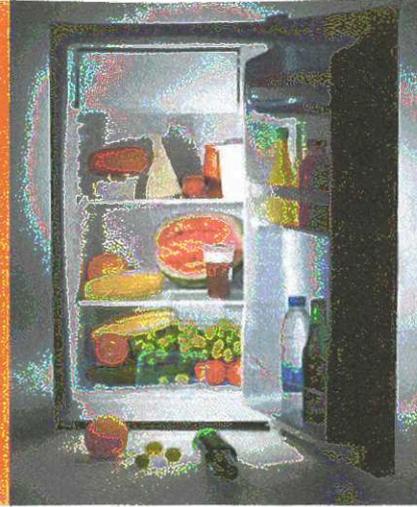


The journey begins:
Start with your means.



The bird-in-hand principle: Start with what you have

IN THIS CHAPTER:

- **What do we mean by "start with your means?"** *p. 111*
- **Who I am: The unbeatable competitive advantage** *p. 114*
- **What I know: Bringing learning to the venture** *p. 117*
- **Who I know: Six degrees of separation** *p. 117*
- **How it works** *p. 118*
- **Map your means** *p. 119*
- **Slack and other resources you don't even know you have** *p. 120*
- **Takeaway: You can get started now** *p. 122*



After years of anticipation, huge investments, and months of preparation, the ancient mariners had to face the day of reckoning: the day they cast free of the dock where their vessel was safely tied, and ventured forth into the uncertain sea.

When facing the prospect of entering the entrepreneurial world, you may feel the same sense of leaving a safe harbor. But it need not be so.

So far, we've dispelled several myths about entrepreneurship—myths that make creating a venture seem like a much more daunting endeavor than it is. We've seen that opportunities are not lying around waiting to be found but are created by the entrepreneur and his or her

partners, so it's not critical or even necessary to have the perfect idea when you leave the dock. The idea will more likely be created as a result of setting out on the journey. We've learned that entrepreneurs aren't looking to take huge risks, nor are they genius forecasters; instead, they risk only what they can afford to lose and they seek to control and shape the future rather than making futile predictions. We've learned that many entrepreneurs don't necessarily "take the plunge"; they set out gradually, constructing the business in components while preserving the ability to return to the dock. Finally, we've seen that success and failure are a matter of perspective—how you define those terms depends on what you and your partners want to do.

Expert entrepreneurs, we've seen, follow a logic of effectuation, working with readily available resources and taking small steps into uncertainty, thus shaping the future as they go. Several principles guide the effectual entrepreneur.

In this chapter, we explore the first principle—working with the means at your disposal. We call this the bird-in-hand principle after the old saying that “a bird in hand is worth two in the bush.”

We begin by looking at how effectual entrepreneurs start with means, while causal entrepreneurs start with goals, and the difference between the two approaches. We then explore the idea of means in greater detail, helping you work with what you already have (but may not be aware of).

WHAT DO WE MEAN BY “START WITH YOUR MEANS?”

People focus so much on whether they will be successful or not, whether their idea is a good one or not, that they forget about all the things they could be doing with what they already have—their means. There are three categories of means available to all of us: who we are (traits, abilities, attributes), what we know (expertise and experience), and who we know (social networks).

For the effectual entrepreneur, the fundamental question is, “What effects can I create, given who I am, what I know and who I know?” He or she begins by imagining several possible courses of action, the consequences of which are, for the most part, uncertain. The entrepreneur evaluates these courses of action in terms of what

resources need to be put at risk to pursue each. Any course of action needs to have the possibility of becoming valuable, but rather than select on an expected upside, she prioritizes them according to which possibility is associated with the most acceptable downside.

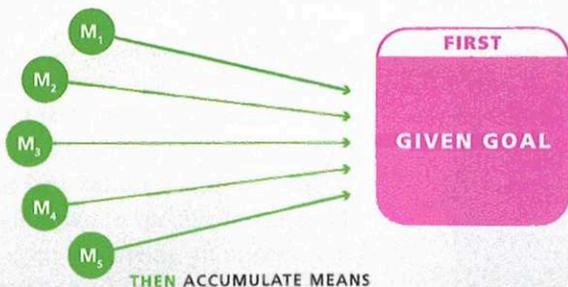
The entrepreneur’s decision about what to pursue is also co-determined by stakeholders willing to commit resources. As they contribute various resources, according to their own means and affordable loss, stakeholders set immediate agendas and generate new sub-goals for the venture, thus helping shape it.

This effectual approach stands in stark contrast to the causal approach. The crux of the difference between the two is how you think about goals and means. As the diagram on the next page illustrates, with the causal

CAUSAL VERSUS EFFECTUAL REASONING

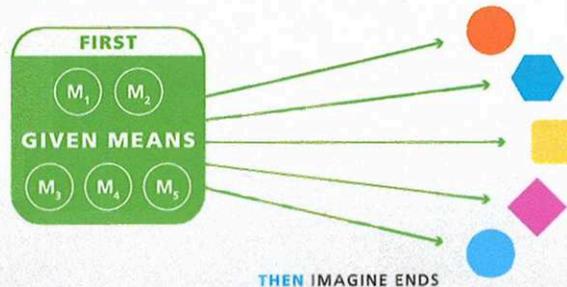
MANAGERIAL THINKING (causal)

Accumulate means necessary to achieve a pre-determined goal.



ENTREPRENEURIAL THINKING (effectual)

Imagine many possible new ends using a given set of means.





Practically Speaking

POWER OF PERSONALITY

Born Josephine Esther Mentzer, Estée Lauder created a cosmetic giant in the first half of the twentieth century by unabashedly leveraging both what she loved and hated about her heritage to reinvent herself. Starting with her name, which she changed from Esty to Estée and her married name of Lauter to Lauder, she reached out to other women, helping them see that they, too, could be whoever they wanted to be.



A beautiful mind

Even in her early days in business, instead of greeting potential customers with the usual, "May I help you?" the self-created Estée Lauder would approach women in beauty parlors and say, "I have something that would look perfect on you, madam. May I show you how to apply it?" Later, in places like Saks Fifth Avenue and Neiman Marcus, she would say, "Try this. I am Estée Lauder, and these are the most wonderful beauty products in the world."

A beautiful approach

Because Lauder did not have the kind of money her competitors, such as Revlon, were spending on ad campaigns, she gave out free samples—a practice unheard of in the industry at the time and jeered at by professionals as a recipe for disaster, tantamount to "giving away her whole business." However, Lauder averred this was "the most honest way to do business," and it turned out that people who trooped into the store to get free samples ended up not only buying products but also acting as word-of-mouth evangelists—something no ad budget could buy.

Her approach to her retailer customers was also driven by her distinct personality—who she was. Stanley Marcus, head of the Texas-based department store, described her as "... a very determined salesperson; she pushed her way into acceptance. She was determined—and gracious and lovely through it all. It was easier to say yes to Estée than to say no."

approach, you begin with clear goals. These goals may be externally imposed (e.g. maximization of shareholder value in a public corporation), or self-imposed (e.g. I want to make US\$10 million before I am 40 years old). In both cases, the goals are given, so the only real decision is how to accumulate the resources necessary to achieve them. Often, this question leads to the formation of a vision that will induce the stakeholders who possess those resources to come on board. The accumulation of resources becomes the predominant purpose of the venture, and stakeholders are seen primarily as resource providers.

So, effectuation is means-driven and the causal approach is goals-driven. But aren't entrepreneurs highly goal-driven individuals?

Yes. And the important thing to realize is that goals exist in hierarchies. It is not that effectual entrepreneurs have no goals; indeed, they may have quite ambitious higher-level goals. But when push comes to shove and the choice is to be tethered either to means or to specific lower-level goals, they are more likely to change those goals rather than chase means they have no control over. Understanding that goals exist in hierarchies leads to two important insights: (1) higher-level goals, such as wanting to be a millionaire by age 40, do not tell you what you should do on the first day of your new venture; and (2) tying yourself down to specific lower-level goals, such as starting an upscale restaurant in a high-income neighborhood, focuses your

entrepreneurial actions on pursuing resources you currently do not possess. Starting with what you can do with your readily available means is a practical approach, helping you take action now toward building your new enterprise without giving up your higher-level, longer-term goals, such as becoming financially successful or being your own boss.

What are some of the advantages of being means-driven rather than goal-driven?

- You are not chasing investors.
- You are not waiting for the perfect opportunity or the perfect set of resources.
- You are working with your strengths without having to overcome your weaknesses first.
- You attract co-creative stakeholders, who want to shape goals, not just provide resources.
- You are increasing the possible slate of stakeholders who can self-select into your venture.
- You are increasing the probability of innovative surprises.
- You are increasing the likelihood of finding or creating opportunities that are a better fit for you.
- You are decreasing the cost of possible failure, as you only risk means that are affordable to lose, and by doing that:
- You are increasing the likelihood that failures will be learning experiences that you can recover from faster and build on when you are ready to try again.
- You are forcing yourself to get creative with meager resources, including slack resources and even waste.



Practically Speaking

WORKING WITH WHAT YOU HAVE

Barbara Corcoran runs a real estate empire worth US\$4 billion. In her book *Use What You've Got* (Corcoran and Littlefield, 2003: 6), she recounts a crucial piece of advice her mother passed along: If you don't have big breasts, put ribbons in your pigtails. She learned this during her job as a waitress, when she felt her life was going nowhere fast. One day she came home complaining to her mother that the other waitresses were getting all the attention because they had big breasts and she did not. Her mother replied, "You're going to have to learn to use what you've got. Since you don't have big breasts, why don't you tie some ribbons on your pigtails and just be as sweet as you are." Which is exactly what she did . . .

Lesson: Forget about what you don't have and focus on what you have.

WHO I AM: THE UNBEATABLE COMPETITIVE ADVANTAGE

We do not usually think of ourselves as the primary source of valuable new opportunities or as the basis for unique competitive advantages. Yet a little reflection will show this can indeed be true and often is.

One of the most beautiful things about entrepreneurship is that there are probably as many high-potential opportunities as there are individuals. Unlike other professions, such as medicine, accounting, dance, or sports, there is no one particular set of skills, abilities, or personality types

necessary and sufficient for entrepreneurial success. An accountancy-based enterprise, such as H&R Block, can co-exist with an athletics-based firm, such as Nike, on the list of the most successful companies ever built. Similarly, a flamboyant risk taker, such as Mark Cuban, and a prudent calculator, such as Daniel Snyder, can both build thriving entrepreneurial careers resulting in eventual ownership of sports teams (the Dallas Mavericks in the case of Cuban and the Washington Redskins in the case of Snyder).

If we begin with the premise that who we are and what makes us unique could be not only the

starting point but also the basic ingredient of the venture and market opportunity we set out to create, we throw open the door to courses of action we would otherwise be blind to. In fact, the success of many enterprises can be traced to the idiosyncratic circumstances and eccentric quirks of their founders.

WHAT I KNOW: BRINGING LEARNING TO THE VENTURE

Think about all you know, the facts, wisdom, and insight you've gained from your idiosyncratic life experiences. Now consider that



Practically Speaking

MANY HAPPY RETURNS

Entrepreneurs begin the venture creation process with a body of knowledge, but their knowledge grows along the way and shapes their course of action. Ann DeLaVergne started with a very small idea—one the size of an envelope. While looking at the stack of used envelopes in her recycling bin, it occurred to her that a lot of small envelopes could have a big impact.

Back of the envelope math

Through further investigation, Ann learned that at least 81 billion return envelopes are produced and sent through the US mail each year. This is tough on the environment—using 1.8 billion tons of wood, generating 1 billion pounds of greenhouse gases, and requiring more than 71 trillion BTUs of energy to process and transport. It's tough on the bottom line too, as return envelopes represent between 15% and 45% of a business' direct mailing costs.

Bulk post

An organic farmer with a philosophy of reuse, Ann already saved large envelopes to send out again herself. But what if she could apply that thinking to 81 billion return envelopes? With that idea, Ann founded EcoEnvelopes, a firm built on the simple goal of using one envelope instead of two for round-trip business mail transactions.



Practically Speaking

NEW VENTURE RECIPE

If you were going into the restaurant business, you'd probably want to be Claus Meyer. His Copenhagen-based eatery Noma, was hailed as the best restaurant on the planet from 2010 to 2014 by Restaurant Magazine. Featuring Nordic cuisine that includes fresh seafood, local herbs, and radishes in edible "soil," Noma draws superlatives from critics that go way beyond delicious and mouth watering. So what are the ingredients behind its success?

Without a recipe

Meyer grew up in Denmark, an environment where food was neither pleasure nor luxury, but necessity. Intending to become a banker when he was a student, Meyer spent a year in the south of France. There, the purpose of food took on new meaning. It was more than nutrition—it was beauty. At the age of 21, he returned to Denmark and "knew deeply inside that I wanted to change Danish food culture ... and I believed I could do it." It was a grand vision for someone yet to finish university, and one with no clear starting point.

From the fridge

Cooking meals and starting new ventures have a lot in common, as Meyer himself points out. One way is to start with a tried and tested recipe, get the necessary ingredients, follow instructions carefully, and produce a company. The other is to open the refrigerator, peer inside and create something—a new dish—an unexpected business model—an entirely innovative venture no one involved could have predicted in advance. Meyer took the second path, capitalizing on the availability of the university kitchen to launch his first venture, a catering and delivery business for students run with the benefit of his Raleigh bicycle.

Into the kitchen

Like many meals, new ventures often start like Meyer's: a function of what is available and who wants to tie on an apron. Indeed, cooks of every kind and even non-cooks have since joined with him and contributed their own ingredients and flavors to the mix. The result is that Meyer and his partners have launched nearly a venture a year over the last 25 years. The Meyer Group imports chocolate to Scandinavia with partner Søren Sylvest, a relationship that cooked up ventures in coffee importing as well as cafés. With Mette Martinussen, Meyer created a theater-like restaurant and also built a factory to manufacture soy cakes. He has hosted a television cookery show and yet more collaboration has taken him into the hotel business, corporate catering, food consulting, and a non-profit food laboratory. And that's not all. Meyer has established a micro vinegar brewery, an organic commercial orchard, and a boutique bakery. He has authored several cookbooks, gives lectures,





Practically Speaking *(continued)*

and he is active in health and wellness research. Even the famed Noma, which has dealt a fatal blow to jokes about Nordic cuisine being an oxymoron, is a partnership with kitchen chef René Redzepi.

Venture à la mode

In many ways, Meyer has come full circle. Twenty-five years later, he can fairly claim a recipe for his vision. Not through any one of his ventures, though, but through the process that led to the accumulation of them all. Whether it's changing Danish food culture or changing the world, real entrepreneurship kneads together an enormous amount of information culled from the experiences of large numbers of people such as those who contributed in some greater or lesser way to the runaway success of Noma. The vision imbibes the resultant flavors into a heady blend that appears to have always been part of the recipe. Entrepreneurship is not an all-or-nothing heroic act associated with the unique insight of a single chef. It is about learning, interaction, and application combined through acts of continual co-creation. It starts with Meyer taking the first step and then pushing onward step after step, partner by partner—not informed by a plan, but by the previous step, the people around him, and the available resources at each stage. So now that your appetite is whetted, what's in your fridge?

everyone has their own distinct stock of knowledge, informed by their own experiences. It's no wonder that two entrepreneurs, at the same starting point and in the same environment, will come up with two completely different ventures.

Because of the corridor principle, entrepreneurs may be better off simply getting started and developing opportunities as they walk down the corridor. And getting started is easier with the advantage of resources, information, and knowledge you already have.

WHO I KNOW: SIX DEGREES OF SEPARATION

Expert entrepreneurs build firms by building stakeholder networks—adding other people's means to their own.



Research Roots

THE SIX DEGREES OF SEPARATION

A 1929 short story by a Hungarian writer (Karinthy, 1929) suggested that all individuals are connected to all others by a maximum of six other individuals. Human relationships are both fascinating and important to understanding how we interact, and in 1967, Stanley Milgram (1967: 61–67) addressed the idea of how interconnected human beings are in an academic publication.

Countless studies have since been conducted to measure connectedness. While the exact number of links between people differs depending on the population and the types of links, it is generally found to be relatively small. So whether you want to call it "six degrees of separation" or the "small-world" phenomenon, your network and the network of your network extends to everyone on the planet.



Research Roots

THE CORRIDOR PRINCIPLE

Robert Ronstadt (1988: 31–40) developed the Corridor Principle to describe how new and unintended opportunities often arise for entrepreneurs when they are launching a new venture. Picture yourself standing at the entrance of a corridor. Until you proceed down the corridor, it is impossible to know what it holds, but as you move along you gain knowledge and insight. The Corridor Principle explains how entrepreneurs, simply by opening a door and pursuing one opportunity, create other opportunities (other corridors) they otherwise would not or could not have imagined.

In thinking about creating such a network, consider three sources of stakeholders. The first source is the people who are directly and perhaps immediately accessible to you: friends, family, and acquaintances.

The second is people you meet serendipitously, by chance or accident. And the third source is those you don't know directly, but they are linked to you through people you do know. We all exist in a

network of connections: we know people who know people who know people (and on and on) who could become helpful partners. If you believe the "six degrees of separation" theory, you'd need to move only six steps out to be connected to everyone in the world. Distant contacts can be some of the most valuable because they may offer perspectives and ideas you've never encountered before. This is what's known as "the strength of weak ties."

HOW IT WORKS

To see how this means-driven process works, consider examples from the history of entrepreneurship. The entrepreneurs who founded Sears, Staples, Starbucks, CNN, and many other companies used their means to shape, step by step, their opportunities. Their enduring ventures mostly started small, without elaborate market analyses.

INVENTORY YOUR MEANS

Who you know		What you know		Who you are	
Your Rolodex (LinkedIn, Facebook)		Your prior knowledge and education		Tastes, values, and preferences	
Classmates, alumni		Knowledge from your job		Passions	
Serendipitous encounters		Knowledge from your life		Hobbies	
The strangers in your life		Informal learning, hobbies		Interests	



Research Roots

ONE TECHNOLOGY → EIGHT ENTREPRENEURS → EIGHT DIFFERENT IDEAS

Consider a study of eight entrepreneurs who sought to commercialize a 3DP (three-dimensional printing) technology when it was being developed at MIT. All eight entrepreneurs heard about 3DP technology from someone directly involved in its development. None of the entrepreneurs contacted MIT's Technology Licensing Office. And none of the entrepreneurs contacted each other. The fascinating thing is that each of the eight entrepreneurs envisioned a different idea for what to do with three-dimensional printing—differences that could be traced back to unique knowledge or experiences specific to each of the individuals (Shane, 2000).

The entrepreneurs wove together the mundane realities of who they were, what they knew, and who they knew into projects that they believed were worth doing. They then continually added to their projects, pushing them outward, reshaping them to work with new stakeholders, stretching themselves—just a bit at a time to reach higher and farther—until eventually they transformed both their means and ends into unimagined new possibilities.

MAP YOUR MEANS

Start by printing off a one-page version of your resume. Then start adding things. Be creative about what you consider; it needn't be things you would normally include in a resume. To get started, look back at your life. What means did you acquire or build:

- As a teenager
- At school
- At university
- In your first, second . . . job
- In your private life
- With your hobbies, activities
- From your parents?



Practically Speaking

PICTURE PERFECT

Now that everyone with a cell phone is by definition carrying a high quality camera, picture taking is seeing enormous growth. But what will you do with all those precious images? You could email them, post them on Facebook or Instagram, or just let them accumulate on your hard drive.

Picture delivery

Deb Whitman has an alternative: a way to make those photos magically appear on the screens of close friends and relatives who want to enjoy your pictures again and again. Instead of them searching for your latest, you decide which pictures will automatically be displayed on their onscreen photo frame. Regardless of whether this idea appeals to you, Photo Mambo (the name of her new company and service) and Whitman embody two useful aspects of entrepreneurship.

Mambo means

The first is where ideas come from. Though entrepreneurship lore celebrates the "aha moment" (which generally occurs in the shower—hopefully without a camera), the story of Photo Mambo is less picture perfect, and more consistent with how most new ventures come to be. Before appointing herself founder and CEO of Photo Mambo, Whitman worked at Adobe with responsibility for digital imaging software such as Photoshop. Rewind further and she worked in digital media presentation at Microsoft. Her experience with

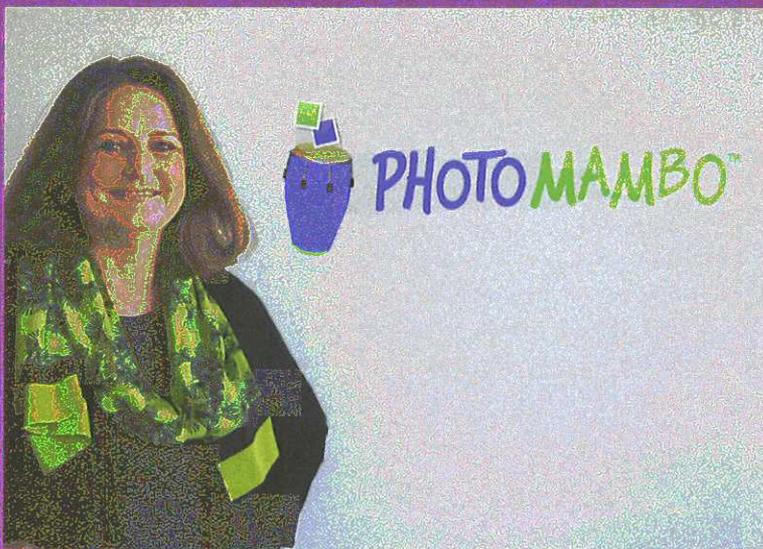


Practically Speaking *(continued)*

consumer software goes back to the 1980s, when she was responsible for marketing the personal finance package Quicken, at Intuit. So the idea for Photo Mambo represents a combination of experience and interests of a mother born in the Midwest who wants to share her daughter's photographs with non-technical family members.

Action shot

The second interesting point that this story raises is where action comes from. Because Whitman worked in software, she knew the idea was feasible and what level of effort it would take to create it. Because she knew people who understand digital photography, it was easy for her to find advice and collaborators. Someone with experience in direct mail might have taken the same idea and created a monthly post card service. But Whitman used what she knew, got up in the morning and started taking action. Which is really what makes her an entrepreneur.



How would your friends, colleagues, family, or acquaintances describe your means?

Be as broad as you can. You will certainly need more room than we provide in the “Inventory Your Means” table, but we hope this gives you a place to start.

SLACK AND OTHER RESOURCES YOU DON'T EVEN KNOW YOU HAVE

Sometimes unusual opportunities and the successful ventures built on them are forged from resources you don't even recognize as resources in the first place. Truth is the world is full of “slack”—resources left over from other uses or simply lying around because nobody has paid attention to them.

Slack can include anything from waste to empty space to loopholes in the law to buffers created for emergencies. Consider the story of billionaire J.R. Simplot, the founder of potato processing plants and creator of the first frozen french fries. He began his career by collecting hogs set for slaughter by farmers who feared a pork surplus. Simplot fed the hogs until demand returned and when he sold them to the meat companies, made enough money to buy an electric potato sorter. Throughout his career, Simplot was quick at picking up slack resources that he transformed into valuable products, often appearing to snatch opportunities right from under the noses of his competition.



Practically Speaking

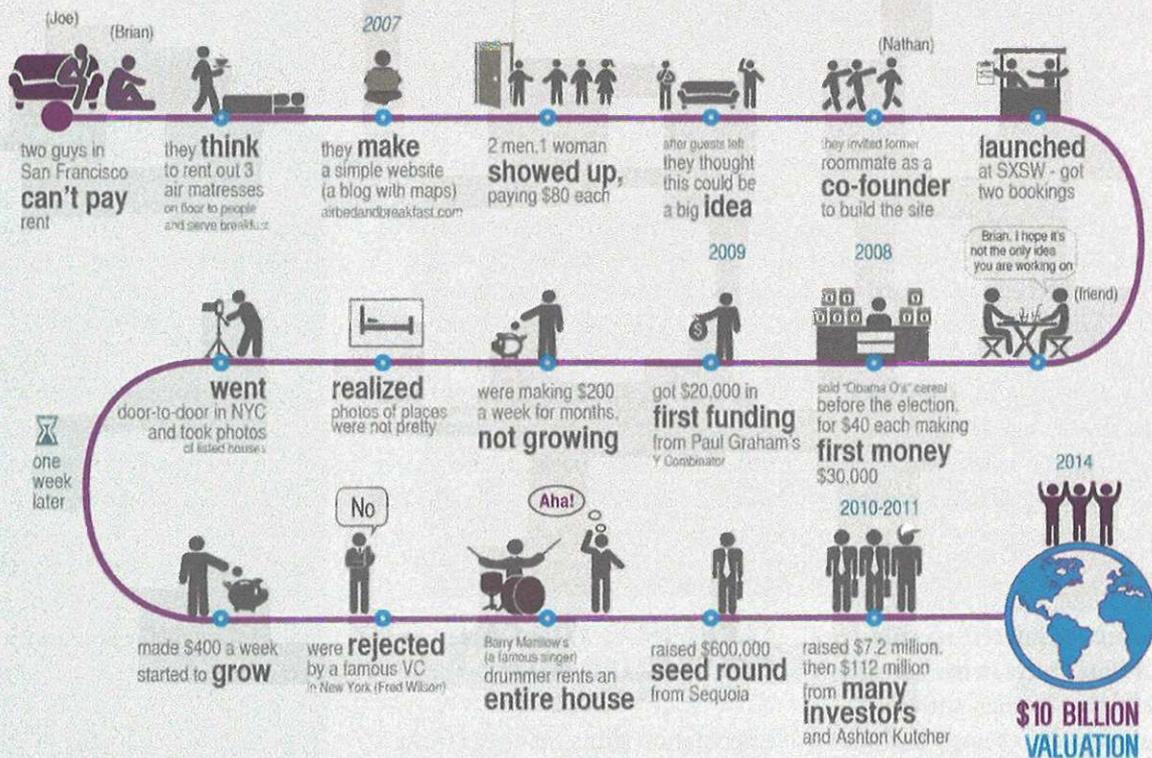
DESTINATION UNKNOWN

The story of Airbnb illustrates how not having any means can even provide the basis for a new venture. Born of the need to pay their rent, Joe Gebbia and Brian Chesky started offering lodging on air mattresses and breakfast in their apartment in order to fund their own living situation. To their surprise, three people showed up, and an idea was born. But in order to achieve the success that Airbnb enjoys today, the pair employed many of their other means, from their effort to launch the venture at SXSW, to their ability to nicely photograph listed houses, to the people they knew and brought into the venture.

HOW AIRBNB STARTED

BY ANNA VITAL

Or How 3 Guys Went From Renting Air Mattresses To A 10 Billion Dollar Company



Funders and Founders

based on reports in *Telegraph*, *WSJ*, and *The Atlantic*



Practically Speaking

UP THE WALL

Dr Fad started out as Ken Hakuta, a Harvard Medical School graduate who was disgruntled by the fact that his classmates all seemed to have better job offers than he did. As he mulled over his situation, he nonchalantly threw around a slimy, sticky, octopus-shaped rubber toy that his mother had sent from Japan for his children. In 1982, they were the only toys that could climb down walls. Ken bought US\$100,000 worth of the toys, thinking that if his venture failed he could go back to Japan. He started selling them to small gift shops and toy stores in Washington, D.C., where he lived. And then one day CBS evening news did a feature on them, turning the Wacky WallWalkers into an overnight hit. Over 240 million Wacky WallWalkers were sold, making it one of the biggest selling fads ever. Dr Fad ran his own shows about fads and published a bestseller called: *How to Create Your Own Fad and Make a Million Dollars* (1989).



We also saw the use of slack resources in the story of U-Haul (see Chapter 6), when Leonard Shoen made a deal with a national gas station chain to locate U-Haul dealerships in the stations' unused space. Shoen leveraged that slack resource, making it valuable not only for himself but also for the gas station chain.

For Estée Lauder (this chapter), the slack resource of interest was not space but time. Early in her career, she noticed that women sitting under hair dryers in beauty parlors had nothing to do. So she offered them a free makeover using Estée Lauder creams and lotions. Most would accept, and many would end up buying some of the products to use at home.

Sometimes slack resource comes in the guise of misfortune, as in the case of Dr Fad. Hakuta, a jobless Harvard Medical School graduate had one of the most flexible slack resources of all—his time. If he had found a plush job as his classmates did, chances are he would be working for a living just like the rest of us.

TAKEAWAY: YOU CAN GET STARTED NOW

Effectuation shifts the focus from “How do I build a successful firm?” or “How can I become a successful entrepreneur?” to “What types of ideas and opportunities should I pursue, given who I am, what I know, and who I know?” and “Given

my means, what do I want to create?”

Sticking closely to who you are, what you know and who you know not only tells you what to do but also tells you what not to do. It helps focus attention on ideas where you have an advantage. Working with what you have and what you know also discourages big and risky leaps; instead, it directs entrepreneurs to take manageable steps with available resources.

To sum things up, the bird-in-hand principle (starting with your means) tells you that you can get going inexpensively, and that your means form the basis of your own competitive advantage. Combined with your partners' means and

commitments, the venture you create will be both feasible and unique.

When you use the bird-in-hand principle, starting a new venture is no longer an incredibly risky act of heroism. It is something you can do within the constraints and possibilities of your normal life. You can start a new venture anytime you want. You can get started now.



Think It Through

- In goal-oriented societies, how can you develop a means-oriented mindset?
- In what ways might having specific goals for your venture impede your progress?
- Without goals, how can you know if you are successful?
- What if you can't imagine anything worth pursuing from your current means (hint: that's what Chapter 11 is about)?



So What?

Everyone has means—and everyone is different—which explains how even starting with the same idea, each person who begins taking action toward it creates something that is in some way unique.

Don't focus on what you don't have, find ways you can take advantage of who you are, who you know, and what you know.



What Now?

- If you are having trouble deciding on an idea, how about starting with more than one idea at once and let the dominant path self-select in the process through stakeholder commitments?
- Create an elevator pitch for yourself—if you had to sell stock in yourself, what would your prospectus look like? Think means not goals.
- Who are you? What sorts of things do you do and work on when you can do anything?
- Whom do you know?
- What sort of slack resources might you use together?
- What do you know? It's not just expertise in doing things, it can also be knowing about people, and who needs what, or how to combine slack resources in new ways.