



## TenStep Supplemental Paper

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### Best Laid Lessons

*Lessons from serial entrepreneurs...*

In the early 70's only 10 percent of enterprise owners could claim to be serial entrepreneurs. Today the number has more than doubled to close to 25 percent. This figure is projected to reach the 50 percent mark in the coming years.

Serial entrepreneurs, unlike most business owners, seldom find fulfillment managing a single enterprise. They seek risks and face financial exposure without being apprehensive, as failure doesn't deter them. This 'serial life' may not be for everyone; however, those considering multiple ventures have a lot to learn from these serial entrepreneurs. In fact, serial entrepreneurial strategies are particularly useful and relevant for anyone who owns a single business.

While there may not be a formal course to become a serial entrepreneur, the following strategies offer a blueprint.

#### **Strategy 1: Learning how and when to leave**

Serial entrepreneurs could be of two varieties. The majority are "leapfroggers," who start an enterprise, run it for as long as it is "fun and challenging" and then leave it to start another enterprise. The rest are "jugglers" or "parallel entrepreneurs." Gifted with excellent delegation skills, they manage two or more enterprises simultaneously. Variances in preference apart, both kinds of entrepreneurs dislike day-to-day managerial affairs.

The ideal approach to leading is to do as successful jugglers do. They begin delegating their responsibilities to capable managers. Leapfroggers, on the other hand, learn how to leave the experience. For instance, the first time one former owner of a successful ice-cream business left his job, he was forced to file for unemployment. His second venture, a telecom company, also made it big, but this time around he knew when to leave.

He learned from experience that when "big-company management issues" begin, or when you begin to dread going in to work, it is time to quit.

**Lesson learned:** Be alert. Avoid being caught in the grip of mundane business issues. These issues make jobs monotonous and lower both morale and enthusiasm. Smart managers delegate day-to-day tasks to managers long before they hamper their working style.

#### **Strategy 2: Do not fall in love with the organization or its products**

Serial entrepreneurs do not let passion about a product, service or enterprise get in the way of business. They are most passionate about running cash-flow businesses. The business model is more important to them than the business itself. When one woman started a mail order knife company, she first defined her business model. She created a

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demand for knives working out of her home with limited capital. The following terms formed the basis of her business model:

- Contacting suppliers located in her vicinity (the same shipping area)
- No entertaining accounts receivable. She only received payments in advance
- A quick turn of inventory
- A focus on minimizing delivery costs

Within a decade, her business was worth \$11 million a year. However, with other kitchenware retailers knocking down her door with their aggressive marketing, Alpert decided to look for other products. Her business now deals with difficult to source artisan items. Her new company, which grossed \$4 million in its first year, is based on her earlier business model.

**Lesson learned:** Understand the importance of effective business models.

### **Strategy 3: Learn to do more with less**

Serial entrepreneurs consciously keep their costs low. Even after the new business proves its viability, they believe in using their resources creatively and optimally to prevent unnecessary costs. One entrepreneur uses the extra production capacity of one company's manufacturing unit to produce goods for the other. This gives him the extra time to concentrate on marketing and selling his new product. Parallel entrepreneurs nearly always use extra supplies, employees, warehouses and machinery to either launch or run two companies.

**Lesson learned:** Use money and resources effectively and creatively.

### **Strategy 4: Be failure tolerant**

All entrepreneurs do not necessarily fail at least once. Nevertheless, the majority of serial entrepreneurs are far more open to failure than other business owners.

While a few years back, past business failures could pose a problem when an entrepreneur had to raise venture capital for a new business, the financial market today does not consider this a black mark.

**Lesson learned:** Though it sounds clichéd, failure is the stepping-stone to success!

### **Strategy 5: Hire managers and employees who stay**

Serial entrepreneurs seldom hire people like themselves.

Despite the fact that entrepreneurs seldom stick to one venture, their passion for what they do and their exceptional sales skills are what attract people to come to work for them. However, entrepreneurs are particular about the managers they hire because when they move on, it's their managers they rely on.

Entrepreneurs invest in hiring trustworthy, responsible individuals capable of handling more than just day-to-day operations. They prefer to delegate responsibility to single-minded, methodical individuals. Most of them foster employee loyalty by offering



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employee-stock ownership plans. To ensure team support during new ventures, smart entrepreneurs use the flow of information. By sharing bits of strategic information with managers, an entrepreneur builds interest and prepares his or her team for any new venture.

**Lesson learned:** Hire right.

There is a lot that business owners can learn from serial entrepreneurs besides the art of risk-taking.