So You're Thinking About A Startup Business

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CONTENTS

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SO YOU'RE THINKING ABOUT A STARTUP BUSINESS

This eBook reviews and expands upon four articles presented in the Intelliversity blog in January and early February, 2016. Consider it a "Director's Cut" – much more thorough than the original posts – a useful guide to navigating the decision whether or not to launch a startup now. It also contains resources to support your success.

One, there are four scorecards (color-coded checklists) that allow you to take the principal points of the article and score yourself and your idea.

Second is a color-coded action checklist to get you into action.

Third is a way to connect with the author and our team to answer questions and get needed support for forwarding your business idea.

You'll find the original posts under the heading "So You are Thinking of a Start-Up Business – Parts 1-4 on our blog page.

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5 REASONS NOT TO START A BUSINESS

There's no better path to wealth and glory than a startup business, and also no better path to misery. For those of you thinking about a startup business this year, that's a resolution quite different than losing weight, as starting a business requires a significant investment of time, effort, money, *and reputation*. It may lead to weight gain, so I'm writing this post to assist you with this particular resolution: "I'm going to start my own business this year."

Because Intelliversity is all about innovation, I'm not talking today about the easy non-innovative way to start up a new business: copying an existing business model that's already working. This includes purchasing a franchise, engaging in multi-level marketing, or putting out your own shingle as a professional service provider (doctor, lawyer, accountant, contractor, engineer, etc.). I encourage you to think about these types of businesses if you want greater independence, but this post is not about emulating an existing business model. *It's about innovative ideas (products or services).*

First, I'm going to be very clear about reasons NOT to start-up an innovative business (a business based on an innovative idea):

- You need a job (or a better job) because you're almost broke
- You loathe working for someone else
- You want to spend less time working
- You want to get rich quickly
- You want to cheat people or are unconcerned with value

These are terrible reasons to start a business**.** The first is terrible because starting a business is going to cost money (most likely). The second is terrible because clients and the business itself become your bosses; you will not gain the sense of freedom from accountability you crave. The third is terrible for reasons that should be obvious by now: starting a business is a lot of work, in general far more than working at a job, at least, early-on.

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The fourth should also be obvious: though starting an innovative business may be the best and most fun (eventually) way to become wealthy, it probably won't happen as quickly as you imagine, and most businesses never result in great wealth. Regarding the last reason, you're better off going to work for the government - you're more likely to get away with it there.

Before you tell me about the exceptions to these rules, I'll tell you first that I know there are exceptions. Of course there are exceptions. This is an educational eBook, not individual coaching, and you may be the rare exception. Feel free to contact me directly if you would like some coaching on your individual idea and situation.

Let's assume for the moment that you're not motivated by one of the bad reasons listed above to start up an innovative business. Here are some good reasons:

- You have a great idea and want to see it succeed.
- Your company won't support your new ideas and you're frustrated.
- You want to be wealthy eventually but not overnight.
- You want to impact or change the world through your innovation.
- You enjoy running an innovative business, being the man or woman in charge.
- Running an innovative business is the way it's done in your family.

Starting a successful innovative business does NOT require that you be a saint or a genius. Elon Musk does have an advantage (from the genius, not the saint perspective) but entrepreneurs with average intellectual skills combined with extraordinary motivation and an entrepreneurial mindset succeed all the time. Intense motivation along the lines listed above is essential above all.

So the first decision you have to make is: are you intensely motivated in one of the above "good" ways. If not, find another way to start a business. As implied earlier, if you want to be a business owner, and don't have an innovative bone in your body, the ways that are most likely to succeed are to:

- **Buy a franchise** (chose from one of the thousands available) and do what they teach you.
- **Join a multi-level marketing program** and do what they teach you.

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- **Get a professional license** and work under successful professionals for a few years first, and then do what they teach you.

Suppose now you think you have the right kind of motivation; do you have an entrepreneurial mindset? Do you have the collection of attitudes, responses and habits that will enable success in a startup as the "Vision Master?" I cover these in section 2 below.

In the balance of this eBook", we will talk about three aspects needed for success in innovative business: *Essential Business Success Factors, the Entrepreneur's Mindset, and the Entrepreneur's Skillset.*

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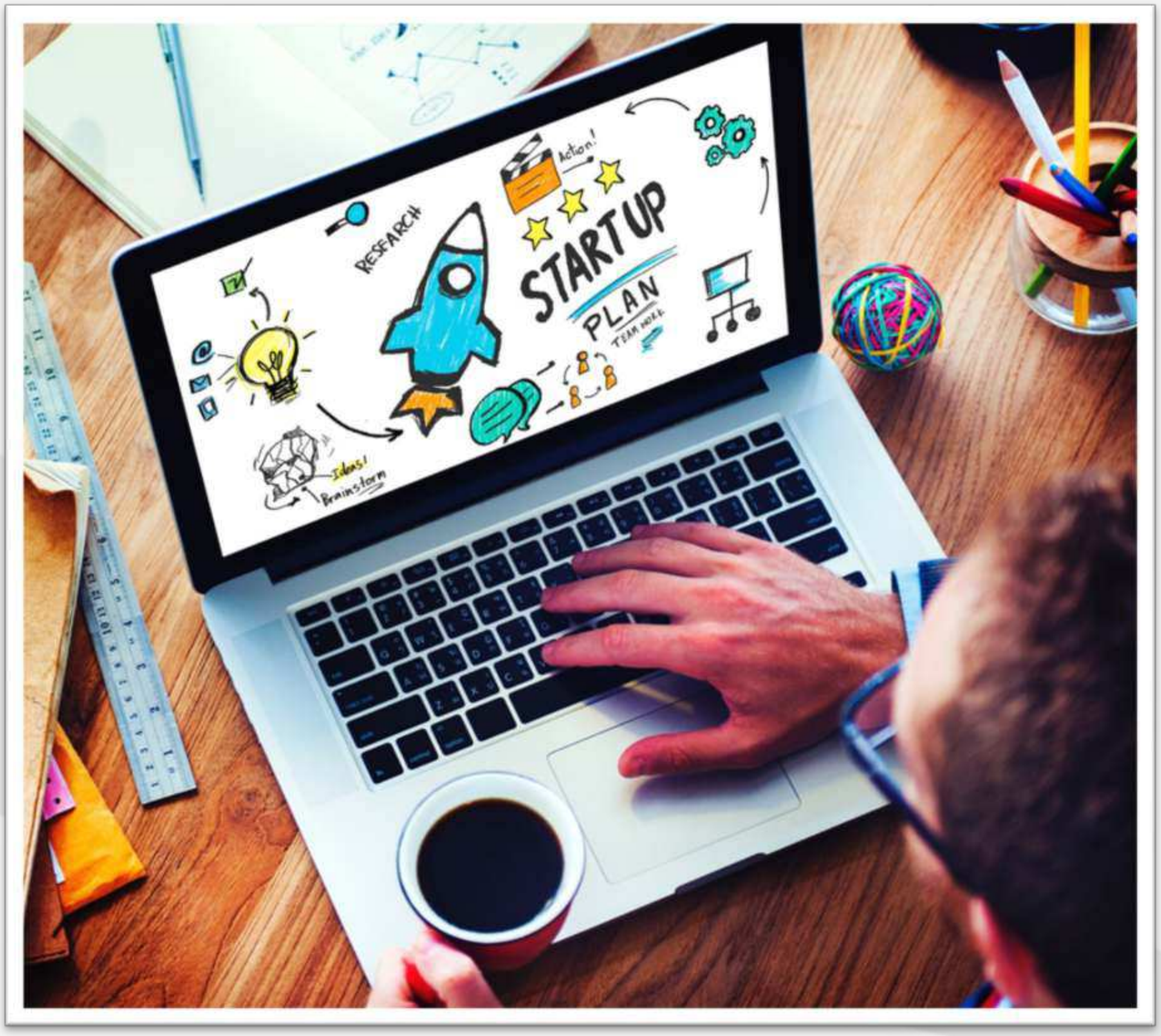
ESSENTIAL BUSINESS SUCCESS FACTORS



Earlier, I covered five reasons not to do a startup and some great reasons to start an innovative business. At the heart of Intelliversity's business philosophy, there is one predominant component for success in an innovative business - and that is the mindset of the visionary founder. I'll cover that later. Here, I'll take a deeper cut into the factors, including innovation, that a startup must consider and implement to be successful in today's crowded business environment.

Here are some well-accepted business factors necessary to win at innovation with a startup. I've spoken to many investors over the years and as an investor myself, came to the same conclusions. If all of these are true for you and your business idea, you have a reasonable chance of succeeding:

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Your market has to:

1. **Need** the solution you provide
2. **Recognize** it needs the solution
3. **Be willing** and able to pay for it

Norman Winarsky, one of the inventors of Siri, described the best way to match an invention with a market opportunity, in an article in Harvard Business Review, October 31, 2015 entitled "The Man Behind Siri Explains How to Start a Company":

"First of all, starting with the market problem, the answer is taking that market problem and then finding the *technology solution and/or differentiated business solution and the great team*. And then you're iterating on that in terms of go-to-market." In other words, start by looking for a problem that needs solving today, assemble a team with the necessary skills and then invent a solution, not the other way around.

Timing is the most important factor. *There has to be a market opportunity by the time your product is ready for market.*

You may be familiar with Idealab founder Bill Gross. Idealab has incubated more than 100 companies since it was founded in 1995, including PetSmart, Jobs.com, and Citysearch. At some point, Gross became intensely curious what factors were most significant in causing success for startups.

In his TED 2015 talk, Gross asked the audience to guess which is most important to startup success:

- The idea?
- The team?
- The business model?
- Funding?
- Timing? (too early, just right, too late)

Quoting from Gross's talk: "So first, on these Idealab companies, the top five companies --Citysearch, CarsDirect, GoTo, NetZero, Tickets.com -- those all became billion-dollar successes. And the five companies on the bottom -- Z.com, Insider Pages, MyLife, Desktop Factory, Peoplelink -- we all had high hopes for, but didn't succeed.

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"So I tried to rank across all of those attributes how I felt those companies scored on each of those dimensions. And then for non-Idealab companies, I looked at wild successes, like Airbnb and Instagram and Uber and Youtube and LinkedIn.

"And some failures: Webvan, Kozmo, Pets.com, Flooz and Friendster. The bottom companies had intense funding, business models in some cases, but they didn't succeed. I tried to look at what factors accounted the most for success and failure across all of these companies, and the results surprised me."

Gross reported the analysis he did, comparing 100 Idealab companies and 100 non-Idealab companies based on the five factors above. He arrived at a surprising result: The most significant factor, accounting for 42% of the variance between successes and failures was ***timing***. The significance of each factor is summarized below:

- Timing: 42%
- Team: 32%
- Idea: 28%
- Business model: 24%
- Funding: 14%

I'm not claiming this is proper scientific research, but it should stimulate thinking about your business idea. What is surprising is that timing came out to be so overwhelmingly significant, yet in retrospect it should not be surprising. An idea that is too early has little chance of winning significant interest. An idea that is too late suffers from too much competition. You can alter every other factor, but if the timing is way off, there's little you can do (except wait, in the case of being too early.)

"Look if consumers are really, really ready for what you have to offer them," Gross advises entrepreneurs, "if you have something you love, you want to push it forward, but you have to be real honest about that timing factor – not in denial."

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The full transcript of [Gross's TED Talk can be found here]:

So I want to re-emphasize, you may have an idea that will win five years from now, but you'll have to wait for that opportunity. It's a lot like surfing if you've ever done it or watched it; you have to wait for the wave, and you can be too early or too late. Market opportunities are like that.

An invention may correctly anticipate a market need, but it may be an expensive failure if the market need, recognition and willingness to pay are still years in the future. Ray Kurzweil, prolific inventor and author of *The Singularity is Near,* points out the timing problem and many other critical nuances of the invention process in "Kurzweil's Rules of Invention", an article appearing in MIT Technology Review, October 2014, and concludes:

"Based on these insights, I offer a three-step program for beginning the invention process, good for innovators from the lone inventor to the large corporate team.

> **"Step one** is to write the advertising brochure. This can be a real challenge. It compels you to list the features, the benefits, and the beneficiaries. You will find this impossible to accomplish if your ideas are not well formed.
>
> **"Step two:** use this brochure to recruit the intended users. If these beneficiaries don't immediately get excited about your concept, then you are probably headed down the primrose path. Invite them to participate in creating the invention. After all, if they want it so badly, let them help you invent it.
>
> **"Finally, engage in some fantasy.** Sit down, close your eyes, and imagine that you're giving a speech some years from now explaining how you solved the challenging problems underlying your new invention. What would you be saying? What would you have to be saying? Then work backward from there."

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Here are the important business factors that lead to entrepreneur success from my research and experience:

1. Growing market segment

"A rising tide lifts all boats." Not essential, but if you are serving a market that itself is growing, the market growth itself will tend to forgive your mistakes.

You can obtain market growth statistics from many sources on the web. Watch out for defining your market too broadly. For example, if you have a new form of electrical power production in mind, an overly-broad market definition would be "energy." Energy use may be growing while electrical power use may be declining. If you have a cure for diabetes, an overly-broad market definition would be "medicine."

2. Highly-significant value proposition

Your innovative idea should produce a highly significant improvement over existing products or services - the "Rule of 10x." In other words, the "value proposition" should be ideally 10 times existing products.

Your idea can be ten times less expensive (1/10th the price), ten times faster or ten times better in some important way. It can be a combination of these. For example, your proposed product can be 1/2 the price of existing products, twice as fast and three times better in some other way. That's 2 X 2 X 3 or twelve times better than existing products. That would be a potential winner.

This is not to say that a product or service that is an improvement by only a factor of 5 is not a potential winner. It is. Even an improvement by a factor of 2 (half the cost or twice as fast or twice as good) is a potential winner. What is well-accepted is that a factor of 10 improvement over incumbent products is highly investable by itself, whereas lower improvement factors are riskier and require a good score on many other factors especially the team.

Winning on price alone is almost never a good idea. If you hope to succeed in an innovative business by producing a product that is say 20% less expensive than the available competition, and not better in any other way, chances are you won't succeed. This is true because your existing competition will find a way to reduce the price or out-market you. *You need a bigger advantage.*

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3. The timing is right

Your innovation is neither too early (most common) or too late.

This was discussed earlier so refer to that discussion for more explanation.

4. Unfair advantage

Another way to say this is that you must have a "moat" or "barrier to entry."

This factor is a way of preventing other existing companies from introducing products or services essentially the same as yours. This can be a patent, a proprietary process, or an exclusive relationship,

An example of an exclusive relationship is stamps.com, who has an exclusive relationship with the U.S. Postal Service to provide postal stamps over the Internet.

Note that patents are notoriously difficult and expensive to defend and require you to disclose your proprietary methods. Many experienced entrepreneurs prefer holding their proprietary methods secret. They rely on their first-to-market status and the difficulty of replicating the proprietary method.

Note that first-to-market is NOT necessarily an unfair advantage. Very often the first-to-market takes the arrows and second-to-market wins. Windows was not the first to market with a graphical user interface; not even the second. Facebook was not the first to market with social media.

5. Achievable business model

You have to conceive of a believable system to translate your highly significant value proposition into actual revenue.

This is what investors mean when they ask you, “So, how are you going to make money with this?” All investors realize that your initial business model is subject to change as you discover the way your market works. You may sell the product at first and then change to a subscription model. There are innumerable variables in the business model you can alter, using different combinations of sales funnels, product/service levels, pricing, packaging, distribution and promotion. Using your first business model, you can then build out a go-to-market plan and revenue projections for three to five years or more.

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What's important at the outset is that you can describe at least one business model that is believable and achievable. The ability and willingness to do this separates dreamers from true visionaries.

6. Committed Execution Master

You must have a founding partner! If you are a Vision Master, this means a founding partner who is an Execution Master.

Increasingly, experts agree you can't do it alone. This does not necessarily mean an "equal partner" - 50/50 ownership. It means two individuals with substantial ownership or participation. In our opinion, you and your partner must share a passion for your business idea and share many (though not necessarily all) business-related values. Also, it is important for partners to be complementary in work preferences, leadership style and skill sets. That's why we strongly advise that, assuming you're a Vision Master yourself, your founding partner should be an Execution Master.

Here are some tips on choosing an Execution Master:

At least one of you should have a background in the field you are entering. (If you're going to raise your hand and point out that Elon Musk had no background in rocketry, note his second in command at Space-X, Gwynne Shotwell, does have the necessary background.)

Your ownership shares should be proportional to your level of motivation and time available. In general, 50/50 is not desirable, though may be unavoidable.

Avoid selecting a partner who is a good friend, relative or spouse. Best is someone you've worked with for a year or more so you know each other's work issues and skills and you know you can trust them, but the relationship is not complicated. Trust is vital. A sustainable relationship is essential. Obviously starting a business with a spouse, relative or close friend is fraught with potential emotional conflicts that have no place in business.

Very often, the best choice for an Execution Master is a person of the opposite gender; and since most Vision Masters today are male (for whatever reasons), I've found that the best choice for an Execution Master is often a female. This is true for a variety of theoretical reasons such as greater strength in relationship building and lower need to compete for attention.

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A great example of the success of the mixed-gender team is Mark Zuckerberg and Sheryl Sandberg at Facebook, even though Sandberg was not with him from the beginning. She was instrumental in creating a viable business model and then executing the plan to historic success. Arguably, in part as a result of her contribution, Zuckerberg is now one of the wealthiest and successful entrepreneurs in the world today, with late-2015 net worth according to Forbes at $35.7 Billion.

Sheryl Sandberg's came in at $1.25 Billion. This is a valid argument both for having an Execution Master partner and for being one.

It isn't, in my experience, essential to have a full-time founding partner at the time you are seeking seed capital. What I think is important is that you have found your leading candidate, that they are excited about and able to partner with you when the product or service is ready for market, and that they are committed to doing so.

For more information on this critical subject of partnership and all of the questions it raises for the founder, refer to The Founder's Dilemmas by Harvard's Noam Wasserman, a masterpiece of research on entrepreneurs over a ten-year period.

7. Supportive spouse or mate

Your mate (spouse or otherwise) must support your intention to start a business (emotionally).

This includes your mate being aware and accepting of the amount of time you'll be devoting to the business and the financial risk. Opposition by a reluctant mate spells doom for any innovative business or doom for the relationship.

8. Financially resources for family

You should have sufficient financial resources to take care of your dependents for at least one year after you quit your day-job, EVEN IF YOU PLAN ON RAISING CAPITAL.

Early-stage investors (generally) will insist on your spending most of their cash on the business, not on yourself or family. There are exceptions. Also, it may take much longer than you expect to raise any such capital.

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Please do not imagine that raising business capital will solve your personal financial problems. (It probably won't. It may create worse problems.)

9. Seed business funding available

You must have sufficient financial resources to get the business started, either from your savings or income or from friends or family.

This means you have enough financial resources to last until you can raise outside capital and then some. The amount of time it will take to raise outside capital (from people who don't know you) is at least twice as long as you may think, so plan ahead. If you want some help thinking this through for your particular business idea, contact me through the Connect page on the www.IntelliversityCampus.org website.

10. Business experience on team

Either you or your partner has some experience running a business.

This is not essential, but highly useful. Starting an innovative business is one of the most challenging projects a human being can attempt, on par with fighting a war, running for political office, or getting married.

11. Experience in sector on team

This means experience not just running a business but being in a business as an executive in the same sector as your new business.

Venture Capitalists are fond of this business attribute, and frequently state that the founding visionary must have prior experience in the business sector served by the new business. Their theory is that only this prior experience reveals where the true holes are in the market; where the true opportunities lie.

Though I believe this experience in the Vision Master does reduce perceived risk, it is not essential so long as the Execution Master (partner to the visionary) has the requisite experience.

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As stated before, Elon Musk had no prior experience in either rocketry or electric cars, yet is apparently succeeding against the odds in both sectors. He has been careful to choose founding partners such as Gwynne Shotwell who DO have the prior experience.

In 1988, Shotwell began work at the research center of The Aerospace Corporation (a place I too worked while at a student at Cal Tech.) There she did technical work on military space contracts during a ten-year period and wrote dozens of technical papers.

Craving a more constructive role to "build, and put spacecraft together", in 1998 she left the Aerospace Corp. to join Microcosm, a low-cost rocket builder in El Segundo as director of the space systems division.

In 2002, Shotwell joined SpaceX in its founding year as the Vice President of Business Development. She directed the rollout of the Falcon rocket family resulting in nearly 50 launches, representing nearly $5 billion in revenue. She is now President and COO of SpaceX, entirely responsible for the day-to-day operations and for managing all customer and strategic relations.

So if you don't have experience in your chosen business sector, make sure one of your founding team members does – preferably your Execution Master.

12. Experienced advisors on team

Here we mean that you have selected and if possible retained an appropriately experienced law firm, accounting firm, regulatory specialist and other professional advisors needed in your particular business model.

A law firm and accounting firm are essential for any business. You gain in credibility as you acquire enthusiastic support from a known law firm and accounting firm with experience in your business niche. Evidence of enthusiastic support is willingness to work at a reduced rate in exchange for stock or, better yet, royalties. (For ideas about using royalties to compensate advisors, connect with me or our team.) A regulatory specialist is needed in any area where government regulations and compliance are a significant issue for financing and company timeline. For example, in the fields of medical and health-related products and services, retention of specialists in FDA regulatory compliance and clinical testing are required to be credible in these areas.

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In many fields, an experienced product development professional is also needed to complete the development of your ideas. Selection and retention of the right one will add to your credibility and ability to close with investors.

A reason why selection and retention of qualified professionals add to your credibility is that your ability to convince professionals with a reputation at stake to join your quest says a great deal about your abilities to communicate that vision convincingly. It also speaks highly of the strength of your ideas and the strength of your team.

Below you will find one of Intelliversity's powerful color-coded Scorecards to summarize the above business factors essential for startups

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Business Success Factors Scorecard©

Check a box on each line.

STOP means "Unacceptable"

CAUTION means "Workable, but with issues"

GO means "Acceptable"

WOW means "Exceptional"

Business Success Factor:	STOP	CAUTION	GO	WOW
Growing market sector				
Highly-significant value proposition				
Timing is right				
Unfair advantage				
Achievable business model				
Execution Master is committed				
Supportive spouse or mate				
Financial resources for family				
Seed business funding available				
Business experience on team				
Experience in sector on team				
Experienced advisors on team				

Every point on this Scorecard is important for starting an innovative business, but you may be able to get by if you're red or yellow with a few of them, so long as you're working on them. If you have any red, look hard at the question of whether you can develop the trait in question.

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ESSENTIAL PERSONAL SUCCESS FACTORS

Are you the possible visionary leader of a new business? Are you a "Vision Master?"

This first material is drawn from a [useful article in Entrepreneur Magazine]() on March 10, 2015.

From the article, "If you were pressed to describe the stereotypical entrepreneur, which words would you use? Passionate? Dedicated? Optimistic? Sure, those apply. But insecure and troublemaker is more accurate, according to 'treps who know a success when they see one."

Note we are not here talking about the second-in-command (Execution Master) executives who implement and carry out someone else's vision, though they are just as important. You may very well be an Execution Master in style and mindset and want to start a business. Your challenge, in that case, would be to find a trouble-making visionary to team up with. We at Intelliversity will do our part by advising visionaries to pair up with an execution master and vice-versa. I don't want to underestimate this role in business startups.

However, for the moment, let's focus on the question, are you a "Vision Master?"

Think of Elon Musk, Steve Jobs, Bill Gates, Mark Zuckerberg, Marissa Mayer, Reid Hoffman or Jack Dorsey. Are these the socially-appropriate types or are they more the revolutionary types? Do the following quirks seem like you? Well then, you might be an entrepreneurial visionary master:

1. You take action easily

Barbara Corcoran, the founder of The Corcoran Group and co-star of TV's Shark Tank, says people who have a concept but not necessarily a detailed strategy are more likely to have that entrepreneurial je ne sais quoi. "I hate entrepreneurs with beautiful business plans," she says.

Corcoran's recommendation? "Invent as [you] go," rather than spending time writing a plan at your desk. In fact, she believes that those who study business may be prone to overanalyzing situations rather than taking action.

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2. You're scared.

"Many entrepreneurs judged as ambitious are really insecure underneath," Corcoran says. When evaluating potential investments, she adds, "I want someone who is scared to death." Those who are nervous about failing can become hyper-focused and willing to do whatever it takes to succeed. If you feel insecure, use that emotion to drive you to achieve your business goals.

3. You're resourceful.

"One of my favorite TV shows growing up was MacGyver," confides Tony Hsieh, lifelong entrepreneur and CEO of Las Vegas-based Zappos, "because he never had exactly the resources he needed but would somehow figure out how to make everything work out. Ultimately, I think that's what being an entrepreneur is all about." It's not about having enough resources, he explains, but being resourceful with what you do have.

4. You obsess over cash flow.

Prior to founding Brainshark, a Waltham, Mass.-based provider of sales productivity software, Joe Gustafson bootstrapped a venture called Relational Courseware. "All I ever thought about was cash flow and liquidity," he admits. "There were seven times in [the company's] eight-year history when I was days or hours away from payroll and didn't have enough cash to make it."

How did he respond? "In the early days, you could step up and put expenses on your personal credit card, but that can only go so far," he says. "You need cash."

5. You don't ask for permission.

Stephane Bourque, founder and CEO of Vancouver, British Columbia-based Incognito Software, says true entrepreneurial types are more likely to ask for forgiveness than permission, forging ahead to address the opportunities or issues they recognize.

"Entrepreneurs are never satisfied with the status quo," says Bourque, who discovered he was not destined for the corporate world when his new and better ways of doing things were interpreted as unwanted criticism by his bosses.

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Now, he says, "I wish my employees would get into more trouble," because it shows they are on the lookout for opportunities to improve themselves or company operations.

6. You're fearless.

Where most avoid risk, entrepreneurs see potential, says Robert Irvine, chef and host of Food Network's Restaurant: Impossible. True 'treps are not afraid to leverage their houses and run up their credit card balances to amass the funds they need to create a new venture. In some ways, he says, they are the ultimate optimists, because they believe that their investments of time and money will eventually pay off.

7. You welcome change.

"If you have only one acceptable outcome in mind, your chances of making it are slim," cautions Rosemary Camposano, president and CEO of Silicon Valley chain Halo Blow Dry Bars. She says that if you are willing to listen, your clients will show you which of your products or services provide the most value.

Her original vision for Halo was part blow-dry bar, part gift shop, "to help busy women multitask," she explains. But she quickly learned that the gift shop was causing confusion about the nature of her business, so she took it out and replaced it with an extra blow-dry chair, and things took off. Smart entrepreneurs constantly evolve, tweaking their business concepts in response to market feedback.

8. You love a challenge.

When confronted by problems, many employees try to pass the buck. Entrepreneurs, on the other hand, rise to the occasion. "Challenges motivate them to work harder," says Jeff Platt, CEO of the Sky Zone Indoor Trampoline Park franchise. "An entrepreneur doesn't think anything is insurmountable ... He looks adversity in the eye and keeps going."

Candace Nelson, founder of Sprinkles Cupcakes, agrees. Despite naysayers who questioned her idea for a bakery in the midst of the carb-fearing early-2000s, she persevered and now has locations in eight states.

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In fact, she was one of the first entrepreneurs in a business that became an ongoing craze, sparking numerous copycats.

9. You consider yourself an outsider.

Entrepreneurs aren't always accepted, says Vincent Petryk, founder of J.P. Licks, a Boston chain of ice-cream shops. They may be seen as opinionated, quirky and demanding—but that is not necessarily a bad thing. "They are often rejected for being different in some way, and that just makes them work harder," Petryk says. Case in point: Rather than copying what most other ice-cream shops were doing, including buying from the same well-known suppliers, Petryk forged his own path for J.P. Licks, developing made-from-scratch desserts in bold flavors.

10. You recover quickly.

It's a popular notion that successful entrepreneurs fail fast and fail often. For Corcoran, the trick is in the speed of recovery: If you fail, resist the urge to mope or feel sorry for yourself. Don't wallow; move on to the next big thing immediately.

11. You listen.

Actress Jessica Alba, co-founder and president of Santa Monica, Calif.-based The Honest Company, which sells baby, home and personal-care products, notes that "it's important to surround yourself with people smarter than you and to listen to ideas that aren't yours. I'm open to ideas that aren't mine and people that know what I don't, because I think success takes communication, collaboration and, sometimes, failure."

12. You focus on what matters (when you figure out what matters).

"Entrepreneurs fall down and pick themselves up until they get it right," says Micha Kaufman, co-founder and CEO of the fast-growth online freelance marketplace Fiverr. During Fiverr's launch, instead of trying to deal with "an endless number of potential challenges," Kaufman and his team focused on "the single biggest challenge every marketplace has: building liquidity. Without liquidity, there is no marketplace."

There are four additional elements of your mindset that are important if you plan to function as a Vision Master:

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13. You have a long term view.

Execution Masters typically view problems with a current-event perspective, seeing problems and opportunities that will arise today, this week, this month, this quarter and this year. As founder and visionary, you also see and try to solve problems and address opportunities that arise beyond the one-year horizon, over a five or ten-year horizon. This is a matter of focus and emphasis; a long term view does not exclude focus on short term problems when necessary.

14. You're naturally inventive; you spot problems and naturally imagine solutions.

This is a natural interest in gap-filling. Most people simply accept conditions as they find them, while a minority (such as many scientists, inventors, innovators, visionaries) habitually look for ways to improve conditions. This habit of mind is not motivated by the need to make money or acquire any kind of notoriety or position, though such results may be happy consequences. The motivation is a natural tendency to be the agent of change; nothing more glamorous than problem-solving for its own sake. Your author of this eBook tends in this direction.

15. You tend to make decisions quickly, without considering all the consequences.

This habit of decisiveness may be seen by some as impulsive, but it's a highly useful trait for a visionary or inventor, because over-analysis may lead to no action at all. With a fully-functional team, including an execution master and others with an execution mindset, you will be able to delegate to your team the job of examining all of the consequences before a decision is made.

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16. You're self-aware.

This is an aspect of respecting reality. "A man's got to know his limitations" according to Clint Eastwood's Dirty Harry character. This applies to women too. Once you know and respect your limitations, you're in a position to seek and find team members (such as an Execution Master) who can compensate for your limitations.

So let's sum up the above in one of Intelliversity's innovative color-coded decision-making tools:

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Entrepreneur Mindset Scorecard©

Check a box on each line.

STOP means "Unacceptable"

CAUTION means "Workable, but with issues"

GO means "Acceptable"

WOW means "Exceptional"

TRAIT, HABIT OR VALUE:	STOP	CAUTION	GO	WOW
You take action				
You're scared				
You're resourceful				
You obsess over cash flow				
You don't ask permission				
You're courageous				
You welcome change				
You love a challenge				
You consider yourself an outsider				
You recover quickly				
You listen				
You focus on what matters				
You have a long term view				
You're naturally inventive				
You make fast decisions				
You're self-aware				

Every point on this Scorecard is important for starting a business, but you may be able to get by if you're red or yellow with a few of them, so long as you're working on them. If you have any red, look hard at the question of whether you can develop the trait in question.

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Two traits above come to mind as odd: "You're scared" seems to contradict "You're courageous" (which was "You're fearless" in the original blog post.) I changed fearless to courageous because, as any reader of the childhood classic *The Red Badge of Courage* remembers, courage is not the lack of fear; it's the ability to act in the face of fear. If you're starting a company and you're not afraid at some level, there's something wrong with your business vision.

Essential Entrepreneur Skillset

There are related personal skills that you (as founder) together with your founding partner should exhibit or acquire. This list is derived from one provided by the Gallup Organization, who surveyed 2500 entrepreneurs and published the results in the Gallop Business Journal, May 6, 2014 and detailed in their book *Entrepreneurial Strengths Finder* (Gallup Press, September 2014). The titles of the skills have been altered for clarity, but the descriptions are essentially the same:

- **Business-success focus:** You make decisions based on the anticipated effect on revenue and profit. One could also call this a "competitive" drive; but winning has to be about the business winning, not just you as an individual.
- **People perceptive:** You accurately know yourself and understand others.
- **Creativity:** You exhibit creativity in taking an existing idea or product and turning it into something better.
- **Delegation:** You recognize that you cannot do everything and are willing to contemplate a shift in style and control.
- **Perseverance:** You persevere through difficult, even seemingly insurmountable, obstacles.
- **Independence:** You are prepared to do whatever needs to be done to build a successful venture.
- **Curiosity:** You constantly search for information that is relevant to growing your business.
- **Promotion ability:** You are the best spokesperson for the business. This does not require that you be a natural extrovert or even the popular type. You do have to have the ability to express your vision in writing and verbally.

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- **Relationship-building:** You have high social awareness and the ability to build relationships that are beneficial to the firm's survival and growth. Again, this does not imply a naturally social personality; just awareness of the need for working relationships and willingness to work with others.
- **Risk-Taking:** You instinctively know how to manage high-risk situations.

From my experience, there are two additional skills that are key:

- **Flexibility:** You are open to adapting and pivoting to make the business successful, not getting hung up on one approach.
- **Constructive approach to conflict:** You constructively approach conflict with others as an opportunity to get to know each better, to discover the real reason they are resisting your ideas, or to learn something about yourself.

These are again provided to you below in a useful color-coded Scorecard. Let me remind you that scoring yellow or red on any trait doesn't mean that you should not launch a business. It just means that you may need to add a member of your founding team that expresses that trait.

We're not here describing traits you necessarily have naturally. Many of your traits may have been developed by you as compensation for your weakness in an area. There is no problem with that and in fact, such compensatory traits can be the most powerful because there is determination behind them.

These Scorecards are not intended to be professional psychological assessment or career assessment tools. Such tools are available from various sources. We recommend Harrison Assessments as the best available tool for assessing traits and mindsets appropriate to entrepreneurs and to particular members of a startup team.

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Entrepreneur Skillset Scorecard©

Check a box on each line.

STOP means "Unacceptable"

CAUTION means "Workable, but with issues"

GO means "Acceptable"

WOW means "Exceptional"

SKILL:	STOP	CAUTION	GO	WOW
Focus on winning at business				
People-perceptive				
Creativity				
Delegation				
Perseverance				
Independence				
Curiosity				
Promotional ability				
Relationship building				
Risk-taking				
Flexibility				
Constructive approach to conflict				

Every skill on this Scorecard is important for starting a business, but you may be able to get by if you're red or yellow with a few of them, so long as you're working on them. If you have any red, look hard at the question of whether you can develop the skill in question.

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There may be other such skills that this list misses, and there is certainly much to say about each skill - such as how to master it. Let me suggest before you launch an innovative business that you do some additional reading on this subject. Then look at yourself as an investor would look at you and ask, "Am I ready?" Better yet, ask your colleagues or experienced investors and coaches to assess your readiness if there is any doubt.

As stated above we also suggest that you initially, and then all members of your executive team, take the Harrison Assessments test to determine how to design functional positions that best fit each personality and to discover gaps in your team capabilities. Harrison Assessments professionals are available in most major metropolitan areas in North America.

Remember also, if there is something critical missing, such as relationship or people skills, these can be partially compensated by the right Execution Master partner. If your relationship and people skills are particular underdeveloped (think about Mark Zuckerberg for example), you're going to have to put a great deal of trust in your Execution Master partner, so be prepared to do that.

TAKE-AWAY #1

The purpose of this eBook is to direct away those that are not ready to start an innovative business and encourage those who are. Be sure you want to start an innovative business, not just a business both to increase your financial success and personal satisfaction. Next, check your motivations. If they are among the "good" ones, AND they are strong and sustainable, then make sure you have ALL the essential factors for a reasonable shot at success, including the personal traits. Ask a coach or angel investor to help you evaluate the essential factors and your personal traits. If you lack one or more of the personal traits, make sure your founding partner can compensate and you're willing to let them do so. If you are not sure about one or more of these factors, then a better resolution would be to: "THIS YEAR, I'll make preparations for starting an innovative business, and consider starting it NEXT year."

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ANOTHER WAY TO GET TO YES OR NO

In the above material, I listed many of the key factors, both personal and in your business, that I believe are important if you want to succeed with an innovative business. Take a moment to go back and review the previous post on those factors. You may find this kind of list to be difficult to remember and believe. This section covers *a different way to answer the question* of whether you should start an innovative business.

I've spent many years thinking about this subject and accumulating the essential factors of innovative business success. In doing this, I had the advantage of being a member of Tech Coast Angels (one of the largest angel clubs in the U.S.) for a number of years.

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While there, I observed dozens of companies and founders up close, took part in vetting about 600 companies, invested in a number myself, listened to uncountable lectures and panel discussions on this topic, and most important, took the time to ask 30 other investors exactly what they look for in an investable company. By listening to other investors and asking the same question over and over (what do you look for in an investable company?), I began to find some factors that are not mentioned in books on the subject. One of these lesser known but essential factors, for example, is the need for encouragement and acceptance from your spouse (or domestic partner.) All these factors are covered in earlier sections of this eBook.

Also, my personal experience is helpful. I've been part of the startup partnership in seven businesses (not as many as Richard Branson but more than most people) and have not always used this question, and suffered with mistakes in a few of those businesses. It's interesting that all but one of those attempts were successful eventually, which says a lot about my persistence, but suffering is not necessary. Get started without a handicap and you're less likely to suffer along the way. Most of the important factors that emerged from these discussions with investors and my experience were summarized in the prior sections. These are great insights.

The problem is unless you're a professional analyst, a list like we've presented above is difficult to digest. Your exciting idea, like love, blinds you to the realities you'll have to face. And so you ignore or discount a list like I've presented. I'd like to suggest a different way to attack this question. There is a question to ask yourself that I've found indispensable in deciding whether or not to start an innovative business. Here it is:

IF I WERE A PROFESSIONAL INVESTOR, WOULD I INVEST IN THIS BUSINESS?

This is hard to ask because you probably don't know how a professional investor thinks. On the other hand, you're thinking about investing your limited resources, all of your reputation and a lot of your time. So looking at your idea from the point of view of an investor is the same as taking an objective look at your life.

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Ask this question on a gut level first. Write an elevator pitch or advertising piece describing your main product, and describing your founding team; let it sit for a day, then read it with fresh eyes. At a gut level, would you invest in this business? If your gut says no, take your gut seriously, and keep developing the idea further before you take it further.

Frankly, however, even this trick won't work well. Your passion to make a difference and heroically succeed in business is not unlike a passion for a lover. Love IS blind. You can't get around this by talking to yourself. Love is blind. Your passion for your vision will blind you to reality. Face it, you've just got to ask others who will be honest with you and believe them.

So let me state the different way to approach this all-important question. The bottom line is simply: ASK AT LEAST FIVE ANGEL INVESTORS IF YOUR STARTUP IDEA IS INVESTABLE. These have to be investors you trust, who'll give you an honest appraisal without worrying about your feelings or your relationship.

Here are five important things to remember:

1. **If anyone angel investor says no or maybe**, *ask why. Remember, most people, including angel investors, will try to be "conservative" or "risk averse", or worse, just negative.*
2. **If anyone says no or maybe**, ask what factors would have to be changed to enable a Yes answer
3. **For those who answer yes**, ask how you can improve it further.
4. **You don't need unanimous consent**. What you should look for is, at least, one or two "yes" answers.
5. **Important** - when describing the business, also describe your own personal traits and those of your founding partner(s). Be as thorough as possible, and admit openly to **weaknesses needing development.**

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Getting even five such conversations from angel investors is not easy. The best place to find them is in your local angel investment club, like Tech Coast Angels or Maverick Angels in Southern California. You can easily find these groups online. Your context or attitude in having these conversations should be not to hope secretly that one of them will invest. Your context should be genuine curiosity about their point of view.

Remember also that you won't be well-served by taking a new idea directly to an angel group for the first round of investment. Your first round of investment - the seed round - should be from friends and family and other individuals who you have access to in your circle. Angels (and for the fortunate few, venture capital firms) come later, after you've raised seed capital and developed a proof-of-concept product or service, or better yet, developed your product or service all the way to "ready for market." So it's rational to take your initial ideas and bring them to the local angels, not for the of getting an investment yet, but for the purpose of getting their opinions on whether it WILL be investable when ready for the market. You may have to buy lunch more than once, but THAT investment is always worth it.

Many incubators and accelerators exist in every metro region in North America, where you can obtain this kind of opinion at no charge. In Southern California for example, Connect provides a program called Springboard where you can get feedback from a mix of investors and business coaches.

TAKE-AWAY #2

There's no way around this because love IS blind, and passion for an innovative idea IS a form of love. Ask at least five professional investors who aren't personal friends to evaluate your business idea AND the personal traits (mindset and skillset) of each member of your founding team, including yourself of course. You can find the right investors at local angel clubs and business accelerators. Bring your answers to the Scorecards in this eBook with you as the basis for conversation. This won't be easy, but it's essential, and you've got to take the answers you hear seriously. You can use the answers to iterate your ideas and team and make it even more likely to succeed.

If most angel investors say "bad idea" or "not the right mindset or skillset on team," this doesn't mean you shouldn't launch the business because there are many naysayers around who enjoy pooping on your idea. But their insights are useful to you and should be taken seriously.

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THE ENTREPRENEUR'S MOST IMPORTANT QUESTION

You think you're a winning entrepreneur. You want to launch a startup business. In this section, we tackle the entrepreneur's most important question. Do you have what it takes? Do you have a "winning entrepreneur motivation"?

You can solve all kinds of deficiencies in your business plan and your team. You can narrow the focus and increase the market size. You can improve the solution, so it's far better than existing solutions. You can install barriers to entry and unfair competitive advantage. You can bring on a key partner and team members to execute the plan. You can even raise seed capital from friends and family. *What you can't easily change is how sustainable is your motivation.*

This takes us back full circle. Your motivation is everything. The bottom line question to ask when deciding whether to launch a startup (or expand an existing business) is "Is the strength and type of my motivation sustainable?"

If your motivation is something like "I want to get rich quickly" or "I can't stand working for anyone else," or "I'm broke and need a job" chances are your level of motivation, is an impulse and will weaken over time as challenges emerge.

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What will work for a startup business is a motivation that you know in your heart or gut is strong enough and big enough to take you through the challenges and through the inevitable pivots needed to survive - *a winning entrepreneur motivation*.

Visualize the Pacific Northwest wild salmon. Each salmon (both male and female) returning to spawn at the place of its birth swims upstream for hundreds of miles. For every 10,000 that begin the trek, 4,000 complete it. (The odds are not that good for an entrepreneur, but you get the idea.) It's a battle against the elements of currents, barriers, and predators. The law of the wild rules in this domain; survival of the fittest. The strongest salmon do their business at the end of the trip; the ladies lay their eggs, and the males do their part to create a future. This is what you're doing when you create a business. You are creating a future for your ideas and your vision. Like it or not, you have to be sustainable to make the trip successfully.

For those of you who have a problem with "survival of the fittest" as a rule for entrepreneurs, I'm not talking here about politics nor about protecting the weakest among us. I'm talking about the reality of starting a business. No one has the "right" to survive in business. For those of you who have a problem with the idea of hard work; this is not about how hard you have to work. You may be able to run a business on 20 hours a week working smart. Sustainability is mostly about dealing with unexpected challenges; the ability to learn from failures and keep moving forward, having a thick skin and the ability to make a commitment and stick to it. It's the difference between just dating and marriage. You may not be ready to marry in your personal life but starting a business is marriage to an idea. Are you willing to stick it out and make it through sickness and health with your partner, i.e. with your vision?

You have an advantage over wild Pacific salmon, the benefit of self-awareness. You have the advantage of knowing up front if you're truly suited for the journey. You know it by measuring the sustainability of your motivation.

Sustainability of motivation for a winning entrepreneur is 50% strength of motivation and 50% type of motivation. You have to measure both. The types of motivations have to be inherently sustainable like "making a difference in the world" or "making my vision real" or even "gaining great wealth and power over a "measurable period". Then there are the character-level motivations like "I love creating something new" or "I'm incredibly competitive."

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Entrepreneur magazine took up this issue in its October 2013 issue, in the article "The Motivation Secrets of 8 Successful Business Leaders." They wrote "Why is it that entrepreneurship, a path with a high rate of failure that guarantees little in the way of money or fame, attracts so many talented, ambitious individuals? Perhaps it has something to do with what Daniel H. Pink posits in *Drive: The Surprising Truth About What Motivates Us* -- that the joy of performing an engaging task can be its own reward. "Satisfaction depends not merely on having goals, but on having the right goals," Pink writes, noting that the most successful companies "stand for something and contribute to the world."

In Forbes Magazine, May 10, 2012, in the article "What Motivates Successful Entrepreneurs?" entrepreneur Alex Lawrence writes:

"I've seen pretty much every size, shape and flavor of entrepreneur over the past 20 years while living and breathing all things business. Companies come and go. They succeed and fail. Inevitably, the entrepreneurs that start these companies also come and go because, they too, succeed and fail. So what motivates successful entrepreneurs? Many I see move on to their next business, others take a break to lick their wounds, and still others seem to leave startup life permanently.

"The light of failure shines brightly on those who aren't in business for the right reasons. When the going gets unbearably tough, and it will, these types are done. Game over. In fact, they were done before they started – a self-fulfilling prophecy if you will. Those that start off wrong don't always end up that way, but they sure don't help their cause much."

So what are the "right" and "wrong" motivations you ask? Paraphrasing Alex Lawrence, I'd suggest the following:

1. *Solving a problem that you are so passionate about that even if the solution doesn't result in wealth, you are still thrilled you "solved" it. A fun surprise: If you do solve a big problem, wealth will almost always follow anyway.*

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2. *No real exit strategy. The best entrepreneurs automatically attract options. Large scale success creates buyers. Starting a business so you can sell it can certainly be in the back of your mind, but it had better stay there for awhile. The best investors (if you have any) love entrepreneurs that think big and aren't focused on how they can sell the business. Focus on how you sell the product NOT the business.*

3. *You have just a moderate (or less) desire to be famous. Some entrepreneurs I know are more focused on their personal brand than they are* with *their company brand. This is not good for the business. The best entrepreneurs reverse that entirely, putting the notoriety of their business above their personal brand. They know that if your business rocks, you will get all the notoriety you'll need.*

4. *You aren't doing it because it's the cool thing to do. Many fall into this category even though they won't admit it. When they have their first failure, they'll see just how "cool" entrepreneurship is. Doing something because it's cool might work for teenagers, but don't let it influence you as an adult.*

5. *Appreciate people and the value of relationships. This doesn't mean you are an extrovert. It doesn't mean you're a relationship-master. But you have to enjoy many aspects of working with, hiring, sharing and learning with your team. If you can't handle the ups and downs of working team members, you are probably not going to be doing so for very long.*

Again paraphrasing Alex Lawrence, "I'm not saying you have to eliminate and add all of these things to your motives. I'll be the first to admit that money was often a motivator for me. However, it was never the primary motivator. I did not lay awake at night thinking about money. I laid awake at night thinking about my customers, my employees, and – most importantly – how to make my product or service that much better. I wanted everyone to try my product or service, and I wanted them to love it as I did. That's really what it comes down to; an almost unquenchable passion for what you are doing for others."

Be clear, this is NOT altruism. Customers win. You win. Your investors win. There's no self-sacrifice here.

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Next, you have to assess (honestly) how STRONG is your motivation as compared to other entrepreneurs. Are you a daydreamer or are you a real survivor? Have you proven to yourself that you do whatever it takes to survive in whatever you do? Is your motivation strong enough to be a "winning entrepreneur motivation."?

Not surprising, the best way to know is to ask professional angel investors, as I advocated in the previous section, to give their opinion of your motivations. But to get a good start, ask your friends, the ones you trust the most. Talk about your motivations and what drives you; take your salesperson's "mask" off and get into it deeply. Then ask them for a truthful answer to the question: Is my drive high enough to sustain an effort over five or more years? Is my drive strong enough to sustain the commitment of many years? Do I have the right stuff to start a business? Not skills; it's about strength of motivation. Then listen to their answers.

As stated earlier, asking old friends is not the best choice for this. Friends can be uninformed or, worse, envious. Envy, a component of the dark side in most people, is not just jealousy; it's an impulse to see you fail. Do NOT underestimate the power of the dark side in human nature. So instead of asking your friends for their feedback, join an entrepreneur mastermind group or accelerator. There are many ways to find these groups in almost every metro area.

TAKE-AWAY #3

Sustainability of your motivation for a startup business is the most important question to ask before starting a business. Sustainability is 50% strength of drive and 50% type of drive. Look deeply and make sure you have the right type and strength of drive: a winning entrepreneur motivation. Do this by asking trusted friends or, better yet professional investors and other entrepreneurs, particularly those who have started businesses, "Is my motivation high enough and of the right type to sustain a startup?" Then listen to the answers.

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STARTUP ACTION CHECKLIST

Once you know that your motivation is sustainable, you can begin assessing all the other factors, both business and personal, to see if it's time to begin a startup. On the next page you'll find a useful checklist, in the form of a Scorecard, to guide you through the main steps we've discussed in this eBook to make this decision – is it time to launch a startup?.

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Startup Checklist Scorecard©

Check a box on each line.

STOP means "Unacceptable"

CAUTION means "Workable, but with issues"

GO means "Acceptable"

WOW means "Exceptional"

Action Step:	STOP	CAUTION	GO	WOW
Read at least five bios of successful entrepreneurs				
Do some initial market research				
Assess your own motivations				
Complete Business Success Factors Scorecard				
Complete Entrepreneur Mindset Scorecard				
Complete Entrepreneur Skillset Scorecard				
Decide whether to be a Vision Master or Execution Master				
Get feedback from investors, advisors and mastermind				
If you are Vision Master, decide if and when it's time to launch				
Select, enroll and gain commitment of Execution Master				
If you are an Execution Master, find a Vision Master to empower				
Stop assessing and start doing				

Every action step on this Scorecard is important for starting an innovative business. Each step should be completed. The Scorecard indicates your assessment of how well you completed that step. You may be able to get by if you're red or yellow with a few of them, so long as you're working on them. If you have any red, look really hard at the question of whether you can get that action step completed.

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A final note on sequencing. I'm not one that believes a rigid sequence of steps is always applicable. If you haven't started a business before successfully, obtain advice from those who have, or from consultants or professional advisors, as to the most effective sequence.

Have questions about any aspect of this eBook?

Here is our offer to our readers: Intelliversity offers a simple way to get some initial advice, in the form of answers to your questions about this eBook.

The author (Intelliversity Executive Director Robert Steven Kramarz) is available for "office hours" on Wednesday mornings until at least April 16, 2016. You can join this group question-answer gathering remotely, online, by using GoToWebinar. Click on this link to register or, if you want, to set up a private conversation. *We look forward to supporting your success!*

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