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**Introduction**

I am very grateful for the opportunity you have given me to express myself and offer my comments and suggestions regarding this extremely relevant Vision Plan.

I would also like to take this opportunity to congratulate everyone on this government initiative which, through the Planning Board, will give Puerto Rico a vision that will allow us to dream as a people and at the same time provide us with the tools to create the mechanisms that will make those dreams a reality.

**Background**

According to Robert Kaplan, a Professor at Harvard Business School, the Strategic Map concept establishes that the system of creating value for all constituencies in a business and/or nation consists of two principal components. These are (1) Improved Operational Efficiency and (2) Sustainable Revenue Growth. Usually, improved operational efficiency can be achieved rapidly and is under direct management control. We have clearly seen this as the Puerto Rico government has moved quickly to “stop the bleeding” so to speak, balance the budget, identify operational efficiencies in the various government agencies and lower their operational costs, along with a number of other measures that it has been implementing over the past 8 months. Certainly, we see this as being more directly controlled by government leaders, which allows them to take action, although painful and challenging, to directly and favorably impact operational efficiency.

We know and have discussed how there is a likelihood that thousands of government employees will be laid off from their jobs. We also know that existing private companies are contracting as well. Various initiatives have been mentioned regarding how this urgent situation can be addressed, but the reality and facts at this time are that concrete plans are being put in place for sustainable income growth and for this reason I understand that the proposal presented here is a key element in combination with other government initiatives. The objective is that those without jobs – both in the public and private sector – can quickly regain productive jobs as individuals, for their families, for the businesses they could work for, and for Puerto Rico.

It is evident that sustainable and responsible socio-economic development activity for Puerto Rico is necessary and urgent. Currently, family businesses, for the most part, do not have the “business blood” or the systems necessary to absorb the unemployed. And because there is a lack of locally headquartered companies listed on the public stock exchange, we cannot count on that option, knowing that the few that exist are also feeling the significant impact of both the global and local economic crisis. Therefore, an effective and well-coordinated Entrepreneurship Eco-System (EES) needs to be established as soon as possible – one that could possibly provide viable long and short-term options. Moreover, it could emerge as a great opportunity, with an appropriately established Entrepreneurship Eco-System (EES), with the challenges quickly becoming opportunities.

Although necessary and useful, the significant investment that ARRA funds and other federal subsidies will bring to Puerto Rico will not bring sustainable economic development in the long term. Puerto Rico needs to achieve long-term sustainable income. However, because achieving sustainable growth takes more time and is more complicated than improving operational efficiency and not under the direct control of government leaders, there are many variables, such as elements of the global context, business performance, and other external factors.

Currently, most business efforts in Puerto Rico over the past years and months have been focused on self-employed as an alternative to paid jobs. This is good, but does not provide the needed boost.

Sustainable and responsible economic growth can come from a mixture of four basic economic activity entities. These are (1) Government, (2) Family Businesses, (3) Entrepreneurship, and (4) Public Companies on the Stock Exchange. It has been shown in studies published in *The Economist*, (March, 2009), that entrepreneurship and public companies listed on the Stock Exchange are those that provide the greatest amount of innovation and sustainable business models. These two socio-economic activity entities are those that move the world's leading economies. However, because Puerto Rico lacks these two sustainable and responsible socio-economic activity entities we also lack the critical mass necessary to achieve sustainable socio-economic development. As happened in Silicon Valley or Route 128 in Boston, these entrepreneurships and Entrepreneurship Eco-Systems were the result of a natural evolution rather than an intentional, coordinated and well-thought effort. It took approximately 40 years for Silicon Valley to get to where it is today.

### **Principal Objective of This Paper**

The primary objective of this paper is to present a vision of policies and practices that must play a key role in contributing to Puerto Rico's sustainable and responsible socio-economic development. These policies and practices should create an environment that generates business initiatives that result in successful social, subsistence, and high impact enterprises, with a focus on what is sometimes called "small and growing businesses" (known as SGBs). These have the potential for high impact growth and internationalization.

In this paper, I wish to articulate my vision of positioning Puerto Rico as a world leader in business activities of all kinds. Other countries have already traveled this road with exceptional results. Allow me to briefly mention three examples. In the case of Israel, the formation and growth of companies such as Scitex (printing equipment) and Elron (a conglomerate of high-tech products) -- businesses and high technology developed rapidly in a country that until then had been focused on traditional industries. In the case of Estonia, the huge success of an innovative company such as Skype (Internet-based telephone services) showed that small countries (Estonia has only 1.3 million inhabitants) can serve as a source of ideas that revolutionize a global industry. Finally, in the case of Iceland, we can see how a business like Actavis came from nowhere to globally consolidate the generic pharmaceutical industry.

I also wish to present a model that, if adopted, will turn this vision into a reality.

Puerto Rico needs to systematically focus on entrepreneurship in order to maximize both the creation of new local businesses and the expansion of those already in existence. We can achieve this by identifying

local niche markets that are strong, while identifying the needs in local and global markets and potential windows of opportunity. In Puerto Rico, we have the capacity, but not the environment.

The absence of this optimal Entrepreneurship Eco-System (EES) environment makes drivers of this “entrepreneurial highway” – the entrepreneurs – unable to maximize its use. Currently, it is likely that existing local entrepreneurs, as well as those that might emerge with innovative ideas, will not be able to disruptively create, capture, and responsibly sustain anything of significant value.

## Studies

A study done by Donna Kelley titled “Internationalization and SME Survival” states that small and growing businesses with international sales are associated with a greater prospect of survival, suggesting that the risk of failure does not go up when increasing sales through internationalization. In addition, such domestic and international alliances act as moderators in the relationship between internationalization and survival. This supports the perspective that foreign relations can help prevent survival threats, thus extending the applicability of this theory to the internationalization of firms.

Existing evidence also shows that knowing an industrialist personally can stimulate entrepreneurship. While this is common knowledge, it helps to know that research exists to support this theory.

Another recent study in 36 countries showed that ambitious (high impact) entrepreneurs contributed to the sustainable and responsible socio-economic growth at the national level, while small and medium subsistence enterprises did not contribute significantly. This is particularly important for emerging economies.

## Principal Approaches

1. **Vision** – PIDES PR is one of the main catalysts by which Puerto Rico can successfully meet the large challenges it faces. When there is vision, it gives us strength and the realization that we have something meaningful that still needs to be done in the future. This in turn gives us confidence and perseverance to overcome the obstacles our island faces. The greater our vision, the greater perseverance we will have in overcoming obstacles. Vision unites us as a people and the union strengthens us to work together. A positive outlook is the predecessor to significant success. A confident view of our skills and ourselves is necessary in order to be successful.
2. **Action** – A vision without action is like an impossible dream; and action without vision is a nightmare. Only vision with action can change the world.
3. **Entrepreneurship** – This is defined as the relentless pursue of an opportunity without regard for the resources currently controlled. It rests with the individual -- in that person’s vision -- and in their self-awareness of who they are and what they want. Entrepreneurship is a new way of thinking that seeks to exercise the right to be a visionary and continually innovate. Through entrepreneurship, one can positively impact the social environment and natural resources around us. To create an entrepreneurial life is to create functional coherence and operational harmony.

Entrepreneurship promotes social inclusion and is based on meritocracy. It is also synonymous with Equal Opportunity Employment.

4. **Entrepreneurship Eco-System (EES)** – In order to create an environment where we “rigorously pursue,” we must first build a support system that provides a way to increase the probabilities of action and success – that which we’ve defined as a Entrepreneurship Eco-System. This way, opportunity will not become unreachable because of obstacles or a lack of available resources, thus making the venture feasible.

An Entrepreneurship Eco-System consists of all environmental factors that can influence people and create and grow new businesses. The Entrepreneurship Eco-System in each country or region is completely different. No matter how successful it might be we cannot copy the eco-business system of another country or region because it does not take into consideration the multiple elements of the local context where ecosystem was developed. An Entrepreneurship Eco-System is based on empirical data, knowledge of what has worked and what has not in other regions, and many years of study and analysis of these ecosystems. The elements of an effective Entrepreneurship Eco-System are aligned and headed in the same direction. Similar to the Vision of a country, everyone is paddling to the same place. A Entrepreneurship Eco-System provides a single contact point with the ability to influence other institutions and create commitment in them to promote entrepreneurship, thus creating the power of convocation and lobbying.

An Entrepreneurship Eco-System must be world class and comprehensive, with an integrated approach, where there is interdependence and an intertwining of each and every element. The different elements of an Entrepreneurship Eco-System must be aligned and complement each other. We know enough about it to intentionally establish it at the island level without fragmented elements arising, without integration and coordination, or by chance or necessity, as is the case not only in Puerto Rico, but in many countries and regions. Puerto Rico has had many good beginnings and elements, and already has succeeded in establishing some elements of the Entrepreneurship Eco-System, such as multinationals, infrastructure, various non-profit organizations focused on entrepreneurship (ex. Grupo Guayacan), universities, technology corridors, conglomerates, networks, and first class human capital. However, all these can be improved, given that they currently only address various elements of the Entrepreneurship Eco-System with little coordination, alignment, or interweaving among them. These have also been sporadic and independent, not interdependent. The result is a limited impact in the generation of businesses that are often not sustainable, and potential is not maximized. This is not the fault of the entrepreneur, or the business, or the idea. The problem is that an environment does not exist to support the infancy stage of the business and assure that maximum potential is achieved by it. Route 128, Silicon Valley, and Herziliya in Israel are all world-class Entrepreneurship Eco-System examples today. However, none of them came about in a planned way, and took more than 30 or 40 years to get where they are now. With the knowledge we have today, the amount of time can be reduced to create fertile ground that increases the probability of the development of successful companies, with failure accepted as part of the road to success.

5. **The Interrelation of the Entrepreneur with the Entrepreneurship Eco-Systems** – When we introduce Entrepreneurs to the Entrepreneurship Eco-System, it has been established and supported that the likelihood of their success will increase. It promotes the creation and support of local businesses both in the area of social enterprises and local life-style companies, such as high

impact companies that are headquartered in Puerto Rico and have succeeded in internationalization.

Entrepreneurs unite with the Entrepreneurship Eco-System to ensure that they, as business leaders, are creating companies that are socially responsible for creating, capturing, and sustaining the highest possible social and economic value, while balancing the creation of value with our environment and natural resources. These companies not only know, but understand the context in which they evolve and are constantly looking to maximize all surrounding factors involved in the a sustainable and responsible socio-economic development. A country that has not properly established a Entrepreneurship Eco-System for the Entrepreneur has exposed itself to the creation of businesses and companies that can be counterproductive for the country over the short, medium, and long term. In other words, they will not be sustainable, nor will they create the best possible value. They could even possibly negatively impact the environment and natural resources where they operate. On the other hand, a well-established Entrepreneurship Eco-System will create a significant number of businesses in a way that encourages healthy competition for the market, thus forcing entrepreneurs and their companies to be continually innovative in order to be competitive and socially responsible in a way that can be sustained. This dynamic gives all the constituents the most value possible.

6. **PACIV** – I will humbly use PACIV as an example – an engineering service firm that was founded 12 years ago and specializes in serving the pharmaceutical industry. I am currently the President and CEO of this firm. Although I realize that other companies like PACIV exist, such as PharmaBioServ, Caribbean Project Management, Aireko Management Services, Luis Torres Llompart y Asociados, and Rocket Learning among others, sadly, I cannot say there are many.

I would like to say that I am one of five children of immigrant parents who came to Puerto Rico with few resources 40 years ago. During my simple and humble childhood, I received an excellent educational and moral foundation that was filled with a lot of love and joy, thanks to a family circle in where Christian values, integrity, respect for others, human dignity, discipline, and work ethics were always taught.

After graduating from high school at Colegio Nuestra Señora de la Merced, I earned a degree in electrical engineering from Syracuse University and began working in the manufacturing industry in the United States. After four years there, I returned to the island and began working as an automation engineer in the pharmaceutical industry. Being in the local pharmaceutical industry, I realized after four years that there was a lack of firms that offered systems control, automation, instrumentation, and validation services for these locally established multinational companies. After completing my MBA at the University of Puerto Rico while working, I began to conceptualize the idea of PACIV. Knowing that I had to stay innovative and keep up with change in order to keep PACIV competitive, I studied for three years at Harvard Business School in the Owners/President Management (OPM) executive education program along with 140 other company presidents from 29 countries, and graduated in 2009. Today, PACIV is made up of more than 100 associates and has exceeded \$16 million in annual sales. In addition to Puerto Rico, the company currently has offices in United States and England, which provide direct support to the value chain of multinational companies. Based on the location of these multinational companies' operations, PACIV has

positioned itself internationally in order to provide services to them locally. This can be done, thanks to an existing and relevant presence in the local value chain, along with committed associates, world-class technical capabilities, solid relationships with our local clients, the building of credibility, and excellent performance by PACIV and its associates. In other words, we had sponsorship on the part of these local multinationals, whereby they understood the benefits of taking us to their other internationally located operations and vice versa, making it a value creation for both parties.

This international positioning, in addition to the benefits mentioned above, has opened significant competitive windows for us by providing for diversification, new sources of income, and continued awareness of the external environment. We have also benefited from the knowledge that we are succeeding in other countries, along with the enrichment that comes from knowing other cultures and their management practices, thus giving us a heightened perspective of the world and strong competitive advantages. As a result of having a global presence, we have also positioned ourselves to be more attractive to local multinational operations in Puerto Rico, given that we are in a position to contract with the multinationals at the corporate level, offer volume discounts, and provide consistency in service and knowledge, trust, and strategic collaborative links that promote sustainability and continued international growth. The concept is simple – if our clients are global, then for us to be relevant to them and create, capture, and sustain the highest value possible, we must be global as well.

I can only think how much faster PACIV could have reached this point if there had been a Entrepreneurship Eco-System in place to support me in addition to my family, good friends, our excellent associates, and our loyal clients telling me, “Jorge, you can do it.” The MBA from University of Puerto Rico, the support I received since the beginning from Banco Popular de Puerto Rico and its employees, and the continued support of local clients with referrals to their colleagues at internationally located operations were instrumental for our internationalization. But aside from these, there was little that existed in the Entrepreneurship Eco-System when PACIV was founded. I cannot forget the deep appreciation we have at PACIV towards our clients and wish to make honorable mention of Grupo Guayacán. Grupo Guayacan was the one who made PACIV the first case study of a Puerto Rican company by Harvard Business School and it was in International Entrepreneurship.

## **Conclusion**

If I can do it – a kid who was shining shoes outside Mi Gente Supermarket and selling “quenepas” at the traffic light of the Popular Center building in the Golden Mile, I don’t have the slightest doubt that there are many others who can do the same, especially if an Entrepreneurship Eco-System exists.

Perhaps a better example is that of Eng. Jose E. Valentín, Founder and President of Sofscape Caribe, Inc. in Vega Baja, Puerto Rico. A childhood friend of mine, whom I very proudly accepted his request to head his Board of Directors without taking any monetary payment. Jose E. Valentín, whose friends affectionately call him “Joseph,” is a polymer engineer. A Puerto Rican raised in El Señorial Cupey, Puerto Rico, he had been the Engineering Manager at Microsoft in Humacao,

Puerto Rico and worked there transferring technologies in the high-tech plastics area. He then decided to take a leap of faith and enter the business world to try to make a positive transversal impact for the Puerto Rico and the world. Today, ten years later, after obtaining the unequivocal support of people like Wally Gonzalez, Cesar "Tito" Montilla, Domingo Pagan, Josen Rossi, Neil Watlington, and other local investors, as well as then President of Economic Development Bank, Francisco "Paco Pepe" Rodriguez, he has invented, patented, and commercialized leading world class technology that converts used tires into a finished commercial product. The first machine was sold to the world's largest recycling center located in Sharjah, UAE. Right now, Jose E. Valentín is with his Puerto Rican technician in the UAE, installing the technology and raising up the name of Puerto Rico and creating global awareness -- not only of Puerto Rico's technical capabilities, but also of our entrepreneurial skills. Just imagine the exposure this recycling center will have worldwide – with a Puerto Rican machinery utilized.

That is to say, seeing others that have succeeded only strengthens the capacity of other Puerto Ricans who dream big and are supported with the appropriate action to transform their dreams into reality.

It is this experience that gives me total conviction that what I have presented in this paper is achievable and will have a significant socio-economic impact that is both sustainable and responsible towards the environment and our natural resources.

I am convinced that if you build a business and you do not understand the social context, it is like knowing but not comprehending – like an empty soul. A society that knows and does not comprehend becomes an empty society. To create entrepreneurial life is to create functional coherence and operational harmony. It is to have the potential to be able to build a responsible and sustainable country – not only for ourselves, but for future generations as well. It is a clear demonstration that the generation of wealth and sustainable development and the responsible management of our natural resources are not counterproductive activities one to the other; but on the contrary, activities that need each other in a model of interdependence.

Today, I have talked about my experience and the experiences of others who have walked this entrepreneurial road. From these experiences, we can identify a number of common factors that encourage the kind of growth our island is looking for. The question we have to ask ourselves, from the public policy standpoint is: What are the common factors, and how can we accelerate them? Some of the actions we take can have an impact during the coming years. Other actions may be equally or more important, but will have an impact that is longer term.

In the short term, we must accelerate growth (particularly internationally) of Puerto Rican companies with high impact.

- We must identify those businesses that have a proven business model and a hunger to continue growing both in and outside of PR.
- There must be access to a network of world-class resources and training, which, like a shot of adrenaline, will provoke radical change in these organizations' vision and performance.

- There must be help in identifying bridges that help companies successfully go outside Puerto Rico. In my case, the bridge was the international network of businesses that was in Puerto Rico. In other cases, there will be other bridges.

In the long run, we must make a more concerted and effective effort to develop an entrepreneurial culture amongst our people.

- This begins in our schools. We must transform what goes on in our classrooms and create an educational experience that is based much more on practical activities that develop problem resolution skills and create solutions that transcend the conventional. We must also present entrepreneurship as an additional professional alternative for our young people.
- At the university level, business administration programs must strengthen their entrepreneurial programs by using models that have been successful at other universities, and also inject entrepreneurial elements into the various administration disciplines.
- Finally, we must have a grand vision—we cannot conform to the “good enough”. We must continue to grow responsibly and in a sustainable manner -- but everything begins with a grand vision.

During the middle of this century, we were an example to the rest of the world of how a country can dramatically accelerate its economic growth with the disciplined and sustained implementation of the right ideas. I am certain that we can do the same again. Let’s look to the future with hope, and work together to create the Puerto Rico that our children deserve.

It is my dream to see a “Puerto Rico en Grande” that has businesses of all kinds, including high-impact local companies with headquarters in Puerto Rico and listed on the world’s largest stock exchanges.

It is my dream to see a “Puerto Rico en Grande” where, as I arrive from one of my numerous business trips, I can look out through the plane window on the left, I see our beautiful well-maintained beaches and coastline for all to enjoy. And when I look through the right window, I see corporate offices in high-rise structures next to the Popular Center building of local companies that are recognized worldwide for their sustainable and responsible value creation serving as an emblem for Puerto Rico, both locally and abroad.

It is my dream to see a “Puerto Rico en Grande”, where, as the plane lands, one can witness our unique and beautiful cultural idiosyncrasy of the travelers on the plane applauding for the joy it brings to them the fact that they have landed in Puerto Rico; but also applauding because it gives them pride have seen the successful balance of protection and care for our natural resources together with the international development of our local businesses.

On behalf of PACIV and all its associates, thank you for allowing me to be here today, and may God bless you.