

Notes on The Intelligent Entrepreneur by Bill Murphy, Jr.

Chapter 1:

Bill Murphy is a journalist and an entrepreneur, wrote the book case studies of three entrepreneurs.

marc cenedella



(1) Marc Cenedella

<http://www.marccenedella.com/>

He made good deals by developing good relationships.
He'd kept his eyes open and used his brain.



(2) Marla Malcolm

http://www4.gsb.columbia.edu/null/download?&exclusive=filemgr.download&file_id=7214739 and <http://www.bluemercury.com/>

She developed a reputation for being confident, smart, and ambitious. One of her first team leaders was impressed with her with her resilience (rebounds readily, lively)



(3) Lieutenant Chris Michel

http://workinprogress.blogs.time.com/2007/05/16/veterans_discover_online_job_h_u/ and www.military.com

Chris won the people around him over with his determination and charm. His attitude is "I am committed to do everything in my power to succeed."

Chapter 2: Entrepreneurship can be learned

Professor Howard Stevenson, HBS

“There are skills, attitudes, and a fundamental base of knowledge that education and experience can provide. You won’t turn me into a world-class athlete by sending me out to practice with a coach, but I will certainly play a better game. Entrepreneurship is no different.”
(discuss)

What they teach in Harvard Business School? The core belief about entrepreneurship: it can be taught, and it can be learned.

Harvard Business School: Entrepreneurship is “the pursuit of opportunity without regard to resources currently controlled.” It is not so much a set of skills as it is a process, a belief, and a commitment. It is a mode of thinking and acting – *a way of observing the world, of figuring out how to change it* (hopefully for the better), and, perhaps most important, of becoming the person who is capable of implementing that change. Skills are important but skills are commodities. Besides, the non-MBA among us can hire MBAs to perform business functions such as finance, marketing, and human resources.

Becoming a successful entrepreneur requires courage, character and faith.

Entrepreneurs, the school learned, tended to be happier, healthier, and less likely to be divorced than their classmates who worked for large firms. For the most part, they loved what they did. HBS professor Howard Stevenson puts it, “they never want to retire.”

Process of entrepreneurship:

1. Evaluate the opportunity.
2. Assess required resources.
3. Acquire the resource.
4. Manage the venture.
5. Harvest the value.

Need to teach by the case method, grounded in good examples, and force students in class to interact the way that they will in the real world.

Why does society need entrepreneurs? We need thinkers, risk takers, creators, and builders. We need ambitious people who will put themselves on the line to build real firms that add value and create jobs. They solve difficult problems and invent entirely new industries.

The TEN KEY RULES

1. Make the commitment
2. Find a problem, then solve it.
3. Think big, think new, think again.
4. You can’t do it alone.
5. You must do it alone.
6. Manage risk.
7. Learn to lead.
8. Learn to sell.
9. Persist, persevere, prevail.
10. Play the game for life.

Successful entrepreneurs made an unequivocal, pedal-to-the-metal choice to throw everything they had into realizing their dreams of building successful companies. First step that any intelligent entrepreneur must take: you've got to make a commitment. With a clear head and a whole heart, you've got to decide that you absolutely, positively will become a successful entrepreneur.

MAKE THE COMMITMENT

Chapter 3:

Chance favors the prepared mind. – Louis Pasteur

By group: share personality test. What makes an entrepreneur?

For teacher: HBS taught its students how to approach and break down problems. The case studies invariably included too much information, and few students retrained much of a case's details after they were finished with it. Instead, students developed the ability to analyze complex business problems and judge which information was important and which was not.

Option is to teach them MBA approach to case study such as:

- Statement of the Problem
- Objectives (SMART)
- Areas of Consideration
- Alternative Courses of Action
- Analysis of Alternative Courses of Action (Finance issues, Who will implement, Pros and Cons)
- Recommendation

HBS professors consistently told their students that coming up with good ideas was the easiest part. Professor Bill Sahlman warned them that starting a successful new company would be very difficult. It will take a lot of research, he said. You'll have to want it. You'll have to follow through, even while your friends and classmates are enjoying themselves.

"Ideas are dime a dozen," Sahlman said. "Execution is what is important."

Ed Zschau (professor in HBS): "If you're planning to be an entrepreneur, you should be planning to be a salesman. You're constantly selling. You're selling yourself when your company doesn't even exist yet; you're selling the concept to potential employees; you're selling to customers. And you're trying to convince suppliers that this teeny company of yours, that isn't well financed – you're selling them the belief that you're going to succeed."

Chapter 4: Make the Commitment

You can't wait for inspiration. You have to go after it with a club. – Jack London

Question: how badly do you want this? What' really motivating you to launch a company can make all the difference down the road.

Before they developed business plans, recruited teams, raised money, learned to deal, and built their ventures, Marla, Chris and Marc each made ea conscious and very personal commitment to become successful entrepreneurs.

Their social environments encouraged Chris and Marla to believe that becoming an entrepreneur was not only possible but something they fervently wanted to do.

Surprising fact: Many companies are founded by people who never truly set out to become entrepreneurs. Instead, new ventures are often launched because their founders have lost jobs – the unemployed are twice as likely to launch companies – or because they don't want to work for others.

But still, the depth of your commitment matters greatly. Making a conscious choice to become a real entrepreneur – rather than simply finding a way to make a living or starting a business – is essential.

In HBS, the professors see the entire discipline of entrepreneurship as necessary, life fulfilling, and at times almost spiritual. They're not just teaching business strategies and processes; they're inspiring students to embrace a way of life.

Professor Joseph Lassiter: My hope is that we help our students find the courage to actually take the leap. It's extremely easy to follow an established, well-traveled path, and their lives can matter and they can find fulfillment and all of those other things. But some people want to take a different path, and yet they hesitate because they're fearful about the consequences – because they can't explain it to their mom and dad, because it's riskier than another path, because it's lonelier than another path. But I would much rather that they die regretting what they have done than what they have not done. (p. 70)

Important questions for aspiring entrepreneurs:

What other obligations will compete for time and resources? Launching a business entails risk. But if you have a lot of obligations, it may not be wise to give up a steady paycheck to start your own company. Ask yourself: if I make the commitment to become an entrepreneur, who else will be coming along for the ride (family)? Who will it affect? If the answer leads you to conclude that the risk is too big, figure out how to reduce that risk before proceeding.

What kind of support systems do you have? Who are willing to provide emotional support, encouragement, and good advice as you embark on your entrepreneurial careers? Marla spent many hours talking with established entrepreneurs who ran companies that Leducky wanted to buy. People don't feel like they can't start companies because they don't know or work with other people who have started companies. Entrepreneurship can be a hard and lonely life. Without the support and encouragement of others, success will be more elusive. Having mentors and role models matters. So, who's really got your back?

What is the opportunity cost? Consider the opportunity costs (i.e. salary, position) of making a commitment to become a high-percentage entrepreneur. Sometimes, naming your fears can make them much less scary.

What is your tolerance for risk? Stig Leschly, HBS alumnus, who started a company called exchange.com sold it to Amazon for many millions of dollars and came back to HBS to teach: 'it (working on exchange.com) was not risky – I hate it when people say it was risky. I don't think that's true. If you factor in every aspect of a decision, we are all optimizing uncertainty'. For Leschly, the biggest risk was the danger of becoming mediocre → he was more scared of going back to McKinsey, or Skadden Arps, or P&G.

(p. 75) Where will you find your best idea?

Will it surprise you to learn that making a firm commitment to entrepreneurship as your first step will almost certainly help you come up with your best ideas?

They say that comedians live in the same world as the rest of us; they just see everything differently. It's the same with entrepreneurs. Once you've truly made that commitment, you'll be amazed at how quickly you begin to see the world in a different light.

Problems give way to opportunities.

"Why?" becomes "Why not?"

"It's always been done this way" turns into "What if we tried something different?"

Opportunity is personal, not universal. It grows out of your talents, experiences, interests – and the problems that you're uniquely positioned to perceive in the world.

For Marla, Chris and Marc: once they had made the commitment to start their own companies, they thought constantly how the world around them could be improved. They began focusing on a problem they wanted to solve. And only then did they start looking for the solution.

FIND A PROBLEM, THEN SOLVE IT.

Chapter 5:

Every problem has in it the seeds of its own solution. If you don't have any problems, you don't get any seeds. – Norman Vincent Peale

Marla: if you could just go online and purchase these beauty products, wouldn't it be easier? In 1999, no one had launched a Web site dedicated for them.

The concept of bluemercury was not simply a cosmetic site, but a high-end, luxury destination for women. "bluemercury" is building a new 'Nieman Marcus of the Internet,'" she wrote in the business plan – 'the Internet's foremost, upscale specialty retailer focused on busy, professional, and affluent women.'

Marla had listened as Leducky concluded that the most interesting e-commerce proposals were those that proposed to build their businesses online and then link up with traditional retailers. Her company was much bigger than an idea to sell cosmetics over the Internet. She emphasized that 'we are focused on a demographics, not a product category.'

Her recent research had revealed that there were twenty one million affluent women in America, "65% of whom are in the work force, who crave time, and whose needs are underserved." This wasn't just a makeup and cosmetics Web site she was pitching; it was a 'foundation for a multiple category upscale retailer.'

For Chris: the Big Idea had been hiding right in front of him all the time: the United States armed forces. He could be the one to connect and empower all those who served, and the Internet offered the perfect way to do it. Add up everyone serving in the military, those who had served, those who aspired to serve, their loved ones – the total was in the tens of millions at least, with trillions of dollars in buying power.

Was there already an Internet site targeting military members and veterans? – offer practical information, a virtual place to reconnect with old shipmates and army buddies, young people who are thinking to join can be targeted.

IDEAS come from determining that SEGMENT that you want to SERVE. It's usually who you are. You serve best the segment that is like YOU!

Chapter 6: Find a problem, then solve it.

Stig Leschly, founder of exchange.com and former lecturer at HBS

“I’ll bet the military.com guy was in the military. I’ll bet the woman who started the makeup company really likes lipstick.”

Start with a problem you really want to solve. Do NOT start with a solution and then go looking for a problem. Identify problems you know something about. Choose problems that you personally want to solve.

Here’s a question you want to ask yourself: who cares?

It’s important to understand that every good entrepreneurial opportunity is personal, and these two ideas simply weren’t the right opportunities for Chris and Marla, given their experience, strengths, and personalities.

It makes perfect sense that Chris would incorporate his love for the armed forces in the concept of this company. Or that Marla would build her venture around not only her interest in beauty products, but also her understanding of what an ambitious, intelligent, professional woman would want out of life.

They got their ideas – ideas that worked – because they began by identifying problems and then focused intensely on problems they were personally eager to solve.

Marla: it’s easier when you really care about solving a problem. It’s definitely easier to stick with it if you like the business.

Focusing first on the solution rather than the problem that needs to be solved can be a recipe for failure.

Professor Howard Stevenson says that ‘part of the reason that you have a lot of failures in technology start-ups is that the founders don’t know the marketplace. They may know the technology, but often there is no compelling need for the customer to buy.’

At HBS, students are often advised to work in two or three different fields after graduation. The hope is that after some experimentation they’ll find an industry that really interests them and then get a job that allows them to learn a lot about it.

Data on entrepreneurship shows that the odds of being a successful entrepreneur increase when one graduate from college then work for someone else first. Learn as much as you can about an industry that interests you. And if you’re serious about starting your own company, you’d be wise to learn to supervise, manage, and lead on someone else’s dime. In short, experience matters.

Professor Bill Sahlman –Decide where you want to live, pick an industry with good prospects and ample opportunity, find the best job you can, and then look for good mentors. If things go well, you will soon have firsthand knowledge of the industry – and as time goes on there’s a good chance you’ll be able to identify the problems that people truly want someone to solve.

Noam Wasserman: ‘making sure you are solving a real customer problem is something that differentiates entrepreneurs.’ There are different kinds of problems. The real dividing line is simple: does the problem you’ve identified relate to the promotion of pleasure, or to the prevention or termination of pain? And intensity matters, too. You’ve got to distinguish

between the “ideas that only rise to the level of ‘nice to have,’ versus things that people really need or greatly want.”

Pain businesses are those that solve a significant problem, and people will rarely hesitate to pay money to solve that problem (consider Maslow’s hierarchy of needs). Pleasure businesses solve less urgent problems. They can sometimes be great, but the success rate is much lower.

Entrepreneurial ideas – ask yourself – what am I interested in? What do I do with my time? Then think about the problems you encounter in your everyday life. You’re much more likely to find a problem you care about – and one that other people will care about as well – if you focus on something that’s personally interesting.

Have a genuine passion for that industry.

The bottom line is: WHO CARES? Consider the people, the opportunity, the context, and the deal. Will customers care? Will investors care? Will the market care? Is there a ready market for the product or the solution to the problem you’ve chosen?

THINK BIG, THINK NEW, THINK AGAIN

Chapter 7

Inevitably, launching a company meant uncertainty, pressure, and wild swings of emotion.

At HotJobs, the business was all about collecting and trading information rather than physical products.

Marla had two immediate priorities. First, they had to reach out to the premium cosmetics companies whose products she hoped to sell on her Web site. Second, they had to hire a Web development firm to design and build the sites infrastructure. Once they had a prototype in place they could approach a handful of venture capital firms and quickly raise the kind of money they would need to grow very big very fast, before anyone else got the same idea.

Because she and Barry had never made the rounds of venture capital firms, they’d never learned about the many other firms that were simultaneously pitching similar ideas. She and Barry, as a result, now be launching in direct competition with nearly a dozen well-funded Internet beauty sites, none of which she’d even heard of a few weeks before.

When she outlined the competition, the potential investors all saw the same thing: bluemercury was dead meat.

Marla realized the key to her idea wasn’t the Web site – it was the cosmetics. Marla recast the company as a bricks-and-clicks enterprise – she would open retail stores, and the Web site would be a companion channel. Bluemercury proposed to buy EFX outright, a retail store of cosmetics. Her investors were not on board with her decision.

To fund the purchase agreement to buy EFX, Marla had to remortgage her home and sign a personal guarantee to cover all of the company’s outstanding obligations. By the time the deal was done, Marla owned two retail stores and a half-finished Web site – and she was now carrying half a million dollars in debt. Marla now owns a real, live company.

EFX brought with it the purchase records of its twenty thousand customers. More important, the company had a long history of dealing with the most prestigious vendors in

the cosmetics industry, the ones Marla needed to ensure that bluemercury – both the Web site and the stores – could grow to become a high-end destination.

Hiring the right people mattered enormously. The first question she would ask prospective employees was usually, “What is your favorite brand of beauty product and why?” Any applicant who couldn’t answer that question with passion and intelligence certainly wasn’t a “beauty junkie” like Marla – and so she clearly wouldn’t be well suited to work for bluemercury. Marla hired only full-time workers and paid them full-time salaries with benefits rather than commissions. Equally important, her customers should know that the salesperson didn’t have a financial incentive to steer them toward a particular line of beauty products.

Chris: Thinking Big

Chris’ goal was to organize everybody in the armed forces.

Demographic that Chris was targeting were as follow:

- The military market is large and attractive
- 30 million current/former military members
- Another 40 million adults with close ties to the military

To ask for funding: In the late 1990s, the conventional wisdom was that any entrepreneur pitching to a venture capital firm needed to present a credible plan to reach \$50 million in revenue by the 5th year of operations. Though Chris achieved this, no investors were interested until Mike Levinthal.

For his part, Mike Levinthal had sat through many, many presentations from would-be dot-com millionaires, yet Chris’s passion made the idea stand out. Here was someone who understood the business side, but he also seemed to understand the military community better than anyone else in Silicon Valley. The market MilitaryAdvantage had targeted was wide open, and Levinthal believed that it could dominate it. The Mayfield partners invested \$5M in the business.

With the Mayfield investment, Chris’s group launched a Web site that was beginning to attract a substantial number of visitors; the company had enough credibility to raise a lot more money. Within months, Chris had raised another \$20 M in venture capital, but the company spent money almost as fast as it came in (i.e. advertisements and events to build brand).

Chapter 8: THINK BIG, THINK NEW, THINK AGAIN

It’s not what you look at that matters, it’s what you see. – Henry David Thoreau

A real opportunity consists of both a problem and a proposed solution.

Thinking big can mean coming up with ideas that have scale and scope, as well as aiming for huge financial returns. At the very least, it means pursuing ideas with enough potential to make them worth your time – not to mention your investors’ and customers’ time. Venture capital firms are rarely willing to fund companies that do not project revenues in the tens of millions of dollars. But thinking big refers to more than just money. Successful

entrepreneurs spend their limited time by pursuing plans that would make it possible for them to have as much as impact as possible.

Thinking new, fundamentally, means bringing your outsider's perspective to bear in an industry where people have always done something a certain way.

Thinking again means recognizing that almost no one comes up with both a great problem and the perfect solution right out of the gate.

THINK BIG

People aren't always naturally ambitious. In Chris's case, he became legitimately ambitious when he moved to Washington. Every day, he interacted with top military and political leaders – people he'd seen only from afar up until then. Gradually, he came to understand that they were human beings, too. And if they could climb so high up the ladder, why couldn't he?

In case of Marla, she learned to think bigger and bigger because she surrounded herself with people who aimed very high. They pushed her to take on greater challenges, and to envision ever broader definitions of success.

Learning to think big is a process that never stops. Barry Beck → "Don't go around there and look for experiences. Experience is what you get when you don't achieve what you want. Go out there and do what you want to do and succeed at it. And be careful which mountain you climb. God forbid that you climb a mountain, plant your flag at the top, and then look around and realize – What was I thinking? I climbed the wrong mountain."

THINK NEW

Innovation usually comes from either bringing a new technology to an industry or coming up with a new business model. For instance, Marla identified a lot of things she disliked about how cosmetics were sold in America before she launched her company. She insisted on hiring full-time salespeople, employees who wanted what she wanted out of her work – not just an hourly job, but a real career. Marla didn't identify with retail managers or cosmetic vendors, she identified with the people who shopped in her stores. She built the bluemercury's business model around providing the greatest possible benefit to her customers, which was both a simple and profound innovation.

THINK AGAIN

Successful entrepreneurs launched their businesses with entirely the wrong idea – and succeeded later only because they recognized their mistake, slammed on the brakes, and tried something different.

Marla was able to raise capital for what she's doing now only because the company began as an Internet play. But she had to quickly change their strategy. She had a bad first idea but then found a way to transform it.

Thinking big doesn't necessarily mean thinking complicated. "Some of the best ideas are simple," Ed Zschau says. For instance, Starbucks → coffee by the cup!

Professor Noam Wasserman: Some of the best entrepreneurs enter into a brand-new industry, and they see a better way to do things than the people who are steeped within that industry. As outsiders with different experiences, they have broader thinking, and they

often see how to adapt a model from another industry to this new industry where things haven't changed in a while. They can see other ways to do things because their perspective isn't based on those unstated assumptions about how things have to be done."

In the end, you've got to figure out how to deliver products and services to customers at a profit. What often keeps you going? It's your dream. Sometimes to realize your dream you need to seek the help of other people. You simply can't do it alone.

YOU CAN'T DO IT ALONE.

Chapter 9:

It's not who you know. It's who you get to know. – Chris Matthews

Like many investors, Capital Investors known as "the dinner club" cared as much or more about the people behind a venture as the venture itself, and Marla presented a complete package. She was the right-brained idealist who knew what her clientele wanted because she was her own ideal customer. But she also had a driven, analytical mind-set. Even as she and Barry were asking for money to pen tier fourth store, the investors could see that Marla had a carefully considered plan to open the fifth, sixth, and seventh stores, all the way up to a dozen or more.

Chapter 10: You can't do it alone

Change creates unprecedented opportunity. But to take full advantage of those opportunities, focus on the team. Teams win. – John Doerr

The Key to Finding Key People

Highly successful entrepreneurs lean heavily on "social capital" to build their businesses. First they developed networks that would help them to identify and pursue opportunity. Second, they did a remarkably good job of recognizing their own personal strengths and weaknesses, which led them to put together startup teams that complemented their talents and experience.

Marla doesn't come across as a superficial or obviously ambitious person who is interested in others only for what they can do for her. But still, with foresight and concerted effort, she had a knack for putting herself in the right places and developing relationships with the people she found interesting.

Chris goes out of his way to introduce himself to unusually interesting people.

Highly successful entrepreneurs never hesitated to introduce themselves to people who might prove useful or to leverage well-developed contacts when they had a specific end in mind.

Recruiting the Right Team

Success requires a team. At the founding stage, it usually consists of two or three people.

Bill Sahlman in a Harvard Business Review author of "How to Write a Great Business Plan" minimizes the importance of business plans; their effect on the prospects of any new venture's likelihood of success, he wrote, rated about a 2 on a scale of 1 to 10. Instead, he recommended focusing on the "interdependent factors critical to every new venture". First among these factors, he said, were "the men and women starting the venture, as well as the

outside parties providing key services or important resources for it, such as its lawyers, accountants, and suppliers.”

HBS alumni Arthur Rock says, “I invest in people, not ideas. Good people, if they’re wrong about the product, they’ll make a switch.”

Another venture capitalist partner says, “What makes a successful company? The strength of the management team. It’s very important. We seek out entrepreneurs who are able to hire other outstanding people. We look for a founder/CEO who has exceptionally high intellectual horsepower, who understands the nature of competition and what will be required to win – for someone who is going to win. We look at all ingredients – the size, the business model, the competition. But 50 to 75 percent is the caliber of the people.”

Marc Cenedella: The number one rule is to be passionate about something. Your passion is your best means of meeting people. There’s so little of it in the world, and people are drawn to the excitement of somebody who is really alive, really on fire about something. Everything else follows.

At the end of the day, it’ll be your name on the door. They’ll be looking to you for leadership direction, and inspiration. It’s your company, and in the end you bear the ultimate responsibility for not only launching it, but growing it into a thriving, successful business.

It’s your dream, sometimes there’s simply no other choice. You must do it alone.

YOU MUST DO IT ALONE

Chapter 11:

To be a champ you have to believe in yourself when nobody else will. – Sugar Ray Robinson

To be on the Internet game, one needs to figure out how to attract users and make money.

For Military.com, Anne Dwayne saw an underserved market: qualified lead development for the education industry. Imagine, she said to Chris: You’re the head of admissions at a college or vocational school and you’re trying to fill your classes. What if you could find a steady stream of students who were capable of doing the course work, who would add value to your student body, and whose tuition would be paid by the federal government? Anne proposed that Military.com offer educational institutions a simple deal. First, the company would add a check box to its registration form and its communications with its members, asking if they wanted to hear from “military-friendly colleges.” Next, Military.com would sell the contact information they collected to colleges and vocational schools.

For Anne, thinking new is important but they needed customers who could think new as well. Cutting-edge companies became the suppliers and customers of other cutting-edge companies.

For Marc, in 2003, he embarked his 27th job search and had been interviewed hundreds of times. He would spend an hour or two searching for jobs he knew he would never apply for, in a field he had no intention of entering. He started turning up amazing leads, positions that his cousins found very intriguing and that they knew they never would have come across otherwise. Marc’s problem: he would have to be able to list jobs that people couldn’t find anywhere else. But without a solid core of job seekers, how could he persuade employers to post ads?

His business model was to charge job seekers rather than employers. He needs an inexpensive plan to recruit job seekers who would be willing to pay for the service. His plan is to focus on a narrow portion of the job market. "If we're only accepting the highest-paying sales jobs, people will pay for those leads," he says.

The response to his business model was overwhelmingly negative. Marc realized that without revenue, he couldn't attract capital investment; without capital investment, he couldn't produce revenue. Marc realized that the venture would have to be self-funded.

Marc ran a few ads on Craigslist – "Looking for help finding \$100,000-plus jobs? If so, the ads promised, SalesLadder would send along a free newsletter. Marc also launched a simple viral marketing campaign, asking cousins to email all her colleagues in the sales industry and ask them to take a look at the Web site. (Target is to get subscribers).

Chapter 12: You must do it alone

Teddy Roosevelt:

It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasm, the great devotions; who spends himself in a worthy cause; who at best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.

Marc: Stubbornness is the secret. Have a strong sense of your own opinion. Being an entrepreneur is about saying, I know this doesn't exist. This segment isn't being addressed. But I can go do it. I suppose some people might call that arrogance. To me, it's a matter of self-assurance.

Chris: I change the rules of the game. Rather than competing with everyone in the squadron to become the next guy in the airplane, I built my reputation creating things. It's become a success strategy for me: I don't play by other people's rules.

Study of entrepreneurial psychology: the importance of confidence, persistence, and the ability to go it alone are borne out by the academic research. "One of the tough tensions that good founders face is how to be solo players," Noam Wasserman agreed, "but at the same time, still be team players."

Confidence may come from: the students' experience of analyzing about two hundred case studies and thus putting themselves in the shoes of many different business leaders; by interviewing founders of successful startups and write a paper that demonstrates what they've learned to give them direct exposure to entrepreneurial minds and help give them the confidence that maybe, someday, they could start a company themselves.

MANAGE RISK

Chapter 13

True entrepreneurs work extremely hard to take as little risk as possible.

Marc: using every possible low-cost tactic to build excitement. To build his subscribers, he would send out updates of SalesLadder emails each week and to anyone he considered a potential angel investor. He kept his messages short and to the point so that people would actually read them. Marc's plan is to target 25,000 subscribers, at which point they would make a subtle switch and turn the weekly newsletters into a simple advertising circular. They'd still list the jobs, but at some point they would start charging the subscribers who wanted to access the contact information and get the other details they'd need in order to apply. Marc would predict how many people were going to sign up that week, or how many jobs they'd find – and almost without fail it would happen.

SalesLadder.com was changed to TheLadders. TheLadders ran banner advertisements on its competitors' Web site – Monster and CareerBuilder and continually updated its free ads on Craigslist and other such sites. The hardest part of everyone's job was compiling the newsletters each week, which took an enormous amount of everyone's time because marc had set a goal of including at least three hundred legitimate \$100,000-a-year jobs in each issue.

They advertised that they would soon start offering premium level of service – the new President's Club – that would deliver the most value. People were clearly responding to their job listings, and they were earning a bit revenue from running paid Google ads on the site. Recruiters and employers were even starting to submit jobs on their own, without Marc or the others having to look for them.

Marc realized they have enough traction to start the pay product when his cousin's colleague recommended TheLadders' service to her and when one Monday morning they got emails at 9am asking what happened to TheLadders when their newsletter was not sent on time (before 9am).

To raise funds, he pitched his company to a handful of venture capital firms. In 6 months, Marc was able to raise \$635,000 to run a legitimate, growing company.

Chris Michel sold Military.com after working on it for 4 and half years to Monster.com. The final purchase price was \$39.5Million, Chris walked away with a little over \$5Million. Chris, Anne and the remainder of Military.com team were now employees and shareholders of Monster Worldwide. Andy McKelvey, 388th richest person in the world according to Forbes magazine says: "Once he'd decided to buy the company, he was most interested in the people who built it, run it, and rescued it. Big companies like Monster did this all the time, buying up small competitors for a few million dollars not so much because they wanted the business, but because they wanted the people.

McKelvey – he had taken a tiny Yellow Pages advertising firm and over forty years built it into the top recruiting service on the World Wide Web. When he'd started out, the field of human resources recruitment had barely been envisioned – not to mention the Internet. "Besides," McKelvey said, "think about how many deals are done that leave the founders feeling screwed." To preserve the team that had built the venture into a company he wanted to acquire, McKelvey felt that \$5Million was a small price to pay.

Chapter 14 – Manage Risk

One of the great myths about entrepreneurs is that they are risk seekers. All sane people want to avoid risk. – Professor William Sahlman, Harvard Business School

Entrepreneurship involves risk, but so does every other choice you make in life. The decision to launch a company built on a solid business model might actually be less risky than a lot of other courses of action. Successful entrepreneurs consistently aim to strike advantageous deals and assemble teams of people who contribute essential assets.

Marla: Hedge your financial risk means don't spend money when you don't need to. It means raise money before you need it, and focus relentlessly on growing your revenue and improving your bottom line.

Chris: He doesn't have a higher tolerance for risk than the average person. "There is no special, overarching level of risk tolerance among entrepreneurs, but they do have an inflated sense of their own abilities. They absolutely believe that they can go out there and launch a successful company."

Marc: When he started the company, he funded it himself. He was almost unbelievably cheap. He learned to write code so that he could put up his initial Web site on his own. He worked out of his apartment; he brought in partners and employees for equity rather than pay; he and Alex used guerilla marketing tactic they could think of to reduce expenses.

Stig Leschly: By carefully managing risk, you preserve as many options as possible. The students become very good at analyzing all the elements of a venture, all the variables, so that if they do decide to ever start a company, their exposure is as limited as it can be.

Noam Wasserman: Entrepreneurs manage risk rather than take risk. Focus on the bottom line; raise money; be frugal. What entrepreneurs do is manage the risk they take, in part by allocating the risk to other players who are better able to manage it.

R&R is perhaps one of the most famous entrepreneurial cases at HBS written by Howard Stevenson. The case protagonist, Bob Reese, had been in the board game business for years, and at the height of the Trivial Pursuit craze in the early 1980s, he came up with the idea of designing a similar game that would focus on TV trivia. In a matter of months, Reese managed to get a wide range of stakeholders to cooperate and produce his product, including a game designer, TV Guide magazine, a department store, and others.

Stevenson outlined the approach this way. "We ask the question, 'Is the game business risky?' Everybody says, 'Yes.' And then you analyze the case and you say, 'Well, who does Reese have to get to cooperate?' He only has about three months to launch the game, and you ask, 'What does he give, and what does he need to get from them? Who took the risk?' The designer spent two weeks designing the game, but he was paid \$250,000, and since he normally made \$30,000, he sure wasn't taking any risk. He didn't even have to design the game until orders were in place. I can go through each of these – the department store, for example, placed orders – but Reese arranged for TV Guide to give them free advertising that exceeded the amount of their order. So even if the game bombed and they never sold a single unit, they'd get these twelve pages in TV Guide, which was at that point in front of 17 million subscribers. And since the stores were never going to reorder, they weren't taking an inventory risk. By the time we've finished our study of the case, I always say to the students, 'Well, where did the risk go? I thought you told me this was risky!'

Think of what you will bring to the venture and value your assets accordingly. Your idea is worth something. Your time is worth something, too, so is your passion, your experience, and your contacts. Opportunities vary depending on who is considering it; similarly, the risk differs greatly depending on who thinks about taking those risks. The intelligent entrepreneur works hard to ensure that the people bearing each risk are the ones who perceive them as least risky.

Skills set should be complementary NOT similar.

Too much caution opens the door to a different sort of risk: inaction.

Nothing ventured, nothing gained.

A good way to manage risk is not to manage it alone. The assets that each member of our team brings to your venture will help you limit your exposure to risk; after all, you've brought them on board because you believe they can make a substantial contribution to your success.

Whoever you are, whatever your personality, your success will likely turn on whether you learn to lead people effectively.

LEARN TO LEAD

Chapter 15

Marc: The cofounders of TheLadders all understood that the only sure way to increase both their salaries and the value of their equity was to do everything possible to build TheLadders. If they listed a certain number of jobs and spent a certain number of marketing dollars, they could count on signing up a fairly predictable number of free subscribers. And for each hundred new subscribers, they could make a pretty accurate guess about how many would eventually sign up for the premium service.

Few million dollars invested in the company will dramatically ramp up their marketing, build a more robust Web site, and cement their position in this new market before their competitors knew what had happened. Weekly revenue now is between \$20,000 to \$25,000.

Now investors were competing for Marc's attention, not the other way around. Meeting venture capitalists was also a way of getting some free advice about his business from some very smart people. Venture capital firm from Boston: Nick Beim, of Matrix Partners → he liked the look of the business model, but he was even more impressed by the quality of the management team Marc has assembled. This team had been working in the industry at high levels for several years before starting TheLadders. They brought obvious passion and commitment to their enterprise. They had developed a unique and counterintuitive business model – though no one had ever tried to charge job seekers for listings, it was clearly working.

And there was the idea itself. They were in the pain business rather than the pleasure business. As Beim knew, finding a job triumphs everything when you don't have one. Beim's firm invested \$7.5Million.

Difference between activities and outcomes

Illustration: Suppose you could get a look at the official records of two navy fighter squadrons. Imagine that these hypothetical units flew the same airplanes, trained in the same way, and undertook the same missions. Further, imagine that the squadrons were made up of people with virtually similar backgrounds. Given these equivalences, you might think that the two squadrons would perform pretty much on a par. But the data showed that this wasn't the case at all. In fact, navy studies had revealed that strong squadrons outperformed weaker ones by a factor of ten.

What was the difference? Most likely explanation for the striking difference in performance was leadership, culture, and a relentless focus on desired outcomes. Equipping and training the squadrons was important, but not nearly as important as the paramount goal – patrolling and deterring during peacetime, fighting and winning in times of war.

Only two characteristics really mattered when evaluating team members – competency and fit. 2x2 matrix

Great fit. Low Competency.	Great fit. High Competency.
Lousy fit. Low Competency.	Lousy fit. High Competency.

← COMPETENCY →

↑
FIT
↓

How do you handle the highly proficient person who was nevertheless a complainer who hurt other employees' morale? Or the enthusiastic, nice person who just didn't have the skills or competencies to get the job done? When things were going well, you could cover up for poisonous or incompetent people but when times get bad, they simply have to go.

Marla: to grow bigger, they raised another round of funding. Marla still insisted on hiring only full-time employees, even though some of her investors encouraged her to switch to part-time staff so she could save on fringe benefits. Marla was convinced that the lower level of service her customers would receive wouldn't be worth it. She still used a store-based bonus structure, so that her employees were encouraged to work together rather than compete with one another. And Marla still personally interviewed every new employee in every store. She held herself to a very high standard and the stores reflected her ambition to be the best of the breed.

Marc: company's revenues were to be used "for marketing and growth," not for padding the wallets of employees. Though TheLadders had never paid especially well, it had always thrown fun parties and provided its staff with some great perks. Marc believes in motivating people by promising to give them something special if they really performed. Marc insisted on celebrating the company's wins.

Chapter 16 Learn to Lead

Leadership is getting someone to do what they don't want to do, to achieve what they want to achieve. – Coach Tom Landry

To lead is about having integrity, clarity, and enthusiasm; about finding the right people; about giving them the power to make decisions even while shepherding them toward a

particular goal. Learning to lead is about making promises and then doing everything you can to keep them.

QUESTION for discussion: Is a good leader a good manager and vice versa? WHY?

Chris: Leadership is about setting the culture, performance and having passion. If people actually believe that you have their best interests in mind, you can have great conversations with them, even if they're sometimes pretty tough. You can have a real impact, not just on their work but on their lives.

Marc: a bash is about more than having fun; they're a good way to show both his passion for the company and his appreciation for the contributions of others. You have to hire more talented and capable people, and you have to manage them using different skills.

Ed Zschau: Most entrepreneurs are idea people. But when you start out as an idea person and then over time learn how to manage the company, lead the company, and then bring it to a successful outcome – when you've done that, you've developed some essential skills that make it possible for you to be a capable CEO. Then you can decide whether you want to hire a CEO to run your company day-to-day, or whether really want to be both the idea person and the operations person. Sure, the ideal is that you can do both, but that isn't right for everybody.

Noam Wasserman: Innovators who don't know how to lead people or operate businesses can flame out very fast. The most successful entrepreneurs can work alone AND be a team player; they can make a critical individual contribution to their venture AND make that transition to leading others.

For instance, it can be very tough to make the transition from being a salesman to being a manager of salesmen. In some very prominent cases, new ventures have promoted their best salesman to manager and as a consequence killed their company.

One lesson that's especially difficult to learn is that NO GOOD LEADER WILL BE UNIVERSALLY LIKED.

The key to becoming a good leader is not about having greater intellectual horsepower or better skills than your employees. Stig Leschly: General management is almost anti-intellectual. True, some strategy problems are hard, but most aren't impossible. And in some disciplines – manufacturing science, engineering science, and life sciences, for instance – specialists are critical to the success of a company. But general managers don't need to have a specialized skill set. When it comes to effective leadership, what really matters is what transpires among human beings – whether you can hire and fire, whether you can run a meeting with two or seven or twenty-five people, whether you can relate to people, motivate them, connect with them.”

Wasserman's research demonstrated that when successful companies finish their initial product development, or when they've raised a significant new round of outside investment, it's often time for the founding CEO to step aside. In many cases, he or she simply doesn't have the management and leadership ability needed to run a larger organization.

If you launch your venture successfully, there may well come a day when it has grown beyond your ability to lead it. As the CEO of an ever expanding enterprise, you have to worry not only about your product, but also about such things as building a sales force, distributing and supporting your product, managing finances, and leading bigger and bigger

teams. Maybe you can do all those things and more, but what if you reach such a pinnacle of success that one day you take a look at your competition and realize that your new, innovative, game-changing company has become the status quo?

What motivates people to launch companies is often incompatible with what motivates someone to lead a large firm over the long term.

How do you learn to lead?

- 1) How well do you communicate? Are you a good listener?
- 2) How clear is your vision? If you can't articulate a vision for your enterprise or if you doubt your ability to make and keep promises to your people, you are almost certainly not ready to make your dream of becoming an entrepreneur a reality.
- 3) Can you put ego aside? Are you a big idea guy or a get stuff done guy? Are you willing to step aside and delegate when necessary?
- 4) What do you truly want to do?

Leadership is about organizing people and motivating them to work together toward a common goal. The flip side of good leadership is the ability to sell. You may think that launching a company is all about innovation, but the real truth is that it's equally important to learn how to persuade people that your idea is as ingenious and invaluable as you think it is. Your venture is only as good as its best salesperson.

LEARN TO SELL

Chapter 17

When does a marketer become a salesperson? When he needs to make a payroll. – Anne Dwayne

Marc: Problem → since they had set the price for employers to post ads at zero, they had sent a clear message that their service wasn't worth anything. For instance, a corporate recruiter who worked for a Fortune 500 firm had become a big booster for TheLadders. Whenever a job was open in her corporate division, she would submit it to TheLadders. She'd had great luck with their service and told her colleagues that they should use it as well. But almost no other recruiter within the company had followed suit. They have an evangelist inside the company, and even she can't sell it!

"Free just isn't working." Free is the wrong price.

These were Fortune 500 companies they were targeting. They had money to spend on recruiting.

Marla: Bluemercury was becoming a hot commodity and in early 2006, PricewaterhouseCoopers (PwC) audited the company's books for 2005 and confirmed that it had generated \$17M in revenue – nearly twice what it had done the year before. Chris Sphar had seen retail firms sell for six times annual revenues or higher.

Good management book: Made in Japan, the autobiography of Akio Morita, cofounder and CEO of Sony. Culture that puts customer service first; based on a business saying, "Okyaku-sama wa kami-sama desu," which meant "the customer is god."

The attitude is what's important.

Ledecky-Darman theory of entrepreneurship: start and build, but take your win! Take some money off the table.

Barry Beck: Don't fall in love with your business. Barry turned to his favorite metaphor – Icarus, the character in Greek mythology who flew too close to the sun. "Don't be Icarus, be Daedalus, who flies a little lower and survives.

Marla: Invus would invest in the firm at a pre-money valuation of \$62M. Together, Marla and Barry owned just over 70% of bluemercury's stock; after the deal they'd hold on to 24%, and so they would be walking away with well above Barry's goal of \$20M in cash. Moreover, there would be \$10M available to fund the expansion of more stores, and Marla and Barry would stay in place as the CEO and COO of the company.

Seven years, one month, and fifteen days from the day Marla started her company, she had done it. She had started and built bluemercury and she had taken money off the table.

Chris: Rather than keep pushing around the edges, trying to squeeze a few more points and a few more dollars out of the companies that wanted to reach the membership of Military.com each month, why not replicate the model and build communities focused on other affinity groups? For example, why not take the concept behind Military.com and start a new Web site for law enforcement officers called something like Police.com? Firefighters.com, Teachers.com and Nurses.com

Chapter 18: Learn to Sell

As soon as you decide to become an entrepreneur, you become a salesperson. You've got to sell yourself as someone who can innovate, lead and execute. You want to sell your idea and your venture. That is what you need to learn how to sell.

PASSION

You're always balancing your passion and your credibility.

Ed Zschau: The mistaken impression about sales is it's all about convincing people to do things they don't want to do. A good salesperson is somebody who can understand the values and the objectives of the customer, and then make a proposition that resonates with those values and objectives. He's also got to convey a sense of credibility and integrity.

You have to be persistent in the appropriate way, because you will of course get turned down a lot. But if you know how to bring a customer back to the table and say something that really makes sense, you'll get business.

Chris: One of the most important things to understand about a startup, particularly in the early stages, is that you have to sell a promise. People want to believe. They want to believe in you. They want to believe in your company. And your job is simply to give them the opportunity to believe. Investors want to find the next big thing.

CREDIBILITY

Marc's passion: he made time each week to email updates about his progress to people he hoped might someday invest in his company. He didn't send out those updates because he had to; he sent them because he enjoyed telling people about his efforts.

Most effective entrepreneurs are those with credibility – a combination of integrity and competence – which is just as important as having passion. When integrity is combined with competence, a person earns real credibility. Bill Murphy asked his wife why she liked Marla's company so much. It's the salespeople, she answered immediately. They took the time to work with her and even steered her away from a number of more expensive

products they believed weren't right for her. They seemed to have her best interests at heart, and because she trusted them, she enjoyed buying what they had to sell. Their passion was contagious and their credibility closed the deal.

Seek out employers who encourage creative thinking and risk taking. You'll be happier working for this sort of person, and you'll also develop the mind-set and reflexes that will serve you when you're finally ready to found your own company.

What's the most important skill for an entrepreneur to have? Sales. Noam Wasserman vehemently pushed the students who wanted to be entrepreneurs to go out and carry a bag. Go out and sell something door-to-door, and do it as early in your career as possible. Learning to sell is a big advantage over the people who have really never sold anything.

How to learn to sell? There is no substitute for experience. It's a challenge.

One has to persist, persevere and prevail.

PERSIST, PERSEVERE, PREVAIL

Chapter 19

Never give in. Never give in. Never, never, never, never – in nothing, great or small, large or petty – never give in, except to convictions of honor and good sense. – Winston Churchill

Chris: With his track record and a promising business plan built on his previous success, he received an offer for capital after only one pitch. Several venture capitalists were fighting over the opportunity to invest in Affinity Labs. Chris received \$6.5M venture capitalist deal with Trinity Ventures and the Mayfield Fund.

Chris' first big question was which career fields to target. They looked for professions with the largest populations, highest incomes, biggest percentage of Internet user – and – perhaps most important – the intangible notion of their affinity for one another. Such a police officers, nurses, teachers, firefighters, artists, government workers, and people working in information technology.

By spring of 2007, the first new Affinity Labs community was ready to launch: PoliceLink.com. By the end of 2007, Affinity Labs had generated over \$2M in revenue for the year and Chris projected that they would achieve four times that amount in 2008. They'd developed an excellent business plan, hired well, and executed smartly.

In just 18 months, Chris started, built, and sold his second significant company for \$61M to Monster and about 40% of that amount would go to Chris.

Chris still lived in the same one-room apartment that he'd moved into almost 10 years ago. He still didn't own a car though he traveled, took pictures and bought nicer sports jackets and blue jeans.

Affinity Labs would never have existed if he hadn't found a way to make Military.com work. It was his experience with Military.com that had truly made him an entrepreneur. He had set out to solve questions that bothered him personally: how does a former member of the military make his or her way in civilian society? He'd built a number of tools that had helped solved that problem and a number of others, not just for Military.com's members, but for himself as well.

In the wake of Affinity's sale, Chris finally bought a car (Porsche); purchased a much bigger loft apartment in SF and gave some money to his parents.

Marc: In January 2004, TheLadders had “flipped the switch” and for the first time begun charging job seekers. TheLadders faced another problem – it had always marketed its service as “free for employers.” Since all of its competitors already charged employers to list jobs, TheLadders would be giving up one of the characteristics that had set it apart in the recruiting field.

The solution Marc’s team came up with was to roll things out gradually. They went through all the records of the recruiters who had used the site and assigned each one a score based on twelve criteria – how often they posted, how often they logged in and search for applicants, etc. Based on these scores, they offered each recruiter between one and twelve months of free service before requiring that they begin paying to list jobs. The more active and desirable a client had been, the longer the client could list its jobs for free.

The existing business continued to move ahead aggressively, and the company extended its reach by launching a European version of TheLadders.

Marc: He knew that entrepreneurs almost never get things right the first time around: you just had to keep plugging away, trying first one approach to finding a solution to your problem, and then another and another, until at last you found one that worked.

The transition to paid model was painful. Only about 14% of the original recruiter-users remained, but Marc was convinced that they were not booking ads from the better class of job posters they badly needed. They still listed just as many jobs for each applicant; the difference was that the person posting the job was more often directly involved in the hiring decision, rather than a headhunter or other middleman.

Chapter 20: Persist, Persevere, Prevail

Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan “press on” has solved and always will solve the problems of the human race. – Calvin Coolidge

The key is persisting long enough to take advantage of the good fortune that does come your way. Showing up just gets you started. The truly crucial ingredient is the determination to persist, persevere and prevail.

Persistence is an excellent hedge against risk.

If you genuinely believe that you will persevere – if you’ve proven to yourself over and over that you simply will not quit – the likelihood that you’ll eventually achieve your goals is high.

If persistence improves your odds of surviving, it also allows you to take advantage of opportunity when it does come along. Sometimes an unexpected event can affect you positively. Academics at business schools like HBS call this a “shift in the context.”

Professor Bill Sahlman: Case of a packaging company that was doing poorly in the early 1980s. One of its products was a cheap mechanism for making consumer good tamper-resistant. The owners were on the verge of selling their struggling business when a tragic event turned their fortunes around completely. In fall 1982, seven people died after consuming Tylenol capsules that had been laced with potassium cyanide. Sales of Tylenol

plummeted, and the company's manufacturer, Johnson & Johnson – as well as every other manufacturer of consumable goods in the United States – clamored a way to package their products so they would be tamper-resistant. The ailing packaging company was suddenly flooded with orders and quickly became profitable again. Persistence paid a huge dividend: the company had survived long enough to take advantage of a completely unforeseen change in the business landscape.

Chris: Louis Pasteur quote "***Chance favors the prepared mind.***" Work ethics matters. Chris did everything they could think of to improve their chances of succeeding, and they never stopped looking for opportunity.

Marla: The idea just gets you started. Once you get in the game, you've got to work at it until you figure it out. And no matter what we do, no matter how much success we have in a given year, the game is always about survival. Nothing stays the same for ten years. We've had to change our strategy year after year after year. If you can survive through all the tough times, you'll be that much stronger when the good times finally come.

Stig Leschly: The rule of persistence and its association with learning is so important. Because one's wisdom is hard-won: it comes out of one's own experiences as an entrepreneur, and a story about a spectacular success that was made possible by his refusal to accept failure as a final outcome.

A key to success: willingness to revamp a failed strategy and persist long enough or the market to catch up. Leschly → you won't succeed because you have a good idea. You'll succeed because you work your ass off, because you never give up, because you reinvent yourself constantly. You've got to be paranoid all the time; you've got to readjust based on every little piece of meaningful data.

If you act with integrity, you have nothing to lose here. If you burn through your investment and the company implodes, but you come out of it with your reputation for integrity intact, you're still going to get your calls returned when the next opportunity comes along.

Cultivate your ability to persist and persevere, learn as much as you can from both success and failure, and prepare yourself for the day when opportunities comes your way so you can take full advantage of it.

Be a student of business. Read books about management, leadership and other business issues. Read about business and entrepreneurship and share what you've learned with your team.

Go to the well. You will find wealth of valuable information and advice about entrepreneurship just by browsing the Web sites of schools such as HBS, Stanford, etc. Take full advantage of your relationships with your mentors; reach out to other entrepreneurs, develop new relationships, and learn as much as you can about how they've handled the challenges they've faced.

When you can't move forward, move on. Persistence doesn't mean you should stay with one venture until the case is utterly lost. There sometimes comes a point when the smartest thing you can do is walk away. But a committed entrepreneur will find a way to get back in the game.

Entrepreneurship is choosing a way of life that very few others have the guts to pursue. When you play the entrepreneurial game, you're playing the game for life.

PLAY THE GAME FOR LIFE

Chapter 21

The reasonable man adapts himself to the world; the unreasonable an persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man. – George Bernard Shaw

Marc: the overseas expansion had continued to go well; TheLadders.co.uk

In the US, the 2008 financial crisis was taking its toll. A large number of reliable customers of TheLadders would suddenly be unable to pay for their service. This poses a dire threat to Marc's company. They lived on cash flow, and if the amount of money coming in every week diminished significantly, they would have to cut costs immediately. As with many companies, their biggest cost was payroll. "If we're going to lay off people," he told himself, "we'll do it once, and we'll cut deep enough to ensure that we don't have to do it again."

Marla: She decided not to go forward with bluemercury's national expansion. Her instincts had been right: the economy had in deed taken a dive. Because she had reduced costs and taken such a conservative approach to growth, the company had escaped most of the pain suffered by its competitors.

She'd long since realized that she was truly in the self-esteem business, because her clientele's happiness depended on looking good and feeling good about themselves. Even in difficult economic times, women were going to buy beauty products like mascara. And they used up their supplies quickly; a tube of mascara might last three months, and then they'd have to buy another. When times were hard, makeup could provide a kind of entertainment, a way to put troubles aside.

She and Barry decided to launch their own line of cosmetics. There was a gap in the marketplace, Marla concluded – a place for high-end, eco-friendly products.

Top TEN lessons for Harvard MBAs:

- 1) Experiment with your summer job.
- 2) Get in the game.
- 3) DROOM (Don't Run Out of Money – Jon Ledecy, HBS '83)
- 4) Do something you love.
- 5) The first year is the hardest.
- 6) Avoid the GBF* mentality. (*Get Big Fast)
- 7) Angels are your friends.
- 8) Competition makes you stronger.
- 9) "Nothing's good forever." (Dick Darman, HBS '67)
- 10) You CAN have it all.

Chapter 22: Play the Game for Life

We need 100,000 people in 100,000 garages trying 100,000 things – in the hope that five of them break through. – Tom Friedman

Define success: We can use quantitative measure such as how much money do they make? But it's not always only about money.

The freedom and security provided by a high income or a significant windfall are much more important to highly successful entrepreneurs than the money itself. At the deepest

level, what matters most is finding a true measure of fulfillment – one that leave you feeling that you have used all your talents to accomplish something worthwhile, make a difference in people’s lives, and leave a legacy for those who follow.

Entrepreneurship isn’t just about solving a problem, building a venture, managing risk, or making money. It’s about having a positive impact on the world, making the most of the gifts you’ve been given, and realizing your full potential as a human being. An intelligent entrepreneur, in short, plays this game for life.

Marc: In 2010, the European version of TheLadders continued to thrive, with plans to expand into even more international markets. Marc’s weekly e-mail reached more than 3.6M subscribers, and he spent a good deal of time giving speeches all over the world now, too. He is also passionate about encouraging people to take charge of their careers and find fulfillment in life, wherever it might lead them.

Marla: She was proud to report that her vision for helping her employees attain careers, as opposed to simply jobs, was working, and that many of her salespeople and managers were now celebrating their tenth year of working for bluemercury.

Chris: Both of the companies he started – Military.com and Affinity Labs – continued to flourish. In 2009, Chris visited ten countries and traveled to almost every continent. One particular shot – a sensational shot of a killer whale jumping out of the water – symbolized much of his life. He’d had to spend years developing his skill with a camera and then had traveled to Alaska to get the photograph, but the crucial point was that when he’d found himself in precisely the right place at the right time, he’d been fully prepared “To get that picture,” he said, “you need to be on that boat. That’s really the story of my life.”

To become successful entrepreneur, you’ve go to make a total commitment to the goal and then spend years working toward that moment when it all comes together.

Professor Howard Stevenson and Laura Nash’s book entitled “Just Enough” attempts to show readers how to juggle what they believe are the four key elements to success in work and life: happiness, achievement, significance and legacy.

It’s turns out that there’s little correlation among the four elements, Stevenson says in an interview. You can achieve greatly without being happy. You can probably be significant without great achievement. You can leave a legacy without achieving it in your own lifetime (i.e. Karl Marx) and you can be happy without experiencing any of the other elements.

Stevenson: I don’t like to think of it as striking a balance, because I prefer to think of it as juggling.

Professor Joseph Lassiter: “Students usually come back to see me. Most of them are happy and content... The minority who aren’t satisfied, in almost every case, they’re unhappy either because they don’t feel intensely involved with their work or because they haven’t fallen in love. More to the point, they’re either working in a profession that someone else thought would be a good fit but is in fact of no particular interest to them, or they have no one to share their life with and they’re fundamentally lonely. They never – ever – come to me and say, Gee, I’m not making enough money.”

At the end of the day, what’s important is WHAT segment do you want to serve? What PROBLEM do you want to solve? Tools are tools, but what’s important is the WHAT that brings about the PASSION in you. From my point of view, these are 2 people who changed the world: Howard Schultz and Steve Jobs.