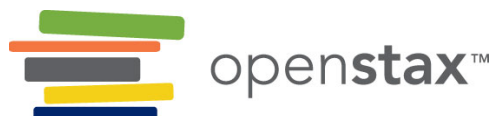# Entrepreneurship

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Figure 15.1 Consider the importance of having a source of light when the sky is dark, or when disaster strikes and electricity is lost, or for some people, when the infrastructure for electricity doesn't exist. Andrea Sreshta and Ana Stork identified this situation as an opportunity to create a new product that provides light when the infrastructure does not. (credit: modification of work by LuminAID)

Chapter Outline

Introduction

"How can you know what you're capable of if you don't embrace the unknown?"—Esmeralda Santiago

In 2010, two graduate students participated in a project to assist post-earthquake relief efforts for Haitians. These two students focused on the need for light. For most people, we turn on a light switch and seldom even consider how important light is to our safety and extending our sight beyond dependence on the sun for daylight. Andrea Sreshta and Ana Stork analyzed the problems people have after a disaster and noticed that no one addressed the challenges of lack of light. Recognizing the opportunity to solve this problem, these two social entrepreneurs created a reusable solar powered light source, LuminAID.

Now that you have learned how to create a business plan and understand more about entrepreneurship, we turn to the challenges that many entrepreneurs face as they start their venture, with advice to help you overcome them and consider your next steps beyond the current venture's successes.

In this chapter, we consider some of the challenges faced by entrepreneurs along the journey, identify reasons why these occur, and discuss what we can do to avoid these challenges through proactive problem solving and

understanding biases and habits that get in the way of our success. Some of the themes in this chapter include being open minded, possessing a willingness to re-evaluate and adapt to new information, and avoiding mistakes through learning from past contributors to the field of entrepreneurship.

15.1 Launching Your Venture

Learning Objectives

By the end of this section, you will be able to:

- Explain the importance of creating and discussing the vision statement
- Determine the documents necessary for managing risks
- Describe company culture and the purpose of a code of conduct
- Summarize how to outline and schedule the operational steps of the launch

The big day has arrived. Your opportunity recognition process noted that your idea solves a significant problem or need, you double checked that the target market is large enough for potential profitability, you have a method to reach this target market, you have a passion to start this company, and you found resources to support the start-up. Knowing that you analyzed and addressed these topics, you now need to consider some of the more sensitive topics regarding the agreements within your team. Many entrepreneurs overlook the issues discussed here, or act on them in a generic manner instead of fitting them to the specific needs of the venture. This lack of due diligence can be detrimental to the success of the business. The advice presented here can help you to avoid those same mistakes.

To protect the interests of all parties involved at launch, the team should develop several important documents, such as a founders' agreement, non-disclosure and non-compete forms, and a code of conduct. Before these are drafted, the team should ensure the venture's vision statement is agreed upon. (See Entrepreneurial Vision and Goals for the discussion around creating a vision statement.) The entrepreneurship team needs to be in complete agreement on the vision of the venture before they can successfully create the founders' agreement. If some team members have an interest in creating a **lifestyle business** (a venture that provides an income that replaces other types of employment), while other team members want to harvest the venture with significant returns, there is a clash between these expectations. An angel investor will also have a strong opinion on the vision for the venture.

Founder's Agreement, Non-Disclosure Agreement, and Non-Compete Agreement

Honest and open discussions between the entrepreneurial team members, including your angel investor if an angel investor is part of your initial funding, must take place before opening the venture. These frank discussions need to include a founders' agreement as well as the identified vision for the venture. The **founders' agreement** should describe how individual contributions are valued and fit into the compensation plan and should consider and answer these questions.

- Will the entrepreneurial team members receive a monthly compensation?
- Is there a vesting plan with defined timelines aligned with equity percentages?
- What happens if a team member decides to leave the venture before an exit event? How will that team member be compensated, if at all?

Discussing the entrepreneurial team members' expectations avoids the problem of an entrepreneurial team member expecting a large equity stake in the company for a short-term commitment to the venture, and other

misguided expectations.

- What activities and responsibilities are expected from each team member, and what is the process or action when individual overstep their authority?
- Is there an evaluation period during which the team members discuss each other's performance? If so, how is that discussion managed, and is there a formal process?
- What happens if a team member fails to deliver on expected actions, or if an unexpected life event occurs?

The founders' agreement should also outline contingency plans if the business does not continue.

- If the venture is unsuccessful, how will the dissolution of the venture be conducted?
- What happens to the assets, and how are the liabilities paid?
- How is the decision made to liquidate the venture?
- What happens to the originally identified opportunity? Does a team member have access to that idea, but with a different team, or implemented in a different business model?

These questions need to be answered prior to opening the venture.

Once the venture opens, discussing these topics becomes more complicated because the entrepreneurial team is immersed in various start-up activities and new information affects their thoughts on these issues. Along with these topics, the founders' agreement should also state the legal form of ownership, division of ownership (this refers to the division of equity at either the next round of financing, or harvesting of the company), as well as the buyout, or buyback clause. (See Entrepreneurial Journey and Pathways for a discussion on the life cycle stages of a venture, including end-stages of harvesting, transition, and reincarnation of the business.)

The **buyback clause** addresses the situations in which a team member exits the venture prior to the next financing round or harvesting due to internal disputes with team members, illness, death, or other circumstances, clearly stating compensation and profit distribution (with consideration of what is re-invested into the venture). Discussing these topics provides agreement between all team members about how to address these types of situations. The buyback clause should also include a dispute resolution process with agreement on how the dispute solution is implemented. Identifying exactly how these items are handled within the founders' agreement prevents future conflicts and even legal disputes.

If the entrepreneurship team includes an angel investor, the angel investor typically has the final say in these questions. In the best possible scenario, the angel investor has experience creating a founders' agreement and can provide valuable insights into working through this document. One common approach to creating this document, given the angel investor's available time, is for the entrepreneurship team to discuss and agree on the final document, then have the angel investor review the document for final approval. Section 15.2 on making difficult decisions will help in finalizing your founders' agreement.

After completing the formal vision statement and the founders' agreement, you might want to have an attorney evaluate the documents. This checkpoint can identify gaps or decisions that were not stated clearly. After receiving the examined documents back, the team should once again review the documents for agreement. If everyone is satisfied with the documents, each entrepreneurship team member should sign the document and receive a copy. If, later, the entrepreneurship team decides a change needs to be made to either the vision statement or the founders' agreement, an addendum can be created, again with all parties agreeing to any changes.

Two other formal documents your team might want to consider include a nondisclosure agreement and a

noncompete agreement. These documents can be applied to all employees, including the startup team, with consideration of extending to other contributors such as contractual personnel. A **nondisclosure agreement** agrees to refrain from disclosing information about the venture. Topics that might be included in this document include trade secrets, key accounts, or any other information of high value to the venture or potentially useful to a competitor. A **noncompete agreement** states that the person signing the agreement will not work for a competing organization while working for the venture, and generally for a set length of time after leaving the venture. Often, this time period is one year, but it can be longer depending on the know-how or intellectual property the exiting team member has.

Company Culture and Code of Conduct

In conjunction with these formal documents, the founding team should determine the culture they would like to build for their venture. Ideally, the organization's **company culture** is made up of the behaviors and beliefs that support the success of the organization. For example, when you walk into a business, is there a bustle of noise and activity, or is the business calm and restrained? This impression results from the organization's culture. We could compare the difference between walking into a high-end jewelry store and walking into a fast food restaurant. Both businesses have distinctly different cultures. If the venture is highly dynamic with fast-paced decisions and constant change, then the culture should support this type of venture. Perhaps the team wants to create a work hard, play hard culture. In that case, standards that support ad hoc team creation for impromptu discussions should be encouraged, rather than setting up a bureaucratic culture that requires approval of all meetings and deliberation of decisions prior to action. Many tech companies support a work hard, play hard culture. This culture is reinforced with open office spaces that provide opportunities to collaborate with colleagues. Or perhaps ping pong tables and kitchens are provided to encourage interaction. Even the hours of operation contribute to culture creation by either encouraging employees to set their own hours or restricting work hours through regulated entry. In contrast, a more bureaucratically structured environment may fit a venture whose success relies upon compliance with external regulations and the use of highly sensitive or private information. An example of a bureaucratic culture aligns with many financial institutions. The culture within a bank conveys security of our deposited funds; we want a bank to have processes and systems in place that reinforce that we can trust the bank with our finances.

The culture-defining process should include the entrepreneurship team's creation of a **code of conduct**. Some organizations develop a code of conduct that includes guiding principles, while other organizations create detailed descriptions of what is acceptable and what isn't acceptable. Your venture's code of conduct should fit with your venture's vision, the culture desired, and the entrepreneurship team's values. Codes of conduct should be created as documents that include a sensitivity to people within the company as well as the greater community. A code of conduct addresses the values that the organization supports, as well as ethical considerations. The purpose of a code of conduct is to help guide employee actions to align with the desired behavior. Including uniquely specific examples that align with the specific venture, can further communicate the desired behaviors. There are many varieties of codes of conduct; the main point is to create a code that supports the values and behaviors that you want to advance throughout your organization. Figure 15.2 and Figure 15.3 show two approaches to developing a code of conduct that fits the company's culture and vision. The first example might be used by an advocacy-based venture that desires a principle-based approach to guiding employee behaviors through a code of conduct that provides general guidelines, rather than a more rule-based approach as presented in the second example. These two examples highlight the importance of creating a code of conduct that fits the beliefs and culture that you want to encourage within your venture.

CODE OF CONDUCT
For Peaceful Direct Action

I will...
• Treat each person (including workers, police, and media) with respect
• Connect with people and attempt to win hearts and minds
• Not use violence, threats, or insulting language
• Protect opponents from insults or attack
• Not damage equipment, apparatus, or property of others
• Accept responsibility for my actions
• Behave in an exemplary manner if I am arrested
• Assert my right to protest
• Know the limits of my anger or despair and develop strategies to manage and channel these emotions constructively

Figure 15.2   This sample Code of Conduct demonstrates how a code of conduct needs to fit the specific organization's needs. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

CODE OF CONDUCT	
Compliance with All Laws	Employees must comply with all laws, including bribery, fraud, securities, environmental, safety, and employment laws.
Corruption and Fraud	Employees must not accept certain types of gifts and hospitality from clients, vendors, or partners. Bribery is prohibited in all circumstances.
Conflict of Interest	Employees must disclose and/or avoid any personal, financial, or other interests that might influence their ability to perform their job duties.
Company Property	Employees must treat the Company's property with respect and care, not misuse it, and protect company facilities and other material property.
Cybersecurity and Digital Devices Policy	Employees must not use company devices or company-provided online access to download or upload obscene, offensive, or illegal material; to transmit confidential information to unauthorized recipients; to pirate movies, music, or software; or to visit potentially dangerous websites that can compromise the network and computers' safety.
Social Media Policy	Employees may [or may not] access personal social media accounts at work but are expected to act responsibly, follow company policies, and maintain productivity.
Sexual Harassment	Employees must not engage in unwelcome or unwanted sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature. Behaviors such as conditioning promotions, awards, training, or other job benefits upon acceptance of unwelcome actions of a sexual nature are always wrong.
Workplace Respect	Employees must show respect for their colleagues at every level. Neither inappropriate nor illegal behavior will be tolerated.

Figure 15.3   This Code of Conduct addresses more traditional and general topics as compared to the first example. In all cases, the Code of Conduct needs to address your unique venture including awareness of how the Code of Conduct aligns with the leadership and culture that you want to develop.[1] (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

Earlier, we discussed the importance of the lead entrepreneur taking the initiative to discover the investor's

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1   Some language adapted from the U.S. Department of State Sexual Harassment Policy: https://www.state.gov/s/ocr/c14800.htm.

business knowledge and learning about the investor's previous experience in funding an entrepreneurial venture. The Code of Conduct is another area that entrepreneurial teams frequently skip over by accepting a generic Code of Conduct rather than recognizing that there are a multitude of topics, phrases, and principles that should be uniquely designed to fit the venture. These two examples demonstrate the vastly different topics addressed within a Code of Conduct as evidence for why your Code of Conduct must fit your intentions for how you will conduct business and support the success of your venture.

These preparatory documents should be personalized to align with the entrepreneurial team and desired behaviors that support the success of the venture. Although standard language and forms addressing these topics are available online, these generic models aren't intended to meet your unique venture's needs or the entrepreneurial team's needs. Taking the time to discuss and prepare these documents pays off in well-crafted documents and in aligning the entrepreneurship teams' vison, goals, and dreams for their venture.

ARE YOU READY?

Google's Code of Conduct

Review Google's Code of Conduct (https://openstax.org/I/52CodeConduct) as you think about developing your own Code of Conduct. What do you like about Google's Code of Conduct? What would you change? How does this example help you in creating a Code of Conduct for your venture?

Operational Steps to Launch

The next action is outlining the operational steps in the venture creation process. A good approach is to create a chart that identifies how you should proceed. The goal in creating this chart is to recognize what actions need to be taken first. For example, if you need a convection oven for your business, what is the timeline between ordering and receiving the oven? If you need ten employees to process manual preparation and packaging of your product, how long will it take to interview and hire each person? According to Glassdoor, the hiring process took 23 days in 2014 and appears to be lengthening in time as organizations become more aware of the importance in hiring the right person.[2] What about training: will your employees need training on your product or processes before starting the venture? These necessary outcomes need to be identified and then tracked backwards from the desired start date to include the preparatory actions that support the success of the business. You've probably heard the phrase that timing is everything. Not only do entrepreneurs need to be concerned about finding the right time to start the venture, they also need the right timing to orchestrate the start-up of the venture.

Below is a sample **Gantt chart**, a method to track a list of tasks or activities aligned with time intervals. You can use this tool to help identify and schedule the operational steps that need to be completed to launch the venture. One approach to creating a Gantt Chart is for each team member to independently create a list of operational activities or tasks required to start the venture that fall under their area of involvement. Then the team can create a master list of activities to discuss: this helps clarify who is contributing to or owning each task. Next, have all team members create their own Gantt chart based on their task list: that is, the time required for each task should be spelled out, including steps that must happen sequentially (when one task

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2   Glassdoor Team. "How Long Should the Interview Process Take?" June 18, 2015. https://www.glassdoor.com/blog/long-interview-process/

cannot be started until another step is complete). Once again, bring all team members together to create one master Gantt Chart. This will help ensure that dependencies from member to member are accounted for in planning. These contingencies and dependencies need to be identified and accommodated for in the master schedule. For example, in Figure 15.4, we see that Mike Smith cannot perform system testing until Sam Watson has developed the system modules, and in turn, that task can't be done until Mike Smith has documented the current systems. After completing the chart, agree on assignments of responsibility to follow through on the activities, based on the timelines from the Gantt chart.

GANTT CHART

Activity	Month 1	Month 2	Month 3	Month 4 (TODAY)
Meetings		Short briefing	Status meeting	Status meeting
Planning	Chris McRath			
Summit meetings				
Document systems				
Stakeholder input				
Analytical Report				
Design		Mark Singh		
Database design				
Software design				
Design specs				
Design review				
Finalize design				
Development		Janel LeShaun		
Develop new components				
Integrate new components				
Migrate data				
Testing				

Figure 15.4   This sample Gantt chart demonstrates how activities are listed and tracked over time to assist in organizing and planning a sequence of activities. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

See the **LO** the section called "Suggested Resources" for more information on how to use a Gantt Chart to assist in tracking the actions needed to support the start-up of your venture and to organize each action based on your necessary timelines. You might want to reach out to other sources to find examples of how other

entrepreneurs worked through their operational start-up steps.

LINK TO LEARNING

This TED Talk features Paul Tasner (https://openstax.org/l/52PTasnerTED) sharing how he found himself changing his career at the age of 66, reinforcing the idea that the world of entrepreneurship is open to all people regardless of age, race, background, health, or geographic location. In this presentation, he references a variety of activities he needed to experience in order to understand in the process of starting his venture. Regardless of what we learned in our past experiences, launching the new venture includes new experiences and decisions.

After watching this video, do you have some ideas regarding starting a new venture around the idea of senior entrepreneurs? How could you support this group or build a network that creates a community of support for this large population?

Launch Considerations

Sage advice in launching the new venture is to quickly recognize when you don't have the answer or information to make the best decisions. In the early stage of launching the venture, the level of uncertainty is high, as is the need for agility and spontaneity. Even identifying the actual moment when the venture becomes a new venture can be difficult to determine. Should the venture be recognized as a new venture after receiving the necessary licenses or tax identification number, or when the first sale occurs, or when funds are first invested, or by some other method?

It is also important to keep in mind the end goal of the venture, often referred to as begin with the end in mind. For example, many highly successful ventures never earn a dollar in sales. Depending on the entrepreneurial team's vision and the business model selected, the venture could be highly valuable from a harvest, or sale of the venture, perspective. Frequently, this decision is dictated by the angel investor. These people frequently started their own venture, harvested the venture, and as a result have funds available to invest in other new ventures. In most cases, the angel investor expects to cash out of the venture at some point in the future. These are investors who are not interested in holding a long-term equity position, but rather expect to grow the venture into a position where another company buys out the venture. This buyout is also known as the harvesting of the venture and the point at which the angel investor receives a percentage of the harvested dollar sale to cover the equity stake in the new venture. Because of this pattern, entrepreneurs are often advised to "begin with the end in mind" when launching a new venture. If the goal is to sell the venture to another company, we want to identify that company before launching the venture. Of course, at this point, this is only a desire or hope, as you cannot require or expect another company to have an interest in your new venture. But you can design the new venture to align with this end goal by making decisions that support this end goal.

Consider the example of YouTube, a start up with zero dollars in sales but with a harvest price of $1.65 billion in stock from Google. The startup team, former PayPal colleagues, understood that the technology was being developed for video searching and recognized that creating a platform to house video-sharing would be desired by companies such as Google at some point in the future. Consider this tight timeline between 2005 when YouTube began supporting video sharing, and the harvest of YouTube to Google in 2006, 21 months

later. This example clearly points to the importance of beginning with the end in mind.

ENTREPRENEUR IN ACTION

A New Greeting Card Concept

Is there a connection between ship architecture and greeting cards? Most people would quickly say there isn't any connection between these two disparate ideas. However, Wombi Rose and John Wise studied ship architecture, with Wise moving on to a boat-building start-up in Louisiana when they reconnected and decided to start a new venture. While traveling in Vietnam, the two ship architects came across the paper-cutting process of kirigami, similar to origami, but rather than folding paper, the paper is cut. The two engineers realized that the same design software used in building ships could also be used in creating these three-dimensional paper objects. Despite the declining greeting card industry's sales, these two entrepreneurs decided to enter the greeting card industry with a new approach to greeting cards. Pop-up kirigami art folds flat until the envelope opens and a kirigami object pops up. Lovepop, the name of their greeting card line, has grown to 30 employees and $6.7 million in revenue.[3]

What evidence is there that Rose and Wise followed the concept of "begin with the end in mind"? If Rose and Wise followed this advice, and you were a part of this team, at what point would you begin seeking a buyer for this company? What milestones might you select for harvesting the company? Consider what actions you would accomplish to increase the sale amount to the maximum amount.

Launching your venture is a unique experience for every entrepreneurial team and for every venture. These novel situations and uncertainties create both challenges and new learning opportunities. Accepting that a multitude of possibilities exists and recognizing the importance of researching and discussing actions is valuable to the success of the team. Angel investors hold a wealth of knowledge, and with an equity stake in the venture, these investors should be included in all discussions. If you have an angel investor on your team, you have an added advantage to tap into the expertise available to support the venture. In conjunction with a well-aligned angel investor, conducting research to explore decisions will improve your venture's success. Although these decisions might seem difficult, the next section addresses how to approach difficult decisions and the role emotional connections for the venture and its team play in those decisions.

15.2 Making Difficult Business Decisions in Response to Challenges

Learning Objectives

By the end of this section, you will be able to:

- Recognize that cognitive biases can sabotage the success of the venture
- Identify key problem indicators
- Distinguish the emotional components involved in difficult decisions

Now that you are prepared to launch your business venture, let's look at your business plan and the assumptions you made while preparing it. Did you keep a list of assumptions? Did you update assumptions as

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3   Stephanie Schomer. "This Hot Greeting Card Company Uses 3-D Design and Origami to Beat Hallmark. *Inc*. June, 2017. https://www.inc.com/magazine/201706/stephanie-schomer/lovepop-greeting-card-design-awards-2017.html

new data and information suggested "retiring" some initial ideas? Did you identify milestone timelines within your business plan? Did you fully assess risks and have mitigation plans to address them? These are essential questions to consider before launch. As the business venture comes into existence, you should review your assumptions and identified milestones.

- Are your assumptions still realistic?
- Is your business venture on for the associated milestones?
- Do you need to consider any changes that have occurred in the industry you plan to enter? Has the competition changed? Are there new regulations?

Tracking any changes and comparing to your earlier assumptions provides an opportunity to reconsider if changes to your plan, assumptions, and milestones are necessary. After you begin your venture, you should continue to review your assumptions and milestones. If you are not meeting your projections and milestones, what has changed? What decisions should you adjust to situate your venture into a stronger position for success? If your venture is doing better than expected, analyze why the venture is exceeding your forecasted projections.

It is important to return to your business plan and consider what you will do if your assumptions are incorrect, so if your milestones aren't met, you can avoid the problem of escalation of commitment. The concept of **escalation of commitment** describes when an entrepreneur feels so committed to the plan of action, they end up losing their perspective on the reality of what is happening to the venture. They ignore the danger signs and think if they just work harder, or pour more money into the venture, they can force the venture to become successful. Once an entrepreneur becomes this committed to the venture and is working passionately to keep the enterprise afloat, they can lose the focus and objectivity to make rational decisions. They can begin to react to the situation, stubbornly persist, or begin to ignore the danger signs that should alert them that reevaluation of the situation is necessary.

Escalation of commitment negates the recognition that a pivot action is necessary. As you recall from Launch for Growth to Success, in the entrepreneurial world, pivot is the action in response to recognition that the current method, approach, process, or idea isn't working. Pivot is the point at which entrepreneurs realize that a change is required and pivot into something different.

Cognitive Biases and Problem Indicators

There is a fine line between believing in one's abilities and the value of the venture versus stepping into a perspective that ignores new information or results. Entrepreneurs often need to face criticism and challenges where their confidence in the opportunity and their ability to create a successful venture overrides the criticism, but there is also danger in not listening to new information and re-evaluating one's perspective to avoid biases. According to Cossette, in reviewing 25 empirical papers on heuristics and cognitive biases of entrepreneurs, overconfidence and optimism are the two most significant biases that contribute to an entrepreneur's failure to recognize the need to change or end the venture. Other causes for the entrepreneur's failure to end the venture include "the law of small numbers, the illusion of control, the planning fallacy, escalation of commitment, the status quo bias, and the hindsight bias,"[4] as showing in Figure 15.5. To avoid this failure to exit the venture, we can identify **fail-safe points** within the business plan. These are the points that trigger the entrepreneur to consider what actions are needed to bring the venture back to a healthy position and whether this action is reasonable and feasible. Identifying these trigger points

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4   Pierre Cossette. "Heuristics and Cognitive Biases in Entrepreneurs: A Review of the Research." *Journal of Small Business & Entrepreneurship*, *27*(5), 471–96. November 2015. doi:10.1080/08276331.2015.1105732

and creating contingency plans *before* opening the venture can prevent the entrepreneur from becoming trapped by these biases, such as the dangers of becoming overly committed and throwing resources into an impossible situation. Let's look deeper into these biases and potential key problems that challenge our own decisions and the success of the venture.
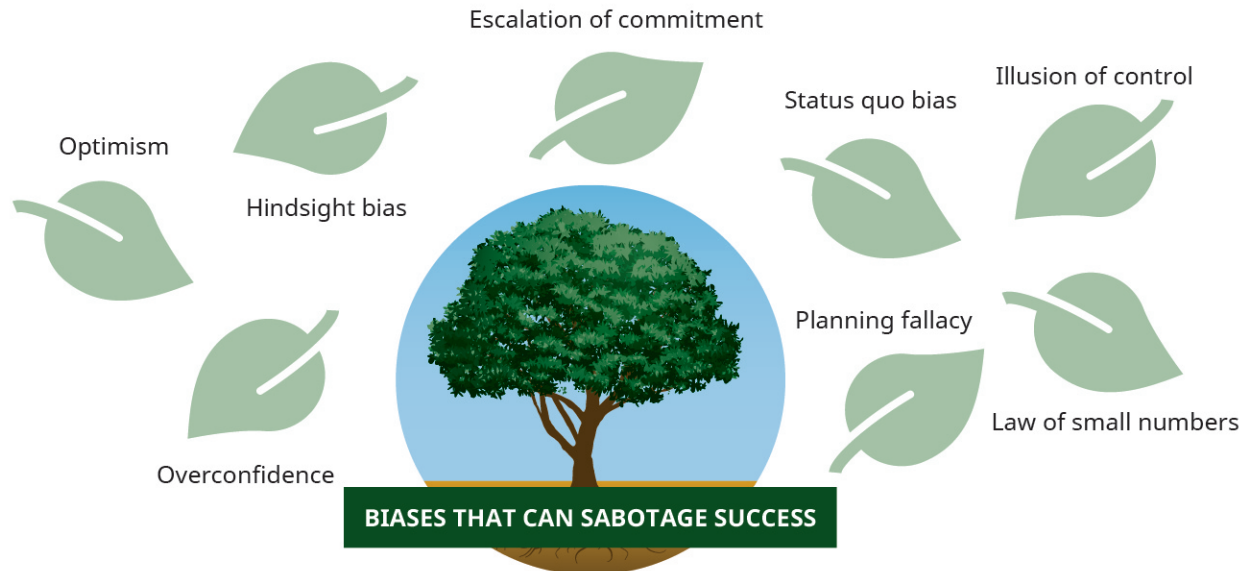

Escalation of commitment

Optimism

Hindsight bias

Status quo bias

Illusion of control

Planning fallacy

Law of small numbers

Overconfidence

BIASES THAT CAN SABOTAGE SUCCESS

Figure 15.5   The biases in this image are areas that can contribute to the failure of the venture. Being aware of these biases provides a reality checkpoint. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

As described in Cossette's research, the *law of small numbers* refers to the target market not being large enough, or failure to attract a larger target market. The *illusion of control* refers to the entrepreneur believing that he or she can force the market into realizing the venture is the best, or that additional persistence will result in positive results. The **planning fallacy** identifies the pattern of creating a business plan that is too optimistic. Gish noted that business planning is intended to present realistic decisions and projections; however, research suggests that confidence in the plan places entrepreneurs in a position of believing their plans are accurate, causing a heightened belief that the venture will succeed, when in fact, the business plan is overly optimistic.[5]

The **status quo bias** is a tendency to refer to a previously identified behavior or information as the ongoing habit to perpetuate. This bias can prevent the entrepreneur from recognizing that a new action is required—when a creative or innovative change is necessary to avoid economic distress rather than following a previously established pattern or habit—instead of continuing to follow the status quo. The **hindsight bias** is the belief that, in hindsight, the action or event was predictable, when in fact there was little if any indication that an event would occur.

As you can see, many of these problems are related to the **hubris** of the entrepreneur. Hubris is a strong belief in oneself, a belief of over-confidence or pride in one's ability to affect the outcome of decisions when other factors have the greatest influence.

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5   J. Jeffrey Gish. "Failing to Plan but Not Planning to Fail: A Theory of Entrepreneur Optimism and Business Planning." *Academy of Management Annual Meeting Proceedings*, *2016*(1), 1. November 30, 2017. doi:10.5465/AMBPP.2016.10945abstract

Aside from these challenges, other key problem indicators include insufficient available cash. **Burn rate** is the rate at which the venture burns through the available cash needed to sustain the business: more cash is going out than is coming into the business (review burn rate in Developing Startup Financial Statements and Projections). Lack of control systems can be a contributor to excessive cash use, as can excessive waste in production, lack of follow through on collection of payment, or low inventory turnover creating excessive waste, such as with perishable products.

A misconnect between the target market's desires and the product or service provided, can also create challenges, as can incorrect pricing of the product, or not having the right talent in your personnel or start-up team. However, planning only for success can be the biggest problem an entrepreneur makes. Keeping an open mind provides opportunities to see the reality of how the venture deviates from the plan as an action item to reconsider the venture from a new perspective.

Decision Making to Overcome Challenges

Now let's look at how we can reevaluate the venture and consider what changes are possible to position the venture for a different future than first envisioned. Let's examine a real story from Stacy Madison's life. Stacy Madison is the entrepreneur who started Stacy's Pita Chips. Madison had a background in social work but wasn't happy with her career choice, so she decided to open a sandwich food cart business in downtown Boston. As her business became more popular, customers had to wait in line for longer times. When they reached the food cart window, they were often cranky and unhappy about the wait. Madison and her team discussed ideas on what to do for customers who grew tired of waiting in line. They came up with the idea of slicing bagels into chip size bites and baking the bagels with olive oil, then handing the bagel chips out to the customers waiting in line. Customers loved the bagel chips and requested the chips when they reached the food cart window. At first, Madison's team would explain that they did not sell the chips but only gave them away to help their customers who grew hungry waiting in line. After repeatedly hearing this request from customers, Madison reevaluated her sandwich business and considered that maybe she should be in the bagel chip industry. The success of this story is that Madison sold her pita chip company to Frito-Lay for $65 million.[6] And the purpose of this example is to remember that when we start a venture, we need to be open minded to recognize unexpected patterns and new information that can lead us in a different direction from the original plan and intention.

Personnel Change Challenges

One area of potential problems in a new venture is the entrepreneurial team, the start-up people on the original team, and the need for personnel changes within the team. Where did the people on your startup team come from? Are some of them longtime friends or perhaps family members? What skills or knowledge do they bring to the venture? Are they aligned with the needs of the venture? And importantly: are they the best resource for their role once the venture is up and running? Answering these questions clarifies if team members are a good fit within the venture over time. The startup team no doubt provided enthusiasm and ideas that helped to identify and formulate the potential new venture. Team members probably contributed ideas and content in building the business plan, but over time, the needs of the venture will change. Being aware that changing needs might also result in changes within the startup team, and employee skills, is part of

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6   Katie Morell, K. "The Story behind Stacy's Pita Chips." Open Forum. May 11, 2012. https://www.americanexpress.com/us/small-business/openforum/articles/the-story-behind-stacys-pita-chips/

managing the growing venture.

For success, the team and employees need to align with the needs of the venture. Sometimes, entrepreneurs begin their business with people who agreed that the idea was sound and that the opportunity existed and was worth supporting. But these people might not have the knowledge, skills, and abilities necessary to support the venture as it grows. Frequently, we share similar skills and interests with our friends and family members. This means that we might have a venture with too many people with the same skill sets. Or we might have disconnects between what the venture needed in the past, and what the venture needs currently.

Another personnel problem is discovering unethical actions that violate the code of conduct created in the preparatory documents. According to the National Business Ethics Survey of the U.S. Workforce in their 2014 report, 60% of reported misconduct involved someone with managerial authority.[7] These findings alert us to the importance in creating a code of conduct that aligns with the values needed to support the success of the organization. When the entrepreneur feels pressure to act unethically in an attempt to bring in new business or prevent the organization from financial stress, unethical actions can become tempting. Knowing that 60% of unethical actions occur at the managerial level should provide evidence to support the need to proactively consider how to avoid this dangerous situation. The same report encourages addressing potential problems by including zero tolerance for abusive behavior, lying, discrimination, and sexual harassment. An interesting finding noted that rule-breaking behavior was infrequent, while "ongoing and continuous behavior, such as abusive and intimidating behavior, seems to be more prevalent."[8] This result speaks to our earlier discussion on the importance of creating an appropriate culture. If an undesirable behavior is prevalent, this would seem to indicate that the culture supports this behavior. The study also noted that "frequency of misconduct reflects the strength of the company's ethics culture," noting that "60% of misconduct committed in companies with a strong ethics culture was a one-time occurrence," and that frequency of unethical acts rose as the culture of ethics declined.[9]

Recommendations from this same report for encouraging ethical behavior include the actions shown in Figure 15.6.

7   Ethics Resource Center. National Business Ethics Survey of the U.S. Workforce. 2014. https://www.bentley.edu/sites/ www.bentley.edu.centers/files/centers/National%20Business%20Ethics%20Survey.pdf

8   Ethics Resource Center. National Business Ethics Survey of the U.S. Workforce. 2014. https://www.bentley.edu/sites/ www.bentley.edu.centers/files/centers/National%20Business%20Ethics%20Survey.pdf

9   Ethics Resource Center. National Business Ethics Survey of the U.S. Workforce. 2014. https://www.bentley.edu/sites/ www.bentley.edu.centers/files/centers/National%20Business%20Ethics%20Survey.pdf
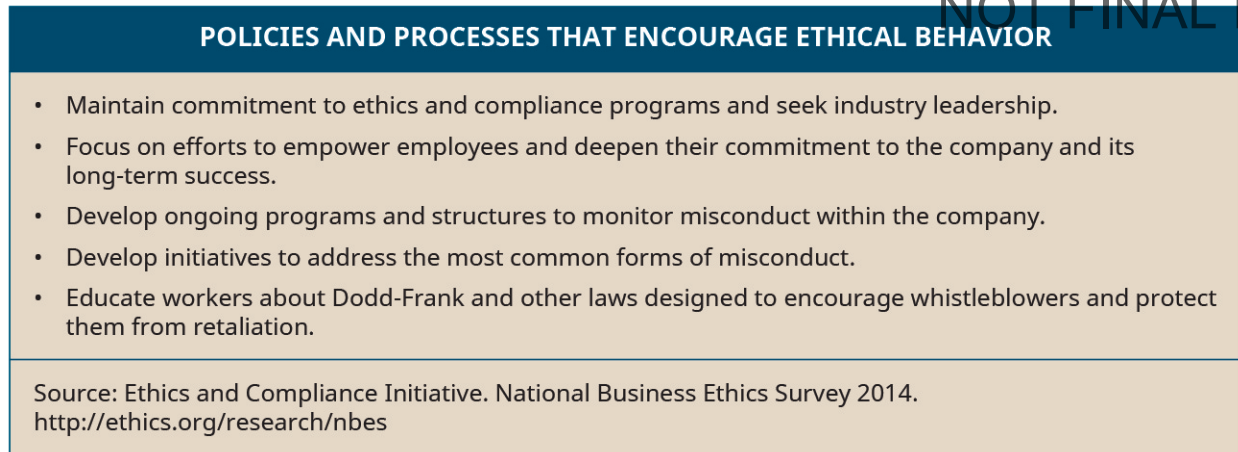
POLICIES AND PROCESSES THAT ENCOURAGE ETHICAL BEHAVIOR
• Maintain commitment to ethics and compliance programs and seek industry leadership. • Focus on efforts to empower employees and deepen their commitment to the company and its long-term success. • Develop ongoing programs and structures to monitor misconduct within the company. • Develop initiatives to address the most common forms of misconduct. • Educate workers about Dodd-Frank and other laws designed to encourage whistleblowers and protect them from retaliation.
Source: Ethics and Compliance Initiative. National Business Ethics Survey 2014. http://ethics.org/research/nbes

Figure 15.6   The Ethics and Compliance Initiative from the National Business Ethics Survey outlines policies and processes that encourage ethical behavior. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

Ethics and alignment of personnel to the venture's future growth and success are all reasons to reevaluate the entrepreneurial team and personnel. Frank conversations are required to protect the future success of the venture and the best decisions to support this success. Ethical challenges need to be addressed quickly and preferably proactively to avoid being pulled down into reacting to a crisis that could be avoided through creating a culture and code of conduct that encourages correct actions. Sage advice is to clearly state up front the vision for the venture and agreement from the start-up team that the survival of the venture is the priority. Ethical behavior is an important topic of these discussions.

Personnel and Growth Challenges

Before starting the venture, the start-up team should ask these two questions:

1. What happens if we are wildly successful?
2. What happens if we are horribly unsuccessful?

The purpose of these questions is to consider how resources and debts will be resolved before the venture begins to use or acquire resources. If your relative or friend contributed by letting you use her living room for your planning meetings and bought pizza to keep the team energized, does she have a stake in your venture? If your venture is wildly successful, she might believe that she should receive financial remuneration for her contributions. The point is, people often change when there is lots of money or when the venture is on the edge of disaster. Planning for both extremes provides a framework for the entrepreneurial team to consider their own expectations and the expectations of other people involved in the project *before* these types of situations happen.

This discussion should also address the agreed-upon method for making difficult personnel decisions. Is there a severance package? If so, who is entitled to the severance package? Does the exit of employees, and even people on the start-up team, exclude them from future expectations if the venture is successful? If the funding source includes contractual liabilities, how is the release of a start-up team member resolved? If new team members or employee are added, will these people be considered employees who earn wages, or are some positions identified as receiving equity positions with financial gains through the harvesting of the venture?

Addressing these questions before starting the venture can preserve relationships by clearly stating and agreeing to these sensitive decisions that can carry long-term consequences. In considering these questions and awareness of how the venture's need will change in the future, you might want to revisit your Founder's Agreement for clarity and alignment with any new information or concerns that arise in the start-up phase.

Lack of Sales and Customer-Base Challenges

Perhaps the biggest disappointment is when the entrepreneurial team has completed the pre-planning, received funding, and opened the venture for business only to find out that sales aren't realized. The target market isn't rushing to the website or location to purchase the product or service.

There are many reasons this can happen, which can make finding a solution difficult. The first action is to bring the team together to discuss possible reasons why the projected sales aren't being realized. This could result from inadequate marketing, targeting the wrong market or audience, selecting the wrong distribution system, communicating the wrong message or benefit within the marketing plan, or perhaps lack of training for sales personnel or first responders who manage the venture-customer relationship.

Identifying the problem is one solution to consider. Some tools that help in problem identification include brainstorming, creating mindmaps, and conducting additional research. Brainstorming provides a free flow of ideas for further exploration and analysis. The most important part of brainstorming is not judging any ideas: the more ideas that are shared, the higher the probability for identifying the problem. A mindmap taps into a different approach to gaining a new perspective on thinking about the problem. A mindmap has a center stating the problem, such as lack of sales. Next, you create branches identifying all the possible reasons why the problem occurred, such as incorrect target market and incorrect marketing message. Then you create sub-branches that relate to these first-level branches. Including pictures and color diagrams contributes to the process. The goal in creating a mindmap is to be creative in *exploring the problem* rather than attempting to hone in on a solution. Adding visuals encourages people's brains to think creatively. After creating the mindmap, take a break from thinking about the problem. As strange as this seems, the process of focusing on creating the mindmap alerts your minds that this is a problem that is important. As you walk away from the problem, your mind is still thinking about the problem, but at a subconscious level. This opens the opportunity for an "aha" moment where you're better able to figure out what is happening and understand what you need to do.
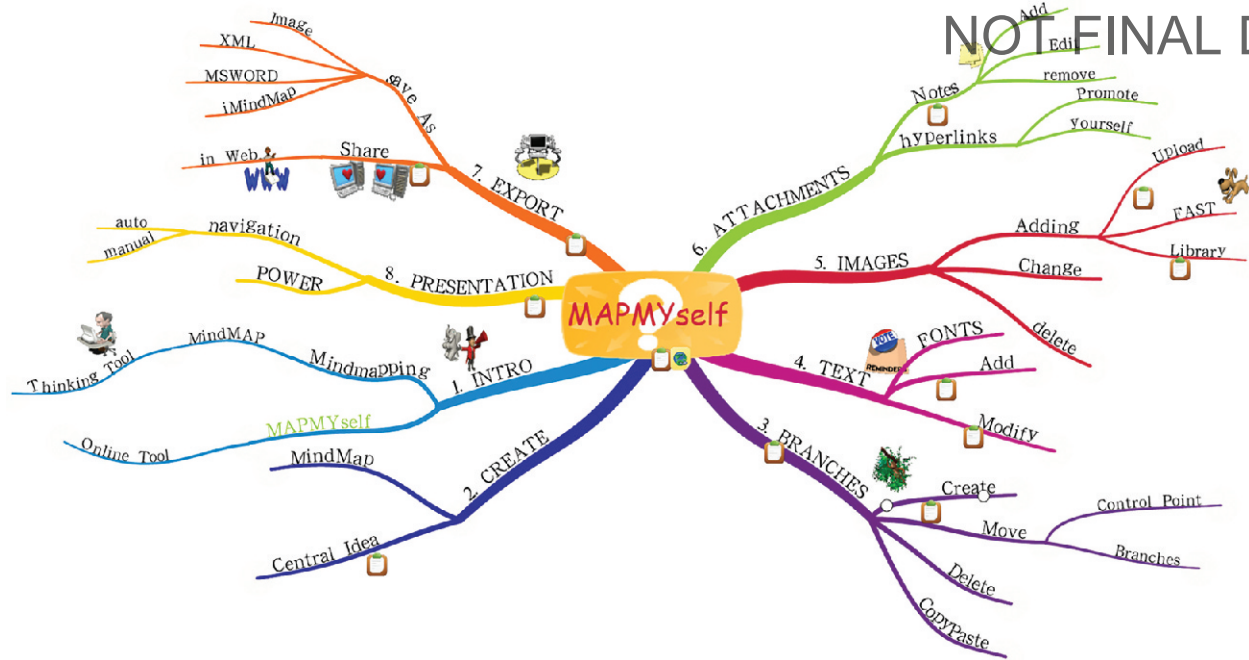
Figure 15.7 Example of a mindmap. Mindmaps can be created to inform and increase creativity in both understanding the topic or problem, and in discovering connections. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

Both brainstorming and mindmapping are excellent tools that lead to conducting more research. After completing brainstorming and mind mapping, you should have a better understanding of the problem and a clear picture of topics to research, and possible methods to gain new insights into the problem of lack of sales or customer base, such as surveys, focus groups, or free samples. You can even go back to brainstorming and creating a mindmap around this newly discovered area identified through the first round of brainstorming or creating a mindmap. Or you might already have feedback that reveals a pivot for moving the venture in a new direction, like Stacy Madison did in discontinuing the food cart and moving into the snack food industry. Another response to lack of sales or customers is to use social networking sites to draw attention to your business. You can offer short-term incentives to encourage your target market to react or provide feedback about your product.

ARE YOU READY?

Mindmapping

Practice either brainstorming or mind mapping by identifying a potential problem your venture might face. Include at least four branches and four subbranches in your mindmap. After reviewing the completed mind map, identify at least three methods you could use to research the most significant topic discovered through creating the mindmap. Was this activity beneficial? How might you use this method in the future?

15.3 | Seeking Help or Support

Learning Objectives

By the end of this section, you will be able to:

- Identify sources for assistance
- Explain the benefits provided through seeking assistance
- Compare tools to assist in deciding what advice to follow

You've learned about some of the challenges in starting the venture and the types of decisions that the entrepreneurial team must make, as well as the importance of recognizing when you don't know something or that you have encountered a problem. Facing these issues is easier when you recognize that asking for help should be part of the process. Given the wide range of variables involved in starting a new venture, it's just not possible for one entrepreneur to have all the answers. Asking for help is an intelligent decision: it's an action that recognizes the complexity of starting and managing a venture.

Types of Assistance

Fortunately, there are many types of assistance available in the field of entrepreneurship starting with your own network of people. Additionally, there are local, regional, national, and even international groups available to help you navigate the entrepreneurial journey.

Ideally, the entrepreneurial team conducted due diligence in their quest for funding (see Entrepreneurial Finance and Accounting). Research on what angel investors contribute to the funded entrepreneur beyond the actual dollars invested, highlight the importance of the angel investor's expertise and knowledge as a contributor to the venture's success (Peterson & Mayfield, 2007).[10] While many entrepreneurs focus solely or primarily on receiving funding to start the venture, this study points to the importance in selecting an angel investor with knowledge of the industry, the distribution system, the technology, product, or the target market, as imperative to the success of the venture.

We've discussed the importance in finding an angel investor who has a background and experience in a similar area as your venture. Finding the right angel investor not only results in receiving the needed funding, but also access to this person's knowledge and personal network. Ideally, the angel investor has knowledge related to your industry, your target market, and your supply chain or distribution channel. This background knowledge provides you with key resources that can give your venture expertise that contributes to the venture's success. The angel investor's network also provides opportunities to gain key insights, seek advice, and discuss ideas or solutions that benefit the venture as a network of well-informed and experienced people.

The other primary network is the entrepreneurial team's network. These people include spouses/partners, family members, business associates, colleagues, and friends. These people can provide ideas and knowledge from a variety of perspectives and backgrounds. Connecting and reaching out for help requires both the ability to build relationships and the ability to recognize that seeking help reflects maturity and wisdom. As you tap into your network and seek advice, consider each person from a long-term relationship building perspective. Consider how you might return the favor at a future time, if asked to help, or provide your expertise back to the people you access for help.

As you work with your network, keep track of the person's name, your conversation, and any commitments

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10   Karla Peterson and William Mayfield. "Knowledge Transference in the Angel-Entrepreneur Relationship." *Frontiers of Entrepreneurship Research*: 27(2), Article 5.

made during the meeting. A commitment might be a follow-up message on how you used the advice or response to the request, or an action that you will perform for someone else. Creating a formal network or contact system helps in developing this network into a long-term relationship-based perspective.

When seeking advice, be respectful of the other person's time. This means identifying exactly what type of help you want to request from the person. Are you requesting an introduction to someone else within that person's network, or advice about solving a problem, or access to physical resources? Setting up an appointment demonstrates respect, as does preparing for the meeting and explaining how you will use the advice. Remember to thank the person and follow up with feedback on what happened from using the advice.

The types of assistance that can be provided through networking include:

- advice or information
- access to other people's networks
- access to financial resources
- business services such as legal, accounting, or administrative support
- physical resources such as land, buildings, or equipment.

Other free sources of support are instructors of your business courses, other business owners, organizations such as the SCORE (originally called the Service Corps of Retired Executives) and resources within the Small Business Administration (SBA). SCORE is an organization with a network of volunteers across the U.S. and is a resource partner with the SBA. SCORE offers mentor consultants, workshops, and other assistance to support the success of small businesses.

The SBA is a federally funded organization charged with assisting small businesses from startup through their continued existence. The SBA can help in reviewing and improving your business plan, providing assistance in finding funding through loans or grants, and acting as a consultant throughout the venture's existence. The SBA provides help in complying with both state and federal regulations. Depending on your business model, you might need licenses or permits, and your local SBA office will be well informed on these topics and can help you acquire what is needed to support the success of your venture.

LINK TO LEARNING

Watch this video explaining various services offered by the Small Business Administration (https://openstaxcollege.org/l/52SBAServices) to learn about resources to support your venture.

Most states provide start-up help to small businesses, which can be found by searching the internet for your state's sponsored help in starting a business. In addition, there are often local meet-up groups and community-supported assistance to help you start your business. You might also find a virtual support group that provides advice from a diverse group of potential business owners.

A paid source of help—legal assistance—can save anguish, time, and money for the entrepreneurial team. In selecting an attorney, look for one with experience in entrepreneurial ventures similar to yours. Resources to help you find an attorney include checking with your network or angel investor for a recommendation or contacting the local branch of the American Bar Association. Most states have an online directory of local member attorneys that you can use to search for a lawyer who fits your venture's needs. Once you have identified an attorney, research the best method for payment of these

services. Some possibilities include a monthly retainer fee, payment for specific services, or payment on an hourly basis for work performed.

Other paid-for services include accounting, tax reporting, and human resource management areas. Opening and managing a business takes time, and assigning a professional accountant the responsibility of preparing monthly financial statements and tax reports can provide you with expert support as well as provide you with time necessary to position your venture into a successful growing business, as does outsourcing personnel tasks such as processing payroll. These supporting companies can be either virtual companies, or a local business, depending on your needs. Especially in payroll and other human resource activities, virtual companies specialize in meeting the administrative needs in a fast and efficient manner. Oftentimes outsourcing administrative areas is a more accurate and cost-effective than completing these tasks within the venture. Although these services cost money, these activities performed require knowledge of laws and regulations that many business owners are not equipped to be experts in, nor can they reasonably stay on top of frequent changes in these matters. This can result in legal problems as federal and state laws and regulations must be followed.

Support System Development

Part of your support system can include working with a local incubator service. These incubator community groups provide a physical location to offer working space as well as the opportunity for interactions with other new startup owners and teams. The opportunity to be in a shared space with other inspired entrepreneurs can create an excitement, sharing of ideas, and opportunities to talk through challenges. Potentially, there could be synergies between your venture and another venture realized through these discussions.

Companies like Y Combinator in Silicon Valley and Techstars in Boulder, Colorado, provide unique assistance to new startup ventures. These types of organizations are considered accelerator entities intended to fast track a select number of new ventures through information sharing, seed funding with a small equity stake in the funded venture, mentoring, and offering formal angel investor "pitch" events. The selection process makes being accepted into these organizations difficult. However, once accepted, your venture becomes more credible for having been accepted, as well as for the wealth of connections and information that will be received throughout the experience.

Figure 15.8 Y Combinator provides support for new startup companies. (credit: modification of "Max Levchin speaks to Startup School" by Robert Scoble/Flickr, CC BY 2.0)

Although each incubation program offers different—and sometimes uniquely specialized—help, they can be generally categorized by the types of support potentially available through these programs. Some incubators focus on one segment of an industry, or one segment of talent or interest. For example, there might be an incubator intended only for marketing start-ups. In this example, the incubator might assist with providing support in various marketing areas such as digital marketing, business to business marketing, global marketing, sports marketing, video creation, or other areas that fit within the topic of marketing. Oftentimes, incubators are sponsored by a municipality or government source.

Incubators are unique to a community's interests and available resources. Some communities have a vision for the community and desire the growth of the community to align with this vision. If a community has this perspective, their incubators would also align with this vision. Other communities create incubators around available resources, such as access and support from specific groups. Figure 15.9 illustrates the wide variety of approaches used in creating incubators. An incubator is supported by perhaps one or two of these sources, again, depending on the goal of the incubator.
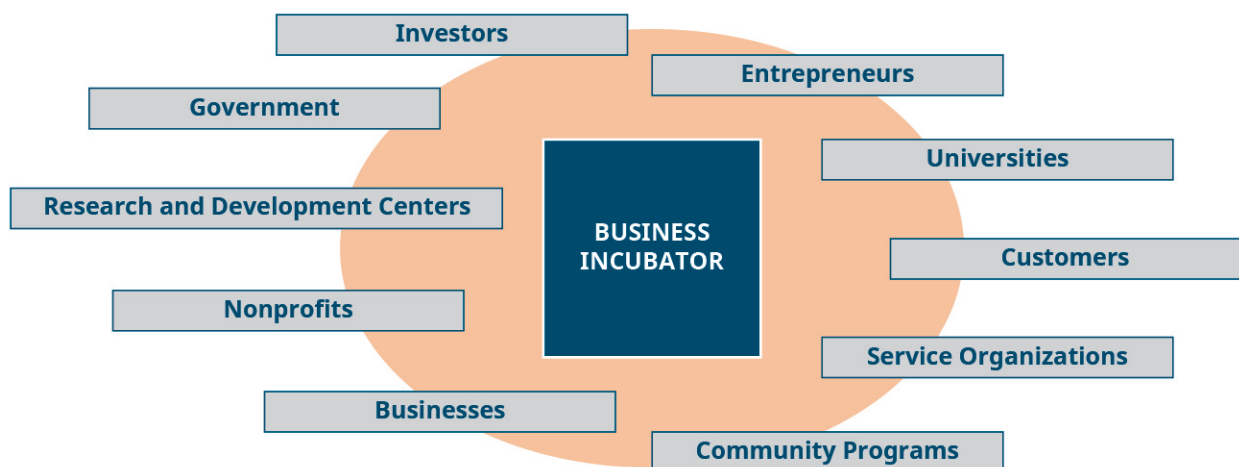

Figure 15.9 There are many potential contributors to business incubation programs. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

As you build your support group, you might want to create an advisory group, which is a formal group of people who provide you with advice. In building your advisory group, select people who demonstrate an interest in your venture and your startup team. You want resources who have expertise related to your industry, your target market, or your business model. You also want a diverse group of people who can provide insights that reflect different backgrounds and knowledge. This diversity of experience and knowledge provides you with the greatest breadth of advice, which leads to your difficult decision: what advice to follow.

Deciding What Advice to Follow

Once you have advice from a variety of sources, how do you decide which recommendations to pursue, which to consider, and which to rule out? One approach is to identify what information is qualitative versus quantitative and evaluate one type first. Qualitative information is conceptual—about ideas—whereas quantitative information is statistical or numerical. In both qualitative and quantitative areas, the entrepreneur can create visualizations to clarify the information and support analysis and decision making. The brainstorming and mindmaps discussed earlier, and illustrated in Figure 15.10, highlight the different types of data you can work with.
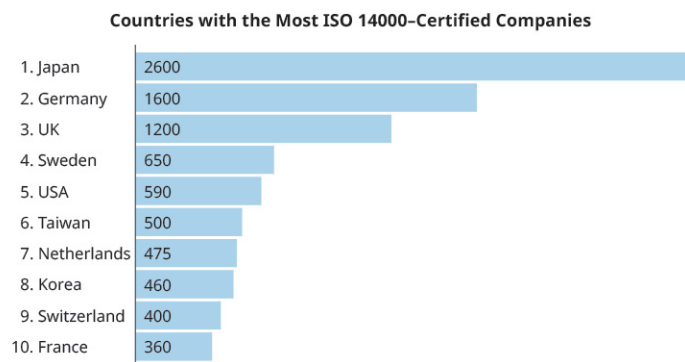
Qualitative = Ideas   Quantitative = Data

Figure 15.10   Both qualitative and quantitative factors inform decisions through ideas and numbers. (credit "left": modification of "Articulamos nuestras ideas" by Cultura de Red/Flickr, CC BY 2.0; attribution "right": Copyright Rice University, OpenStax, under CC BY 4.0 license)

Two other tools for sorting through advice are the Delphi Method and the Nominal Group Method. Both provide a structured methodology that can be applied to evaluate ideas. In the **Delphi method**, broad open-ended questions related to the decision being addressed are put into a questionnaire sent out to participants. For example, you might solicit input from your advisory group or another group closely connected to the topic. As responses come in, the questions are updated to align better with the first set of responses. The process repeats until there is a clear understanding of the participants' responses. Next, you create a list of possible options and request each participant to rank the options. Depending on these results, you either fine tune the list by dropping off low-ranked items, or, if the results are satisfactory, the options are narrowed to two or three top choices.
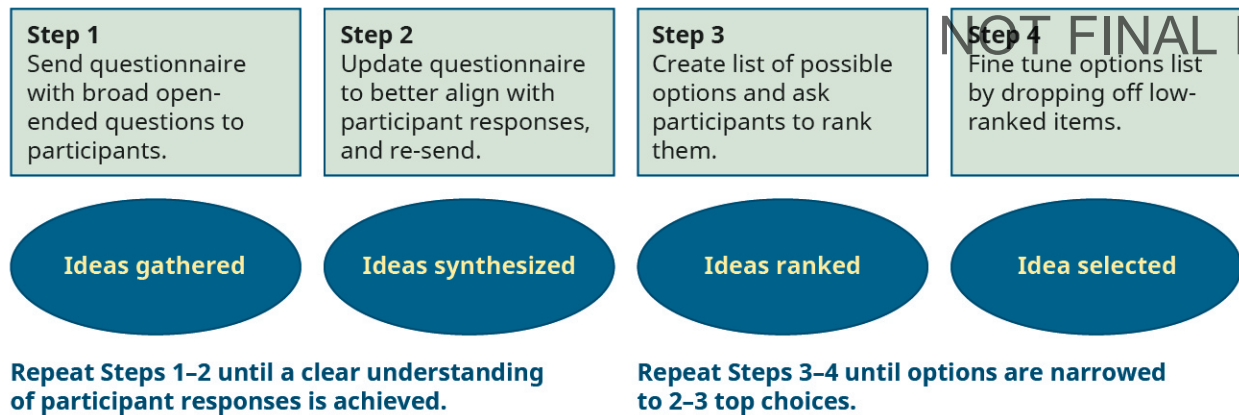
Step 1	Step 2	Step 3	Step 4
Send questionnaire with broad open-ended questions to participants.	Update questionnaire to better align with participant responses, and re-send.	Create list of possible options and ask participants to rank them.	Fine tune options list by dropping off low-ranked items.

Ideas gathered   **Ideas synthesized**   **Ideas ranked**   **Idea selected**

Repeat Steps 1–2 until a clear understanding of participant responses is achieved.   **Repeat Steps 3–4 until options are narrowed to 2–3 top choices.**

Figure 15.11   The Delphi process proceeds through repetitions of the process until an agreed upon final answer is identified. (attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license)

The **Nominal Group** technique occurs in a group setting. Participants are presented with a question or topic and write their thoughts in response on a card. requests that each participant writes his or her ideas on a card related to the topic in question. The participants do not share their comments. Once everyone has submitted the cards, the facilitator shares all feedback so that everyone can see all participants' input. The participants discuss all of the ideas. Next, the participants again write down their responses on a new set of cards. The comments are again recorded and shared so that everyone can see the results. The process continues until there is agreement on a final filtered, or narrowed, list or set of options. At this point, the participants vote or rank the remaining set of options with the goal of accepting one option.

Although these techniques and tools take time, the process of thinking through each decision and possible action helps your mind pause to reflect and to be alerted to the importance of the decision. Taking a break at this point allows you to process the information, perhaps while taking a walk or having a lunch break. At some point, you might suddenly have a feeling of knowing the right answer— the decision to make. Sometimes, this experience is attributed to a "gut" feeling or intuition that tells you what you need to do. Resources like Gary Klein's *The Power of Intuition: How to Use Your Gut Feelings to Make Better Decisions at Work* (2004) explains how this process works in the human brain. Sometimes, this moment of recognition of the chosen decision results in a decision that wasn't produced through our processes, but which offer a new and creative solution.

Taking the time to evaluate and deeply think about the problem, the advice, and possible solutions is an important part of decision making. Just as important is pausing and taking time to select a decision that is not reactive and that you feel comfortable with, keeping in mind that the decision you make might be unique, and the actual decision might not be within the advice provided to you by your support group. As the lead entrepreneur whose goal is the success of the venture, you are ultimately responsible for the decision. If the advice provided doesn't feel right, make the decision that does feel right and make sure you communicate that decision with your team.

15.4   Now What? Serving as a Mentor, Consultant, or Champion

Learning Objectives

By the end of this section, you will be able to:

- Evaluate potential next steps after existing the venture

- Explain the roles of mentors, consultants, and champions

Depending on your experience as a first-time entrepreneur, you have a new set of choices in front of you. If you enjoyed the experience, felt the thrill and excitement of taking an idea from launch through to the successful harvesting of the venture, you might want to become involved in another new venture—that is, maybe your path is to become a serial entrepreneur. Or, after all that work, you might want to spend some extended time traveling or with family. You might want to consider ideas for giving back to the entrepreneurial community or becoming a social entrepreneur in your next venture. You might want to take some of your earnings from the harvest and become an angel investor. These decisions depend on your experience as an entrepreneur and money and less-tangible resources you gained through harvesting the venture. Having undergone a positive experience, gained significant learning, and harvested substantial funds often leads an entrepreneur into becoming a mentor, consultant, or champion for another entrepreneurial project. Think back to all the people who helped you get to where you are today. Where would you be without their help? Giving back to others continues the creation of **social capital**, the goodwill we create by giving back to individuals, organizations, and communities.

Mentors

Mentor motivation includes the satisfaction of helping and guiding other entrepreneurs through the challenges of starting, growing, and harvesting their venture. Mentors can participate through formal government organizations such as SCORE, or organizations similar to Y Combinator, or from an internal aspect such as an advisory group membership. Mentors provide assistance and advice based on their previous experience as an entrepreneur, or as a content expert within a narrowly defined area related to the new venture's product or service. Specific areas of expertise might include commercialization of a new technology, safeguarding intellectual property, marketing, or funding sources for a non-profit social entrepreneurship venture. Just as there can be an alignment between an angel investor's knowledge and skill set to the entrepreneurial venture, mentors should also seek ventures where they can provide key insights and knowledge. Mentoring in this capacity as a former entrepreneur is more rewarding when there is an interest in the opportunity and the entrepreneurial team.

Identifying exactly what the mentor can provide and what the entrepreneurial team needs is an important part of this relationship. Both parties should discuss time commitments and expectations as part of this relationship. Mentoring requires considerable commitment and can include support for complex topics and difficult decisions. In return for this help, mentors receive satisfaction, rejuvenation, personal growth, new relationships and connections, and a feeling of philanthropic motivation.

There are also risks in taking on the role of a mentor. One risk relates to providing advice that later proves to be detrimental to the venture. Another risk is the perception that the mentor provided direction when the mentor provides suggested options that the entrepreneurial team should consider in its decision. A third risk concerns confidentiality and non-compete covenants. New ideas generate additional ideas, and as a startup team fine-tunes its opportunity and venture, some ideas will be rejected. From your perspective as a mentor and former entrepreneur, you might realize that you could develop one of the rejected ideas into a successful business. This situation can present conflicts of interest between you as the mentor and the venture that you are mentoring.

Because of these risks, as well as the contributions made by the mentor, some sources believe that the mentor should receive financial compensation and enter a contractual relationship that addresses these risks. Possible

financial payments include equity in the venture, profit sharing, or a retainer fee.

Consultants

Another role you might want to consider is becoming a consultant, a position more formally defined than mentorship. You might even want to create your own consulting company focused on entrepreneurs as your target market, or select a narrower target market such as a segment within the entrepreneurial world. In considering starting your own consultant business, your start-up process is similar to the topics addressed throughout this book. Identify your own strengths and interests, identify other needs that your target market would value, and develop a business plan. Acting as a consultant contributes back to the entrepreneurial world, provides you with the enjoyment of active involvement in areas where you excel, and bolsters to your financial worth.

Champions

Great Britain offers an Entrepreneur Champion of the Year award in recognition of the importance of having support in starting a new venture. Although we don't have that award in the United States, we recognize how important support is to become successful. The Startup Champions Network is a startup organization located in Boulder, Colorado. This organization supports and connects entrepreneur-related champions: people who build and lead coalitions that create and advance resources for entrepreneurs. The Startup Champions Network seeks people who support a history of supporting entrepreneurship and innovation within their communities, recognize and model inclusiveness and collaboration skills, enjoy helping other people and work well with people, embrace humility, are action oriented, and focus on possibilities. Forbidden behaviors include being driven by self-interest, being focused on earnings or control of earnings, and lacking experience or a long-term focus.[11]

Regardless of your interest in joining a formal champion group or acting in an individual capacity, becoming a champion to promote and assist another entrepreneur provides personal growth, satisfaction, and rewarding involvement within the entrepreneurial community. Many of the characteristics desired by the Startup Champions Network reflect research related to effective leaders. Most states have organizations that support entrepreneurs, from business plan development and decision making through opportunities to give back to the entrepreneurial world in whatever capacity a person desires. Take a few minutes to research opportunities in your state and community and consider how your own future might align with these organizations.

These choices give you some ideas on what you might want to do now that you have harvested your venture. After tasting the excitement of starting, growing, and harvesting your venture, you have a new set of options to consider from becoming a serial entrepreneur through adding value to other entrepreneur's potential successes to becoming a social entrepreneur.

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11   Startup Champions Network. http://www.championsnetwork.co/

ENTREPRENEUR IN ACTION

Solving Global Health Issues

The American Society of Tropical Medicine & Hygiene (ASTMH) is the largest international scientific organization dedicated to reducing tropical infectious diseases and improving world health.[12] Diseases like malaria, Dengue fever and Zika are transmitted by mosquitoes and are increasing in frequency. These diseases reduce the infected person's quality of life and can impact their ability to earn a living by reducing energy and the capacity to carry out day-to-day activities. These afflictions can also result in other painful complications, coma, and even death through kidney failure. According to ASTMH, close to half of the world's population lives in areas at risk of contracting Malaria. The map in Figure 15.12 provides a view of how vast the potential area is for Malaria infestation. Even noting the shaded light green areas as formerly malarious, these areas could once again be infested with malaria-carrying mosquitoes. As the planet's temperature increases, disease-carrying insects become more pervasive, entering geographical areas where some of these tropical diseases never existed. Read this article about major tropical diseases (https://openstax.org/I/52TropDisease) to learn more.

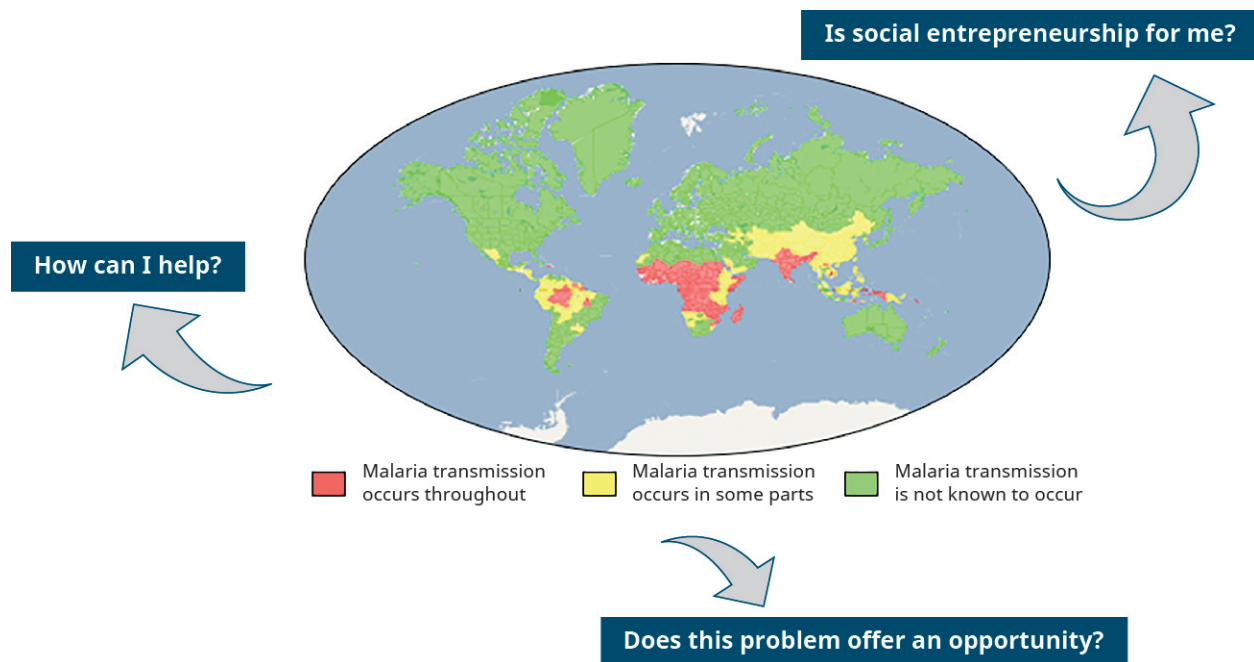**Figure 15.12**   What can you do to help solve this global problem? What potential solutions might also be entrepreneurial opportunities?

15.5   Reflections: Documenting the Journey

Learning Objectives

By the end of this section, you will be able to:

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12   American Society of Tropical Medicine and Hygiene. https://www.astmh.org/about-astmh/who-we-are

- Examine the value of journaling and reflection
- Experiment with reflection as a daily habit

Figure 15.13   Taking the time to record your thoughts and activities provides new learning opportunities. (credit: "Journaling" by Vic/Flickr, CC B 2.0)

Consider the journey of learning about entrepreneurship and of becoming an entrepreneur. What new knowledge have you gained about the world of entrepreneurship? What have you learned about your own interests in becoming an entrepreneur? Discovering your interest in specific areas helps to inform the possible entrepreneurial opportunities you might want to pursue and informs you of specific processes and actions where you might excel within an entrepreneurial endeavor. Consider how you can add value to an entrepreneurial team as a team member, or in the capacity of a mentor, consultant, or champion, as you reflect on your own interests, goals, passions and desires.

The Power of Journaling

Reflection supports personal growth through identifying actions that worked well and actions that didn't work out as well as hoped. A formal reflection journal for capturing daily thoughts, experiences, lessons learned, and other material, can lead to insights and identify patterns in thinking and in behaviors that may be helpful to recognize—both for personal growth and for growth as an entrepreneur.

In daily life, people seldom have the time or training to be mindful of their actions—to be aware of how they interact with others, or how they act in the variety of situations that fill their days. A daily practice of reflection can improve your ability to be mindful throughout the day and to grow through your documented reflections. Being mindful is the action of being in the moment, being aware of surroundings and fully engaged in awareness of the people around us, hearing their communications and understanding the complexity of their messages. Mindfulness moves us out of our *reaction* to situations from our own personal perspective into a more *objective awareness*—a bit like viewing your life as though you were watching it as a spectator on the sidelines. This change in perspective moves us away from reacting to situations and toward a clearer, unbiased, and focused understanding of the situation with awareness of the situation's nuances. As we develop the practice of mindfulness, we become skilled at being aware of our own emotions and patterns, which can make us aware of more options about how we want to respond: rather than acting in a habitual or

reactive manner, we can consider responses before we react. Reflection is the first step in developing this skill.

Take a few minutes to reflect on your life up to this point. Can you identify milestones, significant decision points, and understand why you made these decisions? Forming a daily habit of writing down your thoughts about the day, challenges you faced and how you responded to each, tracking what went well and what didn't go well is the process of reflection. Over time, you will begin to see patterns in your behaviors. Identifying these patterns or habits provides key insights into how you think, process information, make decisions, and react to decisions. Once you notice these patterns, you have the power to analyze them and decide which are helpful and which are not. The patterns that are not helpful should be removed and replaced with better patterns. You can write down the new patterns that you want to develop as a goal in your daily reflection journal. You can then identify if you're moving closer to following the new pattern and achieving this goal.

This type of journaling activity might seem like busy work, or you might think that you don't have time for reflection. If this is how you feel, try following this advice for a couple of weeks and then reconsider, or conduct your own research to find articles that discredit reflection. There is a vast body of research that supports reflection as an important part of self-growth and self-realization. Some documented benefits in these studies include learning from mistakes, discovering new insights and ideas, and increases in reported happiness and satisfaction with life and relationships, increased mindfulness, and increased self-understanding resulting in feeling more power to choose how one interacts with the world—feeling empowered rather than victim of a situation.[13],[14],[15]

The Impact of Reflection

Gino and Staats noted four categories that hinder success; "biases cause people to focus too much on success, take action too quickly, try too hard to fit in, and depend too much on experts."[16] Their point is that the focus on action and success can get in the way of being successful, or of even knowing what success looks like. Gino and Staats' research identified challenges related to the category of the focus on success. The first three challenges related to the bias toward success include the fear of failure, a fixed mindset, and overreliance on past performance, topics discussed earlier as impediments to the entrepreneurial team's success and ability to recognize the need for adaptability[17]. Under the concept of a bias toward action, Gino and Staats identified two challenges: exhaustion and lack of reflection. Exhaustion prevents entrepreneurs from contributing at top—or even normal—levels, while a lack of reflection reduced performance by 20%, according to their findings.[18] Lack of reflection not only decreased performance but also decreased individual, team, and organizational learning. The U.S. Army uses a system of after-action reviews (AARs) to reflect on actions, successes, and opportunities for improvement. Another common name for this type of reflection in the business world is post-mortem or lessons learned: the action of reflecting on projects or decisions to identify best practices and areas for improvement. Consider the medical community: what would happen if after every surgery or medical diagnosis, no one analyzed the consequences of the surgery or diagnosis? Might we still be using mercury to kill germs or leeches for bloodletting?

The last two biases identified by Gino and Staats are a bias toward fitting in and a bias toward experts, with

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13   Cable Neuhaus. "The Multimedia Journal: More Than Just a Notebook." *Saturday Evening Post*, *289*(6), 16. December 5, 2017.

14   Deborah L. Starczewski. "Encouraging Students to Think Beyond the Course Material: The Benefits of Using Reflective Journals". *Teaching Professor*, *30*(8), 5. October 2016.

15   J. L. Nelson. Express Yourself. *Scholastic Parent & Child*, *19*(1), 52–54. 2011.

16   Francesca Gino and Bradley Staats. Why Organizations Don't Learn. Harvard Business Review, 93(11), 112. November 2015.

17   Francesca Gino and Bradley Staats. Why Organizations Don't Learn. *Harvard Business Review*, 93(11), 112–113. November 2015.

18   Francesca Gino and Bradley Staats. Why Organizations Don't Learn. *Harvard Business Review*, 93(11), 114. November 2015.

two sub-challenges within each area. Under bias toward fitting in, the first challenge is believing you need to conform, and the second challenge is failure to use your strengths.[19] The pressure to conform is present throughout our lives. We are taught to form a line to enter the kindergarten class, or the movie theater, or in the cafeteria. We are taught to raise our hand to ask or answer a question. This training to conform makes perfect sense in some situations, but we also need to feel comfortable following a different path or approach to living our lives. Again, reflection can help entrepreneurs recognize when they feel pressured to conform through a closer awareness of inner thoughts and feelings. Increased awareness of our thoughts and feelings often leads to more confidence in expressing our thoughts. Following this process also contributes to recognizing your strengths.

In the findings about bias toward experts, the two challenges identified are an overly narrow view of expertise and inadequate frontline involvement. The dependence on experts can create a situation where entrepreneurs assign responsibility for the information and/or decision to someone who might have an area of expertise, without realizing that an expert would not be aware of the complexities present within the venture. The expert likely has a pattern or system that has been success for other companies and in other situations, but this advice might not represent the best information or advice for your venture. Involving the frontline team, as well as other sectors of your venture, in discussions and decisions presents multiple perspectives well worth accessing.

As you build the habit of reflection in your life, and even within your venture, consider how the challenges discussed frame your reflections. Have you made decisions because you wanted to fit in? Do you and your team have a narrow definition of expertise? Did someone give you a key insight that you disregarded because this person did not fit your picture of an expert or informed person? Are you involving the right people in discussions?

Documenting Your Journey

As part of your reflection activity, another benefit is to document your journey. If you have identified an opportunity or have started to build your venture, now is the perfect time to keep a journal and document your journey. Each day you face new challenges and exciting ideas that stretch your own learning and growth. Tracking the daily events provides you with a roadmap to use for your next venture, or as a guide to build your knowledge base in moving into a mentor or consultant role. Have you ever asked yourself, why didn't I write that down? We assume that important and insightful ideas will stick in our minds and that we will readily remember them. But in reality we often forget these key insights and ideas. Through journaling, we can record and reflect on our daily activities and key insights.

LINK TO LEARNING

This TED Talk on creatives by Adam Grant (https://openstax.org/l/52ThinkersTED) discusses some of the concepts of this chapter, framed around Dr. Grant's research as a professor at Wharton School of Business at the University of Pennsylvania, on creatives. His book, *Originals: How Non-Conformists Move the World*, shares more of his findings.

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19   Francesca Gino and Bradley Staats. Why Organizations Don't Learn. *Harvard Business Review*, 93(11), 116. November 2015.

Are there biases and habits that hold you back from being a creative, as defined in this chapter and by Dr. Grant? If so, what methods can you use to break through these biases and habits?

🔑 Key Terms

burn rate rate at which cash outflow exceeds cash inflow

buyback clause legal agreement regarding an exit by a founding team member prior to the harvesting of the venture

code of conduct formal statement that provides guidance on how ethical conduct is demonstrated

culture shared beliefs, values and assumptions held by people regarding how to behave or conduct themselves within the context of fitting into an organization

Delphi method group decision making process that includes a diverse group of people who are located at different locations and willing to respond to a series of questionnaires to assist in providing ideas, information or solutions to a defined question or problem

escalation of commitment tendency to continue with a predetermined action based on the past efforts and contributions to the project rather than an analysis of the current realities that disclose a new solution or approach is necessary

fail-safe point identified point that triggers the entrepreneur to consider what actions are needed to bring the venture back to a healthy position and whether this action is reasonable and feasible

founders' agreement written document that addresses contractual topics such as division of equity, compensation and contributions to the venture, and commitments to the venture with timelines included

Gannt chart bar chart used to organize and plan sequential steps in a process

hindsight bias belief that in retrospect, the outcome was predictable when the outcome wasn't predictable due to various uncontrollable factors

hubris overinflated belief in oneself

lifestyle business business that provides incomes similar to other forms of employment

Nominal Group technique group decision making process that requests multiple rounds of responses and discussions of response

noncompete agreement formal agreement that the person signing the document will not work for another organization that is a direct competitor of their current employer

nondisclosure agreement formal agreement that the person signing the document will not sharing proprietary information with outside sources

planning fallacy creation of a plan that is too optimistic and not aligned with conservative assumptions

serial entrepreneur entrepreneur who becomes involved in starting multiple entrepreneurial ventures

social capital goodwill that is created through helping someone else

status quo bias pattern of relying on previous actions and results as the accepted pattern and outcome with a bias against change or new information or new results

📄 Summary

15.1 Launching Your Venture

Before launching a venture, the entrepreneurial team should ensure its members agree on the vision and then develop a founder's agreement. The company culture should be defined, and a code of conduct developed. The team should identify all operational tasks needed to launch the venture and their associated time requirements and dependencies. Staying openminded and flexible at launch can help support the venture's success.

15.2 Making Difficult Business Decisions in Response to Challenges

Some of the same characteristics that make entrepreneurs successful (such as confidence and optimism) can sabotage success. Entrepreneurs should be aware of potential biases or thinking patterns that obfuscate the current reality of the venture so they are able to recognize key problem indicators and put solutions in place. Some of the more difficult decisions an entrepreneur makes are difficult because of the emotional connection to previous decisions or decisions that affect other people involved in the venture. Early agreement that the success of the venture is the primary focus can help to work through these difficult decisions.

15.3 Seeking Help or Support

Entrepreneurs should recognize the wisdom in seeking help and support as they plan, launch, and grow their ventures. Sources of advice include the entrepreneur's own network, the connections of the start-up team, and angel investors and their resources. Tools to assist in decision making include the Delphi Method and the Nominal Group Technique.

15.4 Now What? Serving as a Mentor, Consultant, or Champion

Once you become an entrepreneur, you can consider giving back to the entrepreneurial community by becoming a mentor, consultant, or champion to support other people in their ventures.

15.5 Reflections: Documenting the Journey

Reflection and journaling are useful tools for entrepreneurial growth. These practices can help you to identify patterns that act as obstacles, to brainstorm solutions, to set goals, and to document ideas that may lead to your next venture.

Review Questions

1. A non-disclosure agreement protects the venture by _____.
    A.   outlining confidential information or knowledge that the parties do not want to share with outside, or third parties, and is considered a legally binding contract
    B.   sharing information that is not confidential
    C.   identifying key people who can access confidential information
    D.   identifying disclosed information for outsider use

2. Which of the following documents should be discussed and agreed upon prior to the start of the venture?
    A.   non-disclosure and non-compete agreements
    B.   non-disclosure and founder's agreements
    C.   founder's agreement and a code of conduct
    D.   founder's agreement, non-disclosure, non-compete, and code of conduct

3. The Founder's agreement includes which of the following content items?
    A.   non-disclosure clause
    B.   personnel plan
    C.   buyback clause
    D.   marketing plan

4. According to some research on entrepreneurs, what is/are the most significant bias(es)?
   A.   small numbers allow for niche markets
   B.   entrepreneurs prefer taking action rather than planning
   C.   entrepreneurs tend to be over confident and optimistic
   D.   entrepreneurs fall for the planning fallacy

5. The law of small numbers refers to:
   A.   an inability to attract a large target market
   B.   a target market that is too small to lead to success
   C.   a target market that aligns with key stakeholders
   D.   both a and b

6. Why is it important to keep track of your assumptions?
   A.   Knowing the assumptions provides background information related to the projected outcomes or numerical projections.
   B.   Knowing the assumptions provides an opportunity support your biases.
   C.   Assumptions are never accurate and are therefore discredited.
   D.   Assumptions constantly change and therefore do not need to be tracked.

7. The Nominal Group technique _____.
   A.   is only used in complex decisions
   B.   has multiple uses for gaining feedback from participants
   C.   can be used with only one participant
   D.   restricts participant participation

8. The Delphi technique _____.
   A.   requires participants to be in one location
   B.   requires participants to come prepared to the activity by researching the problem
   C.   requires time and commitment
   D.   requires collaboration in answering the questionnaire

9. Acting as a mentor provides _____.
   A.   expert assistance to the venture startup team and self-growth for the mentor
   B.   opportunities to diminish relationships
   C.   the mentor with professional development
   D.   the mentee with peer recognition

10. A serial entrepreneur is someone who _____.
   A.   wants to retire
   B.   creates a pattern of starting multiple ventures
   C.   plans for a low stress future
   D.   plans to start the first venture

11. Benefits of a reflection journal include which of the following?
   A.   identifying patterns, biases, habits and discovering new insights
   B.   assigning new work responsibilities
   C.   identifying wasted time
   D.   avoid reviewing decisions that can't be changed

12. Reflection journal is similar to _____.
- A. a post mortem
- B. a time log of your activities
- C. a scrapbook of pictures
- D. a record of assumptions

13. According to Dr. Grant, creatives are people who _____.
- A. are procrastinators
- B. act on multiple ideas
- C. plan out each detail
- D. are highly confident with no doubts about their success

Discussion Questions

1. Why should the entrepreneurial team begin with the end in mind?

2. How can a Gantt Chart help in the preparation for starting the new venture?

3. Why would an angel investor stress to the startup team the importance of not getting too attached to the venture?

4. Should employees who are not part of the startup team receive an equity position in the venture? What are the benefits and drawbacks that inform this decision?

5. What biases might an entrepreneur encounter in starting the venture?

6. What actions can the entrepreneur take to avoid these biases?

7. What can be done to avoid personnel problems that occur after the venture has opened?

8. How can brainstorming and creating a mindmap improve problem recognition and follow through actions?

9. What are three methods you could use to find support for your new venture?

10. Why is it important to analyze and discussion decisions?

11. Why is it important to feel comfortable with a decision?

12. What are the benefits in becoming a mentor, consultant or champion?

13. What are the risks or drawbacks in becoming a mentor, consultant or champion?

14. How does a philanthropic desire align with entrepreneurship?

15. What can you do to avoid the challenges presented through Gino and Staats' research?

16. What can you do to role model behavior that reflects your learning of the material in this chapter?

Case Questions

1. Review the information on YouTube in this section of the chapter and conduct your own research. What evidence is there that beginning with the end in mind was part of YouTube's founders original plan?

2. Review the LuminAid story. Why did Sreshta and Stork focus on light as their business idea instead of a focus on other areas needed by survivors of a natural disaster?

3. Refer to Stacy Madison's food cart story. What was the most important insight you gained from reading about Stacy's food cart business?

4. Everlane started as an online clothing store focused on ethical business practices. Part of their commitment to ethical practices includes regular visits to their factories to ensure people receive fair wages and work reasonable hours, addressing environmental concerns, and being transparent in decisions and transactions, such as disclosing the cost to produce an article of clothing. With $100 million in revenue in 2016 and over 44,000 people on the waiting list for a new line of denim available this September 2018, Everlane is shaking up the fashion industry. If your new venture faced this type of competition, what actions would you take? Consider if you would adopt this same transparency strategy, become more involved in the supply chain to determine how clothing factory workers were treated at your offshore factories owned by other entities, increase brand name marketing to support the profit markup on your clothing, or some other action? What process would you use to make these decisions?

Suggested Resources

15.1 Launching Your Venture

Nanda, R., Kind, L., Laws, K., & Lum, J. (2015). Case Study: Is a Start-up's Strength Becoming Its Weakness? Harvard Business Review, 93(11), 145–5.

Ablebit's instructions for making a Gantt chart in Microsoft Excel: https://www.ablebits.com/office-addins-blog/2014/05/23/make-gantt-chart-excel/

Smartsheet's step-by-step instructions for making a Gantt chart in Microsoft Excel: https://www.smartsheet.com/blog/gantt-chart-excel

Project Manager's Ultimate Guide to Gantt Charts: https://www.projectmanager.com/gantt-chart

The Startup Checklist by David Rose, founder of NY Angels and GUST.com

Shortcut: How Analogies Reveal Connections, Spark Innovation, and Sell Our Greatest Ideas by John Pollock discusses using analogies to think about unmet needs and innovative solutions.

15.2 Making Difficult Business Decisions in Response to Challenges

"How Fast Can Your Company Afford to Grow?" *Harvard Business Review*, 1998. Classic article serves as a good reference on cash flow and self-financed growth, covering key levers to help manage profitable growth without having to go "hat in hand" to investors again.

The Undoing Project by Michael Lewis provides a good reference on biases through the story of psychologists Amos Tversky and Daniel Kahneman.

"3 Steps to Determine Product-Market Fit", *Entrepreneur Magazine*, August 2014. Good reference on product-market fit.

What Customers Want, by Ullrich, discusses "Jobs to be Done" theory created by Clayton Christensen and practice by Strategyn.

https://www.npr.org/podcasts/510313/how-i-built-this

15.3 Seeking Help or Support

Service Corps of Retired Executives (SCORE): https://www.score.org/

Small Business Administration: https://www.sba.gov/

Y Combinator: http://www.ycombinator.com/

Techstars: www.techstars.org

Klein, G. (2004). *The Power of Intuition: How to Use Your Gut Feelings to Make Better Decisions at Work*. New York, NY: Doubleday.

15.4 Now What? Serving as a Mentor, Consultant, or Champion

The Case Foundation: https://casefoundation.org/

Startup Champions Network: http://www.championsnetwork.co/

15.5 Reflections: Documenting the Journey

Evers, F. T. (2008). Journaling: A Path to Our Innermost Self. *Interbeing*, *2*(2), 53-56.

Ciampa, D. (2017). The More Senior Your Job Title, the More You Need to Keep a Journal. *Harvard Business Review Digital Articles*, 2-4.

Worklife TED-sponsored podcasts: https://itunes.apple.com/us/podcast/worklife-with-adam-grant/id1346314086?mt=2

NPR podcast "How I Built This" founder/CEO podcasts: https://www.npr.org/podcasts/510313/how-i-built-this