

RELATIONSHIP CAPITAL
A 21st Century Resource for Economic Development
by
[C. Sherman Severin, Ph.D., CEO; Pinchot & Company](#)

The Caribbean stands with the rest of the world, perched at the edge of the 21st Century and its seemingly endless opportunities to re-create the world. We are witnessing the confluence of important events, both fortunate and unfortunate, and resulting profound change. It is as though secrets of creation are being revealed to us, that we are learning to take ideas from the world without form-the conceptual world-and manifest them into physical realities. The question then becomes, what desires do we want to make real? What do we want to create? What ideas do we want to manifest? And how do we go about it?

It would seem that the answer to this last question, at least for economic development, lies in technology. It is logical, after all the word comes from the Latin term *techne*, meaning the way of work or the way things work. But transforming ideas into action requires a special technology, a Technology of Transformation, if you will. It is just like an imaginary high-tech film world, where the impossible becomes possible through invention from whatever is at hand. So, let us look at what assets we in the Caribbean have at our disposal to deploy.

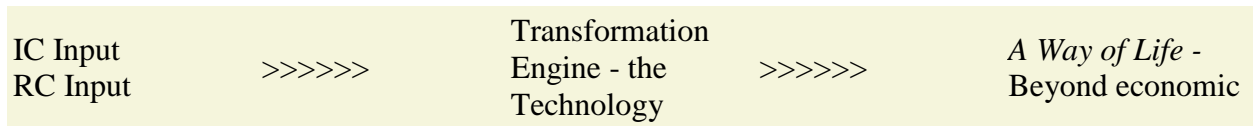
First, the Caribbean has the great good geographical fortune: it is part of the Americas, that region of the world known for its vitality and innovation. It has adopted much of the high-achieving entrepreneurial, democratic culture of the United States. That culture is founded on the strong foundations of human dignity, democracy in choice of leadership, freedom for economic development and a commitment to equal justice. And it is a culture where immigrants and native-born both thrive. This confluence of cultural ideals is a pillar for economic development. It is the environment that is cogently necessary-sine qua non---indispensable for successfully transforming ideas into desired outcomes. It is a climate for innovation.

But what tools do we need to operate within this environment? I'll list the six key skills necessary for creating change in the 21st century, the most important of which, especially for the Caribbean, is Relationship Capital. You will note that I have intentionally de-emphasized 20th Century inputs of labor, raw materials and even financial capital. I venture to say that relationship capital is a primary driver and financial capital is a derived or lagging driver.

These are the components of the Technology of Transformation:

1. Vision,

2. Intellectual Capital (IC),
3. Ability to Access, Assess and Act,
4. Embracing Chaos, Ambiguity and Serendipity,
5. Strategic Brokering,
6. and Relationship Capital (RC).



1. Vision

Vision, when misunderstood, is maligned and disparaged. Yet, it is essential and is part of our intrinsic nature, a gift of the spirit. Vision is the ability to see the future in Technicolor and in detail. It is not about vague dreams. Vision is the ability to embrace a yet undiscovered world that is consistent with your values and ideals. Moreover, it is free.

Surprisingly and fortunately, it is not correlated to educational ability or level. Sometimes education hampers vision by limiting what is permissible to envision. Lord Kelvin, the noted scientist and namesake of the Kelvin temperature scale, said with some derision in 1875, "Based on the laws of physics, heavier than air objects cannot fly."

Do not let 'reality' contain your vision; we don't know what is real. Everything around us was once impossible. On a given day, many of us get to our destination by an impossible device called an airplane.

2. Intellectual Capital

Intellectual Capital, that body of human knowledge, experience, and analysis, is critical to the transformation engine. The good news is that the Caribbean peoples, whether living in Europe, the US or in the Caribbean, have this great and necessary asset. The Caribbean people are steeped in Intellectual Capital: They have accessed the best schools and they have paid attention. They have a vast array of experience. They have the deep power of analysis that is needed to create intellectual capital. These powers must, however, be steered to selecting the elements necessary for the transformation engine. If not, this analysis can form a formulate-concentrate-accelerate-reformulate loop that never produces the desired outcomes.

3. Access, Assess and Act

The ability to access information is the first step in the assessment of information and acting on the resulting conclusions. I'm not talking about simply surfing the net and passing on interesting information to others. I am talking about information that, once properly assessed, can be acted on in a transformative way. An example may show how this translates into real value.

It should be abundantly clear that there is an over-reliance on government for the creation of value in Caribbean. Government is not organized to play that role. Government is a necessary bureaucracy that is best suited for actions that are repeatable or well defined such as controlling the environment, granting licenses, protecting the population and protecting democracy. In the US, despite claims to the contrary, the government plays (and is expected to play) a very small direct role in economic development. In the Caribbean countries, government is expected to play a major role. Entrepreneurships are required to be self-organizing intelligent organizations, proceeding along their own paths. It should be clear that development of the Caribbean might proceed faster if we stop unfairly placing government in roles that it cannot fulfill. This example gives information, assesses that information and points our way to action that could transform the way that governments and businesses interact in the Caribbean.

Another important lesson to be gained from the Access, Asses and Act process is that we can access information that shows that economic development did not equate to all of our goals, such as economic justice or a sustainable protection of the environment or human dignity for all. We need to be mindful how we proceed in creating economic development and act on our assessment when we create our plan. Overall, it is important that the Caribbean scholars access, assess the information and create actionable paths.

4. Chaos, Ambiguity and Serendipity

Successful entrepreneurs understand and embrace that economies evolve through chaos. The ability to be comfortable with the notion of a chaotic world is a very powerful and liberating force for creating desired outcomes. Living with that ambiguity and expecting the serendipity that seems to naturally emerge to complete the circle is an art to be practiced by government and scholars.

Despite the 'planned economies' promoted by the economic think tanks and organizations, it should be clear that fortunate outcomes were the result of individual movements within a context or environment. Order evolves from the chaos. Alas, education has taught us the need for great order and planning. True, great planning is necessary, but only because it clarifies the vision and helps form the team needed to execute the plan. Somewhat paradoxically, to not adhere too closely to the plan, but going with the natural flow, produces the best results.

We have to release the hard-won and long-taught concept that a paper plan reflecting the recent past is a great substitute for the current real world. In this scenario, we try to have the details of evolving reality conform to the details we were expecting. What we miss is that we often have created a workable vision, a model if you will; it is only the details that are off. In fighting the details, we miss the serendipities of the alternate solutions being offered to us. Always remember the joke of the general who had no time to talk to the salesman of cannons because he had a war to fight-with his bow and arrows.

To paraphrase my colleague, Gifford Pinchot III: Good planning is very necessary. However, a team that learns faster will beat the one with the best plan.

5. Strategic Brokering

A recent report shows that the countries with abundant raw materials or natural resources, such as oil, have not done as well as other nations without such resources. In fact, in the 21st Century, a lot of wealth is created with virtual inventories and strategic brokering, where one connects the people with a problem to those with the solution. Insurance, money management, running contract workers, etc. are examples of strategic brokering.

Under this model, Caribbean products can be designed and marketed based on value created in the eyes of the buyer, not on the cost of goods. As you can see in the above example, the cost of goods is not related to the final pricing. It is important to know where the "Profit Zone" is in the product chain. Intelligent management controls the cost of operations, finds the profit point and assesses what is of value to the consumer.

6. Relationship Capital

In the 21st Century, everyone past 20 years old is wealthy in relationship capital, a rich body of associates and contacts that you can bring to bear on any problem. Suddenly, with this asset, the world is level again. You can be a connector, a strategic broker. And you have a vast inventory of capital. If someone wants to sell a product, with two or three degrees of separation, you can turn up the right person to complete the transaction.

With the Caribbean people, the immediate circle has the solution. Caribbean people are working in the Fortune 500, governments, universities and key organizations. All we have to do is define the problem and the ingredients for the solution emerge. You want IT infrastructure? No problem. You want a telecom policy? No problem. You want to attract a factory? Let me see if John's company wants to locate in the Caribbean. You want to see the Senior VP of Marketing for your products or an investment? Put out the request and with the viral nature of the Internet, you may have an answer by the end of the day. Such great wealth! It is shooting fish in a barrel.

The Key

The Caribbean is poised for rapid economic development with the use of Relationship Capital. It is time to form the entrepreneurial teams, define the ideas, design the path and execute using relationship capital to get access to financial capital, markets and marketing channels and customers. There is no need to wait, creating the idea is free. Within the idea are seeds for its manifestation. The collective intelligence of your relationships will move you along to your goal. Just have an unyielding desire to make something happen-anything, as long as it is consistent with your ideals and values.

Putting it together-getting the result

With clarity of vision and with this engine for transforming ideas into action, the output is way beyond Economic Development. It is Way of Life. The Challenge is laid down. Will the Caribbean community commit to creating the true Way of Life that the whole world is seeking and erroneously calling economic development?

What is needed is the engine that can translate all these assets into the final outcome of a way of life through mindful economic development. (Yes, we need mindful economic development. We have learned about the mistakes of the past.) We are fortunate that the highly educated Caribbean people are good at building models. The transformation engine is a model that takes the appropriate input and transforms it into an outcome-but just on paper. Bringing the model to a real result requires the talent found in entrepreneurs and intrapreneurs.

We are again fortunate to have validated processes and years of experience on how to move a plan to a result, processes that can be taught and learned so that ideas can live beyond paper. I work in a company that has been translating ideas into action since 1979, especially in large bureaucratic organizations such as the Fortune 100 and the US Government.

The founder of my company, Gifford Pinchot III is given credit for the term 'Intrapreneuring' in the American Heritage Dictionary. An intrapreneur is someone who can work within his or her given environment or limitations, pick the right input for the process and deliver the desired results. Both Intrapreneurs, those who work inside an organization, and Entrepreneurs, those who develop their own organizations, are necessary for economic development of communities and countries. Both an entrepreneur and intrapreneur know how to avoid roadblocks and how to avoid paths that yield few results-such as working to pass another law. Intrapreneurs have relationship capital built into their organizations; the great Caribbean Diaspora, provides entrepreneurs with their own relationship capital. This capital just has to be used.

A word of caution, however: avoid those who just enjoy talking. You can revisit them when your successful organization or company is celebrating its first anniversary. Remember you are wealthy. Start spending your relationship capital.

Dr. Severin was born in Dominica and resides near Seattle, Washington in the United States. He has an MBA in Management Science from Iona College in New York state, and received his doctorate in Material Science & Solid State Physics from the University of Iowa. You can reach Dr. Severin at: Sherman@Pinchot.com, 206-780-2800

[Back to Economic Development](#)