

Talk About a Real
Gangbuster Meeting


Seeking Help From
The Wrong People

Corporate Couples
Under Stress

THE CONFERENCE BOARD

review

a magazine of ideas and opinion



The 21st-Century Leader

Is GE's
Jeff Immelt one?
Xerox's
Anne Mulcahy?
Hewlett-Packard's
Marc Hurd?
P&G's
A.G. Lafley?
Starbucks'
Howard Schultz?
Donald Trump?
Oprah Winfrey?
And what about
El Supremo—**Jack Welch**?



February 24 to March 3 was EntrepreneurshipWeek USA. Co-sponsored by *Inc.* magazine and *The New York Times*, this first-ever national celebration of the American entrepreneurial spirit was the brainchild of the Ewing Marion Kauffman Foundation, the country's largest foundation focused on entrepreneurship. Junior Achievement Worldwide, which reaches seven million schoolchildren per year with programs on work readiness, financial literacy, and entrepreneurship development, was EntrepreneurshipWeek's major distribution

First, some history on entrepreneurship. Even a casual reading of economic and business history shows that the American entrepreneurial spirit has been the driving force of our national prosperity: high rates of growth, amazing levels of job creation, an outsized share of product innovations—well, you know the litany. But history also shows that cycles of entrepreneurial activity come and go, similar to the cycles of prosperity that nation-states have always endured. Entrepreneurial enterprise doesn't exist in a vacuum. It's greatly influenced by the tides

thing you did if you couldn't land a job with a "solid" American company such as U.S. Steel, General Motors, or Sears, Roebuck, where the work was steady, the benefits great, and the pensions generous.

The current entrepreneurial boom is bigger and broader than anything ever experienced in the past. This third wave of entrepreneurship really started when Steve Jobs and his band of renegades made Apple the fastest-growing company ever to land on the Fortune 500 back in 1985. That historic achievement signaled to the world that times were changing and a new

Unnecessary Hoopla

BY LARRY FARRELL



Why push so hard to encourage Americans to start their own businesses?

partner, organizing hundreds of events through its 142 domestic offices. Your humble columnist was honored to serve as JA's spokesperson at several of those events across the country.

All of which begs the question: Do we really need a national entrepreneurship week to encourage young Americans to consider starting their own businesses? I'm not normally a fan of this sort of hoopla, but the answer is a two-thumbs-up yes. As Kauffman vice president Marjorie Smelstor puts it: "Entrepreneurship is an integral part of America's history and economy, but many take it for granted, and some are unaware of the opportunities it presents."

of history and the larger political and cultural forces they bring.

Today, we are in the midst of a third wave of great entrepreneurial activity. The first is usually identified as the necessary human component in the industrial revolution of the 1860s to 1880. The second, fueled by the promise of unlimited capital, occurred between 1910 and 1929. Unfortunately, the Depression, World War II, and the postwar rise of the managerial class effectively drove entrepreneurship into second-class status for the next fifty years. Years ago, *entrepreneur* was almost a dirty word, conjuring up notions of slick-dealing, money-hungry charlatans. Starting your own small business was some-

entrepreneurial age was upon us. With about three million start-ups per year worldwide, the numbers are staggering. And this revolution is truly global. India, Brazil, China, and Eastern Europe are as full of entrepreneurial fervor as the United States. Even so, the next albatross around the neck of American entrepreneurship could be a crisis or wrong turn waiting in the wings—and that is why we need a national campaign to keep the entrepreneurial spirit alive and well, especially in the minds and hearts of young people.

In fact, creating national prosperity may be easier than maintaining it. Perhaps the greatest rich-get-poor example in history, clearly illustrating the entrepreneurial

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entrepreneur

spirit's power in the rise and fall of a nation's prosperity, was the rapid rise and dizzying decline of Great Britain. With the unification of 1801 officially creating the United Kingdom, the British embarked on one of history's great economic surges, propelled by two resolute national forces. First was the rise of the hard-working and hard-praying entrepreneurs of Victorian liberalism. This golden era of enterprise was led by master entrepreneurs who were passionate believers in self-help, worldwide free trade, and minimal government interference. The essential second force was the great populist and Liberal Party leader W.E. Gladstone. As chancellor of the exchequer (and soon to be prime minister), Gladstone laid the foundation of the world's greatest free-market economic system. Behind this one-two punch of inspired entrepreneurship and enlightened government policy, the British sailed into the twentieth century with the largest navy, the largest economy, and by far the deepest pockets of any country on earth.

What happened? In what can charitably be described as a fit of socialist complacency, the most far-flung commercial empire in world history was lost by mid-century. The most humbling moment came in the 1970s, when this once-great bastion of free enterprise had to go hat in hand, like a Third World banana republic, to the IMF to beg for loans to pay its debts. Mighty Great Britain was in a free-fall toward national poverty. The empire had shifted from growing to reaping, from enterprising to managing. The kingdom's entrepreneurial thrust gave way to self-satisfaction and dividing the spoils of other people's work. Self-satisfied people make easy prey for hungrier competitors.

Then an economic miracle occurred, proving that the spirit of enterprise can be re-instilled even in a moribund economy. Margaret Thatcher's enterprise revolution of the 1980s transformed the United Kingdom back into a highly entrepreneurial economy in just a decade. The Iron Lady and her government successfully re-created the country's enterprise culture and, in the process, produced

national entrepreneurial heroes such as Richard Branson and Anita Roddick for all young Brits to emulate. That entrepreneurial renaissance continues today.

So, more than just another piece of the business landscape, entrepreneurial behavior is the best economic tool ever developed for creating growth and prosperity. The message I personally tried to deliver during EntrepreneurshipWeek was that the opportunities are now greater than ever, and there's never been a better time to give it a go. Some key factors supporting that message are:

The true engine of prosperity. For proof of the tremendous power of entrepreneurship, you can't top the economic miracle of Taiwan. Poorer than Albania in 1950, Taiwan today has the world's third-greatest foreign reserves (after China and Japan) and with only 27 million citizens, is by far the world's wealthiest country, per capita. While the British were going broke, a band of defeated and displaced Chinese were accumulating so much money that they now have trouble reinvesting it all. Today that's the biggest—maybe the only—economic problem facing Taiwan. With fifty straight years of an average GNP growth of 8 percent, Taiwan was the twentieth century's top-performing economic state. This is a country that provides living proof of how hard work and government-fostered entrepreneurship can change a very poor country into a very rich country in less than two generations. So how exactly did this happen? As I learned from K.T. Li, the father of Taiwan's economic miracle and my favorite mentor on the subject, the one absolutely clear fact about this tiny speck of land in the South China Sea is that it didn't get rich by browbeating its entrepreneurs. Li said: "We did everything we could to encourage the entrepreneur. The really important point for all countries is to find a way to let the people taste opportunity. Participate in it. Government's job is to try to create as many of these opportunities as possible for the people. It's all just common sense."

The global marketplace. You can be "in business" anywhere in the world for

pennies on the dollar of what it used to cost. While the Internet is a factor, it isn't the main reason. It's simply the ease and modest cost of opening up your own shop or finding willing distributors and customers in foreign markets. From Australia to Chile to Ireland, it's a piece of cake. Trust me, I've done it—fast and on the cheap. The total start-up cost in our U.K. office was \$5,000, and we opened our Philippine office with the proceeds of our first \$12,000 engagement with Philippine Airlines—made by phone!

Huge niche markets. Most giant companies can't even think about markets as small as \$25 to \$50 million; they're just not worth it. Therefore, being small and operating on a shoestring can be the entrepreneur's most important competitive advantage in stealing market after market from the big guys.

Start-up capital. The world is simply awash in entrepreneurial capital. With the average cost of starting a business in the United States running between \$15,000 and \$25,000, start-up money isn't a problem for most entrepreneurs. Between the \$300 billion available from VC firms and angel investors and the Small Business Administration's \$45 billion portfolio, all you need is a great idea and you're in business.

The ultimate meritocracy. At the end of the day, this may be the single most important point about entrepreneurship. It doesn't matter what color you are, what gender, or where you went to school, if you come up with a great product or service idea you cannot be stopped.

The biggest risk of all. Most entrepreneurs say the big risk today is working for a big business. Not having the confidence and knowledge to fend for yourself and your family's economic well-being—and hoping your future employers will offer lifetime employment, benefits, and a hefty pension—is, indeed, the biggest risk of all.

Do we need entrepreneurs to create millions of new jobs, to innovate great, new products, and to provide the high levels of economic growth that prosperous countries require? Of course we do. This is why EntrepreneurshipWeek USA is worthy of a little hoopla! 🎉