

# **A Story of Entrepreneurship and a Region's Successful Economic Transformation**

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## **A Story of Entrepreneurship and a Region's Successful Economic Transformation**

**Abstract:** This article, focused on the topic of how to build entrepreneurial regions, is written in the form of a story. This choice was inspired by the fact that stories are one of the most effective ways to communicate a vision to community stakeholders of something innovative that does not yet exist, but is certainly possible, as long as it can be imagined. Our story describes the process by which a region builds an entrepreneurial community using a strategy that intentionally cultivates entrepreneurial talent much in way the farm system does for professional sports.

In this article, we present an image of what is possible in order to expand people's understanding of what can be done to transform struggling regions. All of the elements of this story have been implemented in various locations around the country and we have already begun one full-scale regional implementations of what we refer in the article to as the Entrepreneurial League System<sup>®</sup>. We will be launching several more within the next 12 months. But as portrayed in the story, these processes of cultural and behavioral transformations are long-term and results will take a number of years to emerge. In our work with stakeholders in these regions, it has been enormously powerful to share our vision of the process in this form, so that they are able to "see" how this would work once it is up and running.

The central message of this article is that entrepreneurs are made and not born, and because of that fact we can, by methodically cultivating entrepreneurs, intentionally build a more entrepreneurial community or region. While this point may sound obvious, it is rarely put into practice, as can be easily seen when the examples in this story are compared to current behavior. Community and public sector leaders will recognize that there is another more powerful as well as practical approach available to them to create more entrepreneurial communities.

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The **Entrepreneurial League System<sup>®</sup>** is an initiative of Collaborative Strategies. Its purpose is to transform local and regional economies by developing entrepreneurs' skills, creating successful companies and building entrepreneurial communities. The Entrepreneurial League System<sup>®</sup> is trademarked.

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## Introduction

Sam is emptying the space that has served as his office and the Situation Room for the last sixty years. He is marking the passage of a golden era in the region's economy – the Entrepreneurial Age of the early to mid- twenty-first century. In his eighties now, Sam is the last person alive from the group at the center of this extraordinary journey.

He was a young man fresh out of graduate school when he met the founders of what was to become known as the Entrepreneurial League System<sup>®</sup>. Over dinner, the group asked him to describe his dream job, and he was promptly given the assignment that became his life's work – to chronicle the movement they were launching.

The results these individuals achieve are impressive. They establish a system for building an entrepreneurial community that was widely acclaimed and frequently imitated. Through their efforts, this declining region is transformed into an economic powerhouse, an area of intense innovation as well as social and economic vitality. New ventures are constantly being started, developed at a rapid rate and dissolved when the market need no longer existed so that the human, financial and physical assets could be quickly redeployed to pursue other opportunities. These processes occur at much higher rates of success, speed and efficiency than in other regions of the world.

The region gives rise to a globally sophisticated, highly skilled and competitive class of entrepreneurs. But more significantly, these individuals find a way to continuously incubate new generations of entrepreneurs and business leaders by establishing a “farm system” for developing entrepreneurial talent. This system, more than anything else, is responsible for creating and sustaining the region's dynamic entrepreneurial community, because it produces a pipeline of highly skilled entrepreneurs in *sufficient* numbers to transform the region's economy. Enterprise development becomes more effective, efficient, equitable, sustainable and scalable. The result is unparalleled economic performance, quality of life and prosperity.

The region becomes a hotbed of innovation in more than just business – entrepreneurship thrived in the arts, crafts, religion as well as the public and non-profit sectors. Participation in the economy, as well as in these other fields, grows. Wealth becomes more widely distributed and integration as well as social commitment among diverse groups of citizens increases, leading to a high level of stability combined with an exciting and here-to-fore unseen degree of dynamism.

How did they do it? By challenging the status quo and pioneering a unique operating system or “social”-ware for entrepreneurship...

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## The Formative Discussions

The movement begins with eight individuals in their fifties and sixties, many of whom were extremely successful business people and who no longer needed to work. As Sam later recalled, their unique positions and economic independence allows them an unusual freedom of thought and action. They are in a position to take risks; and more importantly, they are willing to use their circumstances to do so. Gathering in response to a local Chamber of Commerce event addressing the health of the regional economy, they decided to go off and talk on their own.

Each of them is searching for something to do, some challenge that goes beyond what they had already accomplished, yet builds upon their existing experience. Each is deeply rooted in the community and committed to giving something back to the place that nurtured them. Maybe they could combine their social ideals with their business acumen to accomplish something very different – something that, undertaken as a group, none of them could achieve individually.

By the winter of 2006, the group had been meeting for six months. Despite all of the wonderful things being said about the region's efforts to support entrepreneurship (e.g., new venture funds, networking forums, university tech transfer initiatives, etc.), they believe that the long-term outlook for the economy is not very good and that current efforts are not effective. While there were rare but highly promoted cases of successful entrepreneurial activity, most of the region is vulnerable and economically depressed.

As they tour their region, Sam said that they witness pockets of intense poverty alongside pockets of prosperity. They notice a heavy focus in both the private as well as the public sector on deal-making and mining resources, but none on creating new assets. The financial community is obsessed with capitalizing on the present and letting the future take care of itself. As a result, deal flow is drying up and the pipeline of new business ventures is disintegrating. These are not the conditions necessary for a healthy and dynamic economy.

Meanwhile, there is a lot of talk, but no action; there are promoters with grand sounding ideas, but no concrete plans about how to make them reality. The competition and fragmentation among organizations is intense (everyone is competing to identify and work with those “gazelles” who have the opportunity to become the next Dell Computer or Microsoft, while ignoring all the other firms); the result is truly less than the sum of the parts. Something has to be done, soon, or the regional economy will begin to unravel.

## The Critical Insight

Sam explains that the group's first task is to understand what needs to be done. They are intrigued by the economic successes of other regions around the world, not as historians or academics, but as businesspeople. They are curious about what made these economies powerful. As they analyze them, the group realizes that *the key to a region's success is its entrepreneurial capital*. They are not referring to financial capital, but to

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human capital. Using this lens to review economic history, they now understand the mistakes people make in focusing on the results of the entrepreneurial process – the enterprise and its assets, and ignoring its source – the individuals who generate that wealth.

This realization leads to a number of other critical observations:

- Entrepreneurs are *made* and not born. In other words, entrepreneurship involves a set of skills that can be developed and are not the result of innate endowment.
- Entrepreneurs bring different levels of skill to their ventures.
- Entrepreneurs are successful to the extent that the skills they have are well-matched to the market opportunities they are pursuing.
- If we want to develop successful entrepreneurs, we must help them build the necessary skills.
- Entrepreneurs build skills not by undergoing training or purchasing consulting services but through a process of transformation that involves both internal and external changes. This transformation process is facilitated by deep and long-term relationships with fellow entrepreneurs as well as successful businesspeople who provide coaching and mentorship.
- Creating a dynamic regional economy involves more than simply developing individual entrepreneurs; it requires building an entrepreneurial community.

### **Initiating a new movement**

These insights, Sam reports, spark an idea: why not attempt to intentionally build an entrepreneurial economy in a way that no one has ever done before? Before long, the spark becomes a flame, fueled by their imaginations and their belief that they could make it happen. Here is an opportunity worthy of their talents, to catalyze a new course for enterprise development in their region. It was at this point, Sam describes, that these individuals coalesced into a team and began to refer to itself as the “BrainTrust.”

Their investigations turn toward the lessons of the great social change movements throughout history – religious, political, economic, scientific and artistic. From their readings, the group learns that:

- Truly disruptive innovations never come from the mainstream, but from the edges.
- Social movements are initiated by a core group of dedicated individuals who function as missionaries, not just promoters.

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- Social movements are built one person at a time, until a critical mass is reached; after that point, one-on-one efforts are supplemented by other, mass methods of persuasion.
- Such movements are terminated or marginalized if they do not succeed in achieving a critical mass of participants.
- These movements focus initially on individuals who are outside of the mainstream and therefore most receptive to their message (forward-thinking individuals, the disadvantaged, rebels, oddballs, outcasts, etc.); those from the mainstream join only after sufficient support has been generated and the activity achieves credibility.
- The pattern by which a movement grows depends entirely on the network of relationships (e.g., connections, linkages) that exist among the members of different populations in that community (similar to the way disease is transmitted or new technology diffuses through the economy).
- Movements are always in competition for people's attention, commitment and resources; those that are most attractive to the most people succeed.
- These movements focus on making changes in values and beliefs (that a particular goal is possible and worthy) as well as in behaviors and strategies.

What they now understand, is that processes for social change are not predictable, and therefore traditional linear planning techniques that assume that the future will be like the past will be ineffective. Completely different methods are required. There were some promising ideas and experiments particularly from the fields of chaos and complexity theory, but there is much work to be done to make them practical and to integrate them into a coherent, but admittedly non-linear strategy.

Over time, the BrainTrust translates these ideas into a number of breakthrough strategies whose cumulative impact on the region's entrepreneurial culture and activity is astonishing. And at each stage, Sam is there to capture the story.

### **Implementing the Success Teams**

The first activity launched by the BrainTrust is the entrepreneurial skill building groups popularly known as the Success Teams. These Teams are the Movement's farm system. Their purpose, Sam says, is to develop a large cadre of highly skilled entrepreneurs as well as a pipeline that cultivates such talent on a continuous basis. Success Teams consist of peer groups of entrepreneurs who are focused on developing the skills necessary to be a successful entrepreneur and supporting each other in the tasks they need to perform to build their businesses.

At first, involvement in Success Teams is exclusively the domain of the lead entrepreneur or the CEO, but as the revolution spreads and the notion of leadership within a business becomes more inclusive, others who hold executive positions or are recognized as having potential, begin to participate.

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Entrepreneurs are organized into different levels of groups according to their skill in creating and operating a new venture. The distinction among levels is based on an assessment of the entrepreneur on four different dimensions:

- **Technical skills** – the ability to perform the key operations of that business
- **Managerial skills** – the ability to organize and efficiently manage the operations
- **Entrepreneurial skills** – the ability to identify market opportunities and create solutions that capture those opportunities
- **Personal Maturity skills** – self-awareness, willingness and ability to accept responsibility, emotional balance and creativity

An entrepreneur’s ranking and pattern on these dimensions translates into the following levels:

**Table I. Entrepreneurial Levels by Degree of Skill**

<b>Skills: Level:</b>	<b>Technical</b>	<b>Managerial</b>	<b>Entrepreneurial</b>	<b>Personal Maturity</b>
<b>Majors</b>	Outstanding	Outstanding	Outstanding	Outstanding
<b>AAA</b>	High	High	High	High
<b>AA</b>	High	Medium	Medium	Medium
<b>A</b>	High/Medium	Low	Low	Low
<b>Rookie</b>	Low/No	Low/No	Low/No	Low/No

Adapted from: Lichtenstein, G.A. and Lyons, T.S. (2001). The entrepreneurial development system: Transforming business talent and community economies, *Economic Development Quarterly*. 15 (1): 12.

Sam notes that this typology is heavily influenced by research he helped assemble, demonstrating that most people who start businesses have strong technical skills in their field of endeavor, but lack managerial and entrepreneurial skills. As a result, within a few short months, their businesses begin to run them – quickly getting out of control. These “entrepreneurs” find themselves working “in” their businesses (more like employees) and not “on” them. It is only by developing these other skills and by looking at their business as an object of creation rather than as a job, that they ever become successful.

Each Success Team is led by a performance coach or mentor who works closely with entrepreneurs individually and as a group. Individually, coaches help entrepreneurs design and execute game plans (covering a 60 – 90 day period) that detail the actions they must take to build their business as well as the skills that they must develop to progress to higher skill levels.

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The group processes and learning agenda at each level are quite different and targeted to the skills of the participants. Single A Teams focus heavily on determining the right tasks to be done and on executing them, slowly and consistently. Entrepreneurs are encouraged to work *on* their businesses, not *in* them; and to think about their offerings from the customer's perspective, not their own. In AA Teams, more integrated and holistic approaches to operational effectiveness as well as business strategy begin to emerge. Instead of managing their business in discrete pieces such as marketing, financing and operations, entrepreneurs start to see and work on the relationships among these aspects. In AAA Teams, the level of discussion is quite high, focusing on strategy and building teams within the business.

Coaching at each level requires different skills; much as in sports, one does not work with a Rookie or Single A entrepreneur in the same way as one would work with someone at the AAA level. Coaches are matched to the skill levels at which they are most knowledgeable and comfortable in working.

Performance coaches take a very active role in guiding the discussions during the meetings as well as in working individually with participants between sessions. Group sessions involve reports on progress made by entrepreneurs on their game plans between meetings as well as discussions about ways to overcome obstacles. They provide an opportunity to reflect on recent experiences and to learn, from oneself as well as from others. Sam noted that these forums are the foundation by which entrepreneurial behaviors, thinking and beliefs are shared and strengthened in the region. Participants are challenged to work on themselves internally, to develop the personal maturity skills of self-awareness, willingness to take accountability for themselves and others and emotional balance.

In the majors, entrepreneurs are encouraged to continue using the learning group principle. The networks that graduates develop are known as "Master Mind Groups." A master mind, as Napoleon Hill describes in his book *Think and Grow Rich*, is "the coordination of knowledge and effort, in a spirit of harmony, between two or more people, for the attainment of a definite purpose." Almost all extraordinarily successful individuals either consciously or unconsciously develop their own mastermind groups; this was historically true of great innovators in every field (the notion of a self-made man is a misleading myth that has produced a lot of misery). As the revolution spreads, it becomes common practice and an essential factor in entrepreneurial success.

Entrepreneurs progress through different league levels at their own speed. However, it becomes common for cohorts to form and progress together through the levels. The bonds among the individuals in these cohorts become extraordinarily strong. Members provide both support as well as pressure on each other to succeed – factors that are missing from the life of those entrepreneurs who choose to operate in isolation.

Participants in the system are recruited by talent scouts, who use a variety of methods to find or encourage individuals with the potential and drive to become an entrepreneur. Because it is understood that entrepreneurs are made and not born, the



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places in which talent are sought are more widespread than had been the case in earlier generations. As people sign on, their skill levels are assessed using special tools developed specifically for the system, and they are then placed with Success Teams at the appropriate skill level.

To expand the pool of entrepreneurs participating in the Entrepreneurial League System<sup>®</sup>, the BrainTrust broadens the settings from which they draw people by recruiting individuals who function as entrepreneurs within companies (also known as intrapreneurs) as well as between and among companies, as in the case of strategic alliances or joint ventures. As this practice spreads, established businesses begin to become more entrepreneurial in their behavior, modifying their previously bureaucratic structures to be more market-responsive and innovative. It becomes common for mature businesses that are launching a new venture or product line or attempting to completely reinvent their company – both situations requiring innovation and entrepreneurial behavior – to join the system.

In his role as chronicler, Sam spends a great deal of time discovering how various stakeholders view the system and its benefits. For entrepreneurs, the Entrepreneurial League System<sup>®</sup> gives them a map and the tools necessary to navigate their journey successfully, starting from whatever level of skill they possessed, to the majors. The system of Success Teams eliminates the isolation and gives entrepreneurs access to all kinds of critical relationships. The entrepreneurs operating at other league levels serve as role models and points of reference from which to evaluate one's current performance and gain insight about overcoming obstacles. Entrepreneurs and their firms develop more quickly, with far fewer resources and achieve higher rates of success than their peers in other regions of the world.

A true entrepreneurial community blossoms – one that significantly expands the pool of entrepreneurs and improves their skills. The Entrepreneurial League System<sup>®</sup> produces a ladder that connects all of the rungs or levels of skill together and succeeds in integrating the partial and previously fragmented bottom-up and top-down development strategies. Now there is a systematic and sustainable pipeline that provides opportunities to become an entrepreneur for all who want them.

In situations where certain segments of the population want more or specialized help (e.g., minorities, immigrants, etc.), the BrainTrust sets up targeted, mini-Entrepreneurial League Systems<sup>®</sup>, but these are always integrated into the mainstream system as soon as the participants are able to handle it. This process enables each group to develop their skills and identity in a stable environment before introducing more dynamism. The process is very successful in achieving social as well as economic integration within the region.

The demand for Success Teams, and as a result for coaches, expands exponentially. This need is met by League graduates, who develop coaching and facilitation skills during their many years of participation. It is considered an honor and

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an obligation to contribute to the development of other entrepreneurs in the community. In this way, the ideals and behaviors of the Movement are passed onto others.

### **New Market Opportunities**

Understanding that the key to entrepreneurship is being able to identify as well as capture new market opportunities, the BrainTrust initiates an innovative market development service whose function is to identify such opportunities at both the macro and the micro level and link them to existing and prospective entrepreneurs. This effort grows out of a twofold realization, Sam recounts: first, that every community has many skilled and gifted individuals who want to start and operate their own businesses but are not able to or have not yet identified a market opportunity to pursue; and second, that there is usually an abundance of unexplored market opportunities which are subsequently lost for lack of champions to pursue them.

The market development service, led by opportunity scouts, establishes a registry of feasible market opportunities and begins to link them with entrepreneurs or existing firms who possess the skills and are in the best position to capitalize on them. These opportunities come from many sources:

- Opportunities arising out of markets that are not adequately being served regionally – opportunities to supply to existing firms, to establish firms with complementary capabilities, etc.
- Random opportunities encountered by both individuals and firms that they are not in a position to pursue.
- New product development opportunities in existing firms.
- Opportunities to spin-off commercial ventures out of existing firms.
- Opportunities to commercialize ideas or research from corporate, university, state or federal laboratories or facilities.
- Opportunities that cut across the capabilities of many individual firms.

Multi-firm opportunities are pursued by individuals known as alliance brokers. They take responsibility for assembling groups of firms into strategic alliances and managing them.

The outcomes of the market development service dovetail nicely with the system for identifying and developing entrepreneurial talent; prospective entrepreneurs are always looking for their own businesses to run. As a result, there is never a shortage of individuals to capitalize on the opportunities that are identified.

Over time, the management of the market development service establishes in-depth knowledge of particular market segments as well as distinctive competencies and competitive advantages in various “platform technologies” that become world-renown. This knowledge base acts as a magnet that attracts additional entrepreneurs, venture capitalists, etc. from all over the world in these market areas, creating a positive feedback loop. As this occurs, the service goes on to repeat its success in other market segments.

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### **Consulting and Technical Assistance Services**

The BrainTrust recognizes that entrepreneurs face a chaotic array of offerings for consulting and technical assistance (e.g., private consultants, Small Business Development Centers, SCORE chapters, university centers, etc.). They decide that major changes have to be made in order to improve the ability of entrepreneurs in the region to get the right kind of help at the right time and at the right price. Within a few years, Sam explains, they fashion the existing service providers into a coordinated and disciplined system.

The structure they create enables entrepreneurs to quickly access the right kind of consulting and technical assistance, according to their specific need and level of entrepreneurial skill. This is not accomplished hierarchically by means of centralized control, but rather by adopting a common, yet multi-disciplinary diagnostic framework and tools that were specifically designed to support the process. Everyone involved in working with entrepreneurs utilizes the framework and quickly begins to speak a common language.

These changes result in more accurate diagnoses of entrepreneurial needs and better referrals to just the right service providers. The new approach enables providers to take preventive rather than corrective action on a problem and to link services for synergistic effect, thus enhancing client performance and the impact of each provider.

Entrepreneurs come to the Service Bureau when they recognize they have a problem but do not know its nature or do not know what to do about it. The staff is trained as diagnosticians or company doctors who conduct a diagnosis and design a course of action or a "treatment" plan. The entrepreneur then has the option of undertaking the necessary intervention on their own or with the support of the network of qualified consulting specialists in the area that the organization makes available on a referral basis.

Over time, the Service Bureau begins to function as a health continuity organization for the region's businesses. It becomes standard practice for firms to receive an annual check-up or assessment of their performance by an outside body. The results are compared against the firm's history, goals, capacity as well as against the best practices from a whole range of reference groups – depending on the activity being examined. The results are then certified. Areas for improvement are identified and slated to be addressed during the next year. Technical assistance is offered on a contract basis (and performed by specialists) to help entrepreneurs address those areas.

Companies begin to subscribe to these services, which entitle them to an annual check-up, a certain number of diagnostic visits and low-cost access to qualified service providers. The movement's ability to act as a distribution channel and aggregator of demand enable it to receive discounted services from certain service providers (e.g., group practices) to whom they guaranteed a certain amount of business on an annual

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basis. The movement also manages competition among service providers as well as certifies them to insure that the quality of the services offered is high.

### **Financing the Revolution**

The BrainTrust knows that for their movement to succeed, it must be backed by money. Initially, they decide to use their own money (which they were fortunate enough to have) as well as additional funds from friends and family in order to establish investing guidelines that are free from external interference or demands. Sam explains that during the initial period, the BrainTrust chooses the investments, the time horizon and rate of return – until their vision had become a reality that others could see and share. Unlike banks, foundations and governments, the group is not making decisions about other people's money; they have earned what they are investing. They know what it takes to make a business work and they have the instincts, honed from their experience, necessary to bet on the right people. In addition, they are making investments in activities that they are holding themselves accountable to make successful; in other words, the investment is not separated from the responsibility for producing results.

In order to provide a consistent supply of financial capital needed by startups (free from the fads and boom/bust cycle of the venture capital industry), the BrainTrust develops entirely new investment instruments uniquely tailored to the region's needs and circumstances. Only entrepreneurs that participate in the Entrepreneurial League System<sup>®</sup> are eligible to utilize these financial resources.

Sam notes that the group's return on investment in this high-risk category of financing is extremely impressive. They are able to achieve these results because the deals they reach are based on deep and multiple relationships with the entrepreneurs, not on arms-lengths transactions that typify the financial industry. These relationships and the mutually supportive network of activities within which entrepreneurs operate, enhance the firms' probabilities of success. These conditions change the entire investment dynamic and the risk/reward calculation – not only is the financial risk reduced significantly but the transaction costs of qualifying and making so many relatively small investments are lowered.

The BrainTrust establishes a highly sophisticated system for making and monitoring these investments, which enables them to obtain large lines of credit from other financial institutions and to distribute the funds into a large number of small deals. Many banks could not reach the same customer base without incurring huge risk and administrative costs. By contrast, the group's investment service offers them a means of serving this market profitably due to their lower cost structure and the network of relationships that exist in the region. These linkages enable the investment service to have up-to-the minute information about the operating situation of participating firms and to workout any problem that arises pro-actively, before it is too late. As others watch their record of success with envy, capital begins to pour in from other sources.

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The BrainTrust invests in startups and provides seed funds for the development of new products, lines of business in existing companies, licensing and working capital for strategic alliances, etc. They invest in anything that enables the region's entrepreneurs to capture new market opportunities.

The group also uses its money to encourage innovations through mutations and marriages. The group makes every attempt to buyout and thus preserve and recycle strategic assets owned by individuals that do not share their belief system and behavior. New management teams who have been through the Success Teams are then put in place. The group aggressively pursues this practice.

The BrainTrust places a strong emphasis on employee ownership, both as a strategy for developing an ownership mentality within companies and as a financial mechanism for enabling broader participation in the region's wealth creation process.

The movement's investment arm also creates new vehicles to capture and utilize the growing wealth among individuals – in an attempt to make it available for the region's economy. In later years, these instruments become so popular and significant in size that they are publicly traded – at first on the regional exchange and later internationally.

As the investment function grows, the group begins to involve entrepreneurs and their teams in the decision making process as members of review boards. This leads to a rapid and wide-spread expansion of the financial know-how among individuals in the community.

The BrainTrust also creates a fund whose purpose is to invest in the institutional infrastructure, the operating systems, tools and social capital necessary to make the system work; in other words, to make social investments, as in the case of public infrastructure or social goods, whose returns are not capable of being captured by individual investors.

### **People**

Tired of the unending complaints about the lack of talented technical workers in the region and of the inability of the educational system to reinvent itself, Sam describes how one member of the BrainTrust takes matters into his own hands. He launches a venture that becomes known simply as the "Agency." Its mission is to find, nurture, recruit, train, place, move, develop and coach the human resources needed by entrepreneurs. It is dubbed the Agency because of its resemblance to Hollywood talent agencies that serve as the source of stars for films.

The Agency provides high quality human resource expertise at affordable rates for individual firms by introducing efficiencies, being creative and spreading its fixed costs among a very large base of companies. By defining talent in terms of aptitude and desire rather than experience and credentials, the Agency is able to make an incredible

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pool of technical, managerial and entrepreneurial talent available to firms, the quality of which had never been seen before in the region. The Agency recruits widely from different fields (including those not normally associated with the occupations in which people were placed), from all age groups and races, from both genders and from other parts of the country.

The manager of this service knows talent and has an uncanny ability to spot diamonds in the rough. He combines his ability with highly innovative testing and assessment instruments, to achieve excellent results for firms and individuals. He also recruits and trains a staff that quickly becomes as capable as he.

In the early part of the 21st century, job permanence, company loyalty, career continuity and corporate sponsored professional development becomes obsolete. Part of the chaos that this creates in many economies comes from the fact that no clear institutions emerges to take responsibility for organizing human resources and providing these services. This leader's insight is to provide these functions by creating a company that works on a regional basis, whose loyalty is to its two sets of clients and who provides this service on an on-going basis. This is made possible by the entrepreneur's commitment to the region and his conceptualization of his interaction with his clients as a set of long-term relationships, not a series of independent transactions or placements. This commitment engenders customer loyalty and is critical to the ongoing success of the business and its value to its clients.

The dynamism in business leads to a great variety in the lengths of employment contracts. Assignments run from a few hours to a few years. There is a great deal of movement between companies. People become "free agents" selling their skills to the highest and best user. This situation demands a new kind of manager – one that can manage virtual teams with rotating members, get value from their performance and capture their knowledge on-behalf of the company or organization. Those skills are frequently provided by graduates of the Success Teams.

Instead of leading to the destruction of organizational intelligence, this tremendous fluidity of personnel – due to the existence of a new kind of manager and the loyalty among stakeholders in the region's entrepreneurial community – leads to a virtual renaissance in know-how. Firms now have access to all kinds of capabilities – in the form of people with amazing dedication to the region's success.

The region becomes a farm system for training and developing talent, not just for running businesses, but for working in them. Mechanisms are put in place to move individuals laterally as well as diagonally through and across organizations, all the while enhancing their value to employers along the way. As compensation comes to reflect performance and value to the business, agents' salaries increase as well.

All of this activity has a considerable effect on the region's educational institutions. Because entrepreneurs are getting what they need from the private sector, the public sector suddenly becomes much more willing to change. Companies begin to ask

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for and receive students that are now trained in higher order skills, such as critical thinking, creativity, systems thinking and communications and who bring a truly inspired approach to work.

### **The Situation Room**

The factors that account for the region's success are intangible. In a materially based culture, those factors are hard to grasp, let alone manage. Approaches are needed to make the importance and reality of those factors more concrete. The Situation Room, managed by Sam and located in the movement's headquarters, is one of the answers.

The mission of the Situation Room is simple – to provide many different ways of thinking about and presenting the activities of the region's entrepreneurs and the Movement as possible, so that people with different intelligence orientations (visual, audio, kinesthetic, etc.) can use the information for creative purposes. The system contains information on all of the businesses in the region, their products, capabilities, connections, assets, etc. Various levels of security exist in order to handle confidentiality issues.

Individuals who come into the room can visually display what firms in the region did, from different angles – for example, the products they produce or the processes they use to deliver them – or from different levels of detail – a highly aggregated picture seen from 30,000 feet to the details one can see at ground level. The information can be presented numerically or graphically (via maps) or verbally through voice automation.

The system also tracks different types of assets – human, technological, financial, mechanical and relational (also known as social capital). This last asset – the measure of the degree and kinds of connectivity among the entrepreneurs in the community – is quite an innovation. Through a 3-D display, one could “see” the various kinds of relationships among firms, which were represented by different colors. For example, physical proximity among firms is shown in green, familial relations (such as spin-offs) in yellow, purchasing relationships in brown, social connections in white, resource connections in blue, technological connections in orange and market connections in red.

By visualizing these relationships and the holes as well as the overlaps, individual observers are able, for the first time, to make some surprising and powerful connections. Rather than relying on pure chance to bring people together, this mapping of the region's social capital enables people to methodically search for and make connections that serve a wide range of purposes. In the early days of the Room's history, Sam reports that it was common to hear people exclaim – “I never knew that so and so existed or that they could do that!” – and run to the phone or computer to contact that company.

This tool quickly leads to the formation of significant business relationships, both among entrepreneurs and between local firms and companies from outside the region that are looking for suppliers. The region has a distinct competitive advantage in this regard – not only does it have high performance firms, but they have the capability to flexibly

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form teams of almost any configuration quickly, easily and with minimal cost. This point is driven home most powerfully by the mapping tools provided by the Situation Room.

### Performance

To insure that all activities and investments are performance-driven, the BrainTrust creates a performance scorecard. This tool provides a structure for measuring progress and success as well as increasing the visibility of the system. Much like standings in sports, people can turn to it in order to find out how the region is performing. For the first time, Sam said, individuals outside of the world of business and entrepreneurship begin to understand the process by which skills are developed and companies built. Everyone begins to see how the system as a whole operates, and the role they each play in contributing to its success.

The scorecard is updated on a weekly basis and published in various media in the region for all to see. The region's performance data is regularly evaluated on the basis of five criteria: effectiveness, efficiency, equitability, sustainability and scale of impact of the Entrepreneurial League System's® operations on the economy. The results, which are compared to a variety of standards including the performance of other global regions, instill great pride in the region's citizens.

### Entrepreneurial League System® Performance Scorecard – Year 10 - 2016

League Level:	No. of Participating Entrepreneurs	Change in Participation	Annual Growth Rate (in revenue)	Annual Growth Rate (in jobs)	Profitability (Net Profit Margin)	Growth in Profitability	Growth in No. of Customers	Change in Skill Level	Special Outcomes
Majors	250	10%	300%	200%	15%	55%	150%	50%	Patents, JVs, new CEO
AAA	450	15%	200%	125%	12%	35%	120%	45%	Global sales, merger
AA	750	25%	100%	75%	5%	45%	100%	35%	Certified supplier
A	950	35%	50%	35%	3%	65%	75%	35%	Franchises granted
Rookies	600	20%	25%	10%	0%	0%	55%	N/A	Rookie of the year
<b>Total</b>	3,000	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	

### The Movement's Leadership

The various activities launched by the BrainTrust are part of a long-term strategy to transform the region into an entrepreneurial community by lighting a variety of different and overlapping fires. The goal of each initiative is not only economic or



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financial, but value-driven – to instill a culture of innovation and entrepreneurship, and this goal is reflected in how these activities are carried out.

Over time, the role of the BrainTrust becomes one of orchestrating or steering the various activities, within the limits posed by the transformation of such a complex system. The leadership they exercise is similar to that of a theatre director – to set the stage, but let the actors play their parts as they see fit. The BrainTrust also works to integrate the various activities – searching for and capitalizing on the leverage that came from many small, but self-reinforcing positive feedback loops. The goal is to create a whole that was greater than the sum of its parts.

As change agents whose purpose was to empower others, the BrainTrust also recognizes the power of patience. Slowly but surely as the processes they initiate take hold, a critical mass begins to form and a common identity as members of an entrepreneurial community with similar values and purposes emerged. It is difficult to say exactly when this happens, but it was generally acknowledged to be somewhere between the years of 2010 and 2015.

How did they know? An observer could tell by a rather marked change in language as well as in behavior, which was Sam's role to capture and catalogue. People are now openly talking about the Entrepreneurial League System's<sup>®</sup> ideas – not as belonging to the BrainTrust, but as their own. People are also acting in ways that are consistent with these ideals. And finally, there are significant and demonstrable changes in economic activity – people are creating significant wealth.

During this period, there are many attempts to institutionalize the movement, attempts on the part of outsiders such as politicians to intervene and take control as well as credit for themselves. It was also a period that witnesses the passing of many of the founding members and the passing of the leadership mantle to a new generation of innovative thinkers and doers. These individuals, it was hoped, would be the ones to outdistance the current movement, by creating their own. The BrainTrust recognized that their efforts, even if successful, would be passed by in the march of time.

The movement, Sam wrote, withstands these pressures. If nothing else, the founders had been able to impress upon the participants that an entrepreneurial community had to be open, free and decentralized. Leadership of such a process could never be effectively exercised from the center. Rather it has to be distributed into the hands of an empowered and educated citizenry who exercise their free will for the benefit of themselves and their community.