



THE MIND OF THE ENTREPRENEUR

WHITE PAPER

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Everyone's belief system is shaped by the company they keep. Entrepreneurs are no different in that regard. The differences in beliefs come from the village of advisers people use. For example, fat people who hang around other fat people will not be exposed to better eating habits, will be exposed to negative thinking about being overweight, and will likely continue to struggle with weight issues.

However, a fat person that hangs around with thin people will be exposed to healthier eating habits, be encouraged to lose weight with positive "can do" messages and stand a good chance of losing weight. That said, based on the company they keep, the ways entrepreneurs and the wealthy think about things like money, investing, and work can be quite different from the thinking of the general public.

Work for a Wage vs. Creative Thinking

Most people, when they think about money, think money is what you get when you sell your time. For example, they trade a 40-hour work week for a wage.

Entrepreneurs know that money is generated by identifying problems and selling solutions. They understand that money is not earned through one's labor but through one's creative thinking.

Solitary Hard Work vs. Leverage

Most people think that to create personal wealth requires hard work. These same people work hard from 9-5 and get paid for their results.

Consider the construction worker or waitress who engages in hard physical labor for their wages. They believe that building wealth is a solitary effort and they crave recognition for the efforts they contribute.

Entrepreneurs know that leverage, not hard work, is what creates wealth. They enlist the help of people in their personal network who have specialized skills, allowing each to work less and achieve greater combined results.

Entrepreneurs take tasks, break them into their component steps, and then outsource any fungible steps. They use tools like Upwork.com or Freelancer.com to send pieces of the work to onshore or offshore specialists who can do them faster and at a lower cost.

It is not the recognition that drives entrepreneurs either, but results. The entrepreneur will readily exchange credit for money.

Money is for Spending vs. Investing

Most people believe that money is meant to be spent for articles of instant gratification as a reward for their efforts. These same people usually live beyond their means and fund their lifestyle with debt. They spend their leisure time in activities that have no real value, such as watching sports or reading novels.

Entrepreneurs know that to be successful one needs to keep personal spending and bad debt low. They spend their leisure time reading self-help or business-related books, volunteer, and build personal networks, or watch the news to keep up with current events.

In their book, *The Millionaire Next Door*, Thomas Stanley and William Danko interviewed successful and wealthy individuals and discovered that they live well below their means.

Entrepreneurs and millionaires believe in delayed gratification and know that the key to financial security requires investment in both time and money.

No Network vs. Large Network

Most people underestimate the power of referrals, while entrepreneurs know that referral marketing creates wealth. They participate on panels, non-profit boards, and other functions, most often for free and without any expectation of a direct return. However, the results of their efforts give them large personal networks that return dividends in many unexpected ways.

With the exception of enlisting in the Coast Guard, I have never applied for a job. I try to treat everyone well and have created a network that understands my worth. Every employment and investment opportunity has come to me via personal referrals from my network.

Pleasure vs. Money Making Activities

Most people when not working are engaged in pleasure-focused activities such as watching TV. Many of my friends can tell you a baseball player's batting average, can handicap college basketball teams during March Madness or can tell you the movies that featured any particular actor.

Entrepreneurs are engaged in money-making activities. A love of real estate manifests itself in property speculation, a love of fine art in art collections, a love of numbers in trading stocks, or a love of people in networking. The difference is that much of an entrepreneurs' leisure activity is rooted in their ability to convert their activities into something in which they can get some form of return.

Safe vs. Calculated Risk

Most people work hard for their money. Therefore, when it comes to investing their hard-earned money, they tend to play it very safe and conservative.

Entrepreneurs know that money doesn't come from work but from ideas and one's personal knowledge. They know that even if they lost all their money in a series of bad investments they still retain the capacity to earn it back with their knowledge. They treat investing like a science, testing and measuring results, and are willing to take calculated risks based on potential rewards.

Linear vs. Non-Linear Thinking

Most people think in a very linear fashion. When they discover a potentially promising investment they look at their income and expenses and say "I just can't afford it" and pass up many good deals. Entrepreneurs are not constrained by money and think more non-linearly.

When exposed to a promising investment they look at its risks and potential returns and say "Is it worth it?". If the answer is yes they move on it. If they are short of funds they compile their reasoning and pitch the idea to debt or equity partners. If after their pitch no one buys their reasoning, perhaps it was not a good idea.

Test Smart or Street Smart

Most people think since they were very good in school they are just not smart enough to be an entrepreneur. They associate being smart only with a high intelligence quotient or IQ. IQ is a measure of how one does on tests or more specifically how well a person can memorize and recall information.

Performing poorly in academic settings has little or no bearing on one's potential success as an entrepreneur. In most academic settings you are presented with the lesson's material and then given a test to determine how much of the information you can recall and given a grade.

Today the world is quite different with respect to IQ. Most of us have 24/7 access to the internet. Given any question to which we do not have an immediate response, we can use a search engine like Google to find the answer in milliseconds.

Some people are good at memorizing facts, are successful in academic situations, and are test smart. Some have physical prowess, make good athletes, and are smart physically. Some have a capacity to discern rhythm, tone, and timbre, and are music smart. Some are good at making network connections and are people smart.

In the end, the question is not "How smart are you?" but "How are you smart?"