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The Counter-Conventional Mindsets of Entrepreneurs

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The Counter-Conventional Mindsets of Entrepreneurs

Abstract

These days, it seems, nearly everyone aspires to be an entrepreneur. But many entrepreneurs think and act differently than the ways in which most other businesspeople do and the ways much of today's business education encourages them to think and act. My in-depth examination of dozens of entrepreneurs I've come to know well over the past two decades tells me that their unconventional – or, dare I say, *counter*-conventional – mindsets and behaviors are marked by six common patterns:

- “Yes, we can”
- Beg, borrow, or steal
- Think narrow, not broad
- Problem-first, not product-first logic
- “No” is something waiting to be turned into “Yes”
- Ask for the cash and ride the float

Thankfully, we now know that entrepreneurs are made, not born. These six patterns of entrepreneurial thought and action are eminently learnable. If you want to someday be an entrepreneur, or if you want the people in your company to become “more entrepreneurial”, developing – or encouraging and incentivizing your people to develop – such a mindset might constitute a suitable first step toward preparing you to follow a more entrepreneurial path or to foster a more entrepreneurial culture in your company.

Key words and phrases: Entrepreneurship, entrepreneurial mindsets, entrepreneurial behavior

THINK DIFFERENTLY, ACT DIFFERENTLY

These days, it seems, almost everyone fancies being an entrepreneur, if not today, sometime in the not-too-distant future. If you aspire to join their ranks, or if you wish your co-workers or employees could become “more entrepreneurial,” you might want to give some thought to the surprising and not simply *unconventional* – but somewhat *counter-conventional* – ways in which entrepreneurial minds typically work. More often than not, I find, they exhibit six ways of thinking and acting that lie at the very heart of their entrepreneurial endeavors.

“YES, WE CAN”

Sao Paulo’s Arnold Correia had a dilemma (Ananias, Forde & Mullins (A), 2013). His small company had been producing events – sales conferences, motivational events, campaign launches and more – for some of Brazil’s fastest growing companies during Brazil’s economic renaissance in the mid-1990s. At an event for Walmart, the company that had been hired alongside Correia’s company to produce a video of the event failed to show up, so Correia was asked if he could do it. “Sure, we can,” was his reply, though he’d neither shot nor edited a video in his life. Correia frantically began calling his friends to find someone who could record the video. “Forty minutes later,” he recalls, “I found someone who could help, but in the strangest place. I had to pick him up at the cemetery, as it was the Day of the Dead, a Christian holiday in Brazil, which commemorated the faithful departed.” (Ananias, Forde & Mullins (A), 2013, p. 3). Video production soon became a key element in Correia’s core offering.

In 2004, following a visit to the United States, Correia spotted an opportunity to produce and distribute training and other video content for his increasingly far-flung multi-location retail clients. Doing so, however, meant not just producing video content, something his ten-person team had learned how to do. It would require mastering satellite distribution of video content, sending staff to install video equipment all over Brazil, and making a considerable investment, too. Correia's staff wondered whether he'd hit his head on something during his trip to the US, and posed all kinds of reasons why a move into 'corporate TV' was simply too risky. Once again, Correia's view was simple. "Yes, we can." And, they did.

Several years later, following the global financial crisis which very nearly put his company under, in 2009 Correia realized that being a 'cost' to his customers wasn't good enough. "I want to be part of the revenue for my customers," he recalled (Ananias, Forde & Mullins (B), 2013, p. 3). The way to do so, he decided, was to produce and distribute customer-oriented content to be broadcast to his retailers' selling areas, which, when interspersed with ads, would generate advertising revenue that could be shared with his retail store clients. "Yes, we can" produce copious amounts of suitable content. "Yes, we can" learn to sell in-store advertising to advertising and media agencies, something his company had never done before. "Yes, we can" license additional content to fill the schedules. Correia's business was completely reinvented yet again. Today, his business, Atmo Digital Media, is one of Brazil's largest digital out-of-home media companies with some 18,000 screens in more than 1,000 'points of sale', like retail stores, and 'points of wait,' like doctor's offices and fitness centers.

“Yes, we can,” when you’ve never done something before isn’t just unconventional thinking. It runs counter to conventional managerial wisdom which holds that one should ‘stick to one’s knitting’ (Moore, 2005) and only pursue opportunities for which the necessary competencies (Prahalad and Hamel, 1990) are in hand. Not so for entrepreneurs like Arnold Correia. First they say, “Yes, we can.” Then they figure out how.

BEG, BORROW, OR STEAL

In 2009, Toronto’s Mimi Naghizada was planning her wedding (Hallen & Mullins, 2016). In preparation for the wedding, she started thinking about how she wanted to style her hair. She decided that she wanted to use hair extensions – something becoming increasingly popular with both celebrities and her friends. However, after going to the local mall with her sister Leyla, she came home quite frustrated. While she found hair extensions, she was not able to find what she was looking for. The amount included in any one package was not quite right; one \$150 package was not going to be enough, but she didn’t really need the full second pack. The color selection was also really limited, and the quality was not what she had expected. She had then gone online to see if there was anything better she could order. There wasn’t.

Her fiancé, Alex Ikonn, had been looking for an opportunity to start his own business. “Is this an opportunity the two of us should pursue?” he wondered (Mullins, 2016). Ikonn had already gained some digital marketing and social media experience working in a startup, so starting an online business seemed the right way to go. “But what about resources,” he asked. He logged onto Alibaba.com and found Chinese manufacturers who could supply the hair extensions, and

would do so in the package sizes and colors that Alex and Mimi thought the market wanted. He found a logistics provider who would receive, hold, and ship the goods to consumers. He found an e-commerce template with which he could build a rudimentary website that could display the hair extensions and process orders. And, thanks to the offers that seemed to arrive weekly in his mailbox, he even found most of the money he needed to pay for the first shipment from China via credit card offers of new accounts with six months' free interest on cash advances.

"We've got six months to make this work," he said to Mimi as he boldly ordered \$20,000 worth of hair extensions (Mullins, 2016). Meanwhile, Mimi began building a following on YouTube with a series of videos addressing hair styling questions which women were typing into their Google search boxes.

Today, six years on, Mimi's videos have been viewed by some 3 million loyal subscribers, and their company, Luxy Hair, sells millions of dollars' worth of hair extensions annually, with a workforce of only four employees. In many companies, the unspoken assumption underlying any new product or new market initiative is that the requisite resources should be rare, valuable, and inimitable and owned and controlled, not borrowed (Grant, 2016). Though the Ikonns didn't really beg (Well, OK, they did ask Alex's Mom for some startup funding, to supplement their credit card funding.), nor steal, in essence they "borrowed" (and continue to borrow) virtually every resource they needed – from factory to warehouse to cash and more – to start and grow what is today a thriving business.

THINK NARROW, NOT BROAD

In August of 2007, Brian Chesky and Joe Gebbia were struggling to come up with the rent soon due on their San Francisco apartment (Mullins (A), 2014). Drawing on the 'creativity can solve problems' mantra they'd learned in college, they came up with an idea that might solve their cash crunch. A large design conference was coming to town, and San Francisco's hotels were booked solid. Chesky recalls, "We thought we could make some money if we rented out our place and turned it into a bed and breakfast. We got three airbeds and created a website called Air Bed and Breakfast. People signed up to rent the airbeds, and we cooked them breakfast every morning and acted like tour guides." (Ekiel, 2011).

Of course, the design conference wasn't the only such event headed their way, so over the next few months, they repeated the process, targeting conferences for which San Francisco's hotel capacity was insufficient. Conferences, nothing else, were their target, met by booking their own airbeds as well as spare rooms and couches of others they commandeered. Sometimes they had success, sometimes not, as getting the word out proved difficult. In early 2008, a much larger and more visible conference was looming, the Democratic National Convention in Denver, at which 100,000 people were expected to attend, putting a strain on Denver's 30,000-room supply of accommodation. Perhaps this was an opportunity to turn their fledgling venture into something more, they thought.

To make a long story short, a quirky stunt, in which they bought 500 boxes of Cheerios, packaged as 'Obama O's', and sold them at \$40 per box, and another 500 boxes of another

cereal packaged as 'Cap'n McCain's' (though these boxes didn't sell very well to the Democratic crowd!), got Gebbia an interview on CNN. That interview, together with lots of publicity that getting a hotel room in Denver was practically impossible, began putting their still-fledgling company, Airbnb, on the map.

In 2009, the duo managed to get accepted into the winter cohort at the elite business accelerator Y Combinator. Venture capital funding soon followed, and the business widened its previously narrow focus on conference-goers to travelers worldwide. The rest, of course, is history. Today, Airbnb has more than 2 million listings in nearly 200 countries and is valued at more than \$50 billion. Its founders' narrow focus on conferences in the company's early days had enabled it to build a beach-head and a small platform from which it could grow.

In many of today's established companies, opportunities to serve narrow markets such as local conference attendees are handily rejected. "Too small; won't move the needle," they say (Cooper, 2008). But an incredibly narrow target market at the outset – one that would scarcely have "moved the needle" for a larger company – has served Airbnb very well.

PROBLEM-FIRST, NOT PRODUCT-FIRST LOGIC

Far too often I hear this from aspiring entrepreneurs. "My new idea is to sell Product X to Customer Y." Not so fast. The much more important question is whether Customer Y has a compelling problem that Product X can resolve. Consider Mexico's Simon Cohen, who in 1996, fresh out of university, was working to build up the international side of his family's textile

business (Gubbins, Walker, & Mullins, 2012). But he had a problem. “The service from the freight forwarding company was very poor. My first order was sending 14 cubic meters of goods to Costa Rica. We didn’t know anything about timing because they didn’t keep us updated, the goods got damaged, and we hadn’t been advised about insurance, so we lost money. This company had been recommended to us, but it was terrible. I tried 10 others, but they were all bad.” (Gubbins, Walker, & Mullins, 2012, p. 2)

Cohen reasoned that other importers and exporters must be struggling with similar service issues, and he wondered whether doing freight forwarding better might be an opportunity to do something independent from what the rest of the family was doing and solve a real problem, too. After an introduction to two Germans who owned a freight forwarding business in Mexico City, Cohen began learning the ropes and, using his sales skills and his network, he soon secured four shipments to handle. He then proposed to the Germans to set up a joint venture in Monterrey to do what the Germans were doing in Mexico City.

From the beginning, Cohen focused on differentiating through quality service. He did not strive to be the cheapest freight forwarder, but aimed to offer the best service. Providing information was key; this involved keeping customers updated on the status and location of their shipments. Cohen worked hard to keep on top of developments: “In the early days, I took advantage of the time differences across the world. Each night, I set my alarm for 2 AM, and spent an hour or so replying to emails, to give instructions to the shipping lines, talk to my agents, get cargo updates, and let customers know where their goods were. Then I would go

back to sleep until the morning. For shipments from China, this meant I gained a day.”

(Gubbins, Walker, & Mullins, 2012, p. 6.)

Cohen’s quest to offer superior service played out in a variety of ways. For one, a shipping line would typically charge ‘demurrage’ fees for its containers, starting from seven days after arrival at the port. This meant that the customer needed to unload and return the container to port as quickly as possible. Anticipating that there could be delays during a shipment’s inland phase, Cohen negotiated with carriers a longer period in which its customers could unload their containers. He was often able to push the deadline back to 15 days – sometimes even 28 days – after arrival, potentially saving his customers thousands of dollars in fees. He also provided a service whereby clients could leave empty containers in the destination city, rather than paying for their return to port. He would usually fill the container with exporters’ goods for the return journey. This saved the customer approximately 40% of inland freight costs.

By solving importers’ and exporters’ problem of poor service, Cohen’s company, Henco Logistics, has grown to become one of Mexico’s largest freight forwarders and is expanding its presence across Latin America. Solve genuine problems and your business will thrive! As the prominent venture capital investor Vinod Khosla famously remarked, “To me, any big problem is a big opportunity. It’s very simple. Nobody will pay you to solve a non-problem.” (Khosla, 2002)

“NO” IS SOMETHING WAITING TO BE TURNED INTO “YES”

Thomas Knobel had shown entrepreneurial tendencies since he was a child, having sold fresh eggs to his Swiss neighbours, even selling his toys while on family vacations to earn pocket money (Philp & Mullins, 2015). While in college in the USA, he decided to put to work the fruits of a study he and a classmate had done on the phone card industry. He bought a vending machine and filled it with phone cards, after having made a deal with a Florida-based carrier which would carry the calls. One week later, his supplier went bankrupt and the phone cards stopped working!

Knobel was devastated, having poured all his savings into the new venture. His supplier's lawyer told him he was at the back of the queue and would never get his money back. Desperate to survive, Knobel remembered a lesson one of his American classmates had taught him about the value of persistence. "No" is something waiting to be turned into "Yes." He began a campaign. Every day, he left at least one voicemail message on every phone at his supplier's offices. "Nobody was answering their phone. I would call and leave a message on extension 101, and then I'd call back and dial extension 102, until there were no more extensions to dial. It was a fight for survival," he recalled. His calls became increasingly emotional. "I'm a student. I have no money. You've taken away my business. I hope your sons and daughters aren't ever treated in this way." (Philp & Mullins, 2015, p. 6) After only a week, the lawyer called back and said Knobel would receive his money if he stopped the voicemails. His money was returned.

In much of today's business world, there are processes for this, procedures and systems for that, and for good reason, too. Eventually, even the most successful entrepreneurial ventures must be 'professionalized' (Gulati & DeSantola , 2016). But the best entrepreneurs, for better or worse, often simply cut to the chase. For them, breaking the rules of 'how things are normally done' is part of the landscape and "No" is not an acceptable answer. They find a way to turn "No" into "Yes."

ASK FOR THE CASH AND RIDE THE FLOAT

In the fourth quarter of 2007, the global financial crisis suddenly landed with a thud on the desk of Rud Browne, a Vancouver-based entrepreneur who'd built a thriving business dealing in used and refurbished mobile computing devices (Mullins, 2014B). These devices, like the ones every FedEx driver carries or your local supermarket clerk uses to reorder more groceries, go through technology cycles, with old versions and their accompanying software regularly being updated to newer-faster-better versions.

Browne's insight was simple. Not everyone wanted the newer-faster-better model. If a company operated a fleet that was growing, for example, thereby requiring additional devices, sometimes what they wanted was more of the 'old' devices, rather than having to upgrade the entire fleet to the new model and the software and systems that went with it. So his company, Ryzex, would buy outdated equipment when companies upgraded – for a song, as it was no longer needed by its previous owners – and refurbish and resell it to companies who needed it

– for a premium price, of course, as Ryzex was typically the only source that could provide the discontinued model.

Browne financed his company's growth by asking for 90 day terms when he bought no-longer-needed equipment and by getting his customers to pay him on delivery, even sometimes in advance. Riding the float between when he received his customers' payment and when he paid his suppliers enabled Ryzex, with no outside investment, to reach \$75 million in revenue, with five offices around the world and 360 employees. When economic confidence stalls, however, IT spending is the canary in the gold mine. Thus, when the crisis hit, companies stopped upgrading their IT, and Ryzex's sales and margins took a hit.

Browne sprang into action, further improving his already-impressive business model. He switched his maintenance contracts from monthly and paid in arrears to annually, paid in advance. He suggested that customers buying new systems (which Ryzex was also offering by then) lease them, at historically low financing rates, rather than buying. This meant he'd get paid by the leasing company in 72 hours, but he wouldn't have to pay the vendor that made the gear for 45 or 60 days. These and other tactics enabled Ryzex to weather the storm. Despite a fall of 25% in sales and 50% in margin dollars, Ryzex went from having \$3 million in debt to a \$6 million cash surplus in just 17 months.

Does riding the float by getting paid on delivery (or even in advance) and paying suppliers on generous terms make more sense than giving up a stake in your business to access investment

capital or relying on bankers with their covenants? Surely, it does. And it's vastly cheaper capital, too! (Leach & Melicher, 2015).

SO, WHAT ABOUT YOU?

The good news is that great entrepreneurs are almost always made, not born. Just as Arnold Correia learned to repeatedly do what his company had not done before, and Thomas Knobel learned from a college classmate the power of persistence, so, too, can you learn to think and act like an entrepreneur. Can you, too, do new things and assemble – but not bother to own – the resources you’ll need, and not take “No” for an answer? Can you find a narrow target market having a compelling problem you can solve? Can you ‘ride the float’ and grow? Yes, you can!

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