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CRACKING THE CODE

RESEARCH FINDINGS INTO THE WAY
ENTREPRENEURS START AND BUILD
HIGH GROWTH BUSINESSES.

Professor David Hall
with
Marilyne Woodsmall, Dr Wyatt Woodsmall,
Dr David Johnson and Nick Franchini

April 2004



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1. INTRODUCTION

Business Link South Yorkshire (BLSY) and Yorkshire Forward commissioned David Hall to research the ways in which high growth start up entrepreneurs (HGSU's) start and build successful businesses.

David Hall led a multi disciplinary team of Marilyne and Wyatt Woodsmall, Dr David Johnson and Nick Franchini in order to create fresh perspectives on understanding the entrepreneurial process.

24 successful high growth South Yorkshire businesses were researched together with 15 from the rest of Yorkshire and Humberside. The findings were correlated with the financial performance of these businesses over a 10-year period in order to identify which factors reliably predict success.

These key factors have been developed into the EntreCode™, which will be used to assist BLSY to achieve its aims of helping to find and nurture HGSUs, in order to support the regeneration of the regional economy.

Quotes from the entrepreneurs we researched are used to provide the right brain energy and colour to the left brain process descriptions, which I hope, improves the recognition and understanding of the factors.

2. **ENTRECODE™ - AN OVERVIEW**

Successful HGSU's set out to create a valued business. This is their primary goal and differentiates them from people who set out to earn a living by working by becoming self-employed.

There are 10 building blocks in the process of starting and building a valued business:

- Getting into the Entrepreneurial Zone
- Thinking Styles (formally filters and frames)
- Spotting Superior Opportunities
- Creating a Compelling Focused Vision
- Goal Directed Energy
- Opening up to the World
- The Need for Others
- Acquiring Resources
- Building the Businesses Capability
- Enjoying Success!

The most successful businesses in our research had most of these building blocks in place. The blocks are not necessary sequential, and they should be viewed as an integrated whole system rather than a series of disconnected steps.

Entrepreneurs need drive and commitment at the start. And if they complete each stage of the EntreCode™ process, then the initial drive and commitment increases dramatically.

Whilst ideally HGSU entrepreneurs need to develop most of the steps, significant added value can be gained by just improving any step. For example, making an unclear vision compelling and focused provides significant benefits.

In practice many of the steps combine together at critical points, for example spotting superior opportunities is a product of getting in the zone, having the filters and using the process - problem seeking problem solving.

- **THE ENTREPRENEURIAL ZONE**

Successful HGSU entrepreneurs start their business in what we have termed “The Entrepreneurial Zone.” This is similar to the notion used by top athletes of getting into “the zone,” by which they mean getting their mind and bodies focused and coordinated. This fusion of mind and body enables them to achieve success.

The same is true for successful entrepreneurs. They have an extremely focused way of thinking and behaving which creates the drive and energy required to succeed.

“When I get into my zone I can fly! I write down the first two sentences before I begin (presentations, meetings, negotiations) then I go on intuition. This gets me into the zone and then I am unstoppable”, Catherine Speed, UPCO.

The key components of the entrepreneurial zone are:

- **Drive and the need to achieve success**
- **Motivation**
- **Positive mental attitude**
- **Proactive action oriented**
- **Persistence**

Drive and the need to achieve success.

Drive

Drive is a key entrepreneurial process. It provides the energy to create a valued business and to keep going through adversity and setbacks.

Drive is associated with questions about **IDENTITY**. Who am I? and Why am I here? It's also about **DESTINY**. What am I meant to do?

A drive is an innate disposition towards the implementation of one's own goals. Drives are factors motivating human behaviour. Primary drives have a physiological basis whereas acquired drives have been learned through one's life experience. Acquired drives are often triggered by the environment and sparked by a life-changing event.

A drive is an internal energising force which is under control, whereas an obsession is an uncontrolled force.

An achievement drive is the tendency to work with determination towards a specific end that is considered important by the individual.

Successful entrepreneurs have a very high need to achieve success. This stems from early life experiences of both a positive and negative nature.

Negative (examples)

- Failing eleven plus and feeling they let themselves and others down.
- An overwhelming negative experience – got to get away from this.
- Being bullied at school.
- Family marriage break up.
- Being told at school “you will never achieve anything”.
- A failure to achieve childhood dreams, i.e., to make the first eleven at sport.
- Unsure what job to take and having several false starts.
- Being embarrassed by poor handwriting or even being dyslexic.
- Sibling rivalry, particularly the middle child.

Positive (examples)

- Finding a friend (mentor) who really believed in them and encouraged them.
- Having their real talents revealed to them, for example by vocational guidance.
- Making something really difficult happen – which made them proud.
- Discovering they had qualities that they never imagined they had.

The negative experiences lead to the creation of a very strong drive:

“I will prove to myself and others that I am OK”

“I will do whatever it takes to achieve success”

John Cauldwell of Phones4U recalls his drive coming from seeing the dejected look on his parents face when he failed his eleven plus. This is about moving away from failure.

The positive experiences lead to the recognition of what entrepreneurs want from life and that it might be possible to achieve. This dream or aspiration is very positive and is strongly held by successful entrepreneurs. This is about moving towards success.

This combination, of moving away from failure and/or towards achieving a dream, provides the energy and rocket fuel in successful entrepreneurs. It also reminds us that success often comes out of adversity (earning it) as opposed to privilege (deserving it).

Example

One successful entrepreneur lived on a run down council estate in York. All his friends wanted to be plumbers. The career guidance advice he was given was “all your mates are going into the building industry and you are a big lad, why don’t you become a

plumber?”

So he did and he hated it.

His employer did two things which really helped. First, they sent him for professional vocational guidance. The tests revealed that the young man had the ability to become a lawyer, journalist or a management consultant. This was the first time anybody had told him he had any real abilities.

The second thing the employer did was to send him on an Outward-Bound adventure training for a month. This was a new experience for a 19 year old to be with people from outside his immediate peer group. He met trainee lawyers, accountants, architects and journalists who all seemed to enjoy their work and who earned a good deal more than he did. After one week they appointed him the leader of the group. This was a confidence boost for him and a real insight, “these people are no smarter than me and they seem to be having a great time – I want some of this!”

The company training officer who sent the young man to vocational guidance and outward bound really believed in him and acted as a friend and mentor. He encouraged the young man to step out of his comfort zone and to go back to college and study to become a management consultant. And he did and became very successful.

When asked what drove him, the young man then described the following influences:

Negative

- *Failing his eleven plus*
- *Peer group with low aspirations*
- *Failing to achieve his dream and play for Yorkshire at Cricket, particularly seeing the headline “X never quite lived up to his potential”*
- *Being fed up with being really poor*
- *His father on retirement saying, “I hated every minute of it.” – leading to the conviction “I don’t want to be like that.”*

Positive

- *Vocational guidance revealing he had some strong abilities*
- *Outward bound revealing he had leadership potential – “I am OK”*
- *Two or three people who believed in him and really helped and encouraged him (mentors)*

These influences were so powerful that they led him to develop a dream of becoming a successful management consultant. The combination of the positive and negative influences led to an inner drive and a positive mental attitude:

“I am going to become really successful as a consultant”.

“I will prove to myself and others that I am OK”.

“I will do whatever it takes to achieve this aim”.

He started with one O level at night school, then five, and then a Diploma in Management Studies, Masters Degree in Management, and a PhD in Business. He did all of this on his own time on evenings and weekends.

He set up and built a £6m consulting firm, which he sold 9 years later. He won a BAFTA award for an award winning BBC business series and became the Ernst and Young Entrepreneur of the Year in 2000.

“Not bad for a plumber” he said with a broad smile on his face.

Our research suggests that without this strong drive and need for achievement; entrepreneurs are unable to maintain the energy and commitment necessary to create a successful high growth business.

Wyatt and Marilyn Woodsmall suggest that perhaps 10-15% of the population has this drive. And their work with American athletes suggests that perhaps a further 10% of the population may have the potential for this drive and that it may be possible to reveal it and nurture it. A key test, therefore, at start up for

potential HGSU entrepreneurs is to establish if they have the drive already, or if it is latent, and then whether it can be encouraged and developed.

The issue with latent entrepreneurs is to reveal to them, via the EntreCode™ assessment, that they have entrepreneurial talents. This in itself may be sufficient to create the drive. Others may be more problematic. They may be content; so any change may be perceived as discretionary or hard work. This may require a level of coaching to encourage individuals to recognise their entrepreneurial potential and act upon it.

Motivation

Motivation is different from but linked to drive. A drive is a factor motivating human behaviour. Motivation is a process that effects changes in the environment, consistent with internal plans and programs. **Motivation means that entrepreneurs have succeeded in responding to their respective drives.** The problem for most people is that they do not know what they want or what drives them.

So the strategy should be to help entrepreneurs:

- **Set really clear goals**
- **Help to remove any blockages to achieving the goals**

There are two sorts of motivators for entrepreneurs:

1. **Move towards.** This is the carrot. They create a compelling vision and want it so badly that it keeps them going. Jonathan Elvidge of The Gadget Shop had a picture of being able to get all his presents for people in one shop.
2. **Move away from.** This is the stick. Moving away from means that there is some unpleasant circumstance that they want to avoid repeating in the future. Tim Martin's teacher told him that he would never make anything of himself. So when he set up a highly successful trendy pub chain he named it after his former teacher – J. D. Weatherspoon!

“Half heartedness is draining, whole heartedness is motivating. Successful entrepreneurs put their heart, soul and total commitment into their business.” - David Hall.

One of the most helpful things that can be done for HGSU's is to help them really think through their goals, because this links Drive with Achievement.

Positive Mental Attitude

Successful entrepreneurs have a positive mental attitude (PMA) very similar to top athletes. This enables them to stay persistent through adversity and to create something new and distinctive – “Go where no one has been before.” Successful entrepreneurs create a new unique opportunity and inspire and enthuse others by their persistent upbeat approach. Their PMA is there in their normal state, but also they can retain it during a crisis.

Their strategies for maintaining a PMA are:

1. Having a positive picture in their mind of them succeeding, i.e. a compelling vision. Hugh Facey of Gripple developed a novel device for mending wire fences and describes his vision as: “the smile on the face of farmers when they use my device and don't rip their hands to shreds and they tell me this is a fantastic product. They love it!”
2. An internal voice which says “I feel good”. The tonality of the voice is important as well as the content. The tonality is upbeat and positive.

When entrepreneurs hit a crisis they create a picture of what's needed to fix it. They then set out to use the picture to guide their behaviour and to stay positive.

3. They also maintain positive body language and posture, which is congruent with their positive mental attitude. Sports people are trained to observe body language in order to spot clues to a negative mental attitude in opponents, which they can exploit.

Entrepreneurs often have a sense of presence or magnetism when they walk into a room. Simon Woodroffe talks about “acting as if ...” when negotiating. He says “my body language becomes congruent, and I usually get what I want”.

Their body language is very infectious in communications. It communicates over 60% of their total message (words are 10% and tonality is 30%). When entrepreneurs encounter a problem, this becomes a challenge with which they actually often enjoy grappling.

Strategies for helping entrepreneurs develop a PMA in crisis include helping them to anticipate problems in advance. They may not find this easy to do, because they are experiential learners and not planners.

They can be helped to determine and rehearse solutions in advance. Many successful entrepreneurs engage in mental rehearsal of potential problems and develop appropriate solutions. “I practice negotiations in my head, before I enter the room. I can even see my customers response and I try out different options. So when I get into the negotiations I am well rehearsed”, Tony Burpee, Applied Cytometry Systems.

Successful entrepreneurs have strategies for turning negative experiences into positive ones. Simon Woodroffe said “when I made cold calls to customers and failed to get an appointment – it made me feel bad and unloved. Then I realised it takes 7 calls to get an appointment so when I made my fifth call and failed I would punch the air and shout - 5 down only two to go, well done Simon!”

Proactive Action Oriented

“Just do it!” is the successful entrepreneur’s mantra. There are a number of explanations for the entrepreneurs drive to get on with things and therefore the frustration they often feel when having to deal with people and systems that are slow and bureaucratic.

Entrepreneurs have a real need for immediacy.

What makes them action oriented? It is primarily their drive and their personality type.

Successful entrepreneurs are normally ENTP's on the Myers Briggs Type Indicator. This is the 'get on with it' type. On the Insights Questionnaire most display Red/Yellow energy - which is the 'get on with it now' profile. The learning style of successful entrepreneurs is experiential . They learn best by doing.

On the Kolb and Fry Learning Styles Indicator they are normally pragmatist/activist.

So when trying to work with entrepreneurs you ignore their action orientation at your peril. If you appear slow or bureaucratic, they will simply avoid you!

However, there is a downside to their style, which is that they don't reflect much on their experiences, so they can repeat the same mistakes. So getting them to reflect can be a very helpful intervention.

Secondly they get bored with detail. So they may not spend enough time focused on developing high quality solutions, they prefer a quick fix. This can reduce the quality of their business opportunity.

So helping them put a team together of people who complement their style and cover their weaknesses can also be very helpful.

Persistence

Persistence is about overcoming resistance over time.

Entrepreneurs continue their behaviours over time despite resistance and distractions, defeat or negative advice. There are two enemies of persistence:

1. Resistance
2. Distraction

Resistance strategies include:

1. If it works keep going ...
2. Persistence in the face of negative feedback

- A Ignore it or use brute force to overcome the problem
- B Use requisite variety to find ways around problems (options thinking)

Persistence is clearly linked to PMA, drive and motivation.

Can entrepreneurs be helped to improve their persistence?

There are two ways entrepreneurs do it:

1. **‘Keep your eyes on the prize.’** (It’s worth it.) This is the compelling vision.
2. **Try different ways** – They refuse to give up, because defeat is a ‘weakness’ for entrepreneurs.

Entrepreneurs retain faith in their vision, which is belief without evidence. This is critical to remaining persistent through adversity.

Entrepreneurs often see adversity as a necessary part of the process of winning. For entrepreneurs resistance actually fuels persistence. They actually enjoy the challenge of overcoming obstacles. Many entrepreneurs enjoy dangerous sports – they love the adrenaline rush of facing danger and overcoming obstacles.

They often have personal strategies for staying persistent. Mine (David Hall) is: “If I get up one morning and it’s raining and I have a two hour drive to see a customer, then a voice inside my head often says ‘stay in bed.’ I call this voice 1. Another voice interrupts: ‘now come on you know when you go you are always pleasantly surprised with the results you get’. When I am driving home having been successful, the same voice reinforces my persistence with ‘I told you so!’ This is voice 2.”

Positive self-talk is a powerful tool used by successful entrepreneurs. They ensure that voice 2 influences them more than voice 1!

Wayne Rowlatt of Kwok Foods has a mantra to help him stay persistent which is “failure is not an option”.

The Zone Summary

Clearly the components of the zone are strongly related. The zone should be seen as an integrated way of being, as opposed to several disconnected psychological concepts.

Early experiences create drive that is strongly related to how entrepreneurs set clear goals and motivate themselves. They maintain a positive mental attitude and just get on and do things. They have strategies for staying persistent.

The most successful HGSU entrepreneurs we researched operated in the zone, the less successful ones did not. This is similar to successful athletes. World champions operate in the zone, which is why they are successful. So do successful entrepreneurs.

- **THINKING STYLES (formerly Filters and Frames)**

Entrepreneurs have specific ways of seeing the world. They look at the world through certain spectacles or filters. This is important, because it allows them to spot opportunities where others see only problems. It also enables them to stay focused and to work out what's important. Thinking Styles are a distinction labelled and explained by Marilynne and Wyatt Woodsmall in their book *People Pattern Power* and in Fiona Beddoes-Jones *Thinking Styles*.

These are the main entrepreneurial thinking styles:

Difference

Difference is how people deal with change – they are comfortable with the new. When entrepreneurs look at any situation they notice differences between that situation and other experiences they have had. They enjoy and relish change and difference. This filter allows them to create unique new business opportunities. It often goes like this:

- That's different from ...
which leads to ...
- What if we ...
which leads to ...
- If I put that with that ... (synthesis)
which leads to ...
- Something which does not already exist
which becomes ...
- A new opportunity.

The bulk of the population (80% +) do not have a difference filter. They only see sameness. They are comfortable with the familiar. This orientation does not produce new opportunities.

“Everywhere I look I see things I want to challenge, change and improve”, Ian Stewart, Zoo Digital.

Options

Options thinkers have the ability to find many ways of solving problems. They never get stuck with just one way. This is a key filter for entrepreneurs; because it helps them create opportunities by developing multiple options and it helps them to solve problems. And creating new options often triggers more alternatives of action which, in turn, facilitates problem solving.

This is also important when they face a blockage, and they need to create options to overcome the blockage.

50% of the population are procedural thinkers. They develop one way of doing things, and if that does not work they are stuck, until an option thinker gives them another option).

Experiential learning

Entrepreneurs learn by doing. They personally enjoy solving problems. Many enjoy the challenge. For the entrepreneur a problem is not perceived as a problem or chore but rather an opportunity to build self-esteem and confidence. They know that when they do anything they get one of two outcomes – success or learning. And they value both. This is a reinforcing cycle in which solving one problem leads to the confidence to tackle the next. A visitor’s re-inforcing cycle. “I learn by deliberately stepping outside my comfort zone and going at risk”, Catherine Speed, UPCO.

Entrepreneurs will not invest in any training or education which does not enable them to solve an immediate problem.

They often develop their business by initiating low cost pilots, from which they learn and move forward. This enables them to test and push boundaries in a low risk manner. They are not embarrassed to tell you that trial and error is how they learn best.

Synthesise

Entrepreneurs take ideas and information from wherever they can and synthesise it into a new opportunity or use it to solve a problem. This is the opposite of how business is formally taught – analysing problems and breaking them down into a step by step process. This may be one of the reasons why entrepreneurs often reject traditional business approaches. “Everywhere I look I see things which can help me to build my business”, Tony Burpee, Applied Cytometry Supplies.

Internal locus of control

Entrepreneurs trust their own intuition and judgement. They are self-confident and believe that what they are doing will lead to success. They only test out their thinking with selected trusted confidantes. This is not arrogance but a self-belief that is required, particularly when “nay-sayers” keep telling them “it can’t be done”.

“I just always felt that I was doing the right things”, Simon Ward, Molecular Skincare.

Big Picture

Entrepreneurs do not enjoy details. They are strategic and see the big picture. This enables them to take a strategic helicopter overview of their situation. They don’t sweat the details or get distracted by minor setbacks.

“I delegate the detail to others who are better at it than me, I have the overall picture”, Hugh Facey, Gripple.

Right Brain

Entrepreneurs use right brain creative chaotic thinking, often outside the traditional box and they recognise new patterns and make connections.

They rarely use left brain logical sequential reasoning.

“I enjoy multitasking doing several things at once, some people could see me as chaotic but it’s my way of finding new ideas”,
John Graham, York Nutritional.

Summary

How do these filters fit together and why are they critical to entrepreneurial success?

Entrepreneurs see things differently. This enables them to create opportunities. Their options filter allows them to create multiple ways of moving forward with the opportunity. Their experiential filter allows them to experiment often using pilots and to learn by doing their right brain filter enables them to find creative new solutions. Whilst they are doing this, their synthesis filter enables them to gather information and put this together to create something new and distinctive. The internal locus of control filter confirms they are on the right track and allows them to tolerate ambiguity and uncertainty. Focusing on the big picture means that they avoid distractions such as detail.

This is how entrepreneurs create new opportunities, stay focused and achieve success.

The bad news is that filters cannot be easily developed, but it is possible to recruit people who possess them into the team. That’s the good news.

- **SPOTTING SUPERIOR OPPORTUNITIES**

Step 1 Provides the energy and the entrepreneurial way of behaving, which we call the zone.

Step 2 Provides the entrepreneurial insights. Seeing the world through the eyes of the entrepreneur.

Step 3 Builds on the first two steps in order to create a superior opportunity.

So step 1 + step 2 = step 3.

A superior opportunity is one that has:

- Major market growth potential
- A high gross margin
- A defensible competitive advantage
- Is new, different and interesting
- Solves a real customer's problems
- Creates new potential opportunities
- Attracts media attention and creates a lot of interest

Many start up opportunities are “me-to” products and services. They are no different from what already exists, hence they are hard to sell and often have to compete on price alone. Consequently they find it hard to attract willing investors.

So how do entrepreneurs create superior opportunities?

There are two types of HGSU entrepreneurs:

1. **Technical** – These are people who develop new technologies and products via research and development and then turn them into commercial products. They are in the minority, but when their new products work they can build

very successful businesses. They were 10% of our HGSU research sample.

Steve Haswell of Microchemical Systems developed a microchemistry process and then looked for partners who could turn his technology into new products.

2. **Commercial** – This is the majority of HGSU's. They were 90% of our sample. They seek out and solve customer problems and then turn the solution into a business. Sometimes the customer is aware of the problem and sometimes they aren't aware until the entrepreneur shows them the solution.

50% of successful commercial high growth businesses are started by people who have had several years' experience in the industry in which they start their business. This provides them with access to know how and, as important, know who; which is a network of contacts, experts, customers, suppliers, partners, information sources etc. Whilst working in the industry they use their filters to spot differences which lead to opportunities.

Most high growth businesses spot a customer's problem which is not being resolved. They use a process which we have named as "problem seeking – problem solving." Traditional market research is not necessarily the answer to identifying customers' needs. As Henry Ford said: "If we had asked our customers what they want, they would have said a faster horse".

Entrepreneurs help customers to articulate the problems they have - even when they are unaware of them. And then they set out to resolve them. In doing so they create a new product or service. This ensures that they develop opportunities which customers actually want as opposed to ideas which only they themselves are interested in.

- Salim Zilka's wife complained that she had to visit several shops in order to purchase the goods she needed for her young children. Zilka at that time owned 12 chemist shops. So he combined his chemist shop with a clothes shop, a pram shop and a toyshop and called it "MotherCare" - the one stop shop to make it easy for mothers to shop for their children.

- Tony Burpee deliberately sought his customer's problems "I asked them what was keeping them awake at night. I then offered to fix their problems. They loved it and this was usually the start of a long term relationship".
- The customers of Hugh Facey, who sold wire, complained that when their wire fences broke they ripped their fingers mending them. So Facey developed a simple device which rejoined broken fences, and the Gripple was born. This made it easy for customers to repair fences.

During the course of undertaking this research we found an amazing statistic in Timmons book 'New Venture Creation'. Read it slowly and think of the implications for supporting entrepreneurs:

95% of all the radical innovations in products and services during the last Century were from small firms of less than 20 people who listened to their customers and set out to resolve their problems.

Entrepreneurs also use a number of algorithms often unconsciously to create new business opportunities:

- **Do the opposite**

Catherine Speed of UPCO asked the large corporate clients what they disliked about IT software and training suppliers. She then turned these dislikes into her benefits and has built a multi million pound business as a result.

- **Become the Customer**

Hanson Brick salesmen went and worked in their customer's business (B&Q) for a period trying to sell their own products. They identified 11 problems that they were inadvertently giving their customers. They quickly sorted these out and became the preferred supplier of bricks to B&Q.

- **'Fusion'**

Derwent Valley Foods created a brand new concept in adult snack food by fusing together some key elements:

- Crisps were for children not adults.
- More people were travelling abroad and experiencing continental foods.
- Dinner parties and in home entertainment were in a growth phase.

They fused these ideas together to create snack foods for adults from around the world. They called the brand 'Phileas Fog'. This enabled them to quadruple the price of crisps. This is the benefit of a superior opportunity.

So far we have discovered 20 algorithms to create new business opportunities.

A potential added value intervention would be to provide potential HGSU entrepreneurs with the algorithms to encourage them to turn a "me-to product" into a superior opportunity.

Once they notice something interesting, entrepreneurs set up low cost experiments or pilots to test out their ideas in practice. They use these pilots to shape up their opportunities. They get success or learning from the pilots.

In order to create superior opportunities entrepreneurs normally have to push the boundaries of what exists. They need to 'raise the bar', set 'impossible' new standards and be assertive with people in order to get them to strive and be persistent in reaching the dream.

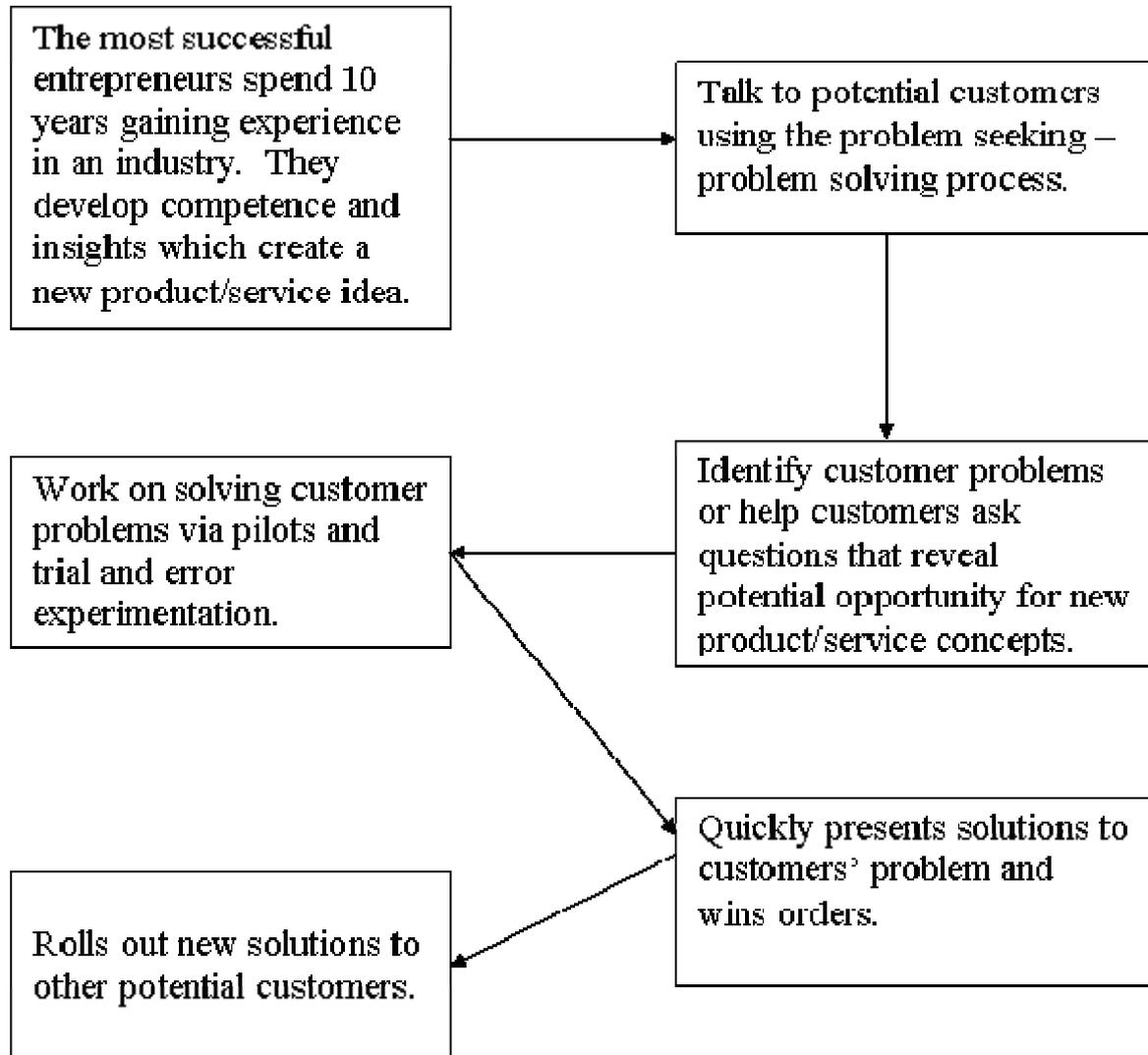
Wayne Rowlett of Kwok Foods of Grimsby who make Chinese food for two major retailers puts this very clearly: "When I ask my production team to try something new and they complain that 'it will be really difficult for us', then I know my customers will usually love it and my competitors often won't be bothered to copy us". This is the basis of a superior opportunity.

Successful entrepreneurs talk about getting into the heads of their customers and really try to understand their business. Catherine Speed of The Ultimate People Company (UPCO) described her task as "trying to understand my customers' business better than they do".

Many successful entrepreneurs spend 30% or more of their time with their customers gathering intelligence. A key test of whether entrepreneurs are actually on the right track in developing a superior opportunity is how much time customers are prepared to spend with them.

Clearly the more the better!

Spotting Superior Opportunities Roadmap



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- **CREATING A COMPELLING FOCUSED VISION**

Step 1 Get into the zone.

Step 2 See the world through entrepreneur's eyes.

Step 3 Create a superior opportunity.

The next step is to translate the opportunity into a compelling focused vision.

The purpose of the vision is to provide focus and direction for everybody concerned with the enterprise. It enables people to determine their priorities, i.e. "What should we be doing right now?" Entrepreneurs by nature are turned on by new things or projects. These can be distractions that take the focus off the key priorities. A clear vision provides a discipline which entrepreneurs need if they are going to achieve their aims.

A clear vision also acts as a motivator when the going gets tough. Keep going, because the prize is worth it.

Finally it helps entrepreneurs to sell their business story to others including customers, suppliers, staff and investors.

Enthusiasm and passion are alluring and attract positive interest and energy. Entrepreneurs develop a magnetism which attracts people to them.

Here's how they do it.

Imagine a superior opportunity 5 or 10 years into the future. What will success look like? If it was 2010 and the entrepreneur was reflecting on their business life, what would need to have happened for them to feel delighted with what they had achieved?

For example would their products/service be a leader in the region, the UK, Europe or the World?

How large would the enterprise be?

What role would they ideally have played?

Would they feel that they have discovered who they are and have they proven to themselves and others that they are OK?

Would their family and friends be really proud of them?

In describing the vision they try to create a cause worth fighting for. For example, one biotech company honestly believes that they are engaged in finding a cure for breast cancer. People can buy into this noble purpose.

At the opposite end, one entrepreneur said his vision was to become a millionaire. His team found it a little difficult to get excited by his self-interested personal goal.

Entrepreneurs are careful about grand statements that are just empty words and that fool no one. For example 80% of UK manufacturing businesses claim to be 'world class,' yet only 2% come anywhere near measurable world class criteria.

Successful entrepreneurs also envision the way of getting to their ultimate goal. They imagine the journey as well as the destination. Often they start with the end game in mind and work backwards to the present.

Stage 1 in the process of visioning is to imagine what success will look like.

Some entrepreneurs create a film or video of the future in their mind, and they see themselves being successful. They then replay the video whenever the going gets tough in order to remind them of the prize. "I have a video of the future, I find it really helpful in staying focused and motivated", Tony Burpee, Applied Cytometry Supplies.

The vision needs to be compelling and exciting, and it should fire people up and should inspire them when they think about it. The more colourful the picture is, the better. If they can't imagine it, they cannot bring it to life.

The second stage is that the vision needs to be focused. Not “we are going to be a big player in the construction industry” but “we will be the leader in community regeneration in the North of England”, which is Keepmoat, a construction company’s vision.

Success comes from focus and not from scattered effort. Once the vision is established the entrepreneur needs to commit to it 110%.

In selecting the vision the entrepreneur must by definition sacrifice other opportunities. Learning to say “no” as well as “yes” is a key discipline for entrepreneurs. Too many opportunities are the enemy of focus and commitment – they simply distract people and take energy away from the delivery of the vision.

Finally, entrepreneurs need to expect their vision to manifest.

This is not arrogance or naiveté, but it’s simply a genuine conviction that it will happen. This is beyond hope, belief or desperation. It’s the locus of control. This is going to happen. It’s no big deal. Once they expect it, their behaviour and actions start to become congruent with the vision. They start behaving as if it’s about to happen.

This is the psychological ownership which is critical to success. Winners look like they expect to win, not come in second. You can see it in their eyes and their demeanour, and people can sense it.

You need to expect your vision to be achieved. Otherwise you may well fail by inadvertently communicating your self-doubts to others, who are critical to your success.

The link between the vision and the next step, i.e. goal directed energy, comes from the entrepreneur’s filter ‘seeing the big picture’.

“Every day I am not spending working towards my vision is a day wasted”, Wayne Rowlatt, Kwok Foods.

Successful entrepreneurs translate their vision into a framework. This is like a book. The overall goal is the title, with the key milestones being the chapter headings. Within each chapter are the details. The entrepreneur can see the title, book or chapters or get down into specific detail on a page. The important point is that the

entrepreneur is able to see the overall picture and how the pieces fit together. This is similar to a critical path flowchart. The equivalent in a corporate business is the general management perspective which sees the overall business as opposed to seeing it from different functional perspectives.

- **GOAL DIRECTED ENERGY**

So far the entrepreneur has got into the zone, seen the world as the entrepreneur does, created a superior opportunity and turned this into a compelling focused vision. The next stage is to focus all the energy on the achievement of the vision.

Entrepreneurship is a high energy process, and anything which deflects or dilutes this energy adds cost, not value, to the process. **A useful analogy is to think of goal directed energy as a laser beam locked onto a specific target.**

This is the opposite of the shotgun approach of trying anything and desperately hoping that it might work.

Goal directed energy had the highest correlation with entrepreneurial success with over 200 successful entrepreneurs worldwide in our cracking the code project. It is the key process that links vision and dreams to results.

Here is how successful entrepreneurs do it.

First, they have a very clear vision to start from. When faced with options on how to spend their time or resources, they ask “given the vision what is the priority right now?” This enables them to stay focused on the strategic priority.

One entrepreneur described the process as ‘keeping your eyes on the prize’.

The next question they ask is “what is the next step to move that priority forward?”

This is the sequencing question.

A journey of a thousand miles starts with a single step. The crucial question is what is the first step?

Or as Hugh Facey of Gripple said “first things first and second things not at all”.

Finally they delete everything else. This is the equivalent of pressing the delete button on the computer.

In successful entrepreneurs this process of “**prioritise sequence delete**” becomes a natural way of operating. They do it unconsciously and avoid the ‘busy fool’ syndrome and the tendency to confuse activity with productivity.

This process also enables entrepreneurs to stay persistent. Distractions are the enemy of progress. Entrepreneurs know to avoid anything which distracts them from the achievement of their goal.

Those entrepreneurs who don’t already have the “prioritise sequence delete” program imprinted in their unconscious mind can be helped by providing processes like the prioritising tools in David Hall’s book *Doing the Business*. Toolkit 6 in this book sets out a number of practical ways that entrepreneurs can prioritise their activities.

In reality the really successful entrepreneurs don’t engage in any activity which is not goal directed. Everything that they do has a clear purpose which is the delivery of the vision. For example, they don’t network unless it’s with people who can directly help them.

Clear vision and goal directed energy are important keys in the journey to success.

• **OPENING UP TO THE WORLD**

The commitment to the vision creates some real benefits for the entrepreneur. **First, they start to notice things which can help them to achieve this vision.** The poet Goethe said “once you have a clear goal the world conspires to help you”.

The analogy is similar to making a decision to purchase a new car. Until the decision is made you hardly notice the make of your

chosen car on the road. Once the decision is made to purchase a new car you start seeing your car - in adverts, on the TV, on the street and virtually everywhere. The vision brings a new significance to information which entrepreneurs suddenly start noticing, and which they then synthesise into helping them to achieve their vision.

This is a natural process which engages both the conscious and unconscious mind. It's as if entrepreneurs connect to the world in a new way which helps them to gather information, which will help them achieve their goals.

“Once I am clear where I am going I start to trip over things which can help me. It's a weird process but it works”, Wayne Rowlatt, Kwok Foods.

A second process entrepreneurs use to open up to the world is building a neural network. This is a network of individuals that they have learned to trust and value. This ‘selective entourage’ can be friends, colleagues, customers - in fact anybody whose opinions and wisdom the entrepreneur values. Wisdom comes from multiple perspectives.

The neural network is a bit like creating a super computer of linked minds, which the entrepreneur uses to test out ideas, problems, strategies or concerns, in fact any issue which they want to check out. They use this network to check, cross check and get different perspectives. It's a bit like a virtual board that they can call on at anytime.

“I have these people who operate like a virtual board, I couldn't afford to pay them but they provide invaluable support, particularly when the going gets tough. We talk things through and it really helps”, Catherine Speed, UPCO.

The third process in connecting to the world is targeted networking with a purpose. All successful entrepreneurial activity is goal directed. They don't network for networking sake. They identify what they need, identify who can help and then actively try to build a relationship with that person in order to help them to build a valued business.

The Chinese have a word for targeted networking - Gwangsi. A highly successful Chinese entrepreneur described the process as follows: “We make contact with people we think can help us. We turn these contacts into friendships. From there we get contracts. We turn the contracts into alliances and then into partnerships. If all goes well the next stage is that we become family!”

This stage is about building and using networks with people who can help build the business. Successful entrepreneurs dedicate between 30 to 50% of their time to this vital process.

- **THE NEED FOR OTHERS**

Successful entrepreneurs recognise the need for others and that if they are going to create a valued business they cannot do it alone. They deliberately find people who have a complementary skill set to their own and who share similar values.

At start up they need a driver (often them) who provides the energy and inspiration to drive the business forward. They need a doer, often the technical or production person, who is good at detail. The doer designs and produces the product or service. This is often not the entrepreneur, because it requires a different set of skills to what they normally possess. The seller is the person who brings in business. In many start up businesses the lack of an effective seller is a key weakness. Often marketing is stated as a key business start up blockage whereas actually the issue is usually a lack of sales activity. Business advisors need to encourage entrepreneurs to spend 50% of their time with customers using the problem seeking – problem solving process outlined in the spotting superior opportunity stage. Finally a successful business requires somebody to control things such as finance and cash flow.

It is rare to find all these abilities in one person, hence the need to recruit people who have these skills.

Our research suggests that the key is to find people who share the same values and vision. They need to share the beliefs, and at the same time they need to have a sense of belonging to the business. There are a number of tools which can help get a balanced team including Belbins team styles questionnaire as well as tests such as OPQ5.

Another critical issue is that most entrepreneurs do not enjoy detail, because they focus on the big picture. Therefore they need somebody to help them get the detail done properly.

As well as needing others, really successful entrepreneurs really care for their team. 'It's family' said Ian Mason of H2O Water Services. If a team member's family is ill, then they get time off and entrepreneurs often pay for medical costs. They help employees out who fall on hard times. They create 'magic moments' of kindness for their people which they never forget. This helps to create a sense of belonging and commitment to the business.

Successful entrepreneurs do not seek to take the glory for the success of their business. Often they are quite humble, and normally they push their team forward. This is similar to successful sports teams. For example, Steve Waugh, the captain of the current Australian cricket team which has broken all cricket records, insists on operating as a team and plays down individual heroes. This is exactly the same as successful entrepreneurs.

Entrepreneurs seek to understand the drivers of individuals and build them into their solutions, i.e. "you want this, so if we build that into our plans; and then you benefit and so does the business".

Successful entrepreneurs take personal responsibility for the personal growth of their people. They actively encourage them to learn to grow and develop, providing honest feedback and opportunities for personal growth.

The two strongest blockages to business growth are the inability to delegate and the failure to recruit and retain good staff.

The inability to delegate has two primary causes. First, the entrepreneurs who started the business can't stop doing what they believe made the business a success.

Their strengths, which are their energy, drive and focus, can become a weakness in the growth stage. Delegation is not an intellectual business technique. It's an emotional process anchored in personal ownership. Coaching can help entrepreneurs to

undertake what for them is often a very painful process, i.e. letting go.

The second cause is unclear priorities. Entrepreneurs sometime blame their poor time management for their delegation problems. The real issue often turns out to be a lack of clear priorities. They can be coached into refocusing on the key priorities and letting go of the rest.

There is no magic formula for recruiting and retaining good staff. However, a business which has the EntreCode™ stages well developed is often a magnet which attracts people to want to be part of it, e.g., a superior opportunity, an exciting vision, a reputation for good team management etc.

Retaining good people involves understanding their drivers, and then aligning these with the vision and objectives of the business.

Successful entrepreneurs create a cause to which people want to contribute. Sports coaches achieve this using the David versus Goliath principle. This was the major driver for Wayne Rowlett of Kwok Foods. “It felt like us against the world at times. We felt that you were either for us or against us there is no in between”.

• ACQUIRING RESOURCES

The key driving forces of entrepreneurship are spotting superior opportunities, acquiring resources to take up the opportunity and, finally, building the capability to pull it all together.

Entrepreneurs often achieve their dreams despite the lack of necessary resources at start up.

In order to move forward they beg borrow and befriend people in order to get their hands on the necessary resources. They hire things by the hour in order to keep fixed costs as low as possible. They conserve cash by not investing in unnecessary fixed assets at start up. They become adapt at doing deals and negotiating in order to get what they want.

They seek to control, yet not necessarily own, assets and resources. And they try to keep them as flexible and as “just in time” as possible.

Their networking skills enable them to connect with people who can help them to acquire resources on the cheap.

One of the major resource blockages reported by HGSU entrepreneurs is finance.

However, our evidence is that this is often an effect not a cause. The cause is that they develop ordinary “me-to” products or services which are not superior opportunities. They are not exciting enough to investors. So the really successful high growth entrepreneurs do not have a problem with funding because they have many of the EntreCode™ qualities established in our research.

The key to raising capital is to craft a superior opportunity that people want to invest in. Business advisors can make the process of raising funds much easier by providing copies of business plans, which have previously attracted funds, to help entrepreneurs to learn quickly.

Entrepreneurs operate out of an achievement drive while the culture of accountants and advisors normally revolves around power and control. They exercise this power over entrepreneurs often by making them do things that are counter cultural to them, such as filling in forms, completing detailed plans and attending endless meetings.

This acts as an ‘energy vampire’ to entrepreneurs, which depletes their energy and spirit.

Advisors, operating out of the left brain systematic ways of operating, need to understand how entrepreneurs behave in order to try to support them in ways which do not distract energy from their core purpose.

As entrepreneurs grow businesses they acquire resources through joint ventures, alliances and partnerships. This is a way of growing without necessarily owning all the resources. It also involves a much lower risk.

Steve Haswell built his business by forming alliances and partnerships with large companies around the world.

- **BUILDING CAPABILITY**

Entrepreneurs consciously develop the capability of their business in their quest to build a valued business.

Unless entrepreneurs build the capability in their business, they are always playing catch up in terms of systems, people, and processes. And this can cause major problems.

Entrepreneurs recognise the need to work *on* as well as *in* the business. This means spending time building the capability of the business as well as spending time running the day to day business.

How Entrepreneurs Learn

At a very basic level, they learn from their experiences of doing business in order to avoid the 'repeat mistakes syndrome'. As mentioned earlier, entrepreneurs are doers and not reflectors, so they may need encouragement with this process.

In consciously reviewing past experiences and learning the lessons from their successes and mistakes, entrepreneurs build up their recipe for success.

They prefer to learn by personal problem solving, from successful peers, their team and their family.

This is why they often do not respond to the traditional left brain systematic products of the support system. They reject training courses, business textbooks and advisors and consultants.

This explains why entrepreneurs enjoy talking to each other and sharing experiences. So putting them together in facilitated groups is highly valued by entrepreneurs. This provides opportunities for the support system to provide support in the ways entrepreneur's value.

Entrepreneurs develop the business by initiating low cost, low risk pilots. They try something, and if it works they build it into their business model. If it doesn't work, then they try something else. This trial and error do it again method is the action - oriented entrepreneurs preferred way of learning.

It is the opposite of the traditional business cycle of plan, do, review.

Install Systems and Processes

In order to get consistency into their processes and procedures, entrepreneurs generally resist the pressure from traditional advisors to document everything, to create policies and to formulate detailed bureaucratic procedures.

They often establish controls by encouraging people to take personal responsibility for making things happen efficiently and effectively. They trust people, and the majority of their people respond positively.

Where processes are required they prefer one page bullet point guidelines of 'our way of doing business'. They work hard at not allowing the achievement culture to become a power-driven bureaucracy. This is important, because the advice they normally get from the establishment is to plan, formalise and systemise things.

Entrepreneurs focus on three key areas in building the capability of their business.

Building a Preferred Culture

They build their culture by recruiting people who share their values. They also walk the talk. "My rules for me and my rules for you" as Tony Burpee of Applied Cytometry Systems described it.

Typical values in use, as opposed to theory, shared by successful entrepreneurs include:

- Customer commitment
- Brutal honesty
- Treating people with integrity and respect
- Putting money back into the business
- Teamworking
- Humility
- Every person a business person
- Lets not take ourselves too seriously
- Do it now.

Establishing Key Indicators to control the recipe for success.

Successful entrepreneurs understand why the business works and establishes key indicators to take the process of their recipe for success on an ongoing basis.

For example in Keepmoat's case who are a construction company based in Doncaster the key indicators are:

- Delighting customers
- % of work won by negotiation (not tender)
- Gross margin %
- Work to progress (on time)
- Purchasing costs (supply chain)

Smart entrepreneurs invest ahead in the business rather than playing catch up. They always invest in quality people, i.e. they get the very best that they can afford.

They will invest in the best IT systems that they can get in order to help them.

They also invest in their own development. "I was faced with a critical negotiation with a customer so I flew an expert in negotiating from Sweden over for one day to coach me. It cost 10k." said Hugh Facey of Gripple Ltd.

So in summary, building capability is a conscious ongoing process of investing in working *on* as well as *in* the business. Smart entrepreneurs invest ahead to enable the business to grow and to avoid having to play catch up.

Finally, they invest in their own development, so that they continue to be an asset as opposed to a liability to the business growth process.