

# **The Chesapeake Crescent Innovation Summit**

**Raising the Bar for the Chesapeake Crescent Region**

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Thank you. It is a pleasure to be here. I appreciate this opportunity to share my optimism and concerns for our region, the Chesapeake Crescent, which spans Maryland, the District of Columbia, and Virginia, and is anchored by our nation's capital. I believe we, this region and our nation, are at an inflexion point where the actions we take today will disproportionately affect our future and write the next chapter in our history. At the risk of sounding like a clichéd alarmist, I ask: Has there ever been a time since WWII when we have faced such a multiplicity of opportunity/threat scenarios that were so tightly woven together in their interdependencies and with their collective impact so profound? The actions we take in the decade ahead will define the lives of our children and their children more than at any time in my lifetime and, I suspect, yours as well. It is within this context that I will urge a thoughtful plan of action not to just innovate and change, but to do so in a broad and profound way that generates lasting systemic change—and to do it now.

### **Personal Context**

When George [Vradenburg] and Herb [Miller] asked me to be involved in this Summit, I was eager to do so because I continue to believe in the great potential for the people and civic leadership of this region to raise the bar for what is possible here. And, although I've been somewhat removed from the private sector since 2000, my collective experience and lessons learned the hard way in the private, civic, and social sectors have informed my own views of how change happens, what works, and what doesn't. Today, I hope to convey these core messages:

- the importance of regional collaboration and, specifically, this public/private initiative, and formal, informal, and viral connections and networks to stimulate innovation;
- the great need for strong and consistent political will to make unpopular choices for our long-term benefit; and,
- perhaps most important, the crying urgency to act—as a world quickly transforms and changes around us.

I'd like to touch on three data points to help frame my comments:

#### **1. A People Who Innovate to Survive**

In June of 2006, my family and I traveled to Israel for the first time, and I had the chance to meet with numerous business executives and government officials. I left there with two lasting impressions. The first was that a compelling entrepreneurial spirit and innovation appeared to be at the very core of the culture, evident in executives and "old city" merchants in Jerusalem, high-tech types in Tel Aviv, and tour guides in Eilat. What stuck with me the most, however, was my sense that they innovate to survive as a people as a nation. I see this as a distinct national competitive strength. And, when I think of Israel or the growing middle and upper classes in India and China, I reflect back on Tom Friedman's, *The World is Flat*, in which he raises the unthinkable to ask if we (the United States) still have "the hunger, the drive" to innovate as we've had so grandly in generations past.

The second impression was how Israel, a land with few natural resources other than its people, has used its innovative wits, not only to survive but to thrive. And, at times, I worry that we—as a society and region—have become grossly complacent and overly reliant on inexpensive and accessible natural resources and a 50+ year history of global preeminence. Have we yet internalized the threat of finite natural resources and sufficiently rallied our political will and triggered our entrepreneurial capacity to survive and thrive in a world where natural resources are becoming increasingly expensive and scarce and our preeminent position challenged?

#### **2. A New Life Model is in our Future**

Last month I was in a meeting that discussed global trends and forces and postulated on the impact they would have on global private equity and venture capital markets, as well as the US economy. One obvious conclusion was that ever-increasing globalization will open up great investment opportunities for those positioned to respond. The views on the state of the US economy and strength of the US dollar were not nearly as optimistic. But germane to today's discussion are the implications of a story told by one of the participants, a top executive and an expert in China's culture and economy. Recently, in a discussion with a Chinese official, this person told him that as China's middle class grows, it must do so with a sustainable "life-style model" that, by definition, will look quite different from that of the United States, which perpetuates a high-consumption, high-energy footprint. He respectfully and assertively, but matter of factly, emphasized that America will, in time, have to face the same reality. He acknowledged that America has a chance to continue to lead the world, but only if it shows how it too will evolve to a different, more sustainable "life-style model," changing the pattern by which a nation representing only 5% of the world's population consumes

24% of global energy resources.<sup>1</sup> In other words, we can help ourselves by looking to a new "life-style model"—by "walking the walk." In this way—and likely only in this way—can we play a legitimate leadership role as a result of our demonstrated performance. This is why the mission of the Chesapeake Crescent is so vital, strategic, and important.

### 3. Responding to a Fundamental Shift: The Rise of the Rest

Global economics and the forces at work need to be better understood for the opportunity and the threat they present. We were beating this drum in the 1990s, but, because things appeared so good, few paid attention. It is projected that by 2020—just 12 years from today—the US will own a declining slice of Global GDP at 22% (down from our 27% slice of the pie in 2007 and approximately 50% after WWII), the G-6 nations will see their percentage of GDP decline from 30% to 22%, while the nations of Brazil, Russia, India, China (BRIC) will increase from today's 13% to grow to 24% of Global GDP. This represents a significant shift in a substantially different global landscape! We, in response, will have to become more productive and innovate more rapidly in order to maintain higher wage rates and our national prosperity. But what will be the products and services we export to the global markets when they supply their own manufactured goods and provide their own services? And are we facing up to the urgency of the situation?

In answering, consider an article by Fareed Zakaria, the Editor of Newsweek International, in the May 12, 2008, issue of *Newsweek*, "The Rise of the Rest."<sup>2</sup> One paragraph drives a point home about America in this changing global landscape—with force and emphasis, if not shock:

*"The world's tallest building is in Taipei, and will soon be in Dubai. Its largest publicly traded company is in Beijing. Its biggest refinery is being constructed in India. Its largest passenger airplane is built in Europe. The largest investment fund on the planet is in Abu Dhabi; the biggest movie industry is Bollywood, not Hollywood. Once quintessentially American icons have been usurped by the natives. The largest Ferris wheel is in Singapore. The largest casino is in Macao, which overtook Las Vegas in gambling revenues last year. America no longer even dominates its favorite sport, shopping. The Mall of America in Minnesota once boasted that it was the largest shopping mall in the world. Today, it wouldn't make the top ten. And, in the most recent rankings, only two of the world's ten richest people are American. ... only ten years ago, the United States would have serenely topped almost every one of these categories."*

To further build on this theme, consider the last sentence from Zakaria's article to the state of America and our region:

*"Generations from now, when historians write about these times, they might note that by the turn of the 21<sup>st</sup> century, the United States had succeeded in its great, historical mission—globalizing the world. We don't want them to write that along the way, we forgot to globalize ourselves."*

For me, the implications for these unrelated data points are highly applicable to our discussions today.

- We live in a world that is changing in ways that will put new stresses on the American economy, businesses, government, and family. There's no easy way to present the hard choices that we are going to face. We simply have to learn to do more with the economic and environmental resources we have in order to keep up with the world and maintain our way of life, and it will require inspiration, resilience, and innovation in the public and civic sectors as well as the private. Fortunately, our region has one of the greater concentrations of all three.
- Hopefully, in response to these stresses, we will collectively see the importance of a new, different "life-style model" encompassing: reduction in energy consumption; healthier living and more cost-effective healthcare; more efficient transportation systems; greater investment in infrastructure; and an even greater adoption of efficient technology innovations that explicitly include affordability, sustainability, and access in their application. Otherwise, these social stresses may overwhelm us.

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<sup>1</sup> <http://www.mindfully.org/Sustainability/Americans-Consume-24percent.htm>

<sup>2</sup> <http://www.newsweek.com/id/135380/output/print>

- In the absence of a material change in public policy to counter the adverse side of globalization, it is likely that a lack of thoughtful response will lead to further workforce disruption, increasing inequality, and a more challenging economic environment that will impact middle class families and add to the already difficult challenge for the working poor and those living in poverty to climb up the socioeconomic ladder—a social promise that has always been at the core of the American dream.

### **So What Does This Mean to Today's Summit?**

We should envision our place in the global economy with a sense of great potential, for the growth of large middle classes in other nations offers enormous opportunity if we are able to respond. But, have no doubt, the global economy brings a threat of such severity that we must acknowledge that we are already engaged in a global competition of an enormously different size and scale, that will challenge us to increase productivity/innovation more rapidly and concurrently adjust to a different life-style model to avoid decline in national well-being and increasing inequality. We know our economic system is resilient, but is our political system responsive, resilient enough willing to think in new ways across old political and sectoral boundaries, and invest long term? Or have partisan politics, parochial interests, and short-term vanity politics calcified and disabled our state and federal governments and the vital role they must play for our future?

The question is: What are we willing to do? We have to assume that the status quo is failing us. As much as we have to be bold in our change, we will need humility to recognize the need for shared sacrifice—at many levels. Will we garner the populist and political will to take on potentially unpopular actions in the short term that will be in the long-term best interest of the region and the people who call it home? And, for a region like ours that is naturally divided, how will we create convergent forces that incentivize the region to come together and overcome the inherent divergent forces that for decades have divided the region?

I'd like to comment next on the assumptions underpinning the Chesapeake Crescent public/partnership.

- The mission describes the Chesapeake Crescent as "*one of the most dynamic areas of the United States.*" I challenge you to think of the global competitive environment, not only of other regions in our nation but extend to those around the world, like Mumbai, Shanghai, Singapore, Abu Dhabi, Sao Paulo, Prague, Moscow, and more. On the most basic level, we should be concerned less about someone moving to the Bay Area or Seattle, than we should when highly skilled American talent moves to Shanghai or Mumbai or his or her counterpart in another part of the world stays in their homeland because they no longer feel the need to come to America or our immigration policies keep them from moving here. Either way, the loss is ours.

***Thinking global and acting local must be a core premise for this work.***

- The mission speaks of the "*unrivaled concentration of government, academic, civic, business, military, and political resources.*" This is absolutely true, but I have found that this is seldom fully understood or grasped for its strategic significance, even by many here in the region and certainly those outside our regional boundaries.

***The ongoing promotion of the strength, diversity, and power of the Chesapeake Crescent's intellectual assets within the region and for its global stakeholders must be a continuous, unrelenting process.***

- The mission goes on to say that "*we will succeed in leading the nation in innovative technology, sustainable green and solar development, workforce housing, transit and environmental advancements.*" This is an admirable aspiration, but let me offer an alternative way to frame this goal. Why can't we be the region that gets it right in figuring out the best way to live and work amid the interwoven health, climate, economic, and security issues that are framing a new world? Doing so will require a new, integrated, and comprehensive way of looking at energy consumption in our buildings and in our transportation systems; thinking about our infrastructure in consumer-oriented ways that focus on affordability and mobility, not roads and rails. And, I suggest, that the results of the strategies we design must be sustainable, accessible, and affordable.

***This public/private initiative must engage the region's diverse institutional resources—and its residents—to dramatically reduce our use of energy resources and road and car dependencies.***

- The mission talks about how we have to “*attract the best and brightest*” and I totally agree. We just have to make sure that this model includes the “best and brightest” for the public as well as the private sector. If we think back to a time in the 1950s and early 1960s, we’ll recall that coming to Washington, DC—as a 20-something right out of college or a 30-something wanting to reform the world—and getting a position at one of our civil and defense agencies was highly valued. Over decades, we allowed forces to “dumb down” and marginalize government. We drove great talent out or made it much harder for those who endured to excel. Now, the federal government may be losing up to two-thirds of its senior civil service ranks in the next ten years—and, in this loss, some wonderfully talented people. This offers a great opportunity and payback to think differently about what kind of public workforce and workforce environment we should be aiming toward. We need not only to attract the best and brightest but also focus upon how to nurture and develop the best and brightest from the very diverse, multicultural, multilingual population that calls this region home. As our demographics continue to shift, this latter point will only grow in importance and relevance.

*Why not create a service corps in the public sector for young people and support their use of social networks to coalesce and encourage them?*

*A Public Policy Fellowship program?*

*Why not capitalize on our diverse and rich public policy resources to create a Public Policy Leadership Academy?*

*And, why not reach out to strategic relationships with Civic Ventures and/or Bridgestar that encourage the executives of the baby boomer generation to transition into the social and public sectors or with the Partnership for Public Service which works to revitalize our federal government by inspiring a new generation to serve by transforming the way government works?*

- The mission outlines the need to “*bring together resources to grow new businesses, expand regional potential, and marry entrepreneurs with creative concepts, patents, products, and capital to enrich the regional economy.*” I suggest we need to think about doing this in terms of coalescing more than organizing; it is more nurturing than directive; it is seeding the petri dish for innovation rather than defining or betting on specific technologies; it is—in the broadest possible way—about “attitude” and changing the perception of “what is possible.” It is about embedding the possibility of entrepreneurship and an innovative spirit in it as many people as possible—young and old, while cultivating an ecosystem and culture around them that doesn’t resist their ideas by asking “why?” but openly supports with the encouraging attitude of “why not?”

*We need to do less controlling and organizing to instead create frameworks to stimulate networks of innovation—focused on and building critical mass of activity around silos such as transportation, carbon reduction, or proteomics in life sciences. These fluid aggregations of talent can serve as “petri dishes” for change, where open source models and social networks are the connective tissue underpinning a free flow of ideas, informations, contacts and resources. But, ever so important, the initiatives of this public/private partnership must acknowledge that innovation always comes unpredictably, serendipitously, sometimes accidentally, from those “doing it, driven by purpose” versus those who “talk about doing it.”*

- The mission correctly presents the public/private initiative as a “*catalyst for bringing together the wealth of higher education resources and the federal labs creatively adding the financial resources of early stage capital investors and regional businesses tied to the ingenuity of entrepreneurs.*” Consider being even a bit more radical as we seek to capitalize on the innovation within DOD and other agencies, but why not even consider related nonprofit institutions to leave no stone unturned?

*Why not do more to reward “spin-outs” as an alternative path to technology transfer?*

*Create incentives more akin to how the most successful universities have rewarded innovation and entrepreneurship within their institutions?*

*Consider different options for the ownership of intellectual property similar to how the federal government granted IP ownership rights for colleges and universities that received federal funding for research?*

- In Environment & Energy, I applaud the message of *"environmental excellence and focusing on how the region can reduce consumption of natural resources, lower the cost of doing business, lower the cost of living, and be a global leader in developing energy-efficient communities, industries, and products."* This ties back to my point earlier of pioneering the new "life-style model." Can we go so far as to mandate what I call the "Bill McDonough" model—a "net-zero" goal where we radically change expectations for how each new community, building, home, highway, or communication tower is constructed? We would no longer strive to minimize the damage to our environmental ecosystem, but rather insist it be added to or replenished!

**Why not offer substantial tax credits, abatements, or rebates to construction and building firms to meet the "net-zero" criteria?**

**And, publicly reward those with natural habitats on their roofs and water-catch and reuse systems, while publicly profiling those that don't?**

I could go on with my list of "could-a, should-a, would-a." Talking, dialogue, and convenings are great, but, in the end, we need to be action-driven and held accountable for the achievement of clear outcomes and high impact for our efforts.

The Chesapeake Crescent public/private initiative is at the right place, at the right time. If anything, it is long overdue. Our region, the nation, and world are clearly at an inflexion point. If we are at the third great power shift in modern history, as Zakaria postulates, then we will move into a period of "post-Americanism" with the "rise of the rest." And, with this shift, we will see great opportunities to export our intellectual property, capital, and products, even though we may not be the dominant or preeminent economic power. But, the opportunity to demonstrate innovation in leadership for how a region survives and thrives in this changed world may be an even greater legacy. It is important that we are a planning model for other regions as well.

We have the opportunity to "do it right" by creating jobs, homes, and communities in economically and environmentally sound ways. We are fortunate to have leadership with the vision to have launched this Chesapeake Crescent initiative. Now it is up to all of us to embrace and grasp what it means to "do it right" and be willing—organizationally, collectively, and personally—to make the long-term investments, shared sacrifice, and difficult decisions essential to ensure the vibrant future for the people and institutions that make the Chesapeake Crescent home.

### **Make It Personal**

As each of you do your part to support this initiative to, make it personal. Consider and weigh every decision, not in the sterile confines of policies, programs or institutions, but through a future lens—one that asks the most precious and personal of questions:

What will this mean for my children?  
For my grandchildren?  
For the children of my family and friends?  
For all children?

If we use our children's future as the litmus test for how we judge our proposals for change, we will bend over backwards to do what is necessary, make the right decisions, think through the implications, and stand up for what we believe is right for this region. Because we will do so with our future in mind—our children, grandchildren, and, ultimately, their children. That is the potential we now hold in our hands and that is the potential for which all should be willing to act. Let's make the Chesapeake Crescent region the one that "got it right" on affordability, sustainability, and access in how people work and innovate, and how families live and prosper. Let's be able to look in the mirror and know that we "raised the bar" and made our region and the world a better place for our children and for generations to come.