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## **Grow Your Own**

By Anne Stuhldreher

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# Action > What Works

## Grow Your Own

How economic gardening nurtures local businesses BY ANNE STUHLREHER



*Littleton's economic gardening helped cultivate Neal Rosner (left) and Rick Emmelhainz's company, ChurchPartner.*

THE YEAR 1987 is one that most residents of Littleton, Colo., would rather forget. Their town's largest employer, Martin Marietta, eliminated 7,000 jobs—half the company's local workforce and about 20 percent of the town's population. By year's end, more than 1 million square feet of retail and office space sat vacant.

Many towns would have taken the usual cure: attract another big corporation to the area. But Chris Gibbons, Littleton's newly hired director of business/industry affairs, was fed up with chasing foot-loose companies. So, with support of the city council, he threw out the economic development playbook that most cities and states use. No longer would he hunt down big companies and lure them back to Littleton with tax incentives and subsidized space. Instead, he would focus all of his his department's efforts on growing hometown businesses.

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The only problem? Gibbons didn't know how to grow hometown businesses. Following a brainstorming session at a local think tank, though, he did have a name for his endeavor: "economic gardening." After years of experimenting with economic gardening, he has formulated a fertilizer that cities and states can use to cultivate bumper crops of local businesses. First, they must identify the local companies poised to grow the fastest and create the most jobs. Then they have to act like business development offices and offer high-end marketing, research, and development tools—the same ones that are staples in most corporations but that the little guys cannot afford or use on their own.

Gibbons' strategy is paying off. Littleton has doubled its job base and tripled its sales tax revenues over the last 20 years, far outpacing locales throughout the Denver area and the nation. These strong results are spurring cities and states across the country to adopt economic gardening for themselves.

### SUPPORTING THE SECOND STAGE

Gibbons was disillusioned with his profession when he arrived in Littleton. As an economic development consultant, he had spent years playing the recruiting game. He'd repeatedly watched small cities and rural areas offer up their best package of tax abatements and reduced-price space. And then the sought-after company would go where the costs were lowest. One locale would win, but the rest would lose. A few years later, that same company would go overseas in search of greater cost cuts.

To nurture the local businesses of Littleton, Gibbons knew he needed to target his efforts. He was the lone employee in his department and had a budget of only \$70,000. Drawing on the research of economist David Birch, then at the Massachusetts Institute of Technology, he began to seek out "second-stage" companies—businesses that are no longer start-ups but are not yet fully mature. These companies usually have between 10 and 100 employees and between \$1 million and \$50 million in annual sales. They have the highest growth rates and create the most jobs, finds the Edward Lowe Foundation, a nonprofit that supports second-stage entrepreneurs.

"We got out of the small vs. large [business] debate," says Gibbons. "The real issue was rate of growth."

Now Gibbons knew which businesses to target, but not how to help them. For years, he and his team had tried things that didn't work, like giving small-business seminars. They eventually learned that they got the biggest returns by helping entrepreneurs use high-end business tools that they ordinarily cannot access. Gibbons grew

a staff of three people with specialized skills in market and competitor research, Web site optimization, social media, and about a dozen other concepts, tools, and practices. Using the city's general fund dollars, the team bought \$80,000 worth of databases to help businesses find new customers. Centralizing these resources in a city department allowed everyone to use them for free, he explains.

Gibbons and his staff then tailored their offerings to businesses' different needs.

Take Novus Biologicals, a Littleton company that develops and markets antibodies for scientific research. In 2001, Novus had three employees and \$1 million in sales. Karen Padgett, the company's president, "thought they were doing all right" until she talked with Gibbons' staff. His team compiled a 20-page analysis of how to optimize Novus' Web site with better keywords and graphics (to get a higher Google ranking). The economic gardening team also spurred Padgett to use social media, such as a Twitter account with which to contact researchers who might need Novus' products. They then figured out whom Padgett should "follow" on Twitter by using software that tracks networks on the Web. Gibbons' staff also culled through a database of National Institutes of Health grantees to generate a list of potential customers.

"We expected a surface look, but they really dug deep," said Padgett. Novus now has 35 employees and \$10 million in sales; it just opened a London office.

"We're like extra staff," says Gibbons. "If people have an issue, they call on us." His team then tries to respond within a few hours. The group also e-mails ideas to entrepreneurs. "But we don't abuse their time or attention," says Gibbons. "[An issue] has to rise to a level of importance before we tap them on the shoulder."

Another Littleton business that turned to Gibbons' shop is ChurchPartner, a company that distributes church supplies and furniture. "If you take the people out of a church, turn it upside down and shake it, whatever falls out I can sell to you," explains Rick Emmelhainz, a company founder.

Several years ago, the start-up could not afford a subscription to the *Dodge Report*, a publication that lists construction projects across the United States and that then cost \$5,000, says Emmelhainz. Gibbons' team had a subscription, though, and handed over a list of churches and schools being built nationwide. "That was huge for us," says Emmelhainz.

Gibbons' staff also helped ChurchPartner optimize its Web site, offering about \$10,000 worth of advice, Emmelhainz estimates. The team also conducted an in-depth analysis of ChurchPartner's competitors to help the company refine its niche.

"It just comes down to time and money," says Emmelhainz. "We don't have people on our staff to do these things. But we made strategic decisions based on their advice." Over the past four years, ChurchPartner's annual sales grew from \$1 million to \$5 million.

### BOTTLING THE GARDEN

Economic gardening's results have piqued nationwide interest. According to the U.S. Small Business Administration (SBA), which

### ENERGIZE LOCAL ECONOMIES

Invest in homegrown businesses, not big corporations

Identify second-stage companies poised for fast growth

Offer them high-end business development tools

commended economic gardening in its 2006 report to President George W. Bush, net new jobs in Littleton grew 135 percent from 1990 to 2005—twice the rate of the Denver area and six times that of the United States. Sales tax receipts more than tripled (from \$6 million to \$21 million) over the same period. The SBA cautions, however, that many factors drive growth and only "the most rigorous econometric methods" could isolate what caused Littleton's success.

These results caught the eye of the National Council of State Legislators, which now promotes economic gardening. "[Gibbons] has the numbers to prove that it's working," says Josh Lohmer, a former policy specialist at the council. He also likes that the strategy costs less than traditional recruiting methods: Gibbons' annual budget, for instance, is \$700,000, and his department now totals four people. The National League of Cities and Harvard University's Innovations in American Government program likewise laud Littleton's economic gardening approach.

These results have spurred a crop of imitators. Florida recently passed a \$10 million economic gardening bill, and Georgia and Wyoming have developed similar programs. Chico, Calif., and Santa Fe, N.M., have also launched initiatives, as have locales in Ireland and Australia. About 300 different communities have visited Littleton to learn about the program. Most are too young to report any hard results, notes Gibbons.

Despite economic gardening's popularity, people often misunderstand it as just another small-business program, laments Gibbons. "I don't know how many times I have heard: 'Oh yeah, we've been doing economic gardening for a long time. We just didn't call it that,'" wrote Gibbons on the economic gardening listserv. "My instincts are to say: 'Great! Let's talk about complexity science and database searching and temperament and network theory and search engine optimization and Google AdWords campaigns and geographic information systems and new media marketing and innovation on a fitness landscape etc. etc.'—because that and a bunch of other stuff is what economic gardening consists of."

Yet these self-styled economic gardeners often adapt only one of the tools, like buying proprietary databases for local businesses to use. "That's like a carpenter working with only one tool," Gibbons says.

So with help from the Edward Lowe Foundation, Gibbons developed the National Center for Economic Gardening. Participants first view eight hours of online videos and PowerPoint presentations before attending a three-day session, which costs \$695 and is offered twice a year. The center has trained some 40 communities, says Gibbons.

The biggest barriers to adopting economic gardening may be political. It's a long-term approach, Gibbons explains, and politicians often have short-term goals. Yet landing, say, a large manufacturing plant or hospital often carries a huge price tag for very little job creation, he notes: "Sometimes it comes out to \$100,000 per job."

Likewise, many cities don't like letting go of the thrill of the hunt, says Gibbons. "But it wasn't the hunters who advanced civilization," he notes. "It was the people who stayed home and gardened." ■