



# Development Opportunity Profile

## Ellis County, Kansas



*Developed for NetWork Kansas' Entrepreneurial Communities Initiative*

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## Introduction

The e2 – Entrepreneurial Ecosystems 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 or regional 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** was prepared for Ellis County in Kansas by the e2 and Network Kansas for the Ellis County E-Community Teams.

### 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 or region – how are families are doing; how is the ethnic makeup of your community or region 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 region. In the final section, we provide a summary of key development opportunities for your county 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://is.gd/7a8Gxg>

**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 regions. 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.



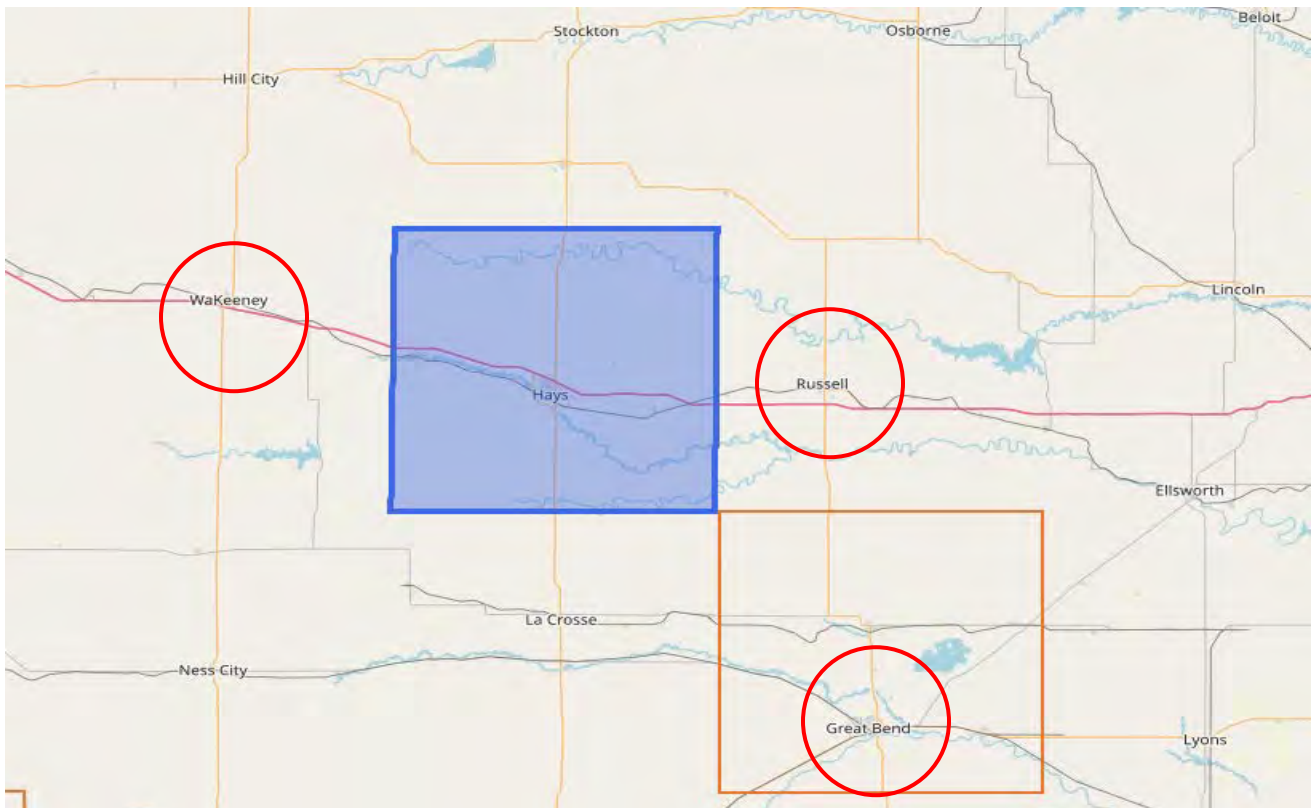
## Understanding the Economy – Historical Overview

### Regional Context

Every region has a unique location offering both opportunities and challenges. Even in our globally interconnected world, location still matters. Early in America’s history, a region’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.

Ellis County, home to Hays, is located in west central Kansas where the short-grass prairie emerges. Hays is both a regional center for this very rural region of Kansas, but also home to Fort Hays State University. Located along the intersection of Interstate 70 and U.S. 183, Hays serves as a transportation service hub. Overall, both Ellis County and Hays have sustained continuous population growth since the 1870s when they were settled. Population growth has slowed in the most recent decade compared to the previous six decades. Depopulation of rural northwestern Kansas (i.e., during the 2010 to 2016 this region has lost over 10,000 residents or 10% of its population base) is now constraining population growth for Hays. Your community is located in the Smoky Hills region and home to historic Fort Hays.

**Figure 1. Ellis County, Kansas**

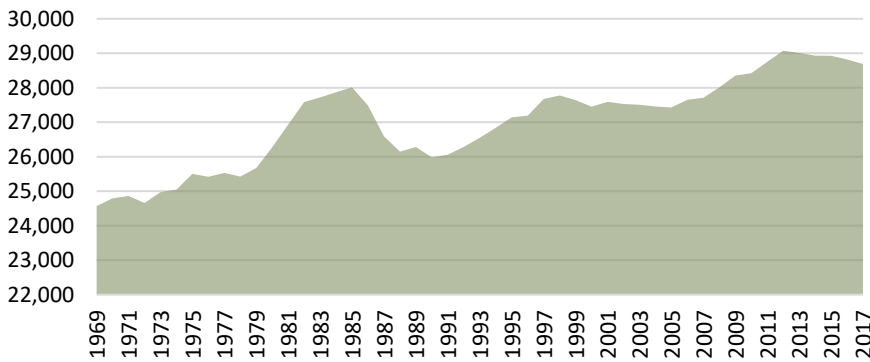




## Population Trends

Community and economic development should be focused on strategies that not only grow a more robust economy but create opportunities to attract and retain people. A growing population contributes to a strong workforce and supports community infrastructure including schools, health care, arts and culture, and retail activity. Failure to address population loss contributes to further economic and social contraction as a community or region’s vibrancy and capacity decline.

**Figure 2. Population Trends**



### Ellis County, KS Quick Demographic Profile

2010 Population – 28,452  
 Median Age – 32.3 Years  
 Households – 11,908  
 Average Household Size – 2.30

2018 Projected Pop – 29,204  
 2023 Projection Pop – 29,465

Projected 2018-2023  
 Growth Rate = 0.18% per year

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.

Figure 3 shows average annual change in population, including natural change (births and deaths) and migration (in-migration and out-migration), for 2000 through 2018. When natural population change moves towards zero or negative, a community will likely experience severe and chronic depopulation undermining community vitality. Migration, both domestic (within the U.S.) and international (outside of the U.S.) can strengthen or erode a community’s demographic or population health. Heavy net outmigration (more people leaving than coming in) can further stress demographic health and contribute to declining economic fortunes and quality of life. As America ages, overall birth rates are coming down. For many counties, in-migration of new residents is essential to not only sustain current population levels but to enable growth. For areas to be prosperous, rapid population growth is not necessary.

**Figure 3. Average Annual Components of Population Change, 2000-2018**

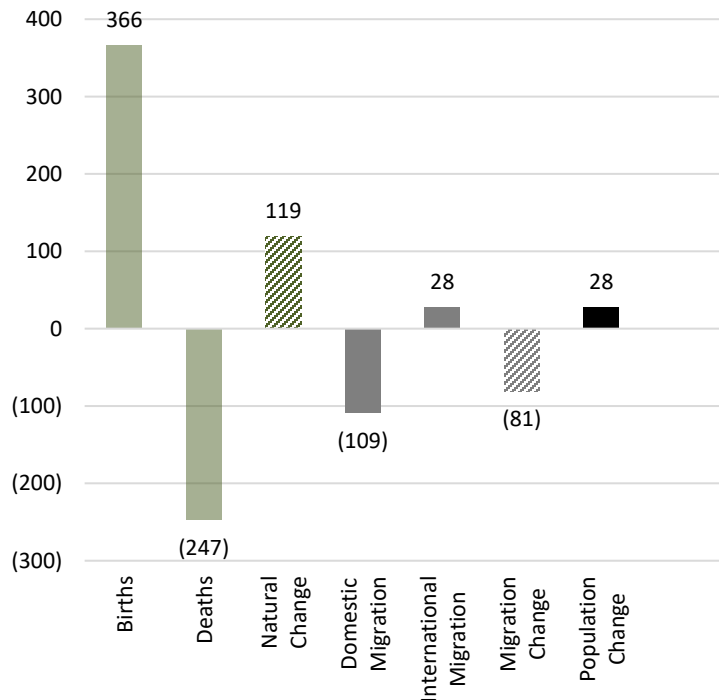






Figure 4. Percent Age Cohort Change, 1990-2000

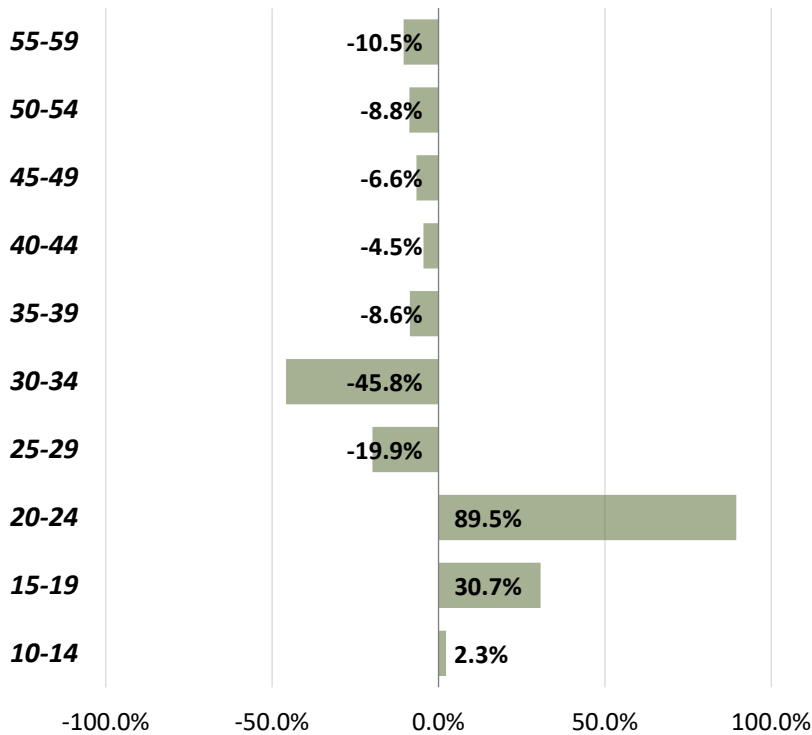
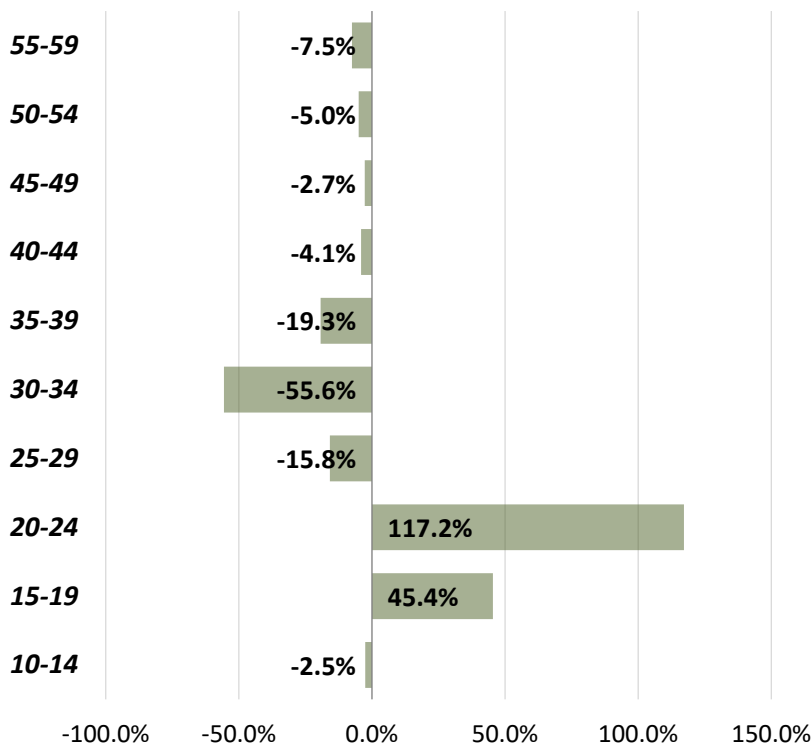


Figure 5. Percent Age Cohort Change, 2000-2010



Dr. Ben Winchester with the University of Minnesota studies population trends across America. We have been using his research increasingly over the past few years.

One way to think about a community's or region's **demographic health** is to compare changes in age cohort groups over ten year or Census periods. In much of rural America, there is a national trend where rural communities typically lose many of their 20-year-olds as they leave high school and often leave their home county to pursue higher education or work elsewhere.

What Dr. Winchester has observed is a trend of 30-year-olds returning after this away-from-home experience. This trend is potentially important to rural communities that have been losing population over time. With returning 30-year-olds, we have younger families, school-age children, a larger workforce and potential entrepreneurs.

Increasing the population of 30 year olds should be a development objective in the county. In creating a more entrepreneurial economy and society, your county can be more successful in retaining and attracting the 25 to 40 year old age groups. For this to happen more frequently, communities must create more and better economic opportunities with a range of jobs and careers through local business formation and growth.



## Employment Trends

Figure 6 to the right provides the long-term historical trend for total employment in the county. Typically, if a county’s population is increasing, we will also see increasing employment. However, for rural counties, it is not uncommon to see declining population with growing employment at least for some time. In most parts of America, workers are willing to travel

long distances for jobs and careers. Workforce is often regional where people live in one community and commute to another community for work and running businesses. Eventually, if a community continues to experience population loss, its ability to sustain job growth is undermined. Later in this Profile, we provide more detailed information on job trends associated with different kinds of ventures by type and size of employment.

Figure 6. Employment Trends

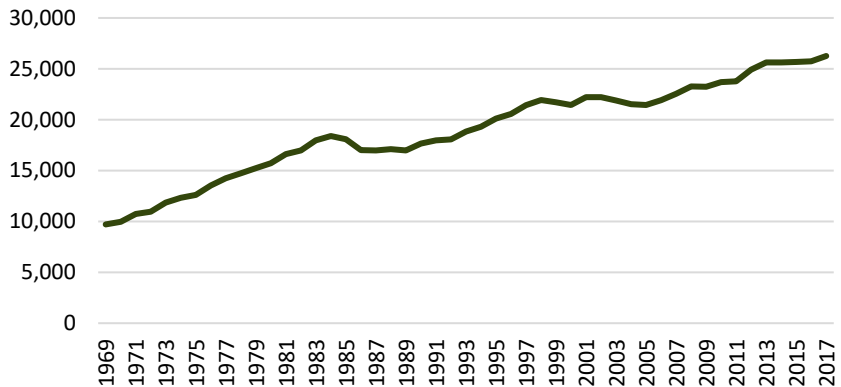
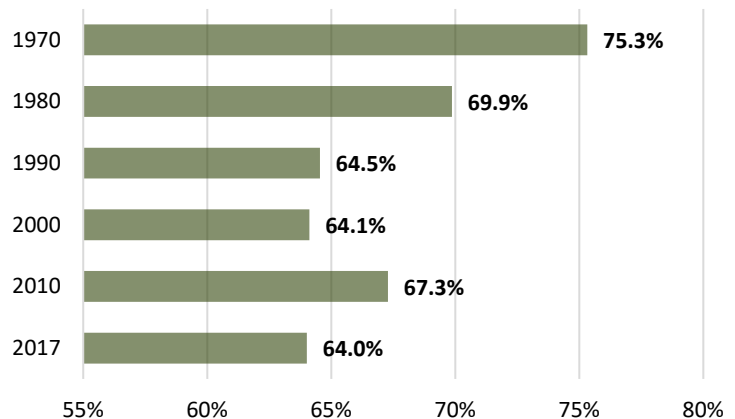


Table 1. Net Job Growth During Recession Periods

2001 Recession		Great Recession	
Recession (Mar-Nov 2001)	0.1%	Recession (Dec 2007-June 2009)	0.0%
Recovery (Dec 2001-Nov 2007)	0.2%	Recovery (July 2009-Dec 2018)	-0.1%

“Labor earnings to total personal income” is a good proxy for how dynamic or robust an economy is. Across the country, the share of labor earnings (active work) relative to total personal income has been dropping reflecting both an aging and stagnating economy. A healthy labor-earning rate is in the range of 60 to 70 percent. For communities with a Labor Earnings Ratio that has been consistently dropping, there should be concern about the vitality of a community’s economy. In some situations, this ratio will fluctuate due to influences of natural resource extraction and processing. In communities where farming is predominant, earnings will fluctuate from year to year impacting this ratio. The same is true for other economies where oil, timber, fisheries and tourism are king. Understanding how these economic activities impact community health and well-being is important and a commitment to economic diversification is key to more stable and prosperous communities.

Figure 7. Labor Earnings as a Percent of Total Income



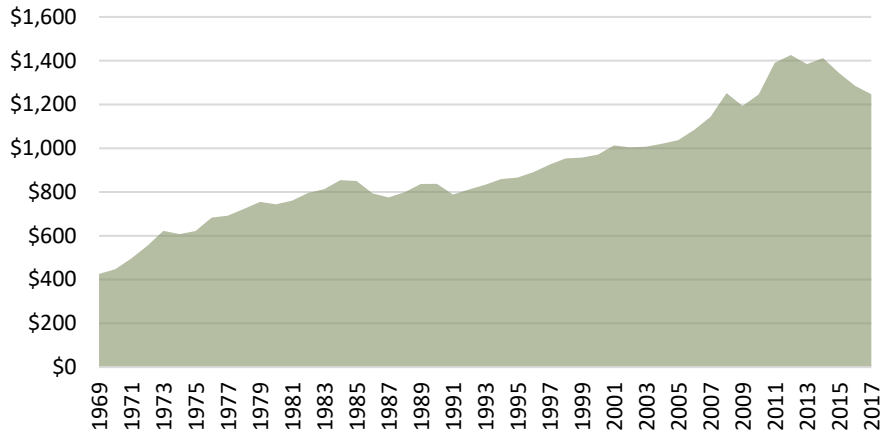


## Personal Income Trends

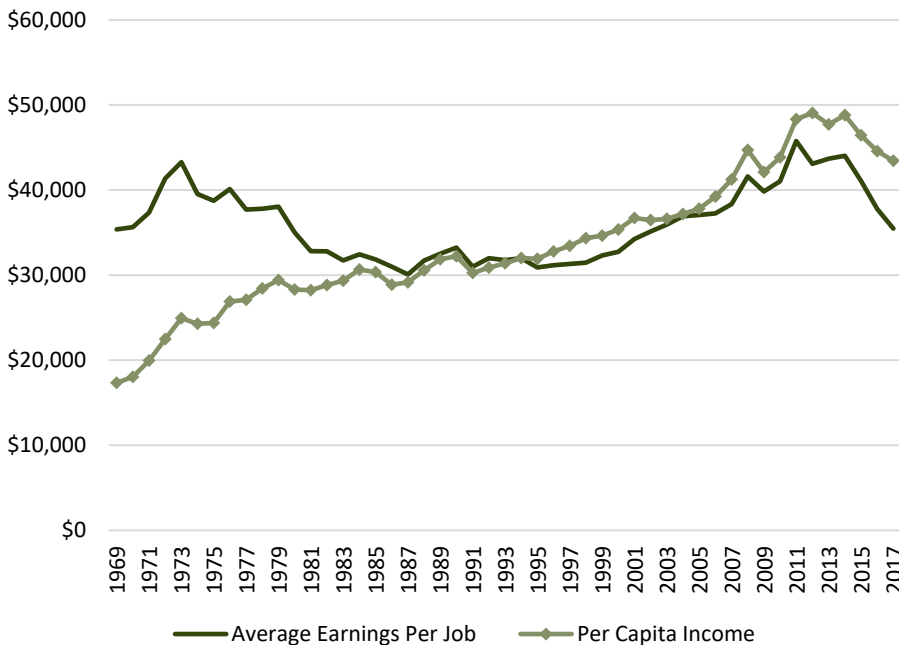
Long-term personal income trends, measured in real or inflation adjusted dollars (where a dollar in 2017 has the same purchasing power as a dollar in 1970) are presented for your county in Figure 8. Personal income is a critically important indicator of community well-being. Generally speaking, when personal income is rising faster than both population and employment, household and community well-being is improving.

What Figure 8 does not show is income distribution. We have additional research in your Electronic Library profiling Household Disposable Income and Current Net Worth.

**Figure 8. Personal Income Trends**  
(Millions of 2017 dollars)



**Figure 9. Average Earnings Per Job & Per Capita Income**  
(2017 dollars)



Per capita income (total personal income for the county divided by the number of permanent residents or population) is a good indicator of how well a county is doing. Per capita income in most rural communities is rising because of an aging population. Total personal income includes active earnings (wage and salary earnings) and passive earnings associated with rents, Social Security, retirement, royalties and the like. With aging populations, active earnings may be stagnant but per capita income is rising due to growing passive earnings. Average

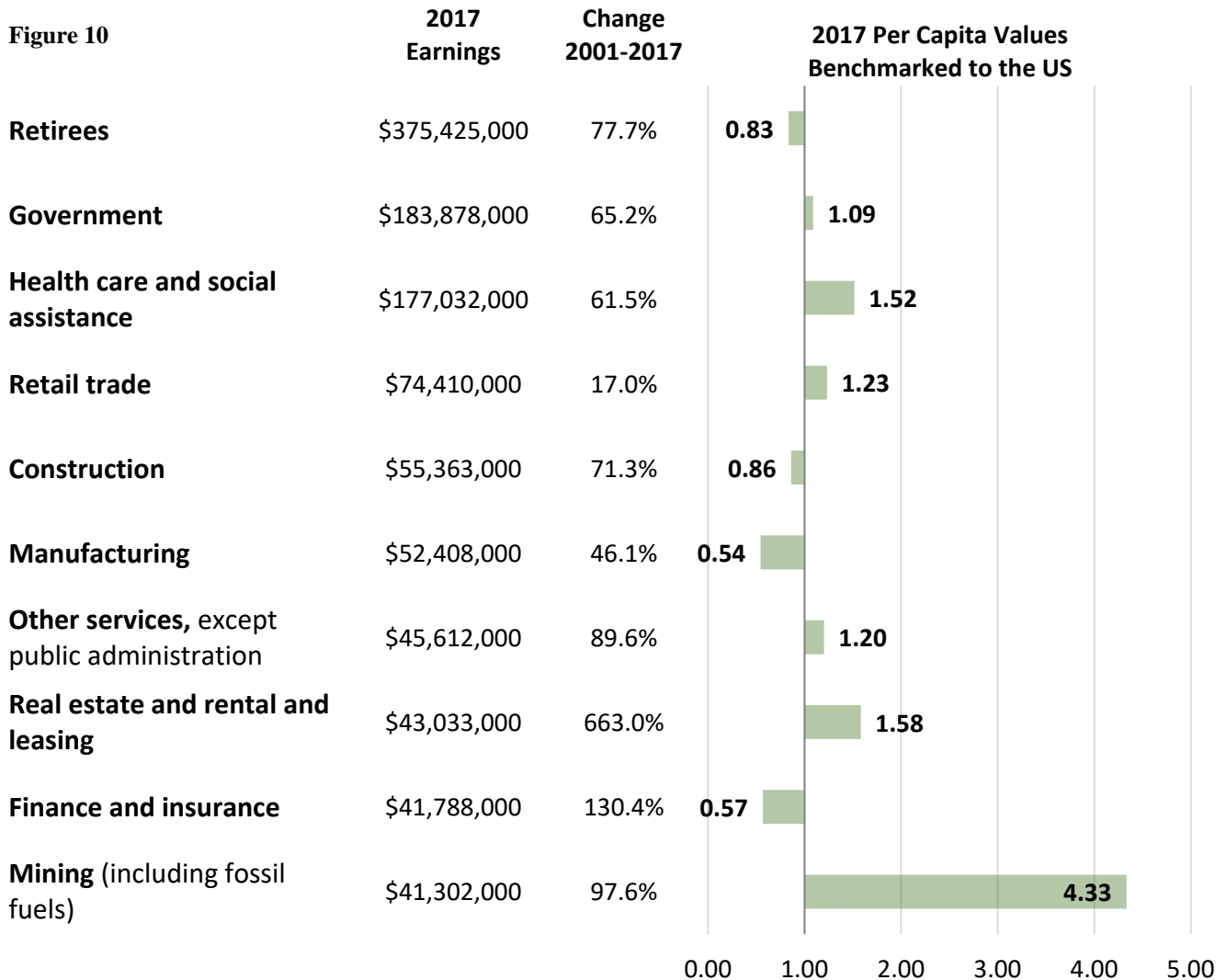
earnings per job gives us a better indicator of how business owners and workers are doing. When average earnings are rising, chances are good that the county is doing better. The converse is true when average earnings are contracting reflecting reduced earnings from businesses and wage stagnation or cuts for workers.





## Economic Drivers

Every community, region 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 county, how each of these has done in the last decade and its relative importance benchmarked to U.S. averages.



The following analysis provides additional detail on each of these “economic drivers” shaping your county’s economy and society. Additional information is available through the Profile’s electronic library and from the Center by contacting Don Macke at [don@e2mail.org](mailto:don@e2mail.org).



**Retirees.** America is aging and retirees are among the most important economic drivers in our communities today. Retirees are a non-traditional economic sector. We may consider manufacturing, mining and even health care as economic sectors, but retirees are increasingly important to our community's economic well-being. Retirees generate significant spending for 55-plus housing, health care, recreation and other activities. For some rural communities, a local hospital and clinics exist because of retirees and their Medicare insurance programs.

**Government.** Government includes everything from military agencies to federal, state, and local government organizations. Government also includes public education ranging from the local public K-12 school system, public community colleges, colleges, universities and educational learning centers and agencies. For some communities, all or part of their health care system is public and would be included in the government sector. Government adds stability and diversification to your community while also providing critically important services. Ensuring government stability is highly recommended. Growing, through business development, a larger tax base is an important game plan providing adequate tax revenues to support government functions while reducing the burden on both farm and residential taxpayers.

**Health Care and Social Assistance.** Depending upon the source and the community, between 5 and 10% of the entire American economy is associated with health care and social services. For many rural communities, the local hospital, clinic, dental office, and care home represent major economic drivers and important sources of both jobs/careers and supply chain businesses like the local private pharmacy that exists because there is an assisted living home in your community.

**Retail Trade.** Retail Trade is a bedrock and iconic economic activity in every community. Over the years the Norman Rockwell main street has experienced significant change with emergence of strip commercial activities, shopping centers, franchised box stores and now electronic commerce (think Amazon). Locally owned retail trade today is both very important to community health (e.g., captures and recycles local spending and roots wealth) and challenged.

**Construction.** Construction, like local retail trade and services, is found in most community and regional economies. Construction activity ranges from locally-based contractors like plumbers and homebuilders to regionally-based construction companies and external companies doing major projects (e.g., roads, power plants, etc.) in a community.

**Manufacturing.** Manufacturing is a mainstay economic activity. Manufacturing in the United States is undergoing profound change due to automation and offshoring. Lower value and lower skill manufacturing is in decline. However, overall manufacturing activity in the U.S. based on value-added output is actually rising. Manufacturing can range from the production of clothing, cars, and furniture to natural resource processing and refining.

**Other Services** (except public administration). Other Services is also an important sector in the County. This is typical, and this sector of your economy is growing. Other Services generated over \$45 million in household earnings in 2017. This sector has grown by over 89% between 2001 and 2017. Further exploration of this sector is warranted and likely represents business development opportunities.



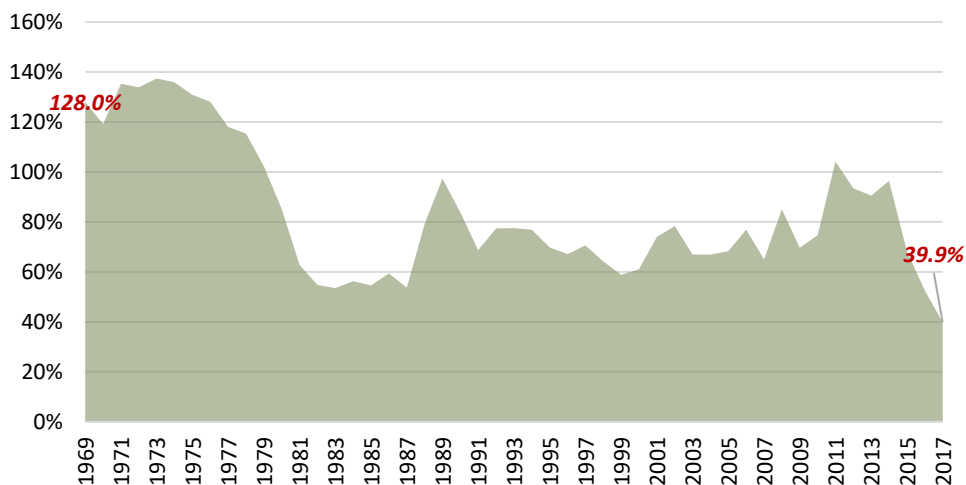
**Real Estate, Rental & Leasing.** Home and commercial construction fall into the “construction” sector while activities in this sector include real estate agencies and increasing activity in the rental and leasing space. The common activity within this sector is managing transactions between real estate owners and sellers/purchasers and owners/renters.

**Finance & Insurance.** Finance includes such activities as banking, credit unions, stock brokers and other financial institutions. Insurance includes everything from your local home and auto insurance agent to small and regional insurance underwriting companies. This sector tends to provide a wide range of office related jobs ranging from certified insurance agents and loan officers to support office staff including secretaries, clerks and accounting staff.

**Mining.** Mining is another rural based and extractive industry including such activities as oil and natural gas production, coal mining, hard rock mining (e.g., gold, silver, etc.), construction related mining (e.g., sand, gravel and aggregates) and landscape related mining (e.g., rock using in home, commercial and industrial landscaping).

**Locally Owned Ventures.** Historically, one of the greatest assets of American communities was locally owned retail businesses, services and manufacturing operations (often referred to as Main Street USA). These were area-owned and operated. They were rooted in the community. Figure 11 measures the income associated with these locally-owned businesses compared to that associated with wage and salary jobs. This ratio provides an indication of how well these ventures are doing in our changing environment.

**Figure 11. Nonfarm Proprietor Income as a Percent of Wage & Salary Income**



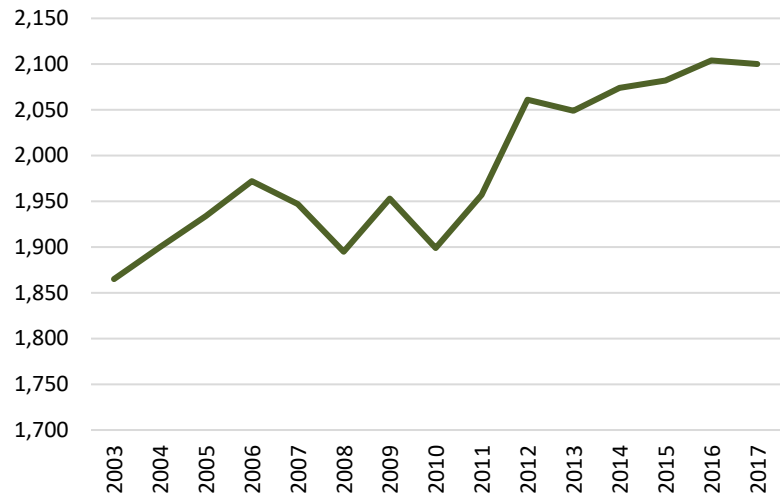


## Understanding the Business/Entrepreneurial Economy

### Big Picture Overview

A central driver of community or regional prosperity is the business community. Figures 12-19 provide an overview of the county’s business community, including for-profit, non-profit and governmental enterprises, from 2003 through 2017. Figure 12 highlights the longer-term trend in the number of all regional establishments including for-profit businesses, non-profit ventures and government entities.

Figure 12. Businesses



#### Ellis Co, Kansas Business Summary

**Total Businesses**  
1,617

**Businesses per 1,000 Residents**  
Ellis County – 55  
Kansas – 46  
U.S. – 77

**Total Employees**  
17,953

**Employees per 1,000 Residents**  
Ellis County – 615  
Kansas – 552  
U.S. – 447

Figure 13. Jobs

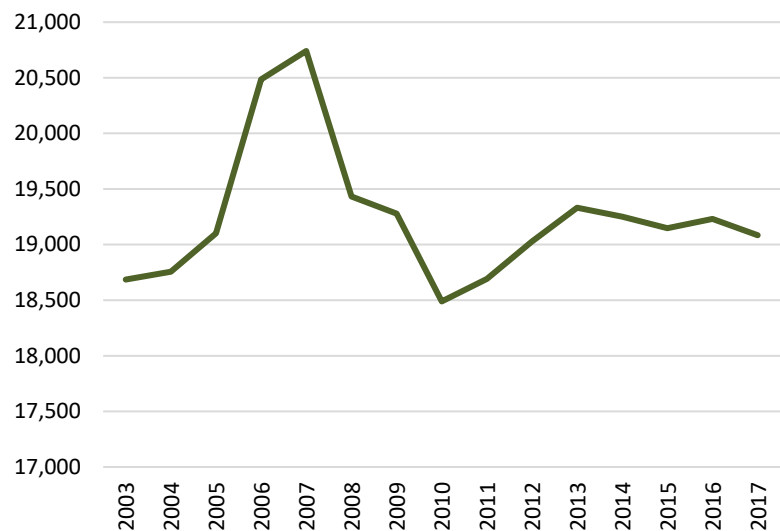


Figure 13 provides a comprehensive picture of all employment from for-profit business to non-profits to government entities including schools. This does not reflect the employment of those who live in the county and work outside of the county.

Data in Figures 12-14 & 16-19 is from [www.youreconomy.org](http://www.youreconomy.org).  
Find the source data for these figures in the electronic library.

Esri ([www.esri.com](http://www.esri.com)) produces regional analysis of ventures and employment by sector. The data provides a useful overview of the relative importance of specific sectors in the county’s economy in 2016 (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.

Table 2 provides an accounting of the county's ventures including the number of Ventures by sector and associated full-time equivalent employment. This data source does not always capture all venture activity. For example, it may not fully reflect the number of farms and ranches in a rural area. For those sectors where we have data gaps, there are supplemental reports in your county's e-library.

**Table 2. Economic Sectors, Ellis County, KS, 2018**

Sector	Ventures	Employees	Percent of Total Employees
Agriculture	13	44	0.2%
Mining & Utilities	39	645	3.6%
Construction	140	1,103	6.1%
Manufacturing	59	1,045	5.8%
Wholesale Trade	65	427	2.4%
<b>Retail Trade*</b>	247	2,547	14.2%
Transportation & Warehousing	45	342	1.9%
Information	35	831	4.6%
<b>Finance &amp; Insurance*</b>	87	587	3.3%
Real Estate	80	287	1.6%
Professional Services	102	428	2.4%
Management & Administrative	38	148	0.8%
Education	59	2,211	12.3%
Health Care	146	3,089	17.2%
Arts, Entertainment & Recreation	28	666	3.7%
Accommodations	17	227	1.3%
Food Service	74	1,465	8.2%
<b>Hospitality Sector**</b>	119	2,358	13.1%
Other Services	222	981	5.5%
Public Administration	82	880	4.9%
Unclassified Establishments	39	0	0.0%
<b>Total</b>	<b>1,617</b>	<b>17,953</b>	<b>100%</b>

\*Esri provides additional detail for these sectors including sub-sector information.

\*\*Hospitality Sector is created by combining the three preceding sectors.

**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. Additionally, services for business, households, non-profits and governmental agencies are increasingly important. We have additional information on your county's service sector in your e-library.

**Table 3** on page 14 provides more detail on retail demand and supply, identifying positive trade balances and spending leakages. 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 3. Retail MarketPlace Profile, Ellis County, KS, 2018**

<b>Summary Demographics</b>						
2018 Population						29,204
2018 Households						12,214
2018 Median Disposable Income						\$39,871
2018 Per Capita Income						\$26,484
<b>Industry Summary</b>	<b>NAICS</b>	<b>Demand (Potential)</b>	<b>Supply (Sales)</b>	<b>Retail Gap</b>	<b>Leakage/Surplus Factor</b>	<b>Number of Businesses</b>
Total Retail Trade and Food & Drink	44-45,722	\$399,833,036	\$595,749,082	\$195,916,046	19.7	306
Total Retail Trade	44-45	\$363,944,420	\$548,529,692	\$184,585,272	20.2	243
Total Food & Drink	722	\$35,888,616	\$47,219,390	\$11,330,774	13.6	63
<b>Industry Group</b>	<b>NAICS</b>	<b>Demand (Potential)</b>	<b>Supply (Sales)</b>	<b>Retail Gap</b>	<b>Leakage/Surplus Factor</b>	<b>Number of Businesses</b>
Motor Vehicle & Parts Dealers	441	\$91,561,042	\$200,890,363	\$109,329,321	37.4	35
Automobile Dealers	4411	\$56,829,026	\$182,750,495	\$125,921,469	52.6	17
Other Motor Vehicle Dealers	4412	\$28,578,273	\$7,472,179	-\$21,106,094	-58.5	5
Auto Parts, Accessories & Tire Stores	4413	\$6,153,743	\$10,667,689	\$4,513,946	26.8	13
Furniture & Home Furnishings Stores	442	\$10,882,846	\$13,367,942	\$2,485,096	10.2	20
Furniture Stores	4421	\$7,600,001	\$6,429,636	-\$1,170,365	-8.3	6
Home Furnishings Stores	4422	\$3,282,845	\$6,938,306	\$3,655,461	35.8	14
Electronics & Appliance Stores	443	\$9,914,232	\$9,498,193	-\$416,039	-2.1	13
Bldg Materials, Garden Equip & Supply Stores	444	\$22,975,891	\$41,392,978	\$18,417,087	28.6	31
Bldg Material & Supplies Dealers	4441	\$20,908,538	\$39,248,084	\$18,339,546	30.5	26
Lawn & Garden Equip & Supply Stores	4442	\$2,067,353	\$2,144,894	\$77,541	1.8	5
Food & Beverage Stores	445	\$67,048,597	\$69,952,163	\$2,903,566	2.1	19
Grocery Stores	4451	\$59,104,229	\$59,280,010	\$175,781	0.1	9
Specialty Food Stores	4452	\$1,612,520	\$243,221	-\$1,369,299	-73.8	1
Beer, Wine & Liquor Stores	4453	\$6,331,848	\$10,428,932	\$4,097,084	24.4	9
Health & Personal Care Stores	446,4461	\$17,331,160	\$26,902,532	\$9,571,372	21.6	20
Gasoline Stations	447,4471	\$35,013,204	\$66,022,995	\$31,009,791	30.7	21
Clothing & Clothing Accessories Stores	448	\$13,209,521	\$18,120,447	\$4,910,926	15.7	25
Clothing Stores	4481	\$8,891,439	\$7,123,399	-\$1,768,040	-11.0	12
Shoe Stores	4482	\$1,644,385	\$5,837,473	\$4,193,088	56.0	7
Jewelry, Luggage & Leather Goods Stores	4483	\$2,673,697	\$5,159,575	\$2,485,878	31.7	6
Sporting Goods, Hobby, Book & Music Stores	451	\$8,384,698	\$11,139,553	\$2,754,855	14.1	12
Sporting Goods/Hobby/Musical Instr Stores	4511	\$6,966,551	\$10,916,790	\$3,950,239	22.1	11
Book, Periodical & Music Stores	4512	\$1,418,147	\$222,763	-\$1,195,384	-72.8	1
General Merchandise Stores	452	\$66,714,527	\$60,498,393	-\$6,216,134	-4.9	5
Department Stores Excluding Leased Depts.	4521	\$48,655,765	\$57,724,001	\$9,068,236	8.5	3
Other General Merchandise Stores	4529	\$18,058,762	\$2,774,392	-\$15,284,370	-73.4	2
Miscellaneous Store Retailers	453	\$14,946,126	\$14,020,320	-\$925,806	-3.2	37
Florists	4531	\$761,411	\$810,276	\$48,865	3.1	3
Office Supplies, Stationery & Gift Stores	4532	\$3,761,581	\$3,869,205	\$107,624	1.4	9
Used Merchandise Stores	4533	\$1,696,016	\$4,960,412	\$3,264,396	49.0	9
Other Miscellaneous Store Retailers	4539	\$8,727,118	\$4,380,427	-\$4,346,691	-33.2	16
Nonstore Retailers	454	\$5,962,576	\$16,723,813	\$10,761,237	47.4	5
Electronic Shopping & Mail-Order Houses	4541	\$3,992,124	\$11,901,128	\$7,909,004	49.8	2
Vending Machine Operators	4542	\$482,292	\$528,538	\$46,246	4.6	1
Direct Selling Establishments	4543	\$1,488,160	\$4,294,147	\$2,805,987	48.5	2
Food Services & Drinking Places	722	\$35,888,616	\$47,219,390	\$11,330,774	13.6	63
Special Food Services	7223	\$396,289	\$0	-\$396,289	-100.0	0
Drinking Places - Alcoholic Beverages	7224	\$2,750,592	\$2,712,953	-\$37,639	-0.7	7
Restaurants/Other Eating Places	7225	\$32,741,735	\$44,506,437	\$11,764,702	15.2	56



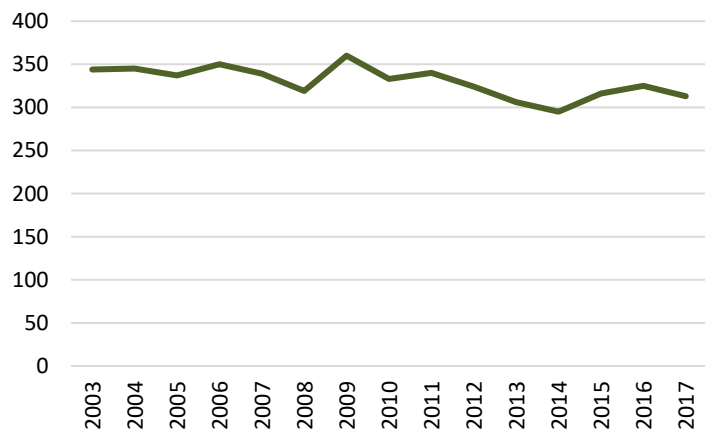


## Entrepreneurial Profile

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 – 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 14 shows self-employment trends for your county from 2003 through 2017 ([www.youreconomy.org](http://www.youreconomy.org)).

**Figure 14. Self-Employed**



Rising self-employment can be due to two things. First, it can reflect the lack of wage and salary jobs where people in a community are forced into necessity entrepreneurship to get by until better jobs emerge. Second, it can be an indicator of increased new venture startups. Self-employment is a leading indicator of new entrepreneurial activity in a community. Working with the self-employed offers a significant development strategy for the county.

Conversely, declining self-employment can reflect two realities in a community. First, it can indicate an improving wage and salary job market where self-employed persons are taking jobs. For example, this may happen when a business expands and there are significant new job openings. Second, it can indicate deeper community decline where overall economic activity is contracting. Understanding what is behind these trends is paramount.

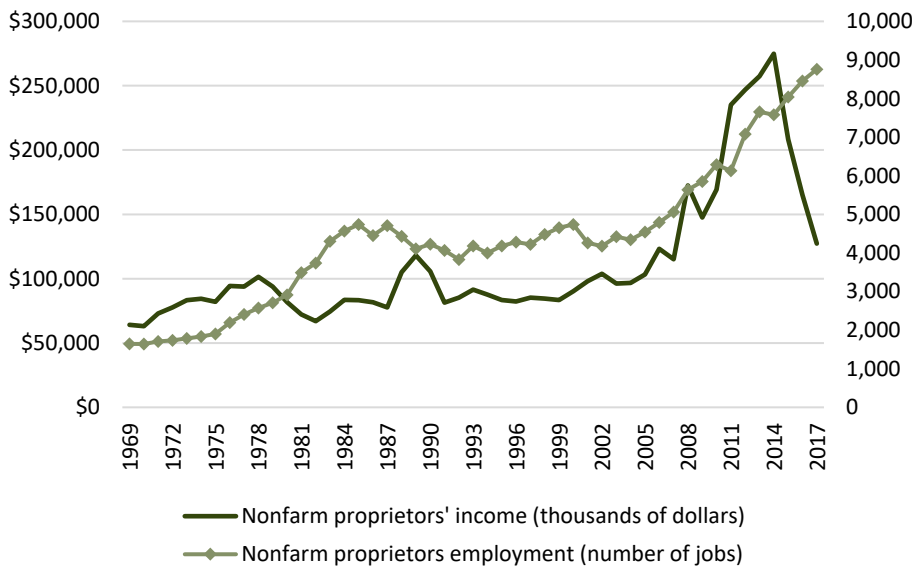
Regardless of your county’s trend direction, it is important to discover who your self-employed entrepreneurs are. We urge the county to focus on the following three questions as it explores this development opportunity:

- Who are these self-employed startups?
- What are they doing?
- How could we help them be more successful?

Increasing self-employment or startup activity can be an important business development objective within an overall economic development strategy.



**Figure 15. Nonfarm Proprietors' Income & Employment**



**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 15) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org

(Figure 16) 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.

Stage 1 ventures with 2-9 employees overlap with Nonfarm and farm proprietorships. Typically, statistics on Stage 1 ventures have higher numbers for both number of ventures and employment. This difference is due to the fact that Stage 1 ventures can include small corporations and LLCs that may not be classified as proprietorships. Comparing the two sets of data can help a community or region gain a better idea of what is happening

**Figure 16. Employment in Stage 1 (2-9 Employees) Ventures**



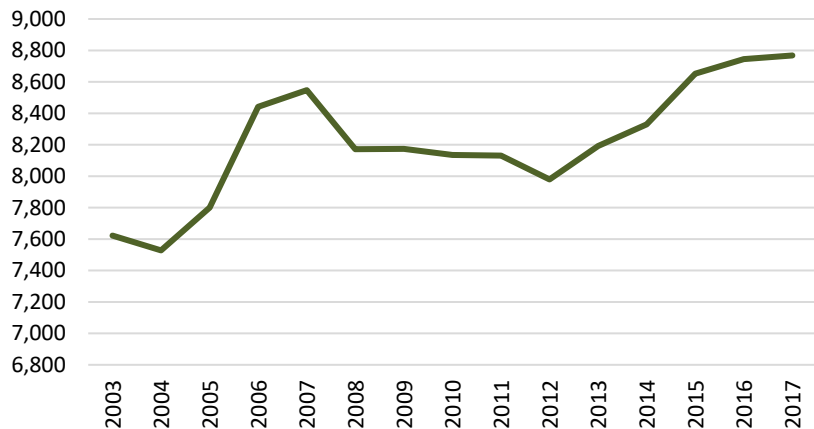
with this all important component of your venture community. For communities or regions that are more rural, Stage 1 ventures and nonfarm proprietorships are the bedrock of "main street" type locally-owned ventures. These are our cafes, retail shops, dental offices, medical clinics, small manufacturing operations, local trucking firms and the like. Stage 1 indicators can vary as ventures move between the magic line of 9 to 10 to 10 to 99 employees. Watching how Stage 1 and Stage 2 indicators are changing can reflect movement between these two classes of businesses. Maintaining and sustaining nonfarm proprietorships and Stage 1 ventures are foundational to most regional economies. This is particularly true if ownership is local meaning profits from the ventures are creating local wealth.



**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 ([Edward Lowe](#)) 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 17 illustrates what we call Stage 2 Ventures or those employing 10 to 99 employees. Stage two ventures are critically important to a community or region. These ventures tend to create more jobs and better jobs. There may be less part-time or flexible time situations. Ventures at this size tend to need a stable and productive workforce creating jobs with better compensation, security

**Figure 17. Employment in Stage 2 (10-99 Employees) Ventures**



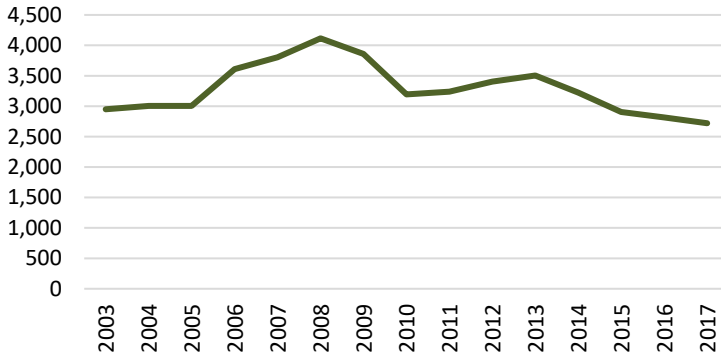
and benefits. Ownership can be area, franchises with local and outside ownership and branch facilities of outside LLCs and corporations. Increasing Stage 2 ventures is an important development goal as these ventures tend to provide better jobs. Most likely some Stage 1 businesses became Stage 2 employers through growth.

**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 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

**Figure 18. Employment in Stage 3 (100-499 Employees) Ventures**

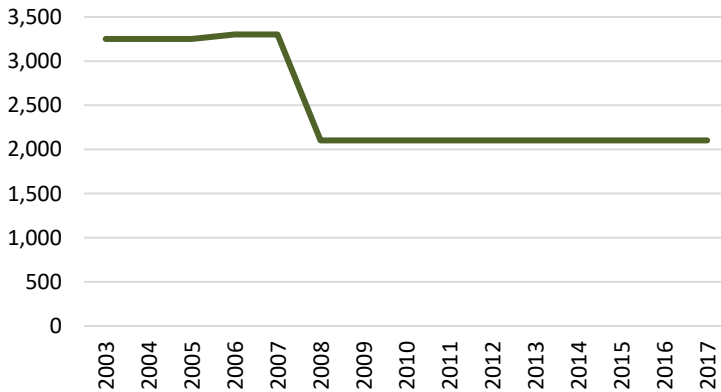


ventures, there is a strong probability that there is breakout entrepreneurial activity.

At the local or regional 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.

**Figure 19. Employment in Stage 4 (500+ Employees) Ventures**



**Large or Stage 4 Ventures.** The U.S. Small Business Administration defines the dividing line between small and big businesses as 500 employees. YourEconomy defines State 4 ventures as those with 500 or more employees. In rural regions, ventures with this kind of employment are rare and often associated with branch manufacturing plants, regional health care facilities, regional colleges and universities, consolidated K-12 school systems and major energy, power or mining operations.

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 4 provides a comprehensive picture of all private, public and non-profit business establishments across the entrepreneurial pipeline, using data from [www.youreconomy.org](http://www.youreconomy.org).

Every community, particularly within a larger regional setting, has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. Regional and local leaders should focus on understanding the entrepreneurial talent that exists across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.



**Table 4. Ellis County, KS Entrepreneurial Pipeline**

	2003	2007	Change	2003	2017	Change
<b>Establishments</b>	1,865	1,947	82	1,947	2,100	153
Self-Employed (1)	344	339	-5	339	313	-26
Stage 1 (2-9)	1,171	1,233	62	1,233	1,388	155
Stage 2 (10-99)	330	350	20	350	382	32
Stage 3 (100-499)	17	22	5	22	15	-7
Stage 4 ( 500+)	3	3	0	3	2	-1
<b>Jobs</b>	18,686	20,741	2,055	20,741	19,084	-1,657
Self-Employed (1)	344	339	-5	339	313	-26
Stage 1 (2-9)	4,518	4,748	230	4,748	5,181	433
Stage 2 (10-99)	7,622	8,547	925	8,547	8,768	221
Stage 3 (100-499)	2,950	3,805	855	3,805	2,720	-1,085
Stage 4 ( 500+)	3,252	3,302	50	3,302	2,102	-1,200

## Using this Development Opportunity Profile

This **Development Opportunity Profile** is meant to be used as a conversation starter in your community or region. 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 and regional 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, 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 county 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 Ellis County. We hope these insights provide the fodder for your initial community conversations.

**Today’s Economy.** Your economy is rooted in two primary economic activities – Fort Hays State University and Hays’ role as a regional trade and service center. The economy is diversified with manufacturing agriculture, and energy production. The trade and service sector is anchored in health care, retail trade, finance, insurance and services. Passing through traffic on Interstate 70 and U.S. 183 generate additional hospitality activity including lodging, food service and motor vehicle services. Largely due to the student and staff at Fort Hays State University, real estate and rental services are the eight largest sector in your 2017 county economy.



**Strategic Development Consideration 1 – Fort Hays State University.** Being home to Fort Hays State University provides your community with a significant development asset. The University is a primary economic driver creating jobs, spending and quality of life enhancements (e.g., arts, humanities, sports and a more diverse population). The University also serves to draw human talent to your community. This is a significant development opportunity. While most of the students who attend the University move on after graduation, there is an opportunity to attract and retain some of the students and faculty into the broader area economy and society. The University represents a pathway to greater economic and social competitiveness and diversification. A focused strategy on leveraging this opportunity is recommended.

There is also a longer-term threat associated with the University. The dual trends of declining post-secondary age students (i.e., population aging nationwide, but particularly in America’s rural Great Plains Region) and eroding government financial support will constrain the University’s ability to grow and thrive. Strong advocacy in support of the University is recommended including support for sustained public financing to ensure affordability and aggressive student recruitment.

**Strategic Development Consideration 2 - Manufacturing, Energy and Agriculture.** Your community’s economy is diversified with manufacturing (e.g., \$52 million in household earnings in 2017 with a 2001-2017 growth rate of 46%), energy production (e.g., \$41 million in household earnings in 2017 with a 2001-2017 growth rate of nearly 98%) and agriculture. These industries are driven by national and international forces. But your community can work to ensure a healthy and supportive environment for these industries. A focused larger employer workforce attraction and development strategy should be considered. Additionally, working with local businesses to become more competitive in capturing industry related spending (e.g., this would also apply to the University) is recommended.

**Health Care.** *Hays serves as a regional health care center. Health care and social services is your county’s fourth largest economic driver generating over \$177 million in household earnings in 2017 with 62% grow in earnings between 2001 and 2017. Supporting this sector is critically important to both a higher value economy, but your position as a regional trade and service sector.*

**Strategic Development Consideration 3 – Economic Diversification and Entrepreneurship.** Your community is one of the largest in Western Kansas. You have a relatively diversified economy that is healthy and thriving. However, given chronic and severe depopulation in the western Great Plains Region, we strongly recommend a smart and focused economic diversification strategy rooted in identifying and supporting growth-oriented entrepreneurs. We offer the following entrepreneur-led development options:

**Increased Area Spending Capture.** *Retail trade is your fourth largest economic driver (see Figure 10 on page 9) generating \$74 million in household earnings in 2017 with a moderately strong growth rate of nearly 17% between 2001 and 2017. Other services is your seventh largest driver generating over \$45 million in household earning in 2017 with a very strong growth of nearly 90% between 2001 and 2017. Combined, your role as a*





*regional employment and retail/service center for a larger rural region is very important to your community's vitality and growth.*

*In 2018, Esri is estimated county retail demand (see Table 3) at \$400 million, retail supply at \$596 million resulting in a very strong local spending surplus of \$196 million. Clearly, Hays is drawing consumers (also student and transportation spending impact) from a rather large region. These are very positive and strong metrics. However, your community does have retail and service sector leakages (as is to be expected) and there are opportunities to increase competitiveness and retail/service spending capture. Also, you have opportunities to further strengthen your hospitality sector. If you are interested in learning more about how to increase local spending capture, check out our [Wal-Mart Strategy Paper](#).*

**Retiring Boomers.** *Based on the most currently available data, the number one source of personal income driving Ellis County's economy are retirees. Personal income associated with county retirees in 2017 was \$375 million with a growth rate of 78% between 2001 and 2017. Your health care sector, strongly allied with retirees, is your number four largest generator of household earnings in 2017 with \$177 million and a very strong 2001-2017 growth rate of 62%.*

*While this is a non-traditional economic sector, it is huge and growing. Every day in America 10,000 Baby Boomers are retiring, and this trend will extend for three decades. Focusing development around this huge opportunity is strongly recommended. We encourage your community to better understand the current and emerging needs of retiring Boomers and focus both public and private development around tapping into this spending stream. We suggest that you work actively with your area health care system and local entrepreneurs on a focused strategy to (1) meet the needs of retirees aging in place increasing spending capture and (2) positioning your community and its small town and rural quality of life as a place for relocating Boomers.*

**Commuters.** *While commuting activity is not among your top 10 economic drivers, it is important to your economy. Your workforce is regional coming from a multi-county area. Additionally, you have residents who commute outside of the community for work. Consider the following development options associated with your commuters:*

*Commuters are also a non-traditional development opportunity, but the ability of a community to create a home for commuters working in the larger regional economy has clear development opportunities as follows:*

- 1. Without creating local jobs, commuting workers create a population base for a community. In turn, these residents pay taxes, buy homes, spend locally, become local volunteers and leaders, send children for schools, and contribute to local philanthropy.*
- 2. Commuting is often tied to lifestyle choices. When someone is younger, they are more likely to choose to live in one community by preference or maybe the availability of housing and work down the road. As one moves through life stages and particularly as children grow up, the challenge of commuting (all that time*



*on the road) grows. Skills and experience learned on jobs outside the community can now come home through the takeover of a local business, the startup of a new business, or entering the workforce of a community employer.*

*Focusing on these development opportunities can grow a stronger economy across Ellis County.*

***Growth Oriented Entrepreneurs.*** *We suggest an active, twice annual (at least) outreach campaign to area businesses and entrepreneurs. The primary purpose for this outreach will likely center on strategies to increase sales and profits through area spending capture. In addition, through this outreach you can identify those entrepreneurs with growth plans. Helping 7 to 9 area ventures achieve sustained growth can significantly increase economic development and grow a stronger base economy.*

***Area Business Transition and Startups.*** *Retail and service competition is intense, but this has been the case since the first Sears and Roebuck mail order catalogue was issued. Now competition is coming from box stores, franchises, and eCommerce. Intense competition has eroded the number and profitability of many local merchants and service providers. Despite these challenges, chances are good that there is room for “backfill.” Helping existing area businesses transition to new owners and a focus on new startups can broaden and strengthen your local business sector and economy.*

**Strategic Development Consideration 5 – Regional Development.** In America, one of the strongest factors impacting local community economic success is how well your region is doing. The overall region in which you are located is experiencing many of the same trends addressed in this profile. More can be done through regional development efforts. Your community is part of a multi-county region that is largely rural and sparsely populated rooted in agriculture, manufacturing, transportation corridors and energy production. We strongly encourage you to work to support regional development efforts and initiatives. As a regional hub, it is also critical that Hays provide strong, visionary and consistent regional development leadership and support. Strengthening the regional economy can position your community for development opportunities over time.



**A Note on Venture and Employment Data:** In our Development Opportunity Profiles, we use three public and two private sources of venture and employment research and data. A detailed review of our profiles shows that values change and sometimes change dramatically based on the sources we are using. The following summarizes these sources and their unique attributes:

## Public Sources

**U.S. Bureau of Economic Analysis.** BEA has very reliable data on private sector business establishments and associated employment. We use this source to profile both farm and nonfarm proprietorships. Proprietorships are typically locally owned and “main street” type smaller businesses. However, this kind of business organization can include small manufacturing, industrial, construction and other concerns.

**U.S. Bureau of Labor Statistics.** BLS captures very accurate information on all establishments that have wage and salary workers based on workman’s compensation filings. However, this source does not necessarily capture smaller self-employment ventures or proprietorships.

**U.S. Census Bureau.** Census establishment and employment data is based on surveys. It is comprehensive but for smaller geographies, the sampling can result in potentially unreliable estimates. This source does include information on commuters, home-based and self-employed persons by economic sector.

## Private Sources

**Esri.** We purchase data from Esri ([www.esri.com](http://www.esri.com)), a national market research company. Esri data is very current and can be procured for almost any geographic unit. It estimates ventures and employment at considerable detail including profiles of potential market demand by detailed economic sector. However, the Esri data is not as comprehensive as compared to Your Economy data.

**Your Economy.** The Your Economy ([www.youreconomy.org](http://www.youreconomy.org)) data is very comprehensive. The Your Economy data for ventures and jobs can be 20, 30 and even 40 percent higher as compared to the Esri data series. The Your Economy data set was created by the Edward Lowe Foundation and is now managed by the University of Wisconsin at Madison.

We use all these sources as they provide unique insights into the economy of a particular geography. Understanding what each source is measuring and how the source is estimating data are important. Hopefully this information helps users understand differences in data shared in this profile.

## Other Sources

All the data contained in this Development Opportunity Profile were obtained from the following:

- Esri ArcGIS Maps ([bao.arcgis.com](http://bao.arcgis.com)), 2018
- Headwaters Economics ([www.headwaterseconomics.org](http://www.headwaterseconomics.org)), 2018
- U.S. Department of Agriculture, Census of Agriculture 2012 ([quickstats.nass.usda.gov](http://quickstats.nass.usda.gov)), 2018
- Ben Winchester [Brain Gain](#) Databook, University of Minnesota Extension (obtained privately), 2016

## About e2 Entrepreneurial Ecosystems

The mission of **e2 – Entrepreneurial Ecosystems** is to help communities and regions connect, learn, and share best practices for building sustainable entrepreneurial ecosystems across North America. With more than 25 years of field experience, particularly in rural America, e2 is the preferred resource for communities of all sizes wanting to pursue prosperity. E2, formerly the national Center for Rural Entrepreneurship, is hosted by [NetWork Kansas](#).

To learn more about e2, go to [www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org).



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## How e2 Can Help

**e2 Entrepreneurial Ecosystems** can help communities increase prosperity through entrepreneur-focused economic development and ecosystem building through:

- **e2 Institutes.** Explore our new generation of e2 Institutes where teams come together, learn from each other and explore the expanded world of strategies, tactics and resources needed in entrepreneurial ecosystem development work.
- **National e2 Resource Network.** e2 offers a resource network capable of connecting those seeking help with those who can help across North America.
- **Analytics Support.** E2 helps communities and regions understand their entrepreneurial potential through research. A sampling of our research tools can be found [here](#).
- **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development.
- **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City, SourceLink, Edward Lowe Foundation, Kauffman Foundation, and NetWork Kansas**. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

**e2 Entrepreneurial Ecosystems** (formerly the Center for Rural Entrepreneurship) is led by Don Macke, who has more than 40 years of community economic development and policy experience. We have a national team of practitioners, both inside and outside e2, who bring research, coaching, incubation, market intelligence and other expertise to this work.

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