INTRODUCTION:

THE NATURE OF ENTREPRENEURSHIP

It is easy to find fault with a new idea.
It is easier to say it can't be done, than to try.
Thus, it is through the fear of failure,
That some men create their own hell.

—E. Jacob Taylor

It wasn't that long ago that entrepreneurs were considered to be mavericks, rebels, or even social deviants. They stood out because Corporate America was built on a foundation of loyalty and conformity. Big was better and economies of scale provided formidable barriers to entry. The last two decades, however, have placed a number of entrepreneurs in the limelight who have marched to the tune of a different drummer.

Today's entrepreneurs have been heralded for having the same qualities exhibited by this country's first colonists. The colonists had contempt for the way things were done, and they weren't afraid to break away from the establishment. The entrepreneurs who are heralded by the media created their own firms so they could be free to pursue new opportunities and try new approaches. They showed that bigger isn't always better and that the legacy systems and bureaucratic practices of most established firms can be like anvils that keep them from keeping pace with changes in the marketplace. Each day, entrepreneurs create agile new ventures that change the way the game is played.

America is known as the "Land of the free and the home of the brave." This country encourages individuality and self-determination. It also encourages people to "go for it." Entrepreneurship has become an integral part of this country's culture and economic system because it reflects the courage to break away from the pack and the desire to be the master of one's own destiny. Three statistics capture the entrepreneurial spirit in this country. First, 6.8 million households (7.2 percent of the country's total) include someone who is trying to start a business. Second, between 700,000 and 1 million new businesses are created each year. Third, at least 90 percent of the richest people in the United States generated their wealth through entrepreneurial endeavors.[1]

Few of this nation's most prominent entrepreneurs could have imagined in their wildest dreams they would become celebrities when they started their ventures, they would create so much wealth, or their firms would become household words. Exhibit I.1 illustrates the ability for entrepreneurs who have the ability to seize opportunities to generate substantial wealth. Each of the entrepreneurs has accumulated a net worth of at least $1 billion.[2]

Entrepreneur	Company	Wealth
Bill Gates	Microsoft	$46,000,000,000
Paul Allen	Microsoft	22,000,000,000
Larry Ellison	Oracle	18,000,000,000
Michael Dell	Dell Computer	13,000,000,000
Pierre Omidyar	eBay	6,900,000,000
Phillip Knight	Nike	5,800,000,000
Jeffrey Bezos	Amazon.com	5,100,000,000
Charles Schwab	Charles Schwab	3,200,000,000
Steven Jobs	Apple Computer	2,300,000,000
Bernard Marcus	The Home Depot	2,000,000,000
David Filo	Yahoo!	1,600,000,000
Jerry Yang	Yahoo!	1,400,000,000
Arthur Blank	The Home Depot	1,100,000,000

The list does not include the wealth that the late Sam Walton created with Wal-Mart. The total net worth of five members of his family is over $100,000,000,000.

EXHIBIT I.1 ENTREPRENEURIAL WEALTH IN THE UNITED STATES
Source: "The 400 Richest People in America", *Forbes*, October 6, 2003.

Obviously, the people on the list are not a representative sample of all the people who start ventures. They represent a fraction of 1 percent of all the entrepreneurs who have started ventures in the last few decades. Some of these entrepreneurs will go on to create additional ventures, some of them will lead their firms into the future, some of them will lose some of the wealth they have generated if the world changes and their firms don't, and some of them will be challenged by the next wave of entrepreneurs who consider the firms on the list to be "the establishment."

WHAT ARE THE CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS?

As more and more entrepreneurs are placed in the limelight, people try to find a common thread that sets entrepreneurs apart from the masses. One of the most interesting features about entrepreneurs is that they defy simple categorization or stereotyping. Some entrepreneurs create ventures for fame and fortune. Some embark on the entrepreneurial journey because they want to be their own boss. Some take the plunge because they see an irresistible opportunity.

Some entrepreneurs crafted their ventures with very deliberate plans. Others were tinkerers who weren't sure where the entrepreneurial journey would take them. Others were opportunistic and others were driven by the desire to make the world a better place. If you were to put together a formula for how to be a successful entrepreneur based on how some of the most noteworthy entrepreneurs got started, then it would have the following ingredients:

- Start in a garage: Steven Jobs and Steven Wozniak (Apple) and William Hewlett and David Packard (Hewlett-Packard)

- Drop out of college: Bill Gates (Microsoft), Michael Dell (Dell Computer), and Larry Ellison (Oracle)
- Get a marginal grade on your business plan while in college: Fred Smith (FedEx)
- Be irreverent: Richard Branson (Virgin Atlantic Airways, etc.)
- Have parents who can invest in your business: Jeff Bezos (Amazon.com)
- Notice that the world does not operate with banker's hours: Ted Turner (CNN)
- Get turned down for a funding more than 100 times: Howard Schultz (Starbucks)
- Have a mentor who is a successful entrepreneur: Tom Siebel (Siebel Systems) who worked in sales for Larry Ellison (Oracle)

Some people have even attributed some entrepreneurs' drive to start their own ventures to dyslexia. This condition may explain why entrepreneurs had trouble in school (did not fit in and thus had contempt for authority figures). It may also explain why they saw things differently from "normal" people.

REALITY CHECK

Wouldn't it be nice if all you had to do to start a successful venture was to drop out of college, walk out to your family's garage, have parents provide funding, and have minimal business experience? These factors do not assure success. These people succeeded in spite of their modest beginnings, not because of them.

ENTREPRENEURSHIP IS NOT FOR THE FAINT OF HEART

If entrepreneurship was a product, then the federal government would probably insist that it have the following warning label:

> Entrepreneurship is not glamorous nor is it easy. There is no guaranteed formula for success. Few things will work as planned and venture capitalists will not be lined up to give you money. If you are successful initially, then competitors will try to steal your customers and they will not play by the rules. If you build it, customers may not come. If you do have customers, they'll probably never be satisfied and they sure won't be grateful. You may have to give your product away. Debbie Fields walked down the street giving her cookies away. You may have to almost pay prospects to become customers. The founders of Home Depot had employees give dollar bills away in the parking lot near their first store to get people to come in. Your employees and customers may become your competitors. You will have to accept terms or conditions from suppliers, distributors, and/or customers that are humiliating—and seem almost illegal. You may have to get a second mortgage on your home, personally co-sign every document, apply for a dozen credit cards to get the funds you need, and lie/withhold/fail to disclose to your spouse your level of financial commitment to the business. You will have to make promises that you're not sure you can keep and put a spin on your business's future to get people to quit their jobs and put their marriages, mortgages, and MasterCard balance in jeopardy to join your venture. You will become a stranger to your family and friends. You will lose sleep and become edgy because you will worry about things you never thought about when you worked for

someone else. You will have to deal with wave after wave of rejections. You will be asked if you are kidding and your intelligence and sanity will be questioned by almost everyone you know.

You've got to be a little nuts to be an entrepreneur. The odds are stacked against you. For every successful entrepreneur, there are a handful of entrepreneurs who fail, throw in the towel by selling their ventures to someone who is as optimistic as they once were, or just shut their ventures down to pursue something else that will not require as much blood, sweat, and tears.

Entrepreneurship is like taking a never-ending roller-coaster ride in the dark. The journey will test your stomach with numerous ups and downs. It will test your stamina with unexpected twists and turns. There will be times when you feel like you are on top of the world and times when you feel like you have absolutely no control over your destiny.

MAPPING THE ENTREPRENEURIAL JOURNEY

If the preceding observations haven't killed your desire to embark on the entrepreneurial journey, then read on and learn how to improve the odds. This book is not intended to encourage or discourage you from taking the entrepreneurial journey. At times, it is intended to be a mirror. It provides you with the opportunity to take a look at yourself and what is involved in the entrepreneurial journey. The first part of the book addresses the challenges you will face, as well as the qualities and skills you will need for the journey. If you are satisfied you have what it takes to make the journey, then the rest of the book helps you map the journey.

This book highlights various facets of the entrepreneurial process. Each chapter provides guidelines and examples that should increase your odds for creating an exceptional enterprise. Each chapter also provides a number of valuable reality checks. This book captures in the following steps in the new-venture creation process.

THE NEW-VENTURE CREATION PROCESS

Step 1. Analysis of entrepreneurial preparedness (Introduction, Chapters 1 and 2)
Step 2. Market analysis (Chapters 2, 3, and 4)
Step 3. Identification of new venture opportunities (Chapters 2, 3, and 4)
Step 4. Evaluation of new venture opportunities (Chapter 5)
Step 5. Investigation of capability and resource requirements (Chapters 5, 6, and 7)
Step 6. Running the numbers (Chapters 5, 6, and 7)
Step 7. Analyzing risks, returns, and personal preferences (Chapter 5)
Step 8. Ranking potential ventures (Chapter 5)
Step 9. Selecting the opportunity to pursue (Chapter 5)
Step 10. Conducting the feasibility study and test market (Chapter 5)
Step 11. Developing the business plan (Chapters 6 and 7)
Step 12. Acquiring the resources (Chapters 8 through 13)
Step 13. Starting the venture (Epilogue)
Step 14. Managing the venture (Epilogue)

INCORPORATING THE ENTREPRENEURIAL TRIANGLE

Entrepreneurial success is contingent on the three major dimensions in the *entrepreneurial Triangle* profiled in Exhibit I.2. First, the entrepreneur must have the skills and capabilities to start and manage the new venture. Second, a gap in the market must exist that can be transformed into a new venture opportunity. Third, a sufficient amount of resources must be available to create the venture and to keep it running until it generates its own momentum. The importance and interrelatedness of the dimensions is reflected in the entrepreneurial triangle.

New venture success is contingent on having a sufficient level of strength in each area. It is also contingent on the *goodness of fit* for all three dimensions. The concept of having *critical mass* in physics applies to entrepreneurship. For the venture to have a successful launch, each dimension must exceed some minimum initial threshold for that dimension. The establishment of thresholds for each of the dimensions when evaluating possible venture opportunities is discussed in greater detail in Chapter 5. The thresholds can be plotted for each dimension in Exhibit I.2. The scale can then be used to depict whether all three of the prerequisite conditions exist for the venture under consideration.

The entrepreneurial triangle uses three tests to screen proposed ventures. The first test is the mirror test. It forces you to step back and see if you have what it takes from a skills and capabilities perspective. The second test is the market test. It asks whether the market opportunity being considered will be lasting and lucrative. The third test is the wallet test. It asks whether the venture has sufficient profit potential to justify the time and investment.

A few years ago, I was invited by the Louisville Chamber of Commerce to make a presentation on the challenges of entrepreneurship. In an effort to tailor my remarks to the audience, I put the image of a horse and a jockey on the screen. The audience was asked to identify similarities between the graphic art and entrepreneurship.

The audience quickly identified the jockey as the entrepreneur and the horse as the market opportunity. They had trouble seeing the *resource* dimension in the graphic art. I indicated that the resources were the support staff the horse needed before it entered the race. The jockey, horse, and support staff play integral roles in the horse race. If any factor is insufficient, then an unfavorable outcome is inevitable. For example, if the jockey lacks the proper skills, isn't familiar with the unique features of the track at the time of the race, and hasn't studied the competition for that day, then there is little chance for success. If the horse is not big enough to carry the jockey or strong enough to go the distance, then failure

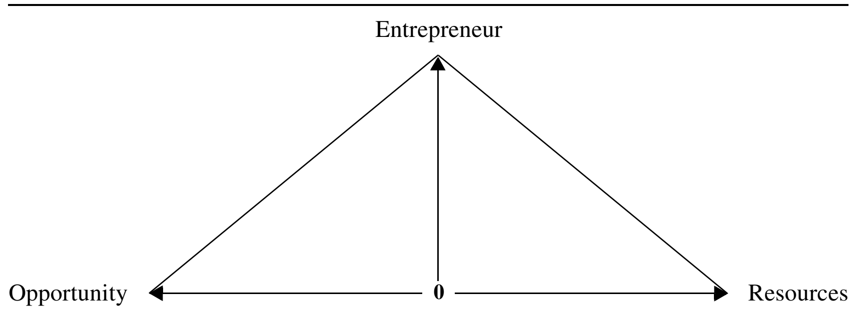

EXHIBIT I.2 THE ENTREPRENEURIAL TRIANGLE WITH RATING SCALES is inevitable. If the support staff doesn't do its job before the race in making sure everything is there when it is needed, then the odds for success are diminished. The same situation applies to the three dimensions of the entrepreneurial triangle. Each dimension plays a critical role in the success of the new venture.

WHICH DIMENSION IS THE MOST IMPORTANT?

The question is frequently raised about which factor in the entrepreneurial triangle is the most important. The easiest way to answer the question is to say, "They're equally important." When I asked the question in Louisville, the audience was almost equally divided between the jockey and the horse. Some thought the entrepreneur was the most important. Others thought the market opportunity was more important. Although few people considered the support staff to be the most important in the horse race situation, a few people indicated that resources might be the most important to the success of a new venture.

Each dimension of the triangle is important. The absence of any dimension violates the fundamental law of triangles; triangles have to have three sides! It doesn't matter how long two of the lines may be. Without the third line, there is no triangle. Yet the entrepreneurial triangle requires more than three lines. All three lines must be long enough to keep the triangle from having some bizarre shape.

The horse race illustrates the need for the three dimensions to fit together. First, imagine what would happen if the jockey didn't have the knowledge, talent, and strength needed to lead the horse out of the gate and to have it run at the right pace down the track. Without a skilled jockey, the horse might not even leave the gate. And if it does, it might run wild like a ball careening back and forth in a pinball game. When the horse crosses the finish line, it will probably be disqualified for violating race protocol. Second, if the horse (market opportunity) is not big enough to support the jockey (entrepreneur's personal aspirations and financial goals), then the jockey should not even suit up. Third, if the horse isn't fit enough (resources) to go the distance, then the horse and the jockey should stay home.

If you had to identify one dimension as being the most important, you might choose the need for a lucrative and lasting market opportunity. Joseph Mancuso has developed an interesting way of telling whether an individual really grasps what it takes to make a new venture work. He asks people which of four factors is both necessary and sufficient for starting a business. The factors are (1) money, (2) hard work, (3) an idea or product, or (4) customers.[3]

He found that people who work in businesses generally indicate one of the first three factors to be the most necessary. He found that veteran entrepreneurs, however, frequently cite customers as the most necessary. He observed, "An entrepreneur understands that while no business can get off the ground without money, a product, and a lot of hard work, customers are what will make or break the venture. If you've got customers, you will find the money, work the long hours, and make the business happen. Without them, you don't have a business."[4] Someone once observed: "Until you sell your product … you are unemployed or doing a hobby!" Businesses imply sales—and hopefully profits.

Jon Vincent, president of JTV Enterprises, shares Mancuso's conclusions. He observed, "Have you ever seen a jockey carry a horse across the finish line?" If you are going to start a business, then make sure there is a substantial opportunity. If the opportunity is great, then the marketplace may give the entrepreneur a little slack in the start-up stage when a few things fall through the cracks. If the opportunity is great and the entrepreneur has sufficient skills and capabilities to capitalize on it, then the venture should be able to attract the necessary resources. If the opportunity is weak, then even a talented entrepreneur with a truckload of resources will probably see the venture whither and die.

Steven Jobs noted when he started NeXT Computer that if you are going to start a venture, then start one where there is a great opportunity. He noted that it takes almost the same amount of work to start a large business as it does to start a small one, so you might as well start one that can grow!

ENTREPRENEURS ARE LIKE EXPLORERS

This book stresses the need to boldly go where no one has gone before and to approach the entrepreneurial process in a professional and systematic manner. Entrepreneurship can be broken down into the following components in Latin:[5]

entre means enter ***pre*** means before ***neur*** means nerve center

Entrepreneurs who want to create exceptional enterprises need to have the courage to enter new markets, to seize opportunities before other firms even see them, and to use the tools and techniques that are available for beating the odds. Tom Chappell, cofounder of Tom's of Maine, captured the essence of this book when he stated, "Entrepreneurship by definition is creating something new, discovering markets that no one thought were there, markets that will not be counted until the entrepreneur announces they are there."[6]

Starting a new venture is like crossing a minefield. The entrepreneurial journey is full of mines that can blow up in your face. First-time entrepreneurs should make every effort to learn from those who have beaten the odds. Most successful entrepreneurs attribute some of their success to what they learned from other successful entrepreneurs before they started their journey. Often, successful entrepreneurs can provide tips that prevent potential problems or reduce their consequences.

George Gendron, a successful entrepreneur and former editor for *Inc.* magazine, noted that research conducted on 27 start-ups profiled in *Inc.* magazine over the years lead to the following conclusions about successful ventures:[7]

1. The founder was ready, willing, and able to learn on the job during the start-up process.
2. The founder devoted an unusually large amount of time and effort to working with established suppliers and subcontractors.
3. The founder paid close attention to new entrants and potential competitors.
4. The founder positioned the venture right from the beginning so that he or she didn't have to spend a lot of time later on determining the business's identity.
5. The founder made sure he or she already had access to whatever capital is needed so he or she didn't have to spend a lot of time raising money.
6. The venture offered customized products or services that were designed or produced to order.
7. The founder chose a growth industry.

ENTREPRENEURS NEED TO IDENTIFY GAPS IN THE TRIANGLE

Drawing the entrepreneurial triangle for a proposed venture highlights two important issues. First, it shows the strength of each dimension. Second, it can be used to indicate whether each dimension has critical mass. Tedann Olsen, a marketing manager with SnowSports Industries America, noted, "The key is not only to have a good idea but to be in the market with the right resources at the right time."[8]

The entrepreneurial triangle is not expected to be an *equilateral triangle*, for two reasons. First, the base has two dimensions. Second, certain entrepreneurial situations require more resources than others. Starting a service enterprise may take far less capital than a manufacturing firm. Starting a software company may take far more technical experience in the field than starting a retail venture. Each entrepreneurial situation is unique. Mapping the entrepreneurial triangle for each situation enables the entrepreneur to analyze its uniqueness. It also helps the entrepreneur identify whether a gap may exist for each of the three dimensions.

The triangle may indicate that an *entrepreneurial gap* exists. Chapter 1 profiles various skills and capabilities entrepreneurs should have before starting a venture. The triangle may also indicate an *opportunity gap* or a *resource gap* exists. Chapter 5 provides numerous guidelines for evaluating market opportunities and resource requirements. Chapters 6 and 7 indicate how all three dimensions are addressed in the business plan. The remainder of this Introduction focuses on challenges entrepreneurs face in starting a venture and the need for the entrepreneur to start a venture that fits his or her needs, interests, and capabilities.

ENTREPRENEURSHIP INVOLVES VARIOUS TYPES OF PERSONAL CHALLENGES AND RISKS

Risk and entrepreneurship go hand-in-hand. Profit is defined as the reward for successfully taking business risk. The risk is compounded when you start a venture because there is little assurance that the venture will be able to attract enough customers to make a profit.

Two particular views about the propensity to change capture the nature of risk. Chris Argyris developed the first view. He differentiated the type of risk by placing risk into two categories: Anxiety I and Anxiety II. Entrepreneurship frequently elicits various anxieties. Anxiety I is the most common type of anxiety. It is the anxiety associated with the risks of doing something new. Anxiety I involves the risks associated with quitting your job, investing your own money in your venture, and having to make decisions you have never made before. Anxiety I arises from the risks that you may make a mistake and what you have to lose if you are wrong. One's perceptions of these risks may be a formidable barrier to embarking on the entrepreneurial journey.

Kurt Lewin's view about change and risk is reflected in his *force-field model.*[9] As a psychotherapist, he helped people change their behavior. His force-field model profiled in Exhibit I.3 (which modifies Lewin's model to incorporate forces that may affect entrepreneurship) views behavior as something that is in a state of dynamic equilibrium. The equilibrium exists when there are countervailing forces at play. According to Kurt Lewin, people tend to change when the forces supporting that change are stronger than the forces restraining the change.

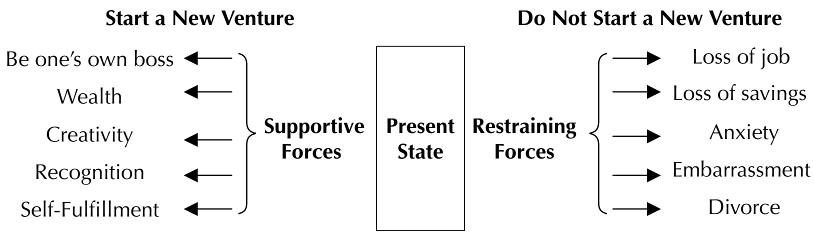

EXHIBIT I.3 LEWIN FORCE-FIELD MODEL

Anyone considering the entrepreneurial journey should have anxiety about the risks and unknowns. People who see more risks than rewards are not likely to embark on the journey. If they see the risk to be too great to commit the cash value of their life insurance to the venture and make the other associated commitments that need to be made, then they will not proceed. Conversely, if they see the rewards to be greater than the potential losses, the person may move ahead with the venture.

REALITY CHECK

It should be noted at this time that risks and rewards are always in the eye of the beholder. One person may consider quitting his or her job to be very risky. Another person may not consider that to be a restraining force because he or she was going to quit anyway or believes it would not take much time to find another job if the venture doesn't work out.

The *force-field model* views the decision to start a venture like a scale used for measuring two objects. When people are asked what holds them back from taking the entrepreneurial journey, they usually can provide a list of reasons. A thirty-something marketing vice-president provides a good example of Anxiety I. She had been thinking about starting a custom tile business *someday* for a number of years. When she was asked what was holding her back, she identified about 20 different reasons why she could not start her dream business. Her list of restraining forces included losing the steady income and the associated fringe benefits, uncertainty about making mortgage payments on her house, having young kids, and a number of other logical and socially acceptable reasons. When each restraining force was subjected to closer scrutiny, however, it turned out that the risks associated with each one could be addressed in a constructive manner via her marketability, having enough money in savings, and having a supportive husband. When all the restraining forces were addressed and she was asked what was really holding her back, she responded, "I am the reason I have not started my dream business!"

When she recognized it was her own apprehensiveness and not all the other reasons that was holding her back, she sat down to see if there was a way to reduce the risks associated with starting her business. She realized that she did not have enough information about the market and all the logistics associated with starting a custom tile business. She also realized she would not be able to do the research on a time-available basis.

She decided to approach her boss and see if she could negotiate a four-day week for 80 percent pay with full benefits. She knew she had valuable skills and her boss would rather have her there for four days than let her go and search for a new vice-president.

Her boss agreed to the proposal with the understanding that he could call her at home on Fridays if something came up.

She used her Fridays to analyze the market and to talk to potential suppliers, customers, and distributors. When she learned they were interested in her ability to make custom tiles, she devoted the next few Fridays to making some sample tiles. She found that having Fridays to work on her business concept gave her a chance to gather critical information and test her concept without having to quit her job. She was able to have her cake (test her business concept) and eat it (keep the security of her job, paycheck, and medical coverage), too. She then decided to launch her venture on a part-time basis to see if it really had potential. As her business picked up, she negotiated a three-day week and then a two-day week. She did not feel guilty about reducing her time with her employer because she spent a lot of it training her successor. When the successor was ready to take her place, she left the firm and committed herself to growing her venture.

The moral to the story is that by easing into the business, she was able to see if her dream venture met the thresholds for all three dimensions of the entrepreneurial triangle. She found her professional background provided her with the skills needed to start and manage that type of business. She found she had the artistic talent to design high-quality custom tiles. She found the custom tile business could be very lucrative and that it had the potential to be expanded geographically. She found she had enough money, equipment, contacts, and other resources to start the business.

Her market research indicated that customers will pay in advance for custom tiles. This would reduce her initial capital requirement and risk because her customers' prepayments would provide valuable working capital for her business. She also found that this wasn't just a hobby or a form of escapism for her—she had a passion for the business and the market wanted what she had to offer. Some people find that when a hobby becomes a job, it loses its appeal. It's like working in an ice cream store. After awhile, you don't even want to look at another scoop of ice cream. In her case, she found that the tile business was her *calling.*

Anxiety I can be viewed as what someone may have to lose or give up to start a business. This is also called *opportunity cost.* Michael Dell provides an excellent example of what can happen when there is minimal opportunity cost. He started selling computer equipment out of his dorm room when he was a freshman at the University of Texas. Before the end of the academic year he had sold more than $80,000 of equipment per month. His start-up PCs Unlimited became Dell Computer. He noted, "The opportunity looked so attractive, I couldn't stay in school. … The risk was small."[10] He had only two opportunity costs. The first one involved the small amount of money he put into the business. The second one was that he would have to return to University of Texas the next year if it didn't work out. He didn't consider being a college student to be much of a penalty!

Reality Check

You need to be objective about the realities of starting and managing a venture. Starting a venture is not a sprint; it is a marathon. It is not something you do over the weekend or for a month or two. You have to be committed to go the distance. It is easy to get caught up with the opportunities associated with starting and managing a new venture. You also need to take a hard look at the opportunity costs—what you won't be able to do as a result of starting the venture. Take a moment to ask yourself, "If my venture is a success, will I have any regrets for the 50 to 70 or more hours a week I will spend managing it? If you see yourself as having the time of your life, then there is no sacrifice or opportunity cost. If there are certain things that you wouldn't be doing that would cause you to feel some guilt (like time spent with your family, etc.) because you were not doing them, then you might not be ready for the journey.

REALITY CHECK

The impact that starting a new venture can have on one's psyche is highlighted by Tim DeMello when he was asked to reflect on the challenges of pulling the plug on a $175,000 job at the age of 27 to start Wall Street Games Inc. He stated, "It's not a job, it's not a career, it's a way of life. … When I started Wall Street Games, that was the loneliest period of my entire life. … It's one of the scariest things in the world to sit there with an empty legal pad and understand that nothing's going to happen unless I initiate it."[11]

REALITY CHECK

Don't expect divine guidance to know if you should start a venture or divine intervention to get you to actually do it. Don't expect to hear some voice from above say, "Now is the time!" The commitment to starting a venture can't come from your banker, your accountant, or your attorney … it must come from within! If you have to wait for someone to tell you that you should start a business, then don't quit your day job!

Anxiety II is entirely different from Anxiety I. Anxiety I is associated with the risk, consequences, and opportunity costs of doing something. Anxiety II is associated with the consequences of not doing something. The American culture is known for its *bias for action.* The following statements capture the attitude of some of the people who embark on the entrepreneurial journey.

- "Throw caution to the wind."
- "You only go around once."
- "You can't take it with you."
- "Time waits for no man."
- "Opportunity only knocks once."
- "He who hesitates is lost."

Anxiety II focuses on guilt and regret. It focuses on what life could have been like by not doing something rather than the risks associated with doing something. It is rooted in the questions:

- "What would my life have been like if I had … ?"
- "If I had bought XYZ stock at $10/share, then …!
- "I could kick myself for not …"

Anxiety II is reflected in the statement, "It is better to have tried and failed than to not have tried at all."

The following three examples highlight the power of Anxiety II. The first example illustrates how a decision not to seize the opportunity can haunt you. The second example illustrates the power to seize an opportunity. The third example shows what happens when Anxiety II is stronger than Anxiety I.

A few years ago a very successful restaurateur was asked to reflect on his career. Instead of smiling and talking about his restaurants, he shook his head and reflected on a call he got from a friend a few years earlier. His friend called one night and asked him if he would be interested in buying the franchise rights for two states for a new hamburger franchise. The friend indicated he could buy the rights for $100,000. The restaurateur noted there could not possibly be room for another hamburger franchise because McDonald's, Burger King, Burger Chef, and Hardee's dominated the market. When he asked what made the new hamburger franchise different, his friend indicated that the new franchise served square hamburgers! The restaurateur thought his friend was kidding, so he scoffed at the offer. The restaurateur indicated he would regret that decision for the rest of his life. He had turned down the opportunity to secure the rights to Wendy's franchises for two states!

Jeff Bezos utilized what he calls a *regret-minimization framework* to explain his decision to start Amazon.com. In 1994, at the age of 30, he came across a report projecting annual growth in Internet commerce at 2,300 percent. He projected himself into his 80s and asked what regrets he would have about his life. Ironically, he probably wouldn't remember all the things that seemed important right then on Wall Street. He realized that he would definitely remember that he'd ignored the emergence of the Internet just as it was happening. He believed that if he missed the emergence of the Internet, he'd have missed what he believed to be a "critical category formation time." Three months later, he walked away from being the youngest senior vice-president of D. E. Shaw, a Wall Street hedge-fund firm. Five days after reaching Seattle he set up Amazon.com in his garage.[12] Within five years, his stock in Amazon.com was valued in excess of $10 billion!

A thirty-something enrolled in an evening MBA program approached this author a few years ago to discuss what was on his mind. He indicated that for the last two months he had become obsessed with an idea for a new venture. I asked him if he was productive while at work in his job at a professional services firm. He indicated his concept kept him from focusing on his work. I asked him what it was like when he was with his girl friend. He indicated that he had to discipline himself to look like he was paying attention to her when he was actually thinking about his business concept. It was clear that he could not eat, sleep, or drink without thinking about his business concept. It was also clear that if he didn't take the time to do an in-depth analysis of the venture's prospects, he would be fired for doing lousy work, lose his girlfriend to someone who valued her, get sick because he was not taking care of himself, and never know whether the concept was really worth pursuing. He then committed himself to investigating the pros and cons of the venture. The research indicated that the idea had merit. It also put him in a position to recognize that he had more to lose by not pursuing the new venture than by starting it. These insights played an instrumental role in giving him the incentive to start the venture.

REALITY CHECK

This book is designed to help you determine whether an opportunity is worthwhile and if you have what it takes to beat the odds. If your venture concept has merit, then it will help you go from Anxiety I to Anxiety II. Anxiety II is reflected in the guilt that people have for not doing what they know they could or should have done. Henry David Thoreau captured the essence of Anxiety II when he observed, "The mass of men lead lives of quiet desperation."[13] There are times to think and there are times to act. When you get to Anxiety II, you are one step closer to transforming your dream into reality. You have a choice. Do you want to live a life of quiet desperation, or do you want to live a life where you seized the moment?

BEWARE OF ENTREPRENEURIAL MYTHS

There are a number of myths about entrepreneurs and the entrepreneurial process. They range from entrepreneurs are born and that entrepreneurship cannot be learned all the way to statistics that say only 1 in 10 entrepreneurs succeed. This section debunks a number of the myths.

Myth 1: Entrepreneurs Are Born Not Made

There is no *entrepreneurial* gene. Although people may be born with a high aptitude for learning, most people's lives are influenced by their surroundings. If your family has a lot of money, then that might help you get a better education, influence whom you may meet while at college, provide a source of initial funding, and provide a helpful network of contacts. Yet a number of prominent entrepreneurs have been classic Horatio Alger stories. Many came to this country with little education, money, or contacts. They created successful ventures through their ability to learn, resourcefulness, and never-ending commitment to making a life for themselves and their families.

Myth 2: Entrepreneurship Cannot Be Taught

Entrepreneurship is both an attitude and a process. Research indicates most people's basic values, personality, view of the world, and self-concept are established in one's formative years. One's attitudes are the product of one's experiences. Some experiences may build one's self-confidence, raise one's level of aspirations, and shape one's goals. Self-confidence has a direct impact on an individual's attitude toward risk and one's ability to make things happen. People can be encouraged by others to embark on the entrepreneurial journey, but the attitude to be an entrepreneur cannot be taught any more than ethics can be taught. People can be taught about the excitement of being an entrepreneur, just as people can be taught the need to be ethical—but this does not mean they will have the courage to be an entrepreneur or have the moral fortitude to act in an ethical manner when they are faced with a moral challenge.

When I was writing my first book on entrepreneurship my editor asked me to prepare a pencil and paper test so readers could find out if they are entrepreneurial. I indicated that people who know themselves should already know if they have what it takes to "boldly go where they have not gone before."

Desh Deshpande, who founded Sycamore Networks, put the decision to start a business in perspective. He stated, "When people ask me, 'Should I start this business?' my answer is no. You're ready when you don't need permission. You will be feverish about it. You will be like the kid who gets a bicycle but has to wait until morning to ride it because it's too dark. An entrepreneur knows what it's like to be made sleepless in anticipation of dawn."[14]

Chapter 1 does not provide a simple test but it does profile qualities that contribute to entrepreneurial success. Although the *attitude* cannot be taught, the *process* of entrepreneurship can be taught. Starting a new venture involves a series of steps. These steps are profiled in this book. They include market analysis, doing financial projections, developing a plan, raising funds, and making sure you have the right people in the right place at the right time. The process is not rocket science. It is fairly logical and uses tools and techniques that can be learned. Ironically, by learning the process people find there may be less risk to starting a venture than they originally thought. When they realize there is a market opportunity, that they have the needed skills, and they have the resources, their attitude about starting a venture may also change.

Myth 3: I Will Be My Own Boss

A lot of people start businesses so they can be their own bosses. Although you may own the business and have the title of president or chief executive officer, you will not be your own boss. If you have difficulty when your current boss tells you what to do and makes suggestions for how you can improve your performance, then you will probably have more difficulty dealing with customers who will suggest what you need to do differently. The customer may not always be right, but you have to put up with their suggestions, constructive criticism, and complaints. As a matter of fact, you will have to find a way to solicit their suggestions and thank them when they offer them. Without their input, you run the risk of being out of sync and going out of business. Remember, your customers can fire you. If you don't offer the market what it wants, you won't have a business to run.

Reality Check

Entrepreneurship is an exercise in humility. Although you need to have confidence in your ability to make the right decisions and to make the right things happen the right way, there will be times when you will need to leave your ego at the door. Your employees, customers, suppliers, distributors, and even friends and family may be in a position to provide insightful and constructive criticism. It may be your business, but you do not have a monopoly on wisdom. You must be open to other people's ideas. You must also be willing to change what you are doing and try new things. If preserving your ego is more important than having your business fulfill its potential, then don't take the journey. A note of caution may help here. Although you must be open to others' ideas, you have to recognize the decisions are really up to you. If you fail, you cannot blame others.

Myth 4: Most New Ventures Fail

The statistic that 90 percent of all new ventures fail within the first five years is cited more than the pledge of allegiance in some circles. First, the statistic is not correct. The majority of firms that are started this year might not be around in five years. Some of them will fail, some of them will be sold, some of them will be shut down because they did not live up to their founder's expectations, and some of them will just fade away. Yes, there are risks, but they vary with the type of venture, the level of experience of the entrepreneur and the entrepreneurial team, how the venture is financed, and a whole host of other factors.

More than 800,000 businesses are started in the United States each year. A high percentage of these businesses are started by first-time entrepreneurs and people who have tried and failed before. Some of these people have no business starting a venture. Their lack of ability and/or lack of sufficient resources put them in a position where failure is almost inevitable. They are destined to fail before they even start their ventures. These people skew the *rate of failure* statistics so it looks like no one in their right mind should even consider starting a business. Their business is based on one or more unfounded assumptions or contains an unseen *fatal flaw* that cannot be fixed with all their blood, sweat, or tears! Other ventures will die a quick death because their entrepreneurs will fail to prepare them for various contingencies. They will be sold, shut down, or liquidated because they lose a key account, fail to collect sufficient receivables, or get out of sync with changing market expectations.

Reality Check

Don't get caught up in the failure rates—your job is to change the odds.

The only statistic you need to know is that the odds for success should be stacked in your favor if you: (1) identify a lucrative and lasting opportunity, (2) have sufficient resources, (3) possess the right skills, (4) look before you leap, (5) develop a business plan, and (6) continually update your products, services, and skills so you maintain competitive advantages.

Reality Check

People consider starting ventures for various reasons. There are good reasons and bad reasons for starting a new venture. Market opportunities represent the best reason. Starting a new venture to provide a product or service that the marketplace yearns for but has not been served may represent an excellent opportunity to beat the odds. When market demand exceeds supply, consumers are more forgiving of the types of mistakes made by new ventures.

Myth 5: I Can Always Start My Own Business

Being laid off or fired may be among the worst reasons to think about starting a new venture. These "reluctant" entrepreneurs tend to embark on the entrepreneurial journey for all the wrong reasons and they rarely have what it takes to succeed. If they got fired, then it may have been because they were unwilling or unable to keep up with changing job requirements. If they were laid off, then they may not have seen the layoff coming. Their lack of perceptiveness may cause them to miss key market changes with their new venture. In either case, they need to take out a mirror and do a personal reality check. The differences between people who really want to be entrepreneurs and reluctant entrepreneurs are similar to the differences in people who jog on a regular basis. Joggers generally fall into one of two groups. The first group jogs to get fit and to get the most out of their lives. The second group jogs because it is a form of escape. They jog to get away from things—they need time and space to get their lives in order. Those who do not have their mental house in order should not consider starting a new venture until they are mentally and physically fit!

Desh Deshpande noted that another way to prepare for this path is to be financially ready. He stated, "When you take a plunge like this, you have to be willing to say, 'I'm going to live on nothing for a certain period of time.' Either you are financially self-sufficient or you live a lifestyle that needs very little money."[15]

Reality Check

Entrepreneurship is not in the same time zone as salaried employment. Starting a new venture should not be considered in the same list of alternatives that includes leaving one job to take a different or better position with one's present employer. Nor is starting a new venture in the same list of alternatives as changing employers or even changing one's profession. The transition from employment to entrepreneurship is not simple nor is it smooth.

REALITY CHECK

Entrepreneurship should not be considered as a solution to a mid-life crisis—even if a mid-life crisis occurs when one is in his or her twenties or thirties! George Dawson, who is president of Growing Your Business, notes, "The worst thing you can do is become an entrepreneur because you hate your present job."[16]

Myth 6: I Can Be an Entrepreneur Because I Have Been Successful in Corporate America

Being successful as a professional is no assurance that you have what it takes to be a successful entrepreneur. Ascending the organization chart of an established firm—whether it is a bank, a pharmaceutical firm, or a company that manufactures electronic components—is not the same as starting a new venture. Entrepreneurship takes different qualities, skills, and resources. Entrepreneurship is like a juggling act. A science teacher once noted that the best jugglers can juggle up to six objects at one time. Jugglers who try to keep more than six objects in the air may experience a mental shutdown. Entrepreneurship involves dealing with a multitude of factors at one time. As a professional in an established firm, you may have faced numerous challenges, but they usually were related to a specific facet of the firm's operations. Life for the entrepreneur, especially during the start-up stage, is characterized by different challenges that cover the whole business spectrum—and it can seem like trying to juggle 20 items at one time.

REALITY CHECK

Professionals may face an uncertain future. Working for a firm—even a *Fortune* 500 firm—no longer guarantees job security. Starting a new venture, however, involves even greater risks. Although the professional may lose his or her job, the entrepreneur is fully exposed. When a professional loses a job, he or she may go for weeks or months without a paycheck. When a new venture goes down, the entrepreneur may lose all of his or her tangible assets.

REALITY CHECK

Starting a new venture is far more challenging than launching a new product or service. People in the marketing field should not view starting a new venture to be just a little more challenging than introducing a new product or entering a new sales territory. Starting a new venture is far more comprehensive and it takes a broad range of skills. It also takes more time and more resources. A product manager may be risking his or her bonus, raise, or even job when a new product is introduced, but entrepreneurs frequently risk their homes, retirement plans, and personal bankruptcy when they start a new venture.

REALITY CHECK

The challenges of starting and operating a new venture tend to quickly overwhelm even those who were smitten with the prospect of having their own business.

Entrepreneurs don't work bankers' hours. Entrepreneurship is not a nine to five job. People considering starting their own business must be prepared to commit 70 to 100 hours per week to their venture. Entrepreneurs frequently put in 10- to 15-hour days six or seven days a week. Although most people believe that entrepreneurs put in these hours because they love their creations, it is clear that they primarily do it to keep their business afloat. They yearn for the day when their cash flow will permit them to hire additional staff so they can have a life away from work. An Australian entrepreneur who started a vineyard noted that he had taken only three days of vacation in the last four years.

NEW-VENTURE FACTS OF LIFE

There are a number of things to keep in mind when you think about the odds for starting a successful new venture. The *likelihood* for success varies as much as the *extent* that you are successful. The following figures represent a rough estimate of the degrees of success for the founders of the ventures started this year that actually beat the odds:

- A handful of ventures will create incredible wealth.
- About 5 percent of the ventures will generate substantial wealth.
- About 20 percent of the ventures will provide a sufficient level of profit in return for the entrepreneur's time, risk, and investment.
- 50 percent of the ventures started this year will provide enough return to keep them going from one year to the next.
- 25 percent of the ventures started this year will live a precarious type of existence.

REALITY CHECK

If you embark on the entrepreneurial journey then proceed with realistic expectations. Although Jeff Bezos, the founder of Amazon.com, may have been able to take his ideas for creating an *electronic portal* for selling books and other consumer products over the Internet, few entrepreneurs will see their businesses generate more than $10 billion in personal wealth within five years. For every super-nova like Intel and Amazon.com, there are hundreds of thousands of new ventures that just get by.

REALITY CHECK

Your focus should not be on avoiding failure or just making a profit. If you're going to take the entrepreneurial journey, then you should do it because you want to do more than just beat the odds. Your goal should be to create an *exceptional* enterprise. Your venture should put you in a position to enjoy the challenges of building an exceptional enterprise. It should also generate more than enough profit to justify the time and money you have invested in the business. Robert Townsend, the author of *Up the Organization*, once noted, "If you can't do it excellently, then don't do it at all. Because if it isn't excellent, it won't be profitable or fun, and if you're not in business for fun or profit, then what the hell are you doing here?"[17]

ARE YOU COMMITTED ENOUGH TO TAKE THE JOURNEY?

Starting a venture is more than a casual undertaking—it takes total commitment. The difference between going through the motions and being truly committed can be seen in a breakfast that includes eggs and bacon. The chicken may have participated in the meal, but the pig was truly committed!

The same distinction may be drawn between dating a person and marrying that person. Dating can be filled with fun and passion, but before you propose you need to be objective enough to do your own reality test. You need to determine whether it is the temporary infatuation associated with just a crush or whether it will stand the test of time. Carl Wallenda, the great high-wire performer, was once asked why he risked his life traversing the wire. He responded, "When I'm on the wire, I'm alive … everything else is waiting!" In the beginning, you may view the time you spend contemplating and starting your business to being *on the wire*. In most marriages, the excitement of the wedding and the honeymoon that follows tends to be short-lived. When the honeymoon is over, the work of maintaining a successful marriage begins.

Step back and ask yourself, "If I spend all my time trying to make my spouse happy, will I be happy? If you and your spouse have identical needs, then you will not be making any personal sacrifices doing what your spouse wants. The same applies to having your own business. You must be sure your new venture will truly meet your needs. Marriages have ended because of incompatibility and irreconcilable differences. The same can happen with your new venture. Remember, if you get divorced you may lose half of what you have. If your venture fails, you may lose all you have.

Calvin Kent noted, "An entrepreneur is someone who works 16 hours for himself or herself so he or she doesn't have to work 8 hours a day for someone else." It should be clear by now that your commitment to your business will be contingent on the satisfaction you get from it. If your venture fulfills your dreams, then there will be minimal opportunity cost or personal sacrifice. If it doesn't meet your needs, then it could be your worst nightmare.

Lanny Goodman of Management Technologies notes, "Your first order in starting a company is to design your business to satisfy your needs." He stresses the need for entrepreneurs to practice creative selfishness.[18] He recommends that entrepreneurs ask the following questions: (1) What do I want and need out of my life? (2) How can my company help me accomplish that? (3) What should such a company look like? and (4) How do we get it to look like that? He noted, "When your company doesn't fulfill your needs first, and balance the customers' and employees' needs with them, everything unravels. Either the business will just fall apart or you'll wind up with this sick, codependent, very toxic environment." He further stated, "It's tragic that our entrepreneurs—the people who put their butts on the line every day, the people who have the intelligence, drive, ambition, commitment, and courage should wake up one morning and realize they've created a monster that's devouring their life."[19]

As a professional, you may have had aspirations to make it to the top and be the firm's chief executive officer. When you start your own business you start at the top. You *are* the chief executive. When you start your own business you are also starting at the bottom. Until you hire someone else, you are also the labor force. You will have to do it all. There may come a time when you can delegate a lot of the "stuff" you don't want to do. And there may come a time when you can direct your attention to the things you really enjoy at work. But until then, every job is your job!

Although the person who wanted to start a custom tile business indicated it might be possible to test the concept on a small scale without committing considerable resources and quitting her job, most ventures that have considerable potential are faced with a window of opportunity that won't wait until it's convenient for the entrepreneur. Most market opportunities will require total immersion. John Chuang, of MacTemps Inc., noted, "Commit to the business—don't just do it on the side. If you have the vision and really believe in it, you should commit to it wholeheartedly."[20]

Talk is cheap. The same is true with dreams of starting your own business. Baseball is full of clichés. Two clichés apply quite well to those who dream about starting their own business. The first one is, "You've got to step to the plate." You must be willing to make the commitment. Nothing can happen until you actually step into the batter's box. The second is, "You can't steal second if you keep one foot on first base." You must be willing to put yourself at risk to be an entrepreneur. You must be willing to step out of your comfort zone before you can start the entrepreneurial journey.

REALITY CHECK

This could be called the *commitment check:* James Sheldon and Burt Alimansky provide an interesting reality check for entrepreneurs to see if they are committed enough to their venture for investors to commit their funds to it. They ask entrepreneurs, "If you were offered the opportunity to take a job with an investor's company for $200,000 a year, a lucrative bonus or stock option plan, and five weeks off for vacation each year, would you take it?" They note that if the answer is yes, then the investor knows that you aren't truly committed.[21]

CONCLUSION: ENTREPRENEURSHIP IS A DIFFERENT WORLD

The thrill of starting a venture for many entrepreneurs is often followed by a fondness for the good old days when they weren't on the *entrepreneurial high wire.* Many entrepreneurs yearn for the *corporate days* when they worked for someone else and they didn't have to worry about making payroll, when they took worry-free vacations, and when they had time for their families, hobbies, pets, and pleasure reading. In the corporate days when things didn't go as planned, your employer provided the staff and resources to help you get the job done. At the end of the day, you might have even been able to mentally and physically walk away from the day's challenges.

As an entrepreneur, you can't mentally walk away from your firm. It's always there. It's a part of you. When you are at home with your family, your business's challenges will be there with you. When you are on vacation (if you have the time and the money to take a vacation) your business's challenges will be there, too.

There isn't a switch to mentally turn your venture off. You can't leave work at work. You can't walk out and leave things for tomorrow, and you can't leave it for someone else to take care of. There will always be a multitude of things that need to be done, fixed, or prepared for—and it is all up to you to make sure they are addressed. There will be times when the challenges and frustrations seem like they are endless. For everything you complete, it will seem like there are five more things that must be done.

Before you begin the journey, you need to answer one of the most perplexing questions in life: "Do you work to live or live to work?" It is vital that you know whether your business is a means to an end or an end in itself. If you live to work, then you will need to have your mental and physical house in order. You will need to make sure everyone you value recognizes that your venture comes before everything else. If you work to live, then you will need to put your venture in perspective. You will need to find the type of venture that will give you the time, freedom, and income to do the things that matter when you are not at work.

REALITY CHECK

Make sure that those around you are supportive of your entrepreneurial journey and that they also benefit from it. New ventures are like a whirlpool; they drain all your time, energy, and emotions. Most entrepreneurs acknowledge they feel guilty about the limited time they spend with those they care about. Make sure your efforts to fulfill your entrepreneurial dream do not become a personal nightmare for you and those around you.

> **REALITY CHECK**
>
> Starting and growing a venture will strain even a good marriage. From a personal point of view, a divorce would be a major loss. From a business point of view, it could force you to divide up your assets. Since most businesses are undercapitalized, a divorce might also bring your business down. If your marriage goes down, where will the money come from to pay your spouse for the settlement? Your business will already be underfunded and your house will be mortgaged … and second mortgaged to finance your new venture. Recognize that you and your business can't afford a divorce. Do whatever it takes to keep your marriage and your business.

Chapter 1 identifies various skills and qualities that can be essential for starting a business. It also provides a foundation for inventorying your skills and assessing whether you are ready to embark on the entrepreneurial journey. By the time you finish Chapter 1, you should have a clear picture of the areas you will need to strengthen. It will also help you identify the types of people you will need to have on your management team to supplement your skills and qualities. If you are an *idea person* you may need to hire someone who likes dealing with the details and making sure nothing falls through the cracks. If you can't afford that person when you start the venture, then you will need to be sure you have systems in place that monitor operations carefully, because you won't naturally do it.

A lot of people have ideas, but few have the courage
and persistence to see them through.
A lot of people have dreams, but few have the ability
to transform them into viable businesses.

—Stephen C. Harper

ENDNOTES

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