

PART



**Who Is
the Entrepreneur
Next Door?**

CHAPTER

1

How to Succeed in Business

The First Time

AMERICA IS IN THE MIDST OF AN ENTREPRENEURIAL REVOLUTION. EVERY 45 SECONDS a new business is born. Tragically, two out of three perish before their third birthdays. Yet, despite this stark reality, half the U.S. population entertains the idea of self-employment; 700,000 Americans take the leap every year. Today, there are more than 16 million small businesses operating within the United States.

Through extensive research and testing, my wife, Renee, and I, co-founders of Accord Management Systems Inc., now know how and why some entrepreneurs become multimillionaires, others do moderately well,

some barely survive and most don't. *The Entrepreneur Next Door* describes the natural entrepreneurial personality types (born leaders), the corporate leaders often referred to as intrapreneurs, and those who would like to be in business but have not had the opportunity, the wherewithal, or perhaps the inclination. I will refer to this last group as "wantapreneurs." Wantapreneurs are often successful business owners but not necessarily founders or born leaders. They are able to leverage their strengths and compensate for their limitations.

You'll also find out what happens when entrepreneurs become their own worst enemies. Most entrepreneurs don't achieve the level of success, financial or otherwise, that they dream or scheme about, and not surprisingly, these entrepreneurs have some personality traits in common. This book discusses the pitfalls and potential land mines that go hand in hand with the various entrepreneurial personalities and offers insights for solving these challenges.

For example, consider some very successful, and very different entrepreneurs:

- Bill Gates of Microsoft displayed the big-picture thinking necessary for success even though he may have initially lacked the education or experience to accomplish his goals.
- Conrad Hilton knew little of the lodging and service industry when he decided to build his first hotel. He had unwavering determination, self-confidence, and a strong belief in himself.
- Wayne Huizenga of Waste Management and Blockbuster Video fame seems to have the Midas touch when it comes to starting companies. His string of successes has spanned the trash-removal business, video rental, music sales, professional sports, and most recently, automobile sales.
- Herb Kelleher of Southwest Airlines solidified his initial idea by writing it on a napkin. For 30-plus years his company has maintained profitability.

These examples are simply a few who made the headlines. There are millions of other successful business leaders and owners that have several things in common: an entrepreneurial or wantapreneurial personality and enough self-awareness to choose or manage a compatible business and hire those who possess the traits to maximize business growth and success.

The American marketplace abounds with more opportunities than ever. Potential entrepreneurs have a broad spectrum of options to choose from. They can become founders of their own enterprises, buy franchises or distributorships, buy existing businesses, or create their own brands of products or services. Success on

each of these entrepreneurial paths requires a slightly different personality, and matching the personality to the opportunity increases the chances of success.

Because of the uncertain economy, lack of corporate security, economic layoffs, and downsizing, the motivation for people to go into their own businesses is greater than ever. Even with the current employment climate, people have greater motivation and sometimes greater flexibility to move among jobs. The abundance of possible business ventures makes the dream of owning a business attainable for more people.

Nevertheless, even with the entrepreneurial revolution in full swing, there's a critical shortage of insight into the mind and personality of an entrepreneur. America's television stations, bookstores, radio stations, and newsstands are filled with innumerable "experts" offering basically the same sound-bite information about what entrepreneurship is and how one can succeed as an entrepreneur. Unfortunately, the commonly accepted plan for entrepreneurial success works primarily for people who possess an entrepreneurial or a leader personality. The experts profess a singular solution that works best with that singular personality. That's great if you happen to be among the small percentage of the population that has an innate leadership personality, but if you don't, the chance that those how-to-succeed-in-business books will work for you is minuscule at best.

Who IS the Entrepreneur Next Door?

The genesis of this book began nine years ago when Thomas Stanley and William Danko's book *The Millionaire Next Door* (Pocket, 1998) was first published. I was one of more than two million readers fascinated with this glimpse into the saving and spending habits of millionaires. Actually, I believe most readers bought it because they wanted to gain insights into how they could also become millionaires. Their book surveyed 400 households with a net worth of \$1 million or more. What was interesting to me was that more than 70 percent of the respondents were not entrepreneurs. They were schoolteachers, bus drivers, and professionals such as doctors, attorneys, and CPAs. Only 30 percent of those surveyed were actually entrepreneurs.

It was then that my curiosity got the best of me, and I set about comparing Accord Management Systems' survey group with their survey group. The members of our survey group, for the most part, belonged to the Young Entrepreneurs Organization, were under the age of 40 when they completed the survey, and had annual business revenues in excess of \$1 million each.

Here's the essence of our findings: The survey group for *The Millionaire Next Door* had an average age of 57 and a net worth of \$3.7 million: our study group had an average age of 31 and a net worth of \$3.4 million. How was it that the members of our group, relatively speaking, were still kids but had amassed similar net worth in 25 fewer years? They didn't have the advantage of compound interest, but they did have the advantage of having very strong entrepreneurial personalities, and more important, they were enjoying opportunities that were very well suited to who they were. Simply put, we're able to measure one's personality and predict success for a given role. The world's best bookkeeper has a great bookkeeper personality, a great salesperson has a great salesperson's personality, and a successful entrepreneur has a great entrepreneur's personality. But a great bookkeeper will rarely become a great financial controller or a CFO.

Unlike most books, this one has been written with messages specifically designed for people with a range of different personalities. Remember the story about Goldilocks? Some personalities are too big, some are too small, and some are just right. There's no such thing as a good or bad personality. The rightness of someone's personality is more determined by the requirements of the opportunity. Basically, you want to get the right people on the bus and into the right seats. And, you definitely want to be on the right bus and in the right seat yourself!

Some opportunities require a lot of personality, and some require very little. Each reader has a different personality, and it's typically much different from the author's. As an example, if you read a book on leadership by former General Electric chairman Jack Welch and you don't have his strong personality, the stories that he shares are good stories, but they may not be ones that will help you learn how to be a great leader. In *this* book, however, there are elements and stories that have been written about and for each one of us.

Choice and Destiny

Given my family history, it was surely destined that I would become an entrepreneur. My grandmother, born in the late 1800s, was a wily businesswoman. Possessing both a real estate license and a law degree, Grandma was the first entrepreneur in my life. I have fond memories of a two-story house on Main Street that she sold "on contract for deed" at least a dozen times. We called it the yo-yo house. People would make payments for a couple of years and then leave, and she'd sell it again. Each time, I was the official painter and maintenance person. I was also the guy who got something of greater value than the cash. I got the experience.

I also got the education. I graduated with a degree in business from Bradley University, in Peoria, Illinois. There's an interesting story here. I originally attended Arizona State University from 1969 to 1972 and finished my degree in Peoria, but not in the '70s or the '80s or the '90s. It was just several years ago. I can remember finishing my senior year at Bradley back in 1973. I was three semester hours short of my degree requirements, and Dean Bausch said, "Bill, it's summer school, it's one class, and it will be behind you forever." Like many of you, I have difficulty being told what to do. So it wasn't until almost 30 years later that I went back. I was 48 years young, and I was setting my goals. I said that I wanted to have a book written by the time I was 50 and that I wanted to have my college degree. I went back to Peoria and met with the current dean of the School of Business. We petitioned the school to change the residency requirements. I took two classes, passed, and now have my college degree. I also achieved my second goal which was to have a book written by my 50th birthday. And after celebrating that goal, I learned a valuable lesson. There's a huge difference between having a book written and having a book published. Now it has been published

As much as I appreciate my education and the opportunity to learn new skills, it's clear that my personality has the greatest impact on my behavior and my choices. Consequently, with the exception of a short three-year sentence with Xerox and Frito-Lay, I've worked for myself for most of my life. I'm a risk-taker, sometimes much to my wife Renee's dismay. We have very different personalities, and while our strengths often complement one another, we tend to approach life from opposite angles. Yet, as co-founders of Accord Management Systems Inc., we're both fascinated with the predictable behavior of entrepreneurs—their strengths and their weaknesses—that we call "developmental considerations" because it sounds nicer.

This next statement is for the record. I wouldn't be enjoying the same level of success if it weren't for Renee. She's the balance that I require in my life. Unfortunately, I think I sometimes benefit more from her than she does from me. Renee has a calming influence on many, where I'm more like Captain Chaos.

Over the course of eight years, I and the employees of my company, Accord Management Systems Inc., have interviewed and studied the behaviors of more than 1,500 fearless business founders and leaders. Most were under 40 years old, and many were in their 20s and 30s. They all had sales of more than \$1 million a year. What we discovered from our study is that, different as these entrepreneurs appeared, they share a number of common personality traits, and these traits were the predominant indicators of their success, outweighing education, family ties, skills, and experience.

In fact, of the entrepreneurs we studied, more than 80 percent have very similar personality traits. There's a great deal of truth to the notion that entrepreneurs are born, not made. Although upbringing, belief system, education, training, and development affect our ultimate behaviors, our core personality remains relatively constant throughout our lives. In other words, if you start out as a lion, you're not going to turn into a lamb, regardless of what you do or don't do. There may be times when you can act like a lamb, but it's difficult to maintain that behavior for an extended period of time.

It's also believed that our personalities are developed after we're born, as opposed to something we are born with. Do you know of a set of identical twins? They may have precisely the same DNA, but their personalities can be very different. There was a recent case in which one of two identical twins was accused of a heinous crime. The authorities had DNA evidence but couldn't tell which of the twins was the culprit. They looked at more than 100,000 DNA markers and still couldn't tell the difference. Did I mention that one of the twins has been in and out of the prison system for most of his life and the other is an upstanding citizen? Go figure.

To experience the greatest level of success and fulfillment, entrepreneurs should choose business ventures that are in sync with their true personalities. Those who choose well tend to prosper. Those who don't find a fit for their personalities would make great material for TV dramas and sitcoms. Can you imagine a receptionist who acts like Rambo or a professional wrestler who acts more like Mr. Rogers? How about a used-car salesman who's quiet and introverted, and doesn't like talking to or interacting with people? You get the idea.

The Entrepreneur Next Door reveals:

- There are hundreds of personality combinations, but they can be pretty much divided into seven basic types. Of these, four are entrepreneurial types and three are wantapreneurial.
- The characteristics that make up the four entrepreneurial generalist personalities and the three wantapreneurial specialist personalities.
- The critical differences among the seven personality types and how they can all achieve success in business.
- What is your "Stupid Switch" and how to turn it off.
- Prospective business areas and opportunities that are compatible with your personality. These are found at www.theentrepreneurnextdoor.com.
- The concept of emotional intelligence and why it's often more important than intellect when managing others and yourself.

- The role of self-awareness in the life of an entrepreneur and how it can enhance your life's balance.
- How to create an absolutely awesome company with the right people in the right positions.

The Greatest Knowledge Is Self-Knowledge

The most important factors that divide entrepreneurs who barely make it from those who make millions are personality and, sometimes more importantly, the awareness to harness it, use it, and learn from it. The most successful entrepreneurs know that the greatest knowledge is self-knowledge. They're not necessarily blessed with a higher intellect or more charisma than others, but they understand how to make the best of their talents and how to manage or compensate for their weaknesses, what is called *developmental considerations* or *potential limitations*.

The Entrepreneur Next Door offers an in-depth character study of the seven archetypes that move and shake our world. Our research shows that most entrepreneurs who reach and surpass their lofty goals are natural leaders, strong problem solvers, and work well under pressure. But we've also learned that people who don't have these innate abilities can become very successful if they choose the right businesses for their personality types and surround themselves with the right people in the right positions. *This is a major point.*

Through research data, survey results, true stories, and hypothetical scenarios, you will discover how every personality type can grow a lucrative business. The information in this book, coupled with the results of the behavioral assessments provided, will give you priceless insights into your own personality and heighten your self-awareness. You'll find out what makes each of the seven personality types tick and what business might be best suited to your type. The behavioral assessment we used to determine the personalities of our 1,500-plus entrepreneurs was provided by The McQuaig System™ of Toronto, Ontario, Canada.

We discovered that people with natural entrepreneurial personalities have a high level of dominance, are

Are You Taking a Risk?

An entrepreneur was discussing the topic of risk with the host of a radio call-in show. The host said that being in business for oneself was risky. The entrepreneur's definition of risk was living paycheck to paycheck, working for an employer in an "at will" state where you can be laid off or fired without notice. Or worse, your company could shut down. "That," he said, "is taking a risk."

independent self-starters, and believe in themselves and their abilities. They don't depend on the opinions of others and often believe that others don't understand them or what they're trying to achieve. People with wantapreneurial personalities are more accepting, accommodating, and agreeable, tend to be more compliant, want to do things the right way, are more relaxed, and sometimes have higher sociability than those with classic entrepreneurial personalities.

Entrepreneurs vs. Prodigious Savers from *The Millionaire Next Door*

Aside from the difference in average age between the entrepreneurs we studied and the millionaires described in *The Millionaire Next Door*, we discovered a number of other differences. Three of the big differences are what kinds of cars they drive, net worth, and work ethic. Consider the car difference.

Is your car foreign or American made?

	<i>Entrepreneurs</i>	<i>The Millionaire Next Door</i>
Foreign manufactured	65 percent	42.3 percent
American manufactured	35 percent	57.7 percent

With regard to the make of car, BMWs were the preferred auto of entrepreneurs. The popular autos that followed were Ford Explorer, Infiniti, Mercedes, Chevy Tahoe, and the Lexus LS400. Not one participant of this survey group drove a Saturn. The age of cars driven by these entrepreneurs matches very closely the statistics put forth by Stanley and Danko in *The Millionaire Next Door*. The differences were that *The Entrepreneurs Next Door* respondents rarely purchased used vehicles and leased their vehicles 33.3 percent of the time. This makes sense because they were then better able to claim the monthly lease payment as a company expense.

The entrepreneurs in our survey vacation on the average 17.7 days per year, which is almost four work weeks. The longer the older entrepreneurs are in business, the more days of vacation they take. When vacationing, they enjoy getting out of town. They splurge and stay at four and five star facilities; 75 percent conduct business while they travel. Our study group is more affluent, dedicated, and perhaps has a stronger work ethic than the general population. They are willing to work hard, but they want to reward themselves as well, as the question we asked on vacation facilities indicates.

Where do you prefer to stay while on vacation?

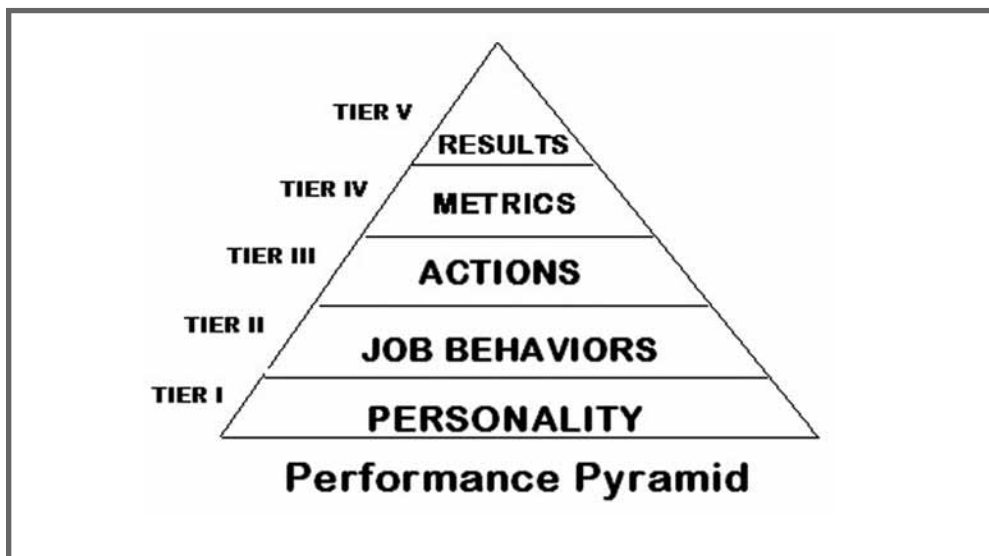
Facility	Percent
Resort environment five stars	41.0 percent
Three- and four-star facilities	30.5 percent
Bed and breakfast	3.8 percent
Whatever is convenient	21.0 percent
Rough it in tents or like facilities	3.8 percent

Essentially, we found more differences than similarities between the *Millionaires Next Door* and *The Entrepreneurs Next Door*, and it appears that many of these differences can be attributed more to personality than to anything else. Throughout the book, you will learn more about how the Entrepreneurs and Wantapreneurs in our research responded and hear many of their thoughts and insights. (To read the research survey in its entirety, visit www.theentrepreneurnextdoor.com.)

Climbing the Performance Pyramid

The Performance Pyramid (Figure 1.1) represents a cognitive process for determining who you need to be in a particular role or on a particular project, in order to achieve the results you're looking for. Although entrepreneurs can have seven different

FIGURE 1.1: **Performance Pyramid**



personality types, the job behaviors that are needed to succeed as an entrepreneur are fairly similar.

These behaviors typically require that you demonstrate higher than average dominance and above average sociability. To behave in a way that is most beneficial for the business, you might have to override your emotions or natural tendencies, which usually means stretching your comfort zones.

However, if you know that embracing the Actions detailed in Tier III will get the job done, and that you will be rewarded with good results, it will be easier for you to make taking those actions a habit, even if they initially feel uncomfortable.

How well you do this is measured by the metrics that you set up for Tier IV and your results are the ultimate outcome in Tier V.

Tier I: Personality

Personality is defined here as a manifestation of a person's core. It is who people are when they are alone. It is the essence of the person who looks back when someone looks into a mirror. Personality is the stable, least changing aspect of a person's natural style. It develops early in life and remains largely unchanged.

To their benefit, people are able to measure the different aspects of their personalities. I refer to these aspects as factors. It is also possible to measure the level or amount of each of these factors. The bigger these factors are in an individual, the less changeable but stronger they are. Conversely, the smaller a factor is, the more flexible it tends to be.

The personality test I used for the research measures four sets of opposing factors: (These factors will be covered in depth in Chapter 4.) See Figure 1.2 for a diagram of these sets of factors.

1. Dominance versus accepting
2. Sociability versus analytical
3. Relaxation versus driving
4. Compliance versus independent

The two strongest factors in personality are dominance and compliance. When people have more dominance than compliance, they have a more entrepreneurial personality, characterized by strategic and big picture thinking. I refer to these people as Generalists. When people have more compliance than dominance, they have more of a wantapreneurial personality, which is more tactical and detailed or expert-oriented. I refer to these people as Specialists.

FIGURE 1.2: **Personality Factors**

HIGH Dominance DOMINANT	HIGH Sociability SOCIAL	HIGH Relaxation RELAXED	HIGH Compliance COMPLIANT
LOW Dominance ACCEPTING	LOW Sociability ANALYTICAL	LOW Relaxation DRIVING	LOW Compliance INDEPENDENT

Source: The McQuaig Institute®. Reprinted with permission.

The ability to modify or mitigate people's personalities depends on the strength of each factor and the degree of change they are trying to make. For example, I have learned that it's easier for someone with a dominant personality to behave in an accepting manner than it is for an accepting individual to be more dominant. It is also easier for a sociable person to think more analytically than it is for someone who's analytical to be more sociable. People who are driving can appear to be relaxed more easily than relaxed people can be driving. And it's easier for an independent person to learn to handle details than it is for a compliant person to let go of the details. See Figure 1.3 for the traits that are typically associated with various personality factors.

I have discovered and witnessed that if people know and understand the behavioral requirements of a particular position, they have a better chance of manifesting or maintaining those behaviors. It is never easy to do this for an extended period of time, but it *is* possible. Not surprisingly, people's mindsets often determine how likely they are to succeed at making changes or how likely they are to fail. Some people believe that no matter what, they can win, whereas others resign themselves to losing before they even begin. Most people are somewhere in between. Regardless of where people are along that range, however, the way they think and how they choose to behave are motivated by their personalities. Thankfully, people also possess the power and the freedom to change their thoughts and actions—at least to some degree.

Research studies indicate that if you have the right personality to do a particular job, your chances of success are five times greater than if you have the wrong personality. There is another side of these studies, and that is that there is always a small percentage of

FIGURE 1.3: **Entrepreneurial Elements**

<p>HIGH Dominance DOMINANT Generalist Competitive Goal-oriented Risk taker Results-oriented Self-confident</p>	<p>HIGH Sociability SOCIABLE Outgoing Friendly Persuasive Collaborative Consensus builder Enjoys interacting with others</p>	<p>HIGH Relaxation RELAXED Patient Steady Methodical Loyal Prefers a predictable work environment Wants to think things through</p>	<p>HIGH Compliance COMPLIANT Specialist Conscientious Detail-oriented Thorough Prefers a well-defined structure Risk adverse</p>
<p>Cautious Deliberate Likes to specialize Accommodating Agreeable LOW Dominance ACCEPTING</p>	<p>Work-oriented Logical Deals with facts Analytical Problem solver LOW Sociability ANALYTICAL</p>	<p>Strong sense of urgency Multitasks Works well under pressure Prefers a varied and active work environment Impatient, driving LOW Relaxation DRIVING</p>	<p>Strong minded Determined Likes freedom of action Strong willed Independent LOW Compliance INDEPENDENT</p>

Source: The McQuaig Institute*. Reprinted with permission.

people with the wrong personality for a job that are successful. It appears that these individuals use a cognitive approach to determine the right behaviors for the job, take the corresponding actions, and therefore achieve the desired results. Read on for how this works.

Tier II: Job Behaviors

The consulting our company has been involved with these past ten years has taught us one thing. With awareness, a cognitive understanding and the right information, we can:

1. Determine the BEHAVIORS required for a task or position.
2. Determine and demonstrate the right ACTIONS necessary to accomplish our goals.
3. Determine the correct METRICS to gauge our change or growth.
4. When we accomplish these things, we typically achieve our RESULTS.

The process is actually simple and intuitive. For example, look at the qualities of a successful storeowner or store manager. An ideal store manager should possess the following qualities:

- Flexibility in moving from one project to another
- Ability to hold others accountable
- Good listener
- Effective communicator
- Convincing
- Independent
- Good with numbers
- Friendly
- Team player
- Visionary

Which of the above qualities are skills (things you can learn to do or get better at), and which are determined more by personality? They are all based on personality. Now, what if people don't have those qualities? Does that mean they can't do the job? NO, NO, NO, it doesn't. What it *does* mean is that if they can display or adopt these qualities or behaviors, then they will have a better alignment with the position's requirements and ultimately can achieve better results.

Tier III: Actions

Actions are influenced by people's personalities and the required job behaviors, or expectations, for a particular role or position. Take a look at the actions that would demonstrate the qualities of a successful store owner or manager in Tier II. Imagine I am discussing the required actions for an owner or manager of a hair salon.

FLEXIBILITY. Multi-tasking—easily moving from one aspect of the business to another, including managing staff and process, interacting with customers, marketing, and selling products or services.

ABILITY TO HOLD OTHERS ACCOUNTABLE. Hiring and firing employees, taking corrective action in a timely manner, and confronting people when necessary.

GOOD LISTENER. Letting the speaker express his entire point without interrupting, repeating or paraphrasing what the speaker has said to ensure understanding, writing or recording important points so that no details are missed, and most importantly, making sure the speaker feels that he has been listened to.

EFFECTIVE COMMUNICATOR. Clearly expressing ideas, giving directions, and describing goals and plans. Saying what you mean and meaning what you say, but doing so in a way that isn't offensive or defensive.

CONVINCING. Expressing a level of warmth and self-confidence that leads others to believe that your way of thinking is correct and should be followed.

INDEPENDENT. Operating without strong rules, policies, procedures, or guidelines.

GOOD WITH NUMBERS. Understanding and using the metrics of your business in order to be a better manager or leader. Using these numbers in a timely way to speed up response time and accountability.

FRIENDLY. Working well with others, asking for their opinions, and valuing their contributions. Collaborating with and building consensus with others. Coming out of your office; walking the four corners and interacting with your staff and clients.

VISIONARY. Working on the business, as opposed to in the business. Marketing your product, service, or location. Maintaining a big picture perspective and working toward long-term goals.

Tier IV: Metrics

Actions (Tier III) without metrics (Tier IV) could be nothing more than misdirected efforts. It is absolutely essential to measure the accomplishments of our actions. Without doing so, how do we know we are progressing, moving, or achieving? When you think about it metrics are everywhere. At an early age we have our allowance and consider what we can buy with it or save for. We measure almost everything. Today's Dow Jones is 11,204. Seventy-one is today's high temperature. The approximate ROI,

return on your investment from your purchase of this book could be as much as \$82,759. If you can't measure it . . . you can't manage it.

Tier V: Results

As you have seen, there's a difference between the behaviors that I have listed and the actions that naturally stem from those behaviors. If you were to attach metrics to each action, you could measure the levels of accountability and accomplishment that ultimately provide the desired results. By creating a cognitive approach to succeeding in the role of say a franchise owner, people both with and without the preferred personality for this position can accomplish similar results.

It's interesting to note that personality becomes more important, as a person moves up the corporate ladder. Sure, skills are important, but almost every CEO I've worked with has commented that their company's most important asset is having the right people in the right positions. Not every successful CEO has the perfect personality for the job, but the ones who excel understand that certain behaviors and actions are required to generate the results they are seeking.

Leadership

A number of authors have espoused the virtues of leadership, but in my opinion, many have missed the mark. These books presume that if one leader can accomplish his goals, then all other leaders should be able to duplicate those efforts and therefore get the same results. NO. It doesn't work that way. It only works that way for a select few; it works for those with similar personalities and situations. If the author or leader possesses the Tier I capability, understands the Tier II requirements, and has been able to make things a reality because of his Tier III commitments then it works. Unfortunately most authors are missing the "how to." In *The Entrepreneur Next Door* web site, we look at models from various authors, including Jim Collin's *Good to Great* and discuss the necessary "how to" from a personality perspective.

Chapter 1

— **The Bottom Line** —

- Successful entrepreneurs share a number of common personality traits, and these traits are the predominant indicators of their success, outweighing education, family ties, skills, and experience.
- The most commonly accepted plan for entrepreneurial success only works for a small percentage of the population, those that have a natural (Tier I) leadership personality.
- People who choose business ventures and jobs that are in sync with their true personalities tend to experience the greatest level of success and fulfillment.
- Every personality type has the potential to grow a successful business.
- The Five-Tier Pyramid (Personality, Job Behaviors, Actions, Metrics, and Results) represents a proven cognitive approach to success.
- The ability to modify or mitigate personality depends on the strength of each innate personality factor and the degree of change a person wants to make.
- If you have the right personality to do a particular job, your chances of success are five times greater than if you do not.