Book Review

Gordon B. Baty, *Entrepreneurship for the Nineties*, (Prentice Hall, Englewood Cliffs, New Jersey), pp. xi + 263, ISBN 0-13-282294-6.

I must admit that my initial reaction after I read *Entrepreneurship for the Nineties* was that its marginal value to me as a teacher of entrepreneurship was, well, quite marginal. No personal professional quantum leaps here, I thought. The collapse of the venture capital market and a deep and prolonged recession had caused Baty's "preface" to be outdated. The litany of crises — drugs, AIDS, nuclear waste, greenhouse heating, the aging population, political corruption, the near collapse of the nation's financial system, runaway federal deficits, closing factories, and generally, "The apparent inability of large companies and a large government to get anything done competently" — as the sole source of entrepreneurial opportunity, was particularly disheartening. Baty places too much of an emphasis on "crises entrepreneurship."

Also in this "bad news/good news" fashion, Baty expresses the opinion that "The money and support resources to [address these crises] have never been more abundant." I don't think so. In my mind the widening disparity between society's problems and the needed resources to effectively address those problems, reflects our desperate need as a nation to do better with less, one of the more valuable and exciting attributes of entrepreneurship.

With these impressions formed, I put down the Baty book and got back to preparing my lectures for my entrepreneurial class: The topic this week was "financing the entrepreneurial venture." I use several texts, but to my surprise, I kept going back to Baty. The author is correct. This is not a textbook. While most of it is of the genre, it is easily read and referenced, and that is important to an educator. Forget about the "preface" and the title, for that matter. Baty's contribution is his selection and presentation of the essence of entrepreneurship. To my colleagues in the economics profession, this is a "one-nighter" and effectively offers everything you wanted to know about entrepreneurship but were afraid to ask.

Entrepreneurship in the Nineties consists of 30 chapters divided into six parts. In manualistic fashion, Chapter 1 deals with "getting in," and Chapter 30 deals with "getting out" of business.

Seven chapters comprise Part I, "Formation." Here the reader is challenged to use his or her introspection and to confront real trade-offs, appreciating that there are a variety of personal motives which could underlie each new business start-up, such as independence, career enhancement, revenge and even social advancement. In Chapter 1, however, Baty gently reminds us that the central objective of the business enterprise is to make money for its owners. According to the author, the entrepreneur of the nineties, compared to his/her professional ancestor of the '80s, will be more focused on the creation of value in their pursuit of profits, not its manipulation. We shall see.

Chapter 2 provides a framework for the analysis of personal risk and reward and reproduces Karl Vesper's list of entrepreneurial styles. Chapters 3 through 6 address the many issues surrounding the process of designing the new company or what Baty calls the "venture architecture" its legal form; its financial organization and ownership structure; sales and production methods, etc.

The final chapter of Part I, "Leaving the Womb," is especially useful to those employees who are contemplating their own new venture which may look and act a great deal like the one of their former employers.

Part II, "Financing and Finances," was very helpful. Next to idea generation and team selection and building, I found the subject of the innovative financing of a new business uniquely entrepreneurial. Baty devotes eight chapters to the topic, including one extolling the virtues of the accountant's critical role in the founding and establishment of the new venture.

Part III is entitled, "People," and consists of two chapters, dealing with the sensitive issues of the selection, caring, feeding and weeding of personnel. Here the author effectively slams home new truth to the old adage, "An ounce of prevention is worth a pound of cure." However, I found most provocative the chapter section, "Creating Creative Environments." Baty argues that a new business environment, which is consumed by day-to-day operating problems, could be, in fact, too creative. The task of the founder is to find a range of creativity that is optimum for a given organization at a given time in its development: too little and the business dies from anguish; too much and it dies from bloated immobility.

In the minds of many entrepreneurs, selling means harvesting. The only sale in which they are interested is that of the business itself — the reaping of the equity. Baty reminds us in Chapter 18, "Selling," that as we sow — sell — so shall we reap. The pros and cons of the independent sales representative and his or her identification, recruitment and retention are covered in one valuable section of this book.

In business, fewer gaps are wider than the one represented by the differences between sell and sold. Sell, sell, sell is cost, cost, cost. Sold, sold, sold is necessary for profit, profit, profit. Quite appropriately, Chapters 19 and 20 focus on both the identification and servicing of customers and the assessment of the competition.

The international arena has become an important source of both customers and competition, and therefore, it is the focus of Chapter 21. In the early stages of company growth, securing foreign business "strategic alliances" (a buzzword for the nineties, says Baty) are critical. In the domestic market these well-chosen and positioned mutually beneficial corporate marriages are called "strategic partnerships." Pairing up with a large, reputable and resourceful partner gets the new, small venture access to markets, management and money. The "Big Partner" gains "rights" to R&D, new technologies, and new products and new markets, perhaps even a much needed infusion of enthusiasm and intrapreneurship. There is, of course, a "dark side" to these corporate couplings, especially for the desperate, overly ambitious and naive, small firm.

"Running the Show" is the title Baty gives to Part V of his book. The central issue running through this portion of the text is the entrepreneurial function as opposed to the performance of custodial chores and responsibilities. The entrepreneur must first realize that the new venture needs both and secondly that he/she cannot effectively perform both functions alone. The challenge to the entrepreneur is to let go or delegate selected custodial *and* entrepreneurial jobs and their associated rights and obligations without losing control over the entire operation. Not an easy task: We are not always good at what we like to do, and sometimes we have a comparative advantage vis-à-vis our cohorts in things we don't like to do. Baty reminds us that entrepreneurs often make lousy managers and even owners, for that matter. It's ironic that the determined, resourceful, imaginative, able and motivated entrepreneur also must be self-sacrificial in order to be successful. Chapter 23 addresses time management — yours and others. Chapter 24 reemphasizes the importance of negotiation strategies and tactics as a common central element in all of business. Excellent insights and guidance are offered in Chapter 25 with respect to lawyers, and R&D, and the engineer are treated in Chapter 28. As somewhere around 80 percent of all new businesses fail during their first three years of operation, Chapter 29, "Life after Death: Our Beneficial Bankruptcy Laws," if not comforting, is at least instructive. For the sake of the American economy and our way of life, those few who survive starting and growing their own businesses, should seriously consider joining the growing ranks of successful entrepreneurs and heed the advice of Chapter 30: Get out and do it again . . . again, and again. This is also a book worth reading again . . . and again, and again.

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