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Economic Gardening and the Grow Kentucky Program

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In 2014, the Community and Economic Development Initiative of Kentucky (CEDIK) and the



Kentucky Small Business Development Center

(KSBDC), both housed in the University of

Kentucky's Agricultural Economics Department,

launched Grow Kentucky, Kentucky's only

certified Economic Gardening program.

Economic Gardening is not a new horticulture

program (contrary to its name), but an innovative economic development strategy that focuses on

“growing our own” companies. In fact,

"Economic Gardening embraces strategies to grow existing second-stage businesses. ... It was pioneered by Chris Gibbons in 1989 in Littleton, Colorado, a community that in the ensuing 15 years saw a 136 percent increase in new jobs. ... it has emerged as a prototype for a rapidly expanding movement to generate truly sustainable economic growth for communities, regions and states."¹

EG is used to help second-stage entrepreneurial growth companies penetrate existing markets,

identify new markets, monitor competitors, track industry trends, locate customer clusters, use

search engine optimization/social media for marketing and various other customized research.

Second-stage firms are ones that are independently owned for profit with revenues between

\$500,000 and \$25 million, are growth oriented (i.e., increased employment and/or gross revenues

in two of the last five years), have between five and 100 and employees. From a procedural

¹ “GrowFL Program Summary,” Florida Economic Gardening Institute at the University of Central Florida, <http://www.growfl.com/downloads/GrowFL%20Final%20Report%20Summary%202009-2011.pdf>.

standpoint, a second-stage company typically has a proven product and survival is no longer a daily concern. Instead, growth is the theme as the company begins to develop infrastructure and standardize operational systems. Capital and customers are ongoing issues, but owners begin to delegate more, wear fewer hats and focus on tomorrow's needs as well as today's.

Of those companies that meet the preliminary qualifications for an EG program, Kentucky's EG program, Grow Kentucky, only works with those that have been operating in Kentucky for at least the last two years and are expected to bring revenue and jobs into the state or region (rather than simply redistribute the business within a locality). The ultimate goal of Grow Kentucky is to improve the Commonwealth's employment and revenue.

Economic Gardening
The Sweet Spot for Job Creation in Your Communities



The reason for focusing strictly on second-stage firms is that indications from YourEconomy.org, (an online research tool supported by the Edward Lowe Foundation) are that job growth is most likely to come from businesses in the 0-100

employee range, which generally is indicative of startups and early stage business expansions.

Specifically, between 1995 and 2012, second-stage companies represented only 11.6 percent of US establishments, but accounted for 33.9 percent of jobs and 34.5 percent of sales.² These data seem to indicate that an appropriate response by economic development organizations is to direct resources and overall strategy towards assistance for companies that are already in Kentucky and have the potential and intention to grow.

To assist second-stage companies, EG programs provide a suite of high-end, high speed technical assistance and business resources to companies that have grown beyond the startup

² "The significance of the second stage," Edward Lowe Foundation, 2013, <http://edwardlowe.org/who-we-serve/secondstage/>.

phase and need access to information and decision-making tools typically only available to larger companies. Since being pioneered in Littleton, Colorado in 1987, EG is attributed to bringing over 15,000 jobs to the area.³ EG has continued to make its presence known as a viable strategy with implementations in states from Wyoming to Michigan to Florida as well as international markets around the globe. For example, the Florida state-wide EG program worked with 250 firms in two years from November 2009 to September 2011 generating 1,419 jobs (plus an added 1866 indirect and induced), \$510.4 million of increased revenue, 267.4 million GDP and added \$18.7 million tax revenue.⁴

We believe that the Grow Kentucky program can have a major impact in the Commonwealth, in general, and in the agriculture industry, in particular. As of December 2012, there were 19,681 second-stage Kentucky agribusinesses (according to a list compiled by J. P. Hesseldenz, W. P. Young Library's Academic Liaison for Business and Economics). If only 1.4% of Kentucky's second-stage agribusiness firms qualify and participate in Grow Kentucky, it could have as much impact in Kentucky's rural areas as it has had in Florida working with the entire state.



Convinced of its merits, CEDIK and KSBDC launched the Grow Kentucky EG program in summer 2014. By working with already successful Kentucky companies, Grow Kentucky is able to skip the small business basics and provide sophisticated tools to provide customized strategic information to our clients. The company can then use this information to expand their business and employment. In contrast to traditional business assistance, economic gardening focuses on strategic growth challenges, such as developing new markets, refining business models and gaining access to competitive intelligence. The Grow Kentucky program

³ "Economic Gardening," Edward Lowe Foundation, <http://edwardlowe.org/tools-programs/economic-gardening/>.

⁴ "GrowFL Program Summary," Florida Economic Gardening Institute.

provides strategic information and analysis customized to the needs of the small fast-growing business. Trained and certified specialists assist companies in four key areas: strategic market research, geographic information systems, search engine optimization, and social media marketing. This helps Kentucky companies to:

- Identify market trends, potential competitors and difficult to obtain resources
- Map geographic areas for targeted marketing
- Raise visibility in search engine results and increase web traffic
- Track websites, blogs and online communities to better understand current and potential customers, and
- Make informed decisions on core strategies and the business model

For Grow Kentucky and most other EG programs, the work is virtual technical assistance and is completed primarily in a 6-8 week period. A kick-off phone call establishes a to-do list. A clarification call soon follows to focus each specific deliverable and give guidance to the EG specialists. This call is followed by two weeks of generating work products, then 3-4 weeks of reviews with the client (including lots of calls to keep them engaged), and a closing call for feedback and to formally close the process.

In 2014-2015, the Grow Kentucky EG program was funded in part by a Rural Business Enhancement Grant. Thanks to grant support, the cost of the services—conservatively valued at \$5,000—are free to participating second-stage firms. Overall, companies who apply and are accepted will spend 8 to 12 hours collaborating with the Grow Kentucky research team. The team, in turn, will be spending additional time behind the scenes working on the company's issues. Together, company representatives and the UK/SBDC team identify targeted sales leads and business opportunities; refine the businesses' core strategies and business model; and

utilize websites and social media to help connect with customers and create buzz about their products or services.

Because this technical assistance is virtual, company representatives do not have to leave their office for the Grow Kentucky engagements. All communications are handled by phone and a secure online portal that serves as a shared workspace and communication link. Starting with the first client in July 2014, the program specialists worked with six clients in 2014 and an additional seven clients in 2015—about half of whom were from Eastern Kentucky. Team specialists have worked well over 297 hours in assisting those EG clients.

As the funding by the RBEG comes to a close, all indications are that the program has, thus far met its goals. The participating firms have growth strategies in place. Early participants have already increased employment and revenue. As participant revenue and employment grows, Kentucky's does as well. Because participants are headquartered in and owned by Kentuckians, they are more likely than larger national firms to stay and continue supporting the state's economy, rather than looking for incentives to move to another state or out of the country.

An important component of any rural development strategy is the development of education, expertise, and economic resources that can provide the impetus for the expansion of potential growth businesses. In addition, any effort must empower local involvement and must accelerate the efforts of rural communities that are flourishing and engage those who are struggling with growth. Grow Kentucky seeks to do both by providing sophisticated assistance to businesses in order to accelerate revenue and job growth.