

## Economic Gardening

By Christian Gibbons

### AN ENTREPRENEURIAL ALTERNATIVE TO TRADITIONAL ECONOMIC DEVELOPMENT STRATEGIES

Economic Gardening is an entrepreneurial alternative to traditional economic development strategies. This new approach, created in Littleton, Colorado, in 1987 in response to massive corporate layoffs, uses high end corporate level tools and cutting edge scientific concepts to help entrepreneurial growth companies identify markets, monitor competitors, track industry trends, locate customer clusters on maps, and use search engine optimization/Google Adwords/social media for marketing and various customized research. Entrepreneurs have increased the job base in Littleton from 15,000 to 30,000 and the sales tax base from \$6 million to \$20 million.

The model has been picked up by a number of communities and states including Wyoming, Oregon, and Florida.

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### NOTICE OF INTENT TO REQUEST PROPOSALS ECONOMIC DEVELOPMENT SERVICES • RFP NUMBER: 11-11

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Charles County is uniquely positioned as a hub for Washington, DC, Richmond and Baltimore. The strategy for successful economic development has changed over the years. The Charles County Government Department of Economic Development was created in 2004. Prior to that time, the Economic Development Center was a private development association. This association was sponsored by the local government and received a financial grant to offer services. At the present

time, the County seeks to outsource economic development services, expecting to attract enthusiastic, professional talent interested in working with a local government to meet their objectives.

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The County Commissioners reserve the right to reject any or all proposals and to waive any informality in the proposals received when such waiver is in the best interest of Charles County. Qualified small, local, and Minority Business Enterprises are encouraged to respond to this solicitation.

# economic gardening

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**E**conomic Gardening has become a hot topic in economic development circles over the past several years. There are over 100,000 references to the term on Google and over 350,000 hits on Yahoo. The idea that economies can be grown internally by nurturing second stage (10-99 employees) growth companies has caught the imagination of many economic development agencies that are finding it more and more difficult to be effective. The actual program, however, has much more depth and complexity than many realize.

This article addresses the history of the idea, the tools and concepts that form its foundation, key factors in successful programs, what makes it different from other business assistance programs, and lessons learned. This new approach was created in Littleton, Colorado, in 1987. Using one of the very first economic development programs focused on entrepreneurial development, Littleton's job base has grown from 15,000 to 30,000 over the last two decades and the sales tax base has grown from \$6 to \$20 million. The community has not recruited a single company during that time period and has not spent a single penny on incentive packages.

## AND NOW FOR SOMETHING COMPLETELY DIFFERENT....

The Monty Python segue line seemed apropos to the birth of Economic Gardening. When the program was conceived in 1987, the idea that you could grow your own companies instead of recruiting them from other communities was such a radical departure from professional norms that there were no guidelines, no models, and no colleagues to discuss the idea. Such was the world



Entrance to downtown Littleton, Colorado

when (now) Littleton City Manager Jim Woods and I met Phil Burgess and Kent Briggs who worked at the Center for the New West, a Denver based think tank.

Both Woods and I were intensely interested in economics as a subject matter and especially the entrepreneurial world. After hearing a speech given by Burgess in which he exhorted economic developers to focus on local entrepreneurs – “stick to your knitting” and “focus on bunts and singles instead of homeruns” – I returned to city hall and told Woods, “We could have written that speech! Everything we’ve discussed was packed in there.”

Within a couple of weeks, we made a trip from Littleton (a south central Denver suburb) to the Center for the New West offices in downtown Denver to meet Burgess and Briggs. Within an hour, the four of us agreed to develop a pilot project around the idea of “economic gardening.” The term was

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coined by Burgess who said, “We have all these economic development agencies running around hunting for businesses. They really should just stay at home and work with local entrepreneurs. They should get out of the economic hunting business and into the economic gardening business.”

The terms of the partnership were loose but would last more than a decade: The Center agreed they would introduce us to the best thinkers on the subject and Littleton in turn would be a road test of those ideas. We knew we wanted to focus on growing entrepreneurial businesses but we also wanted a deep understanding of how the entrepreneurial eco-system worked. Starting with conversations with David Birch who wrote the 1979 seminal book on where jobs were created – through phone calls to Paul Romer, the Stanford economist who contended economies were driven by ideas, to the discovery of the new science of Complexity at the Santa Fe Institute – the foundations for a new approach to economic development were being carefully built from the best of science and research.

Resisting the temptation to chase every “flavor of the month” consulting idea and business book, Littleton focused on deep underlying principles like:

- Power laws (80/20 rule) that revealed a few companies made a whole lot of difference and a lot of companies made a little bit of difference;
- Network theory that described a critical factor in business success;
- Commodity traps which explained why standards of living weren’t rising in agricultural areas and “business friendly” manufacturing areas;
- Temperament which turned out to be a big factor in company growth; and
- Complexity science which said that economies were not in equilibrium and in fact were far from equilibrium – which in turn nicely explained the turbulent “gales of creative destruction” identified by Schumpeter a half century before.



Littleton’s job base has grown from 15,000 to 30,000 over the last two decades and the sales tax base has grown from \$6 to \$20 million.

The learning curve that first decade was steep and occurring at three different scales: the entrepreneur at the micro scale, the politics of the local community at the mid-scale, and the strangeness of self-organizing economies at a large scale. By the late 1990’s, however, best practices were starting to emerge.

### WHAT MAKES IT DIFFERENT

Many communities have made the comment, “Oh, we do economic gardening; we just didn’t call it that.” Usually inherent in this comment is some perception that helping local businesses is Economic Gardening. We would contend there are clear boundaries between Economic Gardening and two other economic development activities: recruiting and business assistance.

A running list of what Economic Gardening is and what it isn’t might help distinguish the boundaries of this new approach to economic development. First, what Economic Gardening is:

- An idea that economies are driven by entrepreneurial growth
- The public has three major roles: information, infrastructure, and connections
- It is focused on growth companies, especially Stage II (10-99 employees)
- It uses sophisticated corporate tools
  - Database searching
  - Geographic Information Systems
  - Search Engine Optimization
  - Web marketing
  - Social media and research tools
  - Network mapping



Chris Gibbons (r), co-creator of Economic Gardening, confers with Eric Ervin, the Geographic Information Systems and Search Engine Optimization expert in Littleton’s Business/Industry Affairs department.

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- It uses cutting edge scientific theories
  - Complexity science
  - Network theory
  - Temperament
  - Systems thinking
  - Core strategy analysis
  - Getting things done in the public arena
- It focuses on front end, strategic issues of business
  - Core strategy
  - Market dynamics
  - Marketing
  - Teams
  - Finance
- It is driven by innovation rather than the cheapest place to do business
- It depends on a highly skilled, elite Economic Gardening staff working in an iterative manner with business owners
- The EG organization is as entrepreneurial as the companies with which it works

And maybe even more helpful, a short list of what Economic Gardening is not:

- Recruiting
- Standard business assistance (keeping books, buying insurance, succession plans)
- BRE (business retention and expansion)
- After hours networking
- An annual business climate survey
- A financing program
- A buy local program
- A business appreciation dinner
- A “local bucks” program
- Counseling
- Consulting



Neal Rosner and Rick Emmelhainz (l to r) display church related products that their company ChurchPartners sells nationwide. The company has used many services of Littleton's Business/Industry Affairs department.

### KEY SUCCESS FACTORS

Setting up a successful Economic Gardening program requires close attention to some key factors. As we gain experience beyond the original Littleton model, patterns are starting to emerge. First and foremost, the need for fidelity and full implementation is critical. Some communities do not provide sufficient budget, or shuffle the work off to a database researcher in a library, or invest in only one tool or do not get professional training or drift back into business assistance with Stage I companies. It is difficult for these half hearted measures to show many results.



Karen Padget, second from left in front row, and employees of Novus Biologicals celebrate being named to the “50 Colorado Companies to Watch” list. The company sells research proteins and has grown steadily through the recession.



Vince Geary of SetPoint Systems shown with the various building controls sold by the company.

*High quality staff is first and foremost.* This includes not only a passion for all things entrepreneurial but a high level of skills in one of the technical areas and a deep understanding of the principles of business and economics.

*Political support and political champions are key to long term success.* Getting the appropriate budget level to fund staffing and tools and ensuring the project has time to mature through a long term commitment is vital. Someone at the top political level needs to be a guardian angel.

*Get training in EG principles.* Economic Gardening is not business assistance. That's not a knock on business assistance programs which are important and needed, but Economic Gardening is founded on scientific principles and focused on strategic issues. Without an un-

## ONLINE DATABASES AND INFORMATION RESOURCES USED IN THE ECONOMIC GARDENING PROGRAM

**10KWizard:** up-to-the-minute SEC filings.

**Adology:** research reports and primary demographic research for marketers and advertisers with consumer product focus.

**Business Analyst Online:** (ESRI) Web-based GIS package and service includes an easy to use, business oriented front end with nationwide business data including demographic, expenditure, and lifestyle information. Output comes in the form of maps, tables, and reports.

**Choicepoint** (Lexis-Nexis) nationwide public records, legal, and credit information; must be used for permissible purposes such as official government business.

**Claritas PRIZM:** Psychographic/lifestyle information.

**DialogPRO:** scientific, technical, medical, business, news, and intellectual property information from 600 databases. Dialog provides company and industry intelligence covering nearly a half million companies worldwide as well as market share and sales figures, business directories, and financials on 17 million U.S. and international companies.

**Dodge Construction Reports:** commercial construction activity for bidders.

**Dun & Bradstreet:** profile of 18 million companies, including: financial information, payment history and trends, history of a business, ownership details, operational information, and details on related firms and special events (such as business moves, fires and other disasters, and quarterly performance).

**Factiva.com:** 8,000 local, national and international newspapers; leading business magazines; trade publications; and newswires in 22 languages. Businesses can monitor competitors, customers, and industry, while also conducting in-depth research and gathering company financial data.

**Harris InfoSource:** complete coverage of all 14 million U.S. businesses along with significant Canadian firms. Includes products such as the Selectory online, which allows you to create targeted lists of prospects using employment, SIC or NAICS codes, geography, D&B® Credit Class Ratings and other factors.

**Hoover's:** 12 million companies, with in-depth coverage of 40,000 major companies.

**IBISWorld:** 700 US industry market research reports. Each report contains data on key statistics, industry structure including market size, supply/demand chain, market

segmentation, major players and market share, industry analysis including current and historical performance, 5-year forecasts, key management and industry success factors, and other facts.

**Jigsaw:** online directory of free, downloadable company information and more than 16 million business contacts.

**Lexis-Nexis:** 14,000 news sources ranging from news or journal articles to intellectual information, financial reports, international and journalism reports, broadcast transcripts as well as 4,800 legal materials such as senate bills and house reports. Public records comprise 3.3 billion documents. State regulatory tracking is also available via the Lexis-Nexis services.

**MarketPro:** real estate database that provides over 50 data categories relating to property and ownership. Data includes owner address, parcel number, lot size, building square footage, and sales information.

**OneSource:** public and private company profiles, executives, corporate families, industries, financials, news, analyst reports, and trade and business press articles from over 2,500 information sources.

**Plunkett Research Online** (Plunkett Research, Ltd.) provides industry sector analysis and research, industry trends, and industry statistics.

**PRO-Net:** Internet-based database of information on more than 195,000 small, disadvantaged, 8(a), HUBZone, and women-owned businesses.

**Reed Construction Data** (Reed Business Information) supplies national, regional and local construction data; building product information; construction cost data; market analytics; and advertising channels to construction industry professionals in the U.S. and Canada.

**ReferenceUSA:** 14 million U.S. and 1.5 million Canadian businesses searched by location, type of business, business size, credit rating, phone/fax number, and executive name.

**SkyMinder:** aggregates information sources from many different international providers and locally-based sources, and supplies online credit and business information on over 50 million companies in 230 countries.

**SRDS Direct Marketing List Source:** online directory of marketing list rental information.



Alcohol Monitoring Systems employee Vanarun Chhay tests one of the company's alcohol monitoring ankle bracelets used by courts nationwide.

Understanding and application of these new ideas and language, it will be difficult to duplicate the results.

*Use the full set of tools.* One of the most basic mistakes made is the assumption that you can hire a database searcher and go into business. EG relies on a full set of high level corporate tools. Having only one tool would be like a carpenter building a house with only a hammer.

*Implement at an appropriate scale.* Because the program is elite and fairly expensive, it is not feasible to undertake it on a small scale. For smaller communities and rural areas, regional approaches are a much better use of resources. The state of Florida, for example, has centralized the technical capabilities at the University of Central Florida, which provides services to six different regions across the state. This arrangement means that entrepreneurial assistance is immediately available to any company in any community without having to find a political budget, hire and train staff, buy and install software, and create an outreach program. If the company calls on Monday, the regional team goes to work on Tuesday.

*Focus on second stage companies.* The Edward Lowe Foundation developed a web site called YourEconomy.org which took all the business data from the Dun & Bradstreet files and organized it into four categories of business growth (stage I includes 1-9 employees, stage II includes 10-99 employees, stage III includes 100-499 employees, and stage IV which is 500 employees or more). The data in this web site consistently showed that stage II companies created more jobs per company than any of the other stages.

A second reason to focus on stage II companies is that it serves as a nice screening mechanism. The sheer fact that a business person can grow the company to ten employees is an indication of some type of market demand and some level of management skills.

This stage II focus is the area where mission drift is most likely to occur with an economic development agency. Without a laser focus on stage II companies (10-

99 employees, \$1-50 million in sales), the tendency is to drift toward startup, lifestyle and stage I companies (1-9 employees). Stage I companies create the most total number of jobs but they do so at a onsey-twosey rate. Furthermore, stage I companies are often retail, personal services, and "Main Street" types of businesses working under commodity pressures and offering low pay with minimal benefits.

Stage II businesses create more jobs per company and generally create more wealth per employee, especially if the company is innovation oriented.

*The project director must be skilled at three scales: entrepreneur, community politics, and economy.* The project director needs a deep understanding not only of business principles but entrepreneurial growth companies. The director must also be politically skilled to keep the project funded and alive. Economic Gardening cannot be buried deep in an organization with people who have no political experience or power. Finally, the project director needs an understanding of the economic environment in which entrepreneurial companies are embedded.

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Royce Heck explains to the author the laser measuring process used by his company, Adapted Prosthetics.

## LESSONS LEARNED

Littleton paid a stiff tuition in the school of hard knocks in the early years. Many of the early efforts at creating good paying jobs and wealth led to a dead end and simply didn't work. Much of our knowledge about entrepreneurial growth companies at the time was only the surface knowledge of small businesses and it took years to tease out the special characteristics of growth companies. The "Book of Mistakes" in Economic Gardening is a two volume set but some of the more striking lessons learned are presented below.

*High growth companies are scarce and you can't create them on demand.* Regardless of your predilection in the ongoing argument about whether enterprise builders are born or made, past data says this: there are not very many of them. The person who can build a major enterprise is rare.



If our analogy was sports where millions of kids play little league and fewer play high school ball and one or two make it to college and 1 percent of those get to the minors and even fewer to the big leagues – and a Michael Jordan or Tiger Woods pops out the top – no one would even raise an eyebrow. We would conclude some people are blessed in that area and if you combine it with good coaching and opportunity, Michael Jordan will always be a superstar. But you can't coach Jimmie Jones enough to get him to that level.

That same identical process goes on in business and simply looking around would confirm that an extremely small number of us are in the "Bill Gates" class. The huge majority of us have not built great enterprises. The issue for Economic Gardeners is not turning everyone into Bill Gates but rather being able to spot Bill Gates as he comes through the system and provide a nurturing environment so he can blossom.

*Keeping the EG program alive is as important as helping the entrepreneurs.*

EG is a slow start/long haul type of program – much more of a marathon than a sprint. If the decision makers live in a sprint world, Economic

Gardening will lose in the first hundred meters.

It takes a while to build the infrastructure, to get a critical mass of assistance, and to start getting results.

You need politicians with patience who are willing to defend the idea and create opportunity space around the program until it hits full stride.

*The entrepreneurial world is strange.* For one thing, it is at the edge of chaos. If you come from the corporate world where stability and the ability to forecast are prized, this world is a little unsettling. If you come from Main Street retail or any small business struggling to pay the owner a salary (much less a profit), it's downright scary. Entrepreneurial growth companies know more than anyone that the volatility is always there; on any given day it's only a matter of degree.

*Keeping the EG program alive is as important as helping the entrepreneurs.* EG is a slow start/long haul type of program – much more of a marathon than a sprint. If the decision makers live in a sprint world, Economic Gardening will lose in the first hundred meters. It takes a while



*Sam Garcia of Novus Biologicals, an antibody supplier to scientists around the world, prepares samples in the lab.*



*Savory Spice owner Janet Johnston stands in front of fresh herbs at her Littleton, CO, store.*

to build the infrastructure, to get a critical mass of assistance, and to start getting results. You need politicians with patience who are willing to defend the idea and create opportunity space around the program until it hits full stride.

*It's not just information.* Although this is the highly visible part of Economic Gardening, there are two other legs: infrastructure and connections. The question that drove all the creation of these core principles was "what nurtures entrepreneurs?" If the focus is on lowest cost environment for business, it leads you down an entirely different path. Open space and bike trails and Christmas lights and flowers in the medians all translate to higher taxes. That makes no sense to a company if it has to be the lowest cost producer. Putting money into education only drives up the cost of labor. Zoning regulations drive up the cost of land. All of this creates a "poor business environment."

However, if the orientation is building an environment for entrepreneurs and innovation, all of a sudden these things make sense. Of course we want to build an attractive town, even if it requires tax expenditures, because that's where entrepreneurs want to live. Of course we pour money into education because entrepreneurs want a talented workforce that can produce even more innovations. Of course we will regulate land use because talented people don't want to live next to a belching factory or have their streets lined with endless billboards.

## SUMMARY

There have been questions about whether Economic Gardening is appropriate for rural areas or whether it can scale up for large jurisdictions. Models for rural communities are being tested in Wyoming and at Western Washington University and initial results are good.

A year long, \$10 million pilot project in Florida will answer the question about scaling up in size. The project is intended to provide intensive assistance to 300 companies and enroll another 700 in related entrepreneurial services. A national JumpStart team of specialists in database searching, geographic information systems, and search engine optimization/web marketing are working intensively with stage II companies vetted by the state of Florida.

As the concept of Economic Gardening is being tested all across the nation, the need for standards, professional training, and program certification are becoming apparent. Program fidelity is critical for success. The issues are all being addressed in the formation of a national center in cooperation with the Edward Lowe Foundation.

Economic Gardening is not a quick fix – it is not a silver bullet. It is a long term strategy. It is not a fad diet;

it is a lifestyle change. It takes a while to put the infrastructure in place and to get to a scale large enough to make a difference. It also takes a while for a company to start to grow and add jobs. However, with patience and commitment it has proven to be a viable alternative to the traditional practices of economic development. 🌐

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