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“An excellent summary of what it takes to succeed as an entrepreneur. Every person who wants to start the ‘next big thing’ should read *6 Secrets to Startup Success* before taking the leap forward.”

—Guy Kawasaki, cofounder of Alltop.com
and author of *Enchantment: The Art of Changing Hearts, Minds, and Actions*.

6 SECRETS TO STARTUP SUCCESS

How to Turn Your Entrepreneurial Passion into a Thriving Business

Because they see and hear it all the time, on the Web, on TV, in magazines, it’s easy for aspiring entrepreneurs to believe the message: *Starting a business of your own is the surest way to happiness and wealth. The only thing holding you back is...you!* With no corporate safety net to fall back on, millions of passionate believers—six million Americans a year, according to Small Business Association figures—make the bold leap onto the startup path. Unfortunately, less than half of these new ventures survive beyond a few years. Among the minority of entrepreneurs who keep their business running for 10 years or more, the vast majority work longer hours, endure greater stress, and earn less—about 35 percent less—than they would have if they’d kept working for someone else.

What accounts for the significant gap between entrepreneurial desire, drive, courage, creativity, and faith and what entrepreneurs actually achieve? As an entrepreneur and a growth consultant to entrepreneurs, **John Bradberry** was not only intrigued by this question; he had a financial stake in finding answers. In his new book, **6 SECRETS TO STARTUP SUCCESS: How to Turn Your Entrepreneurial Passion into a Thriving Business** (AMACOM; March 24, 2011; \$21.95 Hardcover), Bradberry reveals how the very qualities that breathe life into a new business can lead to behaviors that doom an exciting venture to disappoint or devastate. “Entrepreneurial passion is a double-edged sword,” Bradberry says, “bringing value as well as danger.”

Based on years of studying the downfalls of promising new business ventures, Bradberry identifies a pattern that every enthusiastic entrepreneur should make it his or her business to understand: the *passion trap*. When entrepreneurs fall into the passion trap, they become blinded by their emotional attachment to a business idea, prone to rose-colored planning, lulled into measuring success by how good they feel about their effort, and inflexible in the face of new data. Entrepreneurs will learn about how the passion trap impacts a new business, how it sneaks up on unsuspecting founders, and why some personality types are more susceptible than others. They’ll also come to recognize early warning signs that they might be headed for a fall into the passion trap when there is still time to counteract its destructive effects.

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6 SECRETS TO STARTUP SUCCESS explores six principles to help entrepreneurs channel and apply their passion to dramatically improve their odds of new venture success. Filled with proven strategies and compelling stories of real-life entrepreneurs—passionate business founders who share their struggles, mistakes, and triumphs—chapters delve into the importance of:

- Preparing to become a business founder before jumping in by taking an honest look at what you bring to the table and aligning your skills with your venture goals.
- Building a business model to the marketplace, rather than to an entrepreneurial idea.
- Ensuring that your passion adds up by doing the math and charting a clear, realistic path to breakeven and beyond.
- Testing and adapting your concept as early as possible, staying open to change, and continually improving the fit between your big idea and the marketplace.
- Setting a tone of truth-telling and healthy debate throughout your venture.
- Giving your startup more than sufficient time (and money) to take flight, while building healthy personal resilience and perseverance.

Packed with valuable insights and useful tools, **6 SECRETS TO STARTUP SUCCESS** provides a much-needed bridge between entrepreneurial passion and reason—the essential combination for launching a business with staying power.

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ABOUT THE AUTHOR

John Bradberry has improved the performance of hundreds of teams and more than a thousand leaders over two decades as an entrepreneur, consultant, and investor. Since 1997, he has led an independent consulting practice focused on helping businesses of all sizes achieve healthy growth. He has a master's degree in psychology and has taught leadership programs to executives in the United States, Mexico, and Europe. In 2007, he launched an extended study of the universal factors that drive new venture success, which led to his first book, *6 Secrets to Startup Success*. He lives in Charlotte, North Carolina, with his wife Kristin and their two daughters, Phoebe and Isabelle.

Title: **6 SECRETS TO STARTUP SUCCESS**
How to Turn Your Entrepreneurial Passion into a Thriving Business

Author: John Bradberry
Foreword by Pamela Slim, author of *Escape from Cubicle Nation*

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Smart Business Practices for Passionate Entrepreneurs Six Principles to Dramatically Improve The Odds of Startup Success

What differentiates successful business ventures from the large percentage of startups—more than half—that fail? After conducting extensive research on the subject, entrepreneur and business consultant **John Bradberry** concluded that the answer depends on a double-edged quality: *passion*. In his new book, **6 SECRETS TO STARTUP SUCCESS** (AMACOM; March 24, 2011), Bradberry shares the following principles to help enthusiastic entrepreneurs squeeze the most out of their passion, while not being tripped by it:

- 1. Ready yourself as a founder.** Too often, passionate entrepreneurs leap head first into a venture before thinking it through. To improve your readiness to succeed as a startup founder, take an honest look at yourself as a founder before leaping. The first step, as Bradberry stresses, is: Clarify your reasons and your goals. Why are you doing this? What do you hope to achieve? The second critical step is: Understand your entrepreneurial personality. What makes you tick? From there, focus on ways to leverage your skills, assets, resources, and relationships.
- 2. Attach to the market, not your idea.** “Passion is an inner phenomenon, but all healthy businesses are rooted outside the founder, in the marketplace,” observes Bradberry. To turn your passion into profits, emphasize the market—always think about your business relative to the customers you serve; know your markets—strive to understand the needs and preferences of your core customers; and execute on your market opportunity by placing a priority on your customer’s experience and perception of value.
- 3. Ensure that your passion adds up.** Passionate entrepreneurs tend to develop rose-colored plans, overestimating early sales and underestimating costs. To convert your passion into tangible business value, Bradberry emphasizes the importance of planning plus math. Write a business plan that makes financial sense for the current needs and future goals of your startup. Construct a compelling math story, covering how the elements of your business will come together in a way that is profitable over time. Address the crucial issue of funding: how much is required and from what sources.
- 4. Execute with focused flexibility.** “No amount of startup planning can accurately predict the unexpected twists and turns imposed by reality,” Bradberry acknowledges. To succeed, a new venture needs both iteration and agility. Establish an ongoing process for translating ideas into actions and results, followed by evaluation. Test and adapt your concept as early as possible. Work on continually improving the fit between your big idea and the marketplace.
- 5. Cultivate integrity of communication.** “Passionate commitment to an idea can breed reality distortion,” says Bradberry. That is, aspiring entrepreneurs often see only what they want to see and rely on “feeling good” about their venture as their only measure of success. To avoid these dangers, commit to truth-telling and welcome healthy debate, even tough conversation, from the start of your startup. Commit to building the skills essential for high-integrity communication: curiosity, humility, candor, and scrutiny.
- 6. Build stamina and staying power.** Contributing factors aside, most startups fail because they run out of money or time. To lengthen and strengthen your venture’s runway, aim to launch close to the customer (“ideally with paying customers already in hand,” say Bradberry) and raise more money than you’ll think you need. Bradberry also urges entrepreneurs to focus on building personal staying power. “Healthy entrepreneurial stamina is not just about the refusal to quit,” he stresses, “but is grounded in ongoing learning and improvement.”

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Are You at Risk for Falling into the Passion Trap? Warning Signs to Help Entrepreneurs Avoid Startup Disaster

Passion Trap: *a self-reinforcing spiral of beliefs, choices, and actions that lead to critical miscalculations and missteps, mistakes such as significantly underestimating what is required to get a business off the ground; greatly over-assuming initial customer interest; making deep, irretrievable commitments to unproven concepts; and, in too many cases, rigidly adhering to a failing strategy until it's too late to recover.*

“One of the most dangerous aspects of the passion trap is the subtle, illusory way it takes hold,” says **John Bradberry**, author of **6 SECRETS TO STARTUP SUCCESS** (AMACOM; March 24, 2011). “On the surface, it masquerades as the kind of heroic determination that fuels every startup success story. However, when an entrepreneur becomes too emotionally attached to an idea, boldness can be transformed into arrogance. Commitment narrows into a kind of tunnel vision. Cognitive biases filter and bend incoming data to conform to the founder’s hopes and beliefs. Conversations are drained of objectivity. Even worse, these patterns are generally invisible to the founder, and their negative impact is usually delayed over time. Like a termite-infested home, the seemingly solid startup is eaten from within.”

Are you in danger of being trapped?

You might be if you see yourself reflected in these early warning signs. Are you...

- Thinking or saying, “This is a sure thing!”?
- Losing patience with people who point out risks or shortcomings in your plan?
- Believing your solution is better than anything on the market?
- Feeling full of energy but lacking focus and traction?
- Measuring progress by how good you feel?
- Expecting most of your sales to come from word-of-mouth or “viral” marketing?
- Assuming that you are entering a space with little or no competition?
- Counting on immediate revenue to avoid financial problems?
- Plotting global domination before releasing your first product?
- Lacking clarity about where your business stands financially?
- Delaying product releases until they are perfect?
- Preventing things from happening without your involvement and approval?
- Loving your product, with no idea who will buy it?
- Hearing great “buzz” but finding few (or no) paying customers?
- Finding yourself saying (about your customers), “They don’t get it yet, but they will!”?
- Thinking that planning is a waste of time?

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Adapted from **6 SECRETS TO STARTUP SUCCESS: How to Turn Your Entrepreneurial Passion into a Thriving Business** by John Bradberry (AMACOM; March 24, 2011; \$21.95 Hardcover; 978-0-8144-1606-8).

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A Conversation with
JOHN BRADBERRY
Author of **6 SECRETS TO STARTUP SUCCESS:**
How to Turn Your Entrepreneurial Passion into a Thriving Business
(AMACOM; March 24, 2011)

You state that “entrepreneurial passion is a double-edged sword.” Would you explain why?

Bradberry: Entrepreneurs are famously passionate. They are true believers, full of optimism and confidence. Just about every highly successful founding team I’ve studied has propelled itself forward with an unshakeable sense of commitment and belief. And this passion is vital, because the startup process is usually harder than it looks. The road is longer and more stressful than anyone expects. Passion provides fuel and builds resilience, and it’s contagious in the most positive sense. The more passion a founder brings to his or her business, the more likely it is that their idea will get attention and catch fire.

But there’s another edge to entrepreneurial passion. I’ve noticed that failing entrepreneurs bring just as much passion as those who succeed; sometimes even more. When I looked closely at this, I noticed a pattern in which would-be entrepreneurs fall in love with their ideas. They become emotionally attached. They begin to believe that success is a sure thing. They believe that they will take the world by storm if only they can find enough funding.

As a result, a lot of new founders I come across are hyper-passionate but under-prepared. They see the future through rose-colored glasses, over-estimating all the good things that can happen and minimizing or completely dismissing any negative possibilities. Too often, they throw themselves over the startup cliff without a sound plan, and without a parachute.

What is the passion trap, and what are some of its common negative effects?

Bradberry: The passion trap is a pattern of destructive choices and behaviors that occur when a person falls in love with an idea. It is rooted in a basic truth: your intense devotion to your business concept can bring danger along with its obvious benefits. The negative effects of entrepreneurial passion include:

- **Founder misalignment.** A bad fit between what the founder brings to the table and what the startup really needs. Some passionate founders are overly involved in every aspect of their business. Others focus only on the things they love to do. Either way, this lack of fit constrains the business’s ability to thrive and creates a lot of frustration on the part of the founder
- **Missing the market.** Passion-trapped founders assume market demand where none exists, and they are slow to acknowledge that weak sales may signal that their idea is not viable as a business concept. Rather than responding constructively to disappointing sales, they find a range of excuses to explain them away.
- **Rose-colored planning, or none at all.** Believing they’ve discovered a can’t-miss idea, overly optimistic founders estimate sales based on what’s possible, rather than on what is practical or likely. As a result, they greatly underestimate how long it will take, in realistic terms, to reach their financial breakeven point, and what it will cost to get there.

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- **An unforgiving strategy.** Overconfident entrepreneurs sometimes put the lion's share of their available resources into a single, high-cost commitment, leaving little margin for error. They adopt a bet-the-farm approach before their idea has been validated in the marketplace. All their eggs are in a single basket, and few good options remain when the basket hits the ground.
- **Reality distortion.** Passionate founders surround themselves with other "Kool Aid" drinkers and receive little constructive feedback. They are swayed by a psychological tendency to seek out data that validate their vision and to ignore or deny anything that can be considered bad news.
- **Evaporating runway.** All of the negative effects I have mentioned can, together, bring a death blow to the startup by causing the founder's startup "runway" to evaporate before the venture can safely lift off the ground. The new entrepreneur runs out of cash, time, or support before he or she can generate enough sales to make the business viable.

How does it typically sneak up on founders? Are some personality types more vulnerable than others? Are there any early warning signs?

Bradberry: One reason the *passion trap* sneaks up on founders is that passion *feels* great. There is something magical about the entrepreneurial plunge, when a person commits to the startup path and the promise of future glory. In my book, I use the story of Icarus, the boy from Greek mythology who flew too close to the sun, as a metaphor for the passion trap. The higher Icarus flew, the more exhilaration he felt, and this passion ultimately drove him to his death. In entrepreneurship, some of the qualities that propel us forward and feel so great – qualities like optimism, confidence, commitment, faith, and belief – can also bring danger when taken to extremes. Confidence can harden into arrogance; extreme commitment can narrow into a kind of tunnel vision; and faith can become blind optimism.

Another reason the passion trap is so sneaky is that it operates largely at an unconscious level. Cognitive biases cause us to see what we expect to see, and what we *want* to see. Our thinking becomes anchored around our first ideas and plans. We hear and embrace supportive comments from friends while dismissing "naysayers" who (we think) don't understand our concept. We bend and filter incoming data so that they conform to our preconceived notions.

I have identified a set of personality traits that seem to predispose a person to being trapped by their entrepreneurial passion. A few examples are *confidence*, which under the influence of passion is amplified into arrogance; *independence*, which at extreme levels looks a lot like stubbornness; and *creativity*, which at extreme levels results in a lack of focus and difficulty communicating.

There are early warning signs that can help a new business founder determine whether he or she is in danger of falling into the *passion trap*. Passion may get the best of an entrepreneur if he or she is:

- Thinking or saying, "This is a sure thing!"
- Losing patience with people who point out risks or shortcomings in his plan
- Measuring progress by how good she feels
- Assuming that she is entering a space with little or no competition
- Counting on immediate revenue to avoid financial problems
- Plotting global domination before releasing his first product
- Hearing great "buzz" but finding few (or no) paying customers

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How can an aspiring entrepreneur improve his or her own readiness to be a business founder?

Bradberry: Anyone can dramatically improve their readiness to launch a business by honestly considering a straightforward set of questions, including: *Why do you want to start a business? What do you hope to achieve? How well prepared are you to launch and build it? How well do your personality, motivation, and expertise match up with the challenges of entrepreneurship? What kinds of investments and sacrifices are you willing and able to make? What knowledge, skills, and resources do you bring to the table, and how do these relate to what the venture will require?*

One of the underrated pillars of startup success is the concept of “founder readiness.” On one hand, no one is ever perfectly ready to start a business – there are too many unexpected twists and turns on the startup road. But on the other hand, it’s abundantly clear from my research and experience that any entrepreneur can dramatically improve their odds of startup success by taking an honest look at who they are, what drives them, and what they bring to the table relative to what the business will require.

How can entrepreneurs develop a market orientation?

Bradberry: First, I want to emphasize how critical a market orientation is for a startup. The market is more powerful than any idea or any business model. In the end, it doesn’t matter what an entrepreneur and his or her team think of the entrepreneur’s “great” startup idea. What matters is what the market has to say about it. An idea isn’t great until the market says it is – and no amount of passion will overcome that basic truth. Unfortunately, a lot of passionate founders get so wrapped up in their products and services that they lose sight of what customers actually want, and why.

A market orientation is a mindset, a way of seeing and thinking about business. A lot of people think of businesses as products and services, as “stuff” to be sold. But the market-oriented founder views business from the perspective of the customer need being satisfied. In fact, many of the healthiest businesses *start* with market demand—they identify an unmet need that customers will pay to have addressed—and then build backward from there. I challenge my clients to build their businesses from the *outside-in*, rather than taking the very common approach of developing a product and then going out in search of a market.

Market-oriented entrepreneurs are obsessive about striving to understand their markets. They spend time clarifying who their core customers are, why these customers buy, how satisfied they are with service provided, and so on. Are you truly curious about your customer’s experience, and do you understand why they might choose your product over other options?

A market-orientation also means executing on market opportunity, building a sales engine that will generate quality leads, turn leads into qualified prospects, and convert prospects into paying customers. This takes discipline, focus, and time – but few things are more important to a young business.

How can an aspiring entrepreneur make sure that his or her passion adds up, in dollars and smart business sense terms like feasibility, funding, and profitability?

Bradberry: Good question, because a lot of startup founders are so passionate about their business idea that they fall into a set of predictable traps when it comes to the financial aspects of the business. For instance, they offer sales projections that are far too rosy. They greatly underestimate how much money and time will be required to get the business up and running. As a result, they rarely secure enough funding, and they are trapped with their backs against the wall if things don’t go perfectly according to plan (which is very common).

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The solution is taking the time to fully scrutinize your business through an economic lens. I use the notion of a “math story” as a tool to help entrepreneurs get clear about their startup plan and how it translates into economic value. I meet a lot of founders who say that making a lot of money is not their primary reason for starting a business. But I’ve never met an entrepreneur who didn’t care deeply about creating something that is healthy and viable, something that thrives. And you simply can’t achieve that unless your business performs well relative to some basic laws of economics.

Building a compelling math story means subjecting your startup to clear-eyed scrutiny. How will you generate cash? What kinds of profit margins will be generated, after costs? At expected growth rates, how long will it take you to reach a monthly breakeven point – where your business is self-funding? How much capital will you need to safely reach that milestone? What are best-, mid-, and worst-case scenarios and how will you handle each?

For most startups, answering these questions doesn’t require sophisticated financial analysis, but it does require that you go beyond best-case scenarios, that you’re realistic about what is most likely rather than what is hoped for. The result is a clear and realistic game plan and a set of priorities to help you drive your business forward.

No amount of planning can fully cover the unexpected when doing business in the real world. You urge entrepreneurs to cultivate “focused flexibility.” What exactly do you mean?

Bradberry: Some entrepreneurs are fiercely focused. Others are highly responsive and flexible. But superior entrepreneurs have an uncanny ability to do both at the same time—to fully commit to an idea without attaching to it. In the startup phase, there is this healthy tension between the need to make things happen and the need for agility.

Effective founders have a plan – they are focused and clear about what they intend to do and they commit wholeheartedly to that path. Founders who can move fast and break through any obstacles in their way have a huge competitive advantage over those who are more doubtful and indecisive.

But, as the saying goes, no battle plan survives contact with the enemy. The future is unknowable, and every new venture is a learning laboratory in which the founder’s ambitions and ideas are tested against market realities and cold financial facts. So, founding teams must continually reevaluate their assumptions, plans, decisions, everything. I can’t think of a tremendously successful business that looks exactly as its founders first envisioned it. Apple, Microsoft, Google are all dramatically different than originally drawn up.

Can you describe what you call the “feel-good bubble,” and how entrepreneurs can be trapped by it? How can they stay grounded and in touch with reality?

Bradberry: Passionate entrepreneurs are prone to taking an overly optimistic view of their startup path. There’s a lot of justifiable excitement and joy in the launching of a new business, and there are a number of social and emotional factors that lead people to offer encouragement and withhold concerns. Feel-good conversations are like comfort food for new venture teams, reinforcing early beliefs and feeding optimism and confidence. While this adds to the joy and excitement of the launch phase, it can mask important problems or risks that need to be addressed.

An important principle that ensures startup teams are not missing important data or avoiding vital conversations is a concept I call “integrity of communication.” At the team level, building a high-integrity startup culture requires the

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investment of time, it requires a willingness to tackle tough or awkward issues head on, rather than sweeping them under the rug, and a certain level of skill with team conversations. At the personal level, it requires qualities like humility, curiosity, candor, and scrutiny.

Here's a key principle: Don't confuse feeling good with progress. Sometimes the opposite is true. Sometimes, the most challenging, stressful conversations are the ones that really accelerate the business forward.

In 6 SECRETS TO STARTUP UP SUCCESS, you encourage fledgling entrepreneurs to build personal resilience and perseverance to give their big idea plenty of time to thrive. What separates positive, productive staying power from stubborn, destructive clinging and dragging out a doomed business idea?

Bradberry: What a great question. In the entertainment industry, there's the old truism that it takes 20 years to become an overnight sensation. The same is true for a lot of successful startups – “home run” businesses are often due to the accumulation of many swings at the plate. It may take years of tiny sparks to eventually create a roaring fire. This is why founding teams that can persevere over time will dramatically elevate their odds of success, assuming they learn and adapt along the way. At the same time, some founders doom themselves by attaching and clinging to a nonviable idea.

Here's how I've come to view it: while resilient entrepreneurs persevere over time, their first ideas don't. The best founders move forward by iterating and testing their idea. They experiment with products, services, and business models in the marketplace; they interpret feedback; then they learn and adapt on the fly. The idea that eventually catches fire is often quite dissimilar to the one they started with.

So the point of entrepreneurial perseverance is to keep the business alive, not the idea. That said, there are usually some core elements of the original vision that survive, and because these aspects have been fire-tested, they become more valuable and powerful in the marketplace. But everything else falls away and is replaced by new ideas.

Throughout your book, you share the intimate stories of several passionate entrepreneurs. While following the mistakes and triumphs of these men and women, did you discover anything unexpected about the startup journey? How have you navigated the challenges of passion in your own career as an entrepreneur?

Bradberry: The overriding message I took from these stories is how hard, and special, it is to grow a really great business from scratch. Building a thriving business—which most of us dream of doing—is so much more difficult and rare than the magazine covers lead us to believe. That doesn't mean it's not worth pursuing—the rewards are incredibly rich for those who get it right. And the fact that it's hard is part of what makes it so compelling for many of us. But the startup road is not for the faint of heart, so the primary purpose of my book is to help new founders avoid the self-imposed barriers that get in the way of success and happiness as an entrepreneur.

The further I progressed into the writing of this book, the more I realized that it is a kind of sermon to myself, a reminder that no one is immune from the slippery slope that leads to the passion trap. I am not exempt, and I have made most of the passionate mistakes I document in the book. One thing I have going for me is I am somewhat of a worrier and a strong strategist, and I see a lot of gray in the world. That helps me as I plan my own ventures and consult for other entrepreneurs. But, still, I can't count the number of times I have excitedly pulled out a blank sheet and jotted down overly optimistic sales projections based on my emotional enthusiasm for a new business idea. It's the universal entrepreneurial malady. We all suffer from it.

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