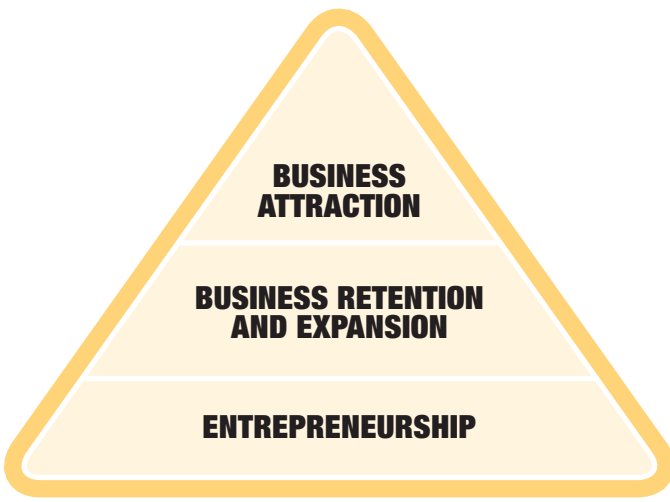


# Rural Diversification and Economic Gardening

Community Futures Alberta

Rural economic diversification can include a wide variety of activities from building a brand new industry in your community to value-adding from a natural resource (e.g. building a biofuel plant, developing a heavy oil up-grader, or building a beef slaughtering plant). These examples describe big, capital intensive projects. But there is another side to rural economic diversification that is more appropriate to the skills and resources of most rural communities. This side of economic diversification concerns potential entrepreneurs and small businesses that want to grow – for example, tourism operators, small food processors, or start-up technology companies.

Rural communities have traditionally focused their economic development activities on three areas: development of natural resources, industrial attraction, and small business retention and expansion. With some exceptions (high amenity rural locations, and those areas adjacent to cities) these strategies are not leading to the creation of sustainable rural communities.



Adapted from: Deborah Markley, Don Macke, and Vicki B. Luther. *Energizing Entrepreneurs: Charting a Course for Rural Communities* RUPRI Centre for Rural Entrepreneurship and Heartland Centre for Leadership Development, Lincoln, Nebraska, 2005.

The old ways of economic development are not working so well today. It is time for a new approach: entrepreneurship. The economic growth dilemma is one that forces communities to think about the suitability of either putting resources into the external recruitment of new businesses or focusing on developing greater entrepreneurship from within. Rural areas, especially those whose economy is resource-based – such as “company towns” – may feel the swing of economic ups and downs, and the challenges this poses, that much more strongly.

What do we know about entrepreneurship?

- There is a strong positive relationship between the level of entrepreneurial activity in a country and economic growth
- Small entrepreneurs have been responsible for 67% of inventions and 95% of radical innovations in the US since WWII, with similar percentages in Canada
- Entrepreneurs are a vital part of local economies, contributing jobs and innovation to communities across the country

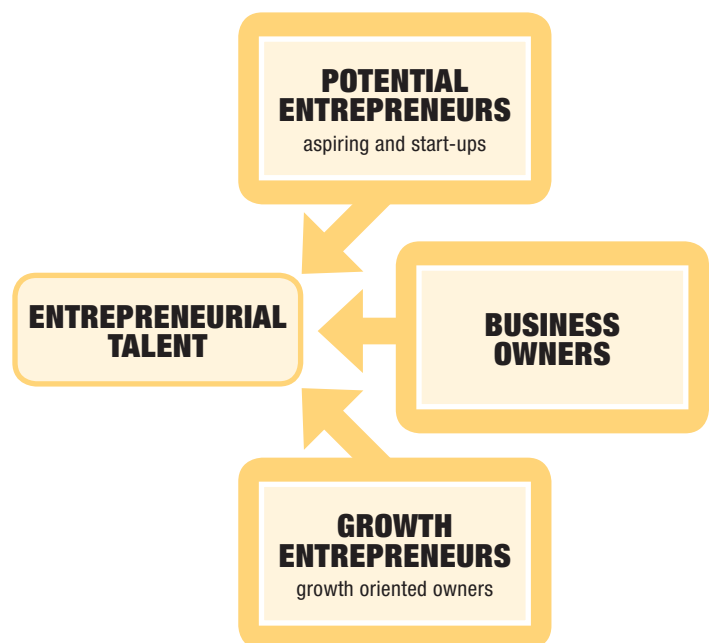
Rural communities would benefit from a shift from hunting for businesses to gardening –

growing their own. As a primary strategy, focus should be on high growth entrepreneurs who thrive where there is information and innovation. Communities should focus on providing information, connections, and infrastructure.

Entrepreneurship should be the bedrock for economic development. Creating an entrepreneur-friendly community also makes it easier to attract and retain industry and other businesses, a strategy in developing strong sustainable communities.

An entrepreneur can fall into three categories:

1. Potential entrepreneurs – aspiring entrepreneurs or those starting up their business. This could include youth
2. Business owners – those business owners who are not especially growth oriented. They may be running their business because they like the lifestyle, or they may be simply struggling to survive
3. Growth entrepreneurs – those businesses that are very interested in growth. They tend to be innovative and to create jobs in the community



Littleton, CO, is a good example of a community that focused on growing its own businesses. Littleton was forced to reinvent itself in the aftermath of a large company layoff that resulted in increasing amounts of empty retail space and a 30% vacancy rate in downtown commercial space. Through trial and error, and lots of hard work and support, Littleton pioneered the concept of “economic gardening” as its response to its seemingly overwhelming economic development challenges.

Simply put, economic gardening is the process of growing jobs internally within the community (seeding and nurturing) instead of attracting employers from the outside (hunting). Economic gardening, as the metaphor suggests, requires creating an environment for growth to happen, sowing the seeds, and then nurturing emergent growth through the entire life cycle. The size of the harvest varies by the types of seeds sown and the yields they produce. Similarly, while not all small businesses can be considered drivers in the economy, each one plays an integral part.

A wide gamut of approaches to economic gardening adapt to the local environments, entrepreneurial cultures, geographic settings and a myriad of tangible and intangible factors that affect local economies and focus – one way or another – on supporting local entrepreneurship.

It is precisely its adaptable nature that may turn more communities towards economic gardening in the years to come. A healthy local economy is based on various factors: dollars flowing in, and dollars flowing within. To bring dollars into the local economy, growth must

come from the global marketplace. Essentially, bringing dollars into the community means exporting goods and services at a level of global competitiveness.

However, to be sustainable from within, the local economy must also support and be supported by a network of local-market focused businesses, including retailers, eating establishments and other service providers. This local market activity means that the dollars are circulating within instead of exiting the community. The balance between these two factors is precisely what grows local entrepreneurial heroes, and makes economic gardening the community’s biggest asset.

Much debate has raged over the overall effectiveness of economic gardening, chiefly, assessing impact in terms of job creation and economic growth generation within communities. Many have emphasized that supporting businesses with high growth potential – those that can export their goods and services outside the community – have a greater chance of creating more jobs and bringing more wealth into the community. These have been called “gazelles,” and are considered economic drivers; therefore, they tend to be the focus of economic gardening efforts.

However, encouraging the entrepreneurial spirit upon which economic gardening is based can – and should – include developing small business incubators, addressing zoning and permitting processes, providing mentoring and training assistance to start-up businesses, connecting entrepreneurs to start-up finance, and other resources.



A few models illustrate how economic gardening works. Littleton, CO, having tested the waters the longest, has found its programs to be based on three key elements:

1. Information: Providing entrepreneurs with tactical and strategic information such as database access, competitive intelligence, GIS, real estate market activity, and industry trends, in addition to training on how to use and understand this wealth of information.
2. Infrastructure: Providing basic infrastructure in addition to quality of life data (e.g., desirable parks and vibrant downtowns) and intellectual infrastructure (e.g., training and access to best practices information).
3. Connections: Putting network theory into practice by connecting businesses to trade associations, think tanks, educational institutions and other same-type industries.

Santa Fe, NM, on the other hand, is taking a different approach to homegrown economic gardening by emphasizing cluster cultivation. This approach focuses on business development by creating synergies within existing key industry sectors and nurturing these into full-fledged clusters of distinct businesses that, together, fulfill the many distinct needs of a specific industry. They follow a four-step approach which requires identification, acti-

vation, support and expansion. Santa Fe's comprehensive cluster approach is as much about using its existing industry strengths as it is about nurturing new enterprises development within it.

As these examples suggest, economic gardening is a long-term approach to economic development. In assuming the role of facilitator of entrepreneurial development within a community, economic gardening offers a greater sense of control for a community because it can more directly affect and impact the results. Unlike business attraction approaches that require recruiting investment from an unknown entity – often times headquartered on the other side of the country or even overseas – economic gardening focuses on one's own backyard.

Entrepreneurial in its approach and focus, economic gardening adapts to the local context, zeroes in on local strengths and opportunities, and is capable of yielding a middle path for addressing both growth and sustainability. As growing numbers of economic gardening initiatives are seeded, communities direct more resources inwards towards their own entrepreneurial development, resulting in the morphing of local entrepreneurs into home-grown heroes.