



... entrepreneurship - Outside and In

Many of us aspire to being entrepreneurial but comparatively few people do it. This article investigates why people do it and summarises current thoughts on timing, planning, research, positioning and staying motivated.

Who is an entrepreneur?

“entrepreneur *n.* the owner of a business who, through risk and initiative attempts to make profits”

In contrast to this relatively dry dictionary definition, Guy Kawasaki recently published “The Art of the Start”. He asserts an entrepreneur is not just a freelancer selling their talents ... an entrepreneur is trying to build something bigger than themselves, something that has real market value.

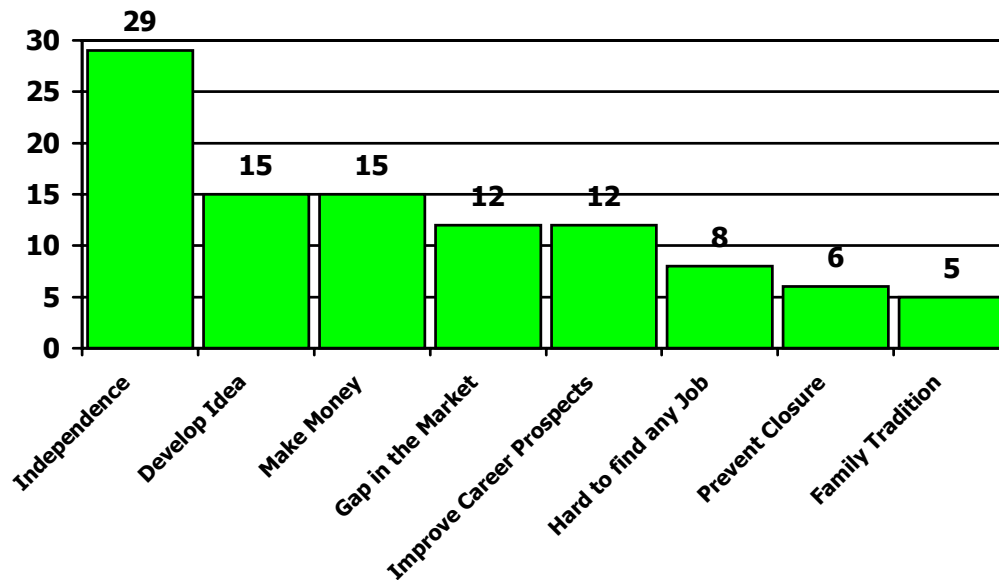
An important thing to note – employees of my valuable clients! – is that entrepreneurs exist inside as well as outside businesses. Entrepreneurship is somewhere in the genetic make-up of every business: from it's foundation.

“Anyone with guts, vision, and political savvy should be able to set up an entrepreneurial outpost in an established business.”(Kawasaki, 2004)

grasp estimates 5 million employees are, at any one time, thinking of starting their own business to replace – or as an addition to – their current job. BUT less than 1 in 20 of the people that think about it actually do it, we are almost half as entrepreneurial as US citizens (Small Business Service, 2004).

Things are changing though: self-employment grew by 9% across 2003 whilst the number of employers fell by 1%, a net growth last yr of 240k people “going it alone” (SBS, 2004.)

Why do it?



Source: SBS/IES "Annual Small Business Survey 2003"

The most common reason given for starting out alone is gaining independence but it is crucial for an entrepreneur to understand the motivation behind making the move. Different people have different pre-dispositions: some of us want to avoid the nasty things in life, others are drawn to the chance of shining.

Whatever your disposition, it is important to consider the balance of your motivation for going it alone: what do you want to leave behind AND what do you want to head into. How many of us have ever (or recently) sat down and drawn up a "life plan": professionally and personally? This is a good opportunity!

Design your Value Chain

As a start-up you have the option to avoid "legacy" systems. You can design your business process from scratch, and this highlights something established businesses forget: your business is about the process, how well you add value to the resources you use, not the product you make or service you deliver.

See the changes coming

Empires, businesses, people: everything rises and falls. An important consideration in starting up might be to time it before you lose a passion for

what you are currently doing. It could be that once you have lost that burning desire to make a difference to the world, you lose some of the motivation to make it on your own ... or you burn your bridges with your current organisation.

Change only happens when the fear of not changing outweighs the fear of doing something different, looking far ahead can help crystallize the fear of not changing. Once in the change process we have been shaken out of contentment, we need to progress through denial and resistance, into the chaos of being committed to change, and the renewal of knowing exactly where we are going and why. Recognising these stages can help us to deal with them.

Guy Kawasaki makes some suggestions for creating change by establishing an entrepreneurial outpost:

- Put the company first but usurp the cash cows (aim to create the future profit stream!)
- Stay under the radar but find a senior "Godfather" to sponsor your activity
- Get a separate workspace
- Give hope to the hopeful
- Anticipate - and jump on - tectonic shifts
- Build on what exists, collect & share data (this is a learning process)
- Let senior management come to you
- Dismantle your entrepreneurial operation as soon as objectives have been achieved and reboot your brain!

Plan the structure of your business

An important consideration of any business is the **capital** it needs to start: how much, when and where it will come from. Identify the cost of capital, even if it is your own: what is the "opportunity cost" against having your money in the bank? Understand the depreciation of the assets you buy, put the costs of replacement into your cash flow forecast! Start accruing cash as soon as you can to replace or upgrade your assets.

"Be cheap. In everything. Don't pick a business in which access to capital is an important element... When you do need capital, don't pay retail. Borrow from customers or suppliers. Find an equity angel." (Godin, 2004)

What will the running costs of your business be? Well before you start selling, are you ready to cost your products/services?

- Calculate your monthly costs,
- Divide by the gross profit on each product / day of your time,

- Ask yourself and objective people around you if you CAN sell that much. (Kawasaki, 2004)

What positive inflow of **cash** do you need every week/month – net of what the business spends – to keep going personally. How long can you survive without it and what can you do to extend this period? Plan different scenarios and understand when you need to walk away.

When considering cash flow it is important to consider profit; once your business is profitable, do you know how much cash you intend to plough back into it? You may simply want to draw a good cash income from the business very early on, or you might be prepared to keep investing in research, development, capacity, marketing activity, premises, staff etc.

Get heroines/heroes

Part of the planning process might well be identifying heroes/heroines, this idea is heavily recommended by practitioners of Neuro-Linguistic Programming. Having successful people that you identify with can help concentrate your mind on your own success; you can also learn from their successes and failures.

A good place to start might be someone like Reuben Singh, he became the UK's youngest self-made millionaire after selling the "Miss Attitude" chain of accessory shops he started when he was an A-Level student. He is now one of five British Ambassadors for Entrepreneurship, alongside Richard Branson.

Research everything

Research can **describe** the past, **explain** the present and **evaluate** the future but be clear what you want it to do before you start. Research can be qualitative (feelings) or **quantitative** (numbers) methods ... ideally use a combination of both!

Research can be **structured or unstructured**, whatever approach is taken it is important to be organized and to be prepared! Some big businesses are very rigorous in their research before they go to market, others just want to get products to market and evolve them fast. The latter approach has gained much ground over recent years.

Research can be **ad hoc** (a point in time) or **continuous** (to track trends) and choices here should be driven by need and the availability of resources (eg cash!).

When starting a business it is reliable to select the best approaches from the above to research:

- **Prospects, gatekeepers** (eg points of contact for several prospects) and **end users** (eg your customers' customers)
- **Competitors and substitutes** (not just direct competitors, who could also offer what you do)
- **Partners** (potential co-creators, people you might be able to work with in creating value, and investors).

Get in Position with clarity of purpose ...

	Level	Explanation	Example
1.	Vision	Where you want to get to	Run the London Marathon
2.	Mission	What needs to be done	Get fit enough to do it!
3.	Objectives	What results and when	Run a ½ marathon in four months time
4.	Strategies	Plans to deliver	Run every other day, starting at 4 miles and working up ...

Many new business experts advise entrepreneurs to “make meaning” in what they do; this translates as developing a compelling vision and working towards that end with suitable means. Guy Kawasaki (2004) characterises meaning on four ways:

- **Make the world a better place** eg Monsanto’s GM products: raising yields and reducing pesticide (?) whether you agree with them or not!
- **Increase the quality of life** eg Tesco “delivering value for customers”
- **Right a terrible wrong** eg the Body Shop and animal testing
- **Prevent the end of something good** eg the National Railway Museum preserving our rail heritage.

In positioning yourself it important to consider where you sit in relation to your:

- Rivals (use your competitor research, think about substitutes for what you are offering)
- Suppliers (how many are there, how much influence will you have?)
- Customers (as above).

Also think about how you can build barriers to entry (Porter, 1985): employ expertise, develop relationships, understand your unique organisational proposition ...

What sets you apart from your competition? Be prepared to polarise people! Offset your pricing position against the value that customers perceive you add. Don't charge a high price for comparatively low perceived value!

Your **reputation** is a vital part of your positioning: start building up what you've got now (create a brag file), generate testimonials once you are going, highlight your qualifications, take out professional membership ... create credibility.

When setting your objectives it can help to create a resource map: put your goal in the middle and the resources that can help achieve it around the outside. This helps you understand how you can reach your goal and makes you more confident in your ability to deliver. You should set what seem like stretching objectives: Jeff Bezos founded Amazon to do more than increment on the average 250,000 line bookshop, he went to 3 million! At least some of the objectives must be commercial.

Finally, an important part of your positioning is your business structure; are you going to be a sole trader, in a partnership, or form a limited company (and submit annual audited accounts)? Will you be VAT registered if your first year's annual turnover does not exceed £56,000?

What business name will you trade as, what does it say about you, does it have a value, is it ownable (is a good domain name available / can you trademark it / is there a similar limited company)? Less than a quarter of today's small businesses are called after a traditional family name ... younger companies have factual, product driven or humorous names. Two thirds of small businesses actually regard their name as a marketing tool.

Your premises, vehicles, stationery can all send out the message you want them to and secure your positioning. Consider the marketing opportunities and semiotics of everything you do!

grasp today !

Be open: the contemporary view on planning is for it to provide direction, not to be rigorously stuck to in a constantly changing environment.

Stay motivated: Turn Automatic Negative Thoughts (ANTs) into Performance Enhancing Thoughts (PETs) ... for example: "I feel nervous presenting" becomes "being nervous shows I am taking the task seriously, and gets the adrenaline going so that I enjoy it". You could also visualise your future success; making things pleasant NOW gives them more power and is more motivating. Use all

your senses – sight, hearing, feeling, taste and smell – as different senses work better for different people.

It's very difficult to prove demand in advance: *"The wisest course of action is to take your best shot with a prototype, immediately get it to market, and iterate quickly. If you wait for ideal circumstances ... the market will pass you by."* *"Remember: No one ever achieved success by planning for gold."* (Kawasaki, 2004).

You are not alone, people are there to help and talk to: government agencies (eg learn direct / business link / Dti), trade & professional associations, websites (eg startups.co.uk), friends / neighbours / family / customers / colleagues, networking associations and even some less likely sources ...

Summary

Identify the right time – A bit of forethought should help you decide when you need to take the plunge!

Perfect planning – "Perfect planning" is fit for purpose; the critical bits are understanding the financial implications of your plans but pay serious attention to how you will add value.

Research everything – Consider where your sales will come from, why people should spend money on your products/services over others, and who your partners/investors will be ... focus your research on where it will be most fruitful.

Get in position – Understand and communicate what makes you different, what is your vision as a business, do you have a mission (or mantra).

grasp today! – Use some tools to keep you motivated, talk to people, be open to opportunities.

"Keep away from people who try to belittle your ambitions... the really great make you feel that you, too, can become great."
Cicero, 44 BC

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