



Crazy Entrepreneurs Make Things Happen

Guest: Linda Rottenberg

October 31, 2014

Linda Rottenberg is the author of the New York Times bestseller Crazy Is a Compliment: The Power of Zigging When Everyone Else Zags.

WOODS: That's a gutsy title: *Crazy is a Compliment*. So I guess I may as well ask you what presumably other interviewers ask you right off the bat: what do you mean by crazy?

ROTTENBERG: Well, I have worked with 1,000 entrepreneurs in 22 countries, and every innovator I know has been called nuts at some point, whether it was Henry Ford—it was crazy Henry—or Jack Ma who just took Alibaba public from China. He was known as Crazy Jack when he started the idea. I myself was known as *la chica loca* for 10 years in Latin America when I was just getting started out. People who are entrepreneurs view the world differently, give themselves permission to be contrarian, and are going to be facing naysayers who tell them their idea is just plain nuts. But to me, if people are not calling you crazy, then you're probably not thinking big enough.

WOODS: Let's talk about the economy today and how different it is in the sense that a lot of people are sitting around looking for a job, and it's a difficult, difficult economy to function in, but maybe this mentality of *I should sit and wait until an opportunity comes to me* is what's deadly right now. Maybe we have to think in a way that's different from how our parents and grandparents approached employment.

ROTTENBERG: Absolutely. In fact, I wrote the last chapter of *Crazy Is a Compliment* to my daughters, Tybee and Eden, because I think that today people are going to have to invent jobs for themselves or at least give themselves the tools for constant reinvention because no one is going to stick with one job for 40 years like my father has done. People are going to go in and out of jobs, in and out of working for other people and themselves, in and out of the private sector and possibly the public or social sector. That is just the world we're in. And the reason I actually wrote the book is not just for people who self-identify as entrepreneurs, but all the Fortune 500 employees that were calling me saying: I need these skills; I don't know if my job is safe—can you help me? And all the parents I saw drop off. They said, I'm in the middle of a transition, I just lost my job, or I'm thinking of leaving; I need these skills.

So I believe that entrepreneurship is not just for entrepreneurs anymore. It is as much a skill set and a mindset that we all need. In terms of bad economies, we know that half the Fortune 500 companies were started during downturns and recessions. And one thing I've learned working with entrepreneurs all over the world is that stability actually favors the status quo, but chaos, instability, hard times, actually favor the entrepreneur. Walt Disney, when all the chips were down, when his cartoon characters were taken from him, he had no source of income, comes up with the only character left that was based on the only animal that was considered not cute, which was the mouse, and of course, it becomes Mickey Mouse.

And every entrepreneur that I have met has not started with millions of dollars and venture capital lined up. They've started small. They see a problem, and they slowly but surely create a solution. So what I have done in this book is explain to people that you have to give yourself permission to take some risk, but that in the end entrepreneurship is a strategy of minimizing risk, not maximizing risk, and in fact, taking a little bit of a chance when the times are down is actually when most of the best entrepreneurs get going. It's just not the stories we hear today when we think I have to have a hoodie and an engineering degree and live in Silicon Valley to start a company. I wanted to debunk all those myths.

WOODS: That's very important, and the diversity of examples that you give illustrates this point, and your point about how times of chaos are when entrepreneurs tend to thrive. I think that's also true in people's own personal lives in some cases, that when you're really up against a wall, and you've got nowhere else to turn, and you have to come up with a good idea, that's when you tend to come up with your best ideas. Certainly in my case, that's when I've come up with by far my best and most successful ideas.

But what you have in here at the beginning of the book is the caution that the most important person you're going to need to persuade of the merit of your idea is not necessarily a potential investor or your family or any of the naysayers. It's yourself, because you can sometimes be your own biggest naysayer.

ROTTENBERG: Absolutely. I am convinced that the best ideas do not die in the marketplace or the laboratory or the conference room. They die in the minds of the people who have them and never give themselves permission to get them off the ground. People hold themselves back, whether they are starting inside companies—I call entrepreneurs inside companies skunks partly based on Lockheed-Martin's Skunkworks Program that builds fighter jets, and partly because skunks have to kind of stink up the joint—whether or not you're starting inside a company or you're starting your own thing, people often don't give themselves permission to be contrarian or to go out and do. And I think part of that is the fears involved of taking a lot of risk. People assume they are going to bet the farm, and it's scary, and especially people who have mortgages and kids' college or school tuitions to pay. That's understandable, and so part of what I do is go in and talk about our perception of risk regarding entrepreneurship is wrong. So first of all, half the Inc. 500 companies, so half the fastest growing companies in the U.S.

today, started with \$5,000 or less. And with crowdfunding, this is even easier. So you don't need a million dollars to start.

The second thing is people assume, well, I'm going to have to give up my job and go all in, and I can't afford to do that. At some point if you want to go big, you're going to have to focus, but that's not necessarily true at the beginning. So for example, Sarah Blakely who founded Spanks, many of us are familiar with her products. She actually spent two years selling fax machines while she was getting her idea up and going. Phil Knight, the founder of Nike—who is more of the Just Do It guy than Phil Knight? He spent almost a decade as an accountant doing other people's taxes while someone else sold the shoes. So what I say to people is first of all, you don't have to be the farm. You just have to wager a few chickens. And part of that is giving yourself that permission. And it's okay if someone else calls you crazy because you know you're actually taking a smart risk, and what you need to do is be able to judge what's a smart risk from a foolish one.

The second thing is when people say, well, do I need a 75-page business plan, and you know, I need to go and make the perfect PowerPoint for my boss, and I say absolutely not. Most of the entrepreneurs I've worked with and, frankly, most of the successful entrepreneurs, though we don't hear of them, stopped planning and started doing. Most companies that we know of today did not have business plans, or in the case of some of them, have like a half-page business plan. Even some of the most historic companies, and 80% of my entrepreneurs, didn't start with a business plan. They actually saw a problem and started solving it and getting the proof points rather than building a PowerPoint. And when I looked inside traditional companies and said, okay, how do entrepreneurs within these companies thrive, whether it was Pfizer or Clorox or GE—the same thing. People took a limited budget, limited time, started solving a problem, and eventually only go to the boss once they have some momentum. So stop planning, start doing.

WOODS: I had Chris Guillebeau on this show not too long ago, and I was asking him about examples in his book *The \$100 Startup* that he thought were the most interesting or compelling, and he said it wasn't necessarily the stories of the people who started globe-spanning corporations, because it was hard for the ordinary people to identify with that. Ordinary people would say, well, that happens once in a blue moon. Probably that's not going to happen with me. He was more interested, by and large, in cases of people who took a risk, and they started some kind of enterprise that yields them a comfortable, upper-middle-class income, and they are perfectly at peace with that. Have you got examples of that sort of thing?

ROTTENBERG: Well, I do. I actually created a typology in my book—someone called it a zoology—which is different types of entrepreneurs. As I said, I really believe it's a skill set we all need today. I do think some people are going to be the gazelles. The gazelles are people who aim for very high growth. They want to create a lot of jobs. And I think it's important to tell stories of those people who actually do go big. They just aren't necessarily all in tech, and they don't all look or sound like Mark Zuckerberg, and that was important to tell. There are people—the

butterflies, I call them—which are really the \$100 startup people. These are the sole proprietors or the people who want to earn a living for one or two or three people, but they actually want either a lifestyle business or something where they are not managing a whole lot of people. So those are the butterflies. They aim for freedom, they aim for independence, but they're not trying to become massive companies. The third group I talk about are the dolphins. Some people think of them as the sole shop owners. They are people inside the non-profit sector or government who want to solve social problems primarily. And then the skunks I mentioned are the people we sometimes look at as *intrepreneurs*. They are the people inside companies who I think are very important to keep companies agile, and to really, frankly, get ahead in the world.

Michael Dell told me today you have two types of workers—the quick and the dead. So I think even for people inside companies who are worried about taking risks the riskier strategy is to do nothing at all. So in terms of stories, I actually think that you need some stories of people from unexpected places who actually do go big. So just two examples that struck me, and that I thought those resonated, but were also aspirational: I opened the book with one of the Endeavor entrepreneurs, and Endeavor, I should say, is my organization I have been running for 18 years in 22 countries, and our goal is to help high growth, high impact entrepreneurs as we call them at the scale-up phase, okay, so these are the gazelles in my lingo. They want to go big. But we said they can't all come from just technology, and they can't all be the same person. So let's try to broaden our definition of who is a high-growth entrepreneur.

And the book opens with two women we met. They grew up in the slums of Rio. One was a hairdresser, and one was a worker, an hourly worker, at McDonald's, her name is Layla Valez, and she said wait a minute. I like this franchise system that I'm learning, but I want to apply it to the poor people who I grew up with who need confidence, who need beauty, and there are no products for the curly-haired, Afro-Brazilian population, so I am going to convince my sister-in-law, Zeka, to come and set up this company. So they concoct this kind of mad scientist lab in Layla's basement. They try their first products out on their husbands. The husband's hair falls out. I meet them when they have one salon, but women are waiting four and six hours because they have tapped into something, and we said, all right, they're on to something here. Now, when I tell this story, people assume it's either a lifestyle business or an example of micro-credit, and my response is always: there is nothing micro about Layla and about Belleza Natural, her company. Today this company serves 100,000 customers a month, employs 3,000 people, and this year will generate over \$100 million. So to me, I get frankly a little irritated when anytime we show somebody who doesn't look like the Silicon Valley geek, we assume they are just going to be a smaller lifestyle. So while I applaud people who choose to be a sole proprietor, I feel like we also needed examples of unlikely stories that do actually go big as well.

WOODS: So many things to follow up with. Of course, I do want to talk about Endeavor in just a minute. But two more things that occur to me right off the bat. We get advice a lot in—I don't think there's a high school commencement speech that doesn't urge you to follow your

dreams. Right? Follow your dreams, and you can accomplish anything. But when I asked Chris Guillebeau about this, he said, well, look, some dreams shouldn't be followed, and some things you should quit. And of course, there's no infallible way of knowing: is this going to be a hit? Is this not? But what kind of guidance can people be given in trying to determine whether they are chasing a unicorn or whether they really do have a good idea, and if they keep trying and keep trying and keep trying, should they keep trying—at what point do they just give up? How do you guide people on that?

ROTTENBERG: Yes, great question, and I do think, look, I am a big fan of crowdsourcing, because I think that today there is a way to find out pretty early on whether people want what we have to sell. And I think that, look, entrepreneurship is a story of closed doors in your face, it's a story of dealing with the tough times and the rejections, and I do think that at some point—the marketplace—you have to listen to whether your idea is working. But I think one of the problems is people psych themselves out before they psych themselves up. We all know the saying friends don't let friends drive drunk. My saying is, friends don't let friends test drive their ideas, because they are not reliable narrators. Our friends and family are often trying to protect us, and the answer will be one of two versions. It's either the equivalent of taking your best friend to your final bridal fitting and expecting anything other than “you look perfect; this is the best idea,” or they are so worried and more risk averse that they are going to tell you this is the worst thing possible. Oh, my God, you'll bankrupt your family. You can't possibly do this.

One of the stories I tell in my book is the example of the Banana Republic founders. They started out—one was a courtroom sketch artist, and the other was a journalist. They actually in this case quit their jobs and they decided to come up with the khaki, safari-type clothing, but what they were really banking on was Mel Ziegler. And Mel had these cartoons that he put into the sketch and made himself minister of propaganda and was selling the quirky clothing using this quirky catalogue. And the first thing they would do is they'd get it from the printers, and they'd take it to friends. Well, the friends would take one look, and they would say you can't send this out. Oh, my God. This is the worst idea ever. It's going to bankrupt you. You're out of your mind. You can't show this to anybody. And they almost don't get the company started, and they decide in the end they're going to trust their instincts and not their friends. Well, years later not only do they sell Banana Republic to the Gap for significant sums of money, but the Gap buys Banana Republic mainly because of this quirky catalogue. So friends do not let friends test drive their ideas. I think we have to get feedback from real-life customers and not the people who have our best interests at heart, but who in the realm of protecting us, often dissuade us.

WOODS: The crowdfunding answer—that's the best answer I have ever gotten. I've asked a number of people that question; that's the best answer. The other thing I want to ask you before I ask you about Endeavor. Do you think business school, which neither one of us went to, is yielding us people who tend to zag? The subtitle of your book as I told people at the

beginning *The Power of Zigging When Everyone Else Zags*. Are the business school graduates the one who tend to zag?

ROTTENBERG: No. Look, I spent a lot of time at business schools, and I think they are terrific in terms of managerial leadership, and I think, frankly, a lot of entrepreneurs who want to go big can benefit from hiring—we hire a lot of business school grads. I think that that’s great. I think the problem is they have to stop planning and start doing. These are planners. They overplan, they overthink, they over PowerPoint in general. The MBAs I know lead with a 75-page business plan, and most of the entrepreneurs that I’ve worked with or that I’ve seen succeed are people who are solving a pain point in a real life. And again, stories that I uncovered, there was a woman in the Depression era whose son had allergies and was very sickly and needed what we now think of as gluten-free bread that didn’t exist, and he she creates it for her son, other people start liking it. She gets her husband to start delivering loaves of bread. This turns into Pepperidge Farm. But it all started from a personal problem that was being solved. And working with entrepreneurs around the world who don’t have access to venture capital early on, they are solving real-life problems. Those are the entrepreneurs I tend to follow rather than the people who are trying to reverse-engineer a billion-dollar IPO.

WOODS: All right, now I want you to tell us about your company Endeavor. I understand it was started in 1997, and the book really is kind of coming out of your experiences with Endeavor.

ROTTENBERG: Yeah, so my own story. I didn’t go to business school, but I did go to law school. I grew up in a traditional family outside of Boston, and my dad spent his career as a lawyer, and my mom raised three children, and they are incredibly loving and incredibly risk-averse, and so I did the right thing, and I went to all the right schools, and I got to law school, and I said, oh, my God, I have no interest in becoming a lawyer. So I went for a year to—I had a pen pal in Latin America, and I was living in Buenos Aires and fell in love with the culture, but now it’s the mid-’90s, and I’m hearing about Yahoo, and Netscape at home, and no one is talking about this. They are talking about getting government jobs. I’m like, really? Who wants a government job? And the culmination of my confusion came when I was taking a taxi ride in Buenos Aires and realized that my driver had an engineering degree, and when I asked why he wasn’t becoming an entrepreneur, it became clear after a back and forth that at that point there wasn’t a word in Spanish or Portuguese for entrepreneur. In fact, Endeavor has helped get those words now into the lingo.

WOODS: Wow!

ROTTENBERG: Yeah, we had a Brazilian Portuguese editor call us up and say he was adding *empreendedor* into the lexicon.

WOODS: That’s unbelievable!

ROTTENBERG: That was like 20 years ago. Isn’t that pretty cool? Love that. But at that point I’m like, oh, my God. No wonder no one is starting a company. There’s not even a word for this

here. And I went back home, and I said there has to be an organization that supports these dreamers and doers. I honestly think entrepreneur is a fancy word for saying you're a doer, because a lot of people can have dreams and the graduation speeches, but entrepreneurs go dream about a different world and then actually act on those dreams and start doing. So there has to be an organization that supports people and cultures that don't support any risk taking, and I said, but first, I had to take some risk myself. And the first meeting of Endeavor with my co-founder took place in my parents' kitchen table, and when they overheard us plotting a global organization, were not so happy, and my dad came over and reminded me that I do not have a trust fund and was going to need to be financially self-sufficient, and while he understood I didn't want to practice law, what about consulting?

That wasn't working, and so my mother, who was always concerned mainly about us producing grandchildren, reminded me very nicely that my eggs were not getting any younger, and I told her this week that with Apple and Facebook for better or for worse offering egg freezing programs that she was just ahead of her time. But I distinctly remember this kitchen table moment where I had to decide do I choose the safe and expected path or the unsafe and unknown one, and it's this juncture that I believe all dreamers, all entrepreneurs face. Is it fear or is it hope? And I decided at that point not only did I have to choose hope, but I have to go with this idea. I couldn't not do it, but I was going to spend the rest of my life dedicated to helping other dreamers who felt scared and stuck get unscared and unstuck.

And so just scroll to today, Endeavor operates in 22 countries around the world. We have screened 40,000 entrepreneurs in every industry. We don't pick startups. We pick people at the scale-up phase. So whether they're in tech with the original founders, or whether they're in retail or in consumer goods or industrials, whether they're a family business with the next generation, we're looking for people who want to take something big. And we've now selected 1,000 entrepreneurs as Endeavor entrepreneurs in the course of 18 years and helped them generate over 400,000 jobs, and they now create over \$7 billion in revenues. And my experience with them was seeing certain patterns of where they were getting stuck, and that was partly why I wanted to write *Crazy Is a Compliment*. But also, again, for all the people who weren't necessarily starting something big, but who felt like they needed this skill set and this mindset, because I became convinced that entrepreneurship is not just for entrepreneurs today, that we all need—back to your sense of we're going to have to invent our jobs, or at least, reinvent ourselves. That was really my goal for writing the book.