FROM IDEA TO REALITY:  ENTREPRENEURSHIP IN PUBLIC AND PRIVATE

DEVELOPMENT ORGANIZATIONS


by

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A.B. University of California-Davis
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Submitted to the Department of Urban Studies and Planning in Partial

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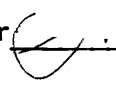

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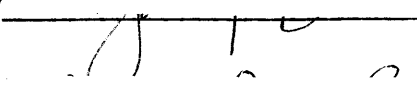

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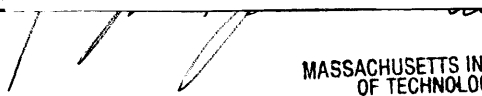distribute copies of this thesis document in whole or in part.


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Chair, Masters Committee

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## ABSTRACT

This thesis seeks to formulate a model for conceptualizing the real-estate development process based on an understanding of entrepreneurship. The tasks confronted by a real estate developer benefit little from the rationalized, orderly production techniques that have been introduced into other industries of similar magnitude. Development projects are typically carried out in a highly fluid and uncertain environment characterized by fragmentation and conflict. Each project requires a unique, and often momentary convergence of talent, resources, and an array of public boards and special interest groups.

The technique and skills necessary to organize and orchestrate the development process in such an environment are only partially elucidated in the real estate literature. In this thesis, six case study sketches are drawn from the actions and attitudes of individuals who assumed primary responsibility for initiation and seeing their projects through to completion. The cases represent development experiences in private companies as well as in non-profit organizations and a public authority. The information from these case studies serves to identify a general pattern of action necessary to successfully implement a development project.

The conclusion drawn from the cases is that the development "process" is, in practice, the incremental aggregation and deployment of resources. The specific character of the process for an individual project only gains its form through successive strategic actions to expand a project's base of support and control the level of risk. The entrepreneurial role of the developer is to identify opportunities for constructive action, catalyze a supportive environment for the project, and provide consistent leadership throughout the process to overcome doubt and conflict.

Thesis Supervisor: Gary Hack

Title: Assistant Professor of Urban Studies & Planning

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# PREFACE

Since my days in the Peace Corps I have been fascinated by the complexity of implementing development projects. The project I was assigned to had been the brain child of a Peace Corps Director and a regional Commandant both of whom were reassigned by the time I arrived. Ostensibly, my task was to supervise the reconstruction of a 50 mile access road that serviced a natural orange production area deep in the heart of the Guinea Mountains. However, I soon discovered that the project had almost no money, the local villagers snoke a dialect that the Peace Corps did not teach, and the new commandant was only interested in the assistance of this young American if it came with a major capital contribution to his public works department.

Contrary to the original plan, my task in fact became one of reversing the institutional momentum behind this absurd project and redirecting my energies and limited finances toward a more feasible and desired local project. Following eight months of documenting the actual financial requirements of the road project, identifying the need for other types of projects, and a running dispute over who would control the money, I finally harangued the powers that be to assign me to a school construction project.

This experience left a lasting impression, and my subsequent professional activities in development and planning have reinforced my feelings about the development process. No matter how precise the plan or how generally accepted the technical formulas, the

fundamental task in development is one of strategic initiative in a chaotic and unpredictable environment.

In my studies of real estate development I have always been struck by the difference between what is written on the subject and how it is experienced in the field. There seems to be scant information on the techniques and skills actually required to effectively implement a project. The development process is either segmented into an orderly progression of production stages for pedagogic illustration of specific technical skills, or it is described in case studies as the convergence of social and economic forces that appear to combine more as a random occurence than by skill and strategy.

This thesis represents the culmination of an effort to formulate a general set of guidelines for understanding the means of the development process. I turn to the concept of entrepreneurship because it focuses specifically on the skills necessary to create new patterns in the existing order. Implementing a development project is much like starting a new enterprise. One begins with a general idea of the final outcome, often limited resources, and a sustaining will to bring the idea to fruition. The path from idea to reality, whether in real estate development or in industry, has no dependable roadmap and is lined with doubters and detractors. Entrepreneurship suggests a process of creative discovery and strategic intervention as the realities of the task are revealed. It is this quality that appears particularly appropriate for gaining and understanding of one's role as a development entrepreneur.

# INTRODUCTION

Scan the skyline of any city and one will discover the physical legacy of thousands of individuals who, at one point in time, had only a partial knowledge of the overall impact of their work. This skyline, whether it be dominated by jutting skyscrapers or a modest collection of row houses and small scale commercial structures, can be appreciated and evaluated in a variety of ways. For the architect the collection of buildings that form the physical character of the city is appreciated in aesthetic terms. For the economist and geographer it is density gradients and the relationship between land values and highest and best use. For the historian it is the interplay of social and political forces that have manifested themselves physically over time. And for the business analyst the city and its structures is viewed in terms of comparative advantage and return on investment.

Each of these points of view provide valuable insight into the fabric of the city and the parameters that establish the context within which incremental additions are made. But they provide little insight into how something is built on a particular site at a specific point in time. Yet it is the dynamic set of interactions and individual choices in the particular instance that over time yield the evidence for more aggregate analysis. Just as a painting may be objectively placed in a progression of artistic conventions one may not fully appreciate a piece of art without understanding the subjective qualities of the individual who labored to leave his/her

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personal mark in the piece.

It is with this appreciation for the individual and his or her incremental impact on the flow of events that this thesis will evaluate urban development through the lens of entrepreneurship. Admittedly, entrepreneurship is a somewhat ill-defined subject. It is frequently associated with the actions of those great individuals who emerge at key moments in history to dramatically alter the course of economic affairs. Or the character of entrepreneurship can be described from the actions of many small businessmen who, by vision, guts, and tenacity, build a company from little more than an idea. This thesis will attempt to identify key attributes of entrepreneur-ship drawn from the range of entrepreneurial experiences that are relevant to real estate development. This is neither a study of great moments in history, nor is it a glorification of personal initiative and risk-taking.

Real estate development is, in many respects, unique among industries of similar magnitude. The development organization, to deliver its product, must function in an environment of dispersed and disorganized resources, political negotiation, and often sporadic consensus on the desired outcome. As such, the character of development is more that of an interactive, fragmented process than that of an integrated industry organized around the delivery of a physical product. Each project requires the selective tailor-ing of the "production process" to accommodate a new set of partici-pants and resources. Previous experience or knowledge of the

process from another project provides few standards with which to guide action in a new setting.

It is the developer (whether in a private company, a neighborhood non-profit group, or in the project division of a large organization) who primarily assumes the responsibility for hand crafting the process, and assembling and directing the resources toward the completion of a project. But what are the guidelines for undertaking this function in a fluid, uncertain environment where little formal authority exists over many of the key forces that can determine success or failure.

The literature on real estate, as a source of instruction, presents a kaleidoscope image on this question. Like the blind men describing the elephant, each investigation of the development process takes its form from the perspective of viewer. For some development is a construction process and the key ingredients consist of site selection, design, and project management. For others it is a political process and the key elements become constituency building, gamesmanship, and negotiation. For still others it is an economic process and identifying sources of capital, determining project feasibility, creative financing, and marketing determine the fate of a project. In practice development must call on each, but the key to success is the ability to draw all of these ingredients together to fit the requirements of a specific project.

This thesis will explore a model of action based on the experiences of those who were left to find the glue to piece together

the fragments into the patchwork known as the development process. As such, this is not a story about real estate. It is an investigation of entrepreneurship, and the entrepreneurs who begin with an idea and proceed to make it reality. In the process of the exploration, this thesis will attempt to address three basic questions:

1. What are the essential skills of entrepreneurship as it applies to real estate development?

2. What are the personal attitudes and characteristics of those who play an entrepreneurial role in development?

3. Do these differ between organizations which are explicitly profit oriented and those with broader social objectives?

The core of the discussion consists of six case studies. They were selected to represent a range of contexts (private, public, and quasi-public) in which development entrepreneurs are found. Each case is based on the key individual who provided the initial impetus for a development project and assumed primary responsibility for its implementation.[1]

Edward is president of a small, private development firm. The example he chose to describe his entrepreneurial role is a three-year process to secure a rezoning for a ninety acre industrial and office park.

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[1]At several points in their discussions, the participants indi cated a hesitance to be frank about their role in manipulating circumstances to fit their needs. Yet this was exactly the information needed for this study. So, to avoid any breech of implied confidence, the names have been changed and to the extent possible locational characteristics have been deleted.

Jesse is executive director of a non-profit community development corporation. His example is the implementation of a 32-unit residential rehabilitation project.

Stan is a senior partner in a large, private development firm specialized in shopping centers. His example of entrepreneurship consists of a five year implementation process for a regional shopping center.

Edward is a project manager in a public development authority. Edward was responsible for the implementation of the redevelopment of the fish pier on the Boston waterfront.

Adam is president of a small development and construction firm with a diversified experience in office parks, housing, and industrial facilities. Adam chose to discuss two examples of his entrepreneurial style: the financing of a small office facility, and the implementation of a three-phase industrial park.

Peter is executive director of a small non-profit housing development corporation. Peter's example illustrates his role in changing local tax policy to make possible the implementation of the rehabilitation of a six unit abandoned rental property.

The case studies do not present a random sample of all development experiences, but rather provide suggestive material to understand development from the entrepreneurial perspective. Thus, the case studies represent highly subjective personal stories. No

independent verification of the events or actions described in the cases has been made.

The contents of the case studies reflect the dual purpose of this analysis. To understand the development entrepreneur as a person, each participant was asked to describe his personal experiences and motivations that led him to enter the real estate field. They were further requested to reflect on their attitudes toward the long-term contribution of their work, and their attitude toward personal risk.

The actual nature of the participants' entrepreneurial actions is reflected in their description of specific development projects. Each participant was asked to describe an experience that captured the general complexity of the development process and best highlighted his entrepreneurial role in stimulating and guiding events to maximize the success of the project. During the presentation the interviewer only asked sufficient questions to insure adequate coverage of each of the main topics. The cases are reported, as much as possible, in the terms and sequence as described by the participants.

To understand development as an entrepreneurial process, it is first necessary to formulate a model that encompasses all of the variables that the development entrepreneur must manipulate in the implementation of a project. In Section II, the literature on real estate will be briefly reviewed to identify two models for action. These models are formulated to reflect alternative conceptualizations of the development process provided by the variety of research on the

subject. The section will conclude with a synthesis model that appears appropriate to conceptualize development as described by the development entrepreneurs in the cases.

Section III will present the case studies. In Section IV and Section V the material from the case studies will be summarized to present the essential aspects of entrepreneurship and the characteristics of the development entrepreneur. The thesis will conclude with a discussion of how the attitudes toward and methods of entrepreneurship appears to differ between individuals affiliated with profit motivated organizations and those in organizations established to achieve broader social objectives.

# MODELS OF THE DEVELOPMENT PROCESS

The real estate development field has been the subject of intensive investigation and analysis over the past three decades. The persistent fragmentation in the industry, the desire to incorporate development into the framework of public policy, and the highly political nature of the development process set real estate apart from other forms of industry of similar scale and economic impact.

Real estate, as an industry, appears to be formed by a pattern of sub-industries: each with its own characteristics and each one contributing its specialized expertise to the development process. Law, marketing, finance, construction, architecture, engineering, public land-use controls all form tributaries into the stream of the development process, and each may be investigated for its key contribution to the realization of the final product. As a result, analysis of real estate as a production process often takes a highly variegated form. Yet when summarized into conceptual categories distinct patterns emerge.

In this section, the literature on real estate development will be briefly reviewed to identify alternative models for conceptualizing the relationship among the range of activities and subunits that must be assembled into the production process. With a literature as rich and varied as that on real estate, the boundaries of these categories are somewhat indefinite, and they do not pretend to capture all of the subtle variations on the theme of development.

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Rather, these models will provide the means for describing alternative patterns of activity that characterize the central function of the developer and his or her relationship to the development process.

The Technical Model

The predominant means for conceptualizing the development process, suggested by the literature, is to view it in the technical terms of the various professions that must be drawn upon for a project to progress from inception through implementation. Most of the educational and many of the case study works take this form. For instructive purposes the development process is neatly divided into phases beginning with market analysis, progressing through site selection and design, and ending with construction management and marketing of the final product.[2] Each phase is discussed as a discrete unit as if the development process were tied together by a unifying logic that may be found in any situation. The supporting case study research takes each generally described phase and subjects it to the light of actual experience.[3]

The most precise conceptualization of the development process within the broad category of what is here termed the technical model grows out of Wallace Smith's work on housing development. In Figure 1

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[2]See John McMahon, Property Development (N.J.: McGraw-Hill Book Company, Inc., 1976) and Arthur Weimer, et al., Real Estate (N.J.: John Wiley and Sons, 1978).

[3]An example of case study illustration of the phases of the development process can be found in Philip David, Urban Land Development (Homewood, Ill.: Richard B. Irwin, Inc.).
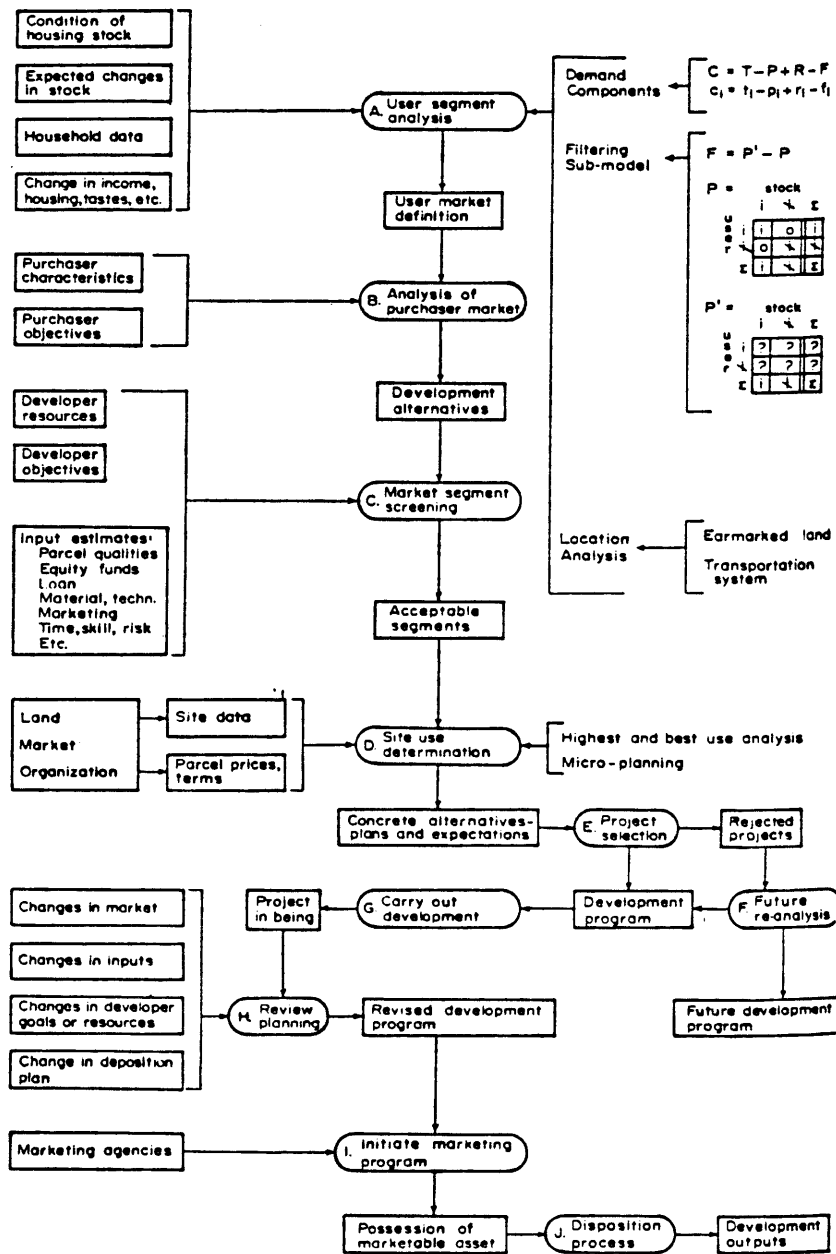
FIGURE I. DEVELOPER DECISION SEQUENCE: TECHNICAL MODEL

Condition of housing stock

Expected changes in stock

Household data

Change in income, housing, tastes, etc.

A. User segment analysis

User market definition

Purchaser characteristics

Purchaser objectives

B. Analysis of purchaser market

Development alternatives

Developer resources

Developer objectives

Input estimates:
Parcel qualities
Equity funds
Loan
Material, techn.
Marketing
Time, skill, risk
Etc.

C. Market segment screening

Acceptable segments

Demand Components

$C = T - P + R - F$

$c_i = t_i - p_i + r_i - f_i$

Filtering Sub-model

$F = P' - P$

$P = $ stock

$P' = $ stock

Location Analysis

Earmarked land

Transportation system

Land

Market

Organization

Site data

Parcel prices, terms

D. Site use determination

Highest and best use analysis

Micro-planning

Concrete alternatives-plans and expectations

E. Project selection

Rejected projects

Changes in market

Changes in inputs

Changes in developer goals or resources

Change in deposition plan

Project in being

G. Carry out development

Development program

F. Future re-analysis

H. Review planning

Revised development program

Future development program

Marketing agencies

I. Initiate marketing program

Possession of marketable asset

J. Disposition process

Development outputs

Smith's model describes the development process in an ordered sequence of decisions and actions that progress as information is gathered and assimilated.[4] Although Smith is one of the few to render his ideas in such a comprehensive graphic form, the basic thrust of the model typifies the technical approach to real estate development.[5]

The technical model describes a production process that is highly predictable in its pattern and rational in its execution. Although actual practice may require modifications in the process, the model suggests the correct way of organizing the development activity for maximum efficiency and expediency.

Thus, the model describes the development process as a sequence of incremental tasks, decisions, and actions that can be ordered into a smooth progression. Each phase provides a decision point at which a determination may be made to terminate or proceed with the process. External factors such as lack of bank interest, local development or land-use policy, or recalcitrant neighborhood groups or contiguous land owners are absorbed into the process as feedback information. These facts exist beyond the sphere of the development process and influence its pattern only to the extent that accommodation is possible or termination is necessary as the process unfolds.

Models that describe the development process in such rationalized

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[4] Wallace Smith, Housing: The Social and Economic Elements (Berkeley: University of California Press, 1970), p. 270.

[5] Addition illustrations of the development process as a sequential progressional are in President's Committee on Urban Housing, A Decent Home (Washington, D.C.: U.S. Government Printing Office, 1969), p. 115 and Weimer, et al., Real Estate, p. 301.

terms grow out of a desire to introduce order into an otherwise frag-
mented industry.  As such, they provide a normative standard to
suggest how a process ought to be conducted.  Caveats are usually
included to stress that actual experience may significantly diverge
from the norm.  However, like many formulas, the prevalent use of this
type of model to describe the development process create the impression
that it can, in fact, be used to structure one's thinking about appro-
priate behavior in practice.  This impression is reinforced when
examples of the developer's role in the process are offered.

Development, as conceived by the technical model, is a highly
rational, analytical activity.  Decisions are dispassionately made
based on a thorough understanding of the general objectives for each
project.  And professional and financial resources are deployed in an
efficient and programmed manner.

As a dispassioned decision-maker the developer's function is to
identify project opportunities and establish strategies to maximize
their potential.  "They buy land and hold it until it is ripe for
development, promote projects of various types, buy and sell property,
change property from a lower to a higher use and engage in other
(profitable) activities."[6]  If a project does not meet these objec-
tives another is sought out that will.  Alternatively, it is suggested
that the developer assists in the production process by nature of his
specialized knowledge and ability to orchestrate and monitor the

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[6]Wallace Smith, Housing, p. 268.

DEVELOPER

Central Authority
Rational Decision-Maker
Technical Skills
Deductive Risk-Taker

PROJECT SPHERE

Market Analysis
Site-Use Determination
Development Team
Finance Packaging
Permits & Approvals
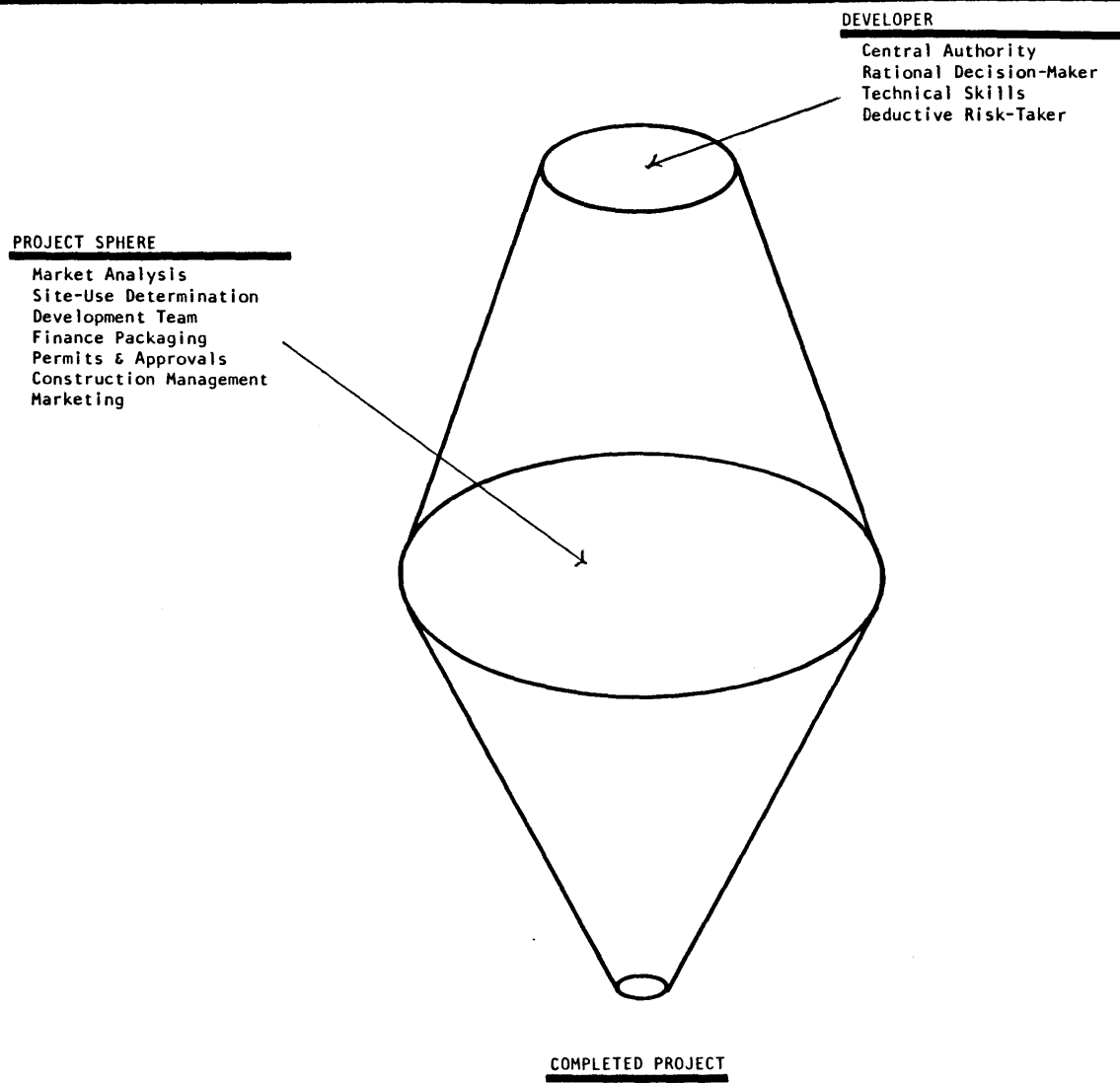Construction Management
Marketing

COMPLETED PROJECT

FIGURE II.  RELATIONSHIP OF DEVELOPER TO DEVELOPMENT PROCESS:  TECHNICAL MODEL

activities under his or her direction. "He formulates a plan,
assembles resources, manages the transformation of these resources
into a product . . . and sells that output. His own input is his
knowledge of the "market," skill in business and legal matters . . .
knowledge of technology and design in a broad sense, and a willing-
ness to hear the risk that his efforts may yield less than was
expected."[7]

Figure II illustrates an interpretation of the basic framework
of the development process suggested by the technical model. The
programmed activities of the process, as described by Smith, are con-
tained in a project sphere which represents all of the potential
variables directly related to implementation. The project sphere,
thus, serves as the lens by which resources and energies are focused
on the desired project outcome. The scope and content of the project
sphere may vary from project to project but this is determined only
by the project's specific requirements.

Conceptually, this model suggests that each project will
internally prescribe the scope of resources and actions necessary
for its implementation. For instance a new shopping center in an
untested market area may require substantially more planning and
market analysis than the addition of one building in an existing
office park. Or, the need for permits and zoning variances may be
greater for a new facility than for the rehabilitation of an older one.

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[7]Arthur Weimer, <u>Real Estate</u>, p. 10

The thrust of the model, however, is that the relationship and relative significance among the tasks in the project sphere is a function of the flexible application of a general procedural framework to the individual project specifications. It is the requirements of predetermined project outcome that are looked to for guidance for structuring the development process.

The external environment surrounding the project sphere does not appear as a differentiated entity. External factors such as zoning requirements, community attitudes toward development, or variations in bank lending policies do impact on the implementation process; however, operationally these variables only serve as a source of information to determine ongoing feasibility and to identify potential opportunities for accommodation within the preeminent constraints of the project. For example the initial development plan may encounter local resistance over the proposed traffic access point. If possible, the plan is then redesigned to accommodate the requested change and the feasibility of the project is reassessed. If the assessment continues to be consistent with the established standards of feasibility, the changes will be accepted. If it is not, the change will either be rejected or if necessary an alternative will be proposed. Should resistance prove insurmountable the project is abandoned.

As mentioned, the technical model has been formulated to present normative standards by which to measure the divergence of actual experience against what might occur under ideal conditions. However, the model articulates a general method for considering the appropriate

structuring of the development process.

1. Prior to the commencement of the development process, establish a clear quantified objective to be achieved by the project.

2. Gather all available information that may serve to guide the formulation of a project plan and to determine the relative significance of tasks in the project sphere.

3. Within the above two constraints formulate the most complete and detailed plan possible.

4. Modify the plan only as additional information becomes available or resistance must be overcome.

5. Terminate the project if it does not continue to meet the initial objectives.

As suggested in Figure II, the developer in this case is seen as the captain of the ship. He or she is the central authority in establishing project objectives and deploying resources to achieve the desired project outcome. Decisions are made rationally based on a clear understanding of the standards set for the project. And the developer provides the necessary technical skill to both make basic judgements on project feasibility and to monitor the contracted services under his or her direction in the project sphere.

The determination of risk in this model appears to be a deductive calculation. Since the developer will only begin the development process when sufficient information is available to reduce the level of uncertainty to minimum levels, a general measure of the overall

risk associated with a project can be defined at the beginning.
Willingness to bear the risk of a project failing to achieve the
desired objectives can, thereby, be determined based on a general,
acceptable standard.

## The Contextual Model

In sharp contrast to the technical model, a large segment of
the real estate literature applies the concepts of group dynamics,
sociology and political science to gain an understanding of the
development process. Composed primarily of case studies, these works
focus on the characteristics of the context that surround a particular
project. The development process understood from this perspective is
a historical and political event. The directed sequence of production
phases suggested in the technical model became overshadowed by the
intense interplay of such variables as planning boards, special interest
groups, public agencies, investment policies, etc. Each of these
powerful and autonomous influences have the potential to obstruct or
facilitate the flow of events within the development process beyond the
will or desires of those who assume responsibility for a particular
project. If the technical model is formulated to show how the develop-
ment process ought to be conducted, the contextual case study attempts
to investigate how it is conducted.

Contextual case studies abound in the literature. A representa-
tive example of how such works conceptualize the role of the developer
and the development process is illustrated by Phil David's study of

a 1,750 unit residential project in Washington D.C.[8] The study begins

with a detailed investigation of the various influences that set the

stage for the project. Federal housing policy, life insurance lending

policies, the programs of the Federal Housing Administration, and the

set of prominent local individuals who exercised control over the

development plan for the area are all identified.

Thus, the developer (Mr. Scheuer) enters an environment structured

by a history of previous interaction and independent expectation on the

desired outcome of the project. From the beginning, Mr. Scheuer was

faced with a situation of negotiation and compromise over what actually

would be developed. His experience with development was limited, and

he began the process with only a general sense of what actually would

be developed on the site. "Before submitting this plan to the FHA,

Mr. Scheuer first had to run the gauntlet of plan approval from four

other government agencies--the district government, the Redevelopment

Land Agency, the National Capitol Planning Commission, and the dis-

trict's Fine Arts Commission--plus six district departments that each

had to approve a particular facet of the development"[9]

After seven months of creative accommodation and negotiation a

physical plan was finally produced that gained local approval.

However, the financing and rent structure were subject to further

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[8]Phil David, Urban Land Development, pp. 383-398.
[9]Ibid., p. 390.

DEVELOPER

Limited Authority
Reactive Decision-Maker
Negotiation Skills

PROJECT SPHERE

Market Analysis
Site-Use Determination
Development Team
Finance Packaging
Permits & Approvals
Construction Management
Marketing

DEVELOPMENT FIELD

Public Boards
Informal Constituencies
Politicians
Neighborhood Groups
Land Owners
Finance Sources
Competitors
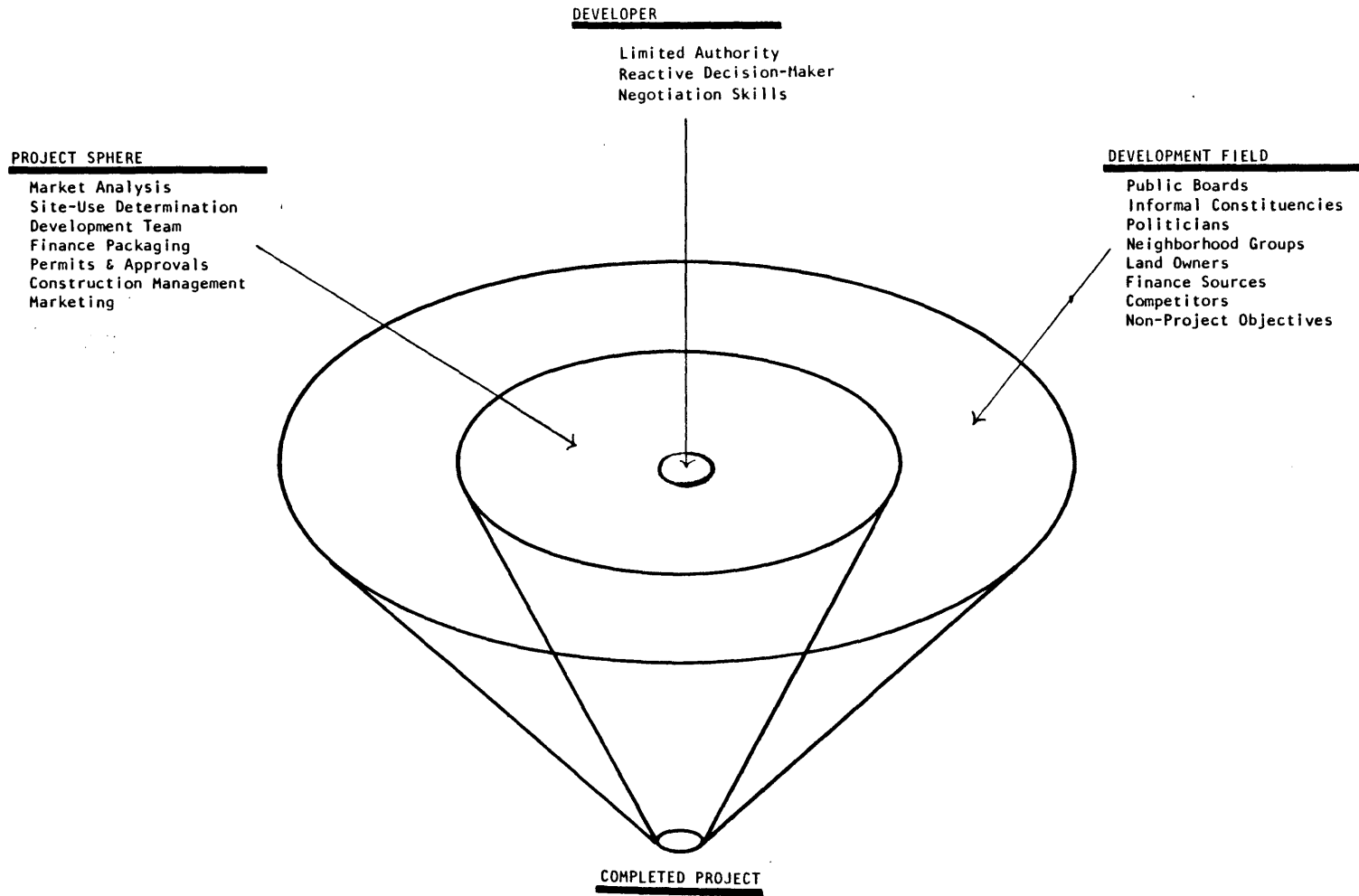Non-Project Objectives

COMPLETED PROJECT

FIGURE III. CONTEXTUAL MODEL OF THE DEVELOPMENT PROCESS

influence by the FHA. The compromises necessary to gain local approval had produced a plan with several aspects the FHA considered either too risky or that would require a superfluous increase in project costs. As a result, FHA officials intervened to force Mr. Stearns to redesign the project to include more income producing uses which would allow lower rents.

Contextual case studies such as this one suggest a very different attitude toward the development process from that illustrated by the technical model. The model in Figure III is a means of conceptualizing the development process based on contextual case studies. Surrounding the project sphere is a wider sphere of environmental influences that play a direct role in defining the project outcome. Conceptually, this arrangement adds a new dimension to the development process.

The technical model suggests that a clearly defined project objective be established prior to initiating the development process. This objective serves both to prescribe the activities in the project sphere and to identify the overall risks associated with a particular project. The environmental influences, which are here contained in a sphere defined as the development field, only serve to inform judgement of the project's feasibility and force accommodation within a predetermined project plan.

In the contextual model, the factors in the development field take on a much more differentiated and instrumental role in determining the character of the completed project. Thus, the development process

is composed of a sequence of dynamic interactions between the tasks of the project sphere and the factors of the development field. As the example above suggests, the process begins with only a general sense of the final outcome and the activities in the project sphere must be arranged to retain maximum responsiveness to the external environment. "The study of implementation requires understanding that apparently simple sequences of events depend on complex chains of reciprocal interactions."[10]

Although contextual case studies are not offered as explicit guides for a general understanding of the development process in the same manner as texts that follow the technical model, they do from a suggestive source of information on the practice of development. Generalizing from these studies an operational method emerges:

1. Investigate, to the extent possible, the personalities and policies that may influence the project outcome.

2. Identify general project criteria, and formulate a conceptual plan that would appear to have the highest potential for consensus within the development field.

3. Incrementally expand activities in the project sphere as negotiations reach key points of compromise on specific aspects of a project's content.

4. The responsibility for bringing a project to realization is spread among an array of autonomous actors and therefore risk

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[10]Jeffrey L. Pressman and Aaron B. Wildavsky, Implementation (Berkeley: University of California Press, 1973), p. xviii.

is determined as a function of emerging patterns of consensus.

5.  The decision to terminate a project does not rest with any one individual or group.

The role of the developer does not appear well differentiated in the case study literature that follows the contextual model. He or she is a single source of initiative integrated into a larger context of equally independent sources of power. Thus, the developer lacks the self determination suggested in the technical model. The nature of development process, from the developer's point of view, is predetermined prior to his or her entry. Many of the characteristics imposed on a project from the various influences and coalitions within the development field are accepted as givens beyond the influence of the developer.

Decision-making under these circumstances is primarily reactive due to the lack of autonomous authority. As the development process proceeds from one point of negotiation to the next, new actors and expectations emerge which must be contended with. The principal skill of the developer is, therefore, the ability to negotiate compromise in the extreme. It is not really necessary that he or she have any particular expertise in development other than the skill to bring about mutual agreement among disparate parties.

The notion of risk in the contextual model appears twofold. On the one hand, the lack of a clear definition of a project outcome and the uncertainty surrounding the dynamics of negotiation and compromise would suggest that the risk of failure would be high and unpredictable.

The rational, analytical developer in the technical model would have few guides with which to measure risk against an acceptable standard. However, the distribution of responsibility for the implementation of a project among a variety of autonomous participants also spreads the consequences of failure. Development is, in effect, a group effort. the developer minimizes his exposure to risk both by controlling investment in the project sphere and by the fact that the operative source of a project's initiation is diffused among a broad range of actors.

## An Entrepreneurial Model

Entrepreneurship in development, as expressed in the case studies that follow, is a highly subjective, dynamic form of activity, sustained over time to achieve a specific end. The technical model appears to overly restrict the scope of entrepreneurial initiative. It suggests that the principal entrepreneurial act is identifying project opportunities and bearing the risk of deciding to proceed. Once the process begins, implementation becomes a technical and managerial task. The contextual model, on the other hand, obscures the role of independent entrepreneurial action.

Based on the information in the case studies, the model in Figure IV is offered as a means of conceptualizing the development process as seen through the eyes of the development entrepreneur. The model attempts to introduce two concepts that appear important for understanding the development process as expressed in the case studies: relative autonomy and spheres of influence.

DEVELOPMENT ENTREPRENEUR

Organization Builder
Strategic Decision-Maker
Public Relations Skills
Incremental Risk-Taker

PROJECT SPHERE

Market Analysis
Site-Use Determination
Development Team
Finance Packaging
Permits & Approvals
Construction Management
Marketing

DEVELOPMENT FIELD

Public Boards
Informal Constituencies
Politicians
Neighborhood Groups
Land Owners
Finance Sources
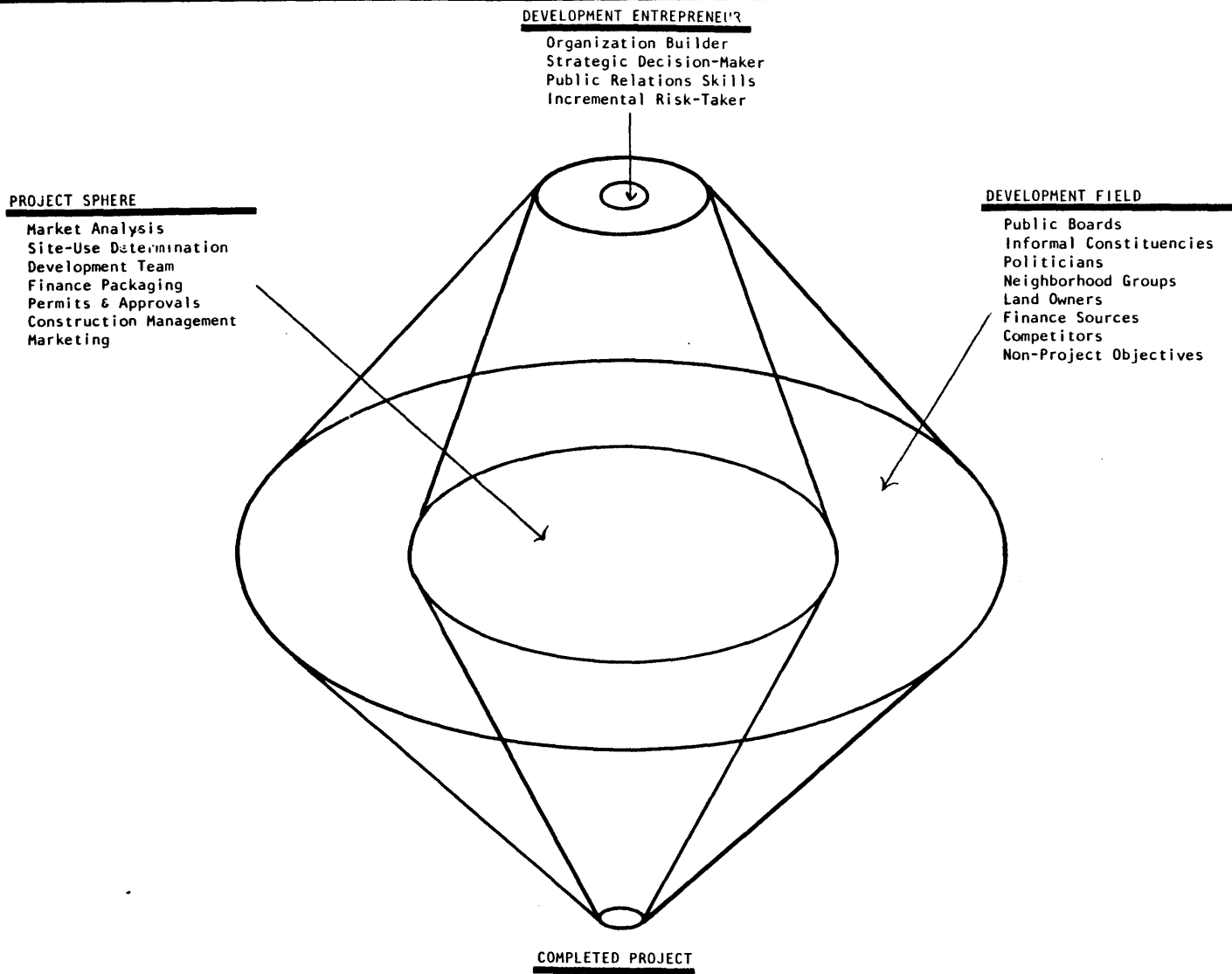Competitors
Non-Project Objectives

COMPLETED PROJECT

FIGURE IV.   ENTREPRENEURIAL MODEL OF THE DEVELOPMENT PROCESS

For entrepreneurship to occur, an individual or group must have sufficient autonomy to take initiative and deploy resources to stimulate events that are beneficial to the realization of the desired outcome whether that be a new company or a real estate project. However, an entrepreneur usually begins with little more than an idea of what may be possible and rarely has direct control over all the factors and resources necessary for the implementation of his or her idea.

The entrepreneurial advantage is derived from a position of relative autonomy with respect to other actors who must participate in the realization of a new venture. In most instances of entrepreneurship, it is the entrepreneur who is primarily concerned with the ultimate success of the venture. Although the entrepreneur must rely on others for financing, permits, and specialized technical skill, he or she does not become submerged into the set of constraints imposed by the expectations and requirements of third parties. The entrepreneur must retain a position of relative autonomy to identify new opportunities for initiative throughout the stages of the development process and formulate creative strategies with which to motivate those less committed to the final success of the project.

A second notion suggested by Figure IV that provides an insight into the material in the case studies is spheres of influence. Unlike the absolute authority expressed in the technical model or the random reactive nature of the contextual model, this model attempts to illustrate the range of interactive variables over which the development

entrepreneur must exercise personal influence and persuasion. The fragmentation of the development process offers the development entrepreneur little formal authority. However, the case studies suggest that the development entrepreneur plays an instrumental role in initiating and orchestrating activities at the three basic levels expressed in the model: his or her own internal organization, the development field, and the activities in the project sphere. The aspects of this function will be discussed in detail in Section IV.

The developer in this model is primarily an organization builder. He or she uses the position of relative autonomy to organize resources and coalitions to aid in the implementation of a project. Thus, the development entrepreneur makes strategic decisions to prompt an anticipated pattern of response. The case studies will illustrate that these decisions are neither highly analytical nor are they purely reactive. Strategic decisions are based on a somewhat intuitive understanding of the potential consequences of choosing one action over another.

Risk-taking under these conditions is highly incremental in nature. As the development process unfolds in each of the case studies, the development entrepreneur incrementally discovers the extent of uncertainty that surrounds his project. However, unlike the contextual model each sees himself as bearing the primary responsibility of controlling events to increase the changes for success.

Although the case studies suggest a range of skills on the part of

the development entrepreneur (some of which will be discussed in Section
IV and V) public relations skills are used in Figure IV to distinguish
this model from the previous two. The development entrepreneur must
possess sufficient technical and negotiation skills to deal with these
aspects of the development process, but the ability to positively
motivate people appears as the key determinate of success.

# SIX CASE STUDIES

As suggested by the model in Figure IV, real estate development
is a highly subjective and interactive process. The development
entrepreneur is placed at the center of a highly fluid environment of
personal relationships, competition, and reciprocal accommodation.
The process of molding these variables to the need of a particular
project benefits from few rules and even fewer predictable cause-effect
relationships.

In this section, six personal experiences with the real estate
development process are presented. In each, the person interviewed
served the central function of initiating a project and orchestrating
events to insure its completion. As stated earlier, there has been
no attempt to objectively verify their version of the flow of events
that surround their projects. For the purposes of this thesis, it
is sufficient to understand how each development entrepreneur per-
ceived the context of his activities and based on these perceptions
formulated strategies to guide the development process.

The cases are divided into two basic parts. The first describes
the life experiences and values that led each individual into the
real estate field. This section will provide an insight into the
character and skills that form the basis for their subsequent develop-
ment activities. The material from these background sections will be
drawn upon for a general discussion of the personal attributes of a
development entrepreneur in Section V.

The second half of each case study is devoted to a detailed description of a specific development experience that best illustrates the entrepreneurial style of the participant. Each description is presented, as much as possible, in the terms and sequence as remembered by the person interviewed. In Section IV, the examples from these sections of the case studies will be used to illustrate the basic tasks of entrepreneurship in real estate development.

## Howard

Background. Howard grew up in Vienna, Austria and came to the
U.S. as a teenager with his parents who were fleeing the social and
religious turmoil of Europe in the late 1930s. He gained an early
exposure to both construction and entrepreneurial spirit through his
family. His grandfather and uncle were both blacksmiths and his
father became an architect. His father was instrumental in bringing
Bauhaus design concepts to Vienna and became a leader in architectural
circles of the time. Upon arriving in the U.S. his father established
an architectural firm in New York City and his mother started a
company that produced women's clothing accessories which grew quickly
to over sixty employees.

The traditions of self-employment were strong in Howard's family,
but when it came time to consider a career in this new country he
chose the more technical field of engineering and enrolled in City
University of New York. Following a tour in the Navy during the war,
he finished his engineering degree, but the interest in architecture
and building derived from his family remained with him. During his
four year apprenticeship as a structural design engineer with a large,
international construction firm, Howard pursued a degree in architec-
ture at night school. Although he never finished the architectural
degree these two experiences provided the blend of interests and
expertise that would guide him throughout his career.

Howard's first opportunity to gain significant authority and
organizational skill came when he joined an emerging construction

company at the age of twenty-six. Beginning as a construction super-
intendent, he advanced quickly to become vice president of the
company in charge of engineering and construction. Running as many
as fourteen jobs at one time, he developed a capacity to organize and
orchestrate large numbers of people and realized his ability to
handle the often chaotic and unpredictable nature of construction.
"What I loved about this job was that it blended my two interests
(construction and engineering) and that I was breaking problems all
the time."

When his company merged with a larger national construction firm,
Howard was placed in charge of the New England regional office and
moved to Boston. The real estate boom at the mid 1970s provided the
impetus for the company to explore a development role as well as
general construction: a move very consistent with Howard's growing
interest in real estate development. To take on this new responsi-
bility, Howard co-founded two additional companies: a full-service
management company and a syndication and financial services company.

The recession of 1980 brought the rapid growth and diversifica-
tion of the company to an end, and it was decided to close out the
New England office. Howard was well established in Boston and had
come to enjoy running his own relatively autonomous operation. When
he was offered a similar position in Texas with what now had become
a rather large, bureaucratic organization, he declined and began to
build his own development company but "with a different accent."
"I no longer have an interest in directly controlling every aspect
of construction through a large internal organization. I now want to

control the process by writing the prescription in contracts or super-

imposing a generally knowledgeable staff member at key points."

This desire for flexible "ad hoc solutions" and a smaller, more

tightly held team guided Howard in setting up his new company. He

chose as a partner a real estate lawyer who had been actively involved

in democratic party politics at the state level for many years. To

complement his skills, and the legal and political skills of his part-

ner, Howard recruited two project managers: one with a background in

real estate analysis and business administration and the other in

land-use planning and historic preservation. These four individuals,

along with a secretary, would form the entire internal staff of the

organization.

Risks and Rewards. Howard's assessment of risk with any project

is threefold. First is the financial risk. However, he views this

risk in terms of the ante necessary to play the game. "There is

always an element of uncertainty that you can't uncover until you get

into it, but you try not to go for broke."

The most significant risk for Howard is the opportunity cost of

becoming deeply involved in one project at the expense of not pur-

suing others that may have an equal or higher probability of success.

"If you decide to work on the wrong horse you are in trouble." Yet,

despite this concern he works primarily on instinct in the initial

stages of the development process. "If you want to uncover everything

you never start anything. I think the instinct that we have is all

you can go on in the beginning."

Finally, there is the risk of failure. But Howard expresses a very

pragmatic view of this risk. "Does it mean that you're no good if you lose one contract - no. But if you lose consistently you have to begin to question and make room for improvement. You try to minimize setbacks--but I'm a fighter--you can't take it personally. I'd rather be wrong in my own than right for somebody else."

Howard is an excellent example of the independent entrepreneur. The rewards he derives from his company and projects are simple and direct. "I love the work. I love watching the real growth of a project--like a child--in a short period of time. I can control that process and have a direct influence."

An Example of the Development Process. The activity Howard chose to illustrate his entrepreneurial style in the development process was a recently completed rezoning of a ninety acre parcel of land located in southeastern Massachusetts. The parcel sat along Highway 495 at the location of an interchange that was to be completed in the near future. The development potential of the site was brought to Howard's attention by one of his project managers who had done some preliminary investigation for a case study while a graduate student at Yale.

Howard's initial reaction was that it was a "dynamite location". Previous development along 495 had shown a strong market for office and electronics manufacturing, and the future highway access made the site worth pursuing. He and his team members began obtaining options on the land. Through a fortunate coincidence, his associate dis-covered that he knew an area resident which greatly facilitated making the contacts to negotiate the options. The length of these options would turn out to be important to the future success of the rezoning

process. "If it was generally believed that we would need no more than a one-year option, I added two on to that. You pay for this protection but you have to leave yourself enough room for setbacks."

With the options in hand, Howard approached the task of obtaining the needed rezoning. The parcel was zoned for residential use and he needed it rezoned for industrial uses. However, the town already had two industrial parks: one of which was a toxic waste facility that had caused a great amount of concern. As a result, the town had developed a very reactive and suspicious attitude toward the expansion of industrial land. Formal analysis of the strengths and limitations of the site and what would exactly be built on it was minimal. "We didn't have much of a plan at this point. It was simply the identification of maybe 30 items that had to do with why somebody would be interested in such a piece of land. I think that your instincts and general knowledge of the economic situation is all you can go on at this point." And this instinct was sufficiently strong to warrant the cost of the options and the investment in an exploratory excursion into the rezoning process.

The task of cultivating local support for the project and internally assessing the political lay of the land was given over to a recently defeated, yet well-respected, State Senator. Based on the Senator's informal networking among his contacts in the town, Howard decided to make a presentation to the local planning commission. The planning commissioners were assured that within a very short period of time the project would bring jobs, industry, and most of all recognition to the town. But this general sales job was all they

were provided with to make their decision. "We didn't want to tell them exactly why we wanted the rezoning" says Howard because to be more specific would only focus their fears: the vote was unanimous in favor of the rezoning application.

The next step in the process was a general town meeting. "We felt that with the support of the town fathers (the planning commission) it was worth a shot. It was strictly a dice roll." But Howard's confidence proved to be ill-founded. At the town meeting all of the issues concerning traffic, the pollution of the water supply, and the density of the development that had been avoided earlier were raised with a vengeance. The application went down to defeat by a 60-40 margin.

Ironically, it was only at this point that Howard really began to analyze the potential of the site and pulled together a team of consultants. "After that first (town) meeting we really studied the site and as it turned out it was even better than we had thought. It corroborated our first initial instincts." It was at this point that he started the "campaign" in earnest and began preparing for the town meeting the following year.

The consultant's report established more accurate parameters for the development of the site. It became clear to Howard that the uses they could locate there would be of the type and scale necessary to allay the fears of the town, and the traffic impact would be minimal compared to the construction of the interchange itself. But he did not offer this information directly to the town. Rather, in an attempt to gain the trust of the fragmented set of interest

groups and find compromise on their specific demands, he sent his staff out to meet informally with each of the groups affected by the project. Each meeting raised a variation on the common themes mentioned at the town meeting. Through a somewhat contrived negotiation process, the compromise positions (use, height, traffic, access, etc.) were introduced as deed covenants.

Howard now felt he was prepared for the town meeting, but the opposition was still very adamant and "they became very sneaky." In this town, the annual town meeting is in two segments, two weeks apart. Howard was asked if he would be willing to place his rezoning application on the agenda of the latter meeting because the town leaders needed a little more time to study the issue. He agreed. But at the first meeting, the issue was raised and voted down in his absence. The town demanded an independent study to be done before they made their decision, which could not now occur until the following year.

At this point, Howard had over $250,000 and two years of time and energy invested in the project. Two setbacks had already been experienced. A study was in progress that would take months to complete and that may only raise more issues to be discussed at the next year's town meeting. It was a decisive moment. Howard decided to proceed but this time from a different angle: tax revenue.

Howard's lucky break (as he described it) came with the growing awareness of the towns people as to the effects of the property tax limitation measure referred to as Proposition 2 1/2. The local paper was full of debate on personnel layoffs, cutbacks in local services, and a looming fiscal crisis. His grounds for optimism were further

bolstered with the completion of the independent study seven months later. The study corroborated most of the conclusions of Howard's own study and placed the rezoning issue on a purely political and emotional plane.

Parallel to the rezoning process, Howard was cultivating interest among banks and insurance companies for financing. Their reaction to the project was very positive and they assured him that the money would be forthcoming if and when he could get the zoning. "At this risk level and the two setbacks it is unlikely that anyone would even give you a certificate of breathing, and even if you could convince them to go along the price would be outrageous." Despite the banks' caution, their interest provided further support to go ahead.

Howard became determined to pull out all the stops in the remaining five months before the next town meeting. "We followed a political strategy from then on out." A professional sociologist was hired to organize the effort along the lines of a political campaign, and local people were hired to serve as "precinct captains." Each section of the city was studied to determine useful demographic information, and attitudes towards cuts in city services. With this information, a targetted direct-mail and block party campaign was structured. This campaign focused on the vital contribution that the proposed industrial development would make to alleviating the crisis brought about by the loss of tax revenues. "It was the 'cause celebre' in the town".

The change in strategy worked, at least from Howard's point of view, and the rezoning application won by an overwhelming majority the

following June at the town meeting. "But it was a healing victory. The people who lost were not sore, they accepted the will of the majority and felt some assurance that their concerns had been addressed. We now look forward to a cooperative permit process where we will involve all those people all over again and will not hide anything."

This concluding comment provides a striking insight into the way Howard had managed the three year process. It is only after winning the key victory (zoning) that he is now prepared to show his cards. Up to this point the project had been marketed to the town by appealing to its general self-interest (jobs, recognition, and tax revenues) or through a series of symbolic compromises on items considered unessential from the point of view of Howard's development intentions.

## Jesse

Background. Jesse, like many entrepreneurs in a public setting,
came to his position indirectly. His early childhood was dominated
by the radical left values of his parents and grandparents. His
parents were active in left political affairs until the mid 1950s
when they, like many others, terminated their affiliation with formal
party organization. However, secular humanism and profound concern
for social injustices continued and provided Jesse the context for
the formation of his own social values. Jesse grew up in a world of
political activism, leftist summer camps, and idealism. However,
these experiences made for contradictory influences on his character.
On the one hand it imbued him with the sense of mission and identifi-
cation with the less fortunate. Yet the extremity of his beliefs
also served to isolate him and demand a personal self-reliance quite
distinct from his desire to participate in the group process of social
change. These two contradictory tendencies (identification with the
plight of the "masses" and the urge for individual initiative) were to
create the personal conflict during his early adulthood and yield the
blended elements of his subsequent entrepreneurial character.

Jesse entered college with the zeal of a reformer. He felt that
something was wrong with the world and radical political theory was
the means to understand what was wrong and guide future action to
correct it. He joined campus socialist organizations and immersed
himself in philosophy and campus politics. But the abstraction of
academic analysis and the insular character of his predominantly

middle-class campus life soon brought him to a "political crisis." He dropped out for a year and found his first opportunity for practical leadership by starting a food coop and a small radio station. Challenged by this experience and tempered by their relatively minor impact on his grander ambition for progressive social change, he returned to college and joined a recently-formed, state-wide, grassroots consumer advocacy organization.

Jesse moved up quickly within this new organization, and after finishing college he became director of the research division. In this position he formulated basic policy papers, trained the staff in political organizing techniques and wrote legislation to be introduced in the state legislature. His participation in building the organization galvanized Jesse's self-confidence in his basic social values, yet he quickly realized the limitations of his subordinate position. "A lot of the issues were not my issues. It (the organization) is a fighting organization but it is not a responsible organization in the sense that it does not attempt to institutionalize its victories."

The desire to create an organization that incorporated the democratic values Jesse aspired to and take the responsibility for delivering services to its constituents motivated Jesse to pursue an advanced degree in urban planning at MIT. "I had a plan when I started and what I'm doing now is remarkably close to that plan." His plan was to find a situation that had the necessary political and social ingredients to establish a community-based development organization. After two years of searching and refining his organizational

plan, Jesse found his opportunity in a small milltown outside of Boston.

An older delapidated neighborhood in the town was threatened by abandonment and the city's desire to reuse the area for the development of high-priced housing for its growing number of professionals attracted by the technology industries. The area is occupied by a low income, yet fairly cohesive, Hispanic population. An able and energetic political leadership was emerging within the community, and when Jesse found the neighborhood, a political organization had been formed to resist the city's plans to demolish the area and displace the current population. "They had a vision of what they wanted to stop, but did not have a vision of what they wanted to build. I had a vision of what could be built."

With these ingredients, Jesse set out to build an organization along the lines he first envisioned two years earlier. He formed a non-profit development corporation and established the existing political coalition in the neighborhood as its board of directors. The purpose of the organization was defined to both rehabilitate the housing in the neighborhood for the people currently living there and to create a vehicle that would focus on building a political organization that could challenge the city's long-term development policy. "I knew it was right and I knew we could do it," Jesse reflects as he looks back on those early days.

Risks and Rewards. The impetus behind Jesse's entrepreneurial activity and his principal source of satisfaction is the building of a permanent organization. "First and foremost I want to see the

organization built, but it cannot succeed if it doesn't do projects.
I feel I am doing something very important whether anyone recognizes
it or not." Yet, as with most development entrepreneurs, there is
also the desire to produce something tangible. "Fifty percent of
the mornings I wake up saying 'goddamnit I haven't gotten anything
done yet.' The stuff I've done you can't touch - its not a brick and
that is frustrating. I've gotten to the point ideologically that I
am tired of abstractions. This is so real--almost too real. But
there is a certain comfort in very specific task-oriented activities."

Jesse's assessment of the risks associated with entrepreneurial
efforts derive from his broader view of the role of development in
helping people gain control. His emotional investment in making the
organization a success is evident from his actions, and his first
criterion in selecting projects is whether they contribute to this
end." "I'm not really a housing developer. I'm an organization
builder." The risk is that failure to succeed with a particular
project will lead to failure for the more important objective.

At a personal level the risk is not being able to move on to
other challenges. "If I fail here, how do I move on to bigger and
better--I have greater ambitions. I don't see myself moving on to
bigger things until I complete something successful here."

An Example of the Development Process. Jesse's entrepreneurial
style reflects this purpose. His first task was to parley the
political strength of the organization into the financial resources
necessary to acquire and rehabilitate housing. Ironically, the
opportunity to achieve this was created by the city's own actions.

A major insurance company had initiated a program to provide operating grants and below market financing for the rehabilitation of older urban neighborhoods. The city proceeded to set up a dummy organization and the city manager announced that the area would be razed and rebuilt with the financial assistance of the insurance company.

The attempt to side-step Jesse's organization and ignore its demands raised a furor in the neighborhood which was channelled through the development corporation. Jesse, along with the assistance of his board members, made the most of this opportunity. The loose-knit coalition (made up of nine different neighborhood organizations, two hispanic groups, four churches, and a covey of social service agencies) that were affiliated with the corporation was welded into a directed political force. Within two months, Jesse put together a development plan for the neighborhood that was consistent with the organization's goals and presented it to the insurance company. "We had an organization, a plan, and dedication. I demonstrated need with a technical plan that was more sophisticated than what the city had put together."

The victory over the insurance company program gave the organization the financial clout and credibility necessary to begin negotiating for property but it also made powerful enemies within the city. With this knowledge, Jesse established a two-pronged strategy.

The first was to obtain the options on several buildings and begin the first development project. But, in spite of the general plan written for the insurance company grant, Jesse was operating basically on instincts in making the selection of buildings to rehabilitate. "It just happened that there were three brothers who wanted to sell

and we were in the market to buy." He had only a few key pieces of information at this point in the process: the area was generally blighted with all buildings in about the same state of disrepair; the city had some uncommitted subsidy money; and the landlords wanted to sell. As to formal analysis: "I don't know: we just stumbled on the buildings." With the assistance of a contracted architect and a team of housing consultants, Jesse pieced together a 32 unit rehabilitation package.

The key to the success of the project was the commitment of subsidy funds controlled by the city: by now no friend of the neighborhood corporation. "I made a personal political analysis at that point. I decided that the city council was against us but that the planning director was sympathetic." To bolster this potential internal ally, he began to develop a personal relationship with the planning director and to cultivate other sources of support among organizations close to the city. He found that the directors of the housing authority, the city sponsored downtown development corporation, and the preservation commission were all to varying degrees sympathetic. "So I took all these people and formed a planning group for the neighborhood. That was probably the smartest move we made to gain legitimacy. I set the agenda and we had all the right people there." The group hired a team of architects to put together an overall development scheme for the area. At about the same time that the planning group was created, Jesse discovered that the city had a significant sum of state housing subsidy money that the housing authority had not used and was about to return it to the state. Jesse approached an

interested local state senator and told him that if the senator forced the city council to hold a public hearing on the issue the coalition would make sure that it would have a large attendance for which he could take credit. "When I get frustrated with the development process I turn to my organizing background" states Jesse. The public hearing was called, and true to the organization's expectations ("we did our homework") it was the largest public hearing in the history of the city. Immediately after the hearing, Jesse's corporation received the need commitment of subsidies by a unanimous vote of the housing authority.

The victory of the public hearing dramatically improved the chances for the organization to continue with its development activities. Soon after, the development plan for the area was completed and accepted by the planning group as its own. "It was as if a dam broke. It was a bizarre accident - we were lucky."

Unfortunately for Jesse, he did not realize how long or complicated the process would be and the options on the buildings expired. He tried to renegotiate the options but the landlords saw an opportunity to get more money for their buildings. "We were so much in the press that they all knew what we were going to do." Undaunted by this setback, Jesse has negotiated with the city to designate the area an urban renewal district which would force the sale of the buildings at their fair market value: a sum significantly lower than what they are now asking.

## Stan

Background.  Stan provided relatively little information on his
background, focusing his discussion primarily on his early real estate
ventures to explain his route into the field.  Born to an attorney
specialized in real estate, Stan had an early exposure to the instincts
and methods of the business, although he did not follow immediately
in his father's footsteps.  Stan began his undergraduate work in pre-
medicine.  His pursuit of a career in science and medicine did not
suit his interest in social affairs, and following a six-month tour of
duty in the Air Force Reserves, Stan returned to the Boston area and
enrolled in a political science program.  During this period, Stan did
some work in government but decided it was not his calling:  "political
science was fun in college, but didn't seem very real after I got out."

These experiences developed in Stan a desire for leadership and
initiative which could not find sufficient outlet.  He found the outlet
for his energies by returning to real estate and took a job with a
small, local construction firm specialized in building rehabilitation.
He worked for the firm a short period of time when its owner died and
left Stan with the responsibility of picking up the pieces and con-
tinuing the business.  His interest in real estate and his confidence
grew through this experience and he began to seek a position with a
firm that had a wider development scope.  Why he chose to become a
development entrepreneur over other possible alternatives or technical
specializations within the field appears to be a matter of circum-
stance.  "I just had a job in real estate at the time."

In the mid '60s, Stan found the company he was seeking: a small development and rehabilitation firm that remodelled buildings in the downtown Boston area. Within a couple of years he became the lead development entrepreneur in the company. It was owned at the time by two brothers-in-law who were content with its small scale and had basically lost interest. When one of the brothers left, Stan and the other brother took over the company, and Stan launched it into an ambitious development role.

Stan's opportunity to move the company out of the rehab business came when he found a large piece of land to the north of Boston that he felt was perfect for a regional shopping center site. Regional shopping centers had been experimented with throughout the country but were still a new idea in New England in the late 60s. Stan saw this parcel as the opportunity to pioneer the regional shopping center concept in the greater Boston area. Based on his initial impression of the site he obtained an option from the land owner. After several unsuccessful attempts to find a developer, Stan decided to do it on his own. By 1970 Stan had completed his first 750,000 square feet enclosed regional shopping center and established himself as a leader in the field.

Out of this development experience, Stan identified the key ingredients for his future success. The first is to establish long-term personal relationships within the field. "It's like any other business, maybe moreso. It's a people business. In real estate you always talk as if development were bricks and mortar but most of the time it isn't. It's who you know and what kind of confidence

they have in you." After his first development success, Stan decided
to specialize in shopping centers and became involved in the
International Council of Shopping Centers. He moved quickly in the
organization from regional director to state director and on to
trustee. The contacts he made in ICSC became the source of many of
his future business partners and shopping center tenants. He developed
similar long-standing relationships among his financial backers.
"Continuity of relationships is the key." Stan's philosophy is that
it is more important to establish permanent relationships among a few
key investment bankers that can be relied on in a pinch rather than
to always look for the best interest rate.

The second ingredient to Stan's formula of success is the
informal, federated structure of his organization. Despite the large
scale of the company's development ventures it has less than thirty
five employees, including support staff. "I put together every
piece of expertise that is necessary so that I can have the flow of
an organization that can move from project to project, but I try to
control overhead by establishing relationships with firms." What
makes this approach unique in Stan's case is that the firms remain
closely affiliated with the main company. Over the years Stan has
fostered the creation of seven companies (architectural, engineer-
ing, leasing, law, marketing, general contracting, and management)
by encouraging acquaintances or members of his own staff to go out
on their own. He retains no ownership in the companies but provides
each with office space in his main building and establishes common
information links among the companies through interlocking computers.

Not only does Stan gain the needed flexibility from such an arrange-
ment, he retains the entrepreneurial element in each of the spin-off
companies. Again the key is continuity. "It's almost like having
your own people and they are each tuned in with what we are doing.
Each company is independent, but it really isn't, because of its
affiliation with us." This federated organizational structure allows
Stan to concentrate on hiring the general expertise needed for his
core staff and to coordinate among all units, rather than manage
day-to-day activities. "I don't know anyone else in the country who
is organized as we are."

The third ingredient of his business formula is to enter and
expand previously tested markets. The concept of a regional shopping
center is to capture a geographical market area and establish a form
of local monopoly by discouraging competitors from following. The
risks of failure in entering an untested market on such a scale are
great. The strategy that Stan developed in his first venture to
reduce this risk was to find market areas that already have a small
shopping center, locate near it, and reach out to a broader untapped
market radius with a specialized line of goods not provided by the
existing local shopping center. To achieve this objective, Stan
builds his shopping centers on a scale suitable for a regional market
and seeks major discount stores as his anchor tenants.

Risks and Rewards. Stan is a master gamesman in the development
process and gains great pleasure in watching his strategies lead to
results. "Our idol is Yogi Bera, who said "the game isn't over until
the game is over. It's a personal thing; it's not like a big

institution."

For Stan the development process is viewed in human terms, not physical components. His assessment of the risks involved in his ventures is based on his desire to preserve the continuity of his professional contacts. "It's a relationship thing. It's a confidence level on the part of the people we work with who know that if it's a tough deal we can do it." To fail would jeopardize this confidence.

On a financial level, Stan follows the entrepreneurial dictum of using other people's money. As a result he successfully incurs only a relatively small financial risk to himself and his organization despite the large scale of his projects. But his long-term ownership position in each project provides for maximum leverage if he succeeds. "A regional shopping center that is successful owns the market and it makes you a lot of money."

An Example of the Development Process. The project selected by Stan to illustrate both the complexity of the development process and his strategic style was a recently completed shopping center in New Hampshire. In the mid '70s, Stan's firm had completed a shopping center in the south central section of the state. The project was a success, and Stan saw an article in a business journal that showed that New Hampshire would continue its rapid population growth and high level of disposable income through the 1980s. With this information and his own experience he began the search for another location. He found a site along the seacoast that met all of his basic criteria, and in 1977 obtained the option from the Digital Corporation that had abandoned its plan to build a facility in the area. Thus would begin

a four year odyssey.

Stan's initial assessment of the situation led him to believe
that the rezoning and permit process would proceed quickly.  It was
a small sleepy town with no professional planning staff.  The rezoning
from industrial to retail would not be overly devisive, and he had
a successful project fifty miles away to point to.

Stan's strategy was to approach the local planning board
informally to cultivate support for the project.  He prepared a
schematic plan adapted from his other projects and scheduled an infor-
mational meeting with the planning board in the spring of 1978.  No
request for action was made at that meeting but within five minutes
the project was voted down.  "We went in sleeping.  We got some bad
information; we didn't realize that there was this level of opposition."

The planning board was adamant in its opposition.  It felt
deceived because it had only two years earlier granted the Digital
Corporation a zoning change from retail to industrial and next they
see a retail proposal.  The town had experienced a rapid expansion of
strip commercial development along its main traffic arteries and had
hoped the Digital facility would stem the tide.  Also, the leading
figure on the planning board (an older, retired man) was personally
opposed to a project of the scale proposed by Stan.

With this decisive defeat, Stan shifted his strategy.  By
chance a selectman and the wife of the chair of the board of selectmen
were in attendance of the meeting on other matters.  Stan approached
them and found that, although they were not necessarily in favor of
his project, they were annoyed at the way he was treated by the

planning board. Stan began to cultivate them as allies and over the next couple of months convinced the board of selectman to put the rezoning issue before the town at a special town meeting. The meeting was scheduled for August 1979.

Over the next year, Stan would discover the full extent of the complexity that he would have to overcome for his project to succeed:

1. The project would require a curb-cut permit from the state which allowed the state Department of Public Works to enter the picture with a list of traffic problems it wished to solve in the area as a condition of its approval.

2. A separate state permit would also be required under an indirect source pollution statute.

3. The DPW required a traffic study to be prepared. This study found that the reconfiguration of a key intersection would overlap the boundaries of the neighboring town. The intersection plan would require the approval of this town, which had been an arch enemy of the first town for years.

4. The federal administration had established a policy that would allow federal officials to intervene if a town could show that its downtown renewal program would be threatened by a peripheral shopping center. The neighboring town had such a renewal program and was prepared to use the federal policy if necessary.

5. The smaller shopping center in the area realized the competition that Stan's project would generate and opposed the project. They hired a traffic consultant to refute the findings of Stan's consultant.

6. Two national shopping center developers had purchased options on sites in the surrounding area and began luring tenants away from Stan's project on the argument that he would never succeed.

7. Stan's option on the land was running out and he could see that the financial markets were in such disarray with the growing recession that,unless he had a major victory on the other issues, it would be almost impossible to get the financing when the time came to buy the land.

Stan retained his confidence when faced with the extent of this distressing information. "In the back of my mind I just kept saying it was a matter of time and we were going to eventually win the battle. Before you can get to home plate you have to figure out how to get from first to second. What you have to do is break it (the problem) down and come up with a conclusion on each front as to what your game plan is and then not get locked into a plan so you can change with the process. We never have a problem because each problem can be turned into an opportunity."

The first task was to obtain the necessary rezoning at the town meeting. For this Stan's strategy shifted from informal networking to the mounting of a public campaign. During the summer of 1978 Stan rented buses and provided a shuttle service free of charge for towns-people to shop at his other shopping center across the state. Women were entertained with fashion shows and everyone was treated as special guests. The shuttle created a general goodwill and overcame many individual's negative impression of a shopping center. The second part of this public relations strategy was to direct local concerns toward

solvable technical aspects of the project and away from total opposi-
tion. For this, Stan continued to attend weekly meetings of the
planning board and reserved the town hall every Friday night to invite
townspeople to discuss the plan. To encourage attendance, personal
letters were sent to every household in the town. Through these
activities, Stan gained the trust of many townspeople and was success-
ful in isolating and addressing their two primary areas of concern:
the traffic problem and the quality of the shopping center.

The town voted sixty percent in favor of the rezoning at the
town meeting: Stan's crucial victory. He now had invested $.5 million
dollars in the deal but felt confident about continuing. "There was
enough feel that interest was mushrooming--we had a shot."

The next obstacle to overcome was the resistance of the neighbor-
ing town to the changes in the intersection. Stan's lawyers dis-
covered a law that required the state commissioner of public works to
arbitrate between two communities in situations such as this and
informed him of this legal responsibility. To encourage the commis-
sioner, Stan agreed to pay the full cost for all the improvements to
the roads in the vicinity as well as the intersection. By this
agreement, Stan had neutralized the commissioner. But knew he would
not get him to act if an agreement was not reached with the town.
Stan found his opportunity when it was discovered that the town, at
the request of the state, had planned an extension to one of its
major thoroughfares, but the town had been unwilling to put up the
local matching funds for the state to secure federal highway
construction funds. In a bold move, Stan agreed to provide the

$625,000 of matching funds conditional on approval of the intersection improvements. "All of a sudden the missing link was made. Now the town was caught in a lock between the state and us. They couldn't turn it down because they had the money and in the meantime the commissioner said that if they didn't cooperate with us he was going to make a determination in our favor." On October 15, 1980 a final agreement was reached with the town.

During this same period a much more decisive threat emerged: the option was running out and the landowner demanded that the property be purchased. Stan was faced with a tough choice and limited options. He now had over $1 million in the deal. He was gaining momentum yet he still had none of the key permits and was finding it difficult to line up tenants. With these problems Stan realized that even if he decided to seek financing it would be almost impossible to find in a recessionary economy. Then an opportunity arose, that in Stan's mind, was the turning point of the project. Over the years he had developed a personal relationship with several key people in a large Real Estate Investment Trust (REIT) based in New England. The REIT had never been in development before but decided now was the time to get in to position for the recovery. Stan showed them his project. They agreed to purchase the land and form a joint-venture.

Stan now had the clout he needed to continue. "That told every-body we were real; in a market where nobody had financing we had financing. We were no longer just a guy with an option in town."

The next step was to obtain approval from the planning board for the site plan. This would become a test of wills and cunning between

Stan and the board's chairman. "If I ever have to have a foe I wouldn't want it to be this guy. He was committed to killing the project if it took his dying breath, period." Ostensibly the issue was the mitigation of traffic impacts. Stan had already agreed to pay for all of the improvements but no determination had yet been made on what they would be. The planning board decided on a tactic to make the traffic plan financially infeasible for the project and hired a consultant from the state Department of Transportation who was opposed to shopping centers. Stan brought in his own traffic consultants and the war of reports began.

During this period Stan succeeded in obtaining the indirect source permit. He had already gone through the process with his previous development but knew that he had to repeat the study to convince the state regulatory agency that the statute was not applicable to a regional shopping center. Stan had hired an environment engineering firm and spent $50,000 to make his case. Once made, the permit was automatic.

In May 1981, Stan had to get the project under construction soon or he would lose his anchor tenants to his competitors. "We decided that we'd had enough of the planning board. We had to go for "the kill." His strategy was to isolate the chairman and cultivate support among the other members of the board. An attorney with a reputation for toughness was hired for the project and to build the evidence for a court case against the chairman. The attorney hired a court stenographer and brought him to each weekly board meeting to record the comments and actions of the chairman. At this point

the chairman was running out of delay tactics and beginning to resort
to more arbitrary actions:  making false statements about the project
that would take weeks to investigate, and scheduling meetings at odd
times (e.g., Friday before the 4th of July) to discourage Stan's
attendance.

Such tactics made the other members of the commission increasing-
ly uneasy.  They knew the attorney was getting exactly what he needed
for his court case.  To encourage their estrangement from the chairman,
Stan made the conciliatory gesture of offering his traffic consultants
free of charge to work on a wide range of local traffic problems that
the town otherwise would not have the resources to address.  The other
board members were mollified by the move and decided to bring an end
to the battle of wills.  On July 2, 1981 they approved the site plan
and authorized the issuance of the building permit with all of the
conditions agreed to earlier.  In the end, Stan had spent $150,000 in
traffic studies and had agreed to make $2.5 million in traffic
improvements in the vicinity of the project.

However, Stan's problems were not over.  He now had to obtain a
zoning variance from the board of adjustments, before the building
permit could actually be issued.  Confident that this would be a
simple matter, he began site work (which did not require the
plan approval) for the project immediately.  On July 31, the last day
of the appeal period for planning board approval, the adjacent shopping
center filed suit against the board's approval of the site plan
arguing that their traffic consultants had found that the project
consultant and the state had used the wrong technical information.

The owners of the adjacent shopping center had maneuvered against the project behind the scenes for some time and this was a last ditch effort for delay.  ut it was too late; too many important people in the shopping center world (major tenants, financiers, and leasing agents) were involved.  If the project failed at this point they would look foolish.  Stan, through his contacts, started to put pressure on them to drop the suit.  "They hadn't realized that it is one thing to be an outsider but when you are on the inside playing with the same guys it would be to their detriment if a bunch of regional managers (for the tenant stores) ended up looking bad."  On August 27, 1981, a meeting was arranged in New York to negotiate a deal.  Stan's group agreed to pay $250,000 for them to drop the suit.  On September 18 the variance was approved and the building permit issued.

The shopping center opened in February 1983.

## Edward

Background. Edward came to his entrepreneurial role by way of
a variety of experiences that instilled in him a fundamental interest
in the way things work. Neither the zeal of a reformer nor the urge
for autonomy characterize his early years. Born in Brooklyn to parents
of modest means, he grew up on the streets where he gained a first-hand
exposure to the complexities of urban life and a basic respect for
people. People like his parents who retained their pride and dignity
with little more to work with than their integrity and will to survive.
"I have some feelings about the inequities in our society, and I try,
as an individual, to deal with them through my occupation and other
activities. However, I never had the orientation that God whispered
in my ear."

Brooklyn was also a place of politics, power and corruption.
Edward's early explorations of the world beyond his neighborhood
opened his eyes to the affairs and abuses of government. Being an
inquisitive youth he began to investigate these affairs and thus
began his life-long fascination with government. "I joined the
Democratic Party not to make great changes or to right wrongs--I was
interested in the political process."

Edward was a precocious youth. He graduated high school at
sixteen and entered the University of Pennsylvania intending to major
in government. Following his undergraduate work he returned to New
York to enroll at Columbia in the School for International Affairs.
Edward's progress toward a career in government was diverted when he

became a copy boy at the New York Times. It was then that he found

an outlet for his interest in government and went on to become a

journalist. After several years at the Times, he was offered a job

at a major newspaper in Boston and assigned to cover city hall.

Despite his shunning the reformer label, Edward proved to be an

astute and critical observer of the political machinations within

city government. During his tenure as a journalist, he developed a

personal relationship with a recently appointed and reform-minded

director of the Boston Redevelopment Authority. This director had

also been a reporter and the two had a natural affinity. Edward was

offered the job as special assistant to the BRA director and assigned

to serve as project manager on a major downtown renewal area. This

was his first exposure to development; albeit from an administrative

and planning point of view. After several years in this position,

Edward moved on to work in the planning and development department

of a major local university and subsequently served as a consultant

to the Massachusetts Port Authority. Each of these experiences added

to Edward's general understanding of the complexity of the development

process but did not place him in a direct entrepreneurial position.

"I've been entrepreneurial, I suppose, because I've wandered into

these things and I've happened to do things I enjoy. I never thought

about development in the beginning. I've just always been interested

in government."

It was during this latter period that the administrative and

strictly political nature of his interests would change. Just before

joining the staff at Massport, Edward became involved with a private

real estate venture in a town outside of Boston.  Within this small

development team, he gained his first exposure to real estate entre-

preneurship.  The team organized a $20 million dollar residential

project which included optioned land, financing, engineering studies,

architectural plans, and most importantly a federal Urban Development

Action Grant.  Unfortunately, the development required a zoning

variance from the city which was ultimately denied contributing to

the failure of the project.  Edward was humbled by this experience,

but it gave him valuable information for the future.  "Putting that

project together was very critical in my knowledge of the development

process and in understanding what has to happen."  Concurrent with

the private development deal, Edward was offered a permanent position

at Massport, placed in charge of underutilized properties, and given

a "fairly vague job descriptioon."  He was now thoroughly interested

in development and spent several months assessing his options among

the various parcels owned by the Authority and chose to initiate the

redevelopment of a decaying fish pier facility.

Risks and Rewards.  Like many developers, Edward's principal

reward is simply succeeding with the project.  "I enjoy being able to

go down in a comparatively short period of time and seeing things

happen.  I love working on the fish pier."  But there is more to his

gratification than watching construction proceed.  "I hope there will

be more than just the construction.  I want very much to see the experi-

ment of the pier succeed.  That we get a major change in the operation

(the processing innovations he helped introduce) and that we get an

organizational structure (among the dealers, processors, and boat

captains) out of it that will insure that the operation will be improved."

The career risks on this project were enormous for Edward. It was his opportunity to head a major development deal. But he also knew that the Massport bureaucracy would be unforgiving if he failed. "Bureaucracies tend to become conservative: you don't look bad if you don't do anything. I've made several mistakes and the bureaucracy can be quite tyrannical about errors. When there is no institutional commitment to do these things it becomes personal."

An Example of the Development Process. Although Edward does not really view himself as an entrepreneur, the fish pier example will illustrate many of the same characteristics found in complex development situations. He began the process by making a preliminary political assessment. "As often happens in the public sector, there was a crisis that focused attention on the authority. The fish dealers were angry because the building was falling down around their ears and the facility was losing money." This crisis for the Authority was the opportunity Edward needed to initiate the redevelopment project for the pier.

The Authority had commissioned two studies of the pier's potential prior to his arrival that served as the basis for determining a development plan. "One proposed a Faneuil Market concept and was poorly done and the other proposed the redevelopment of the pier for the fishing industry but was not very detailed." Edward made his decision, based on this limited information, to pursue the latter option for several reasons:

1. The shopping mall idea was better suited in the downtown
   area where it began.

2. Congress had recently passed the "200 mile limit" which
   would reduce foreign competition for the Boston based fish-
   ing boats.

3. The fishing industry was very job intensive with the kind
   of blue collar jobs Boston needed.

4. The industry had a long history on the pier and Boston
   still served as a major distribution center.

With no further analysis, the decision was made to proceed. "I just
felt we could succeed with the renovation of the fish pier as a fish
pier. That judgement proved successful."

The plan Edward proposed, however, was more than just a blueprint
for a bricks and mortar project. The plan called for a mix of fish
processing and office uses. The rents from the office space would be
used to subsidize the rents for the fish dealers. It also called for
the complete restructuring and modernization of the facility to intro-
duce several cost-saving innovations in fish processing practices: an
aspect of the plan for which Edward assumed primary leadership.

The rudiments of a plan in hand, Edward began to lay out his
strategy for implementation. The crucial financial element for the
plan to succeed was funding from the federal Economic Development
Administration, but to obtain this Edward would need the policy and
financial commitment of the authority. His approach to this task was
to rely on his own persuasiveness and knowledge of the organization.
"I identified a series of influential folks and I persuaded these

people on a one-to-one basis--the formal meeting came only after I
had predetermined what was to happen.  I worked the individuals
first--the power centers--the chairman of the board, the executive
director and the director of administration and finance."  Next came
his peers in the organization, and for these individuals he had to
appeal to their technical nature.  For this purpose he prepared a
formal position paper and circulated it within the Authority.  Although
a necessary device for gaining their support, Edward concludes "that
the position paper was less important than the politicking that I did."
The internal networking completed, a formal meeting was organized to
discuss the options for the fish pier.  As expected, they accepted
Edward's renovation plan and rejected the other options.

A commitment from the board of directors was the next step.
However, Edward was cautious not to ask for too much at this first
meeting.  The board was simply briefed on the staff discussions and
conclusion, and asked to make only a tentative commitment to the
project - no vote was requested or taken.  The acquiescence of the
board was essential to begin negotiations with all of the external
actors and for Edward to gain claim to the internal resources
necessary to begin building his staff.  This he received.

The strategy, at this point, segmented into three component parts
(one each for the users of the pier, the city, and the federal govern-
ment) to be pursued simultaneously.  The users of the pier facility
were not a cohesive group at the beginning of this process.  There
were fresh fish processors, frozen fish processors, fish brokers,
shellfish distributors, frozen storage operators, and the boat captains

each with their own interests and concerns. "It took some cultivating but the basis of an organization was there (with the exception of the boat captains) and good leadership emerged. The boat captains just thought we were whacko but were not essential."

The two issues that seemed to cut across all of the groups were the level of rent that would be demanded after the renovations and the design of the facility. However, the dealers were in a bit of a quandry on these issues since it was they who had demanded the improvements in the facility, and they knew as a result the rents would have to be increased. They accepted Edward's plan to keep their rents low by diverting revenue from the office space. Following initial negotiations on the rent level they focused their attention on the design. Edward involved the dealers in every phase of the design process. Trips were organized to visit facilities throughout New England to gather information and ideas. Through this sincere willingness to take their concerns as his own and translate them into the plan, Edward gained the stalwart support of the dealers.

Edward needed the support of the city for two reasons: 1) the city had to sign-off on the EDA grant application of the pier project, and 2) a number of permits and approvals would be necessary to implement the project. Gaining this support would not be a major problem for Edward due to the number of contacts he had maintained from his BRA days. "The initial foray into the city was based on my contacts, but these had to be broadened to deal with a variety of institutional approvals which required the usual briefings, letters, and publicity," all of which were now easily obtained.

The federal government would be a different matter however. Edward had had little exposure to the federal bureaucracy or the congressional delegation in his previous activities. "The strategy was to understand them and how to get the maximum amount of money out of them. The problem was that they were not making their decision on the merits of the project." With this knowledge, Edward divided his task in two parts. First, he had to convince the technicians at EDA that the project met their statutory criteria. "We felt, and were able to prove, that there would be an enormous number of jobs produced by the project. Which, of course, was what EDA was supposed to do." The technicians required reams of additional information (four book length proposals were produced over the two years it would take to make their decision), but the jobs piece was what formed the basis of his arguments.

The second task was to gain the interest of the congressional delegation and persuade them to bring pressure on the EDA. Edward found that the congressional representative in whose district the pier was located was very interested in the project. He took the lead in organizing the delegation and advocating for the requested funds from EDA. Unfortunately, for Edward, the amount of money he needed was more than they were willing to give at one time. The political compromise on this issue was to divide the project into two discrete developments. Though politically necessary, this compromise became one of the principal sources of cost overrun and added two years to the length of the project. "We lost the economy of scale."

Both grants were ultimately received, and the fish pier was

retained for the fishing industry. Six years older and very much the wiser, Edward reflects "you have to assume a high level of difficulty for a project like this. However, we were able to coordinate all these entities and keep things going."

## Adam

Background. Adam was born, as an only child, to an affluent
family in Cuba. "I was a spoiled child accustomed to living the
well-travelled, comfortable good life." Adam's easy and enjoyable
childhood made choosing a profession a difficult decision. He
knew he was ambitious and independent but he also wished to preserve
his lifestyle. His father was a prominent businessman in the country
with interests in real estate development, a finance company, and a
venture capital company. But Adam's idea for a career and his
interest in construction come from his aunt who was a successful
structural engineer and architect.

Adam chose civil engineering as his specialty and enrolled in
the University of Havana. However, his studies were brought abruptly
to an end when the school was closed during the political unrest of
the early Castro years. When the school closed, he returned to work
with his father for a year on one of his real estate development
projects as a heavy equipment operator. This experience confirmed
Adam's interest in construction. When the family fled Cuba following
the revolution, Adam enrolled at MIT to resume his studies. He
shifted his emphasis from civil engineering to construction materials
and continued his studies through a master's degree. However, his
technical studies made him realize that the field was ill-suited for
his entrepreneurial energy. "I always leaned toward civil engineering
until I came here and saw what it was all about and decided that was
not what I wanted to do. I didn't have the patience to go through the

design process." This attitude and the arrival of his second child convinced Adam that it was time to seek employment.

He was offered a job with a small but growing construction company in the Boston area as a construction estimator. Adam moved up quickly in the company. As it grew from 15 to 120 employees during his seven year tenure, he was given more and more latitude to make deals. "I really got into development through the back door. I liked the package (design/build) deals and was given alot of the negotiated work." Adam's negotiating ability and detailed knowledge of construction was recognized by the owners and he was placed in charge of the newly established office in Washington, D.C.

The company expanded rapidly and by 1979 was the eighth largest building construction contractor in the country. Nevertheless, the company was not interested in moving into development, and Adam became more and more constrained in his desire to take on new challenges. His break came when an associate told him that Honeywell could not find a developer that could design and build a small facility within their budget. While only in his late 20s, Adam threw himself into the breach and structured a deal that not only met their budget but came in under target. "I pulled it off with flair, showed initiative and creativity, and made a bundle of money."

Adam's flair and hardnosed determination caught the eye of development company that built office parks in the Highway 128 area. He was offered the position of vice president and project manager. Adam stayed with the company six years and during this time reorganized the construction division, formed a subsidiary management

company, and eventually became vice president in charge of overall
operations. After these experiences it was time to go on his own.
"The owners were running the company like a non-profit organization
which used to exasperate someone like me because I am very bottom-line
oriented. The company had too large of an overhead and too many
meetings."

With $25,000 in cash borrowed from an uncle and a second mortgage
on his home, Adam launched his development company from a 200 square
foot office. Although Adam served in entrepreneurial capacities in
his previous positions, they were mostly internal to the companies
and he had had relatively little exposure to the range of actors he
would have to deal with as an independent. "I think the toughest
thing in my decision to go out on my own was to have enough confidence
that I could do it alone and in particular gain the confidence of the
banks."

As an entrepreneur, Adam is relatively risk averse. The structure
of his company reflects this attitude. The company is organized as
both a development and a general contracting firm and specializes in
projects of the small end of the scale. His basic business principals
are:

1. balance risky development deals with solid, dependable con-
struction contracts.

2. structure each deal to spread risk among a number of joint
venture partners.

3. specialize in small projects.

4. delegate initiative to staff to encourage entrepreneurship

but personally retain final decision-making authority.

Risks and Rewards. Adam is a straightforward private entre-
preneur and his assessment of risks and rewards reflect both his
attitude toward his relationship with his company and to the indivi-
dual project. "It feels good to do your own thing and be your own
boss: to take a raw piece of land and in a short period of time see
a beautiful project." No grander values are expressed in his view of
development and none are sought. Apart from the financial reward of
being a successful developer/builder in his own right, independence
and personal sense of conquest are the chief rewards for Adam. But
therein lies the source of his greatest risk. "Reputation is what we
are selling. In this respect I don't think we could afford to fail.
That is why I try to be so damn conservative."

An Example of the Development Process. Adam chose to discuss
two projects to illustrate his entrepreneurial style. Adam's approach
to real estate development was formed by his engineering background.
He viewed every deal as a complex structure of partners, tenants,
landowners, and his company. Adam gains his greatest pride in custom-
engineering each deal to minimize risk and overcome obstacles. His
first development opportunity came when a friend approached him with
an option on a piece of land and an tenant interested in a 40,000
square feet building. The deal had all the right ingredients for Adam
to demonstrate his development capacity, unfortunately he had no
money. He had developed a relationship with a major bank but his lack
of experience led them to require a payment and performance bond before
they would lend on the project. With his years of experience, the

requirement of a bond on such a riskless small project incensed Adam. "I'll be damned if I'll pay an insurance company to tell the bank that I'm O.K."

Adam had little previous background in real estate finance but this was the challenge he was looking for. He finalized the lease with the major tenant for two thirds of the building. He then turned around and presold enough of the project to a pension fund to cover construction costs. He knew that even with this arrangement he would need some equity for the bank to provide a construction loan so he sought out a joint venture partner. In his previous job, he had developed a relationship with a real estate broker who had a substantial amount of investment capital. Adam offered him a major interest in the deal if he would come in as a silent partner. Adam, at this point, was not concerned with how much of the project he had to bargain away; his only interest was to structure a successful deal and establish his track record. "All I had were mirrors. The trick is to keep them pointed in the right direction."

He returned to the bank confident that he would now be able to waive the bond and obtain the construction financing. The bank turned him down. Undaunted, Adam searched among the bank contacts he had made over the years and found one willing to finance the project.

The second project Adam chose to discuss was the development of an assembly facility for a computer manufacturer north of Boston. A 34-acre parcel of land was brought to Adam's attention by a real estate broker. His decision to become involved in the project was

based primarily on his instincts. The analysis of feasibility was not
based on economics but on his understanding of the people who might
be involved as the project unfolded. The parcel was located next to
a Honeywell plant. Honeywell a few years earlier decided to shift
its facilities policy from ownership to long-term leasing. Adam
figured that his personal relationship with the company from previous
years would allow him to negotiate a leasing arrangement for future
expansion if he was unable to find an alternative tenant.

The second important element of the deal was that the land was
owned by a wealthy doctor. To minimize his own risk, Adam approached
the landowner with the proposition that they form a joint-venture.
The value of the land serving as the doctor's investment in the deal.
This arrangement allowed Adam to tie up the land without paying for
it directly. "You have to psych out your partner in a joint venture.
This guy was wealthy and didn't need money in the short-term."

Again, to minimize risk, he then had to find a tenant willing
to enter into a long-term lease prior to construction. He found such a
company , but the deal had three complications. First the company's
immediate space need was only 70,000 square feet but it wanted the
ability to expand to 200,000 square feet in a three-stage development
sequence. This requirement was relatively easy for Adam to meet.
The joint-venture with the landowner meant that he would have no
carrying costs on the remaining land during the waiting period and
the phasing of the project would reduce exposure to risk by inde-
pendently financing the phases. The second complication in the deal
was that the company wanted to own the completed facility and Adam's

deal with the doctor was based on his need for tax shelter not a major
capital gain. The solution to both of these problems was to subdivide
the property, plan the construction of the facility in three 70,000
square feet sections, and provide the company with a short-term lease
and an option to buy each section in sequence.

The last requirement of the company was the most problemmatic.
The parcel was relatively isolated and its only legal access was through
a residential area to the bank of the property. The company requested
a frontage access which required a special permit from the locality and
exposed the project to local politics. Based on his conviction that
he could obtain the necessary approval, Adam completed the six month
lease negotiation and finalized the deal with all parties.

His strategy to obtain the special access permit consisted of
pitting the neighborhood to the back of the property against the city's
planning board. He approached the neighborhood informally to demon-
strate the traffic impact the project would have on the residents if
he used the legal access. "I tried to use that political problem to
gain support for the access to the front." The strategy worked and
the planning board issued the permit but the new access road now had
to pass through a small cluster of houses on the main road. "Then we
had the perennial objector."

One resident across the street from the project filed an appeal
and another also threatened a suit. Adam wanted to avoid a controversy
and took a very pragmatic monetary approach to solving the problem.
The objection from the resident across the street was initially the
headlights and noise of cars entering and leaving the project, but

this was only a ploy to negotiate a sale as a resettlement. "It became apparent that what the guy really wanted was to move to the Cape and retire." He demanded $200,000 to drop his appeal although the estimated value of the house was only $50,000. "I wasn't going to let myself be blackmailed, at least not to that extent." But Adam continued to negotiate and finally bought the house for $65,000

Adam took a much more creative approach with the property owner who threatened the suit. The new access road for the project was quite long and required a greater investment than Adam felt appropriate for the project. However, the new road also passed along the border of his opponent's fifteen acre parcel. Adam recognized an opportunity to solve both problems. The acquisition of the land would buy out the opposition and allow for the construction of another facility which would spread the cost of the road over a larger project. An offer was made to buy the land but was rejected by the owner. Adam regrouped and took another approach.

Permanent financing had been sought from the state industrial Finance Agency (MIFA). However, the agency had a $10 million limitation for any one developer in the same locality, and Adam discovered that for the project to qualify no partner could own more than 50 percent of the deal. To overcome this obstacle Adam and the doctor transformed a portion of their real estate holding into a stock ownership in the tenant company. But this arrangement was only a partial solution. A deal with the neighboring landowner became the key for the necessary divestment. He was offered a swap; his land for an interest in the project. The deal worked and the final piece of

the puzzle fell into place.

## Peter

Background. Peter is a man of extremes. His sense of place,
his commitment to work, and his vision of people taking control over
their lives all have roots in his midwestern upbringing. His father
was a newspaper reporter in a small mid-western otwn and an observer
politics. However, Peter gained his values from another source of
midwestern tradition: rural individualism. Contrasting the social
and political world of his father with the simple virtues of the
independent farmer and the country landscape he chose landscape archi-
tecture as his profession. But he did not shun people, rather he
developed a profound respect for the common man and a disdain for what
he viewed as "society's" ability to transform people into uncaring,
dependent individuals isolated and fearful of one another.

Peter felt strongly that the physical environment was the key to
reconnect people with the harmony of nature and enrolled in college in
a landscape architecture program. His training in spacial principles
heightened his visual grasp of the world. After college he moved
to the Boston area, and during a five year period worked with several
local architectural firms. Peter's self-confidence and desire to be
creative grew, but he found his position did not provide an adequate
outlet for his energies. "There are very few opportunities in the
structured world to think and act creatively: to live at the edge, to
know what you've got and to test your ability."

Despite this feeling about the "structured world," Peter decided
his path to a more creative role required further education and

enrolled in a graduate program in landscape architecture. It was here that he would discover the limits of his spacial approach to solving social problems. "Harvard was doing strange things with computer based land-use planning. One of my startling first impressions was of people who spent their whole life perceiving the environment and then ignoring all its complexity. They were busy rationally diagramming, weighing, and averaging it all out." With a shock, Peter realized that his ideas, when pushed to extreme, excluded the human element and became entirely removed from the fundamental relationship of people to place. This realization also contradicted the knowledge he had gained from his father on the social and political complexity of a community beyond the purely spacial. "The spacial context is very important, but it took a long time to get beyond my spacial training and discover the social aspects of the world."

The conflict between the spacial and the social, and Peter's desire to integrate the two, led him to take his first entrepreneurial action. The neighborhood where he lived at the time had experienced decades of neglect, racial tensions, and abandonment. It was a depressed area with a negative view of itself and its future. Thinking of the pioneers from his rural roots who carved a life out of the wilderness, Peter could not accept the fatalism of the area. He organized a group of like-minded people and initiated an oral history project. "We wanted the neighborhood to be understood. We tried to capture its differences while highlighting the common bonds among its people."

Peter became director of the project and the group formed a non-profit corporation to raise funds. The project produced a booklet containing 35 short vignettes written by people in the neighborhood about their visual and social perceptions. The booklet was successful in bringing together all segments of the community around a common enterprise and in producing a positive statement in its potential: but what would follow? "Our vision at the outset was a one-shot deal. But at the time abandoned housing was the number one issue in the neighborhood."

Peter found himself propelled into doing something about this abandoned housing issue. "We had the corporation, the initiative and an understanding of the problem. It just seemed like the next thing to do. But we had no experience and no money." With this sobering fact in mind, Peter created a development corporation out of that established for the research project. "The general perception was that we were crazy."

Risks and Rewards. The development corporation has provided Peter with the opportunity to combine the individualistic values of his rural roots with his desire to create change. "The real reward is seeing people help themselves. Most of the people we work with are very able, hoping people; they just don't have enough money. They just need a little information and a hand." His second reward is feeling that he has a role in his adopted neighborhood he now calls home. "I have no power but as time goes on I have influence."

The risks of his enterprise are viewed in both organizational and personal terms. The overriding objective of the organization is to

build confidence in the neighborhood and to stimulate others to also begin to acquire and rehabilitate its vacant and abandoned housing. On the one hand, the failure to succeed with one of its projects would jeopardize success on the more important objective, i.e., if they can't do it with all of their connections and dedication how can I possibly hope to succeed? On the other hand, the nature of all of the projects that the corporation takes on is so fundamentally risky that it seems hard for Peter to worry about.

The principal risk for Peter is in his own lifestyle. In the five years of the corporation's existence it has raised less than $50,000 which includes the cost of acquiring buildings and Peter's salary. "Money doesn't mean that much to me but I don't want to worry about creditors forever. In the back of my mind I think I'm looking at it in the larger term. But if I ever sat down in the beginning and said where I want to go is here and I need to do all these things to get there I probably would not have started.

"I am continually amazed at the amount of energy that even the most simple change takes."

An Example of the Development Process. Unlike many non-profit corporations, Peter's was not a membership organization. "I have limited faith in broad, participatory action because most of the things we get involved in are high risk. If I have seven or eight bright, committed people who will go with me that is all I need and can handle." The initial function of the corporation was to simply advocate on behalf of people who wanted to purchase and renovate abandoned property. "Our first objective was to create a system

through which the houses could move." To achieve this objective,
Peter organized a group of non-profit organizations in the neighborhood
and formed a separate corporation for the conveyance of abandoned
property which was to serve as a vehicle for negotiating tax abatements
from the city (in many cases it was found that abandoned property
could not be reacquired due to accumulated back taxes amounting to as
much as $50,000) and loans with local banks.

Peter's development corporation, on the other hand, got more
involved in the direct acquisition and rehabilitation of buildings.
"The rest of it was pure guts: the willingness to enter the game with
no certainty that it would come out successfully, and a faith in myself
and my board to deal with the problems as they arose." Peter chose one
of the organization's most recent projects to illustrate its entre-
preneurial style.

Peter woke up one morning to discover that a demolition company
had arrived at the abandoned six-unit apartment house across the
street. The building was physically sound but the city had placed a
$23,000 tax lien on the property and the bill was growing rapidly
whether the building was occupied or not. The owner wanted to remedy
this situation by tearing it down. Peter ran across the street,
asked the demolition crew to delay its work, contacted the owner, and
purchased the building on the spot for $500.

For Peter, this building was more than just another opportunity
for an ad hoc rehabilitation project. It was to become the symbolic
centerpiece for initiating the institutional structure necessary to
take a comprehensive approach to abandoned properties. This possi-

bility occurred to Peter quite by accident. Peter had had several dealings with the staff at the state Attorney General's office on previous properties. When he approached them shortly after acquiring the six family building, he was put in contact with the Government Land Bank (a state sponsored development finance agency). The Land Bank had recently developed an interest in assisting the return of abandoned property in the inner city to productive use. This was the ally Peter needed: a finance source willing to take an overall view of its role in solving the problem. "The Land Bank was the only agency willing to taks the risk of failure not just a financial risk. They understand the importance of the project's success."

The alliance with the Land Bank was the key Peter needed to formulate his strategy to approach the city and local banks. Several local banks had shown an early interest in the work of the corporation. They had provided construction financing and permanent mortgages but always on a property by property basis and only after Peter was successful in negotiating a tax abatement with the city. They were reluctant to give more of a commitment to Peter's risky ventures for fear that the city may not make the necessary task abatement. The Land Bank's commitment to provide the permanent take-out financing for the construction lenders solved one of these problems.

With the Attorney General's Office, the Land Bank, local banks, and the local conveyance corporation behind him, Peter was now ready to tackle the city. The city had been under pressure to modify the administrative nightmare of its abatement process for the reclamation

of abandoned buildings for several years. It had always resisted

these reform efforts on two grounds: one reasonable, the other

unreasonable. The reasonable argument was that if the abatement process

was too easy, people would stop paying their taxes and wait to get an

abatement when they wanted to sell. The second reason for resisting

the changes in procedures was that it threatened the individual pre-

rogatives of the tax assessor.

The strategy used by the group to overcome this resistance was

twofold. First, using Peter's projects as an example, the group

focused only on property already abandoned acquired by owner-occupants

(not speculators) and non-profit rehabilitation organizations. The

limited, defined scope of this approach made it acceptable to several

important allies within the city government. Peter and other members

of the group, began to formalize the effort. "We eventually assembled

everybody but the tax assessor who was the key. But the organization

gave us enough of an institutional momentum to bring him around and

set up the abatement program."

After two years of work, Peter could now return to his project.

"I'm really just a small time builder, but I also perceive myself as

change-maker in the financial and bureaucratic systems which have

impended the development and redevelopment of this neighborhood."

## BASIC ENTREPRENEURIAL TASKS IN REAL ESTATE DEVELOPMENT

Real estate development is rarely observed explicitly in entre-
preneurial terms. Some works on the subject serve as partial illus-
trations of entrepreneurship but fail to provide a comprehensive
analysis of entrepreneurial activity. Biographies of prominent figures
in the development world provide the most general source of information
on the relationship between the development entrepreneur and the develop-
ment process.[11] A review of the life and pattern of actions of indi-
viduals who played a decisive role in altering the character of urban
development sheds some light on the methods and requirements for the
implementation of real estate projects. But these biographies are
typically the stories of "great men" whose experiences have little
relevance to those who function in more humble settings. Few general
conclusions or guidelines may be drawn from their experiences and still
fewer are offered. Entrepreneurship becomes in this context a simple
description of the actions of those who are identified as entrepreneurs.

A second source of instruction on entrepreneurship in real estate
can be found in studies of project finance.[12] The proactive forward-
looking characteristics commonly associated with entrepreneurship are

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[11]Examples of instructive biographies include: William Zechendorf
(with Edward McCreary), Zechendorf (New York: Holt, Rinehart and Win-
ston, 1970); Robert A. Caro, The Power Broker (New York: Vintage Books,
1974); and a few short vignettes are provided in Arthur Weimer, et al.,
Real Estate, pp. 25-29.

[12]Though studies of project finance rarely use the terms of entrepre-
neurship they provide at least some insight into creative initiative
and sustained confidence in the face of doubt.

expressed through the compelling promotion of novel financial schemes. This activity is frequently within the direct domain of the developer and requires a great amount of initiative and risk. Nevertheless, creative project finance is only one of many technical and organizational activities that must be initiated and orchestrated by the development entrepreneur. Studies of this form indicate the type of entrepreneurial behavior illustrated in the technical model and suggest too narrow a role for entrepreneurship in development.

A more comprehensive and systematic assessment of entrepreneurship in real estate development is, however, not wholly surprising. Any discussion of the subject suffers from the somewhat fragmented and ambiguous definition the term has accumulated over time. Economic histories often adhere to the "great man" theory and point to figures such as Andrew Carnegie or Alexander Bell as examples of entrepreneurs. And small business analysts consider anyone who starts a new company as an entrepreneur. Examples such as these often appear to obscure the basic tasks of entrepreneurship by focusing on the personal attributes of the individual. "If we bring the entrepreneur as a person, front and center, just who is it we are talking about? Is he the man who conceives of a potential new business? Is he the man who promotes the relationships necessary for the new business to come into existence? Is he the consolidator? Is he the man who administers and operates the organization once established? Is he the man who risks his capital in new ventures?" [13]

[13] Orvis Collins and David Moore, The Organization Makers: A Behavioral Study of Independent Entrepreneurs (New York: Appleton-Century-Crofts, 1970, p.8.

Depending on which of these interpretations one choses as the basis of entrepreneurship the character of the entrepreneurial task will differ. In other words, entrepreneurship becomes whatever one does who is identified as an entrepreneur. Nevertheless, the literature in entrepreneurship provides an insight into several generalized tasks that can be applied to the entrepreneurial experiences expressed in the case studies.

In this section, four basic entrepreneurial tasks suggested by the case studies will be discussed --tasks which are consistent with what the literature generally describes as entrepreneurship. Operationally, these include:

1. Organization Building. The entrepreneur must build an organization that can provide him or her with sufficient autonomy and resources to personally mold events to suit the desired outcome.

2. Risk Control. The risks associated with an entrepreneurial action are high. Constructing an organization around oneself to achieve a specific end forces the individual to assume primary responsibility for the success or failure of a project. The entrepreneurial task is to achieve a reciprocal relationship between the amount of risk actually born by the entrepreneur and the level of uncertainty.

3. Seizing Opportunity. Entrepreneurship is basically an assembly task. Each new project or venture must assemble and orchestrate a vast array of hitherto unrelated human, political, and financial resources. At every stage of the entrepreneurial

action, from inception to completion, latent opportunities
will exist to catalyze events and draw together these
resources. It is a basic entrepreneurial task to accurately
perceive and seize these opportunities.

4. Positive Projection. During much of the implementation pro-
cess, the development entrepreneur is the only one who sus-
tains confidence in the venture. It is not by plan that the
entrepreneur sustains confidence in the achievability of a
project, but rather by an ability to see how events may be
set in motion that will incrementally accumulate to yield
the positive conditions for the success of the venture. The
basic entrepreneurial task is to effectively convey this
positive projection of what might be possible to sustain his
or her less stalwart and imaginative colleagues.

## Organization Building

A central theme in the research on entrepreneurship is the process
of building a new organization. Early research on the subject of the
entrepreneur by Joseph Schumpeter suggests that organization building
consists of catalyzing "new combinations" in an economic system through
the introduction of innovation. For Schumpeter, the entrepreneur did
not take responsibility for bringing into existence the new organiza-
tional system but merely served to precipitate an alteration in the
existing organizational pattern by the industrialists and merchants
who sought to benefit from the profit potential of an innovation.[14]

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[14]Joseph A. Schumpeter, The Theory of Economic Development (Cam-
bridge: Harvard University Press, 1934).

Schumpeter's system had two basic flaws that have been corrected by subsequent thinkers on the subject. The first was how to determine an innovation. The second was in distinguishing between the pure type of entrepreneur who moved on to other innovative activities and those who continued to act like entrepreneurs yet remained to build a new company around the innovation. In Schumpeter's ideal model there existed no progression of activity. There were simply entrepreneurs who precipitated the new combinations and managers who translated them into new firms or new methods of production.

By describing entrepreneurship in the more general terms of organization building, the discontinuity of Schumpeter's definition has been overcome. A fundamental distinction of an entrepreneur is that he or she must actively engage in building an organization to suit the implementation of a new idea. Existing structures lock resources away from the entrepreneur who wishes to direct them toward a new venture.[15] The present pattern of activity is a reflection of past initiatives. It is the entrepreneur who must mold the current pattern to provide him or her with the necessary autonomy and resources to personally initiate new ventures.

Organizations are created in two basic ways. They are created by selectively aggregating resources within existing structures. This can be as formal as the creation of a new department within an

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[15]Orvis Collins and David Moore, The Organization Makers:  A Behavioral Study of Independent Entrepreneurs (New York: Appleton-Century-Crofts, 1970.

established organization or as informal as drawing together a momentary coalition to achieve a specific end. A second form of organization building is to bring into existence an independent enterprise such as a new company. The key entrepreneurial characteristic is that the organization serves as a vehicle to place the individual or group in an autonomous position and provides the resources for creative initiative.[16]

Based on the experiences in the case studies, it appears the development entrepreneur must view the organization building task on three levels.

## Creation of a Personal Organization

In each of the cases, the development/entrepreneur began by building his internal organization. A few, carefully selected individuals are assembled to extend the skills and knowledge of the individual who provided the initial vision. The entrepreneurial role in crafting this internal organization appears to be the ability to aggregate key personnel, financial and political resources into a strategic unit that can serve as a bridge between the developer and the requirements of the external development process. The case studies express three different forms of personal organization building. Howard and Adam followed a pattern of organization building that is typical of inde-

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[16]Albert Shapero and Lisa Sokol, The Social Dimensions of Entrepreneurship (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1982) p. 76.

pendent businessmen.  They carefully crafted new firms out of previous business associates and useful new partners in such a way that they preserved their decision-making authority as head of the firm.  Howard chose as his partner a past chairman of the state democratic party to improve his political influence and credibility.  He also chose young ambitious staff members who would provide needed energy and expertise yet remain loyal to his objectives.  The key to Adam's enterprise is access to capital so he chose partners who had money to invest but lacked his entrepreneurial energy and talent.

For Peter and Jesse, the important aspect of building an internal organization was to bring together the political strength of concerned individuals to form the basis for an independent development company. Each sought out a social context that had the latent potential to coalesce under their leadership.  The acquisition of additional technical and financial resources to engage in development could only be achieved by aggregating into an internal organization key individuals willing to provide credibility in the neighborhood and political clout with city and state officials.

Edward and Stan created personal organization by restructuring resources and personal affiliations within existing organizations. Both discovered their entrepreneurial potential while in subordinate staff positions.  But unlike the others, they did not venture to start a new independent firm.  Rather, each slowly expanded his scope of authority to gain greater control over the resources provided by the existing organization.  At the end of this process, both Edward and

Stan had achieved as much autonomy to initiate and execute projects as their counterparts who had become presidents or executive directors of their own companies.

The creation of a hand tailored, flexible internal organization designed to expand the resources of the development entrepreneur is a key aspect of entrepreneurship in general and real estate entrepreneurship in particular. Few industries require such a diverse range of activities as real estate development. The key task for the development entrepreneur is to anticipate the need for autonomy, understand his or her personal limitations, calculate the range of resources needed for a particular type of development, and begin to build a personal organization.

Coalition Building

Contrary to both the technical and contextual models, the case studies suggest that the development entrepreneur has significant influence over the character and alignments of the external context surrounding a project. The process of exploring the factors contained within, what is here defined as, the development field has many of the characteristics of entrepreneurial organization building. Each venture into the development field appears to represent an effort to identify informal allies and ferret out unforeseen opposition.

Consistent with the notion of catalyzing new combinations in the existing organizational pattern, the development projects reviewed in the cases each appears to require a broad coalition of actors that

were brought together as a result of a specific project. Much of this new pattern is predictable based on previous experience but, as illustrated, many of the alignments in the development field are the direct result of the informal organizing efforts of the development entrepreneur. Stan's and Jesse's experiences provide the best illustration of informal resources consolidation in the development field.

Stan's proposal for a regional shopping center, contrary to initial expectations, encountered massive resistance from a variety of external sources. The local planning board, politicians, the neighboring community, competitors, and state agencies were all drawn into the process in unforseen ways. Rather than reject the project, Stan began to analyze the potential for new coalitions that might be formed in the development field through the strategic application of his internal resources. His bold move to offer to match the funds for the traffic improvements in the neighboring town is an excellent example of how a developer may overcome resistance by appealing to self interest. This action created the impetus for the state officials to intercede in his behalf to gain the necessary approval for the intersection improvements. Each venture into the development field formed an exploratory effort to expand the informal organization around the project. The new pattern that resulted from his efforts was neither simply a source of information nor the incoherent conflict of vested and uncompromising interests. It was a consciously crafted informal organization that momentarily consolidated the necessary political and

financial resources to facilitate the project outcome.

Jesse's experience with organization building in the development field differs from Stan's only in quality not by nature of the activity. The success of Jesse's project depended on the support of the city. To gain this support, he used the political resources of his internal organization to make successive excursions into the development field and identify additional political and financial resources to bring to bear on the city's decision to support the project. The creation of his planning group was his most successful effort at informal organization building. Its existence strategically restructured the pattern of debate over his project. In the absence of the planning group many of its members would have remained dispersed and possibly hostile to the project. Collected together and given a specific task, they became a vital resource for Jesse's project.

The case studies suggest that the process of building an informal coalition to consolidate resources and consensus among the autonomous elements affected by a project is a key determinate of success. To view this explicitly as an organization building task, makes this process appear less as a random and undirected occurence. It is within the developer's influence to consciously structure new relationships and precipitate events to form a supportive matrix of forces around the project objectives.

Organizing a Development Team

The execution of a project requires a range of technical expertise

and professional services. The case studies suggest, however, that the development entrepreneur maintains a very small, flexible internal organization and must contract or temporarily hire these services. Yet contrary to the technique suggested in the technical model, the organization of a development team plays a strategic role as much in reference to the need to foster positive coalitions in the surrounding environment as it is in reference to the specific requirements of the project.

Each of the development entrepreneurs interviewed initiated his project relying on the limited resources provided by the internal organization and an intuitive judgement on the feasibility for success. The development team was then incrementally expanded over time to address a particular concern or to overcome an obstruction. Howard hired a senator to improve the local credibility of his development proposal. Jesse hired planning consultants for the neighborhood task force as a means of focusing city attention on the need for his project. And Edward expanded his staff to document the job creation potential of his project to convince the EDA of its merits.

This is not to suggest that the entire development team must be structured as a means of manipulating external events and attitudes. But the case studies do suggest that the organizing of a development team can serve a broader strategic function than just formulating a project plan.

Risk Control

Risk-taking is generally accepted as a distinguishing character-

istic of entrepreneurship. However, entrepreneurs are not necessarily
gamblers. "The real point is that the gambler exercises no control
over the outcome, unless he uses loaded dice, whereas the entre-
preneur can influence by his actions whether his decisions will turn
out in the long run to be successful or unsuccessful."[17] The essential
operational task facing the entrepreneur is to structure a situation
to control his or her exposure to risk commensurate with the level of
uncertainty.



FIGURE V. RELATIONSHIP BETWEEN RISK AND UNCERTAINTY

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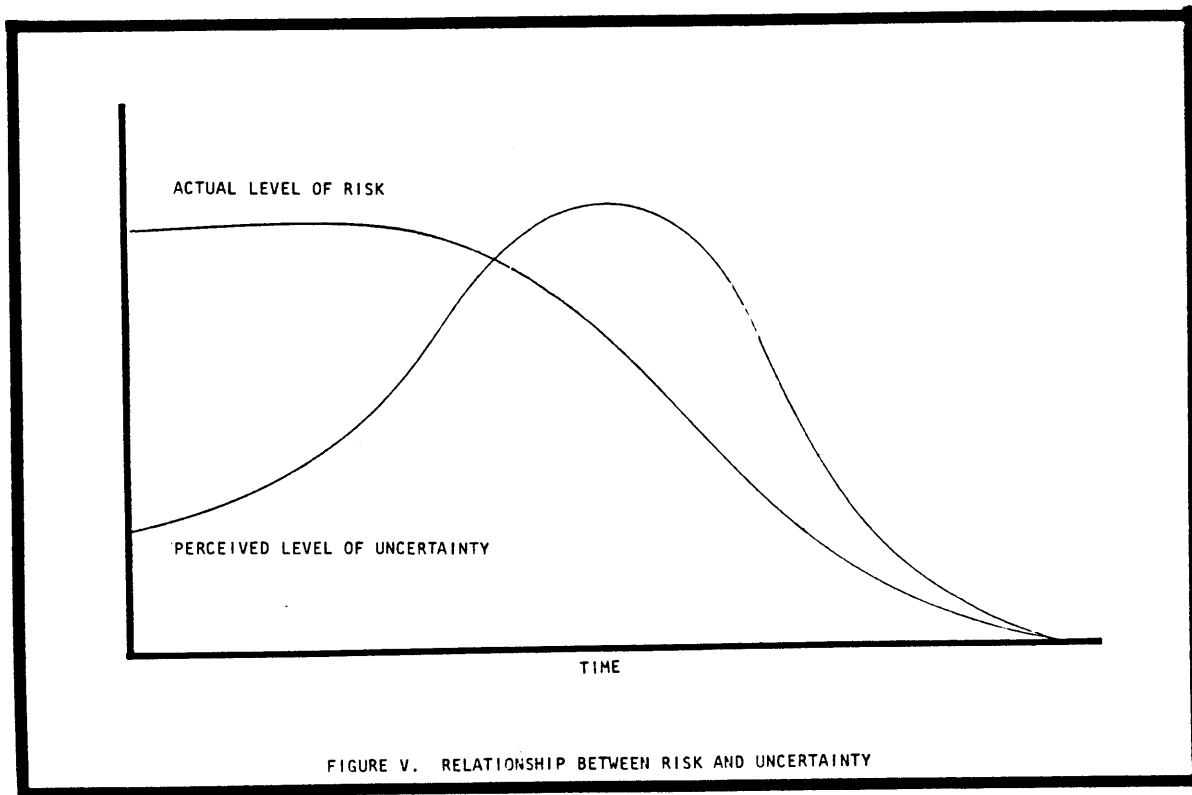
[17]  David C. McClelland, The Achieving Society (Princeton, N.J.:
A Van Nostrand Company Inc., 1961), p. 211.

The relationship between the actual level of risk and the per-
ceived level of uncertainty as suggested in the case studies is
expressed in Figure V.  It should be noted that the term risk as
presented in Figure V reflects both the potential for success or
failure of the project and the amount of that risk actually born by
the entrepreneur.  These two values may diverge in some situations
where the entrepreneur has been successful in shifting major portions
of the risk to third parties while continueing to promote a project
with dubious potential for success.  However, this simplification
appears justified for this discussion because the individuals inter-
viewed identified so closely with the outcome of their projects.  As
they worked to diminish their personal exposure to risk, they also
placed equal emphasis on increasing the chances of a successful project.

The period of greatest risk appears to be during the initial
phases of the development process.  Yet it is also during this period
that the development entrepreneur has the least knowledge of the
uncertainty that lies ahead.  Each of those interviewed reflected that
he had little initial understanding of the actual uncertainty that
surrounded his project.  The risk of failure was high for both the
entrepreneur and the project as a whole because it was only through
instigation of the project that the actual dimensions of the uncertain-
ty were revealed.

However, as the process continued, it appears that in each of the
cases the burden of risk was successfully spread among a variety of
actors associated with the project.  Peter's coalition with the Land

Bank also placed that organization's credibility at risk if the tax
reform needed for his project was not obtained. Likewise, Stan's joint-
venture with the real-estate investment trust both shifted some of the
risk and significantly improved the changes for success. Also, Edward's
successful application to the EDA for first phase funding was instru-
mental in overcoming other sources of uncertainty.

As the diagram suggests, the development entrepreneur attempts
to maintain an even or decreasing level of risk as the sources of
opposition and indifference are ferreted out. By the time the true
level of uncertainty was accurately perceived, each person interviewed
had successfully distributed the burden of risk thereby broadening
the range of support that could be relied on to improve the chances
for success.

Seizing Opportunity

A third general task associated with entrepreneurship is the per-
ceiving and seizing of opportunity. This aspect of entrepreneurship
is the subject of widely varying interpretation and can be found at
the root of many actions described as entrepreneurship. The ability
to accurately identify a new market or product opportunity is used by
many observers of business development to distinguish between the
entrepreneur and subsequent imitators. Similarly, in real estate the
person who is first to identify a fortuitous confluence of events (say
a new highway project that opens an area to an industry that had
previously shown little interest) is identified as an entrepreneur

while others are merely merchant builders.

Yet, underlaying much of what entrepreneurs do is the task of finding fortuitous circumstances to either initiate a project or garner needed resources during its implementation. "In addition to the exploitation of perceived opportunities, purposive human action involves a posture of alertness toward the discovery of as yet unper-ceived opportunities and their exploitation, toward new valuations with respect to ends, new availability of means--may be termed the entrepreneurial element in individual decision."[18]

The case studies illustrate the central importance of alertness to opportunity in real estate entrepreneurship. In each case the development entrepreneur seized some form of an initial opportunity to determine the feasibility of his project. For Howard it was a new highway interchange; for Edward it was a political crisis; for Peter it was the ability of his project to serve as a symbol for abatement reform; for Jesse it was the latent political unrest in the neighbor-hood, etc.

One may view latent opportunity as a momentary but necessary departure point for the more on-going organization building aspect of entrepreneurship, but the case studies also indicate the importance of seized opportunity as a more permanent aspect. It is very likely

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[18] Israel M. Kirzner, Perception, Opportunity, and Profit: Studies in the Theory of Entrepreneurship (Chicago: The University of Chicago Press, 1979), p. 109.

that Jesse would not have succeeded in obtaining the housing subsidies had he not also seized the opportunity to motivate the senator to call a public hearing, and Adam's deal may have foundered had he not identified the opportunity to make a recalcitrant land owner a financial partner in his project.

As a source of instruction for action, the sequence of fortuitous events found throughout the case studies may be erroneously dismissed as lucky breaks. (This is how such events were frequently perceived by the participants themselves). But the role of perceived opportunity appears to serve a much more instrumental function in real estate entrepreneurship. Opportunities may be presented from a variety of sources: in the internal organization (the personal contacts of Howard's project manager for obtaining options); in the project sphere (the job creation potential of Edward's fish pier project that was the key ingredient for EDA funding); or in the surrounding context (the interest of the Land Bank in Peter's abatement reform efforts).

Although it is difficult to predict the availability of a decisive opportunity, it is clear from the case studies that the development entrepreneur must remain continually alert to their occurrence. Those interviewed appear to achieve this objective by maintaining a relative distance from the daily operations that surround a project. By remaining somewhat autonomous, they preserve an overall image of the necessary pattern of events and interactions that will facilitate the project. When an opportunity presents itself, the development entrepreneur can thereby gauge its relative significance and take action accordingly.

## Positive Projection

A fourth fundamental task of entrepreneurship expressed in the case studies is the consistent conveyance of a positive image of what may be possible if . . . . "Initiation of an independent organization occurs at that moment when one man or a small group of men envisages the need for and the possibility of bringing men, machines, and material together to undertake an activity. We shall call this the moment of 'projection.' A projection takes place when a man has an 'idea' and when he has the imaginative insight into how to implement this idea."[18]

The preservation of a positive, compelling image of the ultimate outcome is the basic entrepreneurial cement that allows the individual to sustain confidence in his or her venture while executing the previous three tasks. The positive projection is not actually the drawing up of a precise implementation plan or even an exact image of the final product. Rather, it is a cogent insight into a plausible sequence of events that allows the less entrepreneurial individuals assembled by the entrepreneur to understand and believe in the value of their contribution, and the ultimate feasibility of the venture.

The case studies universally express the importance of the development entrepreneur's positive projection. At each stage of the development process it is vitally important to motivate and gain the confidence of individuals who have initially only a peripheral interest in the entrepreneur's project. Two representative examples from the cases

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[19]Orvis Collins and David G. Moore, The Organization Maker, p. 4.

include Adam and Peter.

In Adam's first deal, he was confronted with a situation where his source of construction capital would not believe in either Adam's ability to develop the project or to attract tenants. To overcome this obstacle, Adam in turn approached a potential tenant and negotiated a lease prior to construction based on Adam's conviction that the project would ultimately prove feasible. It was further necessary to also pre-sell a major portion of the building to an investor. With these two demonstrations of confidence in the project, Adam was able to convince a bank to provide the construction funds. For Peter the task was not dissimilar. To overcome the image of property owners cheating the city out of tax dollars, he painted a picture of average people taking control of their lives and rehabilitating abandoned buildings.

Positive projection is similar to salesmanship but differs in that the entrepreneur typically begins with only an idea. The salesman begins with a product and proceeds to instill in the mind of the buyer an image of how the product may be useful. The entrepreneur takes an idea and uses that idea to convince those who are necessary for its realization to participate in some instrumental manner.

# ATTRIBUTES OF A DEVELOPMENT ENTREPRENEUR

The concept of the entrepreneurial character has changed little from when Schumpeter provided the first systematic investigation of the entrepreneurial role in economic history. "Schumpeter's economic leaders are individuals, motivated by an atavistic will to power . . . Their special characteristics are an intuitional capacity to see things in a way which afterwards proves correct, energy of will and mind to overcome fixed habits of thought, and the capacity to withstand social opposition."[20] Subsequent research on the entrepreneurial character by McClelland, Macuso, Hornaday, and Kirzner has refined and elaborated on this basic concept.

Based on the case studies, the basic character traits and skills of the development entrepreneur can be summarized in the following four categories.

## Need for Individual Responsibility and Autonomy

A universal characteristic that appears to distinguish the entrepreneur is the fundamental urge to free him or herself from subordinate positions and gain full decision-making authority. As McClelland suggests, entrepreneurs " . . . prefer to take personal responsibility for their decisions and they want the outcome to depend on their own skill and ability."[21]

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[20] Peter Kilby, ed. Entrepreneurship and Economic Development (New York: The Free Press, 1971), p. 7.

[21] David C. McClelland, "The Achievement Motive in Economic Growth" in Entrepreneurship and Economic Development. Edited by Peter Kilby (New York: The Free Press, 1971), p. 115.

The urge for autonomy in decision-making and resource allocation is amply evident in the case studies. However, there appears to be a countervailing tendency to seek intermediate positions from which necessary skill can be gained before one makes the crucial break into a true entrepreneurial position. Although each development entrepreneur reviewed demonstrated an early tendency toward independence, their evolutionary path appears to divide into three categories. Howard and Adam first sought to establish their status by pursuing careers in engineering and spent long periods of time in subordinate positions before fully realizing their desire and capacity to sustain the risks and rigors as an independent entrepreneur. Stan and Edward on the other hand, sought the autonomy for entrepreneurial action by creating an independent niche for themselves within existing organizations. In this respect, they were able to act like entrepreneurs while at the same time limiting the scope of potential failure to the individual project. Jesse and Peter created their positions of entrepreneurial independence by molding a social context to provide them with the decision-making authority they desired.

Tolerance for Making Decisions in Ambiguous and Uncertain Situations.

Entrepreneurs, by nature, are not methodical, rational decision-makers. This is not to suggest that they make foolish decisions, but as the case studies illustrate, entrepreneurial decisions rarely benefit from adequate information and predictable cause/effect relationships.

The individuals in the case studies demonstrate an ability to

make decisions under a high degree of uncertainty. Over time, these decisions appear as a pattern of strategic action: each decision becomes a means to acquire additional information from the environment with which to make the next decision. In this way, the significance of uncertainty is diminished by incrementally exploring the dimensions of the development task.

Each of the development entrepreneurs interviewed was comfortable with allowing his hunches to guide action when little or no information was available to determine accuracy. For instance, Edward was provided with two preliminary studies with which to form a judgement on a future course of action for the rehabilitation of the fish pier; Peter had only a glimmer of hope for a tax abatement when he ran across the street and bought the house for $500; and Howard had only a general understanding of what could be developed when he placed an option on the parcel of land.

This ability to make decisions with limited information on the actual potential for success is a key attribute of the entrepreneur. Without this capacity, an individual in an entrepreneurial position would lack the flexibility to take decisive action at crucial points in the implementation process. These actions may prove unfounded but the entrepreneur seems to understand that the test of reality comes only as a result of a decision to proceed.

Desire to Create

Throughout the literature, the entrepreneur appears to seek decision-making authority as a means to directly participate in what

h e feels is a creative process. The case studies suggest that the development entrepreneur (like an artists) sees the fruits of his labor not merely as a source of profit or a job well done, but rather as a fundamental creative act. Howard expressed this attitude most graphically by stating that development was like watching a child grow. A similar attitude was expressed toward the work of each of those interviewed.

The project examples used to illustrate the individual's role as builder/creator may leave some doubt (depending on one's values) as to their "artistic" value, but it appears clear that the desire to see the final outcome as a product of the entrepreneur's personal will and imagination is one of the fundamental sustaining influences on his activities.

Collier expresses this aspect of the entrepreneurial character as the "Creative idea." "Pleasure, power, and fame appear to be but by-products of the efforts we make to be useful members of society and to leave it with something more than it had when we arrived. Perhaps we leave only the grain of sand that Robert Frost said he wished to leave in the beach of history; but at least, if we do that, we can feel that we have fulfilled our role."[22]

Attitude Toward Risk

The attitude toward the consequences of personal failure varies

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[22]Abram T. Collier,"Business Leadership and a Creative Society" in Executive Success. Edited by Eliza Collins (New York: John Wiley and Sons, Inc., 1983), p. 171.

greatly in the case studies. Like most entrepreneurs, those inter-
viewed sought to balance their concern for personal risk with the
overriding need to place themselves in positions of decision-making
authority and influence. McClelland's work on the psychology of the
enterpreneur found that individuals with a high need for personal
achievement do not, in fact, see themselves as taking high risks.[23]
Not that they are unaware of the uncertainty of achieving their task,
entrepreneurs simply rely more heavily on their ability to overcome
obstacles as they arise. (This relationship between risk and
perceived uncertainty is expressed in Figure V.) In McClelland's
words, entrepreneurs tend to initially disregard uncertainty "but as
reality cues become available, they tend to base their judgements on
these cues. They are not impractical 'dreamers' overestimating their
chances for success at everything; instead they rely on facts so far
as they are available, and then fall back on generalized self-
confidence."[24]

The attitudes toward risk expressed in the case studies may be
divided into three categories that link the entrepreneur's perception
of failure with its consequences on them as individuals.[25]

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[23]David C. McClelland. The Achieving Society (Princeton, N.J.:
D. Van Nostrand Company, Inc., 1961), p. 222.

[24]Ibid., p. 223.

[25]A study by Patrick Liles of entrepreneurs who started new
business ventures include the category of family risk in this list.
However, those interviewed for this thesis made little mention of
their families or non-professional relationships outside of their work
environment. Patrick R. Liles, New Business Ventures and the Entre-
preneur (Homewood, Ill: Richard C. Irwin, Inc., 1974), pp. 13-15.

Financial risk did not appear to be of great concern in the case studies. Although Adam placed great emphasis on mitigating the potential for financial loss he did not place it high in his assessment of personal risk. Howard's attitude appears more typical on this point. Money is simply the cost of participation. Financial loss or gain on any one project is more a method of keeping score.

Conversely the attitude toward the implications of failure in one's career appears to be one of great concern in the case studies. As Adam expressed it "reputation is what we are selling." The development entrepreneurs interviewed in the case studies were primarily concerned with the perceptions of their future effectiveness on the part of those around them.

A third concern, with respect to risk, expressed in the case studies is the implication of failure on ones own self image. It is clear from their experiences and actions, that those interviewed had a very strong personal identification with their work. With this attitude, the psychic costs of failure would be very high. One may only speculate from the information in the case studies, but it appears that personal ego is what the entrepreneur places at greatest risk with his ventures.

# CONCLUSION

This thesis was motivated by a desire to formulate a model for executive decision-making in socially oriented development organizations (e.g., public authorities, development agencies of local governments, and neighborhood non-profit groups). Through my experiences with two non-profit development corporations, a two-year position as project supervisor in the Peace Corps, and my academic studies of the development process, I have become convinced that executives in the field of public development have very few guidelines with which to accurately define their role.

I began this thesis with a twofold purpose: 1) to clarify my understanding of entrepreneurial behavior; and 2) to apply this understanding to individual decision-making in the context of socially oriented development organizations. Consistent with my experience, the initial hypothesis was that executives in public service type organizations use a different framework for decision making than their counterparts in private enterprise. Much to my disappointment, the case studies provided very little evidence to support this hypothesis. As a result, the hypothesis was rejected and in its place was substituted the discussion of alternative decision models exclusively within the context of real estate development. As a devise for my own personal learning process, this proved moderately adequate. But by only succeeding with the first half of the original concept for the thesis, the text is now more descriptive than instructive for the reader.

I attribute this outcome to a unforseen consequence of the research method used for the study. The original intent was to focus on the individual decision-maker (distinct from the organization) as a means of gaining personalized descriptions of alternative modes of action between individuals in social and profit oriented contexts. However, by choosing development as the unifying theme and focusing solely on a group of successful, highly motivated individuals in the two types of organizations, the similarities proved more striking than the differences. The error in this method was in assuming that individuals who had already demonstrated a high degree of entrepreneurial effectiveness in each of the two settings would describe their specific actions and decisions during the implementation of a project in different terms.

The major distinction between the members of the two groups (placing Jesse, Edward and Peter in the socially oriented group and Howard, Stan and Adam in the profit oriented group) was in their perception of the positive benefit of the final outcome. The members of each group expressed similar attitudes toward autonomy, the need to see their efforts translate into a permanent physical product, and possessed a common set of organizational and promotional skills. But they fundamentally differed on what they felt were the long-range implications of their work.

Those in the socially oriented organizations assessed the primary outcome of their work in terms of social change. Physical development was only a means of focusing their own entrepreneurial energies and served as a vehicle to achieve some broader social objectives.

Jesse's primary ambition was to create a permanent, constructive
organization that would directly engage the disinfranchised members
of the community in decisions concerning the physical development of
their neighborhood. For Peter the objective was to demonstrate the
feasibility of self-help in the rehabilitation of abandoned buildings
and to remove tax barriers which would allow low-income people to
emulate his model. Edward consciously professed fewer explicit social
objectives of his work, yet it appears that he gained a major source
of his satisfaction from insuring the survival of the fishing
industry. He took particular pride in the creative rent structure
which reduced operating costs for the fish processors and in fostering
innovative fish processing techniques necessary to modernize the
industry.

Howard, Stan, and Adam, on the other hand, identified exclusively
with the physical project at hand. The nature of their entrepreneurial
character is equally complex, but the primary objective was to get the
job done and move on to the next project. For this group, physical
development is an end in itself, and the principal entrepreneurial
concern is how well one personally plays the game. The effect of
their actions on the communities and social institutions that they
either outwitted or preempted during the implementation process was
only of concern to the extent that they effected the achievement of
the preeminent project outcome.

The only real conclusion one may draw from the case studies, as
currently constituted, is that personal effectiveness in development

depends on similar skills in the two types of organizations regardless of the value judgements one places on the long-range benefits of the development process. Nevertheless, this conclusion alone is instructive for formulating a model for executive decision-making in socially oriented development organizations. As the case studies suggest, individuals with a high level of initiative and entrepreneurial skill tend to "drift" into their independent positions--propelled by a negative feeling toward previous more subordinate experiences.

For individuals in a profit oriented context this transition is fairly well defined. The methods for starting a new company (or a new venture within an existing organization) and directly initiating development projects are clearly articulated in the business and real estate literature. However, for entrepreneurial individuals in public service few sources of instruction are available. How does one consciously consider initiating and implementing a new organization or project without violating one's sense of public accountability? Images of Robert Moses come quickly to the mind when considering these questions in the public sector.

If my original hypothesis is correct (the limited and admittedly flawed set of case studies included in this report not withstanding) how exactly does one explicitly prepare for, and evaluate an entrepreneurial position in public service development organizations? Most of the individuals faced with this question have a background in some aspect of physical planning or public policy: careers that appear appropriate entrees to development in the public domain.

Yet, the training one receives in these fields makes little mention of entrepreneurial skills. Conversely, the individual with a background in private real estate development may have a well-developed formula for entrepreneurial initiative but will lack the social sensitivity with which to adapt to the constraints of a public setting.

In closing, I would like to offer several comments on how entrepreneurship might be taught within a curriculum designed to prepare people for public service. In addition to this study, and the personal experiences alluded to earlier, my interest in this subject was reinforced by a course that I taught (along with Joe Soley) on the topic of entrepreneurship in the Department of Urban Studies and Planning at MIT. The experiences with this course will form the basis of many of the following comments on the training of individuals who may pursue executive positions in public and quasi-public development organizations.

Development, as it is investigated within the context of a public service curriculum, is typically discussed either in the terms of social and interorganizational dynamics, or in terms of the set of specific skills one will need to effectively perform technical tasks such as finance or site planning. These two points of view correspond roughly to the contextual and technical models described earlier.

It is my impression that students respond positively to these methods for describing the development process because they reinforce expectations of what public service will require in the future.

Students typically define their career goals in terms of participating in a process of development that will lead to the implementation of a project. The emphasis for these students is on assisting a particular social constituency to more effectively engage in real estate development. The relevant areas of study,thus,include negotiation, techniques for consensus building, and comprehensive methods of data collection and analysis. Alternatively, students consider their future role as one of providing specialized technical skills to a pre-existing public development organization. Areas of study in this case become real estate finance, design, law, etc.

Neither of these methods for describing the development process are necessarily contradictory to the executive function (as the case studies illustrate); however, they serve to emphasize the more administrative aspects of development rather than provide useful guides for executive decision-making in the face of fragmentation, conflict, limited resources, and even more limited information on what the future will hold. The case studies suggest (and my personal experiences corroborate) that the essential ingredients for success in development are the ability to make intuitive judgements, decisive action, and the formulation of compelling strategies that can foster the support of a broad range of hitherto uninterested or hostile parties.

I do not dispute that those in preparation for public service should have a strong sense of personal accountability to a broader social constituency,nor that they should ground themselves in a set of systematic technical skills. The suggestion of this study is

merely that students should also be provided with some framework with which to understand the function and importance of executive decision-making in motivating and guiding the development process.

This thesis offers the concept of entrepreneurship as one possible method to focus attention on the role of the individual or small group in taking the risks in initiating and implementing new development ventures. Entrepreneurship is most commonly associated with the creation of new profit oriented business enterprises and much of its historical and theoretical underpinning is based on this premise. However (as I have attempted to illustrate in this study) entrepreneurship, in the broadest definition of the term, consists of a loosely affiliated set of skills necessary to initiate and sustain change in any economic or social setting.

It is clear that many students will not initially consider themselves in pursuit of executive authority. The experiences of the individuals in the case studies suggest that most people who possess latent entrepreneurial skills and personality traits tend to "drift" into an entrepreneurial role following some period of apprenticeship. The introduction of entrepreneurial skills into an educational curriculum, thus, should not challenge this important aspect of training and personal evolution of executive capacity. Rather the emphasis should be on providing a basic framework with which the individual can identify the entrepreneurial content of his or her future professional experiences and assess his or her personal capacity to fill such a role. Among the fifteen students who attended the class that Mr. Soley and I

offered on this subject, few entered with a clear understanding of the techniques necessary to actually initiate and organize a real estate development effort. However, by providing an opportunity for the students to conceptually place themselves in an executive position, each was motivated to explore a personal framework for entrepreneurial decision-making and action.

The issue of whether entrepreneurial skills can be taught in a classroom context has been the subject of continued debate in the academic literature. The general conclusion of research on the issue is that it is possible to reinforce latent entrepreneurial talent through instruction. Consistent with this point of view, my own opinion is that students need to know what they want to accomplish. Course materials, and examples of the entrepreneurial role in development only serve to suggest how one might formulate alternative means to achieve the desired objective.

Jesse's experience in the case study provides an illustration of how a course on entrepreneurship can be of assistance in linking executive skills with a strong personal ambition. Jesse entered MIT with a somewhat vague desire to organize a non-profit development corporation in a low-income community. Yet,his studies in public policy, finance, and the general process of implementation were only partially useful in illustrating the essential skills he would have to draw on to achieve this objective in practice and implement a project.

The task of explicitly preparing people to pursue an executive

position in socially oriented development organizations is difficult
to perform in the context of an educational program designed around
the public service professions. Unlike business and engineering
curricula (where the study of entrepreneurship is most highly
developed), such a program must preserve a balance between the public
as client and ultimate bearer of the consequences of failure, and the
emphasis placed on the significance of the entrepreneurial individual
or group. Carried to its extreme, entrepreneurship in a public
setting can become naked subtrifuge of the political process and
counterproductive competitiveness. Nevertheless, it is evident from
the case studies that the initiation and implementation of development
projects in the public interest have many of the same characteristics
of fostering new ventures for solely profit-making purposes.

To integrate all of the social, political, and technical ingre-
dients into an explicit format for executive action, I propose a
twofold approach to curriculum design. The first is to specifically
introduce models of the development process into courses that investi-
gate one or another of its many aspects. The emphasis of each of
these models should be on the implications on the conscious organiza-
tion of the development process suggested by the particular subject
under study. If the course material focuses on the political or
interorganization negotiation process that surrounds the implementa-
tion of a project, the model should illustrate the suggested con-
straints and opportunities for creative initiative on the part of the
development executive. If the subject is real estate finance or

market analysis, the model should highlight how these functions can be instrumentally integrated into the development process.

The guiding theme in each of these illustrations should be on the strategic importance of particular aspects of the development process as viewed from the perspective of those who carry the immediate responsibility for the day to day tasks of organizing and orchestrating implementation.

To avoid interference with the particular subject matter at hand, the modelling aspect of the curriculum may be introduced by means of periodic discussions with guest lecturers who have confronted, in practice, the issues suggested by the course material. The technical and contextual models formulated above are only two of many possible methods to conceptually integrate the various aspects of the development process as it moves from idea through to project completion.

The second ingredient of my proposed educational format is the institution of an Executive Development Seminar based on the concepts of entrepreneurship. This seminar would run parallel to the regular curriculum and would meet once a week. The format of the Executive Development Seminar would be a combination of case study materials drawn from the other classes and a series of guest lectures by successful development entrepreneurs invited from both social and profit oriented organizations. The major difference between the seminar and the supporting course work is that in this context the student would be conceptually placed in the central decision-making role rather than analyzing the development process as an outside observer.

Based on the cases and lectures, the student would be requested to formulate specific strategies for action at key points in the development process. At the end of the seminar, each student would prepare a detailed discussion of the entrepreneurial aspects of an actual development venture of his or her choosing.

In summary, this suggested format would differ from that typically used in conventional real estate courses and business schools in three basic ways:

1. It would provide an opportunity for students interested in development from either the public or profit point of view to integrate their specific course work into a common framework of executive decision-making and action. Real estate courses that currently integrate case material and decision-making typically explore the entrepreneurial role only from the private developer's point of view.

2. It would create less confusion between course materials designed to highlight particular aspects of the development process, and the role of the development executive. Students would be provided an opportunity to exclusively explore and discuss the entrepreneurial tasks associated with a wide range of public and private development ventures.

3. Finally, this format would specifically and consciously instill an understanding of entrepreneurial action in students (especially those in pursuit of public service careers) who may have never considered these important issues during the course of their studies.

I have found the study of entrepreneurship to be very useful in assessing my own real estate development activities in socially oriented organizations. In many respects, the preparation of this thesis has represented an exercise in personal education. However, I hope that its contents and concluding thoughts will be useful to others who may find themselves in similar entrepreneurial roles.

LIST OF FIGURES

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