

Key points

TOP TEN CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

1. **CREATIVITY** — have the ability to look at problems and needs from different angles and “think outside the box”
2. **GOAL ORIENTATED** — constantly set goals for themselves that challenge their creativity and strengths
3. **HARD WORKING** — willing to work long hours to complete tasks, go the extra mile
4. **COMMITMENT** — remain focused on an idea or task
5. **WILLING TO TAKE THE INITIATIVE** — always want to be first, do not sit back and wait for others to take the initiative
6. **SPIRIT OF ADVENTURE** — willing to try something new and different, pioneer
7. **POSITIVE ATTITUDE** — do not let minor setbacks hinder their progress towards their overall goal
8. **SELF-CONFIDENT** — believe in themselves and their idea
9. **PERSISTENCE** — keep working at a problem until they solve it or find an alternative
10. **NEED TO ACHIEVE** — strong desire to accomplish something in life and leave a legacy

In addition to these characteristics, other attributes that have been associated with successful entrepreneurs are the following:

1. They are determined to finish a project once it has been undertaken, even under difficult conditions.
2. They are dynamic individuals who do not accept the status quo and refuse to be restricted by habit and environment.
3. They are able to examine themselves and their ideas impartially.
4. They are not self-satisfied or complacent.
5. They are independent in making decisions while willing to listen to suggestions and advice from others.
6. They do not blame others or make excuses for their own errors or failures.
7. They have a rising level of aspirations and expectations.
8. They have a good grasp of general economic concepts.
9. They are mature, self-assured individuals who are able to interact well with people of varying personalities and values.
10. They are able to exercise control over their impulses and feelings.
11. They have the ability to make the very best of the resources at hand.

THE NOT-SO-LEARNABLE CHARACTERISTICS

The attributes listed next are those that many experts consider to be innate, and thus not acquirable to any great degree. Fortunately the list is quite short. It is from these not-so-learnable characteristics that the conclusion that entrepreneurs are “born, not made” is principally derived. However, while possessing all these attributes would be beneficial, there are many examples of successful business pioneers who lacked some of these characteristics or who possessed them to only a modest degree:

1. High energy, good health, and emotional stability
2. Creativity and an innovative nature
3. High intelligence and conceptual ability
4. The ability to see a better future and a capacity to inspire others to see it

Key points

AN ENTREPRENEUR'S CREED

1. Do what gives you energy—have fun.
2. Figure out how to make it work.
3. Anything is possible if you believe you can do it.
4. If you don't know it can't be done, then you'll go ahead and do it.
5. Be dissatisfied with the way things are—and look for ways to improve them.
6. Do things differently.
7. Businesses can fail. Successful entrepreneurs learn from failure—but keep the tuition low.
8. It's easier to beg for forgiveness than to ask for permission in the first place.
9. Make opportunity and results your obsession—not money.
10. Making money is even more fun than spending it.
11. Take pride in your accomplishments—it's contagious.
12. Sweat the details that are critical to success.
13. Make the pie bigger—don't waste time trying to cut smaller pieces.
14. Play for the long haul. It's rarely possible to get rich quickly.
15. Remember: Only the lead dog gets a change in scenery.

4 *Entrepreneurs in* **a c t i o n**

Rock Bottom and Back

It's 4:00 p.m. on a Monday, and business is booming in the newest uptown Vancouver location of Cactus Club Cafe. Hip young 20-somethings lounge in leather armchairs at tables surrounding a massive centerpiece mahogany bar, drinking Cactus Bellinis, a peach/rum/champagne/sangria slurpie billed as "better than sex." Others relax in plush leather booths next to massive windows framed with crushed velvet drapes. Still others gather around glowing-eyed gargoyle fountains, kibitzing with service staff as they sample diverse cuisine, ranging from jerk chicken and sea-salted fries to the Millionaire's Cut filet mignon.

It's an opulent yet informal, eclectic atmosphere that's become the tongue-in-cheek trademark of restaurateurs Richard Jaffray and Scott Morison. From the bawdy paintings in heavy gilt frames to the glass-enclosed courtyard, river-rock fireplaces and signature moose heads, the new \$1.8-million restaurant is fanciful and fun. And that's a key component in Cactus Club's recipe for success, says Jaffray. The other ingredients? Innovative, high-quality food at a reasonable price, he says, and a service culture bent on entertaining customers. It's a formula that's

proving popular with West Coast consumers, fuelling Cactus Club's growth into a 10-chain restaurant with 1998 sales of \$20 million — up from \$17 million in 1997.

But that success hasn't come without challenges. In 1996 an overzealous expansion into Alberta



PERRY ZAVITZ

brought the company to the brink of ruin. Opening four restaurants in less than 15 months without adequate research and preparation proved nearly fatal, says Jaffray. Undaunted by the near-disaster, the ambitious partners rolled up their sleeves to retrench and reorganize. The firm's 1999 sales are expected to climb to \$24 million, says Jaffray, and the partners have set Cactus Club on a new course for steady yet cautious growth. Their long-term goal? No less than 200 restaurants across Western Canada and the U.S. in the next 20 years. "Our objective," says Jaffray, "is to be the best upscale, casual, fun restaurant in North America." A lofty ambition, perhaps, but one the partners are confident they can meet by learning from their past mistakes and adhering to the first rule of business: know thy customers.

In fact, that axiom was instrumental in Jaffray's decision to abandon his initial idea of launching a company that would offer party cruises upon arriving in Vancouver from Calgary in 1984. After living in his '74 Dodge Dart at a local beach for a month, he discovered that Vancouver's often inclement weather isn't well suited to cruising.

Instead Jaffray began waiting tables for Earl's Restaurants Ltd., a popular family-restaurant chain. It was there he met Morison, a fellow waiter and would-be entrepreneur. Eager to strike out on their own, two years later the then 21-year-olds hatched a plan to capitalize on the popularity of Expo 86, launching an ice cream and cappuccino bar called Café Cucamongas.

Revenues reached \$250,000 in the first year, enough to attract the attention of the pair's former boss at Earl's, Stan Fuller. Impressed with the duo's enthusiasm and commitment, Fuller approached them in 1987 about a potential partnership in a new restaurant geared to a younger clientele. His timing was perfect, since Jaffray and Morison were already looking beyond Cucamongas. It was win-win, explains Jaffray. The partnership provided them with the capital they needed to develop a full-scale restaurant chain, plus access to Fuller's expertise and experience. In return, Earl's got an investment in a new market without having to manage it. The pair were even given access to Earl's budgets and financial statements. "It allowed us to see some of the inner workings of another organization," says Jaffray, "and the struggles they were going through."

Morison and Jaffray sold Cucamongas and wrangled a \$225,000 bank loan, giving them enough cash to finance their half-share in the new venture. In March 1988, the first Cactus Club Café opened in club-starved North Vancouver. The concept was simple: to combine the best attributes of a pub, restaurant and nightclub in a single nightspot. The vision, says Jaffray, was to establish a restaurant that would become a local neighborhood handout,

with its own character and vitality. A place where the food and atmosphere would entice customers into making a full night of it — not merely stop in for a drink or dinner.

Cactus Club seemed to fit the bill. Its quirky decor, music, party atmosphere and progressive menu proved popular with hip consumers. The menu featured Vancouver firsts such as tortilla wraps and microbrewed beer on tap. Staff, hired as much for their outgoing personalities as their waiting skills, were encouraged to engage and entertain customers. One waiter proved especially adept, for instance, at organizing an impromptu limbo contest. By 1995 Cactus Club had grown to include five restaurants in the lower mainland. "We could do no wrong," says Jaffray.

Emboldened, in 1996 Jaffray and Morison decided to branch out, opening four Cactus Clubs, two each in Calgary and Edmonton. "Within six months, we knew we were headed for trouble big time," says Jaffray. "Six months later, it all fell apart."

What went wrong? "Everything," says Jaffray. For starters, restaurant locations were chosen not by market research as they were in B.C., says Jaffray, but by price. They tweaked their original concept and ended up with more of a bar than a fun eatery. A longtime practice of grooming existing staff to take over the management of new restaurants was abandoned; they neglected to take into account local cultures such as Edmonton's tradition of "happy hour" discount drinks. Plus, they charged B.C. prices — 10% to 20% above local price points — despite the fact that Alberta costs were lower. Unimpressed by the West Coast whiz kids, customers stayed away.

Staunching mounting losses in Alberta consumed the pair's attention. The inevitable result — sales flatlined and even dropped for their B.C. locations. "We were trying to put out a fire in the corner," says Jaffray, "but in the meantime the whole house was burning down." Within a year of opening in Alberta, they realized they would have to cut their losses or lose everything.

In the end, three of the four Alberta locations were closed. "The whole exercise cost about \$3 million," says Jaffray. "We've been paying it off for four years."

Fuller is impressed with the pair's courage. "To their credit, they rolled up their sleeves and changed direction," he says. "They went back to what they knew and then made it better, and worked themselves out of the hole." Indeed, getting back on track meant building change into the company's overall management philosophy. The menu for example, which had remained the same for two years, is now changed twice a year. Menu covers are updated every six weeks. To foster a team spirit and keep their 800 employees informed on the company's

progress, Jaffray and Morison now practice open-book management. Staff are encouraged to use their own creativity when it comes to service, and managers are responsible for establishing and regularly updating goals. These initiatives seem to be working. Today Cactus Club's nine restaurants are all profitable, and posting annual sales increases of 5% to 22% for the past three years.

While Jaffray and Morison remain cautious about

again expanding into a new market, they aren't overly worried. They've been through this before. "Had we not gone right to the very bottom, I don't think we'd be as successful as we are today," says Jaffray. "We now know all the things that can go wrong."

Source: Diane Luckow, "Rockbottomandback," *PROFIT*, April, 1999, pp. 53-55. Reprinted with permission.

TABLE 2.3**BREAKDOWN OF ENTREPRENEURIAL BUSINESS SKILLS****1. Managing Money**

- a. Borrowing money and arranging financing
- b. Keeping financial records
- c. Managing cash flow
- d. Handling credit
- e. Buying insurance
- f. Reporting and paying taxes
- g. Budgeting

2. Managing people

- a. Hiring employees
- b. Supervising employees
- c. Training employees
- d. Evaluating employees
- e. Motivating people
- f. Scheduling workers

3. Directing business operations

- a. Purchasing supplies and raw materials
- b. Purchasing machinery and equipment
- c. Managing inventory
- d. Filling orders
- e. Managing facilities

4. Directing sales and marketing operations

- a. Identifying different customer needs
- b. Developing new product and service ideas
- c. Deciding appropriate prices
- d. Developing promotional strategies
- e. Contacting customers and making sales
- f. Developing promotional material and media programs

5. Setting up a business

- a. Choosing a location
- b. Obtaining licences and permits
- c. Choosing a form of organization and type of ownership
- d. Arranging initial financing
- e. Determining initial inventory requirements

FIGURE 2.3 MANAGERIAL SKILLS INVENTORY

The following questionnaire can be used to develop an inventory of your skills and capabilities in each of the five areas of management outlined in this Stage. For each management area, the questionnaire lists some corresponding skills. Rate your present level of expertise for each skill listed by placing an "X" under the appropriate number in the charts below (1 indicates minimal skill, while 5 indicates a great deal of skill). Beneath each section, in the space provided, briefly describe where and when you obtained this experience.

The goal of this inventory is to assess the level of your present skills, with the purpose of identifying areas which may need improvement.

MONEY MANAGEMENT

	1	2	3	4	5
Borrowing money and arranging financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Keeping financial records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash flow management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Handling credit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Buying insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting and paying taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budgeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

MANAGING PEOPLE

	1	2	3	4	5
Hiring employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supervising employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluating employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motivating people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scheduling workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DIRECTING BUSINESS OPERATIONS

	1	2	3	4	5
Purchasing supplies and raw materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing machinery and equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing inventory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Filling orders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

DIRECTING SALES AND MARKETING OPERATIONS

	1	2	3	4	5
Identifying different customer needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing new product and service ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deciding appropriate prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing promotional strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contacting customers and making sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing promotional material and a media program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

SETTING UP A BUSINESS

	1	2	3	4	5
Choosing a location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obtaining licences and permits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Choosing a form of organization and type of ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arranging initial financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determining initial inventory requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe where and when you obtained this expertise.

FIGURE 2.6 ENTREPRENEURIAL ASSESSMENT QUESTIONNAIRE

WHAT ABOUT YOU?	YES	NO
1. Are you the kind of person who can get a business started and run it successfully?	_____	_____
2. Think about why you want to own your own business. Do you want it enough to work long hours without knowing how much money you'll end up with?	_____	_____
3. Does your family go along with your plan to start a business of your own?	_____	_____
4. Have you ever worked in a business similar to the one you want to start?	_____	_____
5. Have you ever worked for someone else as a supervisor or manager?	_____	_____
6. Have you had any business training in school?	_____	_____
WHAT ABOUT THE MONEY?		
7. Have you saved any money?	_____	_____
8. Do you know how much money you will need to get your business started?	_____	_____
9. Have you figured out whether you could make more money working for someone else?	_____	_____
10. Have you determined how much of your own money you can put into the business?	_____	_____
11. Do you know how much credit you can get from your suppliers — the people from whom you will buy?	_____	_____
12. Do you know where you can borrow the rest of the money needed to start your business?	_____	_____
13. Have you figured out your expected net income per year from the business? (Include your salary and a return on the money you have invested.)	_____	_____
14. Can you live on less than this so that you can use some of it to help your business grow?	_____	_____
15. Have you talked to a banker about your plans?	_____	_____
YOUR BUSINESS AND THE LAW		
16. Do you know what licences and permits you need?	_____	_____
17. Do you know what business laws you have to obey?	_____	_____
18. Have you talked to a lawyer about your proposed business?	_____	_____
HOW ABOUT A PARTNER?		
19. If you need a partner who has money or know-how, do you know someone who will fit — someone with whom you can get along?	_____	_____
20. Do you know the good and bad points about going it alone, having a partner, and incorporating your business?	_____	_____
WHAT ABOUT YOUR CUSTOMERS?		
21. Do most businesses in your community seem to be doing well?	_____	_____
22. Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	_____	_____
23. Do you know what kind of people will want to buy what you plan to sell?	_____	_____
24. Do such people live in the area where you want to open your business?	_____	_____
25. Do you feel they need a business like yours?	_____	_____
26. If not, have you thought about opening a different kind of business or going to another neighbourhood?	_____	_____