

# ECONOMIC GARDENING: A PROPOSAL FOR GROWING UTAH'S ECONOMY FROM THE INSIDE OUT

## RESPONSIBLE CITIZEN SUMMARY

### Background

- Economic gardening is an entrepreneur-centered, homegrown strategy for economic development that is gaining ground nationwide. It was developed in Littleton, Colo., in 1987 after the city's largest employer left town.
- Economic gardening helps connect entrepreneurs with the tools and resources they need to advance their businesses to the next level and thereby create jobs.

### What's at stake?

- A vibrant Utah economy that continues to grow for the benefit of all Utahns.
- An entrepreneur-centered business culture that encourages innovation and gives all Utah businesses opportunities to succeed.

### What's next?

- Sutherland proposes an economic gardening strategy tailored to Utah's unique goals and needs that would help the state economy grow and improve its stability.
- The policy ideas in our proposal are based on four principles of conservatism as relating to community and economy.

Responsible *Citizenship*<sup>™</sup>

An innovative approach to economic development could give Utah entrepreneurs tools to create thousands of new, homegrown jobs for Utahns.

In 1987, Martin Marietta (later Lockheed Martin), the largest employer in Littleton, Colo., shed 7,000 jobs – half its local workforce. Those who were laid off equaled about 20 percent of Littleton's population at the time, and the layoffs left more than 1 million square feet of retail and office space vacant.<sup>1</sup> Because of this devastating setback to the community and other economic challenges, the city shifted its efforts from recruiting outside companies to focusing on helping entrepreneurs already in Littleton grow their businesses.

According to Chris Gibbons, business/industry affairs director for Littleton,

*"The community wanted to take back its own economic destiny from out-of-state corporations, speculative real estate developers and low-end service jobs. It wanted an economy built from the inside out with employers who had a commitment to Littleton and would build the community as well as their companies. It wanted good jobs with good pay that would stay in the community. ... Littleton did not depend on the federal government or distant corporations to salvage its economy when times were bleak. It relied, rather, on its own initiative, with a local government creating a nurturing 'garden' in which entrepreneurs could survive and thrive."<sup>2</sup>*

With this new strategy in place, Littleton's job base doubled from 15,000 to 30,000 over the past two decades and its sales tax base increased from \$6 million to \$20 million. This growth occurred de-

spite two major recessions, population growth of just 24 percent, and not a single dime spent on recruiting programs or incentive packages.<sup>3</sup>

Because of Littleton's success, governments nationwide are adopting this strategy called "economic gardening," while many are also reducing or reconsidering their investment in incentives programs.<sup>4</sup> On the state level alone, two states have fully functioning economic gardening programs and at least five have initiated pilot programs.

Economic gardening is a promising new approach to economic development that could give Utah entrepreneurs more tools to grow their businesses, leading to thousands of new, homegrown jobs for Utahns and greater sustained economic growth.

An economic gardening approach aligns squarely with Governor Gary Herbert's emphasis on entrepreneurship, his desire to help existing urban and rural Utah businesses grow, and his initiative to "accelerate support for private sector efforts to create 100,000 jobs in 1,000 days."<sup>5</sup> We share this vision, and in this report we propose an economic gardening strategy to help bring it about.

## WHAT IS ECONOMIC GARDENING?

Economic gardening is a "homegrown," "inside-out" strategy that focuses on helping existing businesses grow. It is designed to help entrepreneurs and local small businesses become the stable engine of an economy rather than relying on large corporations that are often headquartered out-of-state to do the job.

While many of the state's current economic development policies benefit entrepreneurs and small businesses to some degree, its major and most visible pro-

grams primarily benefit larger, out-of-state companies and a relatively small number of companies. For example, in fiscal year 2010, just 0.35 percent of all Utah companies (210 out of 60,271) were under contract to receive tax benefits through the Governor's Office of Economic Development's (GOED) three major incentive programs.<sup>6</sup> Also, of the companies that have received incentive offers through two of these programs in the past seven years, at least 56 percent (45 out of 80) have 1,000 employees or more and 84 percent (67 out of 80) are headquartered outside Utah.<sup>7</sup>

While these incentive programs may help bring jobs to Utah, the state could benefit even more by increasing growth opportunities for entrepreneurs and small businesses in Utah. This approach makes sense because small businesses generate the bulk of Utah's jobs. In 2008, 79 percent of Utah's jobs came from companies with fewer than 99 employees and 91.7 percent from companies with fewer than 500 employees.<sup>8</sup>

The hefty contribution of small businesses to the jobs base is not unique to Utah. Littleton's Chris Gibbons and his staff developed their economic gardening strategy based on research by MIT economist David Birch suggesting that in the U.S. most jobs are created by small, local businesses, whereas hunted businesses typically produce less than five percent of a city's jobs.<sup>9</sup> A recent study confirmed Birch's conclusion that small businesses do create more jobs.<sup>10</sup> Littleton staff also noticed that recruited companies seemed to relocate to areas that were already attracting businesses and that companies attracted by low costs began to look elsewhere as soon as living standards began to rise.<sup>11</sup>

Another recent study also confirms that when small firms are locally owned they provide greater income

growth to their communities, and that medium and larger firms tend to slow growth in income per capita, especially when they are not locally owned.<sup>12</sup> It makes sense that smaller, homegrown companies would invest more in local workers, as well as in long-term business partnerships, and community initiatives. These companies are planted and rooted in their communities and, thus, are likely more loyal to them.

An economic gardening approach in Utah would encourage the growth of smaller, homegrown businesses, though it would benefit other businesses as well. Most Utah entrepreneurs would find value in economic gardening because it would help connect them with the tools and resources they need to grow.

## HOW DOES ECONOMIC GARDENING WORK?

The driving theory behind economic gardening is that many small businesses are growing and are poised for greater growth – they have a good product, ambitious leaders, and plans for expansion – but they do not have the expertise or resources they need to take the next step. Thus, government can help these businesses create opportunities for growth by connecting them with the tools and resources they need, as part of developing an “entrepreneurial ecosystem,” or a general environment in which entrepreneurs can thrive.

This approach is particularly helpful to a subset of small businesses (3 to 5 percent) that “account for three fourths of jobs created in the United States.”<sup>13</sup> This special class of firms is less likely to fail than other small businesses and more likely to create wealth, pay higher wages, export products and services, and invest in research and development.<sup>14</sup> These firms also partner and network more often with other firms, which helps

build the business community around them.<sup>15</sup> These “emerging high-growth firms” are ready to grow, which means they are most equipped to use economic gardening tools, whereas other firms may not be prepared for growth or be looking for it.

Though high-growth firms are difficult to identify, experts have determined they are most often in the second stage of growth,<sup>16</sup> which typically includes companies with about 10 to 99 employees and \$1 million to \$50 million in annual revenue, depending on the industry.<sup>17</sup> According to the Edward Lowe Foundation, “Between 1993 and 2008, second-stage companies only represented 10.9 percent of U.S. resident establishments but represented 35.7 percent of jobs and 24.8 percent of positive job growth.”<sup>18</sup>

The problem is that many high-growth firms want to expand but cannot afford to purchase access to tools that could help them grow. In contrast, large corporations can often afford these tools because of economies of scale, and startups are not usually ready to use them. Economic gardeners work to help companies gain access to the tools they need, which benefits those companies and the economy as a whole.

What are these tools and how are they provided? More than anything, companies with growth potential need information – information about the markets they serve, their competitors, and strategies for successful business practices. With most economic gardening programs, government purchases access to databases such as Dun & Bradstreet, IBISWorld, Lexis-Nexis, and MarketPro and makes their information available to entrepreneurs. It also provides access to tools like geographic information systems, search engine optimization, Web marketing, and network mapping. In addition, highly trained

staff often provide assistance with temperament analysis, core strategy analysis, and social media, among other things.<sup>19</sup>

To provide a taste of how economic gardening works, here are two specific examples of assistance Littleton has given to businesses:

### Hydronomics

“Hydronomics is a consulting firm that works with developers and municipalities to bring non-potable water to residential settings. They asked us to help them identify new markets and potential clients, and to provide information about the US recycled water market, including the key companies and consumer attitudes about its use in residential settings. We provided them with a GIS overlay of water districts and municipalities in Colorado, located information about residential recycled water projects in several states, provided information about consumer education campaigns and protest groups, identified residential developers and builders in the region, provided a list of homeowners associations in several counties, and obtained three Frost & Sullivan market research reports on the recycled water industry. We also searched trademark databases to see if the names they chose for their company and newsletter were already in use.”

### Artistic Edventures

“Artistic Edventures offers art instruction to children and adults. They wanted to improve and refine their marketing efforts, especially for the children’s market. We supplied an intern from a

local community college graphic arts program to help them design a new brochure. We researched the local home schooling market and provided contact information for the home schooling associations. Using GIS capabilities, we identified homeowners associations for nearby neighborhoods that have both high income residents and children. We researched the connections between arts education and learning so they could include relevant quotes in their promotional literature and presentations to educational markets. We provided them with articles and other resources on successful strategies for marketing to parents, grandparents, and children.”<sup>20</sup>

Helping companies gain access to information and research tools is viewed as the linchpin of economic gardening,<sup>21</sup> but it also consists of building “infrastructure” and helping entrepreneurs make “connections.”<sup>22</sup> With this approach, government helps build infrastructure that creates communities where entrepreneurs want to live and work. For example, good schools and transportation systems as well as a talented workforce are important to entrepreneurs. Further, governments help companies connect with one another for networking and collaborative opportunities within and across industries.

In the view of Littleton official Gibbons, successful economic gardening programs also include a high quality, well-trained staff, political champions for long-term success, a full set of high-level corporate tools, and a focus on second stage companies.<sup>23</sup>

It is important to understand what economic gardening is, but we should also understand what it is not. According to Gibbons, among other things, economic gardening is not: recruiting, keeping books, business

retention or expansion, an annual business climate survey, a financing program, counseling, or consulting.<sup>24</sup>

Also, economic gardening requires a gradual change in economic development culture and adequate time to produce results. As Gibbons cautions, “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.”<sup>25</sup> This point is particularly important to keep in mind as economic gardening initiatives make their way through legislative or other political processes.

Finally, the overarching concept of economic gardening is to help create a fertile field in which entrepreneurs and small businesses can thrive. Thus, it seems equally important to minimize taxes and regulations and to enact other policies that help maintain an overall business-friendly environment. Within such a framework any entrepreneur with enough drive and ingenuity could succeed, whereas without it many of them are likely to fail.

## DOES ECONOMIC GARDENING LEAD TO JOB CREATION?

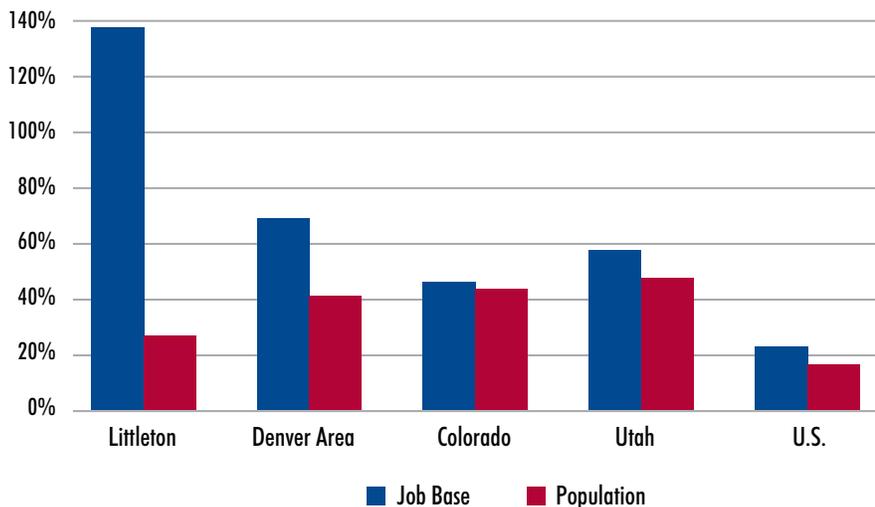
Research suggests that economic gardening does lead to new jobs and other economic activity. In a 2006 report, the Small Business Administration (SBA) asserts that “overall evidence indicates that economic gardening has most likely been a positive force in Littleton, serving as an affirmative catalyst for economic growth and encouraging a culture that supports entrepreneurship.”<sup>26</sup> After citing available evidence, the SBA concludes that “economic gardening, as formulated and implemented in Littleton, Colo., has clearly passed the

‘beta stage’ with flying colors. It is not only ready for application elsewhere; its principles and practices are being adopted rapidly based on its inherent logic and on a mounting body of supporting evidence.”<sup>27</sup>

For example, as shown in the chart on the following page, from 1990 to 2005 Littleton’s job base grew 136 percent – “twice the rate of the Denver region, three times that of Colorado, and six times that of the United States.”<sup>28</sup> This job growth, in a city of just 43,000 people, would be equivalent to adding 10 times the number of people Larry H. Miller Group currently employs in Utah.<sup>29</sup> Over this same period, Utah’s job base grew 57 percent,<sup>30</sup> which is impressive but not half of Littleton’s growth, even though Utah’s population grew by 47 percent and Littleton’s by only 26 percent.<sup>31</sup> Further, from 2000 to 2005, Littleton’s job base grew by 35 percent whereas “inner suburban Denver communities of similar size” – Thornton, Englewood, and Northglenn – grew 21.4 percent, 7.3 percent, and 6.2 percent, respectively. According to the SBA, these data provide evidence that Littleton’s growth likely cannot be attributed solely to the overall growth of Denver’s suburban area, Littleton’s concentration in specific industries, or Colorado’s overall economic health.<sup>32</sup>

In Florida, the legislature recently concluded a state-wide economic gardening pilot program called GrowFL and authorized continued funding for a more expansive program. According to a report by Tucker/Hall Inc., from 2009 to 2011, “GrowFL helped to create more than 3,285 direct and indirect local jobs and contribute more than \$510.4 million (direct and indirect) to Florida’s economy, for a total state investment of \$3.5 million. It also helped to generate an additional \$18.17 million in net state and local tax revenues (above and beyond the cost of the program).”<sup>33</sup> With this minor

Job and Population Growth –1990-2005



Data sources: U.S. Small Business Administration, Utah Department of Workforce Services, Colorado State Demography Office, U.S. Census Bureau

investment, Florida has not only thousands more jobs but also additional tax revenue that could fund a year’s public education for 2,074 students in Florida, or 2,858 students in Utah.<sup>34</sup>

It is also important to note that the return on investment for economic gardening initiatives may be much greater than for traditional government economic development programs because government does not have to refund tax dollars to companies that participate in economic gardening. To make a comparison, the state of Florida spent \$2,467 for each job resulting from its economic gardening pilot project, whereas tax incentive offers in the past six years from the state of Utah to selected companies will cost an estimated \$19,115 per job if those companies end up creating the number of jobs agreed upon.<sup>35</sup> Another benefit is that the economic impact of gardening programs is more immediate than incentives that unfold over a period as long as 20 years.

According to the SBA, economic gardening has gained ground nationwide because it “(1) is soundly based on economic growth principles, (2) requires fewer public resources than traditional recruitment initiatives, (3) is more focused on where rapid growth occurs – in second- and third-stage companies – and (4) does not require ‘picking winner industries,’ but rather recognizes the critical role played by growth companies of all sizes across diverse sectors.”<sup>36</sup> Economic gardening also helps produce a job base with increased stability by focusing on local and homegrown companies rather than transient out-of-state companies, which helps buffer local economies against the ups and downs of the national and global economies. Homegrown companies also often act as anchors in their communities by investing in schools, charities, their physical environment and other local initiatives that help create a more positive atmosphere for living, working and raising families. The late Larry Miller and his wife, Gail (auto dealerships, Megaplex theaters, Utah Jazz, etc.), and Alan and Karen Ashton (WordPerfect,

Thanksgiving Point) are two prominent Utah couples who have exemplified this fact.

## WHO IS DOING ECONOMIC GARDENING?

Noting the success of Littleton's seasoned program and other newer programs, states, counties, and cities nationwide are developing their own economic gardening programs. At least five states – Arizona, Florida, Kansas, Louisiana, and Oregon – have begun statewide pilot programs in the past few years, and at least two – Georgia and Wyoming – have fully functioning programs. At least 20 cities and counties in the U.S. have full programs or pilots or are making plans to begin economic gardening, and representatives from as many as 300 communities have visited Littleton to learn more about its program.<sup>37</sup> Existing programs are tailored to the priorities and needs of the businesses and citizens they are designed to serve, which makes each program unique.

As an example on the state level, Florida recently completed a successful pilot program, as mentioned above. Florida's legislature created the Florida Economic Gardening Institute (FEGI) at the University of Central Florida, which operates the state's GrowFL economic gardening program.<sup>38</sup> During the pilot, GrowFL provided various forms of technical assistance to companies using databases and research tools and held CEO roundtables, CEO forums, and human resources seminars, among other services. To qualify for services, companies had to meet specific requirements, including operating in "qualified target industries."<sup>39</sup> Florida extended and expanded its program and now offers its services to a wider range of companies.<sup>40</sup>

In Georgia, the Technology Association of Georgia (TAG), a quasi-government organization, helps connect

second-stage tech companies with market research tools.<sup>41</sup> Its program is funded in part by a grant from the federal Economic Development Administration.<sup>42</sup> The state also holds an annual "entrepreneur summit" and designates counties as "entrepreneur friendly" when they meet specific criteria.<sup>43</sup>

Finally, Wyoming uses a "distributed" or "hub and spoke" model that houses market research tools at the Wyoming Market Research Center at the University of Wyoming.<sup>44</sup> This center relays information to clients through a network of partners throughout the state and offers training and counseling to any business that requests it. According to Littleton's Gibbons, the hub-and-spoke model helps keep costs low for smaller communities by having them identify growth companies and refer them to a central provider rather than purchase economic gardening tools themselves.<sup>45</sup>

These examples offer a glimpse into current economic gardening efforts around the nation and provide some ideas for what might work in Utah.

## IS ECONOMIC GARDENING RIGHT FOR UTAH?

Utah is a prime candidate for economic gardening. Economic gardening has the greatest potential impact in areas where an "entrepreneurial spirit," or "entrepreneurial DNA," already exists, meaning that people view entrepreneurial activity, innovation, and risk favorably.<sup>46</sup> Unsurprisingly, Utah excels in this area; its pioneer spirit is alive and well throughout the state's business community.

As evidence, Utah usually scores well on published rankings related to entrepreneurship.<sup>47</sup> In 2010, Utah ranked 15th among the 50 states on the Kauffman

Index of Entrepreneurial Activity, which measures new business creation in the U.S.<sup>48</sup> In a 2010 report by the Information Technology and Innovation Foundation,<sup>49</sup> Utah ranked first in “economic dynamism”<sup>50</sup> and “inventor patents,” third in “fastest growing firms,” fifth in “venture capital,” sixth in “job churning,”<sup>51</sup> 11th in “IPOs,”<sup>52</sup> and 16th in “entrepreneurial activity.” Also, the University of Utah and Brigham Young University rank first and third respectively in the number of companies started based on university research,<sup>53</sup> and *The Princeton Review* ranks both BYU’s undergraduate and graduate programs for entrepreneurship fourth in the nation.<sup>54</sup>

Utah’s business composition is also favorable for an economic gardening program. In 2008, Utah ranked 23rd in percentage of companies in the first stage and fourth in growth of the number of first-stage companies from 1999-2008. And while Utah ranked only 45th in percentage of second-stage companies in 2008, it ranked 10th in growth of the number of second stage companies from 1999-2008. Finally, while the number of Utah’s second-stage companies is growing, the state ranks just 35th in the number of its jobs produced by second-stage companies (35.27 percent).<sup>55</sup> This means the state’s second-stage companies have potential to create many more jobs, and an ambitious economic gardening program can help leverage this potential by connecting companies with the tools they need to expand.

Utah’s entrepreneurial spirit and business makeup form an environment in which an economic gardening program could excel. Making economic gardening the focus of state economic development efforts would make Utah’s economy even more entrepreneur-centered and help accelerate its growth from the inside out.

## IS UTAH ALREADY DOING ECONOMIC GARDENING?

Utah’s current economic development programs contain only traces of economic gardening. The Governor’s Office of Economic Development (GOED) administers a program called BEAR (Business Expansion and Retention), which offers face-to-face meetings with business leaders to connect them with helpful resources, but this program does not provide access to most economic gardening research tools and is currently available only to businesses in some rural communities.<sup>56</sup>

Utah also has five Business Resource Centers (BRCs)<sup>57</sup> that provide a variety of services and 15 Small Business Development Centers (SBDCs), including one available online, that focus on startups and other small businesses.<sup>58</sup> These centers do offer some services related to economic gardening, such as networking, marketing research, technical expertise, and access to some research databases, but the nature and extent of these services only somewhat resemble a true economic gardening program.

While the state’s current efforts only represent the concept of economic gardening in its nascent state, they can serve as a starting point for developing a full-fledged economic gardening strategy.

## AN ECONOMIC GARDENING PROPOSAL FOR UTAH

As a concept, economic gardening is often defined narrowly,<sup>59</sup> but strategies for economic gardening vary throughout the nation. Utah’s strategy should reflect the state’s unique priorities, resources, and people. Specifically, Utah should ground its economic gardening

strategy, and any economic development policy, on the following four principles:

1. **Free markets.** Policies should uphold free market principles, trusting communities, businesses, families and individuals, rather than government, to drive the economy. Free markets work, and the Utah Constitution requires that “a free market system shall govern trade and commerce in this state to promote the dispersion of economic and political power and the general welfare of all the people.”<sup>60</sup>
2. **Entrepreneurial focus.** Policies should support a culture that allows entrepreneurs to succeed and encourages them to do so. Entrepreneurs, not government, should drive and shape Utah’s economy.
3. **Level playing field.** Policies should avoid offering special privileges only to select entrepreneurs or businesses. All companies should have reasonable access to whatever resources government makes available in order to maintain a level playing field.
4. **Community.** Policies should take into account that jobs and the economy are not the only important aspects of life. Policymakers should always consider what broader impact their proposals will have on Utah communities. For example, will proposed policies encourage businesses to become anchors of their communities or eventually to abandon them?

Under this framework of principles, Sutherland offers a proposal for an economic gardening initiative in Utah that includes the following elements:

- **Economic gardening hub.** Highly trained staff at a central hub should have access to the best databases and research tools available so they can provide valuable information and other assistance to entrepreneurs. In a best-case scenario, this hub would be funded using private resources and, as is done in Virginia, be operated by a private organization.<sup>61</sup> If necessary, the state could use funds set aside for economic development to provide seed money or ongoing funding for the project, or it could create a more formal public-private partnership by chartering an independent, nonprofit organization to house and operate the hub and coordinate state economic gardening efforts.<sup>62</sup> Another option would be to house the hub at an existing public facility, such as the Miller Business Resource Center at Salt Lake Community College’s Sandy campus.
- **Collaboration with spokes.** Similar to Wyoming’s hub-and-spoke model, public and private entrepreneur-oriented organizations throughout the state would act as spokes to the hub by referring entrepreneurs to it. While hub staff would offer assistance to any entrepreneur who requests it,<sup>63</sup> this referral network of spokes would help identify who would benefit most from it, which typically would be second-stage, high-growth companies as described earlier. Organizations that would be inclined to participate in the network might include the state’s SBDCs and BRCs, local economic development agencies, chambers of commerce, colleges and universities, and other entrepreneur-oriented groups. Importantly, this network would especially benefit entrepreneurs in rural areas who currently have minimal access to these tools and resources.
- **Economic gardening coalition.** State government should help bring together a coalition of government entities, businesses, and community

groups committed to making economic gardening succeed in Utah. The coalition could adopt a state economic gardening strategy and collaborate with interested parties in carrying it out.

- **Consultant connections.** Economic gardening staff would act not as business counselors or consultants but only as aides who connect entrepreneurs with basic information and tools they can use to grow their companies. For entrepreneurs who desire advanced assistance, the hub could allow professional consultants to add their contact information to a directory made available to entrepreneurs who could contract with consultants to obtain desired services. Competition among bidders to provide services would help keep their fees reasonable and motivate them to develop cutting-edge techniques.
- **Pilot project.** As other states have done, Utah should begin its economic gardening efforts with a pilot project. The pilot would seek to identify and assist 40-50 companies with potential for growth and then expand to full scale making the program available to all companies, taking into account lessons learned from the pilot.

Utah should also enact the following reforms to help create an even more entrepreneur-friendly environment as part of a broader economic gardening effort.<sup>64</sup> These reforms would help cultivate the soil so all Utah companies have greater opportunities to succeed, and they would also help attract more companies than ever from out of state.

- **Reduce taxes.** Eliminate Utah's corporate income tax, or at least reduce it, and consider eliminating other taxes on businesses. For example, the state could, as Governor Herbert has recommended, eliminate taxes on business in-

puts. Utah's business taxes are relatively low in comparison with other states, but there is room for improvement. The Tax Foundation recently ranked Utah ninth overall on its State Business Tax Climate Index and sixth on its Corporate Tax Index, behind Nevada, South Dakota, Wyoming, Virginia, and Missouri.<sup>65</sup> Reducing taxes would only increase Utah's competitiveness with other states by serving as a natural incentive for companies to relocate to or expand within the state. Most importantly, it would return earned profits to entrepreneurs they could use to create jobs and other economic activity.

- **Minimize regulations. Eliminate state and local government regulations** that inhibit business growth, such as burdensome zoning laws and unnecessary requirements related to professional licensing and health care. Minimizing regulations would lead to greater economic growth and make the state more entrepreneur-friendly. Governor Herbert's initiative to review current regulations that affect businesses is a positive step in this direction.
- **Hold an annual summit.** Host a summit every year on economic gardening to discuss how government can minimize its burden on businesses, maintain a level playing field, and improve economic gardening efforts. A summit would also serve as a venue for entrepreneurs to connect with consultants and others who can help them benefit from economic gardening tools.

## CONCLUSION

Economic gardening is a winning strategy for Utah. Entrepreneurs would benefit greatly from a more fertile

field in which they can plant their ideas and work to cultivate them. This proposal will give Utah entrepreneurs the tools, opportunities, and freedom they need to succeed.

Transforming Utah's economic development strategy and culture into one that is even more entrepreneur-centered will take time, as any paradigm shift does. But with patience and persistence this new culture will develop and lead to a stabler and more vibrant economy and more prosperity for all Utahns.

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## ENDNOTES

1. Anne Stuhldreher, "Grow Your Own," *Stanford Social Innovation Review*, (Winter 2010): 63.
2. Christian Gibbons, "Littleton, Colorado: A Self Reliant Community in the Global Age," *New Village Journal* 2 (July 2000).
3. Christian Gibbons, "Economic Gardening," *Economic Development Journal* 6, no. 3 (Summer 2010): 5. The population growth figure is from the Colorado State Demography Office, Historical Census Population.
4. As just two examples, Pennsylvania cut its incentives programs as much as 23 percent this year and Iowa slashed its incentives budget by 60 percent in fiscal year 2011 and 76 percent overall from fiscal year 2006 to fiscal year 2012. See Jeffrey A. Mills and Michael A. Kostiew, "The Competition for Economic Incentive Funds," Reed Smith, July 19, 2011; Donnelle Eller, "Business incentive fund cut 60 percent at new state agency," *Des Moines Register*, July 21, 2011; and David A. Lieb, "States rethinking tax credits as job creation tool," Associated Press, September 10, 2011.
5. Governor Herbert presented this goal to the new Governor's Economic Development Coordinating Council. Economic gardening also fits with the first two objectives of the governor's economic development plan: "Strengthen and grow existing Utah businesses, both urban and rural" and "Increase innovation, entrepreneurship and investment."
6. An estimate calculated using data on GOED's three largest incentive programs (EDTIF, IAF, and MPIF) from *2010 Annual Report and Business Resource Guide*, Utah Governor's Office of Economic Development, <http://business.utah.gov/site-media/page-media/files/AnnualReport-web.pdf> and U.S. Census Bureau, Statistics of U.S. Businesses (SUSB), 2007, U.S. & States, totals, <http://www.census.gov/econ/susb/>.
7. The two programs include EDTIF and IAF. Sufficient data for MPIF is not available.
8. YourEconomy.org, Edward Lowe Foundation, Composition data, Overview: Utah 1999 – 2008, using National Establishment Time Series (NETS) database.
9. Gibbons, "Economic Gardening," 6 and Peter Jones, "Helping businesses grow: Littleton recognized for 'economic gardening,'" *The Villager*, June 16, 2011.
10. A 2008 study concludes that although Birch overestimated the contribution of small establishments to job creation, they do create more jobs, on net, than large firms. Neumark, Wall, and Zhang, "Do Small Businesses Create More Jobs? New Evidence from the National Establishment Time Series," National Bureau of Economic Research, Working Paper No. 13818, February 2008.
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12. David Fleming and Stephan J. Goetz, "Does Local Firm Ownership Matter?" *Economic Development Quarterly*, 25, no. 3, August 2011, 277-281.
  13. Terry F. Buss, "Emerging High-Growth Firms and Economic Development Policy," *Economic Development Quarterly*, 16, no. 1, February 2002, 17-19. See also Donald W. Walls, "Private Sector Dynamics: The Key to Understanding U.S. Growth," Walls & Associates, June 2011. For a literature review of entrepreneurship, high-growth firms, and job creation see Rui Baptista and Joao Leitao, *Public Policies for Fostering Entrepreneurship* (New York, NY: Springer, 2009), 91-92. Also, as Harvard professor Clayton Christensen recently said, "Nearly all of the net creation of new jobs in our economy are rooted in disruptive innovation - innovations that bring higher standards of living to the bottom of the market - and then move up." Clayton Christensen, "How Mitt Romney's Mormonism may shape the U.S. economy," *Washington Post*, October 5, 2011.
  14. Emerging High-Growth Firms.
  15. SBA, "Economic Gardening," 163-4.
  16. To learn about the five stages of business growth see Neil C. Churchill and Virginia L. Lewis, "The five stages of business growth," *Harvard Business Review* 61, no. 3 (May-June 1983).
  17. "Economic Gardening: An entrepreneur-oriented approach to economic prosperity," Edward Lowe Foundation, 2009, 2. Also, "The Edward Lowe Foundation describes the second stage of business development as a point in the business life cycle when the casual ad hoc methods of entrepreneurial ventures begin to fail. It is a stage when the complexity of employing an increasing number of workers and the related regulatory compliance issues begin to exceed the span of control of one owner or CEO. At this stage of business development, more formal systems and processes may be required to effectively manage the business if it is to sustain or accelerate its current rate of growth to the next stage of business. These companies have moved from where the founder is owner, operator, manager, innovator—all in one—to an operation organized around specialization and more formal organizational structure." SBA, "Economic Gardening," 161.
  18. "The Significance of Second Stage," Edward Lowe Foundation, 2011, 1.
  19. Gibbons, "Economic Gardening," 4-8.
  20. Christine Hamilton-Pennell, "The City of Littleton's Economic Gardening Program," *Competitive Intelligence Magazine*, 7, no. 6 (November-December 2004): 14. For other examples of technical assistance that economic gardening programs provide see the Hamilton-Pennell report and <http://www.growfl.com/downloads/GrowFL%20Technical%20Assistance%20Examples.pdf>.
  21. SBA, "Economic Gardening," 170.
  22. Gibbons, "Economic Gardening," 7, 10.
  23. *Ibid.*, 7, 9.
  24. *Ibid.*, 7.
  25. *Ibid.*, 11.
  26. SBA, "Economic Gardening," 173.
  27. *Ibid.*, 188.
  28. *Ibid.*, 173.
  29. Littleton added 20,256 jobs and Larry H. Miller Group employs 2,000 people in Utah. See "Top 100 Private Companies," *Utah Business: Book of Lists* 2010, 120.
  30. Utah Department of Workforce Services, Utah Economic Data Viewer, county and statewide information.
  31. Colorado State Demography Office, County and Municipal Population Estimates and Utah Governor's Office of Planning & Budget, Demographic

- and Economic Analysis, Population Estimates.
32. See SBA, "Economic Gardening, 173-4.
  33. 1,419 of the jobs were "direct," 823 "indirect," and 1,043 "induced." "The Economic Impact of GrowFL: 2009-2011," Tucker/Hall, Inc., August 2011. See also "GrowFL Program Summary: November 2009 Through September 1, 2011," Economic Gardening Institute at the University of Central Florida, July 11, 2011.
  34. In 2008-09, Florida spent \$8,760 per student in public schools and Utah spent \$5,356. "Public Education Finances: 2009," U.S. Census Bureau, May 2011, Table 8.
  35. To provide another perspective, when considering the cost per job for each incentive package individually, the median is an estimated \$8,475 per job. These figures account for only "direct" jobs and include Utah data from fiscal years 2005-06 through 2010-11 for the state's EDTIF and IAF programs.
  36. SBA, "Economic Gardening, 160.
  37. Stuhldreher, "Grow Your Own," 64.
  38. See <http://www.growfl.com/index.html>.
  39. They also had to have 10 to 50 employees, gross revenues between \$1 million and \$25 million, and growth in employees or gross revenues in three of the past five years. "Final Report: Economic Gardening Technical Assistance Pilot Program November 2009 Through October 2010," GrowFL, October 31, 2010.
  40. Florida's new expanded program offers services to companies that are headquartered in Florida, have 7 to 100 employees, and exhibit growth in revenue and jobs in two of the past five years. Valerie Whitney, "GrowFL program gets new funding," *The Daytona Beach News-Journal*, August 3, 2011.
  41. See <http://www.tagonline.org/>.
  42. "Technology Association of Georgia Announces the Launch of its Economic Gardening Program," Technology Association of Georgia, April 21, 2010.
  43. See <http://www.georgia.org/BusinessInGeorgia/SmallBusiness/EntrepreneurialCommunities/Pages/EntrepreneurFriendly.aspx>.
  44. See [http://uwadmnweb.uwyo.edu/sbdc/market\\_a\\_business/mrc.html](http://uwadmnweb.uwyo.edu/sbdc/market_a_business/mrc.html).
  45. Chris Gibbons, Econ-dev Google Group list serve, June 25, 2010.
  46. SBA, "Economic Gardening, 167, 172.
  47. See <http://www.siliconslopes.com/utah/rankings> and <http://goed.utah.gov/whyutah/accolades/>.
  48. Utah averaged 0.37 percent on the index from 2007 to 2010 versus a national average of 0.32 percent as a measure of entrepreneurs per 100,000 people. Florida, Georgia, and Colorado, states that have invested in economic gardening, regularly ranked in the top 15, if not the top 5. Robert W. Fairlie, "2010 Kaufmann Index of Entrepreneurial Activity," Ewing Marion Kauffman Foundation, March 2011.
  49. Robert D. Atkinson and Scott Andes, "The 2010 State New Economy Index," Information Technology and Innovation Foundation, November 2010.
  50. According to the report, "economic dynamism" "indicators measure the degree of job churning (which is a product of new business startups and existing business failures); the number of *Deloitte Technology Fast 500* and *Inc. 500* firms; the number and value of initial public stock offerings by companies; the number of entrepreneurs starting new businesses; and the number of individual inventor patents issued."
  51. The report defines "job churning" as "the number of new startups and business failures, combined, as a share of the total firms in each state."
  52. The report defines "IPOs" (Initial Public Offerings) as "a weighted measure of the number and value of initial public stock offerings of companies as a share of total worker earnings."

53. Sarah Gambles, "National report: University of Utah No. 1, BYU No. 3 in tech startup companies," *Deseret News*, November 30, 2011.
54. "Best Entrepreneurial Schools," *The Princeton Review*, 2011.
55. YourEconomy.org, Edward Lowe Foundation, Rankings data, Composition, Jobs by sector and stage: 2008, using National Establishment Time Series (NETS) database.
56. "Economic Gardening: Creating Jobs by Growing Rural Businesses, A Workable Economic Development Strategy for Rural Utah," Governor's rural Partnership Board, Economic Gardening Subcommittee, July 27, 2010.
57. See <http://goed.utah.gov/start/Business-Resource-Centers/>.
58. See <http://www.utahsbdc.org/>. Four of the SBDCs are "satellite centers" that have only part-time staff.
59. Chris Gibbons has defined three levels of fidelity to the concept of economic gardening: "High Fidelity/Best Practices," "Experimental," and "Supporters of Entrepreneurial Approach to Economic Gardening." Of these three levels, the proposal we set forth in this paper would likely fall under "Experimental," which means that Utah's strategy would be based on economic gardening concepts but would experiment with new applications of these principles to try to discover and improve upon best practices. See Chris Gibbons, Econ-dev Google Group list serve, June 25, 2010.
60. Utah Constitution, Article XII, Section 20.
61. The Innovate!HamptonRoads Economic Gardening Network in the Norfolk, Va., area is operated by a private, nonprofit organization with government representatives on its board. Its funding comes from both private and public sources.
62. For example, Network Kansas is a private, non-profit organization that operates Kansas' economic gardening program but receives government funding and reports to the director of the state's SBDCs.
63. While some economic gardening programs offer services only to companies that meet specific requirements, Utah's program, if government-run or -funded, should provide equal access to any company that requests assistance in order to maintain a level playing field. Wyoming currently offers assistance to all companies and has been able to handle all requests with its three staff members.
64. These reforms along with the state's economic gardening initiative could be part of a larger campaign called "Grow Utah," "Utah First," or something similar.
65. Kail M. Padgitt, "2011 State Business Tax Climate Index," Background Paper No. 60, Tax Foundation, October 2010, 10-12.



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