

CULTIVATING ENTREPRENEURSHIP

The Hallmarks Of Excellence

Prepared By

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INTRODUCTION

In keeping with the mandate to cultivate entrepreneurship in Australia. This discussion paper has been prepared to share the experiences of locally and internationally established entrepreneurs with the hope of contributing to individual thought and collective strategy.

Definitions Of Entrepreneurship

- Oxford Dictionary

"Person in effective control of commercial undertaking"

- Harvard Business School

"The pursuit of opportunity"

- David Jenkin (Past International president World Vision)

" The essence of entrepreneurship is: to see things others don't, to act on impulses that others wont, and to find solutions others cant "

- Victorian Government task force on entrepreneurship

*"Entrepreneurship was about doing something with an idea or opportunity
(The start to commercialisation)"*

"Innovation is a process to turn ideas into an outcome"

- Federal Government's National Innovation Awareness Council (NIAC)
definition of innovation

" Ideas Implemented Successfully "

" The purpose of the NIAC is to promote and facilitate higher levels of national awareness of the importance of innovation to Australia's economic and social well being"

Key words

- PERSON - (An individual, not a group or Government, leading the charge!)
- EFFECTIVE - (Big difference between good ideas and implemented ones!)
- COMMERCIAL - (Benchmark is a successful transaction, for financial or social profit)
- PURSUIT – (Seek out, explore, find. Don't wait for it to come to you!)
- OPPORTUNITY – (Ability to first see one and then exploit it!)

- IDEAS – (Are neither innovation or entrepreneurship)
- INNOVATION – (Not about finding ideas, but a tool used by entrepreneurs to turn them into opportunities)

2001 International YEO / Kauffman Survey

In March 2000, 766 members of the ‘Young Entrepreneur’s Organization’ (YEO) from around the world participated in a research study jointly conducted with the ‘Kauffman Center for Entrepreneurial Leadership’ in America. The aim was to learn the secrets of entrepreneurs from around the world and their distinguishing characteristics. And if possible, capture the spirit of entrepreneurship.

The 2000 ‘Global Entrepreneurship Monitor’ (GEM) highlighted

- Countries with higher levels of entrepreneurial activity also had significantly higher levels of economic prosperity.
- Variations in the levels of entrepreneurial activity explain as much as half of the differences in economic growth for developed nations.

The Ewing Marion Kauffman Foundation (Missouri USA) found

- New firms (those less than 2 years old) in the USA account for ALL or 100% of net new job creation.
(All older companies in the period studied experienced net job losses).
- The creation of new enterprises is often ignored as an important role of entrepreneurs in an economy.
- The vision and passion that drives entrepreneurs to build great companies is the same drive for ‘opportunity’ that lead to the creation of new ventures.

The YEO member study discovered

- What is unique about their companies is less to do about ‘secrets’ and more to do about business fundamentals.
- Achievement is not based on sophisticated technology, human resources or financial capital.
- Success came through making a difference through innovation, accelerating value and leadership.

(What the study concluded as the ‘hallmarks’ of entrepreneurial excellence).

(For copy of the survey contact: www.entreworld.org)

Key Findings

A number of successful fast-growth companies displayed the following characteristic:

- Significantly innovative and proactive
(Innovation is a mind set – used as a managerial approach to build company)
- Risk-orientated towards new product / market opportunities
(To achieve long term growth maintain radically entrepreneurial posture)
- Deliberate and formal in strategic planning processes
(Enables them to be more aggressive competitively)
- Compete aggressively and thrive in hostile, dynamic environments
- Avoid unnecessary financial risk
(But embrace it as a challenge to realise full potential)
- Hire the most talented managers
(Duties defined by roles not job description, with focus on managing knowledge & skills)
- Push new product and market development
(Key to sales and related profit growth)
- Heavily advertise to build brand power
- Driven to realise a potential opportunity more than just build something
(Emphasis on accelerating value creation and the potential profit embedded within it)

Other findings included

- Focus on home markets more than international due to greater uncertainties all round
- 80% derive less than 5% of their sales through e-commerce
(However, 70% have planned or are implementing a presence on the web)
- Entering new markets account for 35% of annual sales
- Loosely structured organizations with more open channels of communications
(Enables them to bend and adapt to situational needs associated with rapid growth)
- Leaders set the momentum and determine the value proposition in their industry
(Profit margins 5 times higher than others. Accumulate net worth almost twice as fast.)

- Accelerated profits minimises up to 40% less debt than other firms to fuel their growth
- Average return on equity is 83%, 33% greater than other firms
- As high as 40% of CEO total compensation is cash and non-cash incentives linked to company performance
- The leading companies share around 5% equity with their employees
- To fuel accelerated growth outside investors hold on average 14.5% equity

The YEO Australia experience

In 2000 a focus group workshop was held between ISR and members of YEO. Some of these observations hold keys to certain qualities and trigger points worth considering when dealing with the subject of a cultural change towards embracing entrepreneurship and acts of innovation.

- Most of them are second or first generation Australians.
- Most of them had pressure to succeed otherwise they wouldn't eat.
(This was a common denominator to reach the heights they have achieved)
- The virtue of persistence against the odds was another common characteristic.
(Because of the pressure mentioned they had no choice and, they believed in themselves and their ideas)
- Ignorance is bliss. All agreed if they new before they started what they would have to go through they may not of ever started, as the personal cost was/is very high.
(However, it was these experiences that make them the best at what they do)
- Traditional channels of finance (Banks) failed to provide proper support due to lack of understanding.
(Resulting in all cases having to work multiple menial jobs to get through)
- Mentors who could provide timely advice were/are greatly relished minimising waste of time, money and energy through the journey.
(Most entrepreneurs walk by blind faith, so anything that can shed more light or confidence goes a long way)

(For more information on Young Entrepreneurs Organization contact: www.yeo.org)

Personal Observations

- True entrepreneurship is not Government control but individual initiative and cooperative enterprise. The role of governments in these instances is to create an environment conducive to free enterprise only!
 - *Abraham Lincoln said... "You cannot do for man what he can and should do for himself".*
- The spirit of entrepreneurship requires necessity, pressure, and personal drive/motivation to manifest itself and achieve successful outcomes on a sustainable basis. Government handouts and sponsored programs will go against this. It will breed a culture of reliance and not assist cultivation of individual business savvy!
 - *Remember the saying... "you can lead a horse to water but you can't make it drink". (Governments may initiate programs and provide money, but that will not ensure effective engagement and successful transactions. Why? Because what makes the horse drink is not that the water is there – it's because he is thirsty!)*
- Studies have shown that the key to successful outcomes is not money, connections and education, but persistence! This is the key! All the rest naturally do play a significant part. But it is the individual that is the key and their ability to learn, adapt and push to try again if they miss the mark the first time!
 - *Zig Ziglar said... "The only difference between the big shot and the little shot is that the big shot is the little shot who kept on shooting".*
- Most entrepreneurs are innovators, not creators! To innovate an already proven way is the most cost effective and least risk adverse course to take. There is always a market looking to improve on how they do things currently. This is human nature.
 - *Harry M. Miller said... "Opportunities pass us by 50 times a day, but few have the eyes to see them".*

- Successful achievers are simple ordinary people who do ordinary things in an extraordinary way each day. They are average people who simply won't let go of the dream and become servants of a greater destiny with no excuses, no victims, no nonsense, no self-doubt and no pity.
 - *Cripple him and you have a Sir Walter Scott*
 - *Raise him in abject poverty and you have an Abraham Lincoln*
 - *Strike him down with infantile paralysis and you have a Franklin Roosevelt*
 - *Call him a slow learner and you have an Albert Einstein*

Thoughts for consideration to Australia's culture

- Need to pursue great ambitions.
- Need to have a greater focus and determination.
- Need a strong commitment to innovation and risk-taking.
- Need to be very strategically minded in all efforts to compete aggressively.
- Need to simultaneously manage high performance with rapid growth to capture competitive momentum and lead industries.
- Need to share rewards of success with those who produce with them.
- Need for role models for all who are compelled by the spirit of enterprise.
- Need for adversity to drive entrepreneurial behaviour
- Need for encouragement rather than criticism and punishment of failure to foster entrepreneurship
- Need for risk taking and spirit of adventure by venture funds
- Need for personal aspiration not mediocrity. There is a belief that our education system trains students to be employees not business owners with a commercial sense.
- Need to aim for personal satisfaction that comes from achieving something new or making a difference, rather than just financial success.

Key Words

Areas to fight;

- MEDIOCRITY
- LAZY
- CRITICAL
- JUDGEMENTAL
- HUMBLE

Areas to foster:

- FOCUS
- DRIVE
- RISK
- COMPETITIVE
- STRATEGIC
- FLEXIBLE
- SHARING
- EXAMPLES
- RESILIENT
- ENCOURAGEMENT
- ASPIRATION
- SATISFACTION

CONCLUSION

Cultural change is a long-term game that will require our existing entrepreneurial capabilities to start and sustain the journey.

But lets be encouraged and challenged in the knowledge that over 100 years ago during the 1890's Australia had one of the highest and advanced standards of living.

Geoffrey Blainey believes this prosperity was enjoyed not just because of our vast resources but that Australian's applied the latest machines and work skills - *enthusiastically!*

**Lets us reignite this old pioneer spirit,
the cavalier attitude of adventure.**

**For this is the culture of our heritage and
the key to our competitive edge for the future!**

**THANK YOU
Phillip P. Fusco**