Welcome to The Dark Side

The seven deadly sins of entrepreneurship.

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I'm not a pessimistic sort, but I've been told that it would be good for my credibility if once in a while I could indicate that entrepreneurship isn't the answer for every problem facing the world. Nor is it the only way for all 6.5 billion people inhabiting it to make a living. So in the interest of objectivity, here's my humble effort to devote a few words to the dark side of entrepreneurship.

The rule of thumb is that about two out of every three start-ups fail. I have devoted my life to researching, writing, and teaching about the lives of the one-third that succeed. But what happens if you're in the two-thirds that fail?

- You may go bankrupt and lose your home.
- Your spouse may leave you.
- Your kids may have to drop out of college.
- You will probably become clinically depressed.
- You will definitely have to go back, hat in hand, to the same type of boring job you left.

Wow! These are pretty dire consequences. But in the spirit of being super-realistic, there are things you can do to raise your odds and lessen the consequences. Fortunately, most factors are fairly manageable. As Warren Buffett said when he addressed a group of Stanford University students: "Everybody here has the ability absolutely to do anything I do and much beyond. Some of you will, and some of you won't. For the ones who won't, it will be because you get in your own way, not because the world doesn't allow you."

For starters, here's a short list of the most common people types—or, more accurately, personal characteristics—that keep the start-up success rate lower than it needs to be. If you recognize yourself as sharing some of these characteristics, my advice is to not quit your day job until you can get a little behavior-modification therapy. While you're doing that, and in keeping with the spirit of Buffett's admonition, I've added some practical steps you can take to overcome or mitigate any non-entrepreneurial instincts you may have.

You're just a dreamer. You've always dreamed of starting your own company, but you just can't come up with a business idea. You've had this fantasy for years; you drive your family and friends nuts talking about it all the time. But nothing specific ever pops out at you that sounds all that promising to actually do. The corrective action here is pretty blunt: Stop daydreaming and start doing some serious planning about the next point below.

You're not an expert at anything. You really don't know how to create, produce, or deliver anything the world needs or wants to buy. This is even more profound than it sounds. This particular characteristic is, in fact, the number-one reason for entrepreneur failure. So it's critical that you start figuring out, in very practical terms, how you're going to come up with a product or service that someone, somewhere, needs and will pay for. And how can you do that? You can at least start by asking the right questions for picking possible product/market winners for yourself. To get you started, here are the three most important questions every entrepreneur must answer: First, what do I really love to do—what things and activities do I have a passion for? Second, what am I really good at doing—what product or service can I expertly make and deliver? And finally, what unmet, or poorly met, needs do I see in the marketplace? Within your answers, you should find the possible product/market businesses that will carry the highest chance of success for

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you as an entrepreneur.

Obviously, if you still can't come up with anything, the best advice I can give you is to stop bothering everyone with your never-going-to-happen daydreams and start concentrating on being the best employee you can be at your current job.

You're a lousy implementer. Let's be really optimistic and imagine that you've invented something the world really needs and wants to buy. So you can't be stopped—or can you? Unfortunately, the innovation landscape is littered with sad stories of brilliant ideas being stolen outright by other wannabes who figured out how to get your idea to market first. It's an old trick. Just ask Nicolaus Otto, who invented the world's first internal-combustion engine in 1876, which Karl Benz adopted in 1885. Daimler-Benz has never looked back. Or consider poor Xerox Corp. and its Palo Alto Research Center, where they had the misfortune of letting an unknown, but very entrepreneurial, Steve Jobs look at the Alto—the world's first personal computer—right down to its most prized invention, the mouse. Of course, Xerox never got around to selling a single computer. Or pity the two Dartmouth professors whose early work on computer-programming language, known as BASIC, was copied by two Harvard undergraduates, Bill Gates and Paul Allen.

It's getting worse as inventions continue to move from the heavy mechanical developments of yesteryear to the easy-to-steal high-tech ideas cooked up in college dorm rooms or research labs. The crowning example may be Facebook, a social-networking website, which currently has three separate individuals or teams—all former students at Harvard University—taking credit for the same original idea.

The entrepreneurial lesson to be learned from all this: While it's still true that you have to come up with something that the world wants to buy, the trick is to understand you're in a horse race, and the only winners are the ones who get to the finish line first.

You love management theories, paradigms, and fads. You've studied a lot about management, and you're really turned on by the most recent management ideas concocted by B-school professors and management consultants. And you can't wait to put them into practice in your own business. The advice here is to forget all this nonsense for the first five to ten years of your start-up. Wait until you hit $10 million or so in revenue before you reach into the bottomless pit of professional managers for help. When you get beyond the high-risk early years, you can hire all the MBAs you want. Who knows? By then, you may even *need* a few of them. But not now, not during the start-up phase when everything is riding on producing a product the world needs and being able to sell it with entrepreneurial passion. These are not things most professional managers are trained or even inclined to do. So save yourself a bundle of money and complete your start-up phase with people who really have a passion for the product and a personal sense of mission about the business.

You're a great employee. Starting a business can be a solitary endeavor. You may have, at most, a partner with whom to start up, but even then it's a lonely life. If you need a lot of camaraderie and team reinforcement, then stay where you are. But this doesn't have to be a fatal flaw. Many great entrepreneurs have been gregarious souls: Soichiro Honda, Sam Walton, and Charles Forte, to name a few obvious ones. But somehow these back-slapping, flesh-pressing enterprisers could muster a single-minded focus and lonely dedication to the mission when they had to—which was most of the time. Their trick—the trick all like-minded entrepreneur hopefuls could learn—was to accommodate, or compartmentalize, the lonely life of creating and nurturing a business against the need to be a great team player. And if you really hate working alone but still yearn to own your own business, then the great compromise you must consider is to become a franchisee of a large, established business. It could be the best of both worlds for you.

You were born rich. Of course this isn't a *characteristic*—rather, it's a condition that leads to a set of behaviors that are not at all that helpful in becoming a successful entrepreneur. The Chinese have a wonderful proverb that says it better than I can: "Beware the third generation." It means that the first generation creates the family wealth, the second generation lives on it, and the third generation loses it. Being born with a silver spoon in your mouth, particularly if your parents created a successful family business themselves, turns out to be a disadvantage for most would-be entrepreneurs. To turn this disadvantage into a plus, convince your parents to educate you in a commercial field that truly excites you, then convince them to act as your venture capitalists, and finally go off all by yourself to start up your own entrepreneurial venture as far from home as possible. This way, if you screw up, at least your parents' business will still be intact, and they may even give you a job!

You weren't born rich, but you sure want to *get* rich. The truth is, the thing that really turns you on is making a lot of money—and you're not particularly choosy about how you do that. Welcome to that very large group of future entrepreneur-failures whose driving force in life is becoming a multimillionaire, and who read somewhere that the best way to do that is to start a company. This is a classic case of putting the cart before the horse. A true entrepreneur's real obsession is to pursue his own, personal sense of mission, typically driven by a product or service he has invented. Money is simply the necessary fuel to do this. Venture capitalists, those shrewd evaluators of the entrepreneurial quotient in people, know this. They claim they can spot the "get rich quick" types in a minute and avoid them like the plague. I don't actually know how to get around this rather unpleasant characteristic. So the best advice I can give to all those afflicted with this particular trait is to forget about entrepreneurship and go to work for a hedge fund.