



## Book Upstarts

### How GenY Entrepreneurs Are Rocking the World of Business and 8 Ways You Can Profit from Their Success

Donna Fenn  
McGraw-Hill, 2009

---

## Recommendation

Small-business expert Donna Fenn reports on the impact of Gen Y “upstarts” on the world of commerce. Entrepreneurial in spirit, as well as bold and brash, many Gen Yers have already formed their own highly lucrative companies. Indeed, some are now grizzled business veterans, having started their companies while they were still in high school. Many of their firms are Internet-based, while others are in more traditional business sectors. On the Web and in other industries, Gen Y companies differentiate themselves from the competition through clever use of technology, superior branding and imaginative business practices. *BooksInShort* recommends Fenn’s book to older businesspeople who want to know how these trendsetters operate and how to sell to the massive, affluent Gen Y market. This book also serves as a valuable learner’s manual for Gen Y members who want to create their own businesses, but have not done so – yet.

## Take-Aways

- Generation Y comprises the 77 million people born between 1977 and 1997.
- Gen Yers are entrepreneurial. Some have owned businesses since they were in high school.
- Because Gen Yers have a sophisticated knowledge of technology, launching Web-based and other high-tech companies is easy for them.
- Such businesses do not require much start-up cash and involve little risk.
- Family members, college professors and other mentors provide Gen Y entrepreneurs with start-up funding and business advice.
- Most Gen Y companies are highly collaborative.
- Many Gen Yers rely on social networks to get their projects up and running.
- Traditional advertising does not work with Gen Y. Use word-of-mouth promotion.
- Bringing high-tech innovations to low-tech industries can give you the competitive advantage.
- To sell to Gen Y, hire consultants who hail from this generation.

## Summary

### Here Come the “Upstarts”

In 1998, Joel Erb was traveling from his home in Richmond, Virginia, to New York City in a limousine. His driver ceremoniously opened doors for him and addressed him as “Mr. Erb.” At the time, Erb was all of 14 years old, and doing Internet design from his bedroom in his parents’ home. Upon meeting him, one executive asked, “Have you even reached puberty?” Things did not go any better for Erb at his second meeting. But at the third, the executive said the magic words: “How much?” Erb received a \$30,000 contract to create the company’s Internet banner ads.

“‘I’ve got my own business’ has not only replaced ‘I’m in a band’ as the ultimate boast; it also has replaced ‘I’ve got a lemonade stand’.”

Erb quickly formed his own company, INM United. Before long, it had earned \$1 million. Then came 9/11. Erb lost most of his business. Afterward, he enrolled at the University of Richmond and reconfigured INM into an integrated marketing company. He now employs 12 people, and his revenues in 2008 were more than \$1 million. At 26, Erb has been self-employed for considerably longer than he has been permitted to drink legally.

“Technology is the great enabler and the best differentiator.”

Erb is not an anomaly. Many members of his age cohort, Generation Y (the 77 million people born between 1977 and 1997), started their companies when they were in their 20s or younger. Think of them as the “entrepreneurial generation” or the “upstarts.” These young entrepreneurs will have a dramatic effect on the U.S. economy and small businesses. Their business approach is unique. They are brash and confident, and want to do things their own way. Starting companies does not intimidate them.

“The biggest challenge for young tech entrepreneurs is that we have a deep understanding of the technology but little or no understanding of anything else.”  
(Sam Altman, Loopt founder)

According to the Institute for the Future and the software company Intuit, “Generation Y will emerge as the most entrepreneurial generation ever.” A Junior Achievement Worldwide poll of 1,200 teenagers shows that 69% want to open their own firms. The U.S. Small Business Administration reports that almost two-thirds of college students share the same desire. Today, about 2,100 U.S. colleges and universities offer courses on entrepreneurship, up from 400 a decade ago. However, many of their students could teach such courses themselves: “40% or more of students who come into our undergraduate entrepreneurship program as freshmen already have a business,” says Jeff Cornwall of Belmont University in Nashville, Tennessee.

“Most upstarts are now experiencing a dramatically different business climate than when they first launched their companies.”

Gen Y entrepreneurs often use their technological know-how to start their enterprises. Thanks to the Internet’s anonymity, many Gen Y entrepreneurs can pass themselves off as old-hand Web designers and Internet pros. Frequently, Gen Y entrepreneurs don’t do a lot of planning before they start their businesses. The thought process goes something like this: “Hey, I really like design, and I’m good with computers, so let me take a crack at mocking up some Web sites for clothing designers.” They have virtually no start-up costs and face no risks. Parents, mentors and teachers provide advice as well as emotional and even financial support.

“Is the green revolution Gen Y’s civil rights movement?”

Many older people see Gen Yers as self-absorbed and materialistic, and, indeed, some of these entrepreneurs exhibit these traits. However, others are collaborative, innovative and flexible. They love to experiment. Because they are the first generation to grow up in a digital age, cloud computing, Web 2.0 and other technological advances seem simply part of the natural order. Their heroes are the entrepreneurs who founded Google, YouTube and Yahoo.

“The ability to master, develop, modify and employ new technology quickly and efficiently is a significant factor in the entrepreneurial equation.”

Many Gen Yers report that their parents encouraged them to consider entrepreneurial activities. Employment has changed radically in recent years. Jobs are not secure as they once were. Many have vanished. Gen Y members don’t trust institutions. They believe they must take care of themselves. They are frugal. They know how to use technology to cut their business expenses. Through their social networks, they depend on one another financially and otherwise. Gen Y entrepreneurs have eight distinguishing characteristics:

## 1. “Extreme Collaborators”

Few Gen Y entrepreneurs are lone wolves. Most have business partners: “friends, college classmates, professors, parents or spouses.” They understand their own weaknesses and team up with individuals who compensate for them. They are collaborative in all that they do, relying on social networks and “community-based innovation tools” to create new products and services. Here are some good ways to become collaborative:

- **“Manage partnerships wisely”** – You and your partners may change as time goes by. Start out with a written agreement so that if you break up, you’ll be able to do it cleanly. Make sure your agreement details who does what.
- **“Create deep community ties”** – Look to your customers for information about what they like and don’t like. Set up a company blog to generate discussions that can help your company improve. Treat customer suggestions with consideration and respect.
- **“Join or start a peer group”** – Entrepreneurs’ Organization (EO) is a good one. Members help each other solve business problems.

## 2. “Technology Mavens”

Nearly one out of three Internet users is a member of Gen Y. Gen Yers love technology and naturally gravitate to developing Web-based businesses. Or, they enter traditional industries where they gain a competitive advantage because of their high-tech expertise. Use technology to “innovate and differentiate” by taking these steps:

- **“Launch fast and imperfectly”** – The best way to learn how customers will relate to your new product or service is to let them try it. Get their feedback, then tweak things. Let your clients help you develop your commercial offerings.
- **“Capitalize on social networking”** – It is the best way to create profitable ties.
- **“Use online forums to establish expertise”** – They offer a terrific opportunity for you to showcase your company and your know-how. Such forums are not for selling, however. You’ll lose the respect of your colleagues if you try.
- **“Apply new technologies to low-tech industries”** – This gives you the competitive advantage and enables you to provide a better product or service.

## 3. “Game Changers”

Gen Y upstarts do not accept the status quo. Many invent new business models or technologies that change existing practices. They discover new methods to serve emerging niche markets. These are some ways to “change the game”:

- **“Be aware of changing customer needs”** – Be the first to satisfy them.
- **“Look for supply-chain inefficiencies”** – Some Gen Y companies don’t develop new products or services but focus instead on improving product delivery.
- **“Professionalize an old-economy business”** – Surprise customers who are used to a staid business approach or substandard performance with upgraded

service.

- **“Step out of the box”** – Who says you must run a particular business a certain way? Think big. If your company is unique, you’ll gain new customers.

#### 4. “Market Insiders”

Gen Yers earn \$211 billion and spend \$172 billion each year. But, their purchasing behavior is different from that of previous generations. Gen Y entrepreneurs understand their peers better than anyone else. Thus, they have the inside track to serve this huge market. Many traditional companies seek to partner with Gen Y entrepreneurs because of their special knowledge about what motivates Gen Y purchasers. Tap into the Gen Y market in these ways:

- **“Go back to school”** – College students are a huge, affluent market. Go after them with cutting-edge marketing approaches. Word-of-mouth works best.
- **“Think customization, not mass production”** – Gen Y likes items they can personalize.
- **“Sell your [fill in the blank] online”** – The Internet is where you will find Gen Yers.
- **“Offer content that’s entertaining”** – BMW attracted 10 million viewers to its online “mockumentary” about its 1 Series car.

#### 5. “Brand Builders”

Gen Y believes in brands and its entrepreneurs are experts whose brands quickly penetrate markets and develop strong buzz. Take these branding steps to win Gen Y customers:

- **“Brand your culture”** – Make your employees part of your brand. For example, on the Web site of Meathead Movers, in San Luis Obispo, California, customers choose their own moving team.
- **“Expand your brand creatively”** – Instead of investing in a third restaurant, Rickshaw Dumpling Bar in Manhattan created a “roving dumpling truck” that is “literally driving brand awareness,” while saving on rent costs.
- **“Make friends selectively”** – Stack Media, in Cleveland, features a Web site and magazine for young athletes. It partners with sports stars to gain credibility.

#### 6. “Social Capitalists”

One recent survey shows that 61% of people between the ages of 13 and 25 want to make a better world. Another indicates that 86% of freshmen at the University of California at Los Angeles do volunteer work. Many Gen Y companies do not draw a line between “for-profit and nonprofit endeavors.” Incorporate a social mission into your business:

- **“Support causes that are synergistic with your business”** – Brooklyn-based Happy Baby Food established a relationship with Project Peanut Butter, an organization that helps feed poor children in Malawi and other areas.
- **“Think about a ‘cause’ product”** – Pick a cause and make it yours. For example, OneHope Wine, in Newport Beach, California, donates 50% of its profits to its causes.
- **“Make sure your ‘good’ products sell themselves”** – The most socially conscious product in the world will fall flat if it isn’t of high quality.

#### 7. “Workplace Renegades”

Gen Yers are not clock-punchers. Their companies value “work-life balance, flexibility and fun.” Gen Y entrepreneurs think of themselves as “servant leaders,” who wish to create democratic work environments. Take these steps to reconfigure your office culture:

- **“Scrap the old hierarchy”** – Gen Y companies value performance, not seniority or longevity. Deliver results and you’ll move up fast and get paid accordingly.
- **“Be flexible”** – Work and life flexibility expert Cali Williams Yost says, “Too much rigidity and too much linear thinking don’t allow for innovation and creativity.”
- **“Integrate training and continuous learning into your company”** – Show your employees that you value their professional development.
- **“Go virtual”** – It cuts costs. It is efficient. But you must put the right technology in place to become a virtual company.

#### 8. “Morph Masters”

Gen Y entrepreneurs are not big on business plans. They employ a “just do it” approach. If things don’t work out, they’ll adapt and try something different, changing their business strategy until they get it right. In fact, many prefer the excitement of starting up new entities over managing growing ones. As a result, some sell their fledgling enterprises once they begin to grow. These tips can help you navigate an environment of constant change:

- **“Diversify your business”** – Ten Minute Media in Holyoke, Massachusetts, started out as a Web site design company for rock stars. But as the music business changed, the company broadened its marketing focus and now designs all types of Web sites.
- **“Identify value”** – College student Ben Kaufman’s first company, Mophie, produced iPod accessories. The company had popular products, but poor margins. So Kaufman sold his firm and started another, Kluster, that produces software to help with idea generation and product development. Kaufman and his colleagues originally developed Kluster’s software for their Mophie activities.
- **“Don’t be afraid to step away”** – You may love being an entrepreneur, but hate being a CEO. Stay focused on what you enjoy and what you are good at. Hire an experienced executive to run your company, and move on.

### About the Author

**Donna Fenn** writes for *Inc.* magazine. She is an expert on entrepreneurship and the author of *Alpha Dogs: How Your Small Business Can Become a Leader of the Pack*.

