2000). This lack of access to information technology compounds economic problems already evident in these regions.

Two studies conducted by the Gatton College of Business and TVA Rural Studies at the University of Kentucky examined male and female-owned businesses (Allen, Berger, & Thompson, 1999, King, 2000). One study was a mailed survey that compared the demographic profile and experiences of male and female-owned businesses. The second study explored female owned businesses issues more in-depth through ten focus groups conducted throughout Kentucky. Business owners represented seven business sectors from agriculture to retail to manufacturing. Here are some highlights of the studies:

Most businesses were relatively small in terms of their number of employees.

Both male and female owned business have very similar characteristics. Most businesses wanted to grow. Four major challenges were identified that were common to both male and female owned businesses. These were: Obtaining financing and access to capital; finding and keeping a skilled labor force; keeping up-to-date with technological changes and staying competitive in a changing marketplace.

### Summary and Implications

Small businesses from agriculture to main street retailers are making important social and economic contributions to Kentucky communities. In spite of the challenges, nearly all of the business owners are optimistic about the opportunities. Technological advances are making markets more open and competitive and are helping small businesses be more savvy in their day to day operations. Policy implications include

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addressing access to capital, creating technological infrastructure for rural communities, reducing governmental regulations, providing affordable health insurance, and addressing labor issues. Consolidation is occurring across all sectors of businesses from agriculture to funeral home businesses. The trend of consolidation has important ramifications for rural communities and small businesses. Business owners suggested that more needed to be done educationally to encourage the development of skills needed for starting a business. Banking and lending institutions may need to consider new products and promotional strategies to reach small business owners.

Extension outreach and research can play an important role in community and economic development. If strategically planned, networks and partnerships among and between institutions can be fostered. For example, as the focus groups were planned, key business institutional representatives were invited to participate, such as the Kentucky Small Business Development Center staff, Chamber of Commerce directors, and downtown development directors. New connections and perspectives on ways of doing business and networking were created between businesses, business support institutions, and the Cooperative Extension Service. Cooperative Extension Service programs in home-based business development, cooperative and value-added enterprise development can play an important role in small business development. Home based businesses are important entrees for women into small business.

More research needs to be conducted on small businesses, particularly the urban-rural interface influence on rural economic development. Many rural businesses are couple-owned, second career, or post retirement ventures, or multi-generationally owned businesses. Insights on small business and entrepreneurial activities in the changing rural economic landscape will be useful for extension workers, researchers, and policy makers.

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University of Kentucky  
Department of Agricultural Economics  
400 Charles E. Barnhart Bldg.  
Lexington, KY 40546-0276

Phone: 859-257-5762

Fax: 859-323-1913

URL: <http://www.uky.edu/Ag/AgEcon>

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