

TABLE OF CONTENTS

PART I

The Founder 1

1 The Global Entrepreneurial Revolution for a Flatter World 3

- Entrepreneurship Flattens the World 3
- Two Nobel Prizes Recognize Entrepreneurship 4
- A Macro Phenomenon 5
- Entrepreneurship: 40 Years as a Transformational Force 5
- Four Entrepreneurial Transformations That Are Changing the World 6
 - Entrepreneurship as the New Management Paradigm 6
 - Entrepreneurship as a New Education Paradigm 7
 - Entrepreneurship as the New Not-for-Profit and Philanthropy Management Paradigm 8
- The Energy Creation Effect 8
- The Road Ahead 9
- The Genie Is out of the Bottle 10
 - Entrepreneurship: Innovation + Entrepreneurship = Prosperity and Philanthropy 10
 - New Venture Formation 11
- The Entrepreneurial Revolution: A Decade of Acceleration and Boom 18
- Entrepreneurs: America's Self-Made Millionaires 18
- A New Era of Equity Creation 19
 - Building an Enterprising Society 19

- Chapter Summary 21
- Study Questions 22
- Internet Resources for Chapter 1 22
- Mind Stretchers 22

Exercise 1: Visit with an Entrepreneur and Create a Lifelong Learning Log 23

Exercise 2: The Venturekipedia Exercise—Time Is Everything! 25

Case: ImageCafé 26

2 The Entrepreneurial Mind: Crafting a Personal Entrepreneurial Strategy 35

- Entrepreneurs Are Good Business People 35
- Three Principles for Entrepreneurial Leadership 35
- Converging on the Entrepreneurial Mind 37
 - Desirable and Acquirable Attitudes, Habits, and Behaviors 37
 - Seven Dominant Themes 37
- Entrepreneurial Reasoning: The Entrepreneurial Mind in Action 42
- The Concept of Apprenticeship 43
 - Shaping and Managing an Apprenticeship 43
 - Windows of Apprenticeship 44
 - The Concept of Apprenticeship: Acquiring the 50,000 Chunks 45
 - Role Models 45

Myths and Realities 45
 What Can Be Learned? 47
 Chapter Summary 48
 Study Questions 48
 Mind Stretches 49

**Exercise 1: Crafting a Personal
 Entrepreneurial Strategy 49**
**Exercise 2: Personal Entrepreneurial
 Strategy 52**
Case: Lakota Hills 73

PART II

The Opportunity 85

3 The Entrepreneurial Process 87

Demystifying Entrepreneurship 87
 Classic Entrepreneurship:
 The Start-Up 87
 Entrepreneurship in Post-Brontosaurus
 Capitalism: Beyond Start-Ups 87
 “People Don’t Want to Be Managed.
 They Want to Be Led!” 88
 Signs of Hope in a Corporate
 Ice Age 88
 Metaphors 89
 Entrepreneurship = Paradoxes 89
 The Higher-Potential Venture:
 Think Big Enough 91
 Smaller Means Higher Failure Odds 91
 Getting the Odds in Your Favor 93
 Threshold Concept 93
 Promise of Growth 93
 Venture Capital Backing 93
 Private Investors Join Venture
 Capitalists 94
 Find Financial Backers and Associates
 Who Add Value 94
 Option: The Lifestyle Venture 94
 The Timmons Model: Where Theory and
 Practice Collide in the Real World 95
 Intellectual and Practical Collisions
 with the Real World 95
 Value Creation: The Driving
 Forces 95
 Change the Odds: Fix It, Shape It,
 Mold It, Make It 95
 Recent Research Supports
 the Model 101
 Chapter Summary 103
 Study Questions 103
 Internet Resources for Chapter 3 103
 Mind Stretches 103
Case: Roxanne Quimby 104

4 Clean Commerce Is an Opportunity Sea Change 111

Clean Commerce and the Sustainability
 Lens: Seeing and Acting on New
 Opportunities and Strategies 111
 Defining the Concept: How
 to Look through a Sustainability
 Lens 111
 Weak Ties 112
 Systems Thinking 112
 Thinking Like a Molecule 113
 Illustrating the Concept:
 Green Cleaning 113
 Illustrating the Concept:
 NatureWorks 114
 The E-Factor 115
 Drivers of New Entrepreneurial
 Opportunities 115
 Implications for 21st-Century
 Entrepreneurs 116
 Chapter Summary 117
 Study Questions 117
 Internet Resources for Chapter 4 118
 Mind Stretches 118
Case: Jim Poss 119

5 The Opportunity: Creating, Shaping, Recognizing, Seizing 129

Think Big Enough 129
 Transforming Caterpillars
 into Butterflies 129
 New Venture Realities 129
 The Circle of Ecstasy and the Food
 Chain for Ventures 129
 When Is an Idea an
 Opportunity? 130
 Spawners and Drivers of
 Opportunities 131
 Search for Sea Changes 132

The Role of Ideas 133	
Ideas as Tools 133	
The Great Mousetrap Fallacy 133	
Contributors to the Fallacy 134	
Pattern Recognition 134	
The Experience Factor 134	
Enhancing Creative Thinking 135	
Approaches to Unleashing Creativity 135	
Team Creativity 136	
Big Opportunities with Little Capital 136	
Real Time 136	
Relation to the Framework of Analysis 137	
Screening Opportunities 138	
Opportunity Focus 138	
Screening Criteria: The Characteristics of High-Potential Ventures 140	
Industry and Market Issues 141	
Economics 142	
Harvest Issues 143	
Competitive Advantage Issues 144	
Management Team Issues 144	
Personal Criteria 145	
Strategic Differentiation 146	
Gathering Information 147	
Finding Ideas 147	
Industry and Trade Contacts 148	
Shaping Your Opportunity 149	
Published Sources 149	
Guides and Company Information 149	
Additional Internet Sites 149	
Journal Articles via Computerized Indexes 149	
Statistics 150	
Consumer Expenditures 150	
Projections and Forecasts 150	
Market Studies 150	
Other Sources 150	
Other Intelligence 150	
Chapter Summary 151	
Study Questions 152	
Internet Resources for Chapter 5 152	
Mind Stretchers 152	
Exercise 1: The Next Sea Changes 153	
Exercise 2: Opportunity-Creating Concepts and Quest for Breakthrough Ideas 154	
Exercise 3: Creative Squares 155	
Exercise 4: Idea Generation Guide 156	
Case: Burt's Bees 158	
6 Screening Venture Opportunities 165	
QuickScreen and Venture Opportunity Screening Exercise 165	
Exercise 1: QuickScreen 166	
Exercise 2: Opportunity Concept and Strategy Statement 168	
Exercise 3: The Venture Opportunity Profile 170	
Exercise 4: Opportunity-Shaping Research and Exercise 174	
Exercise 5: Customer Contact Research and Exercise 180	
Exercise 6: Mining the Value Chain—Defining the “White Space” 183	
Exercise 7: Economics of the Business—How Do You Make Money in the White Space? 187	
Exercise 8: Capital and Harvest—How Will You Realize Dollars from the Venture? 194	
Exercise 9: Competitive Landscape—Your Strategic Analysis 196	
Exercise 10: Founders’ Commitment 205	
Exercise 11: Flaws, Assumptions, and Downside Consequences—Risk Reconsidered 207	
Exercise 12: Action Steps—Setting a Week-by-Week Schedule 209	
Case: Globant 211	
7 Opportunities for Social Entrepreneurship 223	
What Is Social Entrepreneurship? 223	
Types of Social Entrepreneurship 223	
Social Purpose Ventures 223	
Enterprising Nonprofits 225	
Hybrid Models of Social Entrepreneurship 226	
The Timmons Model Interpreted for Social Entrepreneurship 227	
Wicked Problems and Opportunity Spaces 227	
Resources 228	
The Importance of the Brain Trust in Social Entrepreneurship 231	
Concluding Thoughts: Change Agent Now or Later? 231	
Chapter Summary 231	

Study Questions 232
 Internet Resources for Chapter 7 232
 Mind Stretchers 232

Case: Northwest Community Ventures Fund 233

Appendix A: Note on the Venture Capital Investing Process 242

8 The Business Plan 245

Why Do a Business Plan? 245
 Developing the Business Plan 245
 The Plan Is Obsolete at the Printer 245
 The Plan Is Not the Business 246
 Some Tips from the Trenches 246
 How to Determine If Investors Can Add Value 247

The Dehydrated Business Plan 248
 Who Develops the Business Plan? 248
 Segmenting and Integrating Information 248
 Establishing Action Steps 248
 Preparing a Business Plan 249
 A Complete Business Plan 249
 Chapter Summary 251
 Study Questions 251
 Internet Resources for Chapter 8 251
 Mind Stretchers 251

Exercise 1: The Business Plan Guide 252

Exercise 2: The Virtual Brain Trust 267

Case: Newland Medical Technologies 269

PART III

The Founder and Team 277

9 The Entrepreneurial Leader and the Team 279

The Entrepreneurial Leader 279
 People Know Leaders When They Experience Them 279
 Stages of Growth 279
 A Theoretical View 279
 Managing for Rapid Growth 280
 What Entrepreneurial Leaders Need to Know 282
 Other Leadership Competencies 283
 Forming and Building Teams 286
 Rewards and Incentives: Slicing the Founder's Pie 286
 An Approach to Rewards and Equity 287
 Considerations of Value 287
 Chapter Summary 288
 Study Questions 288
 Internet Resources for Chapter 9 289
 Mind Stretchers 289
Exercise 1: Leadership Skills and Know-How Assessment 290
Exercise 2: Slicing the Equity Pie 301
Case: Maclean Palmer 302

10 Ethical Decision Making and the Entrepreneur 315

Overview of Ethics 315
 Ethical Stereotypes 316

Can Ethics Be Taught? 316
 Ethics Can and Should Be Taught 317
 The Entrepreneur's Competitive Edge: The Art of Self-Assessment 317
 The Usefulness of Academic Ethics 318
 Foundations for Ethical Decision Making 318
 Applying the Foundations 320
 Integrity as Governing Ethic 320
 Entrepreneurs' Perspectives 320
 The Fog of War and Entrepreneurship: A Unique Context 321
 Action under Pressure 322
 Advice and Tips from the Trenches 322
 Thorny Issues for Entrepreneurs 323
 Different Views 324
 Problems of Law 324
 Examples of the Ends-and-Means Issue 324
 An Example of Integrity 325
 The Ecological Stakeholder 325
 Chapter Summary 327
 Study Questions 327
 Internet Resources for Chapter 10 327
 Mind Stretchers 327
Exercise 1: Ethics 328
Exercise 2: Ethical Decisions—What Would You Do? 332

PART IV**Financing Entrepreneurial Ventures 333****11 Resource Requirements 335**

The Entrepreneurial Approach to Resources 335

Bootstrapping Strategies: Marshaling and Minimizing Resources 335

Building Your Brain Trust 336

Using Other People's Resources (OPR) 336

Outside People Resources 337

Board of Directors 337

Alternatives to a Formal Board 339

Attorneys 339

Bankers and Other Lenders 340

Accountants 341

Consultants 342

Financial Resources 343

Analyzing Financial Requirements 343

Internet Impact: Resources 343

Fund-Raising for Nonprofits 343

Chapter Summary 344

Study Questions 344

Internet Resources for Chapter 11 344

Mind Stretchers 345

Exercise 1: Build Your Brain Trust 345

Exercise 2: How Entrepreneurs Turn Less into More 347

Case: Quik Lube Franchise Corporation (QLFC) 348

12 Franchising 353

Introduction 353

Job Creation versus Wealth Creation 353

Franchising: A History of Entrepreneurship 353

Franchising: Assembling the Opportunity 354

Primary Target Audience 354

Evaluating a Franchise: Initial Due Diligence 356

Franchisor as the High-Potential Venture 356

Key Components of a Franchise Offering 356

Service Delivery System 358

Training and Operational

Support 359

Field Support 360

Marketing, Advertising, and Promotion 360

Supply 361

Franchise Relationship Model 362

Internet Impact: Resources 363

The Network Enhanced 363

Chapter Summary 364

Study Questions 364

Internet Resources for Chapter 12 364

Mind Stretchers 364

Case: Mike Bellobuono 365

13 Entrepreneurial Finance 375

Venture Financing: The Entrepreneur's Achilles' Heel 375

Financial Management Myopia: It Can't Happen to Me 376

Critical Financing Issues 376

Entrepreneurial Finance versus Corporate Finance 377

Determining Capital Requirements 378

Financial Strategy Framework 378

Free Cash Flow: Burn Rate, Fume Date, and Time to Clear 379

Crafting Financial and Fund-Raising Strategies 380

Critical Variables 380

Financial Life Cycles 381

International Finance and Trade 381

Chapter Summary 383

Study Questions 383

Internet Resources for Chapter 13 383

Mind Stretchers 383

Case: Midwest Lighting, Inc. 384

14 Obtaining Venture and Growth Capital 395

The Capital Markets Food Chain 395

Preserve Your Equity 396

Timing 397

Angels and Informal Investors 397

Who They Are 397

Finding Informal Investors 398

Contacting Investors 398

Evaluation Process 399

The Decision 399

Venture Capital: Gold Mines and Tar Pits	399	The Theory of Company Pricing	434
What Is Venture Capital?	399	The Reality	435
The Venture Capital Industry	400	The Down Round or Cram-Down Circa 2002	436
The Booming 1990s	401	Improved Valuations by 2008	436
Beyond the Crash of 2000: The Venture Capital Cycle Repeats Itself	402	Valuation Methods	436
The Sine Curve Lives Circa 2005	404	The Venture Capital Method	436
Venture Capital Investing Is Global	405	The Fundamental Method	437
Identifying Venture Capital Investors	406	The First Chicago Method	437
Dealing with Venture Capitalists	408	Ownership Dilution	438
Questions the Entrepreneur Can Ask	409	Discounted Cash Flow	438
Due Diligence: A Two-Way Street	409	Other Rule-of-Thumb Valuation Methods	439
Other Equity Sources	410	Tar Pits Facing Entrepreneurs	439
Small Business Administration's 7(a) Guaranteed Business Loan Program	410	Staged Capital Commitments	439
Small Business Investment Companies	410	Structuring the Deal	440
Small Business Innovation Research	410	What Is a Deal?	440
Corporate Venture Capital	411	Understanding the Bets	441
Mezzanine Capital	411	The Specific Issues Entrepreneurs Typically Face	441
Private Placements	411	The Term Sheet	442
Initial Public Stock Offerings	412	Sand Traps	442
Private Placement after Going Public	414	Strategic Circumference	442
Employee Stock Ownership Plans (ESOPs)	415	Legal Circumference	443
Keeping Current about Capital Markets	415	Unknown Territory	443
Chapter Summary	415	Chapter Summary	443
Study Questions	416	Study Questions	444
Internet Resources for Chapter 14	416	Internet Resources for Chapter 15	444
Wiki-Google Search	416	Wiki-Google Search	444
Mind Stretchers	416	Mind Stretchers	444
Case: Forte Ventures	417	Case: Lightwave Technology, Inc.	445
15 The Deal: Valuation, Structure, and Negotiation	433	16 Obtaining Debt Capital	453
The Art and Craft of Valuation	433	2007: Subprime Loans Submerge Credit Markets	453
What Is a Company Worth?	433	A Cyclical Pattern: Shades of 1990-1993	453
Determinants of Value	433	A Word of Caution	453
A Theoretical Perspective	433	The Lender's Perspective	454
Investor's Required Rate of Return (IRR)	433	Sources of Debt Capital	454
Investor's Required Share of Ownership	433	Trade Credit	456
		Commercial Bank Financing	456
		Line of Credit Loans	456
		Time-Sales Finance	457
		Term Loans	457
		Chattel Mortgages and Equipment Loans	458
		Conditional Sales Contracts	458
		Plant Improvement Loans	458

Commercial Finance Companies	458
Factoring	459
Leasing Companies	460
Before the Loan Decision	461
Approaching and Meeting the Banker	462
What the Banker Wants to Know	463
The Lending Decision	465
Lending Criteria	466
Loan Restrictions	466
Covenants to Look For	466
Personal Guarantees and the Loan	466
Building a Relationship	467
The TLC of a Banker or Other Lender	467
What to Do When the Bank Says No	468
Tar Pits: Entrepreneurs Beware	468
Beware of Leverage: The ROE Mirage	468
IRS: Time Bomb for Personal Disaster	468
Neither a Lender nor a Borrower Be, But If You Must . . .	469
Chapter Summary	469
Study Questions	470
Internet Resources for Chapter 16	470
Wiki–Google Search	470
Mind Stretchers	470
Case: Bank Documents: “The Devil Is in the Details”	471

PART V

Start-up and Beyond 491

17 Leading Rapid Growth, Crises, and Recovery 493

Inventing New Organizational Paradigms	493
Entrepreneurial Leaders Are Not Administrators or Managers	493
Leading Practices of High-Growth Companies	493
Growing Up Big	494
Stages of Growth Revisited	494
Core Leadership Mode	494
The Problem in Rate of Growth	495
Getting into Trouble—The Causes	498
Strategic Issues	498
Leadership Issues	499
Poor Planning, Financial/Accounting Systems, Practices, and Controls	499
Getting Out of Trouble	499
Predicting Trouble	499
Net-Liquid-Balance-to-Total-Assets Ratio	499
Nonquantitative Signals	500
The Gestation Period of Crisis	500
The Bloom Is Off the Rose—Now What?	500
Decline in Organizational Morale	500
The Threat of Bankruptcy	500
Voluntary Bankruptcy	501
Involuntary Bankruptcy	501
Bargaining Power	501
Intervention	502
Diagnosis	502
The Turnaround Plan	503
Longer-Term Remedial Actions	504
The Importance of Culture and Organizational Climate	505
Six Dimensions	505
E-Leadership	505
Entrepreneurial Leadership for the 21st Century: Three Breakthroughs	506
Ewing Marion Kauffman and Marion Labs	507
Jack Stack and Springfield Remanufacturing Corporation	507
Ralph Stayer and Johnsonville Sausage Company	507
The Chain of Greatness	509
Chapter Summary	509
Study Questions	510
Internet Resources for Chapter 17	510
Mind Stretchers	510
Case: Telephony Translations, Inc. (A)	511

18 The Family as Entrepreneur 525

Families, Entrepreneurship, and the Timmons Model 525

Building Entrepreneurial Family Legacies 525

Large Company Family Legacies 525

Smaller and Midsized Family Legacies 527

The Family Contribution and Roles 528

Frame One: The Mind-Set and Method for Family Enterprising 531

Enterprising Mind-Set and Methods 532

Creating the Dialogue for Congruence 534

Frame Two: The Six Dimensions for Family Enterprising 535

Leadership Dimension: Does Your Leadership Create a Sense of Shared Urgency for Enterprising and Transgenerational Wealth Creation? 536

Relationship Dimension: Does Your Family Have the Relationship Capital to Sustain Their Transgenerational Commitments? 536

Vision Dimension: Does Your Family Have a Compelling Multigenerational Vision That Energizes People at Every Level? 537

Strategy Dimension: Does Your Family Have an Intentional Strategy for Finding Their Competitive Advantage as a Family? 537

Governance Dimension: Does Your Family Have Structures and Policies That Stimulate Change and Growth in the Family and Organization? 538

Performance Dimension: Does Your Performance Meet the Requirements for Transgenerational Entrepreneurship and Wealth Creation? 538

Frame Three: The Familiness Advantage for Family Enterprising 538

Conclusion 541

Chapter Summary 541

Study Questions 541

Internet Resources for Chapter 18 542

Mind Stretchers 542

Exercises 543

Mind-Set Continuum 543

Methods Continuum 543

Family Enterprising Model 544

Familiness f+ f- Continuum 544

Case: Indulgence Spa Products 546

Appendix A 554

Appendix B 555

19 The Harvest and Beyond 559

A Journey, Not a Destination 559

Wealth in Families 559

The Journey Can Be Addictive 559

First Build a Great Company 560

Create Harvest Options and Capture the Value 560

A Harvest Goal: Value Realization 561

Crafting a Harvest Strategy: Timing Is Vital 561

Harvest Options 562

Capital Cow 562

Employee Stock Ownership Plan 562

Management Buyout 562

Merger, Acquisition, and Strategic Alliance 562

Outright Sale 563

Public Offering 563

Wealth-Building Vehicles 564

The Road Ahead: Devise a Personal Entrepreneurial Strategy 564

Goals Matter—A Lot! 564

Chapter Summary 565

Study Questions 565

Internet Resources for Chapter 19 565

Mind Stretchers 565

Exercise: “Wisdom from the Harvest” 566

Case: Optitech 568

Index 579