

# Ready Set Grow

Season Two Webinar Five

Session Summary

## The Right Stuff: Eight Critical Factors for Venture Success

December 15, 2009

Presented by:



Technology Marketing  
Resource Centre



Canadian Innovation Centre

In collaboration with:

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## **Introduction**

The Ready Set Grow series presents webinars featuring subject matter experts and Canadian tech execs discussing topics of interest to the executives of young Canadian technology companies.

On December 15, 2009, Ready Set Grow looked at eight critical factors that contribute to entrepreneurial success through a session featuring a panel of experts and questions from the audience.

This document captures the content of this session.

## **Speakers**

### **Andrew Maxwell,**

*Director, Business Partnerships, Canadian Innovation Centre*

Andrew Maxwell's experience includes the founding of two environmental technology companies, the creation of a wireless, medical device and Web Company and a technology incubator that helped create 30 technology businesses. He is currently with the Canadian Innovation Centre and pursuing a Ph.D. in the area of new venture creation at the University of Waterloo. He teaches at UTM and Waterloo in the area of technology entrepreneurship.

### **Gordon K. Adomdza,**

*Faculty at College of Business Administration, Northwestern University, Boston, MA*

Dr. Adomdza holds a Ph.D. in Management of Technology, M.A.Sc in Management Science M.A. in Applied Economics, University of Waterloo, Ontario, Canada. He teaches innovation and entrepreneurship courses at the undergraduate and graduate level. He previously taught University of Waterloo and Wilfred Laurier University Business School, Waterloo, Ontario. Dr. Adomdza's research interests are in the areas of entrepreneurial decision making, new venture performance, and venture financing, with developing interests in social entrepreneurship. His teaching interests include entrepreneurial marketing, small business creation, and small business financing. He is also a research associate at the Canadian Innovation Centre, has advised several start-ups and is on the board of start-ups internationally.

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**Tim Ellis,**

*Director, Operations, Accelerator Centre*

Time Ellis has been an entrepreneur for the majority of his life, in several different sectors including automotive, construction equipment and commercial real estate. He joined the high-tech sector 15 years ago and has founded or co-founded 6 tech start ups. He has been a guest speaker at various Universities including University of Waterloo, Wilfred Laurier, Business Education Program and CEBT.

The Accelerator Centre is a three year old incubation centre for early stage technology companies. It is home to about 27 technology start-up residents and 5 partner organizations. The centre offers world class mentoring available through the executive residence program, in-house specialists, and an entrepreneurship council all contributing to a network of people that support the early stage start-ups.

**Mike Fox,**

*Managing Director, BrightLights*

Mike is passionate in his efforts to help organizations meet their true potential and has spent the last 20 years connecting technology companies with great people. Mike has a deep understanding of what drives small and mid-sized technology firms and is a voracious student of business.

For 11 years Mike was a senior recruiter for one of Canada's largest recruiting firms and was the top performer, out of 150+ recruiting specialists, for each of his last five years with the company. Previous to that Mike worked with Comdisco Disaster Recovery Services, Hamilton Computers (which later became GE Capital), Vernon Computer Financing, and ran his own training company. He has been a sales representative, sales and branch manager, a product manager, and a fledgling entrepreneur. This has provided him a wide base of experience from which to provide his clients a unique perspective on the best candidates possible.

He has been a speaker at a number of Conference Board of Canada National Conferences as well as the IHRIM (International Human Resource Management Association) National Conference. In addition Brightlights co-sponsors a Teleforum series with CATA (Canadian Advanced Technology Association) on issues which help technology firms grow.

Mike is very active in the community and sits on a number of not-for-profit boards. He has a B.Sc. from the University of Guelph and spent two years in Nigeria as a High School Biology and Chemistry teacher with CUSO (Canadian University Service Overseas) before starting his business career.

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## The Right Stuff: Eight Critical Factors to Venture Success

### Strategic Importance

Entrepreneurship is critical to economic development as it drives innovation and disrupts the marketplace, but because failure is so high, it is critical to understand the determinants of success. There are no clear answers as to what entrepreneurial characteristics lead to success or failure, but great insight can be found by looking at some of the mistakes and success stories of other entrepreneurial experiences.

#### ***What is an Entrepreneur?***

*The word entrepreneur stems from the French and means "between-taker" or "go between".*

*An Entrepreneur puts together the resources needed to transform the invention into a viable business.*

### Five common Myths

- Entrepreneurs are born not made
- Entrepreneurs are gamblers
- Entrepreneurs are motivated primarily by money
- Entrepreneurs are young and energetic
- Entrepreneurs work isolated

Although there are some traits individuals have that drive them to become entrepreneurs, entrepreneurship mainly stems from circumstances that encourage people to be entrepreneurs. Entrepreneurs would not be classified as high risk takers, but rather they are comfortable with high levels of ambiguity and work with the information they have without knowing the odds. Although there are many young enthusiastic entrepreneurs, it is seen that most of the VC and angel funding goes to individuals with some level of experience, even those who have undergone a couple of failures and have learned from their mistakes. Lastly, today entrepreneurs very rarely will work in isolation, but rather partner and collaborate with various people and take advantage of places such as the Accelerator centre.

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## Entrepreneurial Characteristics

Research has shown that these are some common characteristics of entrepreneurs:

- Need for achievement
- Optimistic/confident
- Action oriented
- Moderate risk takers/tolerant of ambiguity
- User of external resources
- Creative
- Persistent
- Passionate/enthusiastic
- Ability
- Experience
- Training
- Openness/willing to experiment
- Communicator
- Trustworthy

One of the most important entrepreneurial traits is to be motivated and passionate about an idea. They have also been found to be very action oriented; they will make a decision first, and then try to find the data to support it. Another important characteristic is to be a good communicator and have the ability to establish partnerships and use external resources to help move an idea along. Beyond the persistence and enthusiasm, there has to be some level of ability and intellect, and the readiness to deal with any challenge that will come along. It is always useful to get some training and education to prevent one from making the common mistakes.

## The Goldilocks Factor

There are many required factors – where too little or too much become negative, and the secret is getting it just right.

### ***The Eight Critical Factors***

- Ability
- Experience
- Training
- Commitment
- Passion
- Confidence
- Openness
- Trust

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- Confidence – There needs to be a level of confidence exhibited by the entrepreneur in their ability and in their idea. This will help convince others of their view and perspective. However, when an entrepreneur becomes over confident, it prevents them from seeing the views of an outsider and often results in the dismissal of good advice.
- Commitment – If an entrepreneur is looking for partners, it is important to show commitment to the venture. Potential partners want to see that the entrepreneur has a stake in the business. However, there are times when an entrepreneur will invest a lot of money and time into an idea, but they are unable to move forward and realize that it was just a sunk cost.
- Passion – The most important thing in a new venture is passion. However, when an entrepreneur becomes excessively passionate, beginning to view their venture as their baby, their strong level of attachment prevents them from letting go even if that may be the best avenue for the venture.
- Openness – It is important for an entrepreneur to be open and willing to take feedback and listen to other people to learn. However if the entrepreneur becomes too open and receives an overwhelming amount of contradicting feedback, they may have trouble moving forward.
- Trusting – Entrepreneurs must be trustworthy because they need to build formal relationships with lots of people (suppliers, investors, customers etc.), and these relationships are critical to entrepreneurial success. However, the danger that arises is in trusting the wrong people which can in turn be detrimental to the venture.

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**Profile: Gordon Adomdza**

Gordon started working off the database of independent inventors from the Canadian Innovation Centre and has been trying to understand why and how entrepreneurs make some of their decisions. One of the interesting things found was that many times entrepreneurs will pay to have an evaluation of their idea, yet when the feedback is negative they ignore it and continue to move forward. The research was looking at understand the rationale of paying for advice the entrepreneur doesn't need. It was found that this came from being over optimistic and over confident about their ideas and fail to see some of the risks involved.

Recent research has shown that emotions may play a large role in how entrepreneurs make decisions. For instance, generally happy people have been found to be more creative and have more ideas compared to individuals who have negative emotions. Entrepreneurs are always working with others. Research continues to look at the importance of managing emotions when interacting with others.

**Case Study: Tim Ellis, Director, Operations, Accelerator Centre**

For a venture to get off the ground, the entrepreneur needs to demonstrate his commitment and aligns himself with a team of individuals that share the same passion early on in the venture. It is also critical for the entrepreneur to understand when to be passionate and when it is just not the right opportunity. Once a good opportunity is identified and the right team is formed, it is encouraged to create formal agreements with these partners ensuring that everyone understand that in the event that the venture changes direction and people go in different ways, how that will be dealt with and settled. Sometimes it's better to view equity as something team members earn rather than having a set portion from the start. This can be established by reaching milestones or demonstrating contribution to the venture.

"I definitely think the right amount of passion is the most important factor in success"

Tim Ellis  
Director, Operations  
Accelerator Centre

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Following good guidelines from the start and aligning yourself with professionals that have experience can really help keep things on track. Tim has found in the past that nothing derails an opportunity quicker than founders not being able to deal with issues early on as a team and getting past the issues. Make sure that the individuals that you align yourself with share the same values and the same passion, and then, put the right fences in place to ensure proper guidelines are build right from the start developing a strong foundation. This will be the first thing investors will look for.

***Profile: Mike Fox***

The biggest factor for successful entrepreneurs is their ability to deal with uncertainty. You want to get the right people on your team, because the venture will constantly be changing and everyone must have the ability to adopt. Secondly, entrepreneurs are individuals that have the inner confidence in themselves to do something unique, and this is a trait you are not able to teach someone, you either have that ability to manage uncertainty or you don't. Demonstrating that you have the ability to pick yourself up after failing, and learn from the experience will prove your resilience and show others that you have the ability to move forward and deal with uncertainty.

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## Results of Real-time Poll

Below are the results of the polls conducted during the webinar:

**Poll #1: What best describes your entrepreneurial status?** (Choose one answer)

- |   |     |
|---|-----|
| <input type="radio"/> Thinking of becoming an entrepreneur                    | 29% |
| <input type="radio"/> Working in an entrepreneurial company (but not founder) | 24% |
| <input type="radio"/> Early stage entrepreneur (less than 2 years)            | 26% |
| <input type="radio"/> Experienced entrepreneur                                | 18% |
| <input type="radio"/> Ex-entrepreneur   | 3%  |

**Poll #2: Which are the following characteristics you most associate with entrepreneurs?** (Choose all that apply)

- |   |     |
|---|-----|
| <input type="radio"/> Need for achievement          | 53% |
| <input type="radio"/> High risk takers              | 44% |
| <input type="radio"/> Individual effort             | 31% |
| <input type="radio"/> Motivated by financial reward | 31% |
| <input type="radio"/> Passionate                    | 84% |

Note that Poll #2 allowed multiple answers; therefore percentages will not add to 100%.

**Poll #3: What do you think is your biggest barrier to entrepreneurial success?**

(Choose all that apply)

- |   |     |
|---|-----|
| <input type="radio"/> Too risky                     | 12% |
| <input type="radio"/> No experience                 | 32% |
| <input type="radio"/> Insufficient personal capital | 59% |
| <input type="radio"/> Credibility                   | 18% |
| <input type="radio"/> Commitment                    | 21% |

Note that Poll #3 allowed multiple answers; therefore percentages will not add to 100%.

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**Poll #3: Based on what you heard today – which issues do you think are most important to you? (Choose one answer)**

- |  |     |
|--|-----|
| ○ Improving communication skills           | 0%  |
| ○ Moderating passion so I can “let-go”     | 10% |
| ○ Building relationships with others       | 65% |
| ○ Letting go of the past – to move forward | 10% |
| ○ All of the above                         | 16% |

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## Links of Interest

Export Development Canada <http://www.edc.ca>

Canadian Association of Importers and Exporters <http://www.importers.ca/>

Canadian Manufacturers & Exporters <http://www.cme-mec.ca>

International Chamber of Commerce <http://www.iccwbo.org/>

Service Canada [www.servicecanada.gc.ca/](http://www.servicecanada.gc.ca/)

Business Development  
Bank of Canada <http://www.bdc.ca>

Canadian Innovation Centre <http://innovationcentre.ca>

Technology marketing  
Resource Centre <http://www.tmrc.ca>

Canadian Advanced Technology Alliance <http://www.cata.ca>

## Articles and Books of Interest

Exporting for Dummies

Available via [http://www.edc.ca/english/publications\\_11934.htm?cid=red1608](http://www.edc.ca/english/publications_11934.htm?cid=red1608)

Exporting to the USA , Edward G. Hinkelman | World Trade Press | July 16, 1999

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