

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

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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

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

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| RESULTS EXPECTED | 1. Determine whether being an entrepreneur gives sustaining energy, rather than takes it away. | 4. Appreciate the benefits of an apprenticeship and an entrepreneur's creed. |
| | 2. Explore the entrepreneurial mind—the strategies, habits, attitudes, and behaviours that work for entrepreneurs who build higher potential ventures. ² | 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. |
| | 3. Describe the characteristics of various entrepreneurial groups. | |
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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

by Cowpland's Ph.D. thesis and allowed them to sell a better product than competitors at a fraction of the cost while garnering returns of 1,000 percent. The pair purchased a silicon chip foundry and moved to newer technologies—microprocessors and semiconductor devices. Mitel went public on the New York Stock Exchange and the company was later acquired by British Telecom. Cowpland went on to found the software company Corel and Matthews transitioned from voice to data networking with the launch of Newbridge Networks, which he subsequently turned over to Alcatel for \$7.1 billion.

With some irony, Matthews bought back the Mitel name and PBX business from British Telecom. Mitel's manufacturing was spun off as Breconridge. Later, Matthews' March Networks became the first successful Canadian IPO in the tech industry after the bubble burst and high-tech crashed.

Matthews has founded 65 different ventures and remains active in about 20 of them. Successes include Celtic House Venture Partners, an early stage technology venture capital firm with interests in telecom, storage, networking, and Internet infrastructure. Matthews is also founder and chairman of Wesley Clover, a private equity firm with assets in telecom, real estate, and leisure industries. Matthews' words of determination and drive: "Don't be boring, do something... make a mark, don't be part of the living dead."⁴ "I don't think I'm stubborn, I just focus on the task at hand and do what it takes. Persistence is the single most important thing for success."⁵ "I've always been a big believer in the early-mover advantage."⁶ When the 65-year-old is pushed on the subject of retirement—why someone who doesn't need to work chooses to work and is not sitting on a beach or hot-air balloon around the world—Matthews' reply is brief. "It's fun."⁷

On a smaller scale, Tom Heintzman and Greg Kiessling with both conviction and an array of relevant experience made the leap and founded Bullfrog Power in 2004. Bullfrog delivers environmentally responsible electricity to the powergrids in Ontario and Alberta. Electricity consumers (residential, commercial, and government) can elect Bullfrog Power as their provider. Bullfrog and its partners then inject electricity derived from renewable sources into the system. On August 1, 2008 in Kingston, Ontario, 160 Queen's University students elected to have their housing complex get on the green grid. "While students won't be saving any money with Bullfrog Power, it is a conscious decision they made to assist the environment. On the contrary, it's going to cost them each \$65 extra a year to reduce their carbon footprint by 56 tonnes."⁸ Boyd Cohen of the University of Victoria observes that "young, entrepreneurial firms can contribute towards a more sustainable society through innovation."⁹ Research conducted by Richard Hudson of Mount Allison University and Roger Wehrell of Saint Francis Xavier University shows that socially responsible investors have two goals: to obtain a market-based return and make others act in a more socially responsible way.¹⁰ Bullfrog's founders are hoping to do just that—to turn a profit and improve the planet.

The ultimate message is clear: Great companies can be built and all the capital, technology, and latest information available cannot substitute for hard work and determination. An entrepreneur creates the culture in his or her own new venture. These ideals are at the very heart of the difference between good and great entrepreneurs and the enterprises they create.

LEADERSHIP AND HUMAN BEHAVIOUR

People don't want to be managed, they want to be led.

Ewing Marion Kauffman

A single psychological model of entrepreneurship has not been supported by research. However, behavioural scientists, venture capitalists, investors, and entrepreneurs share the opinion that the eventual success of a new venture will depend a great deal upon the talent and behaviour of the lead entrepreneur and of his or her team.

A number of myths still persist about entrepreneurs. Foremost among these myths is the belief that leaders are born, not made. The roots of much of this thinking reflect the assumptions and biases of an earlier era, when rulers were royalty and leadership was the prerogative of the aristocracy. Fortunately, such notions have not withstood the tests of

time or the scrutiny of scientific investigation of leadership and management. Consider studies, which distinguish managers from leaders, as summarized in Exhibit 1.1. It is widely accepted today that leadership is an extraordinarily complex subject, depending more on the interconnections among the leader, the task, the situation, and those being led than on inborn or inherited characteristics alone.

There are numerous ways of analyzing human behaviour that have implications in the study of entrepreneurship. For example, for over 35 years David McClelland of Harvard University and John Atkinson of the University of Michigan and their colleagues sought to understand individual motivation.¹¹ Their theory of psychological motivation is a generally accepted part of the literature on entrepreneurial behaviour. People are motivated by three principal needs: (1) the need for achievement, (2) the need for power, and (3) the need for affiliation. The need for achievement is the need to excel and for measurable personal accomplishment. A person competes against a self-imposed standard that does not involve competition with others. The individual sets realistic and challenging goals and likes to get feedback on how well he or she is doing in order to improve performance. The need for power is the need to influence others and to achieve an "influence goal." The need for affiliation is the need to attain an "affiliation goal"—the goal is to build a warm relationship with someone else and/or to enjoy mutual friendship. The prototypical entrepreneur has a high need for achievement and power and a low need for affiliation.

RESEARCH

Other research focused on the common attitudes and behaviours of entrepreneurs. One study found a relationship between attitudes and behaviours of successful entrepreneurs and various stages of company development.¹² Another study found that entrepreneurs were unique individuals and that those motives do influence later performance of the venture.¹³ A study of entrepreneurs revealed that "those who like to plan are much more likely to be in the survival group than those who do not."¹⁴ Clearly, the get-rich-quick entrepreneurs are not the company builders, nor are they the planners of successful ventures. Rather it is the visionary who participates in the day-to-day routine to achieve a long-term objective and who is generally passionate and not exclusively profit-oriented.

EXHIBIT 1.1 Comparing Management and Leadership

	Management	Leadership
Creating an Agenda	Planning and budgeting—establishing detailed steps and timetables for achieving needed results, and then allocating the resources necessary to achieve these results	Establishing direction—developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision
Developing a Human Network for Achieving the Agenda	Organizing and staffing—establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation	Aligning people—communicating the direction by words and deeds to all those whose cooperation may be needed to influence the creation of teams and coalitions that understand the vision and strategies, and accept their validity
Execution	Controlling and problem solving—monitoring results versus plan in some detail, identifying deviations, and then planning and organizing to solve these problems	Motivating and inspiring—energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying very basic, often unfulfilled human needs
Outcomes	Producing a degree of predictability and order, and having the potential of consistently producing key results expected by various stakeholders	Producing change, often to a dramatic degree, and having the potential of producing extremely useful change

Source: John P. Kotter, *A Force for Change: How Leadership Differs from Management* (New York, NY: Free Press, 1990).

Academics have continued to characterize the special qualities of entrepreneurs. (See Exhibit 1.2 for a summary of this research.) In this quest to understand the entrepreneurial mind, researchers spoke with 60 practising entrepreneurs. One finding was that entrepreneurs felt they had to concentrate on certain fundamentals: responsiveness, resiliency, and adaptiveness in seizing new opportunities.¹⁵ These entrepreneurs spoke of other attitudes, including an ability “to activate vision” and a willingness to learn about and invest in new techniques, to be adaptable, to have a professional attitude, and to have patience. They talked about the importance of “enjoying and being interested in business,” as well as the business as “a way of life.”

Many of the respondents recognized and endorsed the importance of human resource management; one entrepreneur said that one of the most challenging tasks was playing “a leadership role in attracting high-quality people, imparting your vision to them, and holding and motivating them.” Other entrepreneurs focused on the importance of building an organization and teamwork. For example, the head of a manufacturing firm with \$10 million in sales said, “Understanding people and how to pull them together toward a basic goal will be my main challenge in five years.” The head of a clothing manufacturing business with 225 employees and \$6 million in sales shared a view of many that one of the most critical areas where an entrepreneur has leverage and long-term impact is in leading employees. He said, “Treating people honestly and letting them know when they do well goes a long way.”

A number of respondents believed that the ability to conceptualize their business and do strategic planning would be of growing importance, particularly when thinking five years ahead. Similarly, the ageless importance of sensitivity to and respect for employees was stressed by the CEO of a firm with \$40 million in sales and 400 employees: “It is essential that the separation between management and the average employee should be eliminated. Students should be taught to respect employees all the way down to the janitor and accept them as knowledgeable and able persons.” One company that took this concept to heart was Ben & Jerry’s Homemade Ice Cream Inc. The company began operations with a covenant that “no boss got more than five times the compensation, including both pay and benefits,

EXHIBIT 1.2 Characteristics of Entrepreneurs

Date	Authors	Characteristics
1848	Mill	Risk bearing
1917	Weber	Source of formal authority
1934	Schumpeter	Innovative; take initiative
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Risk taking; need for achievement
1963	Dauids	Ambitious; desire for independence; self-confidence
1964	Pickle	Drive; communication ability; technical knowledge
1971	Hornaday and Aboud	Need for achievement; autonomy; aggression; power
1973	Winter	Need for power
1982	Casson	Risk; innovation; power; authority
1985	Gartner	Change and ambiguity
1987	Begley and Boyd	Risk taking; tolerance and ambiguity
1988	Caird	Drive
1998	Roper	Power and authority
2000	Thomas and Mueller	Risk; power; internal locus of control; innovation
2001	Lee and Tsang	Internal locus of control
2007	Stewart and Roth	High achievement motivation
2009	McCluskey and Ensign	Social network astuteness

of the lowest-paid worker with at least one year at the company.”¹⁶ Since its inception, the covenant was modified to seven to one, while the company reported \$63.2 million in revenue in the first half of 1992.¹⁷ By 2000 the ratio had reached 17 to 1. In 2004 and after four consecutive years of workforce reductions, Ben & Jerry’s stopped reporting this number.

A consulting study by McKinsey & Co. of medium-size growth companies confirms that the CEOs of winning companies were notable for three common traits: perseverance, a builder’s mentality, and a strong propensity for taking calculated risks.¹⁸

CONVERGING ON THE ENTREPRENEURIAL MIND

The entrepreneur is one of the most intriguing and at the same time most elusive characters.

William Baumol

Desirable and Acquirable Attitudes, Habits, and Behaviours

Many successful entrepreneurs have emphasized that while their colleagues have initiative and a take-charge attitude, are determined to persevere, and are resilient and able to adapt, it is not just a matter of personality. It is what they *do* that matters most.¹⁹

While there is an undeniable core of such inborn characteristics as energy and raw intelligence, which an entrepreneur either has or does not, it is becoming apparent that possession of these characteristics does not necessarily an entrepreneur make. There is also a good deal of evidence that entrepreneurs are born and made better and that certain attitudes and behaviours can be acquired, developed, practised, and refined through a combination of experience and study.²⁰

While not all attitudes, habits, and behaviours can be acquired by everyone at the same pace and with the same proficiency, entrepreneurs are able to significantly improve their odds of success by concentrating on those that work, by nurturing and practising them, and by eliminating, or at least mitigating, the rest. Painstaking effort may be required, and much will depend upon the motivation of an individual to grow, but it seems people have an astounding capacity to change and learn if they are motivated and committed to do so.

Testimony given by successful entrepreneurs also confirms attitudes and behaviours that successful entrepreneurs have in common. In an examination of 21 well-known entrepreneurs, all mentioned the possession of three attributes as the principal reasons for their successes: (1) the ability to respond positively to challenges and learn from mistakes, (2) personal initiative, and (3) great perseverance and determination.²¹

“Themes” have emerged from what successful entrepreneurs do and how they perform. Undoubtedly many attitudes and behaviours characterize the entrepreneurial mind, and there is no single set of attitudes and behaviours that every entrepreneur must have for every venture opportunity. Further, the *fit* concept argues that what is required in each situation depends on the mix and match of the key players and how promising and forgiving the opportunity is, given the founder’s strengths and shortcomings. A team might collectively show many of the desired strengths, but even then there is no such thing as a perfect entrepreneur—as yet.

Six Dominant Themes

Nothing that sends you to the grave with a smile on your face comes easy. Work hard doing what you love. Find out what gives you energy and improve on it.

Betty Coster

A consensus has emerged around six dominant themes, shown in Exhibits 1.3 and 1.4.

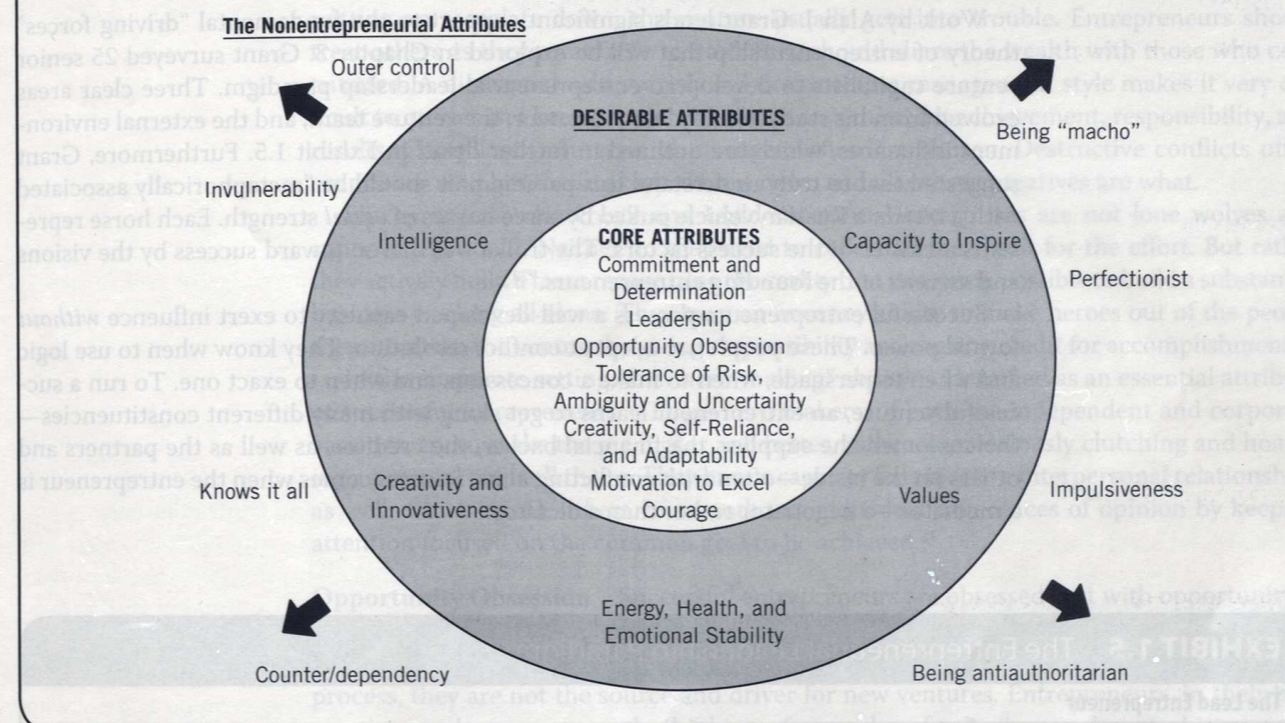
EXHIBIT 1.3 Six Themes of Desirable and Acquirable Attitudes and Behaviours

Theme	Attitude or Behaviour
Commitment and Determination	Tenacious and decisive, able to recommit/commit quickly Intensely competitive in achieving goals Persistent in solving problems, disciplined Willing to undertake personal sacrifice Immersed
Leadership	Self-starter; high standards but not perfectionist Team builder and hero maker; inspires others Treats others as you want to be treated Shares the wealth with all the people who helped create it Honest and reliable; builds trust; practises fairness Not a lone wolf Superior learner and teacher; courage Patient and urgent
Opportunity Obsession	Has intimate knowledge of customers' needs and wants Market driven Obsessed with value creation and enhancement
Tolerance of Risk, Ambiguity, and Uncertainty	Calculated risk taker Risk minimizer Risk sharer Manages paradoxes and contradictions Tolerates uncertainty and lack of structure Tolerates stress and conflict Able to resolve problems and integrate solutions
Creativity, Self-Reliance, and Adaptability	Non-conventional, open-minded, lateral thinker Restless with status quo Able to adapt and change; creative problem solver Quick learner No fear of failure Able to conceptualize and "sweat details" (helicopter mind)
Motivation to Excel	Goal-and-results oriented; high but realistic goals Drive to achieve and grow Low need for status and power Interpersonally supporting (versus competitive) Aware of weaknesses and strengths Has perspective and sense of humour

Commitment and Determination Commitment and determination are seen as more important than any other factor. With commitment and determination, an entrepreneur can overcome incredible obstacles and also compensate enormously for other weaknesses.

Total commitment is required in nearly all entrepreneurial ventures. Almost without exception, entrepreneurs live under huge, constant pressures—first for their firms to survive start-up, then for them to stay alive, and, finally, for them to grow. A new venture demands top priority for the entrepreneur's time, emotions, and loyalty. Thus, commitment and determination usually require personal sacrifice. An entrepreneur's commitment can be measured in several ways—through a willingness to invest a substantial portion of his or her net worth in the venture, through a willingness to take a cut in pay because he or she will own a major piece of the venture, and through other major sacrifices in lifestyle and family circumstances.

The desire to win does not equal the will to never give up. This is a critically important distinction. Countless would-be entrepreneurs (and lots of other types of people for that matter) say that they really want to win. But few have the dogged tenacity and unflinching perseverance to make it happen. Take a young entrepreneur we shall call Stephen. One of the authors

EXHIBIT 1.4 Core and Desirable Entrepreneurial Attributes

introduced him to a potentially invaluable lead—a brain trust prospect and mega-angel investor. Stephen placed several phone calls to the investor, but none were returned. He made a few more calls, each time leaving a message with the referral information. Still, no response.

Over the next week the young entrepreneur made yet another series of over two dozen calls that once again received no response. At that point, what would you have done? Have you ever called anyone that many times and not gotten any sort of reply? Would you keep trying, or decide to move on and not waste any more time? Feeling that this individual was a potentially invaluable contact, Stephen refused to give up. He would make 12 more calls before finally getting a response. In the luncheon meeting that followed soon after, the mega-angel agreed to invest \$1 million in Stephen's start-up, and serve as chairman of the board. The company became successful, and was sold four years later for \$55 million.

Entrepreneurs are intensely competitive: they love to win and love to compete—at anything! The best of them direct all this competitive energy toward the goal and toward their external competitors. This is critical; founders who get caught up in competing with peers in the company invariably destroy team cohesion and spirit and, ultimately, the team.

Entrepreneurs who successfully build new enterprises seek to overcome hurdles, solve problems, and complete the job; they are disciplined, tenacious, and persistent. They are able to commit and recommit quickly. They are not intimidated by difficult situations; in fact, they seem to think that the impossible just takes a little longer. However, they are neither aimless nor foolhardy in their relentless attack on a problem or obstacle that can impede their business. If a task is unsolvable, an entrepreneur will actually give up sooner than others. Most researchers share the opinion that while entrepreneurs are extremely persistent, they are also realistic in recognizing what they can and cannot do, and where they can get help to solve a very difficult but necessary task.

Leadership Successful entrepreneurs are experienced, possessing intimate knowledge of the technology and marketplace in which they will compete, sound general management skills, and a proven track record. They are self-starters and have an internal locus of control with high standards. They are patient leaders, capable of instilling tangible goals, and managing for the longer haul. The entrepreneur is at once a learner and a teacher, a doer

and a visionary. The vision of building a substantial enterprise that will contribute something lasting and relevant to the world while realizing a capital gain requires the patience to stick to the task for 5 to 10 years or more.

Work by Alan J. Grant lends significant support to the fundamental “driving forces” theory of entrepreneurship that will be explored in Chapter 3. Grant surveyed 25 senior venture capitalists to develop an entrepreneurial leadership paradigm. Three clear areas evolved from his study: the lead entrepreneur, the venture team, and the external environment influences, which are outlined in further detail in Exhibit 1.5. Furthermore, Grant suggested that to truly understand this paradigm, it should be “metaphorically associated with a *troika*, a Russian vehicle pulled by three horses of *equal* strength. Each horse represents a cluster of the success factors. The troika was driven toward success by the visions and *dreams* of the founding entrepreneurs.”²²

Successful entrepreneurs possess a well-developed capacity to exert influence *without* formal power. These people are adept at conflict resolution. They know when to use logic and when to persuade, when to make a concession, and when to exact one. To run a successful venture, an entrepreneur learns to get along with many different constituencies—the customer, the supplier, the financial backer, the creditor, as well as the partners and others on the inside—often with conflicting aims. Success comes when the entrepreneur is a mediator—a negotiator rather than a dictator.

EXHIBIT 1.5 The Entrepreneurial Leadership Paradigm

The Lead Entrepreneur

Self-concept	Has a realist's attitude rather than one of invincibility
Intellectually honest	Trustworthy, his/her word is his/her contract Admits what and when he/she does not know
Pace maker	Displays a high energy level and a sense of urgency
Courage	Capable of making hard decisions: setting and beating high goals
Communication skills	Maintains an effective dialogue with the venture team, in the marketplace, and with other venture constituents
Team player	Competent in people management and team-building skills

The Venture Team

Organizational style	The lead entrepreneur and the venture team blend their skills to operate in a participative environment
Ethical behaviour	Practises strong adherence to ethical business practices
Faithfulness	Stretched commitments are consistently met or bettered
Focus	Long-term venture strategies are kept in focus but tactics are varied to achieve them
Performance/reward	High standards of performance are created and superior performance is rewarded fairly and equitably
Adaptability	Responsive to rapid changes in product/technological cycles

External Environmental Influences

Constituent needs	Organization needs are satisfied, in parallel with those of the public the enterprise serves
Prior experience	Extensive prior experiences are effectively applied
Mentoring	The competencies of others are sought and used
Problem resolution	New problems are immediately solved or prioritized
Value creation	High commitment is placed on long-term value creation for backers, customers, employees, and other stakeholders
Skill emphasis	Marketing skills are stressed over technical ones

Source: Adapted from Alan Grant, “The Development of an Entrepreneurial Leadership Paradigm for Enhancing Venture Capital Success,” *Frontiers of Entrepreneurship Research* (Babson Park, MA: Babson College, 1992).

Successful entrepreneurs are interpersonally supporting and nurturing—not interpersonally competitive. When a strong need to control, influence, and gain power over others characterizes the lead entrepreneur, or where he or she has an insatiable appetite for putting an associate down, the venture usually gets into trouble. Entrepreneurs should treat others as they want to be treated; they should share the wealth with those who contributed. A dictatorial, adversarial, and domineering management style makes it very difficult to attract and keep people who thrive on a thirst for achievement, responsibility, and results. Compliant partners and managers often are chosen. Destructive conflicts often erupt over who has the final say, who is right, and whose prerogatives are what.

Entrepreneurs who create and build substantial enterprises are not lone wolves and super-independent. Neither do they need to collect all the credit for the effort. But rather they actively build a team recognizing the reality that it is rarely possible to build a substantial business working all alone. They have an uncanny ability to make heroes out of the people they attract to the venture by giving responsibility and sharing credit for accomplishments.

In the corporate setting, this “hero-making” ability is identified as an essential attribute of successful intrapreneurs.²³ These hero makers, of both the independent and corporate varieties, try to make the pie bigger and better, rather than jealously clutching and hoarding a tiny pie that is all theirs. They have a capacity for objective interpersonal relationships as well, which enables them to smooth out individual differences of opinion by keeping attention focused on the common goal to be achieved.²⁴

Opportunity Obsession Successful entrepreneurs are obsessed first with opportunity—not with the money, the resources, the contacts and networking, and not with image or appearances. While some of these latter items have a place and time in the entrepreneurial process, they are not the source and driver for new ventures. Entrepreneurs, in their best creative mode, are constantly thinking of new ideas for businesses by watching trends, spotting patterns, and connecting the dots to shape and mould a unique enterprise.

Take Tom Stemberg, for example. After business school—and after over 15 years in the supermarket business—he began to look for major new opportunities. He researched and rejected many decent ideas that were either not good “big” opportunities, or not the right fit for him. He then noted a recurring pattern with profound economic implications; every Main Street shop was selling ballpoint pens (wholesale cost: about 30 cents) for \$2, \$3, and more. He soon learned that these very large gross margins were common for a wide range of products used by small businesses and the self-employed: copy paper, writing and clerical supplies, calculators, and other electronics. Stemberg believed there was a new business model underlying this opportunity pattern—which, if well-developed and executed, could revolutionize the office supply business and become a major enterprise. He and Leo Kahn founded Staples, and they were certainly right.

Entrepreneurs realize good ideas are a dime a dozen, but good opportunities are few and far between. Fortunately, a great deal is now known about the criteria, the patterns, and the requirements that differentiate the good idea from the good opportunity. Entrepreneurs rely heavily on their own previous experiences (or their frustrations as customers) to come up with their breakthrough opportunities.

In Chapters 2 and 3, we will examine in great detail how entrepreneurs and investors are “opportunity obsessed.” We will see their ingenious, as well as straightforward, ways and patterns of creating, shaping, moulding, and recognizing opportunities that are not just another good idea, and then transforming these “caterpillars into butterflies.” These practices, strategies, and habits are part of the entrepreneurial mind-set, and are skills and know-how that are learnable and acquirable.

The entrepreneur's credo is to think opportunity first and cash last. Paul Kedrosky points out that Flickr took no venture capital. By not having all that money “the Flickr folks were forced to compete smarter... They came up with many dandy ideas, and then cheerfully borrowed the best of everyone else's.”²⁵ Time and again—even after harvesting a highly successful venture—lead entrepreneurs will start up another company. They possess all the money and material wealth anyone would ever hope for, yet it is not enough. Like the artist, scientist, athlete, or musician who, at great personal sacrifice, strives for yet another breakthrough discovery, new record, or masterpiece, the greatest entrepreneurs are similarly obsessed with what they believe is the next breakthrough opportunity.

An excellent example of this is Maynard Freeman Schurman who in 1896 advertized in the *Summerside*, Prince Edward Island, newspaper that he was taking over a local company and would now be serving local residents. This family-controlled enterprise grew and became the prominent player in the Island's lumber and construction business. M. F. Schurman Co. Ltd. grew in the retail space and moved into steel fabrication, concrete, trusses, cartage, rentals, and property management. The legacy of the Schurman family was felt Island-wide and the family in 2004 sold their empire—10 separate companies—to J. D. Irving Ltd., the namesake of another legendary tycoon on the Atlantic coast.

Entrepreneurs like Stenberg, Schurman, and Irving think big enough about opportunities. They know that a mom-and-pop business can often be more exhausting and stressful, and much less rewarding, than a high-potential business. Their opportunity mind-set is how to create it, shape it, mould it, or fix it so that the customer/end-user will respond: Wow! Their thinking habits focus on what can go right here, what and how can we change the product or service to make it go right? What do we have to offer to become the superior, dominant product or service?

Tolerance of Risk, Ambiguity, and Uncertainty Because high rates of change and high levels of risk, ambiguity, and uncertainty are almost a given, **successful entrepreneurs tolerate risk, ambiguity, and uncertainty.** They balance paradoxes and contradictions.

Entrepreneurs risk money, but they also risk reputation. Successful entrepreneurs are not gamblers; they take calculated risks. Like the parachutist, they are willing to take a risk; however, in deciding to do so, they calculate the risk carefully and thoroughly and do everything possible to get the odds in their favour. Entrepreneurs get others to share inherent financial and business risks with them. Partners put up money and put their reputations on the line, and investors do likewise. Creditors also join the party, as do customers who advance payments and suppliers who advance credit. For example, one researcher studied very successful entrepreneurs who initiated and orchestrated actions that had risk consequences.²⁶ It was found that while they shunned risk, these entrepreneurs sustained their courage by the clarity and optimism with which they saw the future. Entrepreneurs limited the risks they initiated by carefully defining and strategizing their ends and by controlling and monitoring their means—and by tailoring them both to what they saw the future to be. Further, they managed risk by transferring it to others.

One proposed concept of motivation-organizational fit contrasts a hierarchic (managerial) role with a task (entrepreneurial) role.²⁷ This study of motivational patterns showed that those who are task oriented (i.e., entrepreneurs) opt for the following roles because of the corresponding motivations:

Role	Motivation
1. Individual achievement.	A desire to achieve through one's own efforts and to attribute success to personal causation.
2. Risk avoidance.	A desire to avoid risk and leave little to chance.
3. Seeking results of behaviour.	A desire for feedback.
4. Personal innovation.	A desire to introduce innovative solutions.
5. Planning and setting goals.	A desire to think about the future and anticipate future possibilities.

Entrepreneurs also tolerate ambiguity and uncertainty and are comfortable with conflict. Ask someone working in a large company how sure they are about receiving a paycheque this month, in two months, in six months, and next year. Invariably, they will say that it is virtually certain and will muse at the question. Start-up entrepreneurs face just the opposite situation; there may be no revenue at the beginning, and if there is, a 90-day backlog in orders would be quite an exception. To make matters worse, lack of organization, structure, and order is a way of life. Constant changes introduce ambiguity and stress into every part of the enterprise. Jobs are undefined and changing continually, customers are new, co-workers are new, and setbacks and surprises are inevitable. And there never seems to be enough time.

Successful entrepreneurs maximize the good "higher performance" results of stress and minimize the negative reactions of exhaustion and frustration. Two surveys have suggested that very high levels of both satisfaction and stress characterize founders, to a greater degree than managers, regardless of the success of their ventures.²⁸

Creativity, Self-Reliance, and Ability to Adapt The high levels of uncertainty and very rapid rates of change that characterize new ventures require fluid and highly adaptive forms of organization that can respond quickly and effectively.

Successful entrepreneurs believe in themselves. They believe that their accomplishments (and setbacks) lie within their own control and influence and that they can affect the outcome. Successful entrepreneurs have the ability to see and "sweat the details" and also to conceptualize (i.e., they have "helicopter minds"). They are dissatisfied with the status quo and are restless initiators.

The entrepreneur has historically been viewed as an independent, highly self-reliant innovator, and champion (and occasional villain) of the free enterprise economy. More modern research and investigation have refined the agreement among researchers and practitioners alike that effective entrepreneurs actively seek and take initiative. They willingly put themselves in situations where they are personally responsible for the success or failure of the operation. They like to take the initiative to solve a problem or fill a vacuum where no leadership exists. They also like situations where personal impact on problems can be measured. Again, this is the action-oriented nature of the entrepreneur expressing itself.

Coralie Lalonde is such an example. She was born in Calgary and grew up in a middle-class family. After graduate school she started a product design and research company. Lalonde leveraged that success into an investment in Sybarus Technologies, which was purchased by Lucent for over \$100 million. Able to retire at age 33 she then turned to helping start-ups and social causes. Providing seed funding and expertise to both groups she expects strong returns on her efforts. Lalonde and her fellow angel investors have placed bets on Softv.net, Quake Technologies, Galazar Networks, and several venture capital funds. Her philanthropic bets have paid hefty dividends as well. Coralie Lalonde's charitable endeavours include Junior Achievement (for which she serves as regional chairwoman), Community Foundation, Women in Technology mentoring program, Social Innovation Challenge, and Tech Venture Challenge.

"If we want to have a strong community we have to get involved in that community, and that means not just putting money in, but putting in time and energy and skills."²⁹ "I love working with people, being engaged, having to make decisions, the anxiety. I just like to spend time with entrepreneurs."³⁰

Successful entrepreneurs are adaptive and resilient. They have an insatiable desire to know how well they are performing. They realize that to know how well they are doing and how to improve their performance, they need to actively seek and use feedback. Seeking and using feedback is also central to the habit of learning from mistakes and setbacks, and of responding to the unexpected. For the same reasons, these entrepreneurs often are described as excellent listeners and quick learners.

Entrepreneurs are not afraid of failing; rather, they are more intent on succeeding, counting on the fact that "success covers a multitude of blunders," as George Bernard Shaw eloquently stated. People who fear failure will neutralize whatever achievement motivation they may possess. They will tend to engage in a very easy task, where there is little chance of failure, or in a very difficult situation, where they cannot be held personally responsible if they do not succeed.

Further, successful entrepreneurs learn from failure experiences. They better understand not only their roles but also the roles of others in causing the failure, and thus are able to avoid similar problems in the future. There is an old saying to the effect that the cowboy who has never been thrown from a horse undoubtedly has not ridden too many! The iterative, trial-and-error nature of becoming a successful entrepreneur makes serious setbacks and disappointments an integral part of the learning process.

Motivation to Excel Successful entrepreneurs are motivated to excel. Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals. This need to achieve

has been well established in the literature on entrepreneurs since the pioneering work of McClelland and Atkinson on motivation in the 1950s and 1960s. Seeking out the challenge inherent in a start-up and responding in a positive way, noted by the entrepreneurs mentioned earlier, is achievement motivation in action.

Conversely, these entrepreneurs have a low need for status and power, and they derive personal motivation from the challenge and excitement of creating and building enterprises. They are driven by a thirst for achievement, rather than by status and power. Ironically, their accomplishments, especially if they are very successful, give them power. But it is important to recognize that power and status are a result of their activities. Setting high but attainable goals enables entrepreneurs to focus their energies, be very selective in sorting out opportunities, and know what to say no to. Having goals and direction also helps define priorities and provides measures of how well they are performing. Possessing an objective way of keeping score, such as changes in profits, sales, or stock price, is also important. Thus, money is seen as a tool, and a way of keeping score, rather than the object of the game by itself.

Successful entrepreneurs insist on the highest personal standards of integrity and reliability. They do what they say they are going to do, and they pull for the long haul. These high personal standards are the glue and fibre that bind successful personal and business relationships and make them endure.

A study involving 130 participants in a small business training program at Harvard Business School confirmed how important this issue is. Most simply said it was the single most important factor in their long-term successes.³¹

The best entrepreneurs have a keen awareness of their own strengths and weaknesses and those of their partners and of the competitive environment surrounding and influencing them. They are coldly realistic about what they can and cannot do and do not delude themselves; that is, they have “veridical awareness” or “optimistic realism.” It also is worth noting that successful entrepreneurs believe in themselves. They do not believe that fate, luck, or other powerful, external forces will govern the success or failure of their venture. They believe they personally can affect the outcome. This attribute is also consistent with achievement motivation, which is the desire to take personal responsibility, and self-confidence.

This veridical awareness often is accompanied by other valuable entrepreneurial traits—perspective and a sense of humour. The ability to retain a sense of perspective, and to “know thyself” in both strengths and weaknesses, makes it possible for an entrepreneur to laugh, to ease tensions, and to get an unfavourable situation set in a more profitable direction.

ENTREPRENEURIAL REASONING: THE ENTREPRENEURIAL MIND³² IN ACTION

How do successful entrepreneurs think, what actions do they initiate, and how do they start and build businesses? By understanding the attitudes, behaviours, management competencies, experience, and know-how that contribute to entrepreneurial success, one has some useful benchmarks for gauging what to do. Exhibit 1.6 examines the role of opportunity in entrepreneurship.

Successful entrepreneurs have a wide range of personality types. Most research about entrepreneurs has focused on the influences of genes, family, education, career experience, and so forth, but no psychological model has been supported. Studies have shown that an entrepreneur does not need specific inherent traits, but rather a set of acquired skills.³³ Individual learning leads to group learning which leads to enterprise-level learning.³⁴ Start-up intentions and venture-creation decisions depend upon cognitive processes, social context, cultural values, and characteristics of the entrepreneur. One study asserts that an entrepreneurial way of thinking is universal. Like culture, it is a common characteristic of entrepreneurs regardless of national origin.³⁵

“There is no evidence of an ideal entrepreneurial personality. Great entrepreneurs can be either gregarious or low key, analytical or intuitive, charismatic or boring, good with details or terrible, delegators or control freaks. What you need is a capacity to execute in

EXHIBIT 1.6 Opportunity Knocks—Or Does It Hide? An Examination of the Role of Opportunity Recognition in Entrepreneurship

Opportunities of Various Sources and Types		
Sources of Opportunities	Entrepreneurs	Non-entrepreneurs
Prior work	58%	48%
Network	22%	30%
Thinking by analogy	11%	22%
Partner	9%	—
Types of Opportunities	Entrepreneurs	Non-entrepreneurs
Niche expansion/underserved niche	25%	29%
Customer need	30%	25%
Own firm's need	5%	4%
Better technology	40%	42%

Source: Charlene Zietsma, “Opportunity Knocks—Or Does It Hide? An Examination of the Role of Opportunity Recognition in Entrepreneurship,” *Frontiers of Entrepreneurship Research* (Babson Park, MA: Babson College, 1999).

Note: Numbers equal total people in the sample allocated to each category.

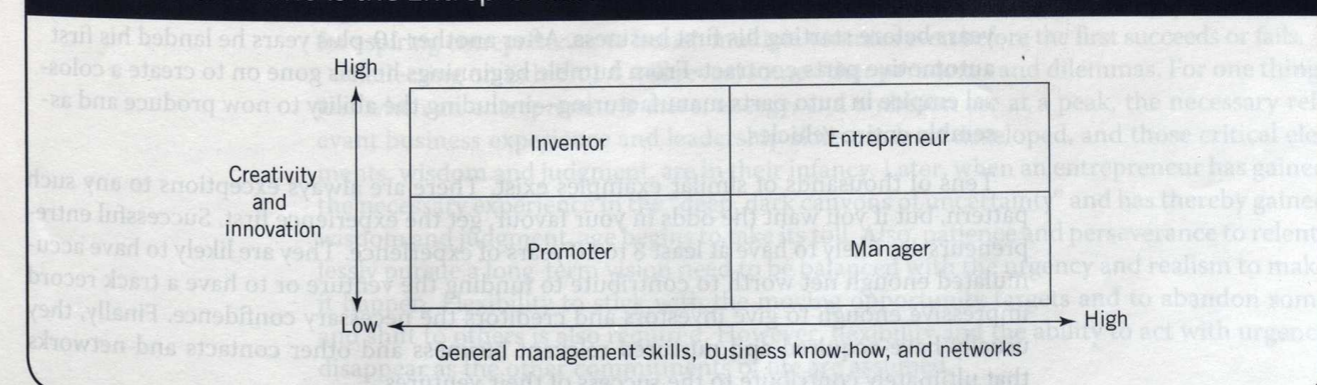
certain key ways.”³⁶ Successful entrepreneurs share common attitudes and behaviours. They work hard and are driven by an intense commitment and determined perseverance; they see the cup half full, rather than half empty; they strive for integrity; they thrive on the competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favour of effectiveness; and they believe they can personally make an enormous difference in the final outcome of their ventures and their lives.

Those who have succeeded speak of these attitudes and behaviours time and again.³⁷ For example, David Large of the University of Ottawa, himself a founder or co-founder of several ventures and investor in others, knows the intense commitment and perseverance of entrepreneurs. He defines an entrepreneur as “someone who stands up and says I’m going to make that happen!” Other phrases that capture the spirit of the entrepreneur include: “seeing opportunities where others see problems,” “never accepting no for an answer,” “freedom to soar or sink,” and “biting off more than you can chew.”

Successful entrepreneurs possess not only a creative and innovative flair, but also solid management skills, business know-how, and sufficient contacts. Exhibit 1.7 demonstrates this relationship.

Inventors, noted for their creativity, often lack the necessary management skills and business know-how. Promoters usually lack serious general management and business

EXHIBIT 1.7 Who Is the Entrepreneur?



skills and true creativity. Managers govern, police, and ensure the smooth operation of the status quo; their management skills, while high, are tuned to efficiency as well, and creativity is usually not required. Although the management skills of the manager and the entrepreneur overlap, the manager is more driven by conservation of resources and the entrepreneur is more opportunity-driven.³⁸

THE CONCEPT OF APPRENTICESHIP

It occurred to me how much knowledge I have gained in the short time I have worked as the "apprentice." Much of what I've learned can't be recorded... In my first week, I was off to the races with piles of reading material... The advantages of working with a small group of people are that I remain in "the loop" and have a greater opportunity to explore various roles within the company. The challenges of growing quickly with such a small team are the increasing demands... This position requires a high level of confidentiality with a strong focus on business ethics. My experiences in the first few months have varied from attending a precious metals conference with fund managers and analysts to travelling to the Amazon for a mine opening... However, the most exciting and challenging event so far has been working on a hostile takeover!

Melanie Pilon

"The Apprentice" to Ian Telfer, CEO Goldcorp

Shaping and Managing an Apprenticeship

When one looks at successful entrepreneurs, one sees profiles of careers rich in experience. Time and again there is a pattern among successful entrepreneurs. They have all acquired 10 or more years of substantial experience, built contacts, garnered the know-how, and established a track record in the industry, market, and technology niche within which they eventually launch, acquire, or build a business. Frequently, they have acquired intimate knowledge of the customer, distribution channels, and market through direct sales and marketing experience. The more successful ones have made money for their employer before doing it for themselves. Consider the following examples:

- Apple Computer founders Steve Jobs and Steve Wozniak were computer enthusiasts as preteens and had accumulated a relatively lengthy amount of experience by the time they started the company in their mid-20s. In entirely new industries such as micro-computers, a few years can be a large amount of experience.
- Tim Morgan, a former WestJet Airlines executive and co-founder is taking his experience to launch a new airline and tour company that promises "a refreshing new way to travel." He is also leveraging what he learned as founder and president of Morgan Air. In this social-network era, even before painting planes and getting them in the air, Morgan's new venture includes a discussion forum on the company Web site and even a presence on Facebook.
- Frank Stronach apprenticed as a tool and die maker and worked for others for 10 years before starting his first business. After another 10-plus years he landed his first automotive parts contract. From humble beginnings he has gone on to create a colossal empire in auto parts manufacturing—including the ability to now produce and assemble entire vehicles.

Tens of thousands of similar examples exist. There are always exceptions to any such pattern, but if you want the odds in your favour, get the experience first. Successful entrepreneurs are likely to have at least 8 to 10 years of experience. They are likely to have accumulated enough net worth to contribute to funding the venture or to have a track record impressive enough to give investors and creditors the necessary confidence. Finally, they usually have acquired and nurtured relevant business and other contacts and networks that ultimately contribute to the success of their ventures.

The first 10 or so years after leaving school can make or break an entrepreneur's career in terms of how well he or she is prepared for serious entrepreneuring. Evidence suggests that the most durable entrepreneurial careers, those found to last 25 years or more, were begun across a broad age spectrum, but the person had selected prior work and experiences to prepare specifically for an entrepreneurial path.

Having relevant experience, know-how, attitudes, behaviours, and skills appropriate for a particular venture opportunity can dramatically improve the odds for success. The other side of the coin is that if an entrepreneur does not have these, then he or she will have to learn them while launching and growing the business. The tuition for such an approach is often greater than most entrepreneurs can afford.

Since entrepreneurs frequently evolve from an entrepreneurial heritage or are shaped and nurtured by their closeness to entrepreneurs and others, the concept of an apprenticeship can be a useful one. Much of what an entrepreneur needs to know about entrepreneuring comes from learning by doing. Knowing what to prepare for, where the windows for acquiring the relevant exposure lie, how to anticipate these, where to position oneself, and when to move on can be quite useful.

As Howard Stevenson of the Harvard Business School reminds us:

You have to approach the world as an equal. There is no such thing as being supplicant. You are trying to work and create a better solution by creating action among a series of people who are relatively equal. We destroy potential entrepreneurs by putting them in a velvet-lined rut, by giving them jobs that pay too much, and by telling them they are too good, before they get adequate intelligence, experience, and responsibility.

Windows of Apprenticeship

Exhibit 1.8 summarizes the key elements of an apprenticeship and experience curve and relates these to age windows. Age windows are especially important because of the inevitable time it takes to create and build a successful activity, whether it is a new venture or within another organization.

There is a saying in the venture capital business that the "lemons," or losers, in a portfolio ripen in about two and one-half years and that the "pearls," or winners, usually take seven or eight years to come to fruition. Therefore, seven years is a realistic time frame to expect to grow a higher potential business to a point where a capital gain can be realized. Interestingly, presidents of large corporations, presidents of universities, and self-employed professionals often describe years as the time it takes to do something significant.

The implications of this are quite provocative. First, time is precious. Assume an entrepreneur spends the first five years after college, university, or graduate school gaining relevant experience. He or she will be 25 to 30 years of age (or maybe as old as 35) when launching a new venture. By the age of 50, there will have been time for starting, at most, three successful new ventures. What's more, entrepreneurs commonly go through false starts or even a failure at first in the trial-and-error process of learning the entrepreneurial ropes. As a result, the first venture may not be launched until later (i.e., in the entrepreneur's mid- to late 30s). This would leave time to grow the current venture and maybe one more. But there are always exceptions. Aydin Mirzaee, for example, hit the ground running in his early 20s. And many others gained experience in their childhood through lemonade stands, babysitting, etc. Recently, it's common for aspiring entrepreneurs to launch multiple ventures even before the first succeeds or fails.

Reflecting on Exhibit 1.8 will reveal some other paradoxes and dilemmas. For one thing, just when an entrepreneur's drive, energy, and ambition are at a peak, the necessary relevant business experience and leadership skills are least developed, and those critical elements, wisdom and judgment, are in their infancy. Later, when an entrepreneur has gained the necessary experience in the "deep, dark canyons of uncertainty" and has thereby gained wisdom and judgment, age begins to take its toll. Also, patience and perseverance to relentlessly pursue a long-term vision need to be balanced with the urgency and realism to make it happen. Flexibility to stick with the moving opportunity targets and to abandon some and shift to others is also required. However, flexibility and the ability to act with urgency disappear as the other commitments of life are assumed.

EXHIBIT 1.8 Windows of Entrepreneurial Apprenticeship

Elements of the Apprenticeship and Experience Curve	Age			
	20s	30s	40s	50s
1. Relevant Business Experience	Low	Moderate to high	Higher	Highest
2. Management Skills and Know-How	Low to moderate	Moderate to high	High	High
3. Entrepreneurial Goals and Commitment	Varies widely	Focused high	High	High
4. Drive and Energy	Highest	High	Moderate	Lowest
5. Wisdom and Judgment	Lowest	High	Higher	Highest
6. Focus of Apprenticeship	Discussing what you enjoy; key is learning business, sales, marketing; profit and loss responsibility	General management Division management Founder	Growing and harvesting	Reinvesting
7. Dominant Life-Stage Issues*	Realizing your dream of adolescence and young adulthood	Personal growth and new directions and ventures	Renewal, regeneration, reinvesting in the system	

*Source: Daniel J. Levinson, *The Seasons of a Man's Life* (New York, NY: Random House, 1986).

The Concept of Apprenticeship: Acquiring the 50,000 Chunks

During the past several years, studies about entrepreneurs have tended to confirm what practitioners have known all along: that some attitudes, behaviours, and know-how can be acquired and that some of these attributes are more desirable than others.

Increasingly, research studies on the career paths of entrepreneurs and the self-employed suggest the role of experience and know-how is central in successful venture creation. Many successful entrepreneurs do not have prior industry experience. More critical to the entrepreneur is the ability to gain information and act on it.³⁹ Evidence also suggests that success is linked to preparation and planning.⁴⁰ This is what getting 50,000 chunks of experience is all about.

Although formal market research may provide useful information, it is also important to recognize the entrepreneur's collective, qualitative judgment must be weighted most heavily in evaluating opportunities. One study found that entrepreneurs view believing in the idea, and experimenting with new venture ideas that result in both failures and successes as the most important components of opportunity recognition.⁴¹

Many successful entrepreneurs follow a pattern of apprenticeship, where they prepare for becoming entrepreneurs by gaining the relevant business experiences from parents who are self-employed or through job experiences. They do not leave acquisition of experience to accident or osmosis. As one entrepreneur said, "Know what you know and what you *don't* know."⁴²

Role Models

Numerous studies show a strong connection between the presence of role models and the emergence of entrepreneurs. For instance, more than half of those starting new businesses had parents who owned businesses. Likewise, 70 percent of MIT graduates who started technology businesses had entrepreneurial parents.⁴³ The authors summarized it this way:

Family firms spawn entrepreneurs. Older generations provide leadership and role modeling. This phenomenon cuts across industries, firm size, and gender.

MYTHS AND REALITIES

Folklore and stereotypes about entrepreneurs and entrepreneurial success are remarkably durable, even in these informed and sophisticated times. More is known about the founders and the process of entrepreneurship than ever before.

However, certain myths enjoy recurring attention and popularity, in part because while generalities may apply to certain types of entrepreneurs and particular situations, the great variety of founders tend to defy generalization. Exhibit 1.9 lists myths about entrepreneurs that have persisted and realities that are supported by research.

EXHIBIT 1.9 Myths and Realities about Entrepreneurs

Myth 1— Entrepreneurs are born, not made.

Reality— While entrepreneurs are born with certain native intelligence, a flair for creating, and energy, these talents by themselves are like unmodelled clay or an unpainted canvas. The making of an entrepreneur occurs by accumulating the relevant skills, know-how, experiences, and contacts over a period of years and includes large doses of self-development. The creative capacity to envision and then pursue an opportunity is a direct descendant of at least 10 or more years of experience that lead to pattern recognition.

Myth 2— Anyone can start a business.

Reality— Entrepreneurs who recognize the difference between an idea and an opportunity, and who think big enough, start businesses that have a better chance of succeeding. Luck, to the extent it is involved, requires good preparation. And the easiest part is starting. What is hardest is surviving, sustaining, and building a venture so its founders can realize a harvest. Perhaps only one in 10 to 20 new businesses that survive five years or more results in a capital gain for the founders.

Myth 3— Entrepreneurs are gamblers.

Reality— Successful entrepreneurs take very careful, calculated risks. They try to influence the odds, often by getting others to share risk with them and by avoiding or minimizing risks if they have the choice. Often they slice up the risk into smaller, quite digestible pieces; only then do they commit the time or resources to determine if that piece will work. They do not deliberately seek to take more risk or to take unnecessary risk, nor do they shy away from unavoidable risk.

Myth 4— Entrepreneurs want the whole show to themselves.

Reality— Owning and running the whole show effectively puts a ceiling on growth. Solo entrepreneurs usually make a living. It is extremely difficult to grow a higher potential venture by working single-handedly. Higher potential entrepreneurs build a team, an organization, and a company. Besides, 100 percent of nothing is nothing, so rather than taking a large piece of the pie, they work to make the pie bigger.

Myth 5— Entrepreneurs are their own bosses and completely independent.

Reality— Entrepreneurs are far from independent and have to serve many masters and constituencies, including partners, investors, customers, suppliers, creditors, employees, families, and those involved in social and community obligations. Entrepreneurs, however, can make free choices of whether, when, and what they care to respond to. Moreover, it is extremely difficult, and rare, to build a business beyond annual sales of \$1 million single-handedly.

Myth 6— Entrepreneurs work longer and harder than managers in big companies.

Reality— There is no evidence that all entrepreneurs work more than their corporate counterparts. Some do, some do not. Some actually report that they work less.

Myth 7— Entrepreneurs experience a great deal of stress and pay a high price.

Reality— Being an entrepreneur is stressful and demanding. But there is no evidence that it is any more stressful than numerous other highly demanding professional roles, and entrepreneurs find their jobs very satisfying. They have a high sense of accomplishment, are healthier, and are much less likely to retire than those who work for others. Three times as many entrepreneurs as corporate managers say they plan to never retire.

Myth 8— Start a business and fail and you'll never raise money again.

Reality— Talented and experienced entrepreneurs—because they pursue attractive opportunities and are able to attract the right people and necessary financial and other resources to make the venture work—often head successful ventures. Further, businesses fail, but entrepreneurs do not. Failure is often the fire that tempers the steel of an entrepreneur's learning experience and street savvy.

Myth 9— Money is the most important start-up ingredient.

Reality— If the other pieces and talents are there, the money will follow, but it does not follow that an entrepreneur will succeed if he or she has enough money. Money is one of the least important ingredients in new venture success. Money is to the entrepreneur what the paint and brush are to the artist—an inert tool that in the right hands, can create marvels.

(continued)

EXHIBIT 1.9 Myths and Realities about Entrepreneurs (continued)

Myth 10—Entrepreneurs should be young and energetic.

Reality— While these qualities may help, age is no barrier. The average age of entrepreneurs starting high potential businesses is in the mid-30s, and there are numerous examples of entrepreneurs starting businesses in their 60s. What is critical is possessing the relevant know-how, experience, and contacts that greatly facilitate recognizing and pursuing an opportunity.

Myth 11—Entrepreneurs are motivated solely by the quest for the almighty dollar.

Reality— Entrepreneurs seeking high potential ventures are more driven by building enterprises and realizing long-term capital gains than by instant gratification through high salaries and perks. A sense of personal achievement and accomplishment, feeling in control of their own destinies, and realizing their vision and dreams are also powerful motivators. Money is viewed as a tool and a way of keeping score, rather than an end in itself. Entrepreneurs thrive on the thrill of the chase; and, time and again, even after an entrepreneur has made a few million dollars or more, he or she will work on a new vision to build another company.

Myth 12—Entrepreneurs seek power and control over others.

Reality— Successful entrepreneurs are driven by the quest for responsibility, achievement, and results, rather than for power for its own sake. They thrive on a sense of accomplishment and of outperforming the competition, rather than a personal need for power expressed by dominating and controlling others. By virtue of their accomplishments, they may be powerful and influential, but these are more the by-products of the entrepreneurial process than a driving force behind it.

Myth 13—If an entrepreneur is talented, success will happen in a year or two.

Reality— An old maxim among venture capitalists says it all: The lemons ripen in two and a half years, but the pearls take seven or eight. Rarely is a new business established solidly in less than three or four years.

Myth 14—Any entrepreneur with a good idea can raise venture capital.

Reality— Of the ventures of entrepreneurs with good ideas who seek out venture capital, only 1 to 3 out of 100 are funded.

Myth 15—If an entrepreneur has enough start-up capital, he or she can't miss.

Reality— The opposite is often true; that is, too much money at the outset often creates euphoria and a spoiled-child syndrome. The accompanying lack of discipline and impulsive spending usually lead to serious problems and failure.

Myth 16—Entrepreneurs are lone wolves and cannot work with others.

Reality— The most successful entrepreneurs are leaders who build great teams and effective relationships working with peers, directors, investors, key customers, key suppliers, and the like.

Myth 17—Unless you attained 700-plus on your GMAT and have an "A" average, you'll never be a successful entrepreneur.

Reality— Entrepreneurial IQ is a unique combination of creativity, motivation, integrity, leadership, team building, analytical ability, and ability to deal with ambiguity and adversity.

Studies have indicated that 90 percent or more of founders start their companies in the same marketplace, technology, or industry they have been working in. Others have found that entrepreneurs are likely to have role models, have 8 to 10 years of experience, and be well educated. It also appears that successful entrepreneurs have a wide range of experiences in products/markets and across functional areas. Studies also have shown that most successful entrepreneurs start companies in their 30s. One study of founders of high-tech companies showed that the average age of the founders was 40.

Entrepreneurs work both more and less than their counterparts in large organizations, that they have high degrees of satisfaction with their jobs, and that they are healthier.⁴⁴ Another study showed that nearly 21 percent of the founders were over 40 when they embarked on their entrepreneurial career, the majority were in their 30s, and just over one-quarter did so by the time they were 25.

WHAT CAN BE LEARNED?

For nearly 40 years, the authors have been engaged as educators, cofounders, investors, advisors, and directors of new, higher potential ventures. Many of these have been launched by former students, and the cases in this book are about such founders. A vivid image is when the Texas real estate tycoon Trammel Crow said, "Perfesser, do you mean to tell me you think you can actually teach someone to be an on-tree-pre-newer!" My response

was straightforward, "Mr. Crow, what I think you are really asking me is, 'Am I preposterous enough to believe that in 35 to 40 hours of class time, during a single semester, I can convert the average student into the economic equivalent of a Picasso or a Beethoven!?' Mr. Crow, I think we both know the answer to that question." Canada's own Henry Mintzberg has been on a tirade over business school education for years. His assertion is that "MBA classrooms overemphasize the science of management while ignoring its art."⁴⁵ Practising managers should be learning from their own experiences—from each other. Ed McMullan and Vance Gough join in the assertion that entrepreneurs learn from seeing the successes and innovations of others. The University of Calgary implemented an MBA in enterprise development in 1993 that combined entrepreneurs and managers in the same classroom.⁴⁶

New Venture Creation immerses you in the dynamics and realities of launching and growing lifestyle to higher potential ventures. Throughout the text are cases and examples about real, young entrepreneurs, including students and recent graduates. You will face the same situations these aspiring entrepreneurs faced as they sought to turn dreams into reality. The cases and text, combined with other online resources, will enable you to grapple with all of the conceptual, practical, financial, and personal issues entrepreneurs encounter. This book will help you get the odds of success in your favour. It will focus your attention on developing answers for the most important of these questions, including:

- What does an entrepreneurial career take?
- What is the difference between a good opportunity and just another idea?
- Is the opportunity I am considering the right opportunity for me now?
- Why do some firms grow quickly to several million dollars in sales but then stumble, never growing beyond a single-product firm?
- What are the critical tasks and hurdles in seizing an opportunity and building the business?
- How much money do I need and when, where, and how can I get it—on acceptable terms?
- What financing sources, strategies, and mechanisms can I use from pre-start, through meaningful careers in new and growing firms, and in the early growth stage to the harvest of my venture?
- What are the minimum resources I need to gain control over the opportunity, and how can I do this?
- Is a business plan needed? If so, what kind is needed and how and when should I develop one?
- Who are the constituents for whom I must create or add value to achieve a positive cash flow and to develop harvest options?
- What is my venture worth and how do I negotiate what to give up?
- What are the critical transitions in entrepreneurial management as a firm grows from \$1 million to \$5 million to \$25 million in sales?
- What is it that entrepreneurial leaders do differently which enables them to achieve such competitive breakthroughs and advantages, particularly over conventional practices, but also so-called best practices?
- What are the opportunities and implications for 20th century entrepreneurs and the Internet, and how can these be seized and financed?
- What do I need to know and practise in entrepreneurial reasoning and thinking to have a competitive edge?
- What are some of the pitfalls, minefields, and hazards I need to anticipate, prepare for, and respond to?
- What are the contacts and networks I need to access and to develop?
- Do I know what I do and do not know, and do I know what to do about it?
- How can I develop a personal "entrepreneurial game plan" to acquire the experience I need to succeed?
- How critical and sensitive is the timing in each of these areas?
- Why do entrepreneurs who succeed in the long term seek to maintain reputations for integrity and ethical business practices?

We believe that we can significantly improve the quality of decisions students make about entrepreneurship and thereby also improve the fit between what they aspire to do and the requirements of the particular opportunity. In many cases, those choices lead to self-employment or meaningful careers in new and growing firms and, increasingly, in large firms that “get it.” In other cases, students join larger firms whose customer base and/or suppliers are principally the entrepreneurial sector. Still others seek careers in the financial institutions and professional services firms that are at the vortex of the entrepreneurial economy: venture capital, private equity, investment banks, commercial banks, consulting, accounting, and the like.

Our view of entrepreneurship is that it need not be an end in itself. Rather, it is a pathway that leads to innumerable ideas and opportunities, and opens visions of what young people can become. You will learn skills, and how to use those skills appropriately. You will learn how to tap your own and others’ creativity, and to apply your new energy. You will learn the difference between another good idea and a serious opportunity. You will learn the power and potential of the entrepreneurial team. You will learn how entrepreneurs finance and grow their companies, often with ingenious bootstrapping strategies that get big results with minimal resources. You will learn the joy of self-sufficiency and independence. You will learn how entrepreneurial leaders make this happen, and give back to society. You will discover anew what it is about entrepreneurship that gives you sustaining entrepreneurial reasoning and thinking in order to fuel your dreams.

A WORD OF CAUTION: WHAT GRADES, IQ TESTS, GMATS, AND OTHERS DON'T MEASURE

Never, never, never give up.

If you are going through hell, keep going.

Success is going from failure to failure without losing enthusiasm.

Every day you may make progress. Every step may be fruitful. Yet there will stretch out before you an ever-lengthening, ever-ascending, ever-improving path.

You know you will never get to the end of the journey. But this, so far from discouraging, only adds to the joy and the glory of the climb.

Winston Churchill

The following data about Harvard Business School alumni whose careers were followed for nearly 25 years has surprised many. Regardless of the measure one applies, among the very top of the class were graduates who were both highly successful and not very successful. At the bottom of the class were alumni who became outrageously successful, and others who accomplished little. The middle of the class achieved all points on the continuum of success. How could this be? “One of the little secrets of higher education is that conventional A students often end up working for creative and entrepreneurial C students.”⁴⁷ One medical trade journal reports:

“A” students often lack the personality skills essential when working with the public. There are delightful exceptions, but there is some truth to this cliché. The discipline and attention to detail necessary to do well on academic tests can be barriers to “connecting” with patients and building the rapport necessary for successful practice.⁴⁸

In short, there are many different kinds of intelligence, a much greater bandwidth than most researchers and test architects ever imagined. The dynamic and subtle complexities of the entrepreneurial task require its own special intelligences. How else would one explain the enormous contradiction inherent in business and financially failed geniuses?

One only need consider the critical skills and capacities that are at the heart of entrepreneurial leadership and achievement, yet are not measured by the IQ tests, GMATs, and the like that rank and sort young applicants with such imprecision. Consider the skills and capacities not measured by these tests:

- ✓ Leadership skills.
- ✓ Interpersonal skills.
- ✓ Team building and team playing.
- ✓ Creativity and ingenuity.
- ✓ Motivation.
- ✓ Learning skills (versus knowledge).
- ✓ Persistence and determination.
- ✓ Values, ethics, honesty, and integrity.
- ✓ Goal-setting orientation.
- ✓ Self-discipline.
- ✓ Frugality.
- ✓ Resourcefulness.
- ✓ Resiliency and capacity to handle adversity.
- ✓ Ability to seek, listen, and use feedback.
- ✓ Reliability.
- ✓ Dependability.
- ✓ Sense of humour.

It is no wonder that a number of excellent colleges and universities eliminated these measures or placed them in a proper perspective. Obviously, this should not be construed to mean entrepreneurship is for dummies. Quite the opposite is true. Indeed, intelligence is a very valuable and important asset for entrepreneurs, but by itself is woefully inadequate.

Clearly, just being very smart won't help much if one doesn't possess numerous other qualities (see Chapters 5, 6, and 7: “The Entrepreneurial Leader,” “The New Venture Team,” and “Ethical Decision Making and the Entrepreneur,” respectively, for an elaboration on these other qualities). A fascinating article in *Maclean's*, “Do Grades Really Matter: Why A+ Students Often End Up Working for C+ Students,” is well worth reading to get some powerful insights into why it is often *not* the class genius who becomes most successful.⁴⁹

A PERSONAL STRATEGY

An apprenticeship can be an integral part of the process of shaping an entrepreneurial career. One principal task is to determine what kind of entrepreneur he or she is likely to become, based on background, experience, and drive. Through an apprenticeship, an entrepreneur can shape a strategy and action plan to make it happen. The “Crafting a Personal Entrepreneurship Strategy” exercise found in this chapter addresses this issue more fully. For a quick inventory of your entrepreneurial attributes, do the “QuickLook: The Personal Entrepreneurial Strategy” exercise available online at www.mcgrawhill.ca/olc/timmons.

Despite all the work involved in becoming an entrepreneur, the bottom line is revealing. Evidence about careers and job satisfaction of entrepreneurs all points to the same conclusion: If they had to do it over again, not only would more of them become entrepreneurs again, but also they would do it sooner.⁵⁰ They report higher personal satisfaction with their lives and their careers than their managerial counterparts. Nearly three times as many say they plan never to retire. Numerous other studies show that the satisfaction from independence and living and working where and how they want to is a source of great satisfaction.⁵¹ Financially, successful entrepreneurs enjoy higher incomes and a higher net worth than career managers in large companies. In addition, the successful harvest of a company usually means a capital gain of several million dollars or more and, with it, a new array of very attractive options and opportunities to do whatever they choose to do with the rest of their lives.

ENTREPRENEUR'S CREED

So much time and space would not be spent on the entrepreneurial mind if it were just of academic interest. But they are, entrepreneurs themselves believe, in large part responsible for success. When asked an open-ended question about what entrepreneurs believed are the most critical concepts, skills, and know-how for running a business—today and five years hence—their answers were very revealing. Most mentioned mental attitudes and philosophies based on entrepreneurial attributes, rather than specific skills or organizational concepts. These answers are gathered together in what might be called an entrepreneur's creed:

- Do what gives you energy—have fun.
- Figure out what can go right and make it.
- Say “can do,” rather than “cannot” or “maybe.”
- *Illegitimi non carborundum*: tenacity and creativity will triumph.
- Anything is possible if you believe you can do it.
- If you don't know it can't be done, then you'll go ahead and do it.
- The cup is half-full, not half-empty.
- Be dissatisfied with the way things are—and look for improvement.
- Do things differently.
- Don't take a risk if you don't have to—but take a calculated risk if it's the right opportunity for *you*.
- Businesses fail; successful entrepreneurs learn—but keep the tuition low.
- It is easier to beg for forgiveness than to ask for permission in the first place.
- Make opportunity and results your obsession—not money.
- Money is a tool and a scorecard available to the right people with the right opportunity at the right time.
- Making money is even more fun than spending it.
- Make heroes out of others—a team builds a business; an individual makes a living.
- Take pride in your accomplishments—it's contagious!
- Sweat the details that are critical to success.
- Integrity and reliability equal long-run oil and glue.
- Accept the responsibility, less than half the credit, and more than half the blame.
- Make the pie bigger—don't waste time trying to cut smaller slices.
- Play for the long haul—it is rarely possible to get rich quickly.
- Don't pay too much—but don't lose it!
- Only the lead dog gets a change of view.
- Success is getting what you want: Happiness is wanting what you get.
- Give back.
- Never give up.

Chapter Summary

1. Entrepreneurs are men and women of all ages, colours, cultures, religions, and backgrounds. There is no single profile or psychological template.
2. Successful entrepreneurs share six common themes that describe their ways of thinking and acting.
3. Rather than being innate, these six attitudes and behaviour can be nurtured, learned, and encouraged.
4. Entrepreneurs love competition and actually avoid risks when they can, preferring carefully calculated risks.
5. Entrepreneurship can be learned; an apprenticeship is highly beneficial.
6. The entrepreneurial mind-set can benefit large, established companies today just as much as smaller firms.
7. IQ tests, GMATs, and even grades do not measure some of the most important entrepreneurial abilities and aptitudes.
8. Most successful entrepreneurs have had a personal strategy to help them achieve their dreams and goals, both implicitly and explicitly.
9. Self-assessment is one of the hardest things for entrepreneurs to do, but if you don't do it, you will really get into trouble. If you don't do it, who will?

Study Questions

1. What is the difference between a manager and a leader?
2. Define the six major themes that characterize the mind-sets, attitudes, and actions of a successful entrepreneur. Which are most important, and why? How can they be encouraged and developed?
3. Entrepreneurs are made, not born. Why is this so? Do you agree, and why or why not?
4. Explain what is meant by the apprenticeship concept, and why is it so important to young entrepreneurs?
5. What is your personal entrepreneurial strategy? How should it change?
6. Can you evaluate thoroughly your attraction to entrepreneurship?
7. Great athletic talent is not equal to a great athlete. Why? How does this apply to entrepreneurship?

Mind Stretchers Have you considered?

1. Who can be an entrepreneur, and who cannot? Why?
2. How do you personally stack up against the six entrepreneurial mind-sets (Exhibit 1.3)? What do you need to develop and improve?
3. What can a larger company do to attract and keep the best entrepreneurial talent?
4. Is Bill Gates, Oprah Winfrey, Ted Rogers, or David Thomson an entrepreneur, a leader, a manager? How can we know?
5. How will you personally define success in 5, 10, and 25 years? Why?
6. Assume that at age 40 to 50 years, you have achieved a net worth of \$25 million to \$50 million in today's dollars. So what? Then what?

EXERCISE Crafting a Personal Entrepreneurial Strategy

If you don't know where you're going, any path will take you there.

From The Wizard of Oz

Crafting a personal entrepreneurial strategy can be viewed as the personal equivalent of developing a business plan. As with planning in other situations, the process itself is more important than the plan.

The key is the process and discipline that put an individual in charge of evaluating and shaping choices and initiating action that makes sense, rather than letting things just happen. Having a longer-term sense of direction can be highly motivating. It also can be extremely helpful in determining when to say no (which is much harder than saying yes) and can temper impulsive hunches with a more thoughtful strategic purpose. This is important because today's choices, whether or not they are thought out, become tomorrow's track record. They may end up shaping an entrepreneur in ways that he or she may not find so attractive 10 years hence and, worse, may also result in failure to obtain just those experiences needed in order to have high-quality opportunities later on.

Therefore, a personal strategy can be invaluable, but it need not be a prison sentence. It is a point of departure, rather than a contract of indenture, and it can and will change over time. This process of developing a personal strategy for an entrepreneurial career is a very individual one and, in a sense, one of self-selection.

Reasons for planning are similar to those for developing a business plan (see Chapter 4). Planning helps an entrepreneur to manage the risks and uncertainties of the future; helps him or her to work smarter, rather than simply harder; keeps him or her in a future-oriented frame of mind; helps him or her to develop and update a keener strategy by testing the sensibility of his or her ideas and approaches with others; helps motivate him or her; gives him or her a "results orientation"; helps him or her be effective in managing and coping with what is by nature a stressful role; and so forth.

Rationalizations and reasons given for not planning, like those that will be covered in Chapter 4, are that plans are out of date as soon as they are finished and that no one knows what tomorrow will bring and, therefore, it is dangerous to commit to uncertainty. Further, the cautious, anxious person may find that setting personal goals creates a further source of

tension and pressure and a heightened fear of failure. There is also the possibility that future or yet unknown options, which actually might be more attractive than the one chosen, may become lost or be excluded.

Commitment to a career-oriented goal, particularly for an entrepreneur who is younger and lacks much real-world experience, can be premature. For the person who is inclined to be a compulsive and obsessive competitor and achiever, goal setting may add gasoline to the fire. And, invariably, some events and environmental factors beyond one's control may boost or sink the best-laid plans.

Personal plans fail for the same reasons as business plans, including frustration when the plan appears not to work immediately and problems of changing behaviour from an activity-oriented routine to one that is goal-oriented. Other problems are developing plans that are based on admirable missions, such as improving performance, rather than goals, and developing plans that fail to anticipate obstacles, and those that lack progress milestones, reviews, and so forth.

A Conceptual Scheme for Self-Assessment

Exhibit 1.10 shows one conceptual scheme for thinking about the self-assessment process called the Johari Window. According to this scheme, there are two sources of information about the self: the individual and others. According to the Johari Window, there are three areas in which individuals can learn about themselves.

There are two potential obstacles to self-assessment efforts. First, it is hard to obtain feedback; second, it is hard to receive and benefit from it. Everyone possesses a personal frame of reference, values, and so forth, which influence first impressions. It is, therefore, almost impossible for an individual to obtain an unbiased view of himself or herself from someone else. Further, in most social situations, people usually present self-images that they want to preserve, protect, and defend, and behavioural norms usually exist that prohibit people from telling a person that he or she is presenting a face or impression that differs from what the person thinks is being presented. For example, most people will not point out to a stranger during a conversation that a piece of spinach is prominently dangling from between his or her front teeth.

EXHIBIT 1.10 Peeling the Onion

	Known to Entrepreneur and Team	Not Known to Entrepreneur and Team
Known to Prospective Investors and Stakeholders	Area 1 <i>Known area:</i> (what you see is what you get)	Area 2 <i>Blind area:</i> (we do not know what we do not know, but you do)
Not Known to Prospective Investors and Stakeholders	Area 3 <i>Hidden area:</i> (unshared—you do not know what we do, but the deal does not get done until we find out)	Area 4 <i>Unknown area:</i> (no venture is certain or risk free)

Source: James McIntyre, Irwin M. Rubin, David A. Kolb, *Organizational Psychology: Experiential Approach*, 2nd ed., © 1974. Adapted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

The first step for an individual in self-assessment is to generate data through observation of his or her thoughts and actions and by getting feedback from others for the purposes of (1) becoming aware of blind spots and (2) reinforcing or changing existing perceptions of both strengths and weaknesses.

Once an individual has generated the necessary data, the next steps in the self-assessment process are to study the data generated, develop insights, and then establish apprenticeship goals to gain any learning, experience, and so forth.

Finally, choices can be made in terms of goals and opportunities to be created or seized.

Crafting an Entrepreneurial Strategy

Profiling the Past

One useful way to begin the process of self-assessment and planning is for an individual to think about his or her entrepreneurial roots (what he or she has done, his or her preferences in terms of lifestyle and work style, etc.) and couple this with a look into the future and what he or she would like most to be doing and how he or she would like to live.

In this regard, everyone has a personal history that has played and will continue to play a significant role in influencing his or her values, motivations, attitudes, and behaviours. Some of this history may provide useful insight into prior entrepreneurial inclinations, as well as into his or her future potential fit with an entrepreneurial role. Unless an entrepreneur is enjoying what he or she is doing for work most of the time, when in his or her 30s, 40s, or 50s, having a great deal of money without enjoying the journey will be a very hollow success.

Profiling the Present

It is useful to profile the present. Possession of certain personal entrepreneurial attitudes and behaviours (i.e., an "entrepreneurial mind") has been linked to successful careers in entrepreneurship. These attitudes and behaviours deal with such factors as commitment, determination, and perseverance; the drive to achieve and grow; an orientation toward goals; the taking of initiative and personal responsibility; and so forth.

In addition, various role demands result from the pursuit of opportunities. These role demands are external in the sense that they are imposed upon every entrepreneur by the nature of entrepreneurship. As will be discussed in Chapter 4, the external business environment is given, the demands of a higher potential business in terms of stress and commitment are given, and the ethical values and integrity of key actors are given. Required as a result of the demands, pressures, and realities of starting, owning, and operating a substantial business are such factors as accommodation to the venture, toleration of stress, and so forth. A realistic appraisal of entrepreneurial attitudes and behaviours in light of the requirements of the entrepreneurial role is useful as part of the self-assessment process.

Also, part of any self-assessment is an assessment of management competencies and what "chunks" of experience, know-how, and contacts need to be developed.

Getting Constructive Feedback

A Scottish proverb says, "The greatest gift that God hath given us is to see ourselves as others see us." One common denominator among successful entrepreneurs is a desire to know how they are doing and where they stand. They have an uncanny

knack for asking the right questions about their performance at the right time. This thirst to know is driven by a keen awareness that such feedback is vital to improving their performance and their odds for success.

Receiving feedback from others can be a most demanding experience. The following list of guidelines in receiving feedback can help:

- Feedback needs to be solicited, ideally, from those who know the individual well (e.g., someone he or she has worked with or for) and who can be trusted. The context in which the person is known needs to be considered. For example, a business colleague may be better able to comment upon an individual's leadership skills than a friend. Or a personal friend may be able to comment on motivation or on the possible effects on the family situation. It is helpful to chat with the person before asking him or her to provide any specific written impressions and to indicate the specific areas he or she can best comment upon. One way to do this is to formulate questions first. For example, the person could be told, "I've been asking myself the following question . . . and I would really like your impressions in that regard."
- Specific comments in areas that are particularly important either personally or to the success of the venture need to be solicited and more detail probed if the person giving feedback is not clear. A good way to check if a statement is being understood correctly is to paraphrase the statement. The person needs to be encouraged to describe and give examples of specific situations or behaviours that have influenced the impressions he or she has developed.
- Feedback is most helpful if it is neither all positive nor all negative.
- Feedback needs to be obtained in writing so that the person can take some time to think about the issues, and so feedback from various sources can be pulled together.
- The person asking for feedback needs to be honest and straightforward with himself or herself and with others.
- Time is too precious and the road to new venture success too treacherous to clutter this activity with game playing or hidden agendas. The person receiving feedback needs to avoid becoming defensive and taking negative comments personally.
- It is important to listen carefully to what is being said and think about it. Answering, debating, or rationalizing should be avoided.
- An assessment of whether the person soliciting feedback has considered all important information and has been realistic in his or her inferences and conclusions needs to be made.
- Help needs to be requested in identifying common threads or patterns, possible implications of self-assessment data and certain weaknesses (including alternative inferences or conclusions), and other relevant information that is missing.
- Additional feedback from others needs to be sought to verify feedback and to supplement the data.
- Reaching final conclusions or decisions needs to be left until a later time.

Putting It All Together

Exhibit 1.11 shows the relative fit of an entrepreneur with a venture opportunity, given his or her relevant attitudes and behaviours and relevant general leadership skills, experience, know-how, and contacts, and given the role demands of the venture opportunity. A clean appraisal is almost impossible. Self-assessment just is not that simple. The process is cumulative, and what an entrepreneur does about weaknesses, for example, is far more important than what the particular weaknesses might be. After all, everyone has weaknesses.

Thinking Ahead

As it is in developing business plans, goal setting is important in personal planning. Few people are effective goal setters. Perhaps fewer than 5 percent have ever committed their goals to writing, and perhaps fewer than 25 percent of adults even set goals mentally.

Again, goal setting is a process, a way of dealing with the world. Effective goal setting demands time, self-discipline, commitment and dedication, and practice. Goals, once set, do not become static targets.

A number of distinct steps are involved in goal setting, steps that are repeated over and over as conditions change:

- Establishment of goals that are specific and concrete (rather than abstract and out of focus), measurable, related to time (i.e., specific about what will be accomplished over a certain time period), realistic, and attainable.
- Establishment of priorities, including the identification of conflicts and trade-offs and how these can be resolved.
- Identification of potential problems and obstacles that could prevent goals from being attained.
- Specification of action steps that are to be performed to accomplish the goal.
- Indication of how results will be measured.
- Establishment of metrics for reviewing progress and tying these to specific dates on a calendar.
- Identification of risks involved in meeting the goals.
- Identification of help and other resources that may be needed to obtain goals.
- Periodic review of progress and revision of goals.

CASE TRAVELHANGAR.COM

Preparation Questions

1. What should Jason and Alex do?
2. How could Jason and Alex have avoided this current situation?
3. Assuming the crisis is resolved, how would you grow the venture in the future?
4. What lessons can be learned from this case about starting your own company? How do you best manage a company with limited or no resources?
5. Can you effectively start/maintain a venture if it is a part-time focus?
6. How do you manage personal relationships while maintaining business ones?

Present Situation

With the recent explosion in Facebook—a start-up that began as a student's class project—two budding entrepreneurs were looking to cash in. They had been up and running for about two and a half years and it was now November 2007; bouncing along packed in with all the other commuters on the GO Train heading out of downtown Toronto, Jason turned to Alex and remarked, "We're backed into a corner, I can't believe Brett is holding us hostage like this." "I know," replied Alex, "we've been working on expansion of the business and now it may have no future—my first reaction is to spite Brett—even shutting this thing down! But we're going to have to confront him—I bet the three of us won't all be standing by the end of this."

Background

In July 2005, two young and completely inexperienced entrepreneurs founded an Internet travel company while in their final year of university. The major Internet brands were reasonably established, but another household name was only a Super Bowl commercial away. Jason and Alex believed that they had identified a business model with strong revenue potential.

They had discussed many business ideas to begin a Web company, including Internet groceries (at the time it had only begun in San Francisco) and providing portal services, but acknowledged that these ideas were beyond their ability to execute. How, for example, could two guys who had never run a grocery business, which operates on 2-percent margins, start an Internet grocery company, add a delivery expense, and expect to be a success? Worse yet, if they did succeed what would stop one of the major grocery chains from leveraging natural advantages (existing inventory, capital, distribution channels) from replicating their success and forcing them into bankruptcy?

Instead, the team decided to move towards providing student travel. The target market was group travel, specifically graduation trips and/or spring break trips. The model was to sell to the key influencer (sorority president, captain of the marching band, head of the engineering society, etc.) within an educational facility (university, college, or high school) and have them organize travel for themselves and of course bring 30 or 40 of their friends. With the volume, the margin justified more effort aimed at selling.

As their strategic advantage, the TravelHangar team had decided to leverage the Internet to facilitate the organization of the travel for their customers. Basically, a trip organizer would have all the information for the trip, including trip details, who had committed to go, legal agreements, waivers, etc., online and could point potential travellers to it to join the trip. The thought was also to leverage the Internet to create buzz for the trip by allowing the organizer to post notes about the vacation along with photos after the event.

One of the other appealing things about the business model was that neither Jason nor Alex would be required to refuse full-time employment after they graduated—and preliminary talks with recruiters suggested they both would land good jobs next year. They would then use those stable jobs to fund the development of TravelHangar, and manage the business as a hobby on the side.

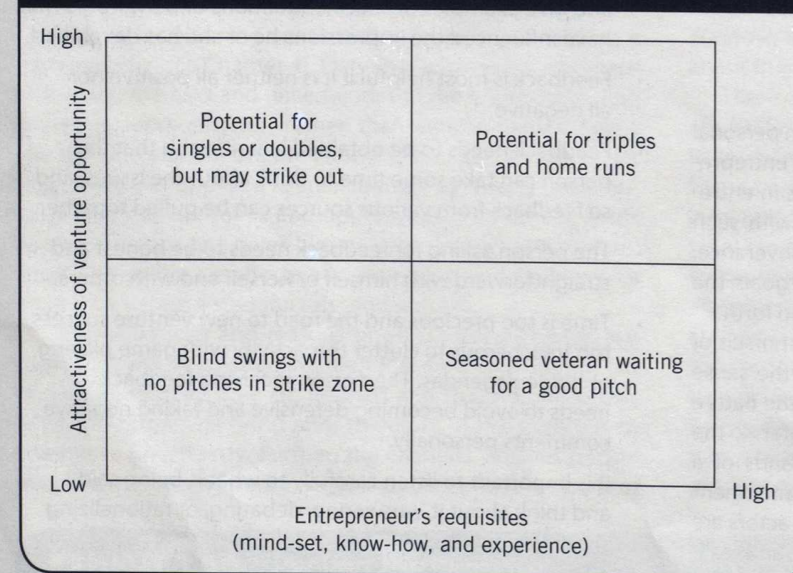
First Hurdle. Without any direct contacts in travel, the team tried to figure out the process of actually executing on the business they planned on generating. They reviewed several models, including becoming a travel agency in their own right. This ultimately though was rejected as it required a level of commitment to complete legal requirements and a fairly substantial financial outlay, including perhaps establishing a bricks-and-mortar operation.

In mid-August 2005, while discussing the issue with one of their friends, they discovered that they knew someone who was executing on a fairly similar model providing sports team training camp travel. This individual had forged a relationship with Avenue Travel, a Carlson Wagonlit travel agency, based in Toronto, Ontario, to provide the agency infrastructure.

Jason and Alex approached their friend, Allen Reed, who agreed to introduce them to his contact at Avenue Travel. The catch though was that Allen wanted to be part of the business. His value to the team was experience, and a partnership was eventually formed where Allen would retain 30 percent of the equity, and Jason and Alex would each maintain 35 percent respectively. Alex recalled, "The deal was done quickly and without properly managing expectations."

Jason continued, "The team was able to create the partnership with Avenue Travel. We would share a small percentage of the revenue generated from the travel with Avenue Travel, and in exchange be allowed to use the Carlson Wagonlit brand

EXHIBIT 1.11 Fit of the Entrepreneur and the Venture Opportunity



for legitimacy, as well as leverage an experienced agent at Avenue Travel to assist setting up the travel and getting quotes on potential trips. We also benefited from the immediate ability to take credit card payments by running them through the Avenue Travel accounts."

Jason and Alex discovered in the process they had made a significant mistake. Allen Reed did not have time or energy to spare. He had a profitable business booking exotic trips—many of which he joined in on. Jason and Alex had traded 30 percent of their company for an introduction that they probably could have done on their own with some diligence. They quickly realized their mistake and found a way to reclaim that equity and remove Mr. Reed as a partner—but it had been a costly blunder.

Second Hurdle. The team had no experience on how to build a Web site or for that matter find a technology partner. They did a search and located a few potential companies, but in the end found only one that would complete the project within the \$5,000 budget that had been allocated. They selected TechLogic, a small company of two individuals working from their respective homes in Gatineau, Québec. One was a programmer and the other a designer—providing TravelHangar with the combination of skills they thought necessary for success.

The TravelHangar team realized two separate issues with the approach. First was that they had not laid out the specifications for the site in coding terms, and that the direction they provided TechLogic was not as straightforward as they had suspected. The site, for example, was programmed in a language that provided very little flexibility (updates/changes would be costly) and looked different on every browser. Second, Alex sputtered, "Working with two individuals with very little experience was also a serious mistake. We simply did not understand the nuances of Web site construction and needed a partner who could provide us that guidance." Jason added, "Sometimes cheaper isn't better."

After several months of frustrating interactions, the TravelHangar site went live at the end of summer 2005. Jason acknowledged, "It lacked almost all the identified functionality and essentially was just a basic brochure site with a half-working homepage."

The First Year—Spring Break 2006

Despite the lack of functionality on the Web site, the team had begun to market the ease of use of their Internet presence and were quickly getting good leads on business. Jason and Alex focused on two main areas—the universities that they knew and private high schools in Toronto. Initially they were concerned as most of the leads seemed genuinely excited about the functionality, so the team waited for the expected complaints to come in while desperately working with TechLogic to try to fix the "hobbled and rather ugly Web site."

After a few months though, the team noticed something. They had not received a single complaint or comment about the Web site's functionality. Not even a comment about the Web site's clear lack of promised functionality. Alex elaborated, "Most of the 'click here' icons did nothing and we were riddled with dead links." The team acknowledged an interesting truth; the selling features of their virtual company were enough to peak the interest of potential clients and sway their business, but that none of these clients actually cared to use this functionality. They were winning business more on their proactive approach in making trip organization easy for these students (no need for the organizers to visit an agency several

times to get their trip organized—the team was coming to them) than anything else.

This solved one problem but caused another. The lack of functionality of the site was not an issue with customers and the situation with TechLogic was also no longer problematic. Jason indicated, "Without any real hard feelings we finally had to cancel them and move on." He continued, "We didn't have to deal with those two any longer, but the lack of functionality meant no efficiency." Alex chimed in, "That automation cost us, the issue was that our online, Web-based travel business required a lot of manual work and we were not leveraging the scalability of the Internet to make this thing really take off."

Despite the rocky start, the team had several triumphs in their first year. They managed to generate 172 trips, which provided \$14,500 in revenue for the team. They also thoroughly solidified a relationship with Avenue Travel, along with the processes necessary to work well together. Finally, "every trip had been pulled off without a hitch, customers had been pleased with their accommodations and there were no real complaints—I think only one group encountered some rain," remarked Alex. Jason added, "It was then that we realized we had established a recognizable brand on campus."

The team also came to the realization that they had built an extremely cyclical business. As they were providing "Spring Break" travel, their trips were all executed in February and March 2006. This created an extremely busy time in November and December 2005 setting up the travel, but otherwise a relatively easy business to manage while maintaining schoolwork and their personal lives.

In May 2006, the pair, Jason Steels and Alex Cremoni, graduated from Queen's School of Business with Bachelor of Commerce degrees and both found employment with Mercer Management Consulting Services, though each in separate workgroups. The consulting work and jet-set lifestyle had provided the two with amazing learning opportunities that leveraged their skills and ambitions. The Internet market was rebounding and they wanted to participate as it was heating up this time. Within a short while, Jason in fact, decided to leave that steady paycheck and moved to California to join a promising Internet start-up. Overnight riches eluded him, and another handful of months later, he was back in Toronto picking up where he left off.

The Second Year—Spring Break 2007

The team still faced a nagging issue; the process involved in selling travel was very manual. The team also had to solve another growing issue. They were both successful in their respective careers that were taking up more and more time. It had them on the road at least four days a week, so their sales approach—hands-on involvement with their sales agents (classmates still at Queen's and former high school friends elsewhere) that they tried to groom over the summer—was increasingly difficult.

They decided that the best approach would be to start leveraging additional existing students, particularly ones still a few years from graduation, to act as their local agents. To do this, they would find as many key students involved with clubs and social organizations at various schools and recruit them to be part of their team. They would then train these individuals on how to execute on the business directly with Avenue Travel and make them self-sufficient revenue generators. They also pushed for a variable cost model—giving the agent a share of the revenue generated from their travel portfolio.

Jason noted, "This model didn't solve the issue though—Alex and I didn't have time to sell travel and we equally didn't have time to build and maintain a team." Alex piped in, "We were able to establish one good agent at our old alma mater who then in turn was successful in generating the same amount of business as we had the prior year, our other agents fell through."

In its second season, TravelHangar did 168 trips, but focusing on selling higher margin products, including travel insurance, had generated \$19,000 in revenue. The student involved picked up \$6,000 of this revenue.

The Third Year—Spring Break 2008

Although year two had been a success, their key student graduated once again leaving a void that they needed to fill. Leveraging their contacts they once again found a student who would run the business at Queen's University. Their core business was becoming established, their brand was respected and intact—it clearly meant something on campus. The new representative, Brett, was a student in multiple disciplines and very active in student organizations. Additionally, he had two more years to go prior to graduation, providing the team with some assurances of continuity.

Jason and Alex went back to recruiting students at other post-secondary institutions. They ended up identifying three other individuals, but were not successful in providing these new team members with the guidance and leadership required to execute on the business. These new relationships slowly but surely all died.

In the end, all of the business was once again coming through one agent, which caused an unforeseen issue. In October 2007,

when it was clear that over 200 students would be travelling with TravelHangar that year, Brett approached Jason and Alex to renegotiate the commission structure as he was doing all the work for the company. Jason and Alex were in an awkward position; they had no legal contracts established with Brett to prevent him from leaving their company with all the clients, and he was the only person with business that year for TravelHangar. Alex recounted, "We shifted the commission structure so that Brett would keep half of the fees. Sadly, the issue has now reappeared in November." Jason interjected, "With a strong leverage position, Brett is again asking for an increase in the commission structure. I just don't know how to manage this second request, or how to avoid a third one if we agree to this one."

Decisions/Opportunities

The team determined that they were at an inflection point and needed to make decisions about their business before heading into 2008. Several opportunities were being discussed on that GO Train ride, including:

- Sell the business to Brett in exchange for future revenue.
- Fix the multiple-agent model, generating the necessary scale from a manual process.
- Close up the business.

The team struggled to discern the most appropriate course of action. Alex remarked, "In my gut, my first reaction is to scuttle TravelHangar and stick it to Brett, but would that be the most logical thing to do?" Jason felt, "We have expanding careers and personal lives and either need to commit to success or move on."



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