

ENTREPRENEURSHIP – AN INTRODUCTION

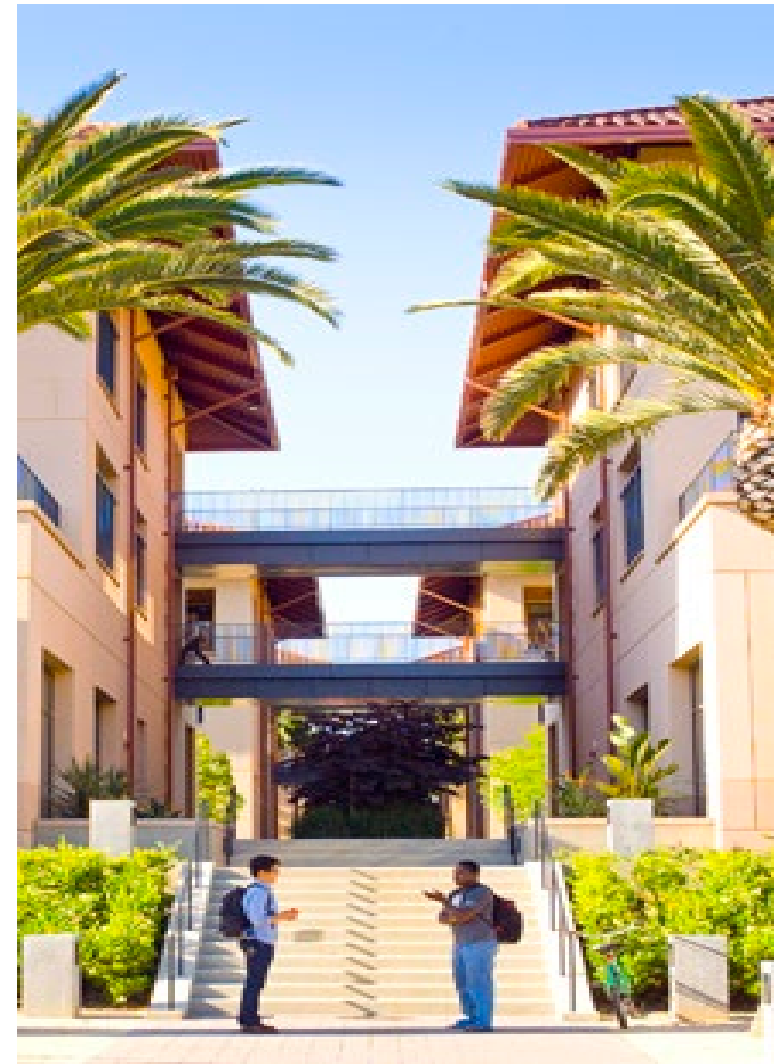
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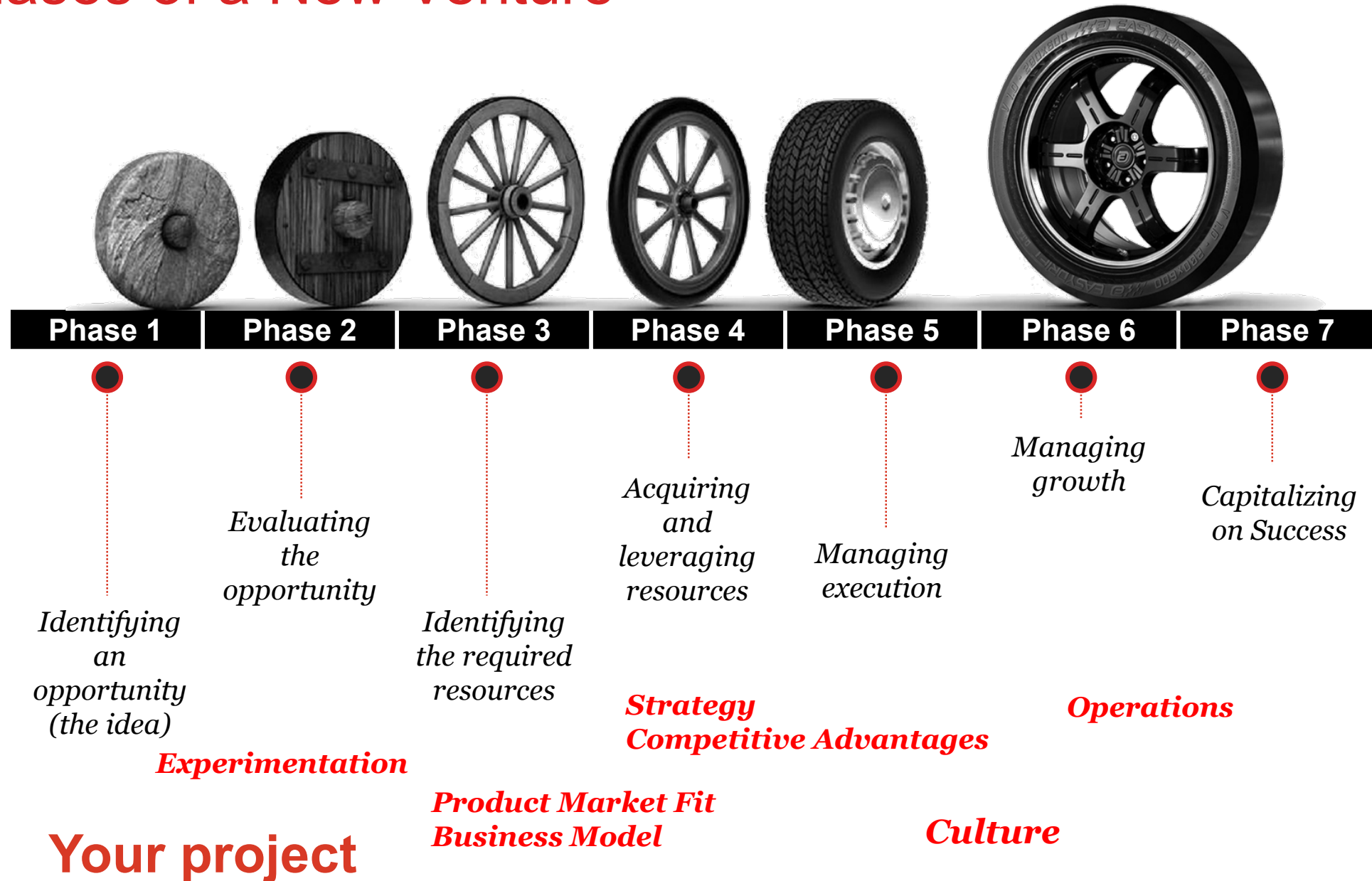
IGNITE



Change lives. Change organization. Change the world.



Phases of a New Venture



01 Entrepreneurs – Traits

Top five traits that you think an entrepreneur should have to be successful.



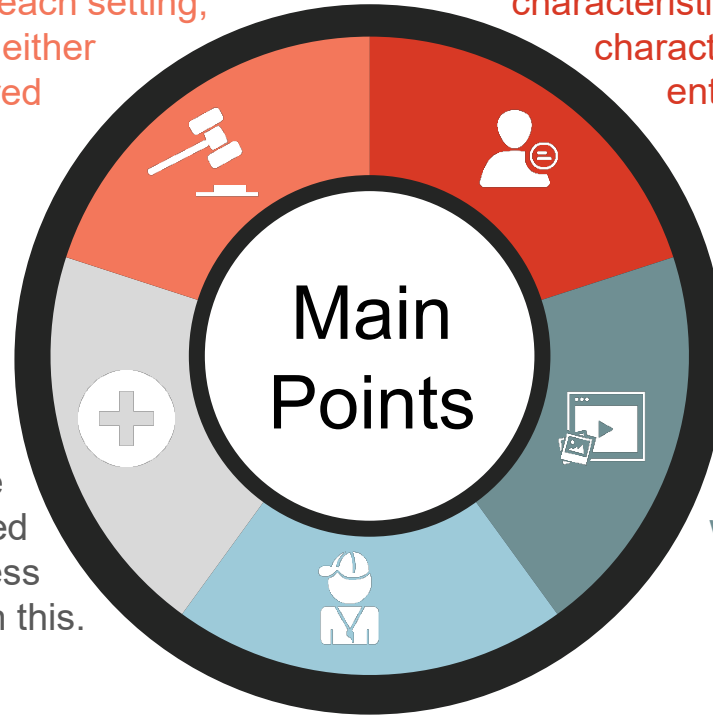
Conflicting desired characteristics are usually an indication that to be successful the entrepreneur should have the skill to judge which characteristic is best in each setting, and the ability to demonstrate either type of characteristic as required by the situation at hand.

We want to separate characteristics that characterize entrepreneurs vs characteristics that characterize successful entrepreneurs.

Positive team dynamics and positive complementarities (e.g. diversity) between team members' characteristics (especially non-coachable ones) are usually considered crucial, but we have less data on this.

The media and extreme cases may distort our perception of which characteristics are positively correlated with success.

We also want to distinguish coachable and non-coachable characteristics.



Characteristics

Characteristics: Research Sample

- 1848 **MILL** Risk bearing
- 1917 **WEBER** Source of formal authority
- 1934 **SCHUMPETER** Innovation; initiative
- 1954 **SUTTON** DESIRE FOR RESPONSIBILITY
- 1959 **HARTMAN** Source of formal authority
- 1961 **MCCLELIAND** Risk taking; need for achievement
- 1963 **DAVIDS** Ambition; desire independence, responsibility, self-confidence
- 1964 **PICKLE** Drive/mental; human relations; communication ability; technical knowledge
- 1971 **PALMER** Risk measurement
- 1971 **HORNADAY** and **ABOUD** Need for achievement; autonomy; aggression; power; recognition; innovative/independent
- 1973 **WINTER** Need for power
- 1974 **BORLAND** internal locus of power
- 1982 **CASSON** Risk, innovation, power authority
- 1985 **GARTNER** Change and ambiguity
- 1987 **BEGLEY** and **BOYD** Risk taking , tolerance of ambiguity
- 1988 **CAIRD** Drive
- 1998 **ROPER** Power and authority
- 2000 **THOMAS** and **Mueller** Risk, power, internal locus of control, innovation
- 2001 **LEE** and **TSANG** Internal locus of control



Entrepreneurs – Attitudes and Behaviors

Commitment and Determination



*Tenacious and
decisive, able to
recommit/
commit quickly*



*Intensely
competitive in
achieving goals*



*Persistent in
solving
problems,
disciplined*



*Willing to
undertake
personal
sacrifice*



Immersed

Traits – Leadership



Self-starter; high standards but not perfectionist



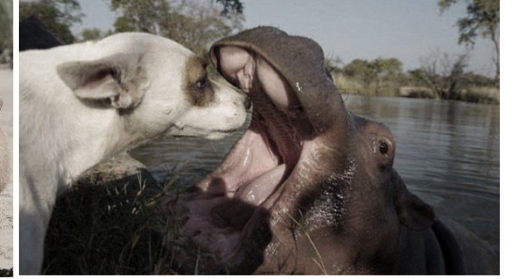
Team builder and hero maker; inspires others



Treats others as you want to be treated



Shares the wealth with all the people who helped create it



Honest and reliable; builds trust; practices fairness



Not a lone wolf

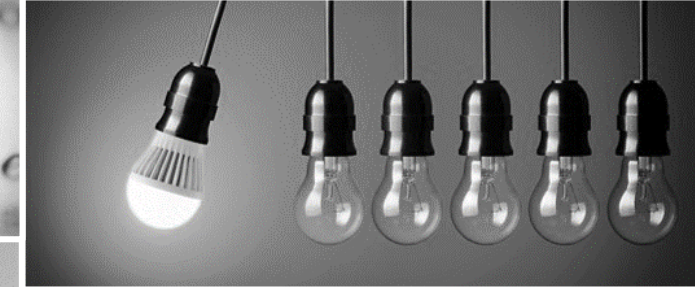
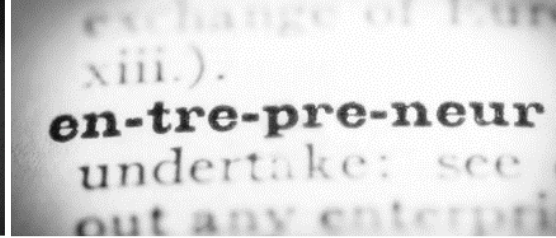


Superior learner and teacher



Patient and urgent

Creativity, Self-Reliance, and Adaptability



Nonconventional, open-minded, lateral thinker

Risk tolerance, calculated risks, handle ambiguity and stress

Restless with status quo

Deep understanding of customer, obsessed with value creation

Able to adapt and change; creative problem solver

Able to conceptualize and "sweat details" (helicopter mind)

02 Traits



*How does McAfee
stack up to your list
of entrepreneurs'
traits?*

We discussed the entrepreneur:

- **Phases of a new venture – require different skills, organization**
- **Characteristics for success – the good the bad and the hyped**
- **Confidence, leadership**

Next is the business:

- **Value Proposition**
- **Logic of the business model**



03 The Value Proposition



Who is McAfee selling to?
Why are they buying?
What value are they getting?

04 The Business Model Logic



*What is the logic of the business?
Why is it successful?*

Traits

What does visionary really mean?



Being “Authentic” – A deep understanding of the need/customer/market/technology

—

at the point where the innovation occurs



Constantly searching for opportunities

We discussed the entrepreneur

We discussed the new venture:

- **Value proposition – who values it and why**
- **Business model – why makes it successful**

Early-stage:

- **Decisions**
- **Resources**
- **Team**





vmware

01 Early Major Decisions

Why did VMware decide to go after the smaller workstation market first rather than jump immediately to the bigger server market?



vmware

02 Investors

Why not raise from VCs, active investors?

(took \$26 million from corporate VC and banks without a board seat)

Major Decisions

01

This is a typical problem. Should you go first after the smaller market when this is where you are likely to succeed and have already made strides and can predict adoption. Or should you go after the big market, the more uncertain but much bigger opportunity.

02

There are two aspects to the answer, the first is the actual probabilities of success. The second is the objectives and preferences of the people involved in the venture. It is crucial to separate the two.

03

Even if people agree on the probabilities and the potential risks and rewards, they may not agree on the decision.

04

Understanding the team, investors, advisors' subjective preferences will allow you to separate their perspective from their preferences.

05

In most cases delaying major decisions is a dominated strategy, subject to 6.

06

In some cases, you can find an actionable contingency that will help uncover the optimal decision. These tend to become milestones or decision points for the venture.

Who is at the table?



Understanding the GPs' preferences and incentives

Not all VCs (or General Partners) are created equal

01

Reputation

02

*Past behavior in a
variety of important
scenarios*

03

Background

04

Connections

05

*Existing and
past related
investments*

06

Bandwidth

07

*Nature of fund, current
risk profile, stages → risk
profile and horizon
preferences*

08

Relationships with LPs

09

*Internal organization
of firm*

This applies to any investor (from angels to private equity)



From Board to Mentors

Different people, different roles, different relationships, different expectations.

Board members provide their expertise, insights, and connections for strategic decisions as well as help develop opportunities. They primarily have a legally defined role and responsibilities.

Advisory board members tend to be more domain or issue-specific experts, and provide advice/support within a well-defined scope.

The best mentors are those whose main concern is to bring their knowledge and experience to support your success.