

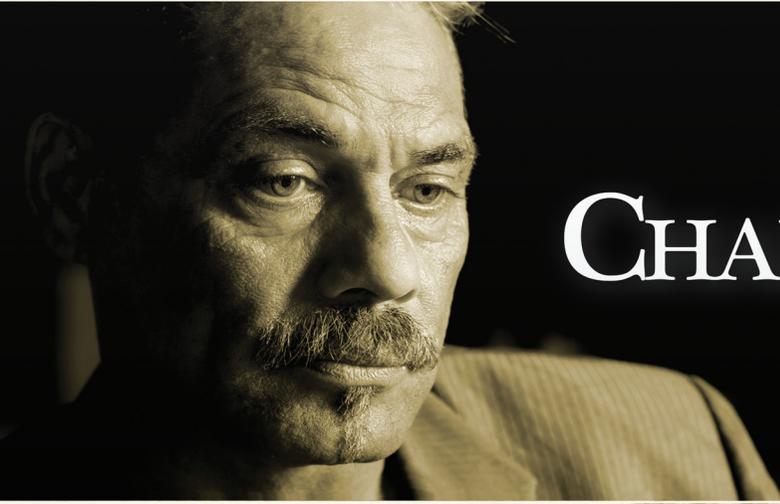
ARE SUCCESSFUL ENTREPRENEURS BORN OR MADE?

IS THE SECRET TO SUCCESS:

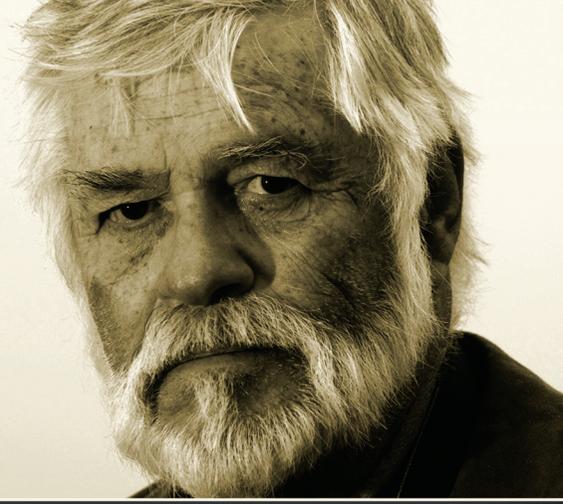
SKILL



CHARACTER



OR LUCK?



ACTON FOUNDATION
for Entrepreneurial Excellence

From Grizzled Veterans of the Entrepreneurial Wars: Are successful entrepreneurs born or made?

By Jeff Sandefer

THE SECRET TO ENTREPRENEURIAL SUCCESS: SKILL, CHARACTER, OR LUCK?

“So what was the secret to your success? Was it skill, character, or luck?”

Before me were a dozen or so successful entrepreneurs. Not flashy Wall Street speculators, corporate figureheads or venture capitalists, but grizzled veterans of the school-of-hard-knocks.

These were business operators who had pulled themselves up by their bootstraps, persevered and become wildly successful. One had built an empire selling used cars; another was in the junk business; a third bought, renovated and rented houses in low-income areas. The least successful entrepreneur in the room had a net worth of \$25 million, the most successful, \$100 million or more.

The silence remained, so I pressed again:

“Was it skill, character, or luck that made you so successful?”

Again, an uneasy silence. As a successful entrepreneur, I understood that few people want to talk about their success. As a Socratic teacher, I knew that the silence soon would become unbearable. What I didn't know was that I soon would learn a surprising secret about entrepreneurial success.

I asked a third time: “Is skill, character or luck more important for a successful entrepreneur?”

THE SKILLS THAT LEAD TO ENTREPRENEURIAL SUCCESS

Finally, someone answered.

“Skill,” a business owner said. “And particularly the ability to sell.”

“It helps to be born with an engaging personality,” the man who had built a fortune in rent houses added. “But that's no substitute for knocking on door after door and every time you are turned down, having the courage to knock again. Sales is a matter of learning about human nature, yours and theirs, through trial and error.”

A list of important skills soon followed:

- *“The ability to find good salespeople and manage a sales force.”*
- *“Having a firm grasp of which numbers are important.”*
- *“Knowing how to put together an assembly line or service delivery process.”*

More skills were added to the list:

- *“Being able to communicate clearly.”*
- *“Listening and questioning customers.”*
- *“Being a problem solver; thinking.”*
- *“Being curious enough to uncover and unravel the strategies of competitors.”*

As each entrepreneur answered, I wrote their responses on a whiteboard. I thought about what hadn't made the list. Being able to write a business plan hadn't been mentioned. Neither had the ability to raise money. The skills usually celebrated in the business press and taught in MBA programs didn't seem to matter much to these real world entrepreneurs.

The operators knew, like I did, that having enthusiastic customers and a smoothly running operation were far more important than writing a hundred-page prospectus. It is adding value to the lives of customers and employees that builds great businesses. Plus, not raising money means you get to keep 100% of the ownership and profits—and remain in complete control.

CHARACTER VERSUS SKILL

Finally someone disagreed.

“Character trumps skill,” the junk dealer said. “Perseverance is far more important than skill or talent. You have to have a mindset that never gives up, no matter how tough it gets. A little talent and a lot of hard work are the foundation for learning any skill, and are far more important in the long run.”

Another entrepreneur began quoting Calvin Coolidge from memory: “Nothing in this world will take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan ‘press on’ has solved and always will solve the problems of the human race.”

“Absolutely right,” said a third. “Michael Jordan and Tiger Woods were born with extraordinary talent. But without thousands of practice free throws and countless hours on the practice tee, neither would have become champions. Mastering a skill requires dedication, so character has to come before talent.”

I knew they were right. It takes 10,000 hours to master a skill. That's three hours a day of practice, every day, for ten years. I knew a lot more people with raw, unused talent than I did people with the dedication and perseverance that are critical for entrepreneurial success.

Other important character traits soon followed:

- *Basic curiosity*
- *Fairness*
- *Courage*
- *A relentless pursuit of opportunity*

LUCK AS A FACTOR

“But what about luck?” I asked.

Silence.

“Surely you believe luck has played a major part in your lives?”

More silence. Then: “Sure, luck played a part,” the junk dealer said. “But you asked about success. Luck is the difference between making a million dollars and ten million or a hundred million. It’s not the difference between success and failure. Each of us was going to be a success; it was just a matter of how long it took.”

The used car tycoon agreed, “Entrepreneurial success isn’t about money; it’s about freedom. The goal isn’t to make more than you need, it’s to spend less than you make. Because that way your free time belongs to you.”

“You can be the luckiest person on earth,” another added, “but when luck comes to someone who is unprepared or lacking in character, or sees money as the most important thing in life, nothing good ever comes of it.”

The discussion continued for another thirty minutes or so, as the hardscrabble entrepreneurs debated and I recorded their comments on the board.

AN UNEXPECTED LESSON

So far, our conversation had only confirmed much of what we teach at Acton, our business school for hard charging entrepreneurs. But I was missing a powerful lesson that was right in front of me, in plain view.

I looked at the white boards. In the top center was the question: “Are entrepreneurs born or made?” and beneath that, the headings “Skills,” “Character,” and “Luck.” Words like “Sales skills,” “Courage,” and “Perseverance” filled the columns.

But scattered across the boards in the middle were words and phrases that didn’t seem to fit into any of the columns. Words like “relationships with customers” and “word of mouth reputation,” “knowing what a competitor will do next” and “designing the right reporting system for my type of company.”

Suddenly it struck me. These weren’t skills or character traits, neither inborn gifts nor hard earned skills, but rather assets, deposits of skill and character, made in a consistent way, during a lifelong entrepreneurial journey of trial and error and struggle.

I realized that I could capture each of the orphaned words and phrases under one of three headings: “Industry Expertise,” “Good Business Judgment,” and “Reputation and Relationships.”

Industry Expertise

Some assets are built during competitive battle. They're made one sales call at a time, through countless trial and error experiments making and delivering products, each time keeping a keen eye on the reaction of competitors.

In a sense, each entrepreneur in the room had played a part in writing the history of his or her industry, and could instinctively weigh the probabilities of what would likely happen next.

The reward was a database of tacit knowledge that would be impossible to copy or replicate: which supplier to trust; which customers would pay on time and how competitors would react to changes in demand or pricing.

Good Business Judgment

Then, there are the assets built during the daily struggle of making operating decisions. Decision by decision, one success and mistake at a time, entrepreneurs accumulate a robust inventory of lessons in how to operate a business.

Here the knowledge isn't industry specific, but related to the daily realities of running a business. For example, knowing how to craft a pay and incentive system, set up an accounting system, or establish a hiring funnel. Or how to choose between raising debt or selling equity or simply slowing the growth rate so a company can finance its own growth from its free cash flows.

What was the reward for acquiring good business judgment for our tough-minded entrepreneurs? Knowing which questions to ask. Knowing when to act quickly and when to take time to reflect. Internalizing hundreds of small lessons about human nature that make it easier to lead the people around you.

Relationships and Reputation

Last are the invaluable bonds and assets formed as you work with other people. Every time you keep a promise, act kindly toward another, or show character when times are tough, you add another deposit to your account.

The most difficult task for most businesses is attracting the right customers, employees and investors. Doing things right and doing the right thing build strong relationships. So does being honest and direct. And going the extra mile. Strong relationships, through word of mouth, build reputation.

If you had dug deeply into the heart of every entrepreneur in the room, I have no doubt that their most treasured assets would have been their relationships and reputations. Relationships because in the end the real reward of business is who you work with and who you serve. Reputation because the businesses of the men in the room reflected who they were, their personal DNA, the one competitive advantage that could never be copied

THE SECRET: STAY THE COURSE

That's when the secret hit me. Yes, these successful entrepreneurs had taken the time to master critical skills, usually in areas where they had raw talent. Character too had been important, especially perseverance and honesty. And luck had played a role, though most would have been financially secure without it, and some even felt that excess riches were more a burden than a blessing.

So in the end, what made them different from others who hadn't been as successful and fulfilled? They had stayed the course. Day after day; year after year.

Other would-be-entrepreneurs might have been even more talented, but they became bored. Hopped from industry to industry. Tried to get rich quickly. Relied on "who they knew" to attract opportunities and favors rather than mastering a skill. Tried to take advantage of others instead of doing what was right.

The entrepreneurial heroes in front of me loved the great game of entrepreneurship. So they showed up, every day, in the same industry, with the same people. Through trial and error, successful and failed decisions, they made tiny deposits of industry expertise, business knowledge, and trust which built a web of assets that made running a successful business much easier and served as a formidable barrier to competitors.

Are successful entrepreneurs born or made? Are entrepreneurs blessed with a rare gene or shaped by their parents and childhood? Turns out, these aren't even the right questions.

Entrepreneurs become successful, one small investment at a time, in a never-ending process. Because entrepreneurial success isn't a destination, it's a journey. A journey taken one determined step at a time, in a way that builds lifelong treasures.

It was a lesson that would stay with me for a very long time.



ACTON FOUNDATION
for Entrepreneurial Excellence

Copyright © 2010 by the Acton Foundation for Entrepreneurial Excellence. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form without the written permission of the Acton Foundation for Entrepreneurial Excellence.

Austin, Texas, USA • actonfoundation.org

NO MATTER WHERE YOU ARE ON THE ENTREPRENEURIAL JOURNEY, ACTON'S RESOURCES ARE THERE FOR YOU.

ACTONMBA.ORG

DO YOU HAVE WHAT IT TAKES TO CHANGE THE WORLD?

Ranked by the Princeton Review as one of the top MBA programs in the country, the Acton School of Business is taught entirely by successful entrepreneurs. Acton's intensive, one-year MBA in Entrepreneurship makes three promises to its students: You will learn how to learn, learn how to make money and learn how to live a Life of Meaning.

MYEJ.ORG

DO YOU EVER WISH YOU KNEW A MASTER ENTREPRENEUR WHO YOU COULD ASK FOR ADVICE?

For a real entrepreneur, no amount of riches, fame or power can match the fulfillment that comes from finding your "calling" in business. Haven't found yours yet—or just want to sharpen your entrepreneurial skills and instincts? Then check out Acton's My Entrepreneurial Journey program.

ACTONFOUNDATION.ORG

YOU'VE BUILT A BUSINESS, BUT WHAT ABOUT A LEGACY?

There's not a better gift you can give to strengthen America's free society than becoming a Socratic Guide and passing the torch to the next generation of principled entrepreneurs.

ACTONTOOLKIT.ORG

WHY AM I MAKING A PROFIT, BUT RUNNING OUT OF CASH?

You can learn about cash flow, operations bottlenecks and sales funnels the hard way, by committing costly mistakes in your own business, or you can test your mettle first with Acton's interactive simulation games.

ACTONHERO.ORG

WHO'S YOUR HERO?

Entrepreneurial heroes define themselves by the challenges they overcome, the vision they pursue and the principles that guide their lives. Watch our collection of videos highlighting entrepreneurs from many different industries as they share their own inspirational stories.