

If you love hearing these phrases, you are either in the wrong course or you need this course more than you realize

“big picture” “taking ownership” “hit the ground running”
“game plan” “what’s your spin on the meeting” “paradigm shift”
“enterprise-wide solution” “team-player” “seeing it from 50,000 feet”
“bottom line” “dialed-in” “change management” “synergy” “at the end of the day”
“integrated solution” “how to get there from here” “push the envelope”
“we provide our clients with solutions” “our mission is” “get onboard”
“reinvent the wheel” “touch base” “reach out” “bandwidth” “loop back”
“cradle to grave approach” “in my radar” “pre-plan” “360-degree thinking”
“open door” “110 %” “action item” “hit a home run”
“granularity” “dodge the bullet” “essentially complete”

Introductions

- Me
- You
- The course
- The text books and readings

Michael Goldman & Associates, L.L.C.

- Business Plans
- Business Start-up Assistance
- Forensic Accounting – fraud, asset tracing, divorce, bankruptcy, commercial disputes
- Troubled Company Assistance – work-outs, refinancing, turn-arounds, dissolutions, etc.
- Business Valuation – divorce, partnership break-ups, dispute resolution, failing companies
- Bankruptcy – liquidation, administration, avoidance actions, fraudulent conveyance, solvency analysis, other services
- Tax

The Common Element - I thrive on misery

- In other words, my specialty is getting paid to alleviate other people's pain and misery.
- Business plans, if done right, are one of the toughest things you will ever do.
- Starting a business is usually one month of elation followed by nine months of excruciating pain. This is usually followed by an oath never to return to corporate life again.
- My goals in this course are to either prepare you to get through the plan and those first 10 months, or to save you a lot of time, money, and mental anguish by stopping you from doing something that you shouldn't be doing.

My Teaching Objectives

- Gain a better understanding of ambiguity, fear, risk, and value - where they exist, how to manage them
- Know the keys to succeeding in your own business or corporation
- Help you see your alternatives more clearly and decide which paths are best for you
- Save you some \$



Entrepreneurship is Common Sense



LFGSM Learning Philosophy

- Beyond learning contemporary business theories and practices, LFGSM students develop critical thinking skills, which are manifested in advanced business acumen and more sophisticated executive decision making capabilities.
- The activities, materials, and learning technologies that we use virtually and in the classroom encourage students to be forward thinking, take ownership of their learning experience; engage in active participation; support their ability to apply and communicate strategic thinking concepts and tools; and use technology that is present in the business environment to make significant and measurable positive contributions to their organizations and community.

Grading

- Philosophy
- This week everybody read the memo and is cool with it, Everyone says it is not the most important thing, and then some spend all 10 weeks obsessing about it.
- By the end of the course many people are very upset with it
- I think it was a great learning outcome. Many students disagreed – they could not handle the discomfort of not knowing where they stood on a weekly basis.
 - Those most bothered were the ones who desperately need all “A”s or those who wanted to do as little as possible and couldn’t tell whether or not they were still getting away with it. Neither of these groups are likely to become entrepreneurs.

Grading – feedback from students

- Half of the class wanted to be graded based on what actions and effort they did (regardless of result)
- Half of the class wanted to be graded based on what they learned (regardless of how seriously they took the work)
- Which half is right?
- Which half is more entrepreneurial?

Grading – comments from students

- I was expecting a class format what would “tell me how” and not make me figure it out myself.
- The assignments were only a vehicle to reach the end goal. Whether the assignment submitted was correct or not (in regards to a standard) was not the objective. The objective was to answer the questions I had concerning entrepreneurship.
- I didn't have the ability to compare my work to other students to know where I stand.
- Some of my insights came weeks after an assignment was completed as I identified and reconsidered previous biases due to new information.

Sneak Peek

- Some of you will focus too much on what I want, not enough on what you want (you are the customer here) or on what would generate the best learning outcome.
- There is likely to be too much trying to figure out what I thought rather than focusing on what you thought, and why you thought it.
- There is likely to be lot's of struggling with the ambiguity. That is a good thing, it means you're thinking

Today's Quotes

After a great concert, a fan rushed up to famed violinist Fritz Kreisler and gushed:

“I’d give my whole life to play as beautifully as you do”

Kreisler replied,

“I did”.

□ When you don't have any money, the problem is food. When you have money, it's sex. When you have both, it's health. If everything is jake, then you're frightened to death.

■ J P Donleavy

□ The light at the end of the tunnel has been turned off due to budget cuts

□ “Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it. Avoiding danger is no safer in the long run than outright exposure. Life is either a daring adventure, or nothing.”

■ *Helen Keller, The Open Door (1957)*

- Today's mighty oak is just yesterday's nut that held its ground
- Entrepreneurship is not a new idea. According to Tom Peters, in 1900, 50% of Americans were self-employed. By 1977, that number had dropped to 7% as big corporations ruled. Now big businesses are cutting back, outsourcing to other countries and slashing wages and pensions. The idea of lifetime employment doesn't exist in the private sector.

- 
- I thought I wanted a career. Turns out I just wanted a paycheck.

Sobering Thought

- Because it is so important to them, Eskimos have dozens of words for *snow*
- Words used in corporate America: Axed; canned; coerced transition; decruited; deselected; destaffed; dismissed; downsized; excessed; fired; indefinite idling; negotiated departure; personnel surplus reduction; premature retirement; redundancy elimination; RIF; right-sized; selected out; selectively separated; terminated; vocational relocation; workforce imbalance correction.

Another sobering thought

Between 2000 and 2009, the number of jobs available in the United States has been flat – there has been no net new job creation.

The population of the United States has increased since 2000.

Therefore, there are fewer jobs available per person.

There are now 6% more people on government payrolls than there were in 2001 (i.e. government is still creating jobs).

For the first time in history, the average pay of a government employee is higher than the average wage of non-government employees! Also, government employees get the best benefits and retirement programs.

So, if job security, salary, and benefits are the most important thing to you, the logical conclusion is that you should be working for the government.

So you think Entrepreneurship is risky?

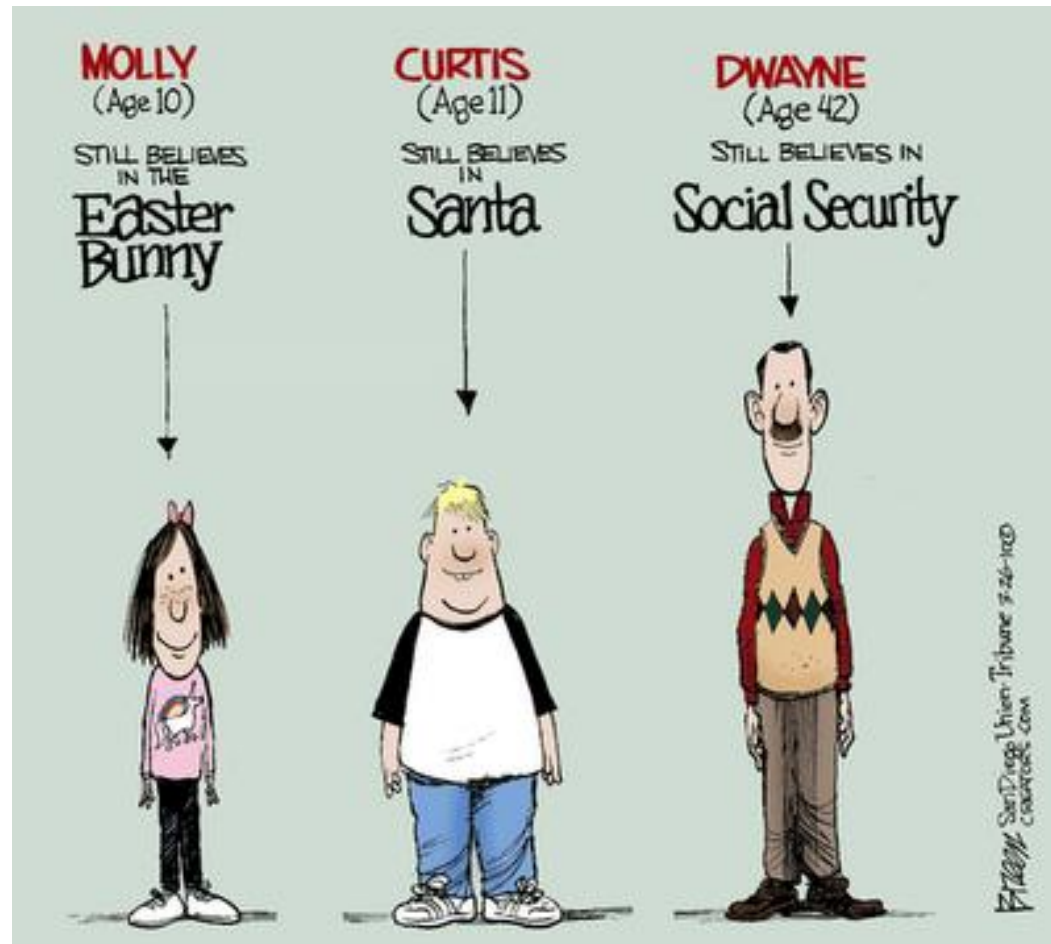


Large corporations do a great job of holding value ??

Remember in the beginning of 2007? RBS (Royal Bank of Scotland) paid \$100bn for ABN Amro.

- **For this same amount in early 2008 it could have bought:**
 - **Citibank \$22.5bn**
 - **Morgan Stanley \$10.5bn**
 - **Goldman Sachs \$21bn**
 - **Merrill Lynch \$12.3bn**
 - **Deutsche Bank \$13bn**
 - **Barclays \$12.7bn**
- **And still have \$8bn in change with which it would be able to pick up:**
 - **GM, Ford, Chrysler and the Honda Formula 1 Racing-Team.**

Are you one of these?



Your Thoughts

- My venture ideas is still about 15 years off. The reason for the time frame is that my kids should be just out of college, my home will be paid off, and I will have had time to select and perfect recipes and ideas. ... I would still like to get financially secure before starting the venture.
- Over the last 10 years, I have had the privilege of having clients who are the wealthiest in our society, mostly “9-figure” millionaires and billionaires. The common thread running through each of these individuals is that they were business owners. It became very clear to me that you do not get wealthy working for others...the wealthy work for themselves.

Your Thoughts, Cont.

- I want nothing more than to start and run my own business. The reason I have not done something yet is purely financial. (note – this person lost his job 2 years ago and does contract work now).
- Starting a new business is a risky decision because you are investing your own money. In some cases (depending on the type of entity you create) you can even lose your own house and other assets that you and your family have.
- I have all the requisite traits, in my opinion, to be an entrepreneur. But I'll be frank in that I don't know what business I would start. .. my biggest fear is that I'll never take the time to figure it out.

Your Thoughts, Cont.

- Starting a new business is a risky decision because you are investing your own money. In some cases (depending on the type of entity you create) you can even lose your own house and other assets that you and your family have.
- I have worked for the past eleven year under fairly successful entrepreneurs. While I learned quite a bit from them, I have not learned conquer my own psychological limitations. There is specific mindset that entrepreneurs have, and I am not sure I have it. ...). I am smart. I accept risk, when I am not risking everything. I communicate and network well, after I break down my own hang-ups. I don't like the thought of being rejected, but actual rejection is never as bad as I imagine.

Your Thoughts, Cont.

- My father's business became highly successful and that's when it seemed to come apart. After a series of lawsuits, thefts, break-ins, and embezzlement, it was too much for him to manage. People seem to target you at the top and will attempt to topple you. America loves a success story, but they love a success story that rises then falls even more.
- I'm looking forward to learning of some battle-tested methods of breaking out into new businesses and self-entrepreneurships during this course.
- Recently, the threat of being laid off, or outsourced has ignited again the thoughts of starting a business as a backup plan in case I had difficulty in finding another position elsewhere.

Your thoughts, Cont.

- Losing everything and having to start over would be almost impossible at this stage in my life. I have too much to lose to take a great risk at starting a business.
- I am sure I will learn how to understand and appropriately deal with these risks and challenges from Mr. Michael Goldman's New Venture Creation course.
- When I start thinking about startup, my first question: is this idea truly unique?

Other's Thoughts

- I hate to think that I'll go to my grave having nothing to show for my toil other than being a discontented cog on a wheel.
- What if the venture, and by extension I, fail miserably? What if I invest time and energy and money and lose it all and end up older, more tired, and in debt?
- What if my kids go hungry just because I wanted to pursue this “dream” which was nothing more than vanity run amok?
- Starting a new venture takes a certain personality trait and cannot be taught in the classroom
- The security that I need for myself and my family have always brought me back to reality, which is the main reason that after twenty-six years, I am still working at Motorola.

Other's Thoughts, Cont

- My fear in taking this class is to be bitten by the entrepreneur bug. **Another fear I have is abandoning the Corporate America security.**
- The ultimate goals to establish a new venture are to find financial security and improvement to one's quality of life.
- I have become more and more disillusioned with corporate business life. I've worked with very high level executives and ... have realized that I don't want to be the kind of person I think it takes to reach this level in business.
- **Listed 16 significant fears about starting a new venture.**

Other's Thoughts, Cont.

- I do not know where to start, what makes a business succeed or fail
- I would like to learn how much does experience play in starting a new venture.
- Money is one of the motivators for me having my own venture.
- **It's hard to leave a decent paying job and good benefits and strike out on your own.** I wish I had done it before I got married, and especially before I started having kids. Now, I'm not only risking my financial future, **but their future as well.**

Other's thoughts

- I've been out of corporate America for four years and I'm not going back! My only fear is going back to corporate America it was just too slow for me.
- What I am sure about is that now he can do what he likes vs. what he was told, and it makes all the difference in the world
- I hope that the establishment of the new venture will bring us the financial independence some day, and I fear that it will never happen.

Other Thoughts

- I would rather take over an existing company than deal with the risks and time it takes to start a new venture.
- I would not take a risk unless I knew that going in the deck was stacked in my favor, or I could influence potential outcomes.
- Having grown up in a family of small business owners, I don't want to live the same life my parents did.

Other Thoughts, cont

- An entrepreneur is an individual who has courage.
- An entrepreneur is continually coming up with new and brilliant ideas that astound.
- What will I do without my safety net? What will happen if I am not successful and wind up bankrupt?
- What will happen to my family and me if I don't make it?

Other Thoughts, cont.

- I want to get 25 years experience at [big company] and max out my pension, and then I will be ready for a change.

Observation

- When one of my daughters was younger she would go to the animal shelter every month looking for a dog that doesn't shed, doesn't need to be followed around with a pooper-scooper, won't need to be walked in bad weather, and won't expect to be fed while we go away on vacation. She wanted a dog very badly, but not badly enough to take care of it every day or give up time away from home for it. It was brutal for her, not being able to have everything at once.

Course Map

1. The entrepreneurial decision – entrepreneurship is a lifestyle.
2. Personal values and attitudes – we all survive our decisions. Ego, bias, attitudes all shape our decisions.
3. Recognizing Opportunities – clearly identifying customers, understanding the market, understanding viability.
4. Driving Forces, Team – what drives entrepreneurial ventures, how to be a good manager
5. Financing – Understanding what drives your business, how to plan well.
6. Financing – See clearly, cut through the clutter
7. Financing – understanding what creates value

Course Map (cont)

8. Business Plans – you are the most important element of your plan. Know yourself, be realistic, see clearly, plan well.
9. Understanding the troubled business - what to do when you are in trouble, how to stay out of trouble in the first place.
10. Conclusion – understand risk, don't obsess on the wrong risks, don't obsess on anything at all, always look for the drivers, see clearly, anticipate. Do things you enjoy.

Needed for a good class:

- Your participation!
- Entrepreneurship is about people.
- You all have a lot more to teach each other than you realize – please share.

Important topics that we will probably not cover

- Taxes – planning, administering, etc.
- Income, employment, property, excise, duty, estate, etc.
- Accounting and administrative systems
- Employees – hiring, managing, finding, retaining, employment law, etc.
- Type of entity to choose
- Fringe benefit planning
- Retirement planning

Important topics that we will probably not cover

- Government requirements – licenses, permits, laws, etc.
- Franchises
- Selling your product or service
- Pricing your product or service
- Home office issues
- Working with professionals
- Do you need a partner? How to deal with partners.
- Business Law – contracts, etc.

Owning your own business is the American Dream

- Our culture has always stressed it:
 - Puritan Ethic
 - Horatio Alger
 - Robber Barons and Industrial Revolution
 - Bill Gates
- Our tax laws favor the self-employed, and our immigration laws favor business owners.

Entrepreneurship is part of American pride

- Entrepreneurs are the source of American prosperity, innovation, progress, world economic leadership
- Entrepreneurs give the USA the power to dominate competition
- Our challenge is to remain flexible and still compete on a large scale.

However, don't be too successful



Reality

- Less than 50% of businesses survive for 5 years
- Of those that do survive, less than 5% survive to a second generation of owners
- Most small business owners work longer hours and make less money (although see Overstretched article – recent trends have been very damaging to most corporate workers)

Government's impact on small business

SMALL-BUSINESS OWNERS' PROBLEMS, BY RANK		% SAYING IT'S NO. 1 PROBLEM
1	Poor sales	23%
2	Taxes	20%
3	Regulation and red tape	16%
4	Inflation	9%
5	Competition from large business	7%
6	Cost and availability of insurance	7%
7	Quality of labor	5%
8	Other	5%
9	Cost of labor	4%
10	Financing and interest rates	4%

- Add taxes, regulation and red tape, and inflation percentages from that table... all together, they add up to 46% of the top-ranked problem. Almost half of small business' problems are coming from the government in some form!

Government does everything it can to discourage business formation

- http://www.youtube.com/watch?v=YQscE3Xed64&feature=player_embedded

All You Need to Know about Government

Bureaucracy:

- ** Pythagorean theorem: 24 words.
- ** Lord's prayer:.....66 words.
- ** Archimedes' Principle: 67 words.
- ** Commandments: 179 words.
- ** Gettysburg address: 286 words.
- ** Declaration of Independence :1,300 words.
- ** US Constitution with all 27 Amendments : 7,818 words.
- ** US Government regulations on **sale of cabbage**: 26,911 words.

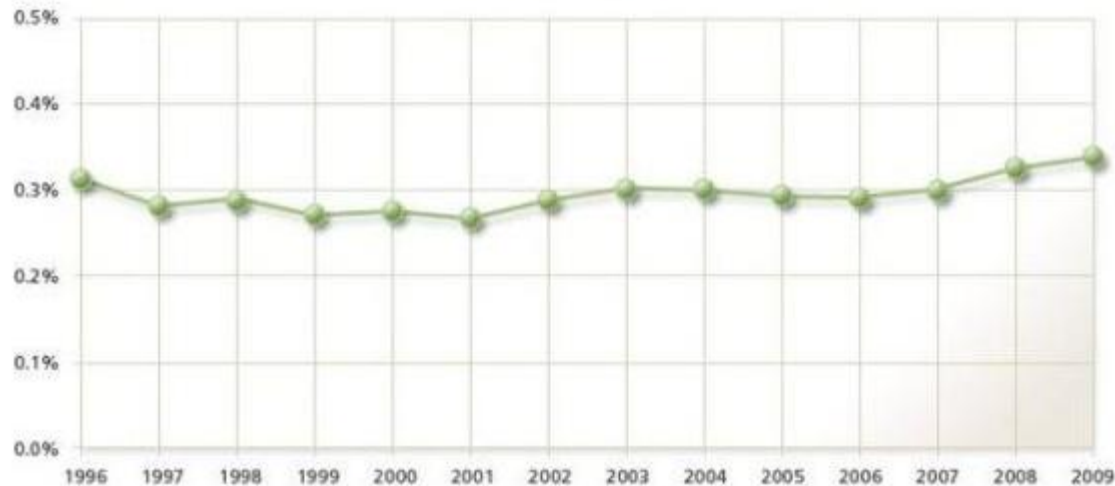
Economic distress appears to drive new business creation more than boom times

CHART OF THE DAY: New Business Creation Rate

1 of 9



Kauffman Index of Entrepreneurial Activity
New Business Creation Rate
1996 – 2009



SOURCE: Robert W. Fairlie using the Current Population Survey

Ewing Marion
KAUFFMAN
Foundation

Definition

- Being an entrepreneur means having the freedom to worry all the time, go without a paycheck, do everything yourself, work 70 hours a week, and risk your marriage and the house.

Vacations, entrepreneur style



"If we could afford to take another vacation this year I'd really get some work done."

Why I think you need your own business

- For your sanity
- For your quality of life
- So you have something when everything else falls apart
 - ▣ Complexity and size of business has grown much faster than managerial competency
 - ▣ Fraud is rampant. Prosecutors and police lack the understanding, resources, and political motivation to stop it.
 - ▣ Risk is too diffuse – banks sell their loans and don't care about loss. Each loss is too immaterial for anyone to care.
 - ▣ Widespread over-capacity and inability to service debts incurred to build that capacity
 - ▣ Hedge funds with slash and burn mentality taking over more and more businesses. This has now changed, still don't know what the new paradigm will be.
 - ▣ Ps – this slide has been in use as is since 2002

It is safer than you think

- **UNIVERSITY OF CHICAGO GSB:** *Capital Ideas, September 2006* contains an article by **Stephen J. Davis**, Professor of International Business and Economics. He writes, “The U.S. media constantly tell us that the environment for workers has become increasingly uncertain and that jobs are less stable than ever. That view is accurate for certain occupations and for publicly traded firms, but not for the economy as a whole. **The media have formed their views about what’s happening in the entire economy from what happens in only a subset of the private sector. As a result, they impart a distorted impression of actual trends in the U.S. economy.”**
- To see how the media influences our thinking, look how President Obama has been portrayed – he used to be the great communicator, the messiah who had intimately tapped into America’s youth and was going to bring us hope and change and post-racial bipartisan politics. Now they portray him as elite, out of touch, divisive, dependent on teleprompters, and boredom-inspiring. The reality has always been between those extremes. Remember that reporters and journalists are almost always English majors who articulate what they think other people are thinking about finance, economics, politics, science, culture, etc.

Welcome to Corporate America

- According to a recent Monster.com® survey, over 72% of respondents said they are unhappy in their current jobs.

Corporate America, cont.



“When you have a minute could you give up all your hopes, dreams and aspirations and surrender to the indomitable iron-fisted will of the corporation?”

What do Entrepreneurs need to succeed?

?



To Succeed, Entrepreneurs Need

- A feeling for risk
- Total commitment
- Stamina
- Patience
- To know how to sell
- A self-employment opportunity
- A single minded focus

More needs

- Tolerance for ambiguity and uncertainty
- Opportunity obsession
- Energy, health, emotional stability
- Creative ability
- Intelligence
- Good people skills
- Optimism
- Willingness to sacrifice
- Leadership ability and management skills

Even More Needs

- The right skill sets
- Enough Experience
- Motivation
- Desire
- Great attitude
- Determination
- Holistic preparedness



Functional Skills Needed

- Marketing
- Sales
- Personnel
- Administrative
- Operations
- Finance
- Technical
- Management
- Planning
- Fund-raising
- Training
- Team Leadership



You get to do it all



"I'd get my people on that right away if I had people."

You also need an opportunity

- Brainstorming
- Identifying anomalies
- Market viability tests
- Purchasing a business
- Licensing a service, technology, or process
- *creating an unfair advantage*



There must be a market need for you

- *Will anyone pay for it?*
- *Will anyone buy another one?*
- *Will you have enough cash flow to survive?*
- *What value are you providing?*
- *Is there a suitable exit plan for you to cash out?*



Economic Conditions

- High inflation favors the entrepreneur
 - ▣ Pricing is less relevant in high inflation times – bigs are less likely to crush smalls with pricing
 - ▣ Higher pricing alleviates cash flow constraints
 - ▣ Higher inflation is associated with higher economic growth and lower real interest rates

With trillions of \$'s in stimulus packages and corporate rescues and deficits, inflation is likely to be very high in the coming years, once the deflationary wave of liquidations runs its course.

One More Need

Cash, or an amazing
ability to do without it.



Which are most important factors

?



How do you define:

Success?

Failure?

Risk?

Value?





**SUCCESS AND FAILURE ALL
REVOLVE AROUND BOTH
VALUE AND VALUES**



Different Definitions of “Success”

- Age 4 – not peeing in your pants
- Age 12 – having friends
- Age 16 – having a drivers license
- Age 20 – having sex
- Age 35 – having money
- Age 50 - having money
- Age 60 – having sex
- Age 70 – having a drivers license
- Age 80 – having friends
- Age 90 – not peeing in your pants

Know what you want

- Short-term economic gain
- Ability to make big money quickly
- Long-term economic security
- Quality of the people you work with.
- Autonomy
- Ability to fulfil your dreams



Personal Issues

- Health
- Family
- Location
- Investment
- Will the business provide you with sufficient money or security?

Personal Issues (cont.)

- Work Environment
- Status and Prestige
- People you work with
- How much risk can you tolerate
- Can you live with failure?
- Taxes

The Two Things That Drive Entrepreneurs

□ FAITH

□ FEAR




Observation

- The parent population at Holy Cross school has 5x to 6x more business owners than would be expected from the general population.
- Possible implications:
 - ▣ People of faith are more likely to become entrepreneurs?
 - ▣ Entrepreneurs are more likely to be or become people of faith?
 - ▣ Entrepreneurs are more likely to favor private education because they are control freaks?



Are entrepreneurs made or born?





Which comes first, the entrepreneurial idea or the desire to become an entrepreneur?



Why I became an Entrepreneur

- Bored with corporate life
- Saw too many people losing their jobs
- Wanted a stronger correlation between my efforts and my rewards
- Wanted to get started before I got too old
- Felt there was a definite market
- Get to learn a whole new set of skills
- Unshackled from the office – more freedom and flexibility

Why I became an Entrepreneur

- Got too far removed from the parts of managing that I really enjoyed
- Being senior management isn't everything it's cracked up to be.
- Gave me the time to be there while my daughters grew up.



Why do you want to become an Entrepreneur

?



Never start a business just to make money.

SBA study

- The data suggests that entrepreneurs are often not the callow amateurs they are portrayed as being, but business veterans who have the gumption to take risks inherent in starting a new enterprise. They are also people who are often prepared to shrug off the effects of a business failure and try again, a process made possible by the “fresh start” philosophy of US bankruptcy laws.



Entrepreneurship is a journey.

It is not about being the richest person in the cemetery.

Valuation of Start-ups

- Much of the course will mirror this article – what is it that provides value?
- You need to constantly think about what provides value to a business, and what provides value to you as an individual.

Valuation of Start-ups

- What are the defining characteristics of start-ups?
(sessions 3 – 8)
- How do you evaluate the management team?
(sessions 4, 8)
- Understanding financial projections (sessions 5 – 8)
- Valuation (session 7)
- Generating profit for the business (sessions 5 – 9)
and for yourself (session 10)



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