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Success Requires More Than Entrepreneurship

Success, defined in whatever monetary and emotional terms you choose, requires more than being able to form a company around your idea. Ideas, and the companies formed around them, come and go. Very few create any tangible lasting value or emotional fulfillment. Even more heartbreaking is the all-too-common situation in which an entrepreneur succeeds in starting a new enterprise only for the enterprise to stagnate and slowly die. Entrepreneurs are commonly removed when outside investors are part of a startup. The following true story of Adam is an excellent example of an entrepreneur that started a great company only to be forced out because he could not deal with the competitive and organizational pressures that entrepreneurial leaders must face. As we shall see over the next twelve chapters, entrepreneurs like Adam¹ can succeed in seeing their ideas become value producing and self-sustaining enterprises once they are armed with a basic set of startup leadership skills.

Adam passionately wanted to be an entrepreneur from the time he was in high school. He taught himself to program computers, and by age fourteen he was already earning money making websites for local small businesses. He went to an excellent university and majored in economics while taking all the classes on entrepreneurship that were offered. Upon graduation, Adam sought more hands-on experience, accepting a job at a major computer company. He did well at the company but did not feel satisfied being “a cog in a big machine,” and after two years he accepted a job at a software startup. Although he wasn’t part of the startup’s founding team, he was given responsibility

for a small group of programmers developing a new feature for the startup's existing product, which improved the management of market research companies. Adam's team delivered its product enhancement on time—a significant accomplishment in software development, a field in which almost all projects run behind schedule. When Adam felt his accomplishments were not properly acknowledged by the startup's founders, he decided that he needed to start his own firm.

The opportunity was practically at hand—the startup, which had struggled to find new customers and to keep its existing customers satisfied, shut its doors within six months. Adam was elated to be out of a job; he felt he knew how to better address the software needs of the market research community, and now he had a chance to prove it. Just four years out of college, Adam launched his company, Gale Solutions (named after his mother). He raised money from two wealthy former classmates and a few family friends. He hired three people from the defunct startup: two former classmates and another person from the large software company that had first employed him.

Capturing the first few customers proved to be much harder than Adam had expected. Market research firms were interested, but he could not get them to actually commit to buying his software. He got a break when Josh, a top executive of a customer Adam had been courting, was hired to be the CEO of another market research firm. Josh, already familiar with Gale's software, called and said he wanted to use it. The enterprise finally had its first customer. Adam and his team delivered the software, and after six months of working closely with Josh on some critical modifications, the software finally produced meaningful efficiencies. After two years Adam finally had a real example of how well his software worked. Armed with an excellent customer reference, Adam made six more sales in the next thirteen weeks.

Gale Solutions survived those first two years on family loans and Adam's maxed-out credit cards. Fortune smiled on Adam again when Josh offered to introduce him to a well-known venture capitalist, Gerry. Josh gave Adam and his enterprise glowing recommendations, and Gerry soon offered to invest. Needing money and impressed

with the reputation of such a successful venture capitalist, Adam gladly accepted a \$3 million investment in return for 50.1 percent ownership of Gale. The investment enabled Adam to expand his enterprise and hire a sales force and a CFO.

Running his fast-growing company was a struggle for Adam, but he still relished it. He worked twelve-hour days dealing with customer issues, authorizing pricing for contracts with new customers, reviewing progress on new software updates, signing checks, working with his top engineers on new versions of the software, as well as dealing with employee issues. The more successful the company became, the more employee issues he had to deal with. One of these was of particular concern.

Adam respected his new VP of sales, who had run sales for a successful software supplier. Adam also respected his VP of product management, who was smart and fearless in negotiating final deal terms. But the two VPs hated one another, and Adam often had to stop their shouting matches. Adam felt they both made good points, but he was unable to get either of them to listen to what the other had to say.

Adam had another problem: his engineering team kept missing their deadlines for software updates. He sensed that the complexity of the software was getting beyond his engineers' ability to control it. He was sure he could help them if only he could spend more time with the team.

Adam was disappointed that Gerry was not available to give more advice. He saw Gerry every six weeks for exactly two hours at board meetings, where Gerry asked excellent questions and gave very pointed advice, such as "You need a more experienced head of accounting" or "You have got to step up to fix the problem between product management and sales; hire a counselor if you must." Adam hired an experienced CFO to improve accounting and other financial tasks, but the CFO's son fell ill and she soon went on leave. When Adam spoke about hiring a counselor to the VP of sales, the VP responded, "We are doing just fine as we are!" and that he would quit if Adam inserted another person into the brew.

Although growing a company was exhausting, most nights Adam still fell asleep feeling very accomplished. So it was all the more devastating when Gerry took him to a rare lunch and, after congratulating him on some favorable customer reviews, told him that it was time for him to step aside as CEO. He needed to let a more experienced executive take over and build the company to the point where it could be sold for a hefty valuation.

“Where did I go wrong?” Adam asked, holding back his tears.

Gerry laid it out: “You have done a good job, but to make this company really valuable, we need to make changes. The sales force is good but not great. They argue way too much with the person you brought in for marketing. Invoices are sent out late, and you no longer deliver your latest software enhancements on time. Your success has finally brought competitors into the market, and they have more money to spend on sales and marketing than we can make in five years. They will blow us out of the water if we don’t change quickly. We need a strong, experienced CEO to make sure the company keeps growing and becomes valuable.”

Adam was speechless, so that was that.

Stories like Adam’s are repeated every day. Entrepreneurs that accept money from professional investors are more likely to be removed as CEO—as the leader—the more successful their enterprises become.² It’s true that if Adam had not accepted money from Gerry, he wouldn’t have been pushed aside—but Gerry was right in his contention that the major competitors Gale Solutions’ success had attracted would have likely blown him out of the water. Adam was doomed to suffer major setbacks either way.

The real world is brutal, and most entrepreneurs do not understand what it takes to succeed with their dreams. Specifically, there is a big gap between getting a company to the starting blocks and getting the company to the point where it can stand on its own. This gap is where the entrepreneur and his enterprise are extremely vulnerable and where inadvertent mistakes can be economically fatal. When the enterprise is very immature and fragile, every new hire, every customer, project, strategy, crisis, or pivot has disproportionately large

impacts on the future well-being of the enterprise—and on whether the founder can continue as its leader.

Books on entrepreneurship, many of them excellent, focus on how you start a company, and these books finish with their advice once a hypothetical stream of customers show up. This book is about building an enterprise from the initial idea to the point where the company has become profitable and is self-sustaining.

My standard for entrepreneurial success is a basic one: you have to get your enterprise to the point where it is self-sustainable. If you can do that, you have proven yourself to be a real *entrepreneurial leader* (EL). This goal is attainable, and not just for the lucky or the specially gifted entrepreneur; given the proper skills and insights, most entrepreneurs can ultimately become successful—they can become ELs.

ENTREPRENEUR, OR ENTREPRENEURIAL LEADER?

Entrepreneurship is a calling that many aspire to. Almost half of the working population in the United States will try to become an entrepreneur during their working career. I am using the word *entrepreneur* in the classic sense of the word: someone who works to start a business as well as someone who leads a business they have started.³ Fewer than half the people who try to start a business get it to the point where they actually get a paying customer. Even after the entrepreneur has found a real customer, about half give up and shut down within five years. Fewer than one in four entrepreneurs who start out remain in business for more than five years.⁴

Almost all entrepreneurs with businesses that have lasted five years have succeeded in making enough profit to stay in business, but few of these entrepreneurs ever grow their firm to the point where it is self-sustaining. By *self-sustaining*, I mean that the enterprise meets two criteria:

- It can operate whether or not the founder is active in the firm.
- It is able to gain new customers with new innovations in its products or services; that is, customers lost through aging and

shifts in the market can be replaced by other customers buying new products or services.

A self-sustaining firm is a valuable tangible asset. A firm that is not self-sustaining will go out of business. This is the unfortunate fate of the vast majority of all the profitable enterprises ever founded. It is estimated that less than 2 percent of all entrepreneurs get to the point where their enterprise has created tangible value and is self-sustaining.

Leading an enterprise all the way from conception to the point where it is producing value and is self-sustaining—which means you are succeeding as an EL—is much more challenging than starting a company. If you want to see your idea reach its full potential, if you want to enjoy the fulfillment that comes from having made a tangible difference in the world, if you want to achieve financial success, then you must aspire to be an entrepreneurial leader.

Adam was an excellent entrepreneur, but he was not an entrepreneurial leader. He didn't have to lose both his job and the control over his idea and his company. But he just didn't understand what he needed to know—that what he had done (and done very well) to establish his company as a viable enterprise in a potentially competitive field was not all that he needed to do to lead his enterprise successfully to self-sustainability. What had worked so well even weeks before now no longer worked. Adam's business had moved into a different stage of maturity, with a different set of challenges and needs, requiring a different deployment of leadership skills.

STAGES, SKILLS, AND SELFISH SELFLESSNESS

Like infants becoming children, then adolescents, and then teenagers, enterprises go through stages of maturity. I will describe four stages that entrepreneurial leaders must understand and manage; these stages define times when changes in leadership skills are required. Without understanding these four stages, an entrepreneur cannot completely understand what *changes* are required in their leadership to move the enterprise closer to being self-sustaining. Sometimes

entrepreneurs figure out that they need to change before it is too late, but often only after bad things have happened to the enterprise and to the trust the team would otherwise have had in its leader. I will describe these four stages and the leadership expectations of each in Chapter Three.

Becoming an entrepreneurial leader requires that you develop specific skills; fortunately, these skills do not require extreme abilities of any sort. You do not have to be born with any special traits. Indeed, you can even have major weaknesses, but you must understand what they are and be willing to mitigate them to the point where they do not interfere. Self-awareness and self-knowledge are the foundation of the EL skill set.

Adam was not very self-aware. He knew he was smart and a nice person, and he thought that was all he needed to be able to figure out how to solve any problem. He did not realize that his strengths that derived from his personal set of motivations, traits, and skills had corresponding weaknesses. He had no clue that his affability was related to his aversion to conflict, which actually fostered the relationship problems he had spent so much time solving. Being a nice guy had its dark side. Similarly, he couldn't see that his perfectionism resulted in his inability to delegate, which in turn meant he was prioritizing his time ineffectively. As we'll see, he wasn't skilled at understanding relationships, motivating others, or the nuances of leading through change. He just kept on applying his logic and his natural charm to implement only temporary solutions to each new problem he inadvertently caused for himself.

The first half of this book explores the required EL skill set in depth, including:

- *Self-awareness*: How to work with your own motivations, traits, and skills—your capability mix.
- *Relationship building*: How relationships form and how you make them stronger.
- *Motivation*: How you motivate others to want to help you be successful.

- *Leading change*: How to make people willingly change what they have been doing successfully.
- *Enterprise basics*: Understanding the leadership needs of all enterprises as they mature.

These skills are not difficult to master if you are motivated to do so. What makes becoming an entrepreneurial leader most challenging is learning how to be selfish and selfless at the same time. Properly using these straightforward skills requires the EL to find a personal balance between these otherwise conflicting characteristics. Entrepreneurs have to be selfish: the very fact of their starting an enterprise means they want others to change their habits or even their lives to accommodate how the entrepreneur thinks the world should work. As we'll see in Chapter Two, genuine selfishness is at the root of entrepreneurial success. On the other hand, leadership requires that you make those who follow you feel that they will be successful in achieving their own personal desires. Balancing selfishness with selflessness—understanding how, when, and why each of these serves enterprise success—is tricky when you are unaware what you need to do it. Finding that balance through the practice of these fundamental skills of startup leadership will be a recurring theme of this book.

The startup leadership skills we explore here apply broadly to any enterprise and any entrepreneur. That is, they give almost any motivated entrepreneur the ability to transform ideas into a tangible and self-sustaining reality. This tangible reality could be a for-profit company, a non-profit philanthropy, an all-volunteer organization, a new division within a larger existing enterprise, a new political group, or even a rock band. Startup leadership applies equally to leading a tribe or an extended family. Because these skills apply so broadly, I tend to refer to the EL as leading an *enterprise*, the most generic term for a group of people formed for the purpose of accomplishing a specific task. From time to time I may use the term “company” or “business” if that is more suitable in a specific context, but my overall intent is always for these concepts to apply more broadly.

This book has two parts after this chapter. The first, Chapters Two through Seven, discusses the skills you need to master to become an

entrepreneurial leader. The second, Chapters Eight through Twelve, shows how to apply these skills to five major challenges faced by every EL.

PREREQUISITES: MASTERING THE SKILLS OF STARTUP LEADERSHIP

To lead others, you must first lead yourself, and leading yourself requires that you must realistically understand your capabilities—both strengths and weaknesses. What you are capable of achieving is a combination of your motivations, your traits, and your skills, all of which are interdependent. Chapter Two distinguishes among motivations, traits, and skills and gives you tools to inventory and map your capabilities. These insights will allow you to leverage your strengths and mitigate your weaknesses so that you can build and lead an enterprise.

Chapter Three talks about the enterprise itself and what it needs from its leaders to succeed, using a simple model of enterprise development. There are only three components that impact an enterprise's ability to create value, which every entrepreneurial leader needs to understand: projects, processes, and culture. Chapter Three discusses what these are and how each must be nurtured for any enterprise to develop to maturity. Enterprise maturity, in turn, can be understood in terms of four distinct stages, during which the EL must provide different types of leadership to see that projects are successfully launched and completed, that processes are efficiently controlled, and that a culture evolves that enables the people who staff the enterprise to operate passionately and productively.

Entrepreneurial leaders never act alone in getting the world to adopt their ideas, so the EL must build strong relationships with other people who will help her achieve her vision. In Chapter Four we discuss the essence of all relationships: the existence of a shared objective. There are three categories of shared objectives—cooperative, competitive, or retreating—and our relationships are a dynamic mix of all three types. Understanding cooperation, competition, and

retreat puts the EL in an excellent position to structure her relationships to further the needs of the enterprise.

Motivation is to groups as relationship building is to individuals, and motivational skills are the subject of Chapter Five—understanding how to motivate scores of people to align their actions to your desires. Motivating others requires creating job tasks that make people feel autonomous, masterful, and purposeful, and not controlled, insecure, and lost.

The final skill we discuss in Part One is leading change. The EL's challenge is that once the enterprise has been created, he must constantly change the lives of the people around him for the sake of satisfying the changing needs of customers. New projects must be launched, new processes inaugurated, legacy processes improved, and cultures adjusted. Many entrepreneurs are scared of change and resist it, thereby imperiling the future of their enterprises and the well-being of all their employees and stakeholders. To successfully change what people are currently satisfied doing, an EL must ensure that five prerequisites of change are in place and stay in place; these are discussed in Chapter Six.

That's it. No other general skills are required of an entrepreneurial leader. To lead the creation of a specific type of enterprise, the EL may need to have mastered some industry or marketplace specific skills: for example, it would be virtually impossible to start a law firm without having attended law school. Some enterprises are started by teams of founders rather than by one person, and the requisite industry skills may need to be mastered by only one of the founders in order for the startup to be credible. Many other important skills can be hired into the enterprise when and as needed—for example sales, accounting, and process management—and are not skills that every EL needs to master.

By Chapter Seven you'll have a sense of your motivations, your traits, and your skills, including how comfortable you feel building relationships, motivating others, and leading change. You will also understand how each of these skills must be utilized as an enterprise matures through its four stages. You will need to decide what you are

going to do about it. Creating a *personal leadership strategy* (PLS) generates an understanding of the specific steps you will need to take to successfully launch and grow your idea into a tangible reality. You will need to mitigate some of your traits. You may even have to explore the reasons for some of your motivations in order for you to *really* want to mitigate the traits that could prevent you from being successful. There will likely be some skills you need to acquire or get better at performing. You will need to identify people who can help you and who want to help you. Each EL must develop her own strategy for how to be successful.

Armed with a PLS, we can move on to Part Two, which is about how you apply this knowledge and insight to five challenges all ELs encounter as they develop their enterprise: creating entrepreneurial strategy, structuring the enterprise, hiring and firing, forming and leading teams, and leading through crisis.

APPLICATION: WHAT AN ENTREPRENEURIAL LEADER DOES

It is common for enterprises to fail because their leaders tried to implement fantasy strategies. There is widespread misunderstanding about how strategy applies to fledgling or fragile enterprises; business strategy as it is practiced today applies to fully mature enterprises and is irrelevant to entrepreneurial leaders. Chapter Eight describes how ELs must create and implement entrepreneurial strategies that are consistent with the enterprise's stage of maturity. Entrepreneurial strategy emphasizes that *any activity that is not focused on maturing the enterprise to the next stage is a waste*. For example, the strategy in stage one is all about how best to find the customers you are looking for with the least investment of time and without spending all the available money. If you do not find your customer, or enough customers, then you are out of business, and all other expenditures of time and money are wasted and distracting relative to achieving the only milestone that matters to your survival at that moment. ELs find "entrepreneurial strategy" to be a major competitive advantage and straightforward to implement,

and by the end of Chapter Eight an EL will know how to put together very compelling strategies.

Another common mistake of entrepreneurs that ELs avoid is creating a dysfunctional organization that cannot implement the enterprise's strategy no matter how well it may be conceived. Organizational structures facilitate certain actions and impede others. It does great damage to an enterprise and its culture when an entrepreneur selfishly implements an organizational structure that impedes her team's ability to implement the strategy or operate productively. Understanding how to structure the company to utilize the talents of the team and to grow efficiently is a major strength of ELs. Chapter Nine is not about how to draw organization charts, but about aligning formal structures with informal ones so that the organization can execute entrepreneurial strategy. This alignment requires the EL to practice all of her skills.

Many enterprises fail because they cannot, or do not know how to, find and keep great employees. Small and growing enterprises need each and every employee to perform their assigned tasks productively and passionately; every person counts. Chapter Ten explains that hiring and firing is not a skill, but rather the result of successfully constructed projects and processes. With good hiring and firing, the EL builds a powerful team.

The ability to form and lead effective teams is something ELs need to do themselves as well as help others do successfully. Most enterprises deliver disappointing products and suffer from poor productivity because their teams are poorly led—eventually going out of business after wasting plenty of money. Chapter Eleven discusses the skill mix needed to lead successful teams, and also gives special attention to two specific kinds of team: the board of directors and the sales team, on which the fate of the EL and the enterprise depends.

Leaders are expected to successfully lead their teams through crises regardless of whether the crisis was preventable or not. Many entrepreneurs just give up when the first crisis hits. Unfortunately, crises get more challenging to survive as enterprises mature, and the fear of crises makes many entrepreneurs prevent their enterprises

from growing and maturing at all. This deliberate reluctance to make any change leads to the eventual death of the enterprise and the entrepreneurial dreams that go with it. Leading through a crisis—the subject of Chapter Twelve—is a special case of leading change, and is a capability of all successful ELs.

Most people can be successful as entrepreneurial leaders once they dedicate themselves to getting the skills and help necessary. Everyone will need a great deal of help to succeed. Everyone will need to change. Everyone will need to be selfless. A good dose of selfishness is also required, but we have that naturally. If you are not willing to change, or ask for help, or be selfless toward those who help you, then you will not be successful growing any idea into a sustainably valuable entity.

Although being an entrepreneurial leader will enable you to create significant value with just an idea, it will not enable you to do the impossible. The final chapter is designed to help you understand what you can reasonably expect to accomplish, given your motivations, traits, and EL skills. The answer will be different for every person, but almost all of us have something to contribute to the welfare of others—and it is improving the welfare of others that creates value. You can create value. The big question is, do you want to do it?

The payoff is very large for getting this right: fulfillment, financial success, status, and well-being. The risk is large too, and it's not just financial: when a young enterprise is not successful, the entrepreneurs experience frustration, stagnation, economic hardship, and unhappiness.

If you want to be a successful entrepreneurial leader, if that is your real motivation, then read this book and use it. It will enormously increase your chances of success.

