

EDJ

The IEDC Economic Development Journal

1275 K Street, NW, Suite 300 • Washington, DC 20005

Volume 22 / Number 3 / Summer 2023

The Entrepreneurial Revolution in Economic Development

By Christian Gibbons

THE 35-YEAR HISTORY OF ECONOMIC GARDENING AND RELATED PROGRAMS

The creation of Economic Gardening and related entrepreneurial programs in the late 1980s added a major new strategic tool in the economic developer's toolkit. Many of the professionals who were there at the creation are now passing from the scene and there is no formal documentation of those early years. This is their story.

Advertisement

 INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

EDRP REPORT

**Growing the Workforce:
Strategies to Raise Local
Labor Force Participation**

▶ Download today at www.iedconline.org/edrp

 ECONOMIC DEVELOPMENT
RESEARCH PARTNERS
*International Economic
Development Council*

the entrepreneurial

REVOLUTION IN ECONOMIC DEVELOPMENT

By Christian Gibbons

AT THE CREATION

In 1987, a small event in Colorado sparked an entrepreneurial revolution in the economic development profession. Littleton, Colorado was experiencing a 7,000-job layoff at its largest employer and that 1987 City Council adopted a resolution to change the city's economic development policy from recruiting to "work with local entrepreneurs to create good jobs."

That directive sent the Littleton staff down the road to launch a "grow your own" program using an entrepreneurial approach to economic development. At the time, the essence of economic development was recruiting new industries to town – economic hunting. The proposal was to "weed, water and fertilize" local entrepreneurs – Economic Gardening.

Within a few years, the idea was picked up by a cadre of like-minded supporters. Over three decades later it has become a major tool in many economic development portfolios.

This is the story of those early years of the entrepreneurial revolution in economic development, and the players who were there at the creation – how the initial program was crafted using the advice of leading economic thinkers in the country; how in its infancy it spread to California, Florida and then across the country; and how it introduced innovations which were far from traditional economic development practice.

Economic Gardening was the first entrepreneurial approach to economic development programs in the country. It focuses on providing strategic frameworks and research to local Stage 2 companies.

This is the story of those early years of the entrepreneurial revolution in economic development, and the players who were there at the creation – how the initial program was crafted using the advice of leading economic thinkers in the country; how in its infancy it spread to California, Florida and then across the country; and how it introduced innovations which were far from traditional economic development practice.

Economic Gardening was the result of an unlikely alignment of the stars. I and city manager Jim Woods created the program in Littleton, where I was the director of business/industry affairs. I had proposed an entrepreneurial approach in Leadville, Colorado five years earlier but didn't get it off the ground. However, during the intervening years, I kept thinking about what it would look like. Now there was a catastrophic job loss, a City Council motivated to try something new, a supportive mayor and city manager, and a rudimentary plan for how to achieve it.

Martin Marietta (today Lockheed Martin) had a rocket and missile plant just outside the city limits and the collapse of the Soviet Union resulted in a 7,000 job reduction in the 15,000 person workforce. There was talk of the great "peace dividend" the country would get by reducing defense expenditures, but Littleton was in the war business and the net result was a severe recession.

The story, however, is bigger than just Economic Gardening. There were at least a half dozen major tributary streams in the entrepreneurial revolution story and over a hundred individual stories. The early adopters along the Front Range in Colorado, the pioneers in California and Florida, and the major players at the Kauffman Foun-

Christian Gibbons is the founder of the National Center for Economic Gardening. It was established to help states, regions and communities set up and run Economic Gardening programs. (cgibbons@economicgardening.org)

A wiki chronology of entrepreneurial programs is located on the National Center for Economic Gardening website showing the dates, people, activities and organizations around the country before, during and after the initial Economic Gardening program. <https://economicgardening.org>

THE 35-YEAR HISTORY OF ECONOMIC GARDENING AND RELATED PROGRAMS

The creation of Economic Gardening and related entrepreneurial programs in the late 1980s added a major new strategic tool in the economic developer's toolkit. Many of the professionals who were there at the creation are now passing from the scene and there is no formal documentation of those early years. This is their story.

dition, the Center for Rural Entrepreneurship, the Sirolli Institute, and the Kansas City Federal Reserve were all part of the movement. But first, let's set the stage as the story begins in 1987.

DEPRESSION ERA DNA

It is widely accepted that traditional economic development activities had their roots in the Great Depression, particularly in the 1936 Balance Agriculture with Industry act in Mississippi. At the time, there was no economic development profession and there were no economic development degrees. There was just a desperate need for jobs and there wasn't much time or interest in economists expounding on supply and demand curves. The objective was to go up to the Northeast and entice textile companies to move to Mississippi with its cheaper land and labor. The approach introduced many of the tools still considered standard in the economic development profession today: recruiting trips, industrial development bonds, tax abatements, workforce training programs, and low-cost land and labor. It was a political reaction to the dire need for immediate jobs.

This was the world confronting the Littleton staff when they set out to pioneer another way of doing economic development. Being unrestrained from economic development orthodoxy gave the staff the freedom to question basic assumptions, and then to innovate a number of new tools and concepts.

FOUNDATIONAL IDEAS

The introduction of an *entrepreneurial* approach to economic development was a significant milestone, but the true impact of Economic Gardening came from a series of innovations in principles, tools, and techniques to implement that idea. There was an explosion of new economic ideas in the 1990s, and the Littleton staff integrated these cutting-edge ideas and tools into a dramatic new approach. None of these were topics in academic journals or economic development conferences in 1987.

The introduction of an *entrepreneurial* approach to economic development was a significant milestone, but the true impact of Economic Gardening came from a series of innovations in principles, tools, and techniques to implement that idea. There was an explosion of new economic ideas in the 1990s, and the Littleton staff integrated these cutting-edge ideas and tools into a dramatic new approach. None of these were topics in academic journals or economic development conferences in 1987.

MILESTONES

- 1987 Littleton, Colorado creates Economic Gardening.
- 1996 Kauffman Foundation sponsors National Commission on Entrepreneurship.
- 1996 Sirolli Institute supporting entrepreneurs is established in the United States, focusing on the person first and the business idea second.
- 1998 Lake Elsinore and San Bernardino start a pilot Economic Gardening program in California.
- 2001 The Center for Economic Development at Cal State Chico, California hosts the first Economic Gardening conference.
- 2001 The Center for Rural Entrepreneurship is established with support from the Kauffman Foundation.
- 2006 Steve Quello and Graham Toft write chapter 6 (Economic Gardening) in the SBA annual report to the president of the United States.
- 2008 The National Center for Economic Gardening is established by Chris Gibbons.
- 2008 The University of Central Florida establishes GrowFL as a statewide Economic Gardening program.
- 2011 Dell Gines at the Kansas City Federal Reserve publishes "Grow Your Own" article. Provides thought leadership for inclusive economic development.
- 2017 Phillip Gaskin at Kauffman Foundation heads up ESHIP Summit; provides thought leadership in entrepreneurship ecosystem building.

Groundbreaking Research

Among the groundbreaking research in those early years was new data about where jobs were being created, about innovation driving economic growth, and about the role of temperament in growth companies. In particular,

- *David Birch* at MIT was the first to recognize that small businesses were producing a significant percentage of the new jobs. Later he homed in on gazelles, the fast growing, scaling companies creating the good paying jobs. At the same time, the *National Establishment Time Series* data showed that 80-90% of all jobs were created by local companies.
- *Phil Burgess* at the Center for the New West promoted the idea that communities should spend less resources on recruiting businesses (economic hunting) and more on nurturing of local growth companies. Burgess called it economic gardening.
- *Paul Romer* at Stanford proposed the idea that economic growth is a function of new knowledge, not just more capital/labor. Romer won a Nobel Prize for his work.
- *Katharine Briggs* and *Isabel Briggs Myers* work in temperament identified personality patterns in the CEOs of growth companies.

- *Donella Meadows* at MIT simplified systems thinking to isolate the supply/demand ratio as the key leverage point in improving economies.
- *Albert-Laszlo Barabasi* at Notre Dame demonstrated that networks tended to concentrate around a few “influencers.”
- *The Santa Fe Institute*, staffed by the scientists from the Los Alamos National Lab, developed the new science of complex adaptive systems that contended economies worked at the edge of chaos and were prone to collapse.

Sophisticated Tools

The new program at Littleton also found the following tools used by major corporations and introduced them to the Stage 2 companies (which have 10-100 employees and \$1-50 million in sales):

- Commercial database subscriptions for market research,
- Geographic Information System maps of potential markets,
- Search engine optimization to improve Google rankings,
- Listening posts to monitor consumer chatter and buying signals, and
- Watering holes to identify gathering places which discuss products and services.

The Littleton staff found that smaller growth companies could not afford these tools, and often didn't even know they existed. They needed the information, however, just as much as the large enterprises and for the same reasons. The basic elements of business were the same, regardless of size.

New Principles

In addition to integrating ground-breaking research and sophisticated tools into the new program, Economic Gardening introduced new insights which changed the thinking about economic development.

FOUR STAGES OF COMPANY GROWTH

Stage 1 1-9 employees. They are small, “mom and pop” companies often providing local products and services at a retail level. The primary business issues are learning basic business skills and survival.

Stage 2 10-100 employees. The businesses often sell to external markets and bring dollars into the community. Business issues are associated with growth: financing, putting systems in place, strategic frameworks and market research.

Stage 3 101-499 employees. These businesses have resolved many of the growth issues and have stable systems, markets and processes in place.

Stage 4 500+ employees. These are the major corporate businesses with national and international presence. They dominate markets, distribution channels, supply chains.

The data showed that local, Stage 2 growth companies were responsible for a significant proportion of growth (15% of the total number of businesses, 40% of the new jobs). These were the companies that typically innovated, created good jobs, and sold to external markets. They were essential to the economic health of a community.

Commoditization is the root cause of poverty. The Littleton staff argued that commoditization meant that a company's products and services could not be differentiated from its competitors, so the customer buys the cheaper one. This creates pressure to reduce expenses including wages, which in turn drove down the standard of living.

The Littleton staff concluded that commoditization was the root of poverty, which meant it was also the root of many social and political issues in the country.

Stage 2 Companies are driving local economies. The data showed that local, Stage 2 growth companies were responsible for a significant proportion of growth (15% of the total number of businesses, 40% of the new jobs). These were the companies that typically innovated, created good jobs, and sold to external markets. They were essential to the economic health of a community.

The sales window has the highest probability of making a sale. Economic Gardening recognized that the purchase decision process has four steps (motivation, investigation, evaluation, and selection), and this process creates a sales window. The probability of making a sale while the sales window is open is high. The probability of making a sale before or after the sales window is open is low.

LIKE MINDED THINKERS

As Littleton began to formulate a completely new approach that was far beyond the standard “business assistance” of the time, word began to spread about a new set of ideas and tools to help communities become economically healthy. A small band of like-minded thinkers emerged who wanted to try out the concept in their own communities. At this point in the story, there were seven significant streams that converged to push the idea into the mainstream.

Front Range Economic Gardening Group – Stream 1

Some of the first professionals to hear about Littleton's efforts were other communities along the Front Range of the Rocky Mountains from Cheyenne, Wyoming down to Pueblo, Colorado. As the number of inquiries increased, Littleton decided to organize an informal group called the Front Range Economic Gardening Group, which quickly swelled to 15 members. The group held quarterly meetings to discuss

Littleton's program, the new concepts being created, and the progress of pilot projects in the communities. There was a lively exchange of ideas, and experimental programs were launched in Pueblo, Greeley, Longmont, and the Front Range Community College.

California – Stream 2

In the mid-1990s, the Littleton staff started publishing results on the newly invented Internet. As word spread beyond Colorado, a core group of progressive professionals in California organized the first Economic Gardening efforts there.

Discussions between representatives of the California Trade and Commerce Agency, the California State University campuses, the city of San Bernardino, and a small group of local government economic development officials led to demonstration projects in three cities: Lake Elsinore, San Bernardino, and Chico. Kay Reynold, then president of the California Association for Local Economic Development (CALED) professional organization became a vocal proponent and the very first Economic Gardening conference was hosted by Dan Ripke at the Center for Economic Development in Chico, California in 1999.

By 2000, Economic Gardening became a hot topic in economic development circles, but it took the entry of three heavy-weight institutions from the middle of the country to embed entrepreneurship into the national discussion and policy making.

- The **Kauffman Foundation** added weight, money, and national reputation to the movement.
- The **Center for Rural Entrepreneurship** moved the idea into rural areas.
- The **Kansas City Federal Reserve** brought it to under-resourced communities and expanded it to inclusive economic development.

EARLY ADVOCATES IN CALIFORNIA

- Marlene Best, City of Lake Elsinore, CA
- Lee Hanson, Community University Partnerships, Cal State San Bernardino
- Jerry Henderson, California Trade and Commerce Agency
- Kay Reynolds, President of California Association for Local Economic Development (CALED)
- Dan Ripke, Center for Economic Development, Chico, CA

Kauffman Foundation – Stream 3

In the mid-1990s, the \$2 billion Ewing Marion Kauffman Foundation based in Kansas City took a major thought leadership role and provided significant funding for a series of commissions and centers that advanced the cause. Mr. Kauffman had a strong belief that entrepreneurship could unlock opportunity for all so that people could achieve financial stability, upward

By 2000, Economic Gardening became a hot topic in economic development circles, but it took the entry of three heavy-weight institutions from the middle of the country to embed entrepreneurship into the national discussion and policy making.

mobility, and economic prosperity – regardless of race, gender, or geography. The foundation launched a series of programs and initiatives including the following.

The National Commission on Entrepreneurship (NCOE) was established “to promote entrepreneurship as a vital component of economic growth and job creation in the United States.” The NCOE was supported by prominent business leaders and policy makers, including former Federal Reserve Chairman Alan Greenspan and former Secretary of Commerce William Daley.

The commission began publishing reports on entrepreneurship like “*Gazelles: High Growth Businesses and their Contribution to the U.S. Economy.*” The term gazelles was coined by Phil Burgess and David Birch and first used in Littleton in 1987.

In 2003, the foundation established the **Kauffman Center for Entrepreneurial Leadership** to provide education and resources for entrepreneurs. Soon, new programs like FastTrac and One Million Cups let Kaufman quickly establish a leadership position in the space.

Kauffman reports like “*Entrepreneurs in the New Economy*” reinforced Littleton's basic premise and helped legitimize the subject in academic and government policy circles. Academia exploded with research and publications about the concept.

In 2017, the foundation pushed the envelope even further when it initiated the concept of “entrepreneurial ecosystem building” with a formal playbook that outlined the role and importance of community infrastructure needed to spur entrepreneurial activity.

Center for Rural Entrepreneurship – Stream 4

In 2001, the Kauffman Foundation and the Rural Policy Research Institute (established at the University of Missouri in 1990) funded the **Center for Rural Entrepreneurship**, which was founded and directed by Don Macke and Deb Markley. The center brought the idea of entrepreneurship to rural America. Macke focused on field work, and Markley focused on research and learning. The key players were a geographically diverse group of people. (See sidebar.)

Macke recalled, “Our vision at the Center was to focus on learning from innovative rural entrepreneurial communities, capture the learning and then build out our e2 Development Framework and Process (to help

CENTER FOR RURAL ENTREPRENEURSHIP

Key players

- Dina Adkins, National Business Incubation Association
- Matt Chase, National Association of Development Organizations
- Brian Dabson, Corporation for Enterprise Development
- Ray Daffner, Appalachian Regional Commission
- Mark Drabenstott, Federal Reserve Bank of Kansas City
- Chuck Fluharty, Rural Policy Research Institute
- June Harley, ACE NET
- Jay Kayne, Miami University
- Thomas Lyons, University of Louisville
- Edward Malecki, Ohio State University
- Ray Moncrief, Kentucky Highlands Investment Corp
- Charles Tansey, Neighborhood Reinvestment Corporation
- Janet Topolsky, The Aspen Institute

communities with entrepreneur-focused economic development strategies) which we employed in new entrepreneurial community initiatives across North America.”

Case studies were developed for the Kentucky Highland Investment Corporation, the Appalachian Ohio Regional Investment Coalition, the state of Maine, the Kansas Sirolli Initiative, and Minnesota Bizpathways.

The center also left a wide wake of joint projects across the heartland including the Nebraska Community Foundation, the Heartland Center for Leadership Development, Kansas Small Business Development Center, Georgia Tech’s Economic Development Institute, the Rural Learning Center in South Dakota, the North Carolina Rural Center, and the Corporation for Enterprise Development.

Florida – Stream 5

Key individuals in Florida were also tracking Littleton’s groundbreaking work and growing reputation. In 2006, Steve Quello (CEO Nexus) and Graham Toft (GrowthEconomics, Inc) were invited to write a chapter in the SBA’s annual report to the president of the United States. Chapter 6 was titled “*Economic Gardening: Next Generation Applications for a Balanced Portfolio Approach to Economic Growth.*”

In the summer of 2009, the team of Steve Quello, Tom O’Neal (University of Central Florida - UCF), Mark Lange (Lowe Foundation), and I set up the Florida Economic Gardening Institute at UCF with GrowFL as the official brand name.

Quello reflected on his early days: “Our contribution to the “revolution” was applying the principles and best practices of the Littleton program at scale. We demonstrated how to apply the Littleton model

across an entire state, including multiple markets and hundreds of business owners, all at a documented return on investment of 9:1.”

Sirolli Institute – Stream 6

In 1996, Ernesto Sirolli, an Italian economic developer who had been working in Africa and Australia through the Sirolli Institute, came to America and set up a similar organization. Sirolli came at the issue with the same thought that local entrepreneurs were critical to the equation, but with the idea that the person, rather than the business concept, was of first and foremost importance. The mechanics of the business would “follow the energy, passion and native intelligence of the local people.”

Sirolli started by training “enterprise facilitators” to listen carefully to the ideas of budding entrepreneurs and then provide customized resources and support to flesh out the essentials of a successful business. Sirolli worked all across America with projects in communities like Fresno, CA; New Orleans, LA; Spokane, WA; East Palo Alto, CA; Birmingham, AL; Detroit, MI; Burlington, VT; and Springfield, IL.

Kansas City Federal Reserve – Stream 7

The final branch of the entrepreneurial revolution story comes from the Kansas City Federal Reserve. In 2011, a young urban planner named Dell Gines joined the organization and quickly established a leadership position in the inclusive economic development discussion. Gines wrote and published numerous research papers and articles on entrepreneurship in under-resourced communities.

When asked why he joined the “revolution,” Gines commented, “Coming from my background in one of the poorest African American communities in the nation, I recognized that there had to be better economic development approaches than what was currently being used. Based upon my background in business banking, and small business support, I knew entrepreneurship had to become an economic development priority.”

Gines became a national proponent of local entrepreneurship as a method for improving the fortunes of communities of color and rural communities that were left behind. He advised bank presidents and senior management on entrepreneurial strategies to promote *inclusive* economic growth. Gines is now Vice President of Strategic Partnerships, Advisory

Gines became a national proponent of local entrepreneurship as a method for improving the fortunes of communities of color and rural communities that were left behind. He advised bank presidents and senior management on entrepreneurial strategies to promote *inclusive* economic growth. Gines is now Vice President of Strategic Partnerships, Advisory Services and Thought Leadership at the International Economic Development Council.

Those who were there at the creation of the entrepreneurial revolution are starting to retire and passing from the scene. Many new professionals aren't aware of the early struggles to get entrepreneurial activity into the economic development discussion. What makes the story unusual is that the grassroots efforts in the late 1980s and 1990s weren't driven by federal government policy, elite universities, or top-down state programs.

Services and Thought Leadership at the International Economic Development Council.

THE TORCH PASSES

Those who were there at the creation of the entrepreneurial revolution are starting to retire and passing from the scene. Many new professionals aren't aware of the early struggles to get entrepreneurial activity into the economic development discussion. What makes the story unusual is that the grassroots efforts in the late 1980s and 1990s weren't driven by federal government policy, elite universities, or top-down state programs. They were driven by passionate people scattered across the country who felt that something was missing from the profession. This small group of pioneers took risks, tried things, and stayed passionate while the ideas were formulated, field tested and evolved into sound policy and practical applications.

A Look into the Future

The entrepreneurial approach to economic development has a bright future. The International Economic Development Council has a well-established

award program for entrepreneurship and recently approved a curriculum and certification program.

Communities which have not had success in recruiting companies, have found success in "growing their own." The potential costs and the risks are low and the payoff high. Locally grown companies have another benefit: they tend to be loyal to their communities. They also participate in public life – serving on boards and commissions, running for office, donating to charities, and sponsoring the local school activities.

Entrepreneurial activity has always been the foundation of the American economy. It is now firmly embedded in policy and practice, and the torch is passed to the next generation. 🌐

TAKEAWAYS

- An entrepreneurial approach to economic development was first proposed as an Economic Gardening program in Littleton, Colorado in 1987. Thought leaders from around the country advised the initial design.
- Economic Gardening introduced dramatic new principles, tools, and new sciences to the profession.
- Early adopters and like-minded enthusiasts emerged along the Front Range of Colorado, and in California and Florida.
- The Kauffman Foundation's expansion of their mission to include entrepreneurship in the 1990s provided funding for the National Commission on Entrepreneurship, the Kauffman Center for Entrepreneurial Leadership, the Center for Rural Entrepreneurship and ESHIP entrepreneurial ecosystems.
- The Kansas City Federal Reserve expanded the movement into inclusive economic growth.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

EDRP REPORT

**Growing the Workforce:
Strategies to Raise Local
Labor Force Participation**

▶ Download today at www.iedconline.org/edrp

ECONOMIC DEVELOPMENT RESEARCH PARTNERS
International Economic Development Council