

# Contents

|   |             |
|---|-------------|
| <b>PREFACE</b>  | <b>viii</b> |
| <b>1 PERSPECTIVES ON ENTREPRENEURSHIP</b>   | <b>1</b>    |
| Types of Entrepreneurs 2<br><i>Individuals and Teams, 8</i>   |             |
| Entrepreneurship Versus Fraud 8   |             |
| Areas of Study 9<br><i>The Entrepreneur, 9</i><br><i>Venture Types, 14</i><br><i>Entrepreneurship and the Environment, 16</i>   |             |
| Entrepreneurial Work 17<br><i>Advisability, 19</i>  |             |
| Happenstance Versus Planning 22   |             |
| Advance Study 25  |             |
| Summary 28  |             |
| <b>2 SUCCESS AND FAILURE FACTORS</b>  | <b>29</b>   |
| Measuring Success 31<br><i>Influence of Industry, 32</i><br><i>Industry-Strategy Interaction, 34</i><br><i>Strategic Position, 35</i><br><i>Strategic Factors in Startup, 36</i><br><i>Failure Correlates, 37</i> |             |
| Education and Experience 39   |             |

|  |    |
|--|----|
| <i>How Experience Works</i>                      | 43 |
| Collaboration                                    | 46 |
| Prior Choices—Employer and Geographical Location | 50 |
| Starting Capital                                 | 52 |
| Management Practices                             | 55 |
| Individual Makeup                                | 58 |
| Hard-to-Arrange Events                           | 59 |
| Summary  | 62 |

### **3 CAREER DEPARTURE POINTS 64**

|                              |    |
|------------------------------|----|
| Occupational Starting Points | 65 |
| School to Venture            | 66 |
| Job to Venture               | 75 |
| Unemployment to Venture      | 80 |
| Home to Venture              | 86 |
| <i>Family Ventures</i>       | 88 |
| Sequential Entrepreneurship  | 89 |
| <i>Side-Street Effects</i>   | 91 |
| Summary                      | 95 |

### **4 SEQUENCES IN STARTUP 96**

|   |     |
|---|-----|
| Milestones in Venture Creation                    | 96  |
| <i>Foreseeing the Venture</i>                     | 98  |
| Quest for a General Model                         | 98  |
| <i>Sequences in Conventional Manufacturing</i>    | 102 |
| <i>Sequences in High-Technology Manufacturing</i> | 105 |
| <i>Sequences in Other Fields</i>                  | 106 |
| Five Key Ingredients for Startup                  | 109 |
| <i>Contacts and Networking</i>                    | 110 |
| <i>Sequence Variety</i>                           | 112 |
| <i>Starting with Combinations</i>                 | 117 |
| Time Required to Start                            | 118 |
| Three Main Hurdles to Entrepreneurial Entry       | 119 |
| <i>High-Margin Venture Idea</i>                   | 120 |
| <i>Effective Sales Generation Scheme</i>          | 122 |
| <i>Operational Financing</i>                      | 124 |
| Summary   | 126 |

### **5 SOURCES OF VENTURE IDEAS 127**

|                                     |     |
|-------------------------------------|-----|
| Invitation as a Venture Idea Source | 127 |
| Venture Ideas From Prior Employment | 129 |

*Legal Constraints*, 132

Obtaining Rights 136

*Teaming with Inventors*, 138

Self-Employment as Idea Sources 140

Venture Ideas from Hobbies 143

Venture Ideas from Social Encounters 145

Pedestrian Observations 146

Deliberate Search 147

*Alternative Personal Tactics*, 151

*Gap Analysis*, 152

*Strategies for Deck Stacking*, 156

Summary 158

## **6 EVALUATING VENTURE IDEAS 159**

Selection Factors 159

Preliminary Screening Questions 162

More Detailed Checkout 165

Market Analysis 167

Financial Analysis 168

Longer-Term Prospects of the Venture 171

Stably Small Firms 173

*Low-pay Small Firms*, 176

Strategies of Size 176

High-Pay Stably Small Firms 179

High-Growth Ventures, 183

Competitive Shield, 185

Economically Ideal Venture Types 188

Trial and Error 189

Summary 191

## **7 MAIN COMPETITIVE ENTRY WEDGES 192**

Entry Barriers 194

*Customer Characteristics: Why Should People Buy from a New Company?* 194

*Competitor Employee Capabilities: What can the Startup do better than they can?*, 195

*Competitor Company Assets: How Can the Startup Acquire What Would Be Needed to Contend With Them?*, 196

New Product 197

|  |     |
|--|-----|
| <i>Unsuccessful New Products</i>         | 200 |
| <i>Importance of Degree of Advantage</i> | 201 |
| New Services                             | 203 |
| Product-Service Sequences                | 205 |
| Parallel Competition                     | 207 |
| <i>Parallel Services</i>                 | 209 |
| <i>Parallel Products</i>                 | 213 |
| Product Service Combinations             | 216 |
| Franchising                              | 217 |
| <i>High-profit Franchisee Strategies</i> | 220 |
| <i>Becoming a Franchisor</i>             | 221 |
| Summary                                  | 224 |

## **8 OTHER ENTRY WAGES 225**

|                                      |     |
|--------------------------------------|-----|
| Taking Advantage of Partial Momentum | 225 |
| <i>Geographic Transfer</i>           | 226 |
| <i>Supply Shortage</i>               | 229 |
| <i>Tapping Unutilized Resources</i>  | 232 |
| Customer-sponsored Strategies        | 234 |
| <i>Customer Contract</i>             | 234 |
| <i>Second Sourcing</i>               | 237 |
| Parent Company Sponsorship           | 239 |
| <i>Joint Ventures</i>                | 240 |
| <i>Manufacture Licensing</i>         | 241 |
| <i>Market Relinquishment</i>         | 244 |
| <i>Selloff of a Division</i>         | 245 |
| Governmental Sponsorship             | 249 |
| <i>Favored Purchasing</i>            | 249 |
| <i>Rule Changes</i>                  | 250 |
| Combinations of Wedges               | 251 |
| Application                          | 251 |
| Development Downstream               | 252 |
| Summary                              | 255 |

## **9 ACQUISITION FINDING 257**

|                                    |     |
|------------------------------------|-----|
| Acquisition Opportunity Situations | 261 |
| Acquisition Strategies             | 265 |
| Locating Leads                     | 269 |
| Preliminary Screening              | 278 |
| Trap Situations                    | 283 |
| Detailed Checkout                  | 286 |
| Summary                            | 290 |

|  |            |
|--|------------|
| <b>10 ACQUISITION DEALING</b>                          | <b>291</b> |
| What is Bought   | 291        |
| Determining Price                                      | 294        |
| Terms of the Deal                                      | 302        |
| <i>Leveraged Buyouts</i> ,                             | 306        |
| <i>Dealing with Financing Sources</i> ,                | 309        |
| Tax Considerations                                     | 310        |
| Legal Aspects  | 312        |
| Negotiation  | 316        |
| Bankruptcy Takeover                                    | 319        |
| Summary  | 322        |
| <br>   |            |
| <b>APPENDICES</b>                                      | <b>324</b> |
| <br>   |            |
| <b>A CORPORATE VENTURES</b>                            | <b>324</b> |
| <i>Venture Forms</i> ,                                 | 325        |
| <i>Venturing Variables</i> ,                           | 325        |
| <i>Individual Perspective</i> ,                        | 327        |
| <i>Corporate versus Independent Venturing</i> ,        | 328        |
| <i>Corporate Perspective</i> ,                         | 329        |
| <br>   |            |
| <b>B CHEMISTRY AND CULTIVATION OF ENTREPRENEURSHIP</b> | <b>332</b> |
| Reasons for Interest,                                  | 332        |
| <i>Industrialized Economies</i> ,                      | 332        |
| <i>Underdeveloped Economies</i> ,                      | 333        |
| <i>Communist Economies</i> ,                           | 334        |
| <i>Requisites for Entrepreneurship</i> ,               | 334        |
| <i>Opportunity</i> ,                                   | 334        |
| <i>Competence</i> ,                                    | 335        |
| <i>Initiative</i> ,                                    | 336        |
| <i>Pushes</i> ,  | 336        |
| <i>Pulls</i> ,   | 338        |
| <i>Barriers and Helps</i> ,                            | 339        |
| <br>   |            |
| <b>BIBLIOGRAPHY</b>                                    | <b>342</b> |
| <br>   |            |
| <b>SUBJECT INDEX</b>                                   | <b>351</b> |
| <br>   |            |
| <b>ENTREPRENEUR AND VENTURE INDEX</b>                  | <b>354</b> |