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The philosopher's toolbox for entrepreneurs

A guide for entrepreneurs who do not read
management books but would like some inspiration all
the same.

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for Tita

Contents

- Preface
- 1 On your own
- 2 The Goal
- 3 Leadership
- 4 Dealing with uncertainty and risk
- 5 Being creative
- 6 Turning ideas into action
- 7 Trial and Error
- 8 Financing the business
- 9 Managing yourself
- 10 Dealing with people
- 11 Trust
- 12 Hiring staff
- 13 Managing staff
- 14 Partnering
- 15 Firing people
- 16 Managing trade relations
- 17 Strategic thinking: embracing ambiguity
- 18 Strategic thinking: preserving an independent mind

- 19 Turning your strategy into action
 - 20 Getting advice
 - 21 Building a company culture
 - 22 Negotiation
 - 23 Networking
 - 24 Competition
 - 25 Managing innovation
 - 26 Managing quality
 - 27 Marketing
 - 28 Reputation
 - 29 Cost control
 - 30 Business ethics & the law
 - 31 Managing adversity
 - 32 Success
 - 33 Succession and selling the business
 - 34 Is that all there is?
- Colophon

*A businessman who reads Business Week is lost to fame.
One who reads Proust is marked for greatness.*

JOHN KENNETH GALBRAITH

Most entrepreneurs fail.

DANIEL KAHNEMAN

There is no such thing as a failed entrepreneur.

NASSIM NICHOLAS TALEB

*Liberty means responsibility. That is why most men
dread it.*

GEORGE BERNARD SHAW

Preface

By means of this book, I want to offer you a concise and practical handbook for entrepreneurial thinking and acting, backed by timeless wisdom. Perhaps you already run your own business. Or possibly you are currently toying with the idea of starting one . Or maybe you are a manager who would like both company and himself to take additional risk in order to reach a specific goal. But whatever your over-all aim, you will be in a position to benefit from food for thought as provided by thinkers whose ideas have stood the test of time.

Forewarned is forearmed. You will find no new theories or concepts in this book. Rather, it offers you a selection of maxims, aphorisms and chunks of whatever condensed wisdom have been around for quite some time, though not necessarily in the world of business. Usually, business and philosophy are regarded as being mutually exclusive; I beg to differ. It goes without saying that management hypes and philosophy are worlds apart. But the core of entrepreneurship is as timeless as the ideas of the great thinkers.

So no new theory. But in its place, the facilitation of new thinking.

A word of caution. I think entrepreneurship is overrated in general. The mass standardization and monotony of many 21st century office jobs stimulate many of us to dream of starting our own businesses. Often, the risk/return equation of such ventures is viewed too optimistically. Success stories are magnified, and romanticized. The loneliness and existential insecurity that typically go with being on your own are underestimated. If you are well-educated, even-tempered, patient and generally well-liked by people, you may have a better chance of doing interesting work and making good money if you join a larger corporation. Although of course today's payroll jobs aren't what they used to be in terms of salary, benefits or job security.

So one other thing you are not going to find in this book are motivational can-do messages. If you need those, you're probably not an entrepreneur in the first place. You have or will become an entrepreneur because of a certain inevitability. If that seems to be the case, this little book may well help you to find out if it really is the right calling for you, and if so, may also help you make a much better job of it.

The book is organized into 34 chapters. Each chapter is focused on a theme which has been on entrepreneurs' minds through the ages: getting ideas, turning ideas into action, dealing with uncertainty and risk, getting and keeping customers, buying and selling, cost control,

managing people, dealing with competition and so on. For each theme you will find a selection of wise sayings which are illustrative of the issues you may encounter in each area. Each saying is further illustrated by some brief observations from real business life. If you sometimes detect incongruity between different sayings, that is in order: whilst the opposite of a small truth is usually a falsehood, the opposite of a great truth is usually another great truth. That's the way it is. Good luck with your enterprise.

1 On your own

Not everybody is cut out to be an entrepreneur. If it's job security you're after, or a fairly good chance of making fairly good money, a corporate career is probably better. Or joining a reputed law firm. Or a bank. There is certainly no shame in recognizing that. Some people say that it takes three things to become a successful entrepreneur: greed, ignorance and luck: not exactly the first things a nice, balanced, thoughtful and responsible person would identify with. Let's rephrase, then. You must have a passion for profitable results. You should not let your own intellect or the opinions of others get in the way of acting decisively. And you must be ready to deal with extreme outcomes, positive or negative. Here is what some great thinkers have to say about it.

To be a man is, precisely, to be responsible.

ANTOINE DE SAINT-EXUPÉRY

French aristocrat, writer, poet and aviator, 1900-1944

No better way to assume responsibility than starting and running your own business. If things go well, and also if they don't, you have no higher power to answer to but yourself, apart from maybe your family members, who have to share the burden of a wildly varying household income and of your erratic working hours. A thought as scary as it is comforting.

Something is always born of excess: great art was born of great terror, great loneliness, great inhibitions and instabilities. And it always balances them.

ANAÏS NIN

Cuban-American writer, 1903-1977

Great entrepreneurs are like successful creative artists, with whom they share the qualities of ignorance and

luck. As to greed, the jury isn't out. Just like an unhappy childhood may prove to be a writer's goldmine, a troubled background may well be a common characteristic of any man or woman who goes at it alone. You don't become an entrepreneur when you fit in too well.

Few great men could pass personnel.

PAUL GOODMAN

American writer, 1911-1972

Indeed, fate may have steered you to running your own show by simply putting Human Resources in your way at the time you were still a hired hand. The HR department is typically staffed by people who tend to have a low risk appetite. Their device is 'don't do the wrong thing' rather than 'do the right thing'. You are atypical and therefore a liability. Hiring or promoting mavericks like you does not serve their own interests, as you may have found out already when applying for a corporate job or promotion. You will have been turned down by HR or by its passive influence, probably with a vague explanation including some lame talk about 'lack of team player ability'.

Why do you have to be a nonconformist like everybody else?

JAMES THURBER

American humorist and cartoonist, 1894-1961

Millions of people are dressed in the latest fashion and yet every one of them thinks that this habit underlines his or her unique personality. People the world over practice the same fashionable language, and they all like to think this makes them innovative wizards. Managers use all kind of business speak to prove their enlightenment to themselves and to others. Entrepreneurs are different. They may look unremarkable in their appearance and may not use buzzwords. But their view of the world is unique. Like the artist, they notice opportunities that others overlook and have a sense to act upon them. Acting the part rather than looking or talking it is what makes them tick.

2 The Goal

If you are smart and reflective, you will not start your own enterprise unless it is based on a distinctive idea. Perhaps you see a better way for small business owners to do their bookkeeping online. Maybe you have designed a pair of jeans that will go well with a smart sports jacket. Or, after wasting a lot of baking dough, you now have a couple of recipes for pizzas that taste like haute cuisine but can be sold at eight dollars each. And now you want to sell it to the world.

The center of every man's existence is a dream.

G.K. CHESTERTON

English writer, 1874-1936

We are all driven by something: ideas, wishes, ambitions, desires. In short, by something which has not yet materialized. To live is to long for something.

Entrepreneurs are no exception. They usually have strong imaginative powers and can think beyond the here and now. Fueled by dreams of how things could and should be, they are ready to take on new ventures.

If you are both poet and killer, you get rich.

DAVID OGILVY

English advertising executive, 1911-1999

Thinking of new opportunities is only half of the job, of course. You must also act on your ideas, or else they will die. Better to kill than be killed, so know when you've finished thinking. And recognize that the best way to get new ideas is by experimenting: trial-and-error, learning-by-doing. If you're not equally strong in thinking and acting, then find people who complement you.

*Regard it as just as desirable to build a chicken house as
to build a cathedral.*

FRANK LLOYD WRIGHT

American architect, 1867-1959

The fun of creation is a better motivator than the ambition of becoming immortal by completing immense, larger-than-life tasks. Immortality, and its more mundane cousin celebrity, should not bother you. It's decided upon by others, therefore beyond your control. And it's pursuit weakens the spirit. If you want to strive for immortality all the same, you should remember that building cathedrals is complex and time-consuming. No individual involved can be more than a cog in the machine. Would you rather be a small master or a huge valet? You will find out whether your chicken house has cathedral potential in due time. Don't plan for it.

Another flaw in the human character is that everybody wants to build and nobody wants to do maintenance.

KURT VONNEGUT

American writer, 1922-2007

Having said that, many successful new businesses are not based on quantum leap inventions or jaw-dropping new designs, but on refinement or varieties of existing products and services. Innovation can be in unspectacular details which nobody has recognized so far. And staying close to the mainstream can be good business. Think of the restaurant or fashion trade, where seemingly trivial details can have a huge impact on customer satisfaction and small twists can create unique, profitable formulas. To take this even further, it requires a special business sense to leave well alone. The fashionable mantra of continuous improvement can become counterproductive. Know when to resist change. Know when it's just fine to stick to a tried and true formula. Keeping that format alive and pristine can be no small feat in itself.

Fame and power are the objects of all men. Even their partial fruition is gained by very few; and that, too, at the expense of social pleasure, health, conscience, life.

BENJAMIN DISRAELI

English politician, 1804-1881

Being an entrepreneur means that you choose to pursue your own dream rather than that of someone else. So fame, power and fortune should not, I repeat not be part of your dream. Not only because these values are indeed in short and variable supply, but also because they are controlled by the outside world and not by you.

3 Leadership

As soon as you have to show the way to employees or other people in different roles, such as customers, trade relations, politicians or other stakeholders, you will have to lead. Leading means setting a direction, creating belief and motivating people to do what they would not automatically do themselves. They may fear to enter unknown territory, fail to see personal short-term benefits or do not identify with a common goal.

It is observed that when a man is firm inside and gentle without, he is a healer. When he is hard outside and soft inside, he is useless.

AMERICAN INDIAN LEGEND

The world and especially the business arena can be a tough place. So grace under pressure is invaluable. People

can put up with almost anything if it is brought to them in an understanding and gentle manner. All business leaders should possess healing ability in the sense that they are able to create comfort and confidence for the people whom they manage. Note the precise wording. Firm is better than hard and gentle is better than soft.

People in positions of power and privilege have a duty to perform at a higher level. If not them, then who?

KATHLEEN PARKER

American newspaper columnist, 1951

Whether you call the shots at a small, local PR shop or at a software company employing hundreds or thousands, people will look to you for guidance. They may well hold you up to high standards, even though they may not stick to them themselves. What's worse, they will swiftly copy your weaknesses. Whether you often arrive late at work, drive a monster truck for a car, have a drink too many every other day or bully on subordinates, these habits will be quickly adopted. Since everybody looks to you, the whole company will be permeated by bad behavior

in no time. So mind the paradox: if you want to run your own show, you must be sure to set the right example at all times. In so doing, you may be required to give up a lot of personal freedom or at least some cherished habits. But this sacrifice will be well worth wile.

A return to first principles in a republic is sometimes caused by the simple virtues of one man. His good example has such an influence that the good men strive to imitate him, and the wicked are ashamed to lead a life so contrary to his example.

NICCOLÒ MACHIAVELLI

Italian political scientist, philosopher and diplomat, 1469-1527

Leading by example can be enormously rewarding. Seeing people whom you respect giving their very best, getting more out of them than they thought they had in them and maybe even converting some notorious sceptics and renegades to your cause can be highly satisfying. Loosening handbrakes and unleashing potential this way tends to be good for the business, too.

Whatever you do, you need courage. Whatever course you decide upon, there is always someone to tell you that you are wrong. There are always difficulties arising that tempt you to believe your critics are right.

RALPH WALDO EMERSON

American philosopher, essayist and poet, 1803-1882

As an entrepreneur, you should positively ignore critics, especially those who have no stake in your business. Just as you should not accept easy advice from anyone who has no skin in the game, you should not accept easy criticism either, easy here meaning free from personal consequences for the critic. Most easy criticism is based on a cocktail of envy and ignorance, reflecting the mental state of the critic rather than the subject in question.

With your supporters, it's a different matter. They do have skin in the game, because they already identify with you and therefore want you to be successful. It will rub off on them. Whether they are employees, customers or suppliers, your supporters have invested in a relationship with you. They look for ways to reap returns from that investment and to continue the development of mutual benefit. They enjoy staying employed by you, buying your company's products or trading with you. Whatever

they think is worth improving is worth noting. You don't have any supporters? Then go out and develop some.

Nothing is less sincere than our mode of asking and giving advice. He who asks seems to have a deference for the opinion of his friend, while he only aims to get approval of his own and make his friend responsible for his action. And he who gives advice repays the confidence supposed to be placed in him by a seemingly disinterested zeal, while he seldom means anything by his advice but his own interest or reputation.

FRANCOIS DE LA ROCHEFOUCAULD

French writer, 1613-1680

There is one caveat, though. You 'd better be sure whom you count as your supporters or friends, of course. And you need to be honest with yourself as well. Are you ready to accept well-intended, well-founded criticism from them? If your answer is yes, you are a rare breed. Most entrepreneurs can't or won't listen to advice. They are notoriously stubborn and self-centered. To a certain extent, they have to be.

Familiarity breeds contempt.

AESOP

ancient Greek fabulist c. 620-564 BCE

To lead is to be alone. Nowadays many entrepreneurs act as ordinary guys, wear casual clothes and behave informally with everybody around them. The fact of the matter is that they (you?) are usually decidedly egocentric and need their own space. That's why they went into business for themselves in the first place. They cannot be too close to others, lest they lose their independence of mind and action. In an atmosphere of comradery they may occasionally suggest equal footing with the people they employ, but deep down everybody knows that this is just a charade. The entrepreneur wants to keep others at bay. Fortunately, the employees want this as well. That way they can project all kinds of desires and ambitions into the business leader from a safe distance,. They can bask in his charisma and his creativity without sharing the risks he is exposed to. This includes not just financial risks, but also the psychic pressure and reputational risks that go with being in charge. Think of being disgraced in the public eye, for instance, as soon as failure materializes.

*There is a great man who makes every man feel small.
But the real great man is the man who makes every man
feel great.*

G.K. CHESTERTON

Nevertheless, if you are an entrepreneur, you have the unique possibility to add new meaning to life. You may create products or services that people like because they meet previously unmet needs or needs that people were not aware of even having in the first place. You may create valuable jobs. You will be able to give your employees the idea that they are an important part of an operation which is really on to something. If you manage them well, they may develop themselves in ways they had not imagined previously possible. And finally, you may create return on investment for your shareholders. The highest reward for an entrepreneur is that he can take the world, or at least a tiny part of it, to a higher level.

4 Dealing with uncertainty and risk

Anything really worth doing is fraught with risk and uncertainty – if it weren't so, everybody would be on the case. To be an entrepreneur is not only to accept risk and uncertainty, but to actively look for it and to embrace it. It is not avoidance but clever management of them that gets results. And what is risk, anyway?

The one permanent emotion of the inferior man is fear – fear of the unknown, the complex, the inexplicable. What he wants above everything else is safety.

H. L. MENCKEN

American journalist, satirist and critic, 1880-1956

We all have an inclination to play it safe and now and again to long for some smooth sailing. Nothing wrong with that. But we should avoid allowing this tendency to

get out of control and degrade into fear. Fear is useless.
If you must fear nevertheless, fear the results of inaction.

*Doubt is not a pleasant condition, but certainty is an
absurd one.*

VOLTAIRE

French writer and philosopher, 1694-1778

Only small minds are never subjected to doubt. So whenever you are not sure about something, you should more than anything else take this as a sign of intellectual prowess. Don't be intimidated by your own skepticism. Rather use it sensibly, and allow your mind on occasion to be rendered uncomfortable. This avoids the bigger discomfort created by wishful thinking and by the continuous drive to be sure of everyone and everything. 'Much mistaken, yet never unsure' is the classic verdict about many unsuccessful middle managers who are doomed to remain stuck in the middle for the rest of their working lives.

If I had not gone into Monty Python, I probably would have stuck to my original plan to graduate and become a chartered accountant, perhaps a barrister lawyer, and gotten a nice house in the suburbs, with a nice wife and kids, and gotten a country club membership. And then I would have killed myself.

JOHN CLEESE

English actor, comedian, writer and film producer, 1939

What entrepreneurs indeed understand, like their artistic fellowmen, is that the biggest risk in life is not to take any.

Everybody talks about how they knew the Bond films were going to be a big success, but it simply isn't true.

SEAN CONNERY

Scottish actor, 1930

Don't be intimidated by the successes of others, by the supposedly effortless, sure-fire way this success has

apparently come to them, or by those who 'knew it all along'. They most probably didn't. Hindsight makes everything look easy.



*Only those who risk going too far can possibly find out
how far one can go.*

T.S. ELIOT

American poet, dramatist, literary critic, and editor, 1888-1965

Collecting bruises is inevitable. As long as they don't leave painfully detracting scars, there is not much to it. So take a good hammering every now and then, and take it in your stride. It's the only way to find out that you have deployed your full potential.

If a nation values anything more than freedom, it will lose its freedom, and the irony of it is that if it is comfort or money that it values more, it will lose that too.

W. SOMERSET MAUGHAM

English writer, 1874-1965

Compare this to companies who are paralyzed by contemporary shareholder dictates such as maximizing profitability or Economic Value Added. In their hunt for maximum profit, they risk neglecting their core competencies (read: what they are really good at) and stand to lose their competitive edge. They take on immense risks through aggressive financing, loading themselves up with debt. Likely next stage of the drama is their profitability evaporates or disappears overnight. The reasons: lower customer ratings and lower sales, higher debt service costs or a killing cocktail of both.

If you take risks and face your fate with dignity, there is nothing you can do that makes you small; if you don't take risks, there is nothing you can do that makes you grand, nothing.

NASSIM NICHOLAS TALEB

Lebanese-American writer, trader and risk engineering scientist, 1960

There is uncertain profit, but certain honor in taking risks. Not taking any risks means that you only want to exploit what's already there. You want to benefit from risks which have been taken or are still being taken. This is the quality of a profiteer. No entrepreneur with a grain of self-respect could accept that.

Courage is willingness to take the risk once you know the odds. Optimistic overconfidence means you are taking the risk because you don't know the odds. It's a big difference.

DANIEL KAHNEMAN

Israeli-American psychologist, 1934

But let's not take senseless risks. Try to assess the odds at all times. Do your homework. Don't decide about anything on a whim. Be courageous, not overconfident. There is no checklist on courage. Ask your friends, your partner or your associates how they honestly rate you. Or find a good, impartial sparring partner with no vested interest.

5 Being creative

We are not necessarily talking creativity in the narrow, classical sense, the way in which artists, novelists and other free spirits give meaning to the word. To an entrepreneur, creativity is the broad ability to combine existing ideas into profitable new ones. It can mean all kinds of humble inventions and improvements. A pizza with exotic oriental flavours; a Little Black Dress with an invisible pocket for your smart phone; accounting software with built-in alerts when financial ratios drop below par or a smarter way to organize a prospect database. In short: to cook up new, profitable solutions to existing problems or to new ones. Defined this way, creativity is the lifeblood of any entrepreneur. No creativity equals no differentiation. And no differentiation equals no existence for your venture in the long run.

*One of the greatest pains to human nature is the pain of
a new idea.*

WALTER BAGEHOT

English businessman, essayist and journalist, 1826-1877

The creation of something is often associated with fun. Or at least it can be. But giving birth to a new idea, and experiencing the initial response from others to it can be tough as well. People generally don't like new things. They like what is tried and safe. So whenever you come up with something new, you will meet with opposition. You may also meet with jealousy or envy. 'If this really such a good idea, why haven't I thought of it?' lies behind many a criticism.

*The reasonable man adapts himself to the world:
the unreasonable one persists in trying to adapt the
world to himself. Therefore all progress depends on the
unreasonable man.*

GEORGE BERNARD SHAW

*Irish playwright, critic, activist and co-founder of the London School
of Economics, 1856-1950*

An additional pain of new ideas is that most of them will not amount to much. So you must stay of good cheer, knowing full well that nineteen out of every twenty ideas you produce will get nowhere. Well, that is not entirely true. Ideas that won't work will ultimately bring you to one that will. Just keep at it, and meanwhile try not to listen to people who can tell you why something won't work and, once it indeed does not work, are quick to say 'I told you so'. Their criticism is useless since initially they had no confidence in the ultimately winning idea number twenty either. Be your own unreasonable self and don't mind too much what others say.

Genius is no more than childhood recaptured at will, childhood equipped now with man's physical means to express itself, and with the analytical mind that enables it to bring order into the sum of experience, involuntarily amassed.

CHARLES BAUDELAIRE

French poet, critic and translator, 1821-1867

One way of hanging on to yourself and not becoming overly conditioned by the outside world is to keep your so-called inner child alive and kicking. Being childish in this sense means being free of prejudices, conventions and practical considerations. Allow yourself a regular dose of this unrestrained thinking to think up new, fresh ideas. You can apply the adult filters later on, when doing a reality check.

Rules and models destroy genius and art.

WILLIAM HAZLITT

English writer, essayist and literary critic, 1778-1830

It is, however, important that you kick your creative ideas around for a while before you perform this reality check. Don't squeeze your new product suggestion into an existing matrix. Do not immediately operate a checklist on everything you think of. Maybe the matrix or checklist could itself do with some revision anyway. Try to act in the same way when you want to foster creativity throughout your organization. There is no ISO certificate for creative thinking, or a minimum age or a minimum functional level. So encourage all of your staff to share their ideas. Set the right example by not condemning what may initially seem silly suggestions.

Chaos often breeds life, when order breeds habit.

HENRY ADAMS

American historian, journalist, novelist and educator, 1838-1918

In order for creativity to flourish, your life or your company must never be over-organized. Allow yourself regular time off. Offer your staff some time slots beyond their direct assignments to pursue whatever interests them. Give them a couple of hours each week to read,

watch, reflect and discuss. Good ideas tend to pop up when there is spare time without deadlines.

6 Turning ideas into action

If your ideas won't be executed, they will die and so will your business. Unchain these ideas of yours, out of these powerpoint files and into real life.

There are those who are so scrupulously afraid of doing wrong that they seldom venture to do anything.

LUC DE CLAPIERS, MARQUIS DE VAUVENARGUES

French writer, 1715-1747

Fear of failure can paralyze a person and an enterprise alike. But especially when you have no vested interest and nothing to lose, you should not be bothered by fear of doing wrong. Look at your zero-interest situation as an opportunity to act freely. Accept that you will not achieve perfection any time. Don't bother 'what the people will say'. And if you must bother: would you like to be known as a man or woman of missed opportunities?

The greatest loss of time is delay and expectation, which depend upon the future. We let go the present, which we have in our power, and look forward to that which depends upon chance, and so relinquish a certainty for an uncertainty.

LUCIUS ANNAEUS SENECA

Roman philosopher, statesman and dramatist, c. 4 BC-A.D. 65

Procrastination is killing for every entrepreneur. Avoid the endless elaboration of grand schemes where, one fine day, based on perfect information, everything will be perfectly connected to everything else. Don't wait for the ideal market situation either. It will never materialize. Finally, don't listen to people who are adamant that 'the organization isn't ready yet.' This statement mostly reflects their own personal discomfort and lack of interest in what you're proposing.

*If you keep thinking about what you want to do or
what you hope will happen, you don't do it, and it won't
happen.*

DESIDERIUS ERASMUS OF ROTTERDAM

Dutch philosopher, humanist and theologian, 1466-1536

Don't make the mistake of mixing up what happens in your head with what happens in real life. All the excitement in your mind may go fully unnoticed in the outside world. Fantasy and reality can benefit from each other as long as you pay attention to both dimensions. Don't stay in your splendid isolation, at least not for too long.

*It had long since come to my attention that people of
accomplishment rarely sat back and let things happen to
them. They went out and happened to things.*

LEONARDO DA VINCI (ATTRIBUTED)

Italian polymath, 1452-1519

Here is another reason to go out and act: it creates new opportunities. You will meet new people who might see opportunities for your business that you had not spotted yourself. They may lead you to other contacts, which unlocks the well-known potential of ‘weak ties’, the friend-of-a-friend effect. If your thinking and your personality resonates with them, such contacts might even want to solicit your support for their own activities. You might find ways to cooperate. In other words, go out and create circumstances in which good, unplanned-for things can happen to you and to your business.

7 Trial and Error

The path to success is rarely a straight line. The world is too chaotic a place for that, with too many variables beyond our control. Don't be too hard on yourself. Look at how invincible large corporations and household names frequently lose their leadership, miss the boat with new technologies or make products of wildly varying quality and market success. Mistakes and failures are unavoidable. Learn from them and make the experience as short-lived as possible.

From the end spring new beginnings.

GAIUS PLINIUS SECUNDUS

ancient Roman author and natural philosopher, 23-79

There is no such thing as permanent failure unless you make it so. Just reflect upon the great breakthroughs

in pharmaceuticals such as Penicillin which were discovered by chance while the scientists in question were fruitlessly researching another unrelated subject. Or think about the unprecedented, unexpected take-off of economies such as Germany and South Korea after WW2.

While one person hesitates because he feels inferior, the other is busy making mistakes and becoming superior.

HENRY C. LINK

American psychologist, 1889-1952

Don't be intimidated by failure. Don't draw yourself into a state of resignation, fretting about what might have been. Instead, try to be of good cheer. For an entrepreneur, there is no such thing as back to square one. You will have learnt from your failures. As an entrepreneur you are akin to a writer. Nothing in your life is useless. It's all grist to your mill, as long as you don't stop reinventing yourself.

Trust your own instinct. Your mistakes might as well be your own, instead of someone else's.

SAMUEL 'BILLY' WILDER

Austro-Hungarian born American filmmaker, 1906-2002

This should be a liberating idea. In this life, nobody knows anything for sure. And nobody is infallible. We all muddle through and each of us inevitably makes a fair deal of mistakes. It is better to look at mistakes as something you are entitled to. See them as a kind of allowance, a full tank, or an opening balance of frequent flyer miles which everybody, including you, can fall back on. On such a program, available to all of us, there are different levels of perks that come with different jobs. Civil servants or bankers are rated Bronze members; managers with skin in the game get Silver; scientists, artists and entrepreneurs are entitled to Gold Card status. Let's agree that the latter may fail a little bit more often or a little more spectacularly before their goodwill balance is depleted.

*If at first you don't succeed, try, try again. Then quit.
There's no point in being a damn fool about it.*

W. C. FIELDS

*born William Claude Dukenfield, American actor and comedian,
1880-1946*

Though hard to put into a checklist or matrix, one of the key qualities of an entrepreneur is knowing when to throw in the towel; not too soon and not too late. In case you don't trust your own judgment, again try your supporters. If they believe in what you're working on, carry on. If they suggest changes, pay attention. If they politely suggest you change direction, pay attention even more. Remember: be sure they are genuine supporters; not people who project their personal experiences or frustrations on you, with no genuine concern for you or your company.

8 Financing the business

Though the amount may vary, every business needs capital. You need to have access to money equal to three to six months' worth of running expenses at the very least, and that is when there are already products being produced and paying customers. If you have not reached that point yet, this period may well be extended to one or two years, plus of course the investments in development and production needed for your product or service to become saleable in the first place. Where is this money going to come from?

Poverty without debt is independence.

ARABIC

Whether it is through capital from equity investors or a loan from a bank or other party, to obtain funding via someone else's money means that to a certain degree you

give up independence. That is not to say that you should avoid attracting money categorically; just be aware of the basic principle. Nobody will throw money at you without demanding some kind of control in return. The longer you can keep yourself from tapping other people's cash, the more you can build your business without interference. If you're not turbocharged by third party funding the path may be slower, of course. But you will experience less pressure from the outside world. And you will avoid being influenced by impatient financiers and overspending on a plan which may need resetting anyway.

Capital that seeks growth before profits is bad capital.

CLAYTON M. CHRISTENSEN

American organizational theorist and innovation expert, 1952

Remember the unpredictability of the world, and the need to proceed by trial and error? Make sure that your errors do not become too expensive and leave you with debts to settle long after the original plans have been abandoned or restructured. To use an analogy: avoid

financing lavish four-figure wedding parties with today's divorce rate around fifty percent. Even more important, avoid repayment of bank loans well after the marriage itself is over. Instead of throwing a big champagne-fueled event just after rings and vows are exchanged, think of celebrating your being together in the future instead. As both a reward and an incentive to keep up the good work, you could plan to celebrate a little more lavishly after every additional five years of having been able to stick together. By the same token, you could slowly but surely build up your capital investments in the growth of the business with the help of its gradually increasing proceeds.



When prosperity comes, do not use all of it.

CONFUCIUS

Chinese social philosopher, 551 B.C.-479 B.C.

Good for you if the business does well. People stand in line to be admitted to a table at your Precious Pizza restaurant. They buy your Little Black Dress in droves. They recommend your BeanCounterz accounting

software to all their friends. But try to resist the temptation of thinking that this situation is permanent. Restaurants get out of fashion for no good reason; your must-have dress may suddenly lose its edge or your software gets beaten by a new app from some teenage guys ten thousand miles away. Even a successful business is a risky business and you should deal with its finances accordingly. Plough your profits back into new product development, put money to work in totally unrelated assets or keep a nice cash cushion just in case. And pay back your debts. Whatever you do, resist the temptation to extrapolate sales curves until they break the ceiling of the graph somewhere on the upper right.

Never invest your money in anything that eats or needs repainting.

BILLY ROSE

born William Samuel Rosenberg, American impresario, theatrical showman and lyricist, 1899-1966

Don't fool yourself. Unless it is your profession, real estate is no investment for you to be in. You probably

have a good deal of assets allocated in property through your private home already. Thus you do not want to increase your dependence on real estate any further by, for example, buying your office space with your excess cash. Real estate is illiquid and if it is to produce returns anywhere near the ratios of your business, it is also highly speculative. A potentially lethal combination.

Mere parsimony is not economy. Expense, and great expense, may be an essential part in true economy.

EDMUND BURKE

Irish political philosopher and politician, 1729-1797

This is not to say that you should not invest in developing the business. Just be sure that your expansion is well-considered and does not come with a worsening of your risk/return equation. That is to say more additional risk for less additional profit. Growth at lower margins, also known as buying turnover, is as hazardous as growing at a higher leverage ratio. This is where an ever higher proportion of credit money is used which increases

interest payments and moreover, puts the bank effectively in charge of your company).

*Most bankers dwell in marble halls,
Which they get to dwell in because they encourage
deposits and discourage withdrawals,
And particularly because they all observe one rule which
woe betides the banker who fails to heed it,
Which is you must never lend any money to anybody
unless they don't need it.*

OGDEN NASH

American poet, 1902-1971

Unless your business is firmly established with a proven product and a large, reliable customer base, chances are slim that a bank will lend you money. And if it finally does, their interests differ sharply from yours. The maximum upside for a bank is that they will get the money back they lent you earlier, plus a few percentage points mark-up. Maybe if all goes well they may provide you with a bigger line of credit down the road. But they

won't share in the extreme positive or negative outcomes of your business. This is unless you go bankrupt, in which case they may not get their money back. This is not an entrepreneurial risk spectrum and indeed, banks do not like entrepreneurs. They prefer large, boring, stable corporations with large, boring, stable or steadily growing turnover and profitability figures which ensure that they get their money back.

Battered by the financial crisis as it emerged during the first decade of this century and often bailed out by the government, banks have further lowered their risk appetite. Every five-figure or six-figure credit application is subject to a tedious decision making process involving some kind of committee full of people you will never get to know. Contemporary banking employees resemble civil servants, only with a better suit, a better salary and a company car. They usually have zero independent entrepreneurial experience. They may not have worked in business at all, let alone for themselves. They are certainly not appointed to take personal risks together with you. So no matter how comradely your local bank manager acts, his understanding of you is moderate at best, his interests are aligned with yours only to a limited extent and he has no authorization to make decisions on your case.

To sum up: banks are probably not a party you as an entrepreneur could, or should, rely on. You should at

least be aware of the differences as to their incentives vis-à-vis your own and avoid any erroneous ‘partners in business’ mirages.

Money often costs too much.

RALPH WALDO EMERSON

If banks are out of the question, you must either finance the business yourself or find other lenders or equity investors. Be very cautious about whom you solicit for share capital and even more than for credit. Especially if you have to give away a majority stake and decision-making power. Never engage yourself with people who you don't like at first glance. Never work with parties or individuals of doubtful reputation. Don't get involved with people who don't seem to care about your company, its products or its people. Always ask yourself: if I myself had the cash available they are ready to throw in, would I still want them on board, because they can greatly contribute to me and my business? Don't make

the mistake of thinking that 'it's only the money' they bring to the table. It never is.

9 Managing yourself

Time to talk about your most important and reliable asset. Yes, indeed, that's you. Even if it comes to managing others, put yourself first. If you are not firing on all cylinders, it is impossible to motivate, lead and monitor other people. So how do you keep yourself smart, sharp, energetic, and cheerful?

Humility does not mean thinking less of yourself than of other people, nor does it mean having a low opinion of your own gifts. It means freedom from thinking about yourself at all.

WILLIAM TEMPLE

English archbishop, 1881-1944

Although most entrepreneurs have a healthy ego, they are also quite capable of putting it aside. They take their company seriously, if not themselves. Put differently,

they have no ambition to become a celebrity no matter what. They want their business to do well and are confident that when this happens, they will also be doing well. Their venture makes them forget themselves – at least a couple of times a day.

Neither blame or praise yourself.

PLUTARCH

Greek historian, biographer and essayist, ca. 46 - 127

Not thinking about yourself too much is the best way to avoid continuous, useless introspection and paralyzing self-rating. You are who you are. Avoid creating your own personal, depressing, omnipresent ‘central scrutinizer’ which hovers above you at all times of morning, noon and night. All the time you spend contemplating how terribly or how greatly you have performed is time diverted from attending to your company. Your supporters will not blame or praise you either. They will sometimes engage in constructive criticism which can zoom in on possible improvements. At other times they

will show you that they're fond of you. And that's quite sufficient.

Not being able to govern events, I govern myself.

MICHEL EYQUEM DE MONTAIGNE

French philosopher and essayist, 1533-1592

Here's a paradox to chew on. If you want to manage yourself, you must first of all realize what is beyond your control. If you fail to do so, you run the risk of carrying the weight of the world upon your shoulders. Noble as this may seem, it is not a good idea. It will inevitably lead to overload. There are too many things which would be wonderful to influence, where it won't be possible. The earlier you grasp this, the better.

Beware the barrenness of a busy life.

SOCRATES

ancient Greek philosopher, c. 470 BC-399 BC

You actually lose things when you work too hard. Things like good cheer, the ability to put things in perspective and the power to observe and analyze. Your playfulness and hence your creativity may suffer too, as may your relations with other people. You will be less patient with them and less understanding than they deserve. Before long, your hard work turns into their problem as much as yours.

One of the symptoms of approaching nervous breakdown is the belief that one's work is terribly important.

BERTRAND RUSSELL

British philosopher, mathematician, historian, writer, social critic and political activist, 1872-1970

If you consider yourself the midpoint of the universe, and take yourself too seriously, you will make a martyr

out of yourself. And martyrs, it must be remembered, tend to get burnt. Others, be they employees, business relations, friends or family, will not honor your lone soldiering at all. They will feel cornered or undervalued. If they have a healthy self-preservation mode, they will avoid or neglect you as much as possible. Or else quit. Or even burn out themselves. If you're a hard player, you will react to all this with even more hypochondria and hard work. The end of this road isn't hard to predict and it isn't happy.

Most of us spend too much time on the last twenty-four hours and too little on the last six thousand years.

WILL DURANT

American historian, philosopher and writer, 1885-1981

Continuously adapting to the latest events makes you manic and restless. Ultimately it wears you out. If you only pay attention to the here and now, you will be condemned to the reactive mode forever. Your thinking and doing will be limited to reflex responses to one new impulse after another. You will not be able to look back

and recognize patterns, to extrapolate and to spot long term trends. You will not be able to use what others before you have found out . You won't be able to come up with anything very original either. Finally, you will probably overreact to everything and everybody. Such a mental make-up is endemic in, for example, the world of day traders in the financial markets. There, the results are dismal. It is a well-established fact that in the long run, a large majority of active security traders loses money.

*Some people will never learn anything, for this reason,
because they understand everything too soon.*

ALEXANDER POPE

English poet, 1688-1744

This classic piece of wisdom is sustained by contemporary research conducted by Daniel Kahneman and others. Quick intuition, and thus quick response, is not always equally reliable and useful. People tend to be overconfident about their snap judgments. Slow thinking has its own qualities. Without a certain tranquility of mind,

however, you won't be able to put it into practice. This is one more reason not to overload yourself with too much stress and assumed urgent matters that supposedly demand decision-making on the spot.

We should not be exasperated by trifling and paltry incidents.

LUCIUS ANNAEUS SENECA

If you're running your own business there is always more to do than is possible. It's a big market out there and time and resources are always limited. It is thus extremely important to set the right priorities and not to fritter your days away on small stuff. There's always something to be annoyed about, be it clumsy staff, an unreasonable customer, traffic jams, erratic computers or whatever. None of these can be avoided. Don't let it get to you.

10 Dealing with people

Running a business means that you have to deal with lots of different people with lots of different agendas. What they all have in common, ideally speaking, is that they have the potential to bring you some kind of mutual, tangible benefit. Your first concern should be how each and every one of them can contribute to your company's well-being. Will they help you invent, produce or sell great products? Will they buy from you? Will they play a role in the financing of your operations? Will they introduce you to interesting persons or networks? And so on. The second question, equally important but less obvious and often neglected is what's in it for them? What do you have to offer? And does this match with what they actually want? What is it? Is it money? Honor? Credentials? Job satisfaction? A sense of purpose? New contacts? Fun?

*Who treats people like pawns will soon find the
chessboard empty.*

CONFUCIUS

Many entrepreneurs are so fond of themselves and of their company that they think others will be happy to support them more or less unselfishly. Or at least without a balanced return of favors. If you happen to have charisma, this may work in the short run and with some people. But in the end, everybody is in business for himself. Odd as it may seem, understanding the other guy and appreciating his motives and interests doesn't come easy to many healthy entrepreneurial egos. But it is essential all the same. If you don't master this skill, you will be condemned to rotate your network continuously, replacing time and time again people who have become, well, fed up with you. You will not be able to relate longer term with other than second rate talent.

The world belongs to people with IQs of 120. Anything much greater or less amounts to a liability.

RICK BAYAN

American author, 1950

Whether or not this is a problem for you firstly depends on whether or not your own IQ is in this range. If it is, you are basically well-equipped, smart enough to analyze situations, to reason effectively, and particularly to know when you have to stop thinking. You're also smart enough to understand people who are more intelligent than you are and you will know how to treat them to your mutual benefit. If your intelligence is sharply below this level, well, you would not be reading this book. If it is higher, you must be careful. Be patient with others who might come to conclusions some time after you have reached them. Also, be wary of your brilliance developing a life of its own, not leading to any tangible decisions, ever less to actions that take you or your business forward. Don't over-rely on your intelligence as a success factor either. As long-term research projects suggest, a high IQ is of limited importance when it comes to accomplishment and happiness in life.

Independence? That's middle class blasphemy. We are all dependent on one another, every soul of us on earth.

GEORGE BERNARD SHAW

Not only should you be past setting yourself apart from others, but you should be willing to actively involve yourself with them. Great personal resources such as intellect, creativity, charm, or empathy impose an obligation on the possessor to share them with the outside world to the benefit of both sender and recipient. Without such sharing, an atrophy of these resources is inevitable. It's a question of use them or lose them. Also, truly great minds are fully aware of where they are weak. Nobody is equally good at everything. We all need others.

We should be too big to take offense and too noble to give it.

ABRAHAM LINCOLN

American president, 1809-1865

Getting along with other people is key to entrepreneurial success. An essential element of smooth interaction is a certain benevolence. Of course, this must be a two-way affair. Tit-for-tat is the way to go about it, with you setting the right example in the beginning and maybe allowing for one or two slips from your counterpart.

My father believed in toughness, honesty, politeness and being on time; all very important lessons.

ROGER MOORE

English actor, 1927

This is another way of stating the importance of being soft on people, while still being hard on the case. People can put up with almost any request, opinion, new fact or event, depending on how the information is communicated to them. Keywords are respect and understanding, clichés which rightly never go out of fashion.

Your wit makes others witty.

CATHERINE THE GREAT

Empress of Russia, 1729-1796

A sense of humor is contagious. As soon as people associate you with having a good time, they look forward to the next transaction with you. It is actually a form of leadership. You are encouraging people to unlock their own sense of humor, feeling free to be as they are, which they might feel insecure about without the right impulse.



The greatest compliment that was ever paid me was when one asked what I thought, and attended to my answer.

HENRY DAVID THOREAU

American writer and philosopher, 1817-1862

Listening is an art. For many entrepreneurs, though, this art does not come naturally. Obsessed with their venture and brimming with their own ideas, they typically find it

hard to take a break and listen to what the other person has to say. And even if they solicit advice, they have a tendency to cut their counterpart short and formulate the reply which was already boiling in their own brain. No need to say that this not only violates the basic rules of politeness; it also leaves potentially valuable ideas and alternative viewpoints unnoticed.

I am a part of all that I have met.

ALFRED, LORD TENNYSON

English poet, 1809-1892

As even the healthiest entrepreneurial ego must admit sooner or later, not only are we all connected, we are also shaped by our interaction with others. Many if not most of our ideas are influenced by the world around us, as even great artists are ready to admit. For anybody running a business it is even a prerequisite. You want to make goods or services that must be sold! You cannot pull this off without your feet firmly on the ground in the world of today; this means absorbing what makes people tick and sharing knowledge and ideas with them.

It's not just about market research. It's also about getting relevant ideas about what business and what products to focus on in the first place. It is what makes your creativity relevant.

If you lend someone \$20, and never see that person again, it was probably worth it.

ANONYMOUS

Of course, you must always be careful to associate with the right people. Here too, you cannot avoid making mistakes. The trick, as always, is to make them in a hurry. A nice illustration of this principle can be seen at work in smart ventures who offer new hires the option to quit any time they like, with an accompanying incentive if they decide to do so. During the next couple of months, they say, we'll pay you a tidy exit sum of, say, a thousand dollars whenever you leave the company. This way, at relatively moderate cost, an effective self-regulation develops. People who want to do their best at a great company, with good opportunities for advancement, won't be tempted by such an offer. Those who will are

not the type of staff the company wants to employ in the first place. For a small amount, and without much effort, you have automatically arranged separation of the wheat from the chaff.

It's no good trying to keep up old friendships. It's painful for both sides. The fact is, one grows out of people, and the only thing is to face it.

W. SOMERSET MAUGHAM

Even relations with the right people do not last forever. And what goes for friendships goes for business contacts to an even higher extent because here the 'old time's sake' factor counts for less. The art of letting go is therefore very important. You must not fear to disentangle yourself from people who don't add value any longer. This value can of course be defined in a broad way: productive work, access to new customers, great ideas, interesting new introductions or whatever you consider worth while. By the same token, you should not feel offended when you don't amount to so much anymore to people with whom you have reached great results in earlier times.

The trick is not to take things too personally: who says it's about you? And look at it this way: every minute you spend on relations which have effectively reached the end of the line is deducted from limited, precious time that should be made available to valuable, promising new contacts.

Pride does not wish to owe and vanity does not wish to pay.

ROCHEFOUCAULD

The way to ensure a healthy evolution of your business relationships is to have a balanced book of favors with each of them at any moment in time. If you owe somebody something make up for it as soon as you can. Don't structurally underpay your employees or overcharge your customers. Don't over-invest time and resources in any relation, or have others over-invest in you. In fact, treat everybody the way you would treat them if you knew you would have only one week left to settle scores fairly and squarely. Having balanced books at all times is a great way by which to judge any contact

by its genuine merits and to be judged accordingly yourself. You avoid that contacts muddle through for counterproductive reasons like guilt, idealization, the desire to get even or other power play. That's great stuff for novels and kitchen sink dramas, but not for business.