Seven Things
Economic Development Leaders Ought to Know

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Keynote Presentation, Annual Meeting
Kentucky Association for Economic Development
Paducah, Kentucky — November 10, 2011

Thank you for that introduction and for inviting me to share this time with you. I have seven simple things that are fairly basic that economic development leaders ought to know. These are foundational concepts; we get them wrong and other things won't fall into place either. It is easy to overlook the basics, though, isn't it?

I'd like to start with a true story about a man I know quite well. This fellow has a good job in Lexington, working for a company which, if I were to name it, would be familiar to most of you. He has been working there for over four years. When I say he has a good job, I mean that his salary is in the mid-$40s, he has a 401(k) plan with company matching, and quite good healthcare benefits. He gets ten vacation days a year plus holidays.

Now this person lives in Madison county, where I live, and I know his family well. He and his wife have been married for 18 years; they have four children. Their oldest is a senior in high school and is making plans to attend college in the fall. The wife does not work outside of the home; the couple made the conscious decision that she would stay home and raise the children while he went out and earned a living. They own their home, although they still 24 years yet to pay on their 30 year mortgage. They own two vehicles, both quite used. One is paid for; they're still making payments on the other. They have been able to put aside some modest savings.

That's the story up until November 5. On that day, my friend's boss called him into his office and told him that the company had been bought by a corporation from out of state, and that 40% of the workforce was being laid off. The layoff included my friend. My friend's boss was sorry to have to tell him this. He said there was only a small amount of money for severance pay, so my friend would receive an extra two weeks of pay, and then that would be it.

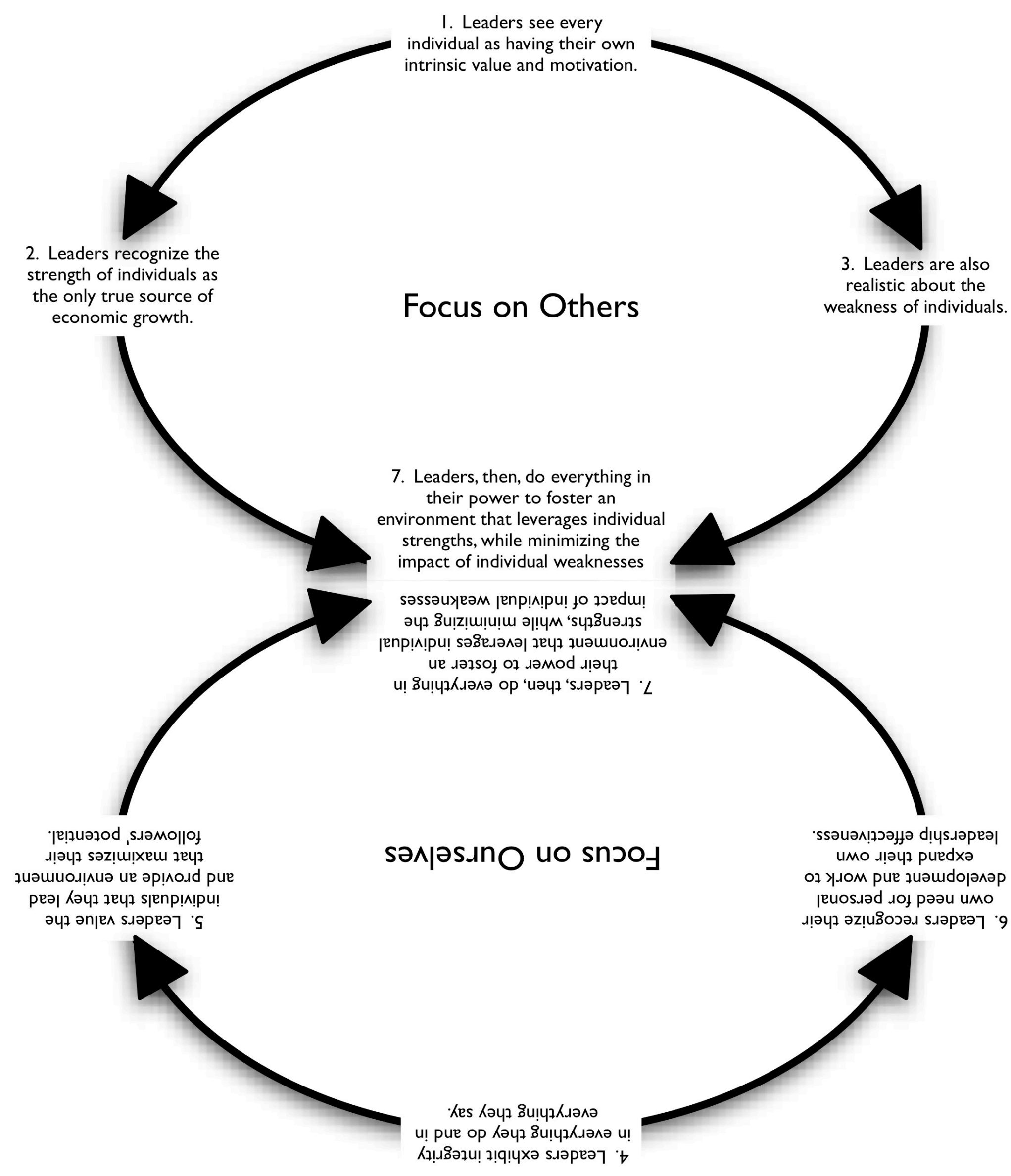
Needless to say, this was fairly devastating news. As the sole breadwinner of a family of six, my friend and his family isn't prepared for a complete loss of income like this. The problem is made even more painful by the fact that the oldest child should, by rights, be going to college next fall. Everything is now up in the air and they're trying to figure out what to do.

Let me pause here and ask you to think about what you would do if this was someone you knew. What actions would you take? What advice would you give?

On your handout, on the front page, is a box in which you can write some ideas. Once you've jotted down a few ideas, turn to your neighbor and compare notes. What ideas does your neighbor have that you hand’t thought of yet? What ideas can you contribute?

I think how you approach my friend’s situation says a lot about your approach as economic development leaders. Some of you will have the instinct to “fix” things for my friend or even perhaps to “fix” him. Your approach will be what I would call an external approach. You would focus on external ways to remedy the situation -- unemployment, job training, relocation.

But I want to submit to you that the external approach, at the end of the day, can never be as effective as the internal approach, the approach that relies on the worth and motivation of the individual him or herself. While you may care about my friend’s situation, you will never care as much, or be as motivated as he will be, to resolve his own situation.



I've organized the seven principles into two "loops" with three principles each. The first three principles have an outside focus, a focus on others. The next three have a more internal focus, a focus on ourselves. The final point, the seventh one, ties it all together.

1. Leaders see every individual as having their own intrinsic value and motivation.

The first one is one that I have already alluded to. Leaders see every individual as having their own intrinsic value and motivation. The first thing that economic development leaders ought to know is that every individual, no matter who they are, has their own intrinsic value and their own internal motivation. And the worth of that value, the power of that motivation, is really the only force that we economic development leaders have that truly works.

I like what the Bible says. "For I know the plans I have for you," declares the LORD, "plans to prosper you and not to harm you, plans to give you hope and a future."[1] God knows the plans He has for each person's life. Those plans are good plans, plans that are full of hope, plans that have a future for each one of us. Each person has, if you will, a destiny. That destiny might not be fabulous wealth, or great fame, or political power. It may, instead, be a destiny that means being a good father or mother, or a diligent worker, or someone who serves his fellowman. Whatever it is, there is a plan for each one of us.

I think we make a mistake, however, if we think that we know those plans better than the individual. In any kind of economic development work we must be very careful not to assume that we know what's best for someone else. Let me give you an example.

In the late 1990s I was doing a lot of work internationally. I had the opportunity to go to São Paulo, Brazil to do some work for General Motors do Brasil. São Paulo is a bit of a rough place for Americans to work; there were lots of kidnappings around that time. So my hosts were very specific about the hotel I was to stay at, and my first morning there they sent a car for me.

I was working in a suburb of São Paulo called São Caetano, about an hour's drive from my hotel. Each day I traveled from my hotel to São Caetano, and then back again at the end of the day. The route took us directly through the Favela.

Do you know what a favela is? Other words for favela are ghetto, slum, squatter settlement or shantytown. These are cities that seem to spring up out of nothing. The homes, if you can call them that, are made from whatever the people can find -- bits of tin, left over cinder blocks, cardboard, sticks tied together -- whatever is available. There is little running water, perhaps a common spigot in the middle. Certainly no sanitary facilities. Electricity is often stolen, at great personal risk, by tying into the electric wires overhead. A favela is a pretty rough place.

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[1] Jeremiah 9:11 (quote from the New International Version)

Every day my driver drove me through this. He was Portuguese and spoke a bit of Spanish, and I'd had a bit of Spanish in high school, so we communicated in Spanish. By the third or fourth day of traveling through the Favela, I was beginning to notice some details, kids playing, women washing clothes, a man with a guitar. And I noticed what looked like high rise apartment buildings in the middle of the Favela. I asked my drive about them. He laughed, sniffed, and said, "The government built those to try to get the people to move out of their shanties. Some did, but they started using the elevator shafts as garbage dumps. They didn't know what to do with them. They're mostly abandoned now."

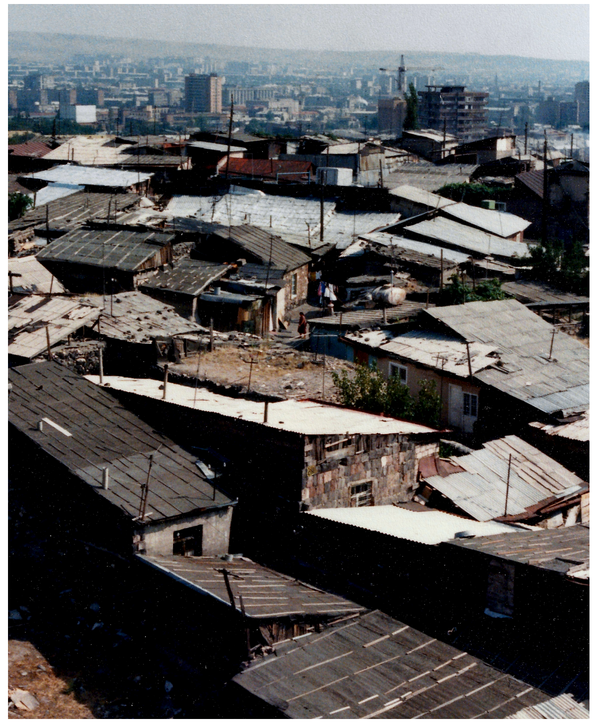

Photo by John M. Ramsay, used by permission

The good intentions of the Brazilian government went for nothing because they didn't understand what the people they were trying to help were capable of. And as they days went by, I began to see beyond the poverty, seeing families living in the Favela, children playing, a whole social fabric. It wasn't a place I would have been very comfortable with, but during my time in Brazil I came to admire the resilience of the people who lived there.

I told my father this story, and he responded by telling me of a trip he had made to the former soviet republic of Azerbaijan in the city of Yerevan. My father was traveling there and was put up in a hotel that was prepared for westerners. Except that my father's room was on the back of the hotel, overlooking the shantytown. The Yerevan shantytown looked a lot like the favela in Brazil, even with the tall apartment complexes on the horizon.

One evening when my father was on the balcony of his hotel looking at the shantytown, a boy said "Thank you" to him in English. My father asked if he could come and visit the boy, and the boy agreed.

Later that evening, after the men had returned from work, my father watched in amazement as shanty after shanty released pigeons from little coops. The pigeons swooped and swirled, fed on insects, and provided great entertainment for the people in the shantytown before they returned to their coops for the night.

The next day my father visited the boy, whose name was Gervan. The shantytown had only one water faucet in the central area and conditions were bad, yet, when he was invited into Gervan's home to meet his family, he saw something quite different.

Photo by John M. Ramsay, used by permission

My father said that, while it wasn't much to look at on the outside, the family who lived there took great pride in their home, decorating it with tapestries on the walls, serviceable furniture, and even a small chandelier.

He visited with the family, and asked about the pigeons he had seen the day before. They explained that the pigeons were a source of eggs and meat. My father said you could tell the birds meant a great deal to the people there.

My father also asked about the apartment complexes he had seen in the distance. "Nobody wants to go there," they said. "No place for the pigeons."

Just as in Brazil, in spite of good intentions, people who were trying to improve conditions ended up badly misjudging the needs of the people they were trying to help. They failed to see the individuals, their intrinsic value and motivation, and thus missed the mark.

Actually shantytowns are hotbeds of entrepreneurism. The September 2011 issue of Scientific American was a special issue dedicated to studying cities. The article on shantytowns is particularly compelling.[2]

As economic development leaders, let us not ever make the mistake of discounting the individual. The minute we find ourselves saying, "I know what you need better than you do" or "I know how you should live your life," warning bells should go off in our head. It

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[2] Neuwirth, Robert, "Global Bazaar" in Scientific American, September 2011, p. 56.

takes a special kind of arrogance to think that we know better, or that people don't really know what is good for them.

2. Leaders see individuals as the only true source of economic development.

This leads to the second thing that economic development leaders ought to know. At the end of the day, leaders recognize the only real source of economic development comes from the strength of the individual. There is no economic power like the power of hundreds, thousands, millions of individuals, each acting in their own best interest. The challenge for us as economic development leaders is to harness that power.

One of my clients is FAHE, the Federation of Appalachian Housing Enterprises. FAHE is a membership organization, comprised of organizations working to provide housing to low-income families. I had the opportunity to visit with Dr. Tom Seel last week, the CFO of FAHE. I asked Tom about the typical 30 day mortgage default rate in the nation. He said the rate is between 12% and 15%. Then I asked Tom what the default rate is for FAHE. He proudly told me that it is 2.52%. How does FAHE achieve this remarkable statistic? By recognizing that the person who cares most about keeping their home is the person living there now, and by providing them with the tools and accountability that leverages that motivation.

You may say that people don't always want to do what you want them to. It is kind of hard to make people adhere to your will. If you're feeling that way, I refer you back to item 1 and the absolute necessity of seeing the intrinsic value of each individual.

But I do have some encouragement for you. Let's take the example of environmental concerns -- green initiatives, if you will. At first glance, this might appear to be a very tough area. It isn't in people's own self interest to save the planet. People have to be thinking of others around the globe, and of generations yet to come, if they're going to get motivated to do good things for the environment. We know this is difficult -- it is very difficult, impossible I would say, to force people to do the right thing if there isn't some kind of internal motivation.

Well, I refer you to the strange case of the Toyota Prius.

Until just this year, the Prius was unique among hybrid cars in that it was the only one that looked distinctly different. The Honda Civic hybrid looks just like the regular Honda Civic. The Chevrolet flex-fuel fleet looks just like any other Chevrolet. The Ford Escape hybrid looks like another Ford Escape. Even Toyota's own Camry hybrid looks just like the other Camrys on the road. But the Prius looks different -- you can spot that someone is driving an environmentally friendly vehicle when they are driving a Prius in a way you can't for any other make.

Now, let's be clear, the specifications for the Prius and for the Honda Civic hybrid are fairly identical in terms of price, performance, and environmental friendliness. In other words, unless there is something else going on, there should be no difference between purchases of the Prius and other hybrid vehicles.

Yet that isn't the case. The Prius is the clear leader among 24 different hybrid models available in the U.S., accounting for 48% of the hybrid cars sold in the 2009.[3]

Twin economists, Steven and Alison Sexton, he at UC-Berkeley and she at the University of Minnesota, have done a study of what they call the "Prius effect." Their idea was to study what effect, if any, the fact that the Prius looks different has on purchases of hybrid vehicles. They found, in studying hybrid vehicle registrations in both Colorado and Washington state, that there was a strong correlation between the degree of "green-ness" of communities and the purchases of the Prius. The more green a community, as deduced by voting records and other factors, the more likely people were to purchase a Prius. And this purchase was all out of proportion -- vehicles that did not look like the uniquely identifiable Prius did not sell significantly differently. There is something about the way the Prius looks that is important.

Thorsen Veblen, an economist from the late 19th century, introduced the term "conspicuous consumerism." The premise is this: wealth, in and of itself, is not much of a motivator. What really motivates people is the ability to show off their wealth, to gain social status through their wealth. The Sextons found something similar going on with the Prius. Because the Prius looks different, people are able to signal, to show off, how environmentally conscious they are. By driving a Prius as opposed to some other hybrid vehicle that would be just as good for the environment they are signaling to their peers how much they care about the earth.

In other words, the motivation to do good by driving an environmentally friendly car is actually motivated by the desire to look good to your fellow citizens. The Sextons call this "conspicuous conservation." They found the perceived value of driving a Prius to be between $1,000 and $7,000, depending on the community. Who says that individual motivation isn't important?

And we see it in other places as well. For example, in San Francisco, where people love to put solar panels on their roofs, we find people refusing to place them on the sunny side of the house, but instead opting to put them on the street side, where they will be seen. Or in Japan, we find windmills being placed on top of office buildings. But, because the winds aren't consistent, the installers have installed little electric motors in them to keep the windmill turning, even if there isn't any wind. A windmill that isn't moving looks silly, so they actually incur a net energy cost to keep up appearances.

Appearances matter. Appearances motivate. And we as economic development leaders must recognize that individuals are the only real source of economic power and strength.

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[3] Sexton, Steven E. And Alison L., "Conspicuous Conservation: the Prius Effect and Willingness to Pay for Environmental Bona Fides"

3. Leaders are realistic about the weaknesses of individuals.

Just as quickly as we recognize that individuals have great strength to drive economic development, we must also discuss individual weaknesses. This is the third thing that economic development leaders ought to know. We have to be realistic about individual's weaknesses as well.

I've thought about this a lot, and it seems to me that there are two major ways in which the power of the individual to drive economic development can be short circuited. As economic development leaders, we need to be very, very careful about ways that the powerhouse that is the individual can be circumvented.

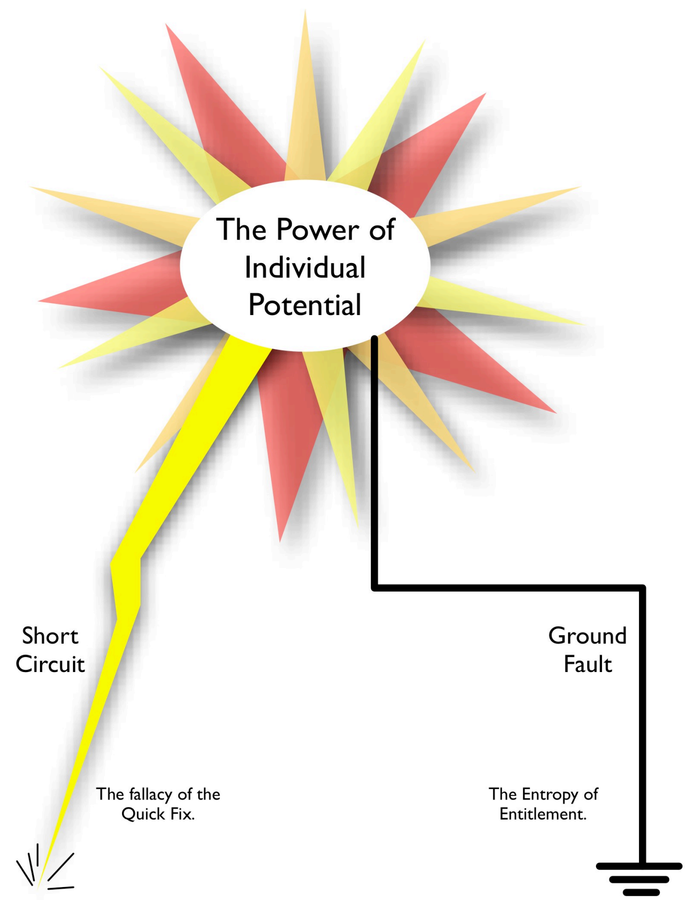
I was just conducting a leadership workshop in Charlotte, North Carolina last month. Our host was a software development company that supplies security software to the financial services company. The CEO, Tom Fedell, said that his company expects to grow by 50% over the next two years. The problem, he said, is that he can't find people to hire. His complaint? That people lack the necessary passion.

I thought this was an important comment. He didn't say that people don't have the necessary skills or education -- he expects to have to train new hires. He didn't say there weren't people around Charlotte that are looking for a job. He said they lack passion. People without passion have too much apathy or malaise or entropy. They have become short-circuited.

It seems to me that there are two general ways in which people can get short circuited. The first is what I call the Fallacy of the Quick Fix. People can get caught up in searching for a shortcut that avoids the hard work, that avoids putting in the time, honing your skills, growing into the job. The apartment buildings in the Favela in Brazil were a quick fix that didn't work. Tom Feddell is looking to hire people who have some passion, not some people who are looking for the fast track to the best job, the biggest paycheck, the key to the executive washroom. He's looking for people who have some passion to learn the financial security software business.

Kentucky is an employment-at-will state. Yet so often employees don't understand this; employers are looking for people who are willing to work hard and learn and grow. In exchange for this, the employee will be given a fair wage. It is a mutually beneficial arrangement based on a fair exchange.

I think there is something that short-circuits in the human brain when we're presented with a quick fix. We almost can't bring ourselves to say, "No thank you!" and we end up frittering away our resources, our energy, and our time chasing after something that isn't likely to pay off.



Let me give you some examples. People are all about winning American Idol. Contestant after contestant steps in front of the judges, talks with great confidence about how they were "born to sing" and "this means everything" -- and then they proceed to sing horribly. Instead of putting in the hard work of developing their talent, learning to sing well and practice, they're looking for the quick fix that will bring them fame and fortune. Sure, somebody wins each year. But estimates are that each year 100,000 contestants try out for American Idol. And only one person wins. You're more likely win American Idol than you are to get struck by lightning[4] (where the odds are one in 280,000). But not by much.

Illegal drugs, which are the scourge of much of our Commonwealth, are another example of the fallacy of the quick fix. It is easier to look for the next score than it is to do the hard work of recovery and rehab.

I was in Thailand last month, working with a group of missionaries. One was working in South Africa, doing economic development with young men in an impoverished part of that country. My friend told me that the search for the quick fix plays itself out in the lure of the big city. Men will leave the community they live in and go to the city, hoping to get a great job working in the diamond mines. The truth is, my friend told me, that only about 10% will land a job. The majority will end up on the street, homeless, and

[4] Statistics from the National Lightning Safety Institute (http://www.lightningsafety.com/nlsi_pls/probability.html).

ultimately come back home, often carrying with them diseases they've picked up in the city, and certainly worse off than they would have been had they stayed home.

Or consider the Kentucky Lottery. I hope I don't step on any toes here, but this seems to me to be the ultimate financial quick fix. According to a study done by Murray State[5], 48.5% of the population with an income of less that $10,000 per year — the people who have the very least disposable income — participate in the lottery. And that group spends the most per capita of any income group: $597 per year. Every other income group spends less annually per capita than the poorest Kentuckians.

High school dropouts spend $700 per year on the lottery, while college graduates spend $178. Why is that?

I would suggest that it is because of the lure of the quick fix. Even though the odds of winning a big prize is very long indeed — one in 195,000,000 — people still play. People have a much better chance of being struck by lightning than they do of winning even a modest prize of $100,000 in the lottery. Something happens in our brain when we think we see a quick fix in front of us, even though logic tells us that this is a waste of time, of energy, of resources.

And while we're on the subject of quick fixes, according to Stephen Taylor, there were 10,000 communities vying for 215 major plant relocations in 2005. That means that your community's odds of winning a major plant relocation would be 1 in 47. Certainly better than the odds of being struck by lightning, but still not a sure thing.

Be careful of looking for a quick fix. Looking for a quick fix will take your eyes off the real work to be done.

The other way in which the power of the individual gets short circuited is through what I call the Entropy of Entitlement. Entropy is a scientific term that describes what happens as a system gradually declines into a state of disorder. Gradually energy is wasted, it "leaks away" if you will, resulting in the gradual and unavoidable decline.

Remember we each have our own value and our own motivation. I know no quicker way to undermine an individual's drive than to provide an on-going something-for-nothing entitlement. As my friend, Jonathan Shell who runs a greenhouse operation in Gerrard County with his family says, entitlement takes away "our drive to thrive."

As with the Fallacy of the Quick Fix, there is something happens to the human brain, to our individual spirit, when we keep getting handed something for nothing. We don't value things that we don't make a contribution to. We tend to take it for granted. And yet, because our needs are being met, we just can't overcome the erosion, the entropy, and we gradually become less and less effective.

Here's an example from my own life: I know that if I get paid in advance for some work I've contracted to do, I will have less energy around the work than I do when I don't get

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[5] Eaton, David H., "The Kentucky Lottery," College of Business and Public Affairs, Murray State University, Murray, Kentucky, September 2000

paid until the end. So I always insist that I don't get paid until the work is complete. It is just something I know about myself.

The problem is that we want to help people -- and that is good. But, in helping by providing entitlements, we often end up doing way more damage than we do good.

There is a wonderful book you should read, written by Steve Corbett and Brian Fikkert, two professors at Covenant College in Lookout Mountain, Georgia. It is called When Helping Hurts.[6] I had the opportunity to visit with the authors a couple of years ago, and they made it abundantly clear that the research shows our inclination to help often ends up hurting. In trying to alleviate poverty, we actually create more problems than we solve if we don't go about our work very carefully and very intentionally. As economic development leaders, we can so easily end up undermining the very desires we have to do good for our community by the misuse of entitlements.

OK, we've been talking about how we, as economic development leaders, need to focus on others -- the individuals and communities we are trying to help. Now let's flip the diagram over and take a look in the mirror and focus on ourselves as leaders.

4. Leaders exhibit integrity in everything they do and in everything they say.

First, I want to remind us of something that is so basic, so fundamental, that we may inadvertently overlook it. That thing is integrity — leaders must exhibit integrity in everything they do and in everything they say. What you do and say matter — they matter more than just about anything you might think of. Your own integrity is really the only source of power you have. If you have lost your integrity, you have lost your ability to affect any kind of economic development improvement.

You're probably aware of Jim Collins' book, Good to Great[7], that provides a very thorough study of why some organizations made the transition from the merely good to the truly great. One of the elements that Collins found made the difference is the type of leadership an organization had. He contrasts what he calls a fourth level leader with a fifth level leader. Collins says that a fourth level leader has the leadership capabilities you would expect: level 1 relating to individual capability, level 2 to team skills, level 3 to managerial competence, and level 4 related to leadership as traditionally conceived. But here's what Collins says about a level 5 leader:

> *Level 5 leaders possess the skills of levels 1 to 4 but also have an "extra dimension": a paradoxical blend of personal humility … and professional*

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[6] Corbett, Steve and Fikkert, Brian, "When Helping Hurts: How to Alleviate Poverty without Hurting the Poor … and Yourself", Moody Publishers, July 2009.

[7] Collins, Jim, Good to Great: Why Some Companies Make the Leap … and Others Don't, HarperBusiness, October 2001

will … . They are somewhat self-effacing individuals who deflect adulation, yet who have an almost stoic resolve to do absolutely whatever it takes … , channeling their ego needs away from themselves and into the larger goal of building a great (organization). It's not that Level 5 leaders have no ego or self-interest. Indeed, they are incredibly ambitious—but their ambition is first and foremost for the institution and its greatness, not for themselves.

As economic development leaders, I think we must be particularly sensitive to the fact that it isn't all about us. In fact, it isn't about us at all, but about the people, the communities we serve. The sooner we understand that our ambition needs to be for the work and that our own integrity is really the only thing we can stand on, the better off we — and our communities — will be.

A leader is always willing to take a little less than their share of the credit … and a little more than their share of the blame. Ronald Reagan said, "There is no limit to what a man can do or where he can go if he doesn't mind who gets the credit."

And when we make a mistake, can I urge you to take responsibility for it quickly and publicly? Everyone makes mistakes; what differentiates a leader from regular folks is how we deal with it. You know people who may admit to their inner circle of friends that a mistake was made. But they would never admit to it publicly. They labor under the illusion that no one need ever know. Nonsense! The truth always comes out. You'll be ahead if you go ahead and admit it.

Contrast, for example, the difference between the way Firestone and Ford handled the problem with tires on Ford Explorers in 2000 and the way Toyota handled its problems with unintended acceleration in 2009 and following. Firestone denied any problems for many months, and both Ford and Firestone engaged in rather public finger-pointing activities played out in front of Congress. The result was a breakup of the 100-year supplier relationship between Firestone and Ford and the all-but-annihilation of the Firestone brand.

One wonders if there might have been a different outcome had those companies done what Toyota did when it discovered a potential problem in 2009 with vehicles that appeared to accelerate spontaneously. Toyota took quick and decisive action, recalling a total of 9 million vehicles and suspending production of affected models for several weeks while the problem was investigated. Toyota emerged from the problem unscathed. A ten month study by NASA and NHTSA concluded that driver error or pedal misapplication was found to be responsible for most incidents.

Or take the strange case of Anthony Weiner, former congressman from New York. You'll recall that, in May of this year, he was accused of sending sexually explicit photos of himself via text message. For many days he very publicly denied he had done so, until the evidence was so overwhelming that he was forced to resign in public disgrace. What do you think would have happened if he had quickly taken responsibility for what was admittedly a dumb thing to do? He might still be a congressman today.

Power and money, you might say, make us do stupid things. But I think I agree with Kentucky native Johnny Depp who was interviewed by Larry King just a few weeks ago. He said, “Money doesn’t change you, it just reveals who you are.”

Let me give you an example of Gary Vermeer. Gary lived in Pella, Iowa. His company, Vermeer Manufacturing, is a client. Gary was an inventor, a tinkerer, a guy who figures out how to use technology and equipment to make life better. One day he was taking his morning walk with a neighborhood friend and farmer who told Gary he was going to have to get out of the cattle business. “Why?” asked Gary. His friend said that he couldn’t find anyone willing to do the hard work of putting up hay. In those days, haying required at least a four man crew, one to drive the baler, one to drive the tractor pulling the wagon, one on the wagon and one on the ground to throw up the bales.

This got Gary to thinking. How would it be possible for one man to put up hay? The result was the first large round hay baler. Gary Vermeer’s idea turned into a technology you see everywhere hay is baled today.

I’m sure that, prior to his death in 2009, Gary Vermeer was a very wealthy man. The company he started has seven factories down a row outside of Pella and employs over 2,000 people. He started a charitable foundation that continues to this day. But, even though he could have afforded to have a chauffeur drive him to work, he drove the same pickup truck, and lived in the same farmhouse he always had. Money didn’t change Gary Vermeer, it only revealed more about his true character.

5. Leaders value the individuals they lead, and provide and environment that maximizes their followers’ potential.

As a leader, you surely have followers. These may be official followers that report to you in your position. Most likely you have many more people who look to you for leadership. I urge you to care about your followers, to think of them as valuable and unique individuals, and to do everything you can to maximize their potential. This is the fifth point. No leader can rise above the quality of his or her followers. Maximizing your followers’ potential is just smart; it gives you personal leverage, personal reach — with highly capable followers you can get much more done that you would if you were operating alone.

I learned that lesson 30 years ago from Art Malek. He was the plant manager for Hyster Company in Berea where I got my first real job as a young man. Art took me under his wing, mentoring me, growing me — and I got to observe first hand how much he cared about the people who worked around him. He knew their names, he knew about their lives, he knew what motivated them.

A lot of people think it is kind of a corny book now, but it has a lot of valuable insights. Dale Carnegie’s “How to Win Friends and Influence People”[8] boils down to a simple premise — care about people and they’ll willingly allow you to lead them. Art Malek

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[8] Carnegie, Dale, “How to Win Friends and Influence People.” Simon and Shuster, 1936.

exhibited this in his life; I've tried to adopt it in mine. I genuinely enjoy learning about people, about their lives, about what makes them tick. And I think that I've enjoyed the success I have as the head of CEATH Company because of these simple little concepts.

I urge you to care about people and to help them grow in every way you can.

6. Leaders recognize their own need for personal development and work to expand their own leadership effectiveness.

Finally, our last stop as we focus on ourselves, is to pause and take a long look in the mirror. How well do you know yourself? What are you really good at? What are your weak spots?

More importantly, do you deliberately and intentionally work on things you're not so good at?

Your handout has a list of suggestions. You might spend some profitable time thinking about these items, doing an honest assessment of yourself and identifying areas where you need work. Then I would urge you to set aside time to work on those areas. Change doesn't just happen; improvement comes when we deliberately set a goal for ourselves, create a plan to change, and then set about the hard work of making the change come about. We don't let short circuits or entropy derail us. We get tough, and we're toughest on ourselves.

Leadership Traits to Work On

1. Time management
2. Curbing your tongue and gossip
3. Writing skills
4. Anger, controlling your temper
5. Process planning
6. Speaking in front of a group
7. Financial analysis
8. Articulating a vision
9. Being a life-long learner
10. Working with difficult people
11. Motivating others
12. (identify your own needs)

One of my business partners is Phillip Van Hooser who lives just down the road in Princeton. Together we've created a leadership development initiative called Leaders Ought To Know™[9].

The premise is simple: people often find themselves in positions of leadership, either through promotions or other means, yet they are often under-prepared for their role as leaders. We've created this comprehensive initiative to address this problem. It includes yearly or bi-annual face-to-face workshops, supplemented by a broadcast quality video that is delivered, via the Internet, each month. Each month addresses a new leadership topic, from honesty to knowing your followers to understanding human motivation to effective communication. Then, each week of the

[9] See http://www.leadersoughttoknow.com

month following the delivery of the video, each participant receives a Learning Activity that has them put into practice the leadership concept of the month. That way the leadership learnings are continually being reinforced in a community of leaders who are growing together.

We've found this to be a very effective tool for developing leadership. There are many other elements of Leaders Ought To Know™, including mentoring, learning communities, and journaling. In fact, the corporate headquarters of our very first customer over a year ago is right here in Paducah. Since then, we've seen Leaders Ought to Know™ grow to really impact the leadership skills of wonderful people across the country.

My point is that leaders are continually working on their own leadership development.

So let's put it all together. We've looked a focusing on others. We've looked at focusing on ourselves. We've recognized that the individual is the only true power for economic development. So what can we, as economic development leaders, really do?

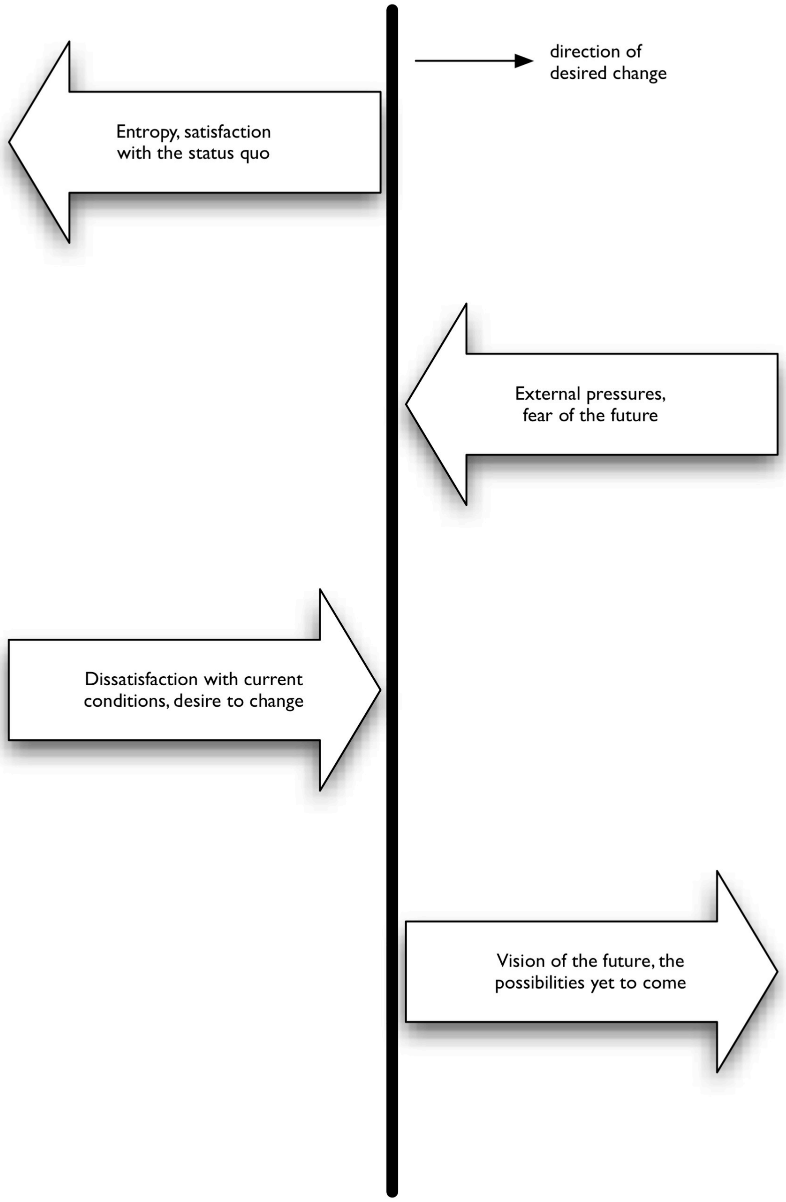
7. Leaders, then, do everything in their power to foster an environment that leverages individual strengths, while minimizing individual weaknesses.

I would submit to you that the real leverage lies in our ability to affect the environment in which economic development happens. We can't make people do things — but we can create an environment in which they are most inclined to do good things, and less inclined to do things that hurt economic development.

My grandmother used to say, "You can lead a horse to water, but you can't make him drink." But then she would add, "But you sure can put salt in his oats!" My grandmother was right: you can't make anyone do anything. But you can create an environment that predisposes people to act in their own best self interest.

As a consultant, I have often found this little Force Field Analysis diagram to be helpful. You have a copy of it in your handout. What I'd like you to do now is think about a change you'd like to see happen in your community. Preferably it is a change related to economic development, but it can really be any positive change you'd like to help bring about.

Force Field Analysis



In any effort to change things for the better, there are forces arrayed both for and against the change. For example, I alluded to the force of entropy earlier. This is the force that says, "The status quo is good enough." In the change that you're thinking about, are there forces like this? What are they? Name them. Write them down on your paper. When we start naming our challenges they start to become more manageable. If the force against the change is a big one, make draw a big arrow pointing to the left beside it. If it isn't quite so strong, make it a smaller arrow.

Now, let's think about forces that are holding the change back. These include things like fear of the future, uncertainly, external forces working against the change. What are those things? Write them down, and put appropriately sized arrows beside each one.

Now let's switch focus. What are some internal forces that are pushing for the change? These may be dissatisfactions with the current conditions or the desire to change. Are there forces like this that you're aware of? What are they? Write those down, each with an arrow.

And finally, let's think about the future in which the change has finally occurred. What is it about that vision of the future that is compelling? Why will people be drawn to it? What really positive forces would be drawing people to the change? Write those down. Those are like gold to your change effort. And be sure and put an arrow beside each one, sized to indicate the strength of the force.

Now, look at all your arrows. You have some arrows pointing left and some pointing right, some big arrows, some smaller arrows. Until the forces in favor of the change are greater than the forces against the change, change will not happen. So our job, as economic development leaders, is to find ways to create an environment in which we minimize the forces against the change and maximize the forces in favor of the change. In doing so, change will truly begin to happen.

Let me close with two examples, one negative, and one positive.

The first is a letter our company received this past April from the State of Michigan. I won't read the whole thing to you, but here is what it says, in essence: we think you owe us taxes. Fill out the attached 17 page form and send it in to us, or bad things will happen to you.

I know things are tough in Michigan right now and I understand the desire of the Michigan state government to increase its tax revenue. But I'm afraid this letter will have an unintended consequence.

To give you the backstory on this, we did several projects in 2010 for which we hired an external consultant. This is not uncommon for CEATH Company; we frequently put together a team of highly qualified individuals, almost all of whom are not employees, as required to serve our clients' needs. The work was not done in Michigan, but one of the consultants we hired happened to be a Michigan resident. I am sure this is what prompted the letter we received from the State of Michigan.

At the end of the year, we submitted the proper 1099 form to the Michigan-based consultant and to the IRS. The consultant we hired spent the income we provided him in the Michigan economy, and I'm confident he paid his Michigan state income taxes.

But here's where, as economic development leaders, we have to be very careful about the environment we are attempting to create. What effect do you think this letter had? Well, I can tell you that for me, because of its threatening tone, we will be less inclined to hire Michigan residents for future projects. Which will mean that the Michigan economy will not receive the benefit of income we pay to Michigan residents, nor will the State of Michigan receive tax revenue from that income. In other words, instead of increasing the tax revenues collected by the State of Michigan, this letter will create the opposite effect.

Now let me tell you a more positive story, as story that really was the beginning of learning these seven things that leaders ought to know.

You recall, at the beginning of my talk, I told you about someone I knew well that has suddenly lost his job. He was the sole breadwinner for a family of six, his oldest son was supposed to go off to college in the fall, and he received only two weeks of severance pay when he was laid off.

Everything I told you is true, but I left out one detail. That story actually happened in 1993, and the person it happened to was me. I, and 40% of my co-workers, was laid off of a job in Lexington with just two weeks pay and a pat on the back. I had a mortgage to pay and a family to feed. The question, the same question I asked you, was what should I do?

I did what I thought I should do. I signed up for unemployment. So when I talk about the entropy of entitlement, I know what I'm talking about. I've stood in line at the unemployment office, enduring the grinding apathy of those who were supposedly trying to help me as well as my fellow out-of-work citizens. I know what it is to worry about foreclosure and having enough to eat. I know about the seductive and strength-sapping lure of the quick fix.

But I'm very proud to say that we endured, and even thrived. Those first years of building a new business were very tough. My wife and I always had a deal that, if I couldn't cut her a check at the end of the month for groceries and the house and car payment, I'd go out and try to find a "real" job. We came very close several times, but somehow a check would always come through. My wife has been my strongest ally and supporter through the past 18 years of building a company.

We've never made it our ambition to get rich. We just wanted to make an honest living doing good and helpful work. I'm happy to report that all four of our sons have now attended college and have graduated debt free. I'm proud of the fact that I've been able to provide an income and to stimulate the local economies of the various associates and colleagues we've hired through the years. I'm kind of in awe of the opportunities I've had to work for a wide variety of clients in all kinds of locations. Our work seems to continue to be appreciated because clients keep calling us back and referring us to others. I'm deeply, deeply grateful.

But I want to be quick to emphasize that I'm just one guy. I know that the dent I make in the economy isn't huge — I understand that. But I do make a positive impact, and I'm able to do it because of the seven principles I've talked about today. These principles have been learned in the school of some very hard knocks, and I recommend them to you today as well.

The main point is that every individual, individuals like me and many more like me, are the real source of economic strength for Kentucky.

Alone, any one individual doesn't make much of an impact. But put us together as dozens … or hundreds … or hundreds of thousands, and you have a real engine for improving economic development in the Commonwealth.

I urge you to keep doing the good work you are doing, to create an environment in which a force of 1, multiplied again and again, can really create a positive change in Kentucky.

Thank you for listening.

(If you would like the view the Prezi that accompanied this speech, click here.)

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