

## Chapter Two

# The Entrepreneurial Mind: Crafting a Personal Entrepreneurial Strategy

*The secret of those who amaze the world is that they regard nothing to be impossible.*

Henry David Thoreau  
American philosopher, 1817–1862

### Results Expected

*Upon completion of this chapter, you will be able to*

1. Determine whether being an entrepreneur would enhance your life and feed your creative energies.
2. Discuss the critical aspects of the entrepreneurial mind—the strategies, habits, attitudes, and behaviors that work for entrepreneurs who build higher-potential ventures.<sup>1</sup>
3. Describe the characteristics of various entrepreneurial groups.
4. Develop concepts for evaluating a personal entrepreneurial strategy and an apprenticeship, and be able to discuss the entrepreneur's creed.
5. Utilize a framework for self-assessment, and develop a personal entrepreneurial strategy.
6. Initiate a self-assessment and goal-setting process that can become a lifelong habit of entrepreneurial thinking and action.
7. Assess the oneworld case study.

### Entrepreneurs Are Leaders

Until quite recently, a distinction was often made between the individual with the vision, skill, and mind-set to start up a high-potential venture (the entrepreneur) and the typically more seasoned, risk-averse

professional with the ability to scale the enterprise (the manager).

This old notion has given way to what we have sensed all along: Effective entrepreneurs are internally motivated, high-energy leaders with a unique tolerance for ambiguity, a keen eye toward mitigating

The authors would like to thank Frederic M. Alper, a longtime friend and colleague and adjunct professor at Babson College, for his insights and contributions to this chapter, in particular the graphic representation of entrepreneurial attributes and the development of the QuickLook exercise to develop a personal entrepreneurial strategy.

<sup>1</sup> J. A. Timmons, *The Entrepreneurial Mind* (Acton, MA: Brick House, 1989).

risk, and a passion for discovery and innovation. These leaders create or identify and pursue opportunities by marshalling the diverse resources required to develop new markets and engage the inevitable competition. More than ever, we are convinced that the creation and liberation of human energy resulting from entrepreneurial leadership are the largest transformational force on the planet today.

The power of a single leader can be profound, and nowhere is this more true and relevant than in entrepreneurship. Perhaps what is most exciting about entrepreneurial leaders is that in the aggregate, their alert actions have fueled a worldwide revolution that continues to define and shape our social, economic, and environmental frontiers.

## Three Principles for Entrepreneurial Leadership

*People don't want to be managed, they want to be led.*

Ewing Marion Kauffman

One of the most extraordinary entrepreneurial leadership stories of our time is that of the late Ewing Marion Kauffman, who founded and built Marion Labs, a company with over \$1 billion in sales, and then founded the Ewing Marion Kauffman Foundation. Kauffman started his pharmaceutical company, now one of the leading companies in the world, in 1950 with \$5,000 in the basement of his Kansas City home. Previously he had been very successful at another company. Kauffman (or “Mr. K.” as he preferred) recalled, “The president first cut back my sales commission, then he cut back my territory. So I quit and created Marion Labs.”

With the acquisition of the company by Merrell-Dow in 1989 (becoming Marion, Merrell Dow, Inc.), more than 300 people became millionaires. Thirteen foundations have been created by former Marion associates, and the Ewing Marion Kauffman Foundation is one of only a dozen or so foundations in America with assets of over \$1 billion. The two-pronged mission of the foundation is to make a lasting difference in helping youths at risk and encouraging leadership in all areas of American life.

The following are the core leadership principles that are the cornerstone of the values, philosophy, and culture of Marion Labs and now of the Kauffman Foundation:

- Treat others as you would want to be treated.

- Share the wealth that is created with all those who have contributed to it at all levels.
- Give back to the community.

There are many legendary examples of Mr. K. practicing these principles while growing Marion Labs. There was the time when he had sent his young chief financial officer to Europe to negotiate a supply contract with a major German company. When the CFO returned, he proudly showed Mr. K. the incredibly favorable terms he had extracted from the supplier—who he had determined badly needed the business. From his point of view, he had “cleverly won” the contract by being a sharp and tough negotiator.

After reviewing the situation and the agreement, Mr. K. blasted the CFO: “This is a totally one-sided contract—in our favor—and it is terribly unfair. They won’t be able to make any money on this, and that’s not how we treat our suppliers, or our customers. You get back on that plane tomorrow, apologize to them, and then create a deal that works for us—and lets them make a reasonable return as well.”

Stunned, the CFO sheepishly returned to Germany to work out a contract that met with Mr. K.’s approval. Less than two years later, a worldwide supply crisis forced that German supplier to reduce its customer shipments by over 90 percent. Mr. K.’s fairness principle had not been forgotten: Marion Labs was the only American company that continued to have its requirements filled.

As simple as these principles may be, few organizations truly, sincerely, and consistently practice them. It takes a lot more than lip service or a stand-alone profit-sharing plan to create an entrepreneurial culture like this. Consider the following unique characteristics at Marion Labs and the Ewing Marion Kauffman Foundation:

- No one is an employee; everyone is an associate.
- Even at \$1 billion in sales, there are no formal organizational charts.
- Everyone who meets or exceeds high performance goals participates in a companywide bonus, profit-sharing, and stock option plan.
- Benefit programs treat all associates the same, even top management.
- Managers who attempt to develop a new product and fail are not punished with lateral promotions or geographic relocation, nor are they ostracized. Failures are gateways to learning and continual improvement.
- Those who will not or cannot practice these core principles are not tolerated.

**EXHIBIT 2.1****Comparing Management and Leadership**

	<b>Management</b>	<b>Leadership</b>
<b>Creating an Agenda</b>	Planning and budgeting—establishing detailed steps and timetables for achieving needed results, and then allocating the resources necessary to achieve these results	Establishing direction—developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision
<b>Developing a Human Network for Achieving the Agenda</b>	Organizing and staffing—establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation	Aligning people—communicating the direction by words and deeds to all those whose cooperation may be needed to influence the creation of teams and coalitions that understand the vision and strategies, and accept their validity
<b>Execution</b>	Controlling and problem solving—monitoring results versus plans in some detail, identifying deviations, and then planning and organizing to solve these problems	Motivating and inspiring—energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying very basic, often unfulfilled human needs
<b>Outcomes</b>	Producing a degree of predictability and order, and having the potential of consistently producing key results expected by various stakeholders	Producing change, often to a dramatic degree, and having the potential of producing extremely useful change

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The ultimate message is clear: Great companies can be built upon simple but elegant principles; and all the capital, technology, service management, and latest information available cannot substitute for these principles, nor will they cause such a culture to happen. These ideals are at the heart of the difference between good and great companies.

## Timeless Research

A single psychological model of entrepreneurship has not been supported by research. However, behavioral scientists, venture capitalists, investors, and entrepreneurs share the opinion that the eventual success of a new venture will depend a great deal upon the talent and behavior of the lead entrepreneur and of his or her team.

A number of myths still persist about entrepreneurs. Foremost among these myths is the belief that leaders are born, not made. The roots of much of this thinking reflect the assumptions and biases of an earlier era, when rulers were royal and leadership was the prerogative of the aristocracy. Fortunately, such notions have not withstood the tests of time or the inquisitiveness of researchers of leadership and management. Consider recent research, which distin-

guishes managers from leaders, as summarized in Exhibit 2.1. It is widely accepted today that leadership is an extraordinarily complex subject, depending more on the interconnections among the leader, the task, the situation, and those being led than on inborn or inherited characteristics.

Numerous ways of analyzing human behavior have implications in the study of entrepreneurship. For example, for over 40 years Dr. David C. McClelland of Harvard University and Dr. John W. Atkinson of the University of Michigan and their colleagues sought to understand individual motivation.<sup>2</sup> Their theory of psychological motivation is a generally accepted part of the literature on entrepreneurial behavior. The theory states that people are motivated by three principal needs: (1) the need for achievement, (2) the need for power, and (3) the need for affiliation. The *need for achievement* is the need to excel and for measurable personal accomplishment. A person competes against a self-imposed standard that does not involve competition with others. The individual sets realistic and challenging goals and likes to get feedback on how well he or she is doing in order to improve performance. The *need for power* is the need to influence others and to achieve an “influence goal.” The *need for affiliation* is the need to attain an “affiliation

<sup>2</sup> See J. W. Atkinson, *An Introduction to Motivation* (Princeton, NJ: Van Nostrand, 1964); J. W. Atkinson, *Motives in Fantasy, Action and Society* (Princeton, NJ: Van Nostrand, 1958); D. C. McClelland, *The Achieving Society* (Princeton, NJ: Van Nostrand, 1961); J. W. Atkinson and N. T. Feather, eds., *A Theory of Achievement Motivation* (New York: John Wiley & Sons, 1966); and D. C. McClelland and D. G. Winter, *Motivating Economic Achievement* (New York: Free Press, 1969).

**EXHIBIT 2.2****Characteristics of Entrepreneurs**

Date	Authors	Characteristics
1848	Mill	Risk bearing
1917	Weber	Source of formal authority
1934	Schumpeter	Innovation; initiative
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Risk taking; need for achievement
1963	Davids	Ambition; desire for independence, responsibility, self-confidence
1964	Pickle	Drive/mental; human relations; communication ability; technical knowledge
1971	Palmer	Risk measurement
1971	Hornaday and Aboud	Need for achievement; autonomy; aggression; power; recognition; innovative/independent
1973	Winter	Need for power
1974	Borland	Internal locus of power
1982	Casson	Risk; innovation; power; authority
1985	Gartner	Change and ambiguity
1987	Begley and Boyd	Risk taking; tolerance of ambiguity
1988	Caird	Drive
1998	Roper	Power and authority
2000	Thomas and Mueller	Risk; power; internal locus of control; innovation
2001	Lee and Tsang	Internal locus of control

goal”—the goal to build a warm relationship with someone else and/or to enjoy mutual friendship.

Other research focused on the common attitudes and behaviors of entrepreneurs. A 1983 study found a relationship between attitudes and behaviors of successful entrepreneurs and various stages of company development.<sup>3</sup> A year later, another study found that entrepreneurs were unique individuals; for instance, this study found that “what is characteristic is not so much an overall type as a successful, growth-oriented entrepreneurial type. . . . It is the company builders who are distinctive.”<sup>4</sup> A study of 118 entrepreneurs revealed that “those who like to plan are much more likely to be in the survival group than those who do not.”<sup>5</sup> Clearly the get-rich-quick entrepreneurs are not the company builders; nor are they the planners of successful ventures. Rather it is the visionary who participates in the day-to-day routine to achieve a long-term objective and

who is generally passionate and not exclusively profit-oriented.

Academics have continued to characterize the special qualities of entrepreneurs. (See Exhibit 2.2 for a summary of this early research.) As participants in this quest to understand the entrepreneurial mind, in January 1983 Howard H. Stevenson and Jeffry Timmons spoke with 60 practicing entrepreneurs.<sup>6</sup> One finding was that entrepreneurs felt they had to concentrate on certain fundamentals: responsiveness, resiliency, and adaptiveness in seizing new opportunities. These entrepreneurs spoke of other attitudes, including an ability “to activate vision” and a willingness to learn about and invest in new techniques, to be adaptable, to have a professional attitude, and to have patience. They talked about the importance of “enjoying and being interested in business,” as well as the business as “a way of life.” Other attitudes they spoke of included a willingness

<sup>3</sup> N. Churchill, “Entrepreneurs and Their Enterprises: A Stage Model,” *Frontiers of Entrepreneurship Research: 1983*, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1983), pp. 1–22.

<sup>4</sup> N. R. Smith and John B. Miner, “Motivational Considerations in the Success of Technologically Innovative Entrepreneurs,” in *Frontiers of Entrepreneurship Research: 1984*, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1984), pp. 448–95.

<sup>5</sup> J. B. Miller, N. R. Smith, and J. S. Bracker, “Entrepreneur Motivation and Firm Survival among Technologically Innovative Companies,” ed. N. C. Churchill et al., *Frontiers of Entrepreneurship Research: 1991* (Babson Park, MA: Babson College, 1992), p. 31.

<sup>6</sup> J. A. Timmons and H. H. Stevenson, “Entrepreneurship Education in the 80s: What Entrepreneurs Say,” in *Entrepreneurship: What It Is and How to Teach It*, ed. J. Kao and H. H. Stevenson (Boston: Harvard Business School Press, 1985), pp. 115–34.

to learn about and invest in new techniques, to be adaptable, to have a professional attitude, and to have patience.

Many of the respondents recognized and endorsed the importance of human resource management; one entrepreneur said that one of the most challenging tasks was playing “a leadership role in attracting high-quality people, imparting your vision to them, and holding and motivating them.” Other entrepreneurs focused on the importance of building an organization and teamwork.

A number of respondents believed that the ability to conceptualize their business and do strategic planning would be of growing importance, particularly when thinking five years ahead. Similarly, the ageless importance of sensitivity to and respect for employees was stressed by a chief executive officer of a firm with \$40 million in sales and 400 employees: “It is essential that the separation between management and the average employee should be eliminated. Students should be taught to respect employees all the way down to the janitor and accept them as knowledgeable and able persons.”

A consulting study by McKinsey & Co. of medium-sized growth companies (i.e., companies with sales between \$25 million and \$1 billion and with sales or profit growth of more than 15 percent annually over five years) confirms that the chief executive officers of winning companies were notable for three common traits: perseverance, a builder’s mentality, and a strong propensity for taking calculated risks.<sup>7</sup>

One company that has taken pains to establish good interpersonal relationships is Verisilicon. How do you attract people in China? Wayne Dai, founder, chairman, president, and CEO of Verisilicon Holdings, has a simple rule: “Hire two people who are paid the salary of three people to do the work of four people.” He continues:

How do you retain people in Shanghai? I tell people if you come, I will give you a down payment for an apartment. We don’t hire fresh graduates. They don’t know what they are doing. You must have changed jobs before but not many times. I will only hire someone if everyone likes him. You have to make your employees think more about a career path.

It’s working, since everyone volunteers to do overtime [which you cannot compel in China]. Turnover is less than 5 percent. We financed an eight-day trip to Hong Kong and Taiwan, which is cheaper than paying

for overtime. We hold a party every month for whoever has a birthday. Little things matter a lot.

Little things create loyalty. Dai points out: “I do small things like showing students how to shop and cook Chinese food if they are in the U.S. You cannot get loyalty without trust, so I trust people and care about them. Listen to the people around you and trust them.”

## Converging on the Entrepreneurial Mind

*The entrepreneur is one of the most intriguing and at the same time most elusive characters in the cast that constitutes the subject of economic analysis.*

Professor William Baumol  
Department of Economics, NYU

## Desirable and Acquirable Attitudes, Habits, and Behaviors

Many successful entrepreneurs have emphasized that while their colleagues have initiative and a take-charge attitude, are determined to persevere, and are resilient and able to adapt, it is not just a matter of personality. It is what they *do* that matters most.<sup>8</sup>

Although there is an undeniable core of such in-born characteristics as energy and raw intelligence, which an entrepreneur either has or does not, it is becoming apparent that possession of these characteristics does not necessarily an entrepreneur make. There is also a good deal of evidence that entrepreneurs are born and made better and that certain attitudes and behaviors can be acquired, developed, practiced, and refined through a combination of experience and study.<sup>9</sup> In addition, although not all attitudes, habits, and behaviors can be acquired by everyone at the same pace and with the same proficiency, entrepreneurs are able to significantly improve their odds of success by concentrating on those that work, by nurturing and practicing them, and by eliminating, or at least mitigating, the rest. Painstaking effort may be required, and much will depend on the motivation of an individual to grow; but it seems people have an astounding capacity to change and learn if they are motivated and committed to do so.

Testimony given by successful entrepreneurs also confirms attitudes and behaviors that successful entre-

<sup>7</sup> D. K. Clifford, Jr., and R. E. Cavanagh, *The Winning Performance* (New York: Bantam Books, 1985), p. 3.

<sup>8</sup> Determining the attitudes and behaviors in entrepreneurs that are “acquirable and desirable” represents the synthesis of over 50 research studies compiled for the first and second editions of this book. See extensive references in J. A. Timmons, L. E. Smollen, and A. L. M. Dingee, Jr., *New Venture Creation*, 2nd ed. (Homewood, IL: Richard D. Irwin, 1985), pp. 139–69.

<sup>9</sup> D. C. McClelland, “Achievement Motivation Can Be Developed,” *Harvard Business Review*, November–December 1965; D. C. McClelland and David G. Winter, *Motivating Economic Achievement* (New York: Free Press, 1969); and J. A. Timmons, “Black Is Beautiful—Is It Bountiful?” *Harvard Business Review*, November–December 1971, p. 81.



preneurs have in common. For example, many well-known successful Chinese entrepreneurs like Ji Qi of Ctrip, Ding Lei of 163.com, Zhang Jindong of Suning Group, and Zhang Yue of Changsha Broad Air Conditioning mention the following attributes as the key elements of their success: (1) they are passionate about their work, (2) they are proactive, taking actions to solve problems immediately, (3) they work step by step, and (4) they try to live virtuously.

**New Research.** While Baumol's observation will resonate far into the future, we are fortunate to have the Praeger Perspectives series, a 2007 three-volume set of research that focuses on entrepreneurship from three angles: people, process, and place. This series brings together insights into the field of entrepreneurship by some of the leading scholars in the world and adds validation, new perspectives, and further debate to the complex questions that surround the entrepreneurial mind and entrepreneurial process. We have drawn on this work liberally in this edition of *New Venture Creation*.

The first volume, *people*, takes a broad view of entrepreneurship as a form of human action, pulling together the current state of the art in academic research with respect to cognitive, economic, social, and institutional factors that influence entrepreneurial behavior. Why do people start new businesses? How do people make entrepreneurial decisions? What is the role played by the social and economic environment in individuals' decisions about entrepreneurship? Do institutions matter? Do some groups of people such as immigrants and women face particular issues when deciding to start a business?

The second volume *process*, proceeds through the life cycle of a new venture start-up by tackling several key steps in the process: idea, opportunity, team building, resource acquisition, managing growth, and entering global markets. It is clear from the work in this volume that we have (as we alluded to earlier) learned a tremendous amount about the entrepreneurial process over the years.

The third volume, in the series examines *place*, which refers to a wide and diverse range of contextual factors that influence the entrepreneur and the entrepreneurial process. Chapters in this volume address entrepreneurship in the context of the corporation, family, and franchise. The research examines the impact of public policy and entrepreneurship support systems at the country and community level and from an economic and social perspective. In addition, the volume looks at the technology environment and financing support structures for entrepreneurship as context issues.

We will also be referring to the exciting and provocative work of Professors Stefan Kwiatkowski

and Nawaz Sharif, editors of the *Knowledge Café* series on "Intellectual Entrepreneurship and Courage to Act." This text, the fifth in Kwiatkowski's series, provides further insight into the entrepreneurial mind-set involved in creating new intellectual property and knowledge creation ventures. We are especially swayed by their work and valuable insight on *courage* as a vital aspect of entrepreneurial behavior, and we have incorporated that into our dominant themes.

Undoubtedly many attitudes and behaviors characterize the entrepreneurial mind, and there is no single set of attitudes and behaviors that every entrepreneur must have for every venture opportunity. Further, the fit concept argues that what is required in each situation depends on the mix and match of the key players and how promising and forgiving the opportunity is, given the founders' strengths and shortcomings. A team might collectively show many desired strengths, but even then there is no such thing as a perfect entrepreneur—yet.

## Seven Dominant Themes

*Nothing that sends you to the grave with a smile on your face comes easy. Work hard doing what you love. Find out what gives you energy and improve on it.*

Betty Coster, Entrepreneur

A consensus has emerged around seven dominant themes, shown in Exhibits 2.3 and 2.4.

**Commitment and Determination** Commitment and determination are seen as more important than any other factor. With commitment and determination, an entrepreneur can overcome incredible obstacles and also compensate enormously for other weaknesses. PayEasy, one of the most profitable and reputable e-commerce start-ups in Taiwan, has been around for almost a decade. Its founder and now general manager, Bill Lin, will always remember how bad things were at the beginning. What makes Lin a great entrepreneur is the fact that the failure did not stop him. Instead the failure became the cornerstone of PayEasy's success. Lin's expertise is in Internet security. Because of his background, he paid a lot of attention on the security of the payment gateway during the early days of PayEasy, neglecting content development and after-sales service. However, he soon realized his mistake, and Lin and his team pushed forward innovative packages and enhancements to improve users' online shopping experience. Lin also learnt that a successful e-commerce business has to be developed with the local environment and people in mind, and at the right time. PayEasy is now a partner with Taiwan's largest chain store, 7-Eleven. Under the PayEasy scheme, customers can order goods online and pick them up at a designated

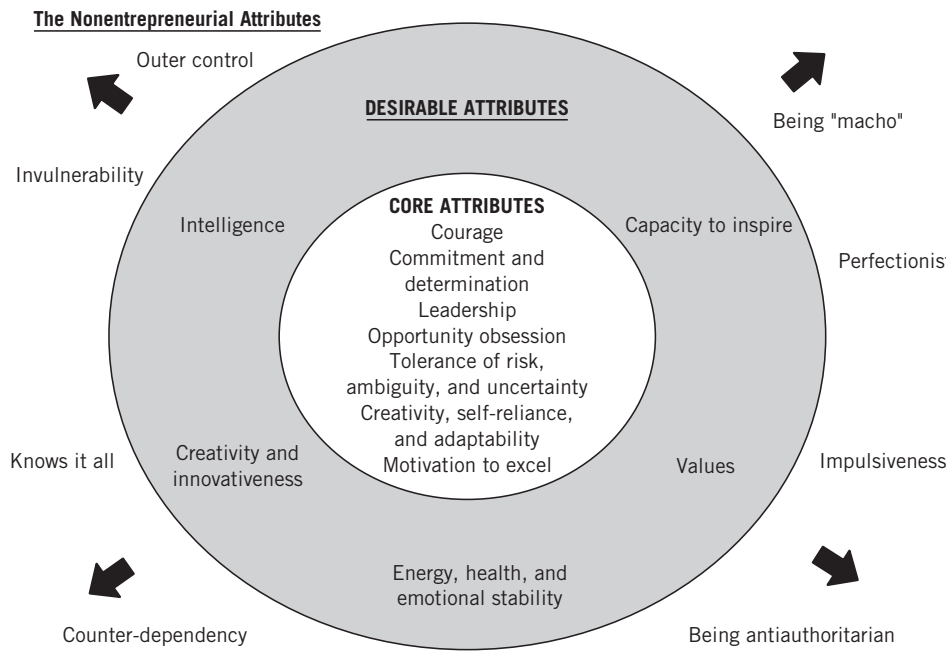
**EXHIBIT 2.3****Seven Themes of Desirable and Acquirable Attitudes and Behaviors**

<b>Theme</b>	<b>Attitude or Behavior</b>
<b>Commitment and determination</b>	Tenacious and decisive, able to recommit/commit quickly Intensely competitive in achieving goals Persistent in solving problems, disciplined Willing to undertake personal sacrifice Immersed in the mission
<b>Courage</b>	Moral strength Fearless experimentation Not afraid of conflicts, failure Intense curiosity in the face of risk
<b>Leadership</b>	Self-starter; high standards but not perfectionist Team builder and hero maker; inspires others Treats others as you want to be treated Shares the wealth with all the people who helped create it Honest and reliable; builds trust; practices fairness Not a lone wolf Superior learner and teacher; courage Patient and urgent
<b>Opportunity obsession</b>	Leadership in shaping the opportunity Has intimate knowledge of customers' needs and wants Market driven
<b>Tolerance of risk, ambiguity, and uncertainty</b>	Obsessed with value creation and enhancement Calculated risk taker Risk minimizer Risk sharer Manages paradoxes and contradictions Tolerates uncertainty and lack of structure Tolerates stress and conflict
<b>Creativity, self-reliance, and adaptability</b>	Able to resolve problems and integrate solutions Nonconventional, open-minded, lateral thinker (helicopter mind) Restless with status quo Able to adapt and change; creative problem solver Quick learner No fear of failure
<b>Motivation to excel</b>	Able to conceptualize and "sweat details" Goal and results oriented; high but realistic goals Drive to achieve and grow Low need for status and power Interpersonally supporting (versus competitive) Aware of weaknesses and strengths Has perspective and sense of humor

7-Eleven store within 24 hours, and make payment at the same time. Lin's success with the tie-up leverages on the availability of local resources, and the ease and popularity of online shopping.

Total commitment is required in nearly all entrepreneurial ventures. Almost without exception, entrepreneurs live under huge, constant pressures—first for their firms to survive start-up, then for them to stay alive, and finally for them to grow. A new ven-

ture demands top priority for the entrepreneur's time, emotions, and loyalty. Thus commitment and determination usually require personal sacrifice. An entrepreneur's commitment can be measured in several ways—through a willingness to invest a substantial portion of his or her net worth in the venture, through a willingness to take a cut in pay because he or she will own a major piece of the venture, and through other major sacrifices in lifestyle and family circumstances.

**EXHIBIT 2.4****Core and Desirable Entrepreneurial Attributes**

The desire to win does not equal the will to never give up. This is a critically important distinction. Countless would-be entrepreneurs (and lots of other types of people for that matter) say that they really want to win. But few have the dogged tenacity and unflinching perseverance to make it happen. The founder of Auria Solar, Dr. Tsai, was the general manager of one of Taiwan's most successful start-ups, E-Ton Solar, which enjoyed the highest stock value among all listed technological companies. Not content with that achievement, Tsai wants to win again. He wants to prove that the technologies he and his team develop at Auria Solar can turn a new page in Taiwan's high-tech industry, especially for the competitive, market-limited sectors such as the solar energy industry. The desire to win over other technological firms drives Tsai and his team to test concepts and ideas on a daily basis.

Time is money, and many Asian start-ups and well-established firms do not shut down on national holidays. Instead, employees are scheduled to work on shifts during important occasions. Tsai once personally supervised a routine text on the Lunar New Year holiday, when most people in the country were celebrating, because he was keen to have the production line for testing and manufacturing ready when his employees came back to work after the holiday.

Delta Electronics is widely known as one of Taiwan's giant companies. Delta started with making small components. Power management technologies were acquired externally and developed internally as

Delta expanded. Today, Delta employs diversified technologies in nearly all fields of tech product design and manufacturing, and is a leader in the green technologies industry.

Bruce Cheng, the founder of Delta Electronics, is well-known as a humble and pragmatic entrepreneur who pays tremendous attention to social development issues such as community education and protecting the environment. The company has been around for nearly 40 years. Delta Electronics started from a very small company that focused on electronic components and grew to become the giant conglomerate it is today; it works closely with some of the world's top research universities such as MIT, and is a world leader in various technological developments.

Delta faced many challenges in its history, but the company rose to the occasion each time. The mass production of the Ni-H cell presented one such challenge. After the team at Delta had perfected the Ni-H cell, they needed automation machines for mass production. However, competition was stiff and nobody was keen to sell their second-tier machines to Delta. Faced with this setback, the Delta team decided they would develop their own automation machines. In the months of hard work that followed, the team accumulated experience, research, and expertise, and drove itself relentlessly to develop its technological capacity. That hard work has earned Delta the reputation of being a producer of high-quality automation machines and systems today. As one saying goes, "When you fall on the ground, don't be anxious to



stand up immediately. First, look around and see if there is anything to pick up even before you put your head up.” The Delta story teaches us that success cannot be defined by the lack of failure; even in the face of major setbacks, success can come with the right attitude and determination.

Entrepreneurs are intensely competitive: They love to win and love to compete—at anything! The best of them direct all this competitive energy toward the goal and toward their external competitors. This is critical; founders who get caught up in competing with peers in the company invariably destroy team cohesion and spirit and, ultimately, the team.

Entrepreneurs who successfully build new enterprises seek to overcome hurdles, solve problems, and complete the job; they are disciplined, tenacious, and persistent. They are able to commit and recommit quickly. They are not intimidated by difficult situations; in fact, they seem to think that the impossible just takes a little longer. However, they are neither aimless nor foolhardy in their relentless attack on a problem or obstacle that can impede their business. If a task is unsolvable, an entrepreneur will actually give up sooner than others. Most researchers share the opinion that while entrepreneurs are extremely persistent, they are also realistic in recognizing what they can and cannot do, and where they can get help to solve a very difficult but necessary task.

**Courage** As we noted earlier, we are indebted to Stefan Kwiatkowski and Nawaz Sharif for their insightful and thoughtful work on *Courage* as an important dimension of the entrepreneurial mind-set. Although we added *courage* as a subcategory in the previous edition of this text, we did not do it justice.

In his research essay titled “What the Hell, Let’s Give It a Try,” Kwiatkowski asserts that courage is not simple bravery resulting from deficient information about a given situation, nor pluck anchored in feelings of invulnerability. Courage rather has its source in broadly understood knowledge, experience, and integrity of the courageous individual. To prove his point, Kwiatkowski Googled “core and desirable entrepreneurial attributes” combined with “entrepreneurship.” Results of that search, and two other searches also conducted in March 2005, are depicted in Exhibit 2.5.

Hence, as we continue to converge on the entrepreneurial mind, we have included and elevated courage to the second of what are now seven themes. We see courage having at least three important aspects: first, *moral strength and principles*. This means the character and the personal integrity to know right from wrong, and the will and commitment to act accordingly (to do the right thing). The second is *being a fearless experimenter*. This is not to be confused with simply assessing and weighing risk and re-

## EXHIBIT 2.5

### Online Search for Desirable Attributes of Entrepreneurship

Timmons/ Spinelli Theme	Google	EBSCO	Proquest
Commitment	534,000	151	7,042
Leadership	1,200,000	377	7,230
Opportunity obsession	9,010	1	0
Opportunity immersion*	14,000	0	0
Risk tolerance	57,600	4	53
Adaptability	50,400	21	688
Achievement	370,000	192	4,169
Courage	81,000	10	647

\*A non-Timmons/Spinelli theme.

Source: S. Kwiatkowski and N. M. Sharif, *Knowledge Café for Intellectual Entrepreneurship and Courage to Act* (Warsaw, Poland: Publishing house of Leon Kozminsky Academy of Entrepreneurship and Management, 2005), p. 231.

ward, upside and downside, and one’s comfort with a certain level of risk and uncertainty. Fearless experimentation suggests a restlessness with convention and a rejection of the status quo. It is the innovator’s passion to create, invent, and improve. This relentless experimentation is enhanced by a third aspect of courage: *a lack of fear of failing at the experiment*—and most undertakings for that matter—and *a lack of fear of conflicts that may arise*. In other words, there is a mental toughness that is quite impervious to fears but is not ignorant or oblivious to possible consequences. Consider the following examples of courage to help elucidate this important concept.

In 1961 the Cuban Missile Crisis was one of the most dangerous and frightening moments in American history, and especially in the Cold War between the old USSR and the United States. Many historians and military observers believe the two nations came within hours, even minutes, of hostilities that would have led to a nuclear holocaust. A few years earlier a young U.S. Navy ensign was on a ship in these same waters off Cuba, but he was not on watch at the time. A senior officer, by error, had charted a course that the young ensign, through his own sextant and map calculations (this was long before GPS), had concluded was incorrect and would run the ship aground. Such a calamity would end the careers of the navy ship’s commander and officer in charge. The young ensign, if wrong, would be demoted and court-martialed. All of his senior officers were certain that the ensign’s much more experienced and senior officer was correct, and the young man was urged not to pursue his belief in his own calculations. Nonetheless, he showed enormous courage, fearlessness, and confidence that he was doing the right thing, and he insisted on making his case to the captain of the ship. The captain listened. Fortunately for all, the young

ensign had carefully and accurately done his readings and calculations—and *was* correct. This avoided a near disaster. This young ensign went on to be a highly successful entrepreneur. His name was Ewing Marion Kauffman.

The founder of Tai-Hwa Pottery, Mr. Lu, is a man full of confidence in his work. Like many entrepreneurs, he believes that his company can make an impact on the global scene and that his products will be well received in his home country, Taiwan, and elsewhere. Although the Taiwanese government sometimes offers incentives for his industry, Lu refuses to change his business model or his products to qualify for them. He has also been known to turn down offers to market his firm. Lu is convinced that a good firm will automatically attract customers, and if an entrepreneur focuses on his product and his customers, people will see value in his company, and create a demand which will sustain the business.

The core of service in Tai-Hwa is about satisfying the needs of buyers, local and international visitors, strategic partners, artists, masters, and their educational program participants. These are the people who create and experience Tai-Hwa and they are, in fact, the force promoting Tai-Hwa through word-of-mouth marketing. Lu is intent on establishing and maintaining in Tai-Hwa a relaxing space for visitors to appreciate, interact, and experience the artworks and the culture they represent instead of listening to presentations in the meeting room.

Wretch.cc is a popular social networking site among the young people in Taiwan. The wretch platform was one of the earliest showpieces of the Web2.0 application after it was launched in Taiwan. Wretch was formed by a group of students who clearly understood the industry. The founding team turned down capital investment offers from Sequoia and Kleiner Perkins and chose Yahoo as their partner through a merger and acquisition—a brave move that showed that the Wretch team knew clearly what they wanted and what their firm needed. In 2006, one in every four people in Taiwan had a Wretch account. Most of these early users were then college students and are now young working professionals.

**Leadership** Successful entrepreneurs are experienced, possessing intimate knowledge of the technology and marketplace in which they will compete, sound general management skills, and a proven track record. They are self-starters and have an internal locus of control with high standards. They are patient leaders, capable of installing tangible visions and managing for the longer haul. The entrepreneur is at once

a learner and a teacher, a doer and a visionary. The vision of building a substantial enterprise that will contribute something lasting and relevant to the world while realizing a capital gain requires the patience to stick to the task for 5 to 10 years or more.

Work by Dr. Alan Grant lends significant support to the fundamental “driving forces” theory of entrepreneurship that will be explored in Chapter 5. Grant surveyed 25 senior venture capitalists to develop an entrepreneurial leadership paradigm. Three clear areas evolved from his study: the lead entrepreneur, the venture team, and the external environment influences, which are outlined in further detail in Exhibit 2.6. Furthermore, Grant suggested that to truly understand this paradigm, it should be “metaphorically associated with a *troika*, a Russian vehicle pulled by three horses of *equal* strength. Each horse represents a cluster of the success factors. The troika was driven toward success by the visions and *dreams* of the founding entrepreneurs.”<sup>10</sup> Grant’s work is supported by a later study by Nigel Nicholson in his 1998 *European Management* journal article, reporting on the personality and entrepreneurial leadership of the heads of the U.K.’s most successful independent companies.

Successful entrepreneurs possess a well-developed capacity to exert influence *without* formal power. These people are adept at conflict resolution. They know when to use logic and when to persuade, when to make a concession, and when to exact one. To run a successful venture, an entrepreneur learns to get along with many different constituencies—the customer, the supplier, the financial backer, and the creditor, as well as the partners and others on the inside—often with conflicting aims. Success comes when the entrepreneur is a mediator—a negotiator rather than a dictator.

Successful entrepreneurs are interpersonally supporting and nurturing—not interpersonally competitive. When a strong need to control, influence, and gain power over others characterizes the lead entrepreneur, or where he or she has an insatiable appetite for putting an associate down, the venture usually gets into trouble. Entrepreneurs should treat others as they want to be treated; they should share the wealth with those who contributed. A dictatorial, adversarial, and domineering management style makes it difficult to attract and keep people who thrive on a thirst for achievement, responsibility, and results. Compliant partners and managers often are chosen. Destructive conflicts often erupt over who has the final say, who is right, and whose prerogatives are what.

Entrepreneurs who create and build substantial enterprises are not lone wolves and superindepen-

<sup>10</sup> A. Grant, “The Development of an Entrepreneurial Leadership Paradigm for Enhancing New Venture Success,” *Frontiers of Entrepreneurship Research*: 1992, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1992).

**EXHIBIT 2.6****The Entrepreneurial Leadership Paradigm****The Lead Entrepreneur**

Self-concept	Has a realist's attitude rather than one of invincibility.
Intellectually honest	Trustworthy: his/her word is his/her contract.
	Admits what and when he/she does not know.
Pacemaker	Displays a high energy level and a sense of urgency.
Courage	Capable of making hard decisions: setting and beating high goals.
Communication skills	Maintains an effective dialogue with the venture team, in the marketplace, and with other venture constituents.
Team player	Competent in people management and team-building skills.

**The Venture Team**

Organizational style	The lead entrepreneur and the venture team blend their skills to operate in a participative environment.
Ethical behavior	Practices strong adherence to ethical business practices.
Faithfulness	Stretched commitments are consistently met or bettered.
Focus	Long-term venture strategies are kept in focus, but tactics are varied to achieve them.
Performance/reward	High standards of performance are created, and superior performance is rewarded fairly and equitably.
Adaptability	Responsive to rapid changes in product/technological cycles.

**External Environmental Influences**

Constituent needs	Organization needs are satisfied, in parallel with those of the other publics the enterprise serves.
Prior experience	Extensive prior experiences are effectively applied.
Mentoring	The competencies of others are sought and used.
Problem resolution	New problems are immediately solved or prioritized.
Value creation	High commitment is placed on long-term value creation for backers, customers, employees, and other stakeholders.
Skill emphasis	Marketing skills are stressed over technical ones.

Source: Adapted from A. J. Grant, "The Development of an Entrepreneurial Leadership Paradigm for Enhancing Venture Capital Success," *Frontiers of Entrepreneurship Research: 1992*, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1992).

dent. They do not need to collect all the credit for the effort. They not only recognize the reality that it is rarely possible to build a substantial business working alone, but also actively build a team. They have an uncanny ability to make heroes out of the people they attract to the venture by giving responsibility and sharing credit for accomplishments.

In the corporate setting, this "hero-making" ability is identified as an essential attribute of successful entrepreneurial managers.<sup>11</sup> These hero makers, of both the independent and corporate varieties, try to make the pie bigger and better, rather than jealously clutching and hoarding a tiny pie that is all theirs. They have a capacity for objective interpersonal relationships as well, which enables them to smooth out individual differences of opinion by keeping attention focused on the common goal to be achieved.<sup>12</sup>

**Opportunity Obsession** Successful entrepreneurs are obsessed first with opportunity—not with the money, the resources, the contacts and networking, and not with image or appearances. Although

some of these latter items have a place and time in the entrepreneurial process, they are not the source and driver for new ventures. Entrepreneurs, in their best creative mode, are constantly thinking of new ideas for businesses by watching trends, spotting patterns, and connecting the dots to shape and mold a unique enterprise.

Take for example, CupC+ which has been around in Taiwan for only four years, but the brand is already famous for its excellent fruit teas. Before embarking on the fruit franchising business, its founder, Kao, searched long and hard for a niche in which she could develop her career in. She researched the franchise market and realized that franchises focusing on fruit were uncommon—the stores were mostly located in departmental stores—and that the products were usually expensive. Kao knew she had found her business opportunity since not every office worker could afford to pay for these options, and Taiwanese people do not often shop for fruit and fruit juices at departmental stores. She then decided that she wanted to build a franchising network to promote drinking juices and fruit teas made of fresh fruit.

<sup>11</sup> D. L. Bradford and A. R. Cohen, *Managing for Excellence: The Guide to Developing High Performance in Contemporary Organizations* (New York: John Wiley & Sons, 1984).

<sup>12</sup> Churchill, "Entrepreneurs and Their Enterprises: A Stage Model," pp. 1–22.



The time was right and Kao was ready, but she needed a partner who could help with providing high-quality fruit, and preserving and transporting them. Serendipitously, she was introduced to her cousin's husband, who had recently taken over his family business, FuFruit. FuFruit was a large and reputable fruit provider in northern Taiwan, and its owner was looking into expanding the business. Skilled at branding and marketing, Kao was the best person to sell their new product to major stores such as 7-Eleven and Family Mart, while her cousin's husband concentrated on promoting their brand to high-tech firms such as Quanta Computer Inc., and large retailers such as Costo, RT-Mart, and Carrefour.

Why the name CupC+? The first C represents the Vitamin C in the tea leaves used in the franchise's products, and the second C, the Vitamin C in the fruit juices. In addition, Kao remembered that when 85°C, Taiwan's leading coffeehouse chain first emerged in the market, people were curious about the name and wanted to see what the shop offered. She hoped the unusual name for her franchise would do the same trick.

Zhang Chaming, founder and CEO of iPartment, certainly believes in a winning strategy. His Web site is one of the household names for social networking in Taiwan and beyond, with more than 10 million people registered on the site. Women comprise around 70 percent of its users, and it is arguably the most popular social networking service among females.

For a social networking site to be successful, it needs to be different. When Zhang looked into the operations of rival sites owned by Yahoo, PCHOME, and Yam, he found that well over 70 percent of the users were male. He and his colleagues asked themselves, Where were those females? Zhang says, "Quickly we found out that these sites lacked the elements which appealed to females. By filling the gap, iPartment differentiates itself from its competitors."

The iPartment Web site aims to promote online romance with a high level of security in a space free of online pornography. The team observed that the more popular TV shows in Taiwan were constructed around people falling in love in an apartment-like environment, and convinced by feedback from potential users, designed the iPartment Web site with that approach in mind. iPartment reproduces the concept of a home, in a virtual environment where users can "rent" their online apartments, find virtual roommates, and engage in activities such as home decoration, gardening, and keeping pets (or pay a fee for home maintenance services). Zhang elaborates:

We also found out that friendship for females is the key principle they lived by [and we used that] while design-

ing the site. The iPartment team then soon repositioned the site and designed all the possible elements to meet the needs in the site. We set strict rules on the site when it was out; whoever delivered messages that may pose a danger to the rest of the users or made sexual hints were not allowed and their accounts would be immediately deleted if [they were] reported or censured.

iPartment focuses on white-collar female users to differentiate itself from other highly popular social networking sites such as QQ, which covers almost all social groups, and Sina, which focuses only on working professionals. Narrowing the target market is important for a start-up since resources are limited. Because of the Web site's business model, the iPartment team knew it had to concentrate on the group of users with the potential buying power for the services offered.

Entrepreneurs realize good ideas are a dime a dozen, but good opportunities are few and far between. Fortunately, a great deal is now known about the criteria, the patterns, and the requirements that differentiate the good idea from the good opportunity. Entrepreneurs rely heavily on their own previous experiences (or their frustrations as customers) to come up with their breakthrough opportunities. Kurt Bauer, for instance, had no prior business training or experience before he headed for Eastern Europe in 1990 on a Fulbright Scholarship to work on privatization in Poland and Russia. In fact, he postponed his acceptances to top medical schools in order to go east. He was so impressed with the seemingly endless stream of new business opportunities in the old eastern bloc countries that upon his return two years later, he decided to go to business school and try to figure out how to recognize and pursue the best of these opportunities. We will study his venture here from its roots and conception, to business plan development, to fund-raising and launch. Kurt and his brother John, and their venture, are a classic example of a pattern of opportunity obsession.

Throughout this text, we will examine in great detail how entrepreneurs and investors are "opportunity obsessed." We will see their ingenious, as well as straightforward, ways and patterns of creating, shaping, molding, and recognizing opportunities that are not just good ideas, and then transforming these "caterpillars into butterflies." These practices, strategies, and habits are part of the entrepreneurial mind-set and are skills and know-how that are learnable and acquirable.

The entrepreneur's credo is to think opportunity first and cash last. Time and again—even after harvesting a highly successful venture—lead entrepreneurs will start up another company. They possess all the money and material wealth anyone would ever hope for, yet it is not enough. Like the artist, scientist,

athlete, or musician who, at great personal sacrifice, strives for yet another breakthrough discovery, new record, or masterpiece, the greatest entrepreneurs are similarly obsessed with what they believe is the next breakthrough opportunity.

Having created and run a very popular bulletin board system in Taiwan's growing Internet community, Wretch.cc founder Mr. Chien and his partners decided to launch a similar Web site with improved features based on the Wretch brand name and user base. This move was inspired by Chien's observation that the Taiwanese were sharing comments and images over email and MSN, which were rather inconvenient modes of transfer. He also noted the growing popularity of Flickr and TaipeiLink among the Taiwanese, and the lack of improvement in the latter's performance even when the number of its users surged. In addition, Chien and his team discovered that the Taiwanese were not very fond of using foreign Web sites to share information as these tended to require some technical skill and software knowledge on the user's part. Aware of the IT advancements in the Web 2.0 era, Chien felt that software engineers should make blogging easy even for users with limited IT know-how. Chien and his team designed a prototype of the Asian blog, in which images were as much the focus as text was. This was a radical shift away from blogs created by Westerners, which were mostly literature-heavy. In 2003, the Wretch team created the new Web site, which was visited mainly by Taiwanese university students, and which offered highly customized options, such as background features and music.

Next, we cite an example from China, where Taiwanese business couple Yang Ging Fa and Ging Mei Yiang have made a name for their restaurant franchise, Liang'an Coffee, with its unique concept of serving high-quality Western food in Chinese-style crockery, and in a Chinese-style ambience. One of the hottest items on the menu is the "Liang'an Buffett Beef," featuring beef that is dried, then baked. The idea for this dish originated from a *BusinessWeek* interview with Warren Buffett, in which he mentioned that he liked beef cooked this way. Soon after the interview was televised, Liang'an's owners introduced the item to its menu. They had foreseen how a powerful recommendation by a world celebrity would influence consumer behavior in China.

Entrepreneurs think big enough about opportunities. They know that a mom-and-pop business can often be more exhausting and stressful, and much less rewarding, than a high-potential business. Their opportunity mind-set is how to create it, shape it, mold it,

or fix it so that the customer/end user will respond, Wow! Their thinking habits focus on what can go right here—what and how can we change the product or service to make it go right? What do we have to offer to become the superior, dominant product or service?

### **Tolerance of Risk, Ambiguity, and Uncertainty**

Because high rates of change and high levels of risk, ambiguity, and uncertainty are almost a given, successful entrepreneurs tolerate risk, ambiguity, and uncertainty. They manage paradoxes and contradictions.

Entrepreneurs risk money, but they also risk reputation. Successful entrepreneurs are not gamblers; they take calculated risks. Like the parachutist, they are willing to take a risk; however, in deciding to do so, they calculate the risk carefully and thoroughly and do everything possible to get the odds in their favor. Entrepreneurs get others to share inherent financial and business risks with them. Partners put up money and put their reputations on the line, and investors do likewise. Creditors also join the party, as do customers who advance payments and suppliers who advance credit. For example, one researcher studied three very successful entrepreneurs in California who initiated and orchestrated actions that had risk consequences.<sup>13</sup> It was found that while they shunned risk, they sustained their courage by the clarity and optimism with which they saw the future. They limited the risks they initiated by carefully defining and strategizing their ends and by controlling and monitoring their means—and by tailoring them both to what they saw the future to be. Further, they managed risk by transferring it to others.

In 1990 John B. Miner proposed his concept of motivation–organizational fit, within which he contrasted a hierarchic (managerial) role with a task (entrepreneurial) role.<sup>14</sup> This study of motivational patterns showed that those who are task oriented (i.e., entrepreneurs) opt for the following roles because of the corresponding motivations:

Role	Motivation
1. Individual achievement.	A desire to achieve through one's own efforts and to attribute success to personal causation.
2. Risk avoidance.	A desire to avoid risk and leave little to chance.
3. Seeking results of behavior.	A desire for feedback.
4. Personal innovation.	A desire to introduce innovative solutions.
5. Planning and setting goals.	A desire to think about the future and anticipate future possibilities.

<sup>13</sup> D. Mitton, "No Money, Know-How, Know-Who: Formula for Managing Venture Success and Personal Wealth," *Frontiers of Entrepreneurship Research: 1984*, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1984), p. 427.

<sup>14</sup> J. B. Miner, "Entrepreneurs, High-Growth Entrepreneurs, and Managers: Contrasting and Overlapping Motivational Patterns," *Journal of Business Venturing* 5, p. 224.



Entrepreneurs also tolerate ambiguity and uncertainty and are comfortable with conflict. Ask someone working in a large company how sure they are about receiving a paycheck this month, in two months, in six months, and next year. Invariably they will say that it is virtually certain and will muse at the question. Start-up entrepreneurs face just the opposite situation: There may be no revenue at the beginning, and if there is, a 90-day backlog in orders would be quite an exception. To make matters worse, lack of organization, structure, and order is a way of life. Constant changes introduce ambiguity and stress into every part of the enterprise. Jobs are undefined and changing continually, customers are new, coworkers are new, and setbacks and surprises are inevitable. And there never seems to be enough time.

Successful entrepreneurs maximize the good “higher-performance” results of stress and minimize the negative reactions of exhaustion and frustration. Two surveys have suggested that very high levels of both satisfaction and stress characterize founders, to a greater degree than managers, regardless of the success of their ventures.<sup>15</sup>

### **Creativity, Self-Reliance, and Adaptability**

The high levels of uncertainty and very rapid rates of change that characterize new ventures require fluid and highly adaptive forms of organization that can respond quickly and effectively.

Successful entrepreneurs believe in themselves. They believe that their accomplishments (and setbacks) lie within their own control and influence and that they can affect the outcome. Successful entrepreneurs have the ability to see and “sweat the details” and also to conceptualize (i.e., they have “helicopter minds”). They are dissatisfied with the status quo and are restless initiators.

The entrepreneur has historically been viewed as an independent, highly self-reliant innovator and the champion (and occasional villain) of the free enterprise economy. More modern research and investigation have refined the agreement among researchers and practitioners alike that effective entrepreneurs actively seek and take initiative. They willingly put themselves in situations where they are personally responsible for the success or failure of the operation. They like to take the initiative to solve a problem or fill a vacuum where no leadership exists. They also like situations where personal impact on problems can be measured. Again, this is the action-oriented nature of the entrepreneur expressing itself.

Successful entrepreneurs are adaptive and resilient. They have an insatiable desire to know how well they are performing. They realize that to know

how well they are doing and how to improve their performance, they need to actively seek and use feedback. Seeking and using feedback is also central to the habit of learning from mistakes and setbacks, and of responding to the unexpected. For the same reasons, these entrepreneurs often are described as excellent listeners and quick learners.

Entrepreneurs are not afraid of failing; rather, they are more intent on succeeding, counting on the fact that “success covers a multitude of blunders,”<sup>16</sup> as George Bernard Shaw eloquently stated. People who fear failure will neutralize whatever achievement motivation they may possess. They will tend to engage in a very easy task, where there is little chance of failure, or in a very difficult situation, where they cannot be held personally responsible if they do not succeed.

Further, successful entrepreneurs learn from failure experiences. They better understand not only their roles but also the roles of others in causing the failure, and thus they are able to avoid similar problems in the future. There is an old saying to the effect that the cowboy who has never been thrown from a horse undoubtedly has not ridden too many! The iterative, trial-and-error nature of becoming a successful entrepreneur makes serious setbacks and disappointments an integral part of the learning process.

**Motivation to Excel** Successful entrepreneurs are motivated to excel. Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals. This need to achieve has been well established in the literature on entrepreneurs since the pioneering work of McClelland and Atkinson on motivation in the 1950s and 1960s. Seeking out the challenge inherent in a start-up and responding in a positive way, noted by the distinguished entrepreneurs mentioned earlier, is achievement motivation in action.

Conversely, these entrepreneurs have a low need for status and power, and they derive personal motivation from the challenge and excitement of creating and building enterprises. They are driven by a thirst for achievement, rather than by status and power. Ironically, their accomplishments, especially if they are very successful, give them power. But it is important to recognize that power and status are a result of their activities. Setting high but attainable goals enables entrepreneurs to focus their energies, be selective in sorting out opportunities, and know what to say no to. Having goals and direction also helps define priorities and provides measures of how well they are performing. Possessing an objective way of keeping score, such as changes in profits, sales, or stock price,

<sup>15</sup> E. A. Fagonson, “Personal Value Systems of Men and Women Entrepreneurs versus Managers,” *Journal of Business Venturing*, 1993.

<sup>16</sup> Cited in R. Little, *How to Lose \$100,000,000 and Other Valuable Advice* (Boston: Little, Brown, 1979), p. 72.

is also important. Thus money is seen as a tool and a way of keeping score, rather than the object of the game by itself.

Successful entrepreneurs insist on the highest personal standards of integrity and reliability. They do what they say they are going to do, and they pull for the long haul. These high personal standards are the glue and fiber that bind successful personal and business relationships and make them endure.

A study involving 130 members of the Small Company Management Program at Harvard Business School confirmed how important this issue is. Most simply said it was the single most important factor in their long-term success.<sup>17</sup>

The best entrepreneurs have a keen awareness of their own strengths and weaknesses and those of their partners and of the competitive and other environments surrounding and influencing them. They are coldly realistic about what they can and cannot do and do not delude themselves; that is, they have “veridical awareness” or “optimistic realism.” It also is worth noting that successful entrepreneurs believe in themselves. They do not believe that fate, luck, or other powerful, external forces will govern the success or

failure of their ventures. They believe they personally can affect the outcome. This attribute is also consistent with achievement motivation, which is the desire to take personal responsibility, and self-confidence.

This veridical awareness often is accompanied by other valuable entrepreneurial traits—perspective and a sense of humor. The ability to retain a sense of perspective, and to “know thyself” in both strengths and weaknesses, makes it possible for an entrepreneur to laugh, to ease tensions, and to get an unfavorable situation set in a more profitable direction.

## Entrepreneurial Reasoning: The Entrepreneurial Mind in Action

How do successful entrepreneurs think, what actions do they initiate, and how do they start and build businesses? By understanding the attitudes, behaviors, management competencies, experience, and know-how that contribute to entrepreneurial success, one has some useful benchmarks for gauging what to do. Exhibit 2.7 examines the role of opportunity in entrepreneurship.

### EXHIBIT 2.7

#### Opportunity Knocks—Or Does It Hide? An Examination of the Role of Opportunity Recognition in Entrepreneurship

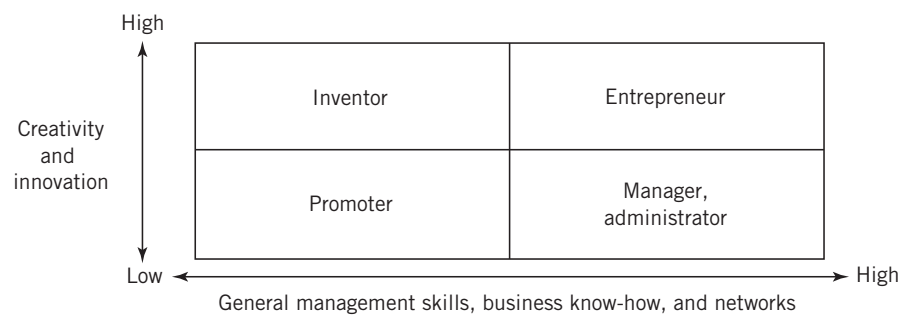
##### Number (and Proportion) of Opportunities of Various Sources and Types

Sources of Opportunities	Entrepreneurs	Nonentrepreneurs
Prior work	67 (58.3%)	13 (48.2%)
Prior employment	36	6
Prior consulting work	11	4
Prior business	20	2
Network	25 (21.7%)	8 (29.6%)
Social contact	7	6
Business contact	18	2
Thinking by analogy	13 (11.3%)	6 (22.2%)
Partner	10 (8.7%)	—
Types of Opportunities	Entrepreneurs	Nonentrepreneurs
Niche expansion/ underserved niche	29 (25.2%)	7 (29.2%)
Customer need	34 (29.6%)	6 (25.0%)
Own firm's need	6 (5.2%)	1 (4.2%)
Better technology	46 (40.0%)	10 (41.7%)

Source: Charlene, Zeitsma, “Opportunity Knocks—Or Does it Hide? An Examination of the Role of Opportunity Recognition in Entrepreneurship.” In P. D. Reynolds, et al., eds., *Frontiers of Entrepreneurship Research: 1999*, Babson Park, MA: Babson College. Used by permission of the author.

Note: Numbers equal total people in the sample allocated to each category. Numbers in parentheses equal percentage of total surveyed.

<sup>17</sup> W. H. Stewart, Jr., W. E. Watson, J. C. Carland, and J. W. Carland, “A Comparison of Entrepreneurs, Small Business Owners, and Corporate Managers,” *Journal of Business Venturing* 14, no. 2 (1999).

**EXHIBIT 2.8****Who Is the Entrepreneur?**

Successful entrepreneurs have a wide range of personality types. Most research about entrepreneurs has focused on the influences of genes, family, education, career experience, and so forth, but no psychological model has been supported. Studies have shown that an entrepreneur does not need specific inherent traits, but rather a set of acquired skills.<sup>18</sup> Perhaps one Price-Babson College fellow phrased it best when he said, “One does not want to overdo the personality stuff, but there is a certain ring to it.”<sup>19</sup>

“There is no evidence of an ideal entrepreneurial personality. Great entrepreneurs can be either gregarious or low-key, analytical or intuitive, charismatic or boring, good with details or terrible, delegators or control freaks. What you need is a capacity to execute in certain key ways.”<sup>20</sup> Successful entrepreneurs share common attitudes and behaviors. They work hard and are driven by an intense commitment and determined perseverance; they see the cup half full, rather than half empty; they strive for integrity; they thrive on the competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favor of effectiveness; and they believe they can personally make an enormous difference in the final outcome of their ventures and their lives.

Those who have succeeded speak of these attitudes and behaviors time and again.<sup>21</sup> For example, two famous entrepreneurs have captured the intense commitment and perseverance of entrepreneurs. Wally Amos, famous for his chocolate chip cookies, said, “You can do anything you want to do.”<sup>22</sup> John Johnson of Johnson Publishing Company (publisher

of *Ebony*) expressed it this way: “You need to think yourself out of a corner, meet needs, and never, never accept no for an answer.”<sup>23</sup>

Successful entrepreneurs possess not only a creative and innovative flair, but also solid management skills, business know-how, and sufficient contacts. Exhibit 2.8 demonstrates this relationship.

Inventors, noted for their creativity, often lack the necessary management skills and business know-how. Promoters usually lack serious general management and business skills and true creativity. Managers govern, police, and ensure the smooth operation of the status quo; their management skills, while high, are tuned to efficiency as well, and creativity is usually not required. Although the management skills of the manager and the entrepreneur overlap, the manager is more driven by conservation of resources and the entrepreneur is more opportunity-driven.<sup>24</sup>

## The Concept of Apprenticeship

### Shaping and Managing an Apprenticeship

When one looks at successful entrepreneurs, one sees profiles of careers rich in experience. Time and again there is a pattern among successful entrepreneurs. They have all acquired 10 or more years of substantial experience, built contacts, garnered the know-how, and established a track record in the industry, market, and technology niche within which they eventually launch, acquire, or build a business. Frequently they have acquired intimate knowledge of the customer, distribution channels,

<sup>18</sup> W. Lee, “What Successful Entrepreneurs Really Do,” Lee Communications, 2001.

<sup>19</sup> Comment made during a presentation at the June 1987 Price-Babson College Fellows Program by Jerry W. Gustafson, Coleman-Fannie May Candies Professor of Entrepreneurship, Beloit College, at Babson College.

<sup>20</sup> Lee, “What Successful Entrepreneurs Really Do,” Lee Communications, 2001.

<sup>21</sup> See the excellent summary of a study of the first 21 inductees into Babson College’s Academy of Distinguished Entrepreneurs by J. A. Hornaday and N. Tiekens, “Capturing Twenty-One Heffalumps,” in *Frontiers of Entrepreneurship Research: 1983*, pp. 23, 50.

<sup>22</sup> Made during a speech at his induction in 1982 into the Academy of Distinguished Entrepreneurs, Babson College.

<sup>23</sup> Made during a speech at his induction in 1979 into the Academy of Distinguished Entrepreneurs, Babson College.

<sup>24</sup> Timmons, Muzyka, Stevenson, and Bygrave, “Opportunity Recognition: The Core of Entrepreneurship,” pp. 42–49.

and market through direct sales and marketing experience. The more successful ones have made money for their employer before doing it for themselves. Consider the following examples:

- Ren Zhengfei joined the People's Liberation Army of China to work as a military technologist upon graduation. Ren was an eager learner, and he became a specialist in the field of telecommunications. In 1978, after leading several successful telecommunications projects, he was elected as the military delegate to attend the National Science Conference. Ren left the army after a 14-year career. In 1988, Ren founded Hwawei Technologies. In 1992, he invented the first domestic PBX exchanger. Hwawei Technologies is known for its strong R&D department, and that, together with Ren's military-style management, helped the company grow to become the global power in telecommunications infrastructure it is today.
- Robin Li, founder of Baidu, graduated from the State University of New York at Buffalo in 1994 with a master degree in computer science. He then joined Dow Jones and Company, and developed a real-time financial information system for the online edition of *The Wall Street Journal*. During this time, he also designed a page-ranking algorithm which was awarded a U.S. patent. In 1997, Li joined the pioneer search engine company Infoseek, and developed a picture algorithm for Go.com. Armed with the experience and knowledge gained from his previous jobs, Li went back to China and founded Baidu with his venture capitalist friend Eric Xu in 1999. The company has been listed on the NASDAQ since 2005, and is now the most widely used search engine in China.

Tens of thousands of similar examples exist. There are always exceptions to any such pattern, but if you want the odds in your favor, get the experience first. Successful entrepreneurs are likely to be older and to have at least 8 to 10 years of experience. They are likely to have accumulated enough net worth to contribute to funding the venture or to have a track record impressive enough to give investors and creditors the necessary confidence. Finally, they usually have found and nurtured relevant business and other contacts and networks that ultimately contribute to the success of their ventures.

The first 10 or so years after leaving school can make or break an entrepreneur's career in terms of how well he or she is prepared for serious entrepre-

neuring. Evidence suggests that the most durable entrepreneurial careers, those found to last 25 years or more, were begun across a broad age spectrum, but after the person selected prior work or a career to prepare specifically for an entrepreneurial career.

Having relevant experience, know-how, attitudes, behaviors, and skills appropriate for a particular venture opportunity can dramatically improve the odds for success. The other side of the coin is that if an entrepreneur does not have these, then he or she will have to learn them while launching and growing the business. The tuition for such an approach is often greater than most entrepreneurs can afford.

Since entrepreneurs frequently evolve from an entrepreneurial heritage or are shaped and nurtured by their closeness to entrepreneurs and others, the concept of an apprenticeship can be a useful one. Much of what an entrepreneur needs to know about entrepre-  
neuring comes from learning by doing. Knowing what to prepare for, where the windows for acquiring the relevant exposure lie, how to anticipate these, where to position oneself, and when to move on can be quite useful.

As Howard Stevenson of the Harvard Business School has often reminded us when teaching in the Price-Babson College Fellows Program, and elsewhere:

You have to approach the world as an equal. There is no such thing as being supplicant. You are trying to work and create a better solution by creating action among a series of people who are relatively equal. We destroy potential entrepreneurs by putting them in a velvet-lined rut, by giving them jobs that pay too much, and by telling them they are too good, before they get adequate intelligence, experience, and responsibility.

## Windows of Apprenticeship

Exhibit 2.9 summarizes the key elements of an apprenticeship and experience curve and relates these to age windows.<sup>25</sup> Age windows are especially important because of the inevitable time it takes to create and build a successful activity, whether it is a new venture or within another organization.

There is a saying in the venture capital business that the "lemons," or losers, in a portfolio ripen in about two and one-half years and that the "pearls," or winners, usually take seven or eight years to come to fruition. Therefore, seven years is a realistic time frame to expect to grow a higher-potential business to a point where a capital gain can be realized. Interestingly, presidents of large corporations, presidents of colleges, and self-employed professionals often de-

<sup>25</sup> The authors wish to acknowledge the contributions to this thinking by Harvey "Chet" Krentzman, entrepreneur, lecturer, author, and nurturer of at least three dozen growth-minded ventures over the past 20 years.



**EXHIBIT 2.9****Windows of Entrepreneurial Apprenticeship**

Elements of the Apprenticeship and Experience Curve	Age			
	20s	30s	40s	50s
<b>1. Relevant business experience</b>	Low	Moderate to high	Higher	Highest
<b>2. Management skills and know-how</b>	Low to moderate	Moderate to high	High	High
<b>3. Entrepreneurial goals and commitment</b>	Varies widely	Focused high	High	High
<b>4. Drive and energy</b>	Highest	High	Moderate	Lowest
<b>5. Wisdom and judgment</b>	Lowest	Higher	Higher	Highest
<b>6. Focus of apprenticeship</b>	Discussing what you enjoy; key is learning business, sales, marketing; profit and loss responsibility	General management Division management Founder	Growing and harvesting	Reinvesting
<b>7. Dominant life-stage issues*</b>	Realizing your dream of adolescence and young adulthood	Personal growth and new directions and ventures	Renewal, regeneration, reinvesting in the system	

\*From *The Seasons of a Man's Life* by Daniel Levinson, copyright © 1978 by Daniel J. Levinson. Used by permission of Alfred A. Knopf, a division of Random House, Inc.

scribe years as the time it takes to do something significant.

The implications of this are quite provocative. First, time is precious. Assume an entrepreneur spends the first five years after college or graduate school gaining relevant experience. He or she will be 25 to 30 years of age (or maybe as old as 35) when launching a new venture. By the age of 50, there will have been time for starting, at most, three successful new ventures. What's more, entrepreneurs commonly go through false starts or even a failure at first in the trial-and-error process of learning the entrepreneurial ropes. As a result, the first venture may not be launched until later (i.e., in the entrepreneur's mid- to late 30s). This would leave time to grow the current venture and maybe one more. (There is always the possibility of staying with a venture and growing it to a larger company of \$50 million or more in sales.)

Reflecting on Exhibit 2.9 will reveal some other paradoxes and dilemmas. For one thing, just when an entrepreneur's drive, energy, and ambition are at a peak, the necessary relevant business experience and management skills are least developed, and those critical elements, wisdom and judgment, are in their infancy. Later, when an entrepreneur has gained the necessary experience in the "deep, dark canyons of uncertainty" and has thereby gained wisdom and

judgment, age begins to take its toll. Also, patience and perseverance to relentlessly pursue a long-term vision need to be balanced with the urgency and realism to make it happen. Flexibility to stick with the moving opportunity targets and to abandon some and shift to others is also required. However, flexibility and the ability to act with urgency disappear as the other commitments of life are assumed.

### **The Concept of Apprenticeship: Acquiring the 50,000 Chunks**

During the past several years, studies about entrepreneurs have tended to confirm what practitioners have known all along: that some attitudes, behaviors, and know-how can be acquired and that some of these attributes are more desirable than others. It is also clear that apprenticeship is a vital aspect of entrepreneurial education.

Increasingly, research studies on the career paths of entrepreneurs and the self-employed suggest that the role of experience and know-how is central in successful venture creation. Many successful entrepreneurs do not have prior industry experience. More critical to the entrepreneur is the ability to gain information and act on it.<sup>26</sup> Evidence also suggests that success is linked to preparation and planning.<sup>27</sup> This is

<sup>26</sup> K. H. Vesper, "New Venture Ideas: Don't Overlook the Experience Factor," *Harvard Business Review*, reprinted in *Growing Concerns: Building and Managing the Smaller Business*, ed. D. E. Gumpert (New York: John Wiley & Sons, 1984), pp. 28–55.

<sup>27</sup> See R. Ronstadt's and H. Stevenson's studies reported in *Frontiers of Entrepreneurship Research: 1983*.



what getting 50,000 chunks of experience is all about.

Although formal market research may provide useful information, it is also important to recognize the entrepreneur's collective, qualitative judgment must be weighted most heavily in evaluating opportunities. One study found that entrepreneurs view believing in the idea, and experimenting with new venture ideas that result in both failures and successes, as the most important components of opportunity recognition.<sup>28</sup>

Most successful entrepreneurs follow a pattern of apprenticeship, where they prepare for becoming entrepreneurs by gaining the relevant business experiences from parents who are self-employed or through job experiences. They do not leave acquisition of experience to accident or osmosis. As entrepreneur Harvey "Chet" Krentzman has said, "Know what you know and what you *don't* know."

## Role Models

Numerous studies show a strong connection between the presence of role models and the emergence of entrepreneurs. For instance, an early study showed that more than half of those starting new businesses had parents who owned businesses.<sup>29</sup> Likewise, 70 percent of MIT graduates who started technology businesses had entrepreneurial parents.<sup>30</sup> In Asia, we also see the importance of role models. We highlight two examples here.

Dr. Wilber Huang, MD, founder and general manager of Abnova, one of Taiwan's most prominent biotech companies, was heavily influenced by his IT-savvy family in his career choices—even though he was specializing in the vastly different field of medicine. During his clinical training, Huang was struck by the length of time it took to manufacture a new drug, especially when he compared this with how fast new computer applications and models were hitting the market. His family would share with him ideas and concepts of running successful IT firms, and this got him thinking about creating a platform for efficient, large-scale proteins-related applications manufacturing.

The roots of entrepreneurship in Taiwan reach back well over a century. "As a third generation entrepreneur, I am the beneficiary of this special heritage," said George Yen, one of Taiwan's most famous management gurus. Yen is the chairman of San Yang

Metal Industrial Co. Ltd., Applied Nano Technology Science, Inc., Great Sequoia Corp., Taiwanabrator Co. Ltd., and Taiwan Sintong Machinery Co. Ltd. "When I started my trading business in New York City at the age of 34, I had two things going for me. One, I was brought up in a business environment which instilled in me a longstanding interest in business management. Two, I have an innate comfort in risk taking."

Yen's father once told him that a businessman had to adapt to the changing times, and Yen manages his family business with that advice in mind. Like Yen, his granduncle is known for his successful high-risk ventures in the business world. On one occasion, after he offered to buy out the unprofitable Far Eastern Department of a large American trading company, Yen realized that he was essentially following in the footsteps of his granduncle. The authors summarized it this way:

Family firms spawn entrepreneurs. Older generations provide leadership and role modeling. This phenomenon cuts across industries, firm size, and gender.

The Babson College Historically Black Colleges and Universities Case Writing Consortium write teaching cases featuring African American entrepreneurs. The experiences of these black entrepreneurs are exactly the role modeling that inspires students.

## Myths and Realities

Folklore and stereotypes about entrepreneurs and entrepreneurial success are remarkably durable, even in these informed and sophisticated times. More is known about the founders and the process of entrepreneurship than ever before.

However, certain myths enjoy recurring attention and popularity, in part because while generalities may apply to certain types of entrepreneurs and particular situations, the great variety of founders tends to defy generalization. Exhibit 2.10 lists myths about entrepreneurs that have persisted and realities that are supported by research.

Studies have indicated that 90 percent or more of founders start their companies in the same marketplace, technology, or industry they have been working in.<sup>31</sup> Others have found that entrepreneurs are likely to have role models, have 8 to 10 years of experience, and be well educated. It also appears that successful

<sup>28</sup> "Successful Entrepreneurs' Insights into Opportunity Recognition," G. Hills and R. Shrader, University of Illinois, Chicago, 2000.

<sup>29</sup> A. Cooper and W. Dunkelberg, *A New Look at Business Entry* (San Mateo, CA: National Federation of Independent Businesses, March 1984).

<sup>30</sup> *Fortune*, June 7, 1999.

<sup>31</sup> A good summary of some of these studies is provided by R. H. Brockhaus, "The Psychology of the Entrepreneur," in *Encyclopedia of Entrepreneurship*, ed. C. Kent, D. Sexton, and K. Vesper (Englewood Cliffs, NJ: Prentice-Hall, 1982), pp. 50, 55.

**EXHIBIT 2.10****Myths and Realities about Entrepreneurs**

**Myth 1**—Entrepreneurs are born, not made.

**Reality**—While entrepreneurs are born with certain native intelligence, a flair for creating, and energy, these talents by themselves are like unmolded clay or an unpainted canvas. The making of an entrepreneur occurs by accumulating the relevant skills, know-how, experiences, and contacts over a period of years and includes large doses of self-development. The creative capacity to envision and then pursue an opportunity is a direct descendant of at least 10 or more years of experience that lead to pattern recognition.

**Myth 2**—Anyone can start a business.

**Reality**—Entrepreneurs who recognize the difference between an idea and an opportunity, and who think big enough, start businesses that have a better chance of succeeding. Luck, to the extent it is involved, requires good preparation. And the easiest part is starting. What is hardest is surviving, sustaining, and building a venture so its founders can realize a harvest. Perhaps only one in 10 to 20 new businesses that survive five years or more results in a capital gain for the founders.

**Myth 3**—Entrepreneurs are gamblers.

**Reality**—Successful entrepreneurs take very careful, calculated risks. They try to influence the odds, often by getting others to share risk with them and by avoiding or minimizing risks if they have the choice. Often they slice up the risk into smaller, quite digestible pieces; only then do they commit the time or resources to determine if that piece will work. They do not deliberately seek to take more risk or to take unnecessary risk, nor do they shy away from unavoidable risk.

**Myth 4**—Entrepreneurs want the whole show to themselves.

**Reality**—Owning and running the whole show effectively puts a ceiling on growth. Solo entrepreneurs usually make a living. It is extremely difficult to grow a higher-potential venture by working single-handedly. Higher potential entrepreneurs build a team, an organization, and a company. Besides, 100 percent of nothing is nothing, so rather than taking a large piece of the pie, they work to make the pie bigger.

**Myth 5**—Entrepreneurs are their own bosses and completely independent.

**Reality**—Entrepreneurs are far from independent and have to serve many masters and constituencies, including partners, investors, customers, suppliers, creditors, employees, families, and those involved in social and community obligations. Entrepreneurs, however, can make free choices of whether, when, and what they care to respond to. Moreover, it is extremely difficult, and rare, to build a business beyond \$1 million to \$2 million in sales single-handedly.

**Myth 6**—Entrepreneurs work longer and harder than managers in big companies.

**Reality**—There is no evidence that all entrepreneurs work more than their corporate counterparts. Some do, some do not. Some actually report that they work less.

**Myth 7**—Entrepreneurs experience a great deal of stress and pay a high price.

**Reality**—Being an entrepreneur is stressful and demanding. But there is no evidence that it is any more stressful than numerous other highly demanding professional roles, and entrepreneurs find their jobs very satisfying. They have a high sense of accomplishment, are healthier, and are much less likely to retire than those who work for others. Three times as many entrepreneurs as corporate managers say they plan to never retire.

**Myth 8**—Start a business and fail and you'll never raise money again.

**Reality**—Talented and experienced entrepreneurs—because they pursue attractive opportunities and are able to attract the right people and necessary financial and other resources to make the venture work—often head successful ventures. Further, businesses fail, but entrepreneurs do not. Failure is often the fire that tempers the steel of an entrepreneur's learning experience and street savvy.

**Myth 9**—Money is the most important start-up ingredient.

**Reality**—If the other pieces and talents are there, the money will follow, but it does not follow that an entrepreneur will succeed if he or she has enough money. Money is one of the least important ingredients in new venture success. Money is to the entrepreneur what the paint and brush are to the artist—an inert tool that in the right hands can create marvels.

**Myth 10**—Entrepreneurs should be young and energetic.

**Reality**—While these qualities may help, age is no barrier. The average age of entrepreneurs starting high-potential businesses is in the mid-30s, and there are numerous examples of entrepreneurs starting businesses in their 60s. What is critical is possessing the relevant know-how, experience, and contacts that greatly facilitate recognizing and pursuing an opportunity.

**Myth 11**—Entrepreneurs are motivated solely by the quest for the almighty dollar.

**Reality**—Entrepreneurs seeking high-potential ventures are more driven by building enterprises and realizing long-term capital gains than by instant gratification through high salaries and perks. A sense of personal achievement and accomplishment, feeling in control of their own destinies, and realizing their vision and dreams are also powerful motivators. Money is viewed as a tool and a way of keeping score, rather than an end in itself. Entrepreneurs thrive on the thrill of the chase; and, time and again, even after an entrepreneur has made a few million dollars or more, he or she will work on a new vision to build another company.

(continued)

**EXHIBIT 2.10 (concluded)****Myths and Realities about Entrepreneurs**

**Myth 12**—Entrepreneurs seek power and control over others.

**Reality**—Successful entrepreneurs are driven by the quest for responsibility, achievement, and results, rather than for power for its own sake. They thrive on a sense of accomplishment and of outperforming the competition, rather than a personal need for power expressed by dominating and controlling others. By virtue of their accomplishments, they may be powerful and influential, but these are more the by-products of the entrepreneurial process than a driving force behind it.

**Myth 13**—If an entrepreneur is talented, success will happen in a year or two.

**Reality**—An old maxim among venture capitalists says it all: The lemons ripen in two and a half years, but the pearls take seven or eight. Rarely is a new business established solidly in less than three or four years.

**Myth 14**—Any entrepreneur with a good idea can raise venture capital.

**Reality**—Of the ventures of entrepreneurs with good ideas who seek out venture capital, only 1 to 3 out of 100 are funded.

**Myth 15**—If an entrepreneur has enough start-up capital, he or she can't miss.

**Reality**—The opposite is often true; that is, too much money at the outset often creates euphoria and a spoiled-child syndrome. The accompanying lack of discipline and impulsive spending usually lead to serious problems and failure.

**Myth 16**—Entrepreneurs are lone wolves and cannot work with others.

**Reality**—The most successful entrepreneurs are leaders who build great teams and effective relationships working with peers, directors, investors, key customers, key suppliers, and the like.

**Myth 17**—Unless you attained 600+ on your SATs or GMATs, you'll never be a successful entrepreneur.

**Reality**—Entrepreneurial IQ is a unique combination of creativity, motivation, integrity, leadership, team building, analytical ability, and ability to deal with ambiguity and adversity.

entrepreneurs have a wide range of experiences in products/markets and across functional areas.<sup>32</sup> Studies also have shown that most successful entrepreneurs start companies in their 30s. Statistics of companies listed on the ChiNext (the Growth Enterprise Market Board in China) show that the average age of 92 shareholders whose equity value exceeds RMB 1 billion is 46.

It has been found that entrepreneurs work both more and less than their counterparts in large organizations, that they have high degrees of satisfaction with their jobs, and that they are healthier.<sup>33</sup> Another study showed that nearly 21 percent of the founders were over 40 when they embarked on their entrepreneurial career, the majority were in their 30s, and just over one-fourth did so by the time they were 25.

## What Can Be Learned?

For over 30 years, the authors have been engaged as educators, cofounders, investors, advisors, and directors of new, higher-potential ventures. Throughout the text are multipart cases about real, young entrepreneurs, including some of our former college and graduate students. You will face the same situations these aspiring entrepreneurs faced as they sought to turn dreams into reality. The cases and text, com-

bined with other online resources, will enable you to grapple with all of the conceptual, practical, financial, and personal issues entrepreneurs encounter. This book will help you get the odds of success in your favor. It will focus your attention on developing answers for the most important of these questions, including these:

- What does an entrepreneurial career take?
- What is the difference between a good opportunity and just another idea?
- Is the opportunity I am considering the right opportunity for me now?
- Why do some firms grow quickly to several million dollars in sales but then stumble, never growing beyond a single-product firm?
- What are the critical tasks and hurdles in seizing an opportunity and building the business?
- How much money do I need and when, where, and how can I get it—on acceptable terms?
- What financing sources, strategies, and mechanisms can I use from prestart, through meaningful careers in new and growing firms, and in the early growth stage to the harvest of my venture?
- What are the minimum resources I need to gain control over the opportunity, and how can I do this?

<sup>32</sup> Over 80 studies in this area have been reported in *Frontiers of Entrepreneurship Research* (Babson Park, MA: Babson College) for the years 1981 through 1997.

<sup>33</sup> Stevenson, "Who Are the Harvard Self-Employed?" p. 233.

- Is a business plan needed? If so, what kind is needed and how and when should I develop one?
- Who are the constituents for whom I must create or add value to achieve a positive cash flow and to develop harvest options?
- What is my venture worth and how do I negotiate what to give up?
- What are the critical transitions in entrepreneurial management as a firm grows from \$1 million to \$5 million to \$25 million in sales?
- What is it that entrepreneurial leaders do differently that enables them to achieve such competitive breakthroughs and advantages, particularly over conventional practices, but also so-called best practices?
- What are the opportunities and implications for 21st century entrepreneurs and the Internet, clean tech, and nanosciences? How can these be seized and financed?
- What do I need to know and practice in entrepreneurial reasoning and thinking to have a competitive edge?
- What are some of the pitfalls, minefields, and hazards I need to anticipate, prepare for, and respond to?
- What are the contacts and networks I need to access and to develop?
- Do I know what I do and do not know, and do I know what to do about it?
- How can I develop a personal “entrepreneurial game plan” to acquire the experience I need to succeed?
- How critical and sensitive is the timing in each of these areas?
- Why do entrepreneurs who succeed in the long term seek to maintain reputations for integrity and ethical business practices?

We believe that we can significantly improve the quality of decisions students make about entrepreneurship and thereby also improve the fit between what they aspire to do and the requirements of the particular opportunity. In many cases, those choices lead to self-employment or meaningful careers in new and growing firms and, increasingly, in large firms that “get it.” In other cases, students join larger firms whose customer base and/or suppliers are principally the entrepreneurial sector. Still others seek careers in the financial institutions and professional services firms that are at the vortex of the entrepreneurial economy: venture capital, private equity,

investment banks, commercial banks, consulting, accounting, and the like.

Our view of entrepreneurship is that it need not be an end in itself. Rather, it is a pathway that leads to innumerable ideas and opportunities, and opens visions of what young people can become. You will learn skills, and how to use those skills appropriately. You will learn how to tap your own and others’ creativity, and to apply your new energy. You will learn the difference between another good idea and a serious opportunity. You will learn the power and potential of the entrepreneurial team. You will learn how entrepreneurs finance and grow their companies, often with ingenious bootstrapping strategies that get big results with minimal resources. You will learn the joy of self-sufficiency and independence. You will learn how entrepreneurial leaders make this happen, and give back to society. You will discover anew what it is about entrepreneurship that gives you sustaining entrepreneurial reasoning and thinking in order to fuel your dreams. One of the best perspectives on this comes from Jerry Gustafson, Coleman-Fannie May Candies Professor of Entrepreneurship and Chair, Beloit College, Beloit, Wisconsin, who was probably the first professor at a liberal arts college to create an entrepreneurship course:

Entrepreneurship is important for its own sake. The subject frames an ideal context for students to address perennial questions concerning their identity, objectives, hopes, relation to society, and the tension between thought and action. Entrepreneurship concerns thinking of what we are as persons. . . . Furthermore, of its nature, entrepreneurship is about process. One cannot discuss entrepreneurship without encountering the importance of goal setting, information gathering, persistence, resourcefulness, and resiliency. It is not lost on students that the behaviors and styles of entrepreneurs tend to be socially rewarded, and these are precisely the behaviors we wish to see the students exhibit in the classroom.<sup>34</sup>

## A Word of Caution: What SATs, IQ Tests, GMATs, and Others Don’t Measure

*Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan “Press on” has solved and solved and always will solve the problems of the human race.*

President Calvin Coolidge

<sup>34</sup> J. Gustafson, “SEEing Is Not Only about Business,” *PULSE*, 1988 (Babson Park, MA: Price-Babson College Fellows Program).



The following data about alumni whose careers were followed for nearly 25 years has always shocked second-year Harvard MBA students. Regardless of the measure one applies, among the very top of the class were graduates who were both highly successful and not very successful. At the bottom of the class were alumni who became outrageously successful, and others who accomplished little with their lives and exceptional education. The middle of the class achieved all points on the continuum of success. How could this be?

America's brightest fared poorly in the Third International Mathematics and Science Study comparing high school seniors from 20 nations, according to *The New York Times*. In a competition between the world's most precocious seniors, those taking physics and advanced math, the Americans performed at the bottom. The article noted,

After decades of agonizing over the fairness of SAT scores, the differences between male and female mathematical skills, and gaps in IQ between various racial and ethnic groups, the notion of intelligence and how to measure it remains more political than scientific, and as maddeningly elusive as ever.<sup>35</sup>

In ancient China, the top scholar in the Imperial Examination is called a *zhuangyuan* (状元), and *zhuangyuan* are highly admired throughout Chinese history. Today, people refer to students who scored the highest points in their provincial college entrance examinations as *zhuangyuan*. Being called a *zhuangyuan* is still the ultimate badge of honor for many students in China. However, results from a study of 1,120 *zhuangyuan* who graduated between 1977 and 2008 were shocking; most of these top scholars perform far below expectation in their careers. Conversely, a study on a high-ranking Chinese university's outstanding alumni showed that none of these former students were *zhangyuan*.

In short, there are many different kinds of intelligence—a much greater bandwidth than most researchers and test architects ever imagined. The dynamic and subtle complexities of the entrepreneurial task require its own special intelligences. How else would one explain the enormous contradiction inherent in business and financially failed geniuses?

One only need consider the critical skills and capacities that are at the heart of entrepreneurial leadership and achievement, yet are not measured by the

IQ tests, SATs, GMATs, and the like that grade and sort young applicants with such imprecision. Consider the skills and capacities not measured by these tests:

- ✓ Leadership skills.
- ✓ Interpersonal skills.
- ✓ Team building and team playing.
- ✓ Creativity and ingenuity.
- ✓ Motivation.
- ✓ Learning skills (versus knowledge).
- ✓ Persistence and determination.
- ✓ Values, ethics, honesty, and integrity.
- ✓ Goal-setting orientation.
- ✓ Self-discipline.
- ✓ Frugality.
- ✓ Resourcefulness.
- ✓ Resiliency and capacity to handle adversity.
- ✓ Ability to seek, listen, and use feedback.
- ✓ Reliability.
- ✓ Dependability.
- ✓ Sense of humor.

It is no wonder that a number of excellent colleges and universities eliminated these measures or placed them in a proper perspective. Obviously this should not be construed to mean entrepreneurship is for dummies. Quite the opposite is true. Indeed, intelligence is a very valuable and important asset for entrepreneurs, but by itself is woefully inadequate.

Clearly just being very smart won't help much if one doesn't possess numerous other qualities (see Chapter 9, The Entrepreneurial Manager and the Team and Chapter 10, Ethical Decision Making, for an elaboration on these other qualities). A fascinating article by Chris Argyris, "Teaching Smart People How to Learn," is well worth reading to get some powerful insights into why it is often *not* the class genius who becomes most successful.<sup>36</sup>

## A Personal Strategy

An apprenticeship can be an integral part of the process of shaping an entrepreneurial career. One principal task is to determine what kind of entrepre-

<sup>35</sup> "Tests Show Nobody's Smart about Intelligence," *The New York Times*, March 1, 1998, p. 4-1.

<sup>36</sup> C. Argyris, "Teaching Smart People How to Learn," *Harvard Business Review*, May-June 1991.



neur a person is likely to become, based on background, experience, and drive. Through an apprenticeship, an entrepreneur can shape a strategy and action plan to make it happen. The Crafting a Personal Entrepreneurship Strategy exercise at the end of this chapter addresses this issue more fully. For a quick inventory of your entrepreneurial attributes, do the second exercise, Personal Entrepreneurial Strategy.

Despite all the work involved in becoming an entrepreneur, the bottom line is revealing. Evidence about careers and job satisfaction of entrepreneurs all points to the same conclusion: If they had to do it over again, not only would more of them become entrepreneurs again, but also they would do it sooner.<sup>37</sup> They report higher personal satisfaction with their lives and their careers than their managerial counterparts. Nearly three times as many say they plan never to retire, according to Stevenson. Numerous other studies show that the satisfaction from independence and living and working where and how they want to is a source of great satisfaction.<sup>38</sup> Financially, successful entrepreneurs enjoy higher incomes and a higher net worth than career managers in large companies. In addition, the successful harvest of a company usually means a capital gain of several million dollars or more and, with it, a new array of very attractive options and opportunities to do whatever they choose to do with the rest of their lives.

## Entrepreneur's Creed

So much time and space would not be spent on the entrepreneurial mind if it were just of academic interest. But they are, entrepreneurs themselves believe, in large part responsible for success. When asked an open-ended question about what entrepreneurs believed are the most critical concepts, skills, and know-how for running a business—today and five years hence—their answers were very revealing. Most mentioned mental attitudes and philosophies based on entrepreneurial attributes, rather than specific skills or organizational concepts. These answers are gathered together in what might be called an entrepreneur's creed:

- Do what gives you energy—have fun.
- Figure out what can go right and make it.
- Say “can do” rather than “cannot” or “maybe.”
- *Illegitimi non carborundum*: tenacity and creativity will triumph.
- Anything is possible if you believe you can do it.
- If you don't know it can't be done, then you'll go ahead and do it.
- The cup is half-full, not half-empty.
- Be dissatisfied with the way things are—and look for improvement.
- Do things differently.
- Don't take a risk if you don't have to—but take a calculated risk if it's the right opportunity for *you*.
- Businesses fail; successful entrepreneurs learn—but keep the tuition low.
- It is easier to beg for forgiveness than to ask for permission in the first place.
- Make opportunity and results your obsession—not money.
- Money is a tool and a scorecard available to the right people with the right opportunity at the right time.
- Making money is even more fun than spending it.
- Make heroes out of others—a team builds a business; an individual makes a living.
- Take pride in your accomplishments—it's contagious!
- Sweat the details that are critical to success.
- Integrity and reliability equal long-run oil and glue.
- Accept the responsibility, less than half the credit, and more than half the blame.
- Make the pie bigger—don't waste time trying to cut smaller slices.
- Play for the long haul—it is rarely possible to get rich quickly.
- Don't pay too much—but don't lose it!
- Only the lead dog gets a change of view.
- Success is getting what you want: Happiness is wanting what you get.
- Give back.
- Embrace sustainability.
- Never give up.

<sup>37</sup> Stevenson, “Who Are the Harvard Self-Employed?” pp. 233–54.

<sup>38</sup> R. C. Ronstadt, “The Decision Not to Become an Entrepreneur,” in *Frontiers of Entrepreneurship Research: 1983*, ed. J. A. Hornaday et al. (Babson Park, MA: Babson College, 1983), pp. 192–212; and R. C. Ronstadt, “Ex-Entrepreneurs and the Decision to Start an Entrepreneurial Career,” in *Frontiers of Entrepreneurship Research: 1983*, pp. 437–60.

## Chapter Summary

- Entrepreneurs are men and women of all sizes, ages, shapes, religions, colors, and backgrounds. There is no single profile or psychological template.
- Successful entrepreneurs share seven common themes that describe their attitudes and ways of thinking and acting.
- Rather than being inborn, the behaviors inherent in these seven attributes can be nurtured, learned, and encouraged, which successful entrepreneurs model for themselves and those with whom they work.
- Entrepreneurs love competition and actually avoid risks when they can, preferring carefully calculated risks.
- Entrepreneurship can be learned; it requires an apprenticeship.
- Most entrepreneurs gain the apprenticeship over 10 years or more after the age of 21 and acquire networks, skills, and the ability to recognize business patterns.
- The entrepreneurial mind-set can benefit large, established companies today just as much as smaller firms.
- Many myths and realities about entrepreneurship provide insights for aspiring entrepreneurs.
- A word of caution: IQ tests, SATs, GMATs, LSATs, and others do not measure some of the most important entrepreneurial abilities and aptitudes.
- Most successful entrepreneurs have had a personal strategy to help them achieve their dreams and goals, both implicitly and explicitly.
- The principal task for the entrepreneur is to determine what kind of entrepreneur he or she wants to become based on his or her attitudes, behaviors, management competencies, experience, and so forth.
- Self-assessment is the hardest thing for entrepreneurs to do; but if you don't do it, you will really get into trouble. If you don't do it, who will?

## Study Questions

1. What is the difference between a manager and a leader?
2. Define the seven major themes that characterize the mind-sets, attitudes, and actions of a successful entrepreneur. Which are most important, and why? How can they be encouraged and developed?
3. Entrepreneurs are made, not born. Why is this so? Do you agree, and why or why not?
4. Explain what is meant by the apprenticeship concept. Why is it so important to young entrepreneurs?
5. What is your personal entrepreneurial strategy? How should it change?
6. "What is one person's ham is another person's poison." What does this mean?
7. Can you evaluate thoroughly your attraction to entrepreneurship?
8. Who should be an entrepreneur and who should not?

## Internet Resources for Chapter 2

[http://en.wikipedia.org/w/index.php?title=Robin\\_Li&oldid=421692294](http://en.wikipedia.org/w/index.php?title=Robin_Li&oldid=421692294) *Wikipedia article on Robin Li, written on March 31, 2011 (retrieved on April 8, 2011).*

<http://home.baidu.com/about/management.html>  
百度创始人、董事长兼首席执行官—李彦宏  
(retrieved on April 8, 2011).

[www.chinanews.com/cj/2010/11-16/2657828.shtml](http://www.chinanews.com/cj/2010/11-16/2657828.shtml)  
《创业板一年造92位十亿元富豪平均年龄仅为46岁》, written on November 16, 2010 (retrieved on April 8, 2011).

<http://edu.sina.com.cn/gaokao/2009-05-14/1644199853.shtml> 《高考状元职业发展：较少出类拔萃成就远低预期》, written on May 14, 2009 (retrieved on April 8, 2011).

<http://edu.people.com.cn/GB/8216/159327/159477/9558186.html> 《蔡言厚解读<中国高考状元调查

报告>》, written on June 29, 2009 (retrieved on April 8, 2011).

<http://edu.qq.com/a/20090514/000341.htm>  
《高考状元调查报告：高考状元职业发展状况》, written on May 14, 2009 (retrieved on April 8, 2008).

[www.benlore.com](http://www.benlore.com) *The Entrepreneur's Mind is a Web resource that presents an array of real-life stories and advice from successful entrepreneurs and industry experts on the many different facets of entrepreneurship and emerging business.*

[www.entrepreneurs.about.com](http://www.entrepreneurs.about.com) *Comprehensive media-sponsored Web sites on small business and entrepreneurs.*

[www.blackenterprise.com](http://www.blackenterprise.com) *Black Enterprise is a business news and investment resource aimed at African American entrepreneurs and business owners.*

## MIND STRETCHERS

### Have You Considered?

1. Who can be an entrepreneur, and who cannot? Why?
2. What do you think are the factors which have resulted in entrepreneurship flourishing in Asia?
3. How do you personally stack up against the seven entrepreneurial mind-sets? What do you need to develop and improve?
4. If you work for a larger company, what is it doing to attract and keep the best entrepreneurial talent?
5. How would you describe and evaluate your own apprenticeship? What else has to happen?
6. Is Bill Gates an entrepreneur, a leader, a manager? How can we know?
7. How will you personally define success in 5, 10, and 25 years? Why?
8. Assume that at age 40 to 50 years, you have achieved a net worth of \$25 million to \$50 million in today's dollars. So what? Then what?
9. Shi Yuzu is a serial entrepreneur. Highlight what you feel are the attributes which have contributed to his success.
10. Great athletic talent is not equal to a great athlete. Why? How does this apply to entrepreneurship?

### Exercise 1

## Crafting a Personal Entrepreneurial Strategy

*If you don't know where you're going, any path will take you there.*

*From The Wizard of Oz*

Crafting a personal entrepreneurial strategy can be viewed as the personal equivalent of developing a business plan. As with planning in other situations, the process itself is more important than the plan.

The key is the process and discipline that put an individual in charge of evaluating and shaping choices and initiating action that makes sense, rather than letting things just happen. Having a longer-term sense of direction can be highly motivating. It also can be extremely helpful in determining when to say no (which is much harder than saying yes) and can temper impulsive hunches with a more thoughtful strategic purpose. This is important because today's choices, whether or not they are thought out, become tomorrow's track record. They may end up shaping an entrepreneur in ways that he or she may not find so attractive 10 years hence and, worse, may also result in failure to obtain just those experiences needed in order to have high-quality opportunities later on.

Therefore, a personal strategy can be invaluable, but it need not be a prison sentence. It is a point of departure, rather than a contract of indenture, and it can and will change over time. This process of developing a personal strategy for an entrepreneurial career is a very individual one and, in a sense, one of self-selection.

Reasons for planning are similar to those for developing a business plan (see Chapter 7). Planning helps an entrepreneur to manage the risks and uncertainties of the future; helps him or her to work smarter, rather than simply harder;

keeps him or her in a future-oriented frame of mind; helps him or her to develop and update a keener strategy by testing the sensibility of his or her ideas and approaches with others; helps motivate; gives him or her a "results orientation"; helps make him or her effective in managing and coping with what is by nature a stressful role; and so forth.

Rationalizations and reasons given for not planning, like those that will be covered in Chapter 7, are that plans are out of date as soon as they are finished and that no one knows what tomorrow will bring and, therefore, it is dangerous to commit to uncertainty. Further, the cautious, anxious person may find that setting personal goals creates a further source of tension and pressure and a heightened fear of failure. There is also the possibility that future or yet unknown options, which actually might be more attractive than the one chosen, may become lost or be excluded.

Commitment to a career-oriented goal, particularly for an entrepreneur who is younger and lacks much real-world experience, can be premature. For the person who is inclined to be a compulsive and obsessive competitor and achiever, goal setting may add gasoline to the fire. And, invariably, some events and environmental factors beyond one's control may boost or sink the best-laid plans.

Personal plans fail for the same reasons as business plans, including frustration when the plan appears not to work immediately and problems of changing behavior from

an activity-oriented routine to one that is goal-oriented. Other problems are developing plans that are based on admirable missions, such as improving performance, rather than goals, and developing plans that fail to anticipate obstacles, and those that lack progress milestones, reviews, and so forth.

## A Conceptual Scheme for Self-Assessment

Exhibit 2.11 shows one conceptual scheme for thinking about the self-assessment process called the Johari Window. According to this scheme, there are two sources of information about the self: the individual and others. According to the Johari Window, there are three areas in which individuals can learn about themselves.

There are two potential obstacles to self-assessment efforts. First, it is hard to obtain feedback; second, it is hard to receive and benefit from it. Everyone possesses a personal frame of reference, values, and so forth, which influence first impressions. It is, therefore, almost impossible for an individual to obtain an unbiased view of himself or herself from someone else. Further, in most social situations, people usually present self-images that they want to preserve, protect, and defend; and behavioral norms usually exist that prohibit people from telling a person that he or she is presenting a face or impression that differs from what the person thinks is being presented. For example, most people will not point out to a stranger during a conversation that a piece of spinach is prominently dangling from between his or her front teeth.

The first step for an individual in self-assessment is to generate data through observation of his or her thoughts and actions and by getting feedback from others for the purposes of (1) becoming aware of blind spots and (2) reinforcing or changing existing perceptions of both strengths and weaknesses.

Once an individual has generated the necessary data, the next steps in the self-assessment process are to study the data generated, develop insights, and then establish apprenticeship goals to gain any learning, experience, and so forth.

Finally, choices can be made in terms of goals and opportunities to be created or seized.

## Crafting an Entrepreneurial Strategy

### Profiling the Past

One useful way to begin the process of self-assessment and planning is for an individual to think about his or her entrepreneurial roots (what he or she has done, his or her preferences in terms of lifestyle and work style, etc.) and couple this with a look into the future and what he or she would like most to be doing and how he or she would like to live.

In this regard, everyone has a personal history that has played and will continue to play a significant role in influencing his or her values, motivations, attitudes, and behaviors. Some of this history may provide useful insight into prior entrepreneurial inclinations, as well as into his or her future potential fit with an entrepreneurial role. Unless an entrepreneur is enjoying what he or she is doing for work most of the time, when in his or her 30s, 40s, or 50s, having a great deal of money without enjoying the journey will be a very hollow success.

### Profiling the Present

It is useful to profile the present. Possession of certain personal entrepreneurial attitudes and behaviors (i.e., an "entrepreneurial mind") has been linked to successful careers in entrepreneurship. These attitudes and behaviors deal with such factors as commitment, determination, and perseverance; the drive to achieve and grow; an orientation toward goals; the taking of initiative and personal responsibility; and so forth.

In addition, various role demands result from the pursuit of opportunities. These role demands are external in the sense that they are imposed upon every entrepreneur by the nature of entrepreneurship. As will be discussed in Chapter 7, the external business environment is given, the demands of a higher-potential business in terms of stress and commitment are given, and the ethical values and integrity of key actors are given. Required as a result of the demands, pressures, and realities of starting, owning, and operating a substantial business are such factors as accommodation to the venture, toleration of stress, and so forth. A realistic appraisal of entrepreneurial attitudes and

#### EXHIBIT 2.11

##### Peeling the Onion

	Known to Entrepreneur and Team	Not Known to Entrepreneur and Team
Known to Prospective Investors and Stakeholders	Area 1 <i>Known area</i> : (what you see is what you get)	Area 2 <i>Blind area</i> : (we do not know what we do not know, but you do)
Not Known to Prospective Investors and Stakeholders	Area 3 <i>Hidden area</i> : (unshared—you do not know what we do, but the deal does not get done until we find out)	Area 4 <i>Unknown area</i> : (no venture is certain or risk free)

Source: J. McIntyre, I. M. Rubin, and D. A. Kolb, *Organizational Psychology: Experiential Approach*, 2nd ed., © 1974. Adapted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

behaviors in light of the requirements of the entrepreneurial role is useful as part of the self-assessment process.

Also, part of any self-assessment is an assessment of management competencies and what “chunks” of experience, know-how, and contacts need to be developed.

## Getting Constructive Feedback

A Scottish proverb says, “The greatest gift that God hath given us is to see ourselves as others see us.” One common denominator among successful entrepreneurs is a desire to know how they are doing and where they stand. They have an uncanny knack for asking the right questions about their performance at the right time. This thirst to know is driven by a keen awareness that such feedback is vital to improving their performance and their odds for success.

Receiving feedback from others can be a most demanding experience. The following list of guidelines in receiving feedback can help:

- Feedback needs to be solicited, ideally, from those who know the individual well (e.g., someone he or she has worked with or for) and who can be trusted. The context in which the person is known needs to be considered. For example, a business colleague may be better able to comment upon an individual’s managerial skills than a friend. Or a personal friend may be able to comment on motivation or on the possible effects on the family situation. It is helpful to chat with the person before asking him or her to provide any specific written impressions and to indicate the specific areas he or she can best comment upon. One way to do this is to formulate questions first. For example, the person could be told, “I’ve been asking myself the following question . . . and I would really like your impressions in that regard.”
- Specific comments in areas that are particularly important either personally or to the success of the venture need to be solicited and more detail probed if the person giving feedback is not clear. A good way to check if a statement is being understood correctly is to paraphrase the statement. The person needs to be encouraged to describe and give examples of specific situations or behaviors that have influenced the impressions he or she has developed.
- Feedback is most helpful if it is neither all positive nor all negative, but it should be actionable.
- Feedback needs to be obtained in writing so that the person can take some time to think about the issues, and so feedback from various sources can be pulled together.
- The person asking for feedback needs to be honest and straightforward with himself or herself and with others.
- Time is too precious and the road to new venture success too treacherous to clutter this activity with game playing or hidden agendas. The person receiving feed-

back needs to avoid becoming defensive and taking negative comments personally.

- It is important to listen carefully to what is being said and think about it. Answering, debating, or rationalizing should be avoided.
- An assessment of whether the person soliciting feedback has considered all important information and has been realistic in his or her inferences and conclusions needs to be made.
- Help needs to be requested in identifying common threads or patterns, possible implications of self-assessment data and certain weaknesses (including alternative inferences or conclusions), and other relevant information that is missing.
- Additional feedback from others needs to be sought to verify feedback and to supplement the data.
- Reaching final conclusions or decisions needs to be left until a later time.

## Putting It All Together

Exhibit 2.12 shows the relative fit of an entrepreneur with a venture opportunity, given his or her relevant attitudes and behaviors and relevant general management skills, experience, know-how, and contacts, and given the role demands of the venture opportunity. A clean appraisal is almost impossible. Self-assessment just is not that simple. The process is cumulative, and what an entrepreneur does about weaknesses, for example, is far more important than what the particular weaknesses might be. After all, everyone has weaknesses.

## Thinking Ahead

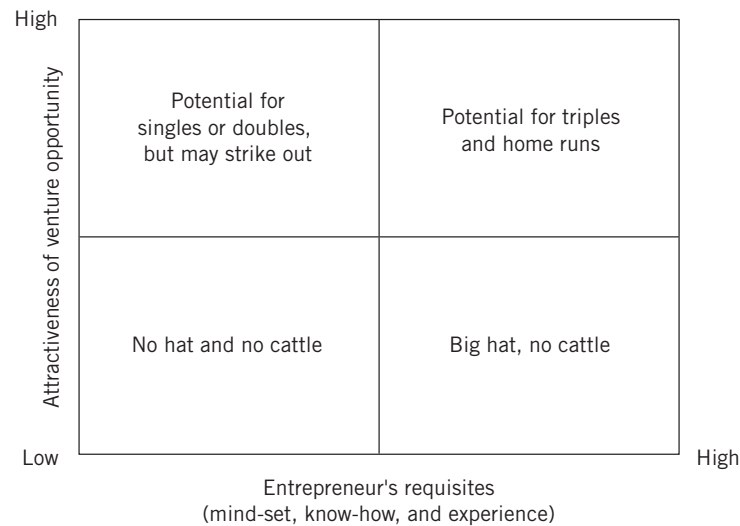
As it is in developing business plans, goal setting is important in personal planning. Few people are effective goal setters. Perhaps fewer than 5 percent have ever committed their goals to writing, and perhaps fewer than 25 percent of adults even set goals mentally.

Again, goal setting is a process, a way of dealing with the world. Effective goal setting demands time, self-discipline, commitment and dedication, and practice. Goals, once set, do not become static targets.

A number of distinct steps are involved in goal setting, steps that are repeated over and over as conditions change:

- Establishment of goals that are specific and concrete (rather than abstract and out of focus), measurable, related to time (i.e., specific about what will be accomplished over a certain time period), realistic, and attainable.



**EXHIBIT 2.12****Fit of the Entrepreneur and the Venture Opportunity**

- Establishment of priorities, including the identification of conflicts and trade-offs and how these can be resolved.
- Identification of potential problems and obstacles that could prevent goals from being attained.
- Specification of action steps that are to be performed to accomplish the goal.
- Indication of how results will be measured.
- Establishment of milestones for reviewing progress and tying these to specific dates on a calendar.
- Identification of risks involved in meeting the goals.
- Identification of help and other resources that may be needed to obtain goals.
- Periodic review of progress and revision of goals.

**Exercise 2****Personal Entrepreneurial Strategy**

The exercise that follows will help you gather data, both from yourself and from others; evaluate the data you have collected; and craft a personal entrepreneurial strategy.

The exercise requires active participation on your part. The estimated time to complete the exercise is 1.5 to 3 hours. Those who have completed the exercise—students, practicing entrepreneurs, and others—report that the self-assessment process was worthwhile and it was also demanding. Issues addressed will require a great deal of thought, and there are, of course, no wrong answers.

Although this is a self-assessment exercise, it is useful to receive feedback. Whether you choose to solicit feedback and how much, if any, of the data you have collected you

choose to share with others is your decision. The exercise will be of value only to the extent that you are honest and realistic in your approach.

A complex set of factors clearly goes into making someone a successful entrepreneur. No individual has all the personal qualities, managerial skills, and the like, indicated in the exercise. And, even if an individual did possess most of these, his or her values, preferences, and such may make him or her a very poor risk to succeed as an entrepreneur.

The presence or absence of any single factor does not guarantee success or failure as an entrepreneur. Before proceeding, remember, it is no embarrassment to reach for the stars and fail to reach them. It is a failure not to reach for the stars.

Part I: Profile of the Past: Tear Out and Complete

Name:

Date:

STEP 1

Examine Your Personal Preferences.

What gives you energy, and why? These are things from either work or leisure, or both, that give you the greatest amount of personal satisfaction, sense of enjoyment, and energy.

Activities/Situations That Give You Energy	Reasons for Your Joy and Satisfaction

What takes away your energy, and why? These create for you the greatest amount of personal dissatisfaction, anxiety, or discontent and take away your energy and motivation.

Activities/Situations That Sap Your Energy	Reasons for This

Rank (from the most to the least) the items you have just listed:

Gives Energy	Takes Energy

In 20 to 30 years, how would you like to spend an ideal month? Include in your description your desired lifestyle, work style, income, friends, and so forth, and a comment about what attracts you to, and what repels you about, this ideal existence.

Complete the idea generation guide in Chapter 5 and list the common attributes of the 10 businesses you wanted to enter and the 10 businesses you did not:

Attributes—Would Energize	Attributes—Would Turn Off

Which of these attributes would give you energy and which would take it away, and why?

Attribute	Give or Take Energy	Reason

Complete this sentence: "I would/would not like to start/acquire my own business someday because . . ."

Discuss any patterns, issues, insights, and conclusions that have emerged:

Rank the following in terms of importance to you:

	Important	←	—	→	Irrelevant
<b>Location</b>	5	4	3	2	1
Geography (particular area)	5	4	3	2	1
Community size and nature	5	4	3	2	1
Community involvement	5	4	3	2	1
Commuting distance (one way):					
20 minutes or less	5	4	3	2	1
30 minutes or less	5	4	3	2	1
60 minutes or less	5	4	3	2	1
More than 60 minutes	5	4	3	2	1
<b>Lifestyle and Work Style</b>					
<i>Size of business:</i>					
Less than \$2 million sales or under 5–10 employees	5	4	3	2	1
More than \$2 million sales or 5–10 employees	5	4	3	2	1
More than \$10 million sales and 40–50 employees	5	4	3	2	1
<i>Rate of real growth:</i>					
Fast (over 25%/year)	5	4	3	2	1
Moderate (10% to 15%/year)	5	4	3	2	1
Slow (less than 5%/year)	5	4	3	2	1
<i>Workload (weekly):</i>					
Over 70 hours	5	4	3	2	1
55 to 60 hours	5	4	3	2	1
40 hours or less	5	4	3	2	1
<i>Marriage</i>	5	4	3	2	1
<i>Family</i>	5	4	3	2	1
<i>Travel away from home:</i>					
More than 60%	5	4	3	2	1
30% to 60%	5	4	3	2	1
Less than 30%	5	4	3	2	1
None	5	4	3	2	1
<b>Standard of Living</b>					
Tight belt/late capital gains	5	4	3	2	1
Average/limited capital gains	5	4	3	2	1
High/no capital gains	5	4	3	2	1
Become very rich	5	4	3	2	1
<b>Personal Development</b>					
Utilization of skill and education	5	4	3	2	1
Opportunity for personal growth	5	4	3	2	1
Contribution to society	5	4	3	2	1
Positioning for opportunities	5	4	3	2	1
Generation of significant contacts, experience, and know-how	5	4	3	2	1
<b>Status and Prestige</b>	5	4	3	2	1
<b>Impact on Ecology and Environment: Sustainability</b>	5	4	3	2	1
<b>Capital Required</b>					
From you	5	4	3	2	1
From others	5	4	3	2	1
<b>Other Considerations</b>	5	4	3	2	1

Imagine you had \$1,000 with which to buy the items you ranked on the previous page. Indicate below how you would allocate the money. For example, the item that is most important should receive the greatest amount. You may spend nothing on some items, you may spend equal amounts on some, and so forth. Once you have allocated the \$1,000, rank the items in order of importance, the most important being number 1.

Item	Share of \$1,000	Rank
Location		
Lifestyle and work style		
Standard of living		
Personal development		
Status and prestige		
Ecology and environment		
Capital required		

What are the implications of these rankings?

## STEP 2

### Examine Your Personal History.

List activities (1) that have provided you financial support in the past (e.g., a part-time or full-time job or your own business), (2) that have contributed to your well-being (e.g., financing your education or a hobby), and (3) that you have done on your own (e.g., building something).

Discuss why you became involved in each of the activities just listed and what specifically influenced each of your decisions. Which were driven by financial necessity and which by opportunity?

Discuss what you learned about yourself, about self-employment, about managing people, and about working for money and someone else, versus creating or seizing an opportunity, and building something from scratch.



List and discuss your full-time work experience, including descriptions of specific tasks in which you innovated and led something, the number of people you led, whether you were successful, and so forth.

Discuss why you became involved in each of the employment situations just listed and what specifically influenced each of your decisions.

Discuss what you learned about yourself; about creating, innovating, or originating a project, club, or business; and about making money.

List and discuss other activities, such as sports, in which you have participated; indicate whether each activity was individual (e.g., chess or tennis) or team (e.g., football). Did you have a leadership role?

What lessons and insights emerged, and how will these apply to life as an entrepreneur?

If you have ever been fired from or quit either a full-time or part-time job, indicate the job, why you were fired or quit, the circumstances, and what you have learned and what difference this has made regarding working for yourself or someone else.

If you changed jobs or relocated, indicate the job, why the change occurred, the circumstances, and what you have learned from those experiences.

Among those individuals who have mentored and influenced you most, do any own and operate their own businesses or engage independently in a profession (e.g., certified public accountant)? How have these people influenced you? How do you view them and their roles? What have you learned from them about self-employment? Include a discussion of the things that attract or repel you, the trade-offs they have had to consider, the risks they have faced and rewards they have enjoyed, and entry strategies that have worked for them.

If you have ever started a business of any kind or worked in a small company, list the things you liked most and those you liked least, and why:

Like Most	Reason	Like Least	Reason

If you have ever worked for a larger company (over 500 employees or over \$50 million in sales), list the things you liked most and those you liked least about your work, and why.

Like Most	Reason	Like Least	Reason

## Part II: Profile of the Present: Where You Are

### STEP 1

#### Examine Your “Entrepreneurial Mind.”

Examine your attitudes, behaviors, and know-how. Rank yourself (on a scale of 5 to 1).

	Strongest	←	————→	→	Weakest
<b>Commitment and Determination</b>					
Decisiveness	5	4	3	2	1
Tenacity	5	4	3	2	1
Discipline	5	4	3	2	1
Persistence in solving problems	5	4	3	2	1
Willingness to sacrifice	5	4	3	2	1
Total immersion in the mission	5	4	3	2	1
<b>Courage</b>					
Moral strength	5	4	3	2	1
Fearless experimentation	5	4	3	2	1
Not afraid of conflicts, failure	5	4	3	2	1
Intense curiosity in the face of risk	5	4	3	2	1
<b>Opportunity Obsession</b>					
Leadership in shaping the opportunity					
Having knowledge of customers’ needs	5	4	3	2	1
Being market driven	5	4	3	2	1
Obsession with value creation and enhancement	5	4	3	2	1
<b>Tolerance of Risk, Ambiguity, and Uncertainty</b>					
Calculated risk taker	5	4	3	2	1
Risk minimizer	5	4	3	2	1
Risk sharer					
Tolerance of uncertainty and lack of structure	5	4	3	2	1
Tolerance of stress and conflict	5	4	3	2	1
Ability to resolve problems and integrate solutions	5	4	3	2	1
<b>Creativity, Self-Reliance, and Ability to Adapt</b>					
Nonconventional, open-minded, lateral thinker (helicopter mind)	5	4	3	2	1
Restlessness with status quo	5	4	3	2	1
Ability to adapt	5	4	3	2	1
Lack of fear of failure	5	4	3	2	1
Ability to conceptualize and to “sweat details”	5	4	3	2	1

	<b>Strongest</b>	←	—————	→	<b>Weakest</b>
<b>Motivation to Excel</b>					
Goal and results orientation	5	4	3	2	1
Drive to achieve and grow (self-imposed)	5	4	3	2	1
Low need for status and power	5	4	3	2	1
Ability to be interpersonally supporting (versus competitive)	5	4	3	2	1
Awareness of weaknesses (and strengths)	5	4	3	2	1
Having perspective and sense of humor	5	4	3	2	1
<b>Leadership</b>					
Being self-starter	5	4	3	2	1
Having internal locus of control	5	4	3	2	1
Having integrity and reliability	5	4	3	2	1
Having patience	5	4	3	2	1
Being team builder and hero maker	5	4	3	2	1

Summarize your entrepreneurial strengths.

Summarize your entrepreneurial weaknesses.

## STEP 2

### Examine Entrepreneurial Role Requirements.

Rank where you fit in the following roles:

	<b>Strongest</b>	←	—————	→	<b>Weakest</b>
<b>Accommodation to Venture</b>					
Extent to which career and venture are no. 1 priority	5	4	3	2	1
<b>Stress</b>					
The cost of accommodation	5	4	3	2	1
<b>Values</b>					
Extent to which conventional values are held	5	4	3	2	1
<b>Ethics and Integrity</b>					
	5	4	3	2	1



Summarize your strengths and weaknesses.

### STEP 3

#### Examine Your Management Competencies.

Rank your skills and competencies below:

	Strongest	←	—————	→	Weakest
<b>Marketing</b>					
Market research and evaluation	5	4	3	2	1
Marketing planning	5	4	3	2	1
Product pricing	5	4	3	2	1
Sales management	5	4	3	2	1
Direct mail/catalog selling	5	4	3	2	1
Telemarketing	5	4	3	2	1
Search engine optimization	5	4	3	2	1
Customer service	5	4	3	2	1
Distribution management	5	4	3	2	1
Product management	5	4	3	2	1
New product planning	5	4	3	2	1
<b>Operations/Production</b>					
Manufacturing management	5	4	3	2	1
Inventory control	5	4	3	2	1
Cost analysis and control	5	4	3	2	1
Quality control	5	4	3	2	1
Production scheduling and flow	5	4	3	2	1
Purchasing	5	4	3	2	1
Job evaluation	5	4	3	2	1
<b>Finance</b>					
Accounting	5	4	3	2	1
Capital budgeting	5	4	3	2	1
Cash flow management	5	4	3	2	1
Credit and collection management	5	4	3	2	1
Managing relations with financial sources	5	4	3	2	1
Short-term financing	5	4	3	2	1
Public and private offerings	5	4	3	2	1
<b>Administration</b>					
Problem solving	5	4	3	2	1
Communications	5	4	3	2	1
Planning	5	4	3	2	1
Decision making	5	4	3	2	1
Project management	5	4	3	2	1
Negotiating	5	4	3	2	1
Personnel administration	5	4	3	2	1
Management information systems	5	4	3	2	1
Computer/IT/Internet	5	4	3	2	1

	<b>Strongest</b>	←	—————	→	<b>Weakest</b>
<b>Interpersonal/Team</b>					
Leadership/vision/influence	5	4	3	2	1
Helping and coaching	5	4	3	2	1
Feedback	5	4	3	2	1
Conflict management	5	4	3	2	1
Teamwork and people management	5	4	3	2	1
<b>Law</b>					
Corporations and LLCs	5	4	3	2	1
Contracts	5	4	3	2	1
Taxes	5	4	3	2	1
Securities and private placements	5	4	3	2	1
Intellectual property rights and patents	5	4	3	2	1
Real estate law	5	4	3	2	1
Bankruptcy	5	4	3	2	1
<b>Unique Skills</b>	5	4	3	2	1

**STEP 4**

**Based on an Analysis of the Information Given in Steps 1–3, Indicate the Items You Would Add to a “Do” List, Including (1) Need for External Brain Trust Advisors; (2) Board Composition; (3) Additional Team Members; and (4) Additional Knowledge/Skills/Experience.**

## Part III: Getting Constructive Feedback

Part III is an organized way for you to gather constructive feedback.

### STEP 1

**(Optional) Give a Copy of Your Answers to Parts I and II to the Person Designated to Evaluate Your Responses. Ask Him or Her to Answer the Following:**

Have you been honest, objective, hard-nosed, and complete in evaluating your skills?

Are there any strengths and weaknesses you have inventoried incorrectly?

Are there other events or past actions that might affect this analysis and that have not been addressed?

### STEP 2

#### **Solicit Feedback.**

Give one copy of the feedback form (begins on the next page) to each person who has been asked to evaluate your responses.

## Feedback Form

Feedback for:

Prepared by:

### STEP 1

**Please Check the Appropriate Column Next to the Statements about the Entrepreneurial Attributes, and Add Any Additional Comments You May Have.**

	Strong	Adequate	Weak	No Comment
<b>Commitment and Determination</b>				
Decisiveness	S	A	W	NC
Tenacity	S	A	W	NC
Discipline	S	A	W	NC
Persistence in solving problems	S	A	W	NC
Willingness to sacrifice	S	A	W	NC
Total immersion in the mission	S	A	W	NC
<b>Courage</b>				
Moral strength	S	A	W	NC
Fearless experimentation	S	A	W	NC
Not afraid of conflicts, failure	S	A	W	NC
Intense curiosity in the face of risk	S	A	W	NC
<b>Opportunity Obsession</b>				
Leadership in shaping the opportunity				
Having knowledge of customers' needs	S	A	W	NC
Being market driven	S	A	W	NC
Obsession with value creation and enhancement	S	A	W	NC
<b>Tolerance of Risk, Ambiguity, and Uncertainty</b>				
Calculated risk taker	S	A	W	NC
Risk minimizer	S	A	W	NC
Risk sharer	S	A	W	NC
Tolerance of uncertainty and lack of structure	S	A	W	NC
Tolerance of stress and conflict	S	A	W	NC
Ability to resolve problems and integrate solutions	S	A	W	NC
<b>Creativity, Self-Reliance, and Ability to Adapt</b>				
Nonconventional, open-minded, lateral thinker (helicopter mind)	S	A	W	NC
Restlessness with status quo	S	A	W	NC
Ability to adapt	S	A	W	NC
Lack of fear of failure	S	A	W	NC
Ability to conceptualize and to "sweat details"	S	A	W	NC
<b>Motivation to Excel</b>				
Goal and results orientation	S	A	W	NC
Drive to achieve and grow (self-imposed standards)	S	A	W	NC
Low need for status and power	S	A	W	NC
Ability to be interpersonally supportive (versus competitive)	S	A	W	NC
Awareness of weaknesses (and strengths)	S	A	W	NC
Having perspective and sense of humor	S	A	W	NC
<b>Leadership</b>				
Being self-starter	S	A	W	NC
Having internal locus of control	S	A	W	NC
Having integrity and reliability	S	A	W	NC
Having patience	S	A	W	NC
Being team builder and hero maker	S	A	W	NC

Please make any comments that you can on such additional matters as my energy, health, and emotional stability; my creativity and innovativeness; my intelligence; my capacity to inspire; my values; and so forth.



**STEP 2**

**Please Check the Appropriate Column Next to the Statements about Entrepreneurial Role Requirements to Indicate My Fit and Add Any Additional Comments You May Have.**

	<b>Strong</b>	<b>Adequate</b>	<b>Weak</b>	<b>No Comment</b>
Accommodation to venture	S	A	W	NC
Stress (cost of accommodation)	S	A	W	NC
Values (conventional economic and professional values of free enterprise system)	S	A	W	NC
Ethics and integrity	S	A	W	NC

**Additional Comments:**

**STEP 3**

**Please Check the Appropriate Column Next to the Statements about Management Competencies, and Add Any Additional Comments You May Have.**

	<b>Strong</b>	<b>Adequate</b>	<b>Weak</b>	<b>No Comment</b>
<b>Marketing</b>				
Market research and evaluation	S	A	W	NC
Marketing planning	S	A	W	NC
Product pricing	S	A	W	NC
Sales management	S	A	W	NC
Direct mail/catalog selling	S	A	W	NC
Telemarketing	S	A	W	NC
Search engine optimization				
Customer service	S	A	W	NC
Distribution management	S	A	W	NC
Product management	S	A	W	NC
New product planning	S	A	W	NC
<b>Operations/Production</b>				
Manufacturing management	S	A	W	NC
Inventory control	S	A	W	NC
Cost analysis and control	S	A	W	NC
Quality control	S	A	W	NC
Production scheduling and flow	S	A	W	NC
Purchasing	S	A	W	NC
Job evaluation	S	A	W	NC
<b>Finance</b>				
Accounting	S	A	W	NC
Capital budgeting	S	A	W	NC
Cash flow management	S	A	W	NC
Credit and collection management	S	A	W	NC
Managing relations with financial sources	S	A	W	NC
Short-term financing	S	A	W	NC
Public and private offerings	S	A	W	NC
<b>Administration</b>				
Problem solving	S	A	W	NC
Communications	S	A	W	NC
Planning	S	A	W	NC
Decision making	S	A	W	NC
Project management	S	A	W	NC
Negotiating	S	A	W	NC
Personnel administration	S	A	W	NC
Management information systems	S	A	W	NC
Computer/IT/Internet	S	A	W	NC

	<b>Strong</b>	<b>Adequate</b>	<b>Weak</b>	<b>No Comment</b>
<b>Interpersonal/Team</b>				
Leadership/vision/influence	S	A	W	NC
Helping and coaching	S	A	W	NC
Feedback	S	A	W	NC
Conflict management	S	A	W	NC
Teamwork and people management	S	A	W	NC
<b>Law</b>				
Corporations and LLCs	S	A	W	NC
Contracts	S	A	W	NC
Taxes	S	A	W	NC
Securities and private placements	S	A	W	NC
Intellectual property rights and patents	S	A	W	NC
Real estate law	S	A	W	NC
Bankruptcy	S	A	W	NC
<b>Unique Skills</b>	S	A	W	NC

**Additional Comments:****STEP 4****Please Evaluate My Strengths and Weaknesses.**

In what area or areas do you see my greatest potential or existing strengths in terms of the venture opportunity we have discussed, and why?

<b>Area of Strength</b>	<b>Reason</b>

In what area or areas do you see my greatest potential or existing weaknesses in terms of the venture opportunity we have discussed, and why?

<b>Area of Weakness</b>	<b>Reason</b>

If you know my partners and the venture opportunity, what is your evaluation of their fit with me and the fit among them?

Given the venture opportunity, what you know of my partners, and your evaluation of my weaknesses, should I consider any additional members for my management team, my board, and my brain trust of advisors? If so, what should be their strengths and relevant experience? Can you suggest someone?

Please make any other suggestions that would be helpful for me to consider (e.g., comments about what you see that I like to do, my lifestyle, work style, patterns evident in my skills inventory, the implications of my particular constellation of management strengths and weaknesses and background, the time implications of an apprenticeship, or key people you think I should meet).

## Part IV: Putting It All Together

### STEP 1

**Reflect on Your Previous Responses and the Feedback You Have Solicited or Have Received Informally (from Class Discussion or from Discussions with Friends, Parents, Etc.).**

### STEP 2

**Assess Your Entrepreneurial Strategy.**

What have you concluded at this point about entrepreneurship and you?

How do the requirements of entrepreneurship—especially the sacrifices, total immersion, heavy workload, and long-term commitment—fit with your own aims, values, and motivations?

What specific conflicts do you anticipate between your aims and values, and the demands of entrepreneurship?

How would you compare your entrepreneurial mind, your fit with entrepreneurial role demands, your management competencies, and so forth, with those of other people you know who have pursued or are pursuing an entrepreneurial career?



Think ahead 5 to 10 years or more, and assume that you would want to launch or acquire a higher-potential venture. What “chunks” of experience and know-how do you need to accumulate?

What are the implications of this assessment of your entrepreneurial strategy in terms of whether you should proceed with your current venture opportunity?

What is it about the specific opportunity you want to pursue that will provide you with sustained energy and motivation? How do you know this?

At this time, given your major entrepreneurial strengths and weaknesses and your specific venture opportunity, are there other “chunks” of experience and know-how you need to acquire or attract to your team? (Be specific!)

Who are the people you need to get involved with you?

What other issues or questions have been raised for you at this point that you would like answered?

What opportunities would you most want to be in a position to create/pursue in 5 to 10 years? What are the implications for new skills, know-how, mentors, team members, and resources?

## Part V: Thinking Ahead

Part V considers the crafting of your personal entrepreneurial strategy. Remember, goals should be specific and concrete, measurable, and, except where indicated below, realistic and attainable.

### STEP 1

**List, in Three Minutes, Your Goals to Be Accomplished by the Time You Are 70.**

### STEP 2

**List, in Three Minutes, Your Goals to Be Accomplished over the Next Seven Years. (If You Are an Undergraduate, Use the Next Four Years.)**

### STEP 3

**List, in Three Minutes, the Goals You Would Like to Accomplish If You Have Exactly One Year from Today to Live. Assume You Would Enjoy Good Health in the Interim but Would Not Be Able to Acquire Any More Life Insurance or Borrow an Additional Large Sum of Money for a "Final Fling." Assume Further That You Could Spend That Last Year of Your Life Doing Whatever You Want to Do.**

### STEP 4

**List, in Six Minutes, Your Real Goals and the Goals You Would Like to Accomplish over Your Lifetime.**

## **STEP 5**

**Discuss the List from Step 4 with Another Person and Then Refine and Clarify Your Goal Statements.**

## **STEP 6**

**Rank Your Goals According to Priority.**

## **STEP 7**

**Concentrate on the Top Three Goals and Make a List of Problems, Obstacles, Inconsistencies, and So Forth That You Will Encounter in Trying to Reach Each of These Goals.**

## **STEP 8**

**Decide and State How You Will Eliminate Any Important Problems, Obstacles, Inconsistencies, and So Forth.**

## **STEP 9**

**For Your Top Three Goals, Write Down All the Tasks or Action Steps You Need to Take to Help You Attain Each Goal and Indicate How Results Will Be Measured.**

It is helpful to organize the goals in order of priority.

Goal	Task/Action Step	Measurement	Rank

**STEP 10****Rank Tasks/Action Steps in Terms of Priority.**

To identify high-priority items, it is helpful to make a copy of your list and cross off any activities or task that cannot be completed, or at least begun, in the next seven days, and then identify the single most important goal, the next most important, and so forth.

**STEP 11****Establish Dates and Durations (and, If Possible, a Place) for Tasks/Action Steps to Begin.**

Organize tasks/action steps according to priority. If possible, the date should be during the next seven days.

Goal	Task/Action Step	Measurement	Rank

**STEP 12****Make a List of Problems, Obstacles, Inconsistencies, and So Forth.****STEP 13****Decide How You Will Eliminate Any Important Problems, Obstacles, Inconsistencies, and So Forth, and Adjust the List in Step 12.****STEP 14****Identify Risks Involved and Resources and Other Help Needed.**

*Note on setting goals:* Tear out Part V, keep a copy on file, and repeat the exercise at least once a year, or when a critical event occurs (job change, marriage, child, death in the family).

## Case

## oneworld

**Preparation Questions**

1. Describe the nature of the challenge the team faces as they seek to build a global company. What are the strengths and weaknesses of their model?
2. Describe the sale cycle of the aviation industry. What differentiating factors can oneworld focus on?
3. Discuss a marketing strategy for oneworld.

**The World's Leading Quality Global Alliance**

1. Bringing together 11 of the world's biggest and best airlines—and 20 affiliates—with more signed up to join in the next two years.
2. Providing its customers and carriers with services and value no airline can deliver on its own.
3. Offering the market-leading range of alliance fare and sales products.
4. Committed to innovation to improve customer service.
5. Winner of more international awards for airline alliances than either of its competitors.
6. Serving an unrivalled international route network—the only alliance with a member in South America, Australia or Asia's Middle East.
7. The alliance with the strongest collective profitability record.

**Eleven of the World's Biggest and Best Airlines**

oneworld brings together some of the largest airlines in the world, all of which have high-flying reputations for quality service:

- American Airlines, one of the biggest airlines in the world.
- British Airways, one of the leading international airlines.
- Cathay Pacific Airways, one of the most highly regarded Asian airlines.
- Finnair, a major Nordic European airline.

This case was written by Daryl Tan of Singapore Management University, under the supervision of Yinglan Tan. Research assistance by Mike Lee, with the kind sponsorship of Tan Wah Yuan.

- Iberia, the top carrier between Europe and Latin America.
- Japan Airlines, the largest airline in the Asia-Pacific region.
- LAN Airlines, the leading Latin American airline.
- Malév Hungarian Airlines, one of the highest quality carriers in Central and Eastern Europe.
- Mexicana, the leading airline in Mexico and Central America.
- Qantas, one of the world's top long-distance airlines and among Australia's strongest brands.
- Royal Jordanian, the first Middle East airline to find a home with one of the global alliances.

Another 20 or so airlines are affiliate members, including:

- American Eagle, one of the leading regional carriers in the USA.
- Comair and Sun-Air, British Airways franchisees in South Africa and Denmark.
- Dragonair, named the Best Airline China for the past seven years running by SkyTrax.
- LAN Argentina, LAN Ecuador and LAN Peru, expanding coverage in South America.
- S7 Airlines, Russia's leading domestic carrier, joined in 2010, expanding oneworld's network considerably in the Commonwealth of Independent States.
- Kingfisher Airlines, Indian's leading domestic operator and only five-star airline, is on track to board in 2011.

**Sharing One Vision**

To generate more value for customers, shareholders and employees than any airline can achieve by itself, by:

- Making global travel smoother, easier, better value and more rewarding.
- Offering travel solutions beyond the reach of any airline's individual network.
- Providing a common commitment to high standards of quality, service and safety.

- Creating a world where customers always feel at home, wherever their journey may take them.
- Delivering its airlines with savings and benefits greater than any can achieve by itself.

## Some Vital Statistics

oneworld airlines (including membership candidates S7 and Kingfisher):

- Serve 800 destinations in almost 150 countries.
- Carried more than 340 million passengers last year.
- Operate combined fleets totalling more than 2,300 aircraft.
- Offer more than 8,750 flights a day—an average of one oneworld airline departure or arrival somewhere around the world every five seconds around the clock.
- Generate some US\$100 billion in annual revenues.

## Why Alliances?

The three main airline alliances, including oneworld, now account for around two-thirds of the total world airline capacity (ASKs), with all but two of the world's 20 biggest airlines signed up. Unaligned legacy carriers account for around a quarter of world capacity, with low-cost carriers accounting for the rest.

There are a number of reasons for the emergence of alliances:

- More people want to fly to more places more easily and for greater value—but government restrictions and business economics make it impossible for any one airline to serve all these markets by itself.
- In the drive to reduce costs, particularly, in the recent financially difficult times for the industry, airlines can achieve substantial efficiencies through working more closely together.
- Alliances help boost airlines' revenues and provide opportunities to maintain more routes and frequencies and for growth, by feeding passengers between members' networks.
- Individual passengers and corporate customers are increasingly recognizing the value and benefits which alliance can offer them.
- It will become increasingly difficult for airlines to maintain their global market share unless they are allied to one of the global groupings.

Competition in this industry is increasing between alliances, besides individual airlines.

## A World of Difference for Customers

oneworld enables its member airlines to offer services beyond what any individual carrier can provide by itself or bilaterally with another partner.

- Global coverage: oneworld has an incomparable route network, serving 800 destinations in nearly 150 countries. oneworld is the only alliance with a member in South America, in Australia or in Asia's Middle East. The alliance's airlines operate more than 8,750 flights every day: that averages out at one departure or arrival every five seconds around the clock.
- Better value: oneworld is the market leader for alliance fares and sales products, pioneering some of the most innovative, flexible and attractively-priced alliance fares available—and the first to sell any of them online.
- More rewards and recognition: Top-tier frequent flyers enjoy all of the privileges that their status entitles them to, across all oneworld airlines.
- More miles and points: Members of any oneworld airline's frequent flyer programs can earn miles and tier status points on eligible flights marketed and operated by any of the alliance's carriers, and redeem rewards across that wider network.
- More lounges: Frequent flyers, depending on status, have access to some 550 airport lounges worldwide.
- Smoother transfers: Wherever possible, passengers are checked right through to their final destination, with oneworld staff and airport signs providing assistance in unfamiliar airports.
- Superior quality: oneworld member airlines have strong reputations for customer service excellence and innovation. The quality of the oneworld customer journey, from lounges to in-flight products, will help passengers arrive at their destinations fresh, well rested, and ready to do business.
- Greater support: Our airlines employ a quarter of a million people across the globe to ensure oneworld customers travel safely, securely and comfortably every step of their journey.

## An Unrivalled International Network

From Adelaide to Zurich, from Argentina to Zimbabwe, oneworld's network reaches out to the four corners of the earth, making it easier for travelers to reach more places. Our member airlines together serve almost 150 countries with flights to 800 destinations, many more



than any individual airline can offer itself. oneworld is the only alliance with a full network in Australia and the only alliance with any member airline in South America or Asia's Middle East.

## An Extensive Range of Great Value Fares

oneworld is the market leader for alliance fares and sales products, pioneering some of the most innovative, flexible and attractively priced alliance fares available, and the first to sell any of them online. There's something for anyone interested in making an extensive journey—from captains of industry on a trip right around the world to the student backpacker exploring one continent or more.

- oneworld Explorer: One of the most popular, simple, flexible, and attractively priced round-the-world fares available in the market. Prices are based on class of travel (Economy, Premium Economy where available, Business, or First) and, uniquely, the number of continents visited—rather than mileage of the overall trip. This keeps journey planning as simple and flexible as possible, providing excellent value. Flights can be on any of the oneworld carriers. oneworld Explorer is the obvious choice for anyone planning a global journey including sectors "Down-under" with oneworld's Qantas the only member of a global alliance operating a full domestic network within Australia, or in South America, with oneworld the only alliance with a member airline from that region. It was the first multi-airline round-the-world fare bookable online.
- Global Explorer: Another round-the-world fare, but this time based on the distance flown—and including some airlines which are not members of oneworld—including Aer Lingus, Air Pacific, Alaska Airlines, Gulf Air, and some flights operated by Air Tahiti Nui, Jetstar, South African Airlines, and Vietnam Airlines, extending the destinations covered still further.
- Visit Passes: Offering multi-sector flights on any oneworld carrier in a specific continent and also within Mexico and Central America, and Japan. They offer a great value way to travel around a region. oneworld is the only alliance to offer this sort of pass covering all six continents. Prices are based on the number of sectors selected and their length.
- Circle Explorer: Similar to oneworld Explorer, but does not require travel to North or South America, so you can fly halfway around the globe and then back again, without actually circumnavigating the

planet (for example, London-Hong Kong-Sydney-Johannesburg-London).

- Circle Pacific: Another Explorer variant, this time for trips around the Pacific Ocean, covering Australia and New Zealand, Asia and North and South America (for example, Los Angeles-Tokyo-Sydney-Los Angeles).
- Circle Asia and South West Pacific: Covering North East and South East Asia and the South West Pacific.
- Circle Atlantic: Covering Europe and the Middle East, North and South America.
- businessflyer™: Offering medium- and small-sized corporate customers discounted fares in return for a more regular relationship with the alliance and its airlines. Available in Germany, France, Netherlands, Switzerland, Belgium, and now also Italy, with more than 7,000 companies signed up so far.

oneworld fares earn frequent flyer points and miles, and oneworld Explorer and the Circle fares are available for group travel. Lead-in prices from most countries, a travel planning tool, a booking facility for oneworld Explorer fares, and other useful information about all these fares is available at [www.oneworld.com/ow/air-travel-options](http://www.oneworld.com/ow/air-travel-options).

## More Recognition for Frequent Flyers

oneworld offers more opportunities to earn and redeem frequent flyer rewards as well as more airport lounges to use on your travels.

- Earning miles: Members of any of the oneworld airlines' frequent flyer programs can earn miles or points on eligible fares and flights marketed and operated by any oneworld airline. Eligible flights also count towards their tier status.
- Redeeming miles: Frequent flyers can also redeem their miles or points on any flights operated by oneworld airlines. They can be used for flights on any individual airline in the alliance, or for journeys involving sectors on any number of oneworld carriers, including round-the-world journeys. oneworld is aiming to be the first alliance to enable members of any of its frequent flyer programs to book online reward flights throughout the alliance network.
- Privileges: Top-tier members of oneworld airlines' frequent flyer programs (Emerald and Sapphire card holders, see below) are eligible to use any of

the almost 550 airport lounges offered by our member airlines before their oneworld flights. At many lounges, passengers are offered refreshments, telephones and computer facilities. At some locations, there are showers, a wider range of business services and meeting facilities.

Because oneworld's airlines all have different names for the top three membership tiers in their frequent flyer programs, the alliance has created a tier of names, based on gemstones, that are common right across oneworld:

- Emerald denotes the top tier in any program.
- Sapphire denotes the second tier.
- Ruby denotes the third tier.

Membership cards issued by all oneworld airlines carry a oneworld symbol in the appropriate colour, to ensure these most frequent flyers always receive the recognition and privileges to which they are entitled, no matter which oneworld airline they are flying.

## High Flying Service Standards

All members of oneworld are proud of their reputation for high quality service and for setting standards for the rest of the industry to follow. To ensure a consistently high level of customer service across all member airlines, oneworld has established a set of quality standards which are monitored regularly. They cover areas such as check-in, lounges, boarding experience, cabin crew, meals, seat comfort, punctuality, in-flight entertainment, aircraft cleanliness, and baggage handling.

Members of oneworld comprise:

- American Airlines, one of the world's largest carriers. Together with its regional affiliates, American Eagle and AmericanConnection, it serves more than 250 cities and 50 countries, carrying 112 million passengers in 2009 on almost 900 aircraft. It operates major hubs at Dallas/Fort Worth, Chicago O'Hare, Los Angeles, Miami, and New York JFK and LaGuardia.
- British Airways, one of the world's leading international airlines, and currently Business Traveler magazine's Best Airline worldwide. With its affiliates, it serves almost 170 airports and 80 territories, with its main hub London Heathrow, the world's busiest international airport. It carried almost 35 million people in its latest full year.
- Cathay Pacific, one of the most highly regarded Asian airlines and current holder of the Airline of the Year award from SkyTrax, the independent airline quality organization. Based in Hong Kong, Cathay Pacific and its Dragonair affiliate carried 25 million people last year on a fleet of some 150 aircraft, serving more than 70 destinations in 30 countries.
- Finnair, the national carrier of Finland, serves more than 60 cities and 30 countries with more than 250 daily flights. The airline is currently undergoing substantial expansion in Asia, with its Helsinki hub an ideal gateway for travel between Europe and Asia.
- Iberia, the leading carrier between Europe and Latin America. Worldwide, the Spanish flagcarrier serves some 125 cities in 50 countries, with its main hub at Madrid, carrying 32 million passengers in 2008.
- Japan Airlines, the biggest carrier in the Asia-Pacific region, and one of the top airlines in the world on any count. From the group's main hubs of Tokyo (Narita and Haneda), Osaka (Kansai and Itami), Nagoya (Chubu and Komaki) and Okinawa (Naha), Japan Airlines and its oneworld affiliates operate flights to more than 80 destinations in some 25 countries and territories. JAL and its four oneworld affiliates carried more than 52 million passengers in the year to end March 2009.
- LAN Airlines, widely recognized as Latin America's leading airline, serves some 70 cities in 20 countries, carrying more than 15 million passengers in 2009. LAN has as its main hubs Santiago de Chile, Buenos Aires, Lima, Quito and Guayaquil. LAN Airlines is a oneworld member, and LAN Argentina, LAN Ecuador, LAN Express and LAN Peru are all oneworld affiliates.
- Malév Hungarian Airlines, one of the highest quality carriers in Central and Eastern Europe, whose Budapest base provides the alliance with one of the best hubs in that region. It serves more than 50 destinations in 35 countries. Malév carried three million passengers in 2008.
- Mexicana, oneworld's latest recruit, which joined in November 2009, is the leading airline in Mexico and Central America. Together with its oneworld affiliates MexicanaClick and MexicanaLink, it serves nearly 70 destinations in 15 countries, carrying almost 12 million passengers in 2008.
- Qantas, the world's most experienced airline and one of Australia's strongest brands. It offers an unparalleled network in its home continent. Worldwide, it serves more than 70 destinations and 15 countries. With its main base in Sydney, it carried 28 million passengers in 2008.
- Royal Jordanian, the first airline from the Middle East to find a home with any of the global airline alliances and the first in the region to be privatised. Its Amman base provides the alliance with one of

the best hubs for traveling around the region—the world's fastest growing for air travel—where it serves more destinations than any other carrier. RJ flies to more than 50 destinations in nearly 40 countries, carrying almost three million passengers in 2008.

oneworld also has some 20 affiliate members, airlines who provide regional services in association with the alliance's members. They include American Airlines' regional affiliates American Eagle and American Connection; British Airways franchisees Comair (of South Africa) and Sun-Air (Denmark); Iberia Regional Air Nostrum; Cathay Pacific sister Dragonair; JAL group subsidiaries JALways, JAL Express, J-AIR and Japan Transocean Air; LAN affiliates LAN Argentina, LAN Ecuador, LAN Express and LAN Peru; Mexicana's MexicanaClick and Mexicanalink; and QantasLink carriers Airlink, Eastern Australia Airlines and Sunstate Airlines.

S7 Airlines, Russia's leading domestic airline, is a member elect and became part of oneworld in 2010. It serves 75 destinations in more than 35 countries.

Kingfisher Airlines, Indian's leading domestic operator and only five-star airline, is on track to board in 2011. It serves 70 destinations in eight countries.

## Award Winners

oneworld and its member airlines are among the most frequent award winners in the airline industry. oneworld itself has won more international awards for airline alliances than any of its competitors.

oneworld was named the World's Leading Airline Alliance for the seventh year running in the 2009 World Travel Awards, which describes itself as the travel industry's Number One awards scheme, based on votes cast by more than 100,000 travel agencies professionals from 200 countries. oneworld has retained this award since it was first presented. It has also been twice named the World's Best Alliance by Business Traveler magazine.

oneworld also took the best alliance title in the 2009 Cellars in the Sky awards, for wines served in flight.

Its partner airlines regularly gain more accolades than members of both its competitor alliances in the industry's key award schemes. Cathay Pacific is current holder of the Airline of the Year title awarded by SkyTrax, the independent airline quality organization, while British Airways is Business Traveler magazine's Best Airline worldwide.

## oneworld Online

The alliance's Web site, [www.oneworld.com](http://www.oneworld.com), offers a wealth of useful tools, information and download-

able brochures on key aspects of its services and products in many languages, as well as an interactive map showing every destination and route served by the alliance's member airlines and their code-share partners.

In December 2008, oneworld became the first alliance to sell any of its consumer fares online, through the booking tool for oneworld Explorer round-the-world fares. Surf its pages, and you can check out:

- Flight schedules for all oneworld member airlines, including a full alliance timetable that is downloadable to PCs, PDAs or for printing.
- Details on the alliance's innovative and attractively priced fare products, including lead-in prices and a tool for helping plan oneworld Explorer round-the-world journeys, along with the booking tool.
- Frequent flyer benefits.
- Real-time arrival and departure information for all flights by oneworld member airlines.
- Local city information for many major destinations, along with visa and health requirements for every country in the world.
- How to transfer between oneworld airlines at key connecting hub airports.
- Press releases, images and other media information as well as a downloadable oneworld screen-saver.

## Offering Better Facilities on the Ground

oneworld member airlines operate from some of the best airports in the world.

By working together on joint ground facilities, they are able to create far better facilities than any of them could justify on their own, and at better unit costs. oneworld members have combined ticket offices, check-in facilities and lounges at some 50 airports worldwide.

In October 2009, member airlines serving London Heathrow completed the alliance's biggest yet co-location project, consolidating from across all five of the airport's terminals into just two—the GBP4.2 billion (UD\$7.6 billion) new Terminal 5 and the adjacent existing Terminal 3, which is now undergoing a massive upgrading programme.

In Madrid, all online member airlines moved into the EUR6 billion, new Terminal 4 at the Spanish capital in February 2006.

These two initiatives provide oneworld with world-class, state-of-the-art facilities at the alliance's two main

European hubs. At its other main hub in the continent, the new Helsinki airport, home of Finnair, is regularly voted the world's best airport for its size.

In Asia, the existing member airlines operating at oneworld hub Tokyo Narita consolidated operations in January 2007 alongside Japan Airlines in Terminal 2, which has undergone a multimillion-dollar improvement program.

The alliance's existing main Asian hub, Hong Kong, home to Cathay Pacific and Dragonair, is regularly voted the world's best airport.

In early 2008, oneworld's member airlines serving Beijing and Shanghai consolidated operations in the airports' new terminals.

At oneworld's main North American hub, Dallas/Fort Worth, the new US\$1.2 billion international Terminal D opened in October 2006. Elsewhere, American Airlines is virtually rebuilding its New York JFK and Miami terminals. LAN's Santiago base is widely recognized as the best airport in South America.

In November 2007, the first airport lounges in the world developed as a oneworld project opened their doors at Los Angeles International Airport's Tom Bradley International Terminal. British Airways, Cathay Pacific, and Qantas collaborated to design and develop the facility, which includes separate lounges for First and Business Class passengers. The lounges are also available to premium passengers flying with the alliance's other two carriers operating from the terminal—Japan Airlines and LAN—and oneworld Emerald or Sapphire tier frequent flyer cardholders from any oneworld member airline when flying on any of the alliance's carriers.

## Delivering Benefits To Shareholders

oneworld gives its members an additional competitive edge, beyond what any airline can achieve individually or bilaterally by:

- Building revenue
- Reducing costs
- Adding shareholder value
- Providing additional customer services and benefits
- Spreading a member's brand name—and distribution—further
- Sharing best practice

oneworld's members have benefited by billions of dollars through revenue generation and feed flowing from their various multi-lateral and bilateral agreements, and from cost-saving initiatives like airport co-location and joint procurement.

Revenues from oneworld alliance activities are growing at a faster rate than revenues earned by its member airlines from their overall passenger activities.

In 2008, oneworld earned revenues totalling some US\$850 million for its member airlines through its fare and sales products, up 25 percent year-on-year, with yields remaining strong.

The eight million passengers transferring in 2008 from flights by one alliance partner to another generated revenues totalling US\$2.4 billion.

oneworld activities now account for one in every US\$30 of revenue earned by the alliance's airlines from passenger services, and for one customer in 30 to board their flights.

These efforts helped oneworld maintain its position as the airline grouping with the best financial track record. oneworld is the only alliance whose member airlines have collectively achieved net profits in decade since it was launched—with oneworld carriers' combined net profits since 1999 totalling US\$8.3 billion, compared with cumulative losses by Star members of US\$3.4 billion and by SkyTeam of US\$32.6 billion.

oneworld is also the only alliance without a member airline having to resort to court bankruptcy protection.

## Managing the Alliance

oneworld was the first of the global airline alliances to establish a central unit to drive the management of the alliance, its future growth and customer offerings. The oneworld Management Company (oMC) was established in Vancouver, Canada, in May 2000.

It is headed by John McCulloch, former senior executive with Cathay Pacific, reporting to the oneworld Governing Board, comprising the chief executives of each of the oneworld member airlines, who meet regularly to set strategic directions and review progress. The board is currently chaired by Gerard Arpey, chairman and chief executive of American Airlines.

Reporting to the managing partner are function heads for Commercial, IT and Cost Reduction, Airports and Customer Experience, Membership and Operations, and Corporate Communications.

Activity across the alliance is managed by the oMC, in liaison with working groups drawn from executives across all member airlines.

To help them work across their many different time zones, they make widespread use of technology, such as email, eRooms, and a dedicated Intranet.

Vancouver was selected as base for the team because it is possible to "do business" with all oneworld members during the same working day, because it is "independent" as far as oneworld carriers are concerned, because it is a handy crossover point between Asia, North America, and Europe, and because it is a highly cost effective city in which to operate.

## oneworld's History

<b>2010</b>	<i>February</i>	<p>Kingfisher Airlines signs a memorandum of understanding with oneworld as its first step towards membership, subject to Indian regulatory approval.</p> <p>American Airlines and Japan Airlines apply for anti-trust immunity for a joint business agreement between North America and Asia.</p> <p>Japan Airlines reaffirms its membership of oneworld and its commitment to expand cooperation with its alliance partners, after a review of its alliance strategy prompted by its overall business restructuring.</p>
<b>2009</b>	<i>December</i>	oneworld becomes the first global airline alliance to enable corporate customers to complete contracts electronically.
	<i>November</i>	<p>Mexicana joins oneworld, along with affiliates MexicanaClick and MexicanaLink—adding Mexico and Central America's leading airline to the world's leading quality airline alliance.</p> <p>Visit Mexico and Central America pass launched as oneworld's latest consumer fare.</p> <p>A Spanish version of its popular round-the-world booking tool is launched, making oneworld the only alliance offering an online booking facility in any language besides English.</p> <p>oneworld is named the World's Leading Airline Alliance for the seventh year running in the World's Travel Awards—retaining the award every year since this category was introduced.</p>
	<i>October</i>	<p>All oneworld member airlines serving Stockholm co-locate to the airport's newly expanded Terminal 5.</p> <p>oneworld's biggest airport co-location project to date is completed, with Qantas and British Airways' Australian routes transferring from Terminal 4 to Terminal 3, to operate alongside all the other alliance carriers serving its biggest European hub, with the remainder of BA's services in the brand new Terminal 5. It brings the alliance's operations together from across all five of the airport's terminals into just two.</p>
	<i>September</i>	<p>All oneworld member airlines serving Barcelona co-locate to the airport's new Terminal 1.</p> <p>All oneworld member airlines serving Helsinki co-locate in the airport's Terminal 2, following the opening of its extension.</p>
	<i>July</i>	Iberia and Qantas are the latest oneworld partners to code-share.
	<i>May</i>	<p>S7 Airlines, Russia's leading domestic carrier, elected on board as a oneworld member designate, to join the alliance in 2010. At the same time, the airline's network is covered by the Global Explorer round-the-fare that features all oneworld member airlines and some selected airlines not part of the alliance.</p> <p>India's leading carrier Kingfisher Airlines starts participating in Global Explorer, the round-the-fare that features all oneworld member airlines and some selected airlines not part of the alliance.</p>
	<i>February</i>	<p>oneworld marks its tenth birthday with a host of initiatives:</p> <p>The unveiling of a standard oneworld livery that all member airlines will adopt on a proportion of their fleets as a symbol of their renewed commitment to the alliance.</p> <p>A 10 percent cut in the price of all of oneworld consumer fares for ten weeks—repeated later in the year. It is the first time any of the global alliances has offered this kind of special promotion across its full range of consumer fares.</p> <p>The launch of its latest consumer fare—Circle Atlantic.</p> <p>Online enhancements to make booking flights on all of its member airlines easier than ever before—whether they are frequent flyer award redemption flights or regular tickets. This puts oneworld on track to be the first alliance:</p> <p>To enable its airlines' frequent flyer program members to book online award flights on all oneworld airlines.</p> <p>With every member airline selling through its own Web site flights operated by all its global alliance partners in conjunction with its own flights.</p> <p>A chance for customers to win a pair of Business Class tickets for travel all the way around the world on oneworld's airline members, simply by saying what services and benefits they would most like the alliance to offer in the future.</p>
<b>2008</b>	<i>December</i>	<p>oneworld becomes the first in the travel industry to sell multi-airline round-the-world fares online with the launch of its Internet booking engine for oneworld Explorer. This is also the first time any alliance fare has been sold online.</p> <p>oneworld named World's Leading Alliance for the sixth year running in the World Travel Awards.</p> <p>Affiliate LAN Ecuador gains rights to launch a domestic network within Ecuador.</p>



	<i>November</i>	American Airlines' chairman and chief executive Gerard Arpey succeeds his Qantas counterpart Geoff Dixon as chairman of the oneworld Governing Board. oneworld links with WestJet to launch a joint corporate sales program in Canada.
	<i>October</i>	Alaska Airlines and its regional affiliate Horizon Air start participating in Global Explorer, the round-the-world fare that features all oneworld partners and selected other airlines.
	<i>August</i>	American Airlines, British Airways, Finnair, Iberia and Royal Jordanian apply for anti-trust immunity, enabling them to work more closely together. American, British Airways and Iberia also announce plans for a joint business agreement covering their flights between North America and Europe. Finnair becomes the first oneworld member in Europe to decorate aircraft in a special oneworld livery to mark the tenth anniversary of its invitation to join. Mexicana elected a member designate, to join oneworld in 2009 along with affiliate Click Mexicana. LAN Argentina becomes the second airline in the alliance to decorate an aircraft in a special oneworld livery, to mark the first anniversary of its joining.
	<i>March</i>	oneworld's biggest yet airport co-location project begins with British Airways beginning its move into the new Terminal 5 at its London Heathrow base.
<b>2007</b>	<i>December</i>	oneworld voted World's Leading Airline Alliance for fifth year running in World Travel Awards.
	<i>November</i>	Dragonair joins as an affiliate member. First airport lounges in the world developed as a oneworld project opened their doors at Los Angeles.
	<i>September</i>	businessflyer extended to Italy, as it becomes a key target market for the alliance.
	<i>April</i>	Japan Airlines, Malév and Royal Jordanian start offering oneworld services and benefits in the alliance's biggest expansion since its launch in 1999. LAN Argentina and LAN Ecuador join as affiliates. Aer Lingus withdraws from oneworld with its new focus on the low fare, point-to-point market no longer in line with the alliance's strategy of serving the multi-sector, premium, frequent international traveler. Visit Japan and Circle Asia and South West Pacific fares launched.
	<i>March</i>	To mark Japan Airlines' impending accession, oneworld links with the Visit Japan Campaign to support its drive to boost tourism to Japan—and JAL reveals a special oneworld livery that it will paint on a number of its aircraft.
	<i>February</i>	oneworld becomes the only alliance with a member airline in South America, as Varig leaves Star.
	<i>January</i>	oneworld's member airlines consolidate operations alongside recruit Japan Airlines at its biggest international hub Tokyo Narita in the alliance's biggest co-location project to date in the Asia Pacific region.
<b>2006</b>	<i>December</i>	Dragonair elected on board as an affiliate, to join in 2007.
	<i>October</i>	LAN Argentina and LAN Ecuador elected on board as affiliates, to join in early 2007. Qantas group chief executive officer Geoff Dixon becomes chairman of oneworld's Governing Board. oneworld launches its first external advertising campaign for five years, in the key target markets of France and Germany. oneworld's businessflyer corporate sales product extended to Belgium.
	<i>September</i>	oneworld member airlines serving Bangkok co-locate their operations at the city's new Suvarnabhumi airport as it opens for business. oneworld named World's Leading Airline Alliance for the fourth year running in the World Travel Awards, which describes itself as the industry's biggest award scheme.
	<i>August</i>	oneworld launches its new Web site—featuring an interactive map showing all the destinations and routes its members serve.
	<i>July</i>	Three of oneworld's most popular consumer fares—the round-the-world oneworld Explorer and two Circle passes—are opened up for group travel.
	<i>June</i>	Japan Airlines elected on board. It is expected to start offering the alliance's services and benefits in early 2007. Three of the alliance's most popular fares—oneworld Explorer and its two Circle tickets—are opened up to group travel.



<b>2005</b>	<i>February</i>	All oneworld airlines serving Madrid move into the airport's new EUR6 billion Terminal 4 in the alliance's biggest co-location activity to date.
	<i>November</i>	Malév elected on board. It is expected to start offering the alliance's services and benefits in early 2007. oneworld named the world's leading airline alliance for the third year running in the World Travel Awards. businessflyer extended to the Netherlands.
	<i>October</i>	Japan Airlines announces it is seeking membership. Royal Jordanian elected on board. It is expected to start offering the alliance's services and benefits at around the turn of 2006/2007. businessflyer extended to Switzerland.
	<i>September</i>	oneworld is named the world's Best Airline Alliance for the second year running in the 2005 Business Traveler awards.
	<i>May</i>	oneworld launches a new downloadable timetable showing schedules for all its members and their code-share partners.
	<i>April</i>	oneworld becomes the only global alliance to enable customers to fly throughout its network, with multiple connections, on electronic tickets only, with the completion of interline e-ticketing links between all its member airlines.
	<i>March</i>	oneworld launches a special Web site for its Japanese-speaking customers. oneworld-jp.com is a complete replica of the alliance's main Web site, but in Japanese. Travel agents in France are the first to be offered their own dedicated oneworld Web site, supporting the alliance's sales activities in the country.
<b>2004</b>	<i>December</i>	British Airways and Iberia confirm they will increase their cooperation by operating their services between London and both Madrid and Barcelona as a joint business from 1 January 2005. oneworld named the world's leading airline alliance for the second year running in the World's Travel Awards. Connecting between oneworld member airlines at London Heathrow, the alliance's main European hub, is made smoother and easier with the grouping co-locating facilities at the airport's Flight Connections Centre.
	<i>September</i>	British Airways sells its 18.25 shareholding in Qantas, but the two airlines stress their alliance remains unaffected, with the joint services agreement governing their cooperation between Australia and Europe recently approved by the Australian regulators approved for a further five years. oneworld launches a global frequent flyer promotion, offering up to 15,000 bonus miles—its first such promotion in five years. The alliance's Latin American partner completes the change of its name from LanChile to LAN Airlines.
	<i>July</i>	British Airways and Cathay Pacific combine arrivals' desks at London Heathrow Terminal 3.
	<i>June</i>	American Airlines is the first airline in the world to offer interline electronic ticketing with all its global alliance partners when Aer Lingus and Iberia are the final oneworld partners to start offering this service with the U.S. carrier. Iberia President Fernando Conte succeeds his Finnair counterpart Keijo Suila as chairman of oneworld's Governing Board. Swiss International Air Lines released from its commitment to join oneworld after an agreement between the airline and established oneworld partner British Airways to drop the bilateral commercial agreement they signed in October 2003, which was a fundamental condition of it becoming a member of the global alliance.
	<i>March</i>	businessflyer extended to France.
	<i>January</i>	American Airlines and British Airways extend their code-sharing to their first transatlantic routes, between the USA and the U.K. regions.
	<i>December</i>	British Airways and Iberia granted the European equivalent of anti-trust immunity, enabling the partners to deepen their cooperation.
<b>2003</b>	<i>October</i>	oneworld named the World's Leading Airline Alliance at the tenth World Travel Awards. American Airlines, British Airways and Cathay Pacific open a shared transfer facility at London Heathrow Terminal 3.
	<i>September</i>	American Airlines and British Airways launch code-sharing. Cathay Pacific and Qantas launch code-sharing.

	<i>June</i>	businessflyer sales product launched, initially in Germany, offering small- and medium-sized companies fare discounts in return for a regular relationship with the alliance's carriers. John McCulloch succeeds Peter Buecking as oneworld managing partner.
	<i>March</i>	The four oneworld airlines operating at Zurich—American Airlines, British Airways, Finnair, and Iberia—move their passenger facilities into new amenities at the airport developed specially for them. The two-letter code used to search in the travel industry's computer reservations systems for flights operated by any airline member of the oneworld alliance changes, to *O.
	<i>January</i>	American Airlines and Cathay Pacific launch code-sharing.
<b>2002</b>	<i>December</i>	oneworld calls for the development of a third runway at London's Heathrow Airport in response to the British government's request for views on the future development of air transport in the U.K.
	<i>November</i>	Heads of the Engineering and Maintenance functions at each oneworld member airline agree to develop common specifications as widely as possible across their engineering and maintenance activities, to align their policies and procedures, to work together to develop and support solutions that can be applied throughout the industry and to share best practice, enabling them to reduce costs through bulk buying and by sharing parts between one another. Finnair President Keijo Suila appointed chairman of oneworld's Governing Board.
	<i>October</i>	British Airways and Iberia expand their code-sharing arrangements to cover their services between their London Heathrow and Madrid and Barcelona hubs in the first phase of a wider commercial agreement between the two airlines. This will also see them carrying out joint network planning, coordinating capacity and pricing and sharing more airport facilities to improve transfer services at Madrid, Barcelona and London. Qantas starts moving alongside American Airlines at Los Angeles, smoothing transfers for passengers flying between Australia and the USA. LanChile and Qantas link their Santiago and Sydney home bases by direct flights for the first time, with the South American carrier flying the route three times a week, via Auckland, with its services also carrying the QF code.
	<i>September</i>	oneworld named the world's Best Airline Alliance in what is believed to be the first major award recognizing this sector of the travel industry—the 2002 Business Traveler Awards, based on a poll among some of the world's most frequent flyers. Content in Spanish, Chinese, Germany, French and Portuguese added to the established English at <a href="http://www.oneworld.com">www.oneworld.com</a> .
	<i>August</i>	American Airlines and Finnair granted anti-trust immunity.
	<i>June</i>	A series of key initiatives launched to deepen working relationships between member airlines, including a major extension of alliance activity, beyond the traditional passenger business, into the areas of cargo, engineering and maintenance, flight operations training and revenue accounting. Circle Explorer and Circle Trip Explorer launched. American Airlines and Finnair become the first airlines from different continents to introduce e-ticket interlining, as oneworld becomes the first of the global alliances to commit to introducing the system across its members.
	<i>April</i>	American Airlines and LanChile expand code-sharing to another five U.S. routes. American Airlines and Qantas expand code-sharing activities, with the number of U.S. destinations served by AA flights with QF codes increased by around 50 percent. Finnair and Qantas link their Helsinki and Sydney hubs with a daily code-share service over Bangkok.
	<i>March</i>	Cathay Pacific's Hong Kong hub and Finnair's Helsinki base are linked for the first time, with Finnair flights.
	<i>February</i>	Chief executives of all member airlines agree to accelerate plans for deepening working relationships between oneworld carriers.
	<i>January</i>	Cathay Pacific deputy chairman and chief executive David Turnbull becomes chairman of the oneworld Governing Board.
<b>2001</b>	<i>November</i>	oneworld's network expands with the integration of the former TWA operation into American Airlines. September World airline industry crisis leads to a change of focus—onto helping members achieve cost savings and build revenues beyond what they could accomplish individually.
	<i>April</i>	Visit Asia pass launched.
	<i>March</i>	Visit Africa, Australia/New Zealand, North and South Americas passes launched.

<b>2000</b>	<i>August</i>	Visit Europe pass launched.
	<i>June</i>	Aer Lingus and LanChile start offering oneworld services and benefits. Canadian withdraws following its purchase by Air Canada.
	<i>May</i>	Central management team starts work, based in Vancouver.
<b>1999</b>	<i>December</i>	oneworld adopts UNICEF as its charitable cause.
	<i>September</i>	Finnair and Iberia start offering oneworld services and benefits.
	<i>1 February</i>	oneworld is born. Founding members start offering oneworld services and benefits.
<b>1998</b>	<i>September</i>	American Airlines, British Airways, Cathay Pacific, Canadian Airlines and Qantas announce their intention to form oneworld and launch an intensive employee communication and training program.

**NOTES:**

- oneworld benefits are available only to passengers on scheduled flights that are both operated and marketed by a oneworld member airline or on a oneworld member airline affiliate. Marketed means there must be a oneworld airline flight number on the ticket.
- At peak periods, access to certain lounges may be restricted due to capacity constraints. Access is available on the day of departure when the next onward flight is with a oneworld airline. Access may not apply at a limited number of lounges operated by third parties. Access is not available to AAdvantage members travelling on solely North American itineraries.
- American Airlines AAdvantage and British Airways Executive Club members can earn and redeem miles, and earn tier status credit, on all eligible flights except:
  - American Airlines AAdvantage members will not earn or redeem miles or earn tier status credit on British Airways transatlantic flights between the USA and U.K. AAdvantage miles and top-tier status credit may be earned though miles may not be redeemed on all American Airlines code-share services operated by British Airways when the booking is made under the AA code.
  - British Airways Executive Club members will not earn or redeem miles or earn tier status credit on American Airlines transatlantic flights. BA miles and tier points may be earned though miles may not be redeemed on all British Airways code-share services operated by American Airlines when the booking is made under the BA code.
  - Each oneworld alliance airline reserves the right to change its frequent flyer program rules, regulations, travel awards and special offers, and to end its frequent flyer program, in accordance with its relevant frequent flyer program rules. Miles/points may be earned only on purchased, published fares.
  - American Eagle, AAdvantage, AAdvantage Executive Platinum, AAdvantage Platinum and AAdvantage Gold are marks of American Airlines Inc. American Eagle is American's regional airline affiliate.
  - All data in this document covers all oneworld members and members elect.
  - All information contained in this document is correct at time of going to press but is subject to change without notice.