Dr. Tom McKaskill

MASTERCLASS FOR ENTREPRENEURS

on

Fundamentals

INSIGHTS INTO THE WORLD OF THE ENTREPRENEUR

BREAKTHROUGH PUBLICATIONS

TABLE OF CONTENTS

Key Insights

Entrepreneurs are different. They are passionate about creating a product or service which will enhance our lives.

Entrepreneurs are born and not bred but that does not mean they know anything about business. Successful entrepreneurs educate themselves in business management skills.

Entrepreneurs are creative. They find new ways of putting ends and means together to create new value in the marketplace.

Starting a business is exhausting, stressful and all consuming. Only the most dedicated and passionate survive the journey.

Luck will always play a part in business success but the other part comes from being efficient and effective.

It is entrepreneurs who create new commercial and charitable organisations and this is where the net new jobs come from.

Dr. Tom McKaskill

Global serial entrepreneur, consultant, educator and author, Dr. McKaskill has established a reputation for providing insights into how entrepreneurs start, develop and harvest their ventures. Acknowledged as the world's leading authority on exit strategies for high growth enterprises, Dr. McKaskill provides both real world experience with a professional educator's talent for explaining complex management problems that confront entrepreneurs. His talent for teaching executives and his pragmatic approach to management education has gained him a reputation as a popular speaker at conferences, workshops and seminars. His approaches to building sustainable, profitable ventures and to selling businesses at a significant premium, has gained him considerable respect within the entrepreneurial community.

Upon completing his doctorate at London Business School, Dr. McKaskill worked as a management consultant, later co-founding Pioneer Computer Systems in Northampton, UK. After being its President for 13 years, it was sold to Ross Systems Inc. During his tenure at Pioneer, the company grew from 3 to 160 people with offices in England, New Zealand and USA, raised venture capital, undertook two acquisitions and acquired over 2,000 customers. Following the sale of Pioneer to Ross Systems, Dr. McKaskill stayed with Ross for three years and then left to form another company, Distinction Software Inc. In 1997 Atlanta based Distinction raised $US 2 million in venture capital and after five years, with a staff of 30, a subsidiary in New Zealand and distributors in five countries, was sold to Peoplesoft Inc. In 1994 Dr. McKaskill started a consulting business in Kansas which was successfully sold in the following year.

After a year as visiting Professor of International Business at Georgia State University, Dr. McKaskill was appointed Professor of Entrepreneurship at the Australian Graduate School of Entrepreneurship (AGSE) in June 2001. Professor McKaskill was the Academic Director of the Master of Entrepreneurship and Innovation program at AGSE for the following 5 years. In 2006 Dr. McKaskill was appointed the Richard Pratt Chair in Entrepreneurship at AGSE. Dr. McKaskill retired from Swinburne University in February 2008.

Dr. McKaskill is the author of eight published paperback books for entrepreneurs covering such topics as new venture growth, raising venture capital, selling a business, acquisitions strategy and angel investing. He conducts workshops and seminars on these topics for entrepreneurs around the world. He has conducted workshops and seminars for educational institutions, associations, private firms and public corporations, including KPMG, St George Bank, AMP, AICD and PWC. Dr. McKaskill is a successful columnist and writer for popular business magazines and entrepreneur portals.

To assist Angel and Venture Capital investors create strategic exits for their investee firms, Dr. McKaskill conducts seminars, workshops and individual strategy sessions for the investor and their investee management teams.

Dr. McKaskill completed six e-books for worldwide distribution. He has also produced over 150 YouTube videos to assist entrepreneurs develop and exit their ventures.

Tom McKaskill is a member of the Brisbane and Melbourne Angel Groups and of the Australian Association of Angel Investors.

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Preface

We sometimes forget that it is the entrepreneur who creates a new organisation which in turn generates employment and ultimately drives wealth creation in our economies. I am not just talking about commercial enterprises but also those not for profits who contribute so much to our well being, whether it be new museums, art galleries, opera companies or charities to help the less well off. Entrepreneurs fuel our communities with ideas, energy and new organisations.

That being said, we know very little about them as a group, perhaps because they are so diverse. You don't become qualified to become an entrepreneur. There is no certificate in entrepreneurship which entitles you to practice at being an entrepreneur. While there is always the debate about born or bred - fundamentally people have a gift for business which is an innate talent. Whether those who have it use it or not, the underlying talent is there. Sometimes it becomes activated through need, at other times through passion.

I have spent over a decade teaching mature age entrepreneurs and I know they are different. You can see it in their energy, motivation, attitude and passion. As a group they want to do things - but not just anything - they want to create value for others. In most cases this will be a commercial product or service which enhances the lives of individuals in their workplace or home. Others want to create value through helping others or making available some product or service which the user could not otherwise afford for themselves. Some simply want to do some service to the community to make us all the richer for the experience.

They all have a desire to create value for others. For most, it consumes their waking hours. They think, breath and eat their mission. They talk endlessly about it, often to the frustration of those around them. They will talk business rather than sport and spend their weekends at the office rather than at the beach.

For all that, they do make a difference. It is the entrepreneur who brings forth the new gadget into the market not the inventor. Inventor are usually more consumed with solving a problem than creating an organisation to bring the gadget to market. It is not the researcher who discovers a new cure who creates the business to produce and sell it in large quantities, it is the entrepreneur.

That is not to say that some entrepreneurs are not inventors or innovators, but in the main, entrepreneurs create new forms of product/market interface. They find ways of taking products and find new ways of creating new value for them. Maybe it is a new service or a new distribution method. Sometimes it is just new packaging and pricing. They see their mission as widespread use rather than product invention. Too many good ideas sit on dusty shelves because they lack the energy, imagination and talent of the entrepreneur to create an organisation to being it to market.

Just because you have the talent of the entrepreneur, however, does not mean you understand the fundamentals of business. Energy, passion, optimism will only get you so far. In the end, you do have to know some business skills. We are not born understanding cash flow or how to manage risks. We don't wake up one day and know how to select and motivate the best people. While some entrepreneurs survive long enough to learn from their mistakes, or are simply lucky enough to have a business which has enough buffer in it to keep them going until they learn how to manage it properly, most will fail through lack of business acumen.

To be successful, the entrepreneur has to be open to learning. Whether this be from mentors, through books and articles or through formal education, there is no substitute for learning how to manage a business successfully. The entrepreneur has to accept that it is not just their success which is on the line, they also are responsible for the people who they employ. With the talent comes the weight of responsibility for others. The opportunity to accumulate significant wealth has its own price.

On the upside, it can be a very rewarding life. You do get to carve out your own place in society. You are your own boss and you do have a say in what you do and how you do it. Your success is self made and you should be adequately rewarded if you are successful. As they say 'entrepreneurs create their own jobs'.

I hope you will find the following articles insightful. They provide a small window into the world of the entrepreneur.

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Are YOU an Entrepreneur?

Just take a look at the BRW Fast 100, Fortune Magazine Top 10 Fastest Growing Small Companies or the Fastcompany.com list. What an incredible group of talented individuals. Do you think you belong in that group? Before you say no, think again. Many people who are entrepreneurs do not know they are. They are wasting their potential in dead end jobs, watching their lives pass them by. Some people who think they are really are not. They, in turn, may need to face the truth, lower their expectations and seek employment.

So what is it that makes an entrepreneur? Is it personality, age, education, experience, family upbringing or anything else? Over the last 20 odd years there has been a raging debate in academic circles about who and/or what is an entrepreneur. The early discussion was mostly around personality types. Most of that research proved fruitless as it seems entrepreneurs come from many different personality types. They also come from different industries, backgrounds and education levels - just look at the Fast 100.

However, over the years I have met many people who were entrepreneurs – and they did have things in common. They were people who were passionate about what they were doing. They were optimistic, demanding, energetic, determined and had great vision. They could persuade, negotiate, lead and change direction when they had too. They were more pragmatic than perfectionist. The biggest difference between the entrepreneur and the small businessman or the small firm consultant was an overriding ambition to grow the venture. They all had big visions.

I like to think of entrepreneurs as people who make things happen. This could be in a commercial endeavour, whether a start-up or inside a large corporation, or it could be in a not for profit venture. However this does not mean they are good managers, in fact few really are in my experience. But they have the vision and energy to bring people together to create an organisation to deliver something of value to a customer or to their communities.

Entrepreneurs are not necessarily inventors. In fact few inventors are entrepreneurs. Just because someone invents a new gadget does not mean they have the knowledge, skills, experience and motivation to commercialise it. In fact, most entrepreneurs create businesses around existing products but they create new ways of delivering them to the market though new means. Entrepreneurs find new combinations of means and ends, that is, innovating by seeing how to do something a different way.

Carter Holt Harvey initiated an internal program to find innate entrepreneurs. They felt that these people would be able to come up with new ideas to drive new revenue in their firm. They had a novel way of defining the entrepreneur. They called it the Six Fingered Hand. They decided that entrepreneurs had the following attributes:

Chameleon

the shuffling of ideas into new combinations and the ability to think laterally, learn quickly and adapt existing knowledge into new situations

True Grit

determination grounded in vision, optimism and the ability to focus, providing the ability to overcome significant obstacles

Extreme Sport

risk tolerance and the capacity to be comfortable with and operate efficiently in a situation which contains risk and uncertainty

Half Full

the ability to see possibilities where others are overwhelmed; problems become opportunities and failure no longer provides a reason for retreat

Follow Me

leadership derived from a sense of wellbeing combined with a self-starting mindset that allows the effective translation of their vision, inspiring commitment and motivation in others

Hunger

the undivided focus on winning that builds the endurance required to push themselves to the absolute limit

The former Director of the Australian Graduate School of Entrepreneurship, Professor Adolph Hanich, believes that some people have an innate disposition for business in the same way that others have an innate talent for music, mathematics or athletics. Sometimes it is only necessity or an overwhelming opportunity that brings out the entrepreneurial capability inside us.

So are you an entrepreneur? Do you have this range of talents that could take new ideas into the market or to create new community ventures? If so, do not waste the opportunity to bring an idea to the market, create new jobs and improve the community's standard of living. And welcome to the club.

Hands Up For The Entrepreneur

"Why don't you get a real job and stop messing around with all these business ideas which never seem to go anywhere". Sound familiar? I can tell you that most entrepreneurs I know have heard this from their parents, teachers, friends and spouses. But this is the life of the entrepreneur and it can be a lonely and stressful existence.

Entrepreneurs by their very nature are passionate people who want to make a difference. They are willing to break with the normal path to a trade, profession or executive career to have a go at something which is inherently risky. They derive their greatest satisfaction from seeing a customer happy or making the next big deal. They are consumed by the problems in their business and their days are dominated by the ups and downs of what is happening with their ventures.

Surprisingly, few have business training. So just because they have the innate entrepreneurial DNA does not mean that they understand cash flows, contracts, managing staff or basic customer relationships. Most learn on the job and the successful and lucky survive to learn how to survive and grow a business. A lack of business training is probably the major reason why the failure rates of start-ups are so high and why only a small percentage ever get beyond 20 employees.

Those that do make it over the bumpy road to success do make a huge difference to our national wellbeing. These are the people who create the new jobs, in fact, at a much greater rate then large corporations. Small business also contribute the majority of innovations to our economy, often the reason why they are bought out by the large corporations.

The most successful entrepreneurs are well know as our greatest philanthropists. These are the people who endow hospitals, museums, art galleries, charities, universities and the arts. Our society is culturally richer for their success.

However, we also need to give credit to those who have a go and are not successful in their ventures. I don't mean the speculator or rogue but the person who genuinely sets out to create a business around their passion and, for whatever reason, is unable to make a go of it. It takes a lot of courage to give up a good job or career and put your life savings at risk. I know lots of young entrepreneurs who have gone for months without a salary and have taken out mortgages on their homes to finance a venture only to have it all go bad.

At least to their credit they tried. The reasons for failure are many, not the least of all is just bad timing and bad luck. Sometimes they are outflanked by a new invention. A large corporation may move into your sector and undercut you to buy market share. You might lose your major customer or have a supplier go bankrupt on you. We can't always control everything in our environment and sometimes events overtake us.

Many successful entrepreneurs have a few failures behind them. The lucky ones have enough gas in the tank to pick themselves up and have another go. Often it is the encouragement and support of family and friends which enables them try again. These are the people who most often come out the other end with a success. Failure can sometimes be a tough educator and their next venture benefits from lessons of past mistakes.

We are very fortunate that enough young people want to have a go because they will make a difference and we will all benefit from their endeavors. So when you hear the next crazy idea, you might respond by saying 'Lets see what we can do together to make this successful.'

Keep It Simple

Entrepreneurs normally don't have the time to be a functional specialists. They have to take the time to have a good appreciation of every aspect of the business to ensure that it operates in balance and is going in the right direction. Unfortunately every part of the business has its own special problems and it is easy to be overwhelmed with the minutia of day to day fire fighting. Putting in the right monitoring systems can make life easier and provide a strong foundation for effective management of the business.

Probably no one appreciates this problem more than Verne Harnish. Verne has worked with many hundreds of SME firms over the last twenty years and has built a consultancy and education business called Gazelles that assists high growth firms. Verne has a simple message - 'keeping it simple keeps it clear'. Verne developed the One Page Strategic Plan (OPSP) to help entrepreneurs focus on the key parts of their business. His book Mastering the Rockefeller Habits is designed like a checklist to help busy entrepreneurs stay focused.

The OPSP requires the firm to set out a range of targets over a 3-5 year timescale with a set of near term and mid term goals so you know where you are headed. It also includes a short SWOT, a set of values and beliefs that drive the business, a set of priorities, a BHAG, and a set of metrics that measure the tempo of the business. The idea of the OPSP is to focus on where you are going and to ensure that you are monitoring the key aspects of your business so that you know if you are on track or if remedial action is required.

I asked Verne to list for me the main traps that high growth entrepreneurs fall into. "Most high growth firms face three major barriers. The first is the inability of the leadership to "grow" as fast as the business and the opportunities. Michael Dell has had a personal coach the entire 20 years he's grown Dell and is a voracious learner. It's also the inability to bring on leadership fast enough and get your DNA passed on to them."

"The second barrier is a lack of systems and structures to manage the exponentially increasing complexity that comes with growth. Discipline can help tremendously during these growth phases. And the third barrier is not properly managing the changing market dynamics all businesses face as they grow i.e. the pressure on gross margins firms face as they approach $10 million in revenue."

With my software businesses I found that cash and prospects were the key to long term success. Cash has a way of reflecting most aspects of the business. When you put together a comprehensive cash flow you need to review debtors, creditors, recurring expenses, work in progress, discretionary expenses, anticipated sales, capital expenses and so on. It can give you a regular snapshot of where the business is as well as a projection of where it will be over the coming months. If the business is progressing well, that should be reflected in a healthy positive cash flow. If you are not achieving your short term targets, the cash should gradually move in a negative direction. This is a great alert system to force you to deal with problems before they become crises.

I found that monitoring the prospect flow gave me the best indicator of long term revenue and profitability. Most of our sales were in the 6 figures and so we tracked every prospect. My COO drew up a 17 step prospect monitoring system that tracked prospects from lead generation to cash in the bank. Even a signed contract was not a 100% certain deal. Only cash cleared through the bank counted. Each step in the process had specific events associated with it so that the sales force could not cover up a lack of progress. By monitoring the numbers on a weekly basis we knew what business we could expect to close over the next 12 months. Any fall in expected revenue would trigger a review of our marketing activities and sales strategies.

Most businesses have critical key performance indicators (KPIs). You need to identify what processes in your business lead to effective performance and develop monitoring systems to keep you in touch with the heartbeat of your business. As you get bigger and delegate more, you need these for each functional area. Every line manager should know the KPIs that tell them if they are performing effectively. There should be activity monitors that reflect the current performance and well as ones that provide insight into future performance.

The key to long term survival and profitability is to understand what makes your business successful and to set up monitoring systems to provide you with regular updates. These need to be simple and obvious so that everyone takes them seriously. All the activities within the business should have a named person responsible for them. If you don't manage the activity levels and performance KPIs in your business you may not have a business to manage.

Build It And They Will Come

Perhaps the most misleading saying we have in business is 'build it and they will come'. Many start-up entrepreneurs are so consumed with their product that they forget that they actually need to go out and find customers to buy it. It is a rare product that can establish such a compelling benefit that customers will seek it out. The vast majority of businesses need to develop robust marketing and sales processes to educate, persuade and encourage the customer to buy.

The phrase is a modern day adaptation of a statement attributed to Ralph Waldo Emerson (1803-1882), whose original profession and calling was as a Unitarian minister who left the ministry to pursue a career in writing and public speaking. Emerson became one of America's best known and best loved 19th century figures. The original statement was:

> *"If a man write a better book, preach a better sermon, or make a better mouse-trap than his neighbour, tho' he build his house in the woods, the world will make a beaten path to his door."*

Regrettably this view of business has become ingrained in our thinking. Even our policy makers seem to think that by throwing vast sums of money at the hard sciences in the form of research and development grants that somehow we can create the next global venture. However our research on commercialization shows us that for every dollar spent on R&D we need seven dollars to bring it to market. Few scientists have the knowledge, experience and motivation to build the marketing, logistics and production capability to take a product to market.

The failure to put in place a plan to reach the customer is present in many small businesses. Take a walk down your local high street and note the number of shops that are closing or look at the failure rates for craft and consultancy based firms. Many people who are very successful at a functional task think that they can start their own business simply because they are good at what they do. What they neglect or fail to appreciate is that running a successful business is much more about going out into the market and proactively finding the right customer. Putting up a sign, 'hanging out the shingle' or setting up a website is managing a business by hope. That is, we hope someone will come and buy from us because we are such nice people and have such great products. The smart entrepreneurs go out and pursue the clearly identifiable and reachable customers.

The ideal customer is one that you can clearly define and, in the best situation, access a name and address and then have the opportunity of presenting your product or service. It is far more effective to target a list of customers where you can seek them out; thus a list of professional practices, a subscriber list, a membership register or a list of prior customers for a complimentary product, provides you with a tightly defined target. Instead of waiting for them to come to you, you can set out a marketing program using tele-marketing, direct sales calls, targeted advertising or cross selling opportunities to address your prospective buyer.

Many budding entrepreneurs talk about targeting the 15 to 35 age group or the time poor executives. The problem with such sweeping profiles is that you are effectively using a scatter gun approach to market your products. You need to narrow down the focus to a set of prospects that would really appreciate your offering.

Fancy websites don't sell anything by themselves. You have to drive prospects to the site before they can appreciate what you are offering them. Optimising the search engines is a specialised field and you may need help to correctly configure your search attributes. However conventional marketing through targeted advertising, public relations, direct mail and marketing collateral is needed to support the site.

Associate Professor Stewart Adam of the Faculty of Business and Law at Deakin University has audited the websites of many of Australia's leading companies as part of his on-going research. I asked Stewart to tell me how a good website is positioned within a marketing strategy. "The best sites are well supported by an extensive integrated marketing campaign. A good website can inform, generate sales and provide customer support but customers need to be told about it through conventional marketing. Websites are like brands and to build brand equity it is necessary to communicate with household consumers in traditional media and with business and government customers using a sales force. Moreover, many organisations make the mistake of seeing their website as a one-way communication tool when the reality is that the Web has a three-fold marketing role – communication, marketing logistics and importantly in developing and maintaining wanted relationships with customers."

Great products and services solve a compelling need. However without the processes that inform the target customers and provide the opportunity for the prospect to validate the benefits, few such products will create a sustainable profitable business. Take the time to identify the right customers and then work out how you can get in front of them. Don't let your great product waste on the shelf by not being proactive about the marketing and selling activities.

Carving Up The Cake

Entrepreneurs dread dealing with the allocation of equity in their venture. Most will freely acknowledge that sharing the equity around is both the right thing to do but also makes good business sense. They know that key staff who are also shareholders are motivated to put more effort into making the venture successful. So why is this a problem?

Basically you can never please everybody and it is very easy to be trapped into a situation which is sub-optimal for the business. Once the shares are allocated they are almost impossible to get back and, if you find out that you have given them to the wrong person, you are not able to correct the mistake. The dynamics of the business changes over time and what was right for the business at one point in time may be wrong several years on.

The decisions the entrepreneur has to make are:

- who should get the shares initially
- how do you provide for new staff
- what happens when someone fails to perform
- how do you cope with people leaving the business; and
- how do you reward the people who made it successful

Most people who start a business with one or two others often share the equity equally. However the people who start the business may not be the best people to manage the business as it gets larger or may not be willing to make the sacrifices later on to grow it. Once the shares are allocated they can't be taken back. If they later can't agree on how new shares should be allocated, the venture can stall and will probably never achieve it's potential. The next phase of the business often requires the firm to hire some key staff, who may need to be attracted with some shares or options. When the business is young, the new executives often demand a significant stake in the business. This can be resented by those that started the business and they may refuse to agree to any serious dilution of their shares to people who did not share the start-up risks of the venture.

You will also inevitably have the problem of shareholder employees who fail to perform when you really need their equity share to motivate the people who are. Then there is the problem of staff who leave taking their shares with them when you believe that the shares should be reserved for the people who have to stay and make the business successful.

Share allocation needs to reflect a number of contributions including investment of time and money, contributions of knowledge, reduced salaries, networks, years of employment and leadership. Not all contributions are equal and there is no magic formula for weighting them. So how can you best protect yourself against the most obvious problems and inequalities?

One technique is to build multiple scenarios of what the shareholding could look like in several years time or at a possible exit point. How should people be adequately rewarded at that point for their role in achieving the venture success? You can then show new employees and investors what they would gain through their participation. Instead of comparing one person's share with another's (or yours), concentrate on what they will get out of the deal and show them how reasonable that is compared to the risk, time and contribution they are making.

Build an allocation model over time which shows how new staff and investors receive shares. If you set the expectations correctly, current shareholders at any point will normally accept the logic regarding new allocations.

Another technique is to use options priced at different price points to change the allocation at the time of exit. This way, staff that perform well can be allocated more shares as the value of the venture increases. You can use voting and non voting shares to determine how major decisions are made. Convertible and redeemable preference shares can also be used to effect the manner in which the exit value is allocated. You should consider non share compensation to reward outstanding performance. Bonuses, commission and profit sharing can take the pressure off you to allocate shares.

Make sure you set up a shareholder's agreement that allows you to buy back shares of staff who leave and to deal with a situation where a small shareholder can hold you to ransom. Ensure you get good legal and tax advice on the structure you put in place so that it is both tax efficient and supports the business decisions you will need to make in the future, especially the option of a trade sale or an IPO.

Most allocation problems can be dealt with effectively if you set the right expectations and provide a fair mechanism for allocating shares and options as the business develops. If shareholders expect their share will be diluted with external investment or when key staff are recruited, they will more willingly accept the change. You can normally gain agreement for an exceptional situation such as a VC investment, but anything else will be difficult unless it has been planned and agreed in advance.

Sharing the equity is the right thing to do, but plan for the worst case scenario.

Where Are The Niche Growth Markets

Many firms seek to create a business in an area where there are already established solutions. They seem to think just by being better, quicker and/or cheaper that they can build a business. However, if the consumers in that sector are already receiving acceptable products or services, then the market is destined to become commoditised, consolidated and only the large will survive. To survive and prosper SME firms need to find and exploit emerging markets or to create products and services that focus on providing better solutions to old problems. Where should you look for niche markets that are capable of generating premium profits?

Professor Clayton Christensen of the Harvard Business School with Michael Raynor published a book entitled The Innovator's Solution where they examine the problem of sustained growth. They state that 90% of all publicly traded companies are unable to achieve more than a few years of sustained growth that generates returns above average shareholder returns. They argue that this is neither lack of managerial ability or avoidance of risk. However, market opportunities for firms seeking growth are unlikely to be found in competing for a share of an established market. They argue that growth comes from two sources; capturing a share of a growing market where the consumers are still seeking better solutions and bringing new solutions to problems that are poorly addressed.

Thus higher potential niche markets are found where the problem is being solved poorly or where products are too complex, too expensive or too large to be used effectively by some potential consumers. Often these niche markets are overlooked by larger firms as they do not take them seriously or think the niche is too small to bother with.

History is littered with examples which demonstrate this theory. Small disc drives opened up the play station market, transistors drove the portable radio boom, laptops freed us from the office and mobile phones made us mobile. Take the casual and hobby camera user for example. Historically the camera manufacturers competed in clarity, accessories and size. Then along came the digital camera. The early versions were clumsy, had low resolution, a poor viewing window and poor quality photos. But they allowed the tourist to check the photo before leaving the location. So they solved a problem that the traditional camera could not. A similar situation existed with sending photos to friends and relatives. It was a time consuming and costly exercise to have copies made for people who only looked at them once. Now with digital photos and e-mail, you can send out any number of photos to friends who will can have a look and then delete them.

The SME sector historically has been the source of most radical inventions and new business concepts. Larger companies get locked into their current products and markets and are blinded by the race for ever increasing incremental developments for products that their current customer base is already using. Large corporations find it hard to offer more customised solutions for segments of their market as their manufacturing and distributions systems are best suited to large volumes. The SME can nip away at the periphery with tightly focused niche market solutions or find new ways of solving the problem that undermines the market share of the larger firms.

Many people think that it requires a product or process invention to capture a share of an existing market. In fact, these account for a very minor share of start-ups. Most entrepreneurs create successful firms by finding niche markets which are poorly served by large corporations.

Where to look? Most successful start-ups occur within an industry that is already familiar to the entrepreneur. So look around within your own industry for problems that have poor solutions.

- Is there a sector that is using a general purpose product or service where a more specialised product or service might work better?
- Can you strip out some features or functions and offer a lower cost but equally effective solution?
- Are you able to offer a more personalised service, or alternatively, a less personalised service that might appeal to a segment of the market?
- Is there a innovative way of doing business that has worked in another industry that might work in yours?
- What problem is overly expensive to solve? Can you develop a less expensive solution?
- Is there a process that has a lot of steps in it that incurs excessive customer time and cost? Can you reduce the steps by automating or eliminating part of the process?

Alternatively, can you take a product and use it to solve a different problem. Baby shampoo opened up the market for adult daily shampoo. Baking soda was used to take smells out of fridges. Look at how people are using products in innovative ways – this may be your next venture.

Innovation And Customer Service

There is a popular view that an entrepreneurial venture is based on a breakthrough invention. However, breakthrough inventions happen infrequently and few entrepreneurs are inventors. In fact, in the modern economy most businesses are created around services rather than products and customer service has now become the key to success for most businesses. The key to a successful venture today is often simply to discover how to create additional customer value at the point where the customer connects to a common product or service. A distinguishing characteristic of the entrepreneurial venture is that it involves innovation, most often in the way the business is done rather than through the product it offers. Innovation in customer service has been the major competitive advantage of many entrepreneurial ventures.

Many businesses offer the same product or service, so why does one business stand out above the rest and end up growing faster and taking market share from its competitors? Smart businesses know that the product or service is only one part of the value proposition to the customer. After all, the customer often has a choice of many different suppliers. While some may be willing to hunt around for the cheapest price, many others are concerned about the amount of time they spend to find the right product, pay for it and get it home. Others want to feel good, secure and comfortable or be entertained by the environment in the place they buy at or in the experience they have when they shop. For some customers, the brand or image of the product or supplier is important, especially if that image translates into feeling good about oneself or having the admiration of others. These components of value provide opportunities for the entrepreneur to create a different buyer experience. The successful ones are able to create a customer service that can leverage a premium price.

Many innovations have been introduced that serve the business but annoy, frustrate or create problems for the customers. Customers become irritated with automatic voice mail systems that provide 16 layers of options only to return you back to the beginning to start over again. How many times have you been told 'your call is important to us – please hold for the next available operator' only to wait 20 minutes. Or perhaps you have an experience of a web site that fails to provide an address or phone number and never replies to their info@ email contact. While these changes may be helping the business to reduce costs, the concept of customer service seems to have been lost in the process. Technology used incorrectly or inappropriately can significantly reduce customer service.

A customer service incorporates all aspects of the buyers' purchasing experience from recognition of need to final disposal of the product or use of the service. Thus there are many points in this process where the entrepreneur can create a point of difference and secure customers. Smart entrepreneurs have focused on different parts of customer service to see where additional value can be created. Technology has certainly played a major part in making our lives easier. The internet is now used by many consumers to research products before they are purchased thus saving them time and increasing their chances of finding the right solution to their needs. Customers now use the internet to order on-line, arrange shipping, track their orders and shipments and pay their bills. Restaurants can advise customers waiting for a table that their table is ready using a clip on buzzer. SMS messages can be used to advise of changed appointments.

Global communications has allowed many firms to move to a 24/7 help desk where they use offices around the world for a rolling personalized support service. Micro marketing using sophisticated database technologies now enables a firm to inform a customer of available products that might meet their profile or of other products that are often purchased with the one they have selected. Firms can be proactive with their customers prompting them with reminders of appointments using e-mail or SMS. Reservation systems for rental cars, airlines and hotels can recall customer profiles and ensure preferences are taken into account. Technology can add a personal touch which can enhance value to the customer experience.

The ultimate test of an innovative customer service idea is whether the target customer sees the change as an enhancement in their buying experience. Does it make a positive difference? Are you delighting your customer and making them feel important to your business? Whether it is making the buying experience a better one, adding value through fun, brand and image, providing value through supporting a worthy cause or making it easier to use the product through better training and support services, innovation needs to be directed at things the customer considers important to them - not to you.

Opportunities abound for entrepreneurs to create new businesses through innovative customer service. Listen to complaints and watch how customers spend their time. Can you think of a way of making the buying or using experience more productive, enjoyable or interesting? Consider how new technologies might be used to provide better or more timely information or how they can be used to generate additional value during the service experience.

Funding Opportunities are Always Available

The time is always right to raise Angel and Venture Capital Finance if you have the right proposition.

Whether the economy is going forwards or backwards, I can say with confidence that entrepreneurs should be polishing up their investment proposals and making presentations to Angel investors and venture capital firms. Why now? While IPO markets are fickle, there is always a market for a trade sale. However, most entrepreneurs will miss the boat because they don’t understand how to make their venture investor attractive.

Over the last few years I have seen hundreds of investor presentations and generally they fail to satisfy a basic requirement – it is all about them and not about the investor.

Imagine that you walked into a car dealership and told the salesperson that you would take the worst car on the lot and you would pay the full retail price simply because you wanted them to have a good day. Without question, the salesperson would think you were a little crazy because their view of the world is that they have to solve your problem and make you happy. They normally only make a successful sale if you get what you want. In this scenario, you are the salesperson and the investor is the customer. In the real world your task is to make the investor happy and to solve their need to make attractive investments.

Too many entrepreneurs see private equity finance as a way of solving their personal and business problems. Their business is constrained in some manner and they need external finance to move forward, either to survive or to exploit their market opportunity. When they approach an investor, they typically put their investment proposal in terms of how the business can expand, grow, prosper or survive with the investment finance. What they forget is that is the entrepreneur’s problem not the investors.

Investors primarily want to receive a good return on their funds invested. They don’t want to prop up a failing business or solve a business crisis or help the entrepreneur recruit some more staff so they are not working 14 hours a day. What they want is a low risk investment with an outstanding return. What they want to hear is how their funds are going to make them money.

The smart car salesperson finds out about your needs, budget and timescales, whether you have a trade-in and if you need finance. They want to know if you have style, colour, shape and brand preference and so on. Basically they want to know as much as possible so they can offer you a compelling deal. They expect to have to work for the business and prove to you, the customer, that they have the best solution for your needs. The same applies to private equity investment. Each investor or VC fund will have certain preferences as to size of investment, stage of venture development, level of intervention and coaching required, sector preference, length of potential investment until harvest and level of risk involved.

The task of the entrepreneur is to find a match between what they have and what the investor is looking for. They have to package their investment proposal in terms which resonate with the investor. Entrepreneurs are very good at packaging up their products and services and targeting the right customers, it is thus surprising that they don't use the same process to package their business for an investor.

There is, however, one fundamental issue which the entrepreneur must confront. The investor must see a highly articulated and probable exit strategy as part of the investment proposal. Unless there is a very compelling case for an IPO, which is a rare outcome anyway, the investee business will be sold within a few years in a trade sale. In order to have a compelling investment opportunity, the investment proposal must present a robust harvesting strategy.

The best investment opportunities for Angel investors and VC firms have strong sustainable competitive advantages based on deep expertise or widely registered intellectual property rights. The best exit strategies are through trade sales to large global corporations based on the strategic value in the venture. These businesses have shorter investment periods, lower execution risks and much higher investment returns. They create very compelling investment opportunities.

Right now there are a lot of investment funds in the hands of Angel Investors and some VC funds which are looking to catch the next wave. The entrepreneur who can present a good investment opportunity which meets the investor's needs has a very good chance of securing investment funds and creating considerable wealth for themselves within a couple of years.

Networking

The person you are standing next to might be the connection you need to your next big deal! Certainly this is the view of most successful entrepreneurs who believe networking is a highly underrated business capability. They believe that networking skills in an emerging business can contribute significantly to the growth and profitability of the venture. For most, the techniques of networking comes naturally while, for others, they observe and learn. If you are not a natural networker, it is a capability that you can learn and benefit from.

Successful entrepreneurs access resources and knowledge beyond the boundaries of their firms through networking. They use their connections to generate business, recruit staff, and access contacts and advice. The purpose of networking is to connect with others that might help your business in some way. Proactive networking is when you put yourself in a position where business connections are more likely to occur. That also means that you have to get out into the real world and circulate. You don't connect by keeping to yourself!

People who are successful at networking will always say that networking is about giving. A network where members freely help each other with ideas, contacts, advice and assistance is much more likely to bring rewards to each member than a group that meets to solicit business. People are much more willing to help someone that has a reputation for being supportive and is known to actively help others than a person who is known to be at an event just to solicit business. In fact, networking groups that are formed purely for networking purposes usually fail because they have no higher purpose that binds members together. Associations that are formed to promote the industry or to provide industry education or community benefits work because they ask members to give their time to help others. The networking benefits come as a result of being involved not as an end in itself.

The Entrepreneur's Organization (EO) is a great example of a peer to peer association that comes together to share experiences, learn from the successes and failures of each other and connect to global learning events. My experience of working with many of their chapters has shown me that they will actively go out of their way to help each other without expecting anything in return. Yet, for many, it has been the source of a great deal of collaborative business.

Networking for me is both fun and work. I have always been actively involved with others who share my professional and personal interests whether this be through industry associations, professionals associations, industry forums and industry education and training programs and so on. In my academic life it has led to many joint research projects. Through such events I have made many long term friends. When I was active in business, my involvement in industry events connected me to executives within the industry that led to prospect referrals, recruiting opportunities, joint ventures, consortium bids, out-sourced contracts and information and advice about best practices. It can also be a good way to meet with executives from businesses which you might later acquire or be acquired by.

Many people find that an active community life suits their interests but also leads to a wide range of benefits. While this may not always lead to business contracts, it can help with local recruitment and access to local politicians who can help with planning issues and licenses. Working with the local community on charitable projects can also contribute towards a sense of pride within a business which helps develop a positive business culture.

Networking is a very powerful force in the development of business communities. Professor Murray Gillin of the Australian Graduate School of Entrepreneurship has recently been investigating the creation and development of technology clusters. He says that '"networking" is arguably the most significant factor in the success of the "Cambridge Technopole" and of Silicon Valley. These locations are characterized by a free flow of ideas, a willingness to help others and a highly developed sense of community where each member benefits when others succeed."

Many people waste the opportunity to network effectively. Successful networking is not self promotion; it is simply enabling commercial and social interaction. If you don't mix socially and professionally, if you don't have business cards to hand out or if you don't make notes to remind yourself to follow up on a contact or a lead, no one can be blamed but yourself. You also can't expect people to guess how they might help you or how you might help them if you don't engage in social, industry and professional events and allow yourself to share your experiences with others.

Networking is very cost effective marketing. The benefits from effective networking are cumulative over time as you connect with more people. Network contacts can grow exponentially where you and others share network contacts.

While you need to put time into networking, the overall use of time is very efficient. As your network grows it becomes easier to access the right person when you need help. A classic case of six degrees of separation.

The key to networking is to be proactive. Become actively involved in your industry and community and offer help where you can. Seek out industry and community associations where you can contribute. Initiate contacts and make sure you follow up. As they say ‘what goes around comes around’.

Entrepreneur in Transition

The goal of most entrepreneurs is to sell their business but few seriously consider life after the sale especially where it involves working for the acquirer. While most buyers see the business knowledge and personal connections to customers, suppliers and employees as an asset worth holding onto, they also recognize that the new environment in which the business exists may be incompatible with the motivations and desires of the former owner. Yet for some entrepreneurs the move to a larger business entity opens up new possibilities and new challenges. Understanding what motivates you, what you are good at and where you will find satisfaction is an important consideration in deciding how to prepare for the sale and for deciding how to approach the decision of whether to seek employment with the buyer or not.

The typical scenario of a trade sale is a small entrepreneurial firm being acquired by a public corporation because it has assets or capabilities which the larger entity can leverage due to its access to funding, large customer base or distribution channels. However, in order to exploit the potential in the acquisition, the business entity needs to be assimilated into the organization structure of the large entity. In the process, the former firm will most often be subject to new reporting lines, new bosses and a more hierarchical way of making decisions. The entrepreneur will find that decision making takes longer, they can no longer do as they want and they now have someone that they answer to. Their time is now taken up with committees, filling in forms and trying to get things done in months which before was done in days. It is not surprising that many entrepreneurs leave soon after the takeover.

On the other hand, some entrepreneurs enjoy the ability to make things happen inside a larger business where more resources are potentially available for product development, market penetration and good innovative ideas. Instead of being endlessly frustrated at not being able to see their dreams come alive, they now have the opportunity to use the power of the larger business to get things done. They might also see a promising career managing larger business units than what they could have built in their previous venture. At the same time, their salary and other benefits may be much better than what they were able to afford in their own firm.

There is often such a relief at being able to cash up and to be relieved of the burden of meeting the monthly payroll, that the entrepreneur may too readily accept an offer to stay with the acquirer without seriously considering whether this move is the right one for them psychologically. The move from owner/manager to mid-level employee is dramatic and should not be undertaken without some serious consideration of what you are good at, what you enjoy and how you are going to maintain self esteem in the new role. Moving from day to day total authority over a few staff to being a middle manager in a large corporation is a bit like moving from a rural village to the center of a large city. Everything around you is different and not everyone can or should make the transition.

You might first consider what roles you are good at and what role the corporation wants you to play. Few people can make an effective contribution in more than one role. Dr Nita Cherry, Professor of Organisation and Leadership at the Australian Graduate School of Entrepreneurship argues that the entrepreneur in transition needs to match one of the following roles:

- Management of key external relationships
- Development of key business strategy
- Acquiring and maintaining the core capabilities of the business; or
- Leading or encouraging innovation

"If the role selected by the corporation does not match both the capabilities and aptitude of the entrepreneur, the likely result will be reduced self esteem through a sense of failure, frustration in being in the wrong position and probably a fall in productivity of the business unit. Unless the entrepreneur is willing to speak out and negotiate a better fit for themselves, they will soon leave"

Acquiring corporations are knowledgeable about the frequent early departure of entrepreneurs. Rather than avoid this issue the entrepreneur should be prepared to bring this out in the purchase discussions. How can you assure the buyer that the benefits of the acquisition can be extracted whether you stay or go? Are you the type of person that would be happy working with a larger company where you would be reporting to a senior manager and would not have the same freedom of decision making you have now? How would you feel about being dependent on people (that you didn't recruit) to achieve results that you will be held accountable for? What role could you be most effective at in the buyer's organisation and what roles would you be least effective in? Finally, where do you want to be in 3, 5 and 10 years and would working for the buyer help you achieve your personal objectives?

Buyers are very wary when it comes to employing former owners. If you want to work for the acquirer, then knowing what would work for you, aligning that to what you are good at and being able to honestly present the case, may make a big difference to whether you are offered a future role in the merged company.

Too Close For Comfort

Accepting start-up money from family or friends can be a delicate business.

Few entrepreneurs in start-up companies have sufficient personal wealth to fully finance their new venture. After they have exhausted their savings and mortgaged everything they can, they usually call on friends and relatives to put some money into their "sure thing". But everything has a price, and even money from those close to you comes with its problems. Family and friends may not have the same financial requirements as an independent investor, but they can be just as demanding.

New ventures are not without their risks. Research shows that only 4% of businesses go beyond $2 million in revenue and very small businesses have the highest failure rates as they lack the resilience to withstand bad luck or poor management. So the chance of the new venture losing money invested by relatives and friends is high.

One consideration that the new-venture entrepreneur should face up to is the effect of the venture failing. What happens when the venture fails and relatives have invested life savings into the business, having been sold on the dream of owning part of the next Microsoft?

Few non-business people appreciate the risks involved in starting a new company. Everything appears attractive in the beginning when things look so easy and people are sold on the idea of their young relative creating a monster company. But when it fails and they accept that their relative simply never had the experience to make it work, will they be happy just to write off the investment, or will this be a lifelong problem between them?

The same could be said of close friends. Being work colleagues or social friends hardly qualifies people to undertake the stress and rigour of going into business together. What happens when their talent and experience proves not to be at the level that is required, or they do not want to commit the time, or they want to have the final say on all the decisions? Then you have a dysfunctional team that is probably going to make the business fail or you are going to have to break up the team by forcing someone to quit. If they have money invested in the venture and still own equity, how are you going to buy them out or deal with their ongoing equity interest?

Many start-ups involve couples, business colleagues, school friends and relatives. Not all of them will appreciate the time and effort that must be put into the venture to get it to a reasonably profitable, sustainable state. There are many stories of partners working long hours, taking low salaries and doing activities for which they are not trained. Not everyone going into the venture is capable or willing to put in the effort and time it takes to get something up and running.

Money from close relatives may come with other constraints. If the investor is working in the business, they could feel like a partner and want to be involved in the decision making on a regular basis. This can work in very small businesses but it becomes problematic once the business expands.

As more staff are added to the business, often a more formal organisational structure is required.

At this point, the question of who is the boss and who makes the decisions becomes a debatable issue that can lead to conflict. With independent people, this can be more easily resolved. But when the other person is your spouse or cousin or best friend, the issue is not so readily resolved.

At the same time, family investors who do not work in the business may feel a need to interfere if they see something they disagree with, even without understanding the situation or the business requirements. So the wife of the cousin who sees differences in remuneration or workloads may feel compelled to express criticism to the aunts and uncles. This means that the managers are spending time defending their actions to people outside the business who may have no idea of their pressures.

Common to many new ventures involving married couples are the problems that arise when they start a family or go through a divorce. When one owner or manager needs to take time out for a family, this can create tension and assertions of unfairness and inequality. When a divorce happens, it may be impossible to continue a close working relationship. The issue of ownership and involvement can become very messy, often resulting in the failure or sale of the business.

Few ventures get off the ground without money from family and friends, but be aware of the associated problems and raise those issues as soon as possible. Most people will accept a sound business case for change. But you may have to accept some unintended hostility or bitterness if you have not set the expectations correctly.

Upgrading Entrepreneurs

Throughout recorded history there have always been entrepreneurs, even though entrepreneurship as a discipline is of recent vintage. Although management education over the last 100 years has focused on educating corporate managers, the policymakers and business schools over the last quarter century have come to recognize the contribution made by the entrepreneur to innovation, new job creation and wealth creation. Entrepreneurship is now the fastest growing subject discipline in business schools world wide.

The academic community has tried to find out more about the entrepreneur, especially what makes an entrepreneur. In the end they have had to reluctantly admit that there is no one personality type that makes up the entrepreneurial character. However, what we do know is that entrepreneurs behave in very similar ways across the globe. They are passionate about their ventures, they are willing to take risks, they are optimistic, persuasive, visionary, and creative and have a great deal of perseverance. More recently academics have concluded that the best way to study entrepreneurs is to focus on what successful entrepreneurs do, that is, what makes up best practice within an entrepreneurial activity.

Professor Adolph Hanich, former Director of the Australian Graduate School of Entrepreneurship (AGSE) has spent much of his career working with entrepreneurs and more recently researching their behaviors "Entrepreneurs, like great athletes or great musicians have an underlying talent for business. They are naturally creative when it comes to creating a business to enter a new market or bring a new product or service to market.". However, he argues that few will ever fully exploit their natural gifts without up-skilling. "Every great athlete has a coach that helps them to optimize their capability through training in best practices, review and feedback and exposing them to competition". Professor Hanich has argued that it is time we developed the professional entrepreneur. "Entrepreneurs can significantly improve their probability of success by taking advantage of the body of knowledge of best practice that has been developed over the last few decades".

We now have available to us not only a significant body of research but an accumulation of biographies and documented practices of some of the world's most successful entrepreneurs. For example, experienced entrepreneur the late

Richard Pratt of Visy Industries spent a half a century accumulating the wisdom which made him one of Australia's great entrepreneurs. His experiences and those like him are now well documented and this knowledge we can help develop capable entrepreneurs in a fraction of the time they spent learning their craft. While there is no substitute for experience, we can certainly help prevent common mistakes and make the path of the entrepreneur easier.

How can the 21st century entrepreneur best develop their professional skills? Where should they focus their limited time and energy? From personal experience and from talking to many entrepreneurs and educators I have set out below what I believe are the 10 most important skills that the young entrepreneur should develop. If you are a young entrepreneur then this list will be a great starting point for developing your professional skills. While this is by no means an exhaustive list, this set of skills will substantially improve your probability of success as an entrepreneur.

Lifelong learning

Before you can begin to develop yourself as a professional entrepreneur you must accept that you can't be good at everything and you can't know everything. Great entrepreneurs are like sponges, they are always learning, always asking questions and always being willing to change direction if someone has a better solution. According to Bill Delves, National Leader, Entrepreneurial Growth Markets for Ernst & Young, the 21st century entrepreneur is open to ideas from around the world. "Today's young entrepreneurs are well-traveled, well-educated, well-read and often bi/tri-lingual. They recognize that they can learn from the experience of others and don't limit themselves in how or where they gather information or advice"

Brian Scudamore, Founder & CEO of 1-800-GOT-JUNK, the Canadian junk removal service that has achieved record growth over the last few years and opened their first international business in Sydney in late 2005, is typical of successful entrepreneurs.

"As an entrepreneur, I continue to read and study other great entrepreneurs, looking for habits to adopt and systems to create that will impact my business"

Not only should the entrepreneur take advantage of educational opportunities available but should seek out experienced entrepreneurs who can contribute to their learning.

Dr. Michael Schaper, the former Small Business Commissioner for the Australian Capital Territory and former Professor of Entrepreneurship, encourages young entrepreneurs to work with older, more experienced practitioners. ”The fastest growing group of business owners are people over 50. Many of them have lots of experience, accumulated knowledge and accrued capital that’s looking for a home and the chance to be productive. Young entrepreneurs don’t need to do it all themselves and they don’t always just need mentors in the traditional sense... so pairing up, or working joint ventures with older business owners is an often overlooked opportunity”

Basic business skills

At the end of the day there is no substitute for learning the basics of business. This includes subjects like basic marketing, cash management, cost management, performance evaluation, legal obligations and people management. Many people go into business because they are great at what they do but know nothing about how to operate an on-going business. You don’t need to go to university to learn the basics. There are many good books, adult education programs and college programs. But make sure that the learning you do is of good quality and relevant to your industry. Ask experienced entrepreneurs for advice on reading material and education programs. Talk to your professional advisors and get their advice on what to read and seek out help from your local business development organization.

Dr. Michael Schaper argues that basic business knowledge provides a platform for a lifetime of entrepreneurial activity. ”Sound basic business skills never go out of fashion and, even if a young entrepreneur’s first venture fails (or even if it is successful and is ultimately disposed of), those generic abilities will always be valuable. Finance and money management, people management, administrative and operational managerial skills and knowledge should always be the backbone of any business venture for anyone, young or old”

Learn how to evaluate business opportunities

Too many people go into business because they have a business idea and are passionate about it but neglect to undertake basic research on whether it can create a viable, profitable venture. Business failure rates are very high for new ventures basically because the business idea failed to satisfy some basic venture attributes. For a venture to survive and be successful you need a product or service that satisfies a compelling need for sufficient numbers of identifiable and reachable customers that are willing and able to pay for it at a price that makes it a worthwhile venture. It is remarkable how many new ventures fail to satisfy these basic criteria.

There is now a significant body of knowledge on venture survival and success to be able to predict with reasonable confidence whether a business will survive and grow. Before embarking on a new venture and throwing hard earned savings at it, you should use these evaluation models to test the worth of any new venture.

Build a great team

An entrepreneurial venture is an organization not a person. Thus by definition it involves more people than just the entrepreneur. Successful entrepreneurs know what they are good at and where they have weaknesses and are willing to involve other people in managing the enterprise. No one knows this better than the venture capital community. Picking the right team is essential for success according to Niall Cairns, former Founder & Managing Director of Sydney based Nanyang Ventures. Sometimes it is simply acknowledging that you need other people or maybe it gets down to basic common senses or a simple principle like the one Richard Pratt has stated many times "Success comes from hiring people who are smarter than you are"

Brian Scudamore, of 1-800-GOT-JUNK states that business success is achieved through people – it can't be achieved by the entrepreneur alone.

"Entrepreneurs today need to focus more on leading their teams, rather than micromanaging their businesses. A thriving business is the result of a healthy relationship between the entrepreneur and the employees. New entrepreneurs need to harness the power of their people through effective leadership, above all else. I truly believe my success as an entrepreneur is in large part because of the great people I've hired. Finding good people is easy; the trick is identifying great people, and retaining them. In 2004, Global HR firm Watson Wyatt named 1-800-GOT-JUNK? the best company to work for in British Columbia, Canada. This wasn't by chance, as I've spent countless hours focused on how best to create a company that served the people who drive it"

Helping entrepreneurs build successful teams and training professional managers to understand the special problems of high growth entrepreneurial ventures has become a major focus for the graduate programs at Australian

Graduate School of Entrepreneurship. Professor David Hayward, former Dean of AGSE sees this as the school's biggest contribution to developing professional entrepreneurs.

"Our research has shown that fast growth companies face a challenge building an entrepreneurial team. Smart entrepreneurs recognize their own strengths and weaknesses and proactively seek out partners who match their values and compliment their own experience and skills. However, professional business postgraduate degrees have traditionally neglected the needs of the high growth entrepreneurial firm with its special problems of risk management in the context of high levels of market uncertainty. AGSE is tackling this by ensuring that its graduates -- in marketing, human resources, accounting, international business, business administration and entrepreneurship -- can all make a strong contribution to an entrepreneurial team."

The successful entrepreneur learns how to select and motivate the best people. It is through their combined efforts that entrepreneurs achieve their personal successes.

Communication skills

While entrepreneurs are naturally persuasive, there are skills in negotiating, presenting and synthesizing that can be learnt. Michael Mullins, lawyer, entrepreneur and former Global President of the Young Entrepreneurs Organization (YEO) and former Chairman of the Entrepreneurs' Organization (EO) puts it very bluntly "Good communication skills doesn't sound very sexy or very '21st Century', but 1999 is over and people will no longer back what they don't understand!" Mick is passionate about up-skilling entrepreneurs and says that communication skills is high on his list.

"The real skill of an entrepreneur has always been to take relatively complex issues and make them easy to understand, and to inspire people with one's vision. In the 21st century where there is so much jingoistic noise, people will not give bandwidth to concepts they don't easily understand. Stakeholders need to understand what you are doing, whether it is to inspire a board to move in a new direction, to raise capital, to sell your product or even sell your business. When others are dealing with their own agenda, to earn the time to consider your concept, you have to be able to sell the simplicity of the concept, and do it quickly."

Networking and building strategic relationships

Successful entrepreneurs understand how to connect with people and how to leverage the skills and resources of individuals and organization to help them to achieve their objectives. Emerging businesses simply do not have the resources or market reach to do everything themselves. Working with larger organizations can help them access technology, knowledge and distribution channels to leverage their own capabilities. Bill Delves of Ernst & Young has seen how networking has contributed to the success of the entrepreneurs they have worked with in their Entrepreneur of the Year program. " Young entrepreneurs form unusually strong business networks and rely on them heavily"

Networking is simply about taking the time to meet other people that can help you develop as an entrepreneur. While it might result in securing new business, the greatest value is what you can learn from others. EO is great example of how this works. EO is a global community of 6,000 entrepreneurs, about two thirds of whom are less than 40 years old. It is centered around peer to peer interaction for entrepreneurs and facilitates them interacting at different levels, from a monthly learning event, to international conferences, to executive education programs at leading universities, all specifically targeted at entrepreneurs.

Mick Mullins attributes much of his success as an entrepreneur to the networking provided through EO. "The members of EO join a monthly forum group, of between 8-12 of their peers, where, with complete confidentiality, members are able to discuss issues and problems they are experiencing in their businesses. It is like your own board of directors where you can leverage from the experience of others who have been through much of what you are currently experiencing. My forum group saved me on more than one occasion, but it does its best work when it helps adjust your thinking on an issue and helps you devise a constructive plan moving forward. Members are selected into forum groups to ensue that there is no business conflict, and diversity of members' backgrounds can be just the answer to looking at issues from a different angle.

Mick often reminds his EO members that "Engaging with other entrepreneurs is about the only way to get the real time knowledge you need to go ahead, without learning every mistake first hand."

Leveraging technology

Technology is simply about productivity, whether it is on the plant floor or in the office. In order to compete effectively you need to have the best technology that you can afford and learn to use it to its maximum advantage.

Brian Scudamore, of 1-800-GOT-JUNK has seen the power of leveraging technology to drive the growth in their business. “I’m a firm believer that great business leaders need to harness new technology to truly build and expand their businesses. The Junk industry is no exception! Technology today is providing tools that entrepreneurs never had just ten years ago and it’s important to include them in your business strategy. While the internet continues to be a modern method of mass communication, we’ve also used it to improve our customer service and our franchise operations. Young entrepreneurs today need to be well versed in the new language of webinars, podcasts, and blogging, among other emerging media technologies. Each year I work closely with my IT department to find out how we can leverage new technology even more, in our pursuit to impact the bottom line. Without our ability to adopt and use these new tools, there’s no way we’d be this close to our first $100 Million year.”

Managing risk

Entrepreneur’s have a tolerance for risk greater than the average person. Perhaps this is often because they don’t see the risks in a venture. They are generally optimistic, believe they can solve any problems that come along and leap into the dark. Successful entrepreneurs however take calculated risks. They project what can go wrong with a venture, mitigate the risk wherever possible and only go forward if the worst case situation is an acceptable level of risk. They need to be good at project management, scenario analysis and market research. The more that you can uncover and validate your business assumptions the less likely you are to be exposed to uncertainty in a business venture.

Dr Michael Schaper, states that entrepreneurs need to learn the skill of ‘shock proofing’. “Every firm knows that there are a few critical events that can substantially damage their business. It might be the loss of a key customer, the failure of a key supplier, a fall in sales and so on. They can examine the likely impact of each of these critical situations and do some contingency planning to reduce their impact. This may result in them holding a little more safety stock, dual sourcing components, planning for additional liquidity, looking for additional customers and so on. A situation that can be planned for can most often be contained."

Develop an international perspective

An emerging business has its greatest chance of survival and growth if it solves a complex problem for a clearly identified niche market. However, in any geography, there is likely to be a limit to the number of potential customers who are willing and able to purchase your specialized product or service at any point in time, thus it is necessary to look internationally to find the potential market needed to grow a substantial venture. Also by taking an international perspective, the entrepreneur has the greatest chance of either growing the business to the size necessary to take it public or bring it to the notice of a global corporation that wants to exploit the potential.

Dr. Michael Schaper sees an international perspective as a building block for a developing national export capability. "As a nation we have to compete in the global marketplace, and that means we also have to foster emergent new businesses that are willing to do the same at an individual firm level."

Sharing the rewards

Ultimately the success of the enterprise will be dependant on the efforts of many people. Successful entrepreneur understand the need not only to share the rewards to drive motivation but the equity of rewarding those that creates significant worth for the venture founders.

Ewing Kauffman, the philanthropist whose legacy founded the Ewing Marion Kauffman Foundation, the largest entrepreneurship education trust in the world, firmly believed that his success came not only from sharing his success with the people who worked for him but in giving back to his community. There are many ways that you can do this within your venture from sharing equity, offering options, distributing profits and providing bonus and rewards. The key is to ensure that those that help create your wealth feel that their contribution has been recognized. This makes them willing and active supporters in the activities needed to build a great company.

The professional entrepreneur is an educated self learning individual that applies known best practice to their entrepreneurial venture. While we all acknowledge that the best entrepreneurs have an underlying talent for creative business solutions, the smart ones will freely acknowledge that they would have been better off if they had taken the time to develop some basic entrepreneurial skills early in their careers.

KINDLE BOOKS BY DR. TOM MCKASKILL

Masterclass for Entrepreneurs Series:

The Masterclass series is a collection of books each comprising a set of articles published by Dr. McKaskill on a specific topic. These articles have been published in a range of business journals and/or e-business websites.

Masterclass for Entrepreneurs on Fundamentals: Insights into the world of the entrepreneur. (47 pages)

Masterclass for Entrepreneurs on Business Growth: Insights on how to achieve higher growth in your business. (174 pages)

Masterclass for Entrepreneurs on Business Resilience: Insights on how to achieve greater stability, predictability and resilience in your business. (98 pages)

Masterclass for Entrepreneurs on Financial Exits: Insights on how to sell your business to achieve higher EBIT multiples (140 pages)

Masterclass for Entrepreneurs on Strategic Exits: Insights on how to leverage strategic value to achieve a very high price when selling a business. (115 pages)

Masterclass for Entrepreneurs on Angel Finance: Insights on how to successfully fund early stage ventures. (80 pages)

Masterclass for Entrepreneurs on Angel Investing: Insights on how to develop successful angel investing outcomes. (88 pages)

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Masterclass for Entrepreneurs on the Initial Public Offering: Insights on using an IPO as a funding and exit strategy. (60 pages)

Entrepreneurial Practice Series:

In depth books examining best practice in specific processes which are key to the success of an entrepreneurial venture.

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Angel Investing in Early Stage Ventures: A guide to selecting and managing investments. (153 pages)

Creating an Acquisition Strategy: An entrepreneur's guide to pre-acquisition processes. (155 pages)

Managing a New Acquisition: An entrepreneur's guide to post-acquisition processes. (87 pages)