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**ECONOMIC GARDENING:
A CASE STUDY IN ENDOGENOUS DEVELOPMENT**

Key words

Endogenous development; economic gardening; regional development; manufacturing; SME capacity building.

Abstract

While knowledge and technology have created global markets, economic stimulation on the local level is increasingly recognised as the key to regional resilience. As such, regional capacity building initiatives have moved into endogenous development models that build on the local economic context, embedded competencies and social structures.

Illustrating an endogenous regional development initiative, this paper discusses a recent program in regional Victoria based on ‘economic gardening’ principles of infrastructure, information and connections and tailored to the specific needs of small to medium enterprises with high growth potential.

The program brought together three tiers of government and the regional university to increase innovative capacity and performance of manufacturers in the region. The paper discusses program design and recruitment and reports both outcomes and participant satisfaction with the program. Taking a wider regional development focus, the paper concludes with a discussion endogenous capacity building programs of this nature in terms of their contribution to regional resilience and policy design.

1. Endogenous Development

Economic stimulation on the local level is increasingly recognised as the key to regional resilience. In Castells' [5] notion of a 'regionalised, global economy' government intervention, regional structures and networks play a significant role in the positioning of a region in the global economy.

Historically, the focus of regional capacity building initiatives has been on supporting larger incumbent firms to stimulate employment and regional growth. Confronted with concerns over unemployment, job creation, economic growth and competitiveness in global markets, the focus has shifted to small and medium size enterprises (SME) and the building of local competencies and social structures [6]. Known as endogenous development, regional development policy has undergone a paradigm shift from an exogenous intervention focus to an endogenous, relational network one [6, 14].

Acknowledging that economic stimulation is accomplished by designing regional-level interventions – that allows actors within regions to shape their own development prospects and stimulate inter-organisational collaboration – regional economic development efforts have for some time sought to roll out initiatives which are based on locally embedded competencies and social structures [4]. Entrepreneurship in particular is considered a key tool for stimulating local growth and resilience, whereby local context and culture, and prevailing economic and social conditions are considered. This paper examines the benefits of one particular entrepreneurial approach to endogenous development, that of Economic Gardening.

2. Economic Gardening

Aimed at fostering SME growth, regional economies have been experimenting with an economic development approach known as Economic Gardening (EG). Emphasising investment in local firms to develop the local economy, EG has its origins in Littleton, Colorado where it was developed in 1989 as an entrepreneurial stimulation model [7]. The term 'gardening' refers to the contrast between this approach and exogenous 'hunting' methods traditionally employed to track down 'footloose' companies and attract them to regional areas. Adopting EG strategies generally reflects the intent to build high performance communities through entrepreneurship and innovation.

In particular, EG is about providing strategic and networking tools for nimble, fast growing companies, also referred to as *gazelles* – a term first coined in 1979 by MIT economist David Birch – so they may develop innovative products, achieve their innovation potential and capacity to export beyond the local region. Coupling the idea of a community growing its own jobs with insights from research that job creation comes from small businesses that are

beyond start-up [1], EG targets beyond start-up or ‘second stage’ businesses with the potential to increase employment in the region.

The fundamental principle of EG is to augment the business base from the inside out by providing support in essential areas. The building blocks of the EG strategy include (a) information, (b) intellectual infrastructure, (c) connections, and (d) innovation. Growth-oriented SME in regional areas often lack individualised market information (or competitive intelligence) needed to identify and capitalise on niche markets. Intellectual infrastructure, considered vital to economies that are based on innovation, may take the form of universities, research centres and institutions that provide business education and training [11].

Connections are a key feature of the program, and more generally of the knowledge economy, as they stimulate interaction, collaboration and mutual learning [3]. EG programs are expected to utilise and strengthen existing connections, as well as build new connections aimed at fostering strategic thinking and innovation. The introduction of new products and/or processes pertaining to skills, training, human resources, workflows, organisational and management practices are all prospective areas of innovative activity and hence potential enhancement.

3. Victorian Economic Gardening Program

Over the last several decades, industrial economies based on manufacturing have shifted to economies driven by services, electronic technologies and information. Australian manufacturing has been in decline due to factors such as quickening market cycles, out-dated business models, high transport and energy costs, high labour costs and a fluctuating dollar [2].

Manufacturing has underpinned the economy of the regional city of Ballarat, located in the State of Victoria for many decades and it is the largest sector in terms of output and value-added [2]. While over time a variety of government programs have been introduced to strengthen the manufacturing sector in Ballarat, there were no programs to support established businesses with significant growth potential (e.g., second stage businesses) to plan for and achieve growth. Yet these businesses were most likely to drive future jobs growth and prosperity in the manufacturing sector and the region.

Combining a growing awareness of EG by regional development officers with the need to help regional manufacturers achieve their growth potential, a Strategic Management for Profitable Growth (SMPG) program was designed based on aforementioned EG principles. The program was set up as a partnership between three tiers of government, Federation University Australia (formerly the University of Ballarat) and local industry. The Federal government through its Department of Innovation Enterprise Connect program provided the bulk of program funding supplemented by contributions from the Victorian Government

Department of Business and Innovation and the City of Ballarat economic development division. The University provided program management and in-kind research support. Industry feedback was provided via the Australian Industry Group. Overseen by a representative Steering Committee, partners took an active role in program recruitment, design, monitoring and evaluation.

Using the SMPG as the case study, this paper evaluates the perceived value of the EG intervention for key stakeholders, including the perceptions of program participants, the program facilitator and funding partners.

4. Study Design

To analyse the Victorian EG intervention and answer the broader research question ‘what is the perceived value of EG as a regional development strategy’, the study adopted a two-prong research approach. The first component of the study focused on participants’ perceived value of the SMPG program by gauging satisfaction levels with the program itself. The second component focused on the value of the EG intervention as a company assistance cum regional development tool as perceived by the program facilitator and government funding bodies represented on the Steering Committee. All research was conducted during the 12 months funding period of the program (July 2012–June 2013) and predominantly relied on feedback and reflection mechanisms, discussed in more detail below.

Program design (including both content and delivery) feedback was collected from participants after each program session, including the degree to which learning objectives were met and business insights were gained. Perceived value of the EG program was determined using the first two levels of Kirkpatrick’s (1994) seminal four level training program evaluation framework. Level one captured participants’ direct reaction to the program, e.g., how relevant was program content to participants’ learning needs? Level two determined the extent to which learning had taken place, e.g., did workshop activities stimulate learning? Levels three and four of Kirkpatrick’s framework, which evaluate behaviour change and tangible impact of the program respectively, are not included in this report since follow-up research has yet to be conducted.

Committee members’ feedback was derived from monthly meeting minutes and an extraordinary Committee meeting conducted post completion of the EG program to capture stakeholder reflections. Committee members’ perceptions of the value of the EG program as a regional development strategy was determined by their willingness to share program outcomes and/or fund future EG programs.

5. Perceived Value of EG Program

The program had two intakes (July–October, 2012 and February–June, 2013) providing a total of regional 36 regional enterprises with in-depth business knowledge. Referrals from partner agencies, relevant industry associations and warm leads from businesses engaged in other programs, followed up by the program facilitator with personal visits and personalised emails, had a success rate of 65% securing expressions of interest. The conversion rate from expressions of interest to participation was 100%. Participants ranged from viticulture and food, spray equipment, foundries and joineries, to makers of windows and energy efficiency products. Intake 1 consisted of manufacturers only, whereas Intake 2 had a more diverse range of participants, including manufacturers, IT and service sector firms. Participation in the program was free but limited to two senior staff per enterprise.

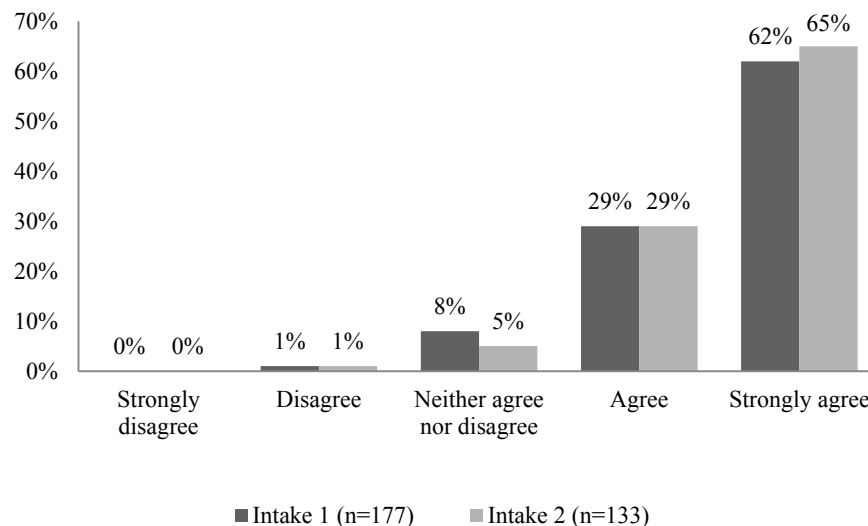


Fig. 1. The workshop activities stimulated my learning

As reflected in Figure 1, aggregate evaluation results of workshops show an overall program satisfaction level of over 90% for both intakes. Feedback in response to the open-ended question ‘How could we improve this module?’ was generally positive. Participants appreciated the program structure and choice of expert presenters.

In discussing the program as a tool to increase the business knowledge of high growth firms, there was overall consensus that from an EG perspective program design had been on the mark in terms of its building blocks.

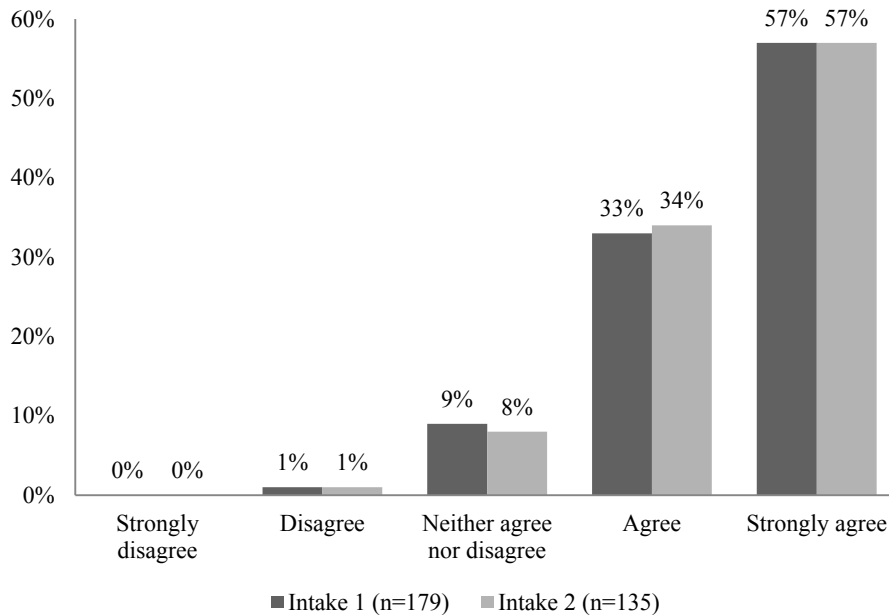


Fig. 2. Overall program satisfaction

Having a facilitator who came from industry to help implement ideas and who understood industry needs proved vital to the success of the program. Despite these largely positive results, facilitator reports suggest that participating firms generally lacked the tools and knowledge surrounding decision making processes and evaluation of different strategies. They also lacked systematic innovation pathways in terms of generating and implementing ideas. While the program was able to contribute to innovation and attract CEOs to high profile speaker sessions, larger companies tended to send middle management representation to other, equally important, workshops. Where senior management attended, notable company progress and augmented personal skills were observed by the facilitator. Where key decision makers did not attend, companies were not in a ‘collaborative’ space and “real progress and change will take much longer”, according to the facilitator.

A perceived shortfall of the program was the lack of a comprehensive program overview prior to commencement. Although participants received weekly notifications of upcoming speakers and topics, program marketing efforts fell short of conveying the integrated design of the program. Moreover, program attendance was subsidised by local government and free for participants. Several Committee members cited experiences of free programs being less valued by the business community. While the program attracted a solid number of attendees across workshops, which may be a reflection of the pressure manufacturers are under, companies were found to ‘cherry-pick’

sessions. This reduced the impact of the program with “some companies continuing to rely solely on ‘cost down’ approaches as a way of remaining competitive”, according to the facilitator. One Committee member reflected that “SME are time-poor”, which may have added to attendance issues, especially in the second intake, which contained an Easter break. The loss of momentum and diversity of Intake 2 companies may have contributed to a decrease in demand for on-site mentoring. Committee members concurred a fee structure and somewhat altered delivery mode would enhance future EG programs.

Recognising both the achievements of the SMPG program and manufacturers’ ongoing need for continuous improvement and innovation, local and state government (with possible federal government involvement at a later stage) are supporting the creation of a Ballarat Industry Innovation Group. Convened and mentored by the EG program facilitator, the program will continue to augment the business base of local manufacturers by providing support in the essential building blocks of EG: information, intellectual infrastructure, connections and innovation. Intended to continue the innovation pipeline for manufacturers, the next program will offer shorter breakfast sessions and more in-situ mentoring. The innovation component of the next program differentiates itself from the SMPG program in that it will focus on the assessment of disruptive technologies (for example 3-D printing) as a game changer and expanding manufacturers’ R&D capability through partnerships with research institutions and international connections.

6. Future Directions

Using the SMPG as the case study, this paper has evaluated the perceived value of the EG intervention for key stakeholders, including the perceptions of program participants, the program facilitator and funding partners.

The findings presented in this paper suggest that the Victorian EG gardening program was generally perceived to be of value to stakeholders. Stakeholder feedback indicates program design delivered the EG building blocks, providing companies with valuable market intelligence, connections, innovation ideas and tools that were directly applicable to their business environment. Stakeholder feedback suggests experiential learning supplemented by in-situ mentoring is an effective delivery model.

Can the Victorian EG program be considered a valuable regional development strategy? Traditionally, the ROI on regional development programs has been measured by job creation. Determining how many jobs are attributable to any economic development effort is notoriously difficult and there is little evidence in the literature that job creation and economic growth are the direct result of EG interventions. From all accounts, this program has led to leaner production systems and even market exit, which suggests too limited a yardstick may be applied to economic stimulation programs concerned with global

competitiveness and innovation. As Roberts et al [13] report, multiple factors contribute to a community's economic change, but EG programs most likely have a positive influence as it supports an entrepreneurial culture.

Given the global economic climate and ongoing pressures for manufacturers in Australia, it is not surprising government is continuing its support for manufacturers. Any EG strategy is likely to improve the performance of local enterprises as businesses will feel nurtured and valued, which in turn will improve the regional business climate [13]. Continuing the program, albeit in a somewhat new format, also supports Gibbons and Woods [10] point that economic gardening is not a quick fix. From a research perspective, the new program provides an opportunity to substantiate Levels 3 and 4 of Kirkpatrick's evaluation model and generate longitudinal data supported by comprehensive metrics that reflect the EG building blocks. This will facilitate data collection on the impact of the program in areas such as company behaviour, strategic change, connections and collaborations stimulated by the program.

While EG cannot be expected to be a magic bullet for any region, there is mounting interest in this endogenous development model across other regions and industries [11]. An EG strategy will not suit all regions and there is little point in emulating a strategy that is ill-suited. Provided a region has sufficient buy-in and resources, questions to pose are not only whether an EG strategy is appropriate for the region, but how to adapt it for the local context and at what cost. The research agenda around EG can also be broadened in other directions.

Regional policy initiatives have for some time sought to stimulate clusters and networks based on embedded competencies and social structures (Braun, 2005). One objective of the new Ballarat program is to take the EG building blocks to an active 'doing' stage involving both individual company and group projects with the aim to create, for example, transport and other supply chain efficiencies. Another objective of the new program is to become self-sufficient as an industry group and develop a strong local industry network and advocacy voice. EG encourages cluster development through geographic network concentration, shared suppliers, distributors and other infrastructure.

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Economic Gardening: Studium przypadku rozwoju endogenicznego

Słowa kluczowe

Rozwój endogeniczny, economic gardening, rozwój regionalny, produkcja, budowa potencjału sektora MŚP.

Streszczenie

Stymulowanie rozwoju na poziomie lokalnym jest kluczem do zwiększonej prężności regionów, dlatego też inicjatywy wpisujące się w politykę rozwoju endogenicznego i bazujące na kompetencjach i strukturach społecznych charakterystycznych dla regionu są obecnie bardzo popularne.

W artykule zaprezentowano inicjatywę endogenicznego rozwoju regionu Victoria bazującą na zasadach „economic gardening” dostosowanych do specyficznych potrzeb małych i średnich przedsiębiorstw o wysokim potencjale rozwojowym. Autorka omawia również wybrane etapy realizacji programu i przedstawia jego wyniki. Dyskusji poddano wpływ tego typu programów na faktyczne wzmacnianie potencjału regionów i kształtowanie polityki rozwoju endogenicznego.

