SUCCESS BOOK SUMMARY

Never Bet the Farm
by Anthony L. Iaquinto and Stephen Spinelli Jr.

How Entrepreneurs Take Risks, Make Decisions
—AND HOW YOU CAN, TOO

QUICK OVERVIEW
If you are in business for yourself, or are considering starting a business, Never Bet the Farm provides answers to some of the hard questions and solutions for momentum-stopping fear. Throughout the book, the authors note that there are no “secrets” to entrepreneurial success. Rather, a solid plan and a little luck—combined with the willingness to take action—separate the winners from the losers.

The practical advice authors Anthony Iaquinto and Stephen Spinelli offer may sound somewhat pessimistic. But, as experienced entrepreneurs, they know being prepared for obstacles can help business owners avoid common pitfalls and ultimate failure.

APPLY AND ACHIEVE
Expecting and planning for obstacles is a key theme for Never Bet the Farm. Its authors recommend that entrepreneurs “tap the bridge,” or do their homework, before jumping into a new venture. They advise developing a lean budget and financial backup plan in case business doesn’t go as planned, as well as an exit strategy that allows the entrepreneur to divest of what they’ve built. In addition, they make the point that tried-and-true product business models are often safer, more probable routes to profits. If you are feeling an entrepreneurial tug, don’t overlook business models, such as franchises or network marketing, that may offer the perfect combination of flexibility and stability.

Many of us believe that entrepreneurship means starting your own business. But that is emphasizing a single task instead of focusing on the bigger picture—much like describing acting as reading a script or engineering as building something.

All careers need to be managed, which in part involves a recognition that setbacks are inevitable, such as failing to win an audition or a bid. By viewing entrepreneurship as a career, you can more easily accept the notion that if you experience a bankruptcy, you have not failed as an entrepreneur (many highly successful entrepreneurs have experienced just such a reversal before they eventually found success) and that by preparing in advance for such a setback, you can retain enough strength and resources for a second chance.

SUCCESS Points
In Never Bet the Farm you’ll learn:

- There is no “one” secret to success—successful entrepreneurs are just like you
- How working on a lean budget can help you be successful, even in times of plenty
- Why prudence is a key component to success, but it must be coupled with action
- What comprises a good network and how to make the most of it

by Anthony L. Iaquinto and Stephen Spinelli Jr.
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SUCCESSFUL ENTREPRENEURS ARE JUST LIKE YOU

Dozens of traits have been peddled as integral parts of the ideal entrepreneur: high levels of energy, intelligence, determination and resourcefulness; a high degree of motivation, diligence, creativity, youthful bravado and self-confidence; a high need for achievement; and the ability to look at things differently, to persevere and to make quick decisions. Successful entrepreneurs have also been said to be self-directed, outgoing, proactive, in-control, hardworking, deadline-oriented, the eldest child or the only child—just to name a few. But common sense tells us that no one could possess all those attributes.

Even if no ideal entrepreneurial type exists, there is still a natural assumption that the more you possess of a specific trait, such as perseverance, the more likely it is that you will be a successful entrepreneur. Few will argue that someone who gives in easily can be a success. However, the extremes at the “positive” end of the scale can be equally problematic. There are plenty of people who persevered to the point of burning out mentally, physically and financially. When does “perseverance” change to “stubbornly hanging on”?

Many of the traits mentioned as being crucial for success have problems at both extremes. Because having too little or too much of a trait is problematic, exhibiting traits in moderation is the key to success. In other words, any average person would have the same—or even better—chance to be a successful entrepreneur as any wunderkind role model presented in the media.

A key differentiator between an entrepreneur and a wannabe is an action orientation, which can sometimes be misinterpreted as blindly moving in one direction. Action often means changing directions when things are going wrong or the market signals a change.

LUCK IS PART OF THE EQUATION

It’s been nearly taboo to suggest that good luck plays an important role in one’s march to success, and anyone who believes that bad luck had a role in a venture’s demise is immediately branded as a loser. “Winners create their own luck” is a favorite refrain of motivational speakers. But luck has always been—and will always be—part of the equation.

Good luck for entrepreneurs can come in the form of good timing, a chance meeting, a fortunate find, or a sudden, favorable change in consumer tastes or technology. Bad luck can come through an economic recession, the death or illness of a key client or partner, a natural disaster, or unfavorable changes within it guidance and a sense of belonging, friendship or a

How to Keep Your Investment Small

Marketing

Most traditional forms of marketing were not an efficient use of my company’s limited resources. A little guerilla marketing, word-of-mouth, and the spreading of flyers and business cards was a very cost-effective way of generating a consistent flow of new customers.

Budget

Controlling expenses is critical. You should commit yourself to a set of rules that will guide your behavior from the very beginning: Fly only coach, stay at budget hotels and rent only compact cars.

Sam Walton controlled the amount of money spent on buying trips by instituting a rule that expenses should never exceed 1 percent of their company’s purchases.

Focus on What Matters: Getting Customers

Many believe that if they appear successful, they will be successful, so they spend lots of money on the trappings without concentrating on what really matters: getting customers. You need customers to build a business, not the other way around. In the beginning, you should do no more than what is absolutely needed to secure your first customers. As your customer base grows, you then develop and acquire the needed infrastructure, such as information and management systems.
key client or partner, a natural disaster, or unfavorable changes in technology or customer tastes. (For example, bakeries and donut chains suffered during the trend to low-carb diets.)

No entrepreneur can anticipate all possible worst-case scenarios, develop an appropriate contingency plan for each, and still have time to manage the business. Placing blame on the entrepreneur for extraordinary events is like blaming an all-star infielder when a sharp bouncer to short hits a pebble and veers wildly into center field. What separates winners from losers is the ability to recognize events as good or bad luck and then possessing the will and ability to act on them.

While it’s important to recognize luck as part of the equation, it is also important that you not dwell on it. Wishing for good luck does not bring it, and wallowing in your bad luck does not lead to a quick recovery.

**IT SHOULDN’T ONLY BE ABOUT MONEY**

Without goals, we are like the proverbial ship without a rudder. After setting goals, our next step is to find the means to achieve those goals. Some people are able to accomplish all of their life goals by following a single path. For example, those highly devoted to a spiritual or religious faith can find within it guidance and a sense of belonging, friendship or a compatible life partner, as well as a way to express themselves artistically. Sometimes they may even find a means of financial support. Other paths that can serve many of a person’s life goals simultaneously are careers in medicine, civil service, grass-roots activism or entrepreneurship.

Regardless of the path, it’s important to ask: What role should money play?

If your business succeeds in accomplishing some of your life goals, even if it is not financially successful, the experience can still be considered a positive one, and claiming even a modest victory can go a long way toward buoying your spirits.

**NEVER BET THE FARM**

Any entrepreneur must take some risks, but taking great risks alone doesn’t indicate entrepreneurial competence. Successful entrepreneurs are risk managers, not risk takers. In other words, your risks should be carefully measured against your goals, personality, experience, the nature of the opportunity and the type of venture.

For example, the more relevant experience you have, the more likely you’ll be able to overcome the uncertainties of a riskier project. Indeed, experience allows you to see trends in the marketplace and make better assumptions, thus, reducing the risk and increasing the upside. You must remember that the larger your risk, the bigger the potential fall and the more difficult the recovery.

While managing risks is an ongoing challenge for entrepreneurs, it is perhaps most critical in the early stages of your venture, when you decide what business model you will pursue. Here are four simple rules to help shape your business idea:

1. Straightforward ideas are less risky than novel ones.
2. Even a well-traveled road has surprises.
3. Great ideas are often low-tech.
4. The execution of an idea is more important than the idea itself.

We argue that there are still a lot of good ideas and new business models yet to be discovered in old industries. Financial wizard Warren Buffett has made several fortunes betting on industries, companies or other investments that much of the rest of the market considered too stodgy to notice.

The main reason to look for opportunities on a well-worn path is that the chances of success are considerably greater than when moving into territory in which the entrepreneur has little knowledge or experience. Buffett avoids investing in high-technology because he doesn’t feel he understands those types of companies.

**DON’T SPEND A DOLLAR WHEN A DIME WILL DO**

New Age entrepreneurship gurus preach that if you want to be a successful entrepreneur, you’ve got to think big right from the start. But “going for scale” significantly increases the required investment, which increases the risk of bankruptcy and decreases the resources available to try again, if the venture performs poorly. Starting smaller is a slower path, but it’s also a safer way of building both a sustainable business and a long career as an entrepreneur.

 Plenty of well-known companies have started small. Space inside the first Kinko’s store was reportedly so tight that founder
Paul Orfalea had to roll the copier outside to make room for customers. Richard Branson’s first retail record store was located in a cramped, well-worn shop above a shoe store. Ben Cohen and Jerry Greenfield delivered pints of their ice cream to local grocery stores in a beat-up VW Squareback wagon. Matsushita, maker of Pioneer and National brands, was started with the equivalent of $100 in a two-room tenement in eastern Osaka, Japan. Apple, Dell Computers, eBay, Google, Yahoo, Rohm and Sony are other examples of highly successful companies that started out in garages, dorm rooms or abandoned warehouses, often with just a few thousand dollars.

Having too much money allows inefficiencies to enter an operation. We have all seen entrepreneurs who, the very moment they have the cash, run off and buy things they want but don’t necessarily need. This leads to the unfortunate behavior of solving problems with money rather than taking the time to find a solution that doesn’t entail spending wads of cash. If funds are lean, then every decision you make becomes critical, forcing you to develop strict evaluation guidelines that can be used throughout the life of your venture. One of Sam Walton’s golden rules was, “Control your expenses better than your competition.” His experiences taught him that if you run an efficient operation, you can make a lot of mistakes and still be successful.

ALWAYS TAP A BRIDGE BEFORE CROSSING

Prudence is an essential principle for anyone who envisions entrepreneurship as a career. By choosing to be judicious, you can reduce both the number and the severity of mistakes, and so increase the chances that your venture will be a success. By being prudent, you can also minimize your losses if your venture does not proceed as planned and position yourself for another opportunity for success. Becoming prudent is a process with five basic rules:

1. Never assume any venture is a sure thing.
2. Let someone else be the pioneer.
3. Make sure the market is ready for your idea.
4. Make sure your product and organization are ready before you start.
5. Grow no faster than your organization can handle.

Entrepreneurs tend to rationalize haste with the claim that, “It’s a sure thing.” But the old adage that “haste makes waste” has not lost its meaning in modern business. The Japanese have an expression: “Always tap a stone bridge before crossing.” No matter how infallible an idea appears, you should always take time to make certain it is what it seems to be. Even great ideas do not spring to life fully formed; they all need testing and refinement before execution. To rush through this process invites mistakes—often tragic ones. If you want to be successful, learn to take the time to study, fine-tune and improve your idea before you begin your new venture. And embed that behavior as a natural management process as you react to market needs and changes.

The main drawback to being a pioneer is the significant investment in time and money involved in product design, market research and consumer education, as well as the need to secure distribution channels and master new production processes. This increased investment does not necessarily translate into success, though it does mean the entrepreneur must assume greater risks. As we’ve already learned, the greater the risks you assume, the greater the probability of failure.

Being prudent financially is a natural extension of resource parsimony. When you are judiciously marshaling resources for your business, you ingrain a pattern of behavior that becomes instinctive. “If this purchase doesn’t create value for the customer, then it can wait.” Most important: Being prudent can prevent losses severe enough to lead to a bankruptcy.

Being prudent isn’t just an attitude. Some of the ways you can force yourself and your company to act more prudently are these:

- **Question everything.** An important aspect of questioning everything is to get input from trusted advisers and industry experts. One of the most valued components of being a part of a network is having a sincere and sometimes brutally honest sounding board.

- **Do your homework.** You need to develop basic management skills. This can be done through a local university or vocational institute, finding a willing mentor, or from a number of well-respected civic organizations.

- **Write things down.** Organizing your notes can help you create structure and force you to think logically about many of the issues confronting your new venture. Develop a specific section for growth, laying out goals and how fast you want to achieve those goals.

Although we stress the need to write things down, don’t let planning paralyze you. Doing your homework is important and should be as thorough as possible, but at some point, you must act. Without action, there is no venture.
ONLY FOOLS FLY WITHOUT A NET

The entrepreneurial process is fluid: You get an idea, forge a business model, project demand for your product or service, and launch your operations. You will make literally hundreds of assumptions along the way, and when they don’t prove correct, you will make adjustments. Nimbly making adjustments is a critical characteristic of entrepreneurship. Creating options and securing a safety net is a natural outgrowth of this mentality.

The perfect backup plan is one that is tailored to fit your needs and situation and should accomplish the following three objectives:

1. The plan should provide you with emotional, intellectual and financial support during the aftermath of a failed venture.
2. A good backup plan should provide you a base from which to launch your next venture.
3. A good backup plan should make it easier for you to re-enter the marketplace.

There are an infinite number of potential backup plans, some as simple as having a rich and generous uncle. However, that is not under your control, so here are three generic backup plans:

1. The Weekend Entrepreneur—The most common backup plan is to keep your day job and find a way to fit the new business venture into your work schedule. One way to do that is to become a weekend entrepreneur. These individuals continue in their regular jobs and use their weekends to search for opportunities, develop and test their ideas, set up their operations and build a customer base. This is a popular method of beginning a career in entrepreneurship.

2. The Active Supporter—With this approach, one partner quits her job to work on the venture full time, while the other partner continues to work at his job. The partner with the monthly paycheck supports the other partner until their venture is profitable enough to provide a comfortable income for one, if not both, partners. Such an arrangement works best with a relative or spouse, but, with the right agreements, it can work with a friend or business associate.

3. The Tag Team—With this plan, the partners work alternate periods—days or weeks—on their job and on their venture. For example, if two nurses started a senior care center, they could rotate shifts at a hospital with work at their facility.

CONNECT BUT PROTECT

Like it or not, networking is something that every entrepreneur must do. Building a strong network of family, friends and business associates can give you a competitive advantage, which improves the odds you will succeed.

A good network:

• Can help you find business opportunities by providing you with direct leads, by giving you advice or by pointing you in a general direction.
• Act as an informal roundtable where ideas can be discussed, solutions offered and guidance given.
• Should be able to provide you with a variety of resources that you don’t possess and that would be impossible for you to secure on your own. If those in your network are no better off than you in terms of finances, experiences and knowledge, then your network is not useful.

How to Build Your Network

It’s vital for you to build up your network. To do this, you should:

- Be aggressive. Work within the parameters of your personality and what makes you comfortable to build up your network. Find ways to give to the network and strengthen the lines of communication.
- Don’t accept everyone. It’s counterproductive to blindly incorporate just anyone into your network. Your network should be composed of people who can be of the most help to your business venture.
- Learn where to look. Schools offer limitless opportunities for networking. Other excellent choices are civic organizations, fraternities, church groups, government agencies, industry associations, libraries, social clubs and the Internet. Building ties among the business leaders in your industry is highly recommended; most will be glad to talk, as long as they believe that you are not a direct competitor.
• Will display the willingness and the ability to introduce you to potential partners, suppliers and customers.
• Should be able to provide you with support—financial, emotional and intellectual—if your venture does not go as well as you had hoped.

It is important to know how to evaluate the strength of your network, so you can see if your network is providing you with a competitive advantage. This evaluation should be an ongoing process and not done in isolation; you should compare your network with those of others, especially other entrepreneurs. To review your network, ask yourself these four questions:
1. How extensive is my network?
2. How accessible is my network?
3. What is the cost of maintaining my network?
4. How reliable is my network?

FINAL WORDS
We contend that what separates winners from losers is not bankruptcy (many entrepreneurs experience such a catastrophe or something just short of bankruptcy), but the ability winners have to keep themselves in the game by maintaining enough will and resources to try again. As someone once said, “Great football players are not judged by how many times they are tackled, but rather how many times they get up!”

Recommended Reading
If you enjoyed the summary of Never Bet the Farm, we encourage you to visit your favorite bookseller to purchase a copy for your personal success library. You may also want to check out:

1. The Art of the Start: The Time-Tested, Battle-Hardened Guide for Anyone Starting Anything by Guy Kawasaki
2. Losing My Virginity: How I’ve Survived, Had Fun, and Made a Fortune Doing Business My Way by Richard Branson

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Anthony L. Iaquinto attended Columbia University Business School, receiving his MBA in marketing and Ph.D. in strategic management. He has spent the last 14 years as an educator, entrepreneur and writer in Japan. In 2005 he was a visiting scholar at Arizona State University—Tempe. Iaquinto is a consultant for 100MeterFilms, an independent movie production company located in Tokyo that is responsible for the critically acclaimed Firefly Dreams.

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