MBA BEFORE COLLEGE

Why Every College Student Needs to Start a Business and Learn MBA Principles Now

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ENTREPRENEURSHIP: HOW TO START YOUR BUSINESS?

> "There are lots of bad reasons to start a company. But there's only one good, legitimate reason, and I think you know what it is: it's to change the world."
> —Phil Libin, CEO of Evernote

Every successful company was once started by an ambitious entrepreneur. "Entrepreneurs, from Henry Ford to Elon Musk, are embedded in American lore. Risk-taking and even 'irrational exuberance' together with a contrarian spirit are part of the American DNA," writes *RealClearPolicy.com*.

Entrepreneurship is essential for the improvement of the world. An entrepreneur innovates to improve our lives, create jobs, and generate wealth for themselves and our society. While we all know the "legendary garage-to-tech-titan stories" that represent the ultimate entrepreneurial success, we also see many other types of entrepreneurs and small business owners around us. These are the family owned businesses, non-profit organizations, life-style businesses, mom-preneurs, media-preneurs, and so forth. They not only create jobs but also fuel economic growth and provide social benefits. The owners enjoy the freedom that comes with being their own boss and having full control over their futures.

In Joe Vitale's book, *The Attractor Factor*, he cited a study of 1,500 people by Scrully Blotnick. The people were put into two categories: category A said they would pursue money first, and do what they really wanted to do later. Over 1,245 people were in that group. The 255 people in category B sai d they would seek their interests first, and trust the money would follow later. 20 years later, there were 101 millionaires from the entire 1,500 people. Only one came from group A. The remaining 100 millionaires all came from group B, the group that said that they would pursue passion first and let money come later.

Seth Godin defines entrepreneurs as those who use money (preferably someone else's money) to build a business bigger than they are. They focus on growth and on scaling the systems that they build, the more, the better. I would expand the definition of entrepreneurship to include those who generate and implement ideas, innovations or solve interesting problems that benefit society or even a small group of people.

In this chapter, we follow a typical entrepreneur's journey, walk through the stages of planning, financing, and launching a new business. We cover business plan development, market analysis, competitive positioning, business model, funding sources, company formation, intellectual property, sales, marketing, and hiring. The insights gained will give you a powerful leg up in launching either a growth or a life style business.

Are entrepreneurs born or made? You may get different answers to this question from different people. Although some entrepreneurs are born with innate abilities, many more are made by life experiences. Pat Flynn, an entrepreneur, blogger and podcaster credited his entrepreneurial success to his layoff in 2008 due to the recession. Without the layoff, he said, he would have been comfortable staying in a promising job in an architecture firm.

We are living in what James Altucher calls, "the choose yourself era," and it has never been easier to start a business than today. As the uncertainty of employment grew in most industries, more and more empowered people are exploring going out into the world, inventing, contributing—following their heart and fulfilling their dreams.

You might wonder if you have entrepreneurial traits. Jack Kaplan and Anthony Warren are both successful entrepreneurs who teach at the nation's best business schools. In their book *Patterns of Entrepreneurship Management,* they summarized the common traits of entrepreneurs as follows:

- They have the ability to deal with ambiguity.
- They are self-starters, optimists, perseverant, energetic, and action-oriented.
- They are persuasive leaders, people-oriented, natural networkers, and communicators.
- They are often creative and highly imaginative.

- They passionately seek new opportunities and are always looking for the chance to profit from change and disruption in the way business is done.
- They tolerate risk, but great entrepreneurs temper risk with reality.
- They work with urgency but balancing this with a focus on long-term goals, too.
- They focus on adaptive execution, moving forward instead of analyzing new ideas to death.
- They are open to change, not hanging on to old plans when they are not working. They pursue only the very best opportunities.

Don't worry if you don't have the traits listed; people have an enormous capacity for change. Every one of us has a unique gift that can profoundly change the world. We are all called to embark on a hero's journey in this life, and we can start with the inner work to find our true callings to adventure. If you are like me, someone who is not cut out to build a vast company like Apple, you can always choose to be the best at something: making jewelry, offering online tennis courses, starting an aftercare school, or opening a vegan restaurant that offers delicious healthy food. I want to plant the seed of "you can do it" in you. According to the research by Dr. Julian Lange, a professor of entrepreneurship at Babson College, the exposure to the ideas and lessons of entrepreneurship can have lasting effects on students, even if they are not "natural" entrepreneurs.

Alex Denoble, Professor of Management and Director of the Academic Entrepreneurship Program at San Diego State University, points out that you can't teach someone to acquire the drive, the hunger, the passion, and tenacity to pursue an entrepreneurial path. However, if someone has such "fire in their belly," they can be taught the critical entrepreneurial skills needed for the journey. The entrepreneurial process is a methodical way and consists of five stages:

1. Discovery: identify the opportunity and conduct analysis
2. Planning: develop the business plan and set up the company
3. Funding: acquire sources of funding and financial partners
4. Execution: manage the company and implement the plan
5. Scaling: scale and harvest the venture

Stage 1: Discovery: Idea and Opportunity Analysis

At the heart of every successful business is a great idea. Entrepreneurs are naturally inspired to pioneer innovations, find new or better solutions to problems, or make a difference in society. They can get their spark of an idea from the problem or pain they face, fear to eliminate, need to fulfill, or passion to pursue. They have the burning desire that urges them to see if the world also wants that idea. If you are like me, having either too many ideas or none at all, you can do two things. First, frequently ask questions as recommended by Pat Flynn, "What are the things I do repeatedly that I don't enjoy?" "What do I enjoy the most?" "What are the things I am afraid of?" Second, follow James Altucher's suggestion to become an idea machine. Altucher makes it a requirement to write a list of 10 ideas every day, such as 10 businesses he could start or 10 blogs he could write. These ideas have made him millions in his business adventures.

From idea to vision. Entrepreneurs derive ambition and clear vision from ideas, and use vision as the lighthouse to achieve their business's goal and purpose. The Japanese proverb says, "Vision without action is a dream. Action without vision is a nightmare." Good visions make entrepreneurs dare to take action, dare to explore, dare to challenge, dare to persevere, and dare to have the determination to succeed. The life of an entrepreneur is filled with ups and downs, but vision is the source of vigor, perseverance, tenacity, and resilience. Vision also frames the company's culture and defines "why we do what we do." Effective vision keeps everyone focused and inspired. A well-communicated and shared vision also motivates early employees and teams to work through challenging times and unites them to find innovative ways to solve difficult problems.

Good employees love to be part of something bigger than themselves—a purpose bigger than their paychecks. Southwest Airlines has a vision to become the world's most loved, most flown, and most profitable airline. It exists to connect people to what's important in their lives through friendly, reliable, and low-cost air travel. This remarkable vision encourages its employees to go the extra mile in serving customers.

Designing business models. Michael Lewis defines a business model as "how you planned to make money." It is also about how you intend to create value for your customers. A business model is the unique combination of products, services, images, and distribution that a company carries forward.

A powerful business model blends all the aspects of the business into an integrated operational system where product development, manufacturing, marketing, information, suppliers, and customers become one. The company culture plays an important role too. The culture reflects how the company treats its people and is the basis of everything every employee does.

Kaplan and Warren identified two types of tools to construct business models in their book *Patterns of Entrepreneurship Management*: the five-component model and the business model canvas. Both models answer these essential business questions:

1. Value proposition. This refers the value created for the user of the product or service. It can be a compelling story that clarifies how the customer's problem is solved, or the end benefit of using the company's products or service.
2. Market segment. This refers to the customers the business serves. As discussed in the marketing chapter, there is an advantage for a startup to begin with a niche market, i.e., the narrow yet most valuable customers with specialized needs and characteristics. With a well-defined niche, you can focus your resources, offer the best value, and deliver the highest and most profitable sales.
3. Structure of value chain. A business is a part of a complex value chain. You must define who are the key partners, suppliers, and other stakeholders; and how to get your product or service to the customers.
4. Cost structure and profit potential. You need to understand your major costs for resources and business activities, and how you make profit.
5. Competitive strategy. Your business model needs to capture value and build competitive barriers. What is unique about what you can do better than others? How do you differentiate yourself, gain and hold advantage over others?

Opportunity and market analysis. An opportunity analysis describes how to generate sales and overcome market challenges. It analyzes customer needs and desires, market opportunity, and competition. All this forms the base of the marketing strategy.

Market research is required in this process to gather and interpret information on customer needs, preferences, issues, and the competition. It helps the company identify the viability and opportunities in the market place. Today, there are many creative ways to conduct market research through the Internet, social networks, and surveys to identify potential customers and question them about the product or service. Entrepreneur and author Ryan Levesque created “the ask method” based on his decades of experience in online businesses. It uses online surveys and quizzes to help entrepreneurs figure out the needs of the customers, know when, where and how to ask the right questions, in order to understand the pain and passions, even to uncover their language patterns. The method centers on using online techniques to discover exactly what the customers want to buy, speak the customer’s language, understand the customer’s problems, and define the exact segment you want to serve—and not to serve.

Opportunity analysis forms the basis of the marketing plan, which is a critical section in the business plan. This is a go-to-market exercise to clarify the business’s marketing objectives and steps or actions to take in order to achieve the goals. The Marketing Chapter has covered the marketing plan in detail.

Stage 2: Planning: Develop a Business Plan and Set Up the Company

We have covered the importance of strategic planning in the Strategy Chapter. A start-up’s business plan is usually the first attempt of the strategic plan. If you prepare to gain venture capital funding, a winning business plan is a must.

Most experts recommend a business plan as a twenty-five to fifty page document to describe the business direction, goals and objectives, who is involved, why the products or services are needed by the customers, and how to implement the plan. Writing the business plan is a very valuable exercise to think through your distinctive competence and implementation. You can use the plan, whole or in part, to communicate with investors, customers, employees, and partners. There are numerous templates available online when you Google the term “Business Plan for Startups.” Kaplan and Warren’s book *Patterns of Entrepreneurial Management* includes a comprehensive outline of a typical business plan with the following sections:

1. Title page and table of content
2. Executive Summary. This is a two- to three-page summary of the opportunity, problem/solution, market, and competition; why customers/consumers would choose your product or service; and forecasts financial highlights and needs. It should stand on its own to convince the investors and readers that the business will succeed.
3. Overview of the company, industry, products, and services. This section addresses the nature of the business, the customer it serves, where the company is based, and where it will do business.
4. Market analysis. This is a critical section that describes how to generate sales and overcome market challenges. Potential investors pay a lot of attention to this section. Market analysis needs to include market opportunity, competition, marketing strategy, market research, sales forecast, support material, service or product physical description, statement of use and appeal, stage of development, and testimonials from experts and prior users.
5. Marketing and sales strategy:
    a. Marketing and sales plan describes how to achieve expected sales goals.
    b. Pricing strategy and plan includes the pricing method to generate profits, and distribution channels to sell the product or service.
    c. Advertising, public relations, and promotion strategies describe how to inform potential customers.
    d. Supporting graphics in the form of charts, graphs, and tables.
6. Operations. This section provides a detailed operation plan. Depending on the nature of the business, it needs to cover product/service development, manufacturing, supply chain, quality, maintenance, and support.
7. Management team. This section includes the team's talents and skills, organization chart, policy and strategy for employees, the board of directors, and the advisory board. If you are going to attract potential investors, you need to inform them of the distinctive advantages your team has. As the saying goes, "Businesses don't fail, people fail businesses." People are one of the most important factors investors consider.
8. Financial plan. This section requires a credible, comprehensive set of projections of the anticipated financial performance. It must include a set of assumptions, projected income statement, projected cash flow statement, current balance sheet, and other financial information.

9. The amount of funds required. This section describes how much money is required to finance the business, where the funds will be spent, and when they will be needed. The use of funds can be in the areas of research and development, purchase of assets or equipment, and working capital.
10. Exhibits. This section typically includes census data and other statistics, market potential, operation process flow, and detailed financials. A business plan is essential in launching a new business. Although developing the plan is time consuming, the effort and exercise you go through to collect information on the market, operations and financials are extremely valuable. A comprehensive and well-written business plan is mandatory if you want to raise funds from outside investors.

Setting up the company

One of the most important business decisions is to choose a legal structure for your business. Common types of business structures and corporations include: sole proprietorship, C-corporation, S-corporation, limited liability company (LLC), and partnership. The legal form of the business should be determined based on your short-term and long-term needs, as each structure has different implications in the areas of tax, liability, cost, and the need for outside investors.

Sole proprietorship is the simplest form of business. It means a single owner does business alone and requires only a state or city business license to open. This is a simple way to initiate business with low start-up fees. Since there is no separation of personal assets and business assets, the drawback is that you are personally liable for business debt and legal problems. The pros and cons of sole proprietorships are depicted in the table below:

Advantages	Disadvantages
• Easy to form, operate and discontinue • Owner keeps all profit after debts are paid • Total decision-making authority • No legal restrictions	• Owner remains personally liable for lawsuits filed against the business • Limited access to capital • Limited skills and capabilities of the sole owner

C-corporation or C-corp is an independent legal entity under state laws, separate from the people who own, control, and manage it. A C-corp can conduct business, sign contracts, pay taxes, sue, and be sued. It is the most common form of business ownership. A C-corp can have many owners. The owners of a C-corp hold shares of stock in the corporation, which represents a percentage of ownership. The officers and directors of the corporation conduct the actual business.

A C-corp does not dissolve when its owners (shareholders) change or die, and the owners have limited liability—that is, they are not personally responsible for the corporation's debts or law suits. Sole proprietary and partnership companies can convert into a C-corp when needed.

C-corp is the most appropriate structure if a business needs to raise a large sum of money (such as from Venture Capital firms) to capitalize on fast growth and opportunities, or plan an IPO in the future. The pros and cons of C-corp are:

Advantages	**Disadvantages**
• Limited liability of the shareholders, with legal protection of personal assets. • Ability to attract and raise capital—it is a structure that venture capitalists require • No limit to the number of shareholders, and shareholders are the owners of the business. • Transferrable ownership. • Access to skills, expertise, and knowledge.	• Cost and time involved in the incorporation process. • Double taxation—both corporation profits and shareholder dividends are taxed • High administration compliance costs • Corporate governance rules to follow • Directors held accountable

S-corporation or S-corp is a closely held corporation (in some cases, a limited liability company or a partnership) that elects to pass corporate income, losses, deductions, and credit through to their shareholders for federal tax purposes. Shareholders of S-corps report the flow-through of income and losses on their personal tax returns, and are assessed tax at their individual income tax rates. This allows S-corps to avoid double taxation on the corporation income. The IRS has strict requirements regarding the qualification of S-corp status as described on its website. The pros and cons of S-corp are:

Advantages	Disadvantages
• Limited liabilities for the owners • Enjoys corporation status, but owners pay taxes. • Suitable for start-ups anticipating net losses, or high profitable firms with substantial dividends payout to shareholders.	• Strict rules to maintain S-corp status; breaking them lead to disastrous tax consequences. • Administration and cost burdens to qualify S-corp

Partnership is usually defined as an association of two or more people carrying on as co-owners of a business for profit. Doctors, lawyers, architects, and accountants typically form partnership businesses.

There are two types of partnerships. The first is a general partnership, which requires that each partner participate in all profits and losses equally or on an agreed-upon ratio. Normally, a general partner has unlimited liability, which includes personal assets outside of business association. The second is a limited partnership, which limits the liability of the partners to the extent of their capital contributions. A limited partner must have at least one general partner's personal assets at stake. The general partner in this case can be a corporation, so only the corporate assets are liable. The pros and cons of partnership are:

Advantages	Disadvantages
• Easy to establish and operate • Complimentary skills of partners • Division of profits	• Unlimited liability of at least one partner – the general partner

• Larger pool of capital • No double taxation, owners report their share of profit and loss of the company on their personal tax returns. • Flexible in decision making and attracting limited partners as investors	• Limitations and restrictions in raising capitals • Restrictions to eliminate for the general partnership • Lack of continuity if one partner dies. • Potential for personality and authority conflicts

Limited liability company (LLC) is a blend of some of the best characteristics of corporations, partnerships, and sole proprietorships. An LLC is like a corporation in terms of limited liability, and is like a partnership regarding the flexibility to divide profit among owners. An LLC can elect to be treated either as a partnership or as a corporation for federal income tax purposes. The pros and cons of an LLC are:

Advantages	**Disadvantages**
• Owners do not assume liabilities for debt • Not a tax-paying entity (tax benefits pass through to members) • No restrictions on the number and types of owners • Statutory meetings are not required • Can be converted to a C-corporation	• Venture capitalists usually do not invest in an LLC • Cannot take the company public (no IPO) • Restrictions on transfer of ownership • Management and member rules are different in each state

Both sole proprietorships and LLCs can be converted to C-corporations, with the help of a business lawyer. Ultimately, there is no single solution that works for every type of business. The choice really depends on the type of business, the owners, and business growth goals.

Stage 3: Funding: Acquire Sources of Capital

A start-up company can raise funding in many ways. Two distinctive types of funding are available at different growth stages of a company: early stage funding and equity funding. Most entrepreneurs start their companies with self-funding or bootstrapping, which means relying on little capital from their own existing resources. Raising money from external investors generally means losing control of the company. Equity investors such as venture capitalists provide funding to companies in exchange for part ownership in the form of shares. Therefore, the control of the company is an important decision an entrepreneur has to make when starting a business. If control of the company is the main objective, then self-funding and bootstrapping must be used. If on the other hand, you plan to acquire significant personal wealth, and are comfortable with trading control, then seeking outside investors is the route to go.

Early stage funding. Early stage funding includes self-funding, bootstrapping, family and friends, angels, factoring and supplier lines of credit, micro-equity and micro-loans, personal loans, incubators, and government grants. Most entrepreneurs are experts at using various bootstrapping methods or self-financing through retained profits from sales before they can acquire equity or bank loans. The longer the entrepreneur can survive without selling ownership, the greater the value that will be retained.

The common wisdom is: before you think about raising funds from outside parties, find your first customer and make sure your product or service delights the customer. Money will come. In addition, it usually takes twice as long as anticipated to raise money externally, so you need to plan ahead and not let financial requirements be a surprise. Here are the highlights of popular sources:

1. Self-funding. Self-funding is a necessary stage as the majority of new businesses are started with funds that come from personal savings or various forms of the personal equity of the founder(s). Personal investment also includes “sweat equity,” which means owners either donate their time or provide it at below market value to get the business established. Investors and lenders alike expect the owner(s) to put some of their own assets at risk; i.e., put some “skin in the game.”

2. Bootstrapping. Bootstrapping means to finance a new company through seeking the help or input from others—friends, family, colleagues, and stakeholders such as suppliers, customers, the public, and unions. For example, the business can negotiate payment terms with suppliers to pay 90 days or 180 days, so it has time to collect cash from customers before paying the suppliers.

   Some other bootstrapping techniques include: no or low rent, which means using one's residence for office or workspace; bartering for goods and services; negotiating an advance from a customer or strategic partner; negotiating with manufacturers on financing agreements; trading intellectual property rights or services; renting or leasing equipment; buying used equipment; accessing university and government labs for more expensive equipment; asking suppliers' and customers' help; joining a start-up incubator or accelerator; joining cooperative purchases such as buyers' club to save health insurance costs; outsourcing payroll, bookkeeping, and tax return services; and using credit card debt when bank loans or equity options are not available.

3. Family and friends. This is a very popular source for start-up capital. However, even with family and friends, you should always document the disclosure of important information about the venture, the company's risks, and financial requirements.

4. Business incubators. These are usually facilities established to nurture young startup firms during their early months or years. They provide affordable space, shared offices and services, hands-on management training, mentoring, and seed funding.

5. Government funding. Federal, state, and local governments have a range of programs to support early stage companies. These are federal, state, and local small business finance initiatives and innovation research grants. States and local governments also have small business assistance programs through loans, tax benefits, subsidized rents, or small business incubators.

   Federal agencies such as the Small Business Administration (SBA) (www.sba.org) provide information about sources of loans and other helpful information on starting and managing a small business. The Small Business Innovation Research Program (SBIR) supports scientific excellence and technological innovation through the investment of Federal research funds (SBIR.gov). A startup can participate in the competitive SBIR funding programs. The Small Business Technology Transfer Program (STTR) is another program similar to SBIR, while STTR is the expansion of the public/private sector partnership to include joint venture opportunities for small businesses and nonprofit research institutions. There are also other funding sources for small businesses that are 51 percent or more owned by minorities or women.

6. Angel investors. The ABC reality show *Shark Tank* is the dramatized version of angel investors. Angel investors are high-net-worth individuals who have funds and are willing to risk those funds in start-up companies. This can be an excellent source of raising early-stage capital if self-funding and friends are not viable. Angels usually invest their own money, in the range of $50,000 to $500,000 to get a company started, and they expect 20 to 35 percent of return on their investment. The best way to reach out to angel investors is through word of mouth such as referral from friends and acquaintances, local chambers of commerce, and networking with local groups of entrepreneurs.

7. Micro-equity. Some angel investors form regional networks of dvisers. An entrepreneur can submit an idea to qualify for micro-equity. For a small percentage ownership of the company, they provide cash to develop business plans or product prototypes. They also introduce the founders to a bigger network of angel investors, potential employees, attorneys, bankers, and venture capitalists, all of whom can help prepare for the first round of investment.

8. Micro-loan. A micro-loan provides a small amount of funds to a new business. These are short-term loans for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery, and equipment. For example, the SBA in the U.S. offers an average of $13,000 micro-loans for certain types of business, up to $50,000.

9. Bank loan. Bank loan is a type of debt financing, and the loan must be paid back with interest and may require the owner's personal guarantee on part of or all of the money. The main advantage is the owner does not have to give up any part of ownership to receive the

funds. Business counselors usually advise entrepreneurs to develop a relationship with local banks early on, which can come in handy when the company grows and needs money.

10. Factoring and supplier funding. These are alternatives to bank loans. Some private lenders offer funds for a business operation by using purchase orders from reputable customers as security for the loan. Sometimes suppliers may also give the company a line of credit in exchange for purchase orders.

Equity funding. Venture capital (VC) is the most common source of equity funding for high-growth and high-potential startups. Capital from equity funding is acquired in exchange for a share of business ownership. There are several stages of equity funding:

- Seed funding. The seed stage is the first phase in raising outside capital, usually from angel investors, angel groups or early-stage VCs. The basic requirement is the business needs to be in a good market with a good product to satisfy that market. These early investors can provide business wisdom and network connections in addition to funding.
- Early/growth stage, which is usually called series A. The name is given to a company's first significant round of venture capital financing. Series A refers to the class of preferred stock sold to investors in exchange for their investment.
- Expansion stage funding, which is usually called series B or series C/D. Very few companies make it to this stage, as it requires the business to grow month after month, with significant revenue in the millions of dollars.
- Mezzanine round. This is the final phase of funding in preparation for an IPO or acquisition.

The process of choosing a VC partner is a two-way street. While the VC evaluates the business, the entrepreneur also needs to thoroughly research the VC to make sure it is the right fit for the business. An entrepreneur typically works closely with VC partners for five to 10 years, so it is wise to pick a partner with expertise, credibility, and a matching personality. Jack Welch says there is plenty of money out there, and money is always looking for great ideas and entrepreneurs with big dreams and big ambitions.

Crowdfunding. Crowdfunding is a way to source funding for a venture (or project) by raising small amounts of money from a large number of people, typically through websites such as Kickstarter, Indiegogo or GoFundMe. Crowdfunding platform generates lightning-speed startup funding, offers instant feedback, helps the company sell to early customers, and builds a fan base. For example, Indiegogo is a popular site for entrepreneurial projects. Sondors is one of the extraordinary startups that sold over $6 million worth of electric bikes on Indiegogo.

Liquidity event. A liquidity event allows founders and early investors to convert some or all of their ownership shares into cash. This is typically done either in the sale of the company (the most usual way) or through an IPO, which allows shareholders to sell shares to the public. Ownership in a private company has real value only when a liquidity event occurs.

Stage 4. Execution: Building the Company

In this stage of building a long-lasting company, all the executive MBA principles and practices covered in this book matter: leadership, communications, financial management, people management, strategy, marketing, and operations. They are the building blocks of a successful business.

A startup is young and fragile, and it is important that an entrepreneur manage two key resources—people and cash. Human resources and financial practices are the two essential elements; all other areas are built upon these two. Chapters Four and Five cover the basics of these subjects, and I encourage you to expand and learn further in each area. Remember, a great company is by design, not by chance.

People. This is the most likely factor to determine a startup's success or failure. A company is usually started by one or a few committed people who have the vision and the commitment to see it through to success. On the people management level, finding and hiring the most capable people that fit the company culture is one of the most important things the entrepreneur can do as a leader. An entrepreneur must have the ability to articulate and communicate a vision clearly and effectively to employees and investors. The company culture is based on the vision but is reflected by every day interaction with employees—how the company hires, fires, celebrates, compensates, and values. On the other hand, clear guidelines and procedures for dealing with conflict of interest and ethical transgressions also help build and sustain a company's culture. Kaplan and Warren listed these key attributes of a successful innovative company: honesty, alignment, risk, teamwork, empowerment, freedom, support, engagement, stimuli, and communication.

Cash flow. Poor cash management practice is believed to be the number one reason why businesses go bankrupt. "Cash is king" is an age-old saying. The initial goal is to stay alive until the startup can nail the secret formula for success. I have personally witnessed promising technology startups run out of cash, lay off workers, and shut down before they had the time to establish a strong customer base in the market place.

Good financial management practices and tools can do the following: track and analyze the company's performance, manage day-to-day cash flows, budget and forecast future cash needs, aid in investment decisions, prepare financial statements (the balance sheet, the income statement, and the statement of cash flows) for investors and lenders, and prepare tax filing.

Building a successful company is a marathon, not a sprint. Successful entrepreneurs keep their eyes set on the future, but take concrete small steps in the daily operations, navigating through success, mistakes, and crisis. Although they might plan to sell the company in the future, in the present moment they focus on building a solid business by solving the problem or pain of the customers, building something they are passionate about, and creating a story that they are proud to tell their children and grandchildren.

Stage 5. Scaling: Scale and Harvest the Venture

Scale (or scale up) is to grow and expand a business to a larger market position in a profitable way. Scale is about adding revenue at a rapid rate while adding resources at an incremental rate. Every big company was a startup at some point. Exceptional entrepreneurs like Bill Gates and Jeff Bezos can start a business and grow with the business, but many struggle. According to *Harvard Business Review* article "Why Entrepreneurs Don't Scale," scaling a business requires different sets of skills and habits, and requires the entrepreneur to switch from a business development to an executive mode. "Leaders who scale do so because they take deliberate steps to confront their shortcomings and become the leaders their organizations need them to be."

The Leadership Chapter in this book provides the framework for entrepreneurs who are growing out of the startup mode. It is worth repeating what an effective leader does: recruit, develop and retain an executive team and employees; develop vision and strategy for the growing business; form a great adaptive culture; and communicate vision and strategy throughout the business. A leader that walks the talk can gain trust from employees and make employees feel safe, be willing to innovate, create, take risks and stretch themselves. Successful leaders also work with trusted mentors and coaches from both inside and outside the organization for feedback and growth. They are self-motivated lifelong learners and avid readers, so they keep an open mind to change, evolve and grow themselves.

Harvesting and exiting the venture. An exit strategy refers to the intent to “cash out” an investment made by the business owner(s) and investors (such as venture capitalists). No matter you are building a billion-dollar company or running a family business, the most common exit strategies are: selling the business, selling an equity stake to a strategic partner, merging with another business, or going public by issuing an IPO. Some businesses choose to sell the company to its managers (MBO—management buy-out), employees (ESOP—employee stock ownership plan), or family members. Each of these options has pros and cons; the business owner must weigh the options and make the best decision.

VC firms require an exit route to realize the return on their investment by converting their investment back to cash. For VC backed businesses, there are usually three exit strategies, also called liquidity events: selling the company (most common), IPO, or management buyout.

Shaping your harvest strategy is a complicated task that requires a clear vision and good planning. The right exit strategy completes the entrepreneurial lifecycle, protects and builds wealth, and ensures the business has a smooth transition and a long-lasting legacy.

Final Word for the Non-Traditional Entrepreneur: Be the Master of Your Own Fate

You may have this question in your mind: “What if I am not made to be an entrepreneur, or what if I choose not to be an entrepreneur?” Very few of us are born to become entrepreneurs like Jeff Bezos, but we all have to be the masters of our own fate in this rapidly changing world. To those of you who are still in school or college when you read this book, the future will be vastly different than the previous generations. Current popular jobs such as teachers, lawyers, doctors, pharmacists, accountants, bookkeepers, tax advisors, auditors, real estate agents, drivers, retail clerks, manufacturing and construction jobs will mostly if not completely be replaced by robots, AI, and machines.

I believe the future for human beings will be bright. What if we don't have to go to those meaningless 9-5 jobs? What if we all could do what we love and make a living around that? What if we could all be happy, healthy, and fulfilled by living from our passion without other people bossing us?

The answer is You Can! You can earn an income by following your dreams and do what you love every single day for the rest of your life. Seth Godin is the author/entrepreneur who wrote the book *Tribes: We Need You to Lead Us*. He defines tribes as a unique group of fans, friends, and followers who resonate with your worldview. Godin noted you can make a living with 1,000 true fans. You can start your own tribe, which is a gathering of people who share the same passion as a craftsperson, musician, designer, author, and all walks of life. There are entrepreneurs who build successful online businesses by designing clothes for dolls, selling course plans for elementary school librarians, or teaching people how to draw cartoons. All of these entrepreneurs started their own tribes, shared personal, relevant and anticipated messages, and built trust with their members. Money comes as a result of trust and shared passion.

Remember that great marketing definition by Joe Vitale? "Marketing is finding the target audience who most wants and welcomes your products or service." That audience already has the mindset to look for your product or service; the sales transaction is just a natural match. Here are just some examples of passion business:

Shultz Photo School. Kyle Shultz is a dad of three lovely children. He takes beautiful wedding photos. After being asked by many people on how to take better pictures, he started the Shultz Photo School to help parents do exactly that—take better pictures. With close to 90,000 parents who are in his tribe, he was able to build a passion business doing what he loves—taking priceless pics of kids and other memorable moments.

Charity: Water. Scott Harrison started Charity:Water, a nonprofit organization providing clean, safe drinking water to people in developing nations. During his volunteer work in Africa, he noticed that most of the diseases were caused by unsafe water and poor sanitation. He founded Charity:Water and uses 100 percent of all public donation to fund water projects, while private donors cover the costs of his non-profit operations. The organization has raised hundreds of millions of dollars since 2006. The website (charitywater.org) says more than seven million people get clean water through close to 25,000 water projects in 25 countries. Imagine the impacthe has had on other people's lives!

Entrepreneur on Fire (EOF). John Lee Dumas founded EOF by doing a daily podcast that features the story of a successful entrepreneur. He is a "media-preneur" who produces his own daily "30-minute radio show" at home by interviewing entrepreneurs. He grew his business into a multi-million dollar entity, while inspiring entrepreneurs and business owners around the world. He has total transparency and authenticity, publishes his monthly income, and lets his audience learn from his successes and failures.

Dr. John Yang, the dean of the Beijing International MBA program at Beijing University, says: "In my opinion, entrepreneurship is a matter of the heart, and education is a matter of the brain. It is difficult to teach a heart." These examples show that you can make a living with your heart by connecting people and giving them a place in the world. The pleasant side effect is when you do it right, making money happens.

BUSINESS - ECONOMICS

Mark Twain said, "Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do." I encourage every child to start his or her own business in college or high school, a time when no mortgage or family commitments are involved. It has never been easier to start a business in today's digitally connected world. Research shows that the fastest way to achieve financial freedom and fulfill one's growth and contribution is to start a business. The main purpose of this book is to introduce you to the concept of business administration, so you can start your business properly. The book covers the basic principles of business success: authentic leadership; effective communication; managing money, people and resources; acquiring skills and tools in operations, finance, and marketing; and understanding the business environment, economics, and the entrepreneurial process.

Aileen is a committed lifelong learner and an advocate for change. She is the owner of a boutique marketing and public relations agency serving small businesses. She studied biomedical engineering and business administration. Throughout her 22 years of corporate career, Aileen worked at Fortune 50, 500, mid-size public-traded companies, and start-ups in three countries: China, Canada, and the U.S. During her recent executive MBA study, Aileen learned the most valuable leadership principle—to be a change leader and take total responsibility in all aspects of her life—health, finance, career, relationship, and personal growth. She hopes by sharing her life experiences and lessons, some like-minded people can gather, learn, and inspire each other. Aileen is a proud mom of two beautiful children, Ian and Amy. They inspire her to be the best version of herself and to make a little progress every day—physically, emotionally, intellectually, and spiritually.

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