

HARVEST TIME

By Jack Roth

THE PRACTICE OF NURTURING HOMEGROWN COMPANIES AS AN ECONOMIC DEVELOPMENT STRATEGY REQUIRES FORESIGHT AND PATIENCE.



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» Economic gardening, the underlying economic model that stresses business creation and expansion, has gained a foothold in Florida thanks in large part to a coordinated effort from Central Florida economic development leaders who view local entrepreneurs as the key to economic growth and prosperity.

When the town of Littleton, Colorado, faced a potential economic disaster in 1987 due to layoffs of thousands of people by the community's major employer, the crisis strained the resources of local residents and businesses and threatened to undermine the community's overall tax base. Staring into a dark abyss, community leaders disregarded conventional economic development wisdom and chose a divergent strategic path.

Instead of seeking a quick fix to replace lost jobs by offering relocation incentives and tax breaks to firms outside the region — an approach known as “economic hunting” — they embraced an alternate, long-term entrepreneurial strategy designed to generate new jobs from the community’s existing base of businesses. This approach, which became known as “economic gardening,” yielded remarkable results. During the 15-year period from 1990-2005, Littleton saw a 136 percent increase in the number of net new jobs, outperforming Denver Metro, the state of Colorado and the entire nation by a significant margin. Economic gardening proved to be a successful paradigm shift, as well as a burgeoning alternate strategy in the arsenals of economic development commissions across the nation.

When Florida Governor Charlie Crist went against conventional economic wisdom and — during an emergency budget-slashing session this past January — pushed through an economic development pilot program that called for money to be spent on preferred small-business loans and entrepreneurial support services, it marked a bold and significant leap toward adopting economic gardening as a model for the state.

The impetus for the state legislative action, however, started in Central Florida years ago with the efforts of a handful of pro-entrepreneur advocates who have understood the importance of “fertilizing” homegrown businesses and reaping the benefits of a strong harvest.

THE NEW BUZZ PHRASE

Ray Gilley, president and CEO of the Metro Orlando Economic Development Commission (EDC), stresses that the EDC has always incorporated economic gardening as part of both an inside-out and outside-in economic development strategy. “We’ve always tried to create a balance between recruitment and retention and growth,” he explains. “Both the attraction of out-of-market companies into Metro Orlando and the retention and growth of companies already within this market are vital to the regional growth process.”



Ray Gilley

PHOTO BY JACQUE BRUNO

The EDC is part of a particularly strong infrastructure in Central Florida that supports entrepreneurship, business growth, new-industry development and recruitment in the region, but

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the recent buzz associated with economic gardening lies in how its basic philosophy syncs with the current economic climate. “A focus on existing companies is more practical right now, especially when cities and states have limited economic funds,” explains John Fremstad, vice president of BE&K Inc. and former vice president of the EDC. “You can spend limited funds on your own entrepreneurs, and the benefits will trickle down to other areas within the community.”

In fact, a tough economy isn’t the only reason to consider an inside-out economic growth strategy. Globalization, the impact of the Internet, rapidly changing technologies, and the emergence of new, fast-growth overseas economies are forcing wholesale economic change across the United States, making business expansion programs more important than ever. Despite this, many cities and states still focus on recruitment, not expansion. So why is Central Florida, and now the entire state, so ahead of the curve?

The answer: an infrastructure geared toward an entrepreneurial growth continuum and the presence of forward-thinking individuals.

A PERFECT FIT

No region can be truly successful at economic development without local universities and colleges that offer the curriculums, mentoring and internship programs that help create and retain home-grown talent. This is true in Central Florida, where the University of Central Florida (UCF), Rollins College, Stetson University, three top-rated community colleges and other institutions offer the tools necessary for eager young talent to blossom.

Take the UCF Business Incubation Program, for example. Opened in 1999, it has served more than 90 emerging companies that have generated more than 900 new jobs and more than \$200 million in annual revenues. This community part-

nership provides early-stage companies with the tools, training and infrastructure needed to create financially stable, high-growth enterprises.

“Growing is our main role, which hopefully leads to maintaining,” says Tom O’Neal, associate vice president for Research and Commercialization at UCF and founder of the incubator program. “These young companies are run by individuals who have the intent and wherewithal to grow, so we help reduce the risks by being coaches and mentors.”

The university has a built-in network of advisors, in the form of professors, who are familiar with the particular issues associated with various industries. It also nurtures the region’s future workforce. “We help these companies write grants so they can get money, and we connect them with graduate students who work with the professors to write the proposals,” O’Neal explains. “So when they graduate, they get jobs with these companies. It’s a good expansion model. We have many highly skilled graduates currently working on projects with incubator companies, so we’re parlaying this local talent into the region’s economic growth.”

At the Rollins College Center for Entrepreneurship at the Crummer Grad-



uate School of Business, the goal is to provide the best possible training for its MBA students. The Center provides seminars, workshops, mentoring programs, internships and speakers, many of which are open to the public and all of which promote the retention of MBA talent.

"Economic gardening is the foundation of what we are working to accomplish through the Center," says Cari Coats, interim executive director. "We help our

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students successfully start and grow their own businesses. We also network with entrepreneurs in the region who are looking to grow their businesses and offer them access to resources and programs that will foster successful growth."

As a partner with UCF and five other Florida institutions, the Center for Entrepreneurship hosts the annual New Ventures Business Plan Competition, which has resulted in the creation of viable businesses that contribute to the economic vitality of Central Florida. The Center also partners with the Athena Powerlink Program, a national organization that provides panels of volunteer business experts who advise female business owners on important issues that can help them achieve growth and further success. The Center's inclusion as part of a partnership that includes Orlando Regional Chamber of Commerce, Center for Entrepreneurship and Innovation at UCF, and the Dis-

ney Entrepreneur Center secures its role as one of the many entrepreneurship-focused organizations working in concert to create one of the best regional entrepreneurship systems in the United States.

The Florida High Tech Corridor Council (FHTCC), under the guidance of president Randy Berridge, partners with various Central Florida institutions to attract, retain and grow high tech industry and to help develop the workforce to support those industries in the 23-county service areas of UCF, the University of South Florida (USF), and University of Florida (UF).

"The Corridor Council plays an integral part in providing services to high-tech companies, many of which wind up becoming second-stage growth companies with often limitless capacity to provide jobs and wealth for the region," says Ed Schons, director of Economic Development at UCF.

Additional support for regional entrepreneurs comes courtesy of the Disney Entrepreneur Center, which has become

nationally recognized for small business development and provides a variety of services such as free business coaching, networking functions, a resource library, access to video conferencing and more. "Whether an entrepreneur is just considering starting a business, or a seasoned business is seeking tools for growth, the 10 separate business organizations located at the Center can accelerate the process," says Jerry Ross, executive director. "Our region is very entrepreneurial and we are very good at assisting the start-up/first-stage 'main street' businesses. By supporting and accelerating these start-ups into second-stage businesses, we are supporting the economic gardening concept of growing companies and, in turn, growing jobs."

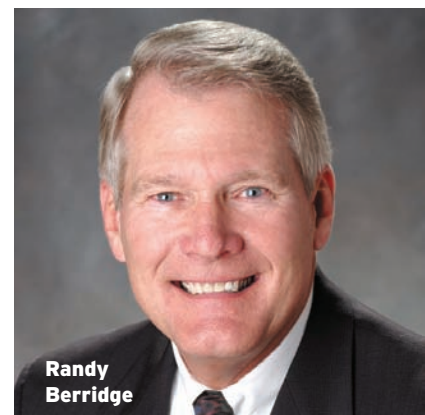
There is no doubting that a strong infrastructure exists in Central Florida to educate, create and retain start-up businesses, but it is during the crucial next

step in a company's growth cycle when support gaps often exist and many regions fail to fill them. Ross emphasizes second-stage growth companies as essential to economic development, and, in fact, they are the critical focus of economic gardening. It became clear to Ross that economic gardening could be an initiative worth considering for Central Florida when he read the 2006 *Report to the President on The Small Business Economy*, written by Orlando-based economic development researcher Steve Quello.

"Steve has brought his knowledge and research on economic gardening to Central Florida because of the fertile ground of high-tech, biotech, and entrepreneurial capital present here," adds Ross. "It only makes sense that a region that is so engaged and supportive of economic development would be at the forefront of this type of initiative."

SECOND-STAGE GROWTH

To Quello, who has been studying entrepreneurship and economic growth for more than a decade, economic gardening is more than a metaphor. It is a critical part of a broader economic development story associated with the continuum of entrepreneurship. There is a leverage point, he suggests, where communities can do better faster if they invest the right way. "With limited



resources, communities have to allocate resources strategically, and in times like this, industrial recruitment is not as effective as supporting expansion programs targeting resident businesses. Most jobs are created and sustained over time by the creation and expansion of local com-



panies. The message of economic gardening is to allocate resources more effectively, by focusing on the stage-specific needs of high growth/high potential second-stage companies.”

The bracket typically used to describe second-stage growth companies is 10 to 99 employees and \$1 million to \$50 million in revenues. In this space, says Quello, if a community can cultivate the right environment and offer stage-specific support, they will generate the best return. Historically, he adds, the majority of public sector resources have flowed to supporting first- and fourth-stage companies, but entrepreneurs are not equally productive. Only a small subset of first- and second-stage companies have the desire and capacity to become truly high-growth enterprises. The goal of economic gardening is to recognize and support stage-specific needs of these high achievers in order to generate a greater return, no matter the industry sector.

The Edward Lowe Foundation, based in southwest Michigan, was created to enhance entrepreneurship and economic growth across the country. Mark Lange, the executive director, has known Quello for 10 years, and together they have worked to better understand how to recognize and support second-stage growth companies. “Steve is our man on the ground in Central Florida,” he says. “He introduced me to Tom O’Neal four years ago, and I quickly realized what a great infrastructure Central Florida already had in place. We simply began to provide the data and new ways of thinking to key support people, and Steve became an advocate for these ideas in the region.”

Acknowledging that UCF was way ahead of the curve with its incubator program, Lange and the Foundation licensed its PeerSpectives Program to UCF. O’Neal was quick to embrace it as a “graduate program” for his incubator companies. PeerSpectives is a peer-to-peer, learning and problem-solving program based on the best practices of CEO peer-learning programs across the country. Quello worked in concert with the Edward Lowe Foundation to study, design and implement the program nationally.

In essence, second-stage CEOs meet in a roundtable setting once a month to discuss issues relevant to their businesses. The entrepreneurs decide what topic to discuss at the meeting. In launching this program, Quello also served as a facilitator, and has developed a mentoring program that goes hand-in-hand with PeerSpectives, in which third-stage CEOs give advice to second-stage CEOs.

This supportive and proactive infrastructure has allowed Central Florida to overcome the most common hurdles associated with recognizing second-stage growth companies.

“Most communities have a hard time finding them because they just don’t know who they are, but Central Florida can target them easily because they’ve already been part of the continuum process from the first-stage growth programs already in place,” explains Lange. “I’m really looking forward to seeing how this works out long-term for Florida now that initial funding from the state is in place. I can see using Florida, and Central Florida specifically, as a blueprint when taking economic gardening to other regions of the country.”

At the core of all this, stresses Quello, is the entrepreneur. “They create the jobs and wealth that drive the economy. That’s the message here — being entrepreneur-centric allows Central Florida to be more productive and competitive in an increasingly “flat” world. Striking the appropriate balance of investment in entrepreneurship and innovation offers the only truly sustainable economic development strategy.”

Signs of Second-Stage Growth

A major principle of economic gardening states that high growth/high potential companies are critical to inside-out economic development. They can be of any size but are ideally bracketed between having 10 to 99 employees and \$1 to \$50 million in revenue; established companies operating at a stage beyond start up or early development. Most importantly, second-stage companies are particularly strategic.

The Edward Lowe Foundation describes the second stage of business development as a point in the business life cycle when the casual ad hoc methods of entrepreneurial ventures begin to fail. It is a stage when the complexity of employing an increasing number of workers and the related regulatory compliance issues begin to exceed the span of control of one owner or CEO.

At this stage of business development, more formal systems and processes may be required to effectively manage the business if it is to sustain or accelerate its current rate of growth to the next stage of business. These companies have moved from where the founder is owner, operator, manager, innovator — all in one — to an operation organized around specialization and more formal organizational structure. This is an inherently fluid stage of business development that requires support to be available in “just-in-time” fashion.

“They require high-maintenance and are often difficult to get a handle on,” says Mark Lange, executive director of the Foundation. “We often liken second-stage growth companies to a child’s terrible twos. It’s a tough growth period that requires specific support and understanding.”

