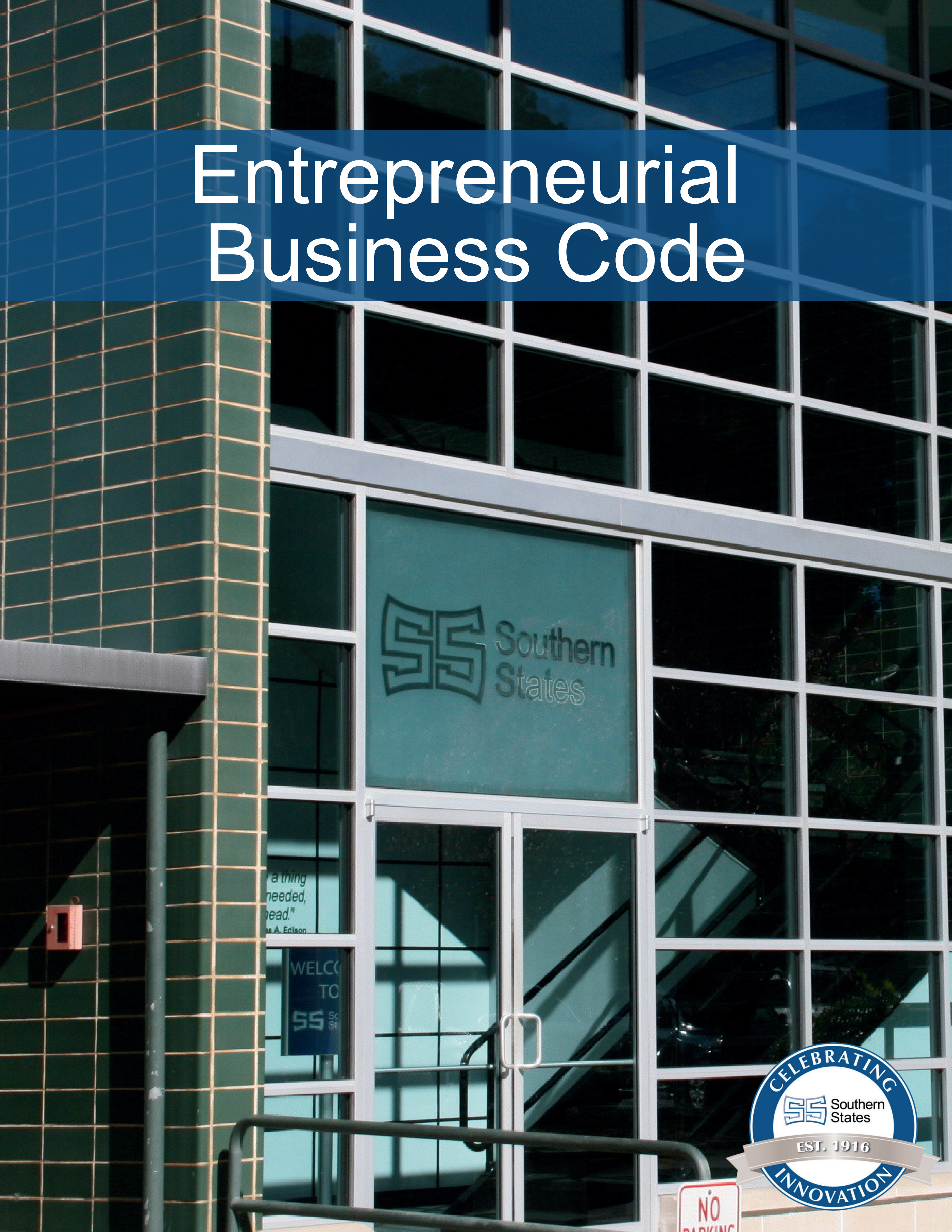
Entrepreneurial Business Code



CELEBRATING
Southern States
EST. 1916
INNOVATION

“The progressive development of man is vitally dependent on invention. It is the most important product of his creative brain. Its ultimate purpose is the complete mastery of mind over the material world, the harnessing of the forces of nature to human needs. This is the difficult task of the inventor who is often misunderstood and unrewarded. But he finds ample compensation in the pleasing exercises of his powers and in the knowledge of being one of that exceptionally privileged class without whom the race would have long ago perished in the bitter struggle against pitiless elements. Speaking for myself, I have already had more than my full measure of this exquisite enjoyment; so much, that for many years my life was little short of continuous rapture.”

- Nikola Tesla

“First be sure a thing is wanted or needed, then go ahead”

- Thomas A. Edison

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Section 1
BUSINESS PURPOSE & ETHICS

1.What is a business?

A. A business is a perpetual entity, which is sustained by its leadership and employees.
B. Purpose of a business is to sustain itself in perpetuity while creating wealth for its own use and its stakeholders by fulfilling the needs of its customers.
C. A healthy business is a cash generating machine which generates significantly more cash than it consumes.
D. Business owners and executives are stewards of the business.

2. Personal Integrity is of utmost value, have your own values and only do business with those who share these and have integrity whether they are partners, customers, contractors or vendors, never hire or do business with anyone whose is not trustworthy and ethical.

3. Beware of mission statements. Keep it simple: Survive, reduce debt and similar threats to survival, build for the future, have fun.

4. A business must balance the interests of all stakeholders, in this order of priority:

A. Self-sustenance
B. Customers
C. Employees
D. Owners
E. Communities in which it operates

5. Never take liberties with government laws & regulations.

6. Never compromise integrity at the altar of expediency or promise of profits.

7. Beware of windfalls, be wary of accepting them

8. Admit & confront mistakes head on and take the bitter medicine up front.

Section 2

ENTREPRENEURSHIP & INNOVATION

1. The approach to building a business is the opposite of reading a book. With a book, you start at the beginning and work your way to the end. To build a business, you start with the end and then do whatever you need to do to get there.

2. The three most important requirements for entrepreneurial success are: passion, commitment, and the ability to communicate. Unless you have a burning desire (passion) to succeed, you won't. Without commitment (the willingness to subordinate all other aspects of your life to the achievement of your goal) you won't have the strength to carry you through the valleys. Without the ability to communicate your passion and commitment, you will not be able to attract the support of others. And you cannot go at it alone.

3. In the business world, everybody is paid in two currencies: experience and cash. Take the experience first, the cash ought to follow. It makes a lot of sense for a newly minted graduate/MBA to work initially for a large company. This can be a great way to gain experience. But if you want to be an entrepreneur, once you get on the corporate management track, get out as soon as you can, because the key factors for success in the corporate world are diametrically opposed to the key factors for entrepreneurial success.

4. Entrepreneurial thinking cannot be taught, it must be (re)learned. Children are by nature inquisitive, curious, creative, enterprising. Most of us were born entrepreneurial. As we get older, we become more realistic, safety-conscious, intellectually lazy, and jaded.

5. To innovate, one must imagine, how something should be NOT what it is today, once you imagine how it should be unleash creativity of the team to make that a reality.

6. Always remember that words are words, explanations are explanations, degrees and honors are just pieces of paper. Only performance is reality. Performance is the best measure of your confidence, your competence, your courage. Performance is your reality.

7. How do you measure performance; how do you measure success. Well, they say money is not everything, but it sure is the accepted scorecard in the business world. The end goal is success; performance determines how close you get to the end goal. Unless you are comfortable with a definition of success and performance as working very hard to make a lot of money in a way that is consistent with your ethics, then do not try to perform in the entrepreneurship playing field. You will not succeed.

8. The risk/reward ratio. Entrepreneurship means taking huge risks. You are betting the ranch repeatedly. Don't become a risk junkie, taking risks just for the fun of it. There are people like that, believe me. Instead, be rational. Ask: Is the reward commensurate with the risk? Risk is usually not an absolute, it is perceived. Never underestimate the risk factor, do not trust your luck.

ENTREPRENEURSHIP & INNOVATION (CONTINUED)

9. Cultivate people who might help you, but don't be transaction oriented. Build relationships. Be grateful and show your gratitude. Do not take advantage of others. At best, you will lose their support. More likely, they will get even, when you can least take it. When dealing with people, motivate, don't manipulate. They will catch on sooner or later and will hate you for having taken advantage of them.

10. Be persistent, but don't try to knock down brick walls by butting your head against them. Sometimes some things just can't be changed, and life is too short to put up with something you are unhappy with. Walk away and find something else. I have talked about risk/reward. There is also ratio called effort/reward. Know the difference between persistence and bull headedness.

11. Remember the golden rule of business. Get the gold so that you can make the rules.

12. Market demands generated by political fiat are not permanent and may disappear overnight, do not make such markets your primary business. Build a business to last. Business is a perpetual entity, if well managed it will live on. Your role is that of a steward of this entity that nourishes you and many families, and the communities, keep it healthy and well managed. Always manage for the long-term health of the business and make it stronger by the day.

13. The worst disease that can afflict an entrepreneur is not alcoholism or drugs. It is ego. Regardless of your entrepreneurial successes, don't think you are omnipotent or infallible. Know your strengths, but never forget your weaknesses.

14. Always segment the market by function or need satisfied and look at the segments that offer opportunity: How to find these opportunities?
Look for:

1) Voids, needs or functions not being served.

2) Users paying disproportional $$ for the function.

3) Users are purchasing more functionality than what is needed.

4) Not getting satisfactory functionality.

5) Limited competition/technology (talent available).

Section 2

ENTREPRENEURSHIP & INNOVATION (CONTINUED)

15. Insist on making money on each project quickly; get your investment back in a year if possible. All inventions and innovations belong to the market, do not hoard technology/innovations.

A. Find the most efficient way to get the benefits out to the users, licensing, joint ventures, self-promoted or all together.
B. All licenses should be forever with a reasonable royalty.
C. Maintain know how of the inventions, as new generations and offshoots of core technology evolve, you don't want to miss out.

16. Startup businesses should focus on revenue growth and mature businesses on quality of profits (Return On Sales ROS).

17. Stay focused on goals and flexible in approach.

Section 3
BUSINESS OPERATIONS

1. Beware of management theories and fads. Every couple of years a professor in search of academic recognition, a consultant in search of clients, or a business executive on an ego trip will write a book that is supposed to solve all the problems and propel the reader to the very pinnacle of success. There is only one valid management theory; "you cannot run a business on a theory, especially espoused by someone who has never run a business."

2. The difference between a fad and a valid management tool is simply performance. Fads come and go, performance-enhancing tools and approaches stand the test of time.

3. When things are noncontroversial, beautifully coordinated, and everything is going according to plan, chances are that either nothing productive is going on, or the world is going to come crashing down on you shortly. The time to start worrying is when everybody assures you not to worry. Remember the rule of functional perversity. Invariably, Sales will bring in orders like crazy, when Production cannot supply. Production will achieve peak efficiency a week before orders dry up, and in the unlikely event that the order flow is great and Production is producing at a fabulous clip, then we will run out working capital; to finance the good fortune.

What all this comes down to is the need to manage. What I say is the three things a business must do well; get orders, fulfill orders in a timely way and get paid promptly. Running out of cash is the result of failing to plan. Failing to plan means planning to fail. As an entrepreneur, you probably aren't that comfortable with planning, especially when it involves spreadsheets and numbers. But to put it simply: Numbers are your friend, a friend you cannot do without.

4. All businesses have market cycles, understand this cycle. In good times prepare relentlessly for the lean times & in lean times survive well and lay the seeds for growth which will inevitably follow.

5. Build strong and loyal relationships with suppliers such that they become an extension of your organization. Good suppliers are key to your success, be loyal to them.

6. Build your own ecosystem and supply chain to support growth. Support emerging suppliers well.

7. Build strong relationships and partnerships with other businesses including large corporations in your market, so you can leverage their strength for mutual benefit.

8. Remember 100% of zero is still zero, participation in growing markets is the key, not your starting share.

Section 3

BUSINESS OPERATIONS (CONTINUED)

9. Remember the three snake rule:

A. If you see a snake, kill it. Don't set up a snake committee, don't form a snake user group, don't write snake memos, don't worry about whether it is PC to kill the snake, don't worry about environmental impact. Just kill it.
B. Don't play with dead snakes. That means once you've made a decision, don't revisit, run with it.
C. Remember that most opportunities start out looking like snakes.

10. Find simple solutions to solve difficult problems. The more complex a proposed solution, the greater the probability that it won't work.

11. Beware of politicians. They mandate what is politically correct and gets them re-elected. They interfere with good business judgment. Note that the people who mandate benefits are spending your money, not theirs.

12. Beware of investment bankers (brokers), private equity, and hedge funds. Your success will draw them to you like flies to honey, they will dispossess you of your business and take the pot of honey from you, if not careful.

13. Strategic buyers are hired guns; they don't own their business and cannot make any long-term commitment to you or for your employees. Be wary of all who come bearing gifts of money and super wealth.

14. Surround yourself with strong, opinionated, talented people that augment your weaknesses, and reward them well and recognize their contributions. Never tolerate team members who are disruptive to the team, its culture and its goals.

15. Do not judge employees until you have seen their work and contribution, look to see what they can do rather than what they are doing, maximizing their talents & potential contribution is the goal.

16. If an employee is intelligent, hardworking, loyal, and a team player, then his low performance is an anomaly; a bad manager and/or the job itself - counsel the manager / move the employee.

17. Do not lament loss of employees or partners, stay focused on your goals, row your own boat to your destination, people will get on and off your boat, you keep rowing to your destination of success.

18. Loss of an employee is an opportunity to get better talent to strengthen the team.

BUSINESS OPERATIONS (CONTINUED)

19. Treat employees with dignity, consideration, and respect.

20. A business has responsibility to the employees who sustain it, employee layoffs and discharge should be the last resort to prevent permanent long-term damage to the business.

21. Equitable treatment of all stakeholders.

22. Search and add talent continuously.

A. Watch out for apparent talent—get actual talent behind the scenes.
B. Adding talent is the leader's responsibility not HR.
C. Talent does not appear when you have a job opening.
D. Hire and recruit talented people when they become available, they will pay for themselves tenfold, it is an investment.

23. Maintain your current strengths. Defend your core business preemptively & vigorously.

24. Continuously pursue competitors' key customers, so they stay focused on defending their market share.

25. Remember profit max occurs before sales max, so if you get every possible order, your profit will most likely suffer. Focus as much on orders you don't want as the orders you want.

26. Continuously expand your Product Scope & Available Market. Don't do dead-end projects that don't lead to other products or expand your capability for the future (don't pursue white elephant projects).

27. The world around us is dynamic, a business is either in an upward spiral, or it is dying.

28. Make customers pay for any special work, if they are not willing to pay it is not worth doing, do not spend resources on promises.

29. Be invested in at least one longer term project that expands the "Core" of talent for the future.

30. Improve position continuously and be ready when an opportunity arrives.

31. Wealth creation is the byproduct of fulfilling a market need, wealth creation is not the core purpose, fulfilling a market need is.

Section 4
DEBT & CASH

1. Use credit wisely. Borrow money only if you must. Never indulge yourself with borrowed money.

2. Focus on cash generation, not earnings alone.

3. Whenever possible, avoid owning, if you can gain control of critical elements in some other way. Ownership distracts.

4. Stay on top of the cash burn rate and take action well in advance of the drop-dead date. Lock down credit when you least need it, if you wait until you really need it, creditors will disappear.

5. Business cash needs always take precedence over your needs. Keep your personal and business accounts well separated, never mingle your needs with business needs.

6. Use cash wisely, focus on actions which increase revenue, reduce costs. Expenditures mandated by government regulations take priority.

7. Never make strategic decisions based on tax policy, temporary trends, or transient government actions.

8. Paying more tax is a sign of prosperity and responsibility.

9. Use debt for strategic long-term investments, finance working capital with cash flow.

10. Create a rainy-day fund equal to ¼ - ½ of annual payroll to protect employees in emergencies.

THANK YOU

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