

YOUR SERVICE TO THE NATION: JOIN THE ARMY OF ENTREPRENEURS

Commencement Address
University of Illinois at Urbana-Champaign

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Members of the Board of Trustees, President White, Chancellor Herman, distinguished faculty, parents and friends, thank you. It is my honor to speak today to those graduating from this extraordinary university.

No doubt you are subconsciously settling in to hear yet another speaker admonish you to “think big” or “make the world better than you found it.” In other times, such pieties might have been in order. These are not normal times. And, this will not be a normal graduation speech. Its first characteristic will be its length. The president asked me to speak for thirty minutes. But, we’re in a recession, and everyone is cutting back. So, my apologies, President White, but I’m cutting back too.

I am going to start by telling you a story about the man who created the Kauffman Foundation. Ewing Kauffman came of age in the Depression. His mother was so poor she left the family farm and moved to Kansas City to open a boarding house. When Mr. Kauffman graduated from high school, he was drafted, and served in the Navy during World War II. When he got out, he worked for an insurance company until he quit because he was too good a salesman. That’s right—based on commissions, he was out-earning the president and when his territory was cut for the second time, Mr. Kauffman vowed he would never work for anyone else again. He became an entrepreneur by starting Marion Laboratories, a company that grew to be one of the world’s largest pharmaceutical firms.

Its first drug was invented by Mr. Kauffman after hearing his doctor-customers talk about the calcium deficiencies in the diets of many of their pregnant patients. Mr. Kauffman developed a calcium supplement by collecting oyster shells from restaurants in Kansas City, extracting the calcium (ruining his family’s washing machine along the way) and making it into pills. He called the company Marion (his middle name) because he didn’t want his customers to suspect he was the only employee. Within a few years, it would have a hundred employees, and then thousands.

As Mr. Kauffman grew older, he thought about how to give back to America for all the opportunity it had provided him. Like others, he conceived of a foundation as his way to say “thank you.” But, his philanthropic idea was revolutionary: to teach other people, many poor,

how to become entrepreneurs and to make their own economic destiny. In doing so, in helping more people find entrepreneurial success, Mr. Kauffman knew that the American economy would grow stronger. Importantly, he also saw entrepreneurs as more likely to give back to others, just as he was doing, because America was the one place on earth where entrepreneurs could shape their future and then improve the world for others.

Mr. Kauffman's foundation, which I am privileged to manage, was officially endowed in 1993 with \$700 million from his estate.

In the ensuing years, we have made grants of nearly \$1.5 billion and today are worth at least that much. When I hear the phrase "only in America," I am reminded of Mr. Kauffman and his foundation. Because only in America do we have private foundations that are living examples of the gratitude of successful citizens who voluntarily apply their fortunes to improving our nation's civic life.

At Kauffman we believe, in the words of Nobel Laureate Muhammad Yunus, that "everyone is an entrepreneur, but only the lucky come to know it."

We have spent a great deal of that money to help others appreciate that starting a business is a very real option in the life of most anyone. At Kauffman we believe, in the words of Nobel Laureate Muhammad Yunus, that "everyone is an entrepreneur, but only the lucky come to know it." So we encourage this career choice, and we provide people with the knowledge, skills, and networks they need so starting their business is a less-risky enterprise.

At Kauffman we have learned much from studying how it is that graduates of the University of Illinois seem to have such a high propensity to become entrepreneurs, and very successful ones. And, as you can see all around this campus by the names on many of the buildings, those who have gone before you have been very generous in their giving back to make this university stronger, and also to make the cost of your education a little bit less than it would have been without their generosity. We should all thank those who have given back to Illinois.

Some of you might be forming a little promise right now. It goes like this: "If I become rich, maybe as an entrepreneur, I'd like to give back to Illinois." Or, "If I become really rich, maybe I'll start a foundation." Let's consider how you might build a fortune that you could dedicate to improving human welfare. It's going to be a little harder for the class of 2009, but it can be done.

Our nation is in a recession. Some of you know its painful consequences—you can't even find the job market, let alone a job. While the economy your class faces is bad, let's remember how much worse it's been in the past.

The classes of 1932 and 1933 faced the Depression with unemployment respectively at 23 and 25 percent. The classes of 1937 and 1938 faced the overlooked “Second Depression”—a needless return to economic chaos forced the class of 1938 to face unemployment of 20 percent. And, things could be worse yet. Many in the classes of 1941 to 1945 and the classes of 1951 and 1952 were commissioned as part of their graduation ceremonies. They were called to both defend our nation and to regain the promise of freedom for all the peoples of the world. Eight hundred and fifty-five of these brave men and women, our fellow alumni, never returned to look upon Alma Mater again.

And, we have had bad times since. My class of 1968 faced the draft and the war in Viet Nam. In that year alone, 16,528 American troops were killed. Viet Nam claimed the lives of sixty-three graduates of this university. The classes of 1980 to 1982 faced what we called “stagflation.” The economy was shrinking—we had negative GDP of nearly 2 percent in 1982. Unemployment reached 10 percent. Inflation was out of control with prices rising at 13.5 percent in 1980. Mortgage interest rates were as high as 15 percent, and the cost of medical care was rising at 18 percent a year.

Through all this adversity, through all these bad times, America has recovered. And we will do so again. History reminds us there is reason for you to be optimistic.

Now, your immediate task at hand is to figure out what you will do with your career. I am going to urge you to consider a vocation that I bet not many, if any, have mentioned to you—that of an entrepreneur. You may not realize it, but the desire to become an entrepreneur is much more common than many people think.

More than fifty percent of graduating seniors this year have already decided that someday they will start a business. The same holds true for those getting professional and advanced degrees. At Illinois this number is higher. These graduates know that this is one way to help themselves, and, at the same time, make a contribution to society. Their new companies will create jobs for their neighbors. Their businesses will make new wealth and enhance their communities. And in time, like Mr. Kauffman, they can share their wealth by voluntarily giving back to the society that makes being successful a real choice.

Are there other worthy things to do? Of course. Some of you, like me, will choose to work in the non-profit world. Before business as we know it even had a name, before the modern firm was invented, the human family knew that charitable activity was the complete expression of love.

Many people see working in the for-profit sector or working in the non-profit sector as life choices that couldn't be farther apart. This view is not helped by graduation speakers who tell graduates that, to be good persons and to have careers that will provide meaning to their lives, they should do just about anything except work in the private sector, for profit-

making companies. Graduates are being told that a career in government is where they can do the most good, or that by joining a non-governmental organization they can accomplish something that “really matters,” or that working for a non-profit is what the best and brightest should aspire to do.

Indeed, there is such a thing as a non-profit entrepreneur—someone who uses market forces to do great things on a big scale. This year, over fifty members of your class will work for Teach for America. This private, non-profit organization will deploy 3,500 young men and women next year as part of a large-scale attempt to reform America’s public schools from the inside out.

It is the example of your fellow alumni going into non-profit work that prompts many people to smile and observe with approval that these graduates must be the ones who are “following their hearts.” But, this discounts the thoughtful choice reflected in their decision to work for Teach for America or to work in similar, high-impact, non-profit organizations. And, it implicitly suggests that if you choose a career in business you don’t have much of a heart. From my perspective, having worked in both the for-profit and the non-profit sectors, it seems to me that the call to service is not all that different for either.

Speaking of serving others, there is one group that stands apart because of the very nature of the risk they knowingly undertake. There are among you forty-three young men and women who tomorrow morning will be commissioned as officers in the Army, Navy, Air Force, and United States Marine Corps. In putting their very lives at risk to protect this wonderful country, they enter a different level of service altogether. We are all grateful to you for your courage and readiness to protect us. You grace your class with your example.

Apart from military service and perhaps service in the clergy, to suggest that a career in the non-profit world is intrinsically better or more virtuous or more honorable than working in business is to advance a false dichotomy. The choice that awaits you is not one between heart and head.

Hopefully, the choice you make will satisfy your heart because you have used your head. Most of you will make your way in the private sector. You will be nurses, lawyers, architects, scientists, designers, salespeople, and builders. Your head, if you are like most people, will take you to business. And, as millions of people before you have done, you will take your heart along with you. Think about the people working in companies founded by Illinois graduates that make things that immeasurably improve our lives—PayPal, Netscape, Safari, Delta Airlines, Black Entertainment Television, Oracle, and, of course, Mortal Combat. These companies help make our world a better place to live, work, and play. Thousands of employees of these companies pour their hearts into their work for our benefit. And, the entrepreneurs who thought them up directly contributed, with their initial ideas, to the quality of life we enjoy.

Any successful business reflects the combination of a brilliant idea joined with an important expression of love through service to other humans. It's really how business works. Greedy bankers on Wall Street, abetted by corrupt politicians in Washington, cannot be allowed to operate as the poster boys of business.

Just days ago, in his address at Arizona State University, President Obama described the work of business leaders we should not just respect, but revere. He said that they are involved in "the creation of a quality product, a commitment to their customers, to their workers, their shareholders, and their community." He is saying that service is the moral grounding of good business.

Consider the story of Chris Michel, who graduated from Illinois and served as an officer in the U.S. Navy. He recognized that returning veterans needed help transitioning to civilian life. Among other things, he saw that the federal government's bureaucracy was so clunky that good men and women couldn't even get the benefits they had earned. Chris' insight turned into a passion to help, which turned into a website, and then into a company. Military.com was a great idea, but it was also an expression of love, a way to help others.

Subsequently, Chris' newest company, Affinity Labs, provides online job markets and peer-support communities for nurses, police officers, firefighters, and many other public service professionals. Chris, like Mr. Kauffman inventing drugs, is doing well by doing good. He is using the power of a profit-making firm to reach and serve many times more veterans than any similar non-profit assistance organization could ever hope to do.

I hope I have persuaded you to consider becoming an entrepreneur. For you, coming from this university where entrepreneurship seems to be part of the DNA you inherit, this should be a reasonable, perhaps even self-evident choice.

We need an army of the smartest, most passionate young people to try their hand at building a business—people who will take their heads and their hearts into the market, founding companies that will bring forth new products and services that will help humankind.

But, there is another reason you must consider becoming an entrepreneur. America needs entrepreneurs right now. We need an army of the smartest, most passionate young people to try their hand at building a business—people who will take their heads and their hearts into the market, founding companies that will bring forth new products and services that will help humankind. The major issues of today—from global warming, to affordable health care,

to our scandalously bad public school system, to the decay of our cities, and more – are all problems that should look like opportunities to entrepreneurs.

The entrepreneurs who create and run our businesses, who play by all the rules, are in fact critical to our success as a nation. And we need them especially today, for a number of reasons. First, business, not government, will end this recession. Government must help by establishing fair rules, sound monetary policy, and by protecting our fellow citizens in periods where they are jobless. But, government has to stand to the side and let new entrepreneurial firms challenge companies that can no longer compete. We have to make way for the new entrepreneurial firms that will push us to frontiers of innovation. For example, we need new car companies, founded by engineers from the University of Illinois, who will give us safer, cleaner, and more fuel-efficient cars than Washington can design or that the big auto-makers can build. One such company already exists. Martin Eberhard, who earned both his bachelor's and master's degrees from Illinois, cofounded Tesla Motors, which builds the world's fastest, and most beautiful, electric cars.

Second, in addition to bringing us out of the recession, we need more entrepreneurs to continuously contribute to the expansion of human welfare through innovation. We need new kinds of products—and revolutionary uses of technology such as YouTube, two of whose founders studied here at Illinois. We need entirely new approaches to customer service, such as the one invented by another Illini, Tom Seibel of Seibel Systems. Think about the contribution of the late Illinois professor Paul Lauterbur, who by inventing the MRI, has saved countless lives and reduced morbidity for millions. You see, entrepreneurs, Illinois entrepreneurs, have made the world a much better place.

Third, entrepreneurs form the other half of the symbiosis between business and the non-profit sector. Without entrepreneurs and the new firms they create—firms that create nearly all the net new jobs in our economy every year—we would have no new wealth to support either the government or the non-profit sector. Think about that. Government can't create wealth, nor can the non-profit sector. Only for-profit firms can create wealth, pay taxes, and secure our economy's future. And entrepreneurs are central to this process.

The story of our economy is the hundreds of thousands of businesses—both those that grow big and those that stay small—that are formed every year. Being a part of that story *is* a form of community, national, and even *international service*.

Finally, entrepreneurs play the key role in the drama of economic growth. It is they who help us renew society's hope for tomorrow. In addition to bringing forth inventions and innovations that we didn't even know we needed, entrepreneurs create new jobs that expand dignity to the human family. Every time they take the risk to start a new company, entrepreneurs renew democratic capitalism. They are the lifeblood of our communities and our economy.

In America, economic growth has never been viewed as a happy accident. We have always sought growth and embraced the vitality that has made our economy grow more than any other in history. Growth, in America, has been the great alleviator of poverty. It has been the rationale for remaining open to talented and oppressed peoples from around the globe. It has been the engine of social mobility. It has been the prerequisite for all of our progress in the sciences. Growth is the key ingredient in the glue that holds society together.

And the only way to grow is to create—new products, new services, new business models, new companies, new jobs, and new wealth. It is the entrepreneur's personal and social mission. The story of our economy is the hundreds of thousands of businesses—both those that grow big and those that stay small—that are formed every year. Being a part of that story *is* a form of community, national, and even *international* service.

Your task is to form your class and your cohort into America's most entrepreneurial generation in history. I urge you to embrace it. Take all that you have learned here and bring it into business. Apply it to that idea sitting in the back of your mind. If you haven't had that flash of inspiration yet, be patient. Work in business and learn the ropes. Maybe a big idea will come to you.

And maybe one won't. You don't have to be Thomas Edison or Henry Ford or Bill Gates to make a difference. Thousands of less famous entrepreneurs have done more than their part to enrich their country and their fellow citizens. Many have used their entrepreneurial talents inside existing businesses remaking companies like IBM and UPS. And thousands more have provided the indispensable help that made entrepreneurial dreams become reality in young companies and established ones.

Our future and the future of those happy children to come, those to whom you will someday send greetings yourselves, depends on your entrepreneurial ambition, passion, knowledge, and skill. The security of America and the job it still has to play in making the world safe for democracy depends on your contribution to our economic growth. On behalf of all the generations who have gone before, who love this country and who love this university, we wish you nothing but great success.

Carl J. Schramm, Ph.D., hailed as the “evangelist of entrepreneurship” by *The Economist*, leads America’s largest foundation dedicated to advancing entrepreneurial success. He is recognized as one of the world’s foremost thinkers on the role and importance of entrepreneurship to a nation’s economic stability and growth. In 2007, U.S. Secretary of Commerce Carlos Gutierrez tapped Schramm to chair the Department of Commerce’s Measuring Innovation in the 21st Century Economic Advisory Committee. Schramm is the author of *The Entrepreneurial Imperative* (HarperCollins, 2006). He is also coauthor of *Good Capitalism, Bad Capitalism*, with Robert Litan and William Baumol (Yale University Press, 2007), which is now available in ten languages and was named in 2008 one of the top ten “Books that Drive the Debate” by the National Chamber Foundation, an affiliate of the U.S. Chamber of Commerce.

Trained as an economist and lawyer, with experience in business, public policy, and academia, Schramm has led the Kauffman Foundation to develop innovative programs aimed at transforming entrepreneurship education, the technology transfer process, the availability of seed capital for entrepreneurs, and economic research. Schramm has been instrumental in the development of a partnership with the U.S. Department of Commerce to create an international entrepreneurship resource at www.entrepreneurship.gov and also spearheaded the Foundation’s sponsorship of the first-ever Global Entrepreneurship Week, which he announced in November 2007 with UK Prime Minister Gordon Brown. Schramm has also led Kauffman in the development of an international entrepreneurship fellowship program, which is funded by other governments, including the United Kingdom and Denmark, for aspiring entrepreneurs.

He has been a professor at The Johns Hopkins University, an executive in the health insurance industry, and the cofounder and founder of a number of companies in the health care finance and information technology areas. He is a Batten Fellow at the University of Virginia’s Darden School of Business, a member of the Council on Foreign Relations, a fellow of the Royal Society of Arts, and the 2005 recipient of the University of Rochester’s George Eastman Medal. Mr. Schramm’s work has appeared in publications including *Foreign Affairs*, *The Wall Street Journal*, *USA Today*, *Newsweek*, and *Inc.*

The **Ewing Marion Kauffman Foundation** is a private nonpartisan foundation that works to harness the power of entrepreneurship and innovation to grow economies and improve human welfare. Through its research and other initiatives, the Kauffman Foundation aims to open young people’s eyes to the possibility of entrepreneurship, promote entrepreneurship education, raise awareness of entrepreneurship-friendly policies, and find alternative pathways for the commercialization of new knowledge and technologies. It also works to prepare students to be innovators, entrepreneurs and skilled workers in the 21st century economy through initiatives designed to improve learning in math, engineering, science, and technology. Founded by late entrepreneur and philanthropist Ewing Marion Kauffman, the Foundation is based in Kansas City, Mo. and has approximately \$2 billion in assets. More information is available at www.kauffman.org.

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