

White Paper

Economic Gardening:

Creating Jobs by Growing Rural Businesses

A Workable Economic Development Strategy for Rural Utah

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Governor's Rural Partnership Board
Economic Gardening Sub-committee

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Rural vs Urban Economic Development

Rural economic development is different from economic development in urban areas. The primary focus of economic development in the state's urban areas is business recruitment. While finding and pitching sites, and putting together incentive packages for businesses looking to relocate is common-place in the Wasatch Front cities of the state, it is a rare occurrence for rural economic developers.

Because of distances to markets, airports, rail, customers and suppliers, and because of the limited size of the workforce, many businesses are not very well suited to a rural location.

The State of Utah, and many communities, rightfully invest a lot of money and resources into business recruitment, but this investment provides little return for the rural communities of the state.

Successful rural economic development demands a different approach. It requires that state and local resources be directed in a different direction.

Hunting vs Gardening

Rather than pursuing a strategy of "Hunting," for new jobs (recruitment) , rural communities are better served by "Gardening" strategies. This means targeting economic development resources toward existing businesses with potential for growth and expansion. Data show that 85% to 95% of rural jobs come from existing businesses. These businesses not only create new jobs, but they are also the businesses that have paid the taxes and supported community events over the years. They are committed to the communities where they reside, and are not likely to leave town to chase and grab the next incentive package.

Economic Gardening: Creating Jobs by Growing Rural Businesses

Economic gardening concentrates on growing existing local businesses. It has been used in many areas of the country with great success. It is an entrepreneurial approach to economic development.

Effective economic gardening programs are focused on taking direct action to develop and help local entrepreneurs successfully fast-track sustainable expansion of their businesses. It identifies and targets viable existing business people with the desire and capacity to grow and expand, then provides them with a package of professional business assistance. At the heart of this program is access to tools and data – which typically are out of reach of a small business – that can increase the competitiveness and intelligence of the businesses, leading to a much higher likelihood for success.

In its purest definition, economic gardening is very targeted (more on this later), but for purposes of a rural economic development strategy, economic gardening needs to be defined broadly. It includes support for business start-ups, business expansion and retention programs, business incubators, connecting local business to international markets, e-commerce support and “Buy Local First” programs.

Fortunately, many key components for economic gardening already exist in rural Utah, even though they may be scattered and/or disconnected, and need to be better coordinated and supported to build a legitimate economic gardening strategy. These include:

1. Small Business Development Centers
2. Business Resource Centers
3. Business Expansion and Retention Programs
4. Economic Development Offices
5. Business Expansion and Retention Programs
6. Department of Workforce Services Offices
7. Vocational Rehabilitation Offices
8. USU Extension Offices
9. The Utah Manufacturing Extension Partnership
10. GOED International Marketing Program
11. Procurement and Technical Assistance Centers (PTAC)
12. Custom Fit Training/UCAT
13. Associations of Government Offices

In developing a state-wide strategy for rural economic development, the first two components – business support resources and business expansion & retention – are critical, and form the foundation for identifying and targeting the “sweet spot” businesses that will be discussed later in this paper.

Business Expansion and Retention (BEAR)

The first step to growing (or saving) rural jobs by growing rural businesses is to make a connection with rural businesses. This means meeting with them face-to-face to learn about their needs, challenges, and opportunities. Based on this understanding of specific businesses and their specific situations, resources can be tapped, networking can be facilitated, business to business alliances can be formed, and the possibility of

improving the health of these businesses can be increased. This is the essence of a Business Expansion and Retention (BEAR) program, and it's the heart and soul of a successful economic gardening strategy.

BEAR programs meet face-to-face with businesses. BEAR programs learn first-hand about the concerns and opportunities of local businesses and of the business community. BEAR programs make businesses aware of resources that can help them address their concerns and seize their opportunities. BEAR identifies specific company needs and provides a real macro view of the local economy. BEAR programs recognize that the life's blood of a rural economy is small business, and that these businesses are the key to job creation – not government programs.

BEAR programs also buys a lot of good-will for local politicians and economic development offices. The positive connection between “the government” and a more successful business brings a strong political upside to those responsible for BEAR outreach programs.

The Sweet Spot – The Fertile Ground of Economic Gardening

The term “Economic Gardening” was coined by Chris Gibbons, and describes a very targeted initiative that was pioneered in Littleton, Colorado. The thrust of the Littleton model is to identify second phase businesses. Second phase businesses are businesses that have grown to 3 to 9 employees in size. These are businesses that have grown beyond sole proprietor or mom and pop size, and often have the potential for significant future growth. These businesses are the “sweet spot” of economic gardening.

Once these phase-two business are identified, the Littleton model determines their desire and potential for growth. If the desire and potential are present, the businesses are given access to an array of sophisticated tools and technical support to help them maximize their ability to grow and expand.

The primary tools used to assist these sweet-spot businesses are the same databases that Fortune 500 Companies use to analyze markets and competitors, and to develop their marketing strategies. Because of the high cost to access these databases, and because of the technical expertise needed to mine these databases, access to this information is well beyond the reach of a small business. To bridge this gap, the public sector is stepping in to acquire the databases, then helping small businesses mine them to provide market and product intelligence that would otherwise be unattainable.

Some databases are currently available through the SBDC, but not those referenced in this paper. The true impact comes not just from having the databases, but in providing the direct connection between the individual company and the data.

These databases can be expensive, but fortunately, licenses to use these databases

can be obtained at significant discounts if they are purchased through an institution of higher education.

The Wyoming Approach

Perhaps the best example of how to connect businesses to these databases at a low cost is provided by the Wyoming Business Council (WBC). The WBC partners with the University of Wyoming to license the databases – sometimes paying 75% below the private sector rate. In Wyoming, all businesses are invited to use these databases to do market research. The WBC uses Small Business Development Centers to screen and refine the data requests from Wyoming businesses. From there, the requests are submitted to the Wyoming Market Research Center (MRC).

The MRC has 3 full-time employees who are skilled in data base mining and market research, and dedicated to providing Wyoming businesses with sophisticated market intelligence. Within 10 days of receiving the requests, the MRC produces a report that includes such things as:

- Marketing Lists
- Competitive Intelligence
- Industry Trends
- Industry Financial Data
- Mailing Lists/Labels
- Local, State and National Demographics and Trends

Using this report, along with the technical assistance of the local SBDC, a business can move with confidence to develop market strategies, create a business plan, secure financing, and move into new markets with their products – expanding their companies and creating new jobs in the process.

This is economic gardening at its best, and it all begins with the face-to-face visits of a good BEAR program.

Other areas of the country that have successfully used this approach to economic gardening include Littleton, Co., Oregon (Oregon Microenterprise Network), Beaverton, OR, and Bellingham, WA.

Making it Happen

Executing a legitimate rural economic gardening program in Utah will require coordination and integration of programs and resources at both the state and local level. It begins with the business visitation and data collection of a local BEAR initiative, and must be coupled with the business expertise of a Business Resource Center or Small Business Development Center. To be sustainable, it will require funding for BEAR outreach personnel and software.

It will also require working in partnership with higher education to license the market research databases, and to provide a staff of skilled data miners and analysts to provide the market research needed to help businesses expand their operations with confidence.

BEAR surveys will also reveal opportunities for expansion into foreign markets – one of the few growth sectors of the current economic recession. International marketing expertise will be critical to helping rural businesses understand the processes of reaching these markets.

The information collected from a BEAR program can be very useful to a number of existing state agencies, and has the potential to dramatically improve their operating results and achievement of their agency missions.

The Role of GOED in a Rural Economic Gardening Strategy

To make all of this happen, the Governor's Office of Economic Development must be an active partner and play a critical role in developing a rural economic gardening strategy. GOED can also take the lead in bringing together and coordinating the state, local, and higher education resources necessary to make the strategy successful.

The first step is for GOED to join with rural economic development professionals in recognizing economic gardening as the most effective approach to rural economic development, and to join with rural Utah in developing a comprehensive rural economic development strategy centered around economic gardening.

This strategy will require participation on the part of the Governor, the Legislature, GOED, Workforce services, the Small Business Administration, the Utah System of Higher Education, and other state and federal programs and resources. GOED should take the lead in bringing these entities together to work with rural Utah in support of an economic gardening strategy.

GOED must also play a critical role in facilitating the pooling of resources from various partners and state agencies to fund the BEAR outreach activities.

GOED and BEAR

Economic gardening begins by visiting and surveying businesses through a local BEAR program. Because many small rural communities do not have the capacity to launch and sustain a viable BEAR initiative, rural Utah will need support from GOED.

Much has been learned from the very successful BEAR program in Carbon and Emery Counties. First, a BEAR effort requires a robust software program to collect the data and to connect businesses to the technical assistance resources they need. Currently Carbon, Emery, Iron, Juab, Millard, Piute, San Juan, Sevier, Summit, Tooele, Wasatch,

and Wayne counties have access to the Executive Pulse software program. GOED can help additional rural counties acquire the needed software and develop the business surveys to ensure state-wide consistency.

GOED's involvement will keep the process transparent, ensure accountability, and provide assistance in addressing needs that are beyond the capacity of local entities. GOED can also play an important role in reviewing that data platforms of various stakeholders, and determine if a standardized platform can be agreed upon. This would lead to seamless collection of data and uniformity of reporting across agencies.

Second, and most importantly, a BEAR program requires trained full-time outreach specialists to conduct the visitations and surveys. The outreach specialists are trained to discuss the needs, problems and challenges facing the businesses they visit in a conversational format. The outreach specialists do not solve the problems or answer the questions, but instead refer a professional expert to the business. Rural BEAR programs need help in obtaining the funding to support the business visitation components of an on-going BEAR effort.

Rural Utah is interested in adopting the Pennsylvania model for funding these business visits. Using this model – which has been used successfully for 10 years in Pennsylvania – the various partners interested in the information and relationships established through a BEAR program pool their funding to support the outreach.

Some of the partners who have expressed interest include the Department of Workforce Services (DWS), Vocational Rehab, USU Extension Services, SUU Regional Services, and Small Business Development Centers. Ideally, each of these partners would pay a agreed upon amount to the local BEAR program for each visit conducted. As part of this arrangement, the partners would be able target the types of businesses that would be surveyed (via NAICS codes), and the frequency of the visits. They would also have access to most of the data collected.

Rural Utah looks to GOED and the Governor's Office to play a lead role in bringing these partners, and others, to the table to talk with rural Utah about the possibilities of this approach and how to make it a win-win arrangement for all parties.

GOED and Business Support Services

Business visitation is meaningless if there is no ability to respond to the concerns raised by the businesses surveyed. Responding to business needs and opportunities will be the primary responsibility of existing Business Resource Centers and Small Business Development Centers. Because a BEAR program will significantly increase the demand for services, and because technical support resources are very limited in small rural communities, it is imperative that these entities not only remain strong, but that they orient their efforts to support economic gardening activities, and that they receive the state-level support and funding to do so.

GOED can ensure that rural Business Resource Centers and SBDCs are funded at adequate levels, and that they have administrative support to be active partners in economic gardening initiatives. GOED can make sure that funding levels are maintained and augmented as needed in the Governor's Budget and in presentations to legislative appropriations committees.

GOED and International Marketing

While the U.S. economy has been mired in economic recession for months, global growth is projected to be at 4.5 percent, in large measure due to strong economic performance in China, India, Africa, and Latin America. Brazil's projected growth rate is 7.2 percent for the coming year. Exports have been an engine of U.S. growth, up 17 percent in the first four months of 2010 from the same period in 2009.

Rural businesses have very little access to the mentoring and guidance necessary to enter foreign markets. GOED should plan to focus technical assistance toward rural businesses to assist them in entering foreign markets as these opportunities are identified in BEAR surveys.

GOED and PTAC

Rural businesses have great need for the mentoring and guidance necessary to compete for government contracts. GOED should plan to focus increased technical resources toward assisting the Procurement Technical Assistance Centers to be able to respond to the increased workload from opportunities that will be generated by the BEAR surveys.

GOED and Market Research Tools

The capstone of a serious economic gardening effort is giving businesses with growth potential access to the market research databases that can take them to the highest level of market plan development. GOED is the logical entity to work with higher education institutions in obtaining licenses to use these critical tools, and to field a research team to mine the data and produce the resulting reports. The databases listed in this paper are not currently available to Utah SBDCs.

As mentioned earlier, using an state college or university to purchase the licenses can reduce the cost significantly. It is recommended that GOED meet with the Wyoming Business Council, and/or other states, to learn from their successful efforts and adapt them to Utah's needs and business environment. A list of many of these databases is attached.

Attachments

Attachment 1: Market Research Databases.

Attachment 2: Spreadsheet on the potential rural business market.

Attachment 3: Spreadsheet with proposed budget and projected impacts.