

CHAPTER 16

There is no question about whether the unexpected will present itself in the new venture creation process.

The question is when and whether you will take advantage of it.



Both optimists and pessimists contribute to our society.

The optimist invents the airplane.

The pessimist invents the parachute.

G.B. Stern, Novelist

The lemonade principle: Leverage surprise

IN THIS CHAPTER:

- **Understanding different kinds of contingencies** p. 183
- **Leveraging contingency: The process** p. 186
- **Making surprises work for you** p. 192
- **Takeaway: Have confidence in your own ability to make a difference** p. 193

As we will see in the story of ICEHOTEL (next chapter), contingencies can mark important turning points for a venture. In the case of ICEHOTEL, rain on ice sculptures was an unpleasant surprise. It wasn't what was meant to happen. But the ICEHOTEL story illustrates that contingencies—even negative ones—can be leveraged in positive ways. Instead of fighting the rain, Yngve Bergqvist did something a little less obvious: in his words, he “invented a new feeling.” Rather than trying to preserve something against the forces of nature, he leveraged the natural process, letting the sculptures be destroyed and making something new in their place.

This response epitomizes the lemonade principle, named for the bromide, “When life gives you lemons, make lemonade.” It's the idea that in entrepreneurship, as well as in other areas of life, you can often do well by acknowledging and appropriating the accidental events, meetings, and information that the environment serves up. Traditional

A pessimist sees the difficulty in every opportunity.

An optimist sees the opportunity in every difficulty.

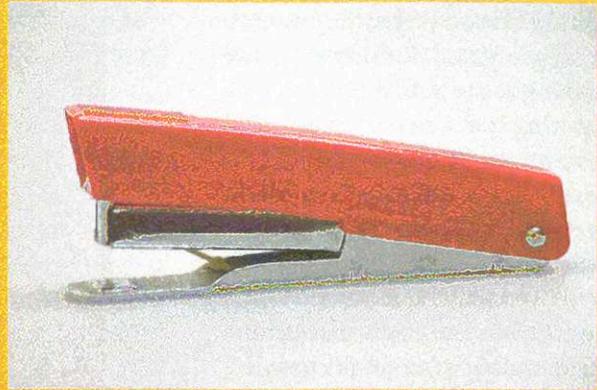
Winston Churchill



Practically Speaking

PRINTED SURPRISE

A terrific example of the role of contingency in a new venture can be found in the history of Staples, the discount office supplies superstore. It was 1985, the Thursday before the July 4 holiday weekend in the US. Having recently lost his job working for a supermarket, Thomas Stemberg was formulating a business plan for a supermarket chain when he ran out of printer ribbon for his Apple ImageWriter. When he went to local stores to buy a new printer ribbon, he found either they didn't have the ribbon he needed or the store had closed early for the holiday weekend. The simple information that printer ribbon was unobtainable triggered an idea for Stemberg. In a later interview with CNN, he said, "It dawned on me that not only could small entrepreneurs not get stationery at the rate of bigger companies—sometimes they couldn't get it at all." Because he didn't have the printer ribbon, Stemberg couldn't finish his business plan over the weekend, but it didn't matter. Out of the contingency was born an idea for a venture he wanted to start—a chain of office supply stores currently valued (start of 2016) at more than US\$6 billion.



Practically Speaking

SILLY SURPRISE

Perhaps one of the best-known stories of a new venture founded on a contingency is Silly Putty. The substance was actually the result of a failed experiment to create synthetic rubber during World War II in General Electric's New Haven laboratory. General Electric bounced the idea around for years in search of a practical use, but it wasn't until 1949 that Peter Hodgson, an unemployed advertising agent, encountered the compound as part of the entertainment at a party. Finding the stretchy material was an accident, but Hodgson did what he could with that contingent event. Unemployed and US\$12,000 in debt, he saw potential opportunity and borrowed US\$147 to produce a batch of the stuff. He renamed it Silly Putty and used his public relations skills to get it featured in Doubleday bookstores, Neiman-Marcus, and The New Yorker magazine. To everyone's amazement, sales took off, and Peter Hodgson laughed all the way to the bank. When he died in 1976, his estate was worth US\$140 million.



Photo provided courtesy of Crayola LLC, used with permission. © 2010 Crayola. Silly Putty® is a registered trademark of Crayola LLC.

models suggest the entrepreneurs should envision where they want to go, set goals, and do fairly extensive planning to reach them before venturing into a new business. However, while these activities offer some benefits, it is easy to overlook the costs. Rigid plans tend to frame surprises as problems, and so you try to overcome them, as you would any obstacle. But in the meantime, you are missing out on the upside opportunity that surprises—even negative ones—can represent.

Instead of looking at the unexpected as a problem, it can be looked at as a new building block—a resource—for a young enterprise.

Some of the materials the venture will be constructed from will become known to the entrepreneur only after the venture gets started. Using these new building blocks, expert entrepreneurs exercise control over the unexpected by considering how they might provide a foundation for a new opportunity.

In many ways, the lemonade principle lies at the heart of entrepreneurial expertise. It says that the unexpected is not a cost but a resource that, in the right hands, may become something valuable. Surprises may be few or many, come early or take their time and be good or bad. But whatever form they take, whenever they come along, and however frequently they occur, they can be used as inputs into new ventures. Entrepreneurs can't predict surprises, and they can't design them, but they can try to exploit them by building their venture to use them.



Practically Speaking

VEGETABLE SURPRISE

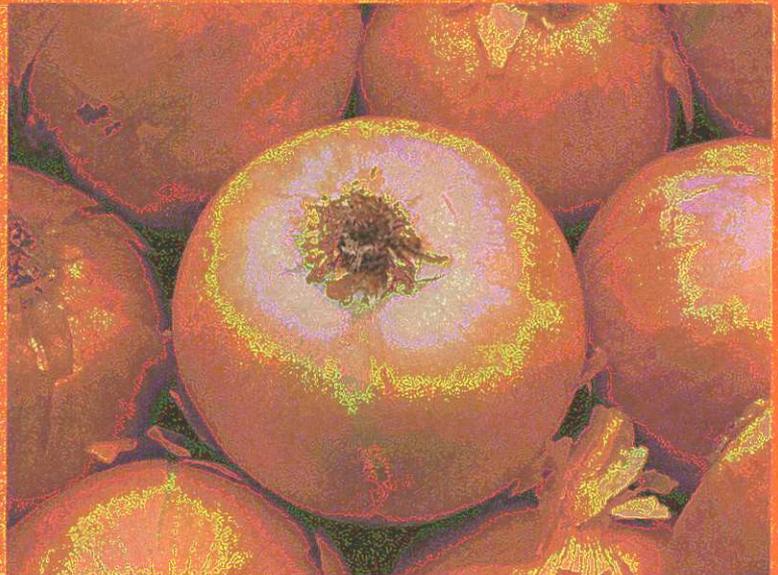
Contingency often takes the form of unexpected people arriving on your doorstep. Consider the history of J.R. Simplot. Simplot built a business storing and sorting potatoes and onions during the Great Depression. As David Silver (1985) recounts:

[I]n the spring of 1940, Jack Simplot decided to drive to Berkeley, California, to find out why an onion exporter there had run up a bill of US\$8,400 for cull (or reject) onions without paying . . . The girl in the office said that the boss wasn't in. J.R. said that was fine; he would wait until the man arrived.

Two hours later, at ten o'clock, a bearded old man walked in. Assuming this was his debtor, Simplot accosted him. But he turned out to be a man named Sokol, inquiring why he was not getting his due deliveries of onion flakes and powder. They sat together until noon, but still the exporter failed to arrive.

As the noon hour passed, Simplot was suddenly struck with an idea. He asked the bewhiskered old trader to a fateful lunch at the Berkeley Hotel. "You want onion powder and flakes," said J.R., "I've got onions. I'll dry 'em and make powder and flakes in Idaho."

Thus, through a chance meeting with Sokol, Simplot found an opportunity. He went on to develop one of the largest agricultural businesses in the US.



UNDERSTANDING DIFFERENT KINDS OF CONTINGENCIES

In general, a contingency can be thought of as something that is a mere possibility, something that may or may not happen. Contingencies are, therefore,

unnecessary; they are not a logical requirement. Instead, they fall into the realm of pure chance, something that happens without a specific known cause.

But these chance events come in many shapes and sizes, so it is helpful to have a rudimentary way of

categorizing them. For instance, though the stories just told are all instances of contingency, in fact they are examples of three very different kinds.

Unexpected people

One category of contingency is accidental interactions with other people. Either you might meet a particular person by pure chance, or the content of your interaction with someone is unexpected and perhaps feels a bit random. Both kinds of contingency are at work in the encounter between Simplot and Sokol: The two met completely by accident, and they struck up an unanticipated conversation about onion powder and flakes. Research in entrepreneurship suggests that meetings like the one between Simplot and Sokol are far more likely than you might think.

Unexpected events

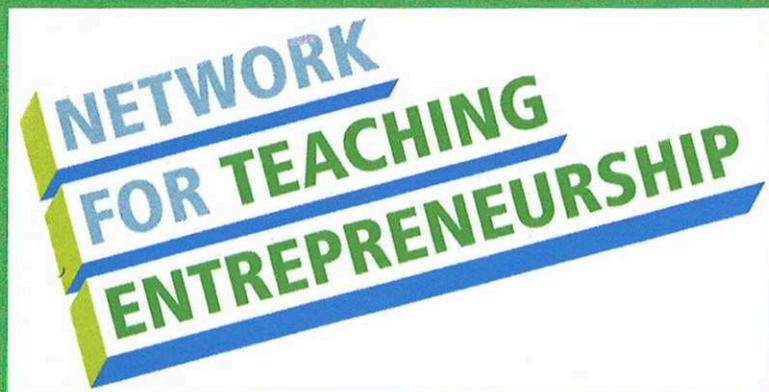
Historians talk frequently about unexpected events—so much so that there is a new genre of counterfactual history, which asks what might have been if such-and-such hadn't happened. Classic examples of the important role accorded to contingent events can be found in military history. Rain on the battlefield bogged down Napoleon's troops at Waterloo, allowing Wellington to carry the day. And a savage storm scattered the Spanish Armada, saving Elizabethan England from invasion.



Practically Speaking

\$10 SURPRISE

Sometimes contingent events come in unfortunate form. In the case of Steve Mariotti, a mugging at the hands of six teenagers was the chance event. In September 1981, Mariotti was walking on the Lower East Side of Manhattan when a group of youths surrounded him, slapped him, knocked him to the ground, and threatened to throw him into the East River. Their target: a US\$10 bill he was carrying. Traumatized by the event but determined to make something positive out of it, Mariotti decided to become a high school teacher in a New York City neighborhood in an effort to do what he could to improve the lives of young people in the inner cities. His experiences teaching high schoolers about making money led him to see the potential in entrepreneurship as a tool for changing people's lives, and he went on to found NFTE (the Network for Teaching Entrepreneurship), which is dedicated to educating kids about the possibilities for using entrepreneurship to better themselves.





Practically Speaking

RAILROAD SURPRISE

Like many of the stories we recount in this book, Railtex leans toward the mundane—after all, short-haul railroading is not exactly the newest or most exciting business venture one could get into. The Railtex story starts in 1977, when Bruce Flohr put US\$50,000 of his own money together with US\$50,000 from investors to launch a

railcar-leasing firm in San Antonio, Texas. Railcar leasing turned out not to be a particularly great idea: five years later, the business was still not profitable and was struggling to stay afloat. The situation forced Flohr and his team to start doing consultancy work with small railroads as a way of pulling in some extra cash. The consulting work proved to be a stroke of luck: what they accidentally discovered was that small railroads were badly in need of competent management and marketing. This contingency proved to be a turning point for the firm. Instead of consulting for small railroads, Flohr started buying them, improving their operations, and growing them by marketing freight services to local businesses. Starting with San Diego & Imperial Valley Railroad, the firm went on to pick up dozens of short-haul lines, going public in 1993 and growing into the largest short-haul railroad operator in the US.



Research Roots

ACCIDENTAL INNOVATION?

Despite the fact that managers do everything possible to reduce the scope for accidents to happen in the process of developing new products and services, it is well known that “Lady Luck” plays an important role in innovation. Entrepreneurs seem to show more imagination in granting a role for luck in their business ventures. How, then, does an entrepreneur increase the likelihood of favorable surprises occurring on their entrepreneurial journey?

Clues can be found in a recent paper by Robert Austin and colleagues, who examined how innovators integrate the accidental into their work using 20 case studies ranging across a variety of industries (from shoes to aerospace to Broadway productions). The researchers found that some innovators not only were open to accidents but also intentionally designed their environment and processes to tempt accident. In one case, a pottery artist showed the researchers the beautiful artwork he made, describing how he would whack his pots with a stick in order to produce an accidental outcome, saying to himself “Ooh, that’s quite wonderful.”

The researchers concluded that the biggest driver of innovators being open to accidents was the cost of unproductive accidents. Subjects said that most of the accidents they experienced were not beneficial and that the affordability of the downside dictated the degree to which they could invite the accidental into their work (Austin et al., 2012).

POSITIVE OR NEGATIVE, SURPRISE IS A RESOURCE

Company	Contingency	Changed means	New things to do	Novel outcomes
Unexpected Event				
Zopa	2009 financial crisis	Lock of credit markets	Expand person-to-person (P2P) lending	Growth in new areas
NFTE	Mugged by inner city youths	Personal fear	Take steps to overcome personal fears	Become a high school teacher in a tough inner city neighbourhood
Unexpected Information				
Silly Putty	Failed development of synthetic rubber	Pliable putty	Create a toy	A product that has lasted 60 years
Contour	Limited demand for rear-view motorcycle cameras	Use of camera for "selfies"	Sports camera	A larger market for the video camera
Railtex	Losing money in short-haul rail	Information about why short-haul rail fails	Consulting	A new business model for short-haul rail
Staples	Unable to easily obtain office supplies	Knowledge of non-availability of products for small businesses	Sell office products to small businesses	Development of Staples retail chain
Unexpected People				
Simplot	Accidental meeting	Knowing someone with a specific need	Produce powdered onions using existing equipment	Opportunity in dried fruits and vegetables
Honda	Sears wants small Honda scooters	Demand in an unexpected area	Sell scooters	Entry into the US market

Steve Mariotti's mugging is a good example of a bad contingent event at the personal level, while Zopa is an example at the level of the economy. Either way, the entrepreneur has turned the event into something novel and valuable.

Unexpected information

A third type of contingency is the unexpected arrival of new information. One example of this is information that changes your expectations about the "market," as

we see in the Honda example. New information might arrive in many different ways: in the Staples story, Thomas Stemberg's inability to find printer ribbon was a critical bit of information about the potential for an office supply chain in the US.

In the table above, we organize the eight stories in this chapter according to what was unexpected. When you see them together, you may find that some of the surprises are positive and some are negative. When surprises initially look positive, people often refer to them as “serendipitous” events—good things that happened by accident. If at first glance they appear negative, people often refer to them as examples of “Murphy’s Law,” the notion that anything that can go wrong will go wrong. In the next section, we describe how you might think about leveraging contingencies regardless of whether they appear positive or negative.

LEVERAGING CONTINGENCY: THE PROCESS

In the examples, we have considered so far, it’s important to realize that the contingencies themselves did not automatically shape the direction of the venture. Instead, the entrepreneurs had to leverage them—they had to behave in a certain way in response to the contingency. Indeed, entrepreneurs are adept at seizing surprises in an instrumental fashion and figuring out ways to imaginatively utilize them to create new possibilities in the world.

There are several generic ways to think about how to handle contingencies. Consider two common ways and then a third, entrepreneurial, way:

- An adaptive response involves changing yourself to fit the contingency. For example, Thomas Stemberg could have taken the non-availability of printer ribbon to be a constraint that he would just have to cope with and resign himself to printing his business plan the following weekend.
- A heroic response involves changing the world into a state that you prefer. Stemberg might have treated the non-availability of printer ribbon as an obstacle to overcome and—determined to print his business plan—he might have gone on an all-out campaign to find printer ribbon, spending the whole of the July 4 weekend combing every store within a 50-mile radius of his home until he found one that carried the printer ribbon he desired.
- An entrepreneurial response involves a different approach—using contingencies as resources, as inputs into your entrepreneurial endeavors. Instead of adapting to or overcoming the contingencies the world throws at you, you see contingencies as assets with which you may be able to do something creative. Whereas the adaptive response involves thinking “inside the box,” and the heroic response involves thinking “outside the box,” the entrepreneurial response is somewhat more subtle—it involves realizing that the “box” has changed and then doing something creative with this new box.

Here, the colloquial “box” is seen as an input to the venture.

Sometimes contingencies will be obviously good things; in those cases, the entrepreneur’s job is to jump on them and try to milk them for all they’re worth. But the most challenging contingencies are those that come in unfortunate or negative forms—such as the mugging of Steve Mariotti in New York City. As that example shows, it is almost always possible to leverage a contingency in some kind of positive way—if you are creative enough. As we’ve noted, the critical point about contingencies is what entrepreneurs do with them.

The diagram entitled “The Contingency Path to Novel Outcomes” sketches out the process of leveraging contingencies.

The first step in the process is the contingency itself, which, as we’ve discussed, generally takes the form of an unexpected meeting, an unexpected event, or unexpected information.

The second step is seeing that a contingency usually changes the entrepreneur’s means (who I am, what I know and who I know), the immediately available resources with which the entrepreneur begins building a venture.

Meeting someone new changes “who you know,” while new information and contingent events change “what you know” and perhaps “who you are.” In fact, every one of us can be thought of as partly constituted by a long list of contingencies that—in the



Practically Speaking

SCOOTER SURPRISE

When Honda entered the US motorcycle market in the 1960s, the company thought it would be in the business of selling big motorcycles. In the meantime, its sales team rode mopeds to get around Los Angeles. It was an unexpected call one day from a Sears representative who had seen one of the mopeds in traffic that informed Honda of the potential to sell mopeds in the US. Honda subsequently leveraged that contingency into a significant market opportunity.

THE NEW
HONDA '50's

the newest idea since the scooter...

HONDA '50' C100 C102*

with electric starter

there's never been anything like the Honda range of nifty, thrifty 50's! Here's whisper-quiet power (they'll cruise all day at 40 with two up!) 250-m.p.g. economy, and effortless handling that makes them great for shopping, ideal for commuting and tons of fun wherever you go!

PRICE C100 79 gns. TAX PAID
C102 97 gns. TAX PAID

long run—help form our personality, knowledge, and personal networks. Think about your own life and all the events, people, and information that have shaped you. Contingencies play a significant role in forming most individuals' means. Therefore, when contingencies occur, entrepreneurs should consider how they alter their means, as a first step toward thinking through how they could be leveraged.

The third step in the process is forming possible actions in response to the contingency. The general approach to leveraging contingencies that we outline here fits with some of the most important findings from research on creative problem solving. This research shows that, in general, there are two keys to being more creative when solving problems.

The first is to consider a lot of solutions. In general, the more potential solutions you consider for a given problem, the more likely you are to find one that's creative. For entrepreneurs, this means imagining lots of different things you might be able to do in response to an unexpected meeting, event or piece of information.

UNEXPECTED RESPONSES THAT CHANGED THE WORLD

In the course of this chapter, we have emphasized that the real source of value in contingencies is the novelty of entrepreneurs' responses to them. The same principles that apply to entrepreneurial ventures also apply to creating value in society as a whole. A powerful example of this may be found in the story of Indian nationalist Mahatma Gandhi. While still in his 20s, Gandhi travelled to South Africa, seeking work as a lawyer. There, to his surprise, he experienced the full range of discrimination directed at Indians in South Africa. In a series of contingent events, triggered by his race, he was thrown off trains and stagecoaches, and beaten and barred from hotels. These experiences of racism deeply influenced Gandhi and, though he apparently never intended it when he went to South Africa, they led him to begin working as a social activist there. When the Transvaal government began forcing the registration of Indians in 1906, Gandhi concocted a novel response to the demand: instead of advocating violent resistance, he turned the approach on its head and began promoting the method of nonviolent protest for which he subsequently became famous. He urged Indians to burn their registration cards or refuse to register, actions that expressed the deeper novelty in Gandhi's approach, which involved defying the law and suffering the consequences for doing so. Public outcry over the harsh response of the South African government to peaceful Indian protests eventually forced the authorities to compromise. It was an important symbolic victory for Gandhi and his supporters and proof that unexpected responses can change the world.

THE CONTINGENCY PATH TO NOVEL OUTCOMES

CONTINGENCIES

People

Information

Events

CHANGE YOUR MEANS

What you know

Who you know

Who you are

GIVES YOU NEW MEANS TO LEVERAGE

"Now what can I do with my revised means?"

WHICH MAY GENERATE NOVEL OUTCOMES

i.e. new venture directions



Very often, there are immediate, obvious, spontaneous responses, such as partnering with someone you just met (as in the case of Simplot and Sokol). In other situations, there is no obvious thing to do, and so the entrepreneur may take some time to imagine various



Practically Speaking

CREATING DURING CRISIS

From all the news stories of economic collapse during the 2009 financial crisis, a casual reader might conclude that at some point society might be reduced to only the most primitive trading activity. With blocked credit markets, corporations and banks could not function effectively, and sometimes the only way to find credit was between individuals, taking us back to the millennia preceding Adam Smith.



Old ideas, new opportunities

Crisis? Not to Giles Andrews. He is not a caveman or even a Luddite. But, as managing director and co-founder of Zopa (short for the negotiating term Zone Of Possible Agreement), he is stealing an old idea from our medieval trading ancestors to create a modern business that flourished as a result of the credit crisis and has been growing since. The old idea is person-to-person (with a hip new moniker: P2P) lending. Zopa, founded in 2005, provides a simple online market to connect individual lenders with other individuals who need money. It works a lot like eBay, in that potential borrowers can post their capital needs, be rated on prior transactions and, with luck, be funded by one or many people in the Zopa community.

The power of people

What makes Zopa tick is that it's everything a bank is not. Here's how it works: say Jamesrw (his Zopa username) is looking to borrow £10,100 to pay off an existing loan and invest in his advertising consultancy business. He receives money from a large number of people, such as finkerxyz1 (his Zopa username), who lends £20 at an annual rate of 12%. Finkerxyz1 distributes tiny loans to many individual borrowers, and spreads lending risk across them all. Andrews knows that most defaults happen on bigger loans, so Zopa limits transactions to £15,000. So far, the default rate is just 0.1% of total loans, which is less than the banks' default rates.

The business of the solution

Some people might say that the middle of an economic crisis is not a good time to start a venture. Yet such venerable companies as Sony and Procter & Gamble were launched in down financial markets. One of the approaches observed in expert entrepreneurs is the ability to invert a problem and imagine how even unpleasant surprises can provide the foundation for new opportunities. In the same way that Andrews is succeeding in the banking industry as the very result of bank failure, crises ranging from energy to malnutrition present opportunities to both make a positive impact and make some money. Which crisis are you going to turn upside down?

courses of action. For example, Steve Mariotti didn't have to make an instantaneous decision to become a high school teacher—that alternative emerged from his need to face his fears about being mugged.

The second key for improving creative problem solving is to change the way the problem is framed. Entrepreneurs generally do this by inverting the way a contingency presents itself: instead of looking at it as a problem, they turn it on its head and look at it as a (badly disguised) opportunity. For example, Bruce Flohr applied what

he learned from the difficulty in his short-haul rail business to other similar businesses, and created an opportunity from that realization.

The final step in the contingency leveraging process is the novel outcome that may be generated. We say "may" because, as with all creative processes, there is no guarantee that a novel, value-creating outcome is going to be forthcoming—it's just a possibility that may occur. Contingency leveraging is about seizing the unique possibilities that may arise from the interaction between the

entrepreneur—with his or her unique attributes, prior experience, networks, personality traits, etc.—and a particular contingency. These interactions tend to be unpredictable because different people will interact differently with different contingencies. Think about it: something unexpected happens to you, and then you concoct an unexpected response. There is a double novelty in such interactions, which is precisely why they sometimes result in creative moments in the history of entrepreneurial ventures.



Research Roots

CONTINGENCIES AS RESOURCES IN THE STARTUP PROCESS

In a series of papers, Susan Harmeling (Harmeling and Sarasvathy, 2013) has argued that a distinguishing feature of entrepreneurship is the way contingencies are treated by entrepreneurs. The notion that chance happenings, accidents, and serendipity may play an important role in new ventures has a long history. But Harmeling's point is that the key issue is not whether contingencies occur in the course of starting a venture (because they always do) but what entrepreneurs do with them. The entrepreneurial stance is one that is resourceful regarding contingencies. This stance involves leveraging the contingencies that come along (both "good" and "bad") by incorporating them as inputs into the process of entrepreneurship.

The notion of responding more or less entrepreneurially to contingencies is grounded in the observation that individuals vary in their personal beliefs about the impact of their own agency. Some people perceive more control over their destiny than others do (Harmeling and Sarasvathy, 2013).



Practically Speaking

TWISTS AND TURNS

If you've ever had a motorcycle helmet on, you know that it's hard to see, particularly behind you. Too bad, because seeing is useful when you ride a bike on the motorway among cars, trucks, and buses at high speed. So Marc Barros did what any normal college student in Seattle, Washington, would have done: he took his student loan money and formed a company with some classmates to put a little technology to work. They attached a video camera to the back of a bike, and connected it to a small LCD display that riders could attach to their motorcycle gas tank. Perfect rear view mirror—perfect product.



Wrong turn

Unfortunately, it didn't turn out to be the perfect business. While some serious interest among motorcycle retailers was encouraging, sales were generally slow. Interestingly, though, Barros started seeing his customers watching their rear view LCD screens while doing something he didn't expect. They weren't using the video camera for safety, they were using it for fun—recording their friends do wheelies or competing to pull off perfect knee-dragging fast turns.

Lane change

Barros and his partners had a chance to take advantage of this surprise. But rethinking the product from the perspective of entertaining videos, as opposed to safety, meant numerous changes. The camera needed to be "hands-free" to operate on a motorcycle, but also wearable on the body, or other equipment, and it had to be simple to share the edited video online. With a local design firm, the team reinvented its product.

Building speed

With the VholdR camera, demand accelerated so quickly that the company had to stop allowing pre-orders so their small team could catch up on production. The launch at the 2008 Consumer Electronics Show led to their first CES Innovation Award, orders from around the world, and a litany of new ways their customers used the camera: they strapped it to a harness to capture their rock climbing ascent, taped it to a football uniform to see games as the players see it, mounted it on goggles to ski an epic powder day.

Entrepreneurial view

Barros gives us a general and a specific view, from behind the camera, of a smart entrepreneur. Generally, he shows us that new products, firms, and even markets are often not a function of vision, but instead a co-created result of working with customers. Specifically, he shows the potential for taking advantage of surprise, growing Contour from a dorm room production in 2003 to a booming creative consumer product company, by doing something completely different from what he originally intended, as a result of surprise.



Practically Speaking *(continued)*

Next journey

But the story doesn't end there. Barros and his team continued to innovate, delivering their first 1080px camera, their first HD camera, and their first combination of HD and GPS, all from their insight into their customers' desire to simply show their friends what they do. Will their insight prove correct? Maybe, but the real question is whether Barros and his team will continue to act entrepreneurially—creating new products interactively with users and taking advantage of surprise—or whether their success will encourage them to begin trying to force their vision into the market. We'll only know when we get a chance to look in the rear view video camera.

MAKING SURPRISES WORK FOR YOU

It may sound paradoxical, but you can prepare for the unexpected. Indeed, there are several things you can do to improve the odds you will experience contingencies that can be leveraged in positive ways. These are activities or ways of thinking that experienced entrepreneurs seem to have internalized and often do more or less automatically.

Social networking

New information often arrives through people you know. Therefore, there is an important linkage between social network activity and position and access to new information. To the extent that experienced entrepreneurs have richer social networks, their network connections may expose them to information flows that make them more likely to encounter contingencies. This suggests entrepreneurs may be able to engage in social networking behaviors that make it more likely contingencies

happen to them. Sony's "wandering chairman" brings this to a personal level. It was his wandering between different development teams that connected the two disparate projects that ultimately created the speaker system for the Walkman. So as an entrepreneur, you may be able to increase your exposure to contingencies by deliberately engaging in networking behaviors.

Openness to experiences

Access to contingencies may also be related to certain personality traits. These may play a role in receptiveness to contingencies and, therefore, the likelihood of leveraging them. Studies of entrepreneurial psychology have found that in general entrepreneurs score higher on the measure of "openness to experience" than comparable managers. Openness to experience is defined as intellectual curiosity and the tendency to seek new experiences. Individuals who exhibit those qualities may be more receptive to, and welcoming of, contingent events and information

and thus more likely to view them as opportunities for action. In a sense, these individuals display a taste for surprises. Therefore, another way to increase your exposure to contingencies is to deliberately cultivate a taste for new things.

Opportunity framing

Some research suggests that entrepreneurs are more likely to see the world in terms of the opportunities it presents rather than the attendant threat of changes. This tendency is the opposite of what we generally find among corporate managers, who are overwhelmingly more likely to see threats rather than opportunities in any given scenario. These different responses are probably related to the way entrepreneurs frame situations and, therefore, what information they tend to see as important. It's unclear what drives people to frame things differently, but one explanation may be that people differ in how they perceive the world and their place in it. If you view the world as particularly difficult to shape, you

are more likely to respond to contingencies by seeing them as a threat and trying to adapt yourself to them. Alternatively, if you view the world as open to transformation, you might see contingency as some kind of cue to shape the future.

TAKEAWAY: HAVE CONFIDENCE IN YOUR OWN ABILITY TO MAKE A DIFFERENCE

Many entrepreneurs have “survival” stories that illustrate how even unfortunate contingencies are not only survivable in the short run but the genesis of new business

opportunities and can be the source of long-term success. Thus, entrepreneurs who have successfully leveraged contingencies in the past justifiably have more confidence in their own agency and, therefore, may have less anxiety about their ability to face the unexpected in the future. The implication here is that another way to increase your exposure to contingencies is to cultivate your self-efficacy, recognizing and having confidence in your own agency in the world—your ability to make a difference (however small that difference might be).



What Now?

For an opportunity you are developing, identify the surprises that you've taken advantage of. If none, consider the possibility that you aren't actively engaging with your market/partners.

- Ad-lib: Imagine one new expertise in your means. Describe one ask you're developing and flip a coin to “determine” the outcome. And add six months of time commitment to what you can afford to commit. Now create three ideas for how to change your opportunity as a result of these surprises.
- Reduce your affordable loss to \$500. Adjust.
- Win your biggest “ask” and then create an entirely new direction for your opportunity as a result of the means that resulted.
- Consider whether any of these created new directions might be pursued directly.
- Consider whether you are giving luck a chance as you develop your opportunity.



So What?

You will be surprised. There is no way around it. The creative use of a surprise is part of being an entrepreneur. Find ways to learn from surprises, use them as new means, and consider fundamental changes in direction.



Think It Through

- How can you tell if what you're seeing is just “noise” or is an actual signal of something you hadn't anticipated?
- If you pursue all surprises things may be a mess; how can you choose when to stay the course or deviate?
- How does affordable loss reinforce leveraging surprise?
- What makes a given surprise seem negative rather than positive? Are these things inherent to the surprise?