

Section I

THE QUEST FOR FREEDOM

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THE ENTREPRENEURIAL REVOLUTION



The difference between the great and good societies and the regressing, deteriorating societies is largely in terms of the entrepreneurial opportunity and the number of such people in the society. I think everyone would agree that the most valuable 100 people to bring into a deteriorating society would be not 100 chemists, or politicians, or professors, or engineers, but rather 100 entrepreneurs.

—Abraham Maslow

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The Entrepreneurial Revolution

By the time you finish reading this chapter, 140 people will have started their own business. If you read the entire book straight through, another 1,000 business owners will have joined the ranks of entrepreneurship, and that's in the United States alone.¹

Entrepreneurship is exploding all around us. Once considered a profession for a few rare, perhaps eccentric souls, entrepreneurship is today a widely respected profession.

Certainly, as an entrepreneur, you've noticed the growing interest in small business ownership. You have friends who are entrepreneurs. Perhaps a brother, aunt, or cousin has started a business. Your neighbor down the street owns her own business. If you have children, they may be gearing up to follow in your footsteps.

Whether you realize it or not, we are in the middle of a revolution—the Entrepreneurial Revolution. This revolution is not intended to overthrow the government or establish a new nation. This revolution is about how we work and how business is done. As an entrepreneur, you are part of this revolution. Unfortunately, the outcome of your involvement in this revolution is yet to be decided.

¹According to the U.S. Census Bureau, there are nearly 30 million small businesses in the United States alone, and approximately 600,000 additional businesses are added every year.

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Like all revolutions, the Entrepreneurial Revolution will have massive casualties. This book is meant to help you successfully participate in the Entrepreneurial Revolution, without becoming a casualty.

THE PATH TO REVOLUTION

Revolutions don't just start of their own accord. Nobody wakes up one morning and thinks, "I'd sure like to be part a revolution." The American Revolution didn't gain instant popularity because someone thought the United States should be independent. Quite the contrary. Less than half the country was committed to the cause. The other half was clinging desperately to the safety and security of familiarity.

The French Revolution was not an attempt to follow suit. People were starving. Disease and death were sweeping through the masses. Without a revolution, thousands more would have perished. But once again, there were many hesitant to embrace such change.

For any revolution to occur, three factors must be present (see Figure 1.1). Within the last few years, the same factors present during the bloodiest of revolutions made their way into the American economy, creating a fertile ground for the Entrepreneurial Revolution.

ANY REVOLUTION	AMERICAN REVOLUTION	ENTREPRENEURIAL REVOLUTION
• Loss of Security	• No Representation	• Corporate Distrust
• Power Shift	• Continental Congress	• The Internet
• Promise of Something Better	• The Declaration of Independence	• The Overnight Success Story

Figure 1.1 The Three Elements of a Revolution

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So what are these factors? They are:

1. Oppression from Authority
2. A Shift in Power, and
3. The Promise of Something Better

If you know your history, then you know the American Revolution was triggered by over-taxation, misrepresentation, and unjust domination from British colony leaders. The French Revolution was a result of the rich getting richer, the poor getting poorer, the lost voice of the commoner, and the fear of imminent death. Similarly, the Entrepreneurial Revolution would never have gained momentum if the country hadn't been primed for change.

THE OPPRESSION: CORPORATE DISTRUST

In the generation past, many folks spent their entire careers at a single company, retiring after 40 years of dedicated service to someone else. To these folks, long-term employment with the company was the safe, wise, stable thing to do.

Over time, large businesses and corporations dominated American culture and held all the power in our economy. This corporate dominance led to the mistaken belief that job security meant working for a well-established company instead of being great at what you do. If you wanted to get ahead in life, you worked 9 to 5 in a predictable, stable environment. Now to entrepreneurs, that notion is revolting.

When disputes with employees or customers arose, the corporation nearly always won. Realizing there wasn't much they could do about it, the population dealt with corporate injustices by simply accepting them. Even the most outraged of victims had to think carefully before rocking the boat. Perhaps influenced by the effects of the Great Depression and several other economic backslides, older generations believed that if you had a "good" job, you'd better keep it.

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Now, however, the days of loyal employment are over. Working 40 years for the same company is practically unheard of. Corporate horror stories dominate the headlines. Stories of corporate scandals, shareholder fraud, greedy chief executive officers (CEOs) and failed 401(k) retirement plans have victimized employees and the general public, creating distrust and cynicism toward corporations.

It seems everybody has friends who were “let go just before retirement so the corporation could save some of its pension costs.” Corporate employees watch in alarm as their jobs get shipped overseas. They feel the pressure of the global market, which is requiring them to do more and work harder in their corporate positions. Large corporate layoffs have mercilessly dispelled the belief that a good job is worth keeping, no matter what the cost.

The bottom line is that corporate employees are working harder and feeling less of the benefits. If nothing else, they’re certainly questioning the long-term benefits. Heck, they’ve even lost the belief that all their dollars paid into Social Security will ever come back to them.

And so, the institutions (corporate and governmental) that our parents believed would provide security have broken down. Unique corporate cultures were replaced with office politics and vicious backstabbing. Workers for Corporate America feel jilted, a little burned, and taken for a ride to a certain extent. Rather than relying on their corporation to care for their needs as employees and in retirement, many Americans face a reality of corporate disillusionment.

The more disillusionment increases, the more primed folks are to join the Entrepreneurial Revolution. All told, this loss of security is dramatically changing the landscape of the American workforce. College graduates are learning that the corporation isn’t going to create their stability. They’ve learned that entrepreneurs create their own stability. So they start businesses from their dorm rooms, hoping the business will catch fire and prevent them from ever having to take a job.

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Corporate disillusionment has altered everything our parents taught us about working in “stable” jobs at big companies. As a result, people are motivated to take action. So they turn in the one direction they feel they have the most control: inward.

THE POWER SHIFT: THE INTERNET AGE

No matter how determined an individual might be, real change—revolutionary change—is not possible until strengthened by the masses. Sure, it only takes one voice to put things in motion. But power comes from a multitude working together.

During the American Revolution, it was the strength of the entire Congress that led men to battle. For the Entrepreneurial Revolution, the rally cry came through the most unique medium to date: the Internet.

If you had to sum up the one big thing that is driving this revolution, it is the Internet. Pure and simple. The widespread adoption of the Internet over the past decade has changed everything. The Internet:

- Gives a loud voice to the common person
- Allows a small business to look big
- Makes information readily accessible
- Opens a global marketplace to Joe and Jill in Podunk, Montana
- Breaks down the barriers to entry by eliminating the need for piles of capital
- Connects businesses and their customers through speedy communication
- Unchains entrepreneurs from their desks so they can work from anywhere
- Makes it possible for anyone to leverage and profit from their expertise
- Simplifies the complicated, costly “distribution channels” of old

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- Empowers entrepreneurs to transact online, in their sleep and out of the country
- Puts the power of automation in the hands of the little guy
- Enables efficiencies for small businesses that used to exist only in big businesses

As product review sites made their debut, the power of corporate control was shifted into the hands of the average Joe. No longer were consumers subjected to the official reviews and opinions of industry experts. Now, consumers gleaned all the information they needed from individuals just like them.

For the entrepreneur, this shift in power made small business ownership easier to achieve and less expensive to start. We won't address all the benefits individually, but rather skim over a few of the most significant.

INFORMATION IS READILY ACCESSIBLE

Aspiring entrepreneurs can now quickly research a new business idea. They can test the demand for their products using a few hundred bucks and a good Google AdWords campaign. They can do quick surveys by email, study potential competitors' websites and even "mystery shop" the competition to find out where the gaps in the market exist that they can turn around and fill—for a profit.

This kind of information is available to everyone. You don't need nearly the time or capital that were once required to prove the viability of your idea. Gone are the long days, weeks, and months in the library, driving around from store to store, demon-dialing the competition to see what the customer experience is like. You can amass all of that information quickly and inexpensively, from the privacy of your own home.

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SMALL BUSINESSES LOOK BIG

Now that small businesses have been empowered with information, they can compete with the big guys. A website, advanced software, and a strong, focused market offering will enable a small company to beat the pants off a bigger company. No heavy capital investment is needed. No store front is required. All the business owner needs is technology, passion and a good product or service to spread the word and she's in business.

When businesses required a brick and mortar shop, customers knew exactly how big a business was and could guess the success of the company by the size, location, and number of staff. Now, entrepreneurs are running entire companies out of their basements, and online consumers are none the wiser.

As long as there's a demand for their products and services, small business owners can achieve incredible success, no matter what large company might open its doors two blocks down the street.

THE MARKETPLACE IS GLOBAL

In 1998, Clate was in his MBA program. At the time, his older sister had started a business that made and sold a special kind of baby bow that allowed moms to swap out swatches of color-coordinated fabric in a lycra headband. One bow, three headbands, about 8 bucks. Her friends were buying them fast and things were really catching on.

But Clate's sister needed to get her bows into the retail distribution channel. She asked Clate to help her out, so he made calls to buyers at Nordstrom, Dillard's, and a few other department stores. The problem was the classic chicken-and-egg dilemma that so many entrepreneurs with products face. The buyer won't put them on their shelves unless enough units have sold to demonstrate the demand. His sister had sold

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hundreds, maybe thousands of bows, but that was a drop in the bucket to retail buyers.

So, Clate's sister was stuck. She could either invest tens or hundreds of thousands of dollars to get her product developed in mass quantities and distributed through specialty shops (which would build up unit sales to demonstrate demand to the big buyers) or she could fold up shop and lose the couple of years of blood, sweat, tears (and money!) she and her partner had invested.

As Clate's sister wrestled with this problem, Clate was in an MBA marketing class where they talked about distribution. After class, he went up to his professor, explained his sister's problem, and asked what she should do. The answer was profound.

"I feel for your sister, Clate. But if you guys can solve that problem, you will be billionaires."

Just a couple of years earlier, the problem *had* been solved, but Clate didn't realize it. A guy named Pierre Omidyar had created an online auction website. After the first item (a broken laser pen) was sold, eBay was officially in business. Since then, consumers have auctioned everything from brussels sprouts to airplanes to countries.

Without the Internet, global markets would be inaccessible to any but the biggest businesses. Proximity would be a key factor in determining which businesses consumers would buy from. One-man shops would be overrun by the cheaper prices (and often inferior quality) of big businesses. In other words, small business owners would be stuck with "distribution" problems as they tried to build their businesses.

So, we love the power of the Internet. We love the value and opportunity it provides entrepreneurs. And we love the Entrepreneurial Revolution that is happening all around us because of it. But before we get carried away praising the Internet, we'd like to issue one word of warning. As much as we love the Internet, it is also a huge contributor to entrepreneurial chaos, which you will discover in the next

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chapter. For now, we'll move on to the last revolutionary factor.

THE PROMISE: THE OVERNIGHT SUCCESS STORY

The Fourth of July, celebrated as Independence Day, is not the day the United States won its freedom. The American Revolution had only just begun when this historically significant day rolled around. In actuality, the Fourth of July is the day attributed to the signing of the Declaration of Independence, long before independence was actually won.

Imagine that. More remembered than the day the colonists won their freedom is the day they declared their independence. Now, historians may correct us all they want to, but we believe this act to be significant because it gave the colonists something tangible to hold on to. It gave them a cause. It gave them hope. After all the frustration, fear, and pain, finally they held the promise of something better.

For the Entrepreneurial Revolution, the concept is the same. If corporate disillusionment provided the fuel and the Internet provided the means to start a revolution, then all that was left was to light the match. And the match—the spark that ignites the bonfire, the promise of something better—is a little thing called *The Perceived Overnight Success Story*.

The media certainly seems to be propagating the Entrepreneurial Revolution by sharing story after story of entrepreneurs who go from the garage to the penthouse almost instantaneously. There's nothing they like better than to share the unlikely tale of an "average" person who rises quickly to fame or fortune.

Now, right or wrong, workers in Corporate America look at the stories of successful entrepreneurs and they see "an overnight success." They see all the benefits that come to a successful entrepreneur: time, money, control, and purpose. But they don't see the chaos, the monumental struggle to build a successful business.

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Instead, they see the work schedule flexibility they crave, and they bitterly resent their boss for not allowing it. They see the successful entrepreneur buy a new car or new home, and they feel a twinge of jealousy. They see the blossomed creativity of the entrepreneur who advances their ideas in the marketplace—and they harbor feelings of resentment when their own ideas are not appreciated at work. They see entrepreneurs accomplishing their dreams—and they kick themselves for not taking action when they “thought of that idea first.”

These are all subtle, internal forces that decidedly tip the scale in favor of entrepreneurship. Granted, most corporate workers don’t pay attention to the years of blood, sweat, and tears that preceded the entrepreneur’s “overnight success.” But in a game of perception, that gross oversight doesn’t matter. Corporate workers feel their work life is just plain unfair, and they, too, reach out for the promise of a better, more satisfying life. A promise that sounds like this:

“I’ve always wanted to start a business; it’s time for me to pursue my dream.”

“Joe went for it and look at him now. If he can do it, I certainly can.”

“With all the layoffs around here, now’s as good a time as any.”

“I want the flexibility to call my own shots, work when I want and spend time with the family.”

“Honey, I just can’t take it anymore. I *have* to start my own thing.”

“I’ll start it on the side and build it up until we can afford for me to quit my job.”

“Let’s find a way to line up health insurance, get a little more in savings, and take the plunge.”

These are the conversations going on around kitchen tables across America. You probably said something like this yourself before starting your business. And if you haven’t ventured out

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on your own yet, you still *feel* the reality of these statements, don't you?

THE HIERARCHY OF FREEDOMS

So the stage has been set. The three factors all perfectly combined to create revolutionary conditions; and the population responded by turning to small business ownership in droves.

But the cold, hard truth is that this is *still* a revolution. With any revolution, you have to expect casualties. Even if a revolution brings about positive change, it cannot be done without someone getting hurt. In this case, it's the entrepreneurs themselves who end up "wounded."

Payroll pressure, customer fires, employee hassles, challenges at home, inner struggles about whether you can pull it off, finding new customers, collecting on invoices, paying the bills, juggling technology, and, in effect, running 90 miles an hour with your hair on fire—that is the reality of small business ownership for the vast majority of entrepreneurs.

Even as new entrepreneurs emerge, others are closing their doors. As an excited college student looks forward to her new endeavor as business owner, others are wondering what they got themselves into. But new or old, experienced or just beginning, entrepreneurs will continue to press forward. Why?

Because finally, they have *a chance to find their own freedom*; and that's certainly a goal worth fighting for. That quest for freedom is the reason we jump into entrepreneurship.

A couple years ago, Clate was talking to his son, Tanner, who was 10 years old at the time. They were talking about business and what Tanner might want to do when he grows up. As Clate asked him the question, Tanner quickly blurted out, "I want to do what Jake's dad does!"

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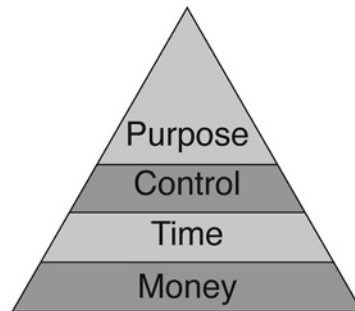


Figure 1.2 The Hierarchy of Freedoms

Thinking his young son was focused and motivated beyond his years, Clate said, “Great, Tanner! What does Jake’s dad do?”

“I’m not sure,” came the reply. “But he has a ton of money, and he gets to be home all the time.”

Tanner’s answer provided a rather blunt reality of what most entrepreneurs are looking to achieve. See, Tanner had it mostly right. Money and time are key motivators for driving people toward small business ownership. But they are not the only benefits. Control and fulfillment of purpose are ultimately necessary.

After years of working with entrepreneurs, we realized that freedom, true freedom, is based on a hierarchy of entrepreneurial needs (see Figure 1.2). Understanding the hierarchy will help you realize that money alone doesn’t result in long-term freedom. Likewise, if a business owner chooses to take time off, it’s not always because he has found his freedom.

MONEY

Whether anyone admits it or not, money itself is one of the most attractive features of owning your own business. For many people, it was the primary reason for leaving the corporate world behind. That’s because in the corporate world,

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people understand that no matter how hard they work or how brilliant they are, the same amount of money will be deposited into their bank account every month. Entrepreneurship, on the other hand, holds the promise of more money, lots more money. It's enough to get otherwise complacent individuals to take action.

That's okay. If there weren't a monetary reward in owning a business, hardly anyone would do it. The financial rewards of success almost *have to* be a part of the equation. It's not greed. It's capitalism. And it's what drives sharp people to solve difficult problems all over the world. Financial rewards, to the entrepreneur, are the grease that makes the whole thing work.

But money can be so elusive. It seems those who have it easily create more of it. Those who don't struggle continually to get it, which is why most entrepreneurs will never get past this level of the hierarchy. They might work for years believing that a little more money would provide them with the freedom they so desperately want to enjoy.

So where does that put you as an entrepreneur? Well, hopefully you're finding some success. Hopefully you have money and are finding ways to easily make more of it. But, while the personal benefits of some extra funds are certainly appealing, once you have money (and you're making more of it), you come to realize that money is no longer the means to the end. It's what keeps a business moving forward.

Has anyone ever told you that "the first million is the hardest to make"? When that concept was first shared with Scott, he laughed. Being young and lacking the experience he has now, Scott always wondered who would need more than a million dollars. You see, he wasn't thinking beyond his immediate desires at the time. As a young man, all he needed was enough money for a house with lots of land and the ability to take vacations with his family.

What he soon realized was money has no stopping point. As long as you hope to stay in business, you will continually need to bring in more sales. So, while your personal bank

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account may be getting fatter, you'll learn that money itself will not bring you the freedom you deserve. It's a start—a good start—but it is not the cure-all.

In fact, for the first few years of your business, you'll undoubtedly work long, hard hours just to keep the money coming in. Then you'll wish more than anything that you just had a little bit more time.

TIME

Despite the world's dogged pursuit of money, one of life's most valuable, precious commodities is time. Talk to a neighbor, a friend, a family member, and they will all say the same thing, "If only I had more time in my day, I could work wonders." Few individuals (if any) would say they find enough time to accomplish everything they want to do.

We can guess that time was another compelling reason you chose to be an entrepreneur. Chances are good you wanted to develop better relationships with your family. You had a desire to cheer on your son or daughter at a soccer game. You had a "to-do" list a mile long that you were never going to tackle and entrepreneurship seemed to be the answer. You wanted more flexibility in your work schedule so that you would have the time to do things that are important to you.

Yes, before actually starting their own businesses, many people believe that "being your own boss" means *they* get to decide when to work. If they needed an hour or two to watch a pee-wee football game, they could take it. If their family decided to go on vacation, they'd turn the business over to their employees, or simply close up shop for a week. As an entrepreneur, they wouldn't be tied down by a 9-to-5 job.

Small business ownership seems like the perfect solution for someone who knows the only time you'll "find" is the time you make available. But you've already come to realize the chains of time are even heavier when you're the one running the show.

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You might bring in thousands, even millions of dollars in sales, but if you have to work 14 to 16 hours a day to make it happen, you're not experiencing freedom. No amount of money can make up for the life you're setting aside to make your business work.

CONTROL

If you were to poll entrepreneurs about why they start their own businesses, we'd be willing to bet that money, time, and a chance to "be their own boss" would be the top three. Why? It all goes back to the factors driving the Entrepreneurial Revolution. People are so disillusioned by the corporate world that they don't want to suffer through it anymore.

In the time you spent working for other people, how often did you think:

"My boss is an idiot."

"If I were in control I would . . ."

"They should just ask me. I know a perfect solution for this problem."

"I would make a much better boss."

As you hear yourself repeat these phrases over and over in your head, it's no wonder you decided not to work for anybody again—except yourself. All of us feel a slight annoyance when *our* ideas, *our* thoughts, *our* suggestions are summarily dismissed. When you start to feel that your value as an employee and an expert in your field is being disregarded, then you want to take matters into your own hands.

The office politics of the corporate world do little to promote the voice of the working class. In an effort to climb the corporate ladder, co-workers infringe on each other's ideas and innovations, managers and directors frequently disregard opinions in favor of their own ideas, and decisions are made

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by a handful of executives who may be several steps removed from the situation.

For the entrepreneur, docile submission is not an option; and it never should be. You are an innovator. You have the power to create, fill market voids, improve the standard of life for those your business affects, and really make a difference in the world. Who is going to remember the work you did sitting in a cubicle amid hundreds of other workers? No one.

But your family, friends, and even acquaintances will remember you took control of your own circumstances. Rather than complain about your job, you set out to create your own stability and future. No amount of money or time can grant you that satisfaction. Nor can money or time instantly provide you with control. It helps. But all too often, entrepreneurs exchange one boss for another—their business. You'll know you've achieved the control you want when you can do what you want, when you want to. That kind of control is truly liberating.

PURPOSE

Collectively, every other reason for owning a small business can be boiled down to one simple description: purpose. Whether people love what they're doing, want to help a cause, or simply feel a need to create, their "purpose" motivates them to start their own business, and brings them ultimate fulfillment when the business is wildly successful.

Purpose is a tricky thing to describe. It's the one remaining element once your business is growing and you have time, money, and control. After all of that has been achieved, purpose answers the question of "what now?"

For the two of us, this book helps fulfill our purpose. You see, over the years we've developed a real love for small business owners. We've developed long-lasting relationships with our customers and our mentors. But as we've built our relationships, we've seen the pain so many entrepreneurs are

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going through. We know it doesn't have to be so tough, and our purpose is to help as many as possible avoid the chaos of business ownership.

Your purpose won't be the same as ours. When you reach this level of the hierarchy, you'll know what your purpose is—if you don't know already. Look at successful business owners and you'll nearly always find a philanthropic organization that is established as an offshoot of their company. Even the stingiest business owners will find a purpose beyond the immediate needs of their company or personal life.

That is what the quest for freedom is all about. It's the chance to do more than simply take care of your needs. It's the chance to live life according to your desires, ambitions, and hopes without worrying about your personal circumstances. It's like self-actualization at the top of Maslow's Hierarchy of Needs.

Whatever your purpose may be, you've got to be entirely devoted to it. Because if you haven't learned it already, you will soon discover that even the purest intent is lost once the entrepreneur becomes buried by the business.

It's easy to see how the quest for freedom, as defined by money, time, control, and purpose has led millions of Americans to small business ownership. The Entrepreneurial Revolution is sweeping the country and few are immune to its enticement. But no matter how compelling the end goal may be, most entrepreneurs are not prepared for the reality of small business ownership.

Unfortunately, the Entrepreneurial Revolution will, like all revolutions, have grave casualties. Of the roughly 1,000 small businesses that will be launched today (in the United States alone), most won't be around in three years. And many of those businesses that do survive will struggle mightily.

Revolutions leave casualties. The Entrepreneurial Revolution is no exception to that rule. This book is meant to help you as a small business owner find success so you don't become a casualty to the Entrepreneurial Revolution.

P1: OTA/XYZ P2: ABC
c01 JWB T284/Mask April 26, 2010 10:55 Printer Name: Yet to Come