

struggling against another, or of 'giving back' versus 'taking away.' That's old thinking. A true philanthropist will use every tool he can to make an impact. Today business is a key part of the equation, and the sectors are learning to work together."⁶⁰

Opportunities exist to make substantial positive impact on virtually every societal need and to make a profit doing so. Profit is likely to make societal value creation more sustainable over the long run.

What Does It Take, Personally?

Many people assume that there is an entrepreneurial personality. No single personality type predicts entrepreneurial success, but you are more likely to succeed as an entrepreneur if you apply certain perspectives and behaviors.⁶¹

1. *Commitment and determination:* Successful entrepreneurs are decisive, tenacious, disciplined, willing to sacrifice, and able to immerse themselves in their enterprises. Entrepreneurial passion⁶² can play an important role in all of these things.
2. *Leadership:* They are self-starters, team builders, superior learners, and teachers. Communicating a vision for the future of the company—an essential component of leadership that you'll learn more about in Chapter 12—clearly has an impact on venture growth.⁶³
3. *Opportunity obsession:* They have an intimate knowledge of customers' needs, are market driven, and are obsessed with value creation and enhancement.
4. *Tolerance of risk, ambiguity, and uncertainty:* They are calculated risk takers and risk managers, tolerant of stress, and able to resolve problems.
5. *Creativity, self-reliance, and ability to adapt:* They are open-minded, restless with the status quo, able to learn quickly, highly adaptable, creative, skilled at conceptualizing, and attentive to details.
6. *Motivation to excel:* They have a strong results orientation, set high but realistic goals, have a strong drive to achieve, know their own weaknesses and strengths, and focus on what can be done rather than on the reasons things can't be done.

Making Good Choices Success is a function not only of personal approaches but also of making good choices about the business you start. Exhibit 7.5 presents a model for conceptualizing entrepreneurial ventures and making the best possible choices. It depicts ventures along two dimensions: innovation and risk. The new venture may involve high or

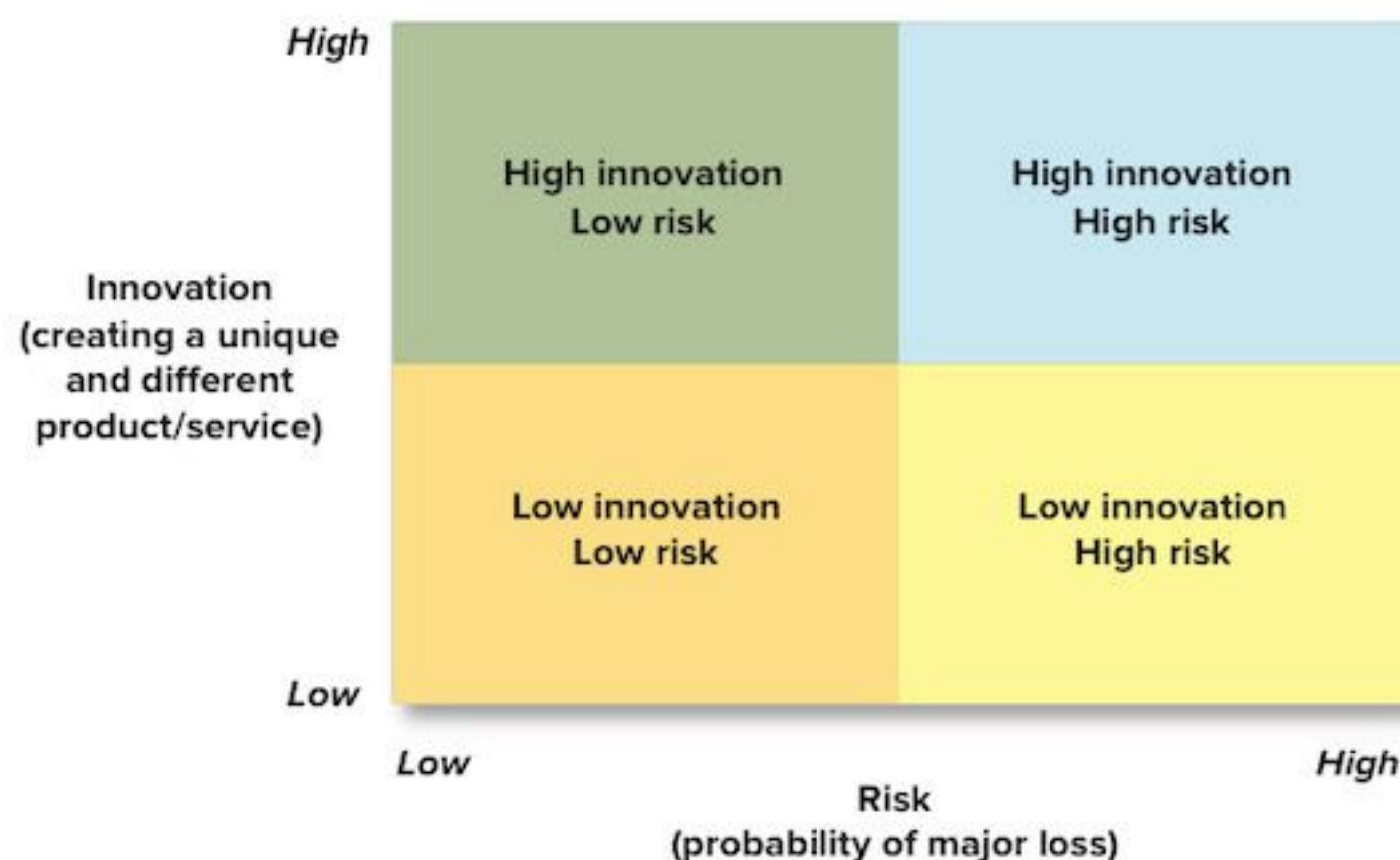


EXHIBIT 7.5
Entrepreneurial Strategy
Matrix

SOURCE: Sonfield and Lussier, "Entrepreneurial Strategy Matrix: A Model of New and Ongoing Ventures," *Business Horizons*, May–June 1997.

low levels of innovation or the creation of something new and different. It can also be characterized by low or high risk. Risk refers primarily to the probability of major financial loss. But it also is more than that; it includes psychological risk as perceived by the entrepreneur, including risks to reputation and ego.⁶⁴

The upper-left quadrant, high innovation/low risk, depicts ventures of truly novel ideas with little risk. As examples, the inventors of LEGO building blocks and Velcro fasteners could build their products by hand at little expense. A pioneering product idea from Google might fit here if there are no current competitors and because, for a company of that size, the financial risks of new product investments can seem relatively small.

In the upper-right quadrant, high innovation/high risk, novel product ideas are accompanied by high risk because the financial investments are high and the competition is great. A new drug or a new automobile would likely fall into this category.

Most small-business ventures are in the low innovation/high risk cell (lower right). They are fairly conventional entries in well-established fields. New restaurants, retail shops, and commercial outfits involve high investment for the small-business entrepreneur and face direct competition from similar businesses. Finally, the low innovation/low risk category includes ventures that require minimal investment and/or face minimal competition for strong market demand. Examples are some service businesses having low start-up costs and those involving entry into small towns if there is no competitor and demand is adequate.

How is this matrix useful? It helps entrepreneurs think about their ventures and decide whether they suit their particular objectives. It also helps identify effective and ineffective strategies. You might find one cell more appealing than others. The lower-left cell is likely to have relatively low payoffs but to provide more security. The higher risk/return trade-offs are in other cells, especially the upper right. So you might place your new venture idea in the appropriate cell and determine whether that cell is the one in which you would prefer to operate. If it is, the venture is one that perhaps should be pursued, pending fuller analysis. If it is not, you can reject the idea or take steps to move it toward a different cell.

The matrix also can help entrepreneurs remember a useful point: successful companies do not always require a cutting-edge technology or an exciting new product. Even companies offering the most mundane products—the type that might reside in the lower-left cell—can gain competitive advantage by doing basic things differently from and better than competitors.

Success and Failure



Success or failure lies ahead for entrepreneurs starting their own companies as well as for those starting new businesses within bigger corporations. Entrepreneurs succeed or fail in private, public, and not-for-profit sectors; in nations at all stages of development; and in all nations, regardless of their politics.⁶⁵

Start-ups have at least two major liabilities: newness and smallness.⁶⁶ New companies are relatively unknown and need to learn how to be better than established competitors at something that customers value. Regarding smallness, the odds of surviving improve if the venture reaches a critical mass of at least 10 or 20 people, has revenues of \$2 million or \$3 million, and is pursuing opportunities with growth potential.⁶⁷

To understand further the factors that influence success and failure, we'll consider the economic environment, various management-related hazards, and initial public stock offerings (IPOs).

The Role of the Economic Environment Entrepreneurial activity stems from the economic environment as well as the behavior of individuals. Money is a critical resource for all new businesses. Increases in the money supply and the supply of bank loans, real

economic growth, and improved stock market performance lead to both improved prospects and increased sources of capital. In turn, the prospects and the capital increase the rate of business formation. Under

Economic cycles can quickly change favorable conditions into downturns.