

## COMMENTARY

---

# The Entrepreneurial Development System: Transforming Business Talent and Community Economies

**Gregg A. Lichtenstein**  
Collaborative Strategies, Margate, NJ

**Thomas S. Lyons**  
University of Louisville

*In this conceptual and practical article, the authors suggest an alternative to the current paradigm for developing enterprises in local communities and regions throughout the United States. They also propose implementing a new approach, called the entrepreneurial development system, for transforming community economies. They first lay out the specifications for the new paradigm, drawing distinctions between current practice and our proposal. They then describe the major components of their proposed enterprise development system; detail its benefits to entrepreneurs, service providers, and the community; and discuss challenges to its full-scale implementation. Throughout, implications for further research suggested by the new paradigm are noted.*

The ultimate goal of economic development is to build assets and create wealth.<sup>1</sup> Economic wealth is produced by entrepreneurs who identify market opportunities and build businesses that capture them. Entrepreneurs and their enterprises are the engines of individual and community wealth creation. Therefore, an effective process of developing new enterprises is essential to successful economic development.

In this article, we offer a new paradigm for enterprise development as well as a new approach for implementing that paradigm, called the *entrepreneurial development system* (EDS). As in all paradigm shifts, our approach encompasses much of what has gone on before but places it in an entirely different context and adds several elements: a new mission and new functions and tools.

Our approach is based on a number of critical assumptions. In the first half of this article, we present these assumptions as a series of specifications for a new paradigm and contrast them with the beliefs and practices underlying enterprise development today. We have chosen to proceed in this manner because it is often difficult to perceive the limitations of current practice without having an alternative with which to compare it. This is particularly a challenge when making a case for

*Gregg A. Lichtenstein is president of Collaborative Strategies, a consulting firm that specializes in working with entrepreneurs, with intrapreneurs, and in strategic alliances. Dr. Lichtenstein received his Ph.D. in entrepreneurship and social systems sciences from the Wharton School of the University of Pennsylvania.*

*Thomas S. Lyons is associate professor of management and urban policy and director of the Center for Research on Entrepreneurship and Enterprise Development at the University of Louisville.*

---

AUTHORS' NOTE: The authors would like to thank the following individuals for their helpful comments and useful insights on earlier drafts of this article: Bruce Bishop, Tom Cullen, Marlese Durr, Roger Hamlin, John Keller, Ellen Lichtenstein, John Lyons, and Marilyn Wood.

ECONOMIC DEVELOPMENT QUARTERLY, Vol. 15 No. 1, February 2001 3-20  
© 2001 Sage Publications, Inc.

an innovative alternative that, to our knowledge, has never been articulated before. We would suggest that our critique of the status quo and case for change can best be understood after reading both the specifications and our alternative. In the second half, we describe the EDS and offer it as the operating program for a 21st-century enterprise development system.

This is a conceptual as well as a practical piece. Because of the relatively unexplored and complex nature of this territory, we are limited in the kind of “hard” evidence that is available to support these conclusions.<sup>2</sup> We have arrived at our ideas about the need for change and the promise of the new possibilities suggested here in two ways: first, by drawing extensively on the literature from a number of fields including (but not limited to) economic development, entrepreneurship, innovation, business strategy, developmental psychology, educational theory, macro sociology, regional science, and social systems theory; second, by systematically reflecting on more than 40 years of combined experience working with hundreds of entrepreneurs and enterprises of various types and with approximately 100 enterprise development organizations throughout the world. We believe that the ideas presented here suggest a new and fertile research agenda, and we recognize the need for continued efforts to document both the issues and the solutions.

### THE SPECIFICATIONS OF A NEW ENTERPRISE DEVELOPMENT PARADIGM

The mission of enterprise development is to significantly increase the rate of formation, development, and success of new enterprises within a region in a way that creates individual and community wealth. The question is how this should be accomplished.

We must develop a diverse supply of entrepreneurs who are capable of building successful companies in sufficient numbers to create wealth for the entire economy. An entrepreneurial economy requires entrepreneurs. The critical determinant of a region’s economic vitality is the quantity and quality of its entrepreneurs and how well they are matched to the market opportunities they pursue. A region’s supply of entrepreneurs cannot be taken for granted; it is also not acceptable to argue that nothing can or should be done to change it. However, this is largely the situation in the field of enterprise development today. It is assumed that there is no need to be concerned with the supply of entrepreneurs (i.e., it is not anyone’s responsibility, there are already plenty of entrepreneurs), that other factors are more important for enterprise development (such as financing and technical assistance), or that nothing can be done to change the supply. Although rarely made explicit, these beliefs limit the potential success of enterprise development activities.

Building a successful business is often viewed as a matter of assembling the right ingredients (e.g., products, customers, employees, money)—a mechanistic process of “packaging.” However, this conception leaves out the critical role of the packager—the entrepreneur. It truly matters who the entrepreneur is. Venture capitalists recognize that when they invest in a business, they are investing in a person.<sup>3</sup> The individual leading the venture is considered to be more important than the enterprise’s products, which ultimately must be adapted over time to changing market conditions. This does not mean that there are not other significant factors that contribute to success—there are. But these factors are distinctly secondary to the root of the business—the entrepreneur. Therefore, we must look at the human capital component before examining such factors as financing and technical assistance.

The assumption that seems to underlie most enterprise development strategies in the United States is that to significantly increase the rate of formation, development, and success of new enterprises, we must offer more services. This focus is evidenced by continued calls by service organizations for funding to support the provision of financial and technical assistance. The problem with these proposals is that they contain neither a reference to the number and quality of the entrepreneurs in their community nor any assessment of demand for the proposed services<sup>4</sup> (Bennett & McCoshan, 1993; Johannisson, 1993).

The dynamic regions around the world that communities want to emulate (e.g., Silicon Valley, Route 128, Research Triangle, Emilia Romagna in Italy, and Toyko) do not just attract or recruit entrepreneurs from other areas (although this does take place)—they develop them.<sup>5</sup> It is this

**The dynamic regions around the world that communities want to emulate . . . do not just attract or recruit entrepreneurs from other areas . . . they develop them.**

ability that accounts for the success of these regions and the abundance of money available for investment. They are not successful, as some mistakenly believe, because of the presence of financing and technical assistance. Such a conclusion confuses the consequences of success with its causes. This same reasoning underlies the belief that by offering these services, individuals will be induced to become entrepreneurs. Entrepreneurs do not start businesses because services are available; services are demanded and used as the result of the existence of entrepreneurs. Although services are necessary, they are not sufficient to transform a region's economy into a dynamic force. If they were in fact sufficient, we should wonder why they have not, after significant investments, produced the desired results in many of the places they have been implemented.

### **Establish a Development Function**

What is missing in the current model of enterprise development is any attention to the quantity and quality of an area's entrepreneurial capital. If it is indeed possible to develop entrepreneurs, the supply is not fixed. We methodically cultivate many other kinds of talent; why not entrepreneurs?<sup>6</sup>

If our objective is to develop a diverse supply of entrepreneurs capable of building successful companies, we must change the primary focus of enterprise development from providing services to developing entrepreneurs. Developing entrepreneurs means increasing the entrepreneurs' ability to achieve their goals—specifically, to successfully engage in the kinds of work required to identify and capture new market opportunities. Development is a competency, an ability to deal with new circumstances. "It is an increase in capacity and potential, not an increase in attainment" (Ackoff, 1981, p. 35). The intangible nature of the development process makes it difficult to describe.

Providing services is not the same as developing entrepreneurs. Services do not create a change in capacity. Service provision involves a transaction between two parties to solve a problem or address a specific need. Although the ability to successfully use some kinds of services might require an increase or change in an entrepreneur's abilities, the mere provision of that service in no way ensures that such a result will be brought about.

Service provision involves the delivery of a solution (created by a resource specialist or expert) to a client. Clients can then use that solution to improve the performance of their business, but they do not necessarily know how to develop a similar solution for themselves or how to adapt the one they just purchased in the event that circumstances change. One of the most common types of enterprise development services is the preparation of business plans. Many entrepreneurs, for example, comment that they do not understand the meaning of the answers provided by the plan to the questions about their business, even if they participated in its preparation. This kind of outcome might be acceptable (although certainly not desirable) if the business plan is to be used only as a document for obtaining financing, as is frequently the case. But to create a business plan that can be used for the purpose of managing a business, and to use it as such a tool, requires not only a great deal more effort but also a higher level of understanding and skill on the part of the entrepreneur. To produce this kind of a change in capacity requires more than simply delivering a product or service; it necessitates engaging the entrepreneur in a process of development. The nature of this process and the ways in which it differs from providing services will be described more fully later in this article.

To the best of our knowledge, very few enterprise development organizations in the United States are engaged in the task of developing entrepreneurs. Those that claim to be doing so are mostly micro-enterprise programs that work with low-income individuals who lack the skills to be successful entrepreneurs and in which there is no choice but to focus on their development.<sup>7</sup> For the overwhelming majority of businesses, the responsibility for development is largely left to the entrepreneurs themselves.

The primary mission of enterprise development must be to develop entrepreneurs. The secondary challenge is to provide the services necessary to help those entrepreneurs become successful. These are two distinctly different functions. The problem with the current system is its exclusive focus on providing services. It is not that services must be changed or replaced but rather that they must be supplemented with a new function, the purpose of which is to develop entrepreneurs.

Services must be subordinated to this new function—they must not dictate the system, as they do now. This change of focus, from providing services to developing entrepreneurs, will produce a restructuring of the service system.

The function of developing entrepreneurs must be performed by an entirely new and independent organization in the enterprise development system; it cannot be the responsibility of existing individual service providers. A single organization is not capable of performing well two completely different functions simultaneously (Porter, 1985).

### **Expand the Population of Entrepreneurs**

What kind of entrepreneurs should we be trying to develop? Here too the ideas behind current practice, in both the public and the private sectors, are quite limited and limiting. Different organizations tend to focus exclusively on particular types of entrepreneurs. This behavior would be acceptable if it were simply a form of specialization, but the reasons are often much deeper. Such behavior frequently reflects the belief that the key to economic success is to find and work only with the “right” kind of entrepreneur—the next Bill Gates or Michael Dell. This belief is reflected in constant debates about who is or is not a “real entrepreneur” (Huefner & Hunt, 1994; Kassicieh, Padosevich, & Banbury, 1997; Schumpeter, 1991), the importance of small or large companies to the economy (Florida & Kenney, 1990; Harrison, 1997), and the superiority of trickle-down over trickle-up economics.

Problems arise from believing that the economy needs only one type of entrepreneur. We must accept the reality that dynamic economies require a complex mix of large and small companies. If an economy requires many different types of entrepreneurs, we must broaden our focus from an exclusive emphasis on a particular kind of entrepreneur (e.g., high-tech, minority) to the diverse mix required in a multifaceted, global economy.

Another restrictive belief is that entrepreneurship occurs only if one is creating an entirely new, independent entity. Entrepreneurship takes place in a variety of settings, including those within existing companies or in strategic alliances between two or more companies. In limiting entrepreneurship to one particular setting, the types of market opportunities that require the resources and capabilities of a large company (or of several companies with complementary capabilities) are overlooked.

Because entrepreneurship occurs in a variety of organizational settings, we can create a new supply of clients for enterprise development by broadening the settings from which we draw entrepreneurs. Mature firms are not necessarily skilled in entrepreneurship and so can use help in developing those abilities, both individually and as part of a strategic alliance (Block & MacMillan, 1993; Kanter, 1989; Pinchot, 1985).<sup>8</sup>

### **Create an Entrepreneurial Community**

We must focus not only on developing individual entrepreneurs but also on creating an entrepreneurial community. The economic performance of a community’s firms is and always will be broadly distributed. Our goal should be to shift the performance of the entire population of firms—not just some of them. Given that we want to transform the entire business community into a globally competitive force, the client in enterprise development should not only be the individual entrepreneur or particular groups of entrepreneurs, but rather the entire business community.<sup>9</sup>

To work at the level of the entire business community requires that we view the economy as a whole, not only as a set of distinct and unrelated parts. There is a common belief that by helping one part of the business community to succeed, we are helping all.<sup>10</sup> However, this assumes that the many segments of the business community are connected. If they are not, as is often the case, the improvement in one group’s performance will not necessarily produce an improvement in another. In highly fragmented economies, such progress in the development of the business community as a whole will occur only if we work to improve that community’s social capital (the network of relationships among its members) (Flora, 1998; Putnam, 1995). These connections cannot be assumed to exist; they must be built if the business community’s development process is to succeed.<sup>11</sup>

## Develop Entrepreneurs by Building Skills

If we want to develop entrepreneurs, we must help them build the necessary skills. There is a prevailing belief that entrepreneurship is a trait that drives individuals who possess it to engage in certain behaviors (Huefner & Hunt, 1994; Kassicieh et al., 1997; Schumpeter, 1991). If this is true, nothing can be done to develop entrepreneurs because we are powerless to effect changes in traits. The only feasible response would be to identify and work solely with those individuals who already have them.

Another problem with this belief is that no one has ever been able to accurately identify such an entrepreneurial “characteristic” or a particular behavior in which all successful entrepreneurs engage.<sup>12</sup> All entrepreneurs, however, do perform certain key functions—they identify market opportunities or needs, imagine and develop innovative solutions that address those needs, and build organizations to capture those market opportunities. Because the actions needed to perform these functions successfully will be different in different contexts, all entrepreneurs cannot be said to engage in the same behaviors.

It is the entrepreneurs’ skill in performing these functions that determines their success, and entrepreneurial skills can be developed. Although such talent is not evenly distributed among the population, the fact is that entrepreneurs are made and not born (Shefsky, 1996).

Entrepreneurship involves a set of skills that is the result of cultivation and development rather than innate endowment. Given the importance of skills, the extent to which they are overlooked in enterprise development is surprising. When analyzing entrepreneurs, the current practice is to distinguish them by characteristics such as the following:

- type of business (manufacturing, technology, retail),
- demographics (African American, Hispanic, Asian, female),
- size of company (micro enterprise, growth firm),
- background of entrepreneur (technical and/or scientist, economically disadvantaged), and
- geographical location (rural, urban, university town).

The problem is that these distinctions are descriptive only and are useless as guides for action; that is, they provide no help in determining how one would treat an entrepreneur on the basis of his or her membership in that particular category. They falsely suggest differences where none exist and lead policy makers to fail to perceive the real distinctions (and needs) that exist among entrepreneurs within these categories.

Entrepreneurs can be most usefully categorized by their levels of skill in creating and operating new businesses rather than by their personal attributes or those of their enterprises. In our experience, the differences between minority and highly technical entrepreneurs, for example, are grossly overstated. What determines the potential for success of entrepreneurs in either group are their levels of skill in creating and operating new businesses.<sup>13</sup>

The fact is that entrepreneurs have different levels of skill, and one must treat entrepreneurs at each level differently to work successfully with them. Although this observation is one that any business advisor would quickly recognize and accept, we know of few enterprise development organizations that explicitly differentiate their clientele except by size of company. This typically leads them to adopt one of two approaches toward their clients: a cookie-cutter approach in which everyone is treated exactly the same or an ad hoc approach in which all entrepreneurs are treated differently. The cookie-cutter approach can be efficient but never effective; a completely customized approach can be effective but is certainly not efficient. Neither approach represents a systematic method for working with a variety of entrepreneurs over the long term.

Entrepreneurs build new skills not by acquiring information but rather through a process of personal transformation that involves a deep level of qualitative change. Rarely do entrepreneurs, prior to starting their first venture, already possess all the skills they need to become successful. At some stage in their lives or at some point in the process of forming their businesses, they have to build the necessary skills.

**. . . entrepreneurs are made and not born.**

When you dig deeply into the stories of successful entrepreneurs, you find crucial experiences and relationships that provide the necessary nurturing or cultivation for undeveloped talent.<sup>14</sup> These stories usually reveal the existence of a particularly supportive individual or group of individuals (Gardner, 1993), a rich context that provided varied opportunities to learn, a series of progressively more significant attempts and failures, and the emergence of skill over time.

The process of building these skills is not a matter of passively “acquiring” information, receiving services, or adopting the latest business practices. Although the degree of change required will depend on the individual’s current level of skill and the growth objectives of the enterprise, becoming more skillful often involves significant, qualitative, and sometimes difficult changes in behaviors, capabilities, beliefs, and personal identities—in other words, a transformation (Alexander & Langer, 1990; Bechard & Toulouse, 1998; Cooper, Gimeno-Gascon, & Woo, 1994; Dilts, 1996; Fisher & Torbert, 1995; Kegan, 1994; Krueger & Brazeal, 1994; Ray, 1993).

A transformation represents a leap to a higher level of functioning. It is a qualitative, not a quantitative, change. Whereas the process of informing takes place within an existing structure and set of skills, transforming involves a change in the structure of the individual or business itself and the creation of new capabilities. The difference between information and transformation is similar to that between growth and development. Growth is a scalar concept that occurs within existing ways of doing things. Development means finding new ways of doing things that enable the achievement of entirely new possibilities.

Many enterprise development practitioners operate under the mistaken assumption that they are helping entrepreneurs build new skills by teaching them to do business plans<sup>15</sup> or by providing training courses on other subjects. Any training that can be completed in a short period is capable only of providing information, not of developing new capabilities or skills.<sup>16</sup> No amount of technical or financial assistance will produce a transformation. The value of these resources is realized only when an entrepreneur already has the skills necessary to use them effectively in his or her business (Glasmeyer, Fuellhart, Feller, & Mark, 1998). It is the entrepreneur’s level of development that influences readiness, willingness, and ability to use technical assistance. As a result, the provision of technical assistance should be connected to the entrepreneur’s level of development in order to be effective. This is rarely done in the current system because differences in levels of skill or development are not recognized.

### **Provide New Offerings That Produce Transformations**

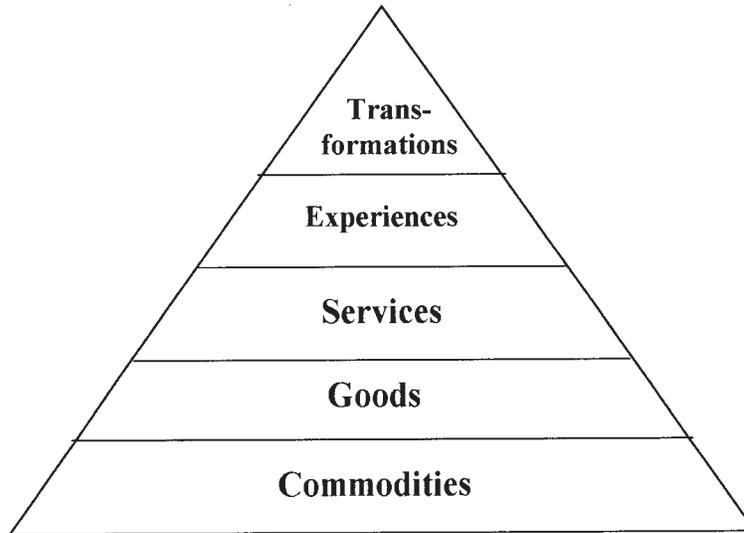
If building entrepreneurial skills involves a transformation, we must establish entirely new economic offerings that produce these outcomes. Existing programs for entrepreneurs are not designed to help them build skills. To understand why, we must first introduce a set of distinctions about different economic offerings and the needs they satisfy (Gilmore & Pine, 1997).

According to Pine and Gilmore (1999), there are five different types of economic offerings whose values increase in relation to one another: commodities, goods, services, experiences, and transformations (see Figure 1). Commodities, the most basic economic offering, are distinguished by price. Physical goods provide different features or benefits and therefore greater value. Services provide more value still, although their intangible quality makes them more difficult to evaluate and compare.

However, consumers are increasingly demanding offerings that cannot be adequately described by these first three categories. The next offering “occurs when a company intentionally uses goods as props and services as the stage for engaging the customer in such a way that it creates a memorable event” (Gilmore & Pine, 1997, p. 16). The offering is “no longer the goods or services themselves, but the experiences they create” (Gilmore & Pine, 1997, p. 17). Examples can be drawn from Disney World to eating establishments such as Planet Hollywood or the multimedia field of “edutainment.”

Experiences are not the highest level of economic offerings.

Just as customizing a good automatically turns it into a service, so customizing an experience turns it into something distinct. If you design an experience so in tune with what an individual



**Figure 1: Hierarchy of Economic Offerings**  
SOURCE: Pine & Gilmore (1999).

needs at an exact juncture in time, you cannot help but change that individual—guiding him to (and through) a life-transforming experience. (Gilmore & Pine, 1997, p. 17)

The value of transformations exceeds that of all other economic offerings.  
Experiences and transformations are not just another kind of service.

Both goods and services exist completely outside the recipient. . . . The new economic offerings . . . are inherently personal. . . . Experiences only occur within the individual, while transformations go even further and actually change the individual buyer. . . . Experiences unfold over a duration of time and transformations must be sustained through time. (Gilmore & Pine, 1997, p. 17; see also Pine & Gilmore, 1999)

An example from enterprise development illustrates the differences in these five types of offerings. Originally, the value of business incubators to entrepreneurs was claimed to consist of low-cost (below-market) space—a commodity whose only source of value was the price. Then, it was recognized that incubator space provided additional benefits or “goods”—flexible leasing terms, a variety of sizes, shared physical resources—that were not readily available. Next, incubators became known as providers of business services (e.g., business planning, accounting, office support). More recently, entrepreneurs have begun to recognize the value of the experiences they have in incubators—the opportunity to interact with peers and advisors (Lichtenstein, 1992). These experiences enable them to gain valuable knowledge and moral support.

The next as yet untapped level of economic offering in the field of enterprise development would be to help entrepreneurs develop the necessary skills to build successful companies—to guide entrepreneurial transformations.

These distinctions among economic offerings are consistent with the new vision that has emerged of how economies develop (Doeringer, Terkla, & Topakian, 1987; Klein, 1977). In this vision, the sources of economic competitiveness and value have moved away from the factors of production, such as land, labor, and capital, and now rest with the ability to create new knowledge (i.e., invention) and the ability to quickly assemble the various resources to capture market opportunities (i.e., entrepreneurial know-how or innovation). Land, labor, and capital are tangible assets that are easily duplicated by other firms and countries; they can be purchased. The ability to invent and innovate is an intangible asset that must be cultivated.

**Land, labor, and capital are tangible assets that are easily duplicated by other firms and countries; they can be purchased. The ability to invent and innovate is an intangible asset that must be cultivated.**

How does one facilitate the development of an individual whose objective is to create something new? What entrepreneurs require are offerings that can help them successfully develop these skills. These new transformational offerings must involve the following.

- Two-way or reciprocal interaction between the entrepreneur and those who are helping in the transformation process. Development or transformation is not something that is done to or for someone; rather, it can be achieved only by the entrepreneur himself, with assistance.
- Intensive, deep, and ongoing relationships that help guide the transformation process. Entrepreneurial skills are not developed in isolation or through superficial encounters, but rather within a supportive context such as a community (with the relevant kind of social capital).
- A long-term process. Transformations take time.
- A different approach to achieving results. Facilitating entrepreneurial transformations does not mean attempting to control the behavior of entrepreneurs or force predetermined outcomes, but rather creating favorable conditions or an environment in which entrepreneurial skills can develop.
- Learning by doing. Skills are inculcated, as an ancient Chinese proverb expresses so well: "Tell me and I will forget. Show me and I will remember. Involve me and I will understand."

This new level of economic offerings is beginning to receive attention in the medical, educational, management consulting, and therapeutic fields. However, the understanding in the enterprise development community of the transformation process and how to manage it is very limited at present. New offerings must be established as well as new methods for marketing, financing, delivering, and evaluating them.

### **Establish an Enterprise Development System**

Enterprise development must be operated as an integrated system of activities and programs in order to be effective. Such a system is in the highly specialized business of producing individual and social transformations. As a result, the system will have to use processes that are unique to the facilitation of transformations.

Enterprise development must be organized around a set of processes and practices that can be implemented in a methodical, controllable, and reproducible fashion. During the past 15 years, the quality management movement has demonstrated that you can improve on an outcome only when you understand the process by which it is produced (Crosby, 1987; Deming, 1986). The more deeply and explicitly the transformation process is understood, the better the achieved results will be. Facilitating transformations is clearly not a routine or mechanical activity. The practices and processes used by the enterprise development system will have to honor the organic and nonlinear nature of transformational change.

We need to develop and use a body of actionable knowledge about what works in developing entrepreneurs and under what conditions. The processes and practices used by the enterprise development system must be based on this knowledge, which in turn has to be subject to continuous improvement efforts. This knowledge will also enable us to evaluate the performance of the system in a way that will tell us how it can be changed and improved.

The performance of the enterprise development system should be evaluated on the basis of the following five criteria: effectiveness, efficiency, equitability, sustainability, and scale of impact on the community's economy. The system's effectiveness in developing entrepreneurs should be judged by how well it increases the rate of new business formation, the rate of survival and success, the rate of development of entrepreneurs and their enterprises, and the efficiency and effectiveness of the dissolution process if a firm fails.

The system's efficiency should be judged by the level of resources required to achieve these four objectives. Its equitability, fairness, and inclusiveness should be judged on the basis of its ability and willingness to work successfully with different types of entrepreneurs at all skill levels.<sup>17</sup> Enterprise development can and should be a system for democratizing entrepreneurship.

The enterprise development system must be judged on its sustainability or ability to produce a continuous stream of high-quality entrepreneurs. Because economic conditions are constantly changing, economic success is not a permanent state. Even those places that have achieved a certain level of prosperity must be concerned with maintaining it. The challenges of achieving large-scale impact are truly daunting. To create 100,000 net new jobs by a strategy of enterprise development, for example, a community would have to create firms at one of the rates described in Table 1 every month for the next 10 years!

We cannot afford to expand the operations of the current system to achieve this scale; a substantial change in the process by which it produces results is required. How do we get to a scale sufficient to transform the community's economy? Not by working with one entrepreneur at a time, but rather by creating a dynamic process with a "developmental" multiplier that produces a critical mass or chain reaction.

We need a new approach to enterprise development that can effectively, efficiently, equitably, and continuously develop entrepreneurial talent and build successful companies on a large scale. Our suggested approach is the EDS.

## **AN OPERATING PROGRAM FOR A NEW ENTERPRISE DEVELOPMENT SYSTEM**

### **The Entrepreneurial Development System**

The field with the most impressive track record of success in developing talent on a widespread basis is sports. Professional sports are built on a highly developed infrastructure or "farm system" for the methodical cultivation of talent. In this infrastructure, individuals develop and hone their skills in increasingly competitive environments as they progress. The result is a system that ensures a continuous flow of skilled players to the very highest levels of the sport.

The EDS is designed to be a farm system for developing entrepreneurs and building the next generation of companies. The EDS is more than just a strategy; it is an actual operating system for creating as well as managing the social capital and community infrastructure necessary to develop entrepreneurs. During the past 10 years, all the elements of this system have been implemented by the authors in numerous enterprise development programs in Philadelphia, Louisville, and South Africa that serve high-tech entrepreneurs, manufacturing firms, minority entrepreneurs, and micro enterprises (see Lichtenstein, 1999). In this section, we present a brief description of the EDS.

### **The Structure of the System**

In a manner similar to sports, the EDS operates by classifying entrepreneurs into levels according to their skill in creating and operating a new business.<sup>18</sup> There is a pattern to entrepreneurial skills that can be explained by reference to the following four dimensions (Gerber, 1995; Lichtenstein & Lyons, 1996):

- technical skills: ability to perform the key operations of that business;
- managerial skills: ability to organize and efficiently manage the operations;
- entrepreneurial skills: ability to identify market opportunities and create solutions that capture those opportunities; and
- personal maturity: self-awareness, willingness and ability to accept responsibility, emotional development, and creative ability.<sup>19</sup>

An entrepreneur's level of development is defined by skills along these four dimensions. Table 2 describes the pattern and degree of skills at each level.

Entrepreneurs at each level possess a different profile.<sup>20</sup> Rookies, as the label suggests, come to entrepreneurship with few if any skills. They may include youth entrepreneurs and those who are

**TABLE 1**  
**Rate of New Firm Creation Necessary to Produce 100,000 Jobs**

<i>Firm Employment Levels</i>	<i>Rate of Firm Creation</i>
At 20 employees	42 firms per month for 10 years
At 30 employees	28 firms per month for 10 years
At 50 employees	17 firms per month for 10 years
At 100 employees	8 firms per month for 10 years

NOTE: These numbers unrealistically assume a 0% failure rate. More than 90% of the firms in the United States have no more than five employees.

SOURCE: U.S. Bureau of the Census (n.d.).

**TABLE 2**  
**Entrepreneurial Development by Skill Level**

	<i>Technical</i>	<i>Managerial</i>	<i>Entrepreneurial</i>	<i>Personal Maturity</i>
Majors:	Outstanding	Outstanding	Outstanding	Outstanding
Triple A:	High	High	High	High
Double A:	High	Medium	Medium	Medium
Single A:	High and/or medium	Low	Low	Low
Rookie:	Low and/or no	Low and/or no	Low and/or no	Low and/or no

thrust into entrepreneurship due to circumstances such as corporate layoffs or welfare-to-work programs. Single A entrepreneurs are typically technical people with strong operational skills in their field, be it web development, medicine, specialty chemicals, or collections, but with very limited managerial or entrepreneurial skills. They may have invented a new product or service but experience difficulty in building it into a viable business. In characteristic fashion, their business tends to run them rather than the other way around (see Gerber, 1995). Double A's are more experienced, with stronger managerial and entrepreneurial skills, but they are not very highly developed. Triple A's have more extensive skills, typically having worked in a number of different businesses before, perhaps even in other start-ups as a member of the management team, and have left to begin a new venture. These entrepreneurs may even have started another business before but are now involved in a venture that demands a much greater level of skill and sophistication.

Beginning with an entrepreneur's current position on the ladder of development, the EDS helps him or her progress to higher levels of skill and achievement, the goal being to reach the economic "majors." Each movement to a higher level involves a transformation. The time required to progress up the ladder depends on one's starting point; clearly, those with a higher level of skills upon entering the system will take less time to achieve success. Successful outcomes include "graduation" to the majors (which is defined in terms of business performance, not size), a viable business at a particular level (e.g., profitable and paying living wages to its employees), or the kind of experience that enables the entrepreneur to become a more valuable employee in another business (by selling his or her company to a larger one or by taking a well-paying job in another firm).

Entrepreneurs at the same level of development are clustered into success teams to address common needs and to encourage learning and peer support (Sher & Gottlieb, 1989). An individualized game plan is developed for each entrepreneur based on specific goals, needs, and the development path of the business. Needs are diagnosed by identifying specific obstacles that stand in the way of the entrepreneur's acquisition or use of crucial resources, employing new tools that have been created for just such a purpose (Lichtenstein & Lyons, 1996).

Services are customized according to the entrepreneur's level of development, unique pattern of needs, and personal or stylistic preferences. Such customization requires a comprehensive toolkit

of solutions that offers a wide variety of choices for delivering services to meet multifaceted and changing entrepreneurial needs.<sup>21</sup> This help is provided on a flexible and ongoing basis during the course of the entrepreneur's journey through the development levels.

Through the use of this diagnostic approach and a comprehensive toolkit of solutions, the EDS is able to systematically and efficiently respond to the needs of different types of entrepreneurs in different ways. It works with entrepreneurs in a holistic manner, addressing many different aspects of both the person and the business (e.g., technical, managerial, personal). The system also regularly monitors the performance of its firms on many different dimensions as a means of evaluating entrepreneurs' progress.

The EDS connects all rungs of the skill development ladder together so that movement to the highest level of performance is possible from any position in the business community. It focuses on all levels and kinds of entrepreneurs and as a result is neither trickle-up nor trickle-down. It encourages a complete distribution of performers within its area of operation.

In this respect, the EDS provides a way to systematically address the fragmentation in enterprise development caused by the fact that agencies focus exclusively on different populations of firms and provide only partial solutions (in terms of movement up the development ladder; Reynolds & White, 1997).<sup>22</sup> For example, entrepreneurs who have successfully graduated from business incubation or micro-enterprise programs have complained that they did not know where to go to learn how to take their business to the next level. Graduation, interpreted as a measure of success by service providers, can in many cases simply be another level in which entrepreneurs stall in their development as they outgrow the assistance that has been provided by that particular organization.

Most enterprise development programs tend to focus on particular rungs of the development ladder—some intentionally and others without knowing it. Table 3 describes our perspective about how current economic development programs are clustered according to the level of entrepreneur on which they focus. In it, we make some broad generalizations for the purpose of illustrating these ideas.

Rarely do formal or even informal ties exist among these programs so that entrepreneurs successfully completing one can smoothly transition to another. The EDS offers a way to address these breaks in the ladder by explicitly articulating a progression of development levels and by connecting entrepreneurs to the organizations that can help them move to their next stage of development.

### **New Enterprise Development Roles**

The EDS includes six unique and highly specialized functions that are not found in any enterprise development infrastructure: scouts, diagnosticians, mentors or performance coaches, success team managers, alliance brokers, and a general manager.

- The scout identifies and recruits entrepreneurs to participate in the system. This person also uses skills to find individuals in the community with the necessary skills to capitalize on market opportunities that have been identified by the system but are in need of someone to pursue them. These individuals are then assisted in forming, operating, and owning those businesses.
- The diagnostician, or “company doctor,” assesses entrepreneurs' needs and skill levels and assigns them to the appropriate level. These individuals also help entrepreneurs develop game plans, which are revisited and revised on a regular basis, and refer them to appropriate service providers who can address their needs. The diagnostician, who is a general practitioner rather than a specialist, provides an unbiased, single point of contact for assistance while ensuring access to the entire range of enterprise development services. This individual also helps the entrepreneur integrate the advice he or she receives on a particular issue from various functional specialists.
- The mentor, or performance coach, provides guidance to individual clients as they seek to develop their skills and improve their performance. Coaches, who are often different at various levels, go beyond simply providing answers to questions (which is the realm of a service provider or resource specialist) to take an active role in developing the entrepreneur's thinking, skills, and ability to adapt to changing circumstances.

**The EDS includes six unique and highly specialized functions that are not found in any enterprise development infrastructure: scouts, diagnosticians, mentors or performance coaches, success team managers, alliance brokers, and a general manager.**

**TABLE 3**  
**Development Level Targeted by Service Providers**

<i>Entrepreneurial Development Level</i>	<i>Type of Enterprise Development Assistance Providers</i>
Majors	Venture capitalists, professional consulting practices, investment bankers, and so forth
Triple A	Angel investors, emerging business consulting practices, university tech transfer offices
Double A	Manufacturing extension programs, small business development centers, small specialized venture funds, high technology incubation programs, and so forth
Single A	Micro-enterprise programs, small business development centers, business incubation programs, and so forth
Rookie	Micro-enterprise programs, youth entrepreneurship programs, and so forth

- The success team manager is responsible for coordinating the activities of a cluster of entrepreneurs (15 to 30) who are operating at the same level of development and perhaps in a similar market or industry. This manager facilitates the sharing of information, ideas, and resources to deal with common business issues and helps with similar developmental challenges.
- The alliance broker identifies market opportunities that involve multiple companies as well as cut across different development levels and organizes firms to capture those opportunities. This individual builds forward and backward market linkages and facilitates alliances that help firms reduce costs by pooling their resources. The broker encourages collective behavior by viewing all firms in the system as a set of assets (rather than deficiencies) to themselves, other companies, and the community.
- The general manager of the EDS is responsible for integrating these critical functions into a cohesive and mutually reinforcing system with accountability for well-defined performance outcomes.

Participation in the system involves intense interaction among peers, entrepreneurs at other levels, mentors, resource specialists, customers, and a host of other players in the business community. It is through these relationships that transformation of the client entrepreneurs and their companies takes place.

### **Relationship Between Development Activities and Service Provision**

At its core, the EDS consists of two interlocking subsystems: a system for developing entrepreneurs and a system for managing assistance providers. The first subsystem organizes entrepreneurs to ensure that they receive appropriate assistance; the second organizes providers into a coherent and strategically deployed confederation.

The service provider subsystem does not replace existing service providers; it integrates and disciplines them so that each provider can concentrate on what it does best. Service providers become specialists engaged by the EDS to meet specific needs. Thus, each service provider serves a particular entrepreneurial need at an appropriate level of development.<sup>23</sup>

Although some matching of appropriate services as well as referrals takes place in current practice, rarely is it done systematically, strategically, and on the basis of a thorough knowledge of the capabilities of the various service providers. With few exceptions, providers commonly compete against each other for the same entrepreneurs or myopically serve a small clientele without connecting them to other sources of assistance (Servon, 1998). By helping service organizations clarify their unique market niche, the EDS eliminates unnecessary duplication, defuses destructive competition, and releases resources to fill gaps in available services.

In the EDS, all assistance is provided within a common diagnostic framework and process: A diagnosis is performed, a development level assignment is made, and the type and amount of

service provided are based on that assessment. The performance of service providers is assessed regularly, based on business results and feedback.

### **Benefits to Entrepreneurs, Service Providers, and the Community**

Implementing the EDS offers a number of potential benefits to entrepreneurs, the service providers, and the community.

*Benefits to entrepreneurs.* Why should entrepreneurs participate in the EDS? In general, it is because the EDS can provide a clear ladder to success and help entrepreneurs progress to higher levels of skill and achievement in building their companies.

No one succeeds in business by working alone, although many try to do so and others seem to have no choice. Some entrepreneurs make an effort to create for themselves the kind of functions that are contained in the EDS—and the more successful ones have been able to do so. Others are unable to assemble the right kind of support and use what they can access and therefore struggle unsuccessfully. The EDS, as a public good, can present individual entrepreneurs with a support structure that is easily used and customized to meet their needs. There is no need to operate on one's own.

The EDS can provide entrepreneurs with three kinds of benefits: access to resources (that are also more affordable and available in the right form at the right time), psychological support, and opportunities to develop new skills. These benefits make it

- less costly for an entrepreneur to form a business,
- more likely that he or she will succeed (or easier to exit, having created some kind of asset, in the event of failure),
- less time consuming to achieve success (faster time to market),
- less expensive to operate a business by enabling firms to share resources, and
- easier to use resources more intensively for a greater return on investment.

These benefits can have clear and measurable economic value, which could be measured by comparing the performance of firms that participate in the EDS with those that do not. For example, recent data from the sport of professional basketball clearly indicate that the individual player's performance, as well as the general level of play in the sport, suffers when players skip college to turn professional early. A correlation has been shown to exist between the increasing number of non-college-trained professionals and an overall decline in shooting percentage and defensive play (Wise, 1998). A business analogy might be for a firm to go to an initial public offering prior to perfecting its product or the skills needed to change its product. The risks of failure would be increased in the event it does not achieve market acceptance due to the more limited adaptability of the entrepreneurial team.

*Benefits to service providers.* The potential benefits to service providers of implementing the EDS come from its ability to

- create demand for services and improve use by clearly articulating entrepreneurial needs;
- link clients to providers and provide them with qualified, prescreened clients;
- enable providers to take preventive rather than corrective action on a problem (being brought in before it is too late to solve the problem).
- link services for synergistic effect, thus enhancing client performance and the impact of each provider;<sup>24</sup>
- enable services to be delivered more cost-effectively because entrepreneurs are organized into levels of development in which needs tend to be similar, yielding economies of scale and an enhanced demand for services;

- foster coordination among service providers, resulting in resource pooling, ease of referral, and the capacity to assist in strategic decisions about the deployment of limited resources among client firms.

The EDS would use neither a laissez-faire nor a command-and-control approach to organize entrepreneurs and service providers. It would rely on enlightened self-interest and individual choice. Those who believe the benefits outweigh the costs will participate. Those who do not would not get access to the same level of opportunity and benefit.

*Benefits to the community.* Perhaps the greatest benefit of the EDS to a community is as a framework that enables the diagnosis of complex enterprise development problems on a macro level and the identification of strategic solutions. For example, one particular northeastern U.S. city has often been described as good at starting firms but not at growing them to maturity. Local venture capitalists and others have complained about the lack of “good” entrepreneurs in which to invest.<sup>25</sup> An analysis of aggregated secondary statistics on start-ups would neither reveal this problem nor suggest potential solutions. By using the EDS framework, this situation could be explained with the following hypothesis: There are many Single A entrepreneurs who start firms and plenty of financing is available for Triple A entrepreneurs, but the support structure for Double A entrepreneurs and the processes for transforming Single A entrepreneurs into Double A (and Double A entrepreneurs into Triple A) are weak or nonexistent.

In fact, discussions with entrepreneurs at this skill level confirm the impression that there is a disruption in the ladder of development and the infrastructure of support in that region. Many Double A entrepreneurs must seek financing outside the region because local investors are unwilling to invest in them until they are at the Triple A level; but in exchange, they are asked to move to the investors’ location so that they can be closely observed and supported.<sup>26</sup> If that is true (and such statements and conclusions can be substantiated by further research), the diagnosis suggests a clear and targeted local enterprise development strategy. By using the EDS framework, the issue can be translated into a question capable of being researched and on which action can be taken.

The benefits of the EDS to a community derive from its effectiveness in developing entrepreneurs, efficiency in producing results, equitability of focus on different types of entrepreneurs, ability to build a continuous stream of new companies and business leaders, and operation at a scale sufficient to transform the economy.

### **Challenges to Implementation**

The uniqueness of the EDS’s mission and approach presents certain implementation challenges. To adopt the EDS in its entirety, a community or region must be willing to do the following.

- Engage in innovation. The EDS is not just a technical solution; it is a political and social one. A champion or pioneer will be needed to lead the charge—someone with the vision to see the possibilities and the courage to undertake something new.
- Resolve political issues among people and organizations in the best interests of the entire community and focus all attention on the achievement of results.
- Form new institutions with the responsibility for developing entrepreneurs, staffed with people possessing the right skills, those of diagnosing, facilitating, and organizing.
- Undertake a community-wide diagnosis to develop a design for an EDS implementation that is specifically tailored to the local context in which it will operate. This involves a detailed assessment of existing and potential entrepreneurs to ascertain the percentages operating at each level of development and entrepreneurs’ specific needs. The diagnosis must also examine the existing service provider infrastructure to determine its capabilities, gaps, and overlaps.
- Implement the entire system. The potential power of the EDS comes from the fact that it is a system; the synergistic interaction of the elements produces a result greater than the sum of the parts. Piecemeal implementation of individual elements will not enable a community to

achieve the large-scale, ongoing transformations it is seeking. This investment situation is similar to that of Federal Express, whose founder, Fred Smith, had to set up an entire network of operations and planes that could carry packages anywhere in the country customers wanted to send them—before he opened for business.

## CONCLUSION

H. L. Mencken once said that “for every complex problem there is an easy answer, and it is wrong.” Community-wide enterprise development is a complex problem; therefore, any useful solution is bound to be so as well. In this article, we offered a new approach built on a fundamental rethinking of current theory and practice. We believe that this solution can cope with a high level of complexity, drive transformational change at the individual as well as social level, and be implemented. Using the EDS, a community could effectively, efficiently, equitably, and continuously develop entrepreneurial talent and build successful companies on a large scale.

## NOTES

1. Our definition of wealth includes both income and assets, as does that of Oliver and Shapiro (1995) and Sherraden (1991).

2. As Reynolds and White (1997) point out, “The entrepreneurial process involves the complex interaction of a number of processes and takes a number of years to reach fruition and that [suggests] accurate causal inferences will be a major problem” (p. 217). They also argue that “much research on entrepreneurship and the development of new firms has a number of features that reduce its value for providing accurate information” (p. 217).

3. “Arthur Rock, a venture capital legend associated with the formation of such companies as Apple, Intel, and Teledyne, states, ‘I invest in people, not ideas.’ Rock also has said, ‘If you can find good people, if they’re wrong about the product, they’ll make a switch, so what good is it to understand the product that they’re talking about in the first place?’” (Sahlman, 1997, p. 101)

4. Demand for services (as well as the desire and ability to use those services) is typically assumed as an article of faith. Neither author has ever seen a market assessment of the needs of actual entrepreneurs included in a request for funding for an enterprise development program (EDS). It is one thing to employ secondary research that answers whether there are individuals out there who fit the profile that the program would like to serve; it is another matter to generate a list of prospective customers who are actually interested and willing to use the service.

5. See Malecki (1997), Rogers and Larson (1984), and Saxenian (1994) for an explanation for how this occurred.

6. A recent *Inc.* magazine poll suggests that business school education is of limited value for the challenges of managing start-ups.

A master’s in business administration helps most when your company is well established, according to a recent *Inc.* fax poll of seasoned company builders with M.B.A.s. But business-school training isn’t much help during the start-up stage. Most respondents agreed that business school taught them little about the process of establishing a new business—finding sources of capital, recruiting and hiring employees, scrambling to make that all-important first sale, and learning how to outmaneuver larger competitors. (Plotkin, 1997)

7. However, Servon (1997) observes that even

microenterprise programs are helping a group that is ready to create businesses and jobs for itself. . . . These programs are helping poor people, but most participants do not fit the underclass stereotype that tends to attract the lion’s share of media or federal attention. (p. 175)

8. Some firms, such as 3M, have been very successful in cultivating intrapreneurial behavior among their employees, but such firms are exceptional. Many other firms, such as Hewlett-Packard, Xerox, and IBM, have served as breeding grounds for individuals who develop certain technical skills and then leave the company to pursue their business ideas as independent entrepreneurs. It is not clear whether such firms merely attract such individuals who later go on to start their own firms or are truly developing entrepreneurial talent.

9. In certain communities, entrepreneurship is considered a collective function. See Morrison (1991) about the Mondragon cooperatives in Spain. For ethnic entrepreneurship traditions, see Light (1972) and Cummings (1980).

10. For example, Servon (1998) argues that “although the work that micro-enterprise programs do to build social capital is important, the scale of this activity is far from that which would be necessary to transform communities” (p. 147)

11. For two case studies of social capital–building efforts among firms, see Lichtenstein (1999) and Grisham (1999).

12. There are considerable debates about entrepreneurial characteristics containing many contradictions, with many individuals falling on both sides of the argument. For example, many people believe that entrepreneurs are risk-takers. Others argue that entrepreneurs are individuals who know how to avoid or minimize risk.

13. For example, the skills required to build a startup from \$0 to \$1 million in revenue in a year are very different from those required to grow an existing company from \$20 million to \$21 million in the same amount of time.

14. This involves various kinds of socialization processes, such as role models, peer pressure, moral support, and so forth. See Lichtenstein (1992).

15. Notwithstanding the sheer abundance of business planning courses, there is no correlation between the ability to write business plans and the ability to successfully start a new business. As one novice entrepreneur that the authors have worked with writes,

One of my issues with economic development professionals is that they tend to focus on good business plans and financial projections as the 'magic keys to success.' This tends to make the inexperienced entrepreneur think the business will rise and fall on the strength of the idea, not the strength of their ability to find and keep markets. I think this is like teaching teachers how to use a video machine and make a test, but not how to manage a classroom. (personal communication, Marilyn Wood, July 20, 1999)

16. Everyone is familiar with the difficulty seminar participants have in implementing even a small fraction of what they learn in a workshop. The problem is that knowing about the tools of business is not enough; entrepreneurs must be taught how to use them. Talking about implementation is not sufficient; support must be provided in the process of acquiring those skills.

17. The system may choose to allocate its limited resources in a way that favors one type of entrepreneur at any given point in time. As long as this choice is strategic—one that takes advantage of particular market opportunities available at the time, which are in the interest of the entire community—and not a permanent bias in the system, the decision would be equitable.

18. We distinguish between an entrepreneur's skill level (or that of his or her team) and the stage of development in the business's life cycle. The EDS is applicable to both emerging and mature companies. Firms can also work their way down the levels of development over the course of their life cycle, as subsequent generations of leaders with less skill assume control of the business.

19. Personal maturity is in many ways the most important element in that it is an indicator of one's ability to change, grow, and develop these other skills. It is the dimension that influences likeliness to transform.

20. Differences in skill levels are continuous, not discrete. The entrepreneurial "profile" at each level describes a central tendency. If necessary, finer distinctions can be made within each level.

21. See Lichtenstein and Lyons (1996). The practices in this book's database are catalogued by entrepreneurial need and can be used like a physician's desk reference to match treatment options with diagnoses.

22. As an example of fragmentation, Reynolds and White (1997) report that "in the summer of 1992, it was possible to identify at least 456 programs providing assistance in 28 different categories, for a total of 752 distinct offerings in Wisconsin" (p. 27). In a study of micro-enterprise programs, Servon and Bates (1998, pp. 435-436) point out that once companies graduate from these programs, they have nowhere to go for funding because banks do not make small loans to entrepreneurs. Because the enterprise development literature focuses on individual tools or programs, little research has been done on the issue of fragmentation. Conversations within the business community suggest that fragmentation among service providers is a major issue for companies.

23. Rarely are service providers good at working with entrepreneurs at all levels of development; however, they are often unaware of this fact. Sometimes their selection of particular types of clients is driven by their ability to work with them successfully. These preferences are then justified as strategy.

24. The order and sequence in which a business engages in multiple change or improvement projects are critical to its success. Individual providers of services are rarely aware of or sensitive to this concern.

25. This information was obtained through personal conversations with local venture capitalists and participants at the Community Development Venture Capital Alliance conference in Baltimore, 1997, as well as with private sector venture capitalists in several cities. This assumption may be true, given the amount of money they seek to invest and the rate of return they find acceptable; however, they fail to recognize that investment at lower levels of development is the only way to build a "pipeline" to Triple A companies. They should be collaborating with other capital providers to make this happen—something that the EDS facilitates.

26. This information was obtained through personal conversations by one of the authors with more than two dozen high-tech entrepreneurs in this northeast U.S. city.

## REFERENCES

- Ackoff, R. L. (1981). *Creating the corporate future*. New York: John Wiley.
- Alexander, C. N., & Langer, E. J. (Eds.). (1990). *Higher stages of human development*. New York: Oxford University Press.
- Bechard, J.-P., & Toulouse, J.-M. (1998). Validation of a didactic model for the analysis of training objectives in entrepreneurship. *Journal of Business Venturing*, 13, 317-332.

- Bennett, R. J., & McCoshan, A. (1993). *Enterprise and human resource development: Local capacity building*. London: Paul Chapman.
- Block, Z., & MacMillan, I. C. (1993). *Corporate venturing*. Boston: Harvard Business School Press.
- Cooper, A. C., Gimeno-Gascon, F. J., & Woo, C. Y. (1994). Initial human and financial capital as predictors of new venture performance. *Journal of Business Venturing*, 9(5), 371-395.
- Crosby, P. B. (1987). *Quality is free: The art of making quality certain*. New York: McGraw-Hill.
- Cummings, S. (1980). *Self-help in urban America: Patterns of minority economic development*. Port Washington, NY: Kennikat.
- Deming, W. E. (1986). *Out of the crisis*. Cambridge, MA: MIT Press.
- Dilts, R. B. (1996). *Visionary leadership skills*. Capitola, CA: Meta.
- Doeringer, P. B., Terkla, D. G., & Topakian, G. C. (1987). *Invisible factors in local economic development*. Oxford, UK: Oxford University Press.
- Fisher, D., & Torbert, W. R. (1995). *Personal and organizational transformations*. New York: McGraw-Hill.
- Flora, J. L. (1998). Social capital and communities of place. *Rural Sociology*, 63, 481-506.
- Florida, R., & Kenney, M. (1990). *The breakthrough illusion: The separation of innovation and production in high technology industry*. New York: Basic Books.
- Gardner, H. (1993). *Creating minds*. New York: Basic Books.
- Gerber, M. E. (1995). *The E-myth revisited: Why most small businesses don't work and what to do about it*. New York: HarperCollins.
- Gilmore, J. H., & Pine, B. J., II (1997, May/June). Beyond goods and services. *Strategy & Leadership*, 11-17.
- Glasmeyer, A. K., Fuellhart, K., Feller, I., & Mark, M. M. (1998). The relevance of firm-learning theories to the design and evaluation of manufacturing modernization programs. *Economic Development Quarterly*, 12, 107-124.
- Grisham, V. L. (1999). *Tupelo: The evolution of a community*. Dayton, OH: Kettering Foundation.
- Harrison, B. (1997). *Lean and mean: Why large corporations will continue to dominate the global economy*. New York: Guilford.
- Huefner, J. C., & Hunt, H. K. (1994, Spring). Broadening the concept of entrepreneurship: Comparing business and consumer entrepreneurs. *Entrepreneurship Theory and Practice*, 18, 61-75.
- Johannisson, B. (1993). Designing supportive contexts for emerging enterprises. In C. Karlsson, B. Johannisson, & D. Storey (Eds.), *Small business dynamics: International, national and regional perspectives* (pp. 117-144). Boston: Routledge Kegan Paul.
- Kanter, R. M. (1989). *When giants learn to dance*. New York: Simon & Schuster.
- Kassicieh, S. K., Padosevich, H. R., & Banbury, C. M. (1997). Using attitudinal, situational, and personal characteristics variables to predict future entrepreneurs from national laboratory inventors. *IEEE Transactions on Engineering Management*, 44, 248-257.
- Kegan, R. (1994). *In over our heads*. Cambridge, MA: Harvard University Press.
- Klein, B. H. (1977). *Dynamic economics*. Cambridge, MA: Harvard University Press.
- Krueger, N. F., & Brazeal, D. V. (1994). Entrepreneurial potential and potential entrepreneurs. *Entrepreneurship Theory and Practice*, 18(3), 91-104.
- Lichtenstein, G. (1992). *The significance of relationships in entrepreneurship: A case study of the ecology of enterprise in two business incubators*. Unpublished doctoral dissertation, University of Pennsylvania, Philadelphia.
- Lichtenstein, G. (1999). Building social capital: A new strategy for retaining and revitalizing inner-city manufacturers. *Economic Development Commentary*, 23(3), 31-38.
- Lichtenstein, G., & Lyons, T. S. (1996). *Incubating new enterprises: A guide to successful practice*. Gaithersburg, MD: Aspen.
- Light, I. (1972). *Ethnic enterprise in America*. Berkeley: University of California Press.
- Malecki, E. J. (1997). *Technology and economic development: The dynamics of local, regional and national competitiveness*. Reading, MA: Addison-Wesley.
- Morrison, R. (1991). *We build the road as we travel*. Philadelphia: New Society.
- Oliver, M. L., & Shapiro, T. M. (1995). *Black wealth/White wealth*. Boston: Routledge Kegan Paul.
- Pinchot, G. (1985). *Intrapreneuring*. New York: Harper & Row.
- Pine, B. J., II, & Gilmore, J. H. (1999). *The experience economy*. Boston: Harvard Business School Press.
- Plotkin, H. (1997) What they do (and don't) teach you in business school. *Inc.*, 19(17), 89-97.
- Porter, M. E. (1985). *Competitive advantage*. New York: Free Press.
- Putnam, R. D. (1995). Bowling alone: America's declining social capital. *Journal of Democracy*, 6, 4-9.
- Ray, D. M. (1993). Understanding the entrepreneur: Entrepreneurial attributes, experience and skills. *Entrepreneurship and Regional Development*, 5, 345-357.
- Reynolds, P. D., & White, S. B. (1997). *The entrepreneurial process: Economic growth, men, women and minorities*. London: Quorum Books.
- Rogers, E., & Larson, J. (1984). *Silicon Valley fever*. New York: Basic Books.
- Sahlman, W.A. (1997, July-August). How to write a great business plan. *Harvard Business Review*, 98-108.
- Saxenian, A. (1994). *Regional advantage*. Cambridge, MA: Harvard University Press.
- Schumpeter, J. (1991). Comments on a plan for the study of entrepreneurship. In R. Swedberg (Ed.), *Joseph A. Schumpeter: The economics and sociology of capitalism* (pp. 406-428). Princeton, NJ: Princeton University Press.
- Servon, L. J. (1997). Microenterprise programs in U.S. inner cities: Economic development or social welfare. *Economic Development Quarterly*, 11, 166-180.

- Servon, L. J. (1998). Credit and social capital: The community development potential of U.S. microenterprise programs. *Housing Policy Debate*, 9, 115-149.
- Servon, L. J., & Bates, T. (1998). Microenterprise as an exit route from poverty: Recommendations for programs and policy makers. *Journal of Urban Affairs*, 20, 419-441.
- Shefsky, L. E. (1996). *Entrepreneurs are made not born*. New York: McGraw-Hill.
- Sher, B., & Gottlieb, A. (1989). *Teamworks!* New York: Warner Books.
- Sherraden, M. (1991). *Assets and the poor*. Armonk, NY: Sharpe.
- U.S. Bureau of the Census. (n.d.). *County business patterns, employment and establishment data (1993-1995)*. Washington, DC: Author.
- Wise, M. (1998, February 8). As the N.B.A.'s stars soar, the quality of play falls off. *The New York Times*, pp. A1, A24.