



Business Plan

For the Implementation of an Entrepreneurial League System[®] in West Michigan

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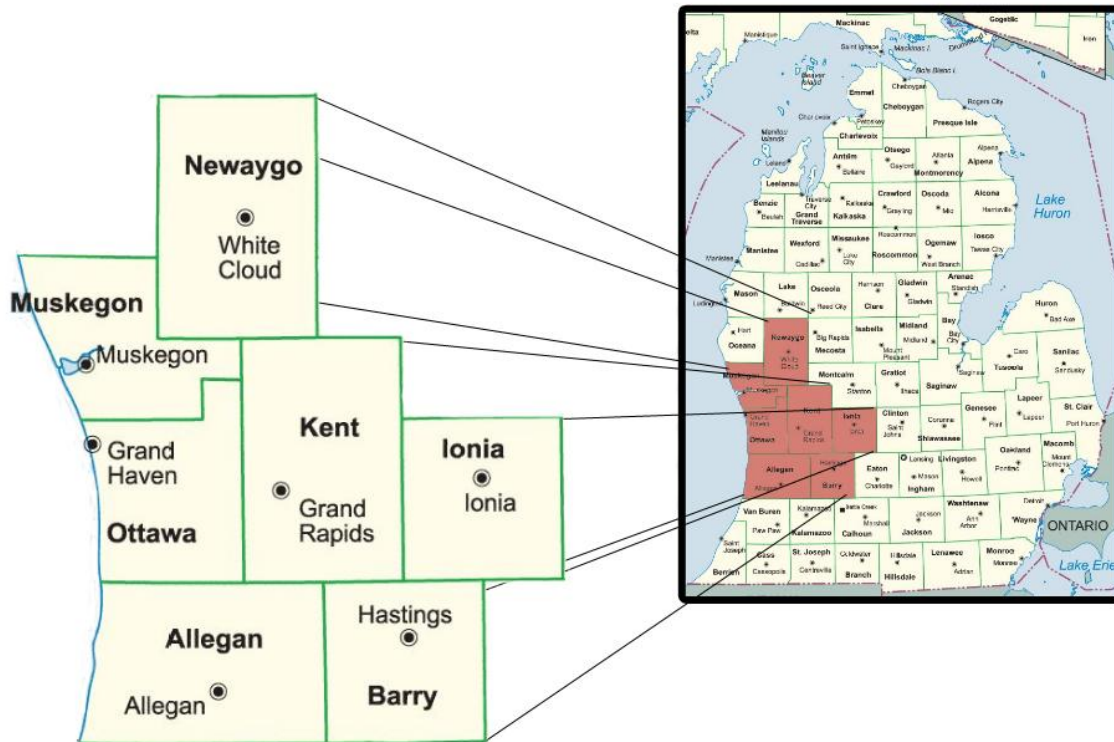
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Business Plan for Implementing the Entrepreneurial League System® in West Michigan – Narrative and Summary Budget

Map of the Territory – West Michigan



Seven counties in West Michigan Region: Kent, Muskegon, Allegan, Newaygo, Barry, Ionia, Ottawa

ELS Advisory Committee:

Nancy Boese, MI Small Business Technology Development Center
Andy Lofgren, Newaygo County Economic Development Office
Stuart P. Ray, Entrepreneur

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Business Plan for Implementing the Entrepreneurial League System[®] in West Michigan – Narrative and Summary Budget

Executive Summary

This document presents a business plan for implementing the Entrepreneurial League System[®] on a pilot basis in West Michigan, as part of the WIRED (Workforce Innovations in Regional Economic Development) initiative.

The mission of the Entrepreneurial League System[®] is to identify and develop entrepreneurial talent. Through coaching, the Entrepreneurial League System[®] generates a continuous supply of highly skilled entrepreneurs capable of building successful companies in sufficient numbers to create wealth and transform a region's economy.

Current economic development programs only deal with half of the equation for success; they address the needs firms have for technical and financial assistance but do little to build a pipeline of highly skilled entrepreneurs capable of using that assistance effectively to build companies. The Entrepreneurial League System[®] is designed to fill this missing role, complement existing economic development organizations in the region and together, create a powerful engine for prosperity.

Modeled after the farm system in sports, the Entrepreneurial League System[®] is designed to help entrepreneurs grow their businesses by developing their skill. We organize individual entrepreneurs into teams according to their skill in creating or growing a business – Rookies, A, AA, and AAA. Entrepreneurs work intensively with a Performance Coach (who are themselves skilled entrepreneurs) in weekly one-on-one sessions, monthly team meetings with their peers, and tri-annual large group sessions among entrepreneurs from other league levels that provide opportunities to learn from more experienced individuals about how to get to the next level of skill and performance.

This business plan is built on the findings from the Articulation Study (see separate report) that was conducted from September 2006 until June 2007 in order to determine the feasibility of, and requirements for, implementing the Entrepreneurial League System[®] (ELS) in this region. The analysis found that:

- There is no organized pipeline of entrepreneurs and enterprises in this region, which means that there is no *system* for effectively or strategically developing both the skill levels of the entrepreneurs to higher levels and moving their businesses from one stage in the lifecycle to the next.
- Responsibility for the “regional” pipeline of entrepreneurs and enterprises is extremely fragmented; that is, there are organizations that are responsible for particular “segments” of the pipeline (geographic, demographic, industry/market, or stage of development specializations), but no one organization or even collection of organizations is responsible for the quality and quantity of the supply of entrepreneurs in the region as a whole.

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- There is no clear and consistent focus or priorities from a regional perspective as to which segments of the pipelines should be emphasized and how scarce resources should be allocated.
- In order to increase the rate of new business formation, to increase the rate of survival and success of new enterprises, and to increase the rate of development of entrepreneurs as well as their enterprises, the West Michigan region must create an enterprise development *system*, where the whole of these various activities is greater than the sum of the parts.
- While a critical mass of both public and private service providers seems to exist in the region, these entities are not functioning as a coordinated system; the ability of entrepreneurs to get to the right resource at the right time and the right place from anywhere in the region is a challenge.
- There is no system of leadership from among the business or entrepreneurial community (not the economic development world) with the responsibility, ability or authority to manage the pipeline or to function on this level within the region.

In order to contribute to the creation of a 21st century enterprise development system for the West Michigan region (using WIRED funds to pilot such innovations), we make the following three recommendations:

1. Implement a formal coaching system (i.e., adult education for entrepreneurs) in order to enhance the region's pipeline of highly skilled entrepreneurs capable of building successful companies in *sufficient* numbers to transform the economy.
2. Create and operate a pilot web portal by which to organize a subset of private, public-sector and non-profit business service providers into a coherent system, so that entrepreneurs can get the *right* technical and financial assistance at the *right* time and the *right* price.
3. Educate civic, business and community leaders as well as members about the Pipeline of Entrepreneurs and Enterprises – in order to build the capacity to create and manage a truly distributed enterprise development system in the West Michigan region.

Implementing these three recommendations will involve the following activities:

1. During the first 18 months of the prototyping phase, establish coaching relationships with 36 entrepreneurs (3 teams of 12 entrepreneurs each) at the Single A (2 teams) and Double A levels (1 team). During the official 12 month launch period to follow successful prototyping, an additional 24 entrepreneurs will be coached (adding a Rookie and a third Single A team). The funding for

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these two additional teams will come from alternative sources of funds to be raised by the program. The unit of production for ELS coaching will be a team (consisting of 12 entrepreneurs) or an individual coaching “slot.”

2. Establish a searchable, web hosted database of service providers for one particular community as a prototype to test both the need for and the effectiveness of such a system for a broader set of entrepreneurs and businesses in the region. There is interest, for example, on the part of the Holland Chamber of Commerce and Lakeshore Advantage, in doing this for Ottawa County. The goal in this case would be to demonstrate the use of the database by as many entrepreneurs and businesses as possible in the county – among members of the pipeline that are not in the ELS. A successful “test” of the database in one particular community would demonstrate that there is significant demand for such information on the part of entrepreneurs and businesses and that the system would be capable of producing higher quality matches.
3. Complete a Pipeline Analysis of Entrepreneurs and Enterprises in four different communities during the 18 month prototyping phase (two counties and two industry sectors). Complete the analyses for the remaining 5 counties in the region during the one year launch period.

The budget of \$2.1 million is the cost for operating the Entrepreneurial League System[®] over a 2.5 plus year period, working with a total of 60 entrepreneurs. The first six months represent the pre-launch period (Year 0) during which the General Manager and initial set of Performance Coaches are hired, and recruiting for the first three Success Teams of entrepreneurs is done. During the first full year, 36 entrepreneurs will be coached; the number rises to 60 in the second full year. Additional details are presented.

This document addresses a number of other issues: sustainability, governance structure and the requirements of a home for this initiative.

Gregg Lichtenstein, the founder of the Entrepreneurial League System[®], has implemented this approach in the Advantage Valley region – a multi-state area covering 7 counties in West Virginia (centered around the cities of Charleston and Huntington) three counties in eastern Kentucky and one county in southern Ohio, with start-up funding from the Claude Worthington Benedum Foundation in Pittsburgh and a \$2 million grant from the W.K. Kellogg Foundation (one of six organizations out of a total of 183 applicants to receive such funding). Currently, there are more than 92 entrepreneurs participating in eight Success Teams. The program is expected to expand to involve 156 entrepreneurs.

In September 2005, Collaborative Strategies was awarded a contract by The Rapides Foundation to implement the Entrepreneurial League System[®] in a 9 parish region in Central Louisiana. The program was launched in July 2006, and currently there are 48 entrepreneurs participating.

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II. Introduction

In order to contribute to the creation of a 21st century enterprise development system for the West Michigan region, we make the following set of recommendations:

1. Implement a formal coaching system in order to enhance the region's pipeline of highly skilled entrepreneurs capable of building successful companies in *sufficient* numbers to transform the economy.
2. Create and operate a pilot web portal by which to organize a subset of private, public-sector and non-profit business service providers into a coherent system, so that entrepreneurs can get the *right* technical and financial assistance at the *right* time and the *right* price.
3. Educate civic, business and community leaders as well as members about the Pipeline of Entrepreneurs and Enterprises – in order to build the capacity to create and manage a truly distributed enterprise development system in the West Michigan region.

III. Developing the Region's Pipeline of Entrepreneurs by Implementing a Performance Coaching Program

Recommendation: Implement a formal coaching system in order to enhance the region's pipeline of entrepreneurs.

The primary objective of this activity is to develop a supply of highly skilled entrepreneurs capable of building successful companies. Success Teams are the heart of the Entrepreneurial League System's® intensive approach to developing entrepreneurs. They are led by a Performance Coach with significant entrepreneurship experience *and* coaching skills. This individual provides both one-on-one and group coaching. These Success Teams form a virtual incubation system providing peer support and pressure similar to that of an advisory board; on-going mentoring in the development of the skills necessary to build their businesses; active diagnosis of entrepreneurial needs and referrals to the appropriate service providers; the development of game plans – outlining the tactical and developmental tasks they need to complete in order to succeed; and consistent help in the discipline necessary for successful execution.

Objectives of the Entrepreneurial League System Coaching Activities:

- To improve the skills of entrepreneurs at all league levels;
- To increase the rate of skill development (in terms of numbers of entrepreneurs and speed at which they move up the skill ladder);

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- To increase the probabilities of success (or easier exit, having created some kind of asset, in the event of failure);
- To shorten the time required to achieve success (faster time to market);
- To make it less expensive to operate a business by enabling firms to share resources.

Activities

1. We recommend the formation of three Success Teams (totaling 36 entrepreneurs) in the first year of operation and a total of five Success Teams (two additional teams) bring the total to 60 entrepreneurs in the second year.

Year 1 of ELS: 36 entrepreneurs – 3 teams (of 12 entrepreneurs each, 2 Single A teams and 1 AA team)

Year 2 of ELS: 60 entrepreneurs – 5 teams, 66% increase over Year 1 (adding a Single A team and Rookie)

ELS Coaching Tasks

1. Recruiting and selection of coaches
2. Training coaching
3. Coaching of coaches
4. One-on-one coaching time with entrepreneurs
5. Group coaching sessions
6. Tracking the progress of entrepreneurs

The resources required for all of these tasks are described in the Appendix to the budget section.

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Performance Tracking

Performance of the individual entrepreneurs and of the system as a whole will be tracked. This information will be presented publicly (while preserving the confidentiality of individual firms), so that everyone can understand what is occurring. One way to conceive of this is to picture a scorecard or a set of standings, such as those reported in the field of sports (see below). The ability to visualize and experience what is otherwise a very intangible process of development and growth will create visibility for West Michigan’s Entrepreneurial League System®. That, in turn, will increase interest from the community as well as participation over time. And finally, it demonstrates willingness to be held accountable for producing results.

**The Entrepreneurial League System® of West Michigan
Sample Performance Scorecard – Year 2011 (Fifth Year)**

League Level:	No. of Participating Companies	Change in Participation	Annual Growth Rate (in revenue)	Annual Growth Rate (in jobs)	Profitability (Net Profit Margin)	Growth in Profitability	Growth in No. of Customers	Change in Skill Level	Special Outcomes
Majors	25	10%	300%	200%	15%	55%	150%	50%	Patents, JVs, new CEO
AAA	45	15%	200%	125%	12%	35%	120%	45%	Global sales, merger
AA	75	25%	100%	75%	5%	45%	100%	35%	Certified supplier
A	95	35%	50%	35%	3%	65%	75%	35%	Franchises granted
Rookies	60	20%	25%	10%	0%	0%	55%	0%	Rookie of the year
Total	300	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	Weighted Average	

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Recruiting Entrepreneurs: *Talent Scouting*

Recruiting individuals to participate in the Entrepreneurial League System® is a critical activity in building a region's pipeline of entrepreneurs. These functions are performed by the General Manager in the first year and then one (or several, if working on a part-time basis) Talent Scouts utilize a variety of methods to reach into the community and identify potential clients.

Perhaps the most important factor in the selection process is the entrepreneur's drive to succeed in their business and their motivation to take advantage of the services and investment being made by the sponsors of the Entrepreneurial League System® to benefit themselves, their fellow entrepreneurs and their community.

Our efforts will be directed to recruiting individuals to participate in the ELS (this will be done by the General Manager, who is in charge of selecting his or her "team") – from among people who are already operating a startup (as opposed to being self-employed). This does not mean that they have revenue yet but that they have already developed their product or service offering and are ready to launch. Entrepreneurs who are still seeking an idea, working on developing or assessing the feasibility of a business concept are at the pre-venture stage of development and will be referred to other organizations.

As people are recruited, their skill levels are assessed using special tools developed specifically for the system, and they are then placed with Success Teams at the appropriate skill level.

Objectives of the Recruiting and Talent Scouting Activities:

- To diversify the supply of entrepreneurs in the region, recruit participants with diverse demographic, economic and cultural characteristics drawn from various populations within the community;
- To broaden the settings from which participants are drawn, to include individuals who function as entrepreneurs within companies (also known as intrapreneurs) as well as those that manage new ventures that are formed between and among companies, as in the case of strategic alliances or joint venture;

Tasks:

1. Recruiting individuals to participate in the ELS – utilizing referrals from community members and service provider organizations, presentations to community organizations and business groups, media appearances and newspaper articles, mailings to selective lists and even cold-calls, etc.

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- Many more entrepreneurs will have to be contacted than will ultimately choose (and be chosen) to participate. The calculations of time reflect this selection process (and the winnowing involved).
- The recruitment process for participation in the ELS involves a four step process: initial phone or personal conversation, initial meeting on goals and business, a meeting to conduct skills assessment for placement into Success Teams, and a final social contracting, initial game-plan development meeting. These steps take about 8.5 hours of actual time to complete per qualified candidate.
- Recruiting targets. We recommend that these 36 coaching slots (in Year 1) and 24 additional coaching slots (in Year 2) be allocated among a variety of different stakeholders (by different geographic, demographic and market distributions) and different parts of the pipeline, in order to both seed and experiment with a variety of coaching opportunities. The following is a list of recruiting options we would like to pursue; given that there are multiple criteria, it is left open as to how all of these variables will be optimized:
 - Entrepreneurs drawn from various geographical areas of the region; travel distances create a limit to this.
 - Entrepreneurs drawn from different demographic groups: minority (African-American, Hispanic), female, youth (possibly a college or community college student);
 - Entrepreneurs drawn from manufacturing, agriculture, life sciences, the knowledge sectors, etc.
 - Intrapreneurs (corporate entrepreneurs) and new ventures emerging out of existing companies at the Expansion or Sustained Growth Stage (stage 4 in our pipeline typology) or mature companies (stage 5 in our pipeline typology). For this approach to work, the ELS will have to help sell this approach to top management (and gain their commitment), identify and recruit corporate entrepreneurs (i.e., intrapreneurs) either within or outside of their organization, and help them in the early stages of identifying opportunities that they want to pursue using this approach. In contrast to new product development efforts, these are opportunities that typically require new business models, new markets or new distribution channels (in addition to new products) to capture.
 - Entrepreneurs with ventures involving *strategic alliances* among two or more existing companies for the pursuit of a new market opportunity that each is too small or too specialized to pursue individually. This is the classic manufacturing networks, except for the fact that all participating firms will come from those entrepreneurs or businesses who are involved

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in the ELS as clients. This addresses a number of weaknesses of the manufacturing network model as has been applied in the U.S.

- Entrepreneurs involved in a business succession – either within a family or involving a purchase of an existing business. This would be extremely important in situations where the entrepreneur needs to substantially reinvent the business (rather than maintain the status quo). Reinvention requires significant entrepreneurial skills, without which some succession opportunities will not succeed. One possibility is to assign one to two coaching slots to entrepreneurs and owners in this situation, to test the value of coaching in enhancing the success of these opportunities.
- Entrepreneurs who are part of a minority supply chain. We could focus several coaching slots on recruiting minority suppliers into the ELS for coaching. Many of these programs fail because there is no development piece to a corporation's program (there is often an offer of technical assistance, but this different from coaching to develop new skills). They give them a contract, but do nothing to help them develop the skills to successfully fulfill it and use it as a stepping stone to building a successful business.
- Another opportunity, connected to corporate entrepreneurship, is something we refer to as *workforce development efforts in support of entrepreneurship – apprenticeships for potential entrepreneurs*. There are many folks that are not cut out to be employees. One provocative example is drug dealers. They can manage people, distribution channels and cash flow. Yet, we ask them to sign up for a legitimate job for minimum wage. This is ridiculous. Instead we should offer them an opportunity to become an independent entrepreneur or corporate entrepreneur where they can make as much money as their drive and skills can enable them to earn. There are many folks (e.g., like micro-enterprise folks) who could learn by being “apprenticed” to an entrepreneur or a corporate entrepreneur and assist them in the process. The best way to learn entrepreneurship is by doing it.

We intend to assign a certain number of coaching slots to each situation and work closely with organizations in the region to recruit candidates for coaching. We also intend to have those organizations support or champion these efforts. By observing and helping insure that the coaching is successful, they will learn about the process and its effects.

Detailed data about these tasks can be found in the appendix.

Timeline:

Recruiting for the coaching program will begin as soon as the implementation is approved by the Policy Council and a General Manager is hired. Teams will be field in

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five months from that date (the recruiting process for 3 teams usually takes that long to complete). If certain teams are ready to launch sooner, because their openings have been filled, then we will launch as soon as teams are closed.

Recruiting for Teams 4 and 5 will start about six months prior to the beginning of Year 2.

IV. Creating a Service Brokerage System

The objective of this initiative is to create a brokerage function that links entrepreneurs in all segments of the pipeline with available services and resources, in ways that are systemic, market-driven and highly targeted. This will involve establishing an operation that can act as a neutral third party in organizing both the supply and demand for services, making connections, and insuring quality. By doing so, the performance of the whole of the enterprise development service providers in the region and their impact on the community will be *greater* than the sum of the parts.

Recommendations:

Within the resource constraints of this project, we propose the following:

- Create and operate a web portal on a pilot basis by which to organize private, public-sector and non-profit business service providers into a coherent system, so that entrepreneurs can get the *right* technical and financial assistance at the *right* time and the *right* price.
- The development of a database of service providers, searchable on the ELS website, comprised specifically of organizations whose services are targeted to the clients in the ELS. For example, if we field an agricultural Success Team, we would insure that our database contains technical and financial assistance providers that work in this industry.
- The development of a database of service providers for one particular community as a prototype to test both the need for and the effectiveness of such a system for a broader set of entrepreneurs and businesses. There is interest, for example, on the part of the Holland Chamber of Commerce and Lakeshore Advantage, in doing this for Ottawa County. The goal in this case would be to demonstrate the use of the database by as many entrepreneurs and businesses as possible in the county – among members of the pipeline that are not in the ELS.
- A successful “test” of the database in one particular community would demonstrate that there is significant demand for such information on the part of entrepreneurs and businesses and that the system would be capable of producing higher quality matches (i.e., that service providers would get good engagements and that entrepreneurs would

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get their needs met) on an on-going basis. Conversations with private sector service providers indicate that, if these outcomes can be demonstrated (on a trial basis during the pilot period of this grant), they would be willing to pay an annual subscription fee for their profile (detailed information) to be listed on the site. We believe that these fees would easily be sufficient to cover the expense of operating the site (which will include the collection and qualification of the information being supplied by service providers). If this business model can be demonstrated, this would enable a roll-out to other communities in the region at the end of the WIRED grant, on a sustainable basis.

- There are two aspects that make this design for a service provider database completely unique compared to anything else being done throughout the U.S.: the emphasis on private sector service providers and the classification of providers according to which part of the pipeline they serve (skill level and stage of development of the business). We will be testing the ability of these two design features to produce higher quality matches.
- We have received a great deal of interest on the part of private sector service providers to whom we spoke during the Articulation Phase in this concept.
- Of all of the elements of the Entrepreneurial League System[®], the effort to create a system among service providers is the one most subject to resistance and politics. We have learned that to be successful, such initiatives must be operated by a neutral third party who is not a service provider, that participation must include and be dominated by private sector service providers, and that service providers must allow feedback from clients to be collected by an independent source – on an on-going basis. If those minimal conditions are not met (and there are several others), then in our experience, such efforts are doomed to fail, as they have in many previous situations.¹
- We suggest therefore, that this particular element of the system operate without publicity until the results of the prototyping phase are known.
- Once such a database capability is in place, there are other, higher levels of intervention that can then occur to begin to create a true system among service providers (and improve the capability of the individual providers as well as the system as whole). In other words, sorting and differentiating service providers by segment of the market served (according to the pipeline), entrepreneurial need addressed and service offered, creates a foundation from which other developments can occur. It is this thinking and behavior that must be internalized before other systems level efforts are even feasible. While these other, next steps (which we can articulate), are beyond the scope of this WIRED grant, it is our objective in this grant to lay such a foundation.

¹ We have done an extensive analysis of such service provider initiatives (as well as the ones we have ourselves conducted) and can share those insights.

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- Two such places at which these next level initiatives might emerge are Holland and Newaygo County. To date, they have expressed the most interest in organizing their service providers to function more strategically as a system. In Holland, that interested has focused on entrepreneurship in general; in Newaygo County it has focused on agricultural and farming entrepreneurs.
- It has been suggested that, in an ideal world, the information necessary to make such matches would be embedded in the networks of entrepreneurs and service providers – in which case, the network itself would become the asset, making a database obsolete and unnecessary. We agree that this is the desired end state, but believe that an intervention of the kind we are presenting here is a necessary stage in the achievement of this outcome. Such information and behavior does not yet exist; we must find ways to intervene in the system, so that behaviors will develop. Such a web-base system represents such an intervention, and must be viewed and managed as such (not as an end in itself). At some point in the evolution of the region, it may prove to be unnecessary and could be discontinued.
- These discussions point to the need to form a foundation for a virtual community of entrepreneurs – not to displace but to complement face-to-face interactions. We believe this website, which could contain numerous other types of information and services, could be the basis or organizing entity for such a virtual community in the region. Collaborative Strategies is involved in several initiatives on this subject in other locations whose outcomes can be used to inform the work in West Michigan.
- We will continue to develop relationships with existing service providers in the enterprise development arena both public and private in a variety of ways:
 - Interactions with service providers who are participating in the service provider database.
 - Through the interactions with service providers to whom ELS clients are referred.
 - Service providers will be actively involved in the sessions to education community leaders throughout the region about the Pipeline in order to build capability. See third recommendation for more detail.
 - Meetings with selective service providers (who are not involved in any of the above) will continue to be convened to introduce them to the ELS as a part of my stakeholder relations effort. Both Collaborative Strategies and the local General Manager will be involved in these meetings.

Tasks:

1. Hire and train staff – Service Brokerage Manager and student interns
2. Recruit and qualify service providers and their offerings
3. Enter information into database management system and searchable website
4. Market brokerage system to entrepreneurs and service providers

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Timeline:

Due to the intensity of recruiting and launching the first three teams of entrepreneurs, (which will be the focus on the Pre-launch period), work on the Service Brokerage System will start in Year 1, although recruiting for the individual to assume that part-time position will begin during the pre-launch period.

V. The Development of Leadership to Facilitate Entrepreneurship: Educating for the Pipeline

Recommendations:

- *Educate civic, business and community leaders as well as members about the Pipeline of Entrepreneurs and Enterprises* – in order to build the capacity to create and manage a truly distributed enterprise development system in the West Michigan region.
- This involves continuing and expanding the work during the Implementation Phase that was launched during the Articulation Phase. The “unit” of production here is a Community Pipeline Analysis.
- The work for this part of the project will be to educate individuals and organizations in the region, work closely with individual organizations to help them analyze the Pipeline of Entrepreneurs and Enterprise in their community, help them convene meetings with various players in their community (including local businesses), to discuss the allocation of resources and to facilitate meetings with their peers in the region to determine how the needs of the various community level pipelines must be integrated at the regional level.
- The goal of this initiative is to begin the process of building civic leadership and community/regional buy-in on the creation of a 21st century enterprise development system. The contribution of this set of activities to that very broad goal will be to create a common language and a forum for beginning to make decisions that are strategic at both the local and the regional level. Much more will need to be done to make this overarching goal a reality (e.g., activities such as assessing the skills of community entrepreneurs and providing coaching to develop those skills that the ELS can contribute to, recruiting a new generation of civic leaders), but those activities are beyond the scope and resources of this project. Part of the on-going challenge for the civic leadership will be to create the mechanisms necessary to address these strategic questions effectively. The ELS will help move this agenda forward, within the limitations of its resources on this element.

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- Part of this work will be to create a regional forum (not a new organization, but rather a meeting platform) for the discussion on the Pipeline and on enterprise development at both a community and a regional level. The purpose is to create a dialogue, not a new organization. If this work is successful it will be institutionalized in the culture and behavior of the individual participants. It is too early to predict what if any, organizational form, these changes might take.
- In addition, to support the adoption of the Pipeline as a framework, Collaborative Strategies will be introducing by January 2008, an on-line, automated skills assessment that will enable an entrepreneur to determine their skill level. The process will take approximately 25 - 35 minutes and will be able to be done from anywhere. We are planning to make this tool available to organizations like Chambers of Commerce on a revenue sharing basis, who will market this tool to their membership. In addition to generating revenue, this tool will enable Chambers to learn more about their members, which in turn will enable them to more accurately design and target services and programs that meet their needs. The initial reaction from the Holland Chamber of Commerce and Lakeshore Advantage was extremely favorable. Note that this initiative (its development and implementation) is independent of this budget and project.

An understanding of the pipeline is just a means to an end. Just what kind of ends are we trying to achieve? We want to help:

1. *Change people's ideas of and beliefs about entrepreneurship and the economy.*
People need to understand that wealth is created by entrepreneurs who identify and capture market opportunities not by employees and that the great buffalo hunts are no longer reliable. People in all communities within the region need to understand that they too can become entrepreneurs – it is not something mysterious that can only be performed by a few – and that there are all kinds of entrepreneurs going about capturing all kinds of market opportunities. They must see believable examples of folks like themselves doing that, and these references will inspire.

While developing an entrepreneurial culture is admittedly a long-term undertaking, it will be achieved, not on the basis of cheerleading, but on publicizing the specific, concrete and hard-nosed successes by individual entrepreneurs, who will encourage others directly and by example. This influence, if managed properly, will radiate out through the larger communities (as well as distinct sub-communities) within the region. These successes will begin to break down resistance and barriers to entrepreneurship and collaboration within and across communities.

2. *Give as many people in the region as possible a direct experience or gut understanding of what entrepreneurship actually is...by helping them get to know someone well who is an entrepreneur and encourage them to participate in entrepreneurial situations. Have them interact with real, live entrepreneurs. No white*

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papers, no speeches or talking heads, but face to face interaction: interviews, meetings, discussions, etc.

3. *Encourage people to be thinking – individually and as a collectively – about what kind of economic development they would like to encourage in their communities and to be proactive about pursuing it, not simply to let the “government” do it.* Every community needs more jobs, but what kind of jobs? Would people like to see “chop shops” move in? Would they like to see more commodity (non value-added) agricultural production? More strip malls or Wal-marts that change the character of their town? There are choices that communities can make and by the actions of individuals and the “policies” of communities, they can build on the unique characteristics and assets (natural and social) of their communities and pursue market opportunities that will exploit them productively and equitably. These questions empower people and that will begin to change the culture. The answers to these questions will also help generate new market opportunities.
4. *Develop civic leaders from these communities who are capable, irrespective of their positions in the world, of being talent scouts who inspire people to act on their dreams (and things that can’t be seen yet by others), matchmakers who can connect them to resources and opportunities, opportunity scouts who identify new possibilities, team players who build relationships to get things done that people can’t accomplish alone.* We need these people through the region and we need to create a farm system for growing them. In particular, we need to encourage them to develop entrepreneurial skills (including elected officials) – just as we help entrepreneurs in business do. They will be the catalysts, the facilitators, the mid-wives of a new entrepreneurial culture in West Michigan.
5. *Build social capital that connects the various stakeholders in the region together.*
6. *Develop the ability to make decisions about strategic investments in entrepreneurship on a regional basis that are grounded in a collective understanding of the pipeline of entrepreneurs and enterprises and where the greatest ROI can be achieved.*
7. *Facilitate projects that directly address the obstacles to entrepreneurship.*

Tasks:

The work on this element of the Entrepreneurial League System® will extend over a two and a half year period, and involve the following activities:

1. Educate various groups about the pipeline and its use in understanding the dynamics of their local and regional economies. This will be a continuous process, particularly given the turnover in personnel in organizations and agencies.

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2. Convene on-going meetings among strategically selected groups of people in all seven counties and with at least two industry sectors (e.g., Life Sciences and the Knowledge/Design firms) to articulate the pipeline and move forward to utilizing the findings to drive economic development choices². There are several starting points which have already been identified in the Articulation Study – the desire to create a system of service provision in Ottawa County, an agricultural sector driven strategy in Newaygo County.
3. At strategic points, convene meetings between and among these various groups in order to begin addressing issues from a regional perspective.
4. Capture and organize pipeline data. Collaborative Strategies role will not only be to facilitate these sessions (as well as to encourage areas to engage in this work), but we will be responsible for capturing and organizing the “data” that is generated, and making sure that it is fed back into the process.

At this stage, we cannot be more specific about where this process will lead (and some of the intervening steps), but we are clear on our desired objectives and our starting point. We will be flexible and work with our Advisory Board and the Core Team to adapt our strategy on the basis of what we are learning on the ground.

This particular element of the ELS, will be a way to engage more people and stakeholders in the work that we are doing, than would be possible simply through the coaching system.

Time Line

This work will be launched when the funding for the ELS initiative has been approved. During the pre-launch period (the first six months, Year 0), pipeline initiatives will be started in all seven counties (if interested) and with two sectors. Initial training will be completed and goals for the respective projects selected.

The efforts in Year 1 and Year 2, will be driven by the agendas set by these respective groups during this pre-launch period.

VI. Program Management

This activity is concerned with the overall management and administration of the Entrepreneurial League System[®].

Objectives:

² These priorities for allocating effort could be changed to reflect other factors. At this point, they are simply a suggestion.

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- To manage and oversee the operations of the Entrepreneurial League System®.
- To monitor and evaluate performance and make improvements.

Tasks:

1. Staff recruiting and training
2. Completion of detailed operations and project plan
3. On going project management
4. Performance tracking: design of MIS for managing operations and tracking results
5. Resource management
6. Stakeholder management

For task and time detail, see Appendix.

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VII. Budget

The following budget estimates the costs for operating the Entrepreneurial League System[®] over a 2.5 plus year period. The first six months represent the pre-launch period (Year 0) during which the General Manager and initial set of Performance Coaches are hired, and recruiting for the first two to three Success Teams of entrepreneurs is done. The official launch of the program begins with a plenary session among the first 24 – 36 entrepreneurs.

The budget is based on a number of assumptions:

1. An annual increase in the number of participating entrepreneurs in the region from 36 in the first year to 60 in the second.
2. A particular distribution of entrepreneurs among various skill levels (two Single A and one Double A team in year one; and a third Single A and a Rookie team to be added in Year 2). Performance coaching time differs by skill level, with Rookies requiring more time one-on-one and AAA entrepreneurs the least, so the actual distribution of clients will impact coaching costs. Projections are made of the possible distribution among entrepreneurs. Changes to this distribution will have an impact on the budget.
3. In exchange for access to and use of the ELS tools and system (see list on page 31 of this document), we charge an annual licensing fee.³ This licensing fee supports our on-going efforts to develop, refine and automate the use of these tools – for greater efficiency and effectiveness on your part. These tools, as events in West Virginia and Central Louisiana have demonstrated, allow you to become operationally productive almost immediately (e.g., within 90 days of assuming his job, the General Managers in both Advantage Valley and Central Louisiana recruited and qualified over 25 entrepreneurs for participation in the ELS). We have spent over 15 years and more than \$2 million in developing these tools and this system.

The budget which follows is a summary. The detailed calculations on which these numbers are based are listed in the Appendix.

³ The contract with Collaborative Strategies also involves signing a licensing agreement.

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**Summary Budget for Implementation of Entrepreneurial League
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	Pre-Launch Year 0	Year 1 36 Ent.	Year 2 60 Ent.	Total 60 Entr.
Performance Coaching	\$0	\$224,800	\$353,200	\$578,000
Talent Scouting	\$19,200	\$44,428	\$0	\$63,628
Service Brokerage System	\$0	\$100,575	\$84,975	\$185,550
Educate Civic Leaders on Pipeline	\$25,000	\$40,000	\$40,000	\$105,000
Program Management	\$177,600	\$270,000	\$223,400	\$671,000
Licensing Fee		\$75,000	\$75,000	\$150,000
Subtotal:	\$221,800	\$754,803	\$776,575	\$1,753,178
Indirect Expenses (20%)	\$44,360	\$150,961	\$155,315	\$350,636
Annual Total	\$266,160	\$905,764	\$931,890	\$2,103,814

Budget detail is provided in an appendix and an attached excel spreadsheet.

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Calculations

The units of production for the coaching activities in the Entrepreneurial League System® are a team or a coaching “slot.” Since time spent with entrepreneurs by the coaches differs by skill level, team and individual coaching slot costs are not identical. Below is a table that describes the cost per year to operate one team of 12 entrepreneurs and the cost to coaching one entrepreneur for a year. These costs are fully burdened (meaning that they include project management time and other costs of operation, separate from the Service Brokerage System and Educating for the Pipeline). For detail, please see the expanded budget presented in the excel spreadsheet.

Cost of One Team for One Year	Total
Success Team (Rookie)	\$166,493
Success Team (A)	\$140,573
Success Team (AA)	\$127,613
Success Team (AAA)	\$127,613

Cost of One Slot for One Year	
Success Team (Rookie)	\$13,874
Success Team (A)	\$11,714
Success Team (AA)	\$10,634
Success Team (AAA)	\$10,634

The average monthly cost of coaching in the ELS ranges from \$886 to \$1,200 (for the Rookies). These figures compare favorable with the industry average for private business coaching, which ranges from \$1,000 to \$3,000 a month on average.⁴

These cost figures can be used as the numerator in a Return on Investment calculation.

⁴ See The Kiplinger Letter for October 27, 2006

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VIII. Financial Sustainability

The Entrepreneurial League System[®] is a community economic development strategy, because of its focus on building an entrepreneurial community which involves working the entire pipeline. If it were simply a coaching program without a larger social mission, even one that focuses on developing entrepreneurial skills, it could focus exclusively on clients with the ability to pay directly for its offerings (those in the upper right hand portion of the pipeline – with higher skill levels and at more mature stages of development in the lifecycle).

But with this larger social purpose of creating a system, which is a public good, comes certain challenges with respect to financial sustainability. Financial sustainability requires getting all of the parts paid for. It involves making sure that what is paid for constitutes a whole – that all segments of the pipeline are represented, for without a whole, you do not have a system, you have only fragments.⁵

Different community members and stakeholder groups have a stronger interest in certain parts of the pipeline than others. Government agencies are interested in both businesses and jobs as a tax base and a way to create wealth as well as provide a pathway out of poverty. Many foundations are similarly interested in encouraging entrepreneurship among youth and disadvantaged populations. Local businesses and financial institutions are interested in customers, large corporations in suppliers, educational institutions in students and venture capitalists in deal flow – largely focused on firms in the later stages of the business lifecycle (statements to the contrary notwithstanding).

But all the stakeholders must realize that without a complete pipeline, each party's ability to have their needs met are severely compromised. Only by having a system can everyone get what he or she needs and wants. The key challenge is to ensure that we build a pipeline of entrepreneurs and enterprises in which everyone can participate. The investment necessary to do this must be commensurate with the task.

This situation suggests that different stakeholders will be interested in making an investment in different parts of the pipeline. We have already had expressions of interest in funding individual teams (without a discussion of the detailed costs) on the part of Lakeshore Advantage and the Newaygo County Economic Development Office with funds that they would raise. I also believe that the Chambers, who are certainly interested in referring some of their members to the ELS (those that are interested in growth), would

⁵ For example, some foundations, in keeping with their philanthropic missions, tend to unwittingly exacerbate this fragmentation and lack of a system by their exclusive emphasis on “low-income communities.” They want people to work their way out of this stratum and be able to join the economic mainstream. To do so, members of the community need a pipeline or a ladder from where they presently are to where they want to be. Yet, many such programs limit their attention to members of this segment of the economy. With the best of intentions, this merely creates a path to nowhere. Without any linkage to the broader economy, low-income entrepreneurs will continue to be isolated and enjoy limited success.

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be interested in co-sponsoring some who need support. They recognize that this might require raising dollars from some of their current sponsors, but at the same time, the ELS could be positioned as a new offering for their more ambitious members. Once this is done by one community, chamber or economic development organization, if successful, others will be strongly motivated to follow suit. The key is to seed the first “pilot” and make sure it works.

The key to truly creating a system will be, in venture capital parlance, to “syndicate” a deal where the whole is created by virtue of having a complete set of investors for all of the parts. Given that such a system is a public good, support might have to be found for any gaps that might exist (i.e., parts that for which there is no clear investor), in order for the whole to be brought into being. Support for these gaps could be shared by those paying into the rest of the system as an “overhead” expense – the cost of creating a system.

Clearly, clients in some parts of the pipeline will be able (and hopefully willing) to pay for the costs of coaching. This includes anyone at the Expansion Stage of Development of their business and the Maturity Stage. The ability of companies in the Decline Stage to pay will depend on their cash flow situation. Whether companies in the first three stages of development – Pre-venture, Existence and Early Growth stage – are able to pay for coaching, depends on how those owners and their businesses are capitalized (e.g., executives with large severance packages, individuals who have had and sold previous businesses, and those with trust funds, etc. can afford to pay).⁶ Entrepreneurs with limited resources who are bootstrapping their businesses, will need to put every penny they earn back into the business and will not be able to pay for coaching.

In general, Rookies are rarely in any position to pay for coaching. Single A’s are able to pay for coaching only if they are well capitalized (from previous businesses, or from a corporate severance package, for example). The same is true for AA’s. AAA’s are always capable of paying for coaching. However, the coaching program for AAA’s looks very different than that for other skill levels.

For those clients that would need support for coaching, some categories of possible sponsors and their favorite targets include:

- Rookies: national and community foundations, other philanthropic institutions, local (city or county), state and federal government sources, educational institutions (if students are involved)
- Single A’s: banks, law firms, accounting firms, utilities, large corporations (if suppliers are involved), some of the same organizations that fund rookies
- Double A’s: Angels and VC’s – to help prepare deal flow

⁶ We recommend, however, that during the pilot phase of this project when funds from the WIRED grant are available, we allow them to participate on a “subsidized” basis in order to demonstrate to them and to others, the value of the coaching system.

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The motivation to support entrepreneurs in the coaching system will vary by stakeholder. Some, such as private sector service providers (i.e., banks, law firms, accounting firms, etc.) will see it as a way to create possible client deal flow (as well as to make a community service investment). Foundations, such as Ford, Kellogg and others, might view investing in Rookies as an anti-poverty initiative.

Other financing options include:

- Soliciting contributions from already successful entrepreneurs or, if they are capable of doing so, ask them to coach for greatly reduced compensation.
- Soliciting contributions from alumni – successful entrepreneurs living outside of the region, who wish “to give back.”
- Support from ELS graduates. This will take time in order to generate a stream of graduates. Please be aware that giving back is one of the elements of the Social Agreement that entrepreneurs sign in order to participate in the ELS. We genuinely expect this to occur, but it will take time to produce a flow of graduates in a position to fulfill this part of the Social Agreement.
- Re-direct money away from current economic development initiatives that are not working (e.g., smokestack chasing) toward coaching and developing the pipeline. While highly political, this must begin to happen to state economic development programs. The issue is not one of ROI, it is a matter of political will.
- Fund with a bond issue. We invest in bridges, why not entrepreneurs?
- Establish an “authority” that can tax on some basis.
- Allow the program to disappear after the WIRED funding is complete.

In the Entrepreneurial League System[®], the units of production are individual coaching “slots” and a full team consisting of 12 entrepreneurs at the same skill level. Investors could pay for single coaching slot (although we would only launch a team when we had 12 slots paid for) or a full team. (See financial figures in the budget section). We will refer to these as “scholarships” or “sponsorships.”

In order to convince people to invest, we must demonstrate a return on investment. The ELS collects quarterly information from all participants that will allow us to calculate an ROI for each dollar invested in the program. We will analyze this financial information and prepare case studies. Our cycle for achieving financial sustainability will be: operate the pilot, track outcomes, make the case and make the sales to investors.

We must realize that we are financing transformations, which take time and do not necessarily follow a predictable pattern and time frame. The only issue here is that the coaching process requires 2 to 3 years to show significant, measurable outcomes (we will see outcomes in the first year, it is just that they can be expected to grow in magnitude in subsequent years). In other words, if we arbitrarily set the cutoff for measuring ROI at 2 years, we will eliminate from the equation the value that will appear in years 2+, severely under-representing the results.

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IX. Additional Issues

1. **Governance Structure:** To succeed, the Entrepreneurial League System® must have champions on its board who are or have been entrepreneurs, or the system will simply not work. The ELS is a program by entrepreneurs, for entrepreneurs. Its goal is to organize entrepreneurs into an entrepreneurial community. This can only be done by individuals who are entrepreneurs. They must own it and control it. It must also represent the needs of the region's entire pipeline.

I suggest an advisory board of 7 – 10 entrepreneurs, eventually including a representative client from each of the skill levels in the League. Each entrepreneur should have credibility and a different set of experiences. They should also be motivated and be in a position to give back to the community through their efforts.

2. **Organizational Home:** In terms of a home for the ELS, I would like to suggest a separate organization, unless we can find an existing organization that meets the criteria laid out in the first bullet. We might consider a co-op structure or a membership organization. We must avoid bureaucratizing this initiative at all costs. This organization (however structured), must be independent of any government bureaucracy (entrepreneurs WILL NOT take it seriously, if it is not) and of any particular service provider.

For example, the difference between the ELS and other Entrepreneurial Development Systems that have been funded by the WK Kellogg Foundation, for example, has been explicitly recognized and commented upon by the evaluators from The Aspen Institute that the Foundation has hired. The difference has to do with our entrepreneurial behavior, which none of the other five Entrepreneurial Development System's have and, as it was further noted, none of the organizations that we work with and report to in WV have either. They believe that this is the key to our success.

This function of creating and managing a supply of entrepreneurs is a transformational, rather than a transactional, undertaking; that is, it involves work that is long-term, developmental and requires a relationship of trust. As a result, it cannot be the responsibility of the service providers, but must be the role of a separate function that bears responsibility for enterprise development at the community-wide level.

3. There is a major push towards “**institutionalization**” of the WIRED innovations. But how do you institutionalize a systems innovation? Depending on what is meant, there is a danger that institutionalization will destroy the very entrepreneurial edge that is critical to the success of this effort. Our goal is to en-culturate, not institutionalize; that is, to embed a new behavior pattern and set of thoughts within the region. As an innovator, we cannot predict exactly how that can and should be done, prior to getting out into the field. To answer that question requires a form of determinism that is at

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odds with innovative and entrepreneurial behavior. However, I would say that this is a question that we must answer before the WIRED project ends.

4. **Integration with other WIRED Initiatives:** The Entrepreneurial League System® will work closely with other programs. One of the typical elements of the ELS initiative is an Opportunity Scouting Function, which establishes a registry of feasible market opportunities and begins to link them with entrepreneurs who possess the skills to capitalize on them. Since this kind of activity is the province of another WIRED initiative, we have dropped it from our activity set and will work with that agency (The Right Place), to complement their activities in any way possible. We will similarly work with other initiatives, as we discover potential synergies.
5. **Preliminary Communications Strategy:**
 - A big part of our communication strategy will be accomplished through one on one meetings, particularly as described above in the section on educating civic leaders and community members about the Pipeline.
 - Part of our communications strategy may be able to be accomplished through a joint venture relationship with Rapid Growth. Rapid Growth is a weekly e-newsletter and Web site showcasing the positive and sustained transformation of the Grand Rapids region.

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**Appendix A: The Role of Collaborative Strategies in the
Implementation Process**

Our goal in designing and implementing the Entrepreneurial League System® is not only to help create entrepreneurial communities and improve their economic performance, but to help communities *develop their ability to achieve these outcomes for themselves*. Achieving this result requires three elements:

1. A well-designed system of operations (that we have already developed and implemented in many places);
2. Talented people to operate the system locally; and,
3. A skill-building process by which they learn the system and the skills necessary to execute it successfully.

Collaborative Strategies LLC licenses the operating system as well as the tools and provides the training and on-going coaching necessary for communities to operate an Entrepreneurial League System® themselves. These tools, which we have developed, tested, implemented, proved and refined in the field under diverse conditions over a 18 year period, will enable your community to become operational and productive within a few short months, eliminating the need for development (time and costs) and significantly shortening the startup process for such initiatives which have been known to take up to two to three years.

We partner with your community to form a team; together we are jointly responsible for producing results. Success in this type of a venture requires a high level of collaboration between us (Collaborative Strategies) and the leadership in a particular community. We (Collaborative Strategies) have the knowledge and expertise to successfully build and manage an Entrepreneurial League System®; you have the intimate knowledge of local conditions and how the ELS must be adapted to work there. Together, we establish an integrated leadership system whose performance is greater than the sum of its parts.

Our role in this system is to take talented, entrepreneurial people with the basic skills from your community (that we help you recruit and select) and train them to perform various specialized functions using specific ELS tools and techniques – much like an apprenticeship in the building trades. The higher their initial level of skill, the more quickly they will proceed to reach journeyman status.

The most critical piece of the skill-building process is coaching (the other two being the tools and initial training). This coaching process, which diminishes over time in intensity as the skills are developed, is where the learning and adaptation of the ELS to local conditions takes place. This process also allows us to monitor progress and more importantly, assess the quality of the ELS activities being delivered and make adjustments. The Entrepreneurial League System® is a high-touch system (for its clients – the entrepreneurs) and for the local community.

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Over time, our participation declines to the point where our focus is on monitoring the quality of results and engaging in continuous improvement by sharing the knowledge gained from implementations in other regions in the form of selective coaching, seminars and operational upgrades to the business system and tools. Throughout the implementation process, most of the funds spent on the ELS stay in the community to pay for the local talent and overhead necessary to operate the system.

Tool Set

Collaborative Strategies has developed, implemented and validated a set of tools for successfully fostering entrepreneurship with communities and regions. These include, but are not limited to tools, that:

1. Diagnose the needs of entrepreneurs using an approach that is both multi-dimensional and comprehensive
2. Assess the skills of entrepreneurs along four dimensions in starting and operating a new business
3. Determine the stage of development of the business as well as the different operating needs of the business at each stage
4. Analyze the nature of the market opportunity being pursued by an entrepreneur, and the degree of innovation involved
5. Help entrepreneurs and their coaches design and execute game plans that detail the actions they must take to build their business as well as the skills that they must develop to progress to higher skill levels
6. Enable business Performance Coaches to provide entrepreneurs with support in building their businesses on both a one-on-one and a group basis
7. Manage Success Teams – highly structured monthly sessions, facilitated by Performance Coaches, that consist of peer groups of entrepreneurs (at the same skill level) who are focused on developing the skills necessary to be successful entrepreneurs and supporting each other in the tasks they need to perform to build their businesses
8. Recruit entrepreneurs to participate in the Entrepreneurial League System® (the Talent Scouting function) to determine their needs and goals, develop a relationship and build commitment to the program (this involves a series of tools)
9. Facilitate large-group or plenary sessions among the region's entrepreneurs that help to build an entrepreneurial culture, while assisting the entrepreneurs in meeting their needs, developing reference points for evaluating their own progress, and motivate participants to greater levels of achievement
10. Identify as well as inventory feasible market opportunities and link them to existing and prospective entrepreneurs (or existing firms) who possess the appropriate skills and are in the best position to capitalize on them.
11. Guide actual and prospective entrepreneurs through the pre-venture stage of their business

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12. Track and evaluate the performance and development of individual entrepreneurs as well as the Entrepreneurial League System[®]'s impact as a whole (via a region-wide Performance Scorecard)
13. Develop community leadership capable of creating entrepreneurial communities (this involves a series of tools)
14. Recruit and manage individuals to perform the various unique positions in the Entrepreneurial League System[®] (detailed position descriptions, list of qualifications and interview protocols have been developed for every role in the system)
15. Monitor and manage the operational components as well as the outcomes of the ELS and identify areas for improvement

Background and Experience of Collaborative Strategies

Collaborative Strategies LLC is a seventeen year old New Jersey based consulting firm that specializes in helping communities and corporations achieve competitive advantage through new ventures and strategic alliances. As President of Collaborative Strategies, Gregg Lichtenstein has worked directly with over 700 businesses in more than 70 industries (from Fortune 1000 firms to startups, manufacturers, high-tech and service companies) as well as nonprofit organizations and local, state and national governments on venturing, incubation, business strategy, marketing and new product development.

Gregg has designed and managed a number of leading-edge business incubation systems, both virtual and facility-based, involving startups and existing companies. He has established more than three dozen strategic alliances. He has also worked with more than 150 enterprise development service providers throughout the country – including incubation programs, manufacturing extension programs, Small Business Development Centers, high tech financing programs, such as the Ben Franklin Technology Centers in Pennsylvania, industrial development agencies, etc.

Gregg has served as the Research Director for the National Business Incubation Association and has published widely on entrepreneurship, economic development and strategic alliances in academic and popular business outlets. He has authored, along with his colleague Dr. Thomas Lyons, the first comprehensive reference on working with startups – *Incubating New Enterprises*, published by the Aspen Institute, which has also been translated into Spanish and published in South America.

In addition to having received a Ph.D. from Wharton in Entrepreneurship and Social Systems Sciences, Gregg is and continues to be an entrepreneur – having started and led several technology ventures (not including Collaborative Strategies). His intense appreciation of the customer's perspective – the entrepreneur's – comes from being one himself.

All of these experiences, as well as years of applied and action research, have gone into designing the Entrepreneurial League System[®] and the discovery of the core operating principle on which it is based – that what drives entrepreneurial success,

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regardless of size, industry or markets, is the skill of the entrepreneur and how well it is matched to the opportunities being pursued.

Where has the Entrepreneurial League System[®] been implemented?

The first full-scale implementation of the Entrepreneurial League System[®] was launched on June 1st, 2004 in the Advantage Valley region – a multi-state area covering 7 counties in West Virginia (centered around the cities of Charleston and Huntington) three counties in eastern Kentucky and one county in southern Ohio. This initiative was launched as a partnership with Advantage Valley, Inc., a regional economic development organization that is responsible for promoting the benefits of this natural three-state economy.

With start-up funding from the Claude Worthington Benedum Foundation in Pittsburgh, four teams of entrepreneurs (48) were started. Then in April 2005, Advantage Valley, Inc. was one of six organizations out of a total of 183 applicants to receive a \$2 million grant from the W.K. Kellogg Foundation. This funding was used in order to expand their implementation of the Entrepreneurial League System[®]. Currently, there are more than 92 entrepreneurs participating in eight Success Teams. The program is expected to expand to involve 156 entrepreneurs.

Outcomes have been extremely positive and a Performance Scorecard will be published by the end of 2007. Close to one dozen entrepreneurs have moved / advanced from one skill level to another and many businesses have experienced significant revenue growth as well as improved profitability.

In September 2005, Collaborative Strategies was awarded a contract by The Rapides Foundation to implement the Entrepreneurial League System[®] in a 9 parish region in Central Louisiana. The first two teams of 24 entrepreneurs were launched in early July, a third team in November 2006 and a fourth in April 2007. The program is being extremely well received in the region.

An early prototype of the Entrepreneurial League System[®], launched in urban Philadelphia in a territory consisting of 330 manufacturers, achieved a 50% market penetration rate within three years. More than 160 firms were actively involved in a series of major improvement projects including new product development, industrial marketing, marketing internship, the creation of the first industrial district in the state (leading to the retention of over 350 jobs), training programs and human resource initiatives. This initiative utilized a social capital strategy to build relationships among manufacturers who had no previous interaction and create an entrepreneurial community that motivated firms to stay and expand in their current locations. Funding was provided by Pew Charitable Trusts.

Since 1996, Collaborative Strategies has been working with BEES, a Non-Governmental Organization (NGO), in South Africa to build up the managerial and

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entrepreneurial skills of more than 200 micro-entrepreneurs in the garment district in Johannesburg. Organized into 20 teams of 10 entrepreneurs each, the goal was to improve their business operations, develop the skills of their employees and create linkages to new, higher value-added market opportunities.

The participants included South African as well as immigrant manufacturers and apparel designers. A number of Entrepreneurial League System[®] tools were utilized to structure and manage these activities. This was a wonderful opportunity to apply the ELS framework under vastly different social, economic and cultural conditions. It proved to be highly robust and adaptable to local circumstances.

An independent evaluation comparing project participants to a control group, demonstrated significant differences in business performance, capacity to adapt to changing market conditions, level of networking and collaboration, awareness of their needs and shortcomings, self-confidence and skill levels.

In 2002, the city of Louisville, Kentucky established the first Entrepreneurial League System[®] Service Providers Network involving more than 20 organizations that work with minority entrepreneurs and a single point of entry / needs diagnosis center. The network as a whole has achieved recognizable savings and improved quality of service. Individual service providers are focusing on what they do best and out-sourcing services to others in the system who are better suited to provide them.

In 2006, Collaborative Strategies worked with the Commercialization Team for Lucent Technologies' internal venturing program to assess the entrepreneurial skills of two project leaders. The findings from these assessments enabled the Commercialization Team to make better judgments about these internal entrepreneurs and how well their skills were matched to the market opportunities they are pursuing.

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Appendix B: What is the Entrepreneurial League System®?

The mission of the Entrepreneurial League System® is to identify and develop entrepreneurial talent. Through world class coaching services, the Entrepreneurial League System® generates an ongoing supply of highly skilled entrepreneurs capable of building successful companies in sufficient numbers to create wealth and transform a region's economy.

The key to a region's economic success is its entrepreneurial capital. We are not referring to financial capital, but to human capital. The most common mistake communities make is to focus on the results of the entrepreneurial process – the enterprise and its assets, and to ignore its source – the individuals who generate that wealth. The Entrepreneurial League System® focuses on the entrepreneur as the means of growing a successful business.

The critical determinant of a community's economic vitality is the quantity and quality of its entrepreneurs and how well they are matched to the market opportunities they pursue. Communities can and must do something to improve their supply of entrepreneurs. We methodically cultivate many other kinds of talent, why not entrepreneurs?

Current economic development programs only deal with half of the equation for success; they address the needs firms have for technical and financial assistance but do little to build a pipeline of highly skilled entrepreneurs capable of using that assistance effectively to build companies. The Entrepreneurial League System® is designed to fill this missing role, complement existing economic development organizations in the region and together, create a powerful engine for prosperity.

We address this blind spot in traditional enterprise development by focusing on the entrepreneur, not just the business. They are not one and the same, and the lack of attention to the entrepreneur, as distinct from the business, has become a source of failure. Service providers can provide numerous stories where the proper assistance was delivered but it had no impact on the business at all, because (as is commonly recognized after the fact), the entrepreneur was either unwilling or unable to take the necessary actions to grow the business.

Through our coaching, the Entrepreneurial League System® gets entrepreneurs ready, willing and able to utilize such services for maximum impact. We do this by establishing a hotbed for entrepreneurs and by helping them methodically develop the skills necessary for success as they work their way up the various league levels, just as athletes do in baseball. As a result, we create more and better customers for existing enterprise development services.

Business Plan for Implementing the Entrepreneurial League System® in West Michigan – Narrative and Summary Budget

Key Assumptions behind Our Approach to Entrepreneurship

Despite years of attempts and thousands of research studies, no one has yet been able to prove that all successful entrepreneurs share some particular personality characteristic. In fact, we believe the thinking behind such a search is misguided. By contrast, our approach is built on several key assumptions:

1. No matter what the industry, or the market conditions, entrepreneurs are successful to the extent that they have the necessary skills.
2. What is entrepreneurial skill? The ability to identify a market opportunity and to build a business that captures it; and, in the process of doing so, to create an asset that generates personal as well as community wealth.
3. Entrepreneurs come to entrepreneurship at different levels of skill.
4. Entrepreneurs are made and not born. In other words, entrepreneurial skills can be developed and are not the result of innate endowment.
5. If we want to develop successful entrepreneurs, we must help them build the necessary skills.
6. How do you develop skills? Entrepreneurs build new skills not by acquiring information or purchasing consulting services but through a process of transformation that involves both internal and external changes. This transformation is what occurs when entrepreneurs move from one skill level to the next. Such a transformation is facilitated by deep and long-term relationships with fellow entrepreneurs as well as successful businesspeople who provide coaching and mentorship.
7. If we want to create greater individual and community wealth, then as a community, we must collectively assume responsibility for developing a supply of highly skilled entrepreneurs that are capable of building successful companies in sufficient numbers to transform the economy.
8. Creating a dynamic regional economy involves more than simply developing individual entrepreneurs; it requires building an entrepreneurial community.

While these assumptions may seem obvious, most people in the enterprise development field act as if they believe that entrepreneurs are born and not made. Some say, for example, our problem is that we don't have enough entrepreneurs in our community; then they act as if there is nothing that can be done to change that situation.

Business Plan for Implementing the Entrepreneurial League System[®] in West Michigan – Narrative and Summary Budget

What makes the Entrepreneurial League System[®] unique and innovative?

1. The Entrepreneurial League System[®] has been designed by entrepreneurs specifically for entrepreneurs. All of our coaches, general managers and key management personnel are entrepreneurs with a track record of experience and success.
2. The Entrepreneurial League System[®] is the only entrepreneurship or coaching program *anywhere* that sorts or differentiates entrepreneurs by skill level (using a tested, proprietary method), and works with them accordingly.
 - Most programs either treat everyone alike or completely differently. Neither approach is efficient and effective. Others make meaningless distinctions among entrepreneurs, such as sorting by industry or geographical differences, which have no relevance for how one needs to coach them. Our coaching is customized to the various skill levels.
3. Our teams are not haphazardly assembled; our recruiting process is very extensive and methodical, in order to insure the highest degree of compatibility among clients and between clients and coaches. Our teams consist of entrepreneurs at a single skill level – which enhances the creation of trust and facilitates very constructive forms of peer pressure and peer support.
4. The Entrepreneurial League System[®] is the only coaching program *anywhere* that uses three different coaching approaches: one-on-one, group and community-level coaching where entrepreneurs from different skill levels get to interact with one another. Our approach consists not just of peer-to-peer networking, nor mentorship by a single experienced individual, but of a very powerful combination that integrates these normally isolated approaches.
5. We focus on developing entrepreneurs' skills, not just on achieving one-time, short-term performance based outcomes for their businesses (for which there is an important role in enterprise development). We work to produce a fundamental and lasting change in entrepreneurs' abilities, which translates into a higher probability of success and the ability to produce great wealth.
6. We take a comprehensive or holistic approach to developing entrepreneurs – neither focusing exclusively on external (i.e., environmental conditions) or internal factors, but rather including them all – a truly integral approach. Most entrepreneurial assistance programs focus on a single factor (e.g., marketing, finance, management, networking, etc.) that they hope represents the single key to success. Developing new skills requires much more and the Entrepreneurial League System[®] provides that.

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There are a number of active CEO groups in the West Michigan area that use a group coaching model – Peerspectives, which was developed by the Lowe Foundation, TAB (an abbreviation for The Alternative Board), and TEC (now known as Vistage). These programs differ in a number of significant ways from the Entrepreneurial League System[®]:

1. They generally focus on established or mature firms, not early stage companies. This is in part because companies in that segment of the pipeline can afford to pay well for their services. In the case of Peerspectives, for example, participant must be the CEO of a second-stage growth company employing somewhere between 10 and 100 full-time employees. The company must also be generating between \$750,000 and \$50 million in annual revenues. The companies must be past the start-up phase (generating revenues, clear business model and established product).
2. They generally focus on improving the operation and management of the existing business; we focus exclusively on the launch and development of new enterprises (even within an existing business).
3. We focus on the entrepreneur and building new skills; they focus on the business and improving operations
4. No one differentiates participants by skill level.