

# ENTREPRENEURSHIP IS A LIFE SKILL

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# 1

## PRACTICING ENTREPRENEURSHIP

### CHAPTER OUTLINE

- 1.1 Entrepreneurship May Be Different From What You Think
- 1.2 Beyond the Startup: Ways to Access Entrepreneurship
- 1.3 Entrepreneurship Is a Method That Requires Entrepreneurial Thinking
- 1.4 The Entrepreneurship Method Described
- 1.5 Entrepreneurship Takes Deliberate Practice



## LEARNING OBJECTIVES

- 1.1 Describe the six most important features of modern entrepreneurship.
- 1.2 Explore various pathways to participating in entrepreneurship.
- 1.3 Distinguish between entrepreneurship as a method and as a process.
- 1.4 Illustrate the key components of the Entrepreneurship Method.
- 1.5 Explore the role of deliberate practice in developing entrepreneurial expertise, and recognize how this book supports such a practice.

There's no doubt that the world is an unpredictable place. High school and college students, faculty, and administrators are struggling to keep up with the ever-changing job market, COVID-19 has changed the way people work, those halfway through their careers are asking what else is possible, mature workers are wondering what comes next, and people who thought they were nearing the end of their careers are postponing their retirement to stay relevant. The traditional concept of staying in one job with one company for one's entire working life is a thing of the past. A person is likely to change jobs 12 times in their life, and those aged 25 to 34 stay in a job for an average of only 3 years.<sup>1</sup> In a world full of uncertainty, rapid change is the only constant. You need to get a lot more comfortable with uncertainty and the pace of change that will continue throughout your life. Entrepreneurship can give you the skills and tools you need to thrive in an unpredictable and uncertain future.

Traditionally, entrepreneurship has been associated with launching new businesses. However, this text subscribes to the philosophy that entrepreneurship is a vital life skill that extends far beyond the ability to launch a venture, a life skill that prepares individuals to deal with an ambiguous and uncertain future. In other words, you don't need to build your own company to think and act like an entrepreneur! Entrepreneurship embodies methods for identifying opportunities and approaching problems in new ways so that you are better equipped to manage change, adjust to new environments, and take control of actualizing personal goals, aspirations, and even dreams. It's also a vehicle for developing a set of skills—financial, social, communication, marketing, problem solving, and creative thinking, to name a few—that are applicable across many fields and types of work. Taken together, entrepreneurship embodies a portfolio of mindsets and skillsets that can not only enable you to start a venture but also distinguish you in a variety of traditional and nontraditional life paths. To be entrepreneurial is to be empowered to create and act on opportunities of all kinds.

Given the broad need for and application of entrepreneurship in the world today, this text offers a less traditional definition. **Entrepreneurship** is a way of thinking, acting, and being that combines the ability to find or create new opportunities with the courage to act on them.

The pursuits of entrepreneurs have touched every corner of modern life, affecting every aspect of the way people live—from electricity, to music, to transportation, to agriculture, to manufacturing, to technology, and many more. Although it can be difficult to see entrepreneurial possibilities in the midst of pandemics, unemployment, economic recession, war, and natural disasters, it is this sort of turbulence that often creates new opportunities for economic progress and inspires solutions to the problems of the current generation in order to protect and preserve the planet for future generations. History shows that in spite of the obstacles in their paths, all kinds of entrepreneurs have consistently taken action to change the world. For instance, Alexander Graham Bell invented the telephone (1875); Josephine Cochrane invented, manufactured, and sold the first modern dishwasher (1893); John Blankenbaker created the first personal computer (1971); Henry Ford introduced the moving assembly line (1920); Vinton Cerf and Bob Kahn developed data transfer guidelines, TCP/IP, that gave birth to the internet (1980); and Andrew Weinreich started the first social networking platform, Six Degrees (1996). More recently, the world has witnessed the birth of the iPhone (2007), the deployment of blockchain (2008), the creation of various cryptocurrencies (beginning with Bitcoin in 2009), the mainstreaming of augmented reality (originally developed in 1968), and exploding advances in



artificial intelligence. This text is about creating the next page of history. It's time to bring the voices of today's entrepreneurs into the conversation. It's also time to bring *your* voice into the conversation. What kind of entrepreneur do you want to be? What problems do you want to solve? What impact do you want to make on your world?

(No Model.)

8 Sheets—Sheet 5.

J. G. COCHRAN.  
DISH WASHING MACHINE.

'No. 355,139.

Patented Dec. 28, 1886.

FIG. VIII.

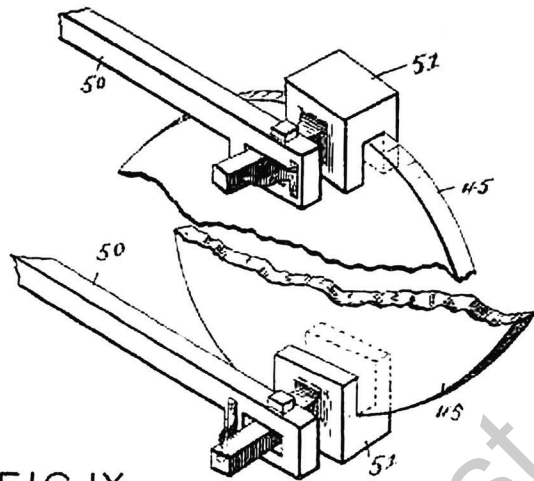


FIG. IX.

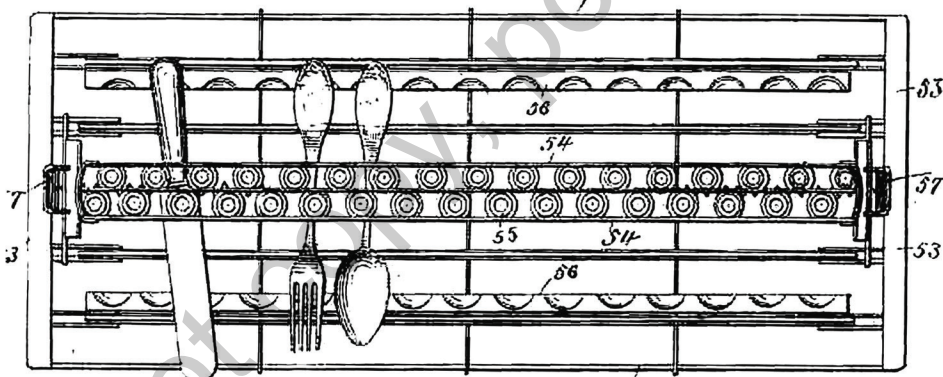
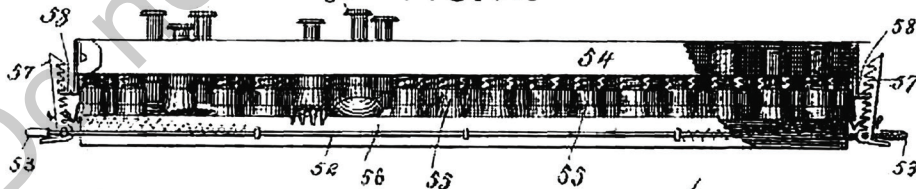


FIG. X.



Attest:  
F. H. Hopkins  
Geo. Wheelock

Inventor:  
Josephine G. Cochran  
By Knight Bros  
Atty's.

The first automatic dishwasher, invented by Josephine Cochrane.

Science History Images/Alamy Stock Photo

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## ENTREPRENEURSHIP MAY BE DIFFERENT FROM WHAT YOU THINK

### LEARNING OBJECTIVE

**1.1** Describe the six most important features of modern entrepreneurship.

The terms *startup* and *entrepreneurship* are often confused or treated the same. The word *startup* came into vogue during the 1990s dot-com boom, when a plethora of web-based companies were first born. The term has various meanings, but this text subscribes to Steve Blank's definition of **startup**: "a temporary organization in search of a scalable business model."<sup>2</sup> In the traditional view of startups, anyone who starts a business is called an entrepreneur. The entrepreneur creates a business based on the validity of an idea or business model. The business may be partially funded by seed money from family members or investors, but usually the majority is funded by the entrepreneurs themselves.

If the business is successful, the startup does not remain a startup. It can develop into its own formal organization, be merged with another organization, or be bought by another company. This traditional view of the startup, however, is not the only path for entrepreneurs. The truth is that entrepreneurs are everywhere, from corporations to franchises, in nonprofits and nongovernmental organizations (NGOs). Entrepreneurs run family businesses and even buy existing businesses. We will explore these different types of entrepreneurs in more detail later in the chapter.

Our belief is that by taking action to put ideas into practice, everyone can be more entrepreneurial. However, this is not necessarily the same message delivered by popular media. The media often exaggerate the meteoric rise of "overnight global sensations," such as Bill Gates (Microsoft), Jeff Bezos (Amazon), Mark Zuckerberg (Facebook), Elon Musk (Tesla), Jack Ma (Alibaba), Oprah Winfrey (Harpo Group), Howard Schultz (Starbucks), Sara Blakely (Spanx), Sergey Brin (Google), and Travis Kalanick (Uber). The likes of Sergey Brin and his peers are certainly inspirational and led startups in the beginning, but few people can personally identify with the stories surrounding them, and they do little to represent the reality of entrepreneurship. Have you ever heard of Juan Giraldo? See *Entrepreneurship in Action*. For every Elon Musk, there are millions more like Juan Giraldo. You don't see Juan's picture on the cover of magazines, yet he's making his own impact on the world.

### Features of Modern Entrepreneurship

The narrative is changing. Rather than focusing on the mythical overnight success story of the entrepreneur inventing the next big thing in their garage or overemphasizing the role of the traditional startup, let's take a look at the six features of modern entrepreneurship, its relevance to the world today, and how entrepreneurship is now a path for many (see Table 1.1).

#### Feature 1: Entrepreneurship Is a Method That Requires Practice

It would be hard to find a school today that is not offering at least one entrepreneurship course. The study of entrepreneurship is pervasive, but a lot of schools continue to teach the *process view* of entrepreneurship. The process view assumes starting something new is a linear process, which involves identifying an opportunity, understanding resource requirements, planning, acquiring resources,

**TABLE 1.1** ■ Features of Modern Entrepreneurship

Feature 1	Entrepreneurship is a method that requires practice.
Feature 2	Entrepreneurs think differently.
Feature 3	Entrepreneurs act more than plan.
Feature 4	Entrepreneurs aren't driven purely by profit.
Feature 5	Entrepreneurs collaborate more than they compete.
Feature 6	Entrepreneurship is a life skill.

implementing the plan, and harvesting (exiting a business).<sup>3</sup> But the word *process* often assumes known inputs and known outputs. A process, in this way, is quite predictable.

Entrepreneurship is not predictable and, therefore, cannot adequately be taught as a process. The more modern approach is practicing entrepreneurship as a *method*, as advocated in this text, which results in a body of skillsets with an associated entrepreneurial mindset that—when developed through practice over time—constitutes a toolkit for entrepreneurial action.<sup>4</sup> Learning entrepreneurship as a method goes beyond simple understanding, knowing, and discussing. The content of this text requires using, doing, and acting. Furthermore, the method advanced in this text requires consistent practice so that knowledge and expertise can be continuously developed and applied to future endeavors. Approaching entrepreneurship as a method is less about memorizing content and more about how to teach yourself to learn to better identify opportunities, embrace uncertainty, and act when you don't have the information you want. More on entrepreneurship as a method a bit later in this chapter!

## Feature 2: Entrepreneurs Think Differently

Looking at entrepreneurs from the outside, you might think they are just a different breed of human! It is often assumed that entrepreneurs have a gene that others don't or they have a special set of personality characteristics that distinguishes them from others. Both of these assumptions are false.

Very early research into the entrepreneur's personality found four main characteristics: a need for achievement, an innate sense of having the ability to influence events, a tendency to take risks, and a tolerance for ambiguity. This research has not been replicated, and critics point out that the research sample only included white men.<sup>5</sup> Furthermore, the research is unclear as to whether these characteristics existed prior to individuals becoming entrepreneurs (indicating a fixed trait) or whether these traits developed over time as a result of engaging in entrepreneurial action (indicating they were developed through practice). Academics researching traits of entrepreneurs seem to have a prevailing fascination with defining “who” entrepreneurs are rather than what entrepreneurs do or how they think.

Modern research has moved away from characteristics and traits in favor of examining how entrepreneurs think. In particular, the work of researcher Saras D. Sarasvathy has expanded our understanding of the entrepreneurial mindset. Through a study involving **serial entrepreneurs**—entrepreneurs who start several businesses, either simultaneously or consecutively—Sarasvathy discovered that entrepreneurs exhibit similar patterns of thinking. Her research led her to develop a theory she calls **effectuation**, which is the idea that the future is unpredictable yet controllable through human action. Entrepreneurs create and obtain control by taking actions to learn, collecting new and relevant information, reducing risk and uncertainty, and using resources that are available at a particular point in time.<sup>6</sup> In other words, **effectuation theory** suggests that entrepreneurs start small with what they have rather than what they think they need. Every action leads to other actions and new resources.

Sarasvathy believes that effectual entrepreneurs focus on creating a future rather than predicting it. This means they create new opportunities, make markets rather than find them, accept and learn from failure, and build relationships with a variety of stakeholders (that is, individuals and groups who are impacted by the performance of a business). The most common stakeholders are employees, customers, suppliers, shareholders, local communities, and governments. Effectual entrepreneurs use their own initiative and resources to fulfill their vision of the future. See Research at Work later in this chapter for more on effectuation theory.

The most exciting outcome of effectuation theory is that it scientifically proves that entrepreneurs are made and not born. People can learn to think and act in more entrepreneurial ways. That's what this book is all about.

## Feature 3: Entrepreneurs Act More Than Plan

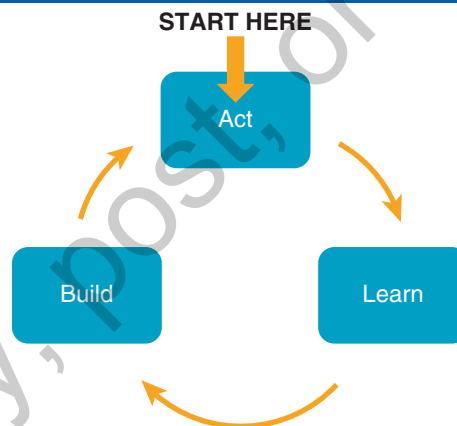
The “business plan” is less important today than real data, live action, and proof. Traditional planning has been replaced by **evidence-based entrepreneurship**.<sup>7</sup> Evidence-based entrepreneurship aligns with the scientific method of collecting data and testing ideas to validate (or not) that an opportunity is worth pursuing. So what does this mean? Entrepreneurs act: They share their ideas with others to get feedback, interview potential customers, test and experiment with product and service ideas before going all in, and critically analyze all the information they collect. With every action, real, relevant,



and timely data are collected that inform the next steps. The choice is simple. You can spend hours writing a business plan that may or may not work, or you can take small, smart actions to collect data to prove that something can work. Even if the data proves that your idea can't work, the time spent taking action was time well spent.

Starting something new means that you don't have all the answers, and from the outside, it can be perceived as extremely risky. Contrary to the stereotype that entrepreneurs like to gamble when the stakes are high, there is no evidence to suggest that entrepreneurs take more risks than anyone else. In fact, entrepreneurs with gambling tendencies are usually not successful, simply because they leave too much to chance.<sup>8</sup> Risk is very personal and relative. Things always seem riskier from the outside looking in because outsiders really don't know what calculations were made to take the first step, then the second, then the third, and so on. In fact, most entrepreneurs are very calculated risk takers and gauge what they are willing to lose with every step taken. As they take more actions and collect more evidence, they are willing to "risk" more because they have enough real data to mitigate the risk. Entrepreneurs practice a cycle of act-learn-build that encourages taking small actions in order to learn and then build that learning into the next action (see Figure 1.1).<sup>9</sup> In other words, you are acting your way into learning rather than learning before acting. Entrepreneurship should never be a zero-sum game; it's never an all-or-nothing decision. It's not about ascending the summit of Mount Everest without ropes or oxygen. It just looks that way from the outside!

**FIGURE 1.1** ■ Act-Learn-Build

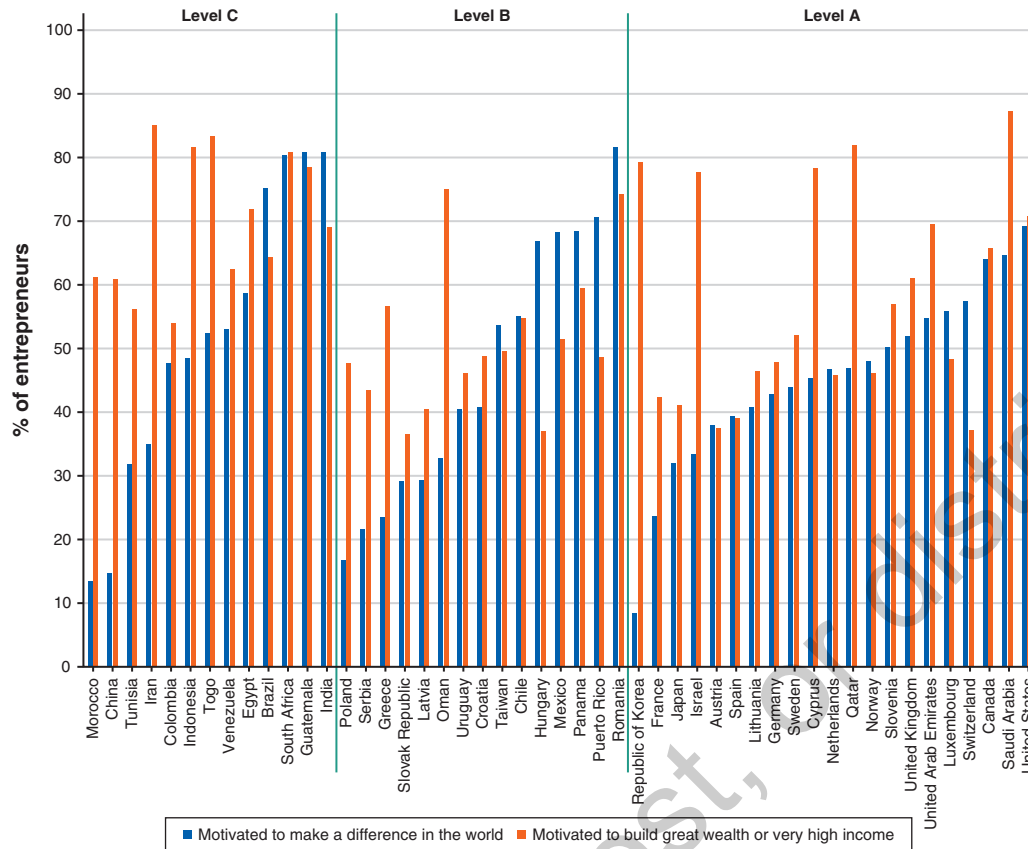


#### Feature 4: Entrepreneurs Aren't Driven Purely by Profit

Today, the highest performing companies do good for society and the planet while also making money. For instance, Juan Giraldo's company Waku, profiled in *Entrepreneurship in Action*, is doing more than selling a new beverage: It's also working to improve the health and wellbeing of its customers as well as creating new business for farmers in rural Ecuador. Entrepreneurs are driven by far more than profit. The Global Entrepreneurship Monitor (GEM) annually measures entrepreneurial activity around the world. GEM also seeks to understand the motivations for starting a business. Entrepreneurs included in the 2021 annual survey were asked whether they agree or disagree with the following motivations:<sup>10</sup>

- To make a difference in the world
- To build great wealth or very high income
- To continue a family tradition
- To earn a living because jobs are scarce

Figure 1.2 shows the percentage of entrepreneurs that somewhat or strongly agree that their motivation to start a business is because they want to make a difference in the world and/or build great wealth or very high income. Entrepreneurs in the United States are almost equally motivated by wealth

**FIGURE 1.2** ■ Entrepreneurs Motivated to Make a Difference and/or Build Great Wealth

Note: Level A countries are those where the GDP per capita is greater than \$40,000; Level B countries are those where the GDP per capita is \$20,000–\$40,000; Level C countries are those where the GDP per capita is less than \$20,000.

Source: Data from Global Entrepreneurship Monitor (2023). *Global Entrepreneurship Monitor 2022/2023 Global report: Adapting to a "new normal."* GEM.

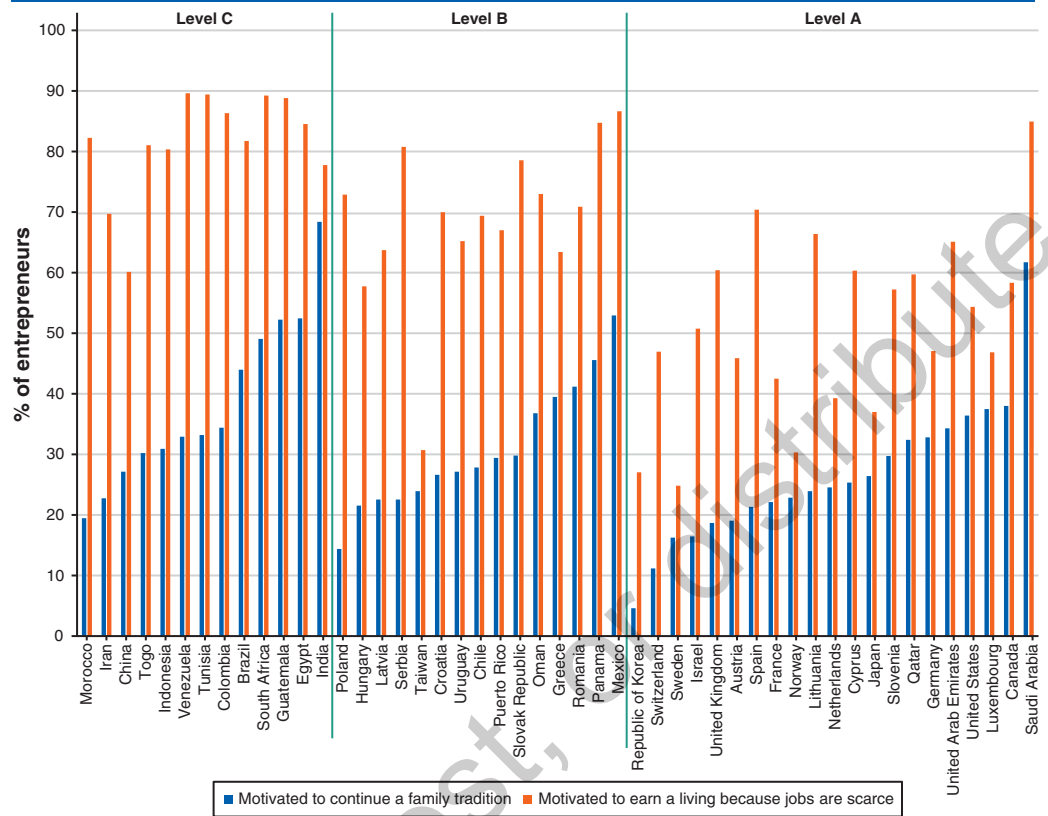
and impact. As you can see from Figure 1.3, Americans are far less motivated to continue a family tradition. Similarly, most are not starting businesses because they have no other choices for work. Spend some time reviewing the other countries in Figures 1.2 and 1.3. What do you see?

### Feature 5: Entrepreneurs Collaborate More Than They Compete

Community and networking play important roles in entrepreneurship. No entrepreneur is an island, and building strong connections with others is key to business success. The best networks can provide entrepreneurs with access to external sources of information, financing, emotional support, and expertise and allow for mutual learning and information exchange. Network building is a dynamic process, which expands and evolves over time. Continuously making purposeful and valuable connections is essential for gaining traction on new ideas or growing existing opportunities.<sup>11</sup> At the heart of purposeful networks is collaboration and sharing. This aspect of entrepreneurship is so important to entrepreneurship that this text includes an entire chapter on it (see Chapter 9).

What is not so often discussed, however, is that entrepreneurship can be lonely.<sup>12</sup> Working on your own, trying to get something started, dealing with challenges, and not having someone above you supporting you or critiquing decisions can be hard to handle. So having business partners or collaborating with others can reduce the loneliness factor. Also, entrepreneurs draw on shared experiences and the desire to learn from others facing similar challenges. It can be hard to know what entrepreneurship is all about until you are actually in the throes of it, so it becomes very important to have a support group of like-minded entrepreneurs willing to help one another out with a “pay it forward” attitude—collaborating for the greater good.<sup>13</sup>

**FIGURE 1.3** ■ Entrepreneurs Motivated to Continue Family Tradition or Through Job Scarcity



Note: Level A countries are those where the GDP per capita is greater than \$40,000; Level B countries are those where the GDP per capita is \$20,000–\$40,000; Level C countries are those where the GDP per capita is less than \$20,000.

Source: Data from Global Entrepreneurship Monitor. (2023). *Global Entrepreneurship Monitor 2022/2023 Global report: Adapting to a "new normal."* GEM.



Steve Jobs and Bill Gates collaborated on the Apple Mac despite being fierce competitors.

Alena Kravchenko/Alamy Stock Photo



Not only do successful entrepreneurs collaborate with other entrepreneurs, but they also collaborate with their target customers to test new ideas and with potential investors to build trust. In fact, recent studies have shown that collaboration and information sharing are more important in entrepreneurship than skills like opportunity recognition.<sup>14</sup>

### Feature 6: Entrepreneurship Is a Life Skill

As discussed in the introduction to this chapter, traditionally, entrepreneurship has been associated mostly with launching new businesses. However, in the modern era, the meaning of entrepreneurship has transcended into something more than just the ability to begin a new business. Embracing entrepreneurship education, as you are now doing by reading this book, will provide you with a set of skills that can be applied to many other fields (e.g., art, music, engineering, medicine) and in organizations of all types (e.g., startups, corporations, nonprofits, family businesses, franchises). In this book, entrepreneurship is often viewed through the lens of starting and running new businesses. Keep in mind, however, that what you learn through this lens has a far-reaching impact.

Organizations of all kinds want to hire entrepreneurial people. It used to be that if you talked about being entrepreneurial in a job interview, you were certain not to get the job because the company feared they would train you and then you would leave to start something on your own. Today, hiring managers want to find employees with an entrepreneurial skillset and mindset. They want employees to creatively solve problems, identify new opportunities, embrace ambiguous circumstances, navigate through uncertainty, and take ownership. Remember the definition of entrepreneurship: a way of thinking, acting, and being that combines the ability to find or create new opportunities with the courage to act on them. Whether you are starting a new business, employed by a small or large company, working in a family business, or just trying to do something new, the ability to think and act more entrepreneurially is a necessary life skill that can help you get comfortable with uncertainty, accept change as a constant, and look at the world through a solution-driven, opportunity lens.

Now that you are familiar with the features of modern entrepreneurship, it is time to start your entrepreneurial journey and create your narrative. The world's economic and societal future depends on the ingenuity, resourcefulness, and resilience of entrepreneurs of all kinds, and the traditional, narrow definition has stifled what it really means to be entrepreneurial. To begin exploring this new narrative, let's look beyond the startup and discuss different types of entrepreneurship in practice today.

## ENTREPRENEURSHIP IN ACTION

JUAN GIRALDO, WAKU

### Boston, Massachusetts, United States

Entrepreneurs are seeing many opportunities in the market for healthy drinks: no sugar, low sugar, vitamin-infused waters, carbonated, not carbonated, healthy teas, fermented teas, drinkable yogurt, cold brew coffees, smoothies—it seems that everyone is craving tasty yet healthy replacements for soda. Dozens of new beverages have emerged in the marketplace to satisfy the latest health trends, serving consumers' needs to feed the mind, body, and spirit. A generational shift has created a beverage market with exponential growth. Take kombucha, for instance: This fermented tea, which is claimed to provide significant health benefits, is expected to be a \$5 billion industry by 2025.

Juan Giraldo, an Ecuador-born entrepreneur, has been capitalizing on these trends with his company, Waku. He envisioned providing a modern twist to ancient tea while also creating a U.S. company that benefited Ecuador.<sup>15</sup> The company's name comes from the Quechua word *wanku* (together), which represents both the art of tea blending by combining the highest quality ingredients and the combined team effort of local farmers and employees to produce the product.



Waku founders Juan Giraldo (right) and Nicolas Estrella (left).

Courtesy of Juan Giraldo

Waku produces and sells a filtered water brew blend of herbal teas and prebiotic fiber with zero added sugar. The beverage both supports a healthy gut and uses only ethically sourced ingredients from the Andes Mountains of Ecuador. The ready-to-drink tea market is massive at \$7 billion, but Juan notes that “legacy brands come loaded with added sugar, fake flavors, and empty calories.”<sup>16</sup> Waku competes directly with kombucha-style drinks, but Juan claims, “Waku tastes much better.” Traditional kombucha is a lightly fermented beverage that boasts great health benefits derived from various probiotics. “Waku’s prebiotic teas are also delicious and nutritious, but the health benefits stem from the prebiotic fiber as well as the medicinal benefits of the herbs used in the ingredients. The teas are not fermented, we call it a tonic, and are excellent for one’s digestive system.”

Juan has been an entrepreneur since he was 19 years old. His first company was an advertising firm that he sold to his business partner, and his next venture was an online fashion outlet that went bankrupt within 18 months. After that, he became CEO of a small IT consulting firm before founding Waku. The idea for Waku arose when Juan and his friend and cofounder, Nicolas Estrella, exchanged fond memories of the tea they used to drink back home in Ecuador.

After both moved to Boston, they decided to produce their own version of this beverage and sell it in the Boston area. They began production in Ecuador with six independent Andes farmers while they developed prototypes in the United States. The company ethically sources herbs and ingredients from rural farmers that don’t have traditional, direct market access, which in turn provides business to “one of the most vulnerable populations in Ecuador: Indigenous farmers, 42% of whom live under the poverty line.” As a consumer-packaged goods (CPG) company, Waku disrupts the market by providing customers with “better-for-you, better-for-the-environment options.” Juan has succeeded in bringing Ecuadorian flavors to the world while giving back to the people of his country.

At the same time Juan was developing Waku, Juan was also earning his MBA at Babson College. Thinking millennials were his target market, he organized countless taste tests among his classmates to compare his Waku recipes to the competition. By developing early prototypes and conducting taste tests, he was able to interact with potential customers and get valuable feedback. Juan quickly learned that his target customers were not, in fact, millennials but women between the ages of 40 and 60 who wanted to live a healthier lifestyle.

The early growth of Waku created supply challenges. As the company grew from shipping one pallet of ingredients from Ecuador to ordering one full container (20 pallets) a month, Waku altered its strategy for paying its suppliers. Originally, Juan was expected to pay for all ingredients at the

time of purchase, but that required a lot of cash up front. At the same time, Waku needed the ingredients from its suppliers to effectively meet forecasted demand. To find a solution, Juan traveled to Ecuador to work out a deal. After building trust with his suppliers, he proposed they give Waku 180 days of credit to pay for ingredients. This would allow Waku the time to get the ingredients, produce the teas, sell the teas, and then pay the suppliers.

Waku intentionally started as an e-commerce service because it allowed the business to own the customer relationship and gather data. Gradually the company has shifted to selling through retailers. With \$450,000 in annual revenues and commitments from national retailers like Whole Foods and Sprouts for 2023, Juan truly believes in the brand because of how it connects him to Ecuador. “We did not create our products in a lab; these are recipes that have been consumed for centuries in our country—way before even Coca-Cola existed.” Today, Waku has ten full-time employees, an intern, a couple of strategic consultants, and a world-class board of advisors. As Waku continues to grow, many people in Ecuador will reap the benefits through an influx of capital and job creation.

Juan recalls never being afraid to ask for advice. “I sent out emails to the top competitors in the industry, simply asking for advice. And many were more than willing to offer it!” He believes emerging entrepreneurs must not “be shy to ask for help. Mentors can have a huge impact on your performance. Reach out to the superstars in your industry. You will be amazed how many people want to help a young entrepreneur with the burning desire to succeed.”

### Critical Thinking Questions

1. Describe Juan as an entrepreneur. In what ways can you relate to him?
2. How is Juan practicing evidence-based entrepreneurship? (This is a term you will learn in this chapter!)
3. Juan wanted to start a business in the U.S. that impacted his home country of Ecuador. What impact is he making economically and socially?

### Source

Interview with Juan Giraldo conducted by Heidi Neck, December 12, 2022.

## BEYOND THE STARTUP: WAYS TO ACCESS ENTREPRENEURSHIP

### LEARNING OBJECTIVE

- 1.2** Explore various pathways to participate in entrepreneurship.

Now that you know more about the features of modern entrepreneurship, let’s take a look at the types of entrepreneurship that are most common today.

### Corporate Entrepreneurship

**Corporate entrepreneurship** is the process of creating new products, ventures, processes, or renewal within large corporations.<sup>17</sup> It is typically carried out by employees working in units separate from the mainstream areas of the corporation who create and test innovations that are then assimilated into the broader corporation—sometimes called the “innovation arm” or “innovation unit of the company.”

Corporate entrepreneurs tend to explore new possibilities and seek ways in which the organization’s current structure and process can enable innovation. Similar to startup entrepreneurs, corporate entrepreneurs identify opportunities, build teams, and create something of value in order to enhance the company’s competitive position and organizational profitability. Procter & Gamble (P&G) has a growth factory initiative in which P&G employees apply a unique innovation framework to find new opportunities for the company. This initiative has increased P&G’s new product success rate from 15% to 50%.<sup>18</sup> One success story is Tide Cleaners. Tide laundry detergent was introduced in 1946.





Tide Cleaners illustrates Procter & Gamble's embrace of entrepreneurship.

PhotoStock-Israel/Alamy Stock Photo

Capitalizing on its brand loyalty and recognizing the need for innovation in the dry-cleaning market, P&G launched Tide Cleaners as a franchise in 2008. Today, there are 190 stores across 24 states.<sup>19</sup>

Some corporations also have **corporate venturing** units that invest directly in external startups and sometimes internal startups. Companies understand that the best ideas and people may not be inside the company, so investing in startups is now considered a viable option for new growth. For example, the Dow Chemical Company, the second largest chemical company in the world, operates Dow Venture Capital, which invests in technology startups that align with Dow business units and address world challenges such as clean water, renewable energy, and agriculture.

Overall, more and more corporations like Google, Apple, Virgin, Dow, P&G, and Amazon are encouraging an entrepreneurial spirit among their employees. Historically, large companies didn't encourage entrepreneurial behavior inside the company for fear those employees would leave the company and pursue their own ventures. This is really an outdated view, though. Most corporations realize that they no longer have long-term employees, and just about every corporation needs to embrace corporate entrepreneurship.

### Entrepreneurship Inside

**Entrepreneurs inside**, also called **intrapreneurs**, are employees who think and act entrepreneurially within different types of organizations. Although this sounds similar to corporate entrepreneurs (entrepreneurial employees who work for large corporations), there is an important difference: Entrepreneurs inside can exist and function in any type of organization, big or small, including government agencies, nonprofits, religious entities, self-organizing entities, and cooperatives.<sup>20</sup> Entrepreneurs inside feel like owners of their work and embrace experimentation; they have a different level of pride and engagement than the average employee. They embody the idea that entrepreneurship is a life skill, and they simply have a deeper connection to the work they do.

Becky Zimmermann, CEO of Design Workshop, a landscape architecture, planning, and urban design studio in Denver, is a big believer in the power of entrepreneurial skills inside an organization:

Embracing entrepreneurship enables each person to develop their professional capabilities to their fullest potential. It encourages initiative, creativity, improvement of technical skill and increased decision-making responsibility . . . Each person has an obligation to share their distinct experience, education and insight and to suggest better ways to improve efficiency, increase profitability and enhance the quality of work.<sup>21</sup>



Michael Bruny.  
Courtesy of Michael Bruny

Entrepreneurs inside have the capacity and desire to change their organizations from within. They are not necessarily the leader of the organization, but they have a willingness to try new things that generate value. Consider the story of Michael Bruny, an HR employee at Babson College. To help encourage college employees to come back to work and reengage in a post-COVID-19 environment, he decided to start a pickleball league on campus. No one told him not to do it, and no one told him to do it; he just did it. The result? A lot of newly energized Babson employees have started playing pickleball. All are welcome in Michael's league, and he will even teach you how to play. Who knew that a game of pickleball could inspire a new sense of community? Well, we wouldn't know without the entrepreneurial Michael Bruny stepping up.

What inside entrepreneurs have in common with other entrepreneurs is the desire to create something of value, be it a groundbreaking initiative or a new department, product, service, process, or a pickleball league!

## Franchising

**Franchising** is a method of distributing products or services involving a franchisor (the founder of the original business; the creator of the brand name and business operating system) and franchisee (the operator that buys the license to do business using the company name and operating system).<sup>22</sup> In this type of entrepreneurship, both the franchisor and the franchisee are entrepreneurs. Franchising can be a beneficial way for entrepreneurs to get a head start in launching their own businesses, as they do not have to spend the same amount of time on marketing, building the brand, developing processes, and sourcing product.

A franchise is often referred to as a “turnkey operation.” In other words, the franchisee turns the key to open the door and is ready for business. A franchisee not only pays the franchisor a lump sum to buy the franchise but also has to pay **royalties**, which are calculated as a percentage of monthly sales revenue and usually range from 4% to 12%. According to results of *Entrepreneur* magazine's Franchise 500 for 2022, the top five franchises are Taco Bell, The UPS Store, Popeyes Louisiana Kitchen, Jersey Mike's Subs, and Culver's.<sup>23</sup> Today there are more than 792,000 franchise establishments employing 8.5 million people in the United States alone.<sup>24</sup> Table 1.2 describes the pros and cons of owning a franchise.<sup>25</sup>





A 7-Eleven franchise location.

Richard Levine/Alamy Stock Photo

TABLE 1.2 ■ Pros and Cons of Owning a Franchise	
Pros	Cons
Ready-made business systems (store layout, equipment, inventory systems, etc.) to help the franchisee become operational right away.	A franchise can come with high startup costs because an initial fee must be paid upfront. One Taco Bell franchise requires an initial investment between \$575,000 to \$3.4 million depending on location.
Formal training program (online modules, formal training class) after franchise agreement signed.	Royalties (percentage of sales) to be paid to franchisor every month. These range from 4% to 12%.
Less risky because the product and services have brand recognition and have been tested in the market.	Strict franchisor’s rules with no wiggle room to change the look of the store, uniforms, or products.
Marketing/Advertising already in place to help promote your franchise.	Requirement to pay a percentage of gross sales into the franchisor’s marketing fund.
Excellent support systems (in-house personnel, field reps, etc.).	Most products and supplies need to be purchased from the franchisor.
Real estate resources to help source best location for franchise.	Sale of franchise requires approval from the franchisor.
A franchisee network to reach out to for help and advice.	Potential competition from other franchisees in the network.

Sources: Adapted from Josephson, A. (2022, August 25). *The pros and cons of franchising*. SmartAsset. <https://smartasset.com/career/the-pros-and-cons-of-franchising>; Libava, J. (2014, December 15). *Pros and cons of owning a franchise: Should you buy a franchise?* The Franchise King. <https://www.thefranchiseking.com/franchise-ownership-pros-cons>

### Buying a Small Business

Buying a small business is another way to enter the world of entrepreneurship. In this arrangement, the entrepreneur is buying out the existing owner(s) and taking over operations. For some entrepreneurs, this is a less risky approach than starting from scratch but not as rigid and inflexible as a franchise.<sup>26</sup> Chris Cranston was the owner of FlowDog, a canine aquatic and rehabilitation center outside



of Boston. In 2009 she bought the business, which was called Aquadog at the time, from the previous owner. Cranston changed the name but inherited a loyal customer base, pool equipment, location, some employees, and a favorable lease. In Cranston's words, "Starting from a blank slate was too overwhelming for me. I needed something that I could build upon. That I could handle!"<sup>27</sup> And handle it she has. FlowDog grew an average of 20% each year between 2009 and 2018, when Chris sold the business to a large animal hospital in Boston. There are tens of thousands of businesses for sale at any given point in time, but only 30% to 40% actually sell.<sup>28</sup> Reasons vary why a business doesn't sell—from little cash flow to a poor business model to declining demand. Take a look at BizBuySell.com, the largest online marketplace for buying and selling a business, and search your area for businesses for sale.

## Social Entrepreneurship

Since the beginning of the 21st century, social entrepreneurship has become a global movement, with thousands of initiatives launched every year to improve or solve social problems, such as lack of clean water, inequity in education, poverty, and global warming.

There has been considerable debate as to how to define social entrepreneurship. Some argue that all types of entrepreneurship are social, while others define it as purely an activity of the nonprofit sector. These blurred lines imply that entrepreneurs are forced to choose between making a social or an economic impact. Social entrepreneurs can do both. It is possible to address a social issue and make a profit—keeping a company economically stable ensures its ability to consistently meet the needs of its customers without relying on fundraising or other methods to keep it afloat.<sup>29</sup> **Social entrepreneurship** can therefore be defined as the process of sourcing innovative solutions to social and environmental problems.<sup>30</sup>

The lines between social and traditional entrepreneurship are gradually fading. In fact, we considered eliminating the term "social entrepreneurship" in this edition of the book because our belief is that all entrepreneurs need to do good for the world and do well financially. It's just the nature of modern business today. We'll explore this blurring boundary further in Chapter 3, where we introduce the **Sustainable Development Goals (SDGs)**, which provide a blueprint developed by the United Nations for achieving a thriving, inclusive, and sustainable society by 2030. The goals address ending poverty, combating climate change, and improving health care, just to name a few. Meeting these goals isn't just the right thing to do: If companies play their part in addressing these challenges, then \$12 trillion could be generated in business opportunities, and 380 million jobs could be created worldwide.<sup>31</sup>

Further highlighting the importance of social innovation and impact, a special category of business has emerged in the form of the **benefit corporation, or B Corp**. This is a form of organization certified by the nonprofit B Lab that ensures that strict standards of social and environmental performance, accountability, and transparency are met.<sup>32</sup> The voluntary certification is designed for for-profit companies aiming to achieve social goals alongside business ones. To be certified as a B Corp, the organization is rated on how its employees are treated, its impact on the environment, and how it benefits the community in which it operates.<sup>33</sup> B Corp certification ensures that the for-profit company fulfills its social mission, and the certification protects it from lawsuits from stakeholders that may claim that the company is spending more time or resources on social issues rather than maximizing profit.

B Corp members include Better World Books, which donates a book to someone in need every time a book is purchased; Revolution Foods, which provides affordable, freshly prepared meals to school children from low-income households; and the UK-based Toast Ale, which is tackling food waste by making beer from leftover bread from bakeries and supermarkets that would otherwise have been thrown away.<sup>34</sup>

## Family Enterprising

A **family enterprise** is a business that is owned and managed by one or more family members beyond the founding generation.<sup>35</sup> What makes family enterprising part of the portfolio of entrepreneurship types is that each generation has an opportunity to bring the organization forward in new, innovative ways.<sup>36</sup> The 5.5 million family-owned businesses in the United States are hugely important for the U.S. economy, accounting for 63% of employment and 78% of new jobs.<sup>37</sup>

An entrepreneurial agenda to move the family business forward is essential to business survival, as demonstrated by their low survival rate: Approximately 70% of family businesses fail or are sold before the second generation reaches a position to take over.<sup>38</sup>

Many leading organizations that are family businesses are generally considered more stable, not only because of their history and experience but also because of their ability to take a long-term view, which inspires commitment and loyalty from employees. Yet a long-term view that becomes stagnant is detrimental and can lead the company into a downward spiral.

Widely known businesses such as Walmart in the United States, auto company Volkswagen in Germany, and health care company Roche in Switzerland are all long-standing family businesses that continue to go from strength to strength. To continue their cycle of growth and continuity, family members must pass on their entrepreneurial mindsets as well as their business ethos. It is this mindset that ensures the survival of the family business for many years to come.

## MINDSHIFT

### TELL ME YOUR STORY

Every entrepreneur has a story. What beliefs and expectations do you have about entrepreneurs' stories? To what extent do you think they conform to media images of entrepreneurs? In what ways might you expect them to be different? Here is an activity to help you examine your beliefs and expectations.

Find and introduce yourself to an entrepreneur—any type of entrepreneur is fine. Ask for 20 minutes of their time, and simply start with the opening question: *Tell me the story of how you became an entrepreneur.*

As the story unfolds, you may want to ask other questions, such as the following:

*What motivated you to start a business of your own (e.g., money, impact, autonomy)?*

*What worried you the most as you started the venture?*

*What excited you most about starting the venture?*

*What resources did you use to start? Where did they come from?*

*What moments do you remember most?*

*Who helped you most along the way?*

*How do you describe yourself to others?*

*What advice do you have for me as a student of entrepreneurship?*

After having this 20-minute conversation, reflect on the beliefs and expectations you started with and answer the Critical Thinking Questions.

#### Critical Thinking Questions

1. In what ways did your chosen entrepreneur confirm your beliefs and expectations?
2. In what ways did the story motivate you (or not)?
3. What did you learn that was most unexpected?

## ENTREPRENEURSHIP IS A METHOD THAT REQUIRES ENTREPRENEURIAL THINKING

### LEARNING OBJECTIVE

- 1.3** Distinguish between entrepreneurship as a method and as a process.

Entrepreneurship is often referred to a process, but the word “process” can be misleading. Process connotes a series of linear steps taken to achieve a particular end, such as the entrepreneurship process seen in Table 1.3.

**TABLE 1.3 ■ The Entrepreneurship Process: Not a Realistic View**

Step 1	Identify an opportunity.
Step 2	Write a business plan.
Step 3	Get resources and financing.
Step 4	Execute the plan and develop a strategy.
Step 5	Manage and grow the business and measure progress.
Step 6	Sell the business and retire independently wealthy.

The process approach suggests that if you follow the six steps correctly, your new venture is more likely to succeed, and that if you use proven business models, your risk of failure is reduced. There is no doubt that such a process works for larger organizations and corporations—but entrepreneurial ventures are not just smaller versions of large corporations.<sup>39</sup> The 6-step process isn't enough for entrepreneurial ventures. Why? Because it's too linear and unrealistic. Apart from the fact that the creation of a business model is no longer a required element of starting a business, entrepreneurship is just not that clean. It's not like following directions on the back of the box to make your favorite cake. Entrepreneurship is more like finding a bunch of cool ingredients and trying to make a meal that's never been made before. Making that meal will be very iterative and messy as you throw out some stuff, start over and try again, taste, taste again, add ingredients, take ingredients away, and on and on and on until you have something really good that people want to eat!

Entrepreneurship is nonlinear and unpredictable; it is ill-defined, unstructured, and complex. In fact, 20% of startups fail in the first year, and 50% of fail by the end of the fifth year.<sup>40</sup> There are several reasons for the extraordinary failure rate, such as lack of entrepreneurship education and preparation and not developing the ability to work through the messiness, accept ambiguity, and take action—even when you are not really sure what to do. The interesting side of failure is that research has shown that if entrepreneurs who have failed try again, they are far more likely to be successful in their second venture—even if the second venture is completely different from the first.

The point of these statistics is not to scare you but to show how unpredictable, complex, and chaotic entrepreneurship can be. The environment for entrepreneurship is fluid, dynamic, uncertain, and ambiguous. A linear step-by-step process typically won't work under such conditions. Doesn't it make sense that the way you learn entrepreneurship needs to help you manage all of this? Rather than a process view, this text advances entrepreneurship as a method.

Whereas a process is a series of well-defined steps that need to be followed in a particular order, a method is an *approach to doing something* with no guarantee of a particular outcome. A method can help *guide* you through the chaos of entrepreneurship and increase your chances of success. Furthermore, using a method gets easier and more useful with practice. Think of a method as a way to develop a habit! An entrepreneurial habit!

From this, it becomes clear that entrepreneurship is less an aptitude than it is a practice and mindset, and realizing that it is more of a method than a process is the first step in your entrepreneurial journey. Viewing entrepreneurship as a method caters to its uncertain and unpredictable nature. It represents a body of skillsets and mindsets that together comprise a toolkit for entrepreneurial action.<sup>41</sup> Table 1.4 summarizes the differences between entrepreneurship as a method and entrepreneurship as a process.

Approaching entrepreneurship as a method gives us comfort and direction, but it is not a recipe. Entrepreneurship requires taking action, learning, iterating, practicing as you go, and consciously reflecting on events as they occur.

### Managerial Versus Entrepreneurial Thinking

Practicing the Entrepreneurship Method requires you to start thinking more entrepreneurially. Even though our next chapter is devoted to the entrepreneurial mindset, let's do a quick lesson now on entrepreneurial thinking.

**TABLE 1.4** ■ Method Versus Process

Entrepreneurship as a Method	Entrepreneurship as a Process
An approach or way of doing things	Known inputs and predicted outputs
Portfolio of skills to acquire	Steps to complete
Iterative	Linear
Learning oriented	Pre-established course
Action focus	Planning focus
Requires practice	Requires goal completion
Entrepreneur is in control of practicing the Method	The process dictates the actions of the entrepreneur

Source: Adapted from Neck, H. M., Greene, P. G., & Brush, C. (2014). *Teaching entrepreneurship: A practice-based approach*. Edward Elgar.

This chapter's Entrepreneurship in Action describes how Juan Giraldo, founder of Waku, created opportunities and took action to get his venture off the ground. How can Giraldo predict that Waku is going to succeed in the long term? The truth is, he can't; his focus is on creating Waku's future rather than predicting it, which is essential to the mindset. But by creating what he wants and what he believes his customers need, he's in control.

Entrepreneurial ventures are not smaller versions of large corporations. Take this a little further and think about this: Managers lead corporations, but entrepreneurs lead new ventures of all types. Leading in a corporate environment is very different from leading something entirely new. Why? Because there is a lot more uncertainty and risk in the startup environment *and* a lot less information and data.

Managerial thinking is most often used in the process view. It's a more linear approach to problem solving or goal achievement, and it works when you can use the past to predict the future—what is called “a more certain competitive environment.” Managerial thinking is the dominant logic of large, established organizations, where goals are predetermined, issues are transparent, and information on which you can base decisions is reliable and accessible. Under these circumstances, it is relatively straightforward to analyze a situation, define problems and opportunities, and diagnose and find solutions. Big organizations can use sophisticated planning tools to analyze past and present data in order to predict shifts in the business landscape. Though this process is by no means foolproof, as demonstrated by the many well-planned initiatives backed by large companies that do not succeed, it does give managers the perceived feeling that they are making the most optimal decision based on the information they have.

An early entrepreneurial venture is unlikely to have access to sophisticated predictive tools; nor does it have access to existing, reliable data. Additionally, research has suggested that entrepreneurs don't trust data that they don't collect themselves.<sup>42</sup> A simple dinner party example can illustrate the difference between entrepreneurial and managerial thinking. If you are throwing a dinner party for a group of friends, you might choose a recipe or draw up a menu, buy the ingredients, and cook the meal according to a set of instructions provided to you in the cookbook. Here you are approaching the dinner party as a manager. In contrast, you might invite some friends over and ask each person to bring one ingredient but not tell them what to bring. Let's say 10 people show up with French bread, fresh pasta, potatoes, spinach, a few different types of cheeses, steak, salmon, romaine lettuce, avocado, and kale. These ingredients plus the ingredients you already have in your kitchen are what you have to cook with. Now, the group must come together, use the ingredients, and create dinner! This is an example of entrepreneurial thinking—creating something without a concrete set of instructions. Though the two ways of thinking—managerial and entrepreneurial—seem polar opposites, the goal is the same: to cook a meal for your group of friends. It's how you approach the challenge and with what resources that is different. And even though a meal is produced in both approaches, which approach do you think will yield the most innovative and creative meal—a meal you will likely never forget?



Table 1.5 contrasts managerial and entrepreneurial thinking. Generally, managers plan. They plan how to budget resources, plan for the year, plan how to develop employees. They may plan new product launches or develop a strategic plan for the next 5 years. Entrepreneurs spend the time that managers use writing plans to take a lot of small actions to learn about the uncertain environment they are in. Managers don't like to fail, so they tend to wait until they get all the resources they need before taking action, and they want to make the best, most optimal decisions.

Entrepreneurs, as in the dinner party example, just start creating and experimenting with what they have rather than waiting for everything they think they need. Even though managers and entrepreneurs don't enjoy failure (who does, really?), entrepreneurs understand that with small actions come small failures, and when you fail, you learn something new that other people may not know. Modern entrepreneurs collaborate because they can't do it alone with such limited resources. Overall, managerial thinking works best in more certain and predictable environments, whereas entrepreneurial thinking works best in more uncertain and less predictable environments. When you are working under predictable conditions, you can plan how to act; but entrepreneurs need to act in order to learn.

In reality, entrepreneurs should and do employ both managerial and entrepreneurial thinking, but in general, most people are more comfortable thinking managerially. This is not surprising; the fact is you have been honing this way of thinking for years throughout primary school, then secondary school, and now college. Humans actually do think more entrepreneurially as babies—a time when everything around is mysterious and uncertain. The only way babies learn is by trial and error. Traditional education, the need to find the correct answer, and the constant need for measurement and assessment have inhibited people's entrepreneurial nature. So if you ever feel like you can't get unstuck and you're not really sure how to solve a problem, just remember that everyone is born with the ability to think and act entrepreneurially. As social entrepreneur and Nobel Prize winner Muhammad Yunus says,

We are all entrepreneurs. When we were in the caves we were all self-employed . . . finding our food, feeding ourselves. That's where the human history began. . . . As civilization came we suppressed it, and made into labor. . . . Because you stamped us, we are labor. We forgot that we are all entrepreneurs.<sup>43</sup>

Although managerial thinking has its advantages and is necessary, it is not enough in today's uncertain, complex, and chaotic business environment. Of course, new ventures need both entrepreneurs and managers in order to function. And most of the time, the manager and the entrepreneur are one and the same, so you need to develop skills in both entrepreneurial and managerial thinking. The secret is understanding when to act and think like an entrepreneur and when to act and think like a

**TABLE 1.5 ■ Managerial Versus Entrepreneurial Thinking**

Managerial	Entrepreneurial
Big planning	Small actions
Wait until you get what you need	Start with what you have
Linear	Iterative
Optimization	Experimentation
Avoid failure at all costs	Embrace and leverage failure
Competitive	Collaborative
Certain	Uncertain
Plan to act	Act to learn

Source: Adapted from Sarasvathy, S. D. (2008). *Effectuation: Elements of entrepreneurial expertise*. Edward Elgar; Schlesinger, L., Kiefer, C., & Brown, P. (2012). *Just start: Take action, embrace uncertainty, create the future*. Harvard Business School Press. <http://www.e-elgar.com/>

manager. In the beginning of anything new, you'll need to be thinking like an entrepreneur. You'll need to take small actions to collect your own data. You'll need to use the resources you have rather than wait for lots of resources to come to you. You'll need to fail in order to make progress, experiment with new ideas, collaborate with others, share your ideas, and realize that you might be in uncharted territory. And all of this is okay. Just keep moving forward, take smart actions, and recognize what you are learning along the way—the good and the bad.

## THE ENTREPRENEURSHIP METHOD DESCRIBED

### LEARNING OBJECTIVE

**1.4** Illustrate the key components of the Entrepreneurship Method.

The method of entrepreneurship used in this text is based on Babson's Entrepreneurial Thought & Action® (ET&A) approach, which is grounded in effectuation theory. The Method provides a way for entrepreneurs to embrace and confront uncertainty rather than avoid it. It emphasizes smart action over planning. It emphasizes moving quickly from the whiteboard to the real world. The Method can be learned and is intended to be repeated and practiced. There is no guarantee for success, but it does offer a few powerful assurances:

- You will act sooner, even when you don't know exactly what to do.
- Those things you can do, you will, and those things you can't, you will try.
- You will try more times because trying early is a low-cost experiment.
- You will fail sooner—enabling better, higher-quality information to be incorporated into the next iteration.
- You'll likely begin experimenting with many new ideas simultaneously.
- The ideas that start to gain traction will likely be deeply connected to who you are and the impact you want to make on the world.

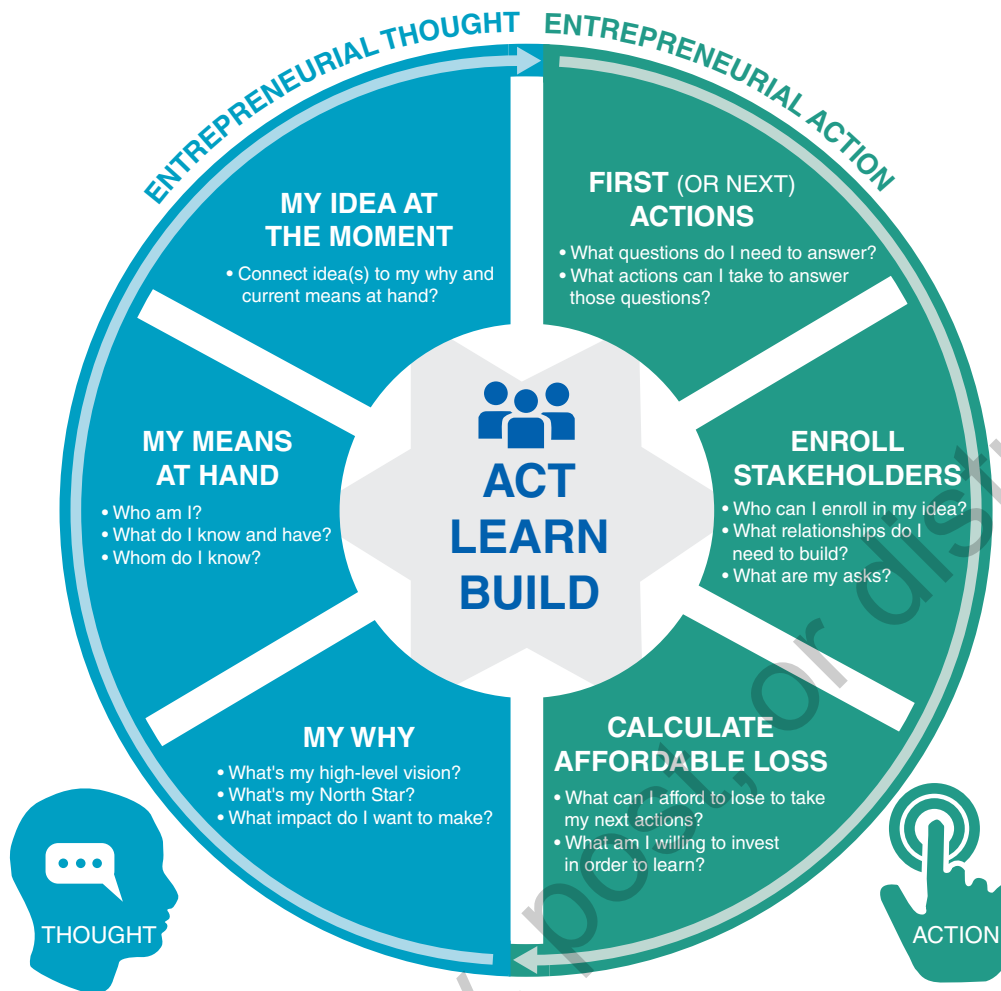
The Entrepreneurship Method has a thinking side and an acting side (see Figure 1.4), and where you start is up to you. The thinking side is more introspective (what you know), while the action side is all about learning and acquiring new information (what you don't know). For the sake of easy explanation, we will start with the thinking side to highlight how first understanding what we know and who we are can be a jumping off platform for what we can ultimately create.

### Seven Components of the Entrepreneurship Method

There are seven components of the Entrepreneurship Method. The word “component” is used with intention as to not be confused with a step in a linear process. The arrows between the thinking and the acting sides of the model go in both directions, indicating iteration and cycling between thinking, reflecting, and doing. Theoretically, you can start anywhere in the Method, but here is a general guide:

- 1. Come up with your “why statement.”** This is a simple statement that connects to your curiosity, drive, and motivation. To be successful at creating and building a new business, a new strategy, a new product, or anything radically new, you have to have a strong desire to achieve something larger than yourself. Rarely is entrepreneurship about the money or the profit. Granted, fast-growth companies are primarily concerned with wealth creation, but the general reasons people start businesses go much deeper. Some pursue what they

FIGURE 1.4 ■ The Entrepreneurship Method Based on Babson's ET&amp;A Methodology



Credit: Courtesy of Babson College.

love, others value their autonomy and ability to control their work experience, and others have a strong desire to bring something new to market or solve a significant problem.<sup>44</sup>

The profit motive is simply not sustainable in the long run because entrepreneurship is hard work and requires satisfaction and desire that is derived from deep within. Ask yourself: What's my why? What am I curious about? What motivates and energizes me? Where do my passions lie? Your why statement is not an idea; it's a direction. For example, a why statement might be "I want to help women age more gracefully." Again, not an idea . . . just a direction.

2. **Start with your means at hand.**<sup>45</sup> Novice entrepreneurs often don't act on their idea because they feel they lack the resources they need to get started. Try to think about cash last and really think about what you have at hand, right now, that you could use to take some small, smart action. How do you figure out what you have? Start with answering three questions: Who am I? What do I know (skills, knowledge, experiences)? Whom do I know (current network)? The composite answer will help you understand your current resource base—the resources you have available today that you can use for immediate action. If you wait until you have everything you need to get started, the window of opportunity will close, or you will convince yourself not to pursue your idea without ever collecting the evidence to prove otherwise.

3. **Describe the idea today.** Ideas get traction when they are deeply connected to you. So it's important that you develop or identify a new opportunity that connects both to your why statement and to your means at hand. Connecting the idea to your why statement will keep you motivated, and connecting the idea to your means at hand will help you take early action and get traction. What can you start to do today with what you have today that will bring meaning and impact?
4. **Identify first (or next) actions.** With every new idea comes questions, and the only way to answer those questions is to take action. Your action may be sharing your idea with a friend to get feedback, interviewing a few potential customers, going to a local entrepreneur meet-up to see if others are working on something similar, or conducting a small product test. The earlier you are with your idea, the smaller the actions. Every action will teach you something. With more data, you will gain more confidence in your idea, or you will move on to something else.
5. **Enroll stakeholders.** In considering your means at hand, you ask yourself the following: Who do I know? Your answer here should be those people in your existing network. Enrolling stakeholders, in this component, is about adding people (and resources) to your network. The word "enrollment" means you are trying to "enroll" others in your idea; they become part of your idea and want to help you in various ways. You can enroll team members, advisors, or anybody you are willing to ask for help. Sarasvathy calls this "the ask" and defines it as an entrepreneurial intention consisting of the asker, the askee, and the possibility of a venturing relationship.<sup>46</sup> This is not pitching: It's asking for something that is either social (advice, connections, ideas) or economical (loans, investment). When the askee has something of value to add to your work, they become enrolled and vested in your success.
6. **Calculate affordable loss.**<sup>47</sup> Leaving one's comfort zone is always perceived as risky, but risk is relative. What is considered high risk to one person may not seem high risk to another; therefore, it can be quite difficult to calculate risk and use it as a valid decision-making criterion. Rather than calculating risk, think about taking action in terms of what you are willing to lose. Consider two gamblers. Gambler A walks into a casino with \$350. The gambler may lose that money in 2 hours or triple that money in 4 hours. Either way, that gambler went into the casino with \$350 and no additional money or resources. The gambler knew they could afford to lose \$350. Gambler B, meanwhile, walks into the casino with \$350 and wearing a very expensive gold watch with diamonds. Gambler B enters the casino at 11 p.m. and leaves at 3 a.m. with zero in cash and without the watch. Gambler A is using affordable loss. Gambler B? You be the judge.  
 What are you truly willing to give up in terms of money, reputation, time, and opportunity cost? By answering these questions, you take control rather than allow yourself to be controlled by risk or the fear of failure. Entrepreneurs calculate their affordable loss continuously with most actions. Early on when using the Method, you are likely only willing to lose a little time. As you take a series of actions and learn more about the validity of your idea, you may be willing to "risk" more, such as money or your reputation. Affordable loss is about controlling your risk. What are you willing to lose to take the actions you've identified?
7. **Act, learn, and build.** It's time to critically assess what you learned in taking early actions and whom you enrolled. Keep in mind that assessment is not about "killing" your new idea; it's about making the idea better. What do you know now that you didn't know when you started? Is your idea as good as you thought? What should you change? There is no right or wrong answer at this stage, just better. One question will likely arise: "How do I know if or when I should stop?" The answer is easy. Quit when you don't believe in your idea anymore or when you have exceeded your affordable loss.

As you practice the Entrepreneurship Method, you'll find that your affordable loss changes (usually increases) with each action. Why? Your idea receives greater validation, you have a solid and growing knowledge base, more people have joined your team, resources increase, and your overall confidence in your ability to act grows. By practicing the Method, you will get more comfortable with uncertainty, control it, and use it to help you create what others cannot.

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## MINDSHIFT

### THE 3-HOUR CHALLENGE

You may or may not have given a lot of thought to your entrepreneurial aspirations and goals. Either way, this activity will challenge you to create an entrepreneurial direction.

You can commit to doing a lot of things for only 3 hours, so give this Mindshift challenge a try. The 3 hours do not have to be spent in one continuous period. Doing it all in one stretch is probably not practical, so it is fine to spread out the time to 1-hour increments—but don't take longer than 2 days.

Hour 1: Write down your why statement as outlined by the Method. Keep in mind that this is something that drives your curiosity, motivation to engage, and enthusiasm. Your why statement is not an idea; it's a statement that expresses the type of impact you want to make as an entrepreneur. The following are examples of why statements:

- I want to help people age more gracefully.
- I want to use video games to effect positive change.
- I want to build greater community among different populations on my college campus.
- I want to design clothes that help teenagers feel more confident.
- I want to reduce waste in the fashion industry.

Take a full hour to write down your why statement. Give it deep thought and really ask yourself, "What excites me? What drives me?" Write your answer as clearly, sincerely, and completely as you can.

Hour 2: Share your why statement with your classmates or others in your life, and try to find someone who shares a similar vision. Your goal is to find just one other person with a similar vision, but if you find more, that's great, too!

Hour 3: Once you find your person, schedule a 1-hour meeting. Meet someplace unusual, not in the same coffee shop or restaurant where you always go. Share where your why statement is coming from, and identify three potential business ideas that the two of you could pursue together to fulfill your desired impact. For example, if you both have a desire to reduce waste in the fashion industry, you may start a boutique that only sells vintage clothes.

That's it . . . just craft your why statement, find someone who shares your why, and identify three potential business ideas. Don't judge the quality of your ideas at this point. There will be plenty of time for that.

#### Critical Thinking Questions

1. What assumptions and beliefs did you have before starting the 3-hour challenge?
2. In what ways did the 3-hour challenge confirm your assumptions and beliefs? In what ways did it change them?
3. What did you learn about yourself that was unexpected or surprising?

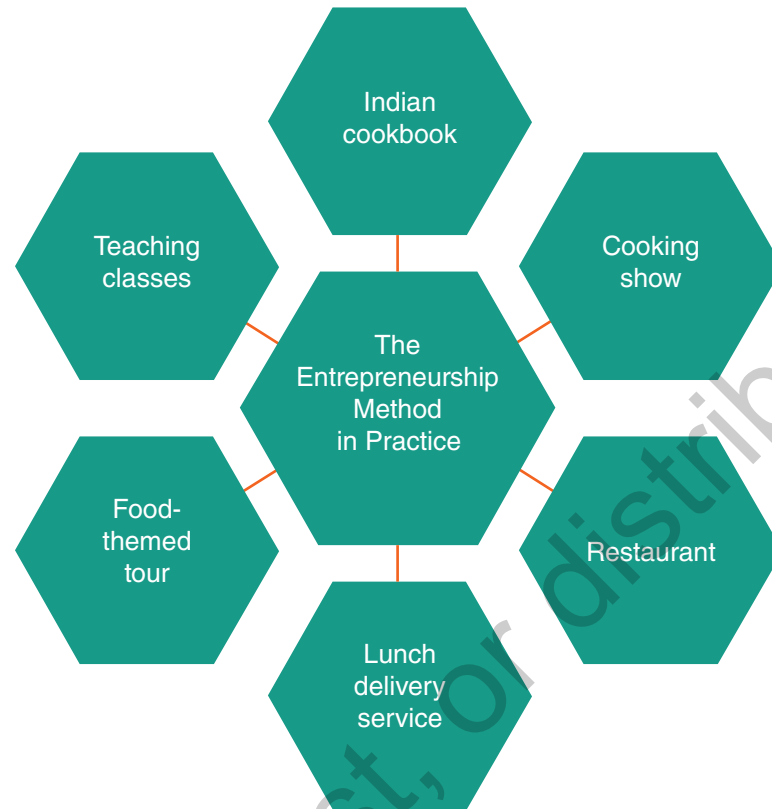
### The Entrepreneurship Method in Practice

To illustrate the Entrepreneurship Method in practice (see Figure 1.5), here is an example based on a thought experiment called "Curry in a Hurry" devised by Sarasvathy.<sup>48</sup> Say you want to start an Indian restaurant in your hometown. You could begin by following a more traditional process approach to entrepreneurship by assessing your market through questionnaires, surveys, and focus groups to separate those people who love Indian food from those who don't. Then you could narrow the "love it" segment down to the customers whom you might be able to approach when your restaurant opens.

This approach would help you predict the type of patrons who might become regulars at your restaurant. You could then continue your information-gathering process by visiting other Indian restaurants to gauge their business processes and contacting vendors to gauge prices and availability of goods. Having spent months acquiring all this knowledge, you could formulate a business plan, apply for bank loans and loans from investors, lease a building and hire staff, and start a marketing and sales campaign to attract people to your restaurant.

This process-based approach to starting a new business is based on two big assumptions: (1) You have the finances and resources for research and marketing, and (2) you have the time to invest in intensive planning and research. Typically, this is the sort of path taken by novice entrepreneurs who

FIGURE 1.5 ■ The Entrepreneurship Method in Practice



Source: Adapted from Sarasvathy, S. D. (2008). *Effectuation: Elements of entrepreneurial expertise*. Edward Elgar.

navigate worlds that they perceive as more certain; they spend huge amounts of time on planning and analysis and allow the market to take control while they take a back seat. In short, they spend lots of time and money taking a managerial approach to predict the future.

Now let's apply the Entrepreneurship Method to the same situation. You would first think about why you want to start an Indian restaurant, then consider what means you have to start the process. Let's assume you have only a few thousand dollars in the bank and very few other resources. You could start by doing just enough research to convince an established restaurateur to become a strategic partner, persuade a local business owner to invest in your restaurant, or even create some dishes to bring to a local Indian restaurant and persuade the owners to let you set up a counter in their establishment to test a selection there.

Second, you could contact some of your friends who work in nearby businesses and bring them and their colleagues some samples of your food, which might lead to a lunch delivery service. Once the word is out and you have a large enough customer base, you might decide to start your restaurant.

Getting out in your community, meeting new people, and building relationships with customers and enrolling stakeholders can lead to all sorts of opportunities. Someone might suggest that you write an Indian cookbook and introduce you to a publishing contact; someone else might think you have just the right personality to host your own cooking show and connect you with someone in the television industry. Others might want to learn more about Indian culture and inspire you to teach classes on the subject, or they might express an interest in travel, inspiring you to organize a food-themed tour of different regions around India. Suddenly you have a wealth of different business ideas in widely varied industries—all connected to your love for Indian food. Your original goal of starting a restaurant has evolved and multiplied into several different streams, demonstrating how it is possible to change, shape, and construct ideas in practice through action.

But who knows what the actual outcome will be? Let's say the majority of people just don't like your cooking, even though your close friends rave about it. If you are really determined to reach your initial



Customers dining in a small Indian restaurant.

iStock.com/RichLegg

goal, you could use their feedback to work hard at improving your recipes and try again. However, if you silently agree with your customer base, you haven't lost too much time and money in your idea—which means you have resources left over to focus on your next entrepreneurial pursuit.

This is the Entrepreneurship Method in practice. It allows entrepreneurs to act in order to learn, fail fast yet small, acquire new resources, expand their network, and capture new opportunities. Most of all, it will develop your bias for action.

## RESEARCH AT WORK

### HOW ENTREPRENEURS THINK

The Entrepreneurship Method advanced in this text is based on the work of Saras Sarasvathy and her theory of effectuation,<sup>49</sup> which is based on the idea that because the future is unpredictable yet controllable, entrepreneurs can effect and control the future through entrepreneurial action. Sarasvathy believes it is futile for entrepreneurs to try to predict the future.

In 1997, Dr. Sarasvathy traveled to 17 states across the United States to interview 27 founders from different types and sizes of organizations and from a variety of industries to assess their thinking patterns. The aim of her research was to understand their methods of reasoning about specific problems. Each entrepreneur was given a 17-page problem that involved making decisions to build a company from a specific product idea. By the end of the study, Sarasvathy discovered that 89% of the more experienced, serial entrepreneurs used more creative, effectual thinking more often than its counterpoint—predictive or causal thinking.<sup>50</sup> Causal thinking requires a predetermined goal with a given set of resources to achieve the goal as quickly and efficiently as possible. Effectual thinking is about using the resources you have and imagining the possibilities of what could be created (remember the dinner party example?).

Until Sarasvathy's study, we really didn't know how entrepreneurs think—at least, previous research didn't identify such salient patterns as her work did. She found that entrepreneurs, especially those entrepreneurs who had started businesses multiple times, exhibited specific thinking patterns and these patterns are present in the Entrepreneurship Method (Figure 1.4). Thus, we are

able to demonstrate that entrepreneurship can be taught because we can train ourselves to think differently—and how we think is the antecedent to how we act.

In the 20 years since Sarasvathy introduced her theory to the world, effectuation has inspired an entire generation of new entrepreneurs who are trying to create new markets that didn't previously exist. In a review of effectuation-based entrepreneurship research, Denis Grégoire and Naima Cherchem from HEC Montréal suggest that the power of effectuation is at the heart of innovation and novelty. They state, "The more novel and innovative such products, services, and other ways of doing business are, the less possible it becomes to obtain ahead of time valid information for optimizing what aspects or features to push forward, with what kind of customers and market(s), in what forms, how, through what channels or distribution mode, at what price point(s), and so on."<sup>51</sup> Effectuation theory today is considered a mode of human action—a way of operating and thinking under conditions of extreme uncertainty to bring something new to the world.<sup>52</sup> When you are not constrained by the past (because, in effectuation theory, the past doesn't really help you), the possibilities are limitless.

### Critical Thinking Questions

1. What strengths and weaknesses do you see in Sarasvathy's effectuation theory of entrepreneurship? Give some examples that would apply to real life.
2. If you were asked to participate in Sarasvathy's study, how might she classify your ways of thinking and problem solving?
3. What additional research questions can you suggest that would shed light on how entrepreneurs think and solve problems?

## ENTREPRENEURSHIP TAKES DELIBERATE PRACTICE

### LEARNING OBJECTIVE

- 1.5** Explore the role of deliberate practice in developing entrepreneurial expertise, and recognize how this book supports such a practice.

This section explores the word *practice* to help you better understand why entrepreneurship can be considered both a mindset and a practice. Heroes in the sports, music, business, science, and entertainment fields appear to exhibit astoundingly high levels of performance. How do they do it? How do musicians play complex pieces of music from memory, and how do professional athletes perform seemingly unbelievable acts? And how do entrepreneurs move from being novices to expert serial entrepreneurs? The answer lies in a certain type of practice.

Everyone has heard the expression "practice makes perfect," but what does this really mean? Practice is often associated with repetition and experience; for example, a violinist playing a piece of music for hours every day or a basketball player shooting hoops for prolonged periods. However, research has shown that people who spend a lot of time simply repeating the same action on a regular basis reach a plateau of capability regardless of how many hours they have put in.<sup>53</sup> A golf enthusiast who spends a couple of days a week playing golf will reach a certain level of proficiency but is unlikely to reach professional status solely through this form of practice. Performance does not improve purely as a result of experience. Similarly, as studies have shown, there is no evidence to suggest that world-class chess champions or professional musicians and sports players owe their success to genes or inheritance. How, then, do people advance from novice to top performer?

Researchers have found that it all depends on *how* you practice. To achieve high levels of performance, high performers engage in **deliberate practice**, which involves carrying out carefully focused efforts to improve current performance.<sup>54</sup> The Mindshift features throughout this text are a useful way of deliberately practicing entrepreneurship. Table 1.6 lists the components of deliberate practice.

Although aspects of deliberate practice exist in activities such as sport, chess, and music, they are also present in such diverse pursuits as typing, economics, and medicine. One study explored the



**TABLE 1.6 ■ Components of Deliberate Practice**

- Requires high levels of focus, attention, and concentration.
- Strengthens performance by identifying weaknesses and improving on them.
- Must be consistent and maintained for long periods of time.
- Must be repeated to produce lasting results.
- Requires continuous feedback on outcomes.
- Involves setting goals beforehand.
- Involves self-observation and self-reflection after practice sessions are completed.

*Credit: Baron, R. A., & Henry, R. A. (2010). How entrepreneurs acquire the capacity to excel: Insights from research on expert performance. Strategic Entrepreneurship Journal, 4, 49–65. Reprinted with permission from John Wiley & Sons.*

use of deliberate practice by identifying the study habits of medical students learning clinical skills. Researchers found that over time, students who used deliberate practice were able to make more efficient use of their time, energy, and resources.<sup>55</sup> In short, they seemed to “learn how to learn.”

You might not be conscious of it, but chances are you probably already use some of the elements of deliberate practice. Think of when you first picked up a musical instrument or began playing a sport. You may have played the instrument for only 15 minutes a few times a week or played football for 30 minutes twice a week, but without knowing it, during those short sessions, you were fully focused on what you were doing and intentionally repeating the activity with a goal of improving your performance.

World-renowned sushi chef Jiro Ono has engaged in deliberate practice all his life by mastering the art of making sushi.<sup>56</sup> Of course, Ono cannot do it all by himself, so he has a number of apprentices under his careful watch. He starts off each apprentice with a small part of the sushi-making process—how to use a knife, how to cut fish, and so on. The apprentices are only permitted to move on to the next stage of the process once they have mastered each task. To put this into context, one of Ono’s apprentices was only allowed to cook eggs for the first time after training under Ono for 10 years. Not only has Ono perfected the art of sushi making, but his commitment to deliberate practice has almost certainly benefited his brain.

### Deliberate Practice Shapes the Brain

Engaging in deliberate practice is even more worthwhile when you consider the effect it has on the brain.<sup>57</sup> When certain brain cells sense a lot of focused repeated activity, chemicals are produced to create myelin—a fatty, white tissue that increases the speed and strength of neural impulses, thereby improving performance. In contrast, regular practice without focused effort, consistent feedback, and guidance only reinforces mindless, automatic habits. For example, when you first learned to drive, you probably really concentrated on how to control the car, but after many instances of driving, you will find that you perform every step of the process without even thinking about it. You may think regular practice is sufficient for completing certain tasks, but you will have little chance of mastering them without systematic, deliberate practice. There is a big difference between practicing out of habit and using your head. For instance, virtuoso violinist Nathan Milstein was concerned that he wasn’t practicing enough—everyone else seemed to be practicing all day long, but he wasn’t.<sup>58</sup> When he asked his professor for advice, Milstein was told, “It really doesn’t matter how long. If you practice with your fingers, no amount is enough. If you practice with your head, two hours is plenty.”

### Deliberate Practice and Entrepreneurs

What does deliberate practice mean for entrepreneurs? Sustained effort, concentration, and focus have important cognitive benefits—such as enhancing perception, memory, intuition, and the way in which

you understand your own performance (or metacognition). Expert entrepreneurs who engage in deliberate practice are generally more skilled at perceiving situations, understanding the meaning of complex patterns, and recognizing the differences between relevant and irrelevant information.

Entrepreneurs who engage in deliberate practice are better at storing new information and retrieving it when they need to, which helps them to plan, adapt, and make decisions more quickly in changing situations. Deliberate practice also enables entrepreneurs to realize what they know and don't know. Among the most common mistakes entrepreneurs make are getting blindsided by passion, which makes them overly optimistic and overconfident in their skills and abilities, and underestimating their resources—mistakes that often lead to unnecessary risk and failure.<sup>59</sup> Although passion is an important quality to possess, it is best guided by awareness of your own capabilities and knowledge. These sorts of mistakes can be overcome by receiving continual feedback on your performance from an expert in the field.<sup>60</sup> This is why it is so important for entrepreneurs to seek out mentors, coaches, or even a good friend whose business sense they admire and who will work with them, offer feedback, and help guide them in their decision making.

Finally, expert entrepreneurs who have consistently used deliberate practice over a number of years tend to have a higher sense of intuition, which enables them to make decisions more speedily and accurately based on knowledge and experience.

“Years of deliberate practice” may sound daunting, but you probably already have a head start! The cognitive skills that you developed through deliberate practice (e.g., by playing a musical instrument or sport, creative writing, or anything else that requires strong focus and effort) are all transferable to entrepreneurship. You have the capability to enhance your skills and become a lifelong learner—and you can demonstrate this by creating your own entrepreneurship portfolio.

### How This Book Will Help You Practice Entrepreneurship

By now, we hope that we have proved to you that becoming an entrepreneur is a pathway for many and that the world needs more entrepreneurs of all kinds. To reinforce our message, the following are some fundamental beliefs that form the main ethos of this book.

We believe that you as the student must take action and practice entrepreneurship at every opportunity. In each chapter of this book, you will find the following features, which are designed to challenge you to do just that.

- **Entrepreneurship in Action:** In entrepreneurship, there is no one right answer. Role models are very important because, by learning from others, you can develop empathy for entrepreneurs around the world who may be doing the same as you someday. Entrepreneurship in Action includes interviews with entrepreneurs from many different businesses and disciplines in the United States and around the world.
- **Mindshift:** Because entrepreneurship requires action, there are two Mindshift features in each chapter that require you to close the textbook and go and act. This is when you will deliberately practice entrepreneurship.
- **Entrepreneurship Meets Ethics:** Entrepreneurs sometimes face complex ethical challenges that cause conflict. Peppared with situations faced by real-world entrepreneurs, the Entrepreneurship Meets Ethics feature challenges you to think about how you would take action if you were confronted with a similar ethical dilemma.
- **Research at Work:** This feature highlights recent seminal entrepreneurship studies and their impact on and application to the real world. This will allow you to view how the latest research applies to real-life settings.
- **Case Study:** Finally, witness the content of the chapter come alive in a short case study presented at the end of each chapter. These case studies are based on real companies of all kinds—for-profit, nonprofit, technology, social, product-based, service-based, online, and others—that have been started by entrepreneurs of all types.

Entrepreneurship is all around us—everyone has the ability to think and act entrepreneurially, to transform opportunity into reality, and to create social and economic value. But remember, practice is key—learning is inseparable from doing. So let’s get started!

## ENTREPRENEURSHIP MEETS ETHICS

### WHEN TO PRACTICE ENTREPRENEURSHIP

Becoming great at any skill requires a considerable amount of practice. Psychology writer Malcolm Gladwell believes it takes 10,000 hours of deliberate practice to become great at any skill. However, in the course of acquiring those 10,000 hours, burgeoning entrepreneurs must find a way to support themselves, and that often means having a conventional, full-time job.

Is it ethical to work on entrepreneurial ventures during company time? Can your performance at your current workplace be hampered because of your dedication to personal ventures?

Working on side gigs has become commonplace. The rise of remote work and virtual offices during the COVID-19 pandemic has had a lasting impact on employees’ desire for more flexibility in their working hours. A report by the fully remote staffed workflow automation provider Zapier makes it clear that employee side hustles are on the rise. Between December 2020 and May 2020, the percentage of employees with outside jobs increased from 34% to 40%.

For entrepreneurial-minded workers, a close review of the employment contract and company handbook should be the first step to make sure there are no specific policies against having a side business or job, especially a noncompetition clause. If there is no language barring an additional business pursuit, then an employee is in the clear to work on different gigs. In a recent study published in the *Academy of Management Journal*, University of Oregon assistant professor of management Hudson Sessions writes that “companies would do well to back off and let employees self-regulate,” instead of holding strict policies that prohibit outside entrepreneurial ventures. Nevertheless, that does not mean an employer or supervisor will be wholly happy to hear of a side venture. Sessions’ research notes that employees working on a side hustle “tend to be a bit more distracted in their full-time jobs,” often leading to decreased performance because “they have a bit less of themselves for their full-time job.”

Thus, an entrepreneurial employee is left with two options: Disclose the nature of a side venture or do not. Understanding a company’s culture may be the first step in solving this conundrum, which takes time and relationship building to figure out. There is a possibility that an employer may be particularly interested in how an employee’s entrepreneurial venture may help that employee grow with regard to their primary job. If there could be any potential conflict down the road, disclosing basic information to a human resources representative could be the best form of action.

### Critical Thinking Questions

1. Should workers devote all of their energy to their primary paid job? Can the mere existence of a side job hurt a worker’s performance in a primary job?
2. Is it unethical to hide a side job from an employer, even if it is legal?
3. Can employers benefit from having an employee who wishes to become an entrepreneur? Could this be a sought-after trait for recruiters?

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## SUMMARY

**1.1 Describe the six most important features of modern entrepreneurship.**

Entrepreneurship is a way of thinking, acting, and being that combines the ability to find or create new opportunities with the courage to act on them. There are six features of modern entrepreneurship relevant to the world today: (1) Entrepreneurship is a method that requires practice; (2) entrepreneurs think differently; (3) entrepreneurs act more than plan; (4) profit is not the only motive; (5) entrepreneurs collaborate more than they compete; (6) entrepreneurship is a life skill.

**1.2 Explore various pathways to participating in entrepreneurship.**

There are several ways to access entrepreneurship. Corporate entrepreneurship is entrepreneurship within large corporations. Entrepreneurs inside (also called intrapreneurs) are similar to corporate entrepreneurs, but they can be found in any type of organization, large or small, nonprofit or for-profit, and even among governing bodies. Franchising and buy-outs are popular ways to start relatively near the ground level. Social entrepreneurship—entrepreneurship focused on making the world a better place—is manifested in nonprofit and large, for-profit firms alike. A form of social entrepreneurship is the Benefit Corporation, or B Corp, which designates for-profit firms that meet high standards of corporate social responsibility. Family enterprises, entrepreneurship started within the family, remain a dominant form of business development in the United States and abroad. Serial entrepreneurs are so committed to entrepreneurship that they're constantly on the move creating new businesses.

**1.3 Distinguish between entrepreneurship as a method and as a process.**

Entrepreneurship is often referred to as a process, but the word “process” can be misleading. A process is a series of well-defined steps that need to be followed in a particular order with the assumption of entrepreneurial success at the end. Yet entrepreneurship is nonlinear and unpredictable, which is why the Method is a far more useful approach. Viewing entrepreneurship as a method caters to its uncertain and unpredictable nature. The Method is an approach to doing something with no guarantee of a particular outcome, yet it does increase chances of success as it helps guide entrepreneurs through periods of chaos and increases their chances of success. Over time, the Method gets easier and more useful with practice.

**1.4 Illustrate the key components of the Entrepreneurship Method.**

The Entrepreneurship Method is designed so entrepreneurs can embrace and confront uncertainty rather than avoid it. The Method has a thinking side and an acting side: The thinking side is more introspective (what you know), while the action side is all about learning and acquiring new information (what you don't know). The seven components are (1) come up with your why statement; (2) start with your means at hand; (3) describe the idea today; (4) identify first (or next) actions; (5) enroll stakeholders; (6) calculate affordable loss; (7) build on what you learn. Practicing the key components of the Method enables entrepreneurs to become more comfortable with uncertainty, control it, and use it to help them create what others cannot.

**1.5 Explore the role of deliberate practice in developing entrepreneurial expertise, and recognize how this book supports such a practice.**

Practice doesn't make perfect; rather, deliberate practice makes perfect. Starting with specific goals, deliberate practice involves consistent, targeted efforts for improvement. Feedback and self-reflection are necessary for meaningful improvement, and repetition is required to achieve lasting results.

The tools for success and methods to hone entrepreneurial skills will be available in every chapter. Thought and action exercises alike will be employed, and research and testimonials from proven academics and entrepreneurs will be provided as we move through the text. As a final test of application, case studies will follow every chapter, giving you the opportunity to employ what you've learned, a chance for entrepreneurship within a unique and real-world context.



## KEY TERMS

Benefit corporation (or B Corp)	Family enterprise
Corporate entrepreneurship	Franchising
Corporate venturing	Intrapreneurs
Deliberate practice	Royalties
Effectuation	Serial entrepreneurs (or habitual entrepreneurs)
Effectuation theory	Social entrepreneurship
Entrepreneurship	Startup
Entrepreneurs inside	Sustainable Development Goals (SDGs)
Evidence-based entrepreneurship	

## CASE STUDY

## SIETE FAMILY FOODS, THE GARZA FAMILY

*Siete Family Foods.* The name practically speaks for itself. Founded in 2014 by the seven members of the Garza family, *Siete* (*seven* in Spanish) is a privately held company based in Austin, Texas, that creates, produces, and distributes a range of grain-free, gluten-free, and dairy-free Mexican American meal and snack products inspired by the Garzas' Mexican heritage. As of 2022, the family-owned and operated company employed approximately 100 people, offered more than 60 unique products, and was sold through 16,000 retailers, including Walmart, Whole Foods, Target, Kroger, and others.

The path to *Siete* is rooted in the Garza children's earliest memories. Cofounder Veronica Garza recalls making the 6-hour drive with her parents and four siblings from their home in Laredo, Texas, to Baytown, near Houston, to visit her grandmother. Upon entering their grandmother's home, the family would be greeted by the aroma of beans on the stove, a fresh stack of tortillas, and the promise of family gathered for mealtimes.

As a teenager, Veronica was diagnosed with multiple autoimmune conditions, and she struggled with symptoms through college and business school. She embarked on an exercise regimen to manage her conditions, and her family, ever supportive, joined in. When she arrived back in Laredo after earning her MBA, she found that one of her brothers, Roberto, had become interested in CrossFit, a workout program associated with 13,000 affiliated gyms worldwide. Roberto introduced Veronica to the "paleo" diet, an eating regimen popular among CrossFit adherents that eschews grains, dairy, and sugar. Veronica found that eating grains such as corn, wheat, and rice, staples of a traditional Mexican American diet—exacerbated her symptoms. Urged on by Roberto, Veronica adopted a low-inflammation, grain-free diet, and the rest of the Garzas joined in.

As the Garzas and their neighborhood friends became more engaged with CrossFit, the siblings opened their own CrossFit-affiliated gym in Laredo, with the help of an investment by their parents. The whole family worked in the business; it was marginally profitable, yet most of the Garzas continued to have full-time jobs.

At the same time, Veronica and her mother, Aida, began experimenting in their kitchens to create grain-free versions of culturally familiar foods, replacing the traditional wheat and corn flour with almond flour, for instance, to make grain-free tortillas. At a dinner party with friends, their almond-flour tortillas were put out without comment, and party guests consumed them without comment. With this initial validation secured, Veronica kept refining a tortilla recipe until her grandmother approved. She then began selling the tortillas to members of their gym and to friends in Laredo. To meet the growing demand, Aida and Veronica devoted their weekends to mixing, rolling out dough by hand, and cooking on a griddle on their home stove, a physically demanding and very time-consuming effort.

Veronica's brother Miguel, newly graduated from law school and living amid the startup culture of Austin, encouraged Veronica to launch a business for her products and offered to help. While Veronica was eager to try something new, one factor holding her back from diving into the venture was that she would have to purchase health insurance on her own, which would be difficult and expensive because of her health situation. The two decided that Veronica would keep her day job for the time being but would try and find a retailer to place the product on their shelves. This type of commitment could be a good indicator of the potential of Veronica's idea to become a sustainable business.

In early 2014, Veronica and Miguel brought a bag of warm tortillas to meet with the buyer at Wheatsville, an Austin, Texas, grocery cooperative. The buyer committed to carrying their product and offered the Garzas advice on launching “Must B Nutty” (as the company was then called, a reference to the almond-flour base). Before they could sell their tortillas commercially, the Garzas needed to satisfy certain legal requirements: They needed packaging and a logo, ingredients on the label, and a health-department-inspected kitchen for production.

Each weekend, Veronica and her parents made the three-and-a-half-hour drive from Laredo to their rented commercial kitchen near Austin to produce and package the tortillas. Within 6 months, Veronica resigned from her college teaching job, drew on her small retirement savings to support herself, and worked full time in her business. Every day meant going to the kitchen to produce tortillas, which had become the top-selling refrigerated product in the Wheatsville store. The purchase of a used tortilla maker increased their productivity, which was particularly important because the hours available in the kitchen were limited to weekends.

Austin is also the headquarters of Whole Foods, at the time an independent chain of over 400 certified organic grocery stores in the United States, Canada, and the United Kingdom (before being acquired by Amazon in 2017). Whole Foods’s focus is based on offering high-quality, fresh, wholesome, organic foods. To Veronica, Whole Foods was an obvious potential client, given its mission, product portfolio, and customer base.

The Garzas’ first approach to cracking Whole Foods was to drop off a plastic zip-top bag of tortillas at the corporate office. While this basic packaging may have worked at Wheatsville, it did not get a response from Whole Foods, nor did the Garzas’ follow-up emails. Their break came in 2015 when a filmmaker working on a film about Whole Foods—who happened to be a regular customer at the Wheatsville store—told founder and CEO John Mackey about the Garzas’ products. Mackey passed the recommendation along, and it ultimately landed with the Austin-area buyer, who added the tortillas, still known at the time as “Must B Nutty,” to the store’s offerings.

One challenge for the Garzas was the price point: Initially, they charged a higher price than other packaged tortillas—\$12 for 10 tortillas—due to their use of more expensive ingredients, particularly almond flour. With the entry into Whole Foods in February 2015, the company dropped the retail price to \$10.

Around this time, the Garzas applied to a 12-week program at Austin-based SKU, an accelerator program focused on consumer packaged goods. In the sales world, SKU, which stands for “stock keeping unit,” is the system of unique numbers and bar codes that sellers and producers use to manage inventory and sales (SKU website). The SKU accelerator serves seed and early-stage startups by providing mentoring, training, and access to capital to help participating companies grow. SKU offers a 12-week program and lifelong mentorship in return for equity in alumni companies.

During its time at SKU, the company both changed its name to “Siete Family Foods” and raised approximately \$1 million from a few angel investors and a Chicago-based natural foods broker. The primary objective of this raise was to acquire the equipment they needed to jump from manufacturing by hand—at that point, Siete employed 10 people to make tortillas on a daily basis—to automating much of the process. Early investors bring in not only cash but also contacts and experience; for instance, Siete’s foods broker investor made an introduction to a key Whole Foods executive, who promised to recommend Siete’s products to Whole Foods stores nationwide.

There was no time to celebrate, however. The same day the Garzas met with the Whole Foods executive, they received a call from a distributor alerting them to the discovery of a moldy pallet of product that had to be destroyed. This one pallet, destined for Whole Foods stores in the Southeast, represented a half month’s production and was valued at \$20,000—\$30,000 retail. The company faced several challenges: to replace the product that had been destroyed, continue to meet current demand, get ready to meet the increased demand from Whole Foods, and find a better way to store and distribute their product to prevent this from happening again. The company had reached a crisis point and needed to make the leap to the next stage and professionalize the operation.

First, Siete had to identify and contract with a commercial manufacturer that could produce the tortillas according to Siete’s instructions and escalate production to meet demand. The Garzas had the concern that many entrepreneurs have—that if they went to a contract manufacturer, the contractor would steal their idea. They also contacted John Foraker, then the CEO of organic foods brand Annie’s Homegrown, to ask for advice. If someone has an innovative product, he told them, then someone else will copy it, so their best defense was to build their brand as fast as they could. Siete ultimately located a co-packer in Austin, acquired the equipment they needed to automate production, and installed it just in time to begin shipping to additional Whole Foods stores.

2018 was a game-changing year for Siete. By this time, all seven (“siete”) family members were working full time in the business, including Miguel as CEO and Veronica as president and head of innovation. The company’s success was attracting attention, and they were being approached by

potential investors. The company's goal was to build a billion-dollar Mexican American food brand that emphasized their heritage through authentic foods. In February 2019, Siete closed on a \$90 million minority investment led by the Stripes Group with AF Ventures, who recognized that the Garzas had found a way to innovate in an established market segment.

Powered by this investment, by 2022, Siete had grown to over 100 employees and \$250 million in annual sales. The company now sells over 60 products in 16,000 retail outlets. Their target market is attractive: Cultural identity is important to Latinos, who are the fastest growing population in the United States and contribute over 11% of the buying power. Siete Foods is one of several heritage-oriented companies that are creating innovative products and demanding space in retail stores outside of the "ethnic" aisle. These companies are gaining ground in the limited supermarket shelf space and, as with Siete, attracting investment capital to enable them to expand and grow.

Part of Siete's mission is to support other Latino-owned brands, and in 2021, it launched the Juntos Fund, an annual monetary award to small businesses, where the winners might be given an opportunity to partner with Siete. For instance, Nixta, an Austin taqueria, teamed up with Siete in 2022 to create Siete's first corn-based product: heirloom blue and red corn chips fried in avocado oil. These new ventures support the Garzas' long-term vision of Siete Family Foods as an iconic global food brand supported by the spending power and influence of the growing Latino culture in the United States.

### Critical Thinking Questions

1. Which of the six features of modern entrepreneurship can you identify in the Garzas' story?
2. The Entrepreneurship Method is about taking action under conditions of uncertainty. Do you see evidence of the Method during the creation of Siete Family Foods?
3. As you think about doing something entrepreneurial, today or someday, what is your motivation for doing so?

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