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New Venture Creation

ENTREPRENEURSHIP FOR THE 21ST CENTURY

Canadian Edition

BRIEF CONTENTS

PART I The Entrepreneurial Mind	1
CHAPTER 1 • The Entrepreneurial Mind: Crafting a Personal Entrepreneurial Strategy	3
PART II The Opportunity	32
CHAPTER 2 • The Entrepreneurial Process	33
CHAPTER 3 • The Opportunity: Creating, Shaping, Recognizing, Seizing	62
CHAPTER 4 • The Business Plan	97
APPENDIX: Sample Business Plan: Chide.it	121
PART III The Founder and Team	151
CHAPTER 5 • The Entrepreneurial Leader	152
CHAPTER 6 • The New Venture Team	178
CHAPTER 7 • Ethical Decision Making and the Entrepreneur	199
PART IV Financing Entrepreneurial Ventures	215
CHAPTER 8 • Resource Requirements	216
CHAPTER 9 • Financing the Venture	237
CHAPTER 10 • The Deal: Valuation, Structure, and Negotiation	271
CHAPTER 11 • Obtaining Debt Capital	297
PART V Start-up and Beyond	329
CHAPTER 12 • Leading Rapid Growth: Entrepreneurship Beyond Start-up	330
CHAPTER 13 • Franchising	345
CHAPTER 14 • The Family as Entrepreneur	361
CHAPTER 15 • Leading through Trouble, the Harvest, and Beyond	389
End-of-Text Cases	421
Notes	448
Index	457

TABLE OF CONTENTS

Preface	xv
Acknowledgments	xviii
PART I The Entrepreneurial Mind	1
CHAPTER 1 • The Entrepreneurial Mind: Crafting a Personal Entrepreneurial Strategy	3
Achieving Entrepreneurial Greatness	3
Leadership and Human Behaviour	4
Research	5
Converging on the Entrepreneurial Mind	7
Desirable and Acquirable Attitudes, Habits, and Behaviours	7
Six Dominant Themes	7
Entrepreneurial Reasoning: The Entrepreneurial Mind in Action	14
The Concept of Apprenticeship	16
Shaping and Managing an Apprenticeship	16
Windows of Apprenticeship	17
The Concept of Apprenticeship: Acquiring the 50,000 Chunks	18
Role Models	18
Myths and Realities	19
What Can Be Learned?	20
A Word of Caution: What Grades, IQ Tests, GMATs, and Others Don't Measure	22
A Personal Strategy	23
Entrepreneur's Creed	24
Chapter Summary	25
Study Questions	25
Mind Stretchers	25
Exercise: <i>Crafting a Personal Entrepreneurial Strategy</i>	26
Case: <i>TravelHangar.com</i>	29
PART II The Opportunity	32
CHAPTER 2 • The Entrepreneurial Process	33
Demystifying Entrepreneurship	33
Classic Entrepreneurship: The Start-up	34
Entrepreneurship in Post-Brontosaurus Capitalism: Beyond Start-ups	34
"People Don't Want to Be Managed. They Want to Be Led!"	34

Signs of Hope in a Corporate Ice Age	35
Metaphors	35
Entrepreneurship = Paradoxes	36
The Higher Potential Venture: Think Big Enough	38
Smaller Can Mean Higher Failure Odds	39
Getting the Odds in Your Favour	40
Threshold Concept	40
Promise of Growth	41
Venture Capital Backing	41
Private Investors Join Venture Capitalists	42
Find Financials Backers and Associates Who Add Value	42
Option: The Lifestyle Venture	43
The Timmons Model: Where Theory and Practice Collide in the Real World	43
Intellectual and Practical Collisions with the Real World	43
Value Creation: The Driving Forces	44
Change the Odds: Fix It, Shape It, Mould It, Make It	44
Recent Research Supports the Model	52
Chapter Summary	54
Study Questions	54
Mind Stretchers	54
Exercise: Visit with an Entrepreneur and Create a Lifelong Learning Log	55
Case: ShoeGuru.ca	57
CHAPTER 3 • The Opportunity: Creating, Shaping, Recognizing, Seizing	62
Think Big Enough	62
Opportunity through a Zoom Lens	63
Transforming Caterpillars into Butterflies	63
New Venture Realities	64
The Circle of Ecstasy and the Food Chain for Ventures	64
When Is an Idea an Opportunity?	66
The Real World	66
Spawners and Drivers of Opportunities	66
Search for Sea-Changes	68
Desirable Business/Revenue Model Metrics	70
The Role of Ideas	70
Ideas as Tools	70
The Great Mousetrap Fallacy	71
Contributors to the Fallacy	71
Pattern Recognition	72
The Experience Factor	72
Enhancing Creative Thinking	73
Approaches to Unleashing Creativity	73
Team Creativity	73
Big Opportunities with Little Capital	74
Real Time	75
Relation to the Framework of Analysis	76

Screening Opportunities	78
Opportunity Focus	78
Screening Criteria: The Characteristics of High Potential Ventures	79
Industry and Market Issues	80
Economics	82
Harvest Issues	83
Competitive Advantage Issues	84
Management Team Issues	85
Personal Criteria	85
Strategic Differentiation	87
Gathering Information	88
Finding Ideas	88
Industry and Trade Contacts	90
Shaping Your Opportunity	91
Published Sources	91
Guides and Company Information	92
Additional Sources of Intelligence	92
Internet Impact: Research and Learning	93
Screening Venture Opportunities	93
Quickscreen	93
Venture Opportunity Screening Exercises (VOSE)	93
Chapter Summary	94
Study Questions	94
Mind Stretchers	94
Exercise: Idea Generation Guide	95
Case: We Built It, Now Will They Come? bOK Systems Corp.	95
CHAPTER 4 • The Business Plan	97
Developing the Business Plan	97
The Plan Is Obsolete at the Printer	98
Work in Progress—Bent Knees Required	98
The Plan Is Not the Business	99
Some Tips from the Trenches	99
How to Determine If Investors Can Add Value	101
The Dehydrated Business Plan	102
Who Develops the Business Plan?	102
Who is the Business Plan For?	102
A Closer Look at the What	103
The Relationship between Goals and Actions	103
Segmenting and Integrating Information	103
Establishing Action Steps	103
Preparing a Business Plan	104
A Complete Business Plan	104
Internet Impact: Opportunity	106
Small Business Commerce	106
Chapter Summary	107

Study Questions 107

Mind Stretchers 107

Exercise: *The Business Plan Guide* 108

Case: *Scavenger Energy: From the Ground Up* 119

APPENDIX • Sample Business Plan 121

I. Executive Summary 121

 The Premise 121

 The Problem 121

 The Pitch 121

 The Solution 122

 Target Market 122

 Current Status 122

 What is the Business Model 122

 Scalability/R&D/Open Source 122

 Financial Projections 122

 Competition 123

 Management Team 123

 Advisors 123

 Development Team 124

 The Ask 124

II. What is Chide.it? 124

 What Makes Chide.it Different from Other Web Sites? 125

 How Does it Work? 126

 What is the Development Approach 126

III. Marketing Tactics and Product Features 127

 How to Gain Critical Market 127

 Blog Post-Back 127

 Chide-it Widgets 128

 Chide.it @ Events 128

 Chide.it Toolbar 129

 Feeds Page/Email Updates 130

 Facebook, OpenSocial, Mobile Applications 130

IV. Market Research and Analysis 130

 Market Background and Information 130

 Content 131

 Audience Growth 131

 Active Participation 131

 Recognized value to Consumers and Business 131

 Revenue Opportunities 131

 Competition 132

 Competitors 132

 Market Development Plan 133

V. Business Model 133

 Premium Placement 133

 Premium Membership 134

Enterprise Membership 134

Targeted Advertising 134

VI. Execution and Risks 135

VII. Finances 136

VIII. Chide.it Team 137

 Development Team 138

 Advisory Board 139

IX. Appendix 141

PART III The Founder and Team 151

CHAPTER 5 • The Entrepreneurial Leader 152

 The Entrepreneurial Domain 152

 Converging on the Entrepreneurial Leader 152

 Principal Forces and Venture Modes 153

 Stages of Growth 155

 A Theoretical View 156

 Managing for Rapid Growth 159

 What Entrepreneurial Leaders Need to Know 162

 Ethical Entrepreneurial Leadership 162

 Competencies and Skills 162

 Skills in Building Entrepreneurial Culture 165

 Other Necessary Competencies 167

 Chapter Summary 168

 Study Questions 168

 Mind Stretchers 168

 Exercise: *Leadership Skills and Know-How Assessment* 174

 Case: *Med-Eng Systems Inc.* 174

CHAPTER 6 • The New Venture Team 178

 The Importance of the Team 178

 The Connection to Success 179

 Forming and Building Teams 179

 Anchoring Vision in Team Philosophy and Attitudes 182

 A Process of Evolution 184

 Filling the Gaps 187

 Additional Considerations 187

 Common Pitfalls 189

 Rewards and Incentives 189

 Slicing the Founder's Pie 189

 The Reward System 190

 Critical Issues 190

 Considerations of Timing 191

 Considerations of Value 192

 Internet Impact: Team 192

 Attracting Talent 192

Chapter Summary 192
Study Questions 193
Mind Stretchers 193
Exercise: Rewards 197
Case: Matcha Men 197

CHAPTER 7 • Ethical Decision Making and the Entrepreneur 199

Overview of Ethics 201
Ethical Stereotypes 202
Should Ethics Be Taught? 202
Ethics Can and Should Be Taught 203
Integrity as Governing Ethic 203
Entrepreneurs' Perspectives 204
Thorny Issues for Entrepreneurs 204
Action under Pressure 206
Different Views 206
Problems of Law 207
Examples of the Ends-and-Means Issue 208
An Example of Integrity 208
Ethics Redux 209
Chapter Summary 209
Study Questions 209
Mind Stretchers 209
Exercise: Ethics 212
Case: Tangent Host: An Uneasy Partnership 212

PART IV Financing Entrepreneurial Ventures 215

CHAPTER 8 • Resource Requirements 216

The Entrepreneurial Approach to Resources 217
Bootstrapping Strategies: Marshalling and Minimizing Resources 218
Using Other People's Resources 220
The Right Stuff—Does Canada Have What It Takes? 220
Outside People Resources 220
Build Your Brain Trust 221
Board of Directors 223
Alternatives to a Formal Board 224
Legal Counsel 226
Bankers and Other Lenders 226
Accountants 227
Consultants 229
Financial Resources 229
Analyzing Financial Requirements 230
Internet Impact: Resources 230
Extending Your Network 230
Fund-Raising for Nonprofits 230

Chapter Summary 231
Study Questions 231
Mind Stretchers 231
Exercise: Build Your Brain Trust 231
Case: Want Beverages 232

CHAPTER 9 • Financing the Venture 237

Venture Financing: The Entrepreneur's Achilles' Heel 237
Financial Management Myopia: It Can't Happen to Me 239
Critical Financing Issues 241
Entrepreneurial Finance: The Owner's Perspective 243
Determining Capital Requirements 243
Financial Strategy Framework 244
Free Cash Flow: Burn Rate, OOC, and TTC 245
Crafting Financial and Fund-Raising Strategies 245
Critical Variables 246
Financial Life Cycles 248
Investor Preferences 248
The Capital Markets Food Chain 249
Cover Your Equity 250
Timing 251
Angels and Informal Investors 251
Who They Are 251
Finding Informal Investors 252
Contacting Investors 252
Evaluation Process 253
The Decision 254
Venture Capital: Gold Mines and Tar Pits 255
What Is Venture Capital? 256
The Venture Capital Industry 256
The Venture Capital Process 257
Identifying Venture Capital Investors 259
Dealing with Venture Capitalists 260
Questions the Entrepreneur Can Ask 260
Due Diligence: A Two-Way Street 261
Other Equity Sources 261
Business Development Bank of Canada (BDC) 262
Scientific Research and Experimental Development Tax Credit Program 262
Corporate Venture Capital 262
Mezzanine Capital 263
Private Placements 264
Initial Public Stock Offerings 265
Private Placement after Going Public 265
Employee Stock Ownership Plans (ESOPs) 265
Keeping Current about Capital Markets 266
Chapter Summary 266

Study Questions 266

Mind Stretchers 266

Case: *Sandvine Inc.* 267

CHAPTER 10 • The Deal: Valuation, Structure, and Negotiation 271

The Art and Craft of Valuation 271

What Is a Company Worth? 272

 Determinants of Value 272

 Long-Term Value Creation versus Quarterly Earnings 272

 Psychological Factors Determining Value 272

 A Theoretical Perspective 272

 Investor's Required Rate of Return 273

 Investor's Required Share of Ownership 273

The Theory of Company Pricing 274

The Reality 274

 The Down Round or Cram Down 276

 Improved Valuations or Bouncing Back 277

Valuation Methods 278

 The Venture Capital Method 278

 The Fundamental Method 278

 The First Chicago Method 278

 Ownership Dilution 280

 Discounted Cash Flow 280

 Other Rule-of-Thumb Valuation Methods 281

Tar Pits Facing Entrepreneurs 281

Staged Capital Commitments 282

Structuring the Deal 283

 What Is a Deal? 283

 Understanding the Bets 284

 Some of the Lessons Learned: The Dog in the Suitcase 285

Negotiations 286

 What Is Negotiable? 286

 The Specific Issues Entrepreneurs Typically Face 287

 The Term Sheet 288

 Black Box Technology, Inc., Term Sheet 288

Traps 289

 Strategic Circumference 289

 Legal Circumference 289

 Attraction to Status and Size 289

 Unknown Territory 290

 Opportunity Cost 291

 Underestimation of Other Costs 291

 Greed 291

 Being Too Anxious 292

 Impatience 292

 Take-the-Money-and-Run Myopia 292

Internet Impact: Resources 293

 Real Estate Marketing and Sales 293

Chapter Summary 294

Study Questions 294

Mind Stretchers 294

Case: *Terracycle Inc.* 295

CHAPTER 11 • Obtaining Debt Capital 297

A Cyclical Pattern: The Good Old Days Return but Fade Again 297

 A Word of Caution 298

 The Lender's Perspective 298

Sources of Debt Capital 298

 Trade Credit 300

 Commercial Bank Financing 301

 Line of Credit Loans 302

 Time-Sales Finance 302

 Term Loans 303

 Chattel Mortgages and Equipment Loans 303

 Conditional Sales Contracts 304

 Plant Improvement Loans 304

 Commercial Finance Companies 304

 Factoring 305

 Leasing Companies 306

Before the Loan Decision 307

 Approaching and Meeting the Banker 309

 What the Banker Wants to Know 310

The Lending Decision 312

 Lending Criteria 313

 Loan Restrictions 314

 Covenants to Look For 314

 Personal Guarantees and the Loan 314

 Building a Relationship 315

 Handling a Banker or Other Lender 315

 What to Do When the Bank Says No 316

Tar Pits: Entrepreneurs Beware 316

 Beware of Leverage: The ROE Mirage 316

 Neither a Lender Nor a Borrower Be, But If You Must 317

Chapter Summary 318

Study Questions 318

Mind Stretchers 318

Case: *Jack Defoe, Inc.* 319

PART V Start-up and Beyond

CHAPTER 12 • Leading Rapid Growth: Entrepreneurship Beyond Start-up	330
Inventing New Organizational Paradigms	330
Entrepreneurial Leaders Are Not Administrators or Managers	331
Leading Practices of High Growth Companies	331
Growing Up Big	332
Stages of Growth Revisited	332
Core Leadership Mode	333
The Problem in Rate of Growth	335
Industry Turbulence	336
The Importance of Culture and Organizational Climate	337
Six Dimensions	337
Approaches to Entrepreneurial Leadership	338
Entrepreneurship for the 21st Century: Big Breakthroughs	340
Austin Hill	340
Gabrielle Chevalier	341
Nina Gupta	341
Doug and Danny Elder	341
The Chain of Greatness	342
Chapter Summary	343
Study Questions	343
Mind Stretchers	343
Case: <i>Watch That Next Step</i>	343
CHAPTER 13 • Franchising	345
Introduction	345
Job Creation versus Wealth Creation	346
Franchising: A Story of Entrepreneurship	346
Franchising: Assembling the Opportunity	347
Primary Target Audience	348
Evaluating a Franchise	349
Franchisor as the High Potential Venture	350
Key Components of a Franchise Offering	351
Service Delivery System	351
Training and Operational Support	352
Field Support	353
Marketing, Advertising, and Promotion	354
Supply	354
Franchise Relationship Model	356
Chapter Summary	358
Study Questions	358
Mind Stretchers	359
Case: <i>Which Way to Grow?</i>	359

CHAPTER 14 • The Family as Entrepreneur	361
Families, Entrepreneurship, and the Timmons Model	361
Building Entrepreneurial Family Legacies	362
Large Company Family Legacies	362
Smaller and Mid-Size Family Legacies	364
The Family Contribution and Roles	364
Frame One: The Mind-set and Method for Family Enterprising	367
Enterprising Mind-set and Methods	368
Creating the Dialogue for Congruence	370
Frame Two: The Six Dimensions for Family Enterprising	373
Leadership Dimension	373
Relationship Dimension	374
Vision Dimension	374
Strategy Dimension	375
Governance Dimension	375
Performance Dimension	376
Frame Three: The Familiness Advantage for Family Enterprising	376
Succession	379
Succession? Maybe	380
Succession? No	381
Succession Woes	381
Conclusion	382
Chapter Summary	382
Study Questions	382
Mind Stretchers	383
Exercises	383
Mind-set Continuum	383
Methods Continuum	384
Family Enterprising Model	385
Familiness f+ and f- Continuum	385
Case: <i>High Performance Tire</i>	386
CHAPTER 15 • Leading through Trouble, the Harvest, and Beyond	389
When the Bloom Is Off the Rose	390
Getting into Trouble—The Causes	390
Strategic Issues	390
Leadership Issues	391
Poor Planning, Financial/Accounting Systems, Practices, and Controls	391
Getting Out of Trouble	392
Predicting Trouble	392
Net-Liquid-Balance-to-Total-Assets Ratio	393
Non-quantitative Signals	393
The Gestation Period of Crisis	394
The Paradox of Optimism	394
The Bloom Is Off the Rose—Now What?	395
Decline in Organizational Morale	395

The Threat of Bankruptcy 395

 Voluntary Bankruptcy 396

 Bargaining Power 396

Intervention 396

 Diagnosis 396

 The Turnaround Plan 398

 Longer-Term Remedial Actions 401

A Journey, Not a Destination 401

The Journey Can Be Addictive 402

First Build a Great Company 402

Create Harvest Options 403

A Harvest Goal 404

Crafting a Harvest Strategy: Timing Is Vital 405

Harvest Options 406

 Capital Cow 406

 Employee Stock Ownership Plan 407

 Management Buyout 407

 Merger, Acquisition, and Strategic Alliance 407

 Outright Sale 408

 Public Offering 408

Beyond the Harvest 409

The Road Ahead: Devise a Personal Entrepreneurial Strategy 410

 Goals Matter—A Lot! 410

 Values and Principles Matter—A Lot! 410

Seven Secrets of Success 411

Chapter Summary 411

Study Questions 412

Mind Stretchers 412

Case: *Cavendish Cove Cottages* 412

End-of-Text Cases 421

Notes 448

Index 457

PREFACE

A BOOK FOR THE NEXT GENERATION OF ENTREPRENEURIAL LEADERS

The evolution of entrepreneurship over the years has had an extraordinary impact on the cultural and economic landscape in Canada and worldwide. While there will always be opportunities for improvement and innovation, the present entrepreneurial revolution has become a model for business people, educators, and policymakers around the globe.

People in every nation have enormous entrepreneurial qualities and aspirations, and that spirit is finding its way into nearly all world markets. Entrepreneurship is exploding in countries like India, China, and in the former Soviet bloc—and affecting positive social and economic change in such diverse countries as Korea, Mexico, South Africa, El Salvador, and Ireland.

In our roles as student, teacher, researcher, observer, and participant in this revolution, we can honestly say that global adoption of the entrepreneurial mind-set appears to be growing exponentially larger and faster. That mind-set, while informed by new venture experiences, affects larger corporations and the not-for-profit world as well. In our assessment, we are at the dawn of a new age of entrepreneurial reasoning, equity creation, and philanthropy, whose impact in the coming years will dwarf what we experienced over the last century.

AN EDITION FOR AN ERA OF EXTRAORDINARY UNCERTAINTY AND OPPORTUNITY

Current business times are being defined as much by worldwide challenges and uncertainty as from the enormous opportunities afforded by technology, global communications, and the increasing drive to develop socially, economically, and environmentally sane and sensible new ventures. As with past generations, entrepreneurs in this arena face the ultimate and most demanding juggling act: how to simultaneously balance the insatiable requirements of marriage, family, new venture, service to community, and still have time for one's own pleasure and peace.

A BOOK ABOUT THE CANADIAN ENTREPRENEURIAL PROCESS

New Venture Creation is about the actual process of getting a new venture started, growing the venture, successfully harvesting it, and starting again.

There is a substantial body of knowledge, concepts, and tools that entrepreneurs need to know—before taking the start-up plunge—if they are to get the odds in their favour. Accompanying the explosion in entrepreneurship has been a significant increase in research and knowledge about the entrepreneurial process. Much of what was known previously has been reinforced and refined, while some has been challenged. Numerous new insights have emerged. *New Venture Creation* continues to be the product of experience and considerable research in this field, rooted in real-world application and refined in the classroom.

CHAPTER 15

1. Special credit is due to Robert Bateman, Scott Douglas, and Ann Morgan for contributing material in this chapter. The material is the result of research and interviews with turn-around specialists.

- The authors are especially grateful to two specialists, Leslie B. Charm, who along with his partner has owned three national franchise companies, an entrepreneurial advisory and troubled business management company, and a venture capital company, AIGIS Ventures, LLC; and Leland Goldberg of Coopers & Lybrand, Boston, who contributed enormously to the efforts of Bateman, Douglas, and Morgan and to the material.
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INDEX

A

- Abelnour, Assaad, 74
- accountants as resources, 226-227
- accounts receivable financing, 305-306
- advisors, 221, 223-224
- Air Canada, 67
- Air Florida, 85
- Aitkin, Dr. Alan, 124, 140
- Akoha, 156
- Aldrich, Howard, 219
- Allen, Fred, 204-205
- Amazon Mechanical Turk, 132
- Andretti, Mario, 37
- angel investors
 - entrepreneurs as, 42-43, 410
 - characteristics, 251
 - contacting, 252
 - evaluation process, 252-254
 - financing, 251-254
 - finding, 251-252
- Angstrom Power Inc., 183-184
- anxiety trap, 292
- appendices in business plan, 119
- apprenticeship, 16-18
- Ascertia, 444, 445
- Astrachan, Joseph H., 367
- Atkinson, John, 5
- attraction to size and status trap, 289-290
- Avalon Microelectronics case, 343-344
- Avedis Zildjian Company, 381
- Avrio Ventures, 282-283

B

- Backerhaus Veit analysis, 371-372, 378-379
- backing, 41, 42-43
- balance. See fit and balance
- Ball, Lina, 338
- Balsillie, Jim, 435
- bank financing. See also debt capital
 - approaching a bank, 309
 - choosing a lender, 307-309
 - commercial finance companies, 304-305
 - lending criteria, 312-313
 - loan proposal, 311
 - loan restrictions, 313
 - overview, 301-302
 - personal guarantees, 314-315
 - relationships with banks, 315-316
 - required information, 310-312
 - restrictive covenants, 314
 - steps in obtaining, 308
- bankruptcy, 395-396
- Baty, Cam, 433-434
- Baty, Gordon, 308
- Bayer, Karl, 228
- BC Bearing Group, 362
- Bella Dance Academy, 338
- Ben & Jerry's Homemade Ice Cream Inc., 6
- Berkshire Hathaway, 363
- Bernanke, Ben, 302
- Billingsley, Jason, 181
- Birch, Karina, 433-434
- bitHeads, 219
- Black Box Technology Inc., 288
- board of directors, 221-223
- Bok, Derek, 202
- bOK Systems Corp. case, 95-96
- Bond, Holly, 67-68
- Bontis, Nick, 230
- bootstrapping
 - defined, 47
 - equity preservation, 249-250
 - opportunity and, 74
 - resources, 217-219
- Bowen, Harry, 37
- Bowie, David, 79
- Bowmar, 84
- Bradford, David, 157
- Bragg, John, 380-381
- Bragg Group of Companies, 380-381
- brain trust, 220-221, 232
- Brander, James, 297-298
- Bre-X, 205
- Bricklin, Dan, 229
- Brightspark, 293
- British Telecom, 48-51
- Bronfman, Edgar, 403
- brontosaurus capitalism
 - corporate versus venture financing, 241-243
 - versus entrepreneurship, 34-35
 - Hay System, 331
 - ideas versus opportunities, 69
 - Mitel example, 51
- Brown, Michael, 202
- Brusha, Patricia, 228
- Brzustowski, Tom, 67
- Buffet, Warren, 302

- Bulldog Interactive Fitness, 67-68
- Bullfrog Power, 4
- Bunting Coady Architects, 164
- burn rate, 244
- Bushnell, Nolan, 37
- Business Development Bank of Canada (BDC), 261-262
- Business Ethics, 202
- business plan. See also business plan guide; hide.it business plan
 - action steps, 103-104
 - attracting the right investors, 101
 - audience, 101, 102
 - authors, 102
 - blueprint, as a, 99
 - check list for, 106
 - completeness of, 104-106
 - dehydrated plan, 102
 - four anchors of, 97-98
 - information segmentation, 104
 - Internet and, 106-107
 - lenders, 226
 - Mitel example, 48-51
 - organization, 103
 - purpose, 97-99
 - Scavenger Energy case, 119-120
 - schedule, 104
 - table of contents, 105, 110
 - tips, 99-101
 - work in progress, 98
- business plan guide, 108-119.
 - See also business plan; hide.it business plan
 - appendices, 119
 - cover, 110
 - dehydrated plan, 102
 - design and development plan, 114-115
 - economics of the business, 113
 - executive summary, 110-111
 - final steps, 119
 - financial plan, 117-118
 - management team, 116
 - manufacturing and operations plan, 115-116
 - market, 111
 - market research and analysis, 111-113
 - marketing plan, 113-114
 - overall schedule, 116-117
 - product, 111

- proposed company offering, 118–119
risks, 117
- Butler Byers Insurance Ltd., 379–380
- Butterfield, Stewart, 158
- Bygrave, William D., 255, 258
- C**
- Calof, Jonathan, 91
- Cambrian House, 132
- CanadaHelps.org, 230
- Canadian entrepreneurial culture, 220
- Canadian inventions in the 20th century, 88
- Canadian Photonics Consortium, 90
- Canwest Global Communications, 313–314
- capital market
- food chain, 248–249
 - food chain for ventures, 274–275
 - growth rate, 335
 - harvest issues, 84
 - Mitel example, 48–51
 - reality of, 241
- capital requirement screening, 82
- Caputo, Dave, 267–270
- Cara Operations Ltd., 347, 381
- Cardinal Meat Specialists Ltd., 380
- Carlson, Daryl-Lynn, 218
- Carrey, Jim, 401
- Carrot Capital, 295–296
- case analyses
- Avalon Microelectronics, 343–344
 - bOK Systems Corp., 95–96
 - Cavendish Cove Cottages, 412–420
 - Dairy Queen, 426–430
 - EvelineCharles, 359–360
 - Handshake VR Inc., 423–426
 - High Performance Tire, 386–388
 - Jack Defoe Inc., 319–328
 - Matcha Men, 197–198
 - Med-Eng Systems Inc, 174–177
 - Qiaolinx Inc., 431–432
 - Repositbox, 440–447
 - Research In Motion, 434–440
 - Rocky Mountain Soap, 433–434
 - Sandvine Inc., 267–270
 - Scavenger Energy, 119–120
 - ShoeGuru.ca, 57–61
 - Tangent Host, 212–214
 - Terracycle Inc., 295–296
 - Want Beverages, 232–236
 - Willy Dog, 421–422
 - Wyse Design & Development, 430–431
- cash burn, 336
- cash flow
- analysis of during intervention, 397
 - deal structure and, 284–285
 - profit and loss (P&L) screening, 83
 - role of, 241
 - valuation, 272
- Castaldo, Joe, 254
- Cator, Jack, 380
- Cavendish Cove Cottages case, 412–420
- Celtic House Venture Partners, 3
- Chaisson, Mike, 36
- Charles, Eveline, 359–360
- Charm, Leslie, 183, 310
- chattel mortgages, 303
- Chemko, Harry, 181
- Chevalier, Gabrielle, 341
- chide.it business plan, 121–150
- appendices, 141–150
 - background, 124–126
 - business model, 133–134
 - executive summary, 121–124
 - finances, 136–137
 - market research and analysis, 130–133
 - marketing, 127–130
 - product features, 127–130
 - risks, 135
 - team, 137–141
 - timeline, 135
- Chipco, 160
- Choi, Matthew, 230
- Chrisman, James, 221, 223, 361
- Christensen, Clayton, 161
- Chua, Jess, 361
- circle of venture capital ecstasy, 64, 65
- Cisco, 267
- CLIC Foods, 74
- Cloherly, Patricia, 63
- coaching, 163–164
- Coady, Teresa, 164
- Cohen, Allan, 157
- Cohen, Boyd, 4
- Cohen, Herb, 286
- cohesion, 180
- Cohn, Dr. Sorin, 124, 139
- Collier, Linda, 85
- Colman, Chris, 269
- “comfort firms”, 369
- commercial bank debt financing.
- See bank financing; debt capital
- commercial finance companies, 304–305
- commitment, 8–9, 181
- communication, 48–51, 339
- company valuation. See valuation
- compensation. See reward system
- competencies
- assessment, 173
 - entrepreneurial management, 166
 - finance, 166
 - information technology, 167
 - law and tax, 167
 - marketing, 165
 - operations/production, 165–166
- “competently managed firms”, 369
- competitive advantage, 77, 84–85
- conditional sales contracts, 304
- conflict management, 163–164
- consensus building, 339
- constrictive familiness, 377

- consultants as resources, 227–229
- control paradox, 37
- Cormier-Iijima, Samuel, 128, 139
- corporate giants. See brontosaurus capitalism
- corporate leadership versus entrepreneurial, 34–35
- corporate venture capital, 262.
- See also financing
- corporate versus entrepreneurial finance, 241–243. See also brontosaurus capitalism
- cost structure of troubled company, 392
- Couple of Chicks, 228
- Covey, Stephen, 161
- Cowpland, Michael, 3–4, 48–51, 220
- Craig, Peter, 123–124, 139–140
- “cram down” round (down round) valuation, 276–277
- Crate & Barrel, 72
- creativity
- entrepreneur and, 8, 13, 15
 - Mitel example, 48–51
 - pattern recognition, 73–74
- credit climate, 297–298
- Crile, George, 70
- critical mass
- attaining, 127
 - chide.it, 127
 - start-up stage, 156
 - survival, 1, 40
- Crossing the Chasm* (Moore), 161
- Culligan, Tom, 273
- Cumming, Douglas, 290
- current sales activity asset, 399
- customer relations management skill assessment, 169

D

- Dairy Queen case, 426–430
- Dambolena, Ismael G., 393
- Davis, Mark, 289
- Daze, Stephen, 179
- de Bettignies, Jean-Etienne, 43, 297–298
- De Clercq, Dirk, 37
- deal structure
- characteristics of success, 283–284
 - elements of, 284
 - financing, 283–286
 - minimizing surprise, 285–286
 - over time, 283
 - risk-reward management, 284
 - term sheet, 288–289
 - traps, 289–293
 - valuation and, 284–285
- debt capital, 297–317
- bank financing, 301–302
 - chattel mortgages, 303
 - choosing a lender, 307
 - commercial finance companies, 304–305

- conditional sales contracts, 304
- credit climate, 297–298
- evaluating the bank, 309
- factoring, 305–306
- failure evaluation, 316
- inventory financing, 305
- Jack Defoe Inc. case, 319–328
- leasing, 306–307
- lender relationship, 315–316
- lending criteria, 299–300, 313
- lending decision, 312
- leverage, 316–317
- line of credit, 302
- liquidation criteria, 304
- loan proposal, 310–312
- market cycles and, 297–298
- meeting the lender, 309
- personal guarantees, 314–315
- plant improvement loans, 304
- restrictive covenants, 303, 313–314
- start-up stage and, 298–300
- steps in obtaining, 307–309
- term loans, 303
- terms of, by source, 299–300
- time sales, 302–303
- trade credit, 300
- debt financing. See debt capital
- Dees, J. Gregory, 202, 205
- degree of control in competitive advantage, 84
- degree of fit in strategic differentiation, 87
- Dehtiar, Tal, 202
- demographic profiles, 348
- Denomme, Robb, 218
- design and development of plan, 114–115
- desirability criteria, 86
- determination and leadership, 8–9
- determining capital requirements, 243–245
- Deutsch, Yuval, 98
- Diceman, Chris, 313–314
- Digital Equipment Corporation, 34
- Digital Moose Lounge, 91
- Diochon, Monica, 40, 223
- discipline, 37, 38
- Discount Car & Truck Rentals, 79
- discounted cash flow valuation method, 280
- Disney, Walt, 281
- disruptive technologies, 35, 37, 161
- distinctive familiness, 377
- distribution channels in strategic differentiation, 87
- dividing value, 239
- Doerr, John, 189
- Dollco Printing, 404
- Donath, Toby, 364, 371–372, 378–379
- Doriot, George, 47
- down round (“cram down” round) valuation, 276–277
- Drabinsky, Garth, 206
- Dreessen, Erwin, 338
- Dubini, Paola, 219
- due diligence
- financing, 252
 - opportunity and, 45, 63
 - research and development stage, 156
 - team, 188
 - value creation, 44
 - venture capital, 256, 260–261
- due diligence, business plan, 98, 101
- Duell, Charles, 76
- Dunleavy, Michael, 217, 226, 258
- Dunn, Frank, 205
- Dunphy, Steven, 331
- Dutta, Dev, 41
- Dyck, Bruno, 163
- E**
- E. D. Smith & Sons, 403
- Eaton's, 34
- economics of the business, 77, 113
- Edison, Thomas, 76
- Egan, William, 80–81
- Einstein, Albert, 76
- Eksten, Brik, 86
- Elastic Path, 181
- Elder, Danny, 341
- Elder, Doug, 341
- Ellis, Tim, 423–426
- Emerson, Ralph Waldo, 71
- employee stock ownership plan (ESOP), 265, 407
- encouragement, 339
- Enrico, Roger, 337
- entrepreneur
- apprenticing, 16–18
 - attributes, 7, 9
 - characteristics of, 6
 - commitment, 8–9
 - creativity, 8, 13, 15
 - creed, 24
 - determination, 8–9
 - ethics, 162
 - leadership, 8, 9–11
 - management skills, 15
 - manager, versus, 5
 - motivation, 4–5
 - motivation to excel, 8, 13–14
 - myths, 19–20
 - opportunity obsession, 8, 11–12
 - opportunity recognition, 15
 - personal strategy for, 23, 26–28
 - risk tolerance, 8, 12–13
 - role models, 18–19
- entrepreneur versus investor conflicts, 281
- entrepreneurial culture, 159, 160
- entrepreneurial domain, 152–155
- entrepreneurial firms
- versus corporate giants, 330–331.
 - See also brontosaurus capitalism

- focus, 330–331
- growth stages, 332–337
- lead entrepreneur, 333–335
- leadership style, 331
- organizational climate, 337–342
 - practices of, 331
- entrepreneurial leadership. See entrepreneur; lead entrepreneur
- entrepreneurial orientation, 370, 371–372. See also entrepreneur; entrepreneurship
- entrepreneurial process, 33–52.
- See also Timmons Model
 - backing, 41–43
 - versus corporate giants, 34–35
 - entrepreneurship and, 33–39
 - lifestyle, 43
 - metaphors, 35–36
 - Mitel example, 48–51
 - paradoxes, 36–37
 - survival, 39–41
 - survival rates, 39–40
 - thinking big, 38
 - threshold concept, 40–41
- entrepreneurial team. See team
- entrepreneurial transitions, 157
- entrepreneurial versus corporate finance, 241–243. See also brontosaurus capitalism
- entrepreneurship. See also entrepreneur; lead entrepreneur; Timmons Model
- apprenticeship, 16–18
 - backing, 41–43
 - versus corporate leadership, 34–35
 - culture of, 3–4
 - definition, 33–34
 - education for, 20–22
 - entrepreneurial orientation, 370, 371–372
 - family businesses and, 361–388
 - family business, versus, 361–362
 - journey versus destination, 401–402
 - leadership, 35
 - leadership paradigm, 9–11
 - lifestyle, 43
 - management, versus, 5
 - management competence, 166
 - metaphors, 35–36
 - Mind-set and Methods Model, 368–372, 385
 - myths, 19–20
 - paradoxes, 36–37
 - personal strategy, 26–28, 410–411
 - reasoning, 14–16
 - role models, 18
 - secrets of success, 411
 - start-up, 34
 - stereotypes, 201
 - survival rates, 39–41
 - thinking big, 38
 - troubled company, 389–401

- values and goals, 410–411
- venture modes, 153–155
- entry barriers, 84–85
- equal inequality, 181–182
- equity sources
 - angel investors, 251–254
 - Business Development Bank of Canada (BDC), 261–262
 - corporate venture capital, 262
 - employee stock ownership plan (ESOP), 265
 - initial public stock offering (IPO), 264
 - mezzanine financing, 262–263
 - private investors, 251–254
 - private placements, 263, 265
 - Scientific Research and Experimental Development Tax Credit Program, 262
 - venture capital, 254–264
- Estee Lauder, 363
- ethical leadership, 162
- ethics, 199–214
 - differing views, 206
 - ends-and-means examples, 207–208
 - entrepreneur, 162
 - integrity, 203–204
 - integrity example, 206
 - legal demands, 206–207
 - management strategies, 203
 - overview, 199–201
 - pressure, 204–205
 - selected dilemmas, 205
 - stereotypes, 201
 - Tangent Host case, 212–214
 - teaching of, 202–204
- evaluation criteria
 - fatal-flaw issue/personal criteria, 78
 - for venture opportunities, 76–78
 - management team, 78
 - strategic differentiation, 78
- EvelineCharles case, 359–360
- Evers, Reiner, 230
- executive summary
 - business concept, 99, 102
 - business plan, 102, 103, 105
 - business plan guide, 110–111
 - chide.it business plan, 121–124
 - obtaining a loan, 308
- exit mechanism and strategy, 84
- F**
- f factor, 376–379
- f+ f analysis, 378–379
- Facebook, 130
- factoring, 305–306
- failure paradoxes, 37
- failure rates, 39–41
- fairness, 182
- Fake, Caterina, 158
- Familiness Systems Model, 376–379, 385–386
- family business
 - Backerhaus Veit analysis, 371–372, 378–379
 - challenges of, 367–368
 - constrictive familiness, 377
 - corporate renewal role, 366
 - corporate venturing role, 366
 - dialogue, 371, 372
 - distinctive familiness, 377
 - entrepreneurial orientation, 370–372
 - f+ f analysis, 378–379
 - Familiness Systems Model, 376–379, 385–386
 - financial mind-set, 369–370, 371–372
 - governance, 373, 375–376
 - High Performance Tire case, 386–388
 - influence of family, 364–365
 - investment fund role, 366–377
 - leadership, 373–374
 - legacies, 364
 - Mind-set and Methods Model, 368–372, 385
 - mind-set continuum, 369–370, 371–372
 - operational mind-set, 369, 371–372
 - opportunity, 361–362, 367–368
 - performance, 373, 376
 - private cash role, 366
 - relationship, 373, 374
 - risk profile, 372
 - six dimensions for, 373–376
 - start-up role, 365–366
 - strategy, 373, 375
 - succession, 379–381
 - timing, 372
 - vision, 372, 373, 374–375
 - wealth creation, 362, 365, 369–370
- Faseruk, Alex, 101
- fatal-flaw issue, 78, 85
- Fathi, Eli, 123, 138
- Federal Express, 83
- Feltman, Doug, 296
- finance companies, 304–305
- finance competency, 166, 170–171
- financial mind-set, 369–370, 371–372
- financial plan, 117–118. *See also*
 - business plan
- financial practices, 53
- financial ratios, 242
- financial requirement analysis, 229–230
- financial strategy framework, 243–245
- financial theory limitations, 241–243
- financing, 237–270
 - angel investors, 251–254
 - bootstrapping, 249–250
 - capital market food chain, 248–249
 - core principles, 237–239
 - deal structure, 283–286
 - debt financing, 297–317
 - determining capital requirements, 243–245

- dividing value issue, 239
- entrepreneurial versus corporate, 241–243
- equity preservation, 249–250
- family business, 366–377
- financial theory limitations, 241–243
- financial vigilance, 238–239
- free cash flow, 244–245
- fund-raising strategy, 244
- informal investors, 251–254
- Internet impact, 293
- investor preference, 248
- investor versus entrepreneur
 - conflicts, 281
 - life cycles, 246–248
 - myopia, 237–238
 - negotiation, 286–293
 - new ventures, 240
 - other equity sources, 261–265
 - resources, 265
 - risk handling issue, 239
 - Sandvine Inc. case, 267–270
 - skill competency, 166, 170–171
 - staged commitment, 282–283
 - strategy framework, 243–245
 - Terracycle Inc. case, 295–296
 - timing, 250
 - traps, 289–293
 - valuation, 271–281
 - value creation issue, 239
 - variables affecting, 245–246
 - venture capital, 254–264
 - venture capital food chain, 249–250
- financing life cycles, 246–248
- Finco, 160
- First Chicago valuation method, 278–280
- Fisher, Jamie, 441–447
- Fisher, Roger, 286
- fit and balance
 - Backerhaus Veit analysis, 379
 - definition, 48
 - degree of, 87
 - family business, 361–362
 - importance of, 48
 - Mitel example, 48–51
 - research, 52
 - six dimensions for family business, 373–376
 - value creation, 44
- flexibility, 37, 87, 216–217
- Flickr, 158
- Florida, Richard, 86
- food chain for ventures, 65
- Forsman, Godfrey, 183
- Foster, Bill, 181
- founder. *See* lead entrepreneur
- Fournier, Luc, 431–432
- franchise evaluation, 349–356
 - field support, 353
 - marketing agreement, 354
 - operational support, 352–353
 - risk profile, 350

- service delivery system, 351–352
- supply contract, 354–356
- training, 352–353
- franchising, 345–360
 - characteristics, 345–346
 - EvelineCharles case analyses, 359–360
 - franchise evaluation, 349–356
 - franchise relationship model, 356–358
 - opportunity assessment, 347–348
 - target customer data, 348–349
 - and Timmons model, 346, 356
 - wealth creation, 346–347
- Franks, Wilbur, 70
- free cash flow, 83, 244–245
- Fuld, Leonard, 91
- fundamental valuation method, 278, 279
- fund-raising, 244, 289–293
- G**
- Galbraith, John Kenneth, 153
- Gallagher, Sheila, 180
- gap and fit analysis, 231–232
- Garage Technology Ventures, 68
- Garnsey, Elizabeth, 179
- Gasse, Yvon, 40
- Gates, Bill, 76, 153
- gathering information, 88–93
 - industry and trade contacts, 90–91
 - Internet, 93
 - published sources, 91–92
 - sources of information, 88–90
- Geist, Joshua, 248
- Gelpey, Jonathan, 364
- General Motors, 67
- Genuwine Cellars Inc., 218
- geographic profiles, 348
- Gianforte, Greg, 217
- Gillum, Bill, 295–296
- GiveMeaning, 156
- goals
 - action and, 103
 - crises and, 334–335
 - entrepreneur and, 14, 18
 - personal strategy, 410
 - venture firm versus corporate
 - giant, 243
- goals and fit, 78, 85
- Google, 93, 134
- Gorman, Gary, 101
- Gottlieb, Myron, 206
- Gough, Vance, 21
- governance of family business, 375–376
- Graham, Nicholas, 74–75
- Grant, Alan G., 10
- Gray, Tara, 222
- great mousetrap fallacy, 71–72
- greed trap, 291
- Greenwood, Royston, 159
- Griffiths, Peter, 124, 140–141
- Groh, Ortwin, 253

- gross margins, 83
- Grove, Andy, 153
- growth promise, 41
- growth stages of entrepreneurial firms, 332–342
 - Avalon Microelectronics case, 343–344
 - crises of, 335–337
 - industry turbulence and, 336–337
 - leader models, 340–341
 - leadership, 154, 155–159
 - leadership chain of greatness, 342
 - leadership modes, 333–335
 - leadership qualities, 338–339
 - non-quantitative signals of
 - problems, 393
 - organizational climate, 337–338
 - stages, 332–333
- Gumpert, David, 222
- Gupta, Nina, 341
- Gussin, Anthony, 253
- H**
- Haas, Wally, 343–344
- Halabisky, David, 338
- Hall, Jeremy, 201
- Handshake VR Inc. case, 423–426
- Harper, Stephen, 302
- Harvard Business Review*, 200
- harvest mind-set, 181
- harvesting, 403–411
 - beyond, and, 409–410
 - cash cow option, 406
 - employee stock ownership plan (ESOP), 407
 - evaluation criteria, 77
 - goals, 404–405
 - management buyout option, 407
 - merger, 407
 - mind-set, 181
 - public offering option, 408–409
 - sale option, 408
 - screening, 83–84
 - sharing of, 182
 - strategic alliance, 407
 - strategies for success, 410–411
 - strategy, 405–406
 - timing, 405
- Harvey's Foods Ltd., 356
- Hasanie, Raza, 119–120
- Hashem family, 426–430
- Hay, Timothy, 293
- Hay System, 331
- Head, Howard, 47, 70, 74, 217
- Heath, Lina, 359–360
- Heins, Thane, 253
- Heintzman, Tom, 4
- Hellstrom, Kurt, 437
- Hewlett-Packard, 36, 83
- high growth stage, 155, 156
- High Performance Tire case, 386–388
- Hill, Austin, 340

- Hindle, Kevin, 99
- Hindman, Jim, 183, 390
- Hobbs, Brian, 431–432
- Hodgskiss, Will, 421–422
- Hofer, Charles, 82
- Holy, Bill, 301–302
- Home Depot, 87
- Home Hardware, 347
- Horowitz, Bradley, 130
- Hudson, Richard, 4, 200
- human capital development, 339
- Hurst, Deborah, 101
- Huseby, Thomas, 99, 260
- I**
- IBM, 34
- ideas versus opportunities, 69, 70
- IdeaTrust, 444, 445
- imbalance, 48–51
- impatience trap, 292
- In Search of Excellence* (Peters), 161
- industry and technical experience, 85
- influence skills, 159–165
 - coaching, 163–164
 - competencies, 165–167
 - conflict management, 163–164
 - ethics, 162
 - larger firms, for, 159–160
 - leadership, 163
 - midsized firms, for, 160–161
 - people management, 164–165
 - pioneering, 163
 - stages of growth, for, 161–162
 - team management, 162–163
 - teamwork, 164–165
 - vision, 163
- informal investors, 251–254
 - characteristics, 251
 - contacting, 252
 - evaluation process, 252–254
 - finding, 251–252
- information technology competency, 167
- Infuze, 197–198
- initial public stock offering (IPO), 264
- InnoCentive, 132
- The Innovator's Dilemma* (Christensen), 161
- integration, 44
- integrity
 - ethics, 203–204
 - example, 206
 - management team, of, 85
 - team, 180
- intellectual honesty, 85
- internal rate of return potential, 82
- Internet impact
 - financing, 293
 - resources, 230–231
 - team, 192
- intervention for a troubled company, 396–401
 - cash flow analysis, 397

- diagnosis, 396–397
 lender relationship, 399–400
 long-term action, 401
 management analysis, 397
 quick cash, 398–399
 strategic analysis, 397
 trade credit relationships, 400–401
 turnaround plan value, 398
 workforce reduction, 401
 inventory financing, 305, 398–399
 investor versus entrepreneur
 conflicts, 281
 irrational exuberance, 69
- J**
 Jack Defoe Inc. case, 319–328
 Jennings, Dev, 98
 Jennings, Jennifer, 98, 372
 Jiffy Lube International, 403
 job creation, versus wealth creation, 346
 Jobs, Steve, 16, 36, 153, 269–270
 Johnsonville Sausage, 81
Journal of Business Ethics, 200
 Julicher, Jack, 254
 “just grew firms”, 368–369
- K**
 Kahn, Leo, 11
 Kanter, Rosabeth Moss, 159–161
 Kapur, Mitch, 99
 Kari, Shannon, 206
 Kauffman, Ewing, M., 34
 Kazaa Media Desktop, 269
 Kedrosky, Paul, 11
 Keyser, Tom, 312
 Kiessling, Greg, 4
 Kingma, Lance, 218
 Kinlough, Richard, 301–302
 Kjaerulf, Maria Paninguaki, 43
 Kmart, 34
 Knexa, 230
 Koffler, Murray, 347
 Koo, Mars, 197–198
 Koohgoli, Mahshad, 179, 191
 Koter, John, 5
 Kunkel, Scott, 82
 Kuratko, Donald, 162
- L**
 L'Abbé, Richard, 174–177
 Laferté, Sylvie, 221
 Lai, Albert, 36
 Lalonde, Coralie, 13
 Large, David, 15
 law and tax, 167, 171–172
 Lazaridis, Mike, 2
 lead entrepreneur, 48, 152–177
 assessment, 169–173
 chain of greatness, 342
 competencies, 165–167
 corporate versus entrepreneurial,
 34–35, 330–331
- education for, 20–22
 entrepreneurial culture, 159, 160
 entrepreneurial domain, 152–155
 entrepreneurial firms, 331
 entrepreneurial transitions, 157
 ethics, 162
 family business, 373–374
 growth, 333–335
 human capital development, 339
 influence skills, 159–165
 leadership modes, 333–335
 leadership paradigm, 10
 management, versus, 5, 152–155
 management skills, 15
 manager, versus, 331
 Med-Eng Systems Inc case, 174–177
 Mitel example, 48–51
 models of, 340–341
 networks, 219
 principal forces, 154–155
 qualities, 48, 338–339
 rapid growth management, 156–159
 reward system, 189–192
 skill assessment, 171
 stages of venture growth, 154,
 155–159, 338–339
 team composition, 185–186
 team philosophies, 180–182
 Timmons Model, 44–45
 troubled company, 389–395
 value creation, 44
 venture modes, 153–155
 leadership. *See* entrepreneur; lead
 entrepreneur
 leadership versus management, 5
 leading practices, 53
 LearnHub, 156
 leasing, 306–307
 Ledoux, Sean, 253
 Lee, John, 184
 legal circumference trap, 289
 legal counsel, 224–226
 Léger, Hélène, 355
 Léger, René, 355
 Lemieux, Mario, 286
 lender relationship, 399–400
 lenders, 226
 lending criteria for debt financing,
 299–300, 313
 Lenovo, 34
 Letterman, David, 253
 Letts, Daron, 338
 Leung, Calvin, 313–314
 Levene, Kenneth, 381
 leverage, 316–317
 Lewin, Laurence, 72
 Lexus, 87
 liability of board members, 222–223
 lifestyle venture, 43
 limited capital resources, 74–75
 line of credit debt financing, 302
 liquidation criteria, 304

- Little, Ryan, 230
 Livent, 206
 Lo, Norm, 435, 437–438, 440
 loan restrictions, 303, 313–315
 long-term equity value, 37
 Lorrain, Jean, 221
 losses, 36
 Lotus Development Corporation, 99
 Lucent Technologies, 48
 Lundrigan, Brian, 430–431

M

- Ma, Hao, 163
 MacDougall, Shelley, 101
 MacIsaac, Ashley, 79
 Mahood, Beverly, 312
 Maine, Elicia, 179
 Mainprize, Brent, 99
 management best practice, 37
 management buyout option, 407
 management mode, 153, 154–155
 management practices, 53
 management team
 analysis of during intervention, 397
 business plan, 116
 evaluation criteria, 78
 screening, 85
 troubled company, 391, 392
 management versus leadership, 5
 Manitoba Harvest, 282–283
 manufacturing and operations plan,
 115–116
 market
 business plan, 111
 capacity, 81
 cost structure, 81
 cycles, 297–298
 evaluation criteria, 76–78
 growth rate, 81
 readiness, 46
 research and analysis, 111–113,
 130–133
 screening, 80–82
 sea-changes, 69
 share, 81
 size, 81
 structure, 80–81
 marketing plan, 113–114
 marketing practices, 53, 165, 169
 Markin, Anthony, 363
 Marram, Edward, 161, 332–333
 Marriot Hotels, 362
 Mars, 363
 Martell, Dan, 181
 Marten, Martin, 98
 Matcha Men case, 197–198
 Matten, Dirk, 202
 Matthews, Terry, 3–4, 48–51, 153
 maturity stage, 155, 156
 Mauran, Richard “Rick”, 356
 Mayer, Marissa, 393
 McBeth, Jim, 184
- McClelland, David, 5, 204
 McDougald, Megan, 372
 McKinsey & Co., 7
 McLean, Dr. Ged, 183
 McLeod, Jeff, 440
 McMullan, Ed, 21, 221, 223
 Medco, 160
 Med-Eng Systems Inc. case, 174–177
 Melville, George, 72
 Mentzer, Josephine Esther, 74
 Menzies, Teresa, 40, 223
 Merton, Robert, 241
 metaphors of entrepreneurship, 35–36
 methods continuum, 370–372, 384
 Meyer, David, 331
 mezzanine financing, 262–263
 Middleton, Mike, 248
 Mind-set and Methods Model
 exercise, 385
 family business, 368–372
 financial mind-set, 369–370, 371–372
 mind-set continuum, 369–370,
 370–372, 383
 operational mind-set, 369, 371–372
 mind-set continuum, 369–370,
 370–372, 383
 Mintzberg, Henry, 21, 331
 Mirzaee, Aydin, 63, 95–96, 123,
 137–138, 139, 220–221
 Mitel, 3–4, 48–51
 Mitzberg, Henry, 180
 Moffat, Angela, 232–236
 Moffat, Bill, 232–236
 Molson Brewing Company, 362
 Monty, Jean, 205
 Moore, Don, 162
 Moore, Geoffrey, 161
 Morgan, Tim, 16
 Mr. Sub, 356
 Mumford, Robyn, 253
- N**
 National Angel Capital Organization, 252
 Naumman, Frank, 253
 negotiation
 issues beyond money, 287
 principles of, 286
 provisions with implications, 287
 term sheet, 288–289
 Terracycle Inc. case, 295–296
 traps, 289–293
 net-liquid-balance-to-total-assets
 ratio, 393
 new ventures, 64, 240
 NeXus, 202
 Nichol, Scott, 218
 Nortel Networks, 34, 90, 205
- O**
 O’Dea, Frank, 273
 Oesch, John, 162
 Okulich, Peter, 123, 138

- Olijnyk, Zena, 254
 Olsen, Ken, 76
 OOC (Out Of Cash), 244
 operational mind-set, 369, 371–372
 operations/production, 165–166, 170
 Opinion Labs, 132
 opportunism, 38
 opportunity, 32, 78–88. *See also*
 entrepreneurship; timing
 circle of venture capital ecstasy, 64, 65
 cost, 86, 291
 definition, 66
 evaluation criteria, 76–78
 family business, 361–362, 367–368
 food chain for ventures, 65
 franchising, 347–348
 gathering information, 88–92
 great mousetrap fallacy, 71–72
 growth, 335
 ideas, and, 70
 market readiness, 46
 Mitel example, 48–51
 new venture realities, 64
 obsession and leadership, 11–12
 orientation, 87
 paradoxes, 36
 pattern recognition, 72–78
 reality, 66
 sea-changes, 68–70
 shaping, 91
 ShoeGuru.ca case, 57–61
 spawners and drivers, 66–68, 69
 thinking big, 62–63
 Timmons Model, 44, 45–46
 value creation, 44
 opportunity cost, 86
 opportunity cost trap, 291
 opportunity orientation, 87
 organizational climate and growth,
 337–340
 Osborne, Adam, 80
 Osborne Computers, 80
 Out Of Cash (OOC), 244
 overall schedule, 116–117
 Overlay.TV, 156
 ownership. *See* reward system
- P**
 Paine, Linda, 202
 paradoxes of entrepreneurship, 36–37
 Parsley, Chris, 338
 patience paradox, 37
 pattern recognition, 72–78
 creativity, 73–74
 definition, 72
 evaluation criteria, 76–78
 examples, 72
 limited capital resources, 74–75
 window of opportunity, 75–76
 Patterson, Anthony J., 402–403
 Patterson, Jean, 269
 Pattison, Jim, 404
- Penrose, Edith, 368–369
 people management, 164–165
 Pereira, Aaron, 230
 performance in family business, 373, 376
 perseverance paradox, 37
 Peters, Tom, 161
 Peterson, Mark, 445
 Peterson, Rick, 212–213
 Phelan family, 381
 Pilkington Brothers, 83
 Pilon, Melanie, 16
 Pintendre Auto Inc., 67
 Pitt, Andrew, 139
 PixStream, 267
 Pizza Nova, 356
 planning paradoxes, 37
 planning practices, 53
 plant improvement loans, 304
 Pleasant Company, 79
 Plouffe, Marc-Andre, 128, 139
 Polaroid Corporation, 70
 Pozios, John, 354–355
 Prashad, Sharda, 254
 Pratt, Steven, 184
 Price Manufacturing, 47
 pricing, 87
 Primucci family, 356
 private investors, 42–43
 private placements, 263, 265
 product and business plans, 111
 profits after tax, 82
 proposal example, 59–61
 proposed company offering, 118–119
 psychographic profiles, 348
 psychological motivation, 5
 Purple Angel, 42
 Pyle, Thomas, 296
- Q**
 Qiaolinx Inc. case, 431–432
 Quails’ Gate Winery, 364
 Quinn, Pat, 181
- R**
 Radco, 160
 Radio Shack, 349
 rapid growth management, 156–159
 rate of return (ROR), 273–274
 receivables and financing, 398–399
 relationships in family businesses,
 373, 374
 Repositbox case, 440–447
 research and development stage,
 155, 156
 Research In Motion case, 434–440
 Research In Motion (RIM), 2
 resources
 accountants, 226–227
 advisors, 221, 223–224
 board of directors, 221–223
 bootstrapping, 47, 217–219
 brain trust, 220–221

- consultants, 227–229
- entrepreneurial approach to, 216–217
- Familiness Systems Model, 376–379, 385–386
- financial, 229–230
- Internet impact, 230–231
- legal counsel, 224–226
- lenders, 226
- limited capital, 74–75
- Mitel example, 48–51
- national entrepreneurial culture, 220
- Timmons Model, 46–47
- use of other people's, 218–220
- Want Beverages case, 232–236
- restrictive covenants, 303, 313–314, 399
- reward system
 - components of, 189–198
 - differentiation, 190
 - exercise, 193–196
 - flexibility, 190
 - ownership sharing, 189
 - performance, 190
 - timing, 190–191
 - value considerations, 191–192
- risk
 - business plan, 117
 - chide.it business plan, 135
 - deal structure and, 284–285
 - family business, and, 372
 - financing, 239
 - resources, and, 216–217
 - tolerance and leadership, 12–13
 - valuation, 272
- risk-reward equation, 45, 242
- risk-reward tolerance, 86
- Roberts, Ryan, 289
- Rock, Arthur, 37
- Rocky Mountain Soap case, 433–434
- ROE mirage, 316–317
- Rogers, Ted, Jr., 153, 403
- ROI potential, 82
- room for error, 87
- Rosa, Peter, 101
- Ross, Thomas, 98
- Rosson, Philip, 201
- Roth, John, 205
- Rowe, Glenn, 163
- Rowland, Pleasant, 79
- S**
 - Sahlman, William, 218, 280, 283
 - Samuel, Son & Co., 363–364
 - Sanders, Colonel Harland, 37
 - Sandvine Inc. case, 267–270
 - Sarbanes-Oxley Act (SOX), 222
 - Saunders, Chad, 36
 - Scavenger Energy case, 119–120
 - Schrooten, Dr. Jeremy, 183
 - Schurman, Maynard, F., 12
 - Scientific Research and Experimental Development Tax Credit Program, 262
 - screening, 78–88
 - Canadian inventions in the 20th century, 88
 - competitive advantage issues, 84–85
 - economics, 82–83
 - evaluation criteria, 76–78
 - harvest issues, 83–84
 - management team issues, 85
 - market, 80–82
 - opportunity focus, 78–79
 - personal criteria, 85–86
 - strategic differentiation, 87
 - sea-changes, 68–70
 - segmenting, 108
 - Seigle, Harold, 180
 - Sempa Power Systems, 156
 - service delivery system, 351–352
 - service management, 87
 - The 7 Habits of Highly Effective People* (Covey), 161
 - Sevin-Rosen, 99
 - Shad, John, 202
 - sharing of the harvest, 182
 - Sharma, Pramodita, 367
 - Shecter, Barbara, 206
 - ShoeGuru.ca case, 57–61
 - Shoppers Drug Mart, 347
 - short-term profitability paradox, 37
 - Shulman, Joel M., 393
 - Singer, Herb, 79
 - Singer, Rhoda, 79
 - six dimensions for family business, 373–376
 - size attraction trap, 289–290
 - 6N Silicon, 218, 229
 - Skapinker, Mark, 293
 - Skoll, Jeff, 202
 - Sleeman, John W., 52
 - Smallwood, Joseph, 37
 - Smith, Gregory, 274, 277
 - Smith, Ronnie, 426
 - Smith, Ted, 426
 - Smucker, 363
 - societal sea-change, 69
 - spawners and drivers, 66–68, 69
 - Spheric Technologies, 181
 - Spin Master, 73
 - Spinelli, Stephen, 183
 - Spinner, Art, 221, 222
 - spontaneous credit, 300
 - spontaneity, 38
 - spreadsheets, 229–230
 - Sprinwise.com, 230
 - staged capital commitment, 280, 282–283
 - stages of venture growth, 154, 155–159
 - Stancill, James, 229, 308
 - Staples, 11
 - Stark, Andrew, 202
 - Starke, Frederick, 163
 - Starr, Jennifer, 205

- start-up stage
 - choosing a lender, 307
 - consultants, 227–228
 - debt financing and, 298–300
 - entrepreneurship, 34
 - family-influenced, 365–366
 - lead entrepreneur and, 155, 156
 - traps, 289–293
- status attraction trap, 289–290
- Steere, William, 70
- Steier, Lloyd, 361
- Stemberg, Tom, 11
- Stevens, Kathie, S., 310
- Stevenson, Howard, 17, 154, 218
- St-Hubert, 355
- strategic analysis at intervention, 397
- strategic circumference trap, 289
- strategic differentiation, 78, 87
- strategy for a family business, 373, 375
- stress tolerance, 86
- Stronach, Frank, 16
- structure of the deal. *See* deal structure
- Student Express, 180
- succession of family business, 379–381
- Suddaby, Roy, 159
- Sulway, Dr. Vernon, 441
- Sun Microsystems, 76
- Sundback, Gideon, 70
- supply chain management, 169–170
- survival rates of entrepreneurship, 39–41
- sustainability, 44, 45, 48–51
- Sxaky, Tom, 295–296
- Sysomos, 132

T

- Takeda, Brian, 197–198
- take-the money-and-run myopia, 292–293
- Tan, Justin, 163
- Tangent Host case, 212–214
- Tator, Robin, 296
- Taylor, Jeff, 192
- team, 178–198
 - attitudes, 180–182
 - common pitfalls, 187–188
 - competencies, 165–167
 - composition of, 184–186
 - creativity, 73–74
 - evolution of, 182–184
 - importance of, 178–179
 - influence skills, 162–165
 - Internet impact, 192
 - issues, 85
 - lead entrepreneur and, 185–186
 - Matcha Men case, 197–198
 - Mitel example, 48–51
 - opportunity and, 186
 - outside resources and, 186
 - peer groups, 187
 - philosophies of, 180–182
 - qualities, 48
 - reward system, 189–192
 - role definitions, 187
 - six dimensions for family business, 373–376
 - skill assessment, 171–172
 - strategic differentiation, 87
 - Timmons Model, 47–48
 - value creation, 44
 - values and goals, 187
 - vision, 179–180
- teamwork, 164–165, 180
- technology, 69, 87
- Teppermans, 380
- term sheet, 288–289
- Terracycle Inc. case, 295–296
- Testa, Hurwitz & Thibeault, LLP, 288
- Testa, Richard, 187–188
- The Eureka! Ranch, 73
- The Source, 349
- Theory of Company Pricing, 274–276
- think big
 - entrepreneur myths, 19
 - entrepreneurial success and, 32, 38
 - opportunity and, 62–63, 65
- Thomas, Dave, 353
- Thornhill, Stewart, 41
- Threadless, 132
- threshold concept, 40
- TiE (The Indus Entrepreneurs), 91
- Tilden Rent-a-Car, 402–403
- Tim Horton's, 351
- time to breakeven, 82, 83
- Time To Close (TTC), 244
- time-sales financing, 302–303
- timing, 241
 - deal structure and, 284–285
 - family business, 372
 - financing, 250
 - harvesting, 405
 - Mitel example, 48–51
 - strategic differentiation, 87
 - Timmons Model, 51
 - valuation, 272
- Timmons, Jeffrey, 52
- Timmons Model, 43–52
 - Backerhaus Veit analysis, 379
 - driving forces, 44
 - Familiness Systems Model, 376–379, 385–386
 - family business and, 361–362, 367
 - fit and balance, 48–51
 - and franchise relationship model, 356
 - leadership, 44–45
 - leading practices, 53
 - Mind-set and Methods Model, 368–372, 385
 - opportunity, 44, 45–46
 - resources, 46–47
 - risk-reward equation, 45
 - six dimensions for family business, 373–376
 - sustainability, 45

- team, 47–48
- timing, 51
- Todres, Elaine, 180
- Townson, Bruce, 183
- trade credit, 300, 400–401
- transgenerational entrepreneurship, 362. *See also* wealth creation
- traps in negotiating financing
 - anxiety, 292
 - attraction to size and status, 289–290
 - greed, 291
 - impatience, 292
 - legal circumference, 289
 - opportunity cost, 291
 - strategic circumference, 289
 - take-the money-and-run myopia, 292–293
 - underestimation of other costs, 291
 - unknown territory, 290
- Treacy, Michael, 220
- Treliving, Jim, 72
- troubled company, 389–402
 - bankruptcy, 395–396
 - intervention, 396–401
 - long-term remedial action, 401
 - morale, 395
 - net-liquid-balance-to-total-assets ratio, 393
 - non-quantitative signals, 393
 - paradox of optimism, 394
 - predicting problems, 392
 - signs of, 395
- trust, 339
- TTC (Time To Close), 244
- Tuer, Dr. Kevin, 423–426
- Tyson Foods, 363
- U**
 - uncertainty, 48–51
 - underestimation of other costs trap, 291
 - Underwood, David, 254
 - unknown territory trap, 290
 - upside/downside issues, 86
 - Ury, William, 286
 - Utico, 160
- V**
 - valuation, 271–281
 - bouncing back, 277
 - “cram down” round (down round), 276–277
 - deal structure and, 284–285
 - determinants, 272
 - discounted cash flow method, 280
 - entrepreneurial versus corporate, 271
 - First Chicago method, 278–280
 - fundamental method, 278, 279
 - methods, other, 242, 281
 - multiples and comparables, 83
 - ownership dilution, 280
 - pricing reality, 274–276
 - psychological factors, 272
 - rate of return (ROR), 273–274
 - share of ownership, 273–274
 - theoretical perspective, 272–273
 - Theory of Company Pricing, 274–276
 - traps, 289–293
 - value creation, 272
 - venture capital method, 278
 - value creation, 239
 - driving forces of, 44
 - entrepreneur attitude, 8, 11
 - financing issue, 239, 243
 - franchises, 357
 - long-term equity value, 272
 - team commitment to, 181
 - ventures and, 255, 256
 - wealth creation and, 329
 - value-added investor, 254
 - value-added potential, 83
 - values and goals, 410–411
 - van Vuuren, André, 183
 - Vanderleeden, Olen, 183
 - variable and fixed costs, 84
 - Vector Construction Group, 364
 - Veit, Sabine, 371–372, 378–379
 - venture capital, 254–265
 - backing, 41
 - dealing with, 259–261
 - defined, 255
 - due diligence, 260–261
 - family business, 366–367
 - flows of capital, 256
 - food chain, 249–250
 - identifying investors, 257–259
 - industry, 256
 - investing process, 255
 - investor's “superdeal”, 258
 - investors to avoid, 259
 - process, 256–257
 - resources, 265
 - Terracycle Inc. case, 295–296
 - types of, 254
 - valuation method, 278
 - Venture Capital and Private Equity Association (CVCA), 257
 - venture modes, 153–155
 - Venture West, 68
 - VisiCalc, 229
 - vision
 - family business, 373, 374–375
 - lead entrepreneur, 163
 - troubled company, 392
- W**
 - Wahl, Andrew, 254
 - Walker, Marnie, 180
 - Wal-Mart, 363
 - Walsh, Grant, 379
 - Walt Disney Co., 74
 - Wang, Dr. David, 423–426
 - Want Beverages case, 232–236
 - Waterman, Bob, 161
 - Watsa, Prem, 200

Watson, Thomas, 76
The Way Ahead (Brzustowski), 67
 wealth creation
 entrepreneurial mind-set and, 163, 342
 family business, 362, 365, 369-370
 franchising, 345-347
 versus job creation, 346
 value creation and, 327
 wealth paradox, 37
 Wehrell, Roger, 4, 200
 Weir, Mike, 390
 Wendy's, 353
 Wesley Clover, 4
 West, Colby and Drew, 364
 Wester Lyndon, 79
 Wester's Garage, 79
 Wexler, Max, 206
 Whalen, Alicia, 228
 Wilkinson, Janet, 441, 444
 Williams, Tom, 230
 Willy Dog case, 421-422
 Wilson, Brett, 312
 Wilson, Ian, 380
 Wilson Fuels, 380
 window of opportunity, 75-76
 Wozniak, Steve, 16, 36
 Wright, Wilbur, 76
 Wrigley, 363
 Wyse Design & Development case, 430-431

Y
You Can Negotiate Anything (Cohen), 286
 Youngman, Carl, 183
 YouTube.com, 133

Z
 Zafirovski, Mike, 205
 Zahra, Shaker, A., 367
 Zhou, Chang, 434
 Zietsma, Charlene, 15, 162
 Zimmerman, Brenda, 202
 Zimmerman, Joerg, 183
 Zimmerman, Paul, 183

Y
You Can Negotiate Anything (Cohen), 286
 Youngman, Carl, 183
 YouTube.com, 133

Z
 Zafirovski, Mike, 205
 Zahra, Shaker, A., 367
 Zhou, Chang, 434
 Zietsma, Charlene, 15, 162
 Zimmerman, Brenda, 202
 Zimmerman, Joerg, 183
 Zimmerman, Paul, 183

A leader who thinks and acts with an “entrepreneurial mind” can make a critical difference as to whether a business is destined to be a traditional, very small lifestyle firm, a stagnant or declining large one, or a higher potential venture. Practising certain mental attitudes and actions can stimulate, motivate, and reinforce the kind of zest and entrepreneurial culture whose self-fulfilling prophecy is success.

It is almost impossible to take a number of people, give them a single test, and determine those who possess entrepreneurial minds and those who do not. Rather, it is useful for would-be entrepreneurs and others involved in entrepreneurship to study how successful entrepreneurs think, feel, and respond and how those factors that are significant can be developed and strengthened—as a decathlete develops and strengthens certain muscles to compete at a certain level.

Entrepreneurs who create or recognize opportunities and then seize and shape them into higher potential ventures think and do things differently. They operate in an entrepreneurial domain, a place governed by certain modes of action and dominated by certain driving forces.

Take for example, Mike Lazaridis, the founder and co-CEO of Research In Motion (RIM). An immigrant to Canada, Lazaridis took science courses in high school with an eye toward future university studies and shop courses that allowed him hands on experience. While a student at the University of Waterloo he and several classmates formed an electronics and computer science consulting business and landed a \$600,000 contract from General Motors. According to Lazaridis, “I’ve always been entrepreneurial. In fact, I paid for a lot of my tuition through consulting. It used all the skills that I learned. I had a contract with General Motors that was very exciting. You get an opportunity and it absorbs your time.”¹ In 1992, with fewer than 10 RIM employees, Jim Balsillie came onboard as co-CEO to handle the business affairs leaving Lazaridis to develop the technology vision that later turned into the BlackBerry. Lazaridis remarked, “We’re not in this for an IPO to get rich. We’ve proven to the world that we want to run and build a company. We’re going to put in the time. We’re going to make the sacrifices and investments we need to provide an environment where we can make products and meet customer demands.”²

It makes a lot of sense for entrepreneurs to pay particular attention to picking partners, key business associates, and managers with an eye for complementing the entrepreneurs’ own weaknesses and strengths and the needs of the venture. As will be seen, they seek people who fit. Not only can an entrepreneur’s weakness be an Achilles’ heel for a new venture, but also the whole is almost always greater than the sum of its parts.

Finally, ethics are terribly important in entrepreneurship. In highly unpredictable and fragile situations, ethical issues cannot be handled according to such simplistic notions as “always tell the truth.” It is critical that an entrepreneur understands, develops, and implements an effective integrity strategy for the business.

C · H · A · P · T · E · R

1

THE ENTREPRENEURIAL MIND: CRAFTING A PERSONAL ENTREPRENEURIAL STRATEGY¹

*If you're going to lick the icing off somebody else's cake you won't be nourished and it won't do you any good.
You will have to experiment and try things out for yourself.*

Emily Carr

RESULTS EXPECTED Upon completion of this chapter, you will be able to:

1. Determine whether being an entrepreneur gives sustaining energy, rather than takes it away.
2. Explore the entrepreneurial mind—the strategies, habits, attitudes, and behaviours that work for entrepreneurs who build higher potential ventures.²
3. Describe the characteristics of various entrepreneurial groups.
4. Appreciate the benefits of an apprenticeship and an entrepreneur’s creed.
5. Develop a personal entrepreneurial strategy; initiate a self-assessment and goal-setting process that can become a lifelong habit of entrepreneurial thinking and action.

RESULTS EXPECTED

ACHIEVING ENTREPRENEURIAL GREATNESS

One of the most extraordinary success stories of our time is that of serial entrepreneur Terry Matthews. His first start-up with fellow British Isle immigrant Michael Cowpland was Mitel, an abbreviation for Mike and Terry’s Electric Lawnmowers. Those responsible for delivering the goods to the partners for later resale lost the container. The lawnmowers arrived in winter; with the ground covered in snow there was little hope of sales. Matthews recalled, “That taught me a key lesson—the importance of timing. The shipping company lost the lawnmowers! By the time they showed up no-one wanted them, as you can’t cut grass when it’s covered with snow.”³ Terry and Mike rebounded with a profitable and popular two-tone, multi-frequency receiver in the telephone voice communications market. The telephony device, which hastened the demise of rotary-dial phones was inspired