

The 6 Mindsets to Innovate for Impact

Good entrepreneurs excel at creating significant value and new ways of doing business - even if it means breaking conventional rules and processes.

With the right “ Mindset ”, those in enterprises can do this too.

WHAT DOES IT TAKE TO SUCCEED as an entrepreneur - like Steve Job, Bill Gates, Jeff Bezos, Elon Musk, Michael Dell, or Phil Knight ? What attributes do these very successful people have that enabled them to create new products, markets, companies and significant wealth ?

Being a veteran of three entrepreneurial ventures — with one win, one loss and a draw plus having studied entrepreneurs extensively and have taught and learned from close to 2,000 of them in executive programs at leading business schools and elsewhere - I’ve observed first-hand the differences in Mindset between these entrepreneurs and people who wish they could be as accomplished as them.

Based on many insights, the following 6 Mindsets are essential to be really successful -

MINDSET 1 : “ Yes, We Can “

When a Customer asks an entrepreneur to do something that they are not doing, the answer isn’t - ‘ Sorry, we don’t offer that ’. Instead, they say - ‘ Yes, we can ’ (then figure out how to deliver - if the initiative moves forward).

People in Enterprises almost never do this mainly because of the preference for the organization to ‘ stick to their knitting ’ by -

- A. doing and working on what they know
- B. focusing on their and the organization core competencies and production systems
- C. nurturing people to make the current system better
- D. their familiarity with known processes
- E. producing predictable outcomes
- F. avoiding the risk and discomfort with - unknowns, trying new things, dealing with potential failure or unexpected issues, etc.

As a result, if a Customer asks for something new or outside the box, the typical response is - “No, we don’t do or offer that”.

Entrepreneurs like Brazil’s Arnold Correia personify the “ Yes We Can ” mindset. In college, Correia and a buddy started hosting Sunday night parties for their fellow students, complete with light shows, music, dancing and more. When he finished college, his buddies started taking jobs in consulting and banking. But he wasn’t ready to give up on his passion for live events.

He asked himself - ‘ How can I transfer my skills for running events to the business world ? ’ He placed a small ad in the media, with McDonald’s indicating they had an event coming up and could he manage it ? From this, he was in the events business. And given his mindset, it grew quickly.

It's easier to solve the problems of a narrowly defined target market than to make one product that attempts to serve all.

At an event for Walmart when he was advised the person who was supposed to record the event had cancelled - Could he record it for them ? Correia thought for a nanosecond and said, " Yes, I can " Since he had neither shot or edited a video he found someone who could handle the task. Overnight, he was in the video production business.

As the business grew, Correia continued to wonder - How can I offer Customers more ? On a trip to see what Walmart was doing in the USA, he discovered they were producing ' corporate videos and sessions ' on TVs in all the stores' training rooms. Executives were broadcasting motivational events and sales meetings in real time to excite and inform employees on new initiatives, changes being made, etc.

With Correia realizing this would also apply in other countries, he contacted Walmart in Brazil and another client, Magazine Luiza, a chain of appliance stores. They loved the idea, and 6 months later, Correia's concept was in all 200 Magazine Luiza stores.

To accomplish this, Correia had to develop new competencies - satellite broadcasting (the Internet was insufficient at the time); the ability to install video gear, etc. While this required new skills and new talent, this is another example of the ' Yes, we can ' mindset.

Fast forward to the global financial crisis of 2008-09. Correia realized that in tough economic times, companies cut their costs. Since he was on the cost side of his customers' P&L, he wanted to be on the revenue side. He returned to the U.S. for inspiration and found that Walmart was doing "Digital Out of Home Television". With TVs in the stores so when customers walking down the detergent aisle would see a screen broadcasting an ad for, say, a Procter & Gamble detergent — paid for by P&G.

With this insight on increasing sales, Correia went to his Customers and said, ' I'd like to do something new for you.' It wasn't long before the Digital Out of Home Television: service at

Walmart Brazil accounted for 10 % of its profits in a single year. The point is this - Correia transformed his business, now called Atmo Digital, again and again, without regard for his or his team's current competencies. If a Customer could benefit from something, he would figure out how to deliver it.

MINDSET 2 : Problem 1st Not Product 1st

Enterprises are obsessed with their products, to a fault in some cases. Take for example, in the laundry detergent category every time a new Tide brand manager comes along they tweak the product – ie: add green speckles to the powder, change the scent slightly, add more water so the liquid soap pours easier, etc. Does any of this count as innovation ? No.

Entrepreneurs like Jonathan Thorne, in contrast, start with a customer problem. Thorne, the founder of Silverglide Surgical Technologies, had developed a technology that stopped the surgical instruments used in medical procedures from sticking to human tissue. In asking himself, ' What are the most common sticky-tissue problems ? ' His first idea was for plastic surgeons doing a face lift where the surgical instrument sticks to the patient's tissue. This causes issues - which is not what the patient — nor the plastic surgeon — wants !

While this is how Silverglide got started, Thorne soon realized there were doctors facing similar problems with human tissue sticking to a medical instrument. Working on delicate areas like the brain and spine requires precision – and the last thing a neurosurgeon wants is for a surgical instrument to stick to the healthy tissue around a tumor. The business took off because Thorne focused on customer problems.



By the time it had to deal with regulators, Uber already had a slew of customers onboard who wanted their service to survive.

MINDSET 3 : Think Narrowly Not Broadly

Conventional wisdom in enterprises is - ' If we're going to do something new, it has to be a huge opportunity - since the new product or service has to be big enough to 'move the needle - otherwise, why bother ?

The best entrepreneurs, on the other hand, aren't as concerned with how big the target market is at the outset. Their preference is to build a foundation in a narrow market from which they can learn and grow. Because they start out focused on addressing a specific issue, it's far easier to solve the problems of a narrowly defined target market rather than making a product that attempts to do many things and serve a broad market.

Everyone is familiar with Nike, but perhaps not with its founding story. Back in the 1960s, Philip Knight and Bill Bowerman became concerned about a problem that elite distance runners like Knight were facing. Bowerman was Knight's track coach at the time, and the shoes that long-distance runners were wearing were made for sprinters. This was problematic because distance runners didn't run around paved tracks. They trained on country roads and dirt paths that were littered with sticks and stones — and, as a result, they were plagued by sprained ankles and shin splints.

Knight and Bowerman realized that distance runners needed a better shoe — more lateral stability, more cushioning and lighter in weight, for faster race times, too. They started a company called Blue Ribbon Sports and began selling shoes out of the back of Knight's station wagon. It took 5 years before Knight could quit his day job and devote full-time to the business. But once the world's best distance runners started wearing his shoes to win Olympic medals, other runners wanted to wear the shoes too.

Along the way, Knight and Bowerman learned how to design athletic shoes; how to do sourcing in Asia; how to tap elite athletes to advise what they needed in a shoe — and, equally importantly, to endorse it. Before long they had John McEnroe on board for tennis shoes and Michael Jordan for basketball shoes. The point is that you can start out with a very narrow target market and then expand, Knight and Bowerman's initial target market - elite distance runners — were few and far between. If there was ever a prize for the smallest target market, they might win it; but we've all seen the astronomical growth that followed for Nike. The takeaway: Build a solid foundation in a narrowly defined target market, then grow from there.

MINDSET 4 : Ask For Cash and Ride the Float

With many enterprises having lots of cash, they return some of it to shareholders via dividends or buying back their stock. For example, in 2018, Merck spent \$18 billion on buybacks and dividends versus \$10 billion on R&D !

What do world-class entrepreneurs do ? When Michael Dell started his computer company Customers had to pay for their computers before they were built. Dell used that up-front cash to assemble the computers and do all the other things required to run the business. This is called ' riding the float ' to finance operations.

Another example of this is Tesla whereby they would build sports cars with funds from Customers then use the proceeds to support the business as well as build market awareness and more affordable cars - again and again. This started in 2006 when Elon Musk and the team did a road show in California and within 3 weeks they had sold 100 Roadsters at \$100,000 each - paid for up front by people who were

environmentally conscious, wealthy and thought it would be cool to have a Tesla Roadster parked in their driveway.

Let's do the math - 100 Roadsters at \$100,000 each provided Tesla with \$10 million. While Tesla has received VC funding, using Customer deposits was also important to financing the business and reducing equity dilution.

When Tesla introduced the Model 3 in 2016, nearly 500,000 people put down \$1,000 deposits to get their car. As a result, Tesla had \$500,000,000 before the first Model 3 went into production ! That money went a long way towards funding the engineering, building the tooling, fitting out the factory and much more.

The lesson: the best entrepreneurs find a way to get the Customer to pay up front and ride the float - then use that cash to do what's needed to deliver the product and grow the business.

MINDSET 5 : Beg or Borrow (but don't steal) the Assets You Need

If you're going to try something new, you have to invest in it. In the retailing industry, for example, if you want to try a new store concept, you've got to build out a prototype store and stock it with inventory. But before proceeding, you've got to forecast sales and cash flows.

But why invest in assets if you can 'borrow' them — at least until you can prove your concept will work ? Entrepreneurs Tristram and Rebecca Mayhew of Go Ape did just that. While on vacation in Europe, they came across an interesting tree-top adventure business located in the middle of a forest in France. Wouldn't it be cool to bring something similar to the UK, they thought ?

Once home and eager to move forward, they discovered that the most important landowner in the UK was the UK Forestry Commission, which had sites all over the country - each equipped

with a visitor center, huge parking lot and washrooms. Tristram went to the Forestry Commission and said - ' We know you're trying to grow visitor traffic to the forests. We've got an idea that might help you do that and described how they'd like to build Go Ape ' treetop adventure sites ' in the forests.

The foresters liked the idea and struck a deal - if Go Ape could build 6 sites within 5 years, the Commission would give them an exclusive for the rest of their sites that would last for 25 years.

Go Ape ' borrowed ' numerous resources - the trees (so they didn't need to use telephone poles (like most zipline operators did), the parking lots, the visitor centers and the washrooms + paying rent in arrears. While there was still a need for investment to build the Tarzan swings, ziplines and other attractions within each forest, within 2 years a typical park would return the funds in full. Today, Go Ape operates more than 30 locations throughout the UK and a growing portfolio in the U.S.

The lesson from this - If you think you need to invest hugely in a project, think again — and find a way to borrow what you need instead.

MINDSET 6 : Request Forgiveness (later) / Don't Ask for Permission

In many organizations, if you want to try something new, you need to get approval or permission. This occurs because enterprises have processes to mitigate people causing harm, breaking the law, creating issues, exposure to unpredictable events, etc. Thus, it's really hard to get permission to innovate for impact in enterprises.

In contrast, entrepreneurs like Uber's Travis Kalanick and Garrett Camp focus on getting started and getting things done. And the Uber team knew that existing regulations applied to taxi companies – not to a marketplace. In this model, Uber was bringing together people with cars with people who needed to get somewhere.

Existing regulations didn't apply to that, in their view. While some of the tactics were controversial, Uber built its business on the principle of acting boldly when the regulatory frameworks were ambiguous or not applicable to them – which gave birth to the rapidly growing 'gig economy'.

And now we know what happened with Uber, Grab, etc. with their bold actions - By the time these companies had to deal with regulators, they already had numerous Customers, an established business, and many people wanting their service to continue.

In closing

If the goal is to meaningfully improve outcomes and be better positioned to manage the risks associated with change -

1. How many of these Mindsets do you have ?
2. How many people do you know have these capabilities ?

Since we each have some of these qualities is why " Innovating for Impact " is about having the brain trust and being good at collaborating with others having a shared interest in creating new capabilities, opportunities, and wealth.

If interested in developing these competencies and the mindset to make innovation more rewarding, please contact the author or CAIL.

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CAIL provides professional services to enable enterprises develop the mindset to innovate for impact.