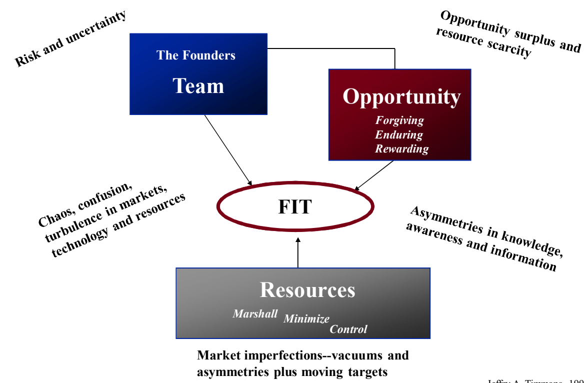
The most valuable 100 people to bring into a deteriorating society would not be 100 chemists, or politicians, or professors, or engineers,

but rather 100

ENTREPRENEURS.

--ABRAHAM H. MASLOW

KEYS TO SUCCESS



Jeffry A. Timmons, 1994

ENTREPRENEURSHIP IS:

- A behavior/decision; not a personality trait.
- Pursuit of opportunity without regard to the resources <u>currently</u> controlled.

Definition

An opportunity is an *economically viable* idea! There is sufficient demand to provide your venture, over the long term, acceptable profit and ROI.

Rule: Evaluate the Opportunity

Without a reasonable opportunity that is appropriate to the capabilities of the organization, success is unlikely. Many new ventures and business expansions do not address a viable opportunity and, consequently, fail.

Characteristics of Business Opportunities

- **Attractive...***in the eyes of the market*
- **Durable...***lifespan sufficient to be economically viable*
- **Timely...***market is ready, demand increasing; early consumes too much capital; late and return on investment is low*
- **Creates/adds value for the end user**
- **Involves market venture can access (***have/can obtain appropriate TEAM-RESOURCES-FIT*
- **Competitive advantage/distinct competence**
- **Rewarding and forgiving economics...***long-term profit & ROI*

KEY: ***Are you focused on what the customer/market wants or what you want to do?***

Opportunities can occur in any industry, any time... ***especially likely*** **when one or more of the following conditions exist:**

- **Significant change,** ***such as deregulation of airline and telecommunications industries.***
- **Lags-leads,** ***such as computer hardware development outpacing software.***
- **Chaos-confusion-dissatisfaction** ***with product quality/service provided by US auto industry recognized by Japanese as an opportunity.***
- **Inconsistencies:** ***differential labor costs resulting in transfer of manufacturing from north to south in US, and later to locations outside of country.***
- **Vacuums-gaps:** ***the knowledge gap toward computers created an industry of consultants and trainers.***

Opportunity Screening

- **Use the Venture Capitalist approach (Exh. 3.8)**
  - ***Importance of marketing***
  - ***Emphasis on people, skills, ability, experience***
  - ***Technical merit is not normally the prime factor.***
  - ***Team must know (or learn) the industry.***
- **Fatal Error**
  - ***Considering industry familiarity, strategy, availability of capital, etc.. before evaluating the*** **"Opportunity".**

NOTE: ***The decision to do something entrepreneurial normally precedes identification of idea and evaluation of commercial value.***

TEAM

People are the single most important key to the success of any venture.

RULE:

You, and/or the team you assemble, must have or obtain, the functional skills, experience and industry specific knowledge appropriate to the venture you are considering; and you must create an environment that that encourages their utilization.

RESPONSE

An effective response to the primary importance of "TEAM" to the success of a new venture requires you address:

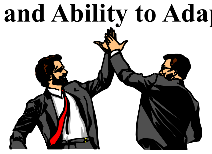
- The requirement for ***functional skills*** and ***experience*** such as technical/sales, management, etc. Can be accomplished through the lead E, other owners, employee/mgrs., outsiders...
- The requirement for ***industry specific knowledge***. Can be gained as a result of previous experience of lead E or team members, apprenticeship, mentors, consultants, etc.

RESPONSE

- ***The Environment***: chemistry between individuals, a common understanding of direction and that you recognize, utilize and reward the ability of each person in the organization; particularly their ability to contribute in an entrepreneurial and creative vein, using their skills and experience.
- The ***purpose of business*** as understood by the Team
- **Attitude & behavioral** qualities of the Team

APPROACHES, ATTITUDES, BEHAVIOR COMMON TO ENTREPRENEURS:

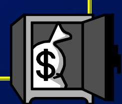
- **Commitment and Determination**
- **Opportunity Obsession**
- **Tolerance of Risk, Ambiguity and Uncertainty**
- **Creativity, Self-Reliance and Ability to Adapt**
- **Motivation to Excel**
- **Leadership**



RESOURCES

Four Categories:

- People (management team, board directors, accoutants, attorneys, consultants
- Capital Assets: PPE/FFE
- Financial
- Business Plan



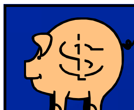
Rule: Marshall-Minimize-Control

Minimize the quantity of resources used, purchase (own) them only when absolutely necessary. Don't obtain them until they are needed, and be innovative in doing so.

- **Marshall (*innovatively, when the need arises*)**
- **Minimize (*bootstrap*)**
- **Control (*rent, lease, borrow, barter, etc., rather than own*)**

EXAMPLES:

- Staged financing
- Less Capital
- Use other people's resources whenever possible.



EFFECT:

- Less debt, more equity financing
- Greater flexibility to change
- Lower sunk cost, easier to terminate
- Minimizes fixed costs to accelerate reaching BEP (break even point)
- Reduced risk