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ACTIVATING AN ENTREPRENEURIAL MINDSET

CHAPTER OUTLINE

- 2.1 What Is Mindset?
- 2.2 An Entrepreneurial Mindset
- 2.3 How Your “Why Statement” Connects to Your Entrepreneurial Mindset
- 2.4 Habits to Practice for an Entrepreneurial Mindset

LEARNING OBJECTIVES

- 2.1 Differentiate between a fixed and growth mindset.
- 2.2 Define “entrepreneurial mindset” and explore five themes underlying the definition.
- 2.3 Connect the Entrepreneurship Method’s “why statement” to an entrepreneurial mindset.
- 2.4 Explore five habits you can practice to develop an entrepreneurial mindset.

We emphasized in Chapter 1 that entrepreneurs think differently. What underlies these patterns of thinking is an entrepreneurial mindset, which is an outcome of practicing the Entrepreneurship Method. Your mindset in *your* entrepreneurship journey is so important that the word “mindset” is in the subtitle of this text. This chapter explores the concept of mindset in general before defining “entrepreneurial mindset” in particular. But keep in mind that an entrepreneurial mindset is not a destination; there is no one single entrepreneurial mindset. You don’t wake up one day and say, “I have it” or “I don’t have it.” Notice the word “an” and not “the” in front of “entrepreneurial mindset.” Activating an entrepreneurial mindset is more of a journey of changing how you think under conditions of uncertainty encountered in entrepreneurial environments. As you practice the Entrepreneurship Method, you will recognize that your mindset is *shifting* from how you are thinking today to a more entrepreneurial way of thinking.

The two Mindshift activities in each chapter will help facilitate this mental shifting. You saw the first two in Chapter 1, but now you know why these activities have been incorporated into the book. Each Mindshift activity is designed for you to take action, even some actions you may not want to take, in order to train your brain (and your body) to get a bit more comfortable with being uncomfortable! In *Entrepreneurship in Action*, Iomob cofounder Boyd Cohen says his entrepreneurial mindset is all about tolerating ambiguity and recognizing that there is no black and white in entrepreneurship; you have to get comfortable with working in the gray areas. As you will read, there’s a lot of gray underlying the technology of Iomob.

WHAT IS MINDSET?

LEARNING OBJECTIVE

- 2.1 Differentiate between a fixed and growth mindset.

Before turning to a discussion of entrepreneurial mindset, let’s first explore the general concept of what mindset is. Mindset is instrumental to the choices people make on a daily basis. For example, when you wake up in the morning, you have a choice between the “easy” way and the “right” way. Depending on your mindset, you may choose one path or the other. Mindset is your lens for viewing the world, interpreting what you see, and reacting or responding to what you hear. Your mindset subconsciously guides your reactions and decisions.

It’s hard to define mindset, so perhaps a quick story will better illustrate.¹ Cory Booker, a U.S. senator for the state of New Jersey, was a law student in 1997. He had great passion for the city of Newark, which at the time was one of the most economically depressed cities in the country. In his final year of Yale law school, he began working as a tenants’ rights advocate in Newark—even moving to the harshest area of the city called the Central Ward. There he met Virginia Jones, the president of the tenants’ association at the Brick Towers—a public housing complex in the Central Ward. Booker expressed to Jones his interest in helping the community. As the story goes, Jones took Booker to the middle of the busy street outside of the Brick Towers. She told him to look around and describe what he saw. Booker looked around and responded with such things as, “I see a playground overgrown with weeds and the equipment is rusty. I see trash on the sides of the road. I see houses with their windows boarded up.

I saw a drug deal happening on that corner last night. I see so many people out of work.” The list could go on, but Jones stopped Booker and simply said, “You can’t help this area.” She paused. The petite Jones looked up at the broad-shouldered and tall young Booker and said, “You need to understand that the world outside of you is a reflection of what you have inside of you, and if you’re one of those people who only sees darkness, despair, that’s all there’s ever gonna be.” This is an example of mindset—the mindset Booker had and a reminder that his mindset needed to change if he wanted to help the community.

Fortunately, our mindset is not static; it can change. Research has shown that our mindset needn’t be “set” at all. Stanford University psychologist Carol Dweck proposes that there are two different types of mindsets: a fixed mindset and a growth mindset (see Figure 2.1).²

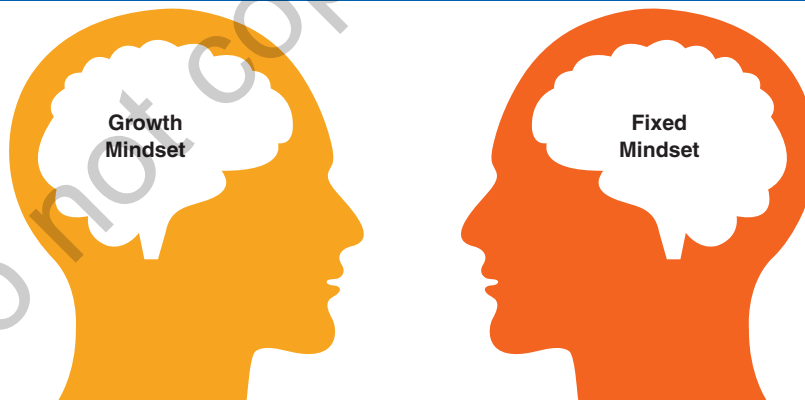
With a **fixed mindset**, people perceive their talents and abilities as set traits. They believe that brains and talent alone are enough for success, and they go through life with the goal of looking smart all the time. They take any constructive criticism of their capabilities very personally and tend to attribute others’ success to luck (see Research at Work in this chapter for a study about luck) or some sort of unfair advantage. People with a fixed mindset will tell themselves they are no good at something to avoid challenge, failure, or looking dumb.

On the other hand, with a **growth mindset**, people believe that their abilities can be developed through dedication, effort, and hard work. They think brains and talent are not the key to lifelong success but merely the starting point. People with a growth mindset are eager to enhance their qualities through lifelong learning, training, and practice. Unlike people with fixed mindsets, they see failure as an opportunity to improve their performance and to learn from their mistakes. Despite setbacks, they tend to persevere rather than give up.

Recent studies have found that being praised simply for one’s intelligence can create a fixed mindset. For example, using a series of puzzle tests, Dweck discovered that fifth-grade children who were praised for their hard work and effort on the first test were far more likely to choose the more difficult puzzle the next time. In contrast, children who were praised for being smart or intelligent after the first test chose the easy test the second time around.³

It seems that the children who had been praised for being smart wanted to keep their reputation for being smart and tended to avoid any challenge that would jeopardize this belief. Yet the children who had been praised for how hard they had worked on the first test had more confidence in their abilities to tackle a more challenging test and to learn from whatever mistakes they might make.⁴

FIGURE 2.1 ■ What Kind of Mindset Do You Have?



I can learn anything I want to.
When I’m frustrated, I persevere.
I want to challenge myself.
When I fail, I learn.
Tell me I try hard.
If you succeed, I’m inspired.
My effort and attitude determine everything.

I’m either good at it, or I’m not.
When I’m frustrated, I give up.
I don’t like to be challenged.
When I fail, I’m no good.
Tell me I’m smart.
If you succeed, I feel threatened.
My abilities determine everything.

Credit: Created by Reid Wilson @wayfaringpath.

Dweck observes growth mindsets in successful athletes, businesspeople, writers, musicians—in fact, anyone who commits to a goal and puts in the hard work and practice to attain it. She believes that people with growth mindsets tend to be more successful and happier than those with fixed mindsets.⁵

Although many people tend to exhibit one mindset or the other, it is important to recognize that mindsets can and do change. Even if your mindset is a fixed one, it is possible to learn a growth mindset and thereby boost your chances for happiness and success. Everyone has the ability to develop a growth mindset. How can you do this? By becoming aware of that “voice” in your head that questions your ability to take on a new challenge, by recognizing that you have a choice in how you interpret what that voice is telling you, by responding to that voice, and by taking action.

For example, say you want to start a new business, but you’re a little unsure of your accounting skills. Following are some messages you might hear from the fixed mindset “voice” in your head and some responses you might make based on a growth mindset.⁶

Fixed mindset: “Why do you want to start up a business? You need accounting skills. You were always terrible at math at school. Are you sure you can do it?”

Growth mindset: “I might not be any good at accounting at first, but I think I can learn to be good at it if I commit to it and put in the time and effort.”

Fixed mindset: “If you fail, people will laugh at you.”

Growth mindset: “Give me the name of one successful person who never experienced failure at one time or another.”

Fixed mindset: “Do yourself a favor; forget the idea and hang on to your dignity.”

Growth mindset: “If I don’t try, I’ll fail anyway. Where’s the dignity in that?”

Next, suppose that you enroll in an accounting course, but you score very low marks on your first exam. Once again, you’re likely to hear messages from the “voice” in your head. You could respond to them as follows.

Fixed mindset: “Dude! This wouldn’t have happened if you were actually good at accounting in the first place. Time to throw in the towel.”

Growth mindset: “Not so fast. Look at Oprah Winfrey and Alibaba founder Jack Ma—they suffered lots of setbacks along the way, yet they still persevered.”

Now suppose that a friend who hears about your low exam score makes a joke about your performance.

Fixed mindset: “Why am I being criticized for doing badly in the accounting exam? It’s not my fault. I’m just not cut out for accounting, that’s all.”

Growth mindset: “I can own this setback and learn from it. I need to do more practicing, and next time, I will do better.”

If you listen to the fixed mindset voice, chances are that you will never persevere with the accounting process. If you pay attention to the growth mindset voice instead, the likelihood is that you will pick yourself up, dust yourself off, start practicing again, and put the effort in before the next exam. It’s not possible to have a growth mindset 100% of the time. The important point is to catch yourself when you are using a fixed mindset and ask, “How can I turn this into a growth mindset?” By reflecting on and responding to each of these voices, you can build your willingness to take on new challenges, learn from your mistakes, accept criticism, and take action.

It is important to note that while Dweck’s work on growth and fixed mindsets has been widely accepted in educational psychology and while growth mindset interventions have been used by many companies and schools worldwide, recent research in the premier psychology journal, *Psychological Science*, has contradicted what mindset theorists have claimed and suggests that the scholarly evidence that underlies the growth and fixed mindset assumptions is empirically weak.⁷ Nonetheless, the science of mindset continues to evolve. The practical understanding of fixed and

growth mindsets can be a valuable exercise for increasing your self-awareness about how you react, think, and learn when faced with challenges and setbacks. Furthermore, the growth mindset is often confused with the entrepreneurial mindset, but they are not one and the same. The growth mindset is certainly a part of an entrepreneurial mindset, but there is a lot more to the latter, as you will discover in the following section.

ENTREPRENEURSHIP IN ACTION

IOMOB, BOYD COHEN

Barcelona, Spain



Josep Sanjuas, PhD, Iomob CTO (left); Boyd Cohen, PhD, Iomob CEO (center); Victor Lopez, PhD, Iomob head of Software Engineering (right).

Courtesy of Boyd Cohen

According to serial entrepreneur and academic Boyd Cohen, tolerance for ambiguity is a significant part of an entrepreneurial mindset:

There's way more unknowns than knowns. And for somebody who needs to have everything black and white, they're going to suffer like crazy as an entrepreneur. I honestly thrive in gray, and I hate black and white. I've always been that way, which is why I'm probably more the enemy. I don't like seeing things as black and white. I like seeing the continuum of phases and recognizing the gaps in the market or unique nuances in the opportunity.

Boyd, an expert in smart cities and shared mobility, earned his PhD in Entrepreneurship, Internet, and Sustainability from the University of Colorado in 2001. It was around this time that he read a book on profitable, environmentally responsible business practices called *Natural Capitalism* by Amory Lovins, Hunter Lovins, and Paul Hawken. Being a die-hard capitalist at the time who worked for a big multinational consulting firm, Accenture, Boyd also enjoyed being in nature—mountain biking in the summers and snowboarding in the winters. *Natural Capitalism* inspired Boyd to view and use entrepreneurship as a medium to propagate positive change and bring the two worlds of capitalism and nature together. He dedicated his career both as an academic and an entrepreneur to this cause. In 2011, Boyd wrote his first book, called *Climate Capitalism*, as a sequel to *Natural Capitalism*, along with one of the original authors, Hunter Lovins.

Along with two other PhD cofounders, Boyd started Iomob in April 2018, and the company has since grown to employ 30 people. Boyd's sixth company in the sustainability arena, Iomob, originated from

Boyd's expertise in smart cities and passion for the "internet of mobility." Boyd's vision is to provide "a decentralized blockchain-based mobility network that connects all fleet operators such as scooters, bikes, taxis, and car sharing." Iomob provides the most optimal solution route if a user wants to get from Point A to Point B. Demand partners, such as train companies, rail operators, transit agencies, and airlines, can offer seamless mobility to their users through Iomob's middleware network.

Iomob built an ambitious early version of a product for a Spanish multibillion-dollar rail operator that handled 500 million annual passengers. The technology "allowed people to go door to door from Barcelona to Madrid, discovering the most optimal routes integrating all mobility solutions like public transport, scooters, and taxis," Boyd explained. While the Iomob team didn't get paid for their work on this product, it was great validation that they could pull it off as well as inspiration for increased press coverage. "That helps because it builds credibility as a startup when someone in our domain publishes an article about one of our project deployments and helps with word-of-mouth marketing." Soon after, the company started piloting globally, including in New Zealand, Sweden, and the United States (where it partnered with Ford Motors). The startup had a small revenue stream from all these paid pilots worldwide. From April 2021, the company became commercially revenue-generating after onboarding clients in the United States and Europe, such as North Eastern Railway in the United Kingdom and Brightline in the United States.

"I honestly don't sleep very well. It's hard being an entrepreneur," says Boyd. "But the thing that keeps me up more than anything is resources. One of the hardest things for early stage companies is having enough runway. Investors want rapid hockey stick growth, but when you're making enterprise sales to large enterprise customers, it takes 12 months to sell and is just a lot slower than venture funds want. So the biggest stress for me is not having that runway to execute. And so I spend too much of my time raising money."

"No entrepreneur can be successful without embodying optimism," Boyd advises. "There are so many opportunities for entrepreneurs to quit and give up, which is the easier path." Boyd recalls how his startup has had many near-death experiences. Over 1000 investors rejected him. He quickly realized investors wanted details on financial models and key performance indicators and how they could measure progress related to those indicators. Boyd felt that he was so constantly bogged down with fundraising and closing investments that, as a CEO, he could not focus on closing sales.

No matter how often you get rejected, Boyd believes,

You must take the lead, you're going to learn, you're going to make tons of mistakes, and you'll probably fail, and most startups fail. Don't take it personally. Be open-minded about it. You're going to have to have some thick skin but be persistent, keep learning all along the way, and surround yourself with the best people you can find.

Critical Thinking Questions

1. Think back to the Entrepreneurship Method introduced in Chapter 1. What is Boyd's why?
2. Does Boyd's description of an entrepreneurial mindset connect to the definition presented in this chapter?
3. Which comes first, mindset or action?

Source

Interview with Boyd Cohen conducted by Heet Ghodasara, October 9, 2022.

THE ENTREPRENEURIAL MINDSET

LEARNING OBJECTIVE

- 2.2** Define "entrepreneurial mindset" and explore five themes underlying the definition.

As discussed in Chapter 1, the Entrepreneurship Method requires a specific mindset: entrepreneurs must have the ability to create and identify new opportunities as well as the courage to act on them. Although there is no single accepted definition of entrepreneurial mindset, entrepreneurship scholars Daspit, Fox, and Findley recently conducted a systematic review of published academic work

on the concept and developed an integrated definition: They define **entrepreneurial mindset** as “a mental process that enables you to recognize and act on valuable opportunities with incomplete information, while being resilient under complex and uncertain conditions.”⁸ This also includes the ability to persevere, accept, and learn from failure and get comfortable with a high level of discomfort!

Mental Process

Mental processes relate to *cognitive strategies* that are techniques people use to solve problems, such as reasoning, analyzing, experimenting, and so on. The entrepreneurial mindset employs various cognitive strategies to identify opportunities, consider alternatives, and take action.

Because working in uncertain environments “goes with the territory” in entrepreneurship, the entrepreneurial mindset requires constant thinking and rethinking, learning and even unlearning, observation, adaptability, and the recognition that alternatives exist. These abilities suggest that an entrepreneurial mindset is a metacognitive process. **Metacognition** is our ability to understand and be aware of how we think and the processes we use to think and make decisions. For example, pretend you are reading through a complex legal document; you might notice that you don’t understand some of it. You might go back and reread it, pause to think it through, note the elements that don’t make sense to you, and then either come back to it later or find a way to clarify the parts you don’t understand. In this example, you are using your metacognitive skills to monitor your own understanding of the text rather than simply plowing through the document without much comprehension at all. Entrepreneurs regularly engage in metacognitive processes to adapt to changing circumstances by thinking about alternative routes to take and choosing one or more strategies based on these options.

An increasing number of studies have considered entrepreneurial self-efficacy and its cognitive connection to an entrepreneurial mindset. **Entrepreneurial self-efficacy (ESE)** is the belief entrepreneurs have in their ability to start new ventures. ESE is an essential part of the entrepreneurial mindset, and it is thought to be a good indicator of the intention to start something as well as a strong precursor to action.⁹ In fact, recent research suggests that entrepreneurial self-efficacy can enable entrepreneurs to more effectively confront demands or stressors and thus improve their entrepreneurial performance.¹⁰ In other words, when people believe in their ability to succeed in something, they are more likely to actively take the steps to make it happen. Kevin Plank, the CEO of the fitness apparel company Under Armour, believed in his vision so deeply that he invested all his savings—about \$20,000—and took on an additional \$40,000 of credit card debt just to fund the company. Perhaps thanks to his high degree of self-efficacy, Under Armour has taken in more than \$5 billion in net revenue and has almost 18,000 employees worldwide.¹¹

In general, research shows that people with high levels of ESE tend to put in more effort, persist with an idea, and persevere with a task to a greater degree than people who possess low levels of ESE. The concept is quite simple, really. If you are confident you can do something, you are more likely to try. Take the ESE survey that follows (Table 2.1). The higher your score, the stronger your belief in your ability to start something entrepreneurial.

There is no number to shoot for. Research simply supports that founders and nascent entrepreneurs have higher ESE than non-founders and managers do.¹² A **nascent entrepreneur** is a person who is engaging in startup efforts but has not officially started a business. Perhaps you are a nascent entrepreneur right now! Keep in mind that self-efficacy can change over time, and research has supported that ESE can be elevated through education and training¹³ (like engaging with this book!). The more you practice something, such as entrepreneurship, the greater the likelihood that your self-efficacy related to entrepreneurial action will increase.

Value Creation

The definition of entrepreneurial mindset specifically notes that individuals with this mindset strive to create value, which is the essence of entrepreneurship. Starting a business or being an entrepreneurial employee offers little without the generation of value, but this begs the question: What is value?

TABLE 2.1 ■ ESE Survey

Rate how confident you are in your ability to perform the following actions using the scale: 1 = Very little confidence to 5 = Very much confidence.

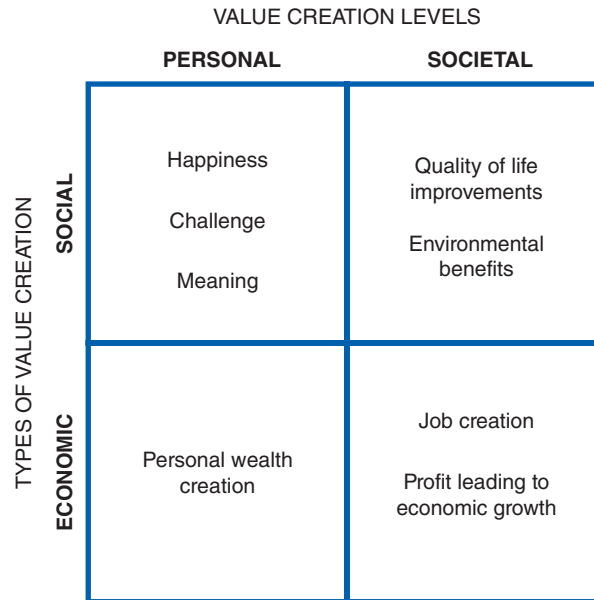
Item	How much confidence you have in your ability to . . .	Your score (between 1 and 5)
1	Brainstorm (come up with) a new idea for a product or service	
2	Identify the need for a new product or service	
3	Figure out a way to help solve problems that society faces	
4	Design a product or service that will satisfy customer needs and wants	
5	Estimate customer demand for a new product or service	
6	Determine a competitive price for a new product or service	
7	Estimate the amount of startup funds and working capital necessary to start my business	
8	Design an effective marketing/advertising campaign for a new product or service	
9	Get others to identify with and believe in my vision and plans for a new business	
10	Network—that is, make contact with and exchange information with others	
11	Clearly and concisely explain verbally/in writing my business idea in everyday terms	
12	Work productively under continuous stress, pressure, and conflict	
13	React quickly to unexpected change or failure	
14	Persist in the face of obstacles and challenges	
15	Make a positive contribution to your community	
	Total score (sum all numbers)	

Sources: Adapted from McGee, J. E., Peterson, M., Mueller, S. L., & Sequeira, J. M. (2009). Entrepreneurial self-efficacy: Refining the measure. *Entrepreneurship Theory and Practice*, 33(4), 965–988; Chen, C. C., Greene, P. G., & Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Business Venturing*, 13(4), 295–316. Not all variables associated with ESE are used in this survey; therefore, results are not scientific and should only be used for discussion purposes.

Value is not easily defined, yet it seems to be understood and felt. Think of an item that you value in your life. The value of that item may be determined by the price you paid for it (for instance, \$500 for an Apple watch), how it makes you feel (maybe joy), what it does for others (you bought a pair of socks from Bombas, which means they gave a pair to a homeless shelter), or the deal you scored on it (a half-priced pair of yoga pants from Lululemon!). From an entrepreneurship perspective, value is created through action: Entrepreneurs put resources together in a particular way to create something new (a business or new project, product, service, or process inside an existing enterprise) that generates economic and social value.

Figure 2.2 highlights how entrepreneurship creates two types of value, social and economic, each on personal and societal levels.

On a personal level, an entrepreneurship path may bring a greater sense of meaning and impact to the professional side of your life and could lead to more income and longer-term wealth. The most successful entrepreneurs, like Facebook's Mark Zuckerberg or Amazon's Jeff Bezos, happen to be some of the wealthiest individuals in society. Yet don't forget about your local plumber who started his own business, bought a fleet of trucks, hired other plumbers, and began servicing an entire city. For example, a Roto Rooter franchise owner in east Idaho has 27 employees and over \$6 million in yearly revenue with a profit estimate of over \$1 million.¹⁴

FIGURE 2.2 ■ Value Creation Through Entrepreneurship

On a societal level, depending on the product or service focus of a startup, value is generated by what the company produces, how it produces it, and whom (the customer) it serves. Does the 40cean bracelet you just purchased for \$20 improve your life? Perhaps not dramatically, but by purchasing a bracelet made from plastic removed from the ocean, you are helping the company acquire resources to pull even more plastic out of our oceans. 40cean also generates economic value by providing 250 jobs. 40cean's venture, therefore, provides value to you (the customer), the company (profit), and the planet (removing plastic from the ocean). We can only assume there is also value generated for 40cean's founders, Alex Schulze and Andrew Cooper, who started the business after seeing plastic on the beaches while surfing in Bali, Indonesia.

Recognizing and Acting on Opportunities

At the core of entrepreneurship is the ability to recognize and act on opportunities. An **opportunity** is a possibility of generating value through the introduction of unique, novel, or desirable products, services, and even processes that have not been previously exploited in a particular context. For example, you are reading this entrepreneurship textbook now. Say that this morning, you were working out at the gym listening to an audiobook on your headset, and during your workout, you thought to yourself, "I sure wish the textbook for my entrepreneurship class was in an audio format so that I could listen to the chapters while on the treadmill." This thought would be an "opportunity," given that there is not an audio version of this textbook available (and there probably are not many audio versions of textbooks at all).

Our mindset affects how we view the world around us and how we recognize opportunity. Remember, Cory Booker saw trash and homes in disrepair rather than seeing the Brick Towers as an opportunity for revival and community. Boyd Cohen saw a way to improve how we move through urban areas where others may have seen broken transportation infrastructures. 40cean's founders saw an opportunity to use plastic trash in more productive ways rather than complaining about the filthy beaches. An entire chapter in this text (Chapter 4) is devoted to recognizing opportunities, but for now, whenever you see a problem, try to identify a solution. If you find yourself complaining about something, identify the cause of the complaint and see if an opportunity exists to solve the problem (and get rid of the complaint) that is unique, novel, and something customers would be willing to pay for! Start training your brain to see opportunities where others only see problems and training your mind to see things that people may need. You may even identify needs that others are not aware of yet.

TABLE 2.2 ■ Six Dimensions of Resilience

Adapt to change
Deal with what comes along
Cope with stress
Stay focused and think clearly
Do not get discouraged in the face of failure
Handle unpleasant feelings

Sources: Adapted from Connor, K. M., & Davidson, J. R. T. (2003). Development of a new resilience scale: The Connor–Davidson Resilience Scale (CD-RISC). *Depression and Anxiety*, 18(2), 76–82; Riopel, L. (2019, September 3). The Connor Davidson + Brief Resilience Scales. PositivePsychology.com. <https://positivepsychology.com/connor-davidson-brief-resilience-scale/>

Adaptability and Resilience

Given the uncertainty related to all types of entrepreneurial actions, starting a business, or anything new for that matter, adaptability and resilience are other important aspects of an entrepreneurial mindset. Think back to when you were learning to ride a bike. Falling off the bike is part of learning; picking yourself up and getting back on the bike to try again is **resilience**—the capacity to withstand and positively recover from life’s challenges.¹⁵

Setbacks, failures, and unexpected challenges are all part of the Entrepreneurship Method. The gray areas that Boyd Cohen of Iomob talked about are those spaces where resilience is most needed. Resilience is an ability or capacity that can be built over time with practice; it’s not a trait you simply have or don’t have.¹⁶ In general, there are six dimensions of resilience, as seen in Table 2.2.¹⁷ A common theme across these dimensions is the ability to move forward and push through in the face of adversity. The word often used in place of “adversity” in the entrepreneurship world is “failure”; it’s part of the method. Entrepreneurs must anticipate failure, manage it while it’s happening, recover quickly from it, and learn from the adversity. This aspect of entrepreneurship tends to be avoided, but if you are going to get comfortable with failure and build your resilience ability, then you have to talk about it. As a matter of fact, Chapter 11 is devoted to the topic of anticipating failure!

Decision-Making With Limited Information Under Uncertain Conditions

One of the most intimidating aspects of practicing entrepreneurship is the uncertainty that accompanies limited information. Yes, the Entrepreneurship Method encourages you to take actions to learn in the hopes of limiting uncertainty and risk, but uncertainty is always present, nonetheless. Entrepreneurship researcher Dimo Dimov says, “Entrepreneurial action operates at the interplay of purpose and vulnerability.”¹⁸ Purpose relates to the belief you have in what you are doing and the impact that can be made, yet vulnerability acknowledges that you are opening yourself to losses, such as financial loss, emotional loss, and reputational loss. In other words, it’s possible to lose your money, spirit, and identity.

However, it’s taking action under uncertainty that leads to opportunity in entrepreneurship. What prevents people from taking action is termed the “knowledge problem”: Do I take action? What action? What will the consequences be? The Entrepreneurship Method encourages taking small, quick actions over and over again to help you manage the unknowns and uncertainty.

The efficacy of the Entrepreneurship Method of taking “small steps” to successfully manage uncertainty is supported in the psychological literature. Consider the study published in the journal *Science* by researchers from the École Polytechnique Fédérale de Lausanne (EPFL) who used mice to demonstrate how our brains need to re-experience fear to eradicate it.¹⁹ The mice were placed in a small box and given a mild shock before being taken out of the box again. Over a long period, the researchers put the mice back into the box but didn’t administer shocks. Initially, the mice froze, but with repeated exposure to the box and no additional shocks, they eventually relaxed. In other words, with each additional step, the mice learned that their fear of shock was unwarranted, and they began to take action

(move around). You may be thinking, “These are mice, not humans, so what’s the big deal?” Well, consider a human example. The treatment for fear of flying often involves a form of therapy called exposure therapy.²⁰ This form of therapy involves slowly and repeatedly exposing the person to the thing they fear the most—in this case, flying.

Specifically, the person who is paralyzed by the thought of flying on an airplane might begin by reading a story about a plane crash, gradually work up to going to an airport without boarding a plane, then boarding a plane without taking off, then finally taking a short flight. The same process can work to improve an entrepreneur’s mindset. “Fear” certainly is an element that all entrepreneurs must face, especially the fear of failure. Just as the mice did in the study and the person did to overcome their fear of flying, entrepreneurs can overcome their fears by taking small, continued action steps—such as learning about the reasons for an entrepreneurial failure, talking to other entrepreneurs who experienced failure yet persevered, researching other companies in the industry that succeeded, or reaching out to entrepreneurs that are succeeding in the same industry—before putting their entrepreneurial ideas into writing and creating a prototype for their product or service idea.

RESEARCH AT WORK

STUDY ON LUCK

In the early 1990s, British psychologist and researcher Richard Wiseman carried out an experiment on luck to determine what defines a lucky or unlucky person. Over several years, using advertisements in newspapers and magazines, Wiseman sought out people who felt consistently lucky or unlucky. He interviewed them and identified 400 volunteers whom he asked to participate in the following experiment.

The 400 participants were divided into two groups: those who considered themselves lucky and those who considered themselves unlucky. Both groups were given a newspaper and asked to count how many photographs it contained.

It took approximately 2 minutes, on average, for the unlucky people to count all the photos, but it only took a few seconds for the lucky people. Why? Because the lucky people spotted a large message occupying more than half of the newspaper’s second page that stated, “Stop counting. There are 43 photographs in this newspaper.” The unlucky people had missed this instruction because they were too focused on what they thought they were *supposed* to look for. Or perhaps they didn’t trust the opportunity that they were seeing—the message.

Wiseman concluded that unlucky people tend to miss opportunities because they are too focused on something else, whereas lucky people tend to be more open to recognizing opportunities. Wiseman’s overall findings have revealed that “although unlucky people have almost no insight into the real causes of their good and bad luck, their thoughts and behaviors are responsible for much of their fortune” (or misfortune). As we have explored so far in this chapter, our mindset is not dependent on luck, nor is it permanent: We each have the capability to adjust our mindset to recognize and seize opportunities and take action, even under the most unlikely or uncertain circumstances, but it takes practice.

Critical Thinking Questions

1. Identify a successful entrepreneur. Do you believe luck played a role in their success? Why or why not?
2. Imagine you are a participant in Wiseman’s experiment. Even if you saw the message that said, “Stop counting. There are 43 photographs in this newspaper,” would you have “stopped counting”? Why or why not?
3. Can you think of an opportunity that came your way because you were open to it? How might you make yourself more open to “lucky” opportunities in the future?

Sources

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HOW YOUR “WHY STATEMENT” CONNECTS TO YOUR ENTREPRENEURIAL MINDSET

LEARNING OBJECTIVE

- 2.3** Connect the Entrepreneurship Method’s “why statement” to an entrepreneurial mindset.

One of the seven components of the Entrepreneurship Method introduced in Chapter 1 is the “why statement.” Your why statement connects to your curiosity, drive, and motivation. It defines your purpose and guides your direction. Sometimes your “why” is referred to as your North Star, because the real North Star, also known as Polaris, holds its position in the Earth’s northern sky while everything else moves around it. It’s not the brightest star in the sky, but it’s always in the same place once you find it.²¹

Your why statement connects to your entrepreneurial mindset because if you understand your purpose, what drives you, and what gets you excited or brings you happiness, then you are better able to connect to new opportunities, be resilient, and tolerate the ambiguity that comes with making decisions in uncertain environments. In other words, you are more likely to get traction on ideas that connect to your why. Additionally, ideas change, evolve, or pivot as you engage with the Entrepreneurship Method, but your why is steady, grounds you, and doesn’t change much—like the North Star.

The Role of Passion

It’s hard to talk about entrepreneurship without talking about passion. In the past, researchers tended to use passion to explain certain behaviors displayed by entrepreneurs that were thought to be unconventional, such as perceived high risk-taking, intense focus and commitment, and a dogged determination to fulfill a dream.²² Indeed, many well-known entrepreneurs, such as Mark Zuckerberg (Facebook founder), Jeff Bezos (Amazon founder), and Pierre Omidyar (eBay founder), credit passion for their success.²³



Jeff Bezos, founder of Amazon.

ZUMA Press, Inc./Alamy Stock Photo

But what is passion, and is it really that important to entrepreneurial success? Passion has been associated with a wide range of positive effects, such as strength and courage, motivation, energy, drive, tenacity, strong initiative, resilience, love, pride, pleasure, enthusiasm, and joy. In the context of entrepreneurship, **entrepreneurial passion** can be defined as an intense positive emotion, which is usually related to entrepreneurs who are engaged in meaningful ventures, tasks, and activities and which has the effect of motivating and stimulating entrepreneurs to overcome obstacles and remain focused on their goals.²⁴ Studies have found that passion can also “enhance mental activity and provide meaning to everyday work”²⁵ as well as foster “creativity and recognition of new patterns that are critical in opportunity exploration and exploitation in uncertain and risky environments.”²⁶

There are two issues related to passion when it comes to entrepreneurship. First, what happens if you don't have a passion or if you are not sure what your passions are? Join the crowd! There are so many nascent entrepreneurs that are in search of some big passion because they see celebrity entrepreneurs, as we noted previously, that attribute most of their success to passion. Interestingly, a Stanford University study carried out by postdoctoral fellow Paul O'Keefe and psychologists Carol Dweck and Gregory Walton shows that people who follow the old adage “find your passion” are less likely to try new things and tend to give up easily when they encounter obstacles. The researchers found that “developing your passion” through a growth mindset is a much more powerful approach to persevering in a particular area. As Dweck said, “My undergraduates, at first, get all starry-eyed about the idea of finding their passion, but over time they get far more excited about developing their passion and seeing it through. They come to understand that that's how they and their futures will be shaped and how they will ultimately make their contributions.”²⁷

Rather than get bogged down with having a passion or not, just focus on your why. Once you develop your why statement, it's likely that your passions will be revealed. Keep in mind, too, that there can be a dysfunctional side to passion. It is possible to become blinded by passion and so obsessed by an idea or new venture that you fail to heed the warning signs or refuse to listen to negative information or feedback. The tendency to only use positive information, interpret new information as positive, or ignore information that discredits your idea or business is called **confirmation bias**. Confirmation bias resulting from too much passion can lead to a reality distortion field—a term invented to describe how Steve Jobs was able to convince himself and others around him of just about anything.²⁸

ENTREPRENEURSHIP MEETS ETHICS

CONFIRMATION BIAS IN ENTREPRENEURSHIP

As defined in this chapter, confirmation bias is the tendency to only use positive information, interpret new information as positive, or ignore information that discredits your idea or business. While an unwavering commitment to bringing a new opportunity to life is typical of successful founders, ignoring information that contradicts the entrepreneur's beliefs may lead to the pursuit of a flawed business model and subsequent downfall.

Confirmation bias carries significant risks and ethical implications in entrepreneurship. Developing an original idea with no room for dissent wastes valuable resources such as time, money, and energy. An unwillingness to pivot or change course even in the face of mounting evidence indicating the ineffectiveness of the approach can have negative consequences, not just on the entrepreneur but also their employees, investors, and stakeholders.

An idea becomes valuable when customers are willing to pay for the product or service. To assess the feasibility of a venture, prospective founders often conduct market research with their target consumers to gain insight about the features, pricing, and other aspects of their idea. This information helps them to design a product or service that will compel customers to buy and use.

Imagine an entrepreneur who only asks prospective customers leading questions designed to validate their assumptions about the business before launch, paying no consideration to responses that contradict their original hypothesis. Would that market research be valuable? Apple cofounder Steve Jobs is credited as saying, “People don't know what they want until you show it to them.” As one of the most influential figures in Silicon Valley history, Jobs had an extremely charismatic stage presence when delivering Apple keynotes that came to be known as

his “reality distortion field.” But most entrepreneurs are not Steve Jobs, and most business ideas are not the Apple Macintosh. If one is going to engage in market research, it must be conducted with integrity and allow for the possibility that the customer, not the founder, is always right. It’s the customer who pays, after all.

So how can entrepreneurs avoid falling victim to confirmation bias? One effective strategy is to actively seek and truly consider perspectives that contradict one’s own beliefs. This can be challenging, as it requires a willingness to confront and potentially dismantle longstanding assumptions and biases. However, the payoff can be significant, as it allows entrepreneurs to make more informed and well-rounded decisions that take into account a wider range of data and viewpoints. Another helpful approach is to seek out a diverse group of advisors and mentors who can provide fresh perspectives and challenge assumptions. This can be particularly beneficial for entrepreneurs who may be isolated in their thinking, as it allows for the introduction of new ideas and approaches.

Critical Thinking Questions

1. Can you identify an example in your own life when you or someone you know demonstrated confirmation bias?
2. What are some strategies you could use to overcome confirmation bias?
3. How can confirmation bias impact your own ideas?

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Characteristics of a Why Statement

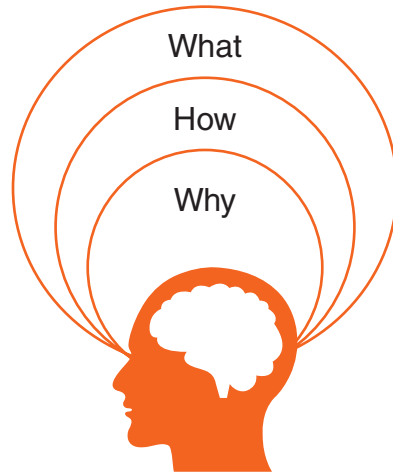
Leadership expert and author Simon Sinek popularized the idea of starting with your why in one of the most watched TED Talks ever (with 50 million views): “How Great Leaders Inspire Action.”²⁹ Sinek said, “People don’t buy what you do, they buy why you do it.” He presented three simple concentric circles, called the Golden Circle, as seen in Figure 2.3. He argued that individuals and businesses know *what* they do, most know *how* they do it, but very few understand *why* they do it. When Sinek figured out how to find his own why, he said, “It restored my passion to levels I had never experienced before.”³⁰

As an example, Simon Sinek uses Apple³¹:

- WHY: We think differently. We want to challenge the status quo.
- HOW: We do this by making products that are easy to use, elegant, and well designed.
- WHAT: And we just happen to make computers as our products.

Sinek offers four characteristics of an effective why statement.³² First, the statement should be simple and clear so that you can remember it. Keep it to one sentence. Second, it should focus on the impact you want to make, because meaning and fulfillment is an outcome of achieving impact. Third, the sentence should be truthful to who you are rather than aspirational of what you or others think you should be. And, finally, your why statement should connect you to all aspects of your life (professional and personal), which will make it truly authentic.

For instance, entrepreneur Nicole Boyd took the time to figure out her why during her maternity leave during the COVID-19 pandemic. Time away from the office gave her the chance to focus on her why and then to jump off the corporate ladder and into an entrepreneurial leadership role she always wanted:

FIGURE 2.3 ■ Simon Sinek's Golden Circle

Source: Adapted from Sinek, S. (2015). *The golden circle*. <https://thetrainingthinking.com/en/the-golden-circle-by-simon-sinek/>

I had a critical turning point while on maternity leave in '20. I had time off and a moment to reflect realizing I didn't want to spend another 10 years climbing to the top of where I was headed. I loved solving problems and innovation and saw this wave of entrepreneurship with friends and my own sister diving in. I started to evaluate this path and pursue something I was passionate about. I wanted to build a company that solved a problem for women. The problem I felt compelled to solve was one that I personally faced: the desire to look and feel beautiful but the fact that the process to look good is hard work.³³

Due to Boyd's action of reflecting on her why, she identified an opportunity to achieve it. She then took another action: She quit her corporate job and founded her company, Prept, a platform that provides the women with accessible, personalized style and beauty assistance. See Table 2.3 in this chapter's Mindshift activity for some examples of why statements.

MINDSHIFT

WRITE YOUR WHY STATEMENT

As discussed in Chapter 1, the starting point of the Entrepreneurship Method is a why statement that connects to your curiosity, drive, and motivation. It's not an idea; it's a direction and guide. To be successful creating and building a new business, a new strategy, a new product, or anything radically new requires connecting to your why: You have to have a strong feeling to achieve something larger than yourself. Rarely is entrepreneurship about the money or the profit. Though profitability is certainly a desired outcome to sustain a business, it's not the guiding reason why entrepreneurs start businesses. Some pursue what they love, others value their autonomy and ability to control their work experience, and many have a strong desire to bring something new to market. The profit motive is simply not sustainable in the long run because entrepreneurship is hard work and requires satisfaction that is derived from deep within.

Creating and understanding your why statement is a starting point for identifying new business opportunities, a topic that will be discussed in more detail in later chapters.

Take a few minutes to reflect on your desired impact and write a corresponding why statement.

To help you write a statement, reflect on the following questions:

- What am I curious about?
- What brings me joy and energy?
- What motivates and energizes me?

TABLE 2.3 ■ Example Why Statements

To inspire people to do the things that inspire them so that, together, we can change the world.³⁴ (Simon Sinek)

To bring innovation, experimentation, and creativity to entrepreneurship education so that students are inspired to think and act more entrepreneurially in all contexts. (Heidi Neck)

To erase sexism through early childhood development so that young people believe they can perform the same jobs and participate in the same activities equally. (Former Babson College student)

To help underprivileged communities become more engaged in STEM areas so that they have access to more affluent career paths. (Former Babson College student)

- Where do I want to make an impact on my world?
- Where do my passions lie?

Table 2.3 offers examples of why statements.

All of the examples in Table 2.3 follow the same format: To _____ so that _____.

The first blank is typically the contribution, and the second blank is the impact of that contribution.³⁵

Now it's your turn. Write your why statement. A why statement is not necessarily created in minutes. Give yourself some time. You may need to write a few statements before you settle on your final one. Recall Sinek's characteristics of effective why statements just discussed.

Next, write your "what" and "how" statements. Recall the Apple example a few paragraphs earlier. Knowing your what and how can help bring clarity to your why, and vice versa.

Critical Thinking Questions

1. In what ways was writing your why statement easy or difficult?
2. How does your why statement connect to your current mindset?
3. Can you think of any potential business opportunities that connect to your why statement?

HABITS TO PRACTICE FOR AN ENTREPRENEURIAL MINDSET

LEARNING OBJECTIVE

- 2.4 Explore five habits you can practice to develop an entrepreneurial mindset.

Mindset is not a predisposed condition: Anyone can develop a more entrepreneurial mindset. But how do you do it?

A good approach is to consider developing new habits. A **habit** is an unconscious pattern of behavior that is carried out often and regularly. Good habits can be learned through a "habit loop"—a process by which our brain decides whether a certain behavior should be stored and repeated. If we feel rewarded for our behavior, then we are more likely to continue doing it. For example, toothpaste companies instigate a habit loop in consumers by not just advertising the hygiene benefits of brushing teeth but also the "tingling, clean feeling" we get afterward—the reward. People are more likely to get into a toothbrushing habit loop as a result.³⁶

In the sections that follow, we present five helpful habits that can help you activate an entrepreneurial mindset: creativity, improvisation, fear management, self-leadership, and reflection. As with all good habits, they require deliberate practice (see Chapter 1). Additionally, the Mindshift activities in each chapter are meant to help you start practicing these habits. A **mindshift** is a *shift from* your existing mindset to a more entrepreneurial one—a mindset in which you have more courage to take action without complete information, navigate uncertainty, and embrace ambiguity while developing your skillset to identify new business opportunities. Hopefully, you will be thinking and acting more entrepreneurially after finishing this book than you were when you started!



Consumers are more likely to get into a “habit loop” of toothbrushing when the reward (the “tingling, clean feeling”) is advertised.

iStock.com/merznatalia

The Creativity Habit

The concept of creativity covers such a wide breadth of processes and people—from artists, to writers, to inventors, to entrepreneurs—all of whom could be described as creative. Yet creativity can be elusive, and sometimes it becomes evident only after someone points it out. Take the classic inventions—for instance, Post-it® notes, paper clips, zippers, and Velcro. You might look at these inventions and wonder why on Earth you did not think of them yourself. They all seem so obvious after the fact! And of course, sometimes the simplest ideas can change the world.



Employees may be encouraged to take breaks and play games in the office to stimulate creativity.

iStock.com/Studi04

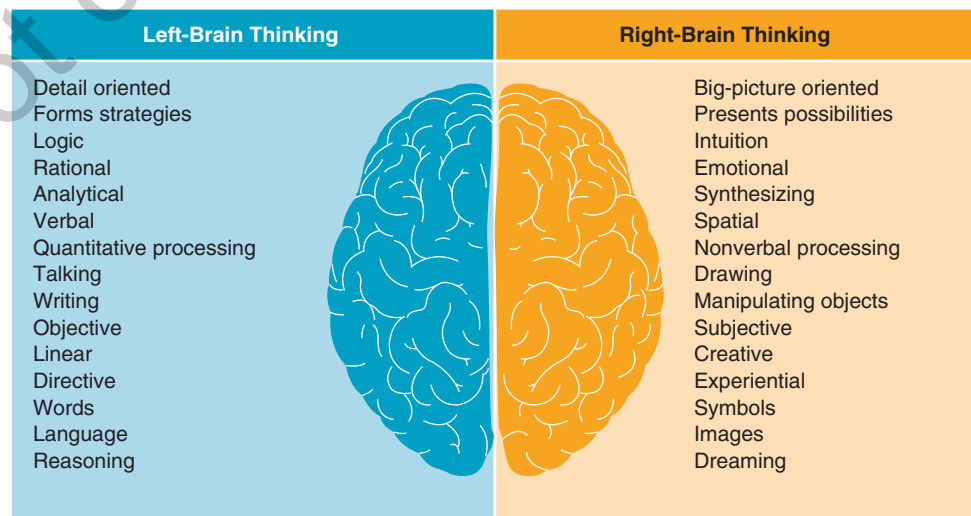
Because of its elusiveness, creativity is difficult to define as concretely as we might like; however, in this text, **creativity** is defined as the ability to use knowledge in new ways.³⁷ For example, Rebecca Hui, founder and CEO of Roots Studio, was among the winners of the 2021 Cartier Initiative Awards. Roots Studio connects with Indigenous artists from rural communities and digitizes their designs to protect their art through intellectual property for licensing into fashion and retail markets. This approach reduces the degree of cultural appropriation by global fashion brands and provides a creative way for artists to receive payment for their work.³⁸ Notice that Hui didn't invent something radical that changed the world; rather, she connected artists that were previously inaccessible and used digitization to make the art more accessible, valuable, and mainstream.

Human beings are inherently creative, but what does the skill of creativity have to do with entrepreneurship? If creativity is the ability to use knowledge in new ways, then it is also the foundation from which new opportunities are created and discovered. Remember, your mindset is your lens for viewing the world, interpreting what you see, and reacting or responding to what you hear. Mindset subconsciously guides reactions and decisions and connects what you are able to create with the information you currently have. So, with an entrepreneurial mindset, you are better able to spot problems and generate new and valuable solutions. For example, Uber founders Travis Kalanick and Garrett Camp recognized a huge problem with the taxi industry. In short, it was hard to locate a taxi, many didn't accept credit cards, and often the taxis were unclean and felt unsafe. The founders used this knowledge in a new way to provide an app that helped passengers get rides on demand, at a lower cost, cashless, and with fewer hassles to reach their destinations.

The importance of creativity in navigating the uncharted waters of an uncertain world is also reflected in our biology. The human brain is divided into two hemispheres. Generally speaking, the left hemisphere controls movement, sensation, and perception on the right side of our body, and the right hemisphere does the same on the left side of our body. This is why an injury to the left side of the brain can result in impairment or paralysis on the right side of the body, and vice versa. In the 1960s, researchers proposed that each of the two hemispheres had its own distinct thinking and emotional functions. This idea was then further expanded to propose “left-brained” and “right-brained” orientations as though they were personality types (see Figure 2.4).

In his book *A Whole New Mind*, business and technology author Daniel Pink uses the right-brain/left-brain model to describe how today's society is moving from left-brain thinking to right-brain thinking.³⁹ Historically, Pink observes, people have tended to use left-brain thinking over right-brain thinking because most tasks and activities in the agricultural and industrial age demanded these attributes.

FIGURE 2.4 ■ Left- Versus Right-Brain Orientation



Credit: Neck, H. M. (2010). Idea generation. In B. Bygrave & A. Zacharakis (Eds.), *The portable MBA in entrepreneurship* (4th ed., pp. 27–52; figure on p. 38). Wiley. Reprinted with permission from John Wiley & Sons.

Those were the times when jobs were more methodical and predictable. Today, many of the methodical tasks have been outsourced or taken over by computers. Pink holds that we now live in a “conceptual age” that requires people to use both the left and right sides of the brain to create new opportunities and possibilities—in other words, to succeed in today’s world, people need a different way of thinking.

However, it is important to recognize that there has been little scientific support for the model of people being “left-brained” or “right-brained.” In a 2012 study, researchers at the University of Utah analyzed brain scans from more than 1,000 people between the ages of 7 and 29. They found no evidence to suggest that one side of the brain was more dominant than the other in any given individual: “Our data are not consistent with a whole-brain phenotype of greater ‘left-brained’ or greater ‘right-brained’ network strength across individuals.”⁴⁰ Study researcher Jared Nielsen, a graduate student in neuroscience at the university, concludes, “It may be that personality types have nothing to do with one hemisphere being more active, stronger, or more connected.”⁴¹

Although personality traits are not left-brained or right-brained, the idea of two different types of thinking can still be helpful in understanding how to foster creativity. A study carried out by psychology professor Mihaly Csikszentmihalyi between 1990 and 1995 shows an interesting paradox in the personality traits of creative people.⁴² Csikszentmihalyi and a team of researchers identified 91 people over the age of 60 whom they considered highly creative, or “exceptional,” in the fields of science, art, business, and politics. They discovered that although conflicting traits are not commonly found in the same person—for example, a person is typically introverted or extroverted, not both—they were present in many of the study participants. They exhibited seemingly polarized traits like discipline and playfulness, a strong sense of reality and a vivid imagination, and pride and humility (see Table 2.4). Csikszentmihalyi referred to these highly creative individuals as having “dialectic” personalities and concluded that for people to be creative, they need to operate at both ends of the poles.

If you compare the “polarized” traits in Table 2.4 with the left- and right-brain characteristics in Figure 2.4, you will see striking similarities, suggesting that creativity involves integrating “both sides” of the brain. In this sense, Csikszentmihalyi’s study is consistent with Pink’s argument that we are living in a conceptual age that requires us to tap into our creative potential and be “whole-brained” thinkers and doers.

Although successful entrepreneurs definitely do not fit into a single profile, there is some commonality in how they think and view their worlds. They envision success while also preparing for failure. They value autonomy in deciding and acting and, therefore, assume responsibility for problems and failures. They are driven by intense commitment to their ideas but also tend to be both optimistic and pragmatic. There is a lot going on in the entrepreneurial mind!

TABLE 2.4 ■ Csikszentmihalyi’s Polarity of Creative Individuals

High energy	●————●	Often quiet and at rest
Smart	●————●	Naïve
Disciplined	●————●	Playful
Strong sense of reality	●————●	Imagination and fantasy
Extroversion	●————●	Introversion
Proud	●————●	Humble
Traditionalist	●————●	Rebellious and independent
Masculine/feminine	●————●	Feminine/masculine
Objective	●————●	Passionate
Joy and bliss	●————●	Suffering and pain

Credit: Adapted from Neck, H. M. (2010). Idea generation. In B. Bygrave & A. Zacharakis (Eds.), *The Portable MBA in entrepreneurship* (4th ed., pp. 27–52; figure on p. 40). Wiley; and adapted from Csikszentmihalyi, M. (1996). *Creativity: Flow and the psychology of discovery and invention*. HarperCollins. Reprinted with permission from John Wiley & Sons.



Mr. Keating (played by Robin Williams) encourages underconfident student Todd Anderson (played by Ethan Hawke) to be creative.

Collection Christophel/Alamy Stock Photo

Readers, use caution! We are about to talk about the 1980s! A classic film called *Dead Poets Society* was a huge hit in 1989. The movie and its message are timeless. It is a story about a maverick English teacher named John Keating (played by Robin Williams) who challenges the strict academic structure of Welton, a traditional, exclusive all-boys college preparatory school. Mr. Keating urges his students to question the status quo, adjust their mindset, change their behaviors, live life to the fullest, and, famously, to seize the day (using the Latin phrase *carpe diem*). One scene from the movie is an excellent example of unleashing creativity and especially relevant to entrepreneurs.

In one memorable scene, student Todd Anderson (played by Ethan Hawke)—a quiet, underconfident, insecure character who is full of self-doubt about his creative abilities—has not written a poem as assigned. Mr. Keating stands him at the front of the class and prods him to yell “Yawp!” like a barbarian would do, pointing to a picture on the wall of the famous poet Walt Whitman.⁴³ Then Keating encourages Anderson to improvise a poem by saying the first thing that pops into his head and using his imagination to describe what he sees. By doing so, Todd is able to let go of his insecurities and create in the moment.

As Mr. Keating demonstrates in this scene, creativity is something that can be unleashed even in the most reticent person. Many people can identify with Todd Anderson. It is easy to become blocked when you are asked to do something creative, especially when you are put on the spot. Even though every single person has the ability to be creative, like Todd, many people still stumble against emotional roadblocks. The next habit, improvisation, can help you get over some of these roadblocks.

The Improvisation Habit

The second of the key habits for developing an entrepreneurial mindset is **improvisation**: the art of spontaneously creating something without preparation. Improvisation is connected to the entrepreneurial mindset because it helps you develop the cognitive ability to rapidly sense and act as well as change direction quickly.

For many people, the word *improvisation* evokes images of people standing on stage in front of an audience under pressure to make them laugh or to entertain them. While it is true that world-famous comedy clubs like The Second City in Chicago offer classes in improvisation to aspiring actors—including Tina Fey, Stephen Colbert, and Jordan Peele—improvisational skills can be very useful to entrepreneurs of all types.

The ability to function in an uncertain world requires a degree of improvisation. Entrepreneurs may begin with a certain idea or direction, but obstacles such as limited resources, lack of confidence



Comedic improvisers in action.

Marmaduke St. John/Alamy Stock Photo

or skills, unforeseen market conditions, or even conflicts with team members can prevent them from executing their initial plans. This means they need to find a way to quickly adapt to their circumstances, think on their feet, and create new plans to realize their vision. A recent study showed that entrepreneurs starting new ventures who displayed more signs of improvisational behavior tended to outperform those who did not have the same tendencies.⁴⁴

There is a long tradition of improvisation techniques in theater and in music styles, such as jazz, but improvisation has also been growing in popularity in business and entrepreneurship. For example, many major business schools, such as UCLA's Anderson School of Management, Duke University's Fuqua School of Business, MIT's Sloan School of Management, and Columbia Business School, offer business students courses on improvisation to teach skills such as creativity, leadership, negotiation, teamwork, and communication. Indeed, Columbia takes business students to a jazz club so they can engage with professional musicians regarding how they use improvisation on stage.⁴⁵

Robert Kulhan, an assistant professor at Duke University's Fuqua School of Business, teaches improvisation to business students and executives. Kulhan asserts that "improvisation isn't about comedy, it's about reacting—being focused and present in the moment at a very high level."⁴⁶ In the world of business, teams from The Second City are often brought in to teach improvisation skills to staff working at the Chicago branch of Deloitte Consulting.⁴⁷

Improvisation is especially relevant to the world of entrepreneurship when uncertainty is high and the ability to react is essential (see Table 2.5). Further, improvisation can help entrepreneurs manage fear. Fear is an undeniable element of improvisation, especially when it's done in front of an audience. What if you flub a scene, or freeze up, or can't keep up with the group? You have to learn to use those fears to fuel your performance, knowing that everyone gets it wrong sometimes. And it's the same in entrepreneurship. Failure is part of every entrepreneurial endeavor. You can embrace your fears by practicing improvisation.

For those of you who may feel a little apprehensive about engaging in spontaneous creation, it may comfort you to know that anyone can improvise. In fact, you may not realize it, but each one of you has been improvising all your life. Think about it: How could any one be prepared for everything life has to throw their way? Often, people are forced to react and create on the spot in response to certain events. There is simply no way to prepare for every situation and every conversation before it takes place. People are naturally inclined to deal with the unexpected; now all you have to do is deliberately practice that ability.

TABLE 2.5 ■ Improvisation Guidelines

Improvisation is not just for actors or musicians.
There's no such thing as being wrong.
Nothing suggested is questioned or rejected (no matter how silly or wild it might sound!).
Ideas are taken on board, expanded, and passed on for further input.
Everything is important.
It is a group activity—you will have the support of the group.
You can trust that the group will solve a certain problem.
It's about listening closely and accepting what you're given.
It's about being spontaneous, imaginative, and dealing with the unexpected.

Source: Adapted from Gotts, I., & Cremer, J. [2012]. *Using improv in business*. <http://iangotts.files.wordpress.com/2012/02/using-improv-in-business-e2-v1.pdf>

However, many people are apprehensive about sharing ideas for fear of being shot down. One of the most useful improvisation exercises to address this fear is the “Yes, and” principle. This means listening to what others have to say and building on it by starting with the words, “Yes, and.” Consider the following conversation among three friends.

Peter: “I have a great idea for a healthy dried fruit snack for kids that contains less sugar than any other brand on the market.”

Teresa: “Hasn't this been done already? The market is saturated with these kinds of products.”

Sami: “I think it's an interesting idea, but I've heard that these products cost a fortune to manufacture and produce.”

In this conversation, Peter has barely touched on his idea before it gets shot down by the others. Peter may not be conscious of it, but the reaction from his friends changes his mindset from positive to negative, instantly limiting his freedom to expand the idea further. Rather than helping Peter to build on his idea, Sami and Teresa rely on judgment and hearsay.

The “Yes, and” principle can completely change the tone and output of the conversation:

Peter: “I have a great idea for a healthy dried fruit snack for kids that contains less sugar than any other brand on the market.”

Teresa: “Yes, and each snack could contain a card with a fun fact or maybe some kind of riddle.”

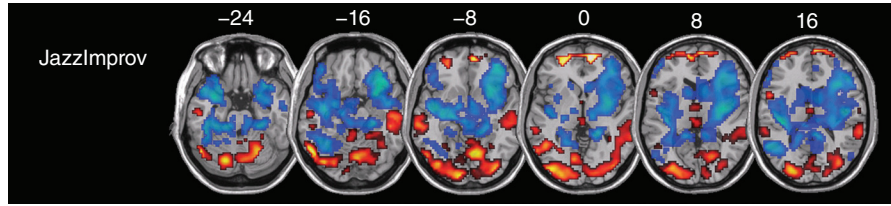
Sami: “Yes, and if enough cards are collected, you could go online and win a small prize.”

By using “Yes, and,” Peter and his friends have managed to expand on his original idea and inject a bit of positivity into the conversation.

Why don't people practice improvisation more often? Self-doubt is the most common barrier to improvisation: “I don't want to pitch my idea. I hate speaking in public.” “What if I freeze up?” and even worse, “What if I make a fool of myself?” The fear underlying the self-doubt is the fear of failure, which stems from not being able to plan in advance.

Yet people who engage in improvisation are actually more tolerant of failure because it helps them to break free of traditional structured thinking, releases their need for control, opens their minds, improves their listening skills, and builds their confidence by encouraging quick thinking under pressure. Originally actors were trained in improvisational techniques so they could overcome forgetting their lines on stage during a performance.

Improvisation has a significant effect on brain activity. Scientists studied the effects of improvisation on brain activity by asking six trained jazz pianists to play a combination of learned and improvised pieces of music while lying in an MRI machine with a miniature electronic keyboard. When it

FIGURE 2.5 ■ MRI Scans From Jazz Improvisation

Credit: Limb, C. J. (2008). Neural substrates of spontaneous musical performance: An fMRI study of jazz improvisation. *PLoS One*, 3(2), Article e1679. <https://doi.org/10.1371/journal.pone.0001679>; Creative Commons BY 4.0; <https://creativecommons.org/licenses/by/4.0/>

came to analyzing the brain scans, the scientists found that the musicians tended to switch off the self-censoring part of the brain, which gave them the ability to freely express themselves without restriction (see Figure 2.5).⁴⁸ In other words, the human brain is designed to generate unpredictable ideas when the self-monitoring part is suppressed.⁴⁹

As you have learned, developing an entrepreneurial mindset requires practice in the areas of self-leadership, creativity, and improvisation. However, all this practice is meaningless unless your mindset is geared toward action.

The Fear Management Habit

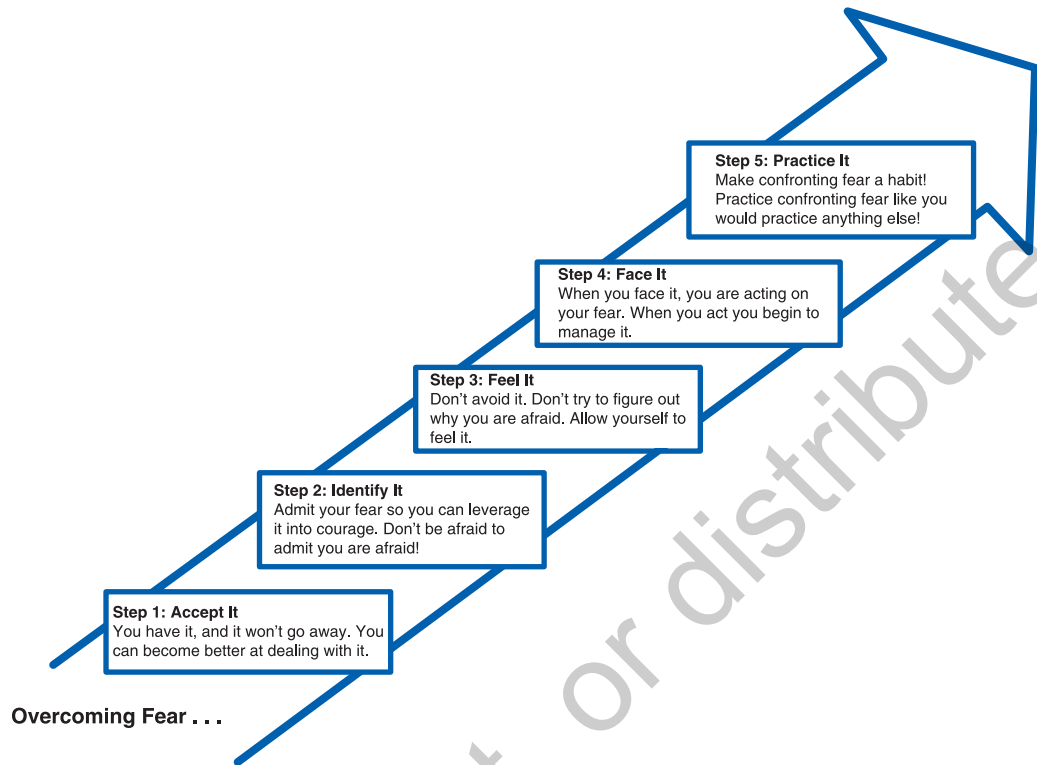
Fear is common in entrepreneurship. It causes self-doubt, insecurity, and discomfort: fear of failure, fear of talking to strangers, fear of asking for the sale, fear of looking stupid, fear of public speaking, fear of asking for help, fear of losing money, fear of letting down your team, and simply fear of the unknown. The list of fears could continue. Hamdi Ulukaya, the Turkish-born founder and CEO of the yogurt company Chobani, admitted feeling afraid every single day when he was building his multibillion-dollar business: “If I had failed, a lot of lives were going to be affected by it,” he said.⁵⁰

Recall the earlier discussion of the Entrepreneurship Method and taking small steps to overcome fear. Writing down what scares you about entrepreneurship can be a first step toward overcoming this fear. As Yoda from *Star Wars* movies said: “Named must your fear be before banish it you can.” Indeed, take a couple of minutes and write down what scares you about entrepreneurship. Rest assured that your fears are similar to those of your classmates and entrepreneurs around the world. The trick is not to alleviate the fears (that’s a high bar); rather, it’s to fight against and manage the fear! For each fear that you list, ask yourself, what would you do if you were not afraid of “x”?⁵¹ For example, what if you were not afraid of talking to strangers? Perhaps you would talk to strangers about their needs and uncover new business opportunities. Maybe you would find new, less obvious business partners. Maybe you could grow your network. Maybe you could find resources to start something new.

Most of the fears just cited are due to not having enough information, and the only way to get information is to take action—small actions like we discussed in Chapter 1. *New York Times* bestselling authors Phil Stutz and Barry Michels believe fear gives you the opportunity to develop courage, and they offer five steps to overcome fear, as depicted in Figure 2.6.⁵²

Perhaps the greatest fear all people have is the fear of failure. This paralyzes so many would-be entrepreneurs that this book devotes an entire chapter to failure (see Chapter 11). According to the Global Entrepreneurship Monitor (GEM), a premier research organization studying entrepreneurship activity around the world, in 2022:

Approximately 65% of U.S. adults [aged 18–64] believed they possessed the requisite knowledge and skills for starting a business, consistent with levels reported in 2019 and 2020. Respondents perceiving opportunities for starting a business increased to 63% in 2021, nearly reaching pre-pandemic levels after a drop in 2020. However, fear of failure among those seeing opportunities reached the highest level recorded by GEM in the United States (43%).⁵³

FIGURE 2.6 ■ Five Steps to Manage Fear

Source: Adapted from Stutz, P., & Michels, B. (2012). *The tools*. Random House.

That's a lot of fear in the United States, and 43% is just about the global average for fear of failure as well.⁵⁴ Typically, the fear of failure in the United States is considerably lower than it is in most of the countries GEM studies. Also, according to GEM, among white, Black, and Hispanic populations in the United States, Black people are the least likely to state that fear of failure would stop them from starting a business.⁵⁵

Entrepreneur Bridget Handley is working to start a fintech platform called Chestnut to help young people navigate investment processes and begin building wealth early. On managing her fear of failure, she says, "It's scary to be judged by others, but it's worse to let the weight of other people's opinions rob you of the experiences you want to have. To create something that no one else has, you need to do things others haven't done before. If you don't fail, you aren't even trying."⁵⁶

Finally, it is important to understand that failure is part of the learning process of being an entrepreneur. The only way not to fail is to never try. Many successful entrepreneurs at some point failed in previous ventures. A case in point is Walt Disney, the legendary animator, film producer, and theme park developer. His first animation company, Laugh-O-Gram Studio, went bankrupt. In fact, failure should be celebrated instead of feared, given that failure implies experimentation and learning. For instance, the acclaimed inventor Thomas Edison made 1000 attempts to invent the lightbulb before he succeeded. When a reporter asked how it felt to fail 1000 times, he replied, "I didn't fail 1000 times; the lightbulb was an invention with 1000 steps."

Indeed, our contention that failure should be celebrated is supported internationally. Did you know that there is a museum in Sweden called the Museum of Failure? The museum highlights over 159 failed products and is meant to show that innovation requires risk-taking and failure. One such failure featured in this museum is Google Glass—smart glasses launched by Google in 2013 that included a built-in camera, voice controls, and the ability to view content. However, the steep price (\$1500), concerns about privacy issues (the camera could covertly film anyone and anything at any time or place), and the lack of functionality for users resulted in the product being pulled after two years.



Google Glass is one of the high-profile failures featured in the Museum of Failure.

Imaginechina Limited/Alamy Stock Photo

The Self-Leadership Habit

In the context of entrepreneurship, **self-leadership** is a process whereby people can influence and control their own behavior, actions, and thinking to achieve the self-direction and self-motivation necessary to build their entrepreneurial business ventures.⁵⁷ Entrepreneurship requires a deep understanding of self and an ability to motivate oneself to act. You cannot rely on someone else to manage you, get you up in the morning, or force you to get the work done. It can be lonely, and often no one is around to give you feedback, reprimand you, or reward you! As a result, self-leadership is required. It consists of three main strategies: behavior-focused strategies, natural reward strategies, and constructive thought pattern strategies.

Behavior-focused strategies help increase self-awareness to manage behaviors, particularly when dealing with necessary but unpleasant tasks. These strategies include self-observation, self-goal setting, self-reward, self-punishment, and self-cueing (see Figure 2.7).

FIGURE 2.7 ■ Elements of Self-Leadership



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Self-observation raises one's awareness of how, when, and why they behave the way they do in certain circumstances. For example, twice a day, you could stop and deliberately ask yourself questions about what you are accomplishing, what you are not accomplishing, what is standing in your way, and how you feel about what is happening. This is the first step toward addressing unhelpful or unproductive behaviors to devise ways of altering them to enhance performance. Pushpendra Metha, author of *Observe to Unmask*, is a huge advocate of practicing self-observation: "I love to observe myself because that's when I get to know my frailties, ego trips, inward and outward journey. I'm a work in progress."⁵⁸

There has been much study regarding the importance of setting goals as a means of enhancing performance. **Self-goal setting** is the process of setting individual goals for oneself. This is especially effective when it is accompanied by **self-reward**—ways in which people compensate themselves when they achieve their goals. These rewards can be tangible or intangible; for example, you might mentally congratulate yourself when you have achieved your goal (intangible), or you might go out for a celebratory meal or buy yourself a new pair of shoes (tangible). Setting rewards motivates us to accomplish our goals.

Ideally, **self-punishment or self-correcting feedback** is a process of examining one's mistakes before making a conscious effort not to repeat them. However, many people have the tendency to beat themselves up over perceived mistakes or failures; indeed, excessive self-punishment involving guilt and self-criticism can be very harmful to performance.

Finally, certain environmental cues can encourage constructive behaviors and reduce or eliminate destructive ones through the process of **self-cueing**. These cues might take the form of making lists or notes or having motivational posters on your wall. They act as a reminder of your desired goals and keep your attention on what you are trying to achieve.

Rewarding yourself is a beneficial way to boost your spirits and keep you committed to attaining your goals. **Natural reward strategies** endeavor to make aspects of a task or activity more enjoyable by building in certain features or by reshaping perceptions to focus on the most positive aspects of the task and the value it holds. For example, if you are working on a particularly difficult or boring task, you could build in a break to listen to some music or take a short walk outside. In addition, rather than dreading the nature of the work, you could refocus on the benefits of what you are doing and how good it will feel when it is done.

Much of your behavior is influenced by the way you think, and the habit of thinking in a certain way is derived from your assumptions and beliefs. **Constructive thought patterns** help you to form positive and productive ways of thinking that can benefit your performance. Constructive thought pattern strategies include identifying destructive beliefs and assumptions and reframing those thoughts by practicing self-talk and mental imagery.

As we observed earlier in this chapter, you can use positive self-talk to change your mindset and thought patterns by engaging in dialogue with that irrational voice in your head that tells you when you can't do something. Similarly, you can engage in mental imagery to imagine yourself performing a certain task or activity. In fact, studies show that people who visualize themselves successfully performing an activity before it actually takes place are more likely to be successful at performing the task in reality.⁵⁹

These behavioral and mental self-leadership strategies are designed to bring about successful outcomes through positive behaviors and suppress or eliminate those negative behaviors that lead to bad consequences. The concept of self-leadership has been related to many other areas, such as optimism, happiness, consciousness, and emotional intelligence. Self-leadership is an essential process for helping entrepreneurs build and grow their business ventures.

Let's look beyond entrepreneurship to see self-leadership in action. In his book *Man's Search for Meaning*, Viktor Frankl describes how he survived the Holocaust and three years of incarceration in Nazi concentration camps during World War II. Despite the immense hardships he experienced there, Frankl was able to survive. His survival was due to his performance of critical self-leadership skills throughout his experience. He had a profound understanding that he could not change what was happening to him and his fellow inmates, but he realized he could choose how to respond to it by adjusting his thought patterns and self-talk to a positive nature. Frankl writes:

We who lived in concentration camps can remember the men who walked through the huts comforting others, giving away their last piece of bread. They may have been few in number, but they offer sufficient proof that everything can be taken from a man but one thing: the last of the human freedoms—to choose one's attitude in any given set of circumstances, to choose one's own way.⁶⁰

Moving to an entrepreneurial example of utilizing self-leadership, consider John Johnson. Johnson started *Ebony* magazine, which showcased the successes of African Americans around the country. Johnson also founded *Jet*, a magazine devoted to covering African Americans in politics, entertainment, business, and sports. Johnson was the first African American to be included in *Forbes* magazine's listing of the 400 Richest Americans. Johnson's focus on his self-talk was a key reason for his success. Indeed, he argues that without positive self-talk, his business empire would have never happened. As Johnson states:

In fact, I discharged one of our early employees because he kept telling me that I wasn't going to make it. I said, "Gee, I'm not secure enough myself to have anyone around me saying I can't make it." There were many times when I doubted it. But I would go into a room and, as a teacher very often kept kids after school repeating things, I would repeat to myself, "I will not fail, I will not fail, I will not fail!"⁶¹



Motivational posters can help improve our mindset.

iStock.com/Bobboz

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The Reflection Habit

Self-observation is the foundational activity for the self-leadership habit. Reflection is a form of self-observation. Let us explain. Entrepreneurship is action oriented. It's about doing, practicing, and acting your way into learning, especially when you don't know where to start. To learn from all the actions that you take, it's good to develop a reflection practice to help you think more critically, make connections, and draw conclusions.

Reflection is a thoughtful exercise in which one reviews an experience, considers it deeply, and evaluates the experience. Reflection is not easy, and it certainly requires practice to become an effective habit. Whether the experience reflected on is positive or negative, the goal is the same: to develop new knowledge from experience and incorporate that new knowledge into future experiences. Reflection is particularly important for perplexing experiences, working under conditions of high uncertainty, and problem-solving—all of which connect to the Entrepreneurship Method and are important in further developing your entrepreneurial mindset.

Many reflection models or frameworks exist. In general, developing a healthy reflection practice involves the six steps identified in Figure 2.8.⁶²

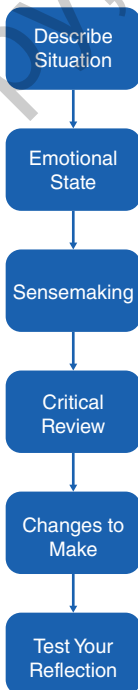
After identifying the event you are reflecting on, you describe the situation, think about how it made you feel, identify why the event happened, critically review your actions, determine what you could do different in the future, and put into practice what you learned when similar events happen in the future.

Consultant and entrepreneur Sharon Richmond suggests having a ten-minute meeting with yourself every week. During that meeting, Richmond suggests asking, “What did I learn this week that made me more effective, and how do I know?”⁶³ Executive coach Debra Kasowiski encourages clients to ink what they think. According to Kasowiski,

I advocate for journaling. Allow yourself to slow down your mind by writing down whatever thoughts are running through it in a brain dump without filtering or editing. Journaling makes words tangible. Reflecting on your day and noting what you are grateful for allows you to park unproductive thoughts, discover insights and solutions and identify areas of growth.⁶⁴

FIGURE 2.8 ■ Reflection Model

Reflection Process



Questions to Answer

What is the event?
Who was involved?
Where did it happen?

What and how were you feeling?
Why were you feeling this way?
How did you manage your emotions?

Why did it happen?
What led up to the event?
Was the event new or a pattern?

Could you have done anything differently?
What were the positives?
What were the negatives?

What will you do differently in the future?
What have you learned that can be transferred to other experiences?

As you apply your new knowledge to similar events in the future, do things happen as you would expect them to?

Source: Adapted from Koshy, K., Limb, C., Gundogan, B., Whitehurst, K., & Jafree, D. J. (2017). Reflective practice in health care and how to reflect effectively. *International Journal of Surgery: Oncology*, 2(6), e20.

TABLE 2.6 ■ Benefits of Reflection

Understand and control emotions
See bigger picture
Address negative self-talk and move on
Build courage to try new things
Be more creative
Challenge assumptions and biases
Achieve personal growth and development

Source: Adapted from *LibGuides: Reflective Practice Toolkit: What is reflective practice?* (2022). <https://libguides.cam.ac.uk/reflectivepracticetoolkit/whatisreflectivepractice>

These types of reflection are considered “reflection-on-practice,” a process in which you do something and then reflect on what you did. But another type of reflection is particularly useful in applied fields such as medicine, teaching, and even entrepreneurship called “reflection-in-practice”: reflection that takes place as you are doing something, such as interviewing a customer, pitching to investors, or dealing with a supplier challenge.⁶⁵ This type of reflection is more improvisational in that it involves thinking on your feet and problem-solving in real time. You are also using knowledge and experience gained from reflecting-on-practice to gain new insights and perspectives while reflecting-in-practice rather than simply solving a problem on the spot.⁶⁶

Regardless of the type of reflection, there are many benefits of developing good reflective habits (see Table 2.6).⁶⁷

Reflection can help you get out of the weeds and out of your head to see the bigger picture of what you are trying to accomplish. It can also help reduce negative self-talk. Hindsight is a curse sometimes: After you do something, you might say to yourself, “I should have done this,” “I should have done that,” or “Why did I react like that?” If you tend to beat yourself up, remember that you can’t go back. Rather than punishing yourself, reflect on what you could have done in a meaningful way so you can learn and grow from the experience. Reflection can also help you develop the courage to try new things and even think more creatively. It can also help you get out of old ways of thinking and challenge existing assumptions and biases you may have of events, people, and places. Additionally, because reflection helps you tap into and understand your emotions (Figure 2.8), through a reflective practice, you may become better able to control your emotions in the future.

MINDSHIFT

BUILDING ENTREPRENEURIAL HABITS

There are four tips to building new habits:

1. Start with a small habit.

Make the habit so small you can’t say no. Make the habit so easy you can get it done without a ton of motivation. Make the habit so small that you don’t have to psych yourself up each day to do it. For example, say you want to start a habit of doing push-ups every day. Start with five push-ups a day instead of 50 per day.

2. Increase your habit in very small ways.

After you start small, you need to gradually improve your habit. Even a 1% improvement can add up fairly quickly. With our push-up example, you could do five push-ups a day for a week, then go to six push-ups a day the following week.

3. As you gradually build up your habit, break the habit into small chunks.

It is critical to keep each habit reasonable. Why? You need to keep momentum going and to make the behavior as easy as possible to accomplish. When you get your push-ups to 20 a day, you may want to do 10 push-ups, twice a day. This makes it an easier physical and mental challenge.

4. Plan to fail.

The boxer Mike Tyson said, “Everyone has a plan until they get punched in the mouth.” Understand that you probably will get punched in the face at times and fail. But you need to realize that this is okay in terms of practicing your new habit. Research shows that failing to do your habit once has very little impact on the long-term progress of performing your new habit. Even the best performers fail. The difference is that the best get back on the horse, so to speak, and keep riding, keep trying to do their new habit. So, if you don’t have the motivation to do your push-ups one day, then don’t think, “I’ve missed one day; I might as well miss the whole week.” This is habit-defeating thinking. Instead say, “I missed today, but it’s no big deal; I’m going to get back on track tomorrow and do my 20 push-ups.”

Now it’s time to apply these four tips to an entrepreneurial habit of your choice. This could be looking at problems with a growth mindset or looking beyond what you are supposed to look at, as in the study on luck described in the Research at Work feature. It could also be getting out of your comfort zone once a day or once a week. It could even be getting more comfortable with rejection or perhaps learning one impressive new piece of information every day. The possibilities are limitless, so use your imagination.

What amazing entrepreneurial habit do you want to build?

How can you break it down into a smaller habit? What are you committing to do *this* week?

How can you increase the habit next week?

Is the habit “chunkable”? In what ways?

Critical Thinking Questions

1. At what point will you feel the habit has actually become a habit?
2. At what moment did you experience failure, and how did the learning inform your next attempt?
3. How can you apply the tips for building a habit to also breaking a habit?

Source

Clear, J. (2018). *Atomic habits: An easy & proven way to build good habits & break bad ones*. Avery.

SUMMARY

2.1 Differentiate between a fixed and growth mindset.

Mindset is our lens for viewing the world, interpreting what we see, and reacting or responding to what we hear. Stanford University psychologist Carol Dweck proposes that there are two different types of mindsets: a fixed mindset and a growth mindset. In a fixed mindset, people perceive their talents and abilities as set traits. In a growth mindset, people believe that their abilities can be developed through dedication, effort, and hard work. Although many of us tend to exhibit one mindset or the other, mindsets can and do change.

2.2 Define “entrepreneurial mindset” and explore five themes underlying the definition.

Entrepreneurial mindset is a mental process that enables you to recognize and act on valuable opportunities with incomplete information while being resilient under complex and uncertain conditions. Within this definition of entrepreneurial mindset are five themes: mental process, value creation, recognizing and acting on opportunities, adaptability and resilience, and decision-making with limited information under uncertain conditions.

2.3 Connect the Entrepreneurship Method’s “why statement” to an entrepreneurial mindset.

The why statement outlined in the Entrepreneurship Method is connected to curiosity, drive, and motivation. When the why statement is connected to the entrepreneurial mindset, entrepreneurs are better able to spot new opportunities, be more resilient, and better tolerate the ambiguity that comes with making decisions in uncertain environments. Although ideas

change, evolve, or pivot in the Entrepreneurship Method, the why statement is steady and doesn't change much. Passion also plays an important role in entrepreneurship. The why statement is a useful technique for developing and revealing entrepreneurial passions.

2.4 Explore five habits you can practice to develop an entrepreneurial mindset.

It is possible to develop a more entrepreneurial mindset by developing new habits. A habit is an unconscious pattern of behavior that is carried out often and regularly. There are five habits to develop to activate an entrepreneurial mindset: creativity, improvisation, manage fear, self-leadership, and reflection. Developing the habit of creativity requires engaging in new experiences, making new associations, and letting go of fears and insecurities; improvisation requires practice to quickly adapt to changing circumstances, think on your feet, and build on the ideas of others; fear can be managed by confronting it, identifying it, feeling it, and accepting it; self-leadership enables people to influence and control their own behavior, actions, and thinking necessary to build their entrepreneurial business ventures; and reflection helps entrepreneurs to develop new knowledge from experience and incorporate that new knowledge into future experiences.

KEY TERMS

Behavior-focused strategies	Mindshift
Confirmation bias	Nascent entrepreneur
Constructive thought patterns	Natural reward strategies
Creativity	Opportunity
Entrepreneurial mindset	Reflection
Entrepreneurial passion	Resilience
Entrepreneurial self-efficacy	Self-cueing
Fixed mindset	Self-goal setting
Growth mindset	Self-leadership
Habit	Self-observation
Improvisation	Self-punishment (or self-correcting feedback)
Metacognition	Self-reward

CASE STUDY

SPANX, SARA BLAKELY

Sara Blakely, then a 27-year-old fax machine sales representative, was dressing for a party, slipping on a new pair of unlined cream-colored pants that she had stretched her budget to buy. Looking at the pants, Sara was frustrated; every undergarment showed through, leaving a panty line or giving the pants a ruffled look. Blakely wanted the slimming effect of "control top" pantyhose, but she also wanted her feet to go bare so she could wear open-toe sandals. On an impulse, she took a pair of pantyhose, cut off the feet, and went to the party—looking and feeling great, without panty lines, and wearing her sandals. The legs of her pantyhose, however, were rolling up all night. Blakely was experiencing a consumer problem that women were familiar with but that no company had adequately addressed: the need for a product somewhere between pantyhose and traditional, heavy girdles that would help women achieve a slimming, smooth look. Her impulse launched a journey that led to a perfected product and inspired Blakely's billion-dollar idea: the company dubbed "Spanx."

Founded in 2000, Spanx is an apparel company with the stated mission to "make things better and more comfortable for women." Today, the company offers over 200 products that encompass innerwear solutions and figure-flattering outerwear, activewear, and swimwear. In 2010, the company entered the realm of men's apparel by producing undershirts and bottoms, and the following year it added "Mama Spanx," a line of maternity underwear. The company's products are sold primarily through 12,000 retail locations in the United States and in over 55 countries. Its 2022 sales were estimated to be \$666 million.

Sara Blakely was raised in Clearwater, Florida, with the dream of becoming a trial lawyer. In high school, she was on the debate team, and she majored in legal communications at Florida State University. When poor scores on the LSAT prevented her from going to law school, she ventured to Orlando to work at Disney World as a ride greeter (she was too short to wear the Goofy costume). Losing interest in working at Disney, Blakely returned home to Clearwater and got a job at an office equipment company. So began a seven-year career driving across the four zip codes assigned to her, walking into businesses unannounced, trying to sell them fax machines. Blakely faced the occupational hazards of cold call sales: being told to leave, having her business card ripped up in front of her, even being escorted out by a police officer.

Five years into her fax sales career, Blakely was growing tired of the constant chase and rejections. On one particularly tough day, Blakely pulled over to the side of the road and came to the realization that she wanted to sell a product that would help people and that her goal would be to invent a product that she could sell to millions of people that would help them feel good. Blakely had just \$5,000 in savings, had never taken a business course, and had never worked in the fashion industry, yet she began a quest that would get her to a commercial product.

While still working her sales job, now in Atlanta, Georgia, Blakely started exploring how to create a business to produce footless pantyhose. She researched every pantyhose patent she could find through the Georgia Tech library, and, satisfied that there were no patents similar to her idea, set out to discern whether there was a market for her product. Blakely went to a nearby Neiman-Marcus store and asked a saleswoman if she thought anyone would want the kind of product Blakely envisioned. The saleswoman responded enthusiastically, telling Blakely that she had encountered many customers who were making their own footless pantyhose.

Ideas are most vulnerable when they're new, Blakely believes, so she was cautious in talking to others about her idea and limited her circle to those who could help her bring the idea to life. She avoided sharing her venture with family and friends; although she knew her inner circle would only have her best interest at heart and want to protect her, she worried that their cautiousness would stifle her plans.

Blakely then turned to the task of finding an attorney to prepare a patent application that would protect her idea from easy imitation. She searched for a female attorney, thinking it would be easier to explain her idea to a woman, but to her surprise, there were no female patent attorneys in Georgia at that time. So she met with three firms in Atlanta. One attorney thought her idea so strange that he kept looking for a hidden camera, believing that the meeting was a prank. Facing \$3,000 to \$5,000 in fees to develop a patent application—an expense that would deplete the \$5,000 Blakely had to fund her venture—she bought a book on patents and wrote her own application.

Blakely also needed a company to manufacture her product. Through an internet search, she learned that most of the U.S.-based hosiery manufacturers were in North Carolina. Over several months, she called the manufacturers, trying to speak to the right person who would consider manufacturing a new product and taking on a small customer with no track record or significant funding. After several months of cold calling without success, Blakely took a week off from work and drove to North Carolina to visit the hosiery mills. Though she returned to Atlanta thinking she had garnered no interest, two weeks later, one of the mill owners called to tell Blakely that he would help her. Why, Blakely asked? The owner replied that he had talked with his two daughters about her idea, and they thought it was a great one. They convinced him that her product was needed and that he should help Blakely.

With a manufacturer secured, Blakely could now move on to creating a tangible prototype. In meeting with her vendor, however, Blakely realized that no women were involved in the design and manufacture of pantyhose. This was a problem because women—the customer—were known to be dissatisfied with pantyhose for several reasons, including poor fits, tight one-size-fits-all waistbands, and trouble staying in place. Blakely was persistent in pushing her manufacturer to deliver a product that would be comfortable. She also asked family and friends to wear her prototypes to gain the perspectives of future customers (a practice that continues to this day). Their feedback and experience wearing the products was invaluable as Blakely's prototype was refined. Watching *The Oprah Winfrey Show* in the summer of 1999, Blakely took note when Winfrey mentioned that she had been cutting off the feet of her pantyhose for the same reason that had motivated Blakely on her own adventure. A year later, as production began, Blakely sent the star thirty pairs of Spanx in a gift basket with a note. Several weeks later, Blakely got a call telling her that Spanx would be featured as one of Oprah's Favorite Things on the November 17, 2000, show—and Spanx was off!

Blakely's finishing touches included naming the product and designing the packaging for display in stores. Blakely had spent some time in standup comedy and knew that the "k" sound is a "strong" one that people find funny. After keeping a log of dozens of possible names, the name "Spanx" came to her. Its somewhat "suggestive" connotation works in its favor, as the product is, Blakely proclaims, about "making the world better, one butt at a time."

To place her product in stores—again, without contacts or backing—Blakely repeatedly cold-called Neiman-Marcus’s corporate buying office in Dallas until the hosiery buyer agreed to a 10-minute meeting in person. With her prototype and color copy of the packaging in hand, Blakely launched into her pitch. Realizing that the buyer was not “getting it,” Blakely made a bold move. She invited the buyer to come with her to the restroom, where Blakely modeled the famous cream pants both with and without Spanx. The buyer committed to placing the product in seven stores.

Blakely knew that being on the hanging rod was one thing, but that having customers pick up a new product with a new use was the real challenge. The seven store placements were a test for Neiman-Marcus—would customers “get it” and buy Spanx? To boost sales, and without the means of advertising or other costly marketing techniques, Blakely took to guerrilla marketing tactics. She called friends and acquaintances offering to reimburse them if they purchased Spanx. She demoed Spanx in stores herself, showing before and after photos. She came to realize that while Spanx was being sold in the hosiery department, the customers buying shoes and clothing would be receptive to Spanx as a product that would help them “complete” their outfit. Blakely purchased her own stands, filled them with Spanx, and placed them at all the cash registers in the stores (without asking Neiman Marcus’s permission!). In her first year, sales came to \$4 million. She then made the decision to go on the QVC shopping channel, and in her 5-minute slot, she sold 8,000 pairs of Spanx. In her second year in business, revenue doubled.

As Spanx grew, Blakely retained complete ownership of the company, emphasized profitability over growth, remained debt-free, and kept product development, public relations, and marketing in-house in the company’s Atlanta headquarters.

Since Spanx’s founding, the shapewear market has become much more competitive; several companies, including one backed by celebrity Kim Kardashian, compete in the \$4 billion compression wear and shapewear market (as of 2020), which is projected to grow to \$6.6 billion by 2030. Other key competitors in this market include Nike, Adidas, Under Armour, and Victoria’s Secret. As the COVID pandemic took hold in early 2020, U.S. imports of shapewear dropped by over 40%, but a 27% increase was seen by the fall of 2021. Generation Z—those born between 1997 and 2012—is the fastest growing cohort of shapewear customers.

Societal views on women’s bodies and fashion that alters women’s bodies have been changing during Spanx’s brief history. There is growing acceptance of diverse body shapes, and consumers are less likely to wear garments that are uncomfortable. The shapewear industry’s marketing, including Spanx’s messaging, is about “slimming” and “shaping” rather than compressing and altering women’s bodies. The popularity of athleisure apparel, inspired by stretchable fabrics worn in gyms and yoga studios, has crossed over into street wear. Shapewear, too, has crossed over and is being worn as visible clothing.

In the fall of 2021, Blakely sold a majority ownership position in the company to an investor group led by Blackstone, a leading global investment firm. Other investors included Oprah Winfrey, Reese Witherspoon, and two women-founded investment funds. The deal valued Spanx at \$1.2 billion. Blakely will remain as executive chair woman and be active in daily operations. Fitting with the company’s commitment to empowering women, an all-female board of directors will be formed.

Critical Thinking Questions

1. Think about Sara Blakely’s early career before starting Spanx. How did this contribute to her developing an entrepreneurial mindset?
2. Follow Sara Blakely on Instagram. Does she exhibit a fixed or growth mindset? What evidence contributes to your answer?
3. What evidence do you see in the creation of Spanx where Blakely exhibited resiliency and acting under conditions of uncertainty?

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