



Book The Guru Guide to Entrepreneurship

A Concise Guide to the Best Ideas from the World's Top Entrepreneurs

Joseph H. Boyett and Jimmie T. Boyett
Wiley, 2000

Recommendation

This is entrepreneur advice straight from the horses' mouths. In this case, the horses are 70 well-known entrepreneurs who reveal their success secrets on everything from identifying a good business concept to raising money, getting and keeping customers and managing people. Authors Joseph H. Boyett and Jimmie T. Boyett draw on material written by and about these start-up monarchs and end each chapter with a concise summary of the lessons that a reader should glean from their stories. In addition, they include a useful appendix with summary bios of each of the men and women cited or quoted in the book. *BooksInShort* invites budding entrepreneurs to enjoy this book while picking up some invaluable pointers, while more experienced businesspeople are encouraged to browse its pages and collect some dandy quotes to throw around the conference table.

Take-Aways

- To be an entrepreneur you need certain qualities, including passion about your chosen field and willingness to work hard.
- Entrepreneurs must take cautious risks and be ready to face and overcome failure.
- Entrepreneurs look for ideas anywhere and everywhere.
- A business must be able to fulfill a need economically and efficiently.
- Start with a unique idea so you can compete effectively in the marketplace.
- Increase your chances for success by linking your new idea to other business ventures.
- Estimate your start-up costs and arrange for funding before you begin.
- A start-up can attract customers with promotions, gimmicks and publicity.
- Work on keeping your customers, since it costs more to acquire new customers than to satisfy and retain existing ones.
- Inspire your employees with a larger sense of purpose, share information with them and empower them to do the right thing.

Summary

Selecting the Top Gurus

Individuals who have created their own successful businesses have wisdom to share and are generous about sharing it. The world's greatest entrepreneurs cited here include some familiar names, such as Paul Allen and Bill Gates (Microsoft cofounders), Marc Andreessen and James L. Barksale (Netscape cofounders), Roy and Walt Disney (you know what they co-founded), and Ben Cohen and Jerry Greenfield (Ben & Jerry's Ice Cream, of course). Other "gurus" cited include Mary Kay Ash (Mary Kay Cosmetics founder), Arthur Blank (Home Depot co-founder), Richard Branson (Virgin Group founder), uber-investor Warren Buffett, Michael Dell (Dell Computers founder), Debbi Fields (Mrs. Fields Cookies), Jeffrey P. Bezos (Amazon founder) and even P.T. Barnum (founder of the circus touted as "The Greatest Show on Earth").

“Successful entrepreneurs are the eternal optimists.”

These gurus were selected by defining the term entrepreneur broadly to include not only those who started a business, but those who took it over and successfully built it up. Here, an entrepreneur is someone who enters a business - any business - in time to form or change substantially that business' nerve center.

Should You Become an Entrepreneur?

To decide if you have what it takes to become an entrepreneur, ask yourself some candid questions. The answers will tell you if you have the necessary attributes or characteristics. Lillian Vernon, founder of the \$258 million direct-marketing company named after her, suggests asking: "Do you have the necessary commitment? Are you prepared to work extremely hard? Are you an optimist by nature?" Other questions suggested by Dave Thomas, the founder of the Wendy's fast food chain, are: "After you achieve something do you like to go ahead and do something new? Do you want to be an innovator or a creator? Are you always trying to learn from others?"

“Why do entrepreneurs work so hard? Because they have to. During the first years, in particular, there's no one else to do all of the things that have to be done.”

The reason for asking such questions is that to be a successful entrepreneur, you must feel truly passionate about your chosen field and be prepared to put in long hours of work. You have to be willing to make leaps, but to be cautious too, and you have to be a natural leader, who is flexible and adaptable. You must be very excited about developing a new company.

“Successful entrepreneurs are not afraid to make leaps, but they look first.” [Earl Graves]

As an entrepreneur, you need to be ready to face and overcome failure, dubbed "Club Terror," by Wilson Harrell, founder of almost 100 companies and past publisher of Inc. Magazine. He likens the feeling of failure to his fighter pilot experience during World War II. He was shot down behind enemy lines and had to stay buried in a cornfield for 11 days breathing through a hose in his mouth. After conquering the fear he felt, he gained a sense of being truly alive. Likewise, successful entrepreneurs are able to overcome their fears of failure. This courage enables you to take risks, persevere after problems erupt and learn from your failures.

“Entrepreneurs respond to the negativism they meet by becoming even more committed to their idea - more convinced they are right.”

To be an entrepreneur, you also need to reject money as a goal, be extremely determined and make sacrifices in your personal life. Debbi Fields says you must believe passionately in your idea, even in the face of negative thinking and ridicule, which is what she faced when she decided to create a cookie business. Have fun with what you do, since you need to enjoy your work to remain committed to your idea. Be willing to work hard, especially at first, because you probably won't have much help until you get off the ground.

Finding the Perfect Idea for You

To find the perfect idea, follow these entrepreneurs' examples and look for ideas anywhere and everywhere. The gurus advise always being open to new ideas, and thinking about possible products or services. Consider ways to improve what's already on the market and write down ideas as they come to you. Richard Branson, founder of the Virgin Companies, carries around a notebook to record

notes on his observations, conversations and ideas. These experts say you should be open to new possibilities, but exercise caution, too. Check into the real truth and don't let your excitement about a new venture blind you. Keep track of what your competition is doing. Particularly, as Warren Buffett warns, carefully avoid the temptation to jump on the latest rumor. The following tips from various gurus cover some ways to select a good idea, perform a reality check, and sharpen the idea:

- Make sure your idea meets a need - It should be practical and useful, and fulfill the need economically and efficiently, according to Dave Packard, co-founder of Hewlett-Packard.
- Look to your customers as your guide - Listen to them by getting out into the marketplace and observing and talking to them. Show them your product or explain your service and ask them what they think.
- Be unique or at least better than the competition - If you aren't new, you can clone, but only if you enhance the idea you have cloned.
- Stay focused on a single market or type of product - Being in a market niche will help you succeed; straying from it and spreading yourself too thin will undermine you, cautions Netscape cofounder Jim Barksdale.
- Link your new idea to your other business ventures - Limit your downside risk by linking, joint venturing or arranging financing so that your other funds won't be in jeopardy if your new business has a downturn.
- Establish a good foundation for your business - Be led by strong values, have a proprietary idea or technology, execute it better by getting both the big picture and the little things right, and be the first in the field if you can.

“To succeed, you must feel passionate about the work you have chosen.” [Lillian Vernon]

Once you have selected your idea and sharpened it, create your business plan. It should include an executive summary, market analysis, management summary and financial analysis. If you can't find a perfect idea yourself, consider buying a franchise or an existing business, but check the prospect out carefully to make sure you are getting a solid enterprise that doesn't have any problems and that the team is made up of people you like.

Getting the Money to Get Started

Of all their activities they have to pursue, entrepreneurs hate raising money the most, but it is critical to get your start-up funding in place. First, estimate the start-up costs. Ben Cohen and Jerry Greenfield used an instinctive approach and borrowed \$8,000 from themselves and from Ben's father, and they succeeded, but it is better to have a good budget estimate.

“You'd better know if you're prepared to be single-minded about something. The best way to find out is to look at your past. Have you done it before? Did you like doing it?” [Dave Thomas]

In *The Field Guide to Starting a Business*, Stephen Pollan and Mark Levin suggest that you begin by preparing a personal austerity budget. Then, determine your initial cash outlay, working capital requirements, monthly fixed costs and monthly variable costs. Additionally, estimate the price you can charge per item, determine your contribution margin and the volume of sales needed to break even. Estimate your cash flow and working capital requirements. By adding together all of your initial cash outlay and working capital requirements, you can determine the amount of money you need to start your business.

“Successful entrepreneurs persevere. They do the following in response to their fears: Take the risk out of the risks, persevere through their failures and learn from their failures.”

Once you know what you need, you have to raise it. Individuals and institutions will often turn down your request, but keep going. The major groups to approach include friends and relatives, bankers and venture capitalists. After you allocate your own funds, start with friends and relatives, since people you know are most likely to give you money based on emotion rather than a hard-nosed financial rationale.

“First and foremost, say our gurus, success means doing something you find to be fun.”

Having a good relationship with your banker is crucial, since all potential creditors will check with your bankers and a favorable response can help open other doors. Generally, a start-up bank loan will be to you, not to your company, which is how Debbi Fields got her first loan from a banker she and her husband knew at the Bank of America.

“Our gurus preach caution when exploring ideas for businesses. The gurus warn you not to let the excitement you feel at hearing about a great new business opportunity blind you to the truth.”

Generally, making contact with a venture capitalist is hard, and getting early funding is even harder. Typically, you need an introduction and an expensive presentation. VCs will want to know your pre-money valuation, which can be hard to determine. Be cautious of terms that could cost you control of your firm, since VCs drive a hard bargain.

“Be unique, or at least a little bit better.”

Once you do get money, the gurus’ major recommendation is to be a miser. Spend on necessities, not stylish furnishings. Follow the numbers carefully, so you know how you are doing, and continue to reinvest in your business to make it grow.

Getting and Maintaining Customers

Once you are ready to open your business, promotions and gimmicks can help you attract customers’ attention. Debbi Fields began by giving cookies away when hours passed during her first day at her initial store with no customers or sales. Sam Walton of Wal-Mart stores particularly liked using contests or games. One favorite is a hidden item game, where an expensive item is hidden in the store and the person who finds it can buy it for a low price. Try special holiday celebrations, too. Or, you could try something mysterious like circus entrepreneur P.T. Barnum, who hung signs and banners on building walls and projected strange images on them at night to get attention.

Contact the press to seek news coverage, which amounts to free publicity. Handle your own media contacts to keep expenses down. The key is finding a news angle so you can offer a legitimate news story. Richard Branson, the CEO of Virgin Airways, suggests that you should always be available to the press, plan meetings with them and treat reporters well. Doing market research and creating a marketing plan will help you get customers, since you will know the most effective way to develop, package, price, distribute and promote your product or service. Effective advertising can help as well.

Once you have customers, working to keep them may be the most important thing you can do to make your business succeed. Acquiring new customers costs more than pleasing and retaining existing ones. Thus, the care and attention you give current customers is vital, says Tom Monaghan, a Domino’s Pizzas co-founder. To avoid losing customers, heed these rules for customer retention:

- Be a tough boss, but put your employees first and treat them well.
- Get the small things right.
- Be nice, and become a trusted advisor to your customers.
- Exceed your customer’s expectations and guarantee their 100% satisfaction.
- Spend personal time with your customers.
- Identify problems and look for bad news so you can fix these problems.

Managing People

Finally, you need to be skilled in managing people. Hire smart people who have the potential to grow. They should be confident and be in tune with your company’s culture. Inspire people by informing them of your company’s larger purpose and making the workplace enjoyable. Demand excellence of them and treat them as equals, such as by sharing information and getting rid of exclusive executive areas. Promote team spirit, listen to your employees and empower them to do the right things. Learn to trust your people, praise them for success and share the financial rewards of your success with them. But fire people, as necessary, when they don’t perform, learn fast enough or fit into your company’s culture.

About the Authors

Joseph H. Boyett is a cofounder of Boyett & Associates, a consulting and research firm that specializes in helping companies implement state-of-the-art management and organizational practices. He has been a consultant to a number of *Fortune* 500 companies, including IBM, British Petroleum, Merck, EDS and Bell South. He is the author of ten books, including *Workplace 2000*,

Beyond Workplace 2000 and *The Guru Guide*. **Jimmie T. Boyett** is a cofounder of Boyett and Associates and co-author of six books, including *Beyond Workplace 2000* and *The Guru Guide*. She is a recognized expert on business-process reengineering and the application of leading-edge information systems technology.
