SECOND EDITION

ENTREPRENEURSHIP

THE PRACTICE AND MINDSET

HEIDI M. NECK • CHRISTOPHER P. NECK • EMMA L. MURRAY

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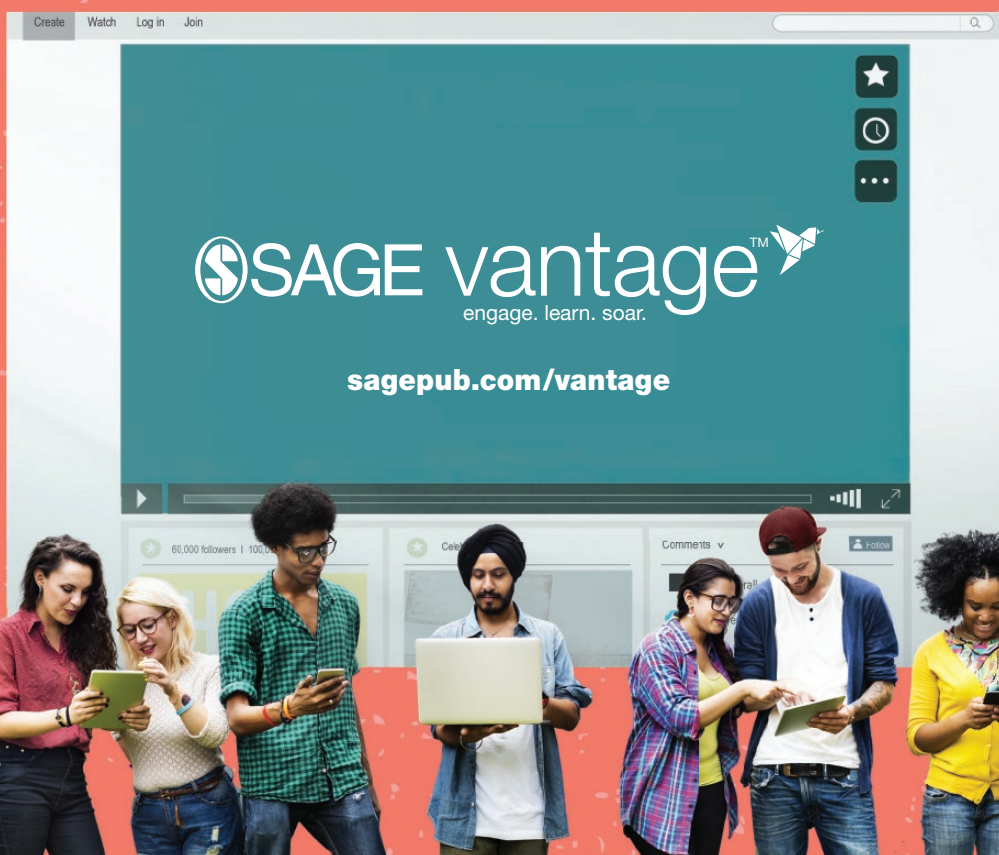
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The **Hallmark Features**

Entrepreneurship: The Practice and Mindset catapults students beyond the classroom by helping them develop an entrepreneurial mindset so they can create opportunities and take action in uncertain environments.

- A new chapter on **DEVELOPING YOUR CUSTOMERS** helps students gain a deeper understanding of market segmentation, customer personas, and the customer journey.

- **2 MINDSHIFT ACTIVITIES PER CHAPTER** challenge students to take action outside the classroom and do entrepreneurship.

- **15 NEW CASE STUDIES** and **16 NEW ENTREPRENEURSHIP IN ACTION PROFILES** highlight a diverse range of entrepreneurs and start-ups.

SAGE Publishing:
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Entrepreneurship

Second Edition

We dedicate this book to future entrepreneurs of all types across the globe who will create opportunities and take action to change their world and the world of others. Embrace the journey and the learning, and take pride in knowing that you are moving society forward.

Entrepreneurship

The Practice and Mindset

Second Edition

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This book is printed on acid-free paper.

BRIEF CONTENTS

DETAILED CONTENTS

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Organic Valley (with permission)

PREFACE

Entrepreneurship: The Practice and Mindset (2nd ed.) catapults students beyond the classroom to think and act more entrepreneurially in order to create opportunities and take action in uncertain environments. Based on the world-renowned Babson program, this text emphasizes practice and learning through action.

Entrepreneurship has historically and narrowly been defined as starting a new business, with little attention given to the individuals—the entrepreneurs of all types—who have the mindset, skillset, and toolset to create change, improve the world, and make a difference in their lives as well as the lives of others. The most current view of entrepreneurship is represented in this text. This is a view that entrepreneurship today is not reserved for the chosen few but is a life skill needed by all. The world will benefit not only from those who start new ventures but also from those who act entrepreneurially in all that they do. We are living in the entrepreneurial generation, and all students must get comfortable with creating and testing new ideas, navigating uncertain environments, and acting in order to learn rather than learning in order to act.

Entrepreneurship: The Practice and Mindset is a practice-based, realistic, and inclusive approach to entrepreneurship. It is a core textbook for college-level undergraduate and graduate students seeking methods for starting and running something new: a new business for-profit or nonprofit, inside a large corporation, or within a family business. Four points guide the philosophy of this book:

First, every student should be exposed to the practice of entrepreneurship regardless of major, discipline, or chosen career path. The life skill developed through the discipline of entrepreneurship is both necessary and differentiating. We have the innate ability to build, problem solve, lead, reflect, experiment, improvise, and empathize, but sometimes we lack the mindset (or have lost the mindset at some point) to do so in creative and ingenious ways. Our education system has deemphasized critical thinking in favor of right and wrong. In short, we have educated the human race to be less entrepreneurial than ever before. It's time to get those entrepreneurship skills back.

Second, students cannot simply read about entrepreneurship; they must *do* entrepreneurship. The text requires a lot of "doing" and, as a result, students develop courage to take action in highly ambiguous environments. Our vision in writing this book was to create a practice-based text that promotes active learning and engagement with the realities of entrepreneurship, encouraging students to think like entrepreneurs rather than passively learn about them.

Third, this textbook approaches learning entrepreneurship as a method that goes beyond simply understanding and knowing; it requires using, applying, and acting. We treat entrepreneurship as a method that demands practice. In fact we call it "the Entrepreneurship Method" throughout the book. Traditionally, entrepreneurship is taught as a process that typically involves traversing a linear pathway of identifying an opportunity, understanding resource requirements, acquiring resources, writing a business plan, implementing the plan, and then exiting the business at some point. In reality, entrepreneurship isn't that clean or clear cut. Additionally, the word *process* assumes known inputs and known outputs, as in a manufacturing process; it implies you will get to a specific destination. For example, building a car on an assembly line is a manufacturing process. You have all the parts; you know how they fit together; and you know the type of car you will have at the end because it was planned that way. A process is quite predictable. Entrepreneurship is not predictable and, therefore, cannot adequately be taught as a process. It's too messy for that and we need to embrace the messiness.

Fourth, students completing this text will be thinking and acting more entrepreneurially than when they started. Every action students take in this text will aid in building their entrepreneurial mindset. Every action is designed with intention so that students can experience and practice creative and nimble thinking, leading to a heightened level

of experimentation where numerous iterations represent stages of learning rather than successes and failures or right and wrong answers. This text is a journey that encourages students to act their way into learning and knowing. It's about getting comfortable with uncertainty and developing the courage to act and find all the pieces of the puzzle.

It's about *being* entrepreneurial!

NEW TO THIS EDITION

We have made several enhancements to this edition while retaining the unique mindset approach. In addition to updating the chapter references, we have updated all end of chapter case studies, provided new Entrepreneurship Meets Ethics features, new Research at Work features, new Mindshift features, new profiles for Entrepreneurship in Action features, and added new entrepreneurial research supported by the latest studies. Additionally, we have added a new chapter on developing your customers.

Chapter 1: Practicing Entrepreneurship

- Chapters 1 (A Global Social Movement) and 2 (Practicing Entrepreneurship) from the first edition have been combined to create a new chapter
- New Entrepreneurship in Action: Juan Giraldo, Waku
- Expanded discussion on deliberate practice, including a new section on how deliberate practice shapes the brain
- New Entrepreneurship Meets Ethics: When to Practice Entrepreneurship
- New Case Study: Gyan-I Inc.

Chapter 2: Activating an Entrepreneurial Mindset

- Chapter 3 (Developing an Entrepreneurial Mindset) from the first edition was retitled and renumbered as Chapter 2
- New Entrepreneurship in Action: Franklin Yancey, WME Entertainment and Yancey Realty
- Further detailed discussion on mindset featuring U.S. senator Corey Booker
- New Mindshift: Building Entrepreneurial Habits
- New Entrepreneurship Meets Ethics: Family and Friends Along for the Ride
- Expands on the dysfunctional side of passion by describing a recent Stanford study
- New Case Study: Doctory

Chapter 3: Creating and Recognizing New Opportunities

- Chapter 5 (Generating New Ideas) from the first edition was retitled and renumbered as Chapter 3
- Added one new figure on increasing complexity and unknowingness in opportunity creation
- Added two new tables on discovering new opportunities and the IDEATE model for opportunity recognition
- New Entrepreneurship in Action: Jazmine Valencia, JV Agency
- New section on the four pathways to opportunity identification
- New Entrepreneurship Meets Ethics: The Ethics of Taking Someone's Idea

- New Mindshift: Practicing Identify in the IDEATE Model
- Research at Work: Testing IDEATE in the Entrepreneurial Classroom
- New Case Study: Yoee Baby

Chapter 4: Using Design Thinking

- Chapter 6 from the first edition was renumbered as Chapter 4
- Added one new figure on insight statements
- Added three new tables on skills of designers, three phases of design thinking, and design thinking as a social technology
- New discussion of the four approaches of design company IDEO
- New Entrepreneurship in Action: Shaymaa Gaafar, Shay Jaffar
- New Mindshift: Needs Are Verbs; Solutions Are Nouns
- New example (Clean Team Ghana) to illustrate the three phases of design thinking in action
- New section explaining the four different types of observation
- Research at Work: Design Thinking Is a Social Technology
- Expanded discussion on preparing for an interview
- Expanded discussion on empathy using new IDEO example
- Detailed description of the interviewing process

Chapter 5: Building Business Models

- Discussion of Massive Open Online Courses (MOOCs) and the Imitation Model as examples of different types of business models
- New Entrepreneurship in Action: Brandon Steiner, Steiner Sports
- New Entrepreneurship Meets Ethics: The Rights of Research Participants
- Discussion of business author Doug Hall's Three Laws of Marketing Physics: overt benefit, real reason to believe, and dramatic difference
- New Mindshift: The Overt Benefit, Real Reason to Believe, and Dramatic Difference
- Research at Work: Overt Benefit, Real Reason to Believe, and Dramatic Difference
- New Case Study: NatureBox

Chapter 6: Developing Your Customers

- New Entrepreneurship in Action: Anthony Magaraci, Trinity Packaging Supply
- Expanded discussion on creating an end user profile, including psychographics
- New section Crossing the Chasm and explanation of "beachhead market"
- New example to illustrate customer journey mapping
- New Entrepreneurship Meets Ethics: Can You Sell Customer Information?
- New Mindshift: Build Your Buyer Personas
- New Mindshift: Creating a Customer Journey Map
- Research at Work: Emotional Motivators

- New example to illustrate market sizing
- New Case Study: The Mighty Morphin' Power Rangers

Chapter 7: Testing and Experimenting With New Ideas

- New introduction featuring the benefits of experimentation
- New Entrepreneurship in Action: Karima Mariama-Arthur, WordSmithRapport
- New section explaining different types of experiments
- New section exploring prototypes in greater depth
- New Entrepreneurship Meets Ethics: When Links Break
- New example illustrating the six steps of scientific experimentation
- New example to explain the rules of experimentation in relation to stakeholders
- New Mindshift: Creating a Mockup
- New Research at Work: Why Overconfident Entrepreneurs Fail
- Introduces the five-dimensional model of curiosity created by Todd B. Kashan at George Mason University
- New section on building curiosity strength
- New Case Study: Stitch Fix

Chapter 8: Developing Networks and Building Teams

- New Entrepreneurship in Action: Markesia Akinbami, Ducere Construction Services
- Introduces new research by the Economist Intelligence Unit on the benefits of informal professional networks and communities
- Introduction to the concept of implicit bias
- Adapted table: Top Organizations for Entrepreneurs
- New section on incubators and accelerators
- New Entrepreneurship Meets Ethics: Developing Networks and Building Teams
- New Mindshift: Building My Network
- Adapted table: LinkedIn Groups Dedicated to Entrepreneurs
- Adapted table: Facebook Groups for Entrepreneurs
- Discussion of Google's research on shared vision and management behaviors
- Research at Work: Don't Pitch Like a Girl
- New Case Study: AmeriCan Packaging

Chapter 9: Creating Revenue Models

- New Entrepreneurship in Action: Kathey Porter, Porter Brown Associates
- Discussion on data brokers
- New Entrepreneurship Meets Ethics: How to Make an Ad
- New Mindshift: Revenue Model Pivot Practice
- Research at Work: The Dark Side of Entrepreneurship
- Provides detailed explanation of break-even analysis
- New Case Study: Invento Robotics

Chapter 10: Planning for Entrepreneurs

- New Entrepreneurship in Action: Dr. Emmet C. (Tom) Thompson II, AFC Management
- New Entrepreneurship Meets Ethics: When to Be Transparent With Investors
- New section introducing the concept statement as an important part of planning
- New Mindshift: What Do You Know About Your Competition?
- Research at Work: Can We Think Ourselves Into (and out of) Planning?
- Additional tips for writing any type of business plan
- New Case Study: IoMob

Chapter 11: Anticipating Failure

- New Entrepreneurship in Action: David James, K12 Landing
- Adapted table: Entrepreneurs Share Their Reasons for Failure
- Explores a study by CBI Insights on the number one reason for startup failure
- New Entrepreneurship Meets Ethics: From Tech Hero to Zero Net Worth
- New Mindshift: Go Get Rejected
- Research at Work: Overcoming the Stigma of Failure
- Updated figure: Fear of Failure Rates Around the World
- Updated figure: GEM Global Report
- New Case Study: Petwell Supply Co.

Chapter 12: Bootstrapping and Crowdfunding for Resources

- New Entrepreneurship in Action: Bryanne Leeming, Unruly Studios
- Adapted table: Common Bootstrapping Strategies
- New Entrepreneurship Meets Ethics: When to Proclaim a Product Is Ready
- New Mindshift: Bootstrapping for Your Business
- Research at Work: The Informational Value of Crowdfunding for Music Entrepreneurs
- New Case Study: FUBU

Chapter 13: Financing for Startups

- New Entrepreneurship in Action, Joel Barthelemy: GlobalMed
- Expanded discussion on splitting the ownership pie
- New section: The Age of the Unicorn
- Adapted table: Why Angels and Entrepreneurs Are Good for Each Other
- Updated table: Most Active Angel Groups in the U.S.
- Additional advice from the Angel Capital Association (ACA)
- Research at Work: Why Most Entrepreneurs Can't Access Capital
- Adapted table: Guidelines for Finding the Right VC for Your Startup
- New section: What About a Bank Loan?
- New section: The Due Diligence Process for VCs

- New Entrepreneurship Meets Ethics: Replacing the Founder CEO
- New Mindshift: Watch *Shark Tank* as an Investor
- New Case Study: Gravyty

Chapter 14: Navigating Legal and IP Issues

- New Entrepreneurship in Action: Cameron Herold, 1-800-GOT JUNK? & COO Alliance
- Adapted table: Useful Online Legal Resources
- New section: The Founders' Agreement
- Adapted table: Resources for IP Information
- New section: Nondisclosure Agreement
- Updated Research at Work: Patent Trolls
- New Mindshift: Patent Battles
- New Entrepreneurship Meets Ethics: The Danger of Going on *Shark Tank*
- Expanded discussion of unpaid internships referencing the "primary beneficiary test" adopted by the Department of Labor
- New case: LULA

Chapter 15: Engaging Customers Through Marketing

- Expanded introduction detailing how entrepreneurial marketing is different
- New Entrepreneurship in Action: Charlie Regan, Nerds on Site
- New Section: Marketing Trends
- Discusses new ideas for entrepreneurs to engage consumers through creating content
- New Section: How to Build Your Personal Brand
- Adapted table: Tips for Building Your Personal Brand
- New Entrepreneurship Meets Ethics: How Social Media Can Provide Marketing Headaches
- New Mindshift: What "About Us"?
- Research at Work: How a Pitch Can Help Build Your Brand
- New Case Study: RealPlay

Chapter 16: Supporting Social Entrepreneurship

- New Entrepreneurship in Action: Organic Valley
- Discussion on the climate crisis drawing from studies from the University of Hawaii and information from the Intergovernmental Panel on Climate Change
- New Entrepreneurship Meets Ethics: How Social Entrepreneurs Can Be Unethical
- New Mindshift: How Entrepreneurship Is Saving the Planet
- Research at Work: United Nations Sustainable Development Goals
- Adapted table: Examples of Impact Investment Funds
- Expanded discussion on CSR initiatives drawing from the latest research

- New section: Social Entrepreneurship and Audacious Ideas
- Updated figure: Global Entrepreneurship Monitor Measuring Entrepreneurial Activity
- Updated figure: Global Entrepreneurship Monitor Measuring Rates by Gender
- New Case Study: 1854 Cycling Company

What Makes Our Book Unique

- A focus on the **entrepreneurial mindset** helps students develop the discovery, thinking, reasoning, and implementation skills necessary to thrive in highly uncertain environments.

- An emphasis on the **Entrepreneurship Method**, in which entrepreneurship is approached as a method that requires doing. It's not a predictive or linear process. It's messy, but clarity comes with action and practice.

- Each chapter includes two **Mindshift activities** in which students take action outside the classroom in order to practice various aspects of entrepreneurship.

- Instructors are provided with **experiential learning activities** to use inside the classroom.

- A unique chapter on **learning from failure** helps students anticipate setbacks, develop grit, and understand the value of experimentation and iteration.

- A new chapter on **developing your customers** helps students gain a deeper understanding of their customers and explains how this knowledge is essential for early business success.

- **Cutting-edge topics** such as design thinking, business model canvas, bootstrapping, and crowdfunding are covered in depth, exposing students to the latest developments in the field.

An Inclusive Approach

The media often exaggerate the meteoritic rise of "overnight global sensations" such as Bill Gates (Microsoft), Steve Jobs (Apple), Mark Zuckerberg (Facebook), Elon Musk (Tesla), and Travis Kalanick (Uber). These stories have perpetuated the myth of the "tech entrepreneurial genius" and have captured the public imagination for decades. Although Bill Gates and his peers are certainly inspirational, we would argue that few can personally identify with the stories surrounding them, and they do little to represent the reality of entrepreneurship.

In *Entrepreneurship: The Practice and Mindset*, we deconstruct the myths and stories, which we believe limit others from becoming entrepreneurs. Dominant myths include that entrepreneurship is reserved for startups; that entrepreneurs have a special set of personality traits; that entrepreneurship can't be taught; that entrepreneurs are extreme risk takers; that entrepreneurs do not collaborate; that entrepreneurs devote large periods of time to planning; and that entrepreneurship is not a life skill.

With the support of extensive research, we show that the traditional view of the startup is not the only path for entrepreneurs; that there is no scientific evidence to suggest that entrepreneurs are any different from the rest of us in terms of personality traits or behaviors; that entrepreneurship can, indeed, be taught; that entrepreneurs are more calculated (rather than extreme) risk takers; that they collaborate more than they compete, act more than they plan, and perceive entrepreneurship as a life skill.

We also show that entrepreneurs do not have to come from a technology background to succeed. In *Entrepreneurship: The Practice and Mindset*, we include personal accounts of entrepreneurs from all types of disciplines, in the United States and around the world, including those in the fields of recruitment, science, food and beverage, tourism,

engineering, finance, clothing, industrial design, pet services, fitness, costume design, sports, and promotional marketing.

These personal stories are intended to illustrate the realities of being an entrepreneur, detailing the unpredictability of entrepreneurship together with the highs and the lows; like famous U.S. entrepreneur computer designer Adam Osborne, we believe that "the most valuable thing you can make is a mistake—you can't learn anything from being perfect."

Entrepreneurship is all around us; everyone has the ability to think and act entrepreneurially, transform opportunity into reality, and create social and economic value. But as we show, practice is key to success, and learning is inseparable from doing.

A Mindset and Action Approach

Mindset is the precursor to action. The work of researcher and Darden School of Business professor Saras D. Sarasvathy has added a new dimension to the field in understanding the entrepreneurial mindset. Sarasvathy discovered patterns of thinking, a theory she calls *effectuation,* which is the idea that the future is unpredictable yet controllable. In other words, because thinking can be changed and altered, we all have the ability to think and act entrepreneurially, and this thinking can be learned and taught. Moreover, entrepreneurship is not only about altering the way we think—it is about creating mindshifts to take action that yield significant change and value. And creating these mindshifts takes practice and experimentation.

We believe that it is very important to emphasize the mindset in the early development of entrepreneurship students. Often the mindset is either ignored or considered to be too difficult to teach. We introduce entrepreneurial mindset very early in the text, and then the mindset is further developed throughout the book based on the actions that students take and are required to practice throughout the book.

Knowing that an entrepreneurial mindset is needed is not sufficient for a strong entrepreneurship education. Practicing the mindset and helping students develop it over time are essential components of learning the discipline of entrepreneurship today. In her previous book, *Teaching Entrepreneurship,* Heidi Neck and her coauthors Candy Brush and Patti Greene encouraged educators to build classroom environments that encouraged students to play, create, experiment, empathize, and reflect in order to build a bias toward action and become more entrepreneurial. These elements are emphasized throughout this text.

FEATURES

In each chapter, we include the following features that help students think and act like entrepreneurs:

- **Entrepreneurship in Action** at the beginning of each chapter includes interviews with entrepreneurs from many different businesses and disciplines both in the United States and around the world, demonstrating how the concepts discussed in the chapter are applied in real situations.

- Two **Mindshift** activities in each chapter provide instructors with exercises that encourage students to think and act outside of their comfort zones. These activities can be performed inside or outside the classroom, and the accompanying critical thinking questions promote further comprehension and analysis.

- **Entrepreneurship Meets Ethics** provides students with examples of ethical dilemmas and challenges related to topics discussed in the chapter. These real-world scenarios and the accompanying critical thinking questions guide students to think about how they would take action if confronted with a similar situation.

- **Research at Work** highlights recent seminal entrepreneurship studies and explores their impact on and application to the marketplace.

- Short **Case Studies** tell the stories of real companies from various sectors and markets to illustrate chapter concepts and encourage further exploration of these topics.
- **Summaries** and **Key Terms** recap important chapter information to aid with studying and comprehension.
- Topical **Supplements** offer greater depth of practice:
  - **Financial Statements and Projections for Startups** demonstrate how students can build financial projections based on sound data, using different types of financial statements.
  - **The Pitch Deck** provides an in-depth description of the pitch deck, includes sample slides, walks students through the preparation of their own pitch deck, and advises students on how to predict and prepare for the question-and-answer period that usually follows a pitch presentation.
- **VentureBlocks** simulation
  - In the VentureBlocks simulation, students start from scratch, with no resources or business ideas, and must explore a new, unknown market of bearlike pets called nanus. On their journey through the simulation, students learn how to interview customers to identify business opportunities based on their needs. Most students will complete VentureBlocks in 30 to 60 minutes. The simulation includes tutorials so they know what to do and how to navigate at all times. The simulation ends when they identify business opportunities that meet the needs of nanu owners.

CONTENT AND ORGANIZATION

Part I. Entrepreneurship Is a Life Skill

Chapter 1: Practicing Entrepreneurship describes the skills most important to the Entrepreneurship Method, how entrepreneurship is more of a method than a process, and the concept of deliberate practice.

Chapter 2: Activating an Entrepreneurial Mindset outlines the effectiveness of mindset in entrepreneurship and explains how to develop the habits of self-leadership, creativity, and improvisation.

Part II. Creating and Developing Opportunities

Chapter 3: Creating and Recognizing New Opportunities explores the four pathways (design, effectuate, search, and find) toward explaining how entrepreneurs identify and exploit opportunities.

Chapter 4: Using Design Thinking describes the importance of design thinking in understanding customers and their needs, explains the four different types of observation, emphasizes the role of empathy in design thinking, and illustrates the key parts of the design thinking process and their relevance to entrepreneurs.

Chapter 5: Building Business Models examines the core areas of a business model, explores the importance of customer value propositions (CVPs), and illustrates the components of the business model canvas.

Chapter 6: Developing Your Customers explores different types of customers, customer segmentation, customer personas, the customer journey mapping process, and market sizing.

Chapter 7: Testing and Experimenting With New Ideas explains the benefits of experimentation, illustrates the six steps of scientific experimentation and how they apply to entrepreneurs, demonstrates how to test hypotheses, and discusses the five-dimensional model of curiosity.

Chapter 8: Developing Networks and Building Teams explains the importance of networks for building social capital, identifies the benefits of professional informal networks and communities, describes different ways of building networks, and describes how networking can help build a founding team.

Part III. Evaluating and Acting on Opportunities

Chapter 9: Creating Revenue Models describes the different types of revenue models used by entrepreneurs and identifies different strategies entrepreneurs use when pricing their products and calculating prices.

Chapter 10: Planning for Entrepreneurs explains vision as an important part of entrepreneurial planning, the different types of plans used by entrepreneurs, and the types of questions to answer during planning, and provides advice for writing business plans.

Chapter 11: Anticipating Failure explores failure and its effect on entrepreneurs; the consequences of fear of failure; how entrepreneurs can learn from failure; and the significance of "grit" and its role in building tolerance for failure.

Part IV. Supporting New Opportunities

Chapter 12: Bootstrapping and Crowdfunding for Resources describes the significance of bootstrapping and bootstrapping strategies for entrepreneurs and also discusses crowdfunding as a form of investment for entrepreneurial ventures.

Chapter 13: Financing for Startups outlines the stages of equity financing, explains the roles of angel investors and venture capital investors in financing entrepreneurs, and describes the due diligence process.

Chapter 14: Navigating Legal and IP Issues outlines the most common types of legal structures available to startups; describes IP, IP theft, and some IP traps experienced by entrepreneurs; and discusses the founders' agreement and nondisclosure agreements.

Chapter 15: Engaging Customers Through Marketing explores the principles of marketing and how they apply to new ventures, describes branding and how to build a personal brand, explains the value of social media for marketing opportunities, and discusses the different types of marketing tools available to entrepreneurs.

Chapter 16: Supporting Social Entrepreneurship defines social entrepreneurship, discusses the different types of social entrepreneurship, and explains how it can help to resolve wicked problems around the world that are connected to the United Nations Sustainable Development Goals.

DIGITAL RESOURCES

A Complete Teaching and Learning Package

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Engage, Learn, Soar with **SAGE vantage**, an intuitive digital platform that delivers *Entrepreneurship: The Practice and Mindset, Second Edition*, textbook content in a learning experience carefully designed to ignite student engagement and drive critical thinking. With evidence-based instructional design at the core, SAGE vantage creates more time for engaged learning and empowered teaching, keeping the classroom where it belongs—in your hands.

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Favorite SAGE vantage Features

- **3-step course setup** is so fast you can complete it in minutes!
- **Control over assignments**, content selection, due dates, and grading empowers you to teach your way.
- **Quality content** authored by the experts you trust.
- **eReading experience** makes it easy to learn and study by presenting content in easy-to-digest segments featuring note-taking, highlighting, definition look-up, and more.
- **LMS integration provides single sign-on** with streamlined grading capabilities and course management tools.
- **Auto-graded assignments** include:
  - formative **knowledge checks** for each major section of the text that quickly reinforce what students have read and ensure they stay on track;
  - dynamic, hands-on **multimedia activities** that tie real world examples and motivate students to read, prepare for class;
  - summative **chapter tests** that reinforce important themes; and
  - **helpful hints and feedback** (provided with all assignments) that offer context and explain why an answer is correct or incorrect, allowing students to study more effectively.
- **Compelling polling questions** bring concepts to life and drive meaningful comprehension and classroom discussion.
- **Short-answer questions** provide application and reflection opportunities connected to key concepts.
- **Instructor reports** track student activity and provide analytics so you can adapt instruction as needed.
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- **Honest value** gives students access to quality content and learning tools at a price they will appreciate.

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SAGE Coursepacks for Instructors

The **SAGE coursepack** for *Entrepreneurship: The Practice and Mindset, Second Edition* makes it easy to import our quality instructor materials and student resources into your school's learning management system (LMS), such as Blackboard, Canvas, Brightspace by D2L, or Moodle. Intuitive and simple to use, **SAGE coursepack** allows you to integrate only the content you need, with minimal effort, and requires no access code. Don't use an LMS platform? You can still access many of the online resources for *Entrepreneurship: The Practice and Mindset, Second Edition* via the **SAGE edge** site.

Available SAGE content through the coursepack includes:

- Pedagogically robust **assessment tools** that foster review, practice, and critical thinking and offer a more complete way to measure student engagement, including:
  - Diagnostic **coursepack chapter quizzes** that identify opportunities for improvement, track student progress, and ensure mastery of key learning objectives.
  - **Test banks** built on Bloom's taxonomy that provide a diverse range of test items.
  - **Activity and quiz options** that allow you to choose only the assignments and tests you want.
- Editable, chapter-specific **PowerPoint®** slides that offer flexibility when creating multimedia lectures so you don't have to start from scratch but can customize to your exact needs.
- **Instructions** on how to use and integrate the comprehensive assessments and resources provided.

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SAGE edge is a robust online environment featuring an impressive array of tools and resources for review, study, and further exploration, keeping both instructors and students on the cutting edge of teaching and learning. SAGE edge content is open access and available on demand. Learning and teaching has never been easier!

SAGE edge for Students at **https://edge.sagepub.com/neckentrepreneurship2e** provides a personalized approach to help students accomplish their coursework goals in an easy-to-use learning environment.

- **Learning objectives** reinforce the most important material
- Mobile-friendly **eFlashcards** strengthen understanding of key terms and concepts, and make it easy to maximize your study time, anywhere, anytime.
- Mobile-friendly practice **quizzes** allow you to assess how much you've learned and where you need to focus your attention.
- Carefully selected video resources bring concepts to life, are tied to learning objectives, and make learning easier.

SAGE edge for Instructors at **https://edge.sagepub.com/neckentrepreneurship2e** supports teaching by making it easy to integrate quality content and create a rich learning environment for students.

- The **Test bank**, built on Bloom's taxonomy (with Bloom's cognitive domain and difficulty level noted for each question), is created specifically for this text.
- **Sample course syllabi** provide suggested models for structuring your course.
- Editable, chapter-specific **PowerPoint® slides** offer complete flexibility for creating a multimedia presentation for the course, so you don't have to start from scratch but can customize to your exact needs.
- **Lecture Notes** features chapter summaries and outlines, providing an essential reference and teaching tool for lectures.
- Sample **answers to questions in the text** provide an essential reference.
- **Case notes** include summaries, analyses, and sample answers to assist with discussion.
- **Entrepreneurial exercises** written by Heidi Neck and other faculty from Babson College can be used in class to reinforce learning by doing.

- **Mindset Vitamins** are brief, fun, daily activities that can help you practice developing your entrepreneurial mindset every day

- **Suggested projects, experiential exercises, and activities** help students apply the concepts they learn to see how the work in various contexts, providing new perspectives.

- A set of all the **graphics from the text**, including all the maps, tables, and figures in PowerPoint formats are provided for class presentations.

- **Excel spreadsheets** accompany the supplement on financials.

- **Sample pitch decks** serve as examples to help students formulate their own pitch.

SAGE Premium Video

Entrepreneurship offers premium video, available exclusively in the **SAGE vantage** digital option, produced and curated specifically for this text, to boost comprehension and bolster analysis.

VentureBlocks Simulation

Practice interviewing customers and identifying their needs with VentureBlocks, a game-based simulation.

Simulation Goals

1. **Develop** a better understanding of approaching opportunity creation through the identification of customer needs.

2. **Practice** interviewing potential customers:
   a. Approach strangers and start a conversation.
   b. Ask good open-ended questions to get useful and relevant information.
   c. Identify bad questions that would make real-world customer interviews unsuccessful.
   d. Feel rejection when someone does not want to engage in a conversation.

3. **Improve** listening and observation skills to identify the needs of potential customers and build strong customer insights.

4. **Cultivate** pattern recognition skills to identify potential opportunities that meet the needs of multiple customer types.

5. **Distinguish** between needs, customer insights, and solutions.

What Is VentureBlocks?

In the VentureBlocks simulation, you start from scratch, with no resources or business ideas, and must explore a new, unknown market of bear-like pets called nanus. On your journey through the simulation, you learn how to identify business opportunities based on customer needs.

Most students will complete VentureBlocks in 30 to 60 minutes. The simulation includes tutorials so you know what to do and how to navigate at all times. Take your time, though, because this is a points-based competition. You will be able to see the top five performers at all times in your class on the real-time leaderboard!

The nanu

Here's a little bit more information about the simulation.

You assume the role of a nascent entrepreneur who lives in a small town called Trepton. A few years ago, scientists in Trepton created a new pet: the nanu. These cute bear-like pets are becoming popular fast. The number of nanu owners in Trepton is growing, and a few well-known veterinarians project nanu ownership to surpass dog ownership by the year 2040. This could be disruptive! The entrepreneur (you!) believes business opportunities exist but must learn more about nanus and their owners.

VentureBlocks is completed when you identify business opportunities that meet the needs of nanu owners. In order to do this, you must complete missions across eight levels of play. In Levels 1–4 you develop empathy for nanu owners by talking with them. In Levels 5–7, you generate customer insights that lead to business opportunities. A simulation learning summary occurs in Level 8. Figure 1 details the missions.

VentureBlocks represents early-stage entrepreneurial activity, and its foundations are rooted in design thinking that was introduced in this chapter. Figure 2 should look familiar: This is the human-centered approach framework presented in the chapter. Remember, strong opportunities are found at the intersection of feasibility, viability, and desirability. Feasibility answers the question, Can it be done from a technical or organizational perspective? Viability answers the question, Can we make money doing it? Desirability answers the question, What do people need?

FIGURE 1

VentureBlocks Missions

LEVEL	MANDATORY MISSION	LOCATION
1	Start a conversation and get rejected	Trepton Park
2	Trash a bad question while talking to people	Trepton Park
3	Talk to a nanu owner and earn 75 XP (experience points)	Trepton Park
4	Talk to a nanu owner and earn 110 XP (experience points)	Trepton Park
5	Go home and build 3 good insights	Home
6	Choose your top insight	Home
7	Create 2 business ideas based on your chosen insight	Home
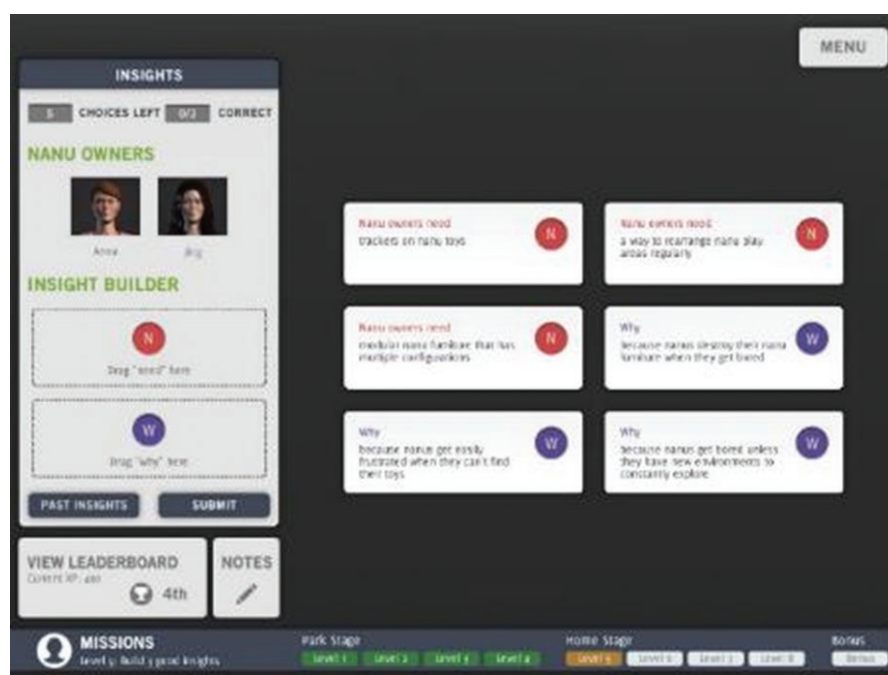
It is very common for entrepreneurship students to start with feasibility and viability. And these do represent two very important factors in building a sustainable business model, but sometimes we try to answer these questions too soon without giving adequate attention to what people need. As a result, VentureBlocks is designed to focus first on desirability: what nanu owners need.

How to Use With This Text

Although the concepts students will practice in this simulation are most directly connected to concepts in Chapter 4: Using Design Thinking, they will also practice concepts from Chapter 3: Creating and Recognizing New Opportunities and Chapter 11: Learning From Failure. Figure 3 demonstrates how the chapter Learning Objectives align with the Simulation Goals.

How to Access the Simulation

To access the VentureBlocks Simulation, visit sage.ventureblocks.com and enter your registration code. Your registration code will be available once your instructor sets up the course at sage.ventureblocks.com..

FIGURE 2

Design-Thinking Framework Revisited

START HERE

Desirability

VentureBlocks

Strong opportunities should
be at the **intersection**

Feasibility

Viability
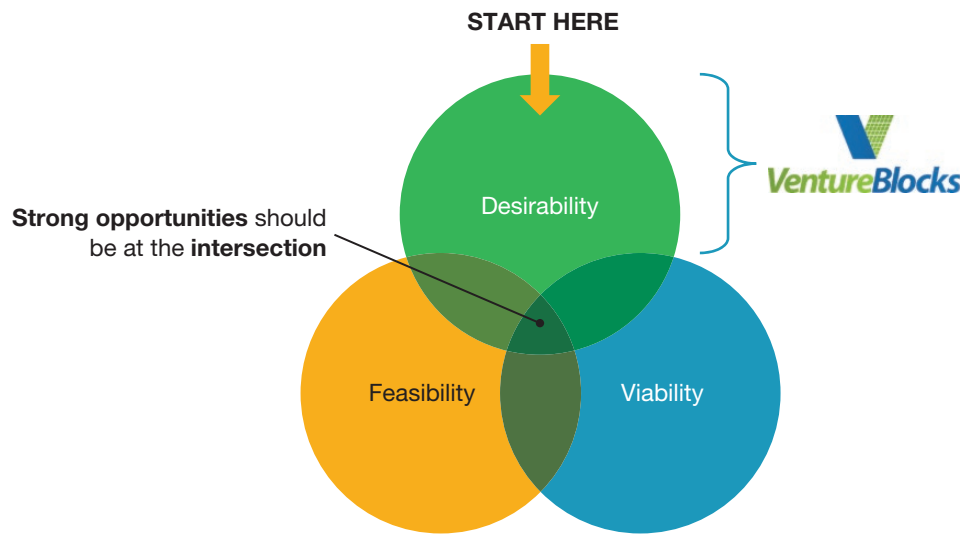
FIGURE 3

Simulation Goals and Chapter Learning Objectives

SIMULATION GOALS	LEARNING OBJECTIVES
Develop a better understanding of approaching opportunity creation through the identification of customer needs.	6.2 Demonstrate design thinking as a human-centered process focusing on customers and their needs.
Practice interviewing potential customers.	6.6 Demonstrate how to interview potential customers in order to better understand their needs.
Improve listening and observation skills to identify the needs of potential customers and build strong customer insights.	6.5 Demonstrate how to observe and convert observation data to insights.
Cultivate pattern recognition skills to identify potential opportunities that meet the needs of multiple customer types.	5.4 Demonstrate how entrepreneurs find opportunities through active search and alertness. 5.3 Apply the two primary pathways to opportunity identification.
Distinguish between needs, customer insights, and solutions.	5.5 Connect idea generation to opportunity recognition.
Apply learning from unsuccessful attempts to future attempts and develop an appreciation for the necessity of iteration.	11.5 Describe the significance of "grit" and its role in building tolerance for failure.
Reflect on both successes and failures through built-in debrief questions.	11.4 Explain the different ways entrepreneurs can learn from failure.

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Heidi M. Neck, PhD, is a Babson College professor and the Jeffry A. Timmons Professor of Entrepreneurial Studies. She has taught entrepreneurship at the under-graduate, MBA, and executive levels. She is the academic director of the Babson Academy, a dedicated unit within Babson that inspires change in the way universities, specifically their faculty and students, teach and learn entrepreneurship. The Babson Academy builds on Neck's work starting the Babson Collaborative, a global institu-tional membership organization for colleges and universities seeking to increase their capability and capacity in entrepreneurship education, and her leadership of Babson's Symposia for Entrepreneurship Educators (SEE), programs designed to inspire fac-ulty from around the world to teach more experientially and entrepreneurially as well as build world-class entrepreneurship programs. Neck has directly trained more than 3,000 faculty around the world in the art and craft of teaching entrepreneurship. An award-winning teacher, Neck has been recognized for teaching excellence at Babson for undergraduate, graduate, and executive education. She has also been recognized by international organizations, the Academy of Management and USASBE, for excel-lence in pedagogy and course design. Most recently, in 2016 The Schulze Foundation awarded her Entrepreneurship Educator of the Year for pushing the frontier of entre-preneurship education in higher education.

Her research interests include entrepreneurship education, entrepreneurship inside organizations, and creative thinking. Neck is the lead author of *Teaching Entrepreneurship: A Practice-Based Approach* (Elgar), a book written to help educators teach entrepre-neurship in more experiential and engaging ways. Additionally, she has published 40+ book chapters, research monographs, and refereed articles in such journals as *Journal of Small Business Management, Entrepreneurship Theory & Practice*, and *International Journal of Entrepreneurship Education*. She is on the editorial board of the *Academy of Management Learning & Education* journal.

Neck speaks and teaches internationally on cultivating the entrepreneurial mind-set and espousing the positive force of entrepreneurship as a societal change agent. She consults and trains organizations of all sizes on building entrepreneurial capac-ity. She is the cofounder of VentureBlocks, an entrepreneurship education technology company, and was co-owner of FlowDog, a canine aquatic fitness and rehabilitation center that was located just outside of Boston. Heidi earned her PhD in strategic man-agement and entrepreneurship from the University of Colorado at Boulder. She holds a BS in marketing from Louisiana State University and an MBA from the University of Colorado, Boulder.

CHRISTOPHER P. NECK, PHD

Dr. Christopher P. Neck is currently an associate professor of management at Arizona State University, where he held the title "University Master Teacher." From 1994 to 2009, he was part of the Pamplin College of Business faculty at Virginia Tech. He received his PhD in management from Arizona State University and his MBA from Louisiana State University. Neck is author of the books *Self-Leadership: The Definitive*

Guide to Personal Excellence (2016, SAGE); *Fit to Lead: The Proven 8-Week Solution for Shaping up Your Body, Your Mind, and Your Career* (2004, St. Martin's Press; 2012, Carpenter's Sons); *Mastering Self-Leadership: Empowering Yourself for Personal Excellence* (6th ed., 2013, Pearson); *The Wisdom of Solomon at Work* (2001, Berrett-Koehler); *For Team Members Only: Making Your Workplace Team Productive and Hassle-Free* (1997, Amacom Books); and *Medicine for the Mind: Healing Words to Help You Soar* (4th ed., 2012, Wiley). Neck is also the coauthor of the principles of management textbook *Management: A Balanced Approach to the 21st Century* (2013, 2017, Wiley); the introductory entrepreneurship textbook *Entrepreneurship* (2017, SAGE); and the introductory organizational behavior textbook *Organizational Behavior* (2016, SAGE).

Dr. Neck's research specialties include employee/executive fitness, self-leadership, leadership, group decision-making processes, and self-managing teams. He has more than 100 publications in the form of books, chapters, and articles in various journals. The outlets in which Neck's work has appeared include *Organizational Behavior and Human Decision Processes, The Journal of Organizational Behavior, The Academy of Management Executive, Journal of Applied Behavioral Science, The Journal of Managerial Psychology, Executive Excellence, Human Relations, Human Resource Development Quarterly, Journal of Leadership Studies, Educational Leadership*, and *The Commercial Law Journal*.

Due to Neck's expertise in management, he has been cited in numerous national publications, including *The Washington Post, The Wall Street Journal, The Los Angeles Times, The Houston Chronicle,* and the *Chicago Tribune.* Additionally, each semester Neck teaches an introductory management course to a single class of anywhere from 500 to 1,000 students.

Dr. Neck was the recipient of the 2007 *Business Week* Favorite Professor Award. He is featured on www.businessweek.com as one of the approximately 20 professors from across the world receiving this award.

Neck currently teaches a mega section of Management Principles to approximately 500 students at Arizona State University. Neck received the Order of Omega Outstanding Teaching Award for 2012. This award is granted to one professor at Arizona State by the Alpha Lambda chapter of this leadership fraternity. His class sizes at Virginia Tech filled rooms up to 2,500 students. He received numerous teaching awards during his tenure at Virginia Tech, including the 2002 Wine Award for Teaching Excellence. Also, Neck was the 10-time winner (1996, 1998, 2000, 2002, 2004, 2005, 2006, 2007, 2008, and 2009) of the Students' Choice Teacher of The Year Award (voted by the students for the best teacher of the year within the entire university). Also, the organizations that have participated in Neck's management development training include GE/Toshiba, Busch Gardens, Clark Construction, the United States Army, Crestar, American Family Insurance, Sales and Marketing Executives International, American Airlines, American Electric Power, W. L. Gore & Associates, Dillard's Department Stores, and Prudential Life Insurance. Neck is also an avid runner. He has completed 12 marathons, including the Boston Marathon, the New York City Marathon, and the San Diego Marathon. In fact, his personal record for a single long-distance run is 40 miles.

EMMA L. MURRAY, BA, HDIP, DBS IT

Emma L. Murray completed a bachelor of arts degree in English and Spanish at University College Dublin in County Dublin, Ireland. This was followed by a higher diploma (Hdip) in business studies and information technology at the Michael Smurfit Graduate School of Business in County Dublin, Ireland. Following her studies, Emma spent nearly a decade in investment banking before becoming a full-time writer and author.

As a writer, Emma has worked on numerous texts, including business and economics, self-help, and psychology. Within the field of higher education, Emma worked with Dr. Christopher P. Neck and Dr. Jeffery D. Houghton on *Management* (2013, Wiley) and is the coauthor of the principles of management textbook *Management: A Balanced Approach to the 21st Century* (2013, 2017, Wiley) and the coauthor of *Organizational Behavior* (2017, SAGE).

She is the author of *The Unauthorized Guide to Doing Business the Alan Sugar Way* (2010, Wiley-Capstone) and the lead author of *How to Succeed as a Freelancer in Publishing* (2010, How To Books). She lives in London.

An Open Letter to All Students

Dear Student,

We suspect you are reading this now because you are on a journey—a journey in search of meaning, a desire to make a significant impact on the world, an itch to bring something new to market, a yearning not simply to find yourself but also to create yourself. Many believe that entrepreneurship can be a path to all of this. For some it can be, but it takes a lot of dedication and a lot of practice. That's what this book is all about: practicing entrepreneurship.

You are going to hear about the concept of practice throughout this entire book, and we want to take a minute to put this word in perspective. Think about a sport you're pretty good at or a musical instrument you have mastered. Even if you love the idea of playing the piano, it's very difficult to sit at the piano and start playing a piece that others really want to hear. You may be a very good soccer player today, but when you started playing, we're sure the coach didn't put you in the game immediately and say, "Go play, kid!" Similarly, you could destroy a golf course if you didn't know the basics of hitting that little white ball. Before we play the music piece in front of others, or play in our first competitive soccer game, and before we tee up on the first hole of a prestigious golf course, we have to practice.

Rarely do we perform the entire piece of music, or play the actual game, or get on the actual golf course before practicing parts of the experience. You practice scales on the piano, then you learn how to read the music, then you play simple pieces, then more complex compositions, and so on. In soccer, you work on fundamentals of kicking the ball, foot coordination, passing, heading, and tackling. A golfing instructor will make you swing different clubs for hours before you are allowed to try to hit the golf ball. Yes, just swinging. No hitting! You may also recognize in practicing these different experiences that you have to take action. We don't just read about playing the piano or soccer or golf. We have to do in order to learn. We have to take action in order to practice, and it is through practice that we can progress.

By practicing entrepreneurship, you will hone your skills and become proficient so that you can take action to reach your goals. Whether you have a concrete plan to bring something new to market or just a passion for finding ways to make the world a better place, we hope this book will help you on your journey.

Enjoy the journey and don't forget to practice!

The Authors

PART I

Entrepreneurship Is a Life Skill

CHAPTER 1:
Practicing Entrepreneurship

CHAPTER 2:
Activating an Entrepreneurial Mindset

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1 Practicing Entrepreneurship

"The best way to predict the future is to create it."

—Peter Drucker

Chapter Outline

Learning Objectives

There's no doubt that we are living in unpredictable times: High schools and colleges are struggling to keep up with the ever-changing job market; underemployment rates are skyrocketing, especially among younger people; those halfway through their careers are asking what else is possible; mature workers are wondering what comes next; and seniors are postponing their retirement to stay relevant. The traditional concept of staying in one job for your entire working life is a thing of the past, especially when people are being asked to reinvent themselves every 5 years. In a world full of uncertainty, rapid change is the only constant.

Although the future of the traditional workplace may be unclear, the climate is ripe for entrepreneurship. Traditionally, entrepreneurship has been associated with launching new businesses. However, many individuals and institutions are beginning to think of entrepreneurship as 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 thinking, acting, identifying opportunities, and approaching problems that enable people to manage change, adjust to new conditions, 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. Taken together, these are mindsets and skillsets that not only enable you to start a venture, but will 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 for yourself.

1.1 ENTREPRENEURSHIP REQUIRES ACTION AND PRACTICE

>> LO 1.1 **Explain the importance of action and practice in 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.

The pursuits of entrepreneurs have touched every corner of our lives, affecting every aspect of the way we live—from electricity, to music, to transport, to agriculture, to manufacturing, to technology, and many more. Although it can be difficult to see

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.

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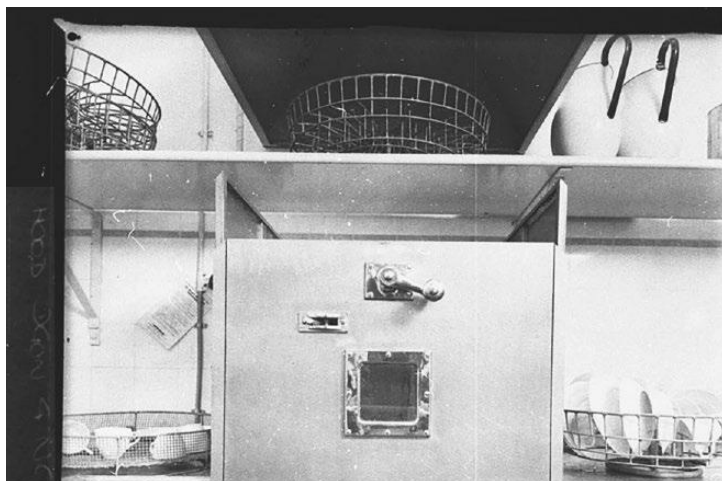
The first automatic dishwasher, invented by Josephine Cochrane

entrepreneurial possibilities in the midst of unemployment, economic recession, war, and natural disasters, it is this sort of turbulence that often pushes us into creating new opportunities for economic progress. History shows us that in spite of the obstacles in their paths, all kinds of entrepreneurs have consistently taken action to change the world. For instance, Benjamin Franklin successfully invented the lightning rod (1749); George Crum created the potato chip (1853); and Josephine Cochrane invented the first automatic dishwasher (1893). 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?

1.2 ENTREPRENEURSHIP MAY BE DIFFERENT FROM WHAT YOU THINK

>> LO 1.2   List the seven lesser-known truths about entrepreneurship.

Our belief is that by taking action and putting ideas into practice, everyone "has what it takes" to be an entrepreneur. However, this is not necessarily the same message that is delivered by popular media. Let's examine some popular images of entrepreneurs. What is the truth behind these images?

Media Images of Entrepreneurs

The media often exaggerate the meteoric rise of "overnight global sensations" such as Bill Gates (Microsoft), Steve Jobs (Apple), Mark Zuckerberg (Facebook), Elon Musk (Tesla), Jack Ma (Alibaba), Oprah Winfrey (Harpo Group), and Travis Kalanick (Uber). The likes of Bill Gates and his peers are certainly inspirational, but we would argue that few can personally identify with the stories surrounding them, and they do little to represent the reality of entrepreneurship.

The truth is there is no such thing as an overnight success.

Debunking the Myths of Entrepreneurship

Rather than focusing on the myth of the overnight success story, let's take a look at some truths, illustrated in Table 1.1. Separating truth from fiction can be difficult, especially when some of these truths collide with the stories we read about in the media. Let's explore these truths in more detail to further understand how entrepreneurship can be a path for many.

TABLE 1.1

The Truths About Entrepreneurship

Truth 1	Entrepreneurship is not reserved for startups.
Truth 2	Entrepreneurs do not have a special set of personality traits.
Truth 3	Entrepreneurship can be taught (it's a method that requires practice).
Truth 4	Entrepreneurs are not extreme risk takers.
Truth 5	Entrepreneurs collaborate more than they compete.
Truth 6	Entrepreneurs act more than they plan.
Truth 7	Entrepreneurship is a life skill.

ENTREPRENEURSHIP IN ACTION

Juan Giraldo, Waku

Photo Courtesy of Juan Giraldo

Juan Giraldo, founder of Waku

Entrepreneurs are seeing many opportunities in the market for health drinks: no sugar, low sugar, vitamin-infused waters, carbonated, not carbonated, healthy teas, fermented teas, drinkable yogurt, cold brew coffees, smoothies—it seems that we are all 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 mind, body, and spirit. We are in the midst of a generational shift that has created an industry with exponential growth. Take kombucha tea, 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. Waku produces and sells wellness teas made with 20 super herbs from the Andes Mountains. They compete 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 wellness teas are also delicious and nutritious, but the health benefits stem from the medicinal benefits of the herbs used in the ingredients. The drinks are not fermented 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, which 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, Nicolas Estrella, exchanged fond memories of the "wellness tea" they used to drink in their homeland of Ecuador. After both moved to Boston, they decided to produce their own version of this beverage and sell it in the Boston area. The initial production of the tea helped support the businesses of approximately six independent Andes farmers who grew the medicinal herbs and flowers used to produce the product. What exactly is Waku? It is a filtered water brew blend of 20 herbs and flowers. The name comes from the Quechua word *wanku* (together), which represents the combining of the ingredients as well as the team effort that goes into the production of the product.

Juan's first step was to travel to Ecuador to source the right ingredients in order to test his concept. Back in the United States, the Waku team began developing prototypes. At the same time he was developing Waku, Juan was also earning his MBA at Babson College. Thinking that millennials were his target market, he felt surrounded by his potential customers and used them as resources. Juan would buy rival tea products and conduct countless taste tests 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 millennials who were well educated and well traveled, 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 (11 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 with the suppliers. After building trust with his suppliers, he proposed that 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 its suppliers. As Juan explains, "At first the suppliers were hesitant, but after I showed them Waku's plans for payment and how important the suppliers were to the brand, they agreed."

With $200,000 in annual revenues, Juan believes the product has the potential to be a legitimate contender for market share as the business grows. Although Juan is certainly concerned with profits, that is not his only motive. His business offers beverages that he grew up with, and

(Continued)

(Continued)

he truly believes in the brand because of how much it hits home. "I want to provide opportunities for the people back in Ecuador. Producing top-quality ingredients is what we are known for in the rural parts of my country." Today, Waku has four full-time employees, an intern, and a strategic consultant. It also provides steady, reliable business to many farmers throughout rural Ecuador. As Waku continues to grow, many people in Ecuador will reap the benefits through an influx of capital and job creation.

Although he has been an entrepreneur for a long time, Juan admits that he didn't know much about the healthy beverage sector and needed a lot of 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!" Juan recalled. His advice to other entrepreneurs? "Don't be shy to ask for help. Mentors can have huge impacts on your performance. Reach out to the superstars in your industry.

You will be amazed how many people will want to help a young entrepreneur who has the burning desire to succeed."

Critical Thinking Questions

1. What differentiates Waku from other health beverages on the market today?

2. Why was Juan able to approach his suppliers with the request he made regarding payment?

3. Does Waku have a responsibility to the region of the world in which it sources its ingredients and finds its inspiration? ●

Sources:

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Truth 1: Entrepreneurship Is Not Reserved for Startups

The term *startup* came into vogue during the 1990s dot-com bubble, when a plethora of web-based companies were born. The term has various meanings, but we subscribe to Steve Blank's definition of **startup**: a temporary organization in search of a scalable business model.[1] In the traditional view of startups, anyone who starts a business is called an entrepreneur. The entrepreneur creates a business based on research to assess 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.

Startup: a temporary organization in search of a scalable business model.

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, to for-profit and nonprofit organizations, to family enterprises. We will explore these different types of entrepreneurs in more detail later in the chapter.

Truth 2: Entrepreneurs Do Not Have a Special Set of Personality Traits

There is no evidence to suggest that entrepreneurs have a special set of personality characteristics that distinguishes them from the rest of us.

Early research identified four main traits that are ascribed to entrepreneurs: a need for achievement, an innate sense of having the ability to influence events, a tendency to take risks, and a tolerance for ambiguity. Yet there is no scientific evidence to confirm whether these traits are a result of nature or nurture or any proven patterns in the behavior of entrepreneurs versus nonentrepreneurs.[2] Academics researching traits of entrepreneurs seem to have a prevailing fascination with defining "who" the entrepreneur is, rather than what he or she does.

However, over the last couple of decades, researchers have moved away from the traits perspective in favor of examining how entrepreneurs think and act and have discovered that there are patterns in how entrepreneurs think. This means we can change how we think and that all of us have the ability to act and think entrepreneurially with practice.

In particular, the work of researcher Saras Sarasvathy has added a new understanding of the entrepreneurial mindset. Through a study involving serial entrepreneurs—entrepreneurs who start several businesses, either simultaneously or consecutively—Sarasvathy discovered patterns of thinking and developed a theory she calls **effectuation**, which is the idea that the future is unpredictable yet controllable. Entrepreneurs create and obtain control by taking actions to learn, collecting information, and reducing risk and uncertainty, and they are able to take action with resources that are available at a particular point in time.[3] In other words, it's about starting small with what you have, rather than what you think

Effectuation theory: an entrepreneurial approach to taking quick action using resources you have available to get early traction on new ideas.

you need. As the entrepreneur starts, very small actions lead to other actions and new resources. See Research at Work for more on effectuation theory.

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. Effectual entrepreneurs use their own initiative and resources to fulfill their vision of the future.

We strongly believe that the mindset is the precursor to action. To us, it makes sense that if entrepreneurs are in the right frame of mind, there is greater confidence, intentionality, and vision to bring ideas from the whiteboard to the real world. We are not born with an entrepreneurial mindset; we have to work to develop it. As a result, and because it's so important, we devote a whole chapter to it (see Chapter 2).

Truth 3: Entrepreneurship Can Be Taught (It's a Method That Requires Practice)

Because so many people tend to believe that "entrepreneurs are born and not made," those same people question whether entrepreneurship can be taught. If it were true that entrepreneurs have a certain set of innate personality traits, then entrepreneurship could not be taught. But, remember, there is no proven set of traits. What has been proven, instead, is that entrepreneurs exhibit common patterns in how they think, and our thinking can be changed and altered.[4] As a result, entrepreneurship can be taught. Furthermore, it's being taught everywhere around the globe. It would be difficult to find a college or university not offering at least one entrepreneurship course today (see Figure 1.1). Many of these courses teach entrepreneurship as a linear process, which involves identifying an opportunity, understanding resource requirements, acquiring resources, planning, implementing, and harvesting (exiting a business).[5] But the word *process* assumes known inputs and known outputs—a process is quite predictable.

Entrepreneurship is not predictable and, therefore, cannot adequately be taught as a process. Instead, approaching entrepreneurship as a method, as advocated in this text, results in a body of skills that—when developed through practice over time—constitute a toolkit for entrepreneurial action.[6] The entrepreneurial method requires consistent practice so that knowledge and expertise can be continuously developed and applied to future endeavors. More on this a bit later in the chapter!

Truth 4: Entrepreneurs Are Not Extreme Risk Takers

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 are leaving too much to chance.[7] Risk is very personal and relative. Things always seem more risky from the outside looking in because we 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. They practice a cycle of act-learn-build that encourages taking small actions in order to learn and build that learning into the next action (see Figure 1.2).[8] 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!

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

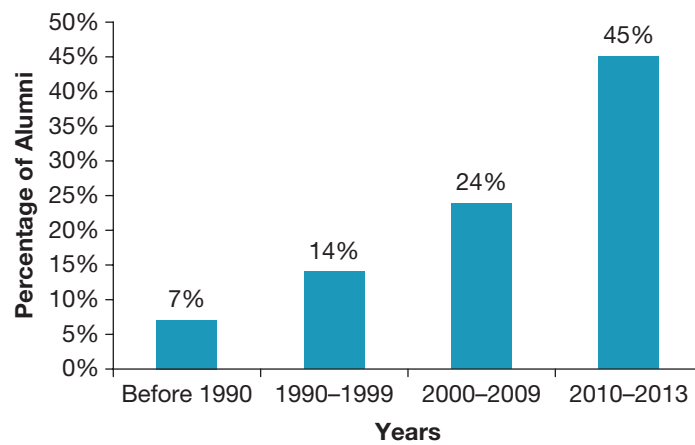## Truth 5: Entrepreneurs Collaborate More Than They Compete

Community and networking play important roles in entrepreneurship. No entrepreneur is an island and building strong connections with others is key to business success. Networking is so important to entrepreneurship that we have devoted an entire chapter

FIGURE 1.1

Millennials—A Highly Educated and Entrepreneurial Generation

Change in the Percentage of 25- to 29-Year-Olds With Selected Levels of Educational Attainment, 2007–2013
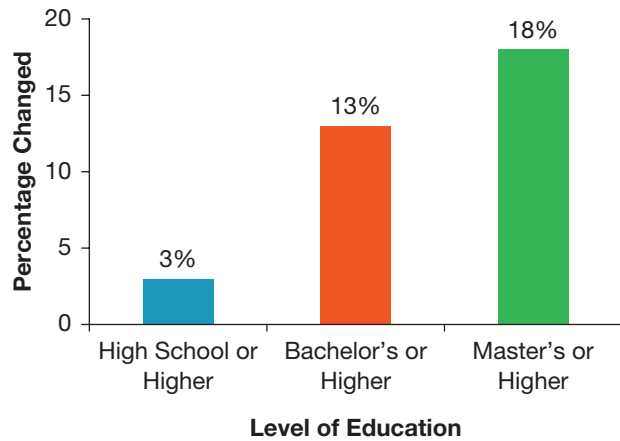
Entrepreneurship Courses Offered
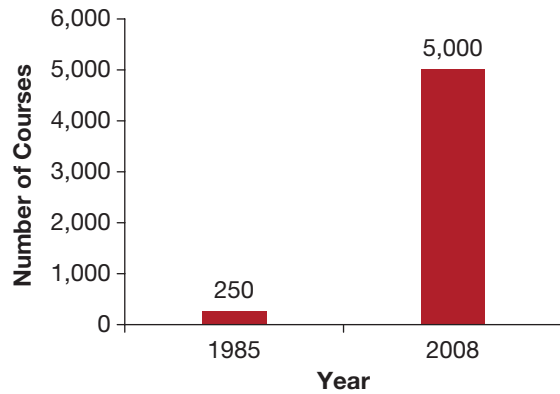
Business School Alumni Who Began Businesses After Graduation

FIGURE 1.2

Act-Learn-Build