Becoming an Entrepreneur

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DO YOU HAVE WHAT IT TAKES TO BE A SUCCESSFUL ENTREPRENEUR?

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Before we start

Let's be clear what this book's not about…

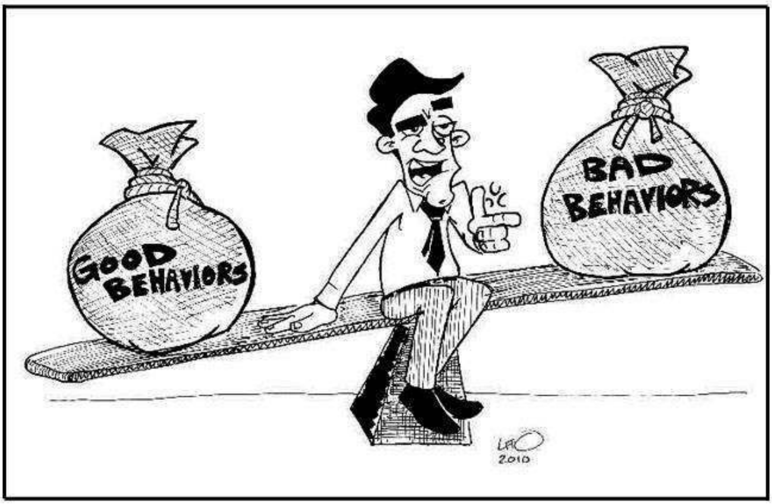
The management schools have many excellent courses which capture 'best practice', and most textbooks claim to distil best practice as well. This book is not trying to define a standard successful entrepreneur, or even a single process for becoming a successful entrepreneur. It is for those who are interested in the adventure of building an innovative, start-up business, and want to understand the characteristics of entrepreneurs (or those posing as entrepreneurs) which can either inhibit or enhance their chance of success as they blaze a new trail.

The term 'entrepreneur' has been loosely used to describe anyone who tries to run a commercial venture, whether they are managers, inventors, franchise-holders or small business owners. The term is used through this book in a narrower way. It limits entrepreneurs to those who innovate in building a new business. It will be seen that many business failures occur because the 'entrepreneur' really does not have the ability to innovate… and following a me-too strategy (particularly with a new technology) is a very risky practice.

I have written this book because I have long experience in building entrepreneurial businesses, and believe that working with many young companies has given me a range of useful insights. I have built several companies of my own, and have worked on many others. This book summarizes what I've learned about entrepreneurs in real business-building situations. Although I also draw on my doctoral research on entrepreneur behaviors, I do not claim this book to be more than a summary of what I've found in practice.

Many people wonder if they could be called an entrepreneur. Some people wonder if they'd want to be an entrepreneur. Being an entrepreneur is more than just being someone who starts a business. This book suggests that being an entrepreneur is as much about who you are as about what you do (Although, of course, starting businesses is a necessary feature of entrepreneurial behavior, it's not the only one).

This book recognizes the entrepreneur as simultaneously the greatest asset and the greatest potential liability in the start-up business. The entrepreneur introduces a level of risk which many investors recognize to be at least as significant as any other risk factor. For this reason, venture capitalists and Angel investors assign considerable weighting to their assessment of the entrepreneurs' backgrounds when deciding whether to invest in early stage businesses.



"Overall, he'll probably make it as an entrepreneur."

The potential entrepreneur should similarly assess their own potential to be a creative driver or to be the destroyer of their business, and should take steps to cover for any weaknesses which are discovered. This book identifies some of the typical entrepreneurial assets and liabilities, and discusses how to gain greatest benefit from the behavioral assets, while minimizing the effects of the behavioral liabilities.

The examples in each chapter are taken partly from a start-up company in which I conducted two years' research on the behaviors and learning processes of the participants, and also from a selection of the forty or so start-ups with which I have worked closely over the last fifteen years. No attempt is made to prove any particular theory. This book is replete with generalizations, for which I make no apology. They reflect my experience in dealing with entrepreneurs, rather than any universal truths, and should be understood as such. They are merely the viewpoints of an observer, and participant, in entrepreneurial businesses.

One of my first high-growth entrepreneurial ventures, MeterCo, crashed and burned suddenly. It was this experience which made me realize the value I could gain by reflecting on both successful and unsuccessful ventures. Hopefully, my reflections can be useful to other would-be entrepreneurs.

The names of people and companies have been changed so people can't sue me for highlighting their dumb behavior. I also caricature a number of roles, such as Accountant, Manager, Engineer, Academic, Scientist, and Entrepreneur. These caricatures are intended to clarify and differentiate, rather than to define. So, if you find yourself saying, "I know managers who are nothing like that!" you are probably right… but you're probably also wasting your time reading the book, as you will have missed the point.

Chapter 1 – Passion, Fear and Failure

Passion

I start my tale with a story of passion, because that is one defining characteristic of entrepreneurs' behaviors (one of several). Let me start with Mavis's passion:

StartCo: Mavis's passion

Mavis was a late-middle-aged woman who had been working on her business for a couple of years when I first met her. Four years later, she was still going hard at it. I asked her about her lifestyle. She said, "I work until night time, then I buy a burger at a drive-through on the way home. When I get home, I get on the computer and work until the early hours of the morning. I fall asleep over the computer, get up the next day and do it again." She had no thought for weekends, holidays, or leisure time. Her passion drove her.

She was a very happy person, who was a pleasure to be with. Her years of effort had tired her, but not reduced her enthusiasm.

Mavis's passion inspired a lot of people to support her, as does the passion of many entrepreneurs. Investors know that it is often the passion which drives an entrepreneur to persist through the start-up's darkest hours and pull it from the brink of failure.

In Mavis's case passion was not enough. She lacked many other abilities, and her passion allowed her to keep her business going long after her lack of organizational skills, inability to learn from her experiences, and financial irresponsibility should have driven her under. So, while passion is a necessary ingredient for an entrepreneur, it's not enough by itself. However…it's a great start!

Key Learning: Entrepreneurs never lack opportunity for long. The world is awash with businesses waiting to be built. Entrepreneurs should focus on businesses they feel passionate about, as the passion will keep them going when times get tough.

On the other hand, I find it very discouraging when passionless people ask me to support their ventures. It feels like they want my money, my expertise, and my drive, leaving them with a comfortable management role (and most of the equity!).

"I've got an idea, but I'm feeling tired, how about making me rich?"

Other people's lack of passion can be an emotional drain on the entrepreneur. It's bad enough when others are just free-riding on the entrepreneur's enthusiasm, but there are also plenty of nay-sayers actively attacking that passion: "Someone else will probably get to market first.", "Is it really worth the effort?", "The hurdles are just too big."..., and so on. Often the nay-sayers have the best of motives. They want to ensure that the entrepreneur isn't carried away by their passionate enthusiasm to an extent which leads them to destroy the business. But, instead of offering positive suggestions to guide the fire to the right fuel, the nay-sayers throw buckets of cold water on the entrepreneur's burning passion.

I have worked with several entrepreneurs who had difficulty sustaining their passion because their spouses lost enthusiasm for the venture. It was hard to stay energized when they were being reminded (sometimes subtly, and sometimes less so) that their passion for their new venture was cutting into the family's quality of life, and risking the family's financial future.

Before an entrepreneur commits to a new venture with, potentially, years of effort in front of them they should be sure they have the support of their main stakeholders and have worked out how to maintain that support.

Sometimes passion for an idea can be confused with passion for building a business. That was the case with Hiram and Fred:

Beluga Bay: The wrong passion

Hiram and Fred developed and patented their technology. They formed Beluga Bay sold a few units, and won some awards for their innovation. I agreed to help them build their company.

Each of the founders had a strong academic background, and they were excited about what their technology could do.

For the next two years, we developed the business model and chased likely channel partners. But neither

Hiram nor Fred was prepared to leave their safe, high-paid jobs. They had already received recognition for their innovation, and they basked in their awards and their status as 'entrepreneurs'.

Eventually Hiram conceded that they weren't really interested in the hard work of building a successful business. Their passion was for the idea, and they were really hoping that someone else might want to build the business.

We gave up on building an operating business, and I looked for licensees for the technology. But Hiram and Fred had no passion for business in any form, and made little effort to close license deals.

Passion without knowledge or ability (Mavis), and passion without drive (Hiram and Fred) is insufficient to build a business. Entrepreneurs need passion, but they need much more as well.

Stupidity, greed, and laziness

Of the 40 or so start-ups I've worked closely with, only a few have failed because of issues outside their control (such as their products being overtaken, or markets changing). Those that have failed have mostly done so because of stupidity, greed, or laziness of stakeholders… and, most often, the culprit was the entrepreneur/founder.

Greed has been the downfall of perhaps 20% of these failures. I have found greed to usually come from three sources:

- Incoming investors, who tie the company in knots as they try to manipulate control from the founder (thankfully a rare occurrence);
- Team members who come to believe that they deserve more of the pie, and have the power to sabotage the

company when they don't get what they want; and
- Founders who expect others to help them build the business, but won't offer fair compensation to incoming stakeholders. This includes founders who turn down strategic deals with strong partners because they under-value what they bring to the deal.

Greed ties the company in knots as stakeholders fight among themselves rather than focusing on building the company.

Swan Inc: Blowing the deal

Swan Inc was a company which had been trading for less than a year. We had created a great brand story, but our turnover was very small. I took the CEO to meet with executives from a media corporation who had the power to make Swan Inc fabulously successful. The media company liked our story, and we began to develop an agreement to roll out our technology.

As the relationship developed, the Board and GM of Swan Inc felt that we were giving too much away. The CEO and I disagreed, but the Board weren't happy to proceed until they achieved some additional concessions. As the negotiations continued, market conditions changed, the media corporation went through an internal upheaval, and the deal with Swan Inc was suspended.

The CEO of Swan Inc left the company (because of a wider set of issues), and I also ceased my involvement. Swan Inc was obliged to cut staff and sell shares at a very low price to raise cash as it struggled to stay afloat. Eventually the media company returned to the table, and Swan Inc gratefully accepted a deal which gave them a fraction of what they'd previously negotiated.

Laziness has brought down another 20% of the companies I've seen fail. Although I use the term laziness, I include all the responses that follow on from, "Gosh, I didn't realize building a high-growth business would be such hard work!" Some of the founders have very good reasons for their 'laziness', and they are right to quickly give up. Sometimes a person with a young family realizes that the business is less of a priority than spending time with the children. But, more often, the founder who was driven by the excitement of the idea simply loses motivation when he/she has to face up to the years of hard work that are required.

Stupidity has been by far the greatest cause of failure amongst the entrepreneurs I've tried to help. It's easy to see why entrepreneurs do stupid things. They're in very stressful situations for long periods, usually short on sleep, and not psychologically disposed to accepting good advice (I discuss this later). The stupidity shows up in a number of ways, a few of which are:

- **Abandoning plans when they're half enacted**: Some entrepreneurs become impatient when results take longer to achieve than expected, and jump from one plan to another, never giving a plan time to bear fruit. An entrepreneur I worked with recently commented that none of the leads I'd given him had led to deals. He'd followed each one until he had 80% of the work done (including Memoranda of Understanding with potential partners) and had let each one drift to nothing as he turned to chase the next rabbit.
- **"Worshipping false gods":** Some entrepreneurs are very impressed by the credentials of specialists (accountants, marketers, and so on). The entrepreneur follows one piece of advice to success, and then slavishly does whatever the specialist advises

thereafter. This trait has particularly led to the demise of a couple of companies I worked with who had young, inexperienced founders.

- **Believing their own press:** I have helped a number of founders to raise funds, recruit staff, and make their first million dollars or so of sales, only to have them reject further help. Because they are now hailed in the community as successful start-up entrepreneurs, have a team of 10-20 staff, and have happy customers, they think they've done the 'hard yards'. They become much more opinionated, start doing speeches to rotary clubs and University classes, and generally behave as though they're senior pillars of the business community. Or, if they're more introverted, they keep a lower profile but embark on interesting projects like developing new products, hiring 'people with potential' (a euphemism for someone who doesn't add value today), or exploring new markets. Their costs balloon, revenues stagnate, and the liquidators are called in.

KangerooCo: Persistent stupidity

Able formed KangerooCo when he finished his University studies. His ideas were innovative, but he knew little about building a business. I worked with him for two years, during which we grew the business organically to 14 staff.

My relationship with Able started very well, but after a few months we began clashing on a number of issues. He wanted to hire an admin person who had no experience but who fitted well with the company's young culture. I wanted him to employ a mature, experienced admin person to bring some wisdom to the company. Able had his way. Eventually, the bank threatened to close the business down because they couldn't control their cashflows. I stepped in and sorted out the problems with the bank.

I had insisted that Able assemble a Board of Advisors. He soon stopped listening to their advice, and the Board stopped meeting. Able was sure that they simply didn't understand his vision.

Within a few months, the company was in financial trouble again and, for the second time, I found a solution to keep them trading. I also brought him most of his customers. Despite his company needing these interventions, Able was beginning to believe that he was a skilled business person. He was receiving a lot of favorable local press, and spoke to students at the University about his 'entrepreneurial journey'. He became an active commentator on industry issues.

Finally, we reached a point where Able and I agreed that he would not benefit any more from working with me. He believed it was because he knew all I could show him; I believed it was because he would no longer listen to me. We parted company.

I watched the business from afar, through mutual friends. Able continued to talk like a winner but without me bringing him customers, his sales dried up. His poor attention to detail led to him becoming bogged down trying to fix customer complaints, and his poor understanding of finance meant he didn't realize how bad his situation was.

Within two years of us parting company, KangerooCo failed. Able left to get a job. He came to see me to discuss what had happened and I realized that he still did not believe that the failure was entirely of his own making. He clung to the false image of himself that he'd created.

Key Learning: Entrepreneurs should surround themselves with people who they can trust to tell them when they're being greedy, lazy, or stupid.

Although market conditions and product issues cause many start-ups to fail (and most failing founders blame these factors), I have found behavioral issues within the company to be the greatest cause of failure.

Failing

MeterCo: Losing the lot

After building a couple of small businesses, I eventually became founder of my first high-growth start-up. The idea had come from one of my staff, and he developed the product (an electronic power meter/security system) using a technology called neural networks, which was then very new.

We (I and two partners) got a power company, an electronics manufacturer, and an insurance company interested in the product and over the next two years they invested around $3 Million in the venture. With very successful customer trials completed, we toured the USA pitching to power companies.

Half an hour into our pitch to managers from one of the largest power companies in the world we were stopped. “We don’t need to hear any more. We’ve already done diligence on your product. It’s the best in the world. We’ll give you $20 Million for 20% of the company, and we’ll roll the technology out across at least thirteen states.” We were pleased… okay,… we were deliriously ecstatic! That was a lot of money!

They took responsibility for drafting the contracts, and we flew home. One of my partners wrote a check for $200,000 addressed it to his favorite charity, and magneted it to his refrigerator. We waited for four days for the contracts, as we’d agreed. We heard nothing. And no-one returned our calls.

Eventually we discovered that the day after our visit, the technology innovation arm of the power company had been closed down. Power industry reform had hit the

USA, and it was expected that power companies would be focused on their core businesses for the next few years. And that was correct. Power companies became preoccupied with takeovers, and avoiding being gobbled up themselves.

I had a call from our development partner power company a couple of weeks after we lost the big deal. "The global industry is changing. We'll almost certainly be bought by the power company next door. In the meantime, we'll do nothing."

Sure enough, the neighboring power company gobbled up our partner. I visited the CEO of the new combined company. He was annoyed. "I paid a premium to buy that company because of your technology. But I can't worry about that. There's a bigger company after us [they were bought shortly afterwards]. You can go quietly, or I'll announce the trials were actually failures." We went quietly.

It was some years before the power industry began to look seriously at electronic meters and ten years after our debacle the products were still not as good as ours.

We had a product which had missed a window for introduction. And we decided not to wait ten years for the market to come around again.

I learnt a great lesson about risk management in the failure of the company. I had owned a couple of small businesses (painting contracting, and a gym), and had brought my small business mentality to this truly entrepreneurial space. Although we'd got almost everything right, we'd lost the business as the global market moved into a different phase. Whether we could have foreseen the changes is debatable. But I learnt that innovative businesses are inherently risky... a high upside, but also many ways to fail. Since then, I've focused on both chasing opportunity and on managing downside risk.

So, although this book illustrates some of the factors which can lead to success, it focuses more on what can lead to failure. It is fine to chase opportunity, but it is also necessary to understand what factors bring risk, and to manage them. Although the MeterCo example illustrates market risk, the risks introduced by stakeholders in the business are at least as great, are less talked about, and are more readily controllable by an entrepreneur.

Chapter 2 -The Drive to be An Entrepreneur

What is an entrepreneur?

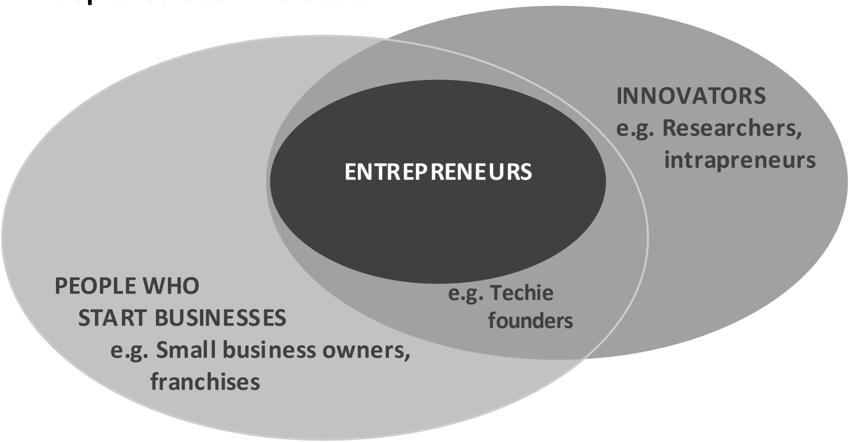
The term 'entrepreneur' is derived from the French word 'entreprendre' meaning 'to undertake'. A quick look though the various dictionary definitions of entrepreneur shows the profusion of concepts which it covers. These include:

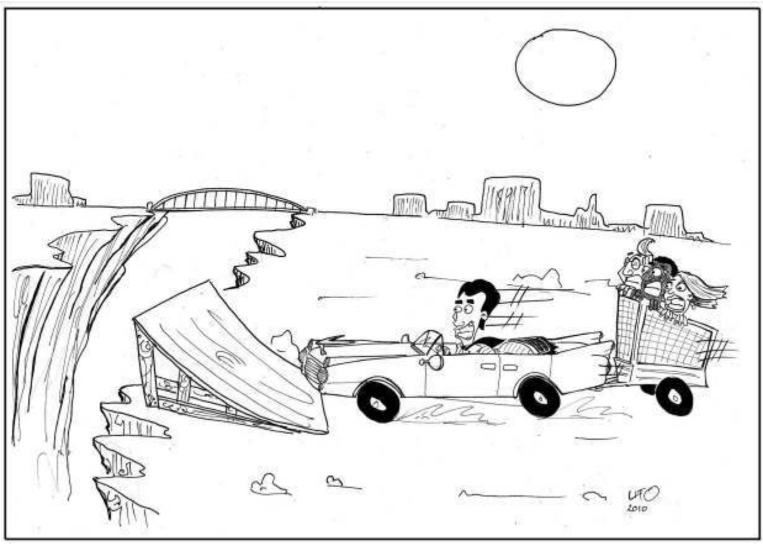
- Starting a new business
- Assuming commercial risk
- Assuming financial risk
- Organizing the business
- Managing the business
- Conceiving and initiating business activity
- Innovating by discovering and/or marketing new products

Some definitions can cover a risk-averse person who is made redundant, and reluctantly purchases a franchise business, wherein he/she scrupulously follows the franchise model. Other definitions can cover an opportunistic risk-taker who seeks new ways to create value, and builds businesses around new products or business models.

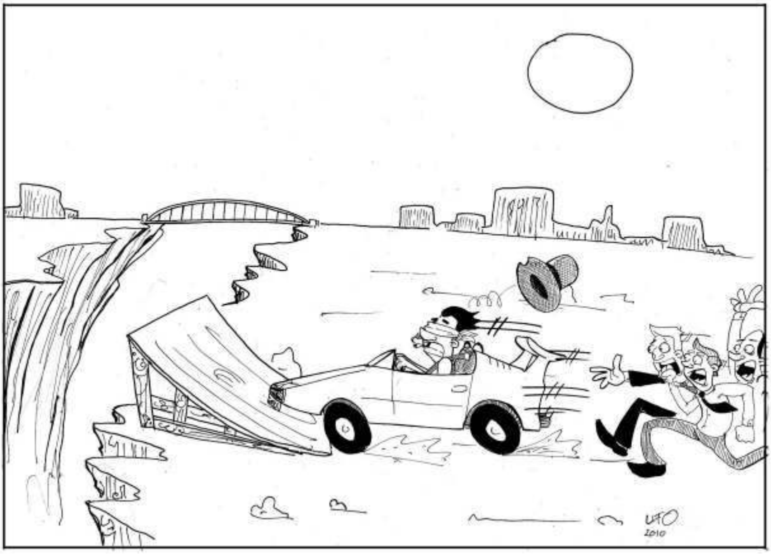
This book is solely concerned with entrepreneurs as those who are inclined to innovate, delivering new products and/or business models and who accept the commercial and financial risks involved in creating new businesses. From amongst the innovators, the gamblers who make no attempt to manage risk are excluded. The so-called intrapreneurs are also excluded. Intrapreneurs are corporate employees who show entrepreneurial behaviors, but are both supported and constrained by their organizations, and who typically carry little personal commercial and financial risk.

Entrepreneurs as innovators

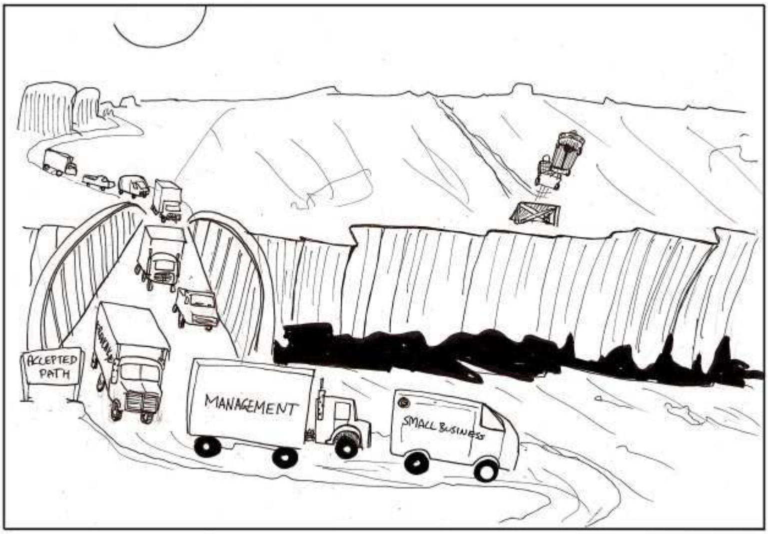




"Entrepreneur leading the team in breaking new ground."

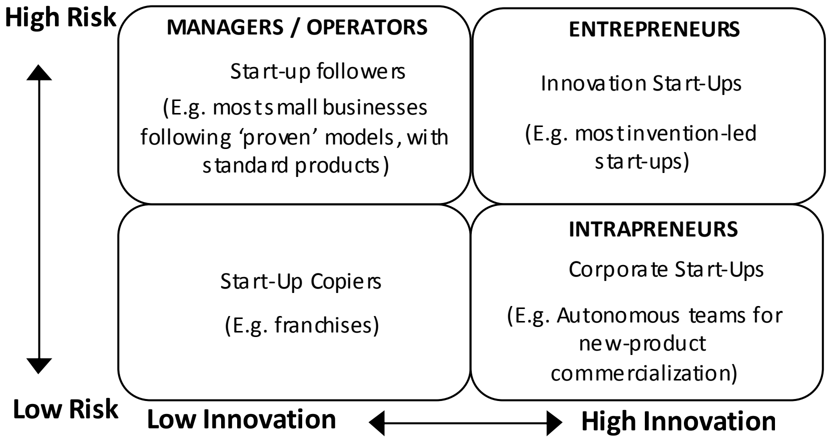


"Gambler going for broke."



"The accepted path."

Entrepreneurs defined as risk-taking innovators in start-ups



The key feature of this definition of 'entrepreneur' is that it focuses on the entrepreneurs specifically as drivers of innovation in high-risk situations where their financial security is likely to be at stake. In this situation, more than for the franchisee, manager, or intrapreneur, the behavior of the entrepreneur is a key factor in the success or failure of the business because the entrepreneur is both under great personal stress and has a high level of control of the situation (for good or ill!).

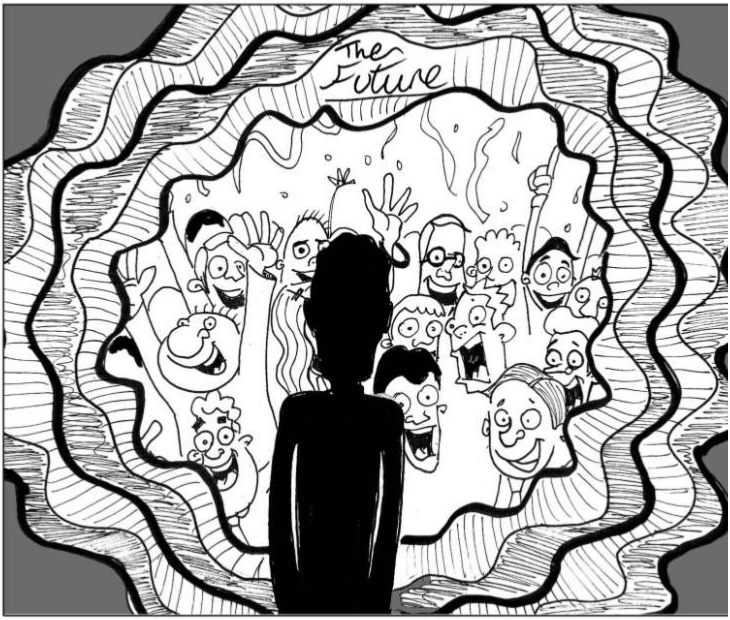
Understanding the behaviors that are likely to lead to success, and those which might destroy the business can greatly improve the probability of success for both the entrepreneur and for the entrepreneur's investors.

The entrepreneurial balance sheet:

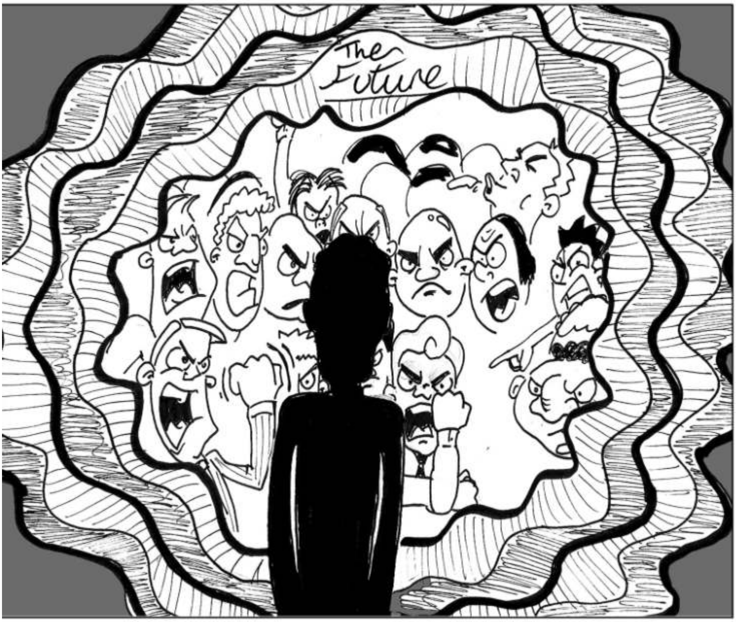
Typical Entrepreneur's Assets	Typical Entrepreneur's Liabilities
Ability to see beyond conventional wisdom	Inability to accept best practice when it conflicts with the entrepreneur's views
Persistence in chasing a vision	Stubbornness in clinging to a path regardless of conflicting views
High internal motivation	Unrealistic expectation that others will be equally internally motivated
Deep expertise in some aspects of building a business	Lack of appreciation of the limits of the entrepreneur's expertise (not knowing when to rely on other experts)
High tolerance of risk	Inability to manage reluctance by potential investors to accept the same level of risk
High tolerance of uncertainty	Inability to understand the needs most staff, and some investors, have for certainty
Opportunism; the ability to see and act on new opportunities as they emerge	Diluting effectiveness by trying to follow too many opportunities at once
Clarity of thinking; a clear view of the tasks which must be completed to build the business	Inflexibility; the inability to recognize/accept a new idea which does not fit with the entrepreneur's model of what is needed

The ability, and willingness, to control the whole business during initial start-up	Unwillingness to give up control (particularly when the company has grown beyond the entrepreneur's skills to manage it)
Willingness to take responsibility	Unwillingness to delegate when the business grows large enough to have specialist staff
The ability to recognize innovative concepts and technologies	The inability to recognize that the market may not be ready for fast innovation (particularly an issue for entrepreneurs with a technology background)
A high acceptance of the need for learning and adapting in building a business	Inability to find time to learn and adapt during the high-pressure start-up phase of building a business (hence, many entrepreneurs learn through failure)

Key Learning: Potential entrepreneurs should examine their own profiles to discover whether they really can be entrepreneurs at all and, if so, whether the 'dark side' is likely to dominate their entrepreneurial personality.



"He's a visionary entrepreneur."



"He's too stubborn to work with."

Expectations

I was about nine or ten years old and was standing in the school playground one day, bouncing a tennis ball on the ground, when a teacher grabbed me, dragged me into a classroom and began thrashing me with a cane. He caned my right hand until I couldn't hold it up any longer; then repeated the process with my left. When both arms had dropped to my side he ordered me to bend over, and set to work on my backside. Eventually I collapsed to the floor and he laid about my legs and my back. Then he walked out, leaving me lying on the floor. I had no idea what I was supposed to have done. I crawled to the door and lay beside it for a while, trying to work out how to reach the handle. At last I gritted my teeth against the pain, pushed myself up on my right arm, knocked the handle open with my left hand, and fell through the doorway. But I'll return to that incident after a brief fictional tale:

Once upon a time there were four friends, an Accountant, an Engineer, a Gambler, and an Entrepreneur, who each wanted to start a business.

The Accountant was a pessimist with high expectations. His training, and his years dealing with people trying to build businesses, had taught him that businesses were liable to fail, and he approached the task with the assumption that failure was likely. At the same time, his belief in his own ability was high. Although he knew the business failure statistics, he knew he was better educated than most people who try to start businesses, so he expected to do better than most people would do. With his pessimism about business as an activity moderating his high expectations, the Accountant spent so much time managing risk out of his business that the business ended up as a slow growth, me-too, very safe affair. It was moderately profitable, and the Accountant was content because he knew he'd done better than most people would have done.

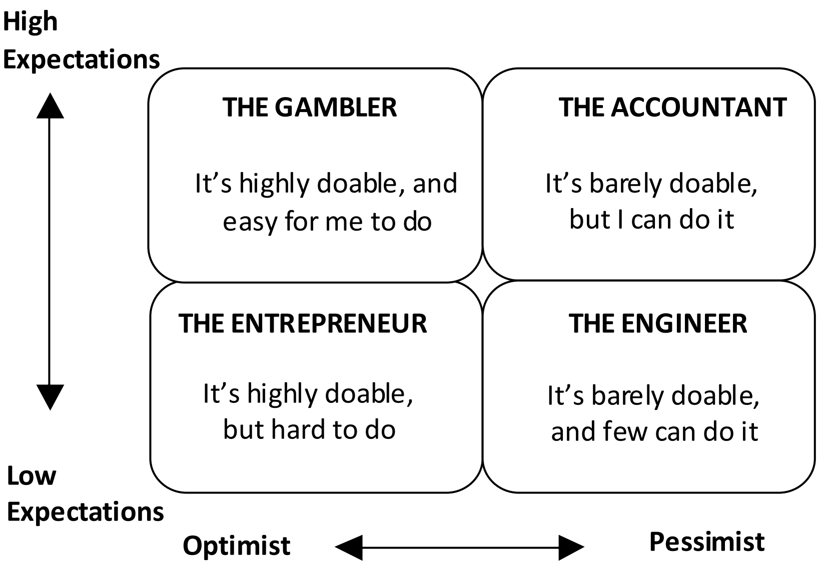
The Engineer was a pessimist with low expectations. A lifetime spent building bridges had taught him that success was just the absence of failure. His career had been successful because none of his bridges had collapsed, and he had avoided those collapses by assuming that anything which could go wrong would go wrong. He worked hard to understand the risks in his proposed business, and to find solutions before he started. But there were too many uncertainties and he knew he couldn't guarantee the business would succeed. So he went back to building bridges. He was content because he knew he'd avoided the failure which most people suffer who start a business.

The Gambler was an optimist with high expectations. He believed that a great idea should make a great business, and that his ideas were great ideas. He believed that if anyone could build a business, it was him. Armed with enormous self-belief, and faith in his idea, the Gambler launched his business with no thought to risk. He was content because the result didn't really matter. He was in the game; he was a player!

The Entrepreneur was an optimist with low expectations. He believed passionately in his idea, but recognized that nothing goes to plan. He gathered skills around him to bolster his weaknesses, prepared as well as possible to meet the uncertainties of the road ahead, and drove forward as quickly as he could. Only a successful business could make him content.

I'd like to say that the Entrepreneur was the only one to build a successful high-growth business. Unfortunately, because there are thousands of Gamblers also trying to build businesses, some Gamblers also succeed. And when a Gambler succeeds they win big, the casino lights flash, and the Gambler is hailed on TV as the next great entrepreneur. The lucky ones end up surrounded by supporters who ensure the next business is better structured. Others go straight from their great success to a string of catastrophic failures.

Entrepreneurs as optimists with low expectations



How you get to be a Pessimist or an Optimist is a question I'll leave for the psychologists. But expectations are another matter. However risky/hostile/exciting/ friendly we see the world to be, we still overlay that view with expectations about how other people will behave toward our particular endeavor, and what we can personally achieve. If we think obstacles will magically move out of our way as we build a business, we become gamblers. To be mature entrepreneurs, we need to see the possible hurdles, plan our approach to them, and use our optimism as the motivator to keep driving forward even as hurdles trip us up.

I believe the arrogance of many successful entrepreneurs comes from this combination of:

- optimism based on a huge self-belief, and belief that mountains can be climbed, and
- realistic expectations that because others can't see the way to the top the entrepreneur will have to carve a clear path.

My optimism about the world in general is tempered by my recognition that others don't see the world my way. I was stunned into silence when, as a child, I received a severe beating for no apparent reason. Several days after the incident, when I was out of bed and back at school, I was told that the teacher had been on playground duty. 'Branding' each other with tennis balls was a popular game among the boys, and one of my classmates had impulsively 'branded' the teacher in the bum, caught the ball on the rebound, and run around the corner. By the time the teacher had turned round, I was the only person in sight… and I was bouncing what was apparently the offending tennis ball.

My painful lesson taught me not to expect other people to behave reasonably, or to see the world my way. That lesson has been very useful. Although I believe passionately in each business I attempt to build, I am unsurprised and unperturbed when my Accountant discounts my financial projections, my Engineers tell me the product can't be ready by launch date, and my business partners persist in rash decisions which bring the business to the brink of failure. I fix what I can, change my team when necessary, and persist in the belief that problems are to be expected, but can be overcome.

SpeculateCo: The Gambler

Michael started SpeculateCo with a couple of extremely cautious partners. I got involved soon afterward. We quickly got the company to a dominant position in the local market, and were negotiating international deals.

But all was not well in the company. Michael expected operational issues to be resolved by less skilled staff, including his original partners. He glossed over daily problems, and left his team believing that both he and the business were out of control. They were right. The business was out of control, and Michael was not the right person to bring that control. So we brought in a manager to run the operation. The new manager found Michael hard to work with, as Michael left a trail of half-addressed issues behind him. Michael, in turn, was frustrated that the manager didn't just deal with the issues. Their relationship deteriorated.

Eventually, the manager gained the support of the Chairman and the other founding shareholders, and Michael was ousted from the company.

Michael's tendency to trivialize problems made him a gambler, and his partners weren't prepared to live with the risk he left in the business. But neither were they sufficiently capable to cover for him, and deal with the issues themselves.

Once Michael was gone, the company did not recover. Although he was a gambler, he was also the main driver, and without him business development ceased. The company became a small player in its space, and eventually went broke.

Gamblers add risk to the whole start-up industry. Their enthusiasm for their projects, and their inability to see the problems before them make them convincing advocates for their ideas. They attract investors and staff to businesses which subsequently die from foreseeable crises. Start-ups can easily become equated with gambles.

Michael had had a privileged upbringing. SpeculateCo presented the first significant challenge to his view that he'd be able to build a large business easily. I have known a number of gamblers like Michael. They either learn by their mistakes and grow to be mature entrepreneurs, or they blame others for their failures and keep rolling the dice (with other people's money) until they get lucky or run out of supporters.

Although Michael had led his first venture to disaster, I backed him again a few months later. For the new business, I installed a stronger Board and tighter control systems, while still allowing Michael as much freedom as possible. He was still not a mature entrepreneur, but was trying hard to develop beyond his Gambler tendencies.

Michael remained a nightmare to work with, but the Board's expectations had been set at the start. They understood his limitations and took responsibility for all the tasks which Michael was unable or unwilling to do. They couldn't remove all the risk which Michael introduced, but they managed it by understanding and managing expectations.

The entrepreneur's profile

Comfortable people don't make good entrepreneurs. There seems to be a correlation between unmet needs and entrepreneurial profile; probably because when people are comfortable and self-satisfied, they lose the need to innovate in the demanding way required of entrepreneurs.... And they lose the excessive drive which powers an entrepreneur's achievement.

"Yea I'm an entrepreneur... but not today... I'm busy."

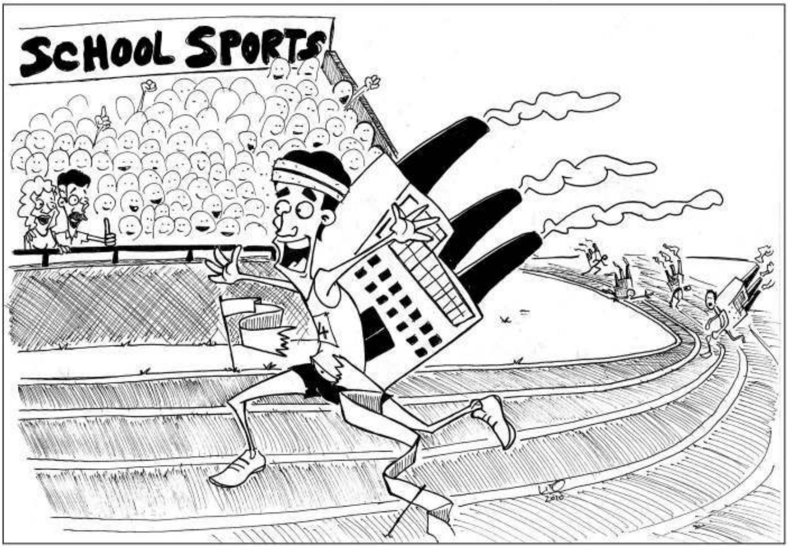
I asked a peer who invests in entrepreneurs how he assesses the prospect's entrepreneurial drive. He replied, "That's simple, I ask them out for a coffee and watch how fast they walk down the street. If they're in a hurry, they've got drive."

The coffee test is a little trivial as an assessment tool, but my peer's point was well made; the energy of true entrepreneurs is there to see. It's easy for investors to be swept away by an inventor's product enthusiasm, and to reinterpret that as entrepreneurial drive. But a little scratching of the surface can soon show the difference.

I've spent a lot of time talking with serial entrepreneurs about what drives them. It's seldom greed for money, except as a measure of achievement. And when they have made a lot of money, I've found few of them to really value the 'lifestyle' they can buy with the cash. They buy all the baubles which announce their success, then go back to focusing on their next company.

"Now that's a hard-driving entrepreneur."

A surprising number seem to be driven by the need to prove something about themselves; that they're not the loser dad thought they were, that their lack of formal education doesn't make them second class, and so on. They'll seldom admit that up front, and their arrogance and self-confidence shout that they have nothing to prove. But they do. They know they're the best, but they judge others, and themselves, by outputs. Without those outputs, they can't prove they're other than the second class son or the lower performer.



"Look at me dad! I'm a success!"

Entrepreneurs are sometimes seen as control freaks, wanting power over others. In my experience, that couldn't be further from the truth. They are resource gatherers, wanting to leverage other people's skills and get other people to take control. Unfortunately, they get frustrated that the others don't have their vision or drive, and many entrepreneurs become controlling because they believe the others around them would fail. Conversely, when entrepreneurs trust the team behind them, they heave a relieved sigh, and go off to continue innovating. A number of entrepreneurs have said to me, "All I want is to get good people to run the business so I can focus on the next big idea, or the next deal."

For some entrepreneurs, the whole thing's a game. Building companies is a stimulating activity, at which they're very good, and which delivers very clear success measures. I like working with these entrepreneurs.

They're by far the most relaxed about the process, and more likely to delegate effectively to staff. But their need for success is no less than that of other entrepreneurs; so they still can't stop themselves from driving hard.

Entrepreneurship is inherently an occupation suited to strong, opinionated individuals who are content to work alone for long hours on a project (while other people tell them it's a bad idea). Despite this apparent self-contained individualism, I have found most entrepreneurs to have strong social needs. When I invited founders of companies to breakfast meetings, I found the entrepreneurial founders to be the most enthusiastic attendees. They liked being around other people who were on journeys similar to theirs, and took great satisfaction in shared stories of obstacles they'd overcome.

"They say that only another entrepreneur can really understand them."

About the Author

Norman is an entrepreneur/ investor who has founded several high-growth technology businesses and assisted around forty high-growth entrepreneurs to start their businesses.

His interest is particularly in the first 3-5 years of company development, after which he typically disengages to work on new businesses.

Of the 'high-growth' companies Norman has started/assisted in the last fifteen years, one has gone to IPO, three have been successfully sold to larger companies, ten have failed, and the rest are at various stages of development ranging from "almost big enough to exit" to "almost dead."

Norman's current passion is for using entrepreneur development and start-up support together as tools for local economic development. He has run three business incubators in Australia and New Zealand and has, in those roles, seen the development of many more start-ups than the forty he has personally worked on.

He has worked as a Research Technician, Street Sweeper, Truck Driver, Linesman, Engineering Designer, Market Researcher, Strategic Planner, Marketer, CEO, and Investor. He has started small businesses, including a gym and a painting contracting business. He has an MBA from Otago University, and a Doctorate in business from Charles Darwin University. His doctoral dissertation was on the behavior of entrepreneurs in start-ups.

Norman has been a company director since 1996, and currently sits on the Boards of a number of small to mid-size companies (all less than $200M pa revenue).

"We need to have an export trade mentality to fund a high standard of living for our citizens. To do this we need to start to grow new enterprises utilising the capabilities of high growth entrepreneurs. This book gives excellent tips and examples of what is required to achieve this worthy goal for our fabulous country."

Sir Stephen Tindal
Founder, The Warehouse Group Ltd

"Norman writes from a wealth of first hand experience – his wisdom, guidance and wit make this book fun to read."

Mike Pero
Founder, Mike Pero Mortgages

Norman Evans is a successful entrepreneurial founder of high-growth companies, as well as being an investor and company director. His experience running business incubators and developing entrepreneurs, along with his doctoral research on entrepreneurship make Dr Evans uniquely qualified to share with you his knowledge and experience of becoming an entrepreneur.

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