

How and Why of Promoting Entrepreneurship Abroad
Hoover Institution
Stanford University

Panel III: Promoting Entrepreneurship Both at Home and Abroad

Carl Schramm: Curt, you can come up. This is Curt Carlson. He's going to be our moderator. I'm going to get very easy treatment from him. Is that the deal, okay? Is that a deal? Curt is the President and Chief Executive of SRI International, just down the road. He is an entrepreneur as you can read in your materials. He was on the team that developed HDTV and then went on to help with the formation of ten companies. I know Curt as one of the actual intellectual sources of a new thesis about innovation. This is really tremendously important.

A couple years ago the [Secretary of Commerce asked me to chair a panel](#) that included Sam Palmisano of IBM, Michael Eskew, Chief Executive of UPS, and a number of pharmaceutical companies to deal with the question of how the United States measures innovation. We fought off a bunch of economists who want to do input and output analysis, but the point was nobody could get to the root of what innovation was and how you measure it. This is centrally important in our society, but at the same time, it is tremendously elusive.

Curtis helped us a huge deal with his book on innovation. I'll tell you one more thing about Curt and that is his own stewardship of SRI has put this place, which was already consequential, smack in the middle of the map around a different thesis about how economic development transpires. He himself has been the advisor to a number of companies. It reminds me that actually we have three quarters of the guests in Singapore with the cabinet next week dealing with the question in front of us says, okay, we've gone through four generations of economic growth strategy. What do we do next? Three quarters of the people who are going next week, are at this event today. I want to listen to what you have to say really carefully.

Curt Carlson: Thank you, Carl. I promise to get even with you at some point, maybe in Singapore. Well, we have – you're going to discover we have a perfect group of panelists to discuss the next topic. These are also – when I go through their bios you'll see who has actually worked on the issue of creating innovation and entrepreneurial ecosystems around the world. I think all of you been entrepreneurs. I think that's another common trait of these folks. These are all practitioners within transitions of deep knowledge to make a bigger impact on this really critical important issue around the world.

Suren Dutia is the Chief Executive Officer of TiE the Indus Entrepreneurs, the world's largest nonprofit entrepreneurship organization. They promote entrepreneurship globally. He has been the CEO of several high tech companies. He's also worked both in the government and the nonprofit and public sector as well. He has an MBA from the University of Dallas in Texas, so he brings a – the Texans would probably feel like they're the only ones who compete with Silicon Valley when it comes to entrepreneurship. You might want to tell us a little bit about that.

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Carl, you just met Carl. Carl is the President and CEO of the Kauffman Foundation who is our sponsor today. We ought to thank Carl for putting this together. *[Applause]* He was a professor at Johns Hopkins before he took this responsibility. He's been the chairperson of the [Department of Commerce's Measurement of Innovation, twenty-eighth First Century Economic Advisory Council](#). He's a member of the Council on Foreign Relations, and he's also formed four companies, being an entrepreneur. He writes prolifically on the topic of innovation and entrepreneurship. I can speak personally that he has transformed the Kauffman Foundation in an interesting way. One by bringing it back to its entrepreneurial roots and the second is by updating it to be fully responsive to the challenges of our time. As you know, they're the leading innovation and entrepreneurial foundation in the world. They've made transformational contributions to how we think about how do we create entrepreneurs and how do we move forward.

Burt van der Vaart is the – co-founded SEAF in 1989. He became the CEO and President in 1997. Under his leadership, they've made nearly three hundred investments and invested more than almost half a billion dollars in over thirty countries, so he too gets to see very broadly what's been going on around the world. He brings that knowledge to us. He was a consultant at Bain and Company. He has a law degree from Yale, and he was a Rhodes Scholar at Oxford University a number of years ago.

Paulo Veras – Paulo is a board member of Endeavor Brazil. Endeavor Brazil is another enterprise that's devoted to promoting entrepreneurship to transform emerging economies, so he has also seen very broadly what's going on in the world. He's been a founding member in two companies and some of them very large companies termed to be very successful. He started as a mechanical engineer, and he got his MBA from INSEAD.

So, I want to thank the panel for joining us. Again, I think they have a kind of global perspective on innovation and entrepreneurship we need. Just a couple of comments, when we think about innovation because we, like you, work around the world. We think this is the best time for innovation ever. Every market segment is open for major transformational innovation whether it's energy. In spite of what our politicians say, we really don't have the energy technologies that we need at cost so they'll be effective not only here in the west but in the developing world. Obviously health and medicine is going through the biggest transformation ever by going from physiology, and anatomy, and chemistry, and physics to an information technology. You can go down the line basically. Every major market segment is open to enormous transformational innovations.

The question is always, well how do we do that? How do we facilitate our environments and our people and our educational institutions to be more effective at that? Our panel, again, has had enormous experience at making that happen. So, the first question I'd like to ask all the panelists is, first, what does it take to create innovation in your experience, successful innovations within the ecosystems that you've worked in?

Suren Dutia: Thanks, Curt. First, I would like to acknowledge – I think there are a couple people in this audience who are incredibly more qualified. The founder of TiE, Kanwal Rekhi,

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and the gentleman who has been a tireless supporter of ours, Bill Draper. Some of you already met Bill and you'll soon hear Kanwal. TiE has an interesting model, and in some way, I think I have enough scars to talk about it since I was involved in starting a couple chapters while working as a CEO of a company on the west coast. It's based on developing and building entrepreneurial ecosystems.

Today, TiE has fifty-three chapters in twelve countries, and we achieved the mission of fostering entrepreneurship through three pillars: mentoring, networking, and education. So, it tells us – we provide a platform to inspire young entrepreneurs to interact with successful entrepreneurs. We provide the culture of risk taking which was just mentioned by Secretary Rice. We give confidence to aspiring entrepreneurs to interact with other successful entrepreneurs who have made mistakes along the way. We make it possible for them to meet other entrepreneurs where they have business energies and similar interests.

We make connections by their networking with individuals who have started similar businesses. We connect entrepreneurs with mentors which is one the most important parts of TiE's entrepreneurial ecosystem where we have about 2,500 individuals across the globe, who are all successful and accomplished. This is their commitment because they are committed to this concept of virtual creation of wealth by giving back. We make it possible to connect chapters with each other, so if you are in Silicon Valley, you have a window to the world by connecting with fifty-two other chapters.

Last week I started to look at what's happening, and I looked at one particular situation which stared at me in Bangalore, Pakistan, a chapter that I have worked with. I was looking at what they had been doing, and I was pleasantly surprised that in the last twelve months they have incubated or they're in the process of incubating nine start up ventures. So in my judgment, it is possible to cultivate the culture of entrepreneurship, and that's how we do it.

Paulo Veras: Well, Endeavor is also a nonprofit that supports entrepreneurship in emerging markets. We do have a very strong focus on a type of entrepreneur we call high impact entrepreneur. I think Richard mentioned that a little bit. There are some micro financing operations in Brazil, but Endeavor focuses on the type of entrepreneurs who could eventually become a Google because we believe that if nobody wants to do it, then it's not going to happen. I think it sometimes sounds too easy especially being here in the Silicon Valley. We talk a lot about the success stories, etc. It always seems easy to build such a successful company here. I mean it's not. It's not easy down there as well in Brazil or in India or in Pakistan or anywhere else.

I think part of the issue of fostering innovation is getting to realize that entrepreneurship is a very long-term thing, and it's hard anywhere in the world. So, we don't really take it when people say, well, if we were doing that in the Silicon Valley then it would fly really, really fast. It will be easy and there's a line of venture capitalists wanting to fund your business. Even if you take Google or Skype, it was not easy to fund them.

We had a nice chat with the Skype founder, [Niklas Zennstrom](#), a couple of years back. We took

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a couple of entrepreneurs to talk to him and he said, “Well maybe if I had started Skype in the Silicon Valley, I wouldn’t have gotten funded.” His rationale for that is that there was no competition for money. There was very little money available where he was starting the business, but there was no competition for that money. It was very, very easy and fast to assemble a talented team, and it’s very, very hard to do that in the Silicon Valley, of course, to have a lot of people. But, there are a lot of companies fighting for the talented.

There’s also a friend of mine who came to Stanford, took an MBA and then he started a company. Got funded and then two years down the road he realized that two other companies had already been funded a year ago to do the same thing. He called investors and gave the money back and said, “I could never ever make up for this one year loss that we had.”

In emerging markets, we don’t have that. Of course, the regulatory system is very, very bad. The taxes are – there are a lot of hurdles, but there’s some that exist here and do not exist there. So, I think it’s really important for people to understand that it’s difficult anywhere. To be successful is a tough thing.

Then, one of the things that TiE does and we also do is we focus a lot on the role models because we believe that especially in emerging markets we talk about the oligarchs and etc. They are not very close role models that people, young people or even older people can relate to and say, “Well I can be this guy within five to ten years.” We think it’s really, really important to have that. Just to give you an example, there’s one of the companies that currently supports forty-five companies in Brazil and more than three hundred around the world. The supporters mean is through mentorship, advice. Sometimes they bring MBA students to work in that company for a summer job.

One of the companies that we support was created by a very, very poor woman who lived in a slum, had no education, had a black skin, of course no money whatsoever. She was very, very intrigued with her own hair. Then, she said, “Well, I need to fix this.” She said – she put it that way. “I need to find a husband, and I need to find a job, so I need to fix my hair first. Otherwise, I’m not going to get any of the other two.” She didn’t intend to build a company. She just wanted to fix one real problem, so she was the first customer for what she created. She spent ten years mixing stuff in her own bathroom until she found something that worked.

And then, she was happy. That’s what she wanted. Very novel solution and then other people around her community started asking, “Well, can you do it for me as well?” So, then her husband sold the VW Beetle, which was all they had and bought some stuff, and then they started treating hair for other people. That was thirteen years ago. Now, they employ one thousand people in Brazil. They’ve been doubling in size every year. This woman became such a reference for the rest of the country because she proved it can be done. To think this is really, really important. It’s an innovative business, had no money, had no education, had no network, had nothing, but she went out and did it.

It’s really an attitude thing that we have to work on. Last year, through an initiative from Kauffman Institute – Kauffman Foundation, we had Global Entrepreneurship Week, which was a

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platform to promote entrepreneurship worldwide. In Brazil, we set a very aggressive target. They had done it in the U.S., and Gordon Brown had done it in the UK. They had sort of gathered half a million people to participate. So, we figured well we're in Brazil. It's a big country. We need this, etc. So our goal for the first year was to create the biggest one. Then, we set out to invoke 500,000 people. In the end, we got 1.5 million. We had a huge campaign. It was donated to us, around ten million dollars in terms of ad space, primetime TV, newspapers, magazines, radio shows, everything, and then, a lot of coverage, as well, from the reporters. We ended catching more than fifty million Brazilians exactly with this message that entrepreneurship is possible, telling stories, getting examples to TV, Brazilian examples. We even got Michael Dell to form a short clip saying how he started Dell.

I think it had a tremendous impact on the country because once you break that mindset that it's not possible, then you create a different road that leads you to how can this be done. And then, you can achieve entrepreneurship all around the globe.

Curt Carlson: Thank you, Carl.

Carl Schramm: Curt, I'm going to start by asking the audience a question. You don't have to answer, but this is sort of a rhetorical question, okay? Is every company an accident? Somebody has already said yes. Every successful company is a happy accident. There are a lot of naturally occurring accidents, thank God. The Secretary of State has just suggested to us that which most of us felt. More of these accidents seem to happen on a per capita basis in the United States.

Now, what we know about entrepreneurship, I would suggest, is precious little. I'll give you a couple of examples that should shake your faith in what we know, at least they shake mine. First, we don't know who becomes an entrepreneur, and no psychologist can tell us. There's no instrument that tells us.

Well, you know, the reason that the Kauffman Foundation focuses on what it does is because this is no longer a society that can sort of depend on happy accidents. Entrepreneurship has become central to what our economy is. Most economists don't get this. I'll talk about this a little later. But, if this is central to our growth, we actually ought to be a little bit more systematic about it.

There are three universities in the United States that have a Ph.D. in entrepreneurship. I won't say anything further, okay? Can you imagine what the canon is that they teach? If we don't know who they are, if we don't know how to improve success, let alone if we know nothing about how to scale a start up in which nobody knows except, of course, five or six or seven hundred thousand venture capitalists who actually tell you they know, but it's always after the fact. They define very carefully what firms they're going to talk about, okay, all right? I want to say very quickly before anybody gets their hackles up. I am a limited partner in venture funds, okay, and I'm an angel investor in four companies right now, okay? Venture capital is critical, critical to our growth, but with all these other questions around, we actually ought to have some more science in the world of firm starting that should inform even firm investment.

Now, last point. The two gentlemen to my left proceed happily into big social benefits without

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having to puzzle through these questions because what they do is they find the natural accidents that are occurring, and they actually have systems to improve success. This is fantastic. This didn't even exist twenty-five years ago, okay? This is really important because what it does is propagate the notion through Endeavor and through TiE that what happens here be it in the Silicon Valley, or in Austin, or in Madison, Wisconsin, or in Route 128 can be propagated around the world, but we have still fundamentally, Curt, to get to the question of, okay, how do we make a more innovative society?

I would submit that unless there's somebody around like the Kauffman Foundation who is educating in the research departments, who is pushing these questions. Running the Kauffman Foundation is not to be everybody's happy partner. There are presidents of universities who don't want me to show up. I look like the undertaker, right, because one of the first questions I'm going to ask them is how good is your technology transfer office? How come you can't get those marooned ideas into commerce? Why are you trying to enslave a professor? Why are you trying to establish a priori, a value on an idea that has no value unless it becomes a company, okay? We ask those questions of the perspective that there has to be an entity that keeps stimulating underneath very, very troublesome questions to the point – the whole point of this is to in fact increase the number of people who do this. Increase the number of people who do this successfully. Increase the number of people who do this successfully at scale, not only to their own benefit. We're totally Adam Smith's, but the real reason a foundation exists to do this is to in fact advance the welfare of all. That's it.

Curt Carlson: We'll come back to that.

Bert van der Vaart: Wow, okay. Well, I was going to start off and say that I am trying to find out something to do with my hair, but I didn't get to the ten years. It all blew up before I got that far, but I've certainly been involved in a lot of accidents. I guess what I want to talk about certainly, and everyone of these that are finals of thoughts which I know we synthesize here in the remainder of this panel, but I think what we have done is, you ably pointed out, is invested small/medium businesses in thirty countries around the world which does give you a little idea about what it takes to succeed and what the conditions, etc., are with these people who have done it. One thing, I think commonly, I could say we've been up for twenty years now, so it's been a long, long slog. We grew ourselves out of cash flow which is probably itself made it an even longer slog.

What we can say is that a lot of this is – there are bright entrepreneurs. There are entrepreneurs who see something missing. They made themselves be frustrated. Don't have the temperament of working for the World Bank or an insurance company or a real job that their mothers might have been saying. So, there they are bending metal trying to find something to do, an accident waiting to happen as we talked about in the previous analogy. I think that many of them get that product out. They get that revenue going, but to where that innovation becomes successful, what they often don't do is they often are a lot less able to understand how to grow their business, how to get their cost in line, how to work on working capital because they see that mission, making everybody's hair look better than mine.

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They don't really see their mission initially, how do I really cost that down, and how do I expand because one of the biggest problems to all entrepreneurs who move into the formal sector, who are in many cases in countries where there is endemic corruption, where the person who is making the sale is often associated with getting a kickback. How do you trust your sales staff? How do you trust your HR, your CFO from not using what's valuable information and ripping you off? So, there's a lack of trust. There's a lack of focus on what the business of commercializing this idea is. We have some terrific scientists in Russia. Really brilliant people, but oftentimes they had sort of shadowy kind of figure near them, who was their business manager. Then, these guys would be able to kill ideas faster than the government would. It really made it impossible to invest in some of them.

In our view, really when you get down to innovation – I think the status thing. I'm a Dutch guy. We hate waste. Really, it's the compelling reason for my doing it. I'm not fighting my DNA. I'm just moving with it, but what we see is that you've got great ideas moving and then they founder. They founder because the business isn't managed well. People don't understand what the potential threats are. In this stage, we can look around the world and see a lot of companies hitting the wall. It's a terrific time for consolidation because those companies that are well managed are able to take market share. If I'm asking the question, one thing I would say also - where I think U.S. will have a permanent advantage for many years – is that people here do understand that management of resources is in and of itself very important. It isn't just the bright scientist. It isn't just the bright and slick marketer. It really requires something more, and when you want to go to scale then really that's what you're talking about.

Just one last word and we're talking of an ecosystem of entrepreneurship. We started twenty years ago with a \$300,000 grant from AID. Out of money, maybe about seven percent still comes from AID. Originally, particularly in Eastern Europe, we made money on these grants, and then AID said, "My gosh, what are you doing making money on this stuff?" What do we do now? They said, "For gosh sakes, please put this now, not in another fund where you make more money. Do something with it that loses it." What we did is we went around, and we looked and we said, "Well, what was the weakness if you talk about the growth in the two-hundred odd SME's, 290 SME's now?" It's bench strength, right, because if you got the accident of the entrepreneur, he or she is pretty much condemned to bumbling forth and succeeding or not. But to scale it out, how do you attract decent people to be their CFO, to be their HR person or head of sales because this is not the number one position. They're not the god of the universe. They're actually working for this pretty chaotic kind of individual who has gotten to where they've gotten so far. That is why we opened up the Center for Executive Entrepreneurship Development.

I'll tell you a couple of things. We had a guy from Proctor & Gamble who did twenty-eight years with Proctor & Gamble before he joined us. He actually did market research. A lot of these government programs – the EU, I'm sure, never – what a key market research is. They just go out and say well let's just seek entrepreneurship. I would say that, Carl, even your blistering introduction of how little we know about entrepreneurship is doing more justice than what I've seen from AID programs or from the EU in terms of what is teaching entrepreneurship. Well, we'll just send some professor, and he'll talk. So, there's this hapless group of thirty Bulgarians

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who are going to be talked at by some professor from Iowa State, and he's going to talk GM. I don't understand what the relevance is – normally what happens after a day or two. People figure out there's no money there. So, the third day there's nobody in the audience.

What we did is we actually said what do entrepreneurs need? Entrepreneurs want to know how to get their products on the shelves of companies. How do they prepare a project that actually is going to stand a decent chance of getting through a tender? That's one important thing. There's practical training of this. The other thing is that they do look for role models. In any society, in any country, there are successful entrepreneurs. How they got there, we can only really praise God. Some of these people, I would say many of them – I think the TiE is an excellent example – want to give back after they're successful. They want to mentor. They want to actually work with entrepreneurs who really have nothing to really add to them at all, but just their desire to see people grow.

We call that top class. We found these mentors available in all these countries. They've really established a terrific network. We'll talk more about networks, but there are now 7,500 entrepreneurs in these seeds in Southeast Europe. It's just thrilling. Many of them came initially – they thought we might fund them, but the more interesting thing is what's happened since that time. That kind of support – when your wife doesn't know; your mother doesn't know, doesn't want to know. Why aren't you working in the government instead of doing this crazy thing with the people? That kind of support is what mentors and networks are all about. I think that they do encourage to kind of stick-to-it-ness that together with an entrepreneurial idea or an accident does lead them to a successful growth story.

Curt Carlson: Let me build on the point that Carl made and Bert, your genetic disposition to avoid waste. Carl was actually being kind, I think, about our performance at innovation and entrepreneurship. Even in big companies, the lifetime of the top five hundred companies used to be about a hundred years before they went away. Now, it's down to under twenty years. I love the idea of tech transfer at universities. They call their departments that. Everybody knows that that's the one thing that doesn't work, right? Tech push doesn't work. They even got the name wrong, right?

If you look overseas, yes there are a lot of companies being formed. Yes, we can tell lots of nice stories of the exceptional person who stands up and does this remarkable thing, but if you look at systematic success, it's hard to find. They form companies, yes, million dollar companies, not billion dollar companies. Million dollar companies won't have the kind of impact that we need in this society we're going into. If you look here in Silicon Valley right now, the entire venture community has been under water for about five years. Where are the successes? We all agree that if we don't get to be really good at this, we're not going to have the kind of societies we want.

So, I'd like to ask the panel again, what would it take, what would be the one or two big things that would really help move us forward to be more systematically successful and make an impact at scale?

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Carl Schramm: We have to write better business plans.

Curt Carlson: Okay, Carl. You start. Carl, what would you do? You study this all the time. What would you do?

Carl Schramm: Well, you know, one thing that business doesn't do and medicine does and to great, great benefit. Business never autopsies failure. We don't know anything at all about failure. We just pass along, quickly. I just made a joke about the business plan issue. It's ridiculous that when we teach and this year we will be teaching millions of kids literally. Millions of kids in Kauffman campuses alone; this is sort of a self indicting statement. We have about 350,000 youngsters in our Kauffman Campuses. Those are just schools we give grants to so that every kid on the campus has some exposure to the narrative of entrepreneurship in their life, okay? But, there are millions of kids being exposed to entrepreneurship but don't know what to do about it. Our systematic way, they don't have to go to Bulgaria. They can just go to the University of Iowa or even fancier universities, okay, and be taught how to write a business plan. There's no sense about how this happens, okay? There's no sense that we have to do it systematically. The worst of it is I don't even know where there's a center of people thinking much about this.

Curt Carlson: Paulo.

Paulo Veras: I agree with everything that's been said. There is some science, but there is a lot of drive, attitude. There's a little bit of intuition tied to it. At Endeavor, we have a similar model. We have mentorship. We try to provide them with framework. Usually, entrepreneurs in emerging markets – they don't understand the value of having a top team, so they tend to hire people worse than them, so that they won't lose their status within the company, etc. They don't understand that they have to hire people better than them so that the company will grow faster.

There are a few things that you can teach them, but I think - first of all, we did a survey with the three hundred companies that we support. We asked how did Endeavor help you the most? We were a bit surprised because the outcome of that, Endeavor helped them think bigger. So, if they have more ambition, if they realize that they can do more, they look for the tools to get there, because entrepreneurs are by nature problem solvers. If they do understand that it's possible, they'll find ways. Oh, there's no venture capital. They'll ask somebody. They'll ask a successful businessman to lend them some money. They'll get there. They'll tweak their business model to need less money. With the crisis for instance, we did a survey with the Brazilian companies and we found out that a third of them had never used any funding because it was so expensive and it still is in Brazil.

We usually have the highest interest rates in the world, so a small company would pay around two percent a month on a regular loan. So, a lot of companies would not even get off the ground if they had to pay back any type of financial institution, so they have to adapt their models, etc. Of course, they grow slower because of that, but I think if you really need like key points, you have to make people believe that it's possible; that they do have the opportunity of creating

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something great, something bigger. Then, you do have to create a support system to provide them with the guidance, the tools, the education on how to bridge each of those gaps to get there.

Curt Carlson: This idea of building spirit and community and knowledge of role models and knowledge, some countries are now teaching innovation and entrepreneurship from kindergarten all the way through college. Is that the future of education in America to help spread these skills?

Paulo Veras: Well, I haven't been to college here, but I have been to a workshop by Tina Selig, who teaches here. I think it's a very, very interesting approach in terms of getting people to experience things and people to understand the dynamics of running any type of operation. You can do that at any age. That has tremendous benefits in terms of getting people more curious about things, getting people more engaged, and getting people to understand that if they do some things well, they'll benefit from it later on. I'm not sure if like – well, there's such a thing as a Ph.D. for entrepreneurship, but I think there are some activities that can be done since kindergarten that will make people better prepared to face an entrepreneurial challenge.

Bert van der Vaart: Yeah, I may be a little slower thinker, so part of me wants to answer the previous question and part of me this one. But, I do think one of the things that I believe, if you look at the risk capital side, trying to scale things up, it's not enough. It's important. It does great, but I don't think you find a lot of businesses that are going to go ten times or fifteen times money, so I think one of the issues is – we're certainly trying to develop this ourselves – is what kind of modified risk capital model can you push out there that would get money out there that isn't perceived to be as expensive, Paulo, as some of the entrepreneurs will look at a relatively early stage. It could be debts with warrants. But, then you've got to really hold onto some of these companies a much longer time.

One of the things that's really difficult in the SME world is that the Draper Fisher Jurvetson model as IFC understands it, you have a nine year fund with four years to get the money out, five years to get it back; essentially a buy out model almost in a market like the United States that up until recently had a very vibrant capital market. That is not necessarily applicable in Macedonia or in Bolivia, and so when you try to come and you've got companies that have got to go through more hurdles and got to gain confidence, etc., how do you get more time for them to grow up, and what are your expectations? I don't think our expectations should be necessarily that you do risk capital at more than thirty-five percent IRR, etc., although you have to charge appropriate for the risk. So, that's one thing.

The other thing I think really is that there's too much top down. What I've seen is that really peer to peer is a lot more interesting in terms of the authentic, what does it take to succeed. If you're trying to say how do we promote more of this, I think getting entrepreneurs into a forum where they do talk together. Of course, many of these people are extremely busy, and they're not into conferences. They're not into lots of meetings, but if you can get them in to where they are able to really talk about their own problems, etc., I think this really is electrifying. They do want to talk.

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Where we see the growth emphasis and the ambition, if I'm preaching, they'd say, "Well, yeah you would be because you're trying to make money off me." But, if they're talking to their peers and saying who succeeded, how did they do it, and they really encourage each other, this top class – these guys meet over nine months. It's a group of five, and they're mentored by two guys. They actually, at the end of that period, become really much more ambitious because what they see is that these mentors have made it. Then, they egg each other on. It's not like Alcoholics Anonymous where they're trying to sort of set how are you going to be more ambitious? But it has a little bit of that character, so I think peer to peer and networking, I think, not necessarily just on the internet, but peer to peer is one way to really extend the culture of hey we've got to go for it.

The other thing I think we ought to realize is that we're going to have failures. We ought to bless failures. In the U.S., it's been good at that until recently I think. I think certainly creative destruction. We all read Schumpeter. I think it's a terrific part of the system. Too few people understand that, and I think we ought to really celebrate that at some stage to say that it is an important part of what growth is all about.

Carl Schramm: You know, Curt, I tell you this. We had the happy situation of a huge amount of peer to peer support going on. Then, the question is, how do you get more people in the pipeline? We believe, obviously, very, very deeply – that's what Global Entrepreneurship Week is about. It's just a mere exposure of these stories is the first start so that every kid can, not every kid, but well, but Muhammad Yunus has this wonderful line that, "We're all entrepreneurs. Only the lucky of us discover it." To a huge extent, I think that's probably right.

I think back on my own life. I had already started three companies and was mowing the grass on a Saturday. I think I was over forty before it occurred to me. I started three companies. One was publicly traded before it occurred to me. Now, I may be – confession here – how really backward I am mentally. I had never attached the word entrepreneur to myself, maybe because I couldn't say it. But, that is an informative moment in the sense that what would have been different in my career had I thought at the beginning I was an entrepreneur and then had been able to seek through a TiE equivalent or to what you're talking about the mentor to mentor. I was a professor who went sort of off the reservation, starting a business. I had sixteen kids and an office building downtown that I'd personally guaranteed the rent on, okay? Suppose I'd had that support?

If you roll the tape back, if you look at just the history books in our American schools now, you will find dozens more pages about episodes in our cultural history that are abhorrent, that will dwell on endlessly on the bad parts of American history. You can read these books from cover to cover and not see a word about someone starting a business. Thomas Edison has almost disappeared. George Eastman is out of these books. The whole story of Genentech is not even told. It's much too complicated maybe to teach that in science.

The mere sort of exposure that this is our common culture and what it means is sort of absent, so in a way, Kauffman, through these projects like Global Entrepreneurship Week and our Kauffman campuses and so forth, we almost think we're doing remediation. What a waste of our

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money, but it's sort of called for. In a sense, I think it starts right at the university level down. The way we conceive of entrepreneurship at the university level is this is some cream that rises above the whole class. They'll show up in our laboratories and we'll identify a couple of them who will be so smart and so ambitious that they've got a firm in them. And then, we'll activate a very elite sort of infrastructure to induce a firm.

Here's a different way to think about it. To come on a campus like this is to run into a jillion smart people, but if I were to say to people in the audience, at Stanford, which has a reputation of everybody here is an entrepreneur, is that so – if you go out and ask those kids are you getting a Ph.D.? Are you going to start a company, right? Maybe fifteen in one hundred would say I've thought about it, okay? We actually probably walk around in the mythological moment ourselves, and we've let ourselves – we give ourselves a buy all the time in terms of it's going to happen. It's happening. We're here. We're attending it, but the question is there ought to be tons, tons, tons, tons more of it. We don't know how to get from here to there because we don't have any science. We call Kauffman the science of start ups. We don't know how it happens.

Curt Carlson: Suren.

Suren Dutia: Curtis, let me – since we talked about education and kids, we are experimenting with something that I think is pretty exciting. Let me take you outside Silicon Valley. In Boston, we started a youth initiative working with schools. First year, we had fifteen kids who volunteered; conditions where the schools won't have anything to do with it. We won't involve parents. This will be – we'll bring kids with total consent from the parents, and they will not know each other. But, they can connect with each other. Fifteen kids volunteered. It was so successful we decided to continue. We had one hundred kids this year. We had a thirteen year old child in Silicon Valley who has now started a company of his own and selling on Amazon. So, this coming year we have now four other cities and volunteers for us each saying they will have one hundred kids involved. We have a three month curriculum on entrepreneurship: Seattle, Carolina, Silicon Valley, Boston will continue, London and then one other chapter most likely will join in Delhi. So suddenly, we'll have five hundred to six hundred kids involved and what's been interesting is that these CEOs who function as mentors, we have more interest on their part wanting to work with these kids.

Not only that, but what's been especially interesting that kids who would have been playing around on weekends, playing games, video games and what have you, suddenly they're spending their Saturdays working on these projects, projects that they've jointly identified. It's been amazing. We haven't had a single kid drop out, so parents are suddenly thrilled that their child, their son or daughter is participating in an entrepreneurship project. Comes home and talks to parents, talks about accounting. Talks about – saying that, “Dad, will you match every dollar that I save?” Suddenly all kinds of – lot of learning is taking place.

It's interesting that suddenly we had from nowhere and what was interesting is that Carl and his colleagues and I worked on this project. Idea was very simple that for every dollar that I put in, I have support from Kauffman. Now, every city and we picked five cities. They're all putting their skin in it. So suddenly, we have several hundred kids involved in it, and we are ready to

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launch that. We are very excited about it because we think that in addition to the education, the entrepreneurship education a lot will come out of it.

Now, since Carl is very proud, and rightly so, for Kauffman deserves all the credit for making entrepreneurship the buzz word, university accepted. Carl, I was in my favorite city last month speaking at formerly the Maryville College of Second Heart now Maryville University last month. St. Louis happens to be my favorite town in Missouri where I had most of my education. Carl, I went to office of Tom Ashen and picked up [Millennium Development goals for the United Nations](#) up to 2015. There are seven goals starting with eradicate poverty and hunger, education, empowering women, all kinds of good things here. Environmental sustainability, develop global partnership; not one word anywhere on entrepreneurship. So Carl, it's an interesting project for you.

Carl Schramm: Thank you, thank you.

Curt Carlson: I'd like to open this up to comments.

Carl Schramm: Can I say one thing in response because the audience may have had a little window into my sort of deliciously desperate view about entrepreneurship and what not. It comes – Suren's remarks prompt this. I wrote a piece in *Foreign Affairs* in 2004 about creating entrepreneurial economies. One person I know for sure read it. His name was Gordon Brown. To make a long story short, he called the Kauffman Foundation and said we can't make big companies here. We need more entrepreneurs. Would you teach entrepreneurs? But, we don't do teaching. I asked him why is this? He said well, this is what I'm asking you to do. You've got to help us get kids here. I'm going to call this a reverse [Rhodes Scholarships](#). I want to pay you the Kauffman Foundation to take these kids. They've got to come back and be ready to start a business. Now, just think about what that says.

I'll give you a statistic first. In the United States, we produce thirty to thirty-five companies every year that cross a billion dollars in top line revenue. In the last ten years, there have been four in all of Europe and the UK. They can't grow big companies, okay? The task in front of us – I said yes, but the task in front of us, I didn't appreciate at the time. We had to teach people who the day they stepped back into Great Britain had their company ready to go.

Now, I would submit that's a task that no business school in the United States faces. That's not the exercise of higher education in the United States. The people around me here they're very, very much closer to exactly that task. The happy accidents present them to this social network, and they go to town making that business start or flourish the next day. The missing link is between an objective, which might be a millennial objective. We should have – the world should have two or three times the number of entrepreneurs, but we don't know how to go from that millennial objective, if you will, to the point where TiE has fourteen times more people demanding the services of time, or Endeavor, or your network.

Curt Carlson: We need to innovate the process of innovation. I would point out, too, that the program concerning what Carl just described is being replicated all over the United States. Here

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in Silicon Valley, there's a program called "The Girl's Middle School" where seventh grade girls write and run companies for a year. They get them funded by a panel of venture capitalists. They get one hundred dollars. They run them with folks like us and their board of directors, just like you said. They have to send the board book every month. At the end of the year, they break their companies up, and they pay back their venture capitalist with interest of course. They give thirty percent to charities to learn social responsibility, and they get to split the rest. I want to tell you when you meet these young girls it is a moving experience because they've been transformed.

These kinds of programs to me are how we're going to really solve this problem. When we start educating people from the ground up, and there are now hundreds of thousands of entrepreneurs. We have tens of millions of them, billions of them around the world, so let's have some questions. Yeah.

Wasiq Bokhari: My name is Wasiq Bokhari. I have an investment company that takes innovations from here to outside the U.S. I was trained as a scientist; became an entrepreneur; became an investor. In terms of defining entrepreneurship, I would call it a Darwinian selection process in an ever changing landscape. I don't think there's all the analytical way of predicting where it might be successful, but there's one common theme which is risk tolerance. That's what defines an entrepreneur. So coming back to this question of how and why we're promoting entrepreneurship abroad, a question could also be how can we sustain entrepreneurs by promoting risk tolerance by allowing them to take risk especially abroad because here in Silicon Valley we have an ecosystem that allows people to take risks. So maybe, if you could address that question, how can you promote risk taking outside this area?

Paulo Veras: I think there's maybe a common misconception that entrepreneurs are risk lovers. Usually they're not. Nobody likes risk. I think the biggest difference for entrepreneurs and the rest is that entrepreneurs are very good risk managers. Their perception of risk is quite different. Whereas someone who faces something that was unknown would say, "Wow, this is totally impossible. I'll never do that." The entrepreneur immediately attacks that problem saying what are the issues here, but if I do this, if I do that, if I bring this person along. He's always thinking about how can I reduce the risk levels. He does that almost instinctively, so it's not really something that we should push the society -- you've got to take more risk. Go after it. You'll succeed. It's not the way it works, but if you get people prepared through these activities, etc., they will understand that more things are possible, and they will have a mindset to search for the solutions.

As I said before, I think entrepreneurs are problem solvers. So, usually if you'll ask a lot of entrepreneurs, "do take a lot of risk in your business?" They would say, probably not, but for an outsider, they took tremendous risk. But, they tried to cover their bases to decrease the risk as much as they could.

Janice LeCocq: I just had some thoughts about this whole business of trying to quantify entrepreneurs. I'm pushing sixty and grew up in the culture where women weren't really expected to do a whole lot except for the things that were women's roles. I grew up in a pretty

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supportive family, but one of the things that I never was burdened by was this whole notion of having a business plan for my life where I was going to be a doctor, I was going to be a lawyer or whatever. I was sort of told I could be anything that I wanted to be. I think that was actually a real benefit because I've had multiple careers, very odd things. I went from being a human biologist, to an anthropologist, to a securities analyst, to an investment banker, to a CFO of a start up, to a CEO of a start up, to consulting and now I'm taking photographs and running a ranch and doing some other things. But, I think part of it was being open to opportunities that weren't sort of stuck in some little fixed line of where I was supposed to go.

I had a lot of people say to me well what does that have to do with anthropology? I said an anthropologist is somebody who is kind of open to all different ways of doing things and different cultural views. I'm an anthropologist as – I used to joke that I was doing field studies at investment banking as an anthropologist. But, I think that was sort of non-linear approach to identify an opportunity and going with it as a subset of the risk taking thing, and I agree with you that risk takers aren't just jumping off the high dive and wondering whether there's water in the pool. They actually start getting some confidence that they can be dropped into situations that are completely foreign to them. I was talking to a young woman earlier. I started everywhere at point B, not knowing what point A was, but I had confidence that I could go back and learn A to B. I've been modestly successful at that. I'm not Bill Gates but there's a lot of opportunity for people if they can just open up the idea that they're not on a linear path.

Curtis Carlson: Oh, sure; all innovation is non-linear. Yeah?!

Bob Goff: Hi I'm Bob Goff, I'm an ex-patriot of Silicon Valley, and I'm currently an angel capitalist in green technology primarily up in Lake Tahoe. And last week I attended the Intel-sponsored and Kauffman-supported, International Science and Engineering Fair, and there were 1,600 ninth to twelfth graders all across the nation, all across the world – I think there were some fifty countries represented there – but to the extent that we have innovation and education as one of the foundations, or two of the foundations of entrepreneurship, it seems to me that the experiments that they were showing, demonstrating up there in Reno last week, were some of them truly inspired.

And if there was a way to connect those ninth to twelfth graders into mentors, or into some kind of a bridge, of what commercialization possibilities were there downstream, I think that's part of the solution of what could be done. The other area that occurs to me is that angel capital networks such as ours do primarily three things: we provide coaching, capital and connectivity. And most of the members are mentors, who have been successful, who love coaching entrepreneurs. So my question is: to what extent does the, perhaps American-led, angel capital network, to what extent is that being formed and expanded internationally, globally? And is there more that we can do in both those science and engineering-like fairs, in coupling men with the mentoring and the networking that could be done both virtually as well as in-person to accelerate entrepreneurship, and successful entrepreneurship around the world?

Curt Carlson: Good question.

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Bert van der Vaart: I think I'll go to the angels first and maybe backing up to some of the other themes that you touched upon. I think, I think it is peculiarly American, I don't know, Secretary Rice's comments certainly talking about the common culture, which is still the common culture, and hope the Kauffman Foundation could continue it, being the common culture of optimism, but I think clearly there is something here that, from the Netherlands, I can say doesn't exist in Western Europe, and is one of the reasons why many Europeans or other people in the world do admire the United States of this volunteerism after your success, etc.

There are a couple of groups that are trying to pass that obviously there's cultural differences you have to try to be able both on language, etc. to communicate it. But if you're reasonably, in the tech, the technology, I think there are people, TryLink, or InvestLinc, are some groups who've done what you were saying, really getting, particularly medium-scale entrepreneurs, I'm not sure about this billion dollar stuff. I think there are lots of roles for hundred-million dollar companies. I mean, you know, and I think there are a lot of hundred-million-type entrepreneurs, who are frankly super, and who after they've cashed out or sold out, or whatever else, that part of the journey is better left in somebody else's hands, are very ready to give of their time, maybe some of their money.

I think that is something that should be expanded, and I think a great investor role for Americans. So that's certainly that point! I think that kind of ties in with the lady rancher, investment banker, anthropologist. I think one of the real problems that we have in the U.S. – I love that! – I love what you're doing, is you're doing whatever you can do, do the best of it, if something else come up and it seems more leverage for you to do that, do that! Now it seems that the essence of an entrepreneur, or serial entrepreneur, let's say. I think the problem I see in places like, less maybe Stanford Business School than at Harvard Business School. Harvard Business School people love what we were doing, I want to join SEAF, you know I want to go do this, etc. When you interview them, when you try to understand what their DNA is, it's incredibly important to them that they don't fail. You know, they've done all the right schools, their parents have got them all the right way, you know this sort of programming that starts when you're six, or whatever, so that you might make the right private school, to make the right whatever it is, I think that's really so detrimental to the United States.

You know I think if kids can do, and if parents, more importantly, can let them do what they're good at, you know you're blessed to have been a woman, so that, I don't know your father was somebody who said you've got to be a doctor as a kid, or whatever, I mean, I think that's terrible. And no where else do I see that more than with Harvard MBA School, I mean I don't want to pick on them but to Harvard MBA guys, it matters more to them what their classmates are doing, than what they're doing. You know they're going to be calling up every sort of, and the social networking has made that almost worse, because you know, what do you report? You report success, so all of a sudden, "Jim?! That guy was a moron, and now he's making" and you know, all of a sudden, people get out of their own mission and they get into this comparative, you know, "well if he's doing it why don't I do it" and I say that's just a fount of a lot of unhappiness.

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So, I mean, what are the things that we, as a way of trying to promote entrepreneurial culture should really do, is to really respect people who *do* things, not just talk about them, I think, because I think on the risk side, completely agree with you. I don't think any of our guys are saying "Wow, what little risk could I" I'm sure that's not what the comment was. But I think the whole notion is they actually see, well this is leverage for me to do it. I mean that's really what they're doing, this is really the best I could do with my time at this stage, and they take a joy in actually executing it. I mean I've seen lots of people who actually take a joy in talking about it but I mean, so somehow how can we do that with respect? So that's the thing.

Carl Schramm: I had to solve the coda on that. You know it's marvelous, now I understand why we run MBA Schools, to teach people to be risk-averse. Okay. I just wanted to say that, you know, you said that you became an anthropologist, and I'm right behind you. I was trained as an economist, and I've been so embarrassed lately of being introduced that way, I've started to declare myself an anthropologist, so we'll talk later.

Bert van der Vaart: So, are you an anthropologist or an economist?

Carl Schramm: One last point that's very important to the topic that caused you to ask your question, namely risk aversion. You know, we have the sense that people who create businesses, be they small businesses or large businesses, do it in some moment, right around school, and it just happens. "It's Stanford," right. You know the average age of the person who starts the Inc. 500 fastest-growing firms in the United States? It's forty. Forty. Okay, so it happens, it happens all over. You know we have people who teach it in business school, as if it's the prodigy syndrome. If you haven't done it by the time you're twenty-one, you know you better take that job at IBM.

Curt Carlson: Great.

Russell Miller: I started a nonprofit in Singapore seven years ago to encourage entrepreneurs when they were saying there are no entrepreneurs. But it seems to me the bias I heard at that time, their idea of an entrepreneur was Bill Gates. And it sounds a little like that's your idea of an entrepreneur. That, you know, they gotta be big. And I must tell you, we interview entrepreneurs and create a book. And the first entrepreneur we interviewed was a cobbler, and he had one employee, and he operated on the street. And the idea was, just start! Because the kids there, we have a Confucian society and Lee Kuan Yew telling you what to do. Don't think of challenging the norm. So we're saying, you know, get out and just do something. And if, I used to quote this, and maybe Kauffman can correct me, but I said that if Singapore had the same number of small businesses to large that California does, they'd have a third bigger GDP. So would you...?

Carl Schramm: Yeah, I think that's right, and it's a good thing you ask us that question, cause I, like everybody else, well maybe not everybody else, I don't want to pull everybody into the sink with me, you could hear my remarks and say we're celebrating the people who do the big, huge startups, and nothing could be further from the truth. You've said it perfectly. You know the person who creates the hundred-million dollar company, and for a lot of people that's much too

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big, the person who creates a company that employs fifteen people, is truly an entrepreneur. It may be the sector, it may be the geographic locale, it may be the personality, and it may be lots of things.

But every entrepreneur, by the way, cause somebody has already asked me about this at lunch. I can't, the reason I never leave Kansas City is because people ask me questions like this: what's your position on social entrepreneurship? And generally, you know my reaction is upright, and you know, so my real reaction gets me in trouble sometimes. But it is every entrepreneur is a social entrepreneur; every entrepreneur brings something out of nothing, which is the French definition of what entrepreneur is. It's really magic, to make something out of nothing. Most importantly is create jobs, and then, second most importantly they create wealth. All the new jobs in the United States are created in firms less than five years old. If we didn't have them, we'd have massive unemployment, and most of those jobs are not in companies that are going to become billion dollar companies; they're in companies that are going to have, when they're mature and are hugely successful, are only going to have fifty-five people.

Paulo Veras: I just want to take an answer as well. We don't mean that either you create a Google or you fail. I think that's the wrong notion of what we're saying here. However, if we help every entrepreneur to raise their bar, if they can achieve a little bit more, if they can instead of hiring one person, well they're not doing that for hiring people, but if they can grow their business a little bit, it could have a low ceiling and that's fine, but everybody should push to improve every year, and I think that's really, really important. And especially in developing markets, I think people settle too low. So that the bar is low, nobody raises the bar for them, and nobody pushes them to achieve more.

So, it doesn't mean that one hundred percent is going to be Google's Sergey or Bill Gates and the rest is out of the game, but it does mean that we should push people to achieve their full potential. And usually it's far more than what they're doing. So I do think we do have a role in that sense, we tend to use sometimes the big stories to sort of inspire them, but we also tend to look for local stories, because you know, a kid looking at TV, and looking at Bill Gates, he's not going to say, "Well I'm going to be that guy." It's just too far out. So we do have to have some role models that are much, much closer to him: somebody who employs one person, two people; somebody who's done something interesting within the community; and that is really something that they can relate to; and then they can challenge themselves to do more. I think this is really an important part of what we do.

Curt Carlson: It sounds like that's what you're doing in Singapore too. Yeah, so good for you! Yeah?!

Marty Anderson: I came here today without any thought of being an entrepreneur and I don't think I am, but let me speak for the idiot who does something out there and is successful, and then let me talk about the small person who makes something work, so I'll help you define this thing.

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First of all, I just don't think you can define an entrepreneur. I certainly didn't think I was one. And then I began thinking as I sat here and I listened to all of you gentlemen, who are well-educated and very successful, and thought "damn it all, maybe I have something to help this definition." Number one, the British are leaving Kenya in 1960, and they're all leaving, and I happened to be there and I convinced a professional hunter to stay there with me and we'd be a rancher. Well we went from 3,000 acres to 1,560,000 in about twenty years. I never...it was a few thousand dollars.

And then, I'm a lawyer so somebody had an idea about a printing company, so I said "Sure, you need a thousand bucks, I'll do it" well I've got a printing company now. What I found is, an entrepreneur may be somebody who has some push for somebody else who's got a good idea and he pushes. And then I go back to the Marine Corps, and the Marine Corps taught me that it doesn't matter if you have a good idea or a bad idea. A good idea with sort of a half-weight push behind it is not worth. The wrong solution: high diddle diddle, straight up the middle. Is Shultz here?! He knows what I'm talking about: that's more important than a good idea. So what you've got is this funny situation where you don't have anyone who's educated for it, you have an accident that you push somebody, and I found that the ability to recognize someone who's got talent – I was a lawyer, so I'm practicing law, I haven't got time to do these things – but I picked a professional hunter in Africa, I picked the young guy who wanted to do a printing company, I picked somebody who wanted to do water wells and we discovered geothermal, and why? I had nothing to do with it. But I pushed it. So is that, do I qualify as an entrepreneur?!

Laughter

Alana Conner: Hi, I'm Alana Connor I'm the Senior Editor of the [Stanford Social Innovation Review](#), which is actually in your bags and some of you have written for us. Dr. Schramm has written for us, I think even in the issue that's in your bags. And, uh yeah, please write for us. We're the Harvard Business Review for good, not evil, as we say. So, I look around and I can't help but notice that the male-to-female ratio is roughly five to one. That's not inherently bad, I mean there wasn't a line for the bathroom for once, I'm a single woman so it's all good, but I'm wondering if you think that's a problem that generally entrepreneurs are seen as male and not female. And, maybe you don't think that's a problem. And, generally do you think it should be a priority to promote females, female entrepreneurs abroad and here, why or why not? And what would that entail?

Suren Dutia: I do think this is a problem, and I agree with you. I think we are always making a concerted effort and I cannot agree with you more. A lot needs to be done. This is something that we encourage over chapters all over the world, to try to do a better job of. And frankly, the right leadership can make a difference. For example, for the first time, we have a chapter in Denver, Colorado. Probably the only place, and I have to tell you, and it's a real surprise to me, why Denver; we have the largest percentage of female members, charter members, including a president of the chapter, who happens to be a woman. So, all I can tell you is that we have a lot of work to do in this area.

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Carl Schramm: As a statistical matter, women start businesses at about the same rate in the United States as men; the issue is size of the business at the end of the trail. But that's the issue. But if I could, could I go back to your characterization of your journal? The Harvard Business Review for good, not evil? Is that what you said? It brings to mind something that I visit with the audience about, I have read endless numbers of times as I'm sure you have, there's a story in the local newspaper: Joe Bloe sold his company, he's now, he just, he took home a check for four hundred million dollars. And they interview Joe, they say what are you gonna do? Now this is an entrepreneur, this tells you how broke our system is mentally, it's the mental attitude.

And more often than not, Joe says "Well now I'm gonna do some good." And, you know, that is pathetic, in the sense, if you go back to what I just said in the answer to that man's question: every entrepreneur is a social entrepreneur. They bring forth to new, they create jobs. They give dignity to other people by giving them a job. In the case of Ewing Kauffman, in the case of John Rockefeller, they wrote about their greatest return to them psychologically, was not their great foundations, it was the firm they started, that they gave a job to, and both of them came from desperate poverty. You know there was a time in their life when they didn't know where their next meal was coming from, and then to look into a factory, then into a company, where there were ten thousand people working because of their entrepreneurial drive; it was a huge psychic return to them. And then of course, they create all the wealth.

The Kauffman Foundation wouldn't exist, no foundations would exist. There'd be no nonprofit sector, but for the creation of wealth at the hands of entrepreneurs. That's the only way we know how to do it. And we will discover some day that, notwithstanding our momentary systems of disbelief, or suspensions of disbelief, the government can't create wealth; only business can create wealth. And not all business does it well, and not all business does it in a morally acceptable way, but most entrepreneurs, I think actually in many regards, the entrepreneurs that we watch, I think it's often because they're closer to the market, and the raw rules of the market. I think younger companies, in an odd way, partly cause of man's role in business, they don't start manipulating the government, they don't have the capacity to manipulate the government, and I'm sure you could say they're more honest, but the purity or the morality of most young companies, at least measured by the market, is at a higher level than lots of older companies. They basically go into the government seeking rents.

Ted Dintersmith: Hi, my name's Ted Dintersmith, and I spent most my career in venture capital, and I'd be interested in the panelists' comments on when it comes to entrepreneurship abroad, the cultural issues around the sharing of equity and sharing of control, because, I mean, my firm has backed, we must've backed five hundred companies. We've never backed a company where every employees didn't own shares, and we've always got a board structure where you've got the founder and the CEO, then you've got several very qualified, interested parties, and when it works; it doesn't always work well, but when it works, you've got some very motivated people, each with some ownership position in the company working hard to make it a success. And my sense is, from my experience in the developing world, that's not a layout to get that concept across.

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Bert van der Vaart: It takes a lot longer. I mean what we've done, we've backed some companies that if we'd been in for more than ten years, which I mean again if we get back to the structure; for SMEs to grow them before the entrepreneur first gets trust with you as a third-party investor, and then for you to begin to really say you know we really ought to motivate the important people with ESOPs kind of issues, which is second nature here. People come in employed where they ask "How can I get into the ESOP?" Two things: one is that stock isn't necessarily perceived to be that valuable in a lot of these countries, Uzbekistan, or Poland, or Peru, or wherever. Stock, people don't even know what it is; they're just looking for the Christmas bonus.

But when you get into where the company is on a transparent reporting basis and where people can see. I mean we've done ESOPs in a couple of companies, after a long time, to where the people really are really interested in seeing every month well what's the Dow look like at this stage, so they accept that they own stock. I think part of the reason is that there isn't an active capital market be for the SME side, the culture of getting trust beyond the entrepreneur does take time, and I think with time the same desire to get co-ownership, and to get people to be aligned and interested in the same way, does exist; but the education process is a lot longer, and culturally depending upon which country, it takes much longer.

I mean, it's interesting that we were in Afghanistan and some Central Asian countries, and there the whole Islamic financing has a participatory element to it. You can actually, to some extent, distinguish yourself from high-interest bearing, even the micros that are charging fifty percent, or whatever interest. You can actually distinguish yourself from emphasizing this participatory nature, to the extent that the entrepreneur is willing to share that data. We certainly try to push it; for the key people it works, but at the employee level, they don't understand it. And it's probably not really, you know without a capital market, I don't know.

Harbir Bhatia: Good afternoon, my name is Harbir Bhatia, and I've had the pleasure to meet some of you already. I have a career that is just the typical you know, you go to work, you do what you do, and I've been doing fine in that, but I've always had the desire to become a full-time entrepreneur and be a serial entrepreneur like many of you here today. So first of all, thank you for all of you coming because you've given us a lot of hope. And Janice has spoken about her initiatives.

The thing we keep talking about is you know money, money. But, for those of us that have been sitting on the line saying you know what, I want to become that entrepreneur. But we're lost in that, I'm not sure who mentioned it, that if you don't become the entrepreneur at twenty-one, now what? Okay, it can't happen to me. But the fact is it's happening right? So, it's not always about the cash, because four hundred million dollars of support, I'd be like oh my god, that's a lot of money. We don't even need that, to be honest. The question I have for you is do we understand what that process is? To becoming an entrepreneur?!

Can somebody tell me from your points of view, learnings, what do you believe that process is? And with all the support and experience you have from your supporting organizations, what do we do to enable the entrepreneur through that process? Because, when you have that idea and the

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idea becomes the right idea, the funding will come. But to get to that stage, that is a very huge gap that I'm not getting I guess the answers I'm looking for, and the wisdom that maybe you can share with us. So first part of that question is what are those phases we're talking about? I have a blip, I have an idea; okay I can sleep on it, it never happened. Next, do I share my idea, do I evaluate my idea, where do we in this ecosystem get involved, before the cash comes into the picture, because the cash will come if the idea is right. That's the second part. Thank you for my question.

Curt Carlson: Okay, so a lot of answers to that one.

Carl Schramm: Can I start? Because you really ask us the acid test question; how does this happen? And let me try and answer, but I'll try it again in opposition to the received wisdom. If you go to certain universities right now, virtually all universities, and you ask your question, they're going to say okay the first thing we're going to teach you is opportunity recognition, cause that's what we'll teach you first before we teach you how to write the business plan. And you've actually got your thumb on exactly this issue. What you're really asking is when is the idea coming to me, how do I test the idea, and what would be the natural progression, or the progression I can oversee and manipulate and form towards the point at which this could become a business or won't become a business?

And I like to call that the proto-business-plan stage. And when I speak now, I speak actually informed by a long process, now underway for three years at Kauffman, which is sort of the gene code of what will become Kauffman Laboratories for Enterprise Creation. And what we're trying to do is actually attack the issue of who becomes an entrepreneur, so for the first time, I think in history, we will be in the business of actually recruiting people into entrepreneurship. That doesn't happen. By the way, I believe, just as a moral equation issue, when you don't recruit people into entrepreneurship, you are at liberty to advance all kinds of untested ideas. That's a very important issue. It's one of the reasons I think the epistemology of entrepreneurship doesn't ever get settled; because people volunteer to hear what you have to say, you don't ask them in. It changes the equation totally.

The question then is, what process do you go through with people and how do you support them, as they iterate ideas, to the point that they have an idea that's tested? Our vision is when you get out of Kauffman Labs as a recruited entrepreneur, you don't get a fixed diploma at three months or three years; you come out when you have a company that someone's ready to invest in. That's the hurdle. If you build, reverse engineer the process of business formation from that moment, you actually get into exactly your type of question. And you touch the right question.

Curt Carlson: I would say too, that and Carl started that theme with his first comments, the process of innovation is something that needs to be more broadly understood. I wrote a book about it called [Innovation](#). We teach everybody at my company the process of innovation. It's a very learnable thing; there are steps you go through. It's not magic. I almost never use the word entrepreneur because it frankly scares a lot of people. But there are an enormous number of people who want to be innovators – people who want to make a contribution, who want to do things that really matter to other people, to make a difference. So, I always start out with this

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sense of achievement that so many people have. How do we help you to achieve more with your life? How do we help you make a bigger impact? And the point that Carl keeps on making about entrepreneurs – let’s use that word – being the people who really make the big contributions to society, if we were thinking about this properly, we would celebrate those people.

Bert van der Vaart: I totally agree with that but I do want to say that I think it’s what Edison said, “Invention is one percent inspiration, ninety-nine percent perseverance.” I don’t back ideas, I back people. At the end of the day, you know, what’s the process? I think we can study the process. I think we can understand what some of the problems are so that you’re more educated before you jump in the water. But I love this quote, “So many good businesses begin at forty.” These are normally frustrated, middle-management guys in chemistry. You know when the chemical concern has just been fizzing on them for years, and finally they say “The nuts with you guys, I’m going to go off and do it.” And those guys both have the depth of understanding what the market is, and then they have the in-built frustration and creativity, that I know they’re going to work. So even without a lot of skin in the game, they’re just absolutely driving their ego on the mast, and say we’re going to sail into those seas and they’re going to be rough seas, but what I really want to say, and not because people are well-educated here, but I’m frightened of ideas, to the exclusion of animal instinct, or perseverance or ego.

Curt Carlson: So, I’d like to say thanks to our panel and to you. I would like to say you have already started. I look forward to seeing you in ten years, when you have a successful company. Thank you folks!

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