



NATIONAL COMMISSION ON ENTREPRENEURSHIP

**BUILDING  
ENTREPRENEURIAL  
NETWORKS**

December 2001

**T**he *National Commission on Entrepreneurship*, funded by the Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation, was established to provide local, state and nation leaders with a roadmap for sustaining and expanding a flourishing entrepreneurial economy. Entrepreneurship is the critical force behind innovation and new wealth creation—the key drivers of our country’s economic growth. Through research, publishing, conferences and other events, the Commission promotes an agenda that helps grow a successful entrepreneurial economy into the 21st Century.

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## EXECUTIVE SUMMARY

If there's one thing that nearly all entrepreneurs want and need, it's the opportunity to network with their peers and share new ideas and war stories. This was as true in the old economy as it is in today's economy. After all, the Lion's Club and Rotary Club are not just about charity; they generate business contacts as well. The need for such networking is probably even greater today. More people are starting businesses or at least dreaming about doing so, and the number of existing small businesses is near all-time highs. These new or aspiring entrepreneurs can learn on the job, or they can learn from the best teachers of all: other entrepreneurs. Local entrepreneurship networks offer the most effective path for this kind of shared experience.

Networks aren't just good for individual businesses; they help promote regional economic growth as well. Regions with strong networks for entrepreneurs tend to have stronger track records in terms of new business starts and fast-growing businesses. Communities seeking to encourage local entrepreneurship should consider policies and programs that help create and nurture support networks for entrepreneurs.

This NCOE report, *Building Entrepreneurial Networks*, provides a "how-to guide" on building entrepreneurial networks for entrepreneurs, community leaders, policy makers, and others. The report is based in part on case studies of five organizations -- in North Carolina, Pennsylvania, Idaho, Oklahoma, and Texas -- which have succeeded in seeding or supporting such networks. Using these case studies and additional research, the report details how and why local business networks help nurture entrepreneurship. Next, it offers practical tips on how to start and grow such networks. It concludes with a review of best practices linked to general experience with entrepreneurial networks and is highlighted by five detailed case study examinations.

# Part One: Introduction

Two years ago, the National Commission on Entrepreneurship (NCOE) convened a national series of focus groups to better answer the question: what makes a community entrepreneurial?<sup>1</sup> In other words, why do some places, like Austin, Texas, or Seattle, Washington, seem to hum with exciting business activity and new start-ups while other communities, often with similar demographics, struggle to generate new businesses? Much of what we found confirmed the conventional wisdom that strong universities, access to venture capital, and good physical infrastructure matter.

We also found that successful regions are not just relying on hard assets like schools, buildings, and capital. Soft, people-based assets matter, and they matter a lot. In particular, we found that entrepreneurs thrive in regions where they can effectively network with other entrepreneurs.

Networking takes many forms, from Friday afternoon happy hours to formalized groups that help finance new businesses to traditional Chambers of Commerce. Moreover, these networks serve many purposes, from access to capital, to providing venues for political action, or supporting mentoring and educational opportunities. Entrepreneurs' needs also evolve over time. When first considering a new start-up, entrepreneurs often need basic coaching and hands-on tips about leasing space, finding staff, and the like. They also need companionship, and the opportunity to learn and share with others facing similar challenges in starting a new business. As a firm matures, these needs become more focused, with special emphasis on growing the business through access to new finance or strategic partnerships with related companies.

Regardless of their stated purposes, networks provide entrepreneurs with critical opportunities for peer learning. These learning opportunities matter as communities with more extensive peer networks in place tend to enjoy higher levels of both entrepreneurial activity and economic growth.

Simply recognizing the importance of networks is not enough. This basic finding generates other critical questions: How can a community help create or seed networks? How do networks evolve over time and how do they remain relevant to the needs of local businesses?

This report offers strategies and ideas for starting, re-energizing, or maintaining networking organizations for local entrepreneurs. It is designed for public officials, economic developers, and entrepreneurs who are interested in trying to start new networks or revitalize existing networks in their own communities. It details why and how networks matter, reviews various types of networks, and offers guidelines for starting and maintaining such groups.

Our findings are based in part on detailed case studies on five successful networking initiatives that present different organizational development strategies and serve different types of communities and entrepreneurs. These cases illustrate a number of different techniques and visions for seeding entrepreneurial networks. They include rural, urban, and suburban networks. They also include examples where new organizations were created, where existing organizations were transformed, and where entrepreneurial networks have been grafted onto existing business organizations like the Chamber of Commerce.

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## **THE FIVE CASE STUDIES ARE:**

**Council for Entrepreneurial Development, Research Triangle Park, NC:** Highlights how new entrepreneur support networks are created and evolve over time.

**Ben Franklin Technology Partnerships of Southeastern Pennsylvania (BFTP/SEP):** Highlights how existing economic development organizations can evolve to embrace new missions that catalyze entrepreneurial networks.

**Eastern Idaho Forum for Information Technology (EIFIT):** Examines the challenges of networking in rural regions.

**Tulsa (OK) Metro Chamber of Commerce:** Reviews how existing business networks can embrace new forms of networking for entrepreneurs.

**IC2 Institute, Austin, TX:** Examines how a single leader and organization can help create a host of new institutions that link and support entrepreneurs.

## **Why Network?**

Networks are a central component of an entrepreneurial climate — a cultural, social, and economic milieu that encourages and nurtures the creation of new business ventures. Networks provide both direct and indirect benefits to a community and to its entrepreneurs. This effect is widely understood in academic literature,<sup>2</sup> and much of the current writing on social capital, such as Robert Putnam's *Bowling Alone*, emphasizes the benefits of networking. More importantly, entrepreneurs themselves get it. After all, most entrepreneurial networks are started by entrepreneurs, and successful networks require the leadership and direction of entrepreneurs. They cannot be sustained by outside intervention alone.

The concept of networks is not new to the economic development profession. Businesses have clustered into networks of various sorts throughout history. The medieval guild system was a primitive networking exercise, and similar business networking opportunities are provided today by groups like the Chamber of Commerce, the Lions' Club, and the Rotary Club.

By the 1980s, studies of inter-firm collaboration in Italy<sup>3</sup> found that the local economy prospered due to patterns of networking that allowed firms to focus investments and skills on a particular market or industrial sector. Following up on these findings, U.S. policy makers in the 1980s and 1990s tried to encourage networks through various government programs and other means.<sup>4</sup> For example, the U.S. Commerce Department-sponsored Manufacturing Extension Program (MEP) is in many ways a networking program designed to foster alliances and cooperation among small manufacturing firms. More recent studies on the concept of industrial clusters build on this tradition.<sup>5</sup>

While entrepreneurial networks share many characteristics with these earlier incarnations, they differ slightly in that they do not have a primary goal of creating inter-firm alliances. Instead, they are networks of individuals — some who head firms and some who seek to head their own firms — who share ideas, learn from one another, and do business together. In addition, network members frequently share the goal of nurturing a general entrepreneurial culture in a region. Membership in entrepreneurship networks can vary, but such groups tend to include entrepreneurs, aspiring entrepreneurs, professional service providers, local development officials, and investors.

Networks can also assume many functions or roles. General purpose networks, like the Chamber of Commerce, are well known and mainly focus on providing education and business opportunities for members. Task-oriented networks are also well understood. These groups emerge to undertake a specific objective, and do not focus extensively on the relationship-building and experience-sharing found in most networks. Political coalitions, where entrepreneurs unite to support or oppose legislation or a government project/program, are a common example of this form. By definition, the lives of such groups are short-lived. They also tend to be relatively small because they often require major time and resource commitments from participants.

Most entrepreneurship networks include some of these activities, but their larger purpose is relationship-building. In these groups, entrepreneurs seek to build linkages to others involved with starting and growing new businesses. Each individual enters the network for idiosyncratic reasons, but the primary causes include a desire to learn from peers and to gain access to local expertise about how to succeed in business. A recent editorial in *Inc* magazine captured this process well:

Twenty five years ago, . . . (p)eople who started companies had to make it up as they went along, finding their own solutions to virtually every challenge . . . Today, of course, there is an abundance of resources for would-be entrepreneurs in the form of books, magazines, tapes, web sites, courses, conferences, and so on. But, the knowledge that people need most resides elsewhere, I believe — in the formal and informal support networks that have sprung up all over the United States in the past 20 years . . . (They) are crucial precisely because they allow people starting out on their first venture to acquire the knowledge they need in the most effective and efficient manner possible: one-on-one, face-to-face.<sup>6</sup>

Younger firms and newer entrepreneurs tend to have a greater need for active involvement in these networks.<sup>7</sup> By definition, new entrepreneurs have less experience and their firms have not yet established routine procedures and organizational forms. Thus, they also tend to have a greater demand and need for interacting with and learning from peers and others with expertise in start-ups. Indeed, such learning may be required if the start-up firm is to successfully grow and mature. And new entrepreneurs may have a stronger need for the social goal of belonging to a peer group that helps combat the sense of isolation that often accompanies the start-up process.

As firms mature, their demands from local networks also change.<sup>8</sup> Firms and their founders may become less interested in the social and learning aspects tied to networks, and instead assume a more strategic approach to networking. In these later stages, networks may be exploited for building business alliances and for filling gaps in a company's in-house resources or expertise.

Networks not only help entrepreneurs help themselves; they also offer advantages for the wider local community. Both theory<sup>9</sup> and practice point to several concrete benefits from networks:

**Brokering.** Formal networks can offer important brokering roles, making introductions and linkages between entrepreneurs and resources until the entrepreneur has established his or her own set of networks.

It is difficult to overestimate the importance of this brokering role for new or aspiring entrepreneurs. These new business owners tend to have a more limited range of contacts and connections; entrepreneurship networks help expand these linkages. When effective, networking organization offer new entrepreneurs access to nearly all of the resources — such as capital, technology, mentoring, and customers — needed to build a new business. An expanded network influences



one's willingness to start a new business; a study of entrepreneurs in North Carolina has found that individuals with a more diverse set of network contacts are more likely to start businesses than those without such networks.<sup>10</sup>

This brokering role is similar to what venture capital firms provide their portfolio companies. A recent Arthur Andersen report noted, "Ironically, both entrepreneurs and investors say that the cash supplied by venture capital groups is often the least significant aspect of their contribution to the success of their portfolio companies. Far more important is their help in recruiting key executives and board members, introducing their companies to potential customers and strategic partners, and providing advice when the management team runs into trouble."<sup>11</sup> Where there are fewer existing networks, visible organizations that can broker connections increase in importance.

***Creating Common Perspectives.*** Networks provide a vehicle for aggregating and projecting the voice of small entrepreneurs and emerging industries, helping entrepreneurs, civic leaders, and public policy makers alike to better understand and address barriers to growth.

For policy-makers, formal business networks can serve as private-sector partners and advisors for economic development efforts, resource pooling, and regular information-sharing. They also create an existing constituency forum where public officials can test new ideas or get regular feedback on new or ongoing initiatives. In a dynamic region, decision-makers should be well networked to the region's businesses and supportive institutions. In this way, economic strategies and regional networks can support each other.

For new entrepreneurs, networks place their voices and needs in a wider economic framework, helping them understand the resources, opportunities, and allies available to assist them and define their needs in relation to that environment. By joining together, entrepreneurs and small businesses can increase their influence and achieve common objectives such as jointly buying training courses or negotiating for improved telecommunication services.

***Fostering Cultural Change.*** Networks may help promote cultural change that is often necessary as communities transition to a new economy. By signaling that entrepreneurship is desirable for a community, formal networks can serve to encourage business start-ups and provide validation to those small businesses already in operation.

Entrepreneurship is often considered to be a process of innovation. While this is true, entrepreneurship also relies on routine and convention. When local people view starting a business as a normal, routine activity, more of them will be willing to take the leap. Moreover, the institutionalization of local networks makes this normal activity of starting businesses more visible to all. In addition, communities that enjoy persistent, routine entrepreneurship are also more likely to be home to local business leaders, consultants, and service providers with expertise in starting a new business.

Finally, networks are the primary vehicles through which the local business community's values and knowledge are transmitted. Networking events are where the stories of entrepreneurial companies are told, where role models are celebrated, and where entrepreneurial values are communicated.

***Creating Civic Leaders.*** Networks help nurture and mobilize private sector leadership. For decades, many small towns relied on a single large corporation or plant as a source for community leadership. As industries continue to consolidate, merge and relocate in the new economy, many communities lose their private leaders.

Entrepreneurship networks may help fill this void. Because formal networks tend to rely on volunteers for governance and organizational direction, they train entrepreneurs for leadership positions and offer direct channels for recruiting and mobilizing a new core of leaders.

**Branding.** Networks help “brand” a region by sending a message that a community supports entrepreneurs and desires their presence in the region. The effect is similar to frequently used “technology councils” which help signal that a community is “tech-friendly.”

**Regional Competitiveness.** Highly networked regions are also highly competitive regions. Networks help reduce barriers to entry for business starts, because they provide critical knowledge on how to start new firms. As businesses grow, they use networks not only for additional learning, but also for accessing new resources, customers, and other benefits. These linkages contribute to stronger businesses, which, in turn, create new jobs and wealth for the local economy.

## The Hard Part: Creating and Nurturing Networks

As noted above, most successful networking groups are created and run by entrepreneurs themselves. While this is good news for places with a significant group of entrepreneurs at work, it is bad news for everyone else. What can communities that lack an entrepreneurial tradition do to jump-start networks? What happens in rural communities where only a handful of entrepreneurs work, and where long distances may inhibit regular meetings and face to face interaction? Are these communities doomed to a future of limited entrepreneurial opportunities?

Even if a community must start from scratch and build a new organization, the challenges are surmountable. Although networks require leadership from entrepreneurs, this does not mean that local public officials should simply sit on their hands and wait for local entrepreneurs to organize on their own. There are numerous ways that networks can be sparked or seeded. Indeed, in many communities, such networks will not emerge spontaneously and can only be seeded through outside intervention.

***Government agencies cannot mandate the creation of entrepreneurial networks; nor can they lead or dominate such organizations. If entrepreneurs view a network as “just another government program,” its prospects for success are limited.***

Such intervention requires a light touch. Government agencies cannot mandate the creation of entrepreneurial networks; nor can they lead or dominate such organizations. If entrepreneurs view a network as “just another government program,” its prospects for success are limited. New organizations could emerge (especially if stimulated by government funding), but they would likely do little to help entrepreneurs or foster a supportive local business culture and infrastructure.<sup>12</sup>

If public officials intervene to spark local networks, they must be willing to avoid active intervention and cede leadership responsibilities. Moreover, they must be willing to accept failure if local networks fail to thrive. This stance runs

contrary to traditional government approaches that rely on new programs funded and run by government agencies. Recent writing on “reinventing government” has argued that government should “steer, not row.”<sup>13</sup> With networks, government

should not even try to steer. Instead, it should encourage private leadership and learn to follow.

Communities should also be willing to start small. Recent research shows that small networks offer advantages in terms of accessing outside resources such as new customers and access to finance. But simply joining a network is not enough. Active participation by entrepreneurs is required to obtain these benefits. Not surprisingly, such active participation is more common in smaller networks.<sup>14</sup>

Starting small may provide additional benefits. Ultimately, networking is about building trust-based relationships to provide resources today and at some unknown time in the future. Relationship building is better fostered in small groups. Information also tends to disseminate faster and at higher levels in small groups. In fact, large business networks often find they need to divide and multiply. That means breaking their networks into smaller groups for more intensive relationship building. These smaller groups may meet independently and still complement the larger, looser networking events maintained by the original network. Additional informal networks grow out of these relationships. The emergence of these informal groupings is a clear sign that networking initiatives are having a positive effect.

## **Part Two: Steps to Build a Network**

Building a network is an art, not a science. Success depends on a region's history, the nature of local businesses, and the culture of its business community. Do firms have a history of cooperating, or do they maintain a more hands-off attitude? These structural and cultural attributes must guide how local networks emerge and evolve over time.

Case studies of five regions — combined with additional research — yield a few clues on how to get started with a networking strategy. Networking is an effective strategy for all types of communities, but each community must design a strategy appropriate to its needs. The virtual internet-based networks used in Silicon Valley and the Washington, DC region may not meet the needs of small towns in Oregon. Because they lack huge numbers of entrepreneurs, networks in rural areas and small towns are likely to include entrepreneurs from different sectors. Meanwhile, urban-based networks are more likely to differentiate themselves according to industry sector, or other distinctions.

An analysis of these five case studies yields ten steps for building a network. These steps describe tasks to be accomplished, and results to be achieved. In detailing these steps, we are careful not to assign responsibility for accomplishing each task or managing the process to get results. Again, that must come from an understanding of how each community is structured and who the important players are in that community. There may be roles for all kinds of leaders in the community, from leading entrepreneurs, to public officials, to university presidents, to chambers of commerce presidents, or to heads of non-profit support organizations, for example. But who takes on what tasks depends on the particular community. The five case studies demonstrate that the same tasks can be accomplished by very different players across different communities.

Moreover, these ten steps do not have to be followed chronologically. In fact, many of these steps represent ongoing, simultaneous activities that are not only important for starting a network, but also help develop and sustain an enabling entrepreneurial climate. The steps are as follows:

1. **Map the Territory**
2. **Sketch the Plan**
3. **Identify and Approach Leadership**
4. **Launch Pilot Efforts**
5. **Outreach to Businesses**
6. **Build Strategic Alliances (Network the Network)**
7. **Seed and Replicate**
8. **Let the Pot Boil**
9. **Tell the Story**
10. **Letting Go**

## ***Step 1: Map the Territory***

Any potential network launch should be preceded with a serious analysis of the need for a networking organization. Key questions include: Do community businesses cooperate with one another today? Are formal business and civic organizations, like the chamber of commerce or the Lion's Club, in place? Is there a demand for networking opportunities among local entrepreneurs? Where are there resource gaps for businesses and entrepreneurs? What common needs are not being met? Are there any new opportunities? What type of network will best support our economic goals?

It is important to note that creating a new network is not always the optimal solution. Indeed, if a new network duplicates the work of existing organizations or creates ill-advised competition, its creation may be counter-productive. In this case, communities should consider ways to revitalize existing organizations or alter their missions to include entrepreneurial networking opportunities.

The regional scan should include a review of how local networks align with regional economic development objectives. Austin's IC2 Institute and the Eastern Idaho Economic Development Council established technology networks as a means to support and grow an emerging software industry. In Pennsylvania, Ben Franklin Technology Partners of Southeastern Pennsylvania (BFTP/SEP) focused on different service needs of entrepreneurs, and they opted to directly provide financing for businesses. They also created new networks to deliver other services, such as business plan reviews, consulting, and marketing assistance.

Networks consist of people with common needs or interests getting together. Mapping the territory identifies these needs; the next step involves creating a means to address them. Plans can change dramatically as they move from needs assessment to a more concrete planning process. For example, the Eastern Idaho Economic Development Council (EIEDC) had not originally planned to start a network when first considering how to promote local IT firms. Yet, in reaching out to local entrepreneurs, they discovered strong demand for such a group. Existing groups like the Chamber of Commerce provided general business education, but the region had no network specifically oriented to the technology industry. So EIEDC started the Eastern Idaho Forum for Information Technology (EIFIT). The Tulsa Metro Chamber of Commerce's networking initiative also grew directly from entrepreneurs' demands for such opportunities. Similarly, Philadelphia's Women Entrepreneurs Network PA, now the Women's Investors Network (WIN) emerged in response to local women executives who desired a forum specifically focused on high-growth companies.

## ***Step 2: Sketch the Plan***

Business executives regularly speak of “make or buy” decisions. Should a firm create a new product or service, or simply purchase the item or service from another firm? After mapping is completed, community leaders face a similar “make or buy” decision of their own. Should they directly create and run a new network, or find other means for supporting such activities? Three generic approaches are possible: seeding existing networks, developing networks around existing public programs, and starting a new network from scratch.

In all of these cases, support from a local development organization may be necessary. This support can take many forms: staff time, hosting of a web site or e-mail service, use of a conference room or meeting space, or paying for food and beverages at networking events. While some resource commitment is required, funding demands are limited and new money or new programs are unnecessary. Many organizations simply designate a single person to staff a network, and use limited internal resources and outside donations for specific events and other activities.

Providing this staff support is an important part of any networking strategy. Successful networks must be led and managed by entrepreneurs, but an independent organization that serves as an honest broker is also required to ensure that routine administrative tasks are completed.

### ***Option 1: Seed Existing Networks***

This approach involves supporting the development of emerging networks that are already operating or are on the verge of being established by local entrepreneurs. Support can range from simple tasks such as outreach with the local media, direct assistance such as financing, setting up a common web site or calendar, or disseminating information on networking events. While seeding can be a one-time event, it works better when support is both long-term and consistent. For example, BFTP/SEP continues to support WIN and the Greater Philadelphia Venture Association, organizations first seeded many years ago.

This strategy entails risk; not all seeded networks will survive. BFTP/SEP started out with an experimental approach, seeding different efforts around the region to get something started. As the region evolved and the networks grew and strengthened, BFTP/SEP became more strategic, focusing their resources on a few networks to support clear development goals. Being strategic also means recognizing failure, and understanding when seeded networks should simply fade away.

### ***Option 2: Develop Networks Around Existing Public Programs***

Organizations can also build networks around existing economic development initiatives and act as a networking broker between entrepreneurs, making introductions to other businesses and service providers who can help them. For example, when Pennsylvania entrepreneurs apply to BFTP/SEP for financial assistance, their proposals are evaluated by BFTP/SEP-constructed networks of venture capitalists, technology experts, and experienced managers. So when the entrepreneurs admitted to the program eventually graduate, they are already embedded in useful networks. This strategy, which acts like an incubator or a venture capital firm, supports entrepreneurs in communities that do not yet have a strong networking culture or in new and emerging industries.

***Successful networks must be led and managed by entrepreneurs, but an independent organization that serves as an honest broker is also required to ensure that routine administrative tasks are completed.***

Start-ups housed in the Austin Technology Incubator, an IC2 offspring, receive free memberships in the Austin Software Council, the Texas Electronic Commerce Association, and the Capital Network; they are also directly linked to the Know-How Network, a virtual directory of business service providers. The Tulsa Chamber of Commerce uses a dedicated small business center to provide general support for new entrepreneurs and to channel them into existing networking opportunities.

### ***Option 3: Start a New Network from Scratch***

The last option is to start a new network from scratch. Communities lacking a strong entrepreneurial tradition may have no choice but to start anew. In other cases, a new organization may be required because existing business groups are unwilling or unable to create new networking opportunities. While a start-up network poses many management challenges, creating something new offers benefits in terms of branding and generating “buzz” about the new effort.

This start-up process can also be coordinated with existing institutions, such as a Chamber or Business Council. Working with existing organizations may not offer the marketing buzz, but it does ease some of the logistical burdens associated with starting a new organization. Moreover, it is common for business-oriented institutions to add new or specialized activities to their ensemble of programs. Tulsa’s networks developed as extensions of existing Chamber of Commerce activities.

In contrast, the EIEDC started the Eastern Idaho Information Technology Forum from scratch as the region lacked existing resources for such a network. The Forum was created in consultation with local software companies, and was modeled on similar networks established elsewhere in the United States. In Austin, IC2 created the Capital Network and the Austin Software Council because many local leaders felt that existing business groups and service providers were not capable of serving the unique needs of local start-ups.

In practice, most communities employ all three of these generic strategies depending on the needs of different networks and on changing local economic conditions. For example, when the IC2 Institute first began operations in the 1970s, it was often forced to support brand new organizations or networks since Austin had little prior experience with high-tech start-ups. Today, Austin boasts a rich array of networks that can be utilized to meet the needs of all types of entrepreneurs. Thus, the need to start new organizations from scratch is lessened.

### ***Step 3: Identify and Approach Leadership***

Business networks are typically led by volunteer entrepreneurial business leaders, aided by full-time or part-time staff who provide administrative support for the network. The typical organization is based on a Board and various committees structured around specific tasks, industry sub-groups, or interests. For example, North Carolina’s CED, one of the nation’s largest local entrepreneurship support groups, is structured around a large (37 member) Board of Directors, with a small core Executive Committee. This group is supplemented by a large number of operating committees (such as a Biotechnology Roundtable and an International Roundtable) that are open to all members with an interest in serving and willingness to devote time to the group. A full-time professional staff manages events, membership services, and other administrative functions.

Most successful networks are started or catalyzed by a small group of entrepreneurs (or even a single entrepreneur) who are fully committed to the cause and also enjoy some standing in the local business community. These individuals are able to reach across various community boundaries, and create a buzz about the importance of changing the local business climate via networking and other initiatives. Austin's George Kozmetsky and Mario Morino, the founder of Northern Virginia's Morino Institute, spearheaded networking institutions that provided the foundation for entrepreneurship development in their respective regions.

Leaders of this sort tend to appoint themselves, and act in response to their own strong visions for the community. But most places lack such visionary leadership. In this case, some different options must be considered. In effect, other community leaders must recruit or appoint a champion(s). When seeking out new leaders, the following tips are helpful:

***Aim High.*** When a network includes respected local business leaders, their participation signals the initiative's viability and seriousness. When recruiting leadership, aim for highly visible and respected leaders with deep rolodexes. At the same time, leaders must be viewed as neutral, without a personal agenda at work. For these reasons, network leaders often emerge from the ranks of successful serial entrepreneurs who are now more focused on larger community issues as opposed to building a new company.

***Use Existing Connections.*** BFTP/SEP and the Eastern Idaho Economic Development Council (EIEDC) are public-private partnerships with private sector board members. Software companies on EIEDC's board provided leadership for the start of EIFIT. The business leaders who encouraged the Tulsa Chamber to start a networking group eventually assumed leadership of this effort.

***Work With Allies Who Have Connections.*** BFTP/SEP established its angel investor network from scratch, and was able to do so very quickly. They recruited a high-profile executive to reach other influential people and ensure their attendance at a start-up meeting. This high-level participation created a buzz about the network, and made it much easier to expand the operation.

***Keep Your Ear to the Ground.*** Reaching out to numerous contacts can help identify businesses with a reputation for community involvement. When doing the initial research outlined in steps one and two, use informal discussion opportunities with businesses to ask about leadership roles and local entrepreneurs who are highly respected in the community.

***Make the Win Scenario Clear and Exciting.*** It is easier to attract business leaders if they gain value from their participation. This step requires being clear about the network's value to the community and why it is an exciting place to be. To generate excitement, networking events tend to have an educational component or organized program around cutting-edge or highly useful topics. Do not use events to market government programs or initiatives. Let the entrepreneurs choose topics and recruit speakers that will interest them.

***Take Care of Volunteers.*** Networks require time and effort to succeed, and most entrepreneurs must tightly budget their time. Thus, it is essential that those who volunteer to support a local network be valued and appreciated. Do not overwork them or, as importantly, underwork them. Volunteers need to feel valued and excited or they will lose interest. Challenge them, reward them, and recognize them.

## ***Step 4: Launch Pilot Efforts***

With some or all of the leadership in place, the next step is to launch the network. At this point, practical considerations take over. These include: logistics (where, when, how often, what time), media and outreach (who to invite and how to invite them), and a program (usually a speaker).

Starting a new organization always requires some learning by doing. Determining what works or what will best stimulate local networking can only be fully assessed by getting businesses together and seeing what happens.

All of the groups we studied found that it took several events to determine a good structure for group meetings. The Tulsa Chamber's initial network started with four people. As it grew, it changed venues and structures several times to accommodate member interests. In Philadelphia, BFTP/SEP's partner, the Southeast PA Export Consortium (SEPEC), set up a network for local biotech firms with an interest in entering international markets. The first session hosted a speaker who offered extensive details on how to enter the export business. Afterward, feedback from participants was fairly negative. Instead of "talking heads," entrepreneurs wanted to talk to each other, and to share experiences more informally. A new, less-structured meeting format was created.

Timing also matters. Events should be relatively short (1-2 hours), and include time for face to face interaction between entrepreneurs. They should not simply attend a meeting to listen to speeches. Holding meetings over a meal (generally breakfast or lunch) makes sense, as this ensures more efficient use of the entrepreneur's most limited resource: time. In fact, every group included in this study held their regular meetings over a mealtime. Finally, holding meetings at a regular time (e.g., the first Tuesday of every month) may also help stimulate regular attendance at networking events.

### ***The Art of Networking***

For many businesses and budding entrepreneurs, networking skills do not come naturally. Another advantage to formal network organizations is that they can mentor entrepreneurs in the art of networking. Facilitating the art of networking can be as important as facilitating networks.

Teaching entrepreneurs how to network is important for regions in all stages of entrepreneurship development. The Tulsa Chamber of Commerce has a networking consultant who helps people to network, provides short training courses, and is available for troubleshooting events. The Washington, DC Board of Trade, located in a recognized technology region, offers a jump-start program for new members and start-ups to teach them how to network effectively.

If these resources are not locally available, designating a facilitator/broker at formal meetings offers another solution. This individual helps network leaders meet, greet, and introduce individuals to each other. Formal meetings should include significant amounts of time for networking and "schmoozing." Even better are events, such as an evening happy hour, that have no direct business purpose except to network and have fun. North Carolina's CED has found that one of its more popular and effective events is a regular Friday happy hour where members can drop by for a few minutes on their way home from work.



## ***Step 5: Outreach to Businesses***

Like any other business endeavor, marketing is critical to networking success. Businesses and entrepreneurs need to know about networking opportunities. A network also needs a steady stream of new people and new leaders to keep it fresh, exciting, and sustainable over time. Traditional outreach tools include newsletters, e-letters, web sites, newspaper, radio and other media ads, e-mail blasts, a calendar of events, word of mouth, and telephone trees (where each member calls two members, and so on).

Outreach efforts will also be aided by keeping an open membership policy and holding down costs. Charging high membership dues is a recipe for failure. Most successful groups have nominal membership fees, with small charges for specific events, training, and other activities. For example, CED in Research Triangle Park still limits its basic membership fees for individuals and start-up companies to \$125 per year.

Local networks also need effective branding (i.e., a name, logo, and other symbols that create a collective identity). The brand should also clearly indicate whom the network targets (i.e., all entrepreneurs, technology entrepreneurs, women entrepreneurs).

In addition to using traditional direct marketing tools, the network should build close relationships with local media. These links help decrease the cost of marketing while increasing market coverage. More importantly, they assist the network in influencing how the media covers local entrepreneurs and their companies. This coverage plays a critical role in influencing the business culture of the region and can be an important catalyst for promoting an enabling entrepreneurial climate. EIFIT, for example, credits its relationship with the local press as critical to its ability to reach businesses at their inception. *The Washington Post*, as another example, helps facilitate networks by devoting an entire portion of its business section to technology entrepreneurship. It also provides weekly calendars for regional networking events and runs a special classified section, with practical information and local job-seeker stories for the technology workforce.

In North Carolina, CED faced initial difficulties receiving regular coverage in mainstream newspapers like the *Raleigh News & Observer*. However, *The Leader*, a small newsletter for employees at companies based in Research Triangle Park, regularly covered CED and kept the organization in the eyes of entrepreneurs and nascent entrepreneurs in the region.

### ***On-Line Linkages***

The Internet is an invaluable outreach tool. At the inception of a network, e-mail for delivering notices and news is highly cost effective. Setting up an e-mail list-serv and network web site must be a central component of a network's start-up phase. The Morino Institute's Netpreneur.org site offers an excellent example of how to use web-based resources to start local networks.

Once networking events increase in number, web sites and linkages are an excellent way to aggregate resources and provide easy access to information. Perhaps even more importantly, web sites display the range of networks and resources available to an entrepreneur and send the message: if we can't help you, we'll use our networks to direct you to those who can. Ultimately, a region has developed a highly networked, entrepreneurial climate when businesses themselves recognize and exploit the networks available to them. Web sites, by their ability to make links and aggregate information, visibly demonstrate how networks operate and interact.

BFTP/SEP started [www.techphilly.org](http://www.techphilly.org) in partnership with the Eastern Technology Council, SCT Corporation, and others, as a portal for the regional technology industry. The site includes a calendar for all regional networking events, regional technology news, and links to professional service providers. In addition, the site has the capability for outside organizations to post their news and events, and now includes an “extranet” that can stimulate communication between other allies of BFTP/SEP.

In another example, Netpreneur.org created a fully web-enabled network. The Netpreneur site ([www.netpreneur.org](http://www.netpreneur.org)) offers a full regional calendar, discussion groups, content resources, and contact databases. The program also organizes face-to-face networking events, on-line broadcasts, and regular e-mail newsletters with news and events calendars.

## ***Step 6: Seed and Replicate***

The presence of one network begins to build the infrastructure for an entrepreneurial region, but regional growth depends on a deep and rich assortment of networks. Indeed, one effective measure of success is how the initial network has helped spark creation of other networks. Booming communities can often trace their economic histories via the paths taken by managers and employees associated with an early anchor company. For example, many of Silicon Valley’s leading semiconductor firms can trace themselves back to the eight original founders of Fairchild Semiconductor Company. A similar pattern can be found in Austin where many early technology firms spun out of Tracor, Inc.

Network organizations are a means to create these connections in every community. Creating a single network is not enough; it also makes sense to seed new networks to build up and diversify the institutional infrastructure and capacity.

The purpose of seeding is to expand the range and diversity of resources available to local entrepreneurs. No single organization can meet every need; nor should it try to be a one-stop shop for entrepreneurs. Linking entrepreneurs to existing service providers or seeded outside networks is far less expensive and far more effective than creating duplicative services in-house. For example, BFTP/SEP had long identified a strong local demand for new sources of equity capital. Instead of creating an in-house equity fund, BFTP/SEP helped launch the Delaware Valley Venture Group in the early 1980s, which later grew into the Greater Philadelphia Venture Association. They also provided seed money to help start the Eastern Technology Council, a network developed by technology business leaders in the region.

Not all of BFTP/SEP’s seeding efforts were successful. Yet, over time, these networks have helped foster a new business culture in Southeastern Pennsylvania where the past emphasis on heavy manufacturing has evolved to embrace a newly emerging sector of technology entrepreneurs.

Austin’s experience was relatively similar. Instead of housing all new projects and networks at the IC2 Institute, IC2 leaders seeded new institutions such as the Austin Technology Incubator, the Capital Network, and the Austin Software Council to further enhance the networking climate and fill crucial resource gaps hampering entrepreneurial growth.

While seeding diversifies the types of networking opportunities, replication increases the number of opportunities for businesses to enter networks. Replicating can start simply, by offering events at varied times to reach businesses with differing needs. The Tulsa Chamber has breakfast, lunch, and evening events for that reason.

Replication also can be more ambitious. As well as large networking events, the Tulsa Chamber also has smaller “TIPS” (Tulsa’s Interactive Professionals) networks, which bring together about 15 diverse business people with the sole purpose of developing business leads for each other. When one group is full (only one person per industry can participate), they encourage the formation of additional TIPS groups. They currently have 41 TIPS networks, made up of 800 business people, that contribute to significant new business development in the Tulsa economy.

## ***Step 7: Build Strategic Alliances (Network the Network)***

An important next step involves the building of strategic alliances with other organizations that enhance the reach and resources of the network. In other words, network the network. In dynamic regions, networks among area institutions parallel the networks among businesses.

In North Carolina, CED helped create similar groups in other parts of the state. As a result, a powerful statewide network of entrepreneurs has emerged. Moreover, emerging regions in North Carolina can tap into CED’s expertise in organizational development and membership services.

In Southeast Pennsylvania, local entrepreneurship support groups are so well linked that they share a common regional logo to indicate the range of resources and networks supporting an initiative. These networks have served as catalysts for several new initiatives to help foster local entrepreneurship: the Pennsylvania Southeast Mezzanine Fund, the Southeastern Pennsylvania Export Consortium, and the Nanotechnology Institute.

In Eastern Idaho, EIEDC, working with economic development organizations in neighboring towns, is looking to expand the network geographically. IC2, initially established at University of Texas, provided natural links between businesses and the University.

***The experience of communities like Philadelphia, Austin, and Northern Virginia indicate that entrepreneurial networks can help catalyze a region. It is indeed possible to start with one institution, build small networks, encourage individual entrepreneurs, seed burgeoning networks, build alliances and—slowly with patience and flexibility—nurture an entrepreneurial culture.***

When building alliances, a top priority should be to access resources not currently available in existing networks. In large metropolitan areas, such networks can generally be found close to home. In rural areas and small towns, finding such links may require some creativity and alliance building on a national scale. Eastern Idaho’s entrepreneurs have faced challenges in accessing equity capital in local markets. In response, EIEDC facilitated the network’s entry into the San Jose Software Council to expand the ability of local firms to access outside equity capital resources as well as other industry knowledge and information. Similarly, IC2 has built strategic alliances with universities in 25 nations to enhance Austin’s access to global knowledge resources, and to expand international opportunities for university students.

## ***Step 8: Let the Pot Boil***

The experience of communities like Philadelphia, Austin, and Northern Virginia indicate that entrepreneurial networks can help catalyze a region. It is indeed possible to start with one institution, build small networks, encourage individual entrepreneurs, seed burgeoning networks, build alliances and — slowly with patience and flexibility — nurture an entrepreneurial culture.

While success is possible, it is not guaranteed. Moreover, rapid success is especially difficult to achieve. Thus, patience, consistency, and leadership are critical components. Key constituencies, including entrepreneurs and the local political leadership, must also maintain realistic expectations about the pace of change. A minimum commitment of three to four years is generally required to generate significant change in a community, and an even longer time frame is optimal. Groups like CED and BFTP/SEP began operations in the 1980s and are still working on new networking initiatives today.

Successful networks will face major challenges from time to time. For example, EIFIT has found that attendance at formal network events has declined. This attendance decline may be attributed to the emergence of successful informal networking among local tech executives, but it is also a worrying sign for EIFIT's founders. They are now responding with a series of steps to widen the initial network through partnerships with non-local groups like the San Jose Software Council and by holding events in towns around the region other than Idaho Falls.

And if program ideas fail to energize entrepreneurs, try something else. Do not continue with more of the same. For example, North Carolina's CED has found that becoming engaged in political activity detracted from its core mission of serving entrepreneurs. Thus, after several halting efforts to work more closely with local politicians, CED's leaders have opted to remain focused on their core work.

## ***Step 9: Letting Go***

Creating a network may be something like raising a child. You know you have succeeded when your offspring is independent and healthy and no longer needs your daily nurturing. For community leaders interested in promoting networks, the ultimate goal must be creation of a self-managing network. Thus, any effort to start a network must include a vision for its eventual spin-off.

IC2 enabled the Austin Technology Incubator, Austin Software Council, and the Capital Network, which have all become independent entities networked to each other and other Austin resources. Eastern Idaho plans to let EIFIT go solo.

Letting go is really the highest measure of success for networks. It signals the build-up of a critical mass of entrepreneurs who can sustain the network organizationally and financially. Additionally, letting go creates new allies and new sources of business leadership for a community. These new entrepreneurial leaders are much better equipped to voice business concerns, provide support for entrepreneurs, and help invest in improving the local business climate.

Letting go is not the same as moving on. Instead, a more mature relationship should emerge as public institutions move from a mentor/funder role to a position as partner and supporter. IC2 remains a partner and supporter of the Capital Network, the Austin Software Council and the Incubator. Similarly, BFTP/SEP works in partnership with many of the networks it seeded including the Eastern Technology Council and the Greater Philadelphia Venture Group.

## ***Step 10: Tell the Story***

Building an enabling entrepreneurial climate requires that local leaders keep telling the story of local networks, entrepreneurs, and the region's development. Networks should highlight local heroes, show growth and development, spotlight new and growing resources, market local events, and search for recognition opportunities such as national awards programs.

Many of the groups examined in this study have received national recognition. Austin's Technology Incubator won the Technology Transfer Society's 1996 Justin Morrill Award and the 1997 National Incubator Client Award from the National Business Incubator Association (NBIA). Similarly, CED has received numerous national awards, including the 1999 Ernst and Young Entrepreneur Supporter of the Year Award.

Telling the story requires good relations with the local media, and networks should look for ways to involve reporters in their activities on a regular basis. EIEDC, for example, includes the publisher of the *Idaho Falls Post Register* on its Board of Directors. BFTP/SEP's partnership with WHYY, a local public television affiliate, is starting to play an important role in advancing a regional entrepreneurship agenda. WHYY simulcast BFTP/SEP's Technology Action Agenda, an informational and planning effort organized to mobilize regional institutions and businesses to support technology-led development.

## **Part Three: Conclusions**

Successful networks come in all shapes and sizes, and each one has a unique story to tell. Nonetheless, similar strands unite all of the networks reviewed in this study and these unifying themes represent a close approximation of best practices in the development of local networks. Some of the key lessons learned are detailed below:

### ***Best Practices***

***High-Visibility Leadership.*** Do not underestimate the power of a visionary leader, who can mobilize people around an agenda, a project, a mission or an idea. Many efforts need a dedicated champion with the passion and intellectual credibility to sustain it. Austin's networks began to some extent with the vision of one person — George Kozmetsky — who brought in new ways of thinking and had resources available to follow through on those ideas. His (and later IC2's) reputation and perceived neutrality helped convene many networks and partnerships. IC2 was viewed as having no axe to grind. Its motives were attached to a larger purpose, with no hidden agenda waiting to emerge. That neutrality created a safe space where IC2 could serve as a convener, pulling together regional players around common concerns.

***Building Relationships.*** Networks are about making contacts but they are also about relationship building — creating spaces of trust to exchange non-proprietary information, to funnel information rapidly, and to develop leadership skills. To achieve these goals, a community needs

smaller, tighter relationship-building networks to complement the larger business networks that provide a wide and long reach to diverse resources. The corollary is that these smaller groups must also come together and network in wider spaces to expand contacts and resources.

**Start Small.** At first glance, it appears that starting small networks would be a simple task, but doing it well requires some initiative. Developing effective small networks may be harder than larger, more general networks. They are more dependent on getting the right personalities to mix well together and tend to be staff intensive at the onset. Failure rates are high among these groups. Getting the precise focus right is more important because that facilitates the sharing of information at high levels. The most effective small groups are task-oriented at the outset. Examples include the Tulsa Chamber's TIPS groups or CEO networks organized around similar industries (where the CEOs had many challenges in common).

**Long-Term Commitment.** When trying to build networks to promote cultural change, communities need to be in it for the long haul. Typical network programs may require a commitment of at least three to four years before significant progress can be achieved. Do not get discouraged by initial resistance and do not underestimate the opportunity for misinterpretation. Network leaders must understand the local business culture and be able to identify local strengths and weaknesses. Cultural change is incremental and iterative, requiring patience, persistence, and a focus on institutionalization. Be prepared to change.

**No Rowing, Not Much Steering.** Public officials must assume a "be there, but be quiet" role, providing administrative support to the network, but avoiding heavy-handed direction of its activities.

**Pollinate New Networks.** Creating additional networks, both formal and informal, should be a foremost goal of any single networking initiative. Real cultural change requires that a local business community embrace networking and entrepreneurship in all of its activities. This cultural shift cannot be restricted to a single institution.

**Link People, Not Firms:** Successful networking is about building trust and building strong relationships. People have relationships; firms do not have relationships. Thus, the goal of networking is not to build alliances among firms. It is to build relationships among people who want to share ideas and learn from one another. The entrepreneur, not the business, should be the network's core audience.

## Endnotes

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- 2 See, for example, Annalee Saxenian, *Regional Advantage: Culture and Competition in Silicon Valley and Route 128* (Cambridge, MA: Harvard University Press, 1994); Howard Aldrich, *Organizations Evolving* (London: Sage, 1999); Patricia Thornton, "The Sociology of Entrepreneurship," *Annual Review of Sociology*, Vol. 25, 1999, pp. 19-46.
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- 8 Julie M. Hite and William S. Hesterly, "The Evolution of Firm Networks: From Emergence to Early Growth of the Firm," *Strategic Management Journal*, Vol. 22 (2001), pp. 275-286.
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- 11 Arthur Andersen, LLP, *Emerging Issues — Venture Capital: Myths and Reality*, Chicago, IL, 2000.
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- 13 David Osborne and Ted Gaebler, *Reinventing Government* (New York: Perseus Press, 1992).
- 14 Amy Davis and Howard Aldrich, "Organizational Advantage? Social Capital, Gender and Small Business Owners' Access to Resources." Paper prepared for presentation at the 2000 American Sociological Association Meeting, August 12-16, 2000, Washington, DC.

# C A S E S T U D I E S

## ***Council for Entrepreneurial Development***

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### ***Sustaining Innovation Over the Long Haul***

The economic boom of the 1990s was accompanied by a boom of a different sort: the creation of hundreds of new organizations to support and promote entrepreneurship. In North Carolina, several local communities were ahead of the curve on this effort, and began a program for entrepreneurs in the early 1980s. This initiative ultimately evolved into the Council for Entrepreneurial Development ([www.cednc.org](http://www.cednc.org)) — now one of the largest local entrepreneurship support programs in the United States.

### ***Background: The Early Years***

The Research Triangle (encompassing the cities of Raleigh, Durham, Chapel Hill, and surrounding communities in North Carolina) is the primary region served by CED. It has a history of innovative and effective approaches to economic development, especially in the creation of the Research Triangle Park (RTP).<sup>1</sup> RTP is a public/private, planned research park, created in 1959 by leaders from business, academia and industry. The stated purposes of RTP's founders were to diversify the local economy away from its heavy reliance on textiles and tobacco, and to establish North Carolina (and the Research Triangle) as a major center of research and development activity. It also hoped to exploit the presence of three world class research universities in the immediate area.

While these efforts were successful, many local observers recognized their limitations. RTP sought branch plants and research organizations, such as IBM and the National Institute of Environmental Health Sciences, from other parts of the country. This was part of its strategy to move the state from an agricultural to a knowledge economy. Yet very few home grown companies were emerging. More traditional industrial sectors, like banking, agriculture, and textiles, continued to dominate North Carolina's economy.

The limits to the RTP approach soon began to gnaw at local business leaders in the Raleigh-Durham area. While they welcomed the incoming firms, they also recognized that a truly vibrant economy could not emerge based on inward investment alone. Comparisons with other high technology regions where entrepreneurs were regularly spinning out new companies presented a stark contrast. These differences were especially sharp for newcomers who had moved to North Carolina to work for IBM, Glaxo, and other large-firm facilities inside Research Triangle Park. Bob Gress, site manager for Raleigh's Corning Glass operation, came to the region in the seventies, and was elected President of the Raleigh Chamber of Commerce in 1982. Gress argued that while the region could boast top-level universities and lots of technology savvy, North Carolina saw very few start-ups when compared to Boston's Route 128 or Silicon Valley. The absence of



this entrepreneurial engine would hamper the region's prospects for truly vibrant economic growth.

Acting on this concern, just a few entrepreneurs and service providers invited a large group of their peers to form a leadership team. This initial group was fairly high-powered, and included some of the region's leading lawyers and bankers who also served in leadership positions on the Raleigh and Durham Chambers of Commerce. Representatives from the three local universities — Duke, North Carolina State, and the University of North Carolina — rounded out the group, which was originally called the Triangle Venture Capital Committee. Its original objective was to create a positive entrepreneurial climate as seen in Silicon Valley and elsewhere. The committee explicitly modeled its work on what the group had witnessed in traveling to California, Boston, and Atlanta — where Georgia Tech had recently created the Advanced Technology Development Corporation.

There was little visible forward progress in the first year. Indeed, the Committee was publicly invisible beyond its immediate membership. However, its very existence sent an important message. For the first time in years, the Triangle's three distinct business and technology communities — Raleigh, Durham, and Chapel Hill — had come together to seize an opportunity, thus setting a tremendously important regional precedent. Plans moved forward and the Committee ultimately emerged as the Council for Entrepreneurial Development in December 1983 with an agenda based on four goals:

**Education.** Sponsor seminars and meetings on topics of interest to high-growth firms.

**Venture Capital Attraction.** Stimulate the interest of venture capital firms in investing in local companies.

**Support Services.** Help provide entrepreneurs with access to services needed to start and grow businesses.

**Information Exchange.** Provide a network for exchange of information among investors, managers, entrepreneurs, and service providers.

The group held its first public meeting, a seminar on accessing venture capital, in January 1984. Expecting limited interest, CED's founders were stunned when 200 people showed up at the session. As CED Founder Fred Hutchison put it, "We were astounded by the turnout. It validated our belief that there was a 'secret' economy of nascent entrepreneurs in the region." He further noted that this group was not composed of the "usual suspects" who were active in the local chambers of commerce. Instead, most attendees were scientists and engineers working for large local firms who were planning new businesses on the side.

This initial meeting convinced CED's founders that they were "on to something," and they began to formalize the group with regular meetings, membership fees, and the like. Initial dues were quite small — \$50 for small firms and \$250 for service providers. Grants from local businesses and fees for individual events supplemented their revenue.

The early years were fairly lean. While the initial reaction to CED was positive, the region lacked a history of entrepreneurial companies so these efforts were not widely embraced. Publicity and press coverage were limited, and fundraising was difficult. In CED's early years, service providers, such as local law and accounting firms, dominated the organization and provided nearly all of its funding. (They still play a very important strategic partner and funding role.) According to Jim Talton,

a former CED President and Partner with KPMG Peat Marwick, this commitment from service providers was based on enlightened self-interest. These firms saw a potentially lucrative market for their services and were willing to make relatively small investments in an effort to seed the market. They also argued that start-ups offered an excellent means to retain students from local universities, who were migrating to Atlanta, Charlotte, and other cities throughout the region.

CED continued to maintain a strong base of service providers, but its membership make-up soon changed. Within a few years of its establishment, more than half of its members were entrepreneurs.

While CED initially sought to assist entrepreneurs of all stripes, it came to focus heavily on the information technology and, shortly thereafter, life sciences sectors. This focus did not arise out of a conscious plan. It emerged from the interest of CED members and the presence of strong IT firms, like IBM, Nortel, and later Cisco in the region. While RTP is globally recognized as a center of excellence in the pharmaceutical business, the infrastructure to support biotech start-ups and the spinout culture did not emerge for several years.

### ***Stabilization and Growth***

CED continued to grow in fits and starts throughout the 1980s and early 1990s. In 1986, the organization hired a full-time executive director, Monica Doss, who continues to serve the organization today as its president.

As the organization grew in size, its services also evolved. One of CED's first actions was to host a local venture conference where local entrepreneurs could pitch their companies to potential investors. The first such conference, held in late 1984, was a small affair. A handful of investors arrived to hear pitches from a small number of potential entrepreneurs. But CED's leaders learned from this experience, and the annual CED venture fair is now one of the nation's largest, attracting more than 350 investors and 1200 total attendees in 2001. Moreover, this general financing conference is supplemented by two sector-specific events for infotech and biotech entrepreneurs during the year.

Networking has always served as the core benefit for CED members, and this part of CED's work has also become more specialized over time. As demand has grown, specialized networking groups, known as special interest roundtables, emerged for information technology, biotechnology, health care, and for marketing directors, CFOs and CEOs. These formal groups are supplemented by CED's EntreForum program of workshops and roundtables on specific issues such as non-traditional financing models, business development, and board management and development.

In 1995, CED began providing direct training to potential entrepreneurs. In addition to mentoring and other support, CED now offers the FastTrac business development course sponsored by the Ewing Marion Kauffman Foundation. CED has also developed several specialized versions of the course to target the Triangle's entrepreneurial clusters. For example FastTrac Tech, is designed for equity-based tech ventures and FastTrac Growth is designed for established traditional companies. From this base, CED has developed a continuum of programs that provide intense mentoring and accelerated

training from the very beginnings of the innovation process to post-IPO management skills.

Finally, CED sponsors a number of special outreach activities. CED members have particularly enjoyed several programs that reach out to local youth. The Future Entrepreneurs Program works with local middle schools to provide mentoring and training to student-run businesses. Working with the Triangle Community Foundation, CED stimulates entrepreneurial philanthropy. CED has also helped other North Carolina communities set up entrepreneurial organizations, with sites based in Rocky Mount, Asheville, Charlotte, Fayetteville, Wilmington, and Greensboro/Winston-Salem.

These varied activities have coalesced into a successful formula, especially since 1995 when CED's growth rates skyrocketed. Today, the organization has 20 staff members, hundreds of volunteers, an annual budget of \$1.5 million, and more than 5,000 members representing 1,300 companies, institutions, and entrepreneurs. The organization's achievements are recognized nationally. In 1999 Ernst and Young honored CED and its Executive Director, Monica Doss, with its prestigious Entrepreneur of the Year Award — Supporter of Entrepreneurship.

CED's management structure is fairly similar to those of other entrepreneur-support or economic development organizations. CED's President reports to a 38-member volunteer Board of Directors. This Board's work is driven by a smaller executive committee, and CED's operations are managed by staff and by volunteer-led working groups.

Yet the most impressive result of CED's work is not the growth of CED itself. Instead, it is the growing support for entrepreneurs found in the RTP region and throughout North Carolina as a result of its work. Internationally recognized firms, like Sphinx Pharmaceuticals, Paradigm Genetics, and Red Hat Software have developed in the Raleigh-Durham area thanks in part to CED's presence. And, the region has become one of the nation's leading entrepreneurial hotspots.

## ***Best Practices***

What explains the success of CED? How did it grow and develop? Most importantly, how can other communities seek to replicate this success? While a host of factors have contributed, several key lessons stand out:

❖ *Maintenance of a Focused Core Mission:* Despite rapid growth and major changes in the Raleigh-Durham economy, CED's core mission has not wavered from the original vision of its founders: to provide mentoring and networking opportunities for local entrepreneurs who seek to start and grow new businesses. Except for the 1995 decision to begin offering FastTrac training, CED's core programs have been remarkably stable for the past 15 years. While program content has evolved to keep up with changing times, CED still views itself as a tool for entrepreneurs to share ideas and learn from each other.

Maintaining focus is easier said than done. Far too many organizations — in both the private and public sectors — assume too many new functions as they grow and prosper. Pressures to diversify into new “business lines” can often be intense. For instance, CED has had many opportunities to branch out as a source of finance for new businesses or as a lobbyist for entrepreneurial interests in the state capitol. By opting out of these often well-meaning initiatives, CED has been able to focus time and resources on its core mission of providing value-added

networking opportunities. Outside research validates this decision, as recent surveys of entrepreneurs show that networking is crucial to creating a business climate friendly to start-ups.<sup>2</sup>

❖ *Support from Service Providers:* The support from local service providers was both the spark behind CED's creation and the key to its early development. This finding runs contrary to the conventional wisdom from many groups similar to CED who claim that too many service providers can discourage participation by entrepreneurs who resent being sold to by lawyers, accountants, and others. While this fear sometimes contains an element of truth, CED's history disproves that point of view. Indeed, there were no (or at least very few) entrepreneurs to jump start the CED program back in 1983. RTP might have remained an enclave for large corporations had far-sighted service providers not stepped in to provide leadership.

These service providers offered two critical benefits to CED: time and money. Entrepreneurs are consumed with running their companies and can rarely devote significant amounts of time to community leadership activities. Service providers are often more able to accept these leadership posts. In fact, most of CED's past presidents have come from the legal, investment, or accounting communities. Entrepreneurs have opted to run various roundtables and maintain board positions, but, at least until very recently, they have rarely been able to devote sufficient time to serve as CED's chief executive.

Funding from service providers also proved critical, especially in CED's early years. Because entrepreneurs often face cash flow difficulties, CED has always used a two-tiered dues structure with lower rates for entrepreneurs. Similarly, service providers funded the vast bulk of early programs and forums sponsored by CED.

❖ *Programs Designed and Run By and For Entrepreneurs.* While service providers helped start and grow CED, they do not dominate the organization. Most of CED's programs are conceived, designed, and run by volunteer entrepreneurs, supported by a strong entrepreneur-oriented staff. For instance, its Capital Connections program consists of several entrepreneur-focused programs that assist entrepreneurs at various growth stages (from the idea phase to initial funding) by providing mentors, instruction, and tools to evaluate their ideas, refine their business concepts, develop business plans, and raise capital. The Capital Connection Advisory Team, comprised of angel and venture capital investors, helps each company identify those elements of the program that will uniquely suit its business needs, reviews its business development and funding progress, and provides ongoing mentoring and direction.

A recent initiative to enhance executive recruitment from management-rich areas like Silicon Valley and Boston was spawned by a tech entrepreneur, and grew into a CED-led collaboration between the executive search players, venture capitalists, and Midway Airlines. The project ultimately brought 25 "targeted" candidates to network with the Triangle's entrepreneurs and investors; two of the candidates accepted local positions within 60 days.

CED's roundtables, conferences, and seminars spring from specific needs articulated by entrepreneurs for education, networking opportunities, and/or resources. A steering team, working with CED staff, leads the development, implementation, and ongoing evaluation of each new program. For example,

each year a team of infotech entrepreneurs and CEO's shapes the agenda and speaker list for that annual conference, constantly bringing in new ideas, new speakers, and cutting edge industry issues.

CED has focused its economic development and educational mission squarely on the entrepreneur and his or her company, knowing that the greatest gains in jobs, community well-being, and innovation can be achieved through that nexus.

❖ *Program-Driven Financing Sources.* Use of volunteers not only reduces costs; it also ensures that programs are relevant to entrepreneurs. CED relies exclusively on private financing, and its founders consider this decision to be a key factor in the organization's success. They decided early on to avoid seeking funding from government sources because of the strings attached to such grants. This decision had several long-term effects on CED's growth. First, it prevented early over-expansion. Because of the difficulties of raising funds in CED's early phases, CED's leaders were forced to opt for a slow but steady growth trajectory that put CED in a strong position when the region began to boom in the early 1990s. Second, the organization was forced to operate each individual program on a "pay as you go" basis. Thus, ineffective programs were quickly dropped when market demand among members did not materialize or waned.

The benefits of this discipline had a downside as well. While CED was a focused organization by the early 1990s, it was also in a fairly short-term financial state with very limited "rainy day" resources. Recognizing the dangers of this situation, the CED board initiated a successful \$2.5 million Future Focus capital campaign in 1996 to enable the organization to embark upon a 5-year strategic programming plan.

In 1999, CED initiated another fundraising innovation with its entrepreneurial stock Endowment Program. Recognizing that few entrepreneurs have the resources to make major cash donations, CED began accepting pre-liquidity stock pledges from local entrepreneurs. In addition to engaging entrepreneurs in local philanthropy, CED anticipates this effort will provide the organization with the long-term funding necessary to provide support to generations of entrepreneurs in perpetuity. To date more than 100 founders and early shareholders have pledged stock, along with uniquely structured pledges from several different venture capital groups. Cash gifts and pledges from successful entrepreneurs and investors, along with several liquidity events over the past year, have boosted the endowment's potential to provide long-term operational stability for CED and created momentum toward the ultimate goal of a \$20 million endowment.

Thanks to these new fundraising initiatives and program sponsorship support, CED has maintained a reasonably priced dues and program structure. Annual company dues for start-ups and individuals are \$125 per year, while service professional rates begin at \$500. Monthly programs, luncheons, and roundtables are priced at cost (\$15-\$30) while fees for full and multi-day conferences range from \$100-\$425, depending on the nature of the program. CED's mentoring and training programs have a low bar to entry (application generally free to members) with fees from \$125 (Capital Connections) to \$1,200 (11-week FastTrac Tech program). Entrepreneur scholarships are often available for higher priced programs.

❖ *Dedicated Early Champions.* Most successful organizations can trace themselves back to a visionary founder or founder group, and CED is no exception. The core group behind the original Triangle Venture Capital Committee reads like

a Who's Who of the business leadership in the Triangle. Chamber chairmen, senior banking executives, and academic leaders joined with successful entrepreneurs and the region's first venture capitalists to launch CED.

These leaders brought several assets to the table. First, they brought instant prestige and credibility to CED's initial efforts. Their personal commitment to supporting local entrepreneurs signaled to other local leaders that entrepreneurship was a cause worth championing. Second, their status allowed them to sell the idea of CED both to nascent entrepreneurs and inside corporate boardrooms. In effect, this small group served as the link between Raleigh-Durham's traditional economy — based in the universities, government, and banking sectors — and the region's new economy based on IT and biotech start-ups, and venture capital. By providing reassurance to both sides, CED's early leaders provided the organization with room to grow without antagonizing Raleigh-Durham's established business leaders.

❖ *Limited Turf Wars.* CED's development was also aided by the relative absence of local turf wars in the Raleigh-Durham-Chapel Hill area. While the Research Triangle region is the home of three sizable cities and more than one million people, the area has a history of relatively strong regional cooperation for major economic development initiatives. Local communities have generally avoided entering into a zero-sum competition for business, jobs, and other benefits. Cooperation has been the standard. The successful development of Research Triangle Park is but one expression of this legacy.

CED benefited from and further developed this tradition of regional cooperation. The original team behind the Triangle Venture Capital Committee included representatives from each of the local chambers of commerce, businesses throughout the area, as well as representatives from the local universities. This early cooperation helped ensure that CED was not mired in turf wars between various communities, government agencies, and business support groups. To emphasize its regional mandate, CED located its operations in the Research Triangle Park, between the three communities, rather than in any one.

Ironically, CED's initial growth also benefited from the absence of an entrepreneurial tradition in the Research Triangle. As one of the founders noted, the local chambers "weren't interested in entrepreneurs. They were too busy working with the big firms. This opened up a niche for the services provided by CED." This benign neglect from the local business establishment created "breathing room" for CED's founders, allowing them to develop programs uniquely designed for entrepreneurs. Had a similar program been developed inside the local Chamber of Commerce, it might have become overwhelmed by the chamber's focus on serving larger firms in the region.

❖ *Experimentation.* This breathing room also allowed CED to take risks with its programs. The entrepreneurs who initially flocked to CED were not part of the community's business leadership, and were thus more open to new ideas and approaches. Moreover, CED has consistently maintained a very flat management hierarchy with very little or no internal bureaucracy. Thus, when the board has been approached with ideas for a new program or initiative, the general response has been: Why not?

These experiments have produced false starts, but have also generated some of CED's most enduring programs, which include:

***Annual Venture Conference***

<http://www.cednc.org/events/conferences/index.html>

***Peer to Peer and Industry Roundtables***

<http://www.cednc.org/events/networking/>

***Entrepreneurial Excellence Awards***

<http://www.cednc.org/events/awards/>

***FastTrac***

<http://www.cednc.org/education/fasttrac.html>

***Research Triangle Infotech Conference***

<http://www.cednc.org/events/conferences/index.html>

***Biotech Day***

<http://www.cednc.org/events/conferences/index.html>

CED continues to grow and, in 2001, it reached a milestone with its 5,000th member. This growth creates growing pains, but it also creates new opportunities. Focusing on new opportunities and new ways to deliver innovative programs for entrepreneurs will continue to be at the core of CED's mission.

## ***Ben Franklin Technology Partners of Southeastern PA***

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### ***Developing a Regional Networking Culture***

Ben Franklin Technology Partners of Southeastern Pennsylvania (BFTP/SEP) is a public/private partnership first begun in 1983 by the Commonwealth of Pennsylvania as part of then-Governor Dick Thornburgh's statewide strategy to ease the pain of cutbacks in Pennsylvania's manufacturing industries. BFTP/SEP is one of four state-wide centers designed to support local economic development; other centers are located in Pittsburgh, Bethlehem, and University Park.

The overall Ben Franklin Program is one of the oldest state-sponsored technology initiatives, and today it remains one of the largest such programs in the United States. When the initiative began, it sought to link universities and industry to help solve individual company problems around technology, finance, or other issues. This mission has evolved over time to include a variety of new programs and initiatives. BFTP/SEP was included in our case studies as an example of how established business support programs starting with public funding can evolve to take advantage of existing entrepreneurial networks and create new networking opportunities.

Because of its large population and business sector, Philadelphia has the resources and scale to support a host of entrepreneurial networks. Yet despite many powerful local assets, Philadelphia has not been commonly ranked near the top of cities that are effectively embracing the "New Economy."<sup>3</sup> BFTP/SEP is leading the charge to change this perception.

Thanks to BFTP/SEP and other local groups, the region boasts numerous programs that support entrepreneurs. For example, BFTP/SEP runs programs that provides technology finance and business advice to entrepreneurs. It also serves as a catalyst for regional development initiatives that link companies, institutional and private investors, research institutions, and the university community.

BFTP/SEP also sponsors major networking events such as an annual venture fair which grows in size and substance every year, the annual bi-state (Pennsylvania and New Jersey) conference of the biotechnology industry, and the recently initiated four-state nanotechnology forum.

Although focused on technology companies, BFTP/SEP also provides support to other community-based businesses, applying the same expertise and networking approach to nurture inner city entrepreneurs and to revitalize distressed neighborhoods. Thanks to these resources, the challenge for BFTP/SEP and its partners is not simply to create entrepreneurial networks, but to do it right.

BFTP/SEP uses three general approaches to stimulating entrepreneurial networks:

- 1) *Brokering*. Using existing resources and contacts to encourage service providers and entrepreneurs to support new start-ups.



- 2) *Seeding*. Providing start-up money and staff to new networks.
- 3) *Alliance building*. Creating a network of networks by linking various groups around the region into new coalitions.

### ***Brokering Networks for Businesses***

BFTP/SEP exemplifies how a public or public/private organization can serve as a regional broker, using its own resources and contacts to create networks of executives, investors, and service providers who donate their time to help new entrepreneurs build and expand companies. BFTP/SEP built the following three networks to help them evaluate companies that might be eligible for in-house financing or funding through other sources:

- ❖ The technical experts network, which includes academics, industry representatives, local entrepreneurs and others, assesses the technical viability of the business plan.
- ❖ The management experts network, which includes paid consultants, assesses the business plan, the market, marketing strategy, and a company's competitive advantage.
- ❖ The investment advisory committee, which advises BFTP/SEP on its investment decisions, includes venture capitalists, angel investors, entrepreneurs and service providers (e.g., lawyers).

These committees bring industry expertise to the table and ensure that any public funds are invested wisely. Moreover, the investment advisory committee links entrepreneurs to potential future funders as BFTP/SEP investments are limited to early-stage funding in amounts less than \$500,000. These venture capitalists also help mentor companies once they have been approved for BFTP/SEP financing. And if an applicant company offers a deal inappropriate to its program, BFTP/SEP can direct them to specific investors in its network in the region. Finally, these committees have succeeded because they provide a networking opportunity of their own. Participants can make good contacts, learn about emerging technologies, do business and, for investors, see new deals.<sup>4</sup>

Once approved for BFTP/SEP funding, a firm works with a portfolio manager, who is a paid consultant. The portfolio manager opens the door between the entrepreneurs and regional resources. In addition, the BFTP/SEP staff convenes the portfolio managers regularly, as a group, to share information and expertise and to identify and anticipate issues common to the portfolio.

Complementing these resource networks, BFTP/SEP also initiated the following additional formal networks open to entrepreneurs.

- ❖ *Success teams* are formal networks of 10 to 15 CEOs from young companies in the same industry segment (such as life sciences). They meet every six weeks to share short-term goals and common experiences such as getting a drug through the FDA regulatory process. They also do business. During the first year, BFTP/SEP staff facilitated the meetings. After a year, the networks became self-sufficient and organized themselves without staff support.
- ❖ *University Centers of Excellence* are vehicles to transfer scientific expertise in specific areas (e.g., biomaterials, pharmacogenetics) to business by bringing providing access to university faculty, expertise, and high-level equipment. The centers form an important node of university-business networks that support technology transfer.

## ***Adapting the Model***

BFTP/SEP has adapted its model to serve its microloan program (first started in 1993). In many ways, microentrepreneurs are the perfect candidates for networking programs. Because they may lack previous business experience, they can benefit significantly from network-based peer learning opportunities.

As it does with technology companies, BFTP/SEP seeks to embed community businesses in existing regional networks. In other cities, many similar programs for new entrepreneurs use local MBA students to counsel the firms. In contrast, BFTP/SEP uses a network of small, growing minority businesses to deliver needed legal, marketing, IT, operations, and financial resources. This approach, which has won several awards, creates a three-way win.

- ❖ Entrepreneurs enter existing business networks that they can tap as their business grows.
- ❖ Existing community and minority businesses receive steady work and an enhanced client base. In other words, BFTP strengthens the networks of existing local businesses as well as those of new entrepreneurs.
- ❖ Service providers refer new clients with relevant resource needs to BFTP/SEP.

The network of consultants serves both as mentors for new entrepreneurs and as a community-based marketing force for BFTP/SEP. The result is a network that is growing in terms of both quality (tapping a wider range of expertise) and quantity (including more business participants).<sup>5</sup>

Businesses in the microenterprise program are encouraged to attend networking events to meet other businesses. They have also created “buddy systems” in compatible industries with the goal of forming mini-coalitions that businesses can use to package their services and bid on bigger jobs. As one Ben Franklin staffer noted, “We network them at any opportunity we can.”

## ***Seeding***

Since its start in the 1980s, BFTP/SEP has regularly invested in other local organizations that support entrepreneurs. In the earlier years, it used an approach akin to test seeding, dropping seeds around the region to see what took. Some organizations thrived; some did not. As the region developed, investments became more strategic, focused on stimulating new models or addressing new issues. Most of the major local entrepreneurship groups received some or all of their initial funding and/or staff support from Ben Franklin. This list includes: the Eastern Technology Council ([www.techcouncil.org](http://www.techcouncil.org)), the Entrepreneurs Forum, the Greater Philadelphia Venture Group ([www.gpvg.com](http://www.gpvg.com)), various angel networks, the Southeastern Pennsylvania Export Consortium, Strategy 21, the Women Entrepreneurs Network PA (which later merged with the Women Investor’s Network), and the Central Bucks Biotechnology Council.

Seeding requires a long-term commitment, and the region is benefiting from these early investments. The Women’s Investor Network ([www.winwomen.org](http://www.winwomen.org)) is now visibly part of the regional deal flow. Venture capital and angel groups are now multiplying and independently forming their own networks. Meanwhile, the biotech and nanotech communities are growing in size and diversity.

## ***Building Strategic Alliances: Networking the Networks***

Creating an enabling entrepreneurial culture requires more than simply linking up businesses. One must also build networks among the range of institutions, public and private, that support businesses.

Ten years ago, BFTP/SEP sat down with the Delaware Valley Industrial Resource Center (DVIRC) and the Philadelphia Industrial Development Corporation (PIDC) to address three issues. They wanted to build a cooperative regional image, align their strategies, where possible, and create a better capability to anticipate and respond to opportunities for the region. This initial team grew to include other players<sup>6</sup> committed to improving the regional business climate. Branded as Strategy 21, this institutional network can take credit for two types of success: expanding business resources and improved business service delivery.

### *Expanded Resources*

- ❖ Creation of the Southeastern Pennsylvania Export Consortium ([www.drpa.org/sepc](http://www.drpa.org/sepc)) to help counsel small firms entering international markets.
- ❖ Development of new financing vehicles like the Penn Southeast Mezzanine Fund ([www.mezzfun.com](http://www.mezzfun.com)) and Ben Franklin Gateway Partners.
- ❖ Successful bids for numerous state and federal grants, including a recent grant to create a new Nanotechnology Institute to work with firms from four states in the region.

### *Improved Service Delivery*

BFTP/SEP's regional technology agents are co-located in offices with staff from other support groups, such as the industrial development corporations and the industrial resource center. Co-location and active coordination of the regional service providers improves service delivery to local businesses because it decreases response times, cross trains the providers, and improves their ability to communicate with each other and with businesses. Moreover, any business accessing one program is immediately connected to the whole ensemble of regional resources.

## ***Conclusions***

As a result of patience, network building, and keen attention to the needs of businesses and entrepreneurs, the culture in Philadelphia is shifting. This is clear from one of the regional partners' descriptions of his organization's CEO networks:

We could not have started a network in 1988. Now, there is a reaching out and level of information sharing among the businesses we serve that was not possible back then. This is a fundamental change, which has been building up steam in the 90s. Now it's a given. These guys want to talk.

He went on to describe the general climate and increasing network savvy of local businesses:

There are tons of networks out there. Most of our network members are also members of tech councils. But we helped them build CEO networks because they indicated specific needs for a new type. Individuals who work with us rarely enter only one. They use different groups for different kinds of things.

Building an enabling networking climate can be done. It takes time, effort, and leadership from entrepreneurs, and public and non-profit organizations.

### ***Best Practices***

- ❖ *High-Profile Leadership.* When starting a new network, find a high-profile influential person who can reach other high profile influential people and assure their attendance at a meeting. One high level individual with a deep rolodex can ensure the success of early networking activities.
- ❖ *Recruit Top Talent.* Find the best people to support the network's activities. BFTP/SEP hoped to get high-profile executives to mentor biotechnology companies, but feared that they would not be willing to devote time to this task. But when asked, nearly everyone who was approached signed on to serve as a mentor. Go for the best people, stress the win-win scenario, and you may be amazed at the positive reception.
- ❖ *Show Appreciation.* Recognize efforts of volunteers, and reward them for their efforts.
- ❖ *Be Flexible.* Allow the network structure to evolve. Once the basic network is running, do not assume a static environment. Local leaders must reach out to friends, colleagues, and other observers. Stay out on the streets, keep listening and change to serve changing markets. Ben Franklin started with a strong focus on working with local universities. Today, entrepreneurs are its primary focus.
- ❖ *Be Patient.* Building networks takes time. Entrepreneurs must trust one another, and such trust cannot be built over a single meeting.
- ❖ *Be Inclusive.* Open membership in the network to a wide group. Create a big tent for all local entrepreneurs. If the group becomes too large and unwieldy, it can naturally evolve into various subgroups by job title, industry sector, and the like.
- ❖ *Brand Regional Initiatives.* Let people know that the network is working and is available as a resource. Branding creates a collective mentality and allows people to share the wealth of individual efforts. For example, Philadelphia's Strategy 21 partners have a regional logo and use a tag line on joint initiatives.

## ***Eastern Idaho Forum for Information Technology Eastern Idaho Economic Development Council, Inc.***

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### ***Serving a New Economic Development Need***

The Eastern Idaho Economic Development Council (EIEDC), located in Idaho Falls, Idaho, is a private, nonprofit economic development organization formed in response to the planned downsizing of the Idaho National Engineering and Environmental Laboratory (INEEL). INEEL, which employs more than 8,000 workers and provides engineering and environmental support to varied U.S. Department of Energy (DOE) programs, is a primary cornerstone of the region's economy.

Thanks to INEEL's presence, Eastern Idaho boasts a high concentration of highly skilled technical personnel as well as a number of locally based technology and engineering businesses. In 1997, EIEDC hired a consultant to examine the local business market for regional strengths that could be exploited to help diversify the economy away from its heavy dependence on INEEL and the agriculture sector. The study identified software development as an area where Eastern Idaho enjoyed some competitive advantages that EIEDC might try to encourage and reinforce. In response, EIEDC invited a local software company to join its board and then convened four focus groups to determine how to support this burgeoning industry.

EIEDC's focus groups clearly indicated that Eastern Idaho's entrepreneurs suffered from a lack of networking opportunities. Although the area hosted a strong technical community and several active technical societies, these groups did not interact. Nuclear engineers met with nuclear engineers, electrical engineers with electrical engineers, and so on. Meanwhile, the local chamber of commerce, which had a retail orientation, also failed to provide an appropriate networking venue.

Local software companies felt that a targeted network would:

- ❖ *Increase Access to Suppliers and Customers.* Local software companies tended to be very small, making it difficult to find and exploit local opportunities and access the range and type of information they needed. For example, they often missed bidding opportunities available at the local DOE facility. When opportunities did arise, they were often discovered by reading the *Commerce Business Daily*. They rarely were uncovered from local sources. Meanwhile, local firms also were losing local work to outside consultants (who also track federal government contracts), and wanted a new means to reach important potential customers like INEEL.

- ❖ *Aggregate a Common Voice to Address Barriers to Growth.* The small size of local firms also meant that each had little market power individually to deal with the large local telecommunications provider and training institutions, which were not meeting their needs for access to bandwidth and short courses to stay current in the newest technologies. Training institutions were still oriented around degree courses, and the telecom provider focused on larger customers.
- ❖ *Stimulate Innovation.* Many of the local software firms serve very specialized (and highly lucrative) niche markets. They make customized software — highly specialized intellectual capital that requires high levels of creativity. Networking could help entrepreneurs stay on their creative toes and maintain competitive advantage by rubbing shoulders with others in different niches.
- ❖ *Circulate Current Information.* Entrepreneurs wanted current information on technology and business issues without having to go to out of town trade shows.
- ❖ *Enhance Access to Capital.* Idaho Falls' technology firms determined that individual firm approaches to individual venture capitalists were not a high-payoff means to improve local access capital. Instead, they concluded that small firms could improve their prospects if they approached investors as a group via the networking organization. Additionally, local businesses wanted to change the current regional image and brand Eastern Idaho in a way that would make it more attractive to potential investors.

Participating firms and EIEDC decided early on to open the network to all with an interest in technology; it would not focus solely on software development. This decision emerged partially from EIEDC's research on the structure of similar organizations in Austin, Salt Lake City, San Jose, and other cities. EIEDC took the lead in organizing, managing, and staffing this initiative, now dubbed the Eastern Idaho Forum for Information Technology (EIFIT).

While EIFIT was designed to meet industry needs, its formal establishment depended on EIEDC's commitment of time and money. As one business participant noted, "the active involvement of the economic development community at the beginning was critical to getting the network started. Given the size of the companies involved, we needed help obtaining access to government players, the media and other influential players." Initial leadership from the economic development community also raised the network's visibility among local leaders, and ensured that the group served a larger need rather than simply serving the interests of a few leading software firms.

Since the network was launched in late 1999, its meetings have been well-attended, averaging 75 participants per session. The group now includes 140 members who represent 112 organizations — an indication of just how many technology firms call Eastern Idaho home. After only two years of activity, the young network can already point to several important changes in the local business climate:

- ❖ *Cultural Change.* As a result of improved networking, there has been a fair amount of cross-recruiting workers between companies. While some observers might consider such cross-firm hiring as akin to poaching, local entrepreneurs view this trend in a positive light.

Job-hopping between firms does create some instability, but it enhances local labor market fluidity and is an important part of building an entrepreneurial culture. Eighty percent of Idaho's technology workers come from outside the region. Retaining these workers in Idaho requires that they be able to move between jobs with local companies. Local job-hopping is not the real danger for Eastern Idaho; a greater peril is an exodus of skilled workers due to limited local opportunities. As Eastern Idaho deals with the technology downturn, it is happily seeing that many software engineers are finding new jobs in the region thanks to their EIFIT connections.

- ❖ *Better Relations with Big Players.* Entrepreneurs feel that they are now getting better attention from the local telecommunications company as a direct result of EIFIT. They also have good relations with the local media, who sit on the board of EIEDC and are building relationships with the local community and technical colleges who also participate in the forum.
- ❖ *Formation of a Gigapop.* EIFIT is working with the local federal laboratory, local universities, and other businesses to form a gigapop — a regional network interconnect point that provides high-speed, high-quality internet access to a collective group of institutions. Working alone, no local businesses could convince the local telecommunications firm to provide such services, but when various institutions aggregate their demands, the market case for providing high quality internet access is strengthened.
- ❖ *Delivery of Several Short Technology Courses.* Working through EIFIT, companies have jointly purchased short training courses. Scientek, one of the local anchor firms, wanted the community college to train their workforce in Java. By adding EIFIT members, who had common training needs, they created a critical mass of individuals requiring training, and were able to tap into the State of Idaho's workforce training program to get the funding to have the class delivered. They intend to replicate this initiative.

From EIEDC's point of view, creating the network has not only supported the needs of small, local entrepreneurs in an emerging economic sector, it also has created a local institution to help reinvent a region known predominantly for agriculture and the DOE laboratory. For example, EIFIT will assist EIEDC as they undertake a "gap analysis" — to inventory what the region needs to help it diversify and expand economically, while maintaining the quality of life that is viewed as a critical asset for workforce retention.

## ***Alliance Building***

EIFIT is now building new alliances to increase the resources, reach, and value of the network. Through a relationship between EIEDC and their economic development counterpart in neighboring Pocatello, EIFIT is expanding regionally. Although EIFIT's name refers to Eastern Idaho, it has focused almost exclusively on the Idaho Falls area, EIEDC's home base. EIFIT now hopes to expand into

seven other counties in Eastern Idaho. Increasing geographic scope has meant a few changes, such as finding new meeting locations. They have held a forum meeting in Pocatello, and will do more in the future.

Additionally, EIFIT will join San Jose's Software Development Forum ([www.sdforum.org](http://www.sdforum.org)) as one means to enter national networks. They hope to use this connection to create business opportunities, access capital from venture funds in California, and attract technology businesses to Idaho Falls.

### ***The Road Ahead***

Although it has accomplished much, EIFIT faces challenges ahead. After the first year, meeting attendance has fallen from an average of 75 to 35. EIFIT's founders are unsure why this decline is occurring. One explanation may be that the network has already created connections that are being used without the benefit of formal meetings. Ironically, this result could be considered a success if it means that EIFIT helped create informal networks that are such a critical part of an entrepreneur's ensemble of resources. Nevertheless, EIFIT is starting to rethink how it can provide additional benefits to its members.

The next steps involve "letting go." Future plans call for separating EIFIT from EIEDC so that it becomes a stand-alone, sustainable, independent business networking organization that can focus on providing benefits to area entrepreneurs.

### ***Best Practices***

- ❖ *Economic Development Catalyst.* EIFIT's launch required the active involvement of local economic development organizations. Eastern Idaho's technology firms lacked the time and resources to jump-start local networking on their own; they needed EIEDC's access to media, government and other large influential players. As a group wanting to reach out to industry peers, EIFIT needed a large and influential partner who could identify and recruit other players. EIEDC also served as an honest broker and as a staff during EIFIT's initial launch. Once EIFIT got rolling, EIEDC could pull back and let firms focus on business networking.
- ❖ *Media Access.* Building a relationship with the media was important to EIFIT, as the local press assisted initial marketing of the network and publicized EIFIT's activities. This access was eased thanks to EIEDC, whose board included the publisher of the local newspaper.
- ❖ *Addressing Common Concerns.* For small businesses and entrepreneurs seeking to grow a local industry cluster, a formal network creates a framework for addressing common problems that may be inhibiting growth. These benefits offer a clear bottom-line upside for entrepreneurs who may question the utility of such networks.



## ***The Tulsa Metro Chamber of Commerce***

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### ***Fostering Local Business Leadership***

Ten years ago, four business executives sitting in a conference room at the Tulsa Metro Chamber of Commerce agreed that businesses in Tulsa needed increased networking opportunities. Soon, this core group set up a regular series of networking events designed to connect area business people and entrepreneurs. This initiative sought to do more than simply offer connections; it also sought to build new local leaders. As the Chamber's networking consultant noted, "networks build leadership. When a business person understands that his or her networks are wide and working, they have moved from the position of follower to leader."

This embrace of networking has become an important and unique contribution by the Tulsa Chamber and its members. Many of the Tulsa Chamber's programs are fairly standard fare for local chambers of commerce. It is actively involved in recruiting new business to Tulsa, lobbying public officials, and promoting local economic development. The networking initiatives are an extension of this traditional set of programs. Since many communities in the United States have local chambers of commerce, the Tulsa experience offers a potentially useful model for how traditional business organizations can also embrace new programs for networking among entrepreneurs.

### ***The Networks***

The Chamber offers several different types of business networking events to accommodate the busy schedules of local entrepreneurs. Outreach is conducted using traditional methods, including newsletters, the Chamber's web site, word of mouth, and a regular e-mail service, known as "Monday Morning Memos."

- ❖ *Interactive Business Builders* is among the more traditional methods used by the Tulsa Chamber. It consists of a monthly business breakfast network, which averages 275 attendees. The event always begins with free networking time from 7:30am to 8:00am. At 8:00am, business people sit at tables set for ten. Each table has a facilitator, who asks each attendee to introduce his/her business to the group. Meeting formats alternate every other month between formal presentations by speakers, and meetings devoted solely to business networking.

Chamber officials believe that the use of facilitators is key to the success of this networking program. Facilitators ensure that all attendees participate in discussions. They also require everyone to be a speaker, providing businesses with non-threatening spaces to practice marketing skills. Surveys of Chamber members find that local entrepreneurs value this interactive give-and-take, and see it as an important benefit of Chamber membership. The Chamber seeks to further encourage participation by awarding prizes to those members who have perfect attendance at the Interactive Business Builders breakfasts.

- ❖ *TIPS* (Tulsa's Interactive Professionals) groups are task-oriented networks that meet weekly or biweekly, normally over lunch. Each group is composed of entrepreneurs from different industries; their primary objective is finding leads (e.g., new customers, investors, or strategic partners) for each other and teaching each other how to find those contacts. Eight hundred members now participate in 41 TIPS groups, whose sizes range from five to 65 members with an average size of 15 per group.

As a new group is created, new members receive initial training in how to network. Once established, each group draws up its own set of by-laws and schedule of meetings. If a new business wants to join a group but there are no spaces left in his/her industry, he or she is encouraged to start a new group.

- ❖ *After hours* are evening network events offered four times a year. These are larger undertakings (with 500 to 700 attendees) organized around a local trade show event and combined with a networking event. This series grew out of a specific need for smaller scale trade show opportunities for local businesses. Sometimes the Chamber combines these events with other major initiatives, such as the annual small business awards ceremony.
- ❖ *Committees* provide networking and leadership development opportunities for members. The Small Businesses Council, which focuses on small businesses and entrepreneurs, is composed of different functional committees. All committees have the joint goals of networking within and networking between the committees as well as getting functional issues addressed.

### ***Building Local Leadership***

In addition to identifying potential customers, the TIPS networks act as a private-sector leadership training vehicle. Each TIPS group has a president, but many have limited civic leadership experience. Thus, the Chamber devotes significant time to skill-building with TIPS leaders. All group leaders participate in the Presidents Council, which meets monthly to share what works across TIPS groups. In addition, all the TIPS groups participate in two seminars annually that are designed to bolster networking and leadership skills.

TIPS groups provide the Chamber with a way to multiply and deepen existing business networks. Networks are about making contacts, but they are also about relationship building, creating spaces of trust to exchange non-proprietary information, to funnel information rapidly, and develop leadership skills. These ties cannot typically be built in the large breakfast or lunch meetings often sponsored by the Chamber of Commerce. These large events serve a useful purpose, but they must be supplemented by smaller, tighter relationship building networks such as the TIPS groups.

At the same time, small networks should not exist in isolation. These smaller networks then need to come together and network in wider spaces. Thus, the Tulsa Chamber wisely provides venues to link TIPS networks and committees to each other.

The Chamber also employs a networking consultant, who is on-call to help businesses learn to network and to troubleshoot at networking events. The consultant, who also serves on the Chamber's Small Business and President's Councils, provides training to the TIPS leaders and other Chamber members.

## ***Best Practices***

- ❖ *Networks are About Relationship Building.* Exchanging business cards is not enough to make businesses feel embedded in wider networks. At some point, large membership groups like the Chamber must break up and provide smaller spaces for more intense relationship building. These groups provide venues for the rapid transference of information and the build up of trust.
- ❖ *Personalities Matter.* Be selective when choosing leadership and planning committees. Effective leaders have a good grasp of the big picture, prior business experience, and commitment to being a good team player.
- ❖ *Take Care of Volunteers.* Networkers are volunteers. Tulsa credits their high level of volunteer involvement because they know how to treat them, providing special programs, opportunities, and prizes.
- ❖ *Keep it Fresh.* New program ideas are regularly needed. Tulsa avoids “doing more of the same” by regularly changing its programs. Networks will stagnate if events and programs do not evolve. Fresh programs also require fresh perspectives, so networks should also regularly recruit new members and train new leaders.

## ***IC2 Institute, Austin***

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### ***Network Catalysts: The Importance of Visionary Leaders and Organizations***

The emergence of Austin, Texas as a high-technology “hot-spot” is one of the more interesting and dramatic economic development stories of the past few decades.<sup>7</sup> Success has many authors, and Austin’s boom is no exception. Many individuals and organizations played key roles in Austin’s development. But, nearly all observers agree the development of a strong networking culture among local entrepreneurs played a central role in this process. Furthermore, they point to George Kozmetsky and his IC2 Institute as a key catalyst in this transformation of the local economy.

George Kozmetsky first came to Austin in 1966 to serve as Dean of the Graduate School of Business at the University of Texas at Austin; he later served as one of the co-founders of Teledyne, Inc. At that time, Austin’s economy relied almost exclusively on state government and the university. Recognizing the need to introduce fresh thinking on Austin’s economy, Kozmetsky established the Institute for Constructive Capitalism in 1977 — a think tank he housed in the Business School. Later renamed IC2 (innovation, creativity, and capital), the Institute’s research and cultivation of a network of prominent thinkers positioned IC2 as a national thought leader, and its entrepreneurial-minded staff contributed to Austin’s economy through new ideas and on-the-ground actions including technology transfer programs, incubator development, partnerships, and network facilitation. Kozmetsky and IC2 provided a new economic vision for the region, the intellectual credibility to support it, and investment in its implementation. By establishing IC2, Kozmetsky built an institution to steward that vision.

On the strictly academic side, IC2 promoted research, publications, conferences, events, and programs to build up a network of researchers interested in entrepreneurship and technology-based economic development. In Austin, by continuously publicizing the unique and significant role of the entrepreneur, IC2 reshaped the local perceptions of entrepreneurs from a classic caricature like *Dallas’* J.R. Ewing to a more dignified and essential profession open to those from all walks of life.

IC2 was more than a think tank; it also sought to test and implement those ideas as well. In some cases, Kozmetsky invested his personal resources in new projects, and his financial commitment generally resulted in the leveraging of additional resources.

IC2 moved off campus, and assumed an identity independent of the university in the early 1980s. In this new role, IC2 tried to serve as a catalyst for local entrepreneurship and as an honest broker who could bring together diverse interests together to support the region’s economic growth. Consequently, Kozmetsky and IC2 were central to Austin’s new entrepreneurship networks and to key regional development initiatives. For example, Kozmetsky was part of the team that successfully recruited the Microelectronics and Computer Technology Corporation

(MCC), the first private sector research consortium, to Austin. Many observers credit this event as the kick start of Austin's high-technology economy — presenting a new face on Austin's potential to local residents and the outside world. The business-government-university network formed to attract MCC also remained in place for later development initiatives, such as the recruitment of the Sematech consortium. Additionally, Kozmetsky served as expert advisor to local companies, including Dell Computers, whose success has helped cement Austin's technology "hot-spot" reputation.

## ***Building Networks***

By the mid-1980s, Austin hosted a number of technology firms. But, most of these facilities were branch plants of larger corporations like Motorola, IBM, and others. Facing an economic downturn in the late 1980s, community leaders in Austin concluded that existing technology clusters were not producing wealth as quickly as had been hoped. Austin boasted a world-class university and was a host of the world's leading technology firms. Its next challenge was to produce local wealth from technology and to strengthen the support structures that promote and sustain entrepreneurship, especially around technology development and transfer. IC2 took the lead in this effort as it went into the network development business, catalyzing the development of the following core networks.

- ❖ *The Austin Technology Incubator* (ATI; [www.ic2-ati.org](http://www.ic2-ati.org)) was created by IC2 in 1989 to assist technology start-ups and enhance the university's technology-transfer capacity. ATI was treated like a true start-up, and was required to raise its own funds separate from IC2. Initial funding covered a three-year period, so ATI had some breathing room to develop slowly without pressure to deliver job creation figures that might not be possible in the start-up year.

From entrepreneurial beginnings, ATI built a very entrepreneur-friendly climate. Today, the start-ups housed in the Austin Incubator are nurtured in a highly networked environment. All ATI companies receive membership in the Austin Software Council, the Texas Electronic Commerce Association, and the Capital Network (see below). Companies also have access to IC2 researchers and fellows. The incubator's networks offer access to financing, strategy development, human resources, infrastructure, and marketing and public relations support. ATI also runs internal peer-networking events to ensure companies network with each other and with other ATI graduates. Finally, ATI has created the Know-How Network, a web-based directory of service providers (e.g., legal, accounting, human resources, insurance) who offer discounted service rates for ATI companies.

- ❖ *The Capital Network* (TCN; [www.thecapitalnetwork.com](http://www.thecapitalnetwork.com)) was established to strengthen the city's weak venture capital base. IC2 worked with a pool of private investors to create an angel network, matching local start-up companies with the appropriate investor. TCN is now one of the United States' largest angel networks, and has started to work globally. TCN offers investor-to-entrepreneur introduction services, educational programs, venture capital conferences, and networks of experts and advisors offering a comprehensive range of business services.
- ❖ *The Austin Software Council* (ASC; [www.austinsoftwarecouncil.org](http://www.austinsoftwarecouncil.org)) is a non-profit professional organization representing the software industry and related technology companies. It provides education, networking, and

business services to support technology companies, and to promote Austin as a technology center. ASC grew out of a 1991 study that identified the software industry as an important emerging technology sector in the city. ASC was formed from the UT-Austin Entrepreneurs Council, a networking group initiated by IC2, to forestall development of the MIT Entrepreneur's Forum, which was looking to set up a local networking group. IC2 decided to do it instead, forming the group around the University of Texas. ASC became an independent non-profit in 1998, but remains co-located with ATI.

While the economic downturn has slowed the pace of Austin's growth, the region still faces challenges in retaining its quality of life which has proved crucial to the city's ability to support and attract high growth companies. Austin benefits from its nationally known music scene, recreational amenities, laid-back lifestyle, and an environment conducive to both raising a family and growing a company. Maintaining this quality of life is now a top priority for the local government and groups like IC2.

All of the networks catalyzed by IC2 now work independently but remain an interconnected network of support for entrepreneurs. In general, Austin's technology economy is highly networked. You could pull IC2 out of the fabric and the entrepreneurial activity would continue. Like the competitive companies it promotes, IC2 continues to reinvent itself, driving new thinking and implementing emerging new models of economic development. New programs include a cross-border institute to foster closer linkages between Texas and the Mexican economy, and the creation of technology commercialization centers similar to ATI in other Texas communities. At present, the record of these other centers is mixed, but IC2 continues to review what parts of the Austin model can be exported to other regions.

### ***Best Practices***

- ❖ *Visionary Leadership.* Do not underestimate the power of a visionary leader who can mobilize people around an agenda, mission or idea. Many efforts need a dedicated champion with the passion and intellectual credibility to sustain it. Much of Austin's transformation began with vision of one person, who brought in new ways of thinking and had resources available to follow through on those ideas.
- ❖ *Role Models.* Entrepreneurs and entrepreneurship require role models. One important role of networks is to provide examples of success that new entrepreneurs can seek to emulate. Kozmetsky and other Austin entrepreneurs, like Michael Dell, served as powerful local role models.
- ❖ *Honest Brokers.* Convening networks and partnerships is facilitated by a reputation for neutrality. IC2 was viewed as having no axe to grind. Its motives were attached to a larger purpose with no hidden agenda waiting to emerge. Because of this neutrality, IC2 could serve as a convener that pulled together regional players around common concerns.

## Endnotes

- 1 The 7,000-acre facility is the largest research park in the United States, and now hosts more than 140 organizations. RTP has around 45,000 full-time employees entering the Park each day. Recognized internationally as a center for cutting-edge research and development, the Park is owned and developed by the private, not-for-profit Research Triangle Foundation. The Research Triangle itself is named for the Triangle formed by the three universities: Duke University at Durham, the University of North Carolina at Chapel Hill, and North Carolina State University in Raleigh. For a review of RTP's development, see Dale Whittington, "Microelectronics Policy in North Carolina: An Introduction," in Dale Whittington (ed.), *High Hopes for High Tech*, (Chapel Hill, NC: University of North Carolina Press, 1985).
- 2 National Commission on Entrepreneurship, *Building Companies, Building Communities: Entrepreneurs in the New Economy*, (Washington, DC: NCOE, July 2000).
- 3 For example, Philadelphia ranked 18th (out of the 50 largest U.S. metropolitan areas) in the recent Metropolitan New Economy Index prepared by the Progressive Policy Institute (PPI), *Metropolitan New Economy Index*, (Washington, DC: PPI, April 2001).
- 4 BFTP/SEP does require a mandatory cooling off period between approval of project and ability of a reviewer to provide a market service.
- 5 Additionally, BFTP/SEP has adapted the investor roundtable (where technology companies make a pitch to potential investors) to potential purchasers for community businesses. Partnering with the National Minority Supplier-Developer Council, Wharton Small Business Development Center, and Universal Companies, BFTP/SEP initiated purchasing roundtables where 7-10 businesses do one-on-one presentations with the appropriate set of purchasing managers, giving them experience and networking them to other businesses who can help them.
- 6 Other partners included Industrial Development Corporations from the other Metro counties, community colleges, the Greater Philadelphia Chamber of Commerce, Eastern Technology Council, Delaware River Port Authority, major utility companies, Greater Philadelphia First (a CEO leadership organization), and others.
- 7 For background, see Michael Oden, "From Assembly to Innovation: The Evolution and Current Structure of Austin's High Tech Economy," *Planning Forum*, Vol. 3 (1997), pp. 14-30.

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