

CHAPTER ONE

Introduction to *Entrepreneurship*

OPENING PROFILE

KLYMIT

The Classic Entrepreneurial Story

www.klymit.com

In summer 2006, Nate Alder, a business student at Brigham Young University, was scuba diving off the coast of Brazil. Alder learned that divers using dry suits in Arctic conditions used noble gases to insulate their wet suits when they were in cold water. Back home in Utah, Alder was a snowboard instructor and knew all about being cold. He wondered why noble gases couldn't be used in ski jackets to keep skiers and snowboarders warm.

The idea stuck with Alder and when he returned home he enlisted the help of business student Nick Sorensen and engineering PhD candidate Brady Woolford to see if noble gases could be used to warm jackets. After studying noble gases and experimenting with how they could be used to warm apparel products, the three became more enthusiastic about the idea and started working on a business plan. The basic idea was to create a jacket with a series of connected, airtight chambers. A small cartridge, filled with pressurized argon gas, would be stored in a pocket, and would have a small dial on it. When the dial was turned to the right, gas would flow into the chambers and the skier would get warmer. Turn the dial to the left and gas would escape and the skier would cool down. The secret to how the system works is grounded in the properties of argon gas. Its large molecules block the cold and keep in the heat. It's also nonflammable, nontoxic, odorless, and 100 percent environmentally friendly. To make matters even better, using argon gas to warm a jacket instead of bulky fabrics results in a thinner, lighter, and more comfortable jacket that can always stay warm, even when totally wet.¹

To further build on their idea, and get feedback from experienced businesspeople, Alder and his team entered a number of business plan competitions in spring 2007 and spring 2008. By this time the business had a name, Klymit, and Alder had expanded his founding team. The Klymit team took the business plan competitions very seriously, seeing them as a way to solicit feedback, raise funds, and hone their plan, which they eventually planned to present to investors. Incredibly, the team placed first or second place in 11 business plan or innovation competitions, raking in more than \$175,000 in prize money. To convince the judges that Klymit was an attractive opportunity, Klymit's basic pitch was:

1. Existing insulation materials for ski jackets and other cold weather gear are inefficient.
2. High-volume, bulky fabrics force skiers and other outdoor enthusiasts to sacrifice mobility for warmth.
3. There is no way to regulate the overheating of bulky gear to accommodate for changing temperatures.

Learning Objectives

After studying this chapter you should be ready to:

1. Explain entrepreneurship and discuss its importance.

2. Describe corporate entrepreneurship and its use in established firms.

3. Discuss three main reasons people decide to become entrepreneurs.

4. Identify four main characteristics of successful entrepreneurs.

5. Explain the five common myths regarding entrepreneurship.

6. Explain how entrepreneurial firms differ from salary-substitute and lifestyle firms.

7. Discuss the changing demographics of entrepreneurs in nations around the world.

8. Discuss the impact of entrepreneurial firms on economies and societies.

9. Identify ways in which large firms benefit from the presence of smaller entrepreneurial firms.

10. Explain the entrepreneurial process.

Alder's passion for Klymit, and approach to participating in business plan competitions, is reflected in an answer he provided to an interviewer who asked about how the Klymit team prepared for competitions:

We just had so much fun with it that it makes up for all our other sacrifices. Before each event we always made sure we had gotten plenty of sleep, ate a healthy meal, always avoiding alcohol, tobacco, or any other substance that could impact our minds or bodies. All these things combined really helped us stay relaxed and focused to perform well and have a lot of fun doing so.²

If you go to YouTube and type in "Klymit," several of the team's pitches and promos for the company have been posted.

In terms of the business side of Klymit, the company plans to make money by licensing its technology to major outdoor gear and apparel companies like Atomic and The North Face and partnering with companies to refill the canisters that contain the argon gas. Klymit's second source of revenue, selling the refill gas canisters, is particularly attractive for creating a residual income. Similar to the printer industry that sells printers and then has a constant source of revenue from selling replacement cartridges, Klymit will have a steady stream of revenue from people who buy Klymit-equipped jackets and other products and periodically need new canisters of argon gas. Klymit has applied for patents that will protect its unique system of using gas to insulate gear and apparel products and for the technology needed to refill them.

Klymit now has a working prototype of its first product, a ski jacket. Its system has the potential to insulate almost any product that keeps people warm, including pants, boots, gloves, and sleeping bags. Like most start-ups, Klymit had a tough road raising funds, but has been able to secure sufficient investment capital to continue moving forward. Alder and his team have also bootstrapped Klymit's start-up expenses where they could. For example, the patent attorney and law firm that filed Klymit's patent applications agreed to delay compensation until after the company starts making money.

Klymit appears to have substantial upside potential. The company hopes to start generating revenue in 2009, and Klymit-equipped gear and clothing should hit stores in 2009–2010. Nate Alder's dream is that Klymit will revolutionize the outdoor industry the way the iPod has the portable music industry. "Like Velcro," he says, "it's a simple solution to a big problem."³

In this first chapter of your book about the successful launching of an entrepreneurial firm, we define entrepreneurship and discuss why some people decide to become entrepreneurs. We then look at successful entrepreneurs' characteristics, the common myths surrounding entrepreneurship, the different types of start-up firms, and the changing demographics of entrepreneurs in the United States and in nations throughout the world. We then examine entrepreneurship's importance, including the economic and social impact of new firms as well as the importance of entrepreneurial firms to larger businesses. To close this chapter, we introduce you to the entrepreneurial process. This process, which we believe is the foundation for successfully launching a start-up firm, is the framework we use to present the book's materials to you.