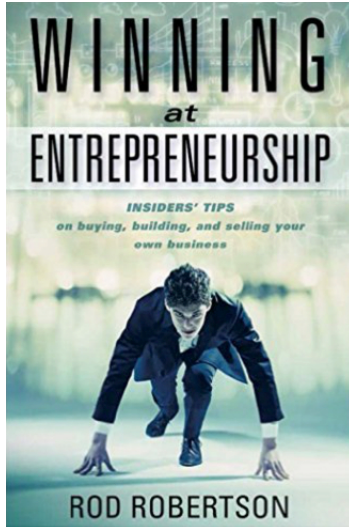


### *Chapter 3*

## Assessing Your Entrepreneurial Capability

*By Nancy E. Parsons, President  
CDR Assessment Group, Inc.*



You may be surprised to learn that the real reason that only about 10% of entrepreneurs succeed is because very few people have the hard wiring to succeed. Many people have some of the inherent capabilities needed but very few have the whole package. Before investing your life savings and your blood, sweat, and tears in a new venture, consider two things: 1) your inherent suitability as an entrepreneur and 2) your team's make up and balance.

Your entrepreneurial capability cannot be evaluated by considering your educational pedigree, skills, and experience as sufficient data for this all-consuming business leap.

**“Whether someone is the “right person” has more to do with character traits and innate capabilities than with specific knowledge, background or skills.” Jim Collins, Good to Great**

In addition, no matter how amazing and scalable your business idea may be, the sad truth is that most terrific ideas become mired into the quick sand of human failure or inherent shortcomings.

#### **Must Haves**

A would-be entrepreneur's capability is best evaluated with psychometric measures including a scientifically validated character (personality), risks for derailment and motivational assessment instruments. It is important to note that personality characteristics are firmly rooted by the time an individual reaches adulthood. We develop these ingrained traits from infancy on up based on our social/family environment and experiences on top of pre-dispositions at birth. Once one reaches working age or adulthood, these character traits are fairly well set. Short of a mind-altering accident or injury, longevity studies of 10, 20 and 30 years show that our character traits do not change in any marked way. That is why measuring character traits, to determine entrepreneurial-fitness, is the first hurdle to identify the “must haves.”

The myth espoused by many educators and consultants that “you can be anything you want to if you put your mind to it” is simply not true. We cannot teach fish to fly – so you need to find out what you are inherently well suited to do and do (or develop) that.

Entrepreneurial Leader Profile Ranges<sup>1</sup> in **Figure 1** below highlights characteristics for success. The stars indicate where in the competency range a successful entrepreneur should be according to CDR Assessment Group’s research and profile studies.

Entrepreneurial Leadership Character & Competency Profile Ranges

<b>Intensity Confidence Adjustment</b>	<b>Leadership Leadership Energy</b>	<b>Leadership Acumen Inquisitive vs. Prudence</b>	<b>Leadership Voice Sociability</b>	<b>Learning Agility Learning Approach</b>	<b>Talent Advocate, Relationships Interpersonal Sensitivity</b>	<b>Order or Disorder Prudence vs. Inquisitive</b>	<b>Integrity Ethical Conduct Prudence, Adjustment, Sociability</b>	<b>Courage Decisive Adjustment, Leadership Energy</b>
Confident	Aggressive Take Charge	Visionary	Compelling Communicator	Sponge	Nurturing	Cautious	Objective Review	Confidence
Unflappable, Steady	Relentless Urgency Decisive	Strategic Innovator	Engaging Passionate	Constant Personal Growth	Relationship Focus	Methodical Organized Consistent	Walks the Talk	Undaunted Decisive Assertive
★	★	★	★	★	★	★	★	★
Edgy High Stress	Individual or Team Contributor	Operational Results	Avid Listener	Job Required	Tough, Direct, Focuses on Work vs. People	Chaotic	Free Spirit Inconsistent	Methodical, Guarded Review
Intense Burn in Belly Self Critical	Consensus	Practical Planful	Remote Careful Articulation	Applied Learner	Indifferent Independent Distant	Impulsive Free Flow Adaptable	Delinquent Mistrusted Impulsive	Contingency Planner

The most important character strengths for a successful entrepreneur are:

<ul style="list-style-type: none"> <li>• <b>Leadership Energy</b> (i.e., natural leader): Aggressiveness / Confidence / Achievement &amp; Goal Drive</li> <li>• <b>Intensity</b>, Burn in Belly</li> <li>• <b>Innovative, Strategic &amp; Clever</b></li> <li>• <b>Compelling Communicator</b> / Leader Voice / Initiator</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Courageous</b> / Bold</li> <li>• <b>Tough</b> / Indifferent to Others</li> <li>• <b>Risk Taker</b></li> <li>• <b>Adaptable</b> / Flexible / Resilient</li> <li>• <b>Quick Study</b> / Resourceful</li> <li>• <b>Moderately Practical</b> or Logical</li> </ul>
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Many of these traits are obvious. However, what makes the entrepreneurial success profile so unique is that there are some unusual combinations or trait configurations needed that are not typical among leaders in general.

Clearly, you need to be a person who is “leader-like”. Being aggressive or pushy, having a sense of urgency, being confident as a decision maker, pushing ideas fervently and being able to inspire others to act is part of the package. Achievement and goal drive are imperative too.

While having natural confidence as a leader and not regularly second guessing decisions is important, having an “edge” on what is called the “Adjustment” trait is critical. People with lower

Adjustment tend have high levels of “burn in the belly” and tend to be self-critical which provides them with extra intensity to out-perform. They dig deeper and are relentless in pursuit to prove themselves as successful. So, achievement and goal drive alone falls short. A strong dose of intensity is required too.

The downside of lower Adjustment is that people who are edgy and intense tend to be less stress tolerant. Therefore, they are prone to crack or become emotionally volatile. So, it is a fine line for the entrepreneur to maneuver. This is why having life balance and some productive outlets to relieve stress for the start-up entrepreneur can be pivotal to success. Since you will be on a tightrope in many ways, having a fair degree of life balance, support on the home front, and outlets for stress is needed.

Undoubtedly, being innovative, seeing the future and having the knack for creativity and cleverness is required to succeed. This is why the *wanna-be* entrepreneur is moving forward in the first place. It is the excitement of idea, the novelty, and the thrill of the chase. Risk taking is also second nature with the ability to turn on the dime to adapt to changing conditions or competitive forces.

Your leadership voice and talent as a compelling communicator can make or break the deal. This is where scientists, technology experts and financial types often fall short. Being able to tell a story in a way that is convincing can be a tall order yet is essential for the entrepreneur. Being able to sell the idea and get the support of others – investors, customers, employees and other stakeholders or contributors is a must. This character trait is called high “Sociability” and sub-factors of this trait that equip the entrepreneur well are known as “Exhibitionist” & “Entertaining”. Welcoming opportunities to be in the lime light along with having the charm and the wittiness factor will go a long way. If you are slightly lacking in this trait, you can develop some improved skills and techniques. However, if this is a sheer gap for you or sends shivers up your spine, another career path may be in order.

Being able to nurture, support, build and sustain relationships and help others, on the surface, may seem like a reasonable trait for an entrepreneur. The truth is, the highly successful entrepreneurs are not warm and sensitive. They tend to be tough, indifferent to the needs of others and make difficult decisions on the fly. An example of one such leader with low “Interpersonal Sensitivity” advised me that when it comes to tough people decisions you just need to “rip them off like a Band Aid.”

Be careful not to confuse warmth with charm. You need a leader voice with charm and charisma-like energy that pulls people towards your message. The positive, persuasive communications skills are like those that are exhibited by many politicians and trial lawyers. For the entrepreneur, having a deep sense of warmth, empathy, and “caring” tendencies towards others can easily thwart success.

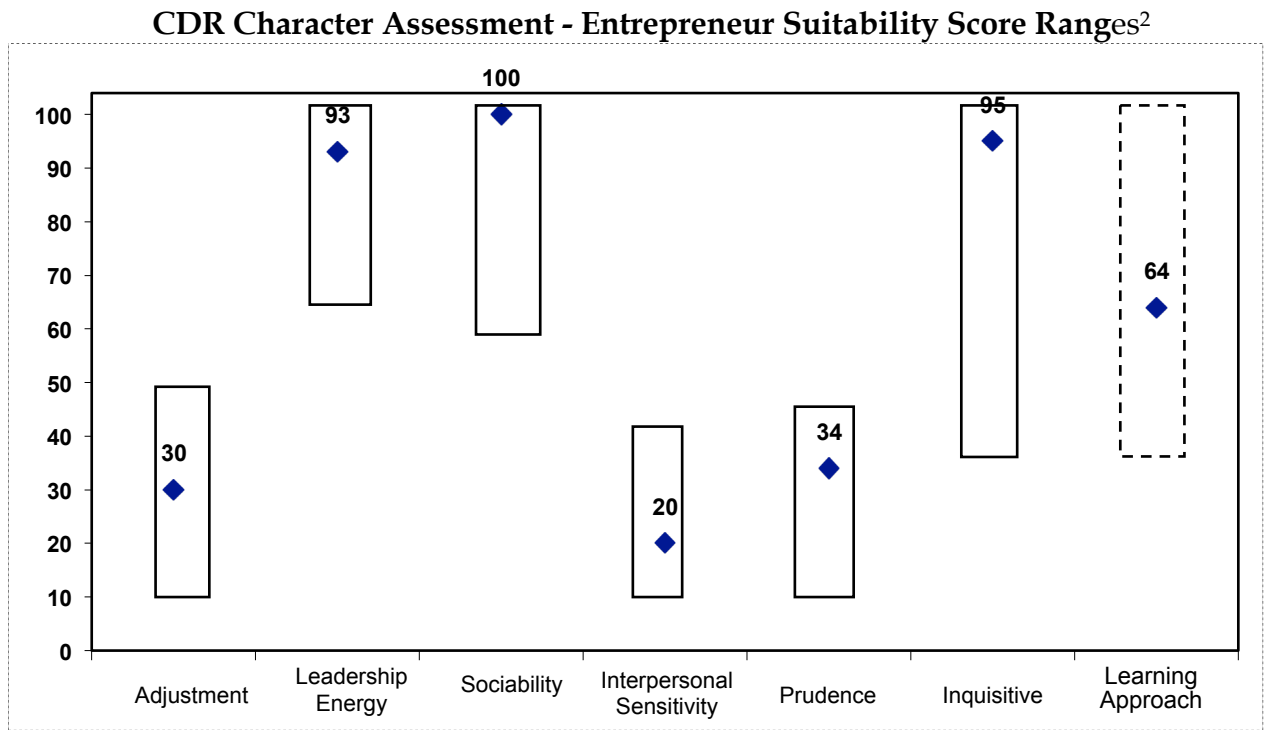
People that care too much -- often give too much. For example, they help others to the extent that it takes away from their own goals and time. Kind people struggle being direct. They hang onto problem employees too long before letting them go. Perhaps most injurious to the *wanna-be* entrepreneur who has a big heart is that they have difficulty making quick, objective and sometime harsh people decisions. At times, entrepreneurs need to be pretty ruthless in their quest to

succeed. It is far easier if they lack strong feelings or emotions for others that would become distractions or impediments to their goals. So, having a bit of the hard-ass factor (without being a total jerk) is more of an asset than a liability for the entrepreneur – providing you have the ability

to communicate in a compelling way. You must be able to sell your vision and ideas. Frequently, charm is mistaken for caring. Entrepreneurs need the former.

### “Must Have” Entrepreneurial Profile Characteristics

The CDR Leadership Character Assessment is used for leader and employee selection, development, succession, team review and more. This measures the “must haves” or inherent characteristics essential for success. Figure 2 is a graphic display of a candidate that, from this bright side measure of strengths and acumen, appears to have potential to be a successful entrepreneur. Potential does not equal success, but at least the door is opened.



### CDR Character Assessment Scale Definitions:<sup>3</sup>

<b>Adjustment</b>	calm, self-assured and steady under pressure versus being self-critical, edgy, and intense performer.
<b>Leadership Energy</b>	inclined to take charge, be leader-like, be interested in upward career mobility, and to be highly competitive versus tendencies to avoid leadership roles, prefer not to direct others and be unconcerned with upward mobility as a measure for success.
<b>Sociability</b>	outgoing, enjoys social interaction, is extraverted, is stimulated by dialoging with others versus having more introversion tendencies such as preferring less social interaction, maintaining a lower profile, keeping to oneself, being quiet and perhaps shy.
<b>Interpersonal Sensitivity</b>	warm, caring, sensitive towards the needs of others, interpersonally skilled and perceptive versus being task focused, hard nosed, and apathetic towards the needs of others.
<b>Prudence</b>	practical, conscientious, self-controlled and disciplined, steady, reliable, stable, and logical in a steadfast way versus being spontaneous, risk taking, adventurous, potentially creative, adaptable and inventive.
<b>Inquisitive</b>	adventurous, clever, original, creative, imaginative and curious versus being practical, task and process focused,

	detail oriented, and more down to earth.
<b>Learning Approach</b>	typically seeking learning for the sake of personal enrichment and has academic interests versus being more interested in practical educational approaches such as on-the-job training and hands-on learning.

If someone scores *slightly* outside of the ranges of the solid boxes above, then it is important for other leadership team members to have character profiles that shore up the gaps.

Entrepreneurial quests are not for the light-hearted and a multi-faceted, objective review is essential before moving forward. Fitting into the Entrepreneurial Character profile is Step One. Obviously, if your character traits are clearly outside of the ranges above, this would be a deal breaker and you'd be well advised to pursue a different dream or quest. Keep in mind, from a character trait standpoint, the above graphic is narrowly found profile. In fact, this is not too far from a "delinquent profile"<sup>4</sup> so all the more reason to analyze the propensity for success.

There is more to consider too. Your motivation and inherent risk factors for derailment can make or break success as well.

### Motivation & Staying Focused

Are you intrinsically motivated, or driven, to succeed as an entrepreneur? Below are ten "Drivers & Reward" facets. Of these, the key drivers to propel performance and perseverance to achieve the entrepreneurial goals are darkened and bolded. Lacking these, you may wander off course, lose interest, become more prone to frustration, or give up when things get tough.

#### CDR Drivers & Reward Facets That Drive Entrepreneurs<sup>5</sup>

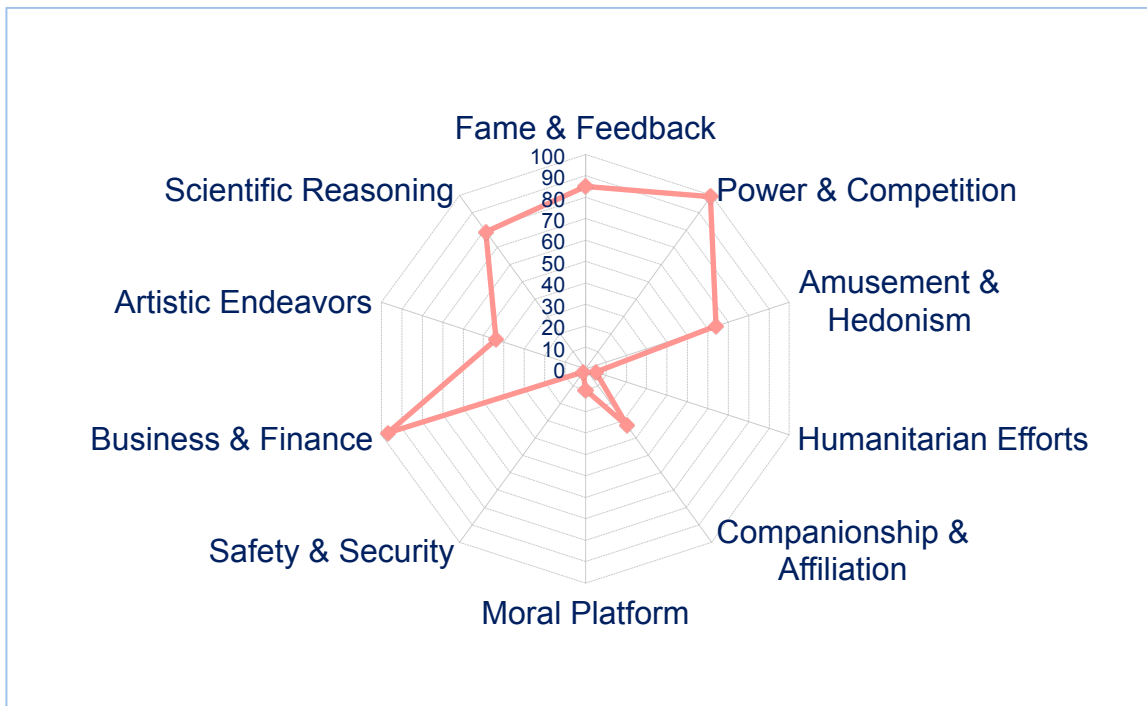
<b>Power &amp; Competition</b>	<b>indicative of a strong interest in goal attainment, pursuit of excellence, achieving status, strategic career planning, and being the best at any activity</b>
<b>Business &amp; Finance</b>	<b>interests in commerce and industry with interests such as: budget &amp; financial performance</b>
Scientific Reasoning	interests in scientific analysis and discovery, fascination with technology, and a lifestyle organized around the pursuit of knowledge concerning how things work
Fame & Feedback	need for recognition and fame, with valuing the receipt of credit for ideas and accomplishments, and for desiring to be well respected within profession
Artistic Endeavors	a passion for the arts, strong interests in working in artistic fields, and a lifestyle organized around opportunities for creative self-expression
Amusement & Hedonism	need for fun, personal indulgence, freedom to spend time in ways that are entertaining, and an overall philosophy of enjoying life to the fullest
Humanitarian Efforts	interested in helping the less fortunate and promoting social justice, and a lifestyle organized around a commitment to making a positive difference in society
Companionship & Affiliation	need for friendship, camaraderie, social interaction, and the enjoyment of working closely with others in a team environment
Moral Platform	unwavering concern for moral standards, strong interests in spiritual matters, and a lifestyle organized around virtue and traditional values
Safety & Security	need for long term financial and employment stability, insulation from harm, and avoiding or minimizing externally directed change and the unpredictable

Most important are "Power & Competition" and "Business & Finance." Being goal driven, pushing to win, and eagerness to compete, can provide the energy to push forward even despite setbacks. Winning is not an option; it is an imperative. Having a good eye on the financials, at all times, is crucial. If you lack quantitative interest or financial focus, this can undermine your success.

One or more of the following drivers may also be beneficial to you depending on the product or service the entrepreneur is launching:

- **Scientific Reasoning** - if your product is high technical, medical, or science oriented
- **Fame & Feedback** - welcoming the visibility and opportunities to shine in public
- **Artistic Endeavors** - typically found with highly creative people
- **Amusement & Hedonism** - having a sense of humor, enjoying having “fun” can impact the communications approach and relaxed presence of an entrepreneur. Also, having a sense of humor or a good belly laugh now and then can be a great help in minimizing stress.

**An Entrepreneur’s CDR Drivers & Rewards Assessment Graph<sup>6</sup>**



### “Don’t Haves & Deal Breakers” for Entrepreneurial Success

A high need for Safety & Security would be a pure deal breaker. Risk taking is essential. High Humanitarian Efforts likely is not a fit as this could impinge on one’s ability to be tough and direct as needed.

### Risk Factors that can Derail Success

Everyone has inherent risk factors, or ineffective coping strategies, that can undermine or sabotage success. These show under stress, conflict and adversity. Frequently, entrepreneurs’ risk factors run amok due to the constant pressure they are under. These, gone unchecked, can throw even the most promising entrepreneurial venture off track. Also, certain risks are more acceptable, or less disruptive, than others. A 2013 Gallup study demonstrated how destructive these inherent risks

are. They reported that \$450 to \$550 billion dollars is wasted annually due to leadership derailment behaviors.

The first five CDR Leadership Risk Factors below in Figure 3 are common traits that can interfere with success for the entrepreneur. While they may seem to go with the territory, some of these can cause the best business plans to crash. The other six risk factors may also contribute to problematic behaviors, but are not as common. Most entrepreneurs love pushing the limits, testing boundaries and going outside of the field of play regularly (Rule Breaker). They sell their ideas and push their solutions until well past the time when audiences eyes have glazed over (Upstager). They are often odd, unusual in their thinking, and march to their own beat (Eccentric). They may be overly self-confident, arrogant, full of themselves and dismiss feedback since no one is as smart as they are (Egotist). Many are mistrustful of others work or intentions and simply ask too many questions (Cynics.)

### **Inherent Risk Factors Typical of an Entrepreneurial Profile<sup>7</sup>**

<b>1. Rule Breaker</b>	<b>ignores rules, tests the limits, does what feels good, risks company resources, does not think through consequences</b>
<b>2. Upstager</b>	<b>excessively dramatic and histrionic, dominates meetings and airtime, constantly selling a personal vision and viewpoint, demonstrates inability to go with the tide</b>
<b>3. Eccentric</b>	<b>quite unusual in their thinking and behaving, perhaps whimsical, weird, out of social step or norms, peculiar in some ways</b>
<b>4. Egotist</b>	<b>self-centered, sense of entitlement and superiority, takes credit for others' accomplishments, hard-nosed competitor</b>
<b>5. Cynic</b>	<b>skeptical, mistrustful, pessimistic, always looking for problems, constantly questions decisions, resists innovation</b>
<b>6. Hyper-Moody</b>	unpredictable emotional swings, moodiness, volatility, potentially explosive outbursts, and vacillation of focus or interest
<b>7. False Advocate</b>	passive aggressive tendencies; appears outwardly supportive while covertly resisting

If you have high risk factors in any of the following four traits, you may find the journey frustrating or impossible as these traits may inhibit a successful path.

<b>8. Worrier</b>	unwillingness to make decisions due to fear of failure or criticism
<b>9. Perfectionist</b>	micro-manages, clings to details, high need to control, compulsive tendencies, sets unreasonably high standards
<b>10. Pleaser</b>	depends on others for feedback and approval, eager to please the boss, avoids making decisions alone, won't challenge status quo, refuses to rock the boat
<b>11. Detached</b>	withdraws, fades away, fails to communicate, avoids confrontation, aloofness, tunes out others

### **Team Balance & Alignment**

Clearly, fitting perfectly within the “ideal” entrepreneurial profile is a tough hurdle. Smashing entrepreneurial success, like Apple and Facebook, is extremely rare too. What is essential for you as the emerging entrepreneur is having the self-awareness of your own propensities for success *before* making the leap and commitment. Do you understand your character traits, risk factors and motivational drivers?

It is important to make sure that your team members have the inherent attributes to fill the holes where you have gaps in the traits. Your leadership team, or general management team, needs to be diverse in their personality characteristics on key leadership competencies. So, someone who has a true entrepreneurial profile needs a person with that higher “Prudence” on the leadership team to focus on process, implementation, regulatory issues, practical and administrative matters, and the like. Also, having a leadership team member with a bit more Interpersonal Sensitivity may be helpful to attract and keep top talent.

### About Leadership Team Diversity<sup>8</sup>

#### Did you know that:

- homogeneous leadership teams fail more often than those with divergent capabilities,
- talent balance should be aligned with business strategy and values,
- talent cloning (often in one’s own image or comfort zone) is detrimental to business performance results,
- talent gaps cause blind spots, competitive disadvantages, and performance weaknesses,
- when leadership teams lack broad-based inherent competencies, staffs frequently suffer from similar gaps, and
- nearly 70% of executives have “Egotist” tendencies making them reluctant to agree to objective analysis that might reveal talent vulnerabilities

*(Source: CDR Executive Team Performance Forecast)*

### Analyzing Your Capability to Succeed

Be sure to gain a clear understanding of your inherent talents, risks and motivators before investing your time, energy, and passion into what seems to be a tremendous business venture. Undoubtedly, you will analyze the business, technical, marketing, and financial aspects of opportunity carefully. However, keep in mind, you are the most important factor to the business venture – so take time to assess your capability to succeed.

Last, by undergoing this rigorous entrepreneurial assessment of your inherent suitability and the leadership team analysis, you will have procured a scientifically validated evaluation and report that predicts success. Therefore, this up front due diligence can add to the appeal of your deal for the serious investor. Moreover, this thorough review will give you the added confidence, performance and development insights to help you assure your venture is huge success.

<sup>1</sup> Parsons, N. E., CDR Leader & Entrepreneurial Character Profile Ranges, (2002 Rev. 2014) CDR Assessment Group, Inc., Tulsa, OK

<sup>2</sup> CDR Leadership Character Assessment – Selection Report, (1998, Rev. 2002, 2014) CDR Assessment Group, Inc., Tulsa, OK: Author.

<sup>3</sup> Leverage (Brinkmeyer), K.R., Parsons, N.E., CDR Assessment Group. (1998). CDR Leadership Character Assessment Report. (Definitions Summary) Tulsa, OK.

<sup>4</sup> Parsons, N. E., “The Real Enron Risk: Energy Traders,” Risk Management Magazine Letters, August & November Issues (2002)

<sup>5</sup> Leverage (Brinkmeyer), K.R., Parsons, N.E., CDR Assessment Group. (1999). CDR Drivers & Rewards Assessment Report. Tulsa, OK.

<sup>6</sup> Ibid.

<sup>7</sup> Leverage (Brinkmeyer), K.R., Parsons, N.E., CDR Assessment Group. (1998). CDR Leadership Risk Assessment Report. Tulsa, OK

<sup>8</sup> Parsons, N.E., (2009) Executive Team Performance Forecast, CDR Assessment Group, Inc. Tulsa OK.



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Nancy Parsons is president of CDR Assessment Group, Inc. providing break-through leadership development and talent management assessments and services for global clients. Nancy provides coaching services for C-Suite executives and key leaders, facilitates strategic executive team development and custom authentic leadership workshops, and trains and mentors executive coaches. In 1998, Nancy and co-founder Kimberly Leverage, Ph.D. developed the hard-hitting, accurate CDR 3-D Suite that reveals need-to-know insights about a leader's: character, risk factors for derailment, and drivers and reward needs. The Suite is in five languages and is used for coaching, development, succession, custom training, teams, staffing decisions, research, diversity, and more.

Websites: [www.cdassessmentgroup.com](http://www.cdassessmentgroup.com) Twitter: [@CDR\\_Assessment](https://twitter.com/CDR_Assessment)