

MALIN BRÄNNBACK | ALAN CARSRUD

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FUNDAMENTALS  
—FOR—  
BECOMING  
A SUCCESSFUL  
ENTREPRENEUR

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FROM BUSINESS IDEA  
TO LAUNCH AND MANAGEMENT

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## **Praise for *Fundamentals for Becoming a Successful Entrepreneur***

“Most books on new venture creation are relentlessly performative, giving guidance on how to complete a business plan. Brännback and Carsrud take a different approach. Adopting the voice of an experienced and wise mentor, they guide the would-be entrepreneur/new venture creator through the start-up process, emphasizing what they need to know and why they need to know it. Engaging and scholarly without being dry and demystifying the start-up process, this is a must-read for the manager/employee interested in entrepreneurship as a career option.”

—**Professor Richard Harrison**, Chair in Entrepreneurship and Innovation, University of Edinburgh Business School, Edinburgh, UK

“Brännback and Carsrud present an engaging and wide-ranging approach to starting and growing businesses that covers context, mindset, and the type of behaviors necessary for being entrepreneurial. The authors also draw from a global selection of examples to show the universality of many entrepreneurial practices along with a set of recommended exercises to help the reader on their way.”

—**Professor Patricia Greene**, Paul T. Babson Chair in Entrepreneurial Studies, Babson College, Wellesley, MA

“Finally a book on entrepreneurship for the rest of us. A book not bound by the myths of the Silicon Valley, but rather a book that speaks to the entrepreneurial spirit in all of us. Brännback and Carsrud have put together a very practical book that is perfect for students, aspiring entrepreneurs or ‘any person with a desire to pursue an opportunity and to achieve a goal.’ This is a book for real people looking to create real businesses and real careers that meet their goals, not create mythical ‘ventures.’ This book is going on the syllabus.”

—**David L. Deeds, Ph.D.**, Sandra Schulze Professor of Entrepreneurship, Opus College of Business, The University of St. Thomas, Minneapolis, MN

“Reading this book was a valuable refresher to my MBA coursework—and a reminder of some of my many mistakes. If you are considering starting your own business, save yourself time and money by reading this first!”

—**Chris Jarvis**, author of *Wealth Secrets of the Affluent* and founder of Jade Risk

process is in creating these linkages in unique ways to create something different, as did our Finnish B&B example in Chapter 2.

Getzels and Csikszentmihalyi (1976) pointed out that only individuals willing to focus on their own goals and rejecting goals set by others have the required motivation to challenge accepted forms of action and thus create new solutions to problems. We are saying that a business concept is a creative process that involves the observation of a problem or need, formulating and reformulating that into a something that can be turned into a business opportunity. Perhaps Einstein et al. (1938:95) said it best:

The formulation of a problem is often more essential than its solution, which may be merely a matter of mathematical or experimental skills. To raise new questions, new problems, to regard old problems from a new angle, requires imagination and marks real advance in science.

New venture concepts and the ideas that spawn them come from a variety of sources. These include brainstorming, cross-fertilization from others, curiosity, one's current work, by doing marketing research, or from possession proprietary technology. Identifying ideas, opportunities and sources of demand is very much a process of problem solving. In its simplest form, it is really about asking lots of question and the right question rather than having the "right" answers to these questions. The trick is not to find the answer, but to ask the right question. Bet you never thought of Albert Einstein as an entrepreneur, but in many ways he was.

### ***3.3.1 The Conceptual Event***

It is critical to *listen* to the many answers that are offered. To us a good way is to ask: "What would my customers want if they knew they could get it?" This question holds an interesting aspect of hidden needs, wants, and fears. That is, what people need, want, or fear is not always obvious, which is why we have to ask lots of questions rather than *one*. We also ask our students to go out and make observations and every time they "stumble" across something where they spontaneously think: "My word, that could be done in a much better way!" Remember, Henry Ford was reported to have said people could have any color car they want as long as it was black. Then along came the CEO at General Motors who

realized people did want different colored cars. The realization that cars could be painted different colors, as simple as it sounds, was a conceptual event. At this point an example of how one entrepreneur dealt with a variety of conceptual events to ultimately create his business. For this we will turn to some business history.

### 3.3.2 A Case Example of the Conceptual Event

How many of you have heard of Amadeo Pietro Giannini? He began his business career selling fruits and vegetables in San Francisco. There he observed an opportunity while working in his father-in-law's savings and loan business.

That opportunity was to service the increasing immigrant Italian population of the Bay Area that lacked a bank. When others did not share his dream, especially the existing banks who thought that immigrants were bad risks. In response he founded the Bank of Italy in San Francisco in 1904 with less than \$4000. The bank initially was housed in a converted saloon.

It was Giannini's institution for the "little fellows," those that others forgot or dismissed as not a valuable customer. He saw it as a financial institution for the hardworking immigrants that other banks in California at that time would not serve. He offered those ignored customers both savings accounts and loans. He judged his customers, not by their wealth, but by their character. Some of us think this still ought to be the primary criteria for banks when lending.

Then a fateful event occurred in 1906, the great San Francisco Earthquake and the fire that destroyed most of the city. It was the Bank of Italy that was the first to return to business, long before the more established banks. It was Amadeo Giannini who lent to immigrants following the disaster to rebuild their homes and businesses. Giannini worked from a plank across two barrels in the street, making loans on a handshake to those interested in rebuilding, every loan was repaid as testament to the trust Giannini had in the community. Today, you know this bank by its current name, *Bank of America* one of the world's largest financial institutions.

What you may not know is that Giannini helped nurture the motion picture and wine industries in California. He loaned Walt Disney the

funds to produce *Snow White*, the first full-length, animated motion picture to be made in the United States. During the Great Depression, he bought the bonds that financed the construction of the Golden Gate Bridge. During World War II, he bankrolled industrialist Henry Kaiser and his enterprises supporting the war effort. After the war, he visited Italy and arranged for loans to help rebuild the war-torn Fiat factories. Giannini also provided capital to William Hewlett and David Packard to help form Hewlett-Packard.

It is rare today to see a banker who is also an entrepreneur, but they do occur. Generally, banks are a necessary evil to make the economic system work. We will in the chapter on entrepreneurial finance discuss banks and what is bankable in terms of loans for a start-up. Let us simply say we are a long way away from the days of Mr. Giannini and the Bank of Italy except maybe for Grameen Bank and its founder Muhammad Yunus. There will be more we are going to say about Professor Yunus as a social entrepreneur elsewhere.

### 3.4 The Entrepreneur as a Dreamer

As we have mentioned earlier, dreams are a part of the entrepreneurial experiences, even if they are only day dreams. We had a colleague who always asked one question when he met a budding entrepreneur first time. “Do you have a dream?” It made no difference if this was a person who was thinking of starting a landscaping business, a dot.com, a biotechnology-based firm, a fast-food establishment, or any other kind of a venture in any industrial sector. This question was the essential first step of our colleague in working with anyone.

The question always seemed to surprise the budding entrepreneur. Our colleague’s rationale was really quite simple. If the would-be entrepreneur had *no dream whatsoever*, our colleague would not continue talks for very long, because an entrepreneur without a dream would not become an entrepreneur. Underneath an idea for a business, there had to be a dream of creating something however crazy. Try this exercise when you think you have a viable business idea:

- Close your eyes and see your business 3, 5, 7 years from now?
- What does it look like?

- Who are its customers?
- What products/services are you providing?
- Who is working for you?
- Can you see your work environment?
- How is the firm organized, how do people interact?

This is one reason we often tell people to talk about their business in the present tense: it will help them to make the dream more of a real and existing in the current reality. We encourage people to have a name for the firm and if possible a logo. The more you can turn the dream into parts of a reality, the more likely it is that the dream will become real.

Our aged colleague did something else that some investors might find strange and we did as well initially. It was equally puzzling for most budding entrepreneurs who engaged him. Many times people would come to his office, asking for his help in determining what business they ought to start. They would then lay out the various options they have been considering. He would sit either with his eyes closed while listening to the person talking or turn his back and continue typing on his computer as if not paying attention. He asked the person to continue talking. Now, how annoying isn't this? Any hopeful person coming to "make a pitch" would want full attention, right? What was our colleague doing? He would say:

I am listening. I am listening to their voices and the tone and energy in their voice when talking about an idea or concept. You can hear in their voice if they are really serious and excited about their idea.

He realized that the idea may need a lot of refinement and adjustment before it is ready to be *rolled out*. But, as he would note:

I need to know if they are excited enough to turn intention into action. I want to make sure their excitement will carry them over all future hurdles that lie ahead. If that excitement is not there initially, the odds of entrepreneurial takeoff are low. I pay attention to the idea with energy, it gets my attention.

What our colleague was doing was completely *nonscientific in some ways*, and clearly not a typical *academic approach*. But it was an *intuitive*

test that he had found over many years of experience to be effective, necessary, and informative. He is now past retirement age and not only has had many years of experience, but a lot of gray hair.

### 3.5 Generating Ideas

We have spent decades working internationally with students, teaching various entrepreneurship courses for undergraduates, M.B.A. students, and Ph.D. candidates as well as firm executives. During our careers there have been numerous occasions where we have been asked questions like: “Where do ideas come from, where do you get ideas (as if you could enter a store and buy them off a shelf)?” The other version we often hear is: “But, we do not have any ideas, none, so ever!”

We tend to think that the creativity and inquisitiveness they had as a child has somehow been beaten out of them as they have been educated. This is where it is important to remember that knowledge is what is left after everything you have been taught has been forgotten. Intuition is often an important part in finding a viable business idea. It is about learning to ask the right questions, once that occurs the answers are easy. This is a view that Einstein likewise held to in his work as we have noted earlier.

At the other extreme we have these *fountains-of-ideas* types of men and women where one idea after another just comes out of their mouths in no particular order of importance, relevance, or feasibility. We have one friend about whom we like to say: “He is so brilliant but disorganized that we would have to lock him in a room with enough space under the door to slide in food and take out the stacks of ideas he has. Our task at that point is to separate the pile into the appropriate idea.” He is a bit like James Joyce the Irish writer and his stream of consciousness. We all know individuals who are a bit like an endless run-on sentence. The task is to figure out what statement belongs to what idea. For these individuals one has to apply the listen to the vocal tone process to determine what unconsciously these individuals do not realize: which idea they really want to do. Some say Edison and Tesla both were fountains of ideas.

However, we are not sure which is worse actually, the never-ending stream of ideas or the contending with a desert void of ideas. For those feeling they don’t have ideas, we have some exercises later which may help you realize

you can create ideas if you free yourself from the restrictions with which you have bound yourself. “I can’t and we can’t” are self-defeating phrases that lead to self-defeating behaviors. The worst enemy of any entrepreneur is themselves. Money can be found, customers can be found, products/services can be developed, but the drive to make these happen depends on the entrepreneur believing in themselves, even when things seem confusing and ideas for a venture are unclear. As one of our old professors used to say when starting something new “little steps for little feet.”

## ***Creating a Viable Business Concept and Business Model***

Questions we have often been asked by individuals who seem to have no idea for a business have included:

1. “So, what do I do?”
2. “Are there ways of *creating ideas*?”
3. “How is an idea eventually *conceptualized*?”
4. “How do I create a viable business model?”

These are perfectly acceptable questions to be asking and frankly every would-be entrepreneur should ask themselves even if they think they have a viable business concept. By asking these questions, you will be able to determine whether a new way of doing things is needed. We also believe that it is important to ask yourself the following:

- Can you identify the real issue or need for why something is done the way it is?
- Have you looked for the reasons why are things done the way they are?
- Are these reasons still viable or are they just tradition?
- Are there other reasons why things are done a certain way?
- Are those reasons for doing certain things still legitimate today or are they just historical?

Here is where an example might be helpful. We have an extremely bright colleague who holds several degrees, including a doctorate in