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Entrepreneurs Who Turn Deaf Ear to Criticism Will Pay Dearly in Marketplace

by Jack Roseman

Entrepreneurs are uniquely opinionated. They have a vivid vision of the company they want to create and they are not usually shy about telling people why it's a great idea. They love talking about their "baby."

That's fine. But entrepreneurs need to listen, too, and I have found that often the big ego that gives them the confidence to go out on their own gets in the way of listening to good criticism.

And it's essential for entrepreneurs to listen to their critics.

Let me give you an example. In my last company, Actronics, I made a pitch to Fostin Capital when they were in the venture business. It was me and another fellow associated with Actronics. So we made our pitch and at the end, they said they were not interested. They didn't want to invest.

Over the years I've had so many people tell me that they

did not want to invest in a company I was starting that, in all honesty, it does not bother me one iota. I don't know why. Maybe it's because I know that, on any given day, a lot of smart people will think the price of a stock like AT&T is overpriced and sell, and a lot of people who are just as smart will see it as underpriced and buy.

That's what makes a market. And I don't take it personally. But I must tell you that when these critics were helpful enough to explain why they didn't want to invest, I always listened. And often, those criticisms improved my business plan. That's what happened at Fostin Capital.

Now the fellow who was with me didn't feel that way. He was not an experienced entrepreneur and got insulted and defensive with the guy from Fostin. I thought that was grossly unfair. Several weeks went by and I got a call from Fostin. And the guy says, "Hey, Jack, there's this company

we're funding that we really like. Why don't you stop this foolishness with Actronics and be the CEO of this new company that we are funding?" So you see, it was good that I didn't take it personally because it wasn't personal. It wasn't Roseman that was turning them off; it was Roseman's idea.

Now I don't mean you have to buy into all the criticism you get. Consider the source, their experience, and so forth. But you should listen. And to do that, you have to get your ego out of the way. I know that isn't always easy, but it can and must be done.

It might help to remember that the object of the war you are trying to win is not to be right all the time, it is to create a successful company. Your goal is to understand as completely as possible what's actually going on. What are the facts? What is true and what is wishful thinking? That's why I am a big believer in market

research. If my gut tells me one thing, and the market research tells me something else, I'll go with the research every time. And I think that I have pretty good business instincts.

But if I can't have market research, then I want as much feedback from the market and other quality sources as I can get. I want to hear a lot of qualified opinions. The most qualified, of course, are the opinions of the people to whom I'm trying to sell it. But professional investors can also provide valuable feedback. The importance of feedback is why the general rule in technology marketing is don't wait to get it perfect. Get it done fast, rough, and dirty; get it into the market and then let the market shape it. Don't try to get it perfect in a vacuum.

And the worst thing you can do is give it to your engineers or technologists and ask them to make it perfect. They may well give you a razzle-dazzle product, but it will cost too much and its features may only be important to highly sophisticated technical people. Your engineers and technologists are not necessarily representative of the marketplace.

And neither is the entrepreneur.

Entrepreneurs are more like parents. They always tend to think their baby is beautiful. But what happens when they enter it in a beauty contest?

The advice I give to entrepreneurs is, if they really want an opinion on how beautiful their baby is, go to the

top VCs in the country who invest in their type of venture, and ask them for money. Short of going to the marketplace, that's where you'll get the best judgements on just how beautiful your baby actually is.

Jack Roseman is the Director of The Roseman Institute. He was the founder of two successful computer firms and was president of a third, On-Line Systems. Jack formerly was the associate director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University's Graduate School of Industrial Administration (GSIA). This column was written with Steven N. Czetli, former Executive Editor of T.E.Q.