

Entrepreneurial mindset and identity

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**I would like to create a
startup;**

I just need a good idea



Problem!

**Almost all initial ideas
are bad, really bad ...**



The idea is bad because

It has a limited number of **customers** (Market)

You cannot see a way of making **money** on it (Market)

A lot of **other people** also have the same idea (Competition)

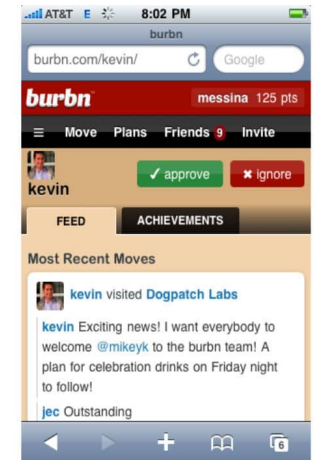
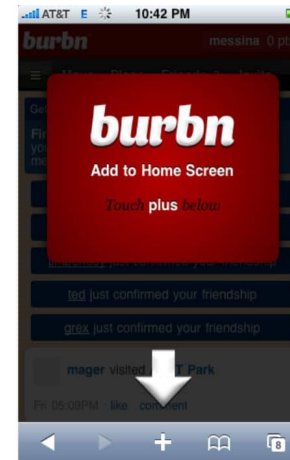
It already **exist** (Competition)

It is **vague** (Realization)

Seems hard to **realize** (Realization)

Can you recognize the company behind these ideas?

Tune In
Hook Up





Question

How can you turn a bad idea into a good one?



PART I: EFFECTUATION

Entrepreneurship is a method

It can be applied to a wide variety of issues central to human well-being and social improvements

Entrepreneurship can be taught as a **distinct method of human problem solving.**

Sarasvathy & Venkataraman (2011)

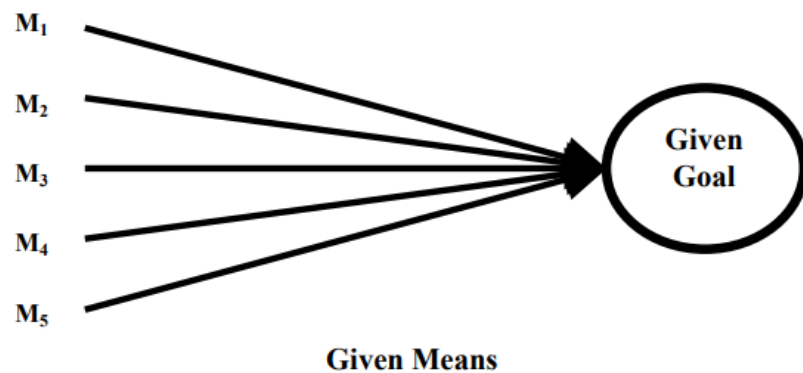


Causal versus Effectuation

Managerial Thinking -- Causal Reasoning

Distinguishing Characteristic:

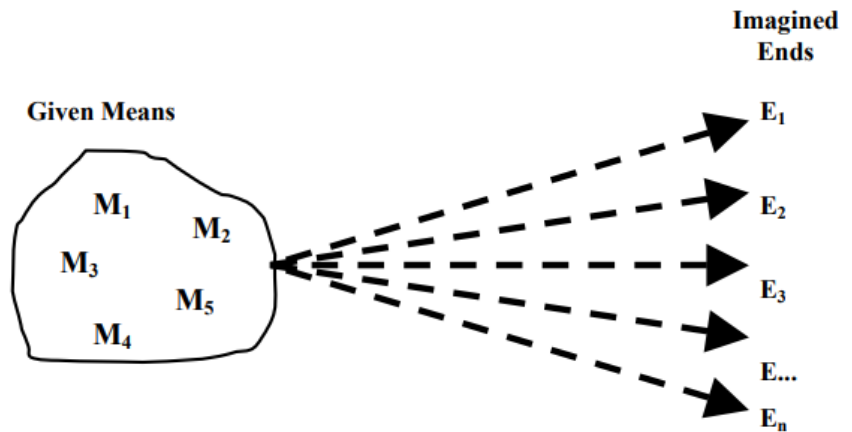
Selecting between given means to achieve a pre-determined goal



Entrepreneurial Thinking -- Effectual Reasoning

Distinguishing Characteristic:

Imagining possible new ends using a given set of means



Effectuation principles

× Bird in Hand Principle

When expert entrepreneurs set out to build a new venture, they start with their means: who I am, what I know, and whom I know. Then, the entrepreneurs imagine possibilities that originate from their means [ReadMore](#)

× Lemonade Principle

Expert entrepreneurs invite the surprise factor. Instead of making “what-if” scenarios to deal with worst-case scenarios, experts interpret “bad” news and surprises as potential clues to create new markets [ReadMore](#)

× Crazy Quilt Principle

Expert entrepreneurs build partnerships with self-selecting stakeholders. By obtaining pre-commitments from these key partners early on in the venture, experts reduce uncertainty and co-create the new market with its interested participants [ReadMore](#)



× Pilot-in-the-Plane Principle

By focusing on activities within their control, expert entrepreneurs know their actions will result in the desired outcomes. An effectual worldview is rooted in the belief that the future is neither found nor predicted, but rather made [ReadMore](#)



× Effectual Cycle

Welcome! Whether you come to this site as a entrepreneurial newbie or a seasoned creator of new ventures, here you'll discover that there is a science to entrepreneurship — a common logic we have observed in expert entrepreneurs across industries, geographies, and time. We call it effectuation [ReadMore](#)



× Affordable Loss Principle

Expert entrepreneurs limit risk by understanding what they can afford to lose at each step, instead of seeking large all-or- nothing opportunities. They choose goals and actions where there is upside even if the downside ends up happening [ReadMore](#)



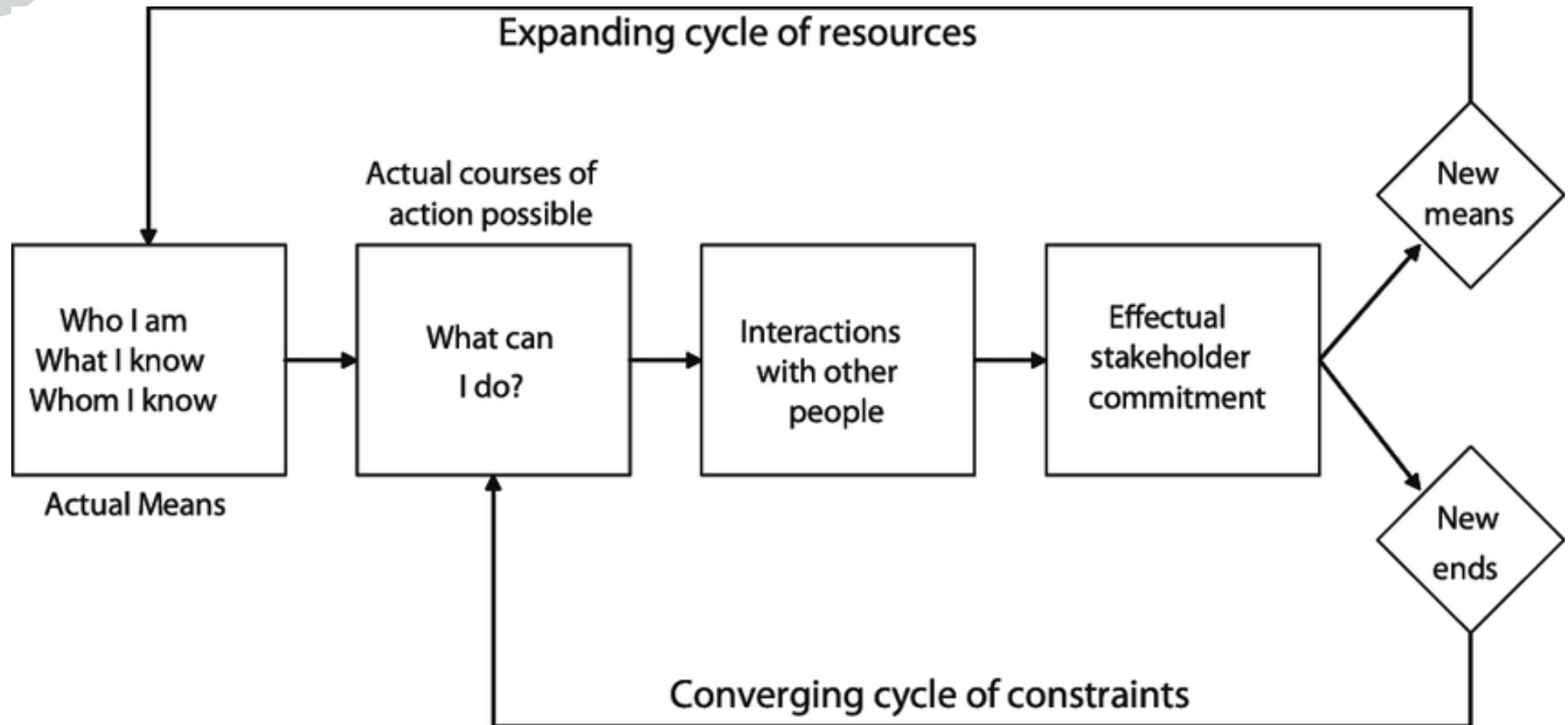
Bird-in-Hand Principle

When expert entrepreneurs set out to build a new venture, they start with their means:

1. Who they are – their traits, tastes and abilities;
2. What they know – their education, training, expertise, and experience; and,
3. Whom they know – their social and professional networks

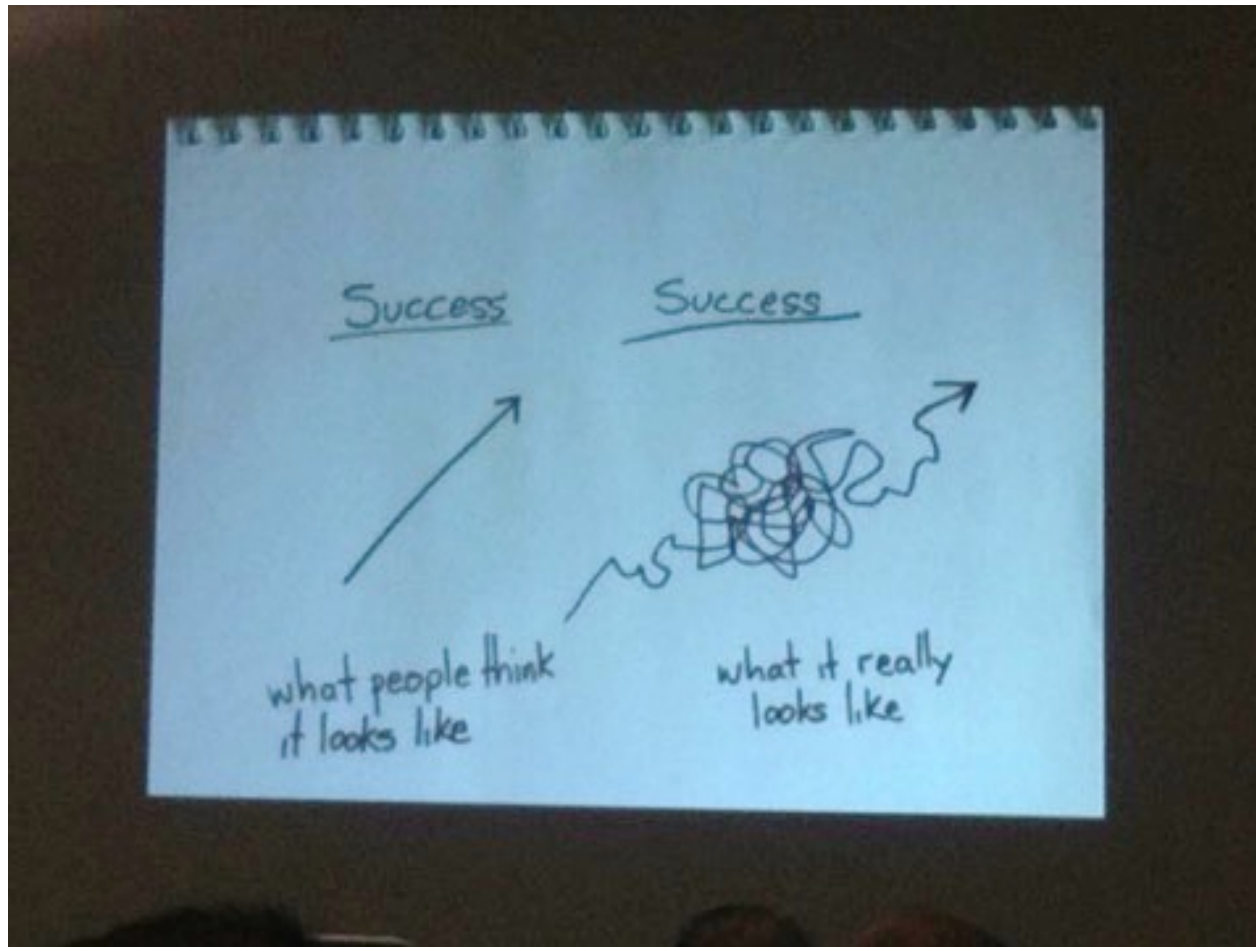
Then, the entrepreneurs imagine possibilities that originate from their means.

!!!! Both an advantage and a disadvantage !!!!

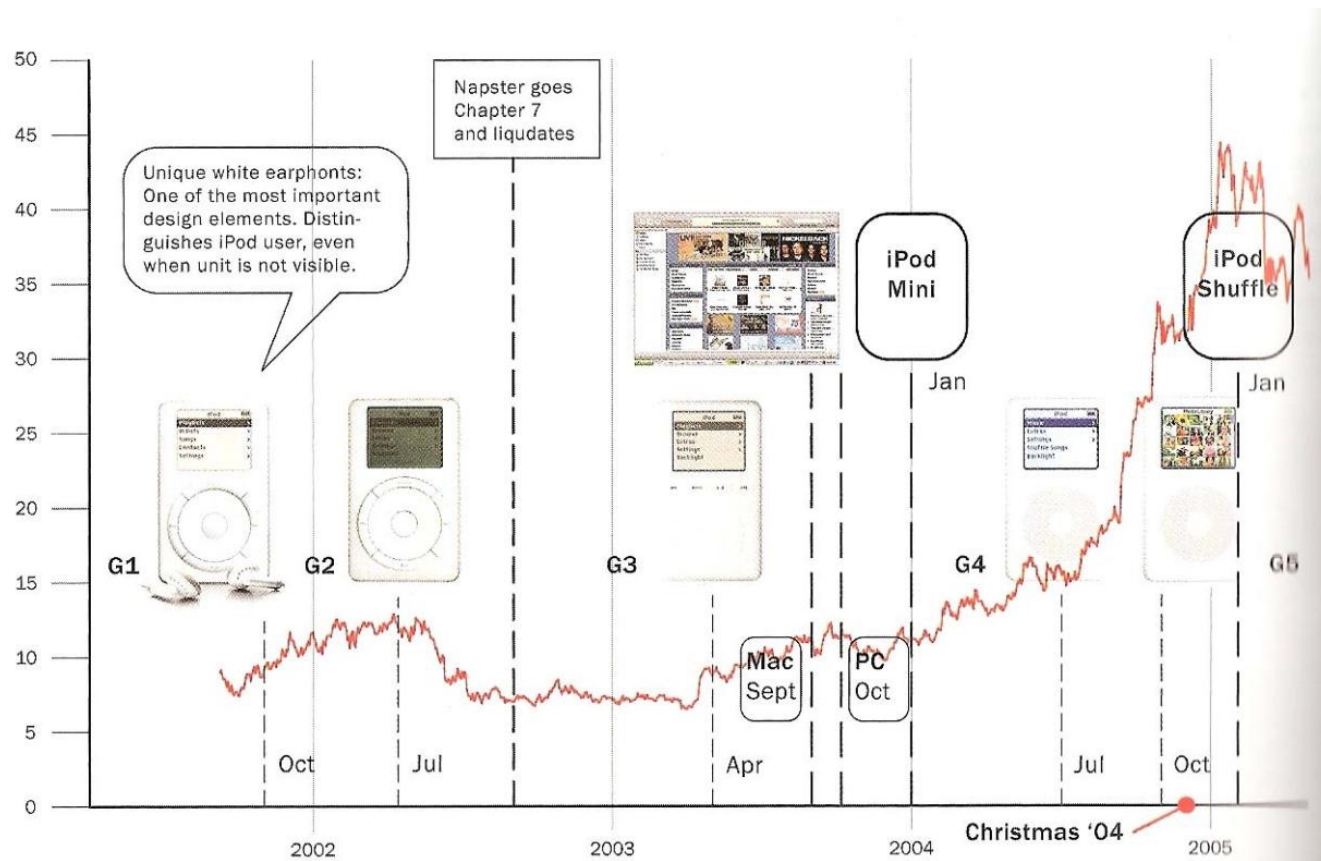


Sarasvathy and Dew (2005)

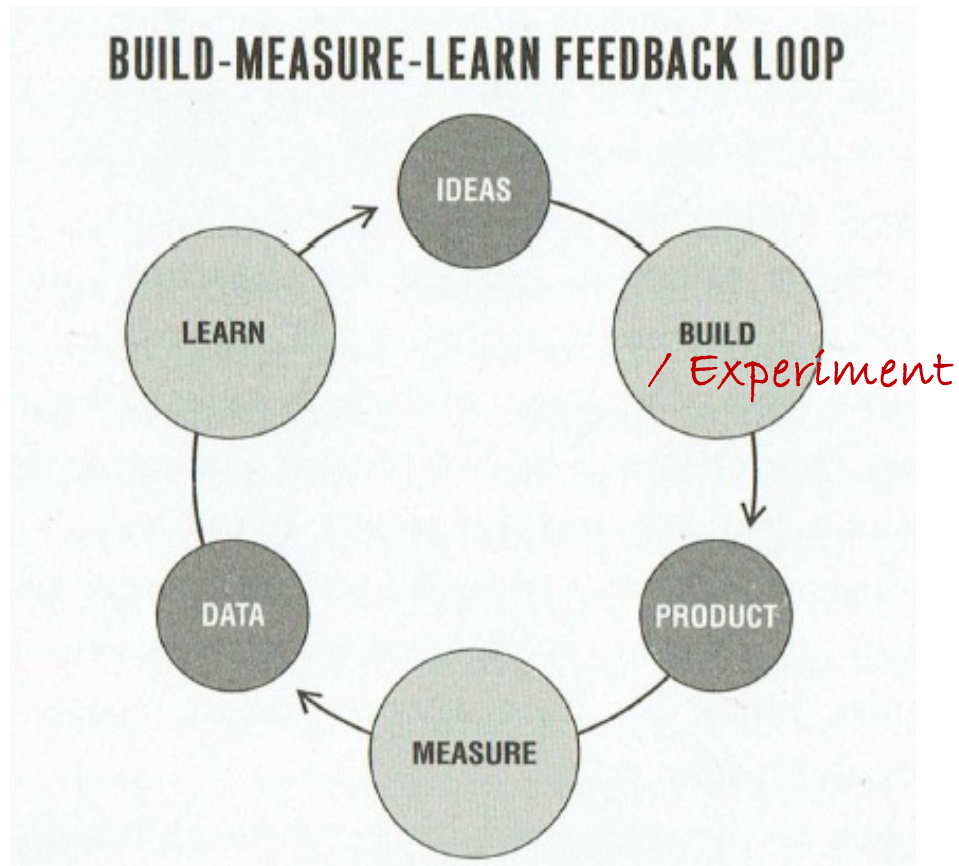
The road to success



The iterative idea



Lean startup

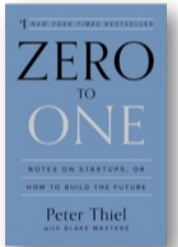


**Minimize *TOTAL*
time through
the loop**



PART II: Create a vision

Random is not a good strategy #1



“But leanness is a methodology, not a goal.

Lean method not goal



Making small changes to things that already exist might lead you to a local maximum, but it won't help you find the global maximum.

Local maximum



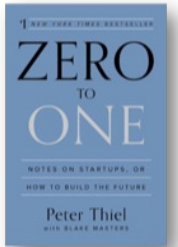
You could build the best version of an app that lets people order toilet paper from their iPhone. But iteration without a bold plan won't take you from 0 to 1”.

You need a bold plan



D

Random is not a good strategy #2



“A company is the strangest place of all for an indefinite optimist: why should you expect your own business to succeed without a plan to make it happen?”

Darwinism may be a fine theory in other contexts, but in startups, intelligent design works best”.

A big plan for how to scale it



It often has the form of a zoom-out pivot

What would you do if you could hire 100 engineers?

Why the Fail-fast approach Isn't Right for Breakthrough Ventures

Harvard
Business
Review

ENTREPRENEURSHIP

Why the Fail-Fast Approach Isn't Right for Breakthrough Ventures

by Henry Kressel and Norman Winarsky

NOVEMBER 06, 2015



Failure has become de rigeur, particularly in software start-ups that initially require little capital and small teams. The idea seems simple enough: you start with an initial venture concept, put together a team, and launch the venture. You develop minimally viable products, keep testing different market and product hypotheses, and pivot based on the market feedback you get. You expect to fail repeatedly and hope to eventually get to a product-market fit.

This approach is successful for some ventures – mostly for software-related companies with modest initial operating expenses. Here are some common examples of this type of venture: one venture creates new icons for your smartphone screen; another is a service that connects to your calendar and makes calls on your behalf; another helps put shopping lists together.



Challenge with the “fail-fast” approach

- “But if you want to go after the world-changing opportunities, the **required expenses and level of expertise can be high**. For these ventures, there aren’t many chances to survive if you get your value proposition wrong”.
- “**Pivot means you’ve failed**. It’s not that you shouldn’t have to move on sometimes, but it shouldn’t be a strategy. Fail fast, fail often’ is marketing rubbish. Nobody likes failure. Constant pivoting is like having a compass without a bearing. You need to know true north.”
- “This approach makes perfect sense for them [investors], **but not for the entrepreneurs** who must bear the cost — financial, personal, and professional — resulting from the culture of failure”



Four critical success factors

- 1) A **large market** opportunity with potential for rapid growth
- 2) An **outstanding team** capable of execution
- 3) A **differentiated technology** or business solution that trumps the competition
- 4) A **value proposition and business plan** that articulate the company's value, strategy, and plan and attract the required capital

Without every one of these elements, the probability of success is nearly zero.



PART III: INCREASE YOUR SPEED





#1 Personal initiative training

Personal initiative training

The Economist

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Freed enterprise

Psychology beats business training when it comes to entrepreneurship

Among small-business owners in Togo, at least



Print edition | Business >

Sep 21st 2017



In Togo, training participants increased their level of profits by **30%** within two years after PI Training.



Profit growth in Togo was **2.70** times higher than after attending a traditional business training.



In Uganda, entrepreneurs who attended PI Training increased their level of sales by **27%** within one year.



Participants in Uganda increased their number of employees by **35%** within one year after PI Training.



#2 Self-efficacy



Self-efficacy (Albert Bandura)

Self-efficacy refers to an individual's belief in his or her capacity to execute behaviors necessary to produce specific performance attainments.

Self-efficacy reflects confidence in the ability to exert control over one's own motivation, behavior, and social environment.



Strengthening self-efficacy

Experience, or "enactive attainment" – The experience of mastery is the most important factor determining a person's self-efficacy. Success raises self-efficacy, while failure lowers it.

Modeling, or "vicarious experience" – Modeling is experienced as, "If they can do it, I can do it as well". When we see someone succeeding, our own self-efficacy increases; where we see people failing, our self-efficacy decreases.

Social persuasion – Social persuasion generally manifests as direct encouragement or discouragement from another person. Discouragement is generally more effective at decreasing a person's self-efficacy than encouragement is at increasing it.

Physiological factors – In stressful situations, people commonly exhibit signs of distress: shakes, aches and pains, fatigue, fear, nausea, etc. Perceptions of these responses in oneself can markedly alter self-efficacy.



#3 Creative confidence



Creative confidence

“Students often come to Stanford University’s “d.school” to develop their creativity.

But along the way, we’ve learned that our job isn’t to *teach* them creativity.

It’s to help them *rediscover* their creative confidence

the natural ability to come up with new ideas and the courage to try them out. “

David Kelley, founder of IDEO, professor Stanford University

Fear of the Messy Unknown

Creative thinking in business begins with having empathy for your **customers**.

Yes, we know it's cozy in your office

You must deal with

- unexpected findings,
- with uncertainty,
- and with irrational people who say things you don't want to hear.



But that is where you find insights—and creative breakthroughs

Back to being an amateur - Fear of Being Judged

Most of us accept that when we are learning, say, to ski, others will see us fall down until practice pays off.



But we can't risk our business-world ego in the same way.



Fear of the First Step

Creative efforts are hardest at the beginning.

The writer faces the blank page; the teacher, the start of school; businesspeople, the first day of a new project.





William H. McRaven

If you want to change the world, start by making your bed...

If you **make your bed every morning**, you will have accomplished the first task of the day.

It will give you a small **sense of pride** and encourage you to do another task.

And by the end of the day, that one task completed, will have **turned into many tasks completed**.

If you can't do the little things right, you'll never be able to do the big things right.

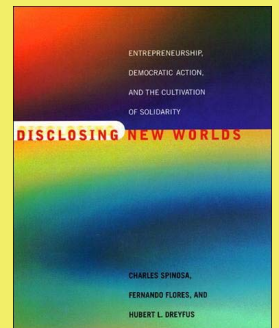




“Don’t get ready, get started!”

The first step will seem much less daunting if you make it a tiny one and you force yourself to do it *right now*.

Go and make history :)



Learn more

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Reach out

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