



Economic Gardening

An entrepreneur-oriented approach to economic prosperity

It may seem ironic in today's global economy, but place has become more important than ever. Natural resources, low-cost labor and tax incentives used to be key drivers to regional prosperity. Today, however, the ability to support innovative companies and entrepreneurs is also a critical component to economic growth.

"We're living in a period of exponential economic change, which means economic developers and community leaders must serve businesses differently," says Mark Lange, executive director of the Edward Lowe Foundation in Cassopolis, Mich. "That's where economic gardening

comes in — and why it takes a neutral third party like the foundation to get involved and be a catalyst for change."

Economic gardening takes an entrepreneurial approach to job creation. Sometimes referred to as a "homegrown" or "inside-out" strategy, economic gardening focuses on helping existing growth-oriented companies become larger.

"We're not saying that attraction and recruitment activities should be discontinued, but they've been overemphasized, due partly to competitive and political pressures," Lange says. "A balanced approach is the key to building effective programs and

strategies."

Economic gardening helps establish an entrepreneurial culture within communities and sets itself apart from other economic-development strategies by its target audience, tools and timing of services.

For example, traditional economic-development programs offer tax incentives, workforce development services and infrastructure improvements to attract and retain companies that may be considering relocation — strategies that emphasize movement rather than growth.

At the other end of the spectrum, there are a variety of small-business-

development organizations that serve startups and small businesses by providing assistance with operations and management issues such as business-plan review, cash-flow analysis and succession planning.

In contrast, economic gardening deals with growth-oriented companies and strategic issues like penetrating new markets, refining business models, developing teams and embracing new leadership roles. Economic gardening provides information and decision-making assistance to companies that are transitioning from small to large, with services customized to meet the just-in-time needs of this audience.

Communities currently nurture their economies through recruitment, workforce development and small-business development. “But there is a fourth dimension we need to add,” Lange says. “Growth-company development is the missing piece, which is why the Edward Lowe Foundation is an advocate for economic gardening.”

Second-stage benefits

Some of the greatest returns of economic gardening come from working with second-stage entrepreneurs — companies that have advanced beyond the startup stage with the intent and potential for additional growth. (Second-stagers typically have 10 to 99 employees and generate about \$1 million to \$50 million in annual revenue, depending on their industry.)

Many people associate second stage with gazelles (companies with extremely high growth). Although gazelles pass through second stage, which makes it a good place to find them, they’re only part of the story. Second stage also includes: 1) companies with potential for high growth and 2) companies generating steady growth that may be less dramatic than gazelles but remains impressive.

This growth orientation is a critical



distinction that separates growth companies from other types of small businesses.

For example, some individuals may be self-employed because they like being their own boss, but job creation isn’t part of their game plan. Then there are small businesses that provide jobs in a community, but their growth is somewhat restricted by the local trading area they serve.

In contrast, second-stage entrepreneurs are significant job creators because of their focus on growth. And because they often have national or global markets, they bring outside dollars into the community.

“It’s time we treat growth-oriented entrepreneurs differently than small businesses — giving them their own place in the overall scheme of economic development,” says Lange. “The foundation can play an important role by helping community organizations collaborate more effectively to serve this audience.”

According to Doug Tatum, author of “No Man’s Land,” entrepreneurs face four key challenges as their companies transition from small to big:

- Market adjustments.
- Outgrowing early management teams and their role as founders.

- Scaling business models to handle growth.
- Understanding capital requirements.

“It’s hard for entrepreneurs to resolve these issues on their own — or even identify them accurately,” says Dino Signore, manager of program development at the Edward Lowe Foundation. “For one thing, moving from Stage 1 to Stage 2 brings on an entirely new set of challenges. Entrepreneurs face more responsibilities, and everything becomes magnified. Their core competencies become stronger, but so do their weaknesses.”

Making things even more difficult, changes in markets, management, business model and money are interrelated, Signore continues. “Being out of sync in one area can cause you to be out of sync in others.”

These conditions manifest themselves in a variety of ways. Some common symptoms: not being able to fulfill commitments to customers; quality problems become more

pressing; and decisions become increasingly complex and no longer intuitive. In addition, reporting systems no longer provide good information, and founders feel they're no longer able to lead every aspect of the business.

To help entrepreneurs resolve growing pains, economic-gardening organizations employ a variety of techniques. These fall into two broad categories: decision making and information.

Making better decisions

Entrepreneurs need help with strategy, identifying what they're good at and finding a sustainable competitive advantage.

They also need to shift their leadership role as the company grows, build a strong management team, create a clear vision, and then communicate it consistently.

This is where temperament tools can help. Understanding temperament (personality preferences, such as extroversion and introversion or how people process information), can help entrepreneurs recruit high-performance teams that balance their own inherent strengths and weaknesses. Being aware of temperament can also ensure employees are in positions that enable them to play to their strengths.

Sophisticated information

Economic-gardening specialists can also provide valuable information by using business-intelligence tools that smaller or younger companies either can't afford or don't know about. For example:

- Sophisticated databases can identify market trends, potential partners or competitors and unknown resources often buried deep inside industry information.
- Geographic information systems can track customer expenditures, psychographics and demographics and then create color-shaded, density maps that profile customers or show gaps in market coverage.

- Search engine optimization tools can raise visibility in search engine results and increase traffic on websites.

- Social media monitoring applications can track websites, blogs and online communities to see what people are saying about companies and products — and reveal important market influencers.

"Yet it's important to note that these tools aren't a panacea to entrepreneurs' problems," Lange says.

Businesses are biological entities, where there is constant flux due to employees, customers, markets and economic conditions, he explains. Applying mechanical rules (where the same process always yields the same output) won't work. Instead, economic-gardening specialists leverage these tools to find new ideas and approaches.

"What's more, economic-gardening tools are constantly changing," Lange adds. "The ones generating today's breakthroughs will become either

updated or outdated quickly."

The tools and techniques described here highlight the "one-to-one" approach in economic gardening and set the stage for an ongoing relationship between a support organization and individual companies.

Another important aspect of economic gardening is connectivity (a "one-to-many" approach), which uses peer-to-peer networks, recognition events, just-in-time workshops and discussion groups to attract growth entrepreneurs and serve their immediate, pressing needs.

"Activities like these are critical to launching and maintaining an overall economic-gardening strategy," says Lange. "They nurture the culture and connectivity that is so important to growing regional economies."

To learn more about the Edward Lowe Foundation, visit www.edwardlowe.org or call 800-232-5693.

Working with entrepreneurs

The need for speed



Economic-gardening specialists function much like an outsourced team of experts. Their goal is not to dictate or implement solutions, but to help CEOs identify issues that might be hindering growth — and point them to new tools, business concepts and information to make better decisions.

"Economic gardening is about applying just-in-time, high-end expertise rather than counseling," says Steve Quello, founder of CEO Nexus in Winter Park, Fla., and an economic-gardening expert. "Entrepreneurs know more about their companies than anyone else. Give them a better view of the big picture, and they can make adjustments themselves."

One challenge is getting up to speed with entrepreneurs.

During initial meetings, considerable time is spent discussing an entrepreneur's background, company structure, goals and growth issues. Then, as economic-gardening specialists learn more about each company, they become more efficient at delivering actionable information. It's a back-and-forth, ongoing relationship.

To gain trust and truly make a difference, economic-gardening organizations must act like the entrepreneurs they serve.

"That means being nimble and nonbureaucratic," Quello explains. "Entrepreneurs need answers in hours or days, not weeks or months."



A closer look at helping growth companies

In November 2008 the Edward Lowe Foundation hosted an economic-gardening workshop led by Chris Gibbons, director of business and industry affairs for Littleton, Colo., who pioneered the concept of economic gardening in the late 1980s. Assisting Gibbons was the JumpStart team (experts in different economic-gardening disciplines who work on projects outside of Littleton). The three-day event focused on helping second-stage entrepreneurs from different industries. Below is a quick look at challenges faced by two participants.

For Victor Santos, CEO of NaturePlex LLC, strategy was a key issue.

Based in Memphis, Tenn., NaturePlex produces nutritional supplements, medicated creams and other health-related products for dollar discount stores. The JumpStart team helped Santos realize that while NaturePlex is in a commodity market, the company has established a niche of higher-margin, natural products that it can expand to bolster growth and profits.

With that in mind, Santos is launching a line of all-natural, EPA-approved

Using the Keirsey Temperament Sorter, Santos and Gibbons determined the manager was an “artisan” (liking freedom and movement) while a “guardian” (who has a preference for details and deadlines) was better suited to his assigned responsibilities.

In response, Santos diverted some of the manager’s tasks to others, allowing the manager to play to his strengths. Santos also brought in a computer programmer to design a software application that improves communications between the firm’s production and sales departments.

With many employees contributing information, the application makes it easy to see where NaturePlex is — and where it needs to be, Santos says. “It contains all the small details that can get overlooked when communicating with someone verbally or even through e-mail.” The payoff: fewer meetings and less confusion.

Since working with Gibbons and the JumpStart team, things have improved substantially at NaturePlex. “I didn’t change my core strategy, but I’m refining it,” Santos says.

PlayStation or Xbox console.

McAlindon was initially trying to find game developers in alpha-stage development and convince them to include Switchblade in their products.

The JumpStart team began researching blogs, portals and other community sites looking for concentrated groups of people that influence a market. Instead of game developers, the team recommended that McAlindon target end-users by setting up competitions between gamers who use keyboards and gamers who use controllers.

“In the gaming world, it appears to be about bragging rights,” Gibbons says, noting that opinions run hot and heavy in online blogs — peppered with plenty of four-letter words — as to whether a keyboard or controller provides the superior gaming experience.

In response, Blue Orb has begun to host local keyboard-controller competitions and is working on an “arena” on its website for virtual contests.

McAlindon says the local competitions are already accelerating visibility for

Blue Orb and expects sales to increase. “We can see momentum building and hear people say, ‘Wow, Switchblade Pro is a great way to play games.’”

McAlindon says the economic-gardening program differed from other types of

business assistance he has received — with speed being a key hallmark. For example, when McAlindon found a Web developer to help build Blue Orb’s online arena, he asked the JumpStart team if there were other firms he should investigate.

“They got back to me the same day saying, ‘Here are two other companies, but the one you found appears to be best, and here’s why,’” McAlindon says.

“Could I have done this research?” he asks. “Perhaps, but it would have taken me two days or longer. They got back to me within a few hours, which was a huge benefit.”

“I like the specificity of the JumpStart team’s reports. It’s one thing to suggest viral marketing on Web sites. That’s very different than saying: Here’s the link, here’s what they do, and here’s a contact for you.”

— Pete McAlindon

biopesticides. Santos is also using sampling to increase sales for high-margin items, such as including trial-size portions of vitamin E cream with antifungal foot ointment.

Another concern for Santos: Although talented and hard-working, one of his managers was not detail-oriented, which was causing production problems.

“Temperament is a slotting problem,” Gibbons explains. “Every job has certain requirements, and every temperament has certain strengths and weaknesses, depending on the situation. The idea is to match the strengths of your employees to their job requirements.”

Temperament was also an eye-opener, Santos adds: “I knew something was off, but I thought it was a matter of me not communicating, which proved not to be the case. After meeting with Chris, it was like a bolt of lightning hit me.”

For Pete McAlindon, another program participant, mining social media provided new insights into business development.

CEO of Blue Orb in Maitland, Fla., McAlindon is targeting the online gaming industry. His company’s Switchblade software maps the functions of a mouse and keyboard into a controller (joystick) that allows people to play online games on their computers as if they were using a