

CHAPTER 1

Introduction

When I was about 8 years old, I decided to start saving money to buy baseball cards. The solution I devised: sell lemonade of course. My mom showed me how to make lemonade and I was in business. I set up my stand on the street near our home, put up a sign, and offered a paper cup of refreshing lemonade for five cents.

From my first sale, I was hooked. I loved the idea of business—selling things and making money from those efforts. In the winter, when lemonade didn't sell as well, I started shoveling snow to make money. From my early days as a “businessman,” I found I had a bit of a knack for organizing things and seemed to draw people in as a leader. By sixth grade I was elected student council president, and on it went from there: editor-in-chief of my high school paper, head of my college radio station, and managing editor of my law school student newspaper.

My more serious entrepreneurial ventures started in college, when I became a partner in a children's day camp. In law school I bought a radio station. Later on I started and built my own law firms, managing them for 18 years. You will hear a bit about all of these in the pages ahead, along with tons of stories about my friends, clients, and contacts in my over 25 years of business and law practice.

My tiny childhood business was just the beginning for me. Do you have your own version of the lemonade story? If so, you may be the right type of person to start and build your own business. The hope is that this book helps you determine if indeed you have the right makeup for the travails of entrepreneurship, and how to navigate the biggest challenges one faces in creating and growing a business.

Why This Book?

Several years ago I wrote a series of columns for a small business web site maintained by Slate.com. With a little more negative outlook than here, the series was called “The Entrepreneur’s Lament.” It covered what I considered to be the seven things that a small business owner is likely to feel regret for or be upset about, and how to prevent these things from happening or fix them once they do.

I also wrote another series for the same web site called “Are You an Entrepreneur?” In this series I outlined what I considered to be the key personality characteristics most likely to lead to success in entrepreneurship. I based it on my years of working with hundreds of growing businesses and their founders, and of course from being one myself.

With this book we seek to combine and expand upon the content of these columns, adding many more real-life illustrative examples from my experiences. In some cases I have changed facts and names in order to protect my clients’ confidential information. I think that anyone who is either thinking about starting a business, who has already done so, or who works with or advises entrepreneurs can benefit from the information provided here.

Even if you have run your own business for some time, there are helpful suggestions and areas of coverage that apply equally to those in the middle and more mature stages of building a business. For example, our discussion of boredom, burnout, and addressing a new exciting idea is more likely to affect entrepreneurs in later-stage situations.

There are a few themes to keep in mind as you are reading this. First, *entrepreneurship is not for everyone*. Just because you got laid off or are sick of your job does not mean you have what it takes to create and build something meaningful.

Second, *having the chops to be a great entrepreneur does nothing to guarantee that you will indeed succeed*. This book addresses only seven of the major challenges you will likely face. Accept the fact that many new businesses fail. It does not mean you weren’t capable (though it might). As we will discuss, often it is things that are outside your control that cause a venture not to succeed.

Third, *remember that pretty much nothing goes according to plan all the time*. Much of this book is about how to deal with things that happen that you did not expect or get ready for. Indeed, hopefully a key message we are trying to convey is to have a plan, and make sure that plan includes things not following the plan.

There are many “how to” books out there on entrepreneurship, but none quite like this. Most talk about the mechanics of getting a business started

and often tend to focus more on the basics of opening a small retail shop or one-person consulting business. Here we are more interested in those with big dreams and tremendous capability, experience, and drive who are ready to break out on their own, or already have.

Overview of the Book

This book has three key purposes. Chapter 2 asks whether you are indeed the right kind of person to build a successful business. Then Chapters 3–9, in no particular order, review a variety of issues that many will face in starting and growing something exciting in the entrepreneurial world. Many are challenges that, with careful attention, may be able to be avoided. If they cannot be avoided, hopefully they can be treated.

The final chapter, Chapter 10, pulls it all together. It focuses on the most likely reasons businesses fail, and some strategies for helping you avoid them. We then finish with a brief biography of a man who I believe embodies so much about what type of person should pursue his or her own business, and how he overcame much to build that success. Let's briefly summarize what the rest of the book provides.

In Chapter 2, we will provide an overview of the nine qualities that I believe dramatically increase the chance of being a successful entrepreneur. Briefly, these are: having the big dream, being a natural leader and decision maker, having an obsessive passion and drive, being a macromanager and a rational optimist, possessing a healthy fear of failure and little fear of risk, being controlling without being a control freak, and having a disciplined personal life.

Of course, as we will discuss, no one has all these qualities in abundance. The question is whether you have enough of them in sufficient quantity to improve your odds of success. Can a micromanager be a successful entrepreneur? The answer is "certainly." But I will posit that micromanagers may impede their ability to reach their business' full potential.

In addition to examples of those whom I have encountered with these qualities, we will spend a little time learning about folks ranging from Bill Gates to the Soup Nazi and even jailed former Enron chief executive officer Jeff Skilling.

Chapter 3 begins to delve into some of the challenges many entrepreneurs face. In this chapter we ask what you should do when a new great idea comes while you are still pursuing your original business. The answer is by no means simple. Something accretive to your business may indeed be a smart

thing to work on, but it will take some of your focus away from the main original set of products or services you have been offering.

Sometimes the new idea is completely different from your existing business, yet seems exciting to you. This is certainly a tougher call to make. But whether the new opportunity fits or does not fit into your business, deciding *whether* to move forward is as difficult as deciding *how* to move forward if you are determined to do so. Chapter 3 will help you manage this process and provide some helpful tips.

In this chapter we begin talking about one of my business heroes, “shock jock” Howard Stern. He has built an extraordinary following for his radio show and related ventures. He has also avoided or treated many of the challenges we lay out in this book. We can learn much from Howard’s success.

Chapter 4 addresses one of the great challenges that any entrepreneur faces: how to balance your work life with the rest of your life. This is indeed an age-old question for business owners, but must be addressed a little differently in the plugged-in, text-crazy world of today.

When you get total control of your business life and start a company, you can spend as much or as little time working as you want. So when it’s up to you how do you do it? Can you ever really be “off”?

In this chapter we spend some time addressing the dreaded illness known as workaholism. We will learn the difference between being a hard worker and being “addicted” to work. We also introduce a running theme throughout the book, namely how these various issues affect female entrepreneurs differently from their male counterparts.

The chapter gives useful tips on finding ways to reduce your total hours by working smarter. We talk about getting you more time away not just for your enjoyment, but to actually enhance your focus and productivity. This includes not only family time, but also “me” time to do the things you enjoy on your own.

Chapters 5, 6, and 7 focus on important nuts and bolts aspects of building a business—getting the right employees, the right partners, and the right investors. These critical aspects of any business are particularly important for entrepreneurial companies. What can work for a large company often is unworkable for a small and fast-growing one.

Chapter 5 helps you determine what type of individuals are best to bring on as employees of your company. First we make clear that it is critically important to take the time necessary to hire the right people. Too many very busy entrepreneurs think, incorrectly, that their time is best spent elsewhere and employees are pretty much fungible.

The chapter then moves on to the process of actually finding folks who are a good fit for you. But it doesn't end there, as we then get into strategies for keeping employees motivated and satisfied. Sometimes an entrepreneur's ego doesn't make it easy to focus on keeping people that work for them happy.

We also explore the differences between hiring from large companies and "home growing" people you bring on at entry level or slightly above. Each has its challenges and benefits, as you might imagine. We urge you to look inward and be honest about the type of person you are in determining who the right employees are for you.

In Chapter 6 we handle the dicey issue of finding the right business partners. Much like finding the right person to marry, this is a critically important decision. In fact, you typically spend more time with your business partner than your spouse! That is, of course, unless your spouse is also your business partner, and we deal with a number of issues that can raise, along with more traditional family businesses.

Some realize that the best business partner is no business partner. We first examine whether going solo is for you. After all, for some the major draw of starting your own company is not to be answerable to anyone, including a partner. For others, there are many benefits to sharing the load.

If you do go the partner route, there are different issues depending on whether your new partner (or partners) founds the company with you, is a more passive investor partner, or is handed some equity either because he or she has made major revenue contributions to the company or is a critical "worker bee." We also review issues unique to partners who are best friends, romantic couples, or family members.

Chapter 7 brings us to an extremely important issue for an entrepreneur, namely the challenge of raising money for your company. In covering the six main methods of financing a growing business, we begin by looking at what drives the market for financing. In particular we review things that make the availability of funding more or less likely.

We then go through the basics of seeking capital, starting with how to make contact with sources of financing, then some specifics of the actual process of completing fundraising. From the initial meeting to disclosure documents and due diligence, the mechanics can be a little daunting for a first-timer.

The chapter then moves to a discussion of the six main methods of financing. These are bootstrapping, government financing, bank financing, "friends and family," angel, venture capital and private equity investors, and initial public offering or private investment in public equity (PIPE) financings for public companies.

Chapters 8 and 9 return us to some of the psychological challenges faced by entrepreneurs, namely burnout and boredom. These are very different issues but can be equally as challenging and debilitating.

In Chapter 8 we cover burnout. Some folks building businesses just reach a point of simple exhaustion. We begin with the causes of burnout, which can include family or spousal pressure, unexpected business pressures, and even surprising success that can wipe you out.

We then attempt to provide some advice for preventing burnout. Strategies include adjusting your plan when unexpected things happen, taking a break from things, and relying more on others to get things done. I say we “attempt,” because this is advice that can be hard for many entrepreneurs to accept.

What to do when burnout hits comes next. Our suggested methods of dealing with it include selling or shutting down the business, or handing the business over to a colleague while you become a passive owner. Again, these are tough choices. For many their company is like a child. Do you want to sell your child? We work through these issues.

Chapter 9 turns to an often-underreported problem, primarily for really successful entrepreneurs: boredom. What could possibly be boring about running a successful, growing company? Boredom can be caused by too much growth, leading to a less “entrepreneurial” atmosphere within the company. It can also result from being, ironically, too successful in delegating the running of the business to other very capable folks. I have also seen boredom develop when a company founder, even though successful, finally realizes he or she entered the wrong business in the first place.

We then cover some ideas for preventing or overcoming ennui in business. As with burnout, you can sell or shut down the business. You can also hand the reins over to a top lieutenant and walk away continuing to own control of the equity.

The next suggestion is to check your personality when you start a business. If you hope and plan to build something substantial, are you the right kind of person to run the business when it reaches that level? We learn from greats who started on their own and stayed with their ultimately very large businesses happily like Steve Jobs, Donald Trump, Sanford Weill, and, yes, Howard Stern and Bill Gates again.

When boredom hits, another strategy is to re-engage in some aspect of the business that either is interesting to you or needs some attention. Instead of hitting Facebook for most of the day, sit and think about things you can improve in the business. We make a number of suggestions about methods by which to do this.

Chapter 10 finishes things up, trying to wrap up our discussion with a tidy entrepreneurial bow. We start with a discussion about what I consider to be the three most likely reasons an entrepreneur will not succeed: (1) lack of capital, (2) bad partner choices, and (3) personality traits that lead to burnout or loss of focus.

I then have the honor of completing our discussion with a brief biography of a very unique and special man I know who started with a one-person operation and built it to several hundred employees utilizing so many of the keys to success outlined here. I know you will enjoy “meeting” him in these pages.

Therefore . . .

Each chapter will conclude with a section called “Therefore . . .” that will ask the reader to think about the implications of what was covered and hopefully offer some useful advice as well.

I have enjoyed working with literally hundreds of excited entrepreneurs over the years. How many years? Your hint is that I reached a major milestone recently when I hired a new young lawyer who was born after I started practicing law. I have also been at times frustrated by watching smart people make the same mistakes as other smart people who came before them in my career. This led to the idea of the columns that led to the idea of this book.

So if you are ready, slide your finger across the e-reader screen (or you old-fashioned types go ahead and get a paper cut turning the page) and let’s go!

