



Economic gardening' grow is now the way to grow

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Behold the brave new world of economic gardening.

But Christian Gibbons, considered the godfather of economic gardening, forewarns acolytes about this economic development initiative.

"Economic gardening is not a quick fix and it is not a silver bullet. It is a long-term strategy," Gibbons said in the 2010 summer issue of the Economic Development Journal.

"It is not a fad diet. It is a lifestyle change."

"It takes awhile to put the infrastructure in place and to get to a scale large enough to make a difference," Gibbons said.

"It also takes awhile 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."

Economic gardening has been dubbed an entrepreneurial approach to economic development, but exactly what is it?

Purists believe it's a process by which local companies, primarily stage-two companies - fast-growing with 10 to 99 employees and generating at least \$1 million in revenues - are given the tools to expand, be it through new customers or new markets.

That includes everything from market research to advertising and marketing.

It could include forums, conferences and webinars - whatever it takes for a company to expand, sell more, generate more revenue and create jobs.

Economic hunting, a traditional strategy, is just the opposite - tracking down huge corporations from outside a region or city that will invest millions of dollars and create hundreds of jobs.

Landing a major corporation is rare today.

A snapshot of Hampton Roads shows that the jobs of large employers, those employing more than 100 workers, fell from 2000 to 2008, the latest years for which data are available.

In addition, large employers dropped from sight during the same period while more small companies opened and created more jobs.

The seed

The idea behind economic gardening germinated in Leadville, Colo., in 1982, and took root in 1987 in the city of Littleton, Colo., Gibbons said.

At the time he was the director of economic development for Littleton.

The state was in a recession and defense contractor Martin Marietta, the community's major employer?, had laid off thousands of workers, a million square feet went dark, and vacancies in downtown Littleton approached 30 percent.

Instead of chasing companies to replace Martin Marietta, the Littleton City Council decided to work with local companies to develop good jobs, upset by having out-of-state corporations dictate their economic future.

The idea was based on research by David Birch at Massachusetts Institute of Technology that indicated the great majority of all new jobs in any local economy are produced by the small, local businesses of the community.

"Those companies are creating the most jobs in the country," Gibbons said in a telephone interview.

Retail jobs weren't included. "We were not looking at \$7- an-hour and no-benefits jobs," Gibbons said.

In setting up the program, Gibbons and city officials decided to discontinue handing out subsidies.

He said Littleton has not given a single penny to anyone since the inception of its economic gardening program.

"Most corporate expansions have been overseas," Gibbons said. "If you're in an economic development job, it's getting harder and harder to recruit. Companies are recruiting jobs - they're just creating them in India or China."

Gibbons and city officials saw that the companies that competed primarily on low price usually got the relocating business.

Rural towns with cheap land, free buildings, tax abatements and especially low wage labor would "win" these relocating businesses, he said.

"Our experience indicated that these types of expansions stayed around as long as costs stayed low. If the standard of living started to rise, the company pulled up stakes and headed for locations where the costs were even lower, often Third World countries.

"We're not in that business," Gibbons said.

Where are the jobs?

A U.S. Department of Commerce report published in April supports Gibbons' contention about corporations boosting hiring overseas.

Multinational corporations, which employ a fifth of all U.S. workers, cut their U.S. workforce by 2.9 million during the last decade while increasing employment overseas by 2.4 million.

In the 1990s, by contrast, companies added 4.4 million jobs in the U.S. and 2.7 million jobs overseas.

"Economic developers don't create jobs," Gibbons said. "Entrepreneurs do."

"We're not saying that attraction and recruitment activities should be discontinued, but they've been overemphasized due partly to competitive and political pressures," said Mark Lange, executive director of the Edward Lowe Foundation in Cassopolis, Mich., in a paper entitled "Economic Gardening, An Entrepreneur-Oriented Approach to Economic Prosperity."

According to its website at www.edwardlowe.org, the foundation embraces and encourages entrepreneurship as the source and strategy for economic growth, community development and economically independent individuals.

The foundation highlighted three strategies.

The traditional strategy emphasizes movement rather than growth, attracting and retaining companies by offering tax incentives, workforce development services and infrastructure improvements.

Another approach: Small business development organizations serve startups and small businesses by providing information about business plans, cash-flow analysis and succession planning.

Hampton Roads practices both these strategies at city economic development departments and through such regional organizations as the Hampton Roads Economic Development Alliance and the Hampton Roads Small Business Development Center.

The third strategy, economic gardening, embraces growth-oriented companies and issues like penetrating new markets, refining business models, developing teams and embracing new leadership roles.

"The key to running the program is who can finance it and who has relationships with local companies," Gibbons said.

"Government tends to have money for this but it could be universities, foundations, chambers if they have that kind of budget. One reason the city of Littleton supports it is that we are tied into the success of our local businesses through the tax base."

Economic Gardening in Practice

GrowFl is a prime example.

The Florida statewide program launched in 2009 with the backing of then-Gov. Charlie Crist and the Florida legislature.

The state funded \$10 million for the program - \$1.5 million for a technical assistance pilot program and \$8.5 million for loans for companies that demonstrated high potential for growth and expansion.

In the fall of 2009, Florida's Office of Tourism, Trade and Economic Development selected the University of Central Florida as the administrator of the technical assistance program.

In November 2009, UCF formed the Florida Economic Gardening Institute and the GrowFl program under a contract with the state worth \$1.43 million.

In less than a year, GrowFl provided technical assistance to 159 companies and conducted a host of other activities, according to its annual report issued last October.

Among its offerings - CEO roundtables and forums, small business innovative research webinars, workshops, seminars and online education.

GrowFl plans to expand its services this year.

"The state of Florida statute has us focus on companies with 0 to 50 employees and within industries listed on Florida's 'qualified target industry list,'" said Fran Korosec, director of client services for GrowFl, in an email. "We are looking at expanding the assistance to all second-stage companies [10 to 99 employees] as we move into fall of this year."

GrowFl must prove its worth.

"Our contract with the state is performance-based in that we have to serve so many companies and do certain things, such as events," Korosec said. "However, we do believe the true measure of performance is job creation and that is why we do job surveys and economic impact studies."

An economic impact study released in January said GrowFl helped to create 1,458 jobs, \$281.2 million in sales and \$8.4 million in net state and local tax revenues.

A survey of CEOs whose firms participated in the technical assistance program showed that it cost \$3,416 for every job created, the GrowFl study said.

In Littleton, Gibbons said it takes his department two to three weeks to supply data or market research to companies.

"The cost runs about \$3,900 per company but there are some set-up costs in addition," Gibbons said.

"That's a turnkey cost - staff time, databases, administrative software, office space, benefits - that buys 35-40 hours of high-quality research time."

In Virginia, two groups practice a hybrid of economic gardening, which combines loans and counseling to local and state companies.

One is United Virginia, based in Richmond. The other is the Staunton Creative Community Fund, based in Staunton. Meghan Williamson is executive director of the Staunton fund, which has counseled more than 100 individuals and made 18 loans to small businesses.

"We believe the essence of economic gardening is a development philosophy that helps communities grow from within, that emphasizes the talents, needs, assets, opportunities and unique attributes of the local economy," Williamson said.

"While that often includes an emphasis on stage-two companies, we have seen a strong need for assistance at the startup stage of business development," she said.

"A young organization ourselves, we have funded predominantly startup companies, but we are excited to be helping shepherd both ourselves and clients into a higher growth stage.

"We also see an important aspect as helping the types of companies that add new depth and diversity to our local economy - be they green industries, artists and musicians, or unique retailers that add vibrancy to a rural community," Williamson said.

The fund's clients include a publishing company, a food co-op, a comic book store and a film company named Flying Warthogs Film.

Traditional retailers are accepted, but they must have a twist.

"Our new retailers need to really think about what they are selling," Williamson said. "If they think they are selling a book or a toy, they're done for. Amazon and Walmart do it already."

Bookworms, a local bookstore, started a series of book clubs.

A toy store has days when children can make a craft or bake cookies. The comic book store accepts works from local authors, an idea written into its business plan.

"They may not sell many times, but they are building a relationship," Williamson said.

"Retail isn't about selling a product. It's about creating connections and an atmosphere and a relationship with the local community.

"You have to have an authentic relationship with your customer. You can't sell the image of being a community gathering place; you have to be an actual community gathering place."

"The funding is certainly a benefit, especially when you're starting out," said Ron Ramsey, owner of Bookworms. "The ongoing benefit is the networking with other businesses, not necessarily the same business, to foster a sense of community."

"We have worked closely with the Staunton Creative Community Fund," said Brian Wiedemann, co-owner of George Bowers Grocery, an independent store offering local and specialty food. "They were essential partners in helping us get the business started.

"They have provided low-interest startup capital for microbusinesses like ours, and we took advantage of that," he said. "Secondly, and I think more importantly, they provide a sympathetic but yet somewhat objective sounding board for your business. They act as a board of advisers, guidance counselors, cheerleaders."

Nonprofits are also accepted.

In fact, the fund acts as a virtual incubator for startup nonprofits. The fund does all the back-office work, such as handling contributions and accounting.

"By avoiding the need to handle independent 501(c)3 certifications and annual audits, all of which are done under the umbrella of SCCF, the burgeoning nonprofit initiatives can focus directly on fundraising, mission-related activities and community capacity building," Williamson said.

"These partnerships have been effective with everything from local environmental networking and educational organizations, to a startup that provides musical counseling services for disabled and elderly individuals.

"Just as any good gardener fertilizes and prunes, we fund, train, network, consult, and inspire," Williamson said.

"Likewise, the economic ecosystem we are designing must be diverse to be stable, and we seek to grow a variety of for-profit and nonprofit ventures that add vibrancy and resilience to our local community."

Asked what she looks for in a business plan, Williamson said, "We examine all our business plans using a triple bottom line: Is the plan economically viable? Does the business create a social or community benefit? Is there a positive environmental impact?"

United Virginia, a nonprofit financed by public and private dollars, is similar, although its goals are state-based. "Common Good for the Commonwealth" is its slogan.

"United Virginia was started as a nonprofit doing community organizing around important issues such as energy, the environment and health care," said Rob Martin, its managing director.

United Virginia supports economic and community development through public and private partnerships, such as the Virginia Interfaith Center and the Virginia Department of Housing and Community Development.

The idea behind United Virginia is to inject money into low-income and low-wealth communities.

That can be done through workshops UV conducts and through the Virginia Enterprise Initiative, a loan program for low-income communities and entrepreneurs that can't get traditional financing.

UV drives human and social capital, not financial capital, Martin said.

"The mechanism is the workshops we facilitate. There's a lot in the workshop that differentiates it from a business planning class.

"There's a wealth of resources in the community to support small businesses," Martin said. "We can help any entrepreneur get into business and grow their business."

And they have.

For example, a couple in Martinsville wanted to start a greenhouse farm.

"One is a recovering alcoholic, the other is disabled and legally blind," Martin said.

"One never had a college degree; one never worked a career in business. By doing a business plan in our workshop and reaching out to our resources, they had a \$15,000 greenhouse donated to them.

"We have people who have graduated from our workshops who come in and speak to our community," Martin said. "We facilitate it. But it's their initiative. They are also stewards of the initiative."

United Virginia creates a community of support, Martin said.

"We introduce early-stage entrepreneurs to the network and resources so they can write a really excellent business plan with the support of the community behind them. They are part of the economic ecosystem."

To date, 22 loans totaling \$100,000 have been approved by the communities in which these underfunded entrepreneurs live and work.