

Vermont NewCo, LLC: Structure and Strategy

As Vermont works to find its place in the global economy, an ambitious new approach is required. We offer here one approach people can use to achieve a vision for a successful economic future.

The Vermont NewCo is an LLC whose mission is to identify and cultivate a strategy for economic growth in Vermont.

Structure

Vermont NewCo is a for profit enterprise. It will be managed independently by a board of directors. The board of directors will recruit a management team to run the daily operations. The State of Vermont will be a non-voting member of the LLC. Investors in the LLC will also own shares. Start-up funds will be provided by investors and a seed grant from the state. These funds will form the basis for the States ownership stake in the LLC.

Objectives

The ultimate objective is to create an economic engine for Vermont. To achieve this objective will require

1. A strategic analysis that identifies a business strategy for Vermont including picking sectors that match the climate and provide a sustainable competitive advantage for Vermont (see Arno Group white paper).
2. The creation and management of a partnership between Vermont's institutions of higher education, Newco, and the businesses supported by Newco. Vermont's Universities and Colleges provide talent, ideas, and intellectual property that are the seeds of competitive advantage.
3. The support of the State when necessary in areas that may include legislation, fiscal policies, and infrastructure investments.

Many regions hire world-class talent with proven track records to help shape their region's strategy. People like Michael Porter and Rosabeth Moss Kantor from Harvard, firms like McKinsey & Company, and experts from various disciplines are often brought in to perform the analysis and drive the change necessary to create a new economic model in a region.

McKinsey has researched extensively what it takes to create a regional competitive advantage, especially in the area of developing "technology poles" – a critical mass of companies collaborating around common technologies and/or applications to generate focused excellence.

Vermont Newco will recruit a board that has the characteristics you might find on a McKinsey or Michael Porter team. Criteria for selection includes:

1. Track record of successful strategic analysis
2. Track record of helping other regions develop their strategy
3. Global expertise and contacts

Management

Reporting to the Board will be a President who will be identified through a global search. The winning candidate will have a track record of helping regions develop and implement their strategies. He will have responsibility for hiring a team, doing the strategic analysis, and developing the plan to drive a strategic growth model that provides a long-term sustainable competitive advantage for Vermont. The President will work with the board to develop clear measurable objectives and milestones, as well as budgets and proforma financial statements.

Funding

Funding will be raised by Vermont Newco in the form of equity investments. The funds will be used for operations and for investment in IP and companies that fit with the strategy developed by Vermont NewCo's management and board.

Measure of Success

The goal is for Vermont NewCo to throw off cash from its investments in technology poles. The amount of cash is some measure of the success in fueling a strategic growth model.

Developing a sustainable competitive advantage around a specific technology pole will take a decade or more. The return to investors may be decades away. Key milestones along the way can be measured. That will be the task of management and the board.

Minefields

This cannot become a political process. The less independence NewCo has, the less likely they are to get the right answer.

This cannot become a large committee. The board should be a small handful of world-class talent.

Patience is required. Taking shortcuts that endanger the long-term sustainability of the strategy is the wrong approach.

We in Vermont must admit that we don't have all of the answers, that others have been down this path before, and that we can learn from outsiders who have the horsepower and experience to make a difference for Vermont.