



FOURTH EDITION

# Entrepreneurship Bootcamp

**Julie Jackson-Forsberg, Vice President of Learning**

*with Christine Castillo, Vice President of National Programs and*

*Dr. Yehudah Pryce, DSW, MSW, Senior Director, National Mental Health & Well-Being Programs*

**1 TEXTBOOK**

*Defy  
the Odds.*

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*Participant Name:*

# **BUSINESS IDEATION WORKPLACE ETIQUETTE CONFLICT RESOLUTION EMPLOYMENT READINESS**

# **TECHNOLOGY SKILLS CHARACTER DEVELOPMENT BUILDING CREDIT FORGIVENESS**

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## Acknowledgements

Defy's EITs inspire us every day with their stories of success and transformation. But many people stand silently behind Defy's curriculum who help support these stories, and I want to acknowledge the hard work, talents, and commitment of the team that makes this curriculum possible.

The incredible team at Defy is behind every bit of work we develop and deliver. Christine Castillo, Defy's VP of Programs, provides insights that generate coherent learning narratives for each of our programs. Dr. Yehudah Pryce, DSW, MSW, Defy's Senior Program Director of Mental Health Programs has reviewed and contributed to chapters that support EITs' well-being development. He has also shared case studies in chapters that connect challenging personal development topics to his own lived experience. Finally, Kalena Schoen, Defy's Graphic Design Manager, goes above and beyond to make the curriculum engaging and accessible. With the support, encouragement, and collaboration of our national leadership and staff, Executive Directors, and program staff, we strive to find new and better ways to help you defy the odds.

We are indebted to teams of people outside Defy who have collaborated with us to share their expertise and insights. The Drucker School of Management at Claremont Graduate University has reviewed Defy's curriculum and supports our development of the entrepreneurship strand. The AARP Foundation has reviewed Defy's curriculum and supports our development of content targeting the success of EITs who are 50+. The team at ideas42 contributed their expertise in personal development to expand Defy's curriculum related to healthy thinking habits and effective coping skills. Finally, Ashik Desai volunteered his time and expertise reviewing and contributing to drafts of chapters related to business ideation, strategy, and marketing.

Special thanks goes to the EITs and graduates of Defy's program who have offered their stories, which you will find as featured case studies. They share insights and tips that you will find throughout the curriculum. These notes are from real people who have made the journey before you and offer their encouragement for your success.

There are too many people at Defy to acknowledge individually. Know that each team member at Defy is purpose driven to ensure that everything you receive is of the highest quality. They are eagle-eyed for detail, willing to pitch in and support their colleagues, and push for more as they advocate for EITs' success. However, there is one person at Defy who deserves special

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recognition. Andrew Glazier is Defy Ventures's CEO and President. Without his courage, stubborn determination, and vision, none of this would be possible. Andrew is a model of resilient leadership. Thank him when you see him at Defy events for defying the odds—for holding us together when it mattered, expanding our reach, and building a team dedicated to working for you, our EITs, every day.

—*Julie Jackson-Forsberg, Vice President of Learning*

## Author Biography

### **Julie Jackson-Forsberg, Vice President of Learning**



Julie has over twenty five years of experience in education, specifically devoted to underdogs and helping people maximize their potential. She has been with Defy for eight years and has developed multiple iterations of our extensive curriculum. Her experience is concentrated in instructional program development, curriculum, and data analysis. Prior to joining the Defy team, she served as a chief academic officer of a charter school network, the founder and managing director of an education consultancy, and the founder and head of school for a college-preparatory charter high school. Julie has an Executive MBA from the Rochester Institute of Technology, Saunders School of Business; she is a past Fellow of the Peabody Professional Institute in Charter School Leadership at Vanderbilt University; she has completed coursework in educational leadership and administration through George Washington University; MA work in English / composition studies through Northeastern University; and a BA in creative writing and chemistry through Hamilton College.

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## Contributors' Biographies

### **Christine Castillo, Vice President of Programs**



Christine is responsible for supporting a consistent and impact-driven approach to implementation of our program model across all Defy chapters and affiliates. Christine has over twelve years of experience focused on program design and development, impact analysis, organizational system building, and program leadership development. Prior to joining the team at Defy, she served as Director for Learning and Development at Equitas Academy Charter School where she focused on launching a comprehensive Learning and Development strategy anchored in anti-racist education for senior education leaders. In the preceding years, Christine served for ten years with City Year Los Angeles where she held the position of Learning and Development Director, focused on developing a professional development infrastructure for 300 staff and program participants to support building the skills necessary for meaningful civic engagement and social entrepreneurship. During her time at City Year, she also served as Program Director, overseeing the implementation of the Whole School, Whole Child Service Model across five LAUSD partnership schools. Christine has a BA in Psychology with a minor in education and is certified in Diversity, Equity and Inclusion for HR from the School of Industrial and Labor Relations at Cornell University.



### **Dr. Yehudah Pryce, DSW, MSW, Senior Director of Mental Health & Well-Being Programs**

Yehudah leverages his background in clinical social work and lived carceral and reentry experience to inform decisions within program design, staff learning and development, and EIT wellness consultation and referral. After serving over sixteen years for a non-violent robbery that he was arrested for as a teenager, Dr. Yehudah Pryce, DSW, MSW earned his Bachelor of Arts in Sociology degree with an emphasis in Social Welfare, his Master of Social Work at the USC Suzanne Dworak-Peck School of Social Work, and his Doctorate of Social Work at Simmons University. While incarcerated, he helped design and facilitate personal development curriculum for his fellow incarcerated community members. Prior to joining the Defy team, he worked as an Intensive Case Management Services (ICMS) program manager for a chronically homeless South Los Angeles population. He also works part-time as a clinical social worker with justice-impacted transitional age youth for a collaborative court program in the Superior Court of Orange County and volunteers as a psychotherapist at the residential addiction treatment center in Los Angeles that has an alternative sentencing department and houses community members with a previous Life sentence who have paroled.



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## **Group Norms for Discussion**

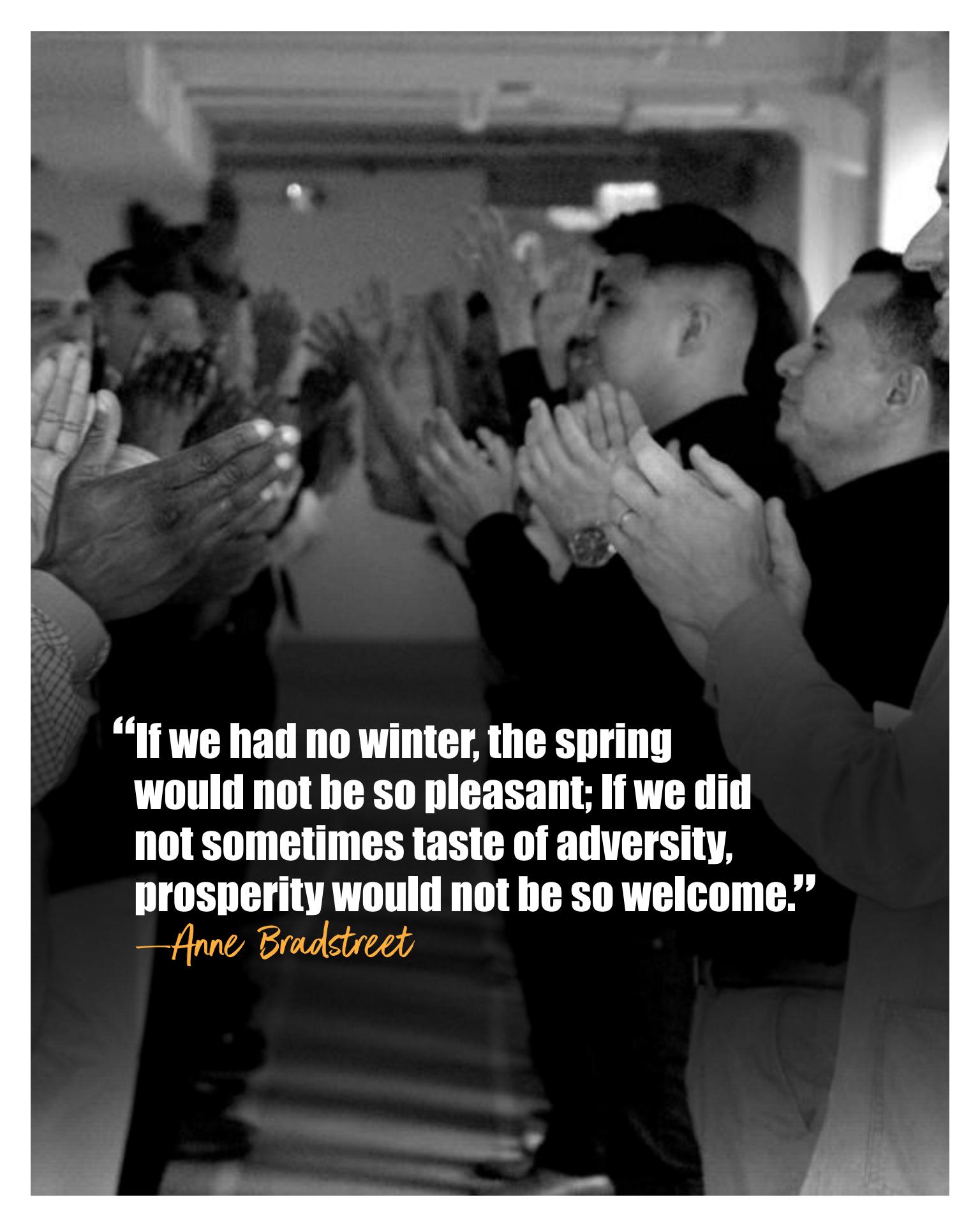
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- **Practice presence**
- **Be able to express as much vulnerability as you are willing to offer**
- **Be ready to listen actively**
- **Take up space and offer space**
- **Assume good intentions and take responsibility for impact**
- **Be open to another perspective**
- **Expect and accept non-closure**
- **Take the lesson, leave the story**
- **Parking lot**



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A black and white photograph showing a group of people from the waist up, all clapping their hands together. The people are diverse in age and appearance. The background is slightly out of focus, showing what appears to be a room with some furniture or equipment. The lighting is somewhat dim, creating a candid, celebratory atmosphere.

**“If we had no winter, the spring  
would not be so pleasant; If we did  
not sometimes taste of adversity,  
prosperity would not be so welcome.”**

*—Anne Bradstreet*

# Introduction to Defy

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## Preview

### **After completing this chapter, you should be able to:**

- Identify the benefits of the Entrepreneurship Bootcamp's curriculum strands.
- Understand the importance of developing a growth mindset.
- Identify attitudes and behaviors that place you currently on a spectrum between fixed and growth mindsets.
- Anticipate the potential benefits of completing the Entrepreneurship Bootcamp.
- Anticipate the potential benefits of Defy's post-release programs.
- Establish and commit to group communication norms for your Defy community.
- Understand the importance of building a positive community of support.
- Anticipate what will be expected in the Entrepreneurship Bootcamp and how to use the books.
- Identify study tips that will help you understand and apply concepts in the Entrepreneurship Bootcamp.
- Develop study habits that can maximize your productivity in the Entrepreneurship Bootcamp.
- Understand the structure of a multiple choice question.
- Use test-taking strategies to improve how well you can show what you know on Defy's quizzes and assessments.





**A**t Defy, we believe that change is possible and all people deserve a fair chance. We are driven by a strong sense of social, racial, and economic justice. While reentering society includes returning to the community and remaining free, it also means that you have the resources and opportunities to support yourself and your family and can establish purpose and direction in your life. We have all heard that America is a land of second chances, a land of liberty and justice for all. This is true for some, but if you have a criminal history, all too often America does not live up to this promise. And if you are Black, another person of color, or economically disadvantaged, you are further marginalized in America. Defy Ventures is here to help level the playing field and open doors for people who might otherwise be shut off from opportunity. In fact, we recognize that often we're not even in the business of giving second chances. Whether this is a first legitimate chance for you, or a third or a fourth chance, we at Defy believe in *fair chances*.

We believe all mistakes are redeemable. If you have the desire and work ethic and you take ownership of past mistakes and are committed not to repeat them, we believe you should have the opportunity to build a new future. To us, it doesn't matter what your criminal past is—as long as you've left that lifestyle behind. As part of the Entrepreneurship Bootcamp, you are now an Entrepreneur in Training, or EIT, with Defy Ventures. It's important to note here that words have power. The words we choose create labels and shape perceptions of reality—how you think of yourself and how others see you. They have the power to humanize or dehumanize. The words “ex-con” or “ex-offender” carry social stigmas that shape how others may view you, the assumptions people you don't even know may make about you, and even how you look at yourself. That's why, at Defy, we are intentional about the words we choose and always refer to you as an EIT—someone who is willing to work hard, grow, and take control of your new life. You are what you *think* you are. So, words have the power to help you shape a new identity. At Defy, we—as an organization inclusive of a broad volunteer community—see you as a human being with the power to transform your own story. We see you as a leader. Perhaps in the past, you may have led in ways that didn't benefit others positively, but now, you have the opportunity to lead in a positive direction.

Because we believe in change, fair chances, and equal opportunity, Defy created the Entrepreneurship Bootcamp for men and women with criminal histories who have successfully reentered society and want to become entrepreneurs. Think of the Entrepreneurship Bootcamp as a crash course to becoming the best version of yourself—living a “whole life,” freeing yourself from self-limiting beliefs, connecting with a supportive community, acting on your purpose, and becoming an entrepreneur.



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## **By the time you complete the Entrepreneurship Bootcamp, you will develop:**

- Positive self-belief to transform your life and live a life of purpose and integrity.
- A business plan for your new life and reentry.
- A professional resume, references, and interview skills to help you find meaningful work.
- A personal statement that credibly explains your criminal history for investors and employers.
- A purpose statement that allows you to direct your choices toward fulfilling your life purpose.
- A viable business idea and a business concept summary.
- Healthy thinking habits that allow you to act mindfully and control your reactions.
- Effective coping strategies for when times are stressful.
- Skills that help you rebuild relationships, face temptations, and make legal money.
- A healthy support network that wants to see you succeed.
- Positive ways to apply what you have learned in the Entrepreneurship Bootcamp.



A black and white photograph of three men in a hallway. The man on the left is wearing a white shirt and has a beard. The man in the center is wearing a dark suit and tie, and the man on the right is wearing a light-colored shirt and holding a newspaper titled "Top Skateboard Stats".

en•tre•pre•neur  
*(noun)*

one who organizes, manages, and assumes  
the risks of a business or enterprise.

## A Fair Chance

So what does it mean to be an entrepreneur? Many people use entrepreneurship to make their own way and shape their own destinies. When you have a past criminal conviction, there are deep social stigmas that follow you, and legal rights afforded to other citizens, such as the right to vote, may be taken from you. Entrepreneurship is a powerful option for people with criminal histories because you can start a company and create opportunities for yourself and others, even if other doors are closed to you. Entrepreneurship represents a legitimate first chance, allowing you to take control of your own destiny. You decide the kind of future you want and align your actions with your decision. You served time in prison because of a criminal conviction, but by joining Defy, you are choosing to become an Entrepreneur in Training—someone worthy of a bright and positive future.

You may be going through life hoping that—maybe—someday—you will get to do what you want to do...but for now you need to ignore your dreams and focus on the reality in front of you. This is living a “deferred life” rather than a “whole life.” Living a deferred life means that, day to day, you do things that you *have* to do and put off things that fulfill you—for example, spending time with loved ones, reading, working on a craft, or gardening. Often people defer things that give them the most pleasure because they don’t believe they have the right, the skills, or the power to do what truly makes them happy. By contrast, living a whole life means integrating what you do with what you care about and turning the results into great work and increased productivity. Your future starts now.



## Cultivating a Growth Mindset

At Defy, we believe that having a **growth mindset** is important, and the Entrepreneurship Bootcamp is designed to help you cultivate one. A growth mindset will help you strengthen your belief in yourself and make the most of the program. People with a growth mindset assume that skills and intelligence can be developed at any point in their lives. This mindset leads to a belief that hard work can result in growth and change. Viewed this way, success is the result of effort rather than “natural” ability and failure simply represents a new challenge and further opportunity to grow.

On the other hand, people with a **fixed mindset** assume that their character, intelligence, and creative ability are in-born and unchanging. This mindset leads to a belief that success is the result of inherited circumstances or intelligence. Viewed this way, success is simply a confirmation of your “natural” intelligence or skill and failure is a confirmation that you weren’t cut out for success to begin with.

These mindsets are cultivated by parents, caregivers, and teachers at a very early age. For example, you’ve probably heard someone compliment a child’s good grades by saying, “You’re so smart!” or express anger at a child’s behavior by saying, “You’re such a bad boy!” These mindsets influence a great deal of our behavior, our relationship with success and failure in both professional and personal contexts, and ultimately our capacity for happiness.

One of the greatest things that can hold people back from living a “whole life” is their mindset. We are limited by beliefs—self-limiting beliefs—that, for whatever reason, our circumstances do not allow us to grow and do what we want to do. You might think you’re unworthy or unqualified, but you are worthy of living a whole life. It may be difficult, but you are empowered and entitled to pursue opportunities that you find fulfilling and achieve happiness in life. As an EIT, part of living a whole life includes growing your skills and talents, identifying your purpose, identifying dreams and goals, and planning a positive future through entrepreneurship and/or employment that supports your success.





## Living a Whole Life

In relation to entrepreneurship, you've read words such as "self-limiting beliefs," "purpose," "trust," and "promises." These are important concepts for entrepreneurs because they shape the expectations you have for yourself and the ways in which you interact with others. For example, understanding what makes an apology meaningful has important implications for an individual's personal life, but is equally important for success in business or the workplace, as managing your emotions and apologizing for real—or perceived—mistakes is essential to good customer service. These topics require introspection—looking inward—and personal reflection.

As part of the Entrepreneurship Bootcamp, you will have the opportunity to meet with business leaders during Business Coaching events leading up to a Business Pitch Showcase. This is an important opportunity for you not only to connect with business leaders and receive feedback on your business idea, but also for you to *help shape their ideas about people with criminal histories*. Defy's mission is to **shift mindsets to give people with criminal histories their best shot at a second chance**. This kind of social change requires that we broaden the perceptions and mindsets of executive mentors through personal experience and human interaction. You become part of that mission when you

present your ideas—and yourself—during Defy events. It is EITs who truly do the work of shifting others' mindsets and transforming business leaders into powerful advocates for criminal justice reform. By presenting yourself as an EIT during Defy events—professional, honest, and open—you help volunteers see their own misconceptions about people with criminal histories and confront biases based on their own privilege. The personal development modules included in the Entrepreneurship Bootcamp set you up to get the most out of these events and make the biggest impact on others' perceptions of formerly incarcerated individuals by focusing on communication, the development of a personal "brand," and the ability to give and receive feedback.

Entrepreneurship modules will teach you valuable brainstorming, problem-solving, goal-setting, presentation, leadership, and management skills that will increase your value in a competitive workplace and give you an advantage if you choose to start a business. Some of the personal development chapters are labeled emotionally intense and require deep introspection. The Entrepreneurship Bootcamp asks you to confront topics such as past trauma, conflict and aggression, and guilt and shame because these issues impact your ability to succeed in business—either as an employee or an entrepreneur.

## Risk and Reward

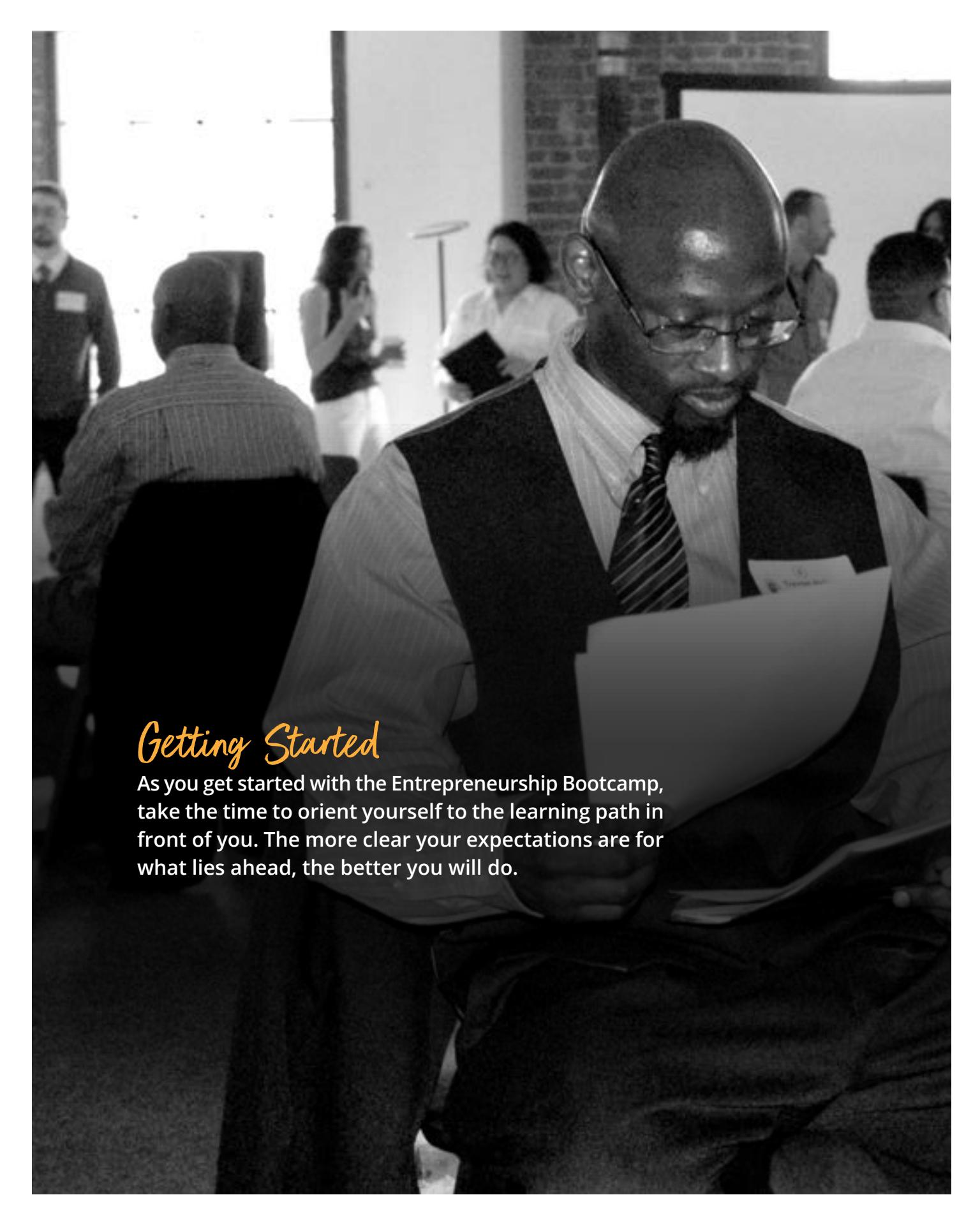
As the definition of entrepreneur implies, participating in Defy's Entrepreneurship Bootcamp requires initiative and risk. At Defy, we think of entrepreneurs as intelligent risk takers, because, although the path of entrepreneurship is uncertain, they understand how to survey the landscape for strategic opportunities, set goals, persevere in the face of inevitable failures and setbacks, and work hard to achieve success. The rewards for being an intelligent risk taker and participating in the Entrepreneurship Bootcamp can be truly transformative.

Through the Entrepreneurship Bootcamp, you develop a vision to run your own business and learn to set goals that can empower you to launch that business. After you complete the Bootcamp, you will have an opportunity to continue with Defy in a variety of ways to develop your business. Your Program Manager will explain what those options are. To set yourself up for the greatest possible success, especially if you are interested in continuing to build your business with Defy's support, put in the work in the Entrepreneurship Bootcamp, complete all of the assignments, ask for help when you need it, and remain open to feedback from your peers and volunteers at coaching events!

## Building a Community

By joining Defy, you are joining a community. Being part of a community requires responsibility—responsibility for oneself and responsibility to others. These often unstated responsibilities are “norms” of behavior. **Norms** are simply ways of communicating, interacting, or behaving that are accepted as usual or typical—what is normal for the group. The community created by EITs, Defy staff, and volunteers has specific norms that may be different from what you are used to, but these norms will benefit you as you build your new life.

Part of the power of the Defy community comes from the opportunity for people to come together to learn and share their ideas. That means there will be ample opportunity for discussion. Building a strong and positive community relies on group members listening to one another actively and openly as well as the development of group norms. Think of norms as the group's promises to one another or “rules of engagement” that are critical for creating trust. Norms are especially important when you discuss topics that are important to you or that are emotionally charged. When you discuss your ideas, aspirations, and vulnerabilities with others, you need to trust them, knowing they will listen without judgment and respond in ways that will build you up, not tear you down.



## Getting Started

As you get started with the Entrepreneurship Bootcamp, take the time to orient yourself to the learning path in front of you. The more clear your expectations are for what lies ahead, the better you will do.

Think about what you need from others to make every discussion productive, and take the time to discuss and agree upon group norms. Think, too, about other times in your life when you might use these norms to strengthen communication. For example, if you recommend a change to your employer, communicating professionally and authentically and expressing disagreement about an idea rather than with a *person* will make you more persuasive.

Defy recommends the following norms for holding discussions. The group can add to or modify this list to meet its needs:

- Practice presence
- Be able to express as much vulnerability as you are willing to offer
- Be ready to listen actively
- Take up space and offer space
- Assume good intentions and take responsibility for impact
- Be open to another perspective
- Expect and accept non-closure
- Take the lesson, leave the story
- Parking lot

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## Preview

Preview sections are designed to help you prepare for what you are about to read and set a **purpose** for reading. The objectives at the beginning of the chapter tell you what you should know or be able to do when you finish reading it, so let this section serve as a set of personal learning goals.



## Chapter Content

The curriculum for the Entrepreneurship Bootcamp is presented in written book format. In addition to chapters that explore topics in entrepreneurship, employment, and personal development, the curriculum also features case studies of entrepreneurs who are Defy volunteers and EITs. These case studies illustrate how the components of a successful business model come to life. Read each chapter carefully. The book is yours to keep, so take notes in the margins, underline key ideas, put question marks next to content you don't understand, or add stars where you want to remember an important concept. Or, if you prefer to keep the book clean, write your notes, ideas, and questions on your own paper. Do whatever it takes to engage with the material!



## Check Your Understanding

Most chapters contain a short multiple choice quiz that you can use to check your understanding of the content and concepts contained in the chapter. In very few cases will you simply be able to “find” the correct answer in the chapter. More often, you will need to understand the relevant concepts and be able to apply them by using the information in a new situation, analyze it by drawing connections between ideas, or evaluate choices based on your understanding. These quizzes exist for your benefit, to help you identify which courses you may need to review further.

The answer key for these questions is contained in a Facilitator’s Guide. Your facilitator will receive a Facilitator’s Guide with an answer key with a rationale for the correct answer and will lead a review of these quiz questions.



## Assessments

There are two assessments, a midterm and a final exam, which test key concepts contained in the course material. These tests are designed to assess how well Defy's curriculum and facilitators are doing to achieve our learning objectives. Think of these less of a test of what you have learned and more of a test of how well Defy is supporting your learning. If you score a 70% or higher across these two assessments, you will earn a Certificate in Entrepreneurship from the Drucker Graduate School of Management at Claremont Graduate University.



## Apply Key Concepts

In addition to Check Your Understanding questions, most chapters contain a written reflection section titled “Apply Key Concepts.” This is where you will take the ideas you’ve read about in the chapter and apply them to your own life in some way. Because these questions focus on the major points of the chapter, try to keep them in mind as you read, as they can serve as guides to direct your reading to the most valuable information. Sometimes these are challenging—even painful—questions, and usually there is no right or wrong answer. Take the time to think about these questions and “go deep.” Later, go back and add to them if you think of something new or change your mind. Consider this a “journal” where you can work out your ideas on your Defy journey.



## Key Deliverables

You will refine some of the work that you do in the “Apply Key Concepts” sections into key deliverables that you return to Defy. These are clearly marked in the chapter. Please note that you will produce first drafts of key deliverables in this book. You will have the opportunity to receive feedback during discussion and workshop time, and you should use that feedback to revise and strengthen your work. After writing a first draft and receiving feedback, rewrite a second draft of each key deliverable in the Return Pack pages, which are provided as a separate workbook with perforated pages.

You should expect to invest significant independent time completing assignments. For each course, expect to invest an average of one or more hours of independent time on assignments.

At the end of the program, Defy will collect your Return Pack deliverables. Your facilitator will provide you with instructions for submitting your “Return Pack” materials to Defy. Defy will keep records of key deliverables that will be relevant if you choose to connect with our Career and Reentry program when you release. We will also keep records of key deliverables related to your business idea if you choose to connect with our Entrepreneurship program after you return home. We encourage you, however, to keep copies for yourself before you send anything in to Defy so you can continue to refer to them while you are still incarcerated and help you stay motivated and committed to your growth and plans.



## Deliverables

By the end of your Entrepreneurship Bootcamp journey, you will be able to complete all of the following deliverables through the Google Classroom, where you will find templates for each deliverable, which you will complete and submit online. This list may look a little intimidating, but remember that you will build these over time. Once you have completed all of these deliverables, you will earn a Certificate of Completion for the Entrepreneurship Bootcamp:

- **Self limiting beliefs**
- **Personal Statement**
- **Business Plan for Your New Life**
- **Market Position**
- **Strategy Plan**
- **Marketing Plan**
- **Business Concept Summary**
- **Minimum Viable Product Experiment**
- **Leadership Statement**
- **Written Business Pitch**

This program requires a serious time commitment, and we know you have other options for how to spend your time. Completing the program comes with significant rewards, too. After you graduate and return home, if you put work into the program, more opportunities through Defy will open up.

You will have access to additional programming supports from Defy, and, even if you do not choose to launch a business, the skills you learn through the Entrepreneurship Bootcamp can help you move up in your career. Congratulations on the investment in yourself you are making by joining Defy and completing the Entrepreneurship Bootcamp. We are grateful for the opportunity to take this journey with you!

## Good Study Habits

Throughout the Entrepreneurship Bootcamp, you will study entrepreneurship, employment-readiness skills, and personal development topics. Let's address good study habits up front, so you can make the most of your time and learn deeply.

**Read for repeated information.** Often, key points are repeated to emphasize important information; these points may show up on a quiz or be part of the key deliverables for the chapter.

**Take notes and underline important information** when you read to reinforce key points, improve your recall of important information, and keep your mind engaged. You can transcribe, or rewrite, important points to reinforce them, or organize your notes by creating outlines of key information.



*"Frequently reading over my notes—even daily—helped me recall information immensely. Over time, I was able to memorize everything I had jotted down."*

—Tavaion S., EIT Graduate

Combining these first three tips into an overall strategy for reading can help you retain information in your long-term memory, as it

allows you to interact with key concepts in three different ways.

**Look carefully at the graphics** included in the chapter. These are provided to illustrate important information mentioned in the text.

If you need to learn something difficult or want to memorize something factual, sometimes you can **create a mnemonic**, or memory “trick,” that helps you recall larger pieces of information. For example, people learn the order of colors in the spectrum using what sounds like a man’s name: ROY G. BIV. This name mnemonic stands for Red, Orange, Yellow, Green, Blue, Indigo, and Violet. If you’ve studied music, you might have memorized the notes on the lines in the treble clef using the phrase mnemonic “Every Good Boy Deserves Fudge,” for the order of notes, E, G, B, D, F.

**Look for themes or big ideas.** Sometimes it's natural to focus and take notes on the small details because they are easy to spot, but it's important to look and listen for the big ideas and themes that the details support. Try writing a word or idea in the margin every time you see it to help you recognize big ideas as they develop.

**Set aside time every day** when you will do course work and study. Just as with working out, the hardest part of studying can be setting

aside regular time and doing the work. As the Roman poet Horace said, “One has the deed half done who has made a beginning.”

**Check the length of the chapter** to gauge how long it will take you to read. **Scan the text** to assess how difficult the material will be for you and **consider what you already know** about the topic. If the chapter content is something that you’re already familiar with, it will probably be easier for you. On the other hand, if the chapter is completely unfamiliar to you, the reading may be more difficult, so this can affect the amount of time it will take you to get through the reading. The purpose here is for you to prepare yourself mentally for the task and come up with a schedule for its completion, which could involve dividing up the reading and other parts of the chapter assignment.

**Plan time on your calendar** for each assignment or project instead of thinking that all of your work needs to be completed in one sitting. A study schedule that allows you to approach course work in a slow and steady manner will allow you to process and retain new information more effectively than trying to race through everything at once. When you have multiple projects, plan to do your coursework at different times throughout the week and break projects into smaller work blocks. You will stay more motivated and will think and concentrate better. Doing a portion

of work each day will also prevent you from getting overwhelmed at the last minute and procrastinating even more. Find the rhythm that works for you.

**Set up an environment that allows you to focus.** Leave behind things you don’t need or that will distract you. For example, some people are distracted by listening to music with lyrics or having a television playing in the background. Other people concentrate better with a certain type of background noise. You may study more effectively with classical music or white noise in the background. Set up your environment to include things that help you concentrate. For example, you may find it helpful to have extra pens, paper, or a dictionary available when you study. Create a space in which you thrive. We understand that you have limited ability to control your own space, but set yourself up as well as you can to be comfortable and productive in your study space.

Work on the most challenging or least interesting assignments and projects first. Getting something you dread out of the way can give you a sense of relief and make the easier tasks more enjoyable. In the productivity world, this is often called “eating the frog,” a reference to a quote from Mark Twain: “Eat a live frog first thing in the morning and nothing worse will happen to you the rest of the day.” Most

people start working on tasks that they most enjoy or that seem easiest and procrastinate on the least interesting or most challenging tasks. This is a sure way to miss a deadline. Knock out the greatest challenges first!

**Plan rewards** for yourself when you achieve your study goals. Perhaps going for a walk, working out, or talking with a friend is a reward for you. Tell yourself that if you study for an hour, you'll allow yourself to hang out with a friend, or if you complete all the assignments in a chapter, you'll watch something on television. Establish your reward and write it down before you start your project, then hold yourself accountable to your work goals before treating yourself.

**Ask for help** quickly if you are struggling. Don't wait until the last minute. Sometimes a person's pride gets in the way of asking for help, creating feelings of frustration or helplessness that can lead to anger or depression. This downward spiral can result in someone saying, "I quit." Before you get there, ask for help.

If you have one, **work within your peer team** to quiz each other and practice presentations in a group setting. This kind of mental practice and reinforcement will help you succeed.

**Study in a group** to stay motivated. Especially with challenging topics, studying in a group

can help you clarify your understanding of quiz questions, challenge each other's thinking, and strengthen each other's work. You might make flashcards with questions on one side and answers on the other to quiz each other. It helps to socialize and study with like-minded people.

**Keep the big picture in mind** even as you work on the smaller pieces of the program. Remember, your goal in Defy is to chart a course to a free and legal future. Your objective is to gain meaningful work or create your own business. The final goal of your work and planning is not about passing a quiz or getting an assignment done. However, you should take quizzes and assignments seriously; they represent the knowledge and understanding that are building blocks that will allow you to start the journey toward a future you can control.

## Ineffective Study Habits

**Don't force yourself to study if you are too distracted.** Often, distracted studying is a waste of time and only increases your frustration. If you are distracted or upset by bad news or an argument, for example, give yourself a break, relax, and reschedule your study session for a time when you think your mind will be ready. Even a two-hour break can make a difference. Use your break to do something that can help you clear your head, like a brisk walk, a workout, or a healthy conversation with a friend.

**Don't prioritize social time over study time.**

It almost never works to plan your study time after getting together with friends. If you're having a good time, you're unlikely to break away to go study. Instead, make social time the reward for completing your work.

**Don't beat yourself up** if you don't do well on a quiz or assignment. This kind of self-recrimination—blaming yourself—is demoralizing and demotivating and can feed into self-limiting beliefs. Instead, ask yourself what you could do differently the next time to improve your work or manage your time more effectively. Think constructively to shape what is possible in the future rather than beat yourself up for a past disappointment.

**Don't study when you're over-tired.** Do something energizing or drink a cup of coffee to get your mental energy to a level where you can give your best work and attention to your studies. If you have a big presentation coming up, don't try to do all of the work the night before. Pulling an "all-nighter" might be okay for boosting short-term memory, but it's not effective for long-term retention. If you need to prepare a presentation, for example, it's much better to plan ahead so you have plenty of time to practice and internalize the information you want to present. Being tired negatively impacts your ability to give a good presentation, even if you know your material well.

## Checking Your Understanding

The "Check Your Understanding" quizzes frequently use scenario-based questions. This style of question presents a scenario, or brief story, about a concept in the Entrepreneurship Bootcamp. The scenarios often purposely incorporate irrelevant, or extra, information, requiring you to identify the information that is relevant to the question to choose the best answer. For example, a question that asks you to identify the best business name for a given "mood" that the entrepreneur wants to establish for a business is an example of a question that asks you to *apply* an abstract concept to a specific situation. A question that describes a business and asks you to identify what principles related to business ideation the scenario illustrates is an example of a question that requires you to *analyze* the information in the Entrepreneurship Bootcamp. And a question that asks EITs to identify which job an applicant would be best suited for based on identified skills and personality traits is an example of a question that requires them to *evaluate* information and make judgements.

These questions are not designed to trick you. Instead, they are designed to ensure that you understand important concepts and, beyond merely remembering or understanding, you can *do* something with what you now know and understand.

If you know how multiple choice questions are set up, you can approach them with greater confidence and think about the answer choices strategically. Multiple choice questions almost always contain a *distractor*, an answer choice designed to distract you if you have a common misunderstanding of a concept. Again, this is not meant to trick you. It's meant to identify things that people frequently misunderstand or don't understand fully. Most of the time, answer choices will include:

- **A correct answer:** This will be the *best* answer to the question being asked.
- **A strong distractor:** This is a choice that presents an answer based on partial understanding or partial misunderstanding.
- **A weak distractor:** This is a choice that presents an answer based on a common misunderstanding.
- **A wrong answer:** This is a choice that should be the easiest to eliminate.

When you approach a multiple choice question, it's important to read it carefully and understand what the question is really asking. **Underline** key words and phrases to help you focus. Look for **negative words**, such as "except" or "won't" to make sure you identify answers that are exceptions to a scenario rather than answers that would support the scenario. If you have trouble with a question, try to **rephrase it in your own words** until you understand it. At this point, try to **predict**

what the correct answer will be and scan the answer choices to see if your prediction is close to one of them. If it is, you probably have identified the correct answer. Check the other answers to be sure, but most of the time, you've got it. Sometimes, answer choices will all be "true" statements, but **only one of them answers the question that is being asked**. Don't choose an answer that is factually true but is an incorrect choice because it does not answer the question.

As you read through the answer choices for a multiple choice question, **cross off answers that you think are wrong** and eliminate them. When you need to think about which is the *best* answer, it helps to narrow down your choices so you can consider two or three choices more carefully rather than four. Ask yourself whether an answer you're considering **completely addresses the question**. If the test answer is only partly true or is true only in certain circumstances, it's probably not the right answer. **Don't pick an answer just because it sounds right or you believe it to be true**. Your choice *must* answer the question. Once you've made your answer selection, go back and **check it against the question** and make sure you didn't misread the question, and that your choice does answer the question being asked.

If a question in the Entrepreneurship Bootcamp indicates that you should "*Choose all that apply*,"

there *will* be more than one correct answer choice. In this case, read through the answer choices and eliminate the choice(s) that *do not* answer the question. Keep in mind that if a question has more than one possible correct answers, **two or three choices may be correct**. The question will always present at least one incorrect choice.

### Test Taking Tips

Often, people get nervous when they take tests. If this is true for you, know that you aren't alone and that the assessments that are part of the Entrepreneurship Bootcamp are not meant to trip you up or stress you out.

When you prepare for a test, it helps if you **create your own study materials**. Review your notes in the chapters and things you have underlined. Spend time reviewing concepts that were emphasized in the chapter quizzes or in group discussion.

When it comes to sitting down for a test, remember to **slow down, check your answers, and breathe!** Concentrate on the air going in and out of your lungs—long, deep breaths will calm you and send oxygen to your brain. Try taking 10 long, slow, deep breaths. If you feel yourself getting tense, focus on where the tension is in your body and consciously tense and relax those muscles. Try to focus on how it feels when you intentionally relax those muscles. If

you find negative thoughts creeping into your mind, you can tell yourself to “Stop!” and try repeating a positive affirmation such as, “I am a Defy EIT—I can do this,” several times.

After the test, Defy reviews the data, which helps us understand how EITs are progressing. These item analyses can be useful for you as well, as they can help you identify simple mistakes and misunderstandings. Your facilitator can share this information to discuss where the class may need to reflect on key concepts or go over a particularly challenging topic.

### Tools for Life

Remember that all of these study and test-taking tips aren't just “academic.” The habits you learn when you study such as taking notes, setting aside time each day to do your work, setting up an environment that allows you to focus, or asking for help before you get overwhelmed are habits that benefit you equally in the workplace and in business. And test-taking tips aren't simply about the quiz. In life, you are frequently presented with options that you need to analyze or evaluate in order to make the best choice. Think of these study habits and test-taking tips as tools for life. They are habits of mind and habits of practice that can support your success in whatever you set out to accomplish.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. EIT stands for \_\_\_\_.**

- A.** Everything in Time
- B.** Entrepreneurial Investment Techniques
- C.** Entrepreneur in Training
- D.** Extra Inquiry Tasks

**2. One thing that holds people back \_\_\_\_.**

- A.** Strong work ethic
- B.** Lack of formal training
- C.** Lack of vision
- D.** Fixed mindset

**3. Jeremy is an EIT who is skeptical about the emphasis Defy places on personal development, as he's had plenty of programming and groups that address cognitive behavioral techniques. Based on this chapter, what might you say to Jeremy?**

- A.** The Entrepreneurship Bootcamp makes links between personal development topics and success in the business world.
- B.** Since you already know a lot about these topics, you can probably skip those chapters.
- C.** Those topics are most relevant for entrepreneurs and aren't related to finding a job.
- D.** It's part of Defy's suggested norms to listen to the quiet people in the group.



**4. Adrian is a business owner who believes that, while many skills can be taught, leadership skills are something you either do or do not have. Based on what you know about growth and fixed mindsets, how would you define his mindset? Adrian has a \_\_\_\_.**

- A.** Growth mindset based on his attitude toward challenge
- B.** Fixed mindset based on his attitude toward others' success
- C.** Growth mindset based on his attitude toward making mistakes
- D.** Fixed mindset based on his worldview

**5. Barb is an entrepreneur who seeks out feedback and sees her mistakes as opportunities to learn new skills. Based on what you know about growth and fixed mindsets, how would you define her mindset? Barb has a \_\_\_\_.**

- A.** Growth mindset based on her attitude toward feedback and making mistakes
- B.** Growth mindset based on her attitude toward others' success and offers of help
- C.** Fixed mindset based on her attitudes toward persistence and effort
- D.** Fixed mindset based on her worldview and attitudes toward challenge

**6. Kathy is an EIT who frequently gets angry with others in the group and criticizes them for their feedback. What norm might it be important to review as a group?**

- A.** Participate fully—take risks.
- B.** Listen to the quiet people in the group.
- C.** Express disagreement with ideas, not individuals.
- D.** What is said here and what happens here stays here.



**7. Norms are \_\_\_\_.**

- A.** A way to enforce social control
- B.** Rules that are common in every situation
- C.** Only applicable during Defy events
- D.** A group's promises to one another to build trust

**8. Defy recommends all of the following study tips, except \_\_\_\_.**

- A.** Study with others
- B.** Find a distraction-free zone
- C.** Drink a lot of caffeinated soda
- D.** Use a mnemonic

**9. According to this chapter, which would be the best plan for setting aside time for studying?**

- A.** Committing to a four hour block of time with no distractions
- B.** Committing to chunking your workout throughout the week
- C.** Committing to getting everything done in one sitting
- D.** Committing to working through distractions



**10. Ramon has been planning to study for several hours on Thursday evening.**

**After dinner, he has a phone call and learns that his favorite aunt has broken her foot and is in a lot of pain, which leaves him feeling helpless and upset. Which of the following is probably the best thing for Ramon to do right now?**

- A.** Proceed with his study plan to distract him from thinking about his aunt.
- B.** Listen to calming and comforting music while he studies.
- C.** Ask for help about a particular topic he is studying.
- D.** Take a break to relax or talk to someone about his aunt.

**11. Carl has a pretty big project that will be due next month. What is the most important step he can take to manage his workload successfully?**

- A.** Stop any other assignments to focus on the project.
- B.** Wrap up all other assignments before beginning the assignment.
- C.** Plan out how to get all of his assignments done in chunks during the coming weeks.
- D.** Establish non-negotiable social time for unwinding.

**12. Pat has a meeting with a client. Despite being prepared, the client is not interested in purchasing services. What piece of advice from this chapter is most relevant to Pat's work situation?**

- A.** Don't beat yourself up if you don't do well on a task.
- B.** Plan rewards for yourself when you achieve your goals.
- C.** Ask for help quickly if you are struggling.
- D.** Don't prioritize social time over work time.



**13. April knows she often procrastinates. What advice from this chapter will allow her to back up her intentions to study with a plan to complete all of her work on time?**

- A.** Don't force yourself to study if you are too distracted.
- B.** Study in a group to stay motivated.
- C.** Work on the most challenging or least interesting assignments and projects first.
- D.** Keep the big picture in mind.



## Apply Key Concepts

You'll be doing a lot of writing in your Defy coursework. This is because writing is an effective way to reflect on your experiences and generate ideas. Before moving on through the Entrepreneurship Bootcamp, take a few minutes to write your answers to the following prompts. Be honest and be yourself in your responses.

**What would your future look like if you were able to live a “whole life”?**

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**Think about how others have cultivated your mindset. Identify a time when someone described the outcome of your actions in either “fixed” or “growth” mindset terms. What was the situation and what did the person say to reinforce either a fixed or a growth mindset toward what happened?**

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**In the space below, write down five to seven things you think about yourself. Place a check mark (3) in the columns to the right to indicate whether this belief represents a growth mindset or a fixed mindset.**

THINGS I THINK ABOUT MYSELF	FIXED	GROWTH

**What are three growth mindsets you would like to develop through your work in the Entrepreneurship Bootcamp?**

1.
2.
3.



**In your own words, how would you define success?**

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**Make a list of all the ways you've made money in your life.**

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**Now, take what you've listed and identify what might support your entrepreneurial aspirations.**

**Examples :**

- I supervised five employees.
- I made all the product decisions.
- I set all the prices.
- I phoned my customers once a week.
- I recruited new employees and customers.

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**What about your history specifically prepares you to excel at entrepreneurship? In other words, what transferable skills do you bring to legal entrepreneurship?**

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**What specific obstacles will you need to overcome to become a successful entrepreneur?**

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**Which of the norms presents the biggest challenge for you? Why is this a personal challenge? How might overcoming this challenge improve your communication?**

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**Describe how the group norms can help you in your own entrepreneurial journey. Choose at least three of the norms and be specific in your response.**

1.....

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2.....

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3.....

**Almost any time you need to build community, establish consensus, or remain civil during a disagreement, you can rely on discussion norms to improve communication. If a group of people were using discussion norms consistently, what would it mean for their ability to communicate? (e.g., If the group is communicating professionally, members won't disrupt the discussion or curse at one another. If the group is making sure that what is said in the group stays in the group, members won't gossip about what someone else shared.)**

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**After the Introduction to Defy chapter, what are you most looking forward to in the Entrepreneurship Bootcamp? Why?**

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**What are you looking forward to the least about this program? Why?**

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**What do you hope to learn that would be new or advance your skills and understanding in these subjects that you already know a lot about?**

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**On this list, what makes you feel excited or hopeful? What might hold you back or make you feel nervous or afraid?**

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**At this stage, what questions do you have for your post release manager? If Defy does not have a service or resource you need, how will you advocate for yourself to obtain what is necessary?**

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**Write a short letter to someone who might be surprised that you are beginning a program like Defy. Explain why you are joining the program and why they should believe that you are serious about Defy.**

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**Discuss at least one new tip that you will start to use in your Defy studies. How will this benefit you?**

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**List three to five things that you find distracting when you study.**

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....

**List three to five ways you can set up an environment to help you focus.**

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....



**As you learned, Mark Twain said, "Eat a live frog first thing in the morning and nothing worse will happen to you the rest of the day." What are some upcoming frogs you can eat to improve your study life?**

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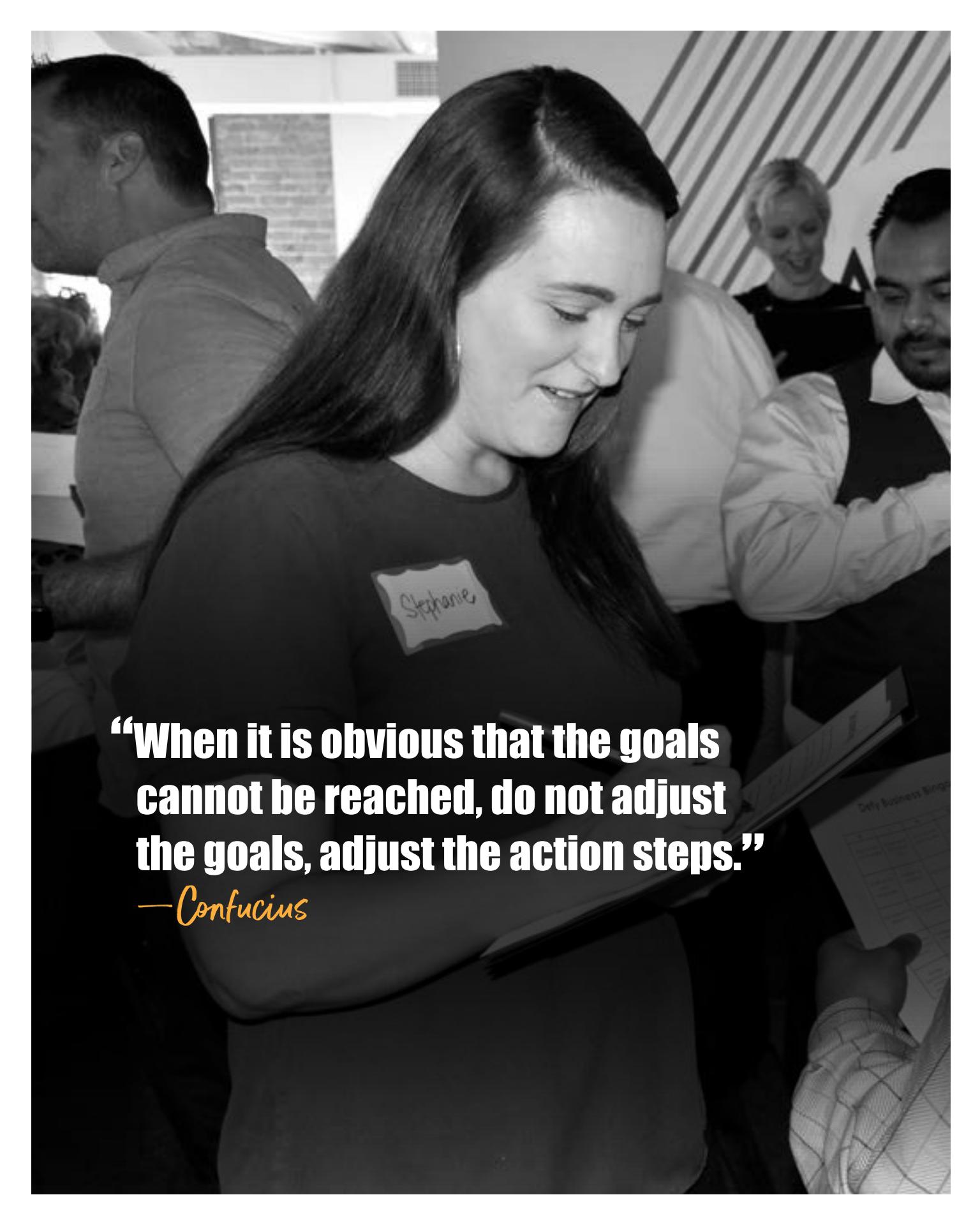
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**Write down three things you're committed to doing that will improve your Defy study habits. By when will you implement these changes? What will be the end result?**

COMMITMENT YOU WILL MAKE TO IMPROVE YOUR STUDY HABITS:	DATE BY WHICH YOU WILL IMPLEMENT THIS CHANGE:	WHAT RESULT DO YOU EXPECT ONCE YOU MAKE THIS CHANGE?



**“When it is obvious that the goals  
cannot be reached, do not adjust  
the goals, adjust the action steps.”**

*—Confucius*

## Planning for Your Future

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## Preview

### **After completing this chapter, you should be able to:**

- Identify areas of your life you would like to improve.
- Establish personal and professional goals.
- Establish SMART goals.
- Develop action plans to reach your SMART goals.
- Consider costs and benefits when choices require you to reevaluate your action plans.





**P**reparing for your future can feel exciting and stressful. Setting goals allows you to prepare for your future, but goals alone won't bring you success. SMART goals help you make a plan and figure out the steps you need to take to achieve success.

Another important foundation for success is a growth mindset, which allows you to make plans and stay resilient in the face of failure. A growth mindset assumes that skills and intelligence can be developed through hard work. A fixed mindset, on the other hand, assumes that character, intelligence, and creative ability are inborn and unchanging. What is most important in achieving future success is the effort you put into your goals. What you currently know or are able to do is less important than the effort you make to learn, develop new skills, and keep going on the way to your goals.

## Setting Goals

A **goal** is a solid statement of something you want to achieve in any area of your life, from education to career, personal development to physical health. Maybe you want to earn an educational degree or start a business, or you're thinking about learning a new skill or looking for a specific type of job.

Setting a goal increases your chances of actually *accomplishing* it by encouraging you to create a plan and establish when, where, and how you can take necessary action steps. Goals support your commitment and allow you to move from fantasizing about what you hope to accomplish to getting things done. Look at goals not just as tools to measure progress and accomplish tasks, but as inspiration for your journey!

- **Goals tell you what you really want.**

If a goal is the written reminder of your desire, looking at your goals overall tells you quite a lot about yourself. Your goals point to who you want to be.

Take the time to set goals, then step back and ask yourself what you really want out of those goals. By taking the time to reflect, you can figure out what it is that you really want in life.

- **Goals propel you forward into the future.**

Without goals, it would be easy to maintain the status quo.

Having a goal written down—preferably a SMART goal with a specific and measurable timeline—gives you something to plan for and work toward, a written reminder of your inner desires.

- **Goals transform impossible mountains into manageable hills.**

Big dreams can seem impossible to accomplish, but setting goals allows you to break a much larger accomplishment into achievable stepping stones. Turn a big goal into a progress map and visualize your progress. Use the progress map on the next page (or make your own!) to set a goal and make incremental progress.

For example, you might say that you want to exercise for 30 minutes three times per week. Color in a swirl every time you take that step toward a larger goal of getting in shape.

Having goals that you can focus on and visualize keeps what you desire in front of you and helps motivate you when your focus starts to drift.

- **Goals allow you to anticipate and work past obstacles.**

Setting and sticking to a goal can lead to success. But goal setting requires thinking clearly about where you want to land and how to get there. In any journey toward a new destination, there will be obstacles and hills to climb.

- **Goals help you believe in yourself.**

As you accomplish each stepping stone on the path to your larger goal, you give yourself an opportunity to celebrate and evidence that you have more than just good intentions.

- **Goals hold you accountable to change.**

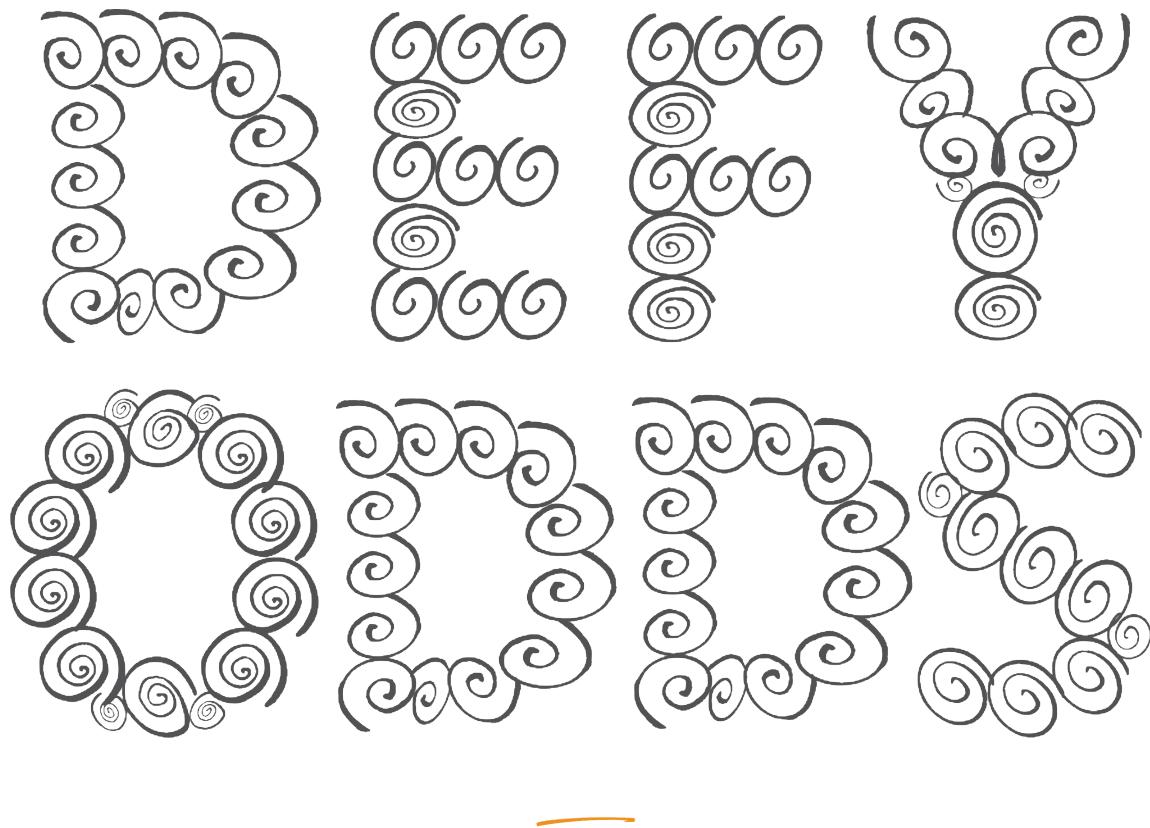
Let's face it, not every day will feel like a win. When you have setbacks or if you fail to meet a timeline, take a humbling look back at your goal. If you thought you could make much more progress than you actually did, it might be a clear sign that what you're doing isn't working and you need to make some changes to get where you want to be. On the other hand, if your timeline was unrealistic, it's equally important to reassess, as unrealistic expectations are the enemy of success.

- **Goals help you live life to the fullest.**

When you take the time to set goals, you develop a proactive mindset. Life is full of potential, even when you're still serving time. When you set goals, you remind yourself of what is important to you and align your

actions toward getting the most out of every moment. The things you want to achieve won't be handed to you—you need to work for them! In life, you have a limited amount of time. If you want to get the most out of the precious time you have, you need to know what you want most of all.

## Goal Progress Map



## Setting SMART Goals

A vague or lofty goal can be overwhelming and difficult to achieve. But you don't have to abandon it...just make it more doable. The desire for change that a vague or lofty goal represents can be made realistic and attainable with just a little strategic planning and direction.

### For example, consider these goals:

- Go to college.
- Save money.
- Lose weight.
- Take an online training course.
- Set up a caregiver for your mom.

How would you get started with each of these goals? They are very broad—there are thousands of paths you could take and no clear direction on which way to go.

### Now, take a look at the following goal statements.

- By the end of this calendar year, I want to complete one full semester of required college courses to earn 15 credits toward my B.A. degree.
- I want to deposit \$500 every month into my savings account so I can purchase a new car in two years.
- In two months, I want to lose five pounds by increasing my workout time from 20 to 30 minutes three days per week.
- By the end of next month, I want to complete all six modules of an online training course on Making a Profit from Your Baking Business.
- By the end of three weeks, interview four in-home caregivers and establish a schedule for a health aide to support mom's care three days per week.

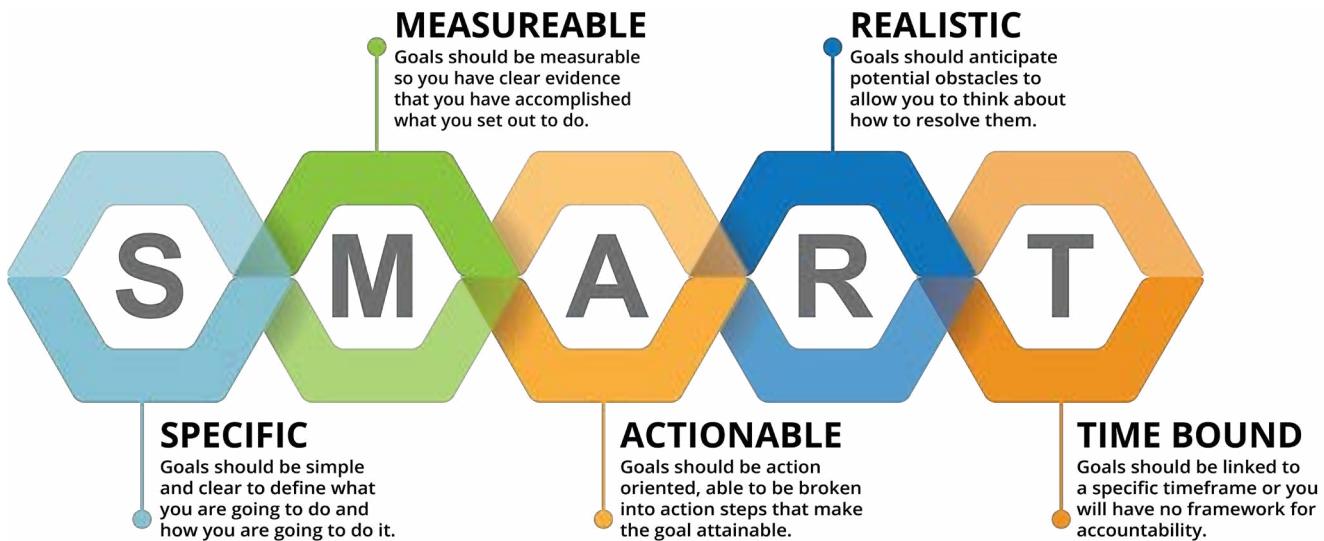
This second set of goals are structured. They have parameters and specific direction. These are **SMART goals**, which conform to criteria that make goals clear and outline a definitive, measurable path—with progress milestones—toward the desired outcome. You can start using SMART goals now to structure how you approach things you want to accomplish. Use mentors and the Defy community to help you review goals, hold yourself accountable, and support you in achieving success.

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## **SMART is an acronym that stands for:**

- **Specific:** Goals should be simple, clear, and actionable to define what you are going to do and how you are going to do it.
- **Measureable:** Goals should be measurable so you have clear evidence that you have accomplished what you set out to do.
- **Actionable:** Goals should stretch you but be realistically achievable. Unrealistic goals are de-motivating.
- **Realistic:** Goals must be relevant to your dream. If your dream is to build a business, your goal shouldn't relate to writing a book.
- **Timebound:** Goals should be linked to a specific timeframe or you will have no framework for accountability.





## Specific:

Good goals are clearly defined. If your goals are too general they will be difficult to accomplish. A specific goal is phrased positively, sharing what you will do rather than what you want to stop doing. It identifies *why* you want a specific change as well as why that change is valuable to you.

**A specific goal answers the question:**

***What do you want to do and why is it important?***

## Measurable:

You must be able to measure your progress toward your goal, so you know when you've achieved it! Creating a measurable goal requires you to visualize a new end state as well as what you need to do to achieve it and overcome obstacles.

**A measurable goal answers the question:**

***How will you know when you've reached the goal?***

## Actionable:

You should think about how you will achieve your goal, so setting a goal may require some research. A big goal usually requires many action steps to reach it. Know what's involved in achieving your goal. Are there supports or resources you will need to achieve your goal? Are there skills or knowledge you need to develop? Taking action often requires you to develop new knowledge and skills to achieve your goals. Making actionable goals pushes you to grow

continually and deepen or broaden your skills. Remember: getting started is the hardest part, so give yourself an achievable first step! Once you have your first success, additional steps will seem easier to accomplish.

**An actionable goal answers the question:**

***How do you plan to achieve the goal?***

## **Realistic:**

Take a step back and make sure your goal is realistic. Setting a realistic goal doesn't mean underselling yourself or your abilities, so it's important not to let self-doubt limit the goals you set. But consider the steps necessary to achieve your goal, and make sure those steps are within your power to take. A realistic goal also anticipates challenges, so consider potential obstacles that could make achieving your goal difficult, and think about how you can resolve them. Of course, there will be unexpected events that can interfere with your progress, but consider areas you can control, such as time, finances, transportation, abilities, and feelings (you might lose motivation or become frustrated). By setting realistic goals, you can strengthen your belief that change is possible because you have set out specific steps to achieve your goals and adjust in the face of challenges.

**A realistic goal answers the questions:**

***Will I be able to accomplish this goal?***

***What do I need to change?***

***Am I missing any big steps along the way to my goal?***

***What are some challenges I might face at each step?***

***What can I do to overcome these challenges?***

Add challenges and strategies to overcome them as new steps, and go back and check that each of your strategies are realistic.

## **Timebound:**

The goal you set should be achieved within a specific timeframe. Without a deadline, you may procrastinate, or put off taking action, and never accomplish your goal. Establishing a timeframe for achieving your goal gives you a framework for accountability. Consider the steps you have to take, establish possible milestones, set some deadlines, and get started.

**A time-bound goal answers the question:**

***By when do you want to achieve this goal?***

## Action Planning

One of the first important steps in setting a goal is to put your goals in writing so you remember them and review them daily to remind you of what you want to achieve.

The best way to ensure that you achieve your goals is to create a time-based action plan, steps you can take to improve your chances of reaching your desired outcome. These bolster the strategies you name and can keep you on track. And, they help you to measure your progress.

### **When developing your action plan, consider:**

- What you're already doing.
- What actions you need to put into motion.
- Obstacles you might face and ways to overcome them.
- The support or help you'll need to move ahead (friends, family, etc.).
- The tools that can keep you focused on your journey.
- Success milestones: how much progress you've made, what you've learned, etc.

### **To create an action plan:**

- Write down everything you think you'll need to reach your goal.
- Study the list closely to determine what you might remove—steps that won't really move you forward.
- Order the steps with the ones you need to do right away at the top of the list.
- Give each step a time frame (i.e., week 1 of the job search).

For example, you might establish a SMART goal related to finding employment such as, “To grow in my career, I need to improve my PowerPoint skills. By taking online classes and reviewing tutorials, I'll improve my PowerPoint skills within six months and cut the time it takes me to make a presentation deck in half.”

### **You might identify the following broad action steps:**

- Watch PowerPoint tutorials.
- Enroll in an online class.
- Ask coworkers and my manager for PowerPoint tips.

To develop this into a formal action plan, you might develop the following, which identifies action steps, challenges, and potential solutions.

Each time you reach a milestone, ***reward yourself!*** Celebrate your accomplishments and how much closer you've come to achieving your goal.

ACTION STEP	DATE	CHALLENGE	STRATEGY
Find tutorials	12/7	Lots of tutorials but not all good	Bookmark 5 tutorials with good reviews
Watch tutorials	1/7	Have to watch tutorials on my own time	Schedule time on Saturday mornings
Find online class	1/14	Many classes charge a fee	Look for free classes on Udemy
Complete online class	3/30	Most classes are self-paced	Set up a calendar
Ask for tips	4/15	I don't like people to know that I need help	Ask Jenny for help I trust her

## Cost/Benefit Analysis

Often when we set goals, we think that being “disciplined” means experiencing no setbacks and making no adjustments. For example, if your goal is to work out five times per week and you only work out four, you may see this as a failure. This happens when we attach our self-esteem to the perfect accomplishment of the goal. Thus, when you experience the smallest failure, it can lead you to say, “I give up.”

An action plan is not rigid. It can change based on your needs, progress, and resources. So it's important to monitor your action steps frequently to determine if you need to add steps or adjust timelines. Sometimes, an immediate need or want can come up that conflicts with the action steps you've established to reach your SMART goal. Any time you're working an action plan, this is bound to happen—with personal, professional, or business goals—so remember

an action plan is about making progress, not perfection. Having a supportive community to discuss changes in your plans and goals can be healthy and affirming. Not only can others offer support and advice, but you will have others who can remind you that inevitable changes are not failure and encourage you to keep going.

When it comes to making business decisions, you'll learn how to perform a cost/benefit analysis to compare the financial costs of a particular project to its potential benefits. Business leaders use **cost/benefit analysis** to make decisions about whether to go forward if potential benefits outweigh the projected costs. For business, this kind of analysis can be relatively straightforward, identifying financial costs and the monetary value of associated benefits.

Although not all of the choices you are faced with as you work toward a goal will have financial implications, this concept can be applied to decision-making related to your SMART goals and the action steps you set up to achieve them. When you consider a choice that would impact the actions you need to take to reach your goal, you can think through the emotions and thoughts associated with the choice. Often, choices that set us back from achieving our goals provide a short-term, “feel-good” option. Just because something makes you feel good in the moment doesn't mean it's the wrong choice, even if it causes you to adjust your action steps...but it also doesn't mean that it's the best choice, either. Then think through the short-term and long-term costs and benefits of your options before you make your choice.

## For example

Thinking about financial planning, Cortez wants to plan to buy a used car. He decides to save money a little at a time, so he will have room in his budget for other necessities. Just last week, he established the SMART goal to save \$250 per week so he will have \$5,000 in five months.

Cortez has been reconnecting with old friends and would like to be able to have people over during the summer months to hang out outdoors and grill. His partner notices an ad for their local home improvement store featuring pre-season discounts on grills. If they buy a grill now, they can purchase it for \$388, when it's normally \$450. Cortez has a decision to make: Should he buy the grill using some of the money he has saved?

Faced with his choice, Cortez might think about how much enjoyment he would get from hosting people in his backyard and consider how much he and his partner value the opportunity to bring people together to share food and friendship. He might consider the amount of money he would save if he purchased the grill now rather than later. He might consider the amount of time he would need to add to his timeline before he has the money he needs to buy the used car. But if he chooses to make the purchase, he might also feel like a failure related to his goal if he spends the money he had planned to set aside and decrease his motivation to keep saving.

Of course, both options carry short-term and long-term costs and benefits. If Cortez chooses to spend the money on a new grill, in the short term, he benefits by feeling good and pleasing his partner, and in the long term, he continues to strengthen his relationships with friends. On the other hand, the short term cost is that he wouldn't have the money to put into savings that week and would have to dip into his savings, and in the long term, it will take longer to save for the purchase of a used car. In addition, setting aside his goal for the week makes it all the more easy to spend the money he had been planning to save in the future. If Cortez chooses to hold off on the purchase of the grill, in the short term, he will have \$250 to save and in the long term, he has reinforced his commitment to his goal. In terms of the costs of this choice, if he pays the normal price for the grill, he will have to spend more, and, in the long run, he may miss out on valuable time spent enjoying the company of family and friends.

As you can see from this simple example, making choices related to your goals can be complex—tied to emotions and thoughts you might not even be consciously aware of in the moment. It's important to slow down and consider your options when you are faced with a choice that might take you away from your goals. By considering short- and long-term costs and benefits associated with your options, you make the best decision for you at that time. When you're faced with larger decisions, talking through your choices with a trusted friend or mentor can be helpful, and ultimately, you have the power to make these choices for yourself.

<b>OPTION 1: Spend \$388 now on a new grill that is on sale</b>		
	<b>SHORT TERM/ IMMEDIATE</b>	<b>LONG TERM</b>
<b>BENEFITS</b>	Feels good. Pleases partner.	Strengthens relationships.
<b>COSTS</b>	No money saved this week. Have to withdraw from savings.	Takes two weeks longer to save for the car. May feel like a failure and lose motivation to save.
<b>OPTION 2: Defer the purchase until after the car savings goal is achieved</b>		
	<b>SHORT TERM/ IMMEDIATE</b>	<b>LONG TERM</b>
<b>BENEFITS</b>	Save \$250 dollars for the week.	Reinforces commitment to goal.
<b>COSTS</b>	Grill will cost \$62 more when it is not on sale.	May miss out on valuable time with friends and family.

## Tips for Setting Effective Goals

As you set goals, remember that **goals change**. As you take steps toward your goal, you may need to modify the end state you visualize for yourself or set new goals entirely. Goal setting is an ever evolving process. The changes you make to your goals will often happen when you encounter **obstacles**. Some you may have prepared for. Others will be unexpected. Remember that just because you hit an obstacle or experience failure along the way, you don't need to abandon your goal entirely. Establish ways to recover and regroup so you can get back on track! Seek **support** from others whom you can lean on along the way. Ask them for guidance, feedback, and suggestions so you can stay the course.

Setting and achieving goals is part of your plan for growth. To stay motivated, try to focus on what is working rather than what has failed. Build on the positive! And just as it's important to write down your goals and action steps, it's also important to document your success. Often, when we make incremental changes to move toward a goal, it's easy to lose sight of the changes we've made along the way. Give yourself the opportunity to appreciate how far you've come! Remember that the end results come from the effort you put into achieving your goals. Keep your vision in mind, but put your energy into each of the steps that move you along on your journey.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Chris, an EIT who is new to Defy, sets a goal that he wants to “learn Spanish.” How can he revise the goal to make it more *specific*?**

- A.** Learn Spanish within 18 months.
- B.** Practice speaking Spanish 30 minutes every day.
- C.** Ask a native speaker to rate his ability every six months.
- D.** Learn Spanish well enough to have an everyday conversation.

**2. Kwaku sets a goal to buy an apartment in a nice neighborhood. What is a **SMART** goal that would help him achieve his goal?**

- A.** Buy a two-bedroom condo in a professional neighborhood within five years.
- B.** Within five years, buy a nice condo in a good neighborhood by setting aside \$1,000 per month for a downpayment.
- C.** Set aside money every month to buy a nice condo for around \$500K.
- D.** Buy a nice condo by attending three real estate open houses every week.



**3. Cassie has an action plan to support her SMART goal to find employment within three months of starting a job search by reaching out to potential employers and network contacts a minimum of ten times per week. She is early in her job search and has a meeting set up with a mentor to review her resume. A niece, whom she hasn't seen since she came home reaches out and suggests getting together for lunch at the same time she is scheduled to meet with her mentor. Based on this chapter, what advice would you give Cassie?**

- A.** Consider short- and long-term costs and benefits associated with your options.
- B.** Remember that goals change.
- C.** Lofty goals can be overwhelming and difficult to achieve.
- D.** Experiencing failure along the way doesn't mean you need to abandon your goal.

**4. Stacey, an EIT who runs a catering business, establishes a SMART goal that she will get three new paying customers by asking existing customers to give her positive references on social media. What feedback about SMART goals would you give Stacey to help her improve her goal setting? Stacey's goal needs to be \_\_\_\_.**

- A.** Specific
- B.** Measurable
- C.** Actionable
- D.** Timebound



## Apply Key Concepts

What are three things on your top 10 to-do-in-my-lifetime list that you want to achieve, now, in the near future, or farther into the future?

1 .....

2 .....

3 .....

**What would motivate you to stay on track to accomplish what you want?**

.....  
.....  
.....  
.....  
.....

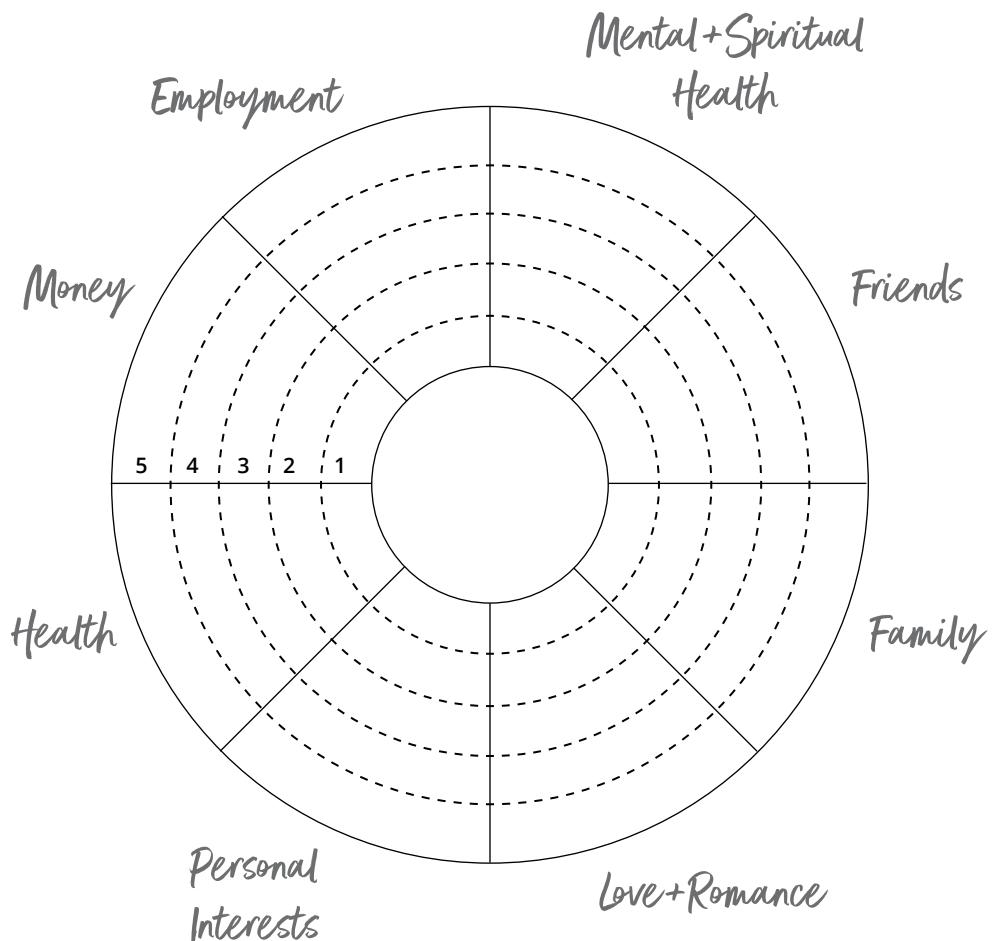
**How would goal setting help you plan for something you envision accomplishing over the next few months or further into the future?**

.....  
.....  
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.....



## The Goal Wheel

The first step of setting a successful goal is finding something that is personally meaningful—a goal you wish to dedicate your efforts to achieve. The Goal Wheel is a tool to help you identify areas of your life that you would like to improve. It can be helpful in identifying personal goals that you would like to work on.



## How satisfied are you with each of these areas in your life?

**Employment:** Work, career, business, skills, education, success.

**Mental+Spiritual Health:** Faith, mental health, personal journeys, beliefs, mindset, stress.

**Friends:** Friendships, social life, support system.

**Family:** Personal relationships with family members.

**Love+Romance:** Personal relationships with a romantic partner.

**Personal Interests:** Passion projects, hobbies, and fun activities.

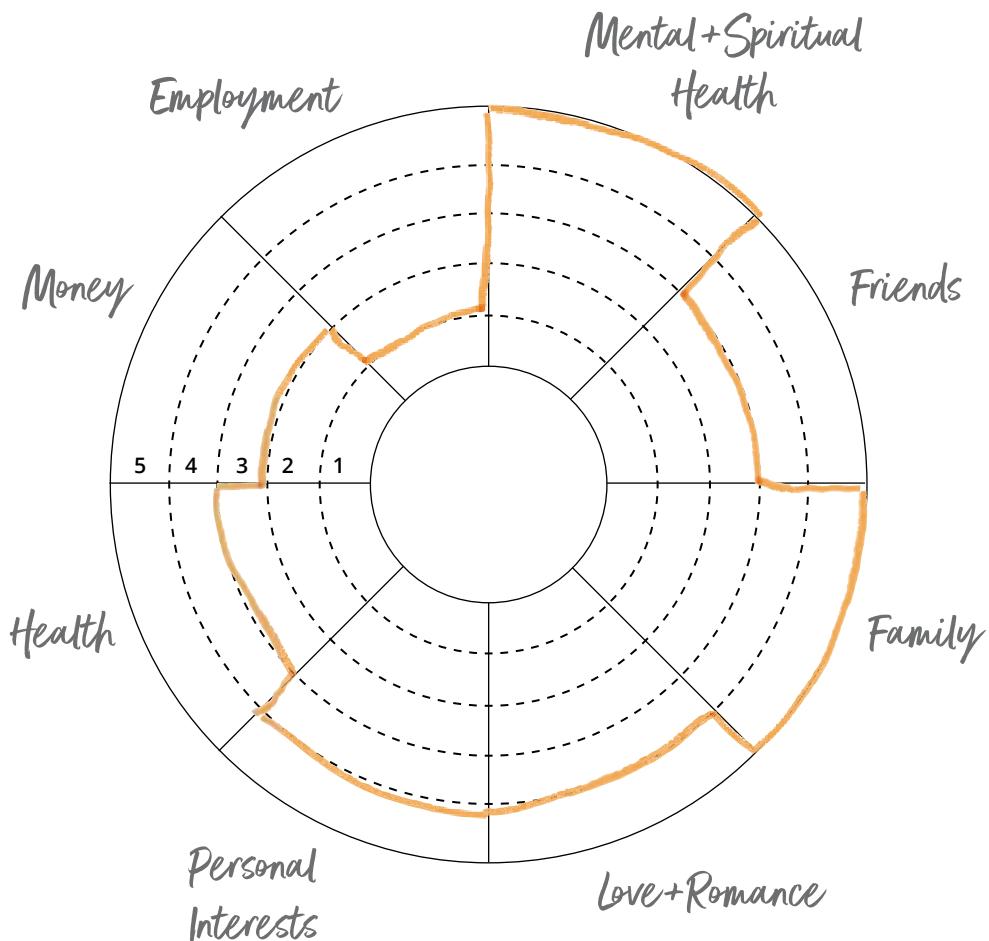
**Health:** Physical health and wellness.

**Money:** Cash flow, savings, ability to meet living expenses, ability to obtain personal desires (e.g., entertainment, travel).



**In the example below illustrates someone who would say that he or she is:**

- Not satisfied at all with employment
  - Super satisfied with spiritual and mental health
  - Satisfied with friends (but knows there is room for improvement—maybe some friends are holding him or her back or not supportive of his or her goals)
  - Super satisfied with family
  - Very satisfied with love and romance
  - Very satisfied with personal interests
  - Satisfied with health (again, there is room for improvement—maybe he or she wants to get in better shape)
  - A little satisfied with money (maybe this person is barely able to pay the bills)





## Personal Goal Wheel

Rate the areas of your life using the following scale. Use a marker to trace over the line that corresponds with the scale.

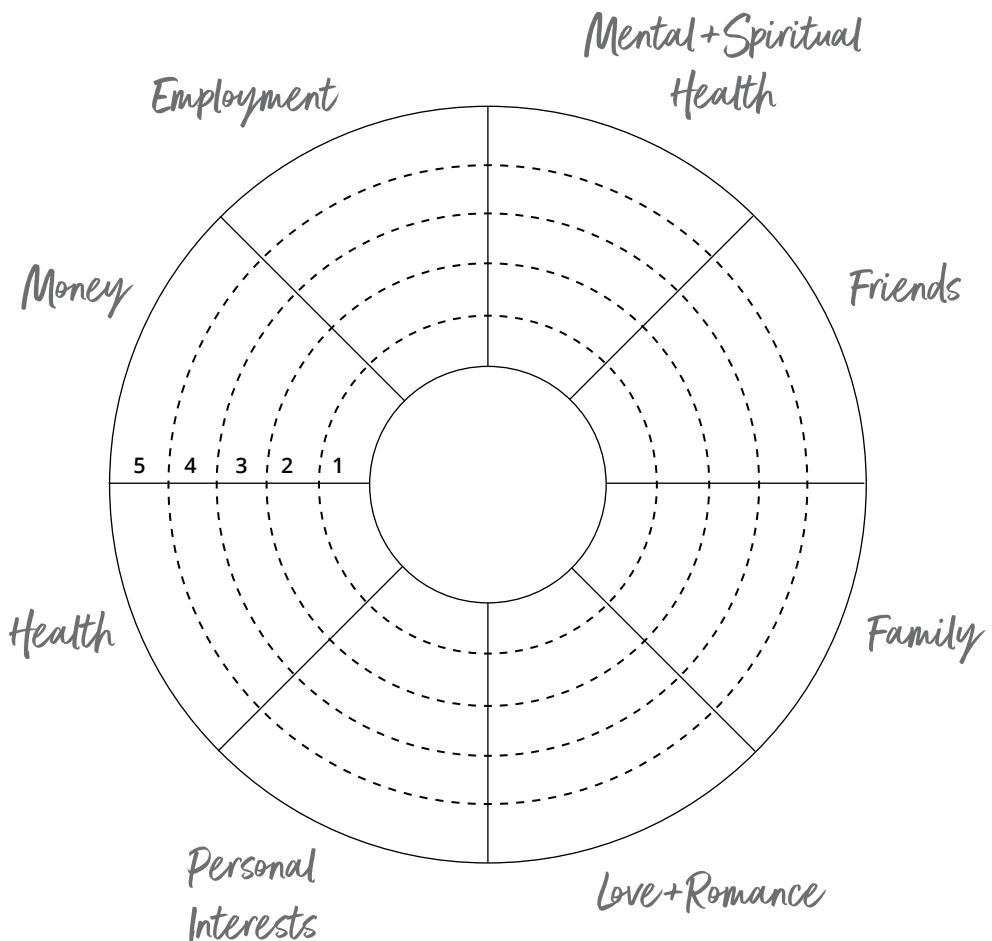
**5:** Super satisfied

**4:** Very satisfied

**3:** Satisfied

**2:** A little satisfied

**1:** Not satisfied at all





**Did the goal wheel reveal things about your life that you were not clear about? Explain.**

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**How might you use the goal wheel to make decisions about your future? Describe.**

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**Based on your goal wheel results, what are two to three areas of your life that you'd like to improve? Describe what you'd like to change for each:**

AREA OF LIFE	DESIRED CHANGE
Employment	Need to find a full-time job.



## Personal SMART Goal

<b>INITIAL GOAL:</b> <i>(Write the goal you have in mind)</i>
<b>SPECIFIC:</b> <i>(What do you want to accomplish? Why is this a goal?)</i>
<b>MEASURABLE:</b> <i>(How can you measure progress and know if you've successfully met your goal?)</i>
<b>ACTIONABLE:</b> <i>(How do you plan to achieve this goal?)</i>
<b>REALISTIC:</b> <i>(Will I be able to achieve this goal?)</i>
<b>TIMEBOUND:</b> <i>(When do I plan to achieve this goal?)</i>
<b>SMART GOAL:</b> <i>(Review what you have written, and craft a new goal statement based on what the answers to the questions above have revealed.)</i>



## Establishing an Action Plan

STEP ①	DATE	CHALLENGE	STRATEGY
STEP ②	DATE	CHALLENGE	STRATEGY
STEP ③	DATE	CHALLENGE	STRATEGY
STEP ④	DATE	CHALLENGE	STRATEGY
STEP ⑤	DATE	CHALLENGE	STRATEGY



**In your own words, why are SMART goals important?**

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**How can you apply SMART goals and action plans in your life right now?**

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## Cost/Benefit Analysis

Choose one of the steps from the SMART goal you developed in the last session and, based on the potential challenges you identified, identify two options that you might have to choose between.

1 .....

.....

2 .....

.....



OPTION 1:		
	SHORT TERM/ IMMEDIATE	LONG TERM
BENEFITS		
COSTS		
OPTION 2:		
	SHORT TERM/ IMMEDIATE	LONG TERM
BENEFITS		
COSTS		

### Example:

Directions: **Star** (\*) benefits that are important to you.

Place a **check mark** (✓) next to costs you'd like to avoid.

Benefits – Costs = Overall Benefit

The option that scores the highest is your **best choice**.

**Option 1:** \_\_\_\_\_ – \_\_\_\_\_ = \_\_\_\_\_

**Option 2:** \_\_\_\_\_ – \_\_\_\_\_ = \_\_\_\_\_

ASK

Investments to build a brand

**FUNDS SECURED**

- \$5,000 in grant funding has been secured through pitch competition in 2015.
- Approx. \$2,500 in startup costs necessary to hire an employee for six months.

**FINANCING NEEDED**

ASK: \$15,000



**“By failing to prepare,  
you are preparing to fail.”**

*—Benjamin Franklin*

# Time Management

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## Preview

### **After reading this chapter, you should be able to:**

- Prioritize your To Do list.
- Develop a time budget.
- Develop weekly and monthly plans for completing your tasks and SMART goal action plans.
- Identify the difference between working *on* and working *in* your business.





**T**ime management is the process of planning and exercising conscious control of time spent on specific activities to work smarter rather than harder. Time is limited. No matter how much you need to accomplish, there are only 24 hours in a day, so time is a limited resource. By learning to take control of your time, you can improve your ability to focus and accomplish more with less effort. Excellent time management allows you to create a realistic workflow and improve your

personal life by leaving you with time to do things that you enjoy. On the other hand, poor time management can increase your stress and cause you to miss deadlines.

It's important to spend time doing things that create the most value for yourself, your employer, or your business. Time management is about organizing tasks and budgeting the time necessary to complete them. To manage your time well, it's important not only to know what tasks you need to accomplish but also to prioritize them so you are working on the most important things first.

**The benefits of strong time management include:**

- Meeting deadlines on time.
- Providing better quality work.
- Improving productivity and efficiency.
- Decreasing stress.
- Improving work/life balance.
- Increasing opportunities for career advancement.

## Gather Tasks

The first step in any time management system is to **gather your tasks**. In order to organize them and manage your time, you need to know what it is you need to accomplish. When tasks, ideas, contacts, and messages come to you, gather them in established places where you can store them until you are ready to do something with them.

“Gathering places” where tasks and ideas about what you want to accomplish enter your work-

flow include your email inbox, voicemail, briefcase, or notebook. One key to successful task management is to limit the number of places where you gather task information. If you have multiple notebooks, for example, you are more likely to lose track of where you wrote down important information.

### Process Tasks

Let's say someone hands you a business card at a networking event. You tuck it into the notebook where you gather tasks and information and take it back to your office. Now you need to determine what to do with the business card. As a rule of thumb, if a task will take five minutes or less, *do it immediately*. If something will take between 5 and 15 minutes, *put it on your To Do list*. If something will take longer than 15 minutes, *schedule it on your calendar*.

In this case, you might decide that what you need to do is send an email thanking the person for his or her card and record the information in your contact list. After you record the contact information, you might simply throw the business card away. Other documents, such as tax forms or legal documents, will need to be filed.

When you take action will be determined by the amount of time you think each task will take. Writing a quick thank-you email will take less than five minutes, so you write the email immediately. Setting up a new contact will take you between 5 and 15 minutes, so you put this task on your To Do list. Your new contact responds to your email to suggest time to meet, which will take more than 15 minutes; you schedule a meeting on your calendar.

As you identify tasks for your To Do list, try to **batch tasks together** and schedule them into a block of time. For example, although writing one email might take only five minutes, if you have five emails to write, it is more efficient to block out half an hour on your calendar to respond to emails.

### Prioritize Tasks

Prioritizing your daily tasks is the key to successful time management. **Important** tasks are those which allow you to advance your goals—both professional and personal. **Urgent** tasks are those which demand immediate attention. Urgent tasks demand concentration and attention, as the consequences of not giving them your time are immediate.

Schedule tasks that are **important and urgent** first. Tasks that are important and urgent usually fall into two categories: tasks that you procrastinated on until they became urgent and those you could not have foreseen. If you have a lot of urgent and important tasks, identify which of them you could have foreseen. Think ahead to schedule similar tasks ahead of time, so they don't become unnecessarily urgent.

Next, prioritize tasks that are **important but not urgent** further out in the future. These are the tasks that help you achieve your goals and complete important work. Schedule plenty of time to work on these tasks, so they don't get backed up and become urgent.

Tasks that are **urgent but not important** are those that have the potential to prevent you from achieving your goals. These are tasks that you may want to reschedule or delegate. In some cases, these are tasks to which you may want to say “no.”

Finally, tasks that are **neither urgent nor important** are those that you should avoid taking up your time. These tasks are primarily distractions, so you may need to say “no.”

For example, you might have the following list of personal and professional tasks to accomplish during the week. If your primary goal is to find a job, you might prioritize your tasks like this:

URGENT		NOT URGENT
IMPORTANT		
NOT IMPORTANT		
	<b>Write cover letter for a listing found yesterday.</b> <b>Send emails to networking contacts.</b>	<b>Search job listings.</b> <b>Buy interview clothes.</b> <b>Exercise.</b>
	<b>Buy groceries.</b> <b>Pay overdue bills.</b>	<b>Sort through junk mail.</b> <b>Meet a friend for lunch.</b> <b>Watch television.</b>



## Capture Your Thoughts

Prioritizing and organizing your tasks can seem straightforward with a piece of information that someone else gives you, but what about information that comes from within—the ideas you have, plans you want to develop, and random thoughts that cross your mind?

These ideas should be gathered and organized into Upcoming To Dos just like external tasks. In fact, in many cases, it's even more important to do this with your own ideas. If you're distracted by a task you haven't externalized or an idea you don't want to forget, your mind is switching back and forth between what you're trying to accomplish and the thing you're thinking about. Instead of allowing your own ideas to distract your focus, write them down in a notebook or send yourself an email, ensuring that you get the idea out of your head and written down.

To do this, write down all of your ideas in one of your chosen gathering places, then organize them with the rest of your tasks.

### Create an Upcoming To Do List

There will always be more things on your To Do list than you can accomplish in any one day. An Upcoming To Do list gathers longer-term tasks or tasks that do not have a specific deadline into one place that you can organize into daily or weekly action steps. These tasks may also be ones that you have identified as important but not urgent or neither urgent nor important.

You can sort Upcoming To Do items by month and include sections for “undated” and “someday/maybe” items.



## Organize Weekly and Daily To Do Lists

The final goal of time management is, of course, getting things done. Make time each week to review your upcoming tasks and prioritize the actions you will take in the upcoming week.

**A daily or weekly worksheet allows you to balance your time against your To Do list. Your weekly To Do list should allow you to:**

- Identify priorities for your personal and professional goals.
- Plan the week in advance and map out time on your calendar to accomplish tasks.
- Look ahead at longer-term projects and map backwards toward deadlines.
- Do the work by ensuring it is clearly organized.
- Capture incoming To Dos and ideas.

Take location into account when you make your daily and weekly To Do lists as well. If you have a meeting that's across town, try to schedule other things that you need to do in that location at the same time. Take travel time into account, and don't schedule appointments back-to-back. Give yourself time to get from point A to point B. This transition time can allow you to accomplish some of your small tasks, such as responding to email or making phone calls. If your commute includes time spent on public transportation, you can use commute time to accomplish smaller tasks as well.

Color coding your schedule can be useful here, as it allows you to see immediately where each of your tasks will take place or what kind of task something is.



## Budget Your Time

Productivity is more about rhythm than perpetual motion. Rather than being busy all the time, it's best to find a work rhythm that works best for you and make that a routine. For example, perhaps you work best in three-hour blocks that allow you to concentrate. If so, budget your time that way, scheduling out three-hour blocks of time on your calendar with some open space—or unscheduled time—in between until your project is complete.

Use a calendar to record dates and blocks of work time for all sources—work, family, school—that generate events, tasks, and deadlines. Budget your time to eliminate the stress and frenzy that comes along with getting behind on tasks and missing deadlines. When conflicts or opportunities come up, when you budget your time, you can easily see what work needs to be reorganized. Being highly scheduled allows you to be flexible, while never losing sight of your priorities. As you budget your time, it's important to record personal items on your calendar, including things like when you want to exercise or eat dinner. Including personal items in your time budget allows you to block off time for the things you value and set boundaries around time for not working!

Think of your calendar like a jar that you want to fill with rocks, pebbles, and sand. If you pour the sand into the bottom of the jar, it will form a layer that you have to stack rocks on top of, and the rocks will overflow. However, if you put the rocks in first and then pour in the sand, the sand will flow into the spaces between rocks, allowing you to fit more into the available space.

This works the same way for your calendar. Schedule larger things that are time intensive first, then fill in spaces with smaller items, making sure to leave transition time between each item.

Use your long-term tasks and short-term tasks that you prioritized as important but not urgent or neither urgent nor important to create an Upcoming To Do list for the next three months.



## Barriers to Successful Time Management

### Multitasking

**Multitasking** is the practice of doing multiple things simultaneously, such as writing a letter while watching television or editing a document while carrying on a conversation. As technology allows people to complete more tasks at the same time, the myth that multitasking allows us to do more at a faster pace is only becoming more widespread.

When we try to do multiple things simultaneously, our brains are actually switch-tasking—switching rapidly back and forth between tasks—rather than multitasking, or processing multiple tasks seamlessly and efficiently. Rather than saving time, this start/stop/start process costs us time (even fractions of a second) and increases the likelihood of errors, which reduces overall efficiency.

Switching back and forth between tasks is also stressful, which can have a negative effect on your health and relationships. For example, the constant interruption and refocusing required by switching tasks can make you lash out in frustration.

To illustrate this, try the following two-part exercise. In the box for Exercise 1, write the sentence “Multitasking is worse than a lie” in the top space, then write out the numbers 1 through 27 (there are 27 letters in the sentence) in the space below. Before you start writing, start a timer or ask someone else to time you. Write as quickly as you can and stop the timer when you are done. Record the amount of time it took you.

#### EXERCISE 1

##### Multitasking is worse than a lie.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27

TIME:

Next, in the box for Exercise 2, write the same series of letters and numbers, but switch back and forth between the top space where you are writing out the sentence, “Multitasking is worse than a lie,” and the space below, where you are writing out the series of numbers. For example, you will write “M” in the top space, then switch to the space below to write “1.” Then you will write “U” in the upper space and “2” in the space below, and so on. Write the sentence and series of numbers, switching back and forth between letters and numbers as quickly as you can. Record the time it took you to do it this way and notice the difference.

**EXERCISE 2**

M u l

1 2 3

TIME:

For most people, switching back and forth between writing letters and numbers takes *much* more time. You’re also more likely to make mistakes and experience stress, even completing such a simple task. The same is true when you switch-task in your daily life. But switch-tasking is a voluntary interruption, which you can control.

By reducing the time spent switching from one task to another, you are able to increase your focus and productivity, increasing your potential for success and maintaining quality time to spend with loved ones.

**Lack of Boundaries**

To organize your time and energies to avoid multitasking, start by setting **boundaries** and creating balance in your life. Set work hours by choosing the times when you will start and stop work. You may think that you need to work hard and stay busy. However, establishing regular work hours forces you to be thoughtful about how you use your time. If you just get used to working long hours, you may never take the opportunity to increase your efficiency.

Once you establish working hours, let others know when you are unavailable so they learn to respect your time. This can be particularly challenging if you work from home, where others have free and informal access to you. You will need to find ways to put up barriers—physical or otherwise—that discourage others from interrupting you. If you have your own office, a closed door will work, but if not, try a screen or room divider. If you’re working at a communal space like a dining room table, put on headphones, preferably big visible ones. The idea is to make sure that others get the message: “Do Not Disturb.”

When you reach the end of your work day, it is important to stop working. If others know they can have your attention after your work day ends, they will be less likely to interrupt you. You may also need to allot buffer time between the end of work and the beginning of personal time. Doing something transitional for 30 minutes can help clear your mind and allow you to refocus your attention. Working out, going for a walk, or watching television are all ways to clear your mind and create a buffer between work and personal time.

You might also set boundaries around tasks that can be distracting. Email, for example, can eat up a lot of time, as most people constantly switch back and forth between working and checking email throughout the day. You might

block time on your calendar for low-level, yet distracting, tasks. For example, you might set aside an hour in the morning and another hour in the afternoon to respond to email and make phone calls. Of course, certain types of businesses may require more time than this. If you have a sales business, for example, you may need more time to answer email and follow up on inquiries. You can even record a voicemail message that sets expectations for your customers regarding when you make routine phone calls. For example, you might say “Hello, this is XYZ Company. Leave a message. I return all calls at 10:00 a.m. and 2:00 p.m.” This gives customers a specific time to expect a call. Customers are impressed when you establish specific expectations regarding when you’ll call back or answer their inquiries.

If you have clients whom you need to speak to on a regular basis, it’s better to set up recurring meeting schedules, rather than encouraging them to call whenever they choose. This also works well if you have employees whom you need to meet with once a week. Many people even use this method with family and friends, setting up “date nights” or “family nights.”

### **Distraction**

We all have ideas that may or may not have anything to do with our current priorities—ideas for new businesses, new things we’d like to implement, or new things to try out. We

can use up valuable time thinking about or even working on these little ideas, instead of focusing on the tasks we need to complete. Rather than just telling yourself “no,” you might create a “Someday/Maybe” list. This is a list of ideas and projects that you review periodically instead of putting them on your current to-do list or wasting time researching or thinking about them now.

### Procrastination

Getting things done might seem straightforward, but procrastination and our own emotions can get in the way. **Procrastination** is the act of delaying or postponing something. When you procrastinate, your mind is looking for ways to put off something you just don’t want to do. One way to deal with procrastination when tasks feel overwhelming is to focus on the first step. Instead of giving yourself the task of completing a large project, break your project into smaller steps and focus on the first step alone. For example, if you have a job in sales and your task is to “make sales calls,” record it on your weekly planning sheet as something simple and easy like “open the phone book.” Once you get started, the rest of the task will follow, but to avoid stressing yourself out before you’ve even gotten started, focus on the first small step and move from there.

### Over-Extending

For some people, saying “no” when someone asks them to do something is difficult, but

saying “yes” to everything others ask of you can quickly lead you to become over-extended. When evaluating whether or not to say “yes,” remember that every time you say “yes” to one thing, you are, in effect, saying “no” to something else. For example, if you say “yes” to selling your product at farmers’ markets on the weekend, you might be saying “no” to taking the time to explore other retail channels, spending time with family, or making more of your product to sell. It’s important to evaluate each opportunity in terms of the return on the investment of your time, whether it fits in with what you’re currently doing, and whether you have time available to complete it to a high standard.

If the task doesn’t meet all of these parameters you should consider saying “no.” Be honest with yourself and others about the time you realistically have available. If you don’t have the time, just say so. You could say, “I’m sorry, I can’t do it at this time.” If it’s a project you might want to work on in the future, suggest a time when you can reasonably take it on.

### Collaboration

Working with others—especially if they’re not organized or strong time managers—can be difficult. One of the things you’ll have to deal with as a business owner is working with others without allowing your own efficiency to be derailed. If you find that working with

others is difficult and feels like an unproductive waste of time, your collaboration may be suffering from a lack of leadership and/or lack of direction.

Establish clear goals and directions for everyone involved in a project. As a business owner, this task often falls to you. Make sure that you clearly delegate responsibilities so everyone knows what he or she is responsible for and when tasks need to be complete. Vague delegation of responsibilities causes collaborations to fail. This can lead to duplicative efforts, where more than one person thinks that he or she should be working on a task. Even worse, vague delegation of responsibility can lead to tasks not being completed if people think that someone else on the team is responsible.

Once project deadlines are established, let the people who are personally responsible for tasks handle their workflow. In other words, don't micromanage your team. You shouldn't need to follow up again unless the task is not completed by the established deadline. If someone misses a deadline, follow up the day after a task was due and ask the person about it. Set reminders for this kind of follow up on your calendar. Don't try to keep follow-up reminders in your memory.

Reminding people of their responsibilities can sometimes feel awkward, especially if

the person you're working with is a friend or family member. You don't have to be hard or rude about following up—a quick email or reminder should do the trick. When you follow up, establish a date on which the task will be completed and set a new deadline, then follow up on that as well if you need to. To establish realistic deadlines, it helps to have the person responsible for the task set the time frame for completion. If you ask, "What is a reasonable timeframe for you to get that to me?" rather than "I need this by X date," you're giving the other person time to assess his or her calendar and budget time appropriately. If others make commitments themselves and still don't come through, they can be held accountable for their own choices.

If you find that someone else isn't meeting deadlines, don't blame him or her, as this will only cause tension. Instead, ask what got in the way. Say something like, "All right, how can I help so that doesn't happen next time?" This allows you to support your team members and help them remove obstacles rather than take on the role of taskmaster: Together, you can come up with solutions that get the project completed on time.

## **Chaos**

Chaos is a leading cause of business failure, which is why time management is important to your success. However, it's important to

acknowledge that chaos and disorganization don't always come from inside the business. Sometimes your clients can introduce chaos and slow down your productivity. For example, some customers may use the idea that the customer is always right as a weapon, taking up a lot of your time with little return for your business. These people may demand that you do things their way, instead of conducting business in ways that are more efficient or effective for you. They want you to make exceptions for them, change your work hours, change your processes, or generally take up a disproportionate amount of your time.

Demanding customers like this can be a particularly big problem for new businesses. Because entrepreneurs are eager for work, you may do more for this type of customer to engage and retain a new client. You're actually losing money working with this type of customer because of the inefficiencies and the drain on time and energy that he or she creates. It's not that good customer service is unimportant, but some customers are not right for your particular business. Being able to tell the difference between your target customers and customers who pull you away from your model will help your business grow. You can also make positive connections with competitors by referring clients who aren't right for you to businesses that have more time available for client services or be a better fit overall.

Get to know who your most valuable customers are and make these the people you spend that extra time on. Your most valuable customers are the ones who bring the most profit to your business per transaction. They not only buy your products or services, but they become loyal customers who bring repeat business and new business your way.



## Make Time to Work ON Your Business

As a business owner, there are two types of work that you'll do: work *on* your business and work *in* your business. Knowing the difference can help you succeed.

**Work *on* your business** is anything you do to make money. Making a product to sell, selling, marketing, and prospecting are all examples of work that brings income into your business.

Work *on* your business includes things that can help your business in the long run. Developing systems to make the business run smoothly, articulating company values, engaging in strategic planning, designing the kind of customer experience you want your business to provide, or reflecting on the results of a marketing survey are all examples of work that facilitates future growth.

**To work on your business, set aside time to ask yourself questions such as:**

- *“How can we do this better?”*
- *“How can we increase profitability or revenue?”*
- *“What customers can we reach whom we’re not currently reaching?”*
- *“How can we increase customer loyalty?”*

Many business owners get stuck in the immediate moment. Making money, paying bills, and meeting payroll are all critically important, but if you don't do the work to set up business systems or establish your vision for the future, you'll always be stuck in “busy” mode. Instead, you might set aside time on a daily or weekly basis to do work on your business and set yourself up for long-term growth and success.

When you first launch your business, you may only schedule an hour or two to work on your business. Doing something small like watching an educational video online or implementing some of the time management tools in this chapter may be all you have time for. However, the more you work on your business, the more your company will grow. As it grows, you'll want to make time to think about things like your company's vision and culture. Planning for your business's future growth will be important as you add employees and expand your team.

## Keep Your Promises

One of the main secrets about business is that success is determined by your ability to follow through on your promises to customers, suppliers, and employees. You can be successful to the extent that you do what you say you will do. This is why time management is the foundation of business success; a successful time management system allows you to schedule your time, prioritize tasks appropriately, and manage others' expectations. If you always deliver on your promises—even when you think you have not produced your best work—you will grow in your business and as a person.





## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Michael goes to a networking event and gets business cards from seven new contacts. What should Michael do with them when he gets home?**

- A.** Take five minutes to send an acknowledgment message immediately, then add updating his contacts to his 'To Do' list.
- B.** Throw them away. Those people won't buy anything anyway.
- C.** Process the cards immediately. It will take less than five minutes to add each contact to his contact list, so get it out of the way now!
- D.** File the cards immediately. This is the only thing this task requires.

**2. Dana spends all day checking her emails and answering phone calls at work. At the end of the day, she finds that she doesn't have enough time left to complete the weekly reports that are due. How can Dana improve her productivity?**

- A.** Staying at work later to ensure she gets everything done.
- B.** Telling her boss she's overworked, so she is given less to do.
- C.** Scheduling her calendar to contain routine tasks to ensure adequate time for projects.
- D.** Just let things slide; no one expects her to get everything done anyway.



**3. Which of the following is an example of working “on” your business?**

- A.** Designing a logo.
- B.** Making phone calls.
- C.** Networking at a sales event.
- D.** Developing a branding plan.



## Apply Key Concepts

**Describe the things you do when you multitask. How often do you find yourself multitasking?**

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**Identify a time when you managed the tasks you needed to accomplish well. What did you do to manage your time?**

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**Identify a time when you didn't manage time well. What were the consequences of poor time management?**

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**In your own words, how would you describe the way you most often manage time now?**

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**What do you want to change the most about your current time management?**

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**What gathering places for tasks do you already use?**

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**What gathering places for tasks do you want to make part of your time management system?**

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## Planning Your Time Budget

**What are some personal items you want to include on your calendar?**

**What are some items you could batch together on your calendar?**

**On the following page, create a calendar that represents your ideal week.**

**Think about:**

- When would you ideally wake up?
- When would you ideally go to sleep?
- When are you ideally not working?
- When is your energy highest?
- When is your energy lowest?
- What things do you have to do each week at a certain time?
- What meetings or events occur regularly?
- When will you answer communication such as phone messages and email?
- What are some personal priorities for your week, such as exercise, gaming, or spending time with friends?
- What do you find yourself never getting done?
- What are some things you find yourself procrastinating?



### Plan Your Week

	SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
5:00 AM							
6:00 AM							
7:00 AM							
8:00 AM							
9:00 AM							
10:00 AM							
11:00 AM							
12:00 PM							
1:00 PM							
2:00 PM							
3:00 PM							
4:00 PM							
5:00 PM							
6:00 PM							
7:00 PM							
8:00 PM							
9:00 PM							
10:00 PM							
11:00 PM							

## Thought Catcher

Write down all of the ideas you have for things you might want to do or just don't want to forget.

IDEAS	
PERSONAL	
WORK	
BUSINESS IDEA	



## Brainstorm Tasks

Look back at the personal SMART goal you established in “Planning for Your Future” chapter. What tasks do you need to do in the short (one to two weeks) and long term (one to three months) to accomplish your goals? What additional tasks can you list? These may not be related to your goals.

PRIORITIES	
SHORT-TERM	LONG-TERM
<b>PRIORITIZE YOUR SHORT-TERM TASKS:</b> <i>Prioritize your short-term list of tasks based on their urgency and importance.</i>	
URGENT/ NOT IMPORTANT	
URGENT/ IMPORTANT	
NOT URGENT/ NOT IMPORTANT	
NOT URGENT/ IMPORTANT	

**Based on your Upcoming To Do list, identify your priorities and organize a week's worth of tasks.**

PRIORITIES	
MONDAY	
TUESDAY	
WEDNESDAY	
THURSDAY	
FRIDAY	



TIME BUDGET		
	CAN WAIT/UNDATED	SOMEDAY/MAYBE
MONTH:		
MONTH:		
MONTH:		

**Identify three to five high-value tasks that you will need to perform for your future business:**

1 .....

2 .....

3 .....

4 .....

5 .....

**Identify seven to ten low-value tasks that you will likely need to do in the early days of your startup, which could distract you from your high-value tasks.**

1 .....

2 .....

3 .....

4 .....

5 .....

6 .....



7 .....

8 .....

9 .....

10 .....

**What can you ask others to do that will help you succeed in managing your time effectively?**

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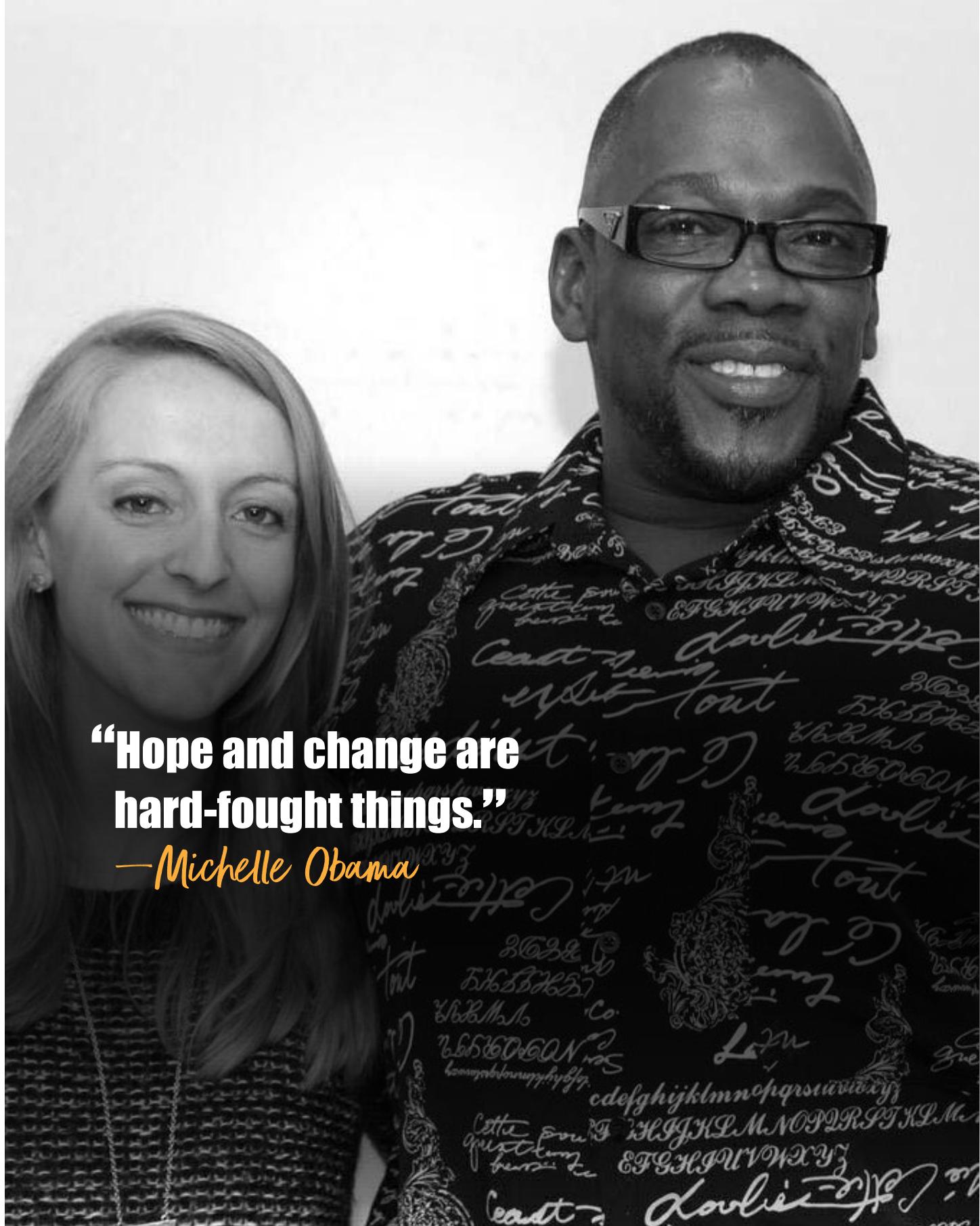
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# Case Study

**Barry Kellam**

Founder and CEO of System 3 Green Cleaners





**“Hope and change are  
hard-fought things.”**

—Michelle Obama

## Case Study: Barry Kellam

<b>Growing Up in the Game .....</b>	<b>108</b>
<b>Coming to Defy .....</b>	<b>109</b>
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**A**s an EIT, Barry often made himself available to talk with other EITs about their problems—with their studies in Defy or life’s other struggles. He strove to help EITs make sense of assignments, gave advice, and was there to offer moral support to his peers. Barry is one of many EITs who has helped make Defy an organization that supports you on your journey of transformation. This case study shares Barry’s story.

## **Growing Up in the Game**

Born in Cypress Hills, Brooklyn, Barry grew up when the neighborhood had the highest homicide rate in New York City. Barry never knew his father, and his mother hustled as a bookie, taking illegal bets to ensure the family’s survival. Barry was raised in this environment of fast money and large sums of cash, and, because his mother was illiterate, Barry got involved in the family business at an early age.

When Barry got older, he committed increasingly more serious crimes. Stationed in Hawaii after joining the Marines after high school, Barry noticed that military aircraft did not get searched and used military flights to smuggle drugs to the mainland. Eventually he was caught, court-marshaled, and kicked out of the Marine Corps. Returning to New York, Barry got involved with credit card fraud and drug sales. He was in and out of jail and had four felonies on his record by the time he came to Defy.

It was a conversation with his lawyer during his fourth trip to prison that spurred Barry to make a change in his life. When his lawyer jokingly thanked him for the Christmas presents, pointing out that the legal fees paid for his family’s nice gifts, Barry started thinking about his future. What was the real cost of the lifestyle that he had chosen? He made money in the short term, but did so at the risk of spending his life in and out of prison. It also meant he couldn’t be there for his family or count on long-term stability.

When he was released in 2007, changing his life was on Barry's mind, but he didn't know what to do about it. All of the good intentions and plans to change that he had made in prison were a lot harder to stick to once he got out. Working a minimum wage job wasn't satisfying when he was used to fast and easy money, and he was often tempted to return to his old way of life.

He was getting older, though, and he could see that people who lived their lives pursuing illegal endeavors had a hard time in their old age. They were often on welfare and living with extended family members. They had no financial support systems — no savings, 401K, or Social Security. That kind of future made him panic, and he knew he did not want to end up like that.

## Coming to Defy

After his fourth release from prison when Barry was looking for a job, a friend passed along information about Defy. Like many people, Barry was suspicious of Defy at first, thinking that it sounded too good to be true. But after attending his first events, his skepticism turned to excitement.

Barry was impressed by how much his loved ones were welcomed by Defy, and program events helped him feel as though other EITs and staff were like family themselves. That

connection and support made it possible for him to commit to his future and is what makes Barry such a strong supporter of Defy.

Barry worked in the prison hospice where terminally ill incarcerated men spent the last days of their lives. He had seen the hospice patients' pain when their loved ones were unable or unwilling to visit them before they passed away, and he knew they regretted the decisions and actions that put them behind bars. No matter what, Barry knew he didn't want to die in prison.

As Barry moved through Defy's entrepreneurship program, he developed a business plan for a carpet cleaning business, which he had dreamed of in prison. Through practice, he gained confidence pitching his business and says that Defy's Business Pitch events always made him feel awesome. When it came time to incorporate and launch his business, however, Barry was nervous; he had commitment issues.

Despite his positive experiences with Defy, there were times when Barry didn't believe he would make it through to graduation. He wasn't ready for the level of study and attention to detail the program required. Some of the friends he made in the program dropped out, and the temptation to give up and go back to the life he knew was strong. But Barry stuck with Defy.

Barry knows how difficult it can be for EITs to complete Defy's program because he has been there. But Barry encourages EITs to commit to the program. He says, "I believe in Defy and in each EIT's ability to succeed!" And his experience shows how important it is for EITs to support and encourage one another. Like Barry, you can support and encourage your friends and peers and help them continue in their transformation.

The fear of commitment is something Barry thinks is common among EITs, and when he talks with EITs, he stresses how important it is to push through. Finishing what you start and confronting your fears of the unknown will help you to commit to a free and legal future. You cannot create that future unless you commit to making different choices than the choices you have made in your past. Change can be difficult and scary, but it can transform your life in positive ways.

Defy helped Barry achieve the stable, rewarding life he longed for in prison and launch his carpet cleaning business. He credits Defy with giving him the knowledge, skills, and network necessary to get it up and running.

## Advice for EITs

Barry says that his integrity and self-respect have improved as a result of completing Defy's program and says he hadn't expected the emotional and spiritual growth he experienced. As a graduate, he takes pride in helping other EITs and refers to the support he gives as "feeding myself by feeding others."

Barry says, "Defy is a place where you can let go of the mask you are wearing and just be yourself. Be prepared to be vulnerable and to work hard to overcome your fear of commitment."





## Apply Key Concepts

**In your own words, why would you say that Barry is determined to help other EITs succeed?**

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**Identify one thing you have been meaning to do but have put off. Write about why you have put it off. What is holding you back from committing to this action?**

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**In your own words, why would you say that Barry thinks fear of commitment is the biggest obstacle to completing Defy's program?**

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**Fear of commitment often holds EITs back from incorporating their new businesses. Write a message to your future self. What do you want to tell yourself if you start to hold back from launching and incorporating your new business?**

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**What might you plan to do if you feel yourself holding back from starting your business?**

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**When you started the Bootcamp, did you share some of Barry's skepticism of Defy? If so, what, if anything, has begun to change your mind?**

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**Barry talks about the importance of being able to “let go of the mask and be yourself” in Defy. Describe the “masks” that you need to let go of to be yourself.**

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**What might you do to commit to supporting other EITs’ success in the Bootcamp?**

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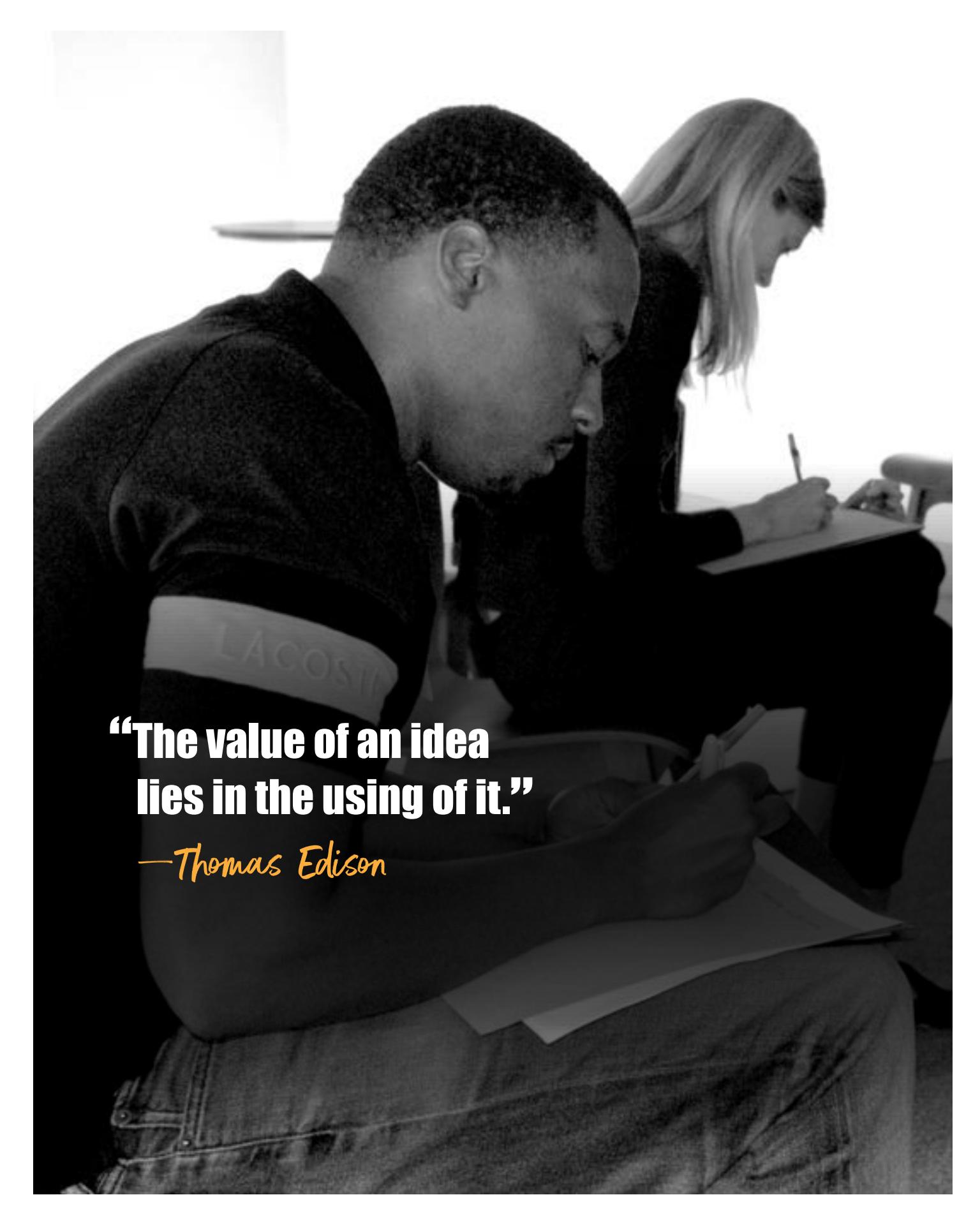
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**“The value of an idea  
lies in the using of it.”**

*—Thomas Edison*

# Introduction to Entrepreneurship with Defy

<b>Preview</b>	<b>116</b>
<b>The Path of Entrepreneurship</b>	<b>118</b>
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Preview

## **After reading this chapter, you should be able to:**

- Apply Defy's Do's and Don'ts as you begin the ideation process.





## The Path of Entrepreneurship

If you choose the path of entrepreneurship, it's important to remember that building a business is not something that will happen overnight. It takes effort and time. To bring your business idea to life, Defy will teach you to use a five step process. You can continue on the path to entrepreneurship if you choose to apply to join Defy's entrepreneurship programs, where you can launch and learn to scale your business. Each step along the way is

important, and taking the time to engage with each of them thoroughly and in sequence will help set you up for longer term success. If you do not choose the path of entrepreneurship, remember that what you learn within each of these steps will make you a more valuable employee. Employers value people who act as **intrapreneurs**, or employees who are able to brainstorm creative ideas, identify customer problems and needs, and understand the most important aspects of running a business.

The first step is **ideation**, in which you determine the type of business you want to build. Ideation is a term that means the “formation of ideas or concepts.” Business ideation is a type of brainstorming that allows an entrepreneur to generate multiple business ideas designed to solve customer problems. The second step is **validation**, in which you test whether the idea you have for your business is likely to succeed. This step will require you to interact with potential customers and gather feedback and make a sale. The third step is to **plan**. At this step, you set your business up for success when you launch by developing a mission statement, defining performance metrics, and making some strategic choices. The next step is to officially **launch** your business. At this step, you will begin to execute on your business idea and start to make sales. The final step, which not all EITs will do, is to **scale**, which includes not only opening or launching your business, but also growing it to become all that you want it to be.

**Ideation:** Some EITs may already have a business idea, but many of you may not even know where to start. Either is completely fine. More important than a business idea at this point is stepping onto the path of entrepreneurship knowing that you have the temperament and drive to succeed. In this step, you will have the opportunity to brainstorm and refine your ideas.

This chapter, “Introduction to Entrepreneurship with Defy,” will introduce a set of rules related to the types of business that Defy will support to guide your thinking. A chapter on “Identifying Customer Problems” will get your creative juices flowing to identify an idea that you’re passionate about and is likely to succeed. We’ll also share several examples of businesses that past EITs have launched successfully. A later chapter on “Customer Discovery” will introduce tools to help you identify your target customers and learn about their interests and needs. As important as the business idea is itself, the journey you take to identify it is equally important.

**Validation:** Once you feel confident about one or more business ideas, you’ll have the opportunity to validate them and test whether your ideas are feasible. You’ll answer the simple question, “Does it make sense to pursue this business?” Not every idea has the potential to generate the kind of transactions that will make a profit. We’ll provide best practices on how to go about doing this, spanning from talking to potential customers to creating a minimum viable product that you can test to get feedback. The main goal here is to listen, learn, and work on improving your idea. Part of this work will also involve doing research or collecting information on things like potential competitors, the industry your business is in, and much more so that you can get smarter about the space your business idea is in. It is

only worth spending time on planning key aspects of the business for launch and beyond after you validate your idea. In some cases, EITs go through this step and need to revisit the first step around ideation based on what they learn. That is completely normal and often encouraged to make sure the idea that you end up pursuing is the best one for you. You will learn valuable market research skills in later chapters.

**Planning:** Like any big project—personal or professional—planning is a crucial aspect of the process, which is why we emphasize goal setting early in the curriculum. In this third stage, you will develop a mission statement and learn about many of the key functions of the business such as marketing, sales, accounting, and finance.

**Launch:** At this stage, you should have settled on the products or services that make up your business offering and have a clear understanding of your business model. You will incorporate and establish a bank account, because at this step you should be making steady sales. Defy considers an EIT’s business launched when you are making \$500 in revenue per month.

**Scaling:** The final step, scaling, is where you bring your business to life. After all of the hard work of generating ideas, validating

them, and planning for success, you will start to make transactions and grow your business. Sometimes when people think about scaling a business, they think about opening multiple locations or scaling a business across multiple states, but the easiest way to scale your business is simply to hire other people. Once you hire another person to perform the core work of the business with or for you, you will start to scale. You can scale in a single location or across multiple locations. For example, an EIT who starts a mobile barbershop might launch the business as a single person cutting hair. That EIT will start to scale when another barber comes into the business to cut hair and serve more clients. This business can scale within a single location. It could also scale across multiple locations if the EIT chooses to open another mobile shop or expand into a larger space. When you think about scale, you don't need to identify a business idea that can grow into a multi-site, multi-million dollar enterprise, nor do you *need* to scale your business to be successful. But to be an entrepreneur, you should focus on a business idea that *could* grow beyond your own labor and talents. Remember that you cannot scale one person. At Defy, we encourage you to think about business ideas that can scale beyond yourself as a lone founder or freelancer. This does not mean that you *have* to scale your business, but that you develop a business model that has the potential to grow beyond yourself.

EITs who pursue the path of entrepreneurship will launch and scale their businesses following the conclusion of the Entrepreneurship Bootcamp,, but in an upcoming chapter, “Finding Your Purpose,” we will challenge you to think about how you can apply your Defy training to impact others positively and solve the problems you see around you every day.

It's time to begin your entrepreneurial journey!

## Developing a Business Idea

**Ideation** is a term that means the “formation of ideas or concepts.” Business ideation is a type of brainstorming that allows an entrepreneur to generate multiple business ideas designed to solve customer problems.

In upcoming chapters, you will take the step of generating a business idea. The process of ideation is valuable *even if you already have a business idea or you're unsure about whether or not you want to pursue entrepreneurship*. You'll size up an existing idea to determine whether it is compatible with the types of businesses Defy supports. You'll also see how simple and straightforward it is to identify problems that exist in the marketplace and formulate potential solutions.

Although the process of identifying customer problems and potential solutions may be

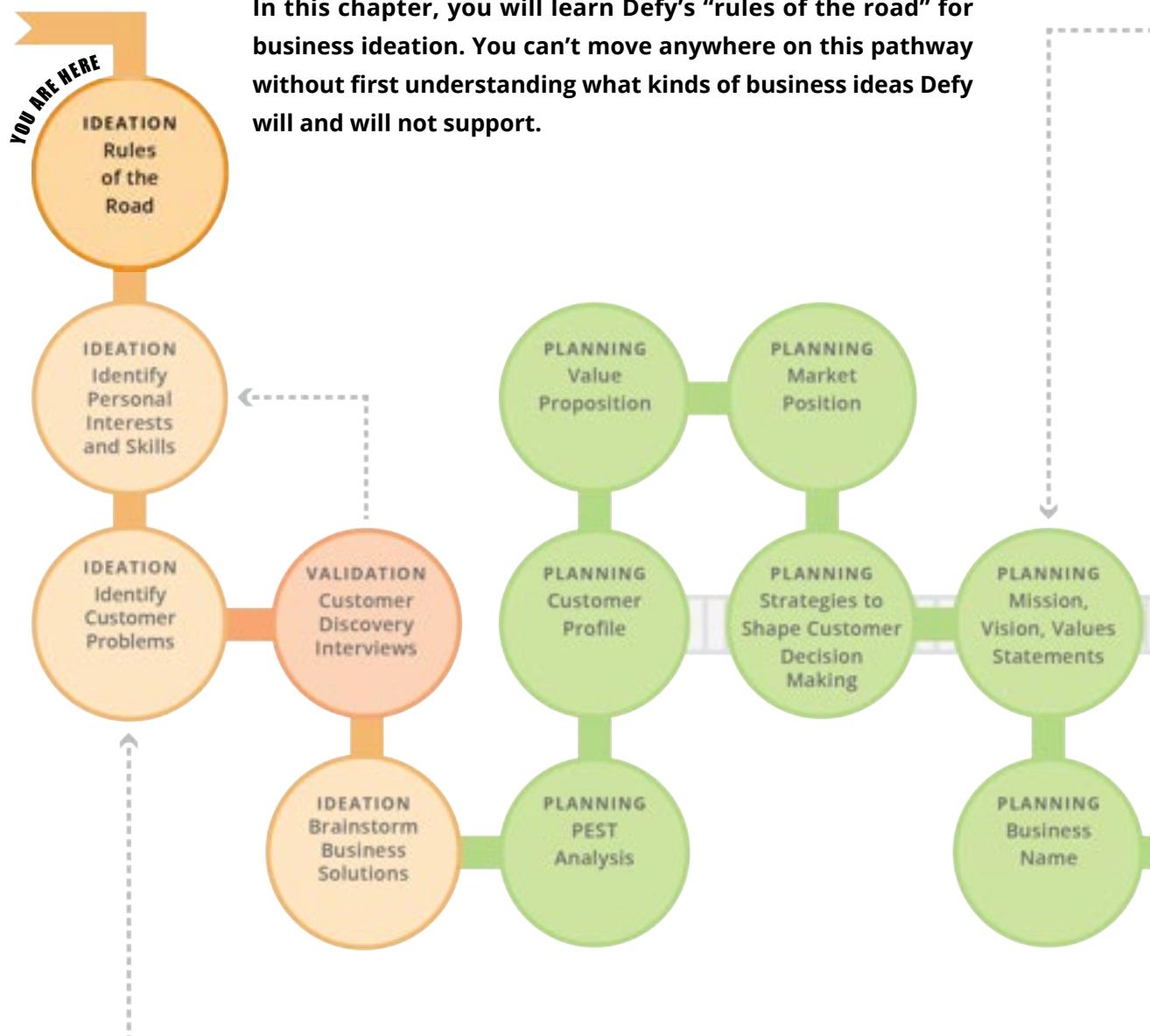
simple and straightforward, the path of entrepreneurship is anything but! At Defy, we visualize the entrepreneurial pathway as a long and winding one rather than a simple, linear path, as you can see from the graphic on the following pages. Think of this pathway like the childhood game, “Chutes and Ladders.” As you weave your way along the path, there are several points that might send you backward to rethink your business idea or revise your plans. That’s not a sign that you’ve done something wrong. It’s a sign that you are an entrepreneur! There are also points along the pathway that allow you to build on previous work to climb higher than you ever could have without successfully navigating the lower rungs of the ladder.

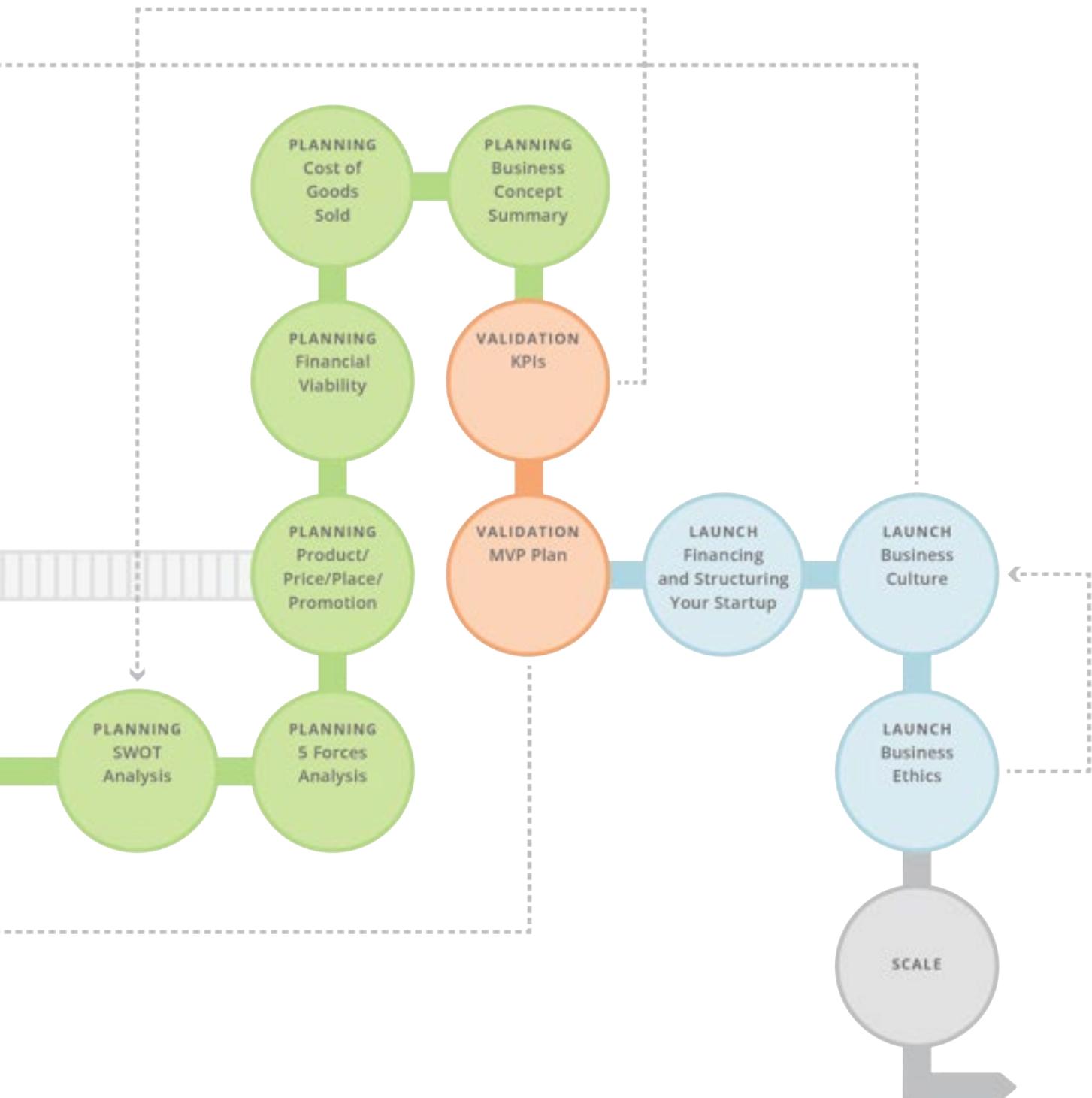
While the ideation process is vital for entrepreneurs, this skill is equally useful in the workplace as well as in your personal life. As an employee, when you look around for problems to solve, you are acting as an **intrapreneur**, helping to improve the workplace, and increasing your value to your employer. In your personal life, when you look for problems that you can solve, you are improving your life and the lives of those in your family and community. Ideation in any of these contexts requires empathy and considering others’ needs, which can strengthen your bonds with others.

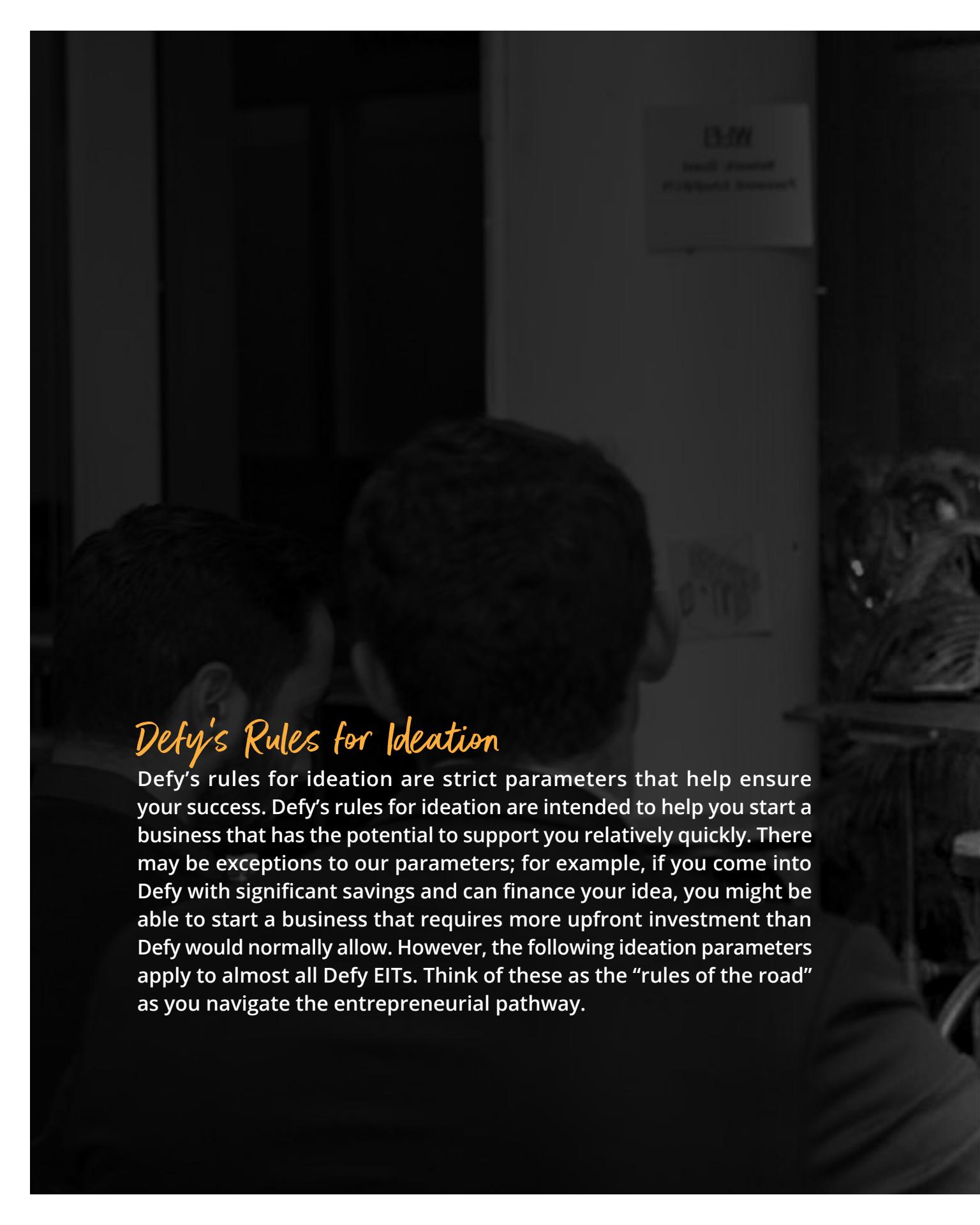
Ultimately, going through the ideation process will allow you to generate multiple ideas that focus on customer problems, help you clarify and evaluate your ideas, and motivate you to try entrepreneurship by launching a small business.

Even if you are focused exclusively on gaining employment, the ideation process—which culminates in a Business Pitch Showcase—will prepare you to be a stronger and better employee and potentially earn promotions. You will gain valuable business skills, including how to apply critical thinking to customer problems and strategic opportunities and how to market a business. Take the simple example of a waiter who understands entrepreneurship. If he views his tables as his market, he can promote menu items based on an awareness of pricing. By viewing customers strategically, he has the potential to make better tips.

## Entrepreneurship Pathway Outline







## Defy's Rules for Ideation

Defy's rules for ideation are strict parameters that help ensure your success. Defy's rules for ideation are intended to help you start a business that has the potential to support you relatively quickly. There may be exceptions to our parameters; for example, if you come into Defy with significant savings and can finance your idea, you might be able to start a business that requires more upfront investment than Defy would normally allow. However, the following ideation parameters apply to almost all Defy EITs. Think of these as the "rules of the road" as you navigate the entrepreneurial pathway.



## EITs' Businesses Must



Have the potential to become **cash flow positive within three months** of launch. At Defy, we define your business launch from the time you begin selling your product or service. After your launch, you should begin generating revenue quickly and begin to make more money than you have to spend to establish the business. Your business should put legal money into your pocket now, not a year from now. Most EITs don't have the luxury of waiting for an income, and we want you to have the necessary financial support to be successful in reentry.



Businesses that have the potential to become cash flow positive **serve customers with a demonstrated need**. This is why we emphasize the importance of customer discovery within the business development framework to elicit customer support even before launching. If you can go to potential customers and say, "If I started this business, would you be interested in buying this product or service from me at this price point?" you can develop powerful evidence that your business can become cash flow positive.



*"As a result of the "cash flow positive" requirement, I set aside my original idea—for now—and pivoted to my current idea. I originally wanted to start an internet-based music production and distribution business. (Music is one of my life-long passions.)*

*While the idea is still viable down the road, it is not a good fit for Defy because, by my own estimation, it would take about 9 months to a year to become cash flow positive. It did, however, meet all the other criteria. :-) I am now the CEO and Founder of Dream Assist, a tutoring and exam prep service that serves Community College students who are the first in their families to attend college. I draw on my skills and background, do something I enjoy, and am cash flow positive almost from the start."*

—John N., EIT Graduate



Require **no more than \$20,000 of startup funding**: We know that many EITs do not have large cash reserves to invest before they can make their first sale, so we emphasize focusing on startup ideas that won't take much money to get going. Many businesses can be launched with minimal startup funding. When you think about startup funding, consider any **equipment and supplies** you will need to make your first sale. For example, a startup that sells soy candles would need to invest in wax, fragrance, wicks, candle containers, labels, and packaging materials—supplies—as well as a wax melting pot, scale, and thermometer—equipment. Some businesses require additional investment in transportation equipment. For example, a landscaping company would most likely need a truck to move large equipment from place to place.



It is because we emphasize minimal necessary startup funding that Defy does not support businesses which require a storefront or large inventories. This rule is meant to support you and help you develop a business idea that won't necessarily require outside funding. Even if you have the credit to take out a loan, financing a new business with significant debt is risky, and seeking venture capital funding is both time consuming and uncertain. In addition, **venture capital**, also known as equity funding, requires you to exchange a certain percentage of your ownership stake for the investment. The businesses Defy supports generally have more simple models that EITs can get off the ground quickly and efficiently.



Has the potential to grow into a full-time business with **sufficient income to sustain you**:

It is not a requirement, but, optimally, your business idea should be **scalable**—you should be able to start small and scale to grow larger, which will give you a greater chance of winning in the Business PitchShowcase. Ultimately, if you are able to develop a team of employees, you won't have to do all of the work yourself. When you think about a business that has sufficient income to sustain you, think about the potential of your business idea to become profitable. Some businesses have low profit margins that will only allow you to scrape by, even if you're working exceptionally hard. If you have to invest \$20 worth of supplies to make a \$25 sale, you will not be making much money for your efforts. On the other hand, if you invest \$5 worth of supplies to make a \$25 sale, you will be making much more money on every transaction. Look for business ideas that are likely to generate higher profit margins; these are the kinds of businesses that Defy encourages.



Be built on **experience or skills that you already have**: We want you to be able to develop a business that will be cash flow positive within three months. Practically, this means that you should not start a business that would require you to learn complicated new skills (including hiring others to provide complicated skill sets that you don't have knowledge or experience with) or earn a license that you don't already possess. You will need to have sufficient baseline knowledge to create and manage the business.



Be a **for-profit** enterprise: Many EITs think about starting a nonprofit organization because they want to give back or contribute to solving deeply rooted community problems. This is a noble idea, and we encourage you to develop a business that will demonstrate social responsibility and have a philanthropic component. However, starting a nonprofit is even

more complex than starting a for-profit business, as there are legal requirements and a lengthy process for filing as a 501c3 corporation, or a tax-exempt nonprofit. In addition, funding for nonprofits is often uncertain. Your goal in developing a business idea is to create a stable source of income for yourself and others. We encourage you to use your business not just to make money for yourself, but also as an instrument of light and hope in your community. As an alternative to a nonprofit, you might consider developing a corporate social responsibility component for your business, which you will learn more about in “Identifying Customer Problems.” Be a role model and demonstrate service to others within your business model.

## EITs' Businesses Must Not

 Conflict with your **criminal history**: Based on your criminal history, there may be limitations—legal and/or perceptual barriers—on the type of business you can start. For example, if you had a sexual offense, you would be legally barred from starting a babysitting service. Or, if you have a history of home burglaries, a business that requires you to enter customer's homes regularly, such as a home cleaning business wouldn't resonate well with your story even if you aren't legally barred from it. Investors would say, “I know you've changed, but you may be unable to get business insurance and attract customers.” Avoid business ideas that would create doubt with potential customers or investors.

 Require a **storefront or other brick-and-mortar location for the launch**: Storefront locations require up front costs that can be prohibitive. For example, Defy generally would not support an EIT whose business idea is to open a restaurant because a storefront location would require an expensive multi-year lease, and the startup capital required would be considerably more than \$20,000. This doesn't mean that Defy wouldn't support this idea at all, but we would encourage EITs to start small by opening a catering company. In this example, an EIT would be able to rent space in a commercial kitchen to get the catering service going. As business grows, opening a restaurant may later become an option.

 Require **high inventory**: If a business requires a significant up-front investment in inventory, Defy would not support it because an EIT would be on the hook for products or supplies that he or she cannot be certain will sell. This kind of “sunk cost” is a risky investment.



*“In Defy, I learned about establishing a Minimum Viable Product (MVP). My idea of starting a clothing line with five products was not feasible because it would require a large inventory of sizes and colors and would have cost me 15 times more money to launch! That helped me scale back to an MVP that could later support my five products, when the MVP was cash flow positive.”*

—Kathy H., EIT Graduate



Rely exclusively on **gig work** obtained through another business's platform or service:

Gig work is a form of employment, where you go to work based on an existing business's terms, and gig workers have very little opportunity to negotiate those terms. Consider how companies that connect gig workers and customers restrict workers from contacting clients outside of their platforms and take a percentage of what gig workers earn as their cut. If gig workers do not accept those terms, they cannot take the gig. While gig work can be a great way to find jobs and get paid, it is not about creating a new opportunity to solve a customer problem or establish an independent business model. It is worth noting, that in some cases, gig work can provide an entry point into certain businesses. However, gig work should not be your long-term business plan.



Promote **illegal activity**: It goes without saying that we expect you to steer clear of illegal activity. Beyond that, however, we encourage you to avoid environments that might be *perceived* as conducive to illegal activity. Separate your personal and business brands from criminality as much as possible.



Use **sex, or sexuality, to sell products or services**: Any business related to the sex industry will be ineligible for support from Defy. For example, if you had a web-based business that did metrics tracking, but 90% of your revenue came from porn sites, you would not qualify for our support. Using sexuality to sell products is exploitative of people—usually women—and goes against our policies.



Have **alcohol or drugs (even legal drugs) as the primary product**: If alcohol or cannabis is a primary product of your business, Defy will not support it because alcohol and drug abuse is a negative factor in many of our EITs' personal stories. Defy would never support opening a bar, for example, because it both requires a storefront and serves alcohol as the primary

product. Although cannabis and cannabis products are growing increasingly legal across the states, it is important to acknowledge that cannabis is still illegal at the federal level. Even when or if cannabis is federally legalized, licensing fees and startup costs for cannabis businesses are wildly cost-prohibitive.

In the case of the expanding marijuana industry, this prohibition does *not* mean that EITs are unable to start “cannabis-adjacent” businesses providing services such as installing grow lights or hydroponics units, creating marketing materials, or providing business operations support.



Have requirements (e.g., licensing) that are **unobtainable to you due to your criminal history**: There are some sectors, such as finance, health care, and education in which people with criminal histories are barred from obtaining necessary licenses or certifications, no matter how much you have transformed. Keep in mind that rules may be different across the states and rules change based on new legislation and advocacy within the reentry community. Even if you are currently barred from holding a particular license, this could change in the future. For example, in California, it used to be that people with felony criminal histories were barred from holding many different types of professional licenses, but new legislation makes it much more difficult to *deny* a license based on past felony convictions. You may not need to dismiss an idea entirely if it’s not possible today. However, it’s important to remain realistic as you develop your business idea and the SMART goals and action plans that will make your idea a reality.



Require a **patent, copyright, or trademark**: The purpose of Defy is to help you create a business that will earn a steady income, so we will not encourage EITs to focus on businesses that require legal processes in order to start them. This protects EITs from uncontrollable delays. Of course, you can pursue intellectual property protection, but we don’t want this to be a barrier to launching your new business.



## The Dos

- Become cash flow positive within three months of launch.
- Serve customers with a demonstrated need.
- Minimal necessary startup funding for equipment and supplies.
- Scalable full-time business with sufficient income to sustain you.
- Be built on experience or skills you already have.
- Be a for-profit enterprise.

## The Don'ts

- Conflict with your criminal history.
- Require a storefront or other brick-and-mortar location for the launch.
- Require high inventory.
- Rely exclusively on gig work.
- Promote illegal activity.
- Use sex, or sexuality, to sell products or services.
- Have alcohol or drugs (even legal drugs) as the primary product.
- Have requirements unobtainable due to your criminal history.
- Require a patent, copyright, or trademark.

## Case Study of a Defy Entrepreneur



Quan Huynh was arrested multiple times as a gang member and served 22 years in correctional facilities—both juvenile detention and prison. Following his last conviction, Quan served 16.5 years for murder. In prison, Quan received certification as an Addiction Specialist from Palos Verde College and was selected the first ever Peace Fellow for continuing his work with the Alternatives to Violence Project in the community after his release. While at California State Prison, Solano, Quan enrolled in the first-ever Defy cohort in 2015. He paroled before completing the program and completed Defy's program after his release.

As an EIT, Quan placed 3<sup>rd</sup> and 2<sup>nd</sup> in his post-release Business Pitch Showcase. Within six months of his release, Quan launched Jade Janitors, Inc., focusing on cleaning for restaurants and commercial office spaces, with approximately \$1,800 in startup investment. With a mission to provide “a personalized and professional service that cleans away all your issues” and a commitment to building business relationships, listening to customer needs, and providing consistent service, Jade Janitors grew quickly. In his first year in business, Quan was able to land seven customers and hire five part-time employees, earning \$70K in total revenue.

From the beginning, Quan made the decision to hire people with criminal histories. He wants to provide opportunities for people who have been impacted by incarceration and knows the kind of work ethic and motivation that people who have served time bring to the workplace. As an employer, he's looking for workers who are motivated problem solvers—people who will do their work regardless of whether someone is watching rather than perform the bare minimum. People who have completed training certificate programs while they are in prison demonstrate their motivation, because, as Quan points out, *“You don't have to get any certificates in prison.”* Quan also looks for people who will figure out how to get the job done when they are confronted with a challenge, the kind of person who will say, “I don't know how to do that, but I'll figure it out.” Quan says, *“Within five minutes, I know if someone will be a good fit.”*

By 2019, the business's annual revenue had grown to \$150K. Quan's SMART goal for 2020 was to increase the business's revenue to \$225K by establishing one new commercial account each quarter. But then the 2020 pandemic hit, and in just four weeks, Jade Janitors lost about 70% of its projected annual revenue due to cancelled contracts. Quan applied for a Paycheck Protection Program (PPP) loan through the Small Business Association (SBA), but was denied because he was on

active parole. He had to lay off four of his employees, all of whom had criminal histories themselves. The SBA's denial of loans to people with criminal histories earned immediate national attention, with one Congressional Representative writing that, "[t]he employees of the formerly incarcerated are just as entitled to remaining on payroll as other Americans." Defy Ventures joined the ACLU to sue the SBA, which resulted in the removal of the loan restriction against people with criminal histories and extending the deadline for applications. Because of the change, Quan was able to receive a PPP loan and hire back two of his employees who wanted to return to work and six new employees, expanding into a team of eleven.

With so many commercial cleaning contracts canceled at the start of the pandemic, Quan knew he needed to change his customer acquisition strategy. He tried to figure out, "what's the customer problem and how do we solve it?" The answer to this question led him to formalize a partnership with MarkedSafe, a supplier of cleaning products that provides certification for food-safe, hospital grade disinfecting services effective against the coronavirus. As a certified cleaner, MarkedSafe subcontracted work for Din Tai Fung, a high-end chain of Taiwanese restaurants on the West coast, to Jade Janitors, which allowed Quan to expand operations from Southern

California into Northern California, Oregon, and Washington. In all locations, Quan also plans to expand Jade Janitors' marketing to sanitize homes before being turned over to new owners. This is a new market segment for the business. He projected that the business will start cleaning up to 100 houses per region, increasing to 400 houses per region within two years.

In addition to running his business, Quan is pursuing a Bachelor's in Business Administration from California State University, serves as Defy's Executive Director for Southern California, and has written a book, *Sparrow in the Razor Wire: Finding Freedom from Within While Serving a Life Sentence*, dedicated to all of the people currently serving long-term sentences in prison. For every book sold during the first week of publication, Quan has arranged for the publisher to donate one book to a currently incarcerated EIT.

As Quan's story shows, Defy's guidelines for ideation provide you with ample opportunity to start a business with minimal investment that will allow you to make a positive difference in the world. And the skills you learn through Entrepreneurship Bootcamp will give you the skills to be resilient and pivot to new opportunities no matter what circumstances arise.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Defy encourages businesses that \_\_\_\_.**

- A.** Require no more than \$50,000 of startup funding
- B.** Become cash flow positive within six months of operations
- C.** Have the potential for high profit margins
- D.** Need philanthropic support to succeed

**2. Defy discourages businesses with \_\_\_\_\_. Choose all that apply.**

- A.** Low inventory
- B.** High inventory
- C.** No storefront
- D.** A storefront

**3. Defy will only support business which \_\_\_\_.**

- A.** Supply products that “sell themselves” like alcohol
- B.** Create unique products that are often protected by patent or copyright
- C.** Pass the newspaper test and do not play into stereotypes about criminal histories
- D.** Operate in an environment where illegal activity is common or accepted



**4. Which business ideas will definitely not be supported by Defy?**

**Choose all that apply.**

- A.** Carima, who served time for murder, plans to start a house cleaning service.
- B.** Richard plans to develop a job placement website for people with criminal histories which may be profitable in a year.
- C.** Jason, who served time for burglary, plans to start a local moving service.
- D.** Nick plans to develop cannabis gift baskets in a state where the purchase and sale of marijuana is legal.

**5. Katrina wants to start a catering business. As part of her business model, she plans, personally, to share the story of her incarceration to inspire her clients. Given Defy's ideation guidelines, which of the following pieces of advice would you share with her?**

- A.** Catering sounds expensive. How can you reduce your startup investment?
- B.** This business idea doesn't seem scalable since it relies on your story.
- C.** It sounds morally questionable to share your personal story.
- D.** You can increase profit in a catering business by serving beer and wine.



## Apply Key Concepts

What does it mean to you that entrepreneurship is a means to take control of your own destiny? What barriers to employment or other opportunities might be closed to you because of your criminal history?

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Was there anything in Defy's ideation guidelines that might limit or reshape your ideas for a future business? If so, what limit(s) did you discover? How might you address those limits?

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**“I am not what happened to me.  
I am what I choose to become.”**

*—Carl Jung*

## The Entrepreneurial Journey

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## Preview

### **After reading this chapter, you should be able to:**

- Define what it means to be an entrepreneur.
- Understand the difference between entrepreneurship and freelancing.
- Understand the connection between resilience and the development of a growth mindset.
- Identify factors that contribute to entrepreneurial success.
- Understand the inevitability of fear and ambiguity on the entrepreneurial journey.
- Identify your own tolerance for ambiguity and the implications of that tolerance level.
- Understand the importance of sharing your experiences with others on the entrepreneurial journey.
- Understand the four step process for building a business.





**E**ntrepreneurship is the capacity and willingness to develop, organize and manage a business along with any of its risks to make a profit. An entrepreneur, then, is an *intelligent risk taker* who starts and runs his or her own business. The purpose of entrepreneurship is to sell a product or service to make a profit, which is the amount of money left over after all of the business's expenses have been paid. This emphasis on profit ensures that once you bring in money, you have enough left over to operate and expand your business.

## Entrepreneur or Freelancer

When you recognize a customer need, there are two options for building a business to address it. You might become a **freelancer**, a person who gets paid when he or she works. If you are a freelancer, you are ultimately selling your time. As a freelancer, you get paid when you work. If you want to expand your business, you can build on your reputation to market yourself and increase demand. But to take on more work, you have to sell more of your time, and an individual's time is limited. As a consequence, you might schedule work into time that you need for sleep, relaxation, and personal relationships. Additionally, selling more of your time means that you have less time to generate new business. You might find that you no longer have time to work *on* the business, rather than *in* the business. When freelancers "hit a wall," it is often because they hire themselves to complete all of their work. They "hit a wall" when they have no more time to devote to working in their business and they hit the limit of what they can do on their own.

The words **freelancer** and **gig worker** are terms that are often used interchangeably, but there are important differences between the two kinds of work. The opportunities for gig work are numerous, including driving, cleaning, dog walking, shopping, delivery, and handy work. Both freelancers and gig workers are considered independent contractors by the federal government, as they are hired on a short-term basis to complete specific tasks. Both freelancers and gig workers have the same kind of flexibility regarding when and how frequently to work. However, freelancers perform work in a one-person business, while gig workers are more

like flexible workers within someone else's existing business.

For example, consider two different workers who perform dog walking services. A dog walker who works for the pet care service, Rover, logs into a ready-made online platform or app to respond to dog owners requesting services. The dog walker did not develop the digital platform. The dog walker is not responsible for advertising to attract new customers. The dog walker is not responsible for pet injuries or property damage. The dog walker and client must agree not to contract work outside of the app. Instead, the digital platform is owned and maintained by Rover; Rover is responsible for customer acquisition; and Rover extends a safety guarantee covering veterinary care and property damage to ensure customer satisfaction.

Next, imagine an EIT who wants to start a dog walking business as a freelancer, or solo-preneur. This EIT will be responsible for client acquisition, advertising to promote the business, customer satisfaction, and relationship management. This EIT would have the ability to set the terms of work and develop the business as he or she sees fit.

Alternately, you might find opportunities to assign tasks to others. Once you have that mindset, you are thinking like an entrepre-

neur. An **entrepreneur** builds a business that is larger than one person, scaling the idea for a product or service to rely on others' labor and serve more customers. Entrepreneurs develop systems and hire others to perform the work without their direct involvement. An entrepreneur creates value for more customers than an individual freelancer can provide.

**To assess whether your business is scalable, ask yourself the following questions:**

- *Could the business provide 10 times the amount of products or services without you personally working by 10 times more?*
- *Assuming you had capable employees, could the business still run if you stepped away from it for an extended period of time?*
- *After you build the business, could you sell it to someone else, and, assuming this person is competent, could he or she be successful without you there?*

If the answer to any of these questions is "no," a business is not scalable.

More often than not, freelancing is an essential step on the entrepreneurial journey. As a freelancer, you can develop skills and ideas and test them in the marketplace. You can learn how to identify customers, talk with them, and get them to pay you for your product or service.

For example, Mark Zuckerberg, the founder of Facebook, essentially launched the social networking site as a freelancer, working by himself to create an online platform for students at his university to communicate among themselves. At this point, however, as the CEO of Facebook, Mark Zuckerberg's role is to establish a business model and hire senior leaders, who, in turn, hire people to build and maintain the social network. That way, Facebook scales its business to serve millions of people.

When deciding whether freelancing or entrepreneurship is right for you, ask yourself, *“If I take myself out of the day-to-day operation, does the business still work?”* If the answer to this question is yes, you could build the business up as an entrepreneur. Even if you don't plan to hire others or sell your business, if you *could*, your idea is an entrepreneurial one. If, however, your business idea is about yourself or your craft, no one else would be able to do the work. A business idea that relies on the unique talents of one individual cannot scale beyond that person. If the business cannot scale beyond an individual, that individual is a freelancer, not an entrepreneur.

Many businesses that begin as freelance ideas can be expanded, and Defy's curriculum and coaching will help you identify opportunities for scale. You might think of someone who launches a business as a freelancer as a “solo-preneur.” This is someone who has an entrepreneurial idea but who is working alone, or solo, at the beginning. For example, an EIT might come up with a business idea based on his or her artistic talent. If the idea is for the EIT to paint custom portraits as a solo artist, he or she would be a freelancer. Defy would coach this EIT to think about how to make the idea scalable. The EIT could think about building a business that hires other artists who will also create portraits matching or complementing a certain style and serve more clients. You might ultimately decide to develop a freelance idea as your business with no plans for growing beyond yourself, and that's okay. Regardless of your plans for scale, in Defy, you will learn how to develop an idea, research the market, and sell your product or service.

ENTREPRENEUR	FREELANCER	GIG WORKER
<b>Establishes a business model</b>	<b>Establishes a business model</b>	<b>Works within an existing business model</b>
<b>Delegates tasks to other workers</b>	<b>Works independently</b>	<b>Works independently</b>
<b>Negotiates the terms of work (contracts)</b>	<b>Negotiates the terms of work (contracts)</b>	<b>Does not negotiate the terms of work (contracts)</b>
<b>Responsible for advertising</b>	<b>Responsible for advertising</b>	<b>May be unable to negotiate rate of pay</b>
<b>Responsible for customer acquisition</b>	<b>Responsible for customer acquisition</b>	<b>Not responsible for advertising</b>
		<b>Not responsible for customer acquisition</b>

## Resilience and Leadership

Becoming an entrepreneur requires resilience and leadership—both self-leadership and leadership of others. **Resilience** is the ability to withstand life’s challenges and keep going in the face of obstacles. Resilience is closely related to the development of a growth mindset. A growth mindset allows you to embrace challenge; put in the effort to meet your goals; keep going, even when you face setbacks and have to learn new skills; learn from critical feedback; and seek out support from mentors and others who are on the same journey. Developing resilience is important in all areas of life. From reentry to relationships, employment, household management, personal finances, and entrepreneurship, life is filled with challenges that resilience will allow you to learn from and move on. Although failure is likely at various points, it does not mean that you are a failure.

Similarly, developing **leadership** skills is critical to success as an entrepreneur. Self-leadership gives you the ability to understand and utilize your talents and skills, establish thinking habits that allow you to manage your thoughts and emotions, and develop time management skills that help you set priorities and reach your goals. When you launch a business, you will be called upon for another type of leadership as you build a team. Business leaders are able to see problems and drive forward with effective solutions by leveraging the strengths and talents of a team.

You will develop **practical skills** throughout Entrepreneurship Bootcamp. As an entrepreneur, when you build your resume and personal statement, you will be creating tools to introduce yourself to potential investors; when you learn business etiquette, you will be thinking about how to present yourself as an entrepreneur; and when you complete the entrepreneurship strand of the curriculum, you will learn how to build a business from an idea into a reality.

The personal development strand of Entrepreneurship Bootcamp allows you to engage in **radical self-inquiry**, by reflecting deeply on patterns of belief and action and identifying those things that have held you back in the past. This kind of inquiry exposes self-deceptions and self-imposed limits and can strengthen your ability to relate to others and manage a team.

**Shared experiences** are created by talking with others about what you're learning and what you're attempting to do. Talking with other people creates important opportunities to share and expand your understanding through hearing what other people are thinking. The work of entrepreneurship is hard, and you will need help. But you can't get help, or partners, or investors, or even feedback unless you tell others about your ideas and your progress. Too often, entrepreneurs think that they have to guard their business ideas closely so others don't steal their ideas. In the startup community, closely guarding a business idea is referred to as "stealth mode." But the consensus among investors is that trying to operate in stealth mode is a common mistake that strangles startups, because the hardest part of entrepreneurship isn't coming up with a business idea. The hardest part—the highest value part—is putting in the work, showing up every day, and persevering through challenges. The hardest part is actually executing your idea. You cannot build a business on a secret. You *can* build a stronger business by building a community of support with other Defy EITs. If another EIT has a similar idea, remember—competition makes you stronger! Embrace competing ideas and learn from them.

**As you begin your entrepreneurial journey with Defy, keep the following equation for success in mind:**



## Facing Fear

As an entrepreneur, you will almost certainly experience fear. You might have a voice of doubt and fear in the back of your mind that says, “You have no idea what you’re doing. This is going to fail. You will never amount to anything.” You might fear that voice will be proven right. But everyone who pursues entrepreneurship has that fear. Entrepreneurship involves taking risks, and risk makes us feel vulnerable. The fear that comes from that vulnerability is probably the reason why *everyone* isn’t an entrepreneur! The fact that most people who talk about starting businesses are too afraid to take the risk is what can allow you to become an entrepreneur. The way you respond to it is the difference between being resilient and giving up. You can learn to face your fears rather than run away or be paralyzed by them.

As an EIT, you might be afraid that you’re not worthy to succeed because of past mistakes or be afraid of not living up to your own or others’ expectations. You might be afraid of disappointing the people who believe in you and your business. Sometimes, disappointing people who believe in you is the cost of being the boss, and you might be afraid that you won’t be able to stand that pressure. You might fear losing everything if the business fails or reverting back to criminal behavior to make faster money.

The fear of humiliation is another common fear. Too often, we allow who we *are* to become dependent upon our achievements—what we *do*. Because we live in a society that places such a high value on achievement and success, we start to think that our only value comes from what we do in our lives, rather than who we are. But it's dangerous to merge our sense of self with what we're trying to do, because it binds us to humiliation and shame when we try something new and fail.

*"We are not always humiliated by failing at things. We are humiliated only if we first invest our pride and sense of worth in a given achievement, and then do not reach it."*

—Alain de Botton, Philosopher and Author

When you experience fear, the most primitive part of the human brain, the amygdala, is programmed with a “fight, flight, or freeze” response. Because our brains are hardwired to protect our safety, humans’ primary response to fear is to freeze. Fear can be paralyzing. In prehistoric times, a primary threat in the environment came from animal predators, and the amygdala evolved to trigger actions that would ensure survival in the face of potential threats. However, the modern threats that ignite our fears are rarely threats of imminent physical harm. Faced with threats such as rejection or humiliation, we often “freeze” by withdrawing, saying, “I won’t even bother”

or becoming mired in indecision. But if we make no attempt, we cannot create value in our lives. As Defy EITs, you have already taken a step by saying, “I’m going to try.” Think of all the times in your life when you didn’t take a step toward something you desired, just so you wouldn’t experience the humiliation that comes with failure. As a Defy EIT, you’ve shown that there’s a spark in you that allows you to connect with your inherent worth regardless of your present circumstances. That is a great source of resilience and leadership.

The next time you experience fear, try to stay with it. Instead of running away or hiding, turn around and face the fear. Consider where it comes from and why it is there. When we examine our fears, we begin to disarm them. Then you can take steps to work against it. These steps may be as basic as choosing to make a phone call or finish a conversation. Once you have acted against your fear, it begins to lose its power. You might also consider “dancing” with your fears by finding opportunities to practice taking small risks. For example, the first time you ask a potential customer to try your product or service, it’s likely to feel extremely scary. But over time, you learn how to interact with strangers and realize that the fear isn’t going to harm you. Then you can take on a new level of risk.

Sometimes, people attempt to cope with fear by starting multiple projects instead of just

one. But if you try to launch multiple projects rather than commit to one, you are not playing it safe. Instead, you are hiding from risk and avoiding commitment. If you're ready to run to the next project, you're not likely to invest your energy in your business idea, and the customer will know it. You might listen to a customer share a problem and wonder if this is the right problem to solve. The customer will know you're not committed. As an entrepreneur, you learn to look customers in the eye, make them a promise, and offer them a transaction, despite your fear. You have to be prepared to say "I made this. I understand it may not be for you, but I will be able to sell it to another person instead."

*"We're afraid all the time of what the future will bring. We're afraid we'll lose our jobs, our possessions, people around us whom we love. You may have nothing, but there's something you're afraid you will lose. It might even be self-respect or dignity. We wait and we hope for a magical moment, always sometime in the future when everything will be as we want it to be. We forget that life is available only in the present world. This is it. This is all we have."*

—Thich Nhat Hanh, Peace Activist

## Dealing with Uncertainty

Because people fear failure, they also tend to dislike **ambiguity**. When something is ambiguous, it is uncertain, inexact, or open to more than one interpretation. Your **tolerance of ambiguity** is the degree to which you are comfortable with uncertainty, unpredictability, competing answers, conflicting directions, and multiple demands. People with a high tolerance for ambiguity tend to see multiple perspectives, ask more questions, and defer decision making. Instead of identifying quick solutions, people with a high tolerance for ambiguity prefer to keep things open and consider a range of options. By contrast, people with a lower tolerance for ambiguity tend to seek closure and make extensive plans in order to avoid risk. While this preference for decisiveness and planning can be appealing, it can lead to "satisficing," or jumping at the first adequate solution that presents itself rather than postponing judgment and considering a wider range of options.

It's important to be aware of your own tolerance for ambiguity because almost everything about launching a new business involves ambiguity. As you deal with the ambiguity that comes with entrepreneurship, it's important to develop the mindset that although you might not know what's going to happen next, you have the ability to flex and adapt your plans. One way to think about this kind of

uncertainty is to think about riding a bicycle. If you wanted to ride a bicycle from one point to another, you couldn't plan for when to pedal and when to brake. That will depend on what's happening on the road. That's how you run a business. You presume that you can get to your destination—your goal—but you've got to be careful and read the road to ensure safe arrival.

Think of a business plan as a chance to be curious and inventive rather than approach it as a document that's written in stone. In his book, *Getting to Plan B*, Randy Komisar suggests that early on, a business plan is not as critical to success as many people think. He writes, “If you start a business with a five-year plan before you have a product, before you have an employee, before you have a customer, before you have a dollar of revenue, that plan is likely wrong. It’s wrong because it’s a best guess.” A business plan is a thesis—a theory that outlines a business’s mission and goals, and the strategy by which you believe you can achieve those goals. As an entrepreneur, you constantly test your thesis, engaging with the market to figure out the best way forward. Your reality will differ from your plan, but that doesn’t mean you give up on your end goal. This does not mean that a business plan isn’t valuable. It shows that an entrepreneur has thought through potential challenges and roadblocks and developed solutions for how they might be overcome. Even if some parts

of your business plan fail, you can learn from those failures and develop new solutions and begin to identify problems you hadn’t previously identified.

In fact, successful entrepreneurs *never* execute precisely according to their business plans. Jerry Colonna, a venture capitalist and executive coach, acknowledges that over nearly 20 years of investing, not a single company that he supported executed precisely according to its business plan. He acknowledges, “As an investor, I can’t tell you the number of entrepreneurs I’ve backed whose first projects failed, but who I ended up making money with on their second projects. As an investor, what you’re really backing are *people*, not business plans.” Investors back entrepreneurs whose character and preparation make them likely to remain flexible in the face of uncertainty, are confident, self-aware, respectful, open to feedback, and willing to learn from failure.



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## To assess an entrepreneur's character and preparation, Randy Komisar asks intentionally tough questions, including:

- If you fail, why will you fail?
- What are you doing to make sure those things don't happen?
- How can someone else help you to make sure those things don't happen?
- How would you hire and fire people?
- How do you evaluate other people's work?
- Who are the mentors in your life?
- What have you learned from them?

## Learning from Failure

One of the myths of business is that failure is not an option. That mindset creates rigidity in the face of uncertainty that is a sure recipe for failure. Actually, failure is not only an option, it is likely. It's a kind of delusion to believe there will be no more mistakes or losses in your life. But even if your business fails, it doesn't mean you are a failure.

In reality, great successes seldom come without some experience of failure, and learning from failure is an important aspect of developing a growth mindset. Learning from failure allows you to “fail forward” in order to succeed by acknowledging mistakes and learning what you can do differently in the future, then putting them behind you and moving on.

Failure doesn't need to break any of us. At Defy, we encourage you to think about what you can do *when* you fail, not *if* you fail. When you take risks, even when you fail, you can learn and face failure without being defeated. When you make a mistake, try to think of it as an opportunity to “do over.” The do over is not an excuse to drop the goal. Instead, it's a reason to stop berating yourself because you didn't achieve the goal. The goal is important, but the guilt and shame that can become associated with failure are useless.

Sometimes, when people experience shame following failure, they lash out and blame others. Perhaps in the past you may have experienced someone who tried to shame you for making a mistake. That fear of shame can be a powerful motivator to avoid failure. Other times, people might refuse to acknowledge failure to avoid the paralysis of shame. Perhaps you may have internalized the idea that your value is based on what you've achieved and hiding from failure helps protect your self-esteem. But if you adopt a victim mentality and see your own failure as someone else's responsibility or you bury your head in the sand and refuse to look at it, you will be unable to learn from it. Remember, you will have setbacks in business (and in life), but a setback is not a failure unless you stop trying. You only fail when you stop.



## Lonely Journey

Entrepreneurship is often referred to as a lonely journey, which can produce stress, worry, and isolation. Entrepreneurship can be lonely because it will challenge you to step out on your own and take a risk that others may not understand. This is a hard step to take. It requires having faith in yourself and your product or service, even when others may not see your vision or encourage you to take a more established path. Entrepreneurship requires hard work and, no matter how much effort you put into launching your business, you're likely to face a lot of rejection, which can make you question your abilities. As the leader, you may have to make hard decisions and the burden of those decisions will be yours alone. Other times, your decisions may be unpopular, and employees and supporters may question your judgment. Ultimately, entrepreneurship requires you to break out of established patterns and start something new. That willingness to become an intelligent risk taker can be lonely because what most people crave is stability, and you are choosing a path of uncertainty.

Getting in touch with how we feel in a given moment—and sharing it with others—can be incredibly liberating because we drop our social masks and connect with our real feelings. Just being real can help us become brave enough to face our fears and become more resilient, so

remember the importance of connecting with other entrepreneurs in the Defy community. Share what you're going through and ask other EITs for their ideas and wisdom. As a Defy EIT, you are part of a valuable network of people with shared experience. As you develop your business idea and try to differentiate your product or service from others in the marketplace, it's easy to see other entrepreneurs as competition. But Defy EITs and volunteers are not your competition. They are a source of encouragement, acceptance, and support that can make you stronger and more successful. You can support each other by being open and honest about your struggles and successes and giving each other your feedback and insights. Consider how liberating it can be to be around people who are willing to share their vulnerability and uncertainty. It's humanizing. These are people who make others feel they can open up and talk to them, who make it possible to talk about mistakes and learn from them. The same will be true when your business grows to include other employees. As an employer, the best way to succeed is to attract great people. If you're real with them, then great people are more likely to say, "Yes, I'll take a risk on you. I'll be there with you. If we fail, we fail together." You're not in this alone, so don't let fear or self-reliance stop you from reaching out and talking to others who understand what you're going through.

## Resources

### **Mullins, John and Komisar, Randy, *Getting to Plan B: Breaking through to a Better Business Model*:**

In this book, the authors emphasize that launching a successful business requires entrepreneurs to face uncertainty. Many successful businesses don't look much like the founders' original plans, and the authors highlight studies showing that entrepreneurs who stick too closely to those plans rather than adapt are more likely to fail.

### **Dweck, Carol, *Mindset: The New Psychology of Success: How We Can Learn to Fulfill Our Potential*:**

Written by a Stanford psychologist, this book popularized the focus on fixed and growth mindsets. Dweck has expanded her original work to include the idea of "false growth mindset" and argues that with the right mindset, you can motivate yourself and others and transform lives.





## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. The best entrepreneurs are \_\_\_\_.**

- A.** Inventors
- B.** Problem solvers
- C.** Original thinkers
- D.** Celebrities

**2. If you have a business idea, you should \_\_\_\_.**

- A.** Tell others about it so you can get feedback
- B.** Get a patent or trademark so nobody will steal it
- C.** Consult an attorney to get legal representation
- D.** Keep it secret so nobody finds out about it

**3. EITs can best earn trust from customers by \_\_\_\_.**

- A.** Networking with successful people who vouch for them
- B.** Turning quick deals to establish earning potential
- C.** Offering significant value for the money to prove credibility
- D.** Offering a lot of different products and services



**4. A freelancer is someone who \_\_\_\_.**

- A.** Builds something bigger than herself
- B.** Gets paid when he works
- C.** Hires other people to do the work the business requires
- D.** Is unable to grow the business

**5. The ideation process allows you to \_\_\_\_.**

- A.** Generate multiple ideas that focus on customer problems
- B.** Tell the story of your criminal history to potential employers
- C.** Clarify and receive feedback on your ideas
- D.** Motivate others to try your new product or service

**6. Entrepreneurship is a good option for people with criminal histories because \_\_\_\_.**

- A.** You can create opportunities for yourself and others
- B.** Entrepreneurs always pass the newspaper test
- C.** There is high demand for services from people with criminal histories
- D.** New businesses never require high levels of inventory



**7. There is a strong correlation between having a \_\_\_ and happiness.**

- A.** Lot of money
- B.** Great character
- C.** Party every night
- D.** Strong sense of purpose



## Apply Key Concepts

Did anything surprise you about this chapter's description of the entrepreneurial journey? If so, what surprised you?

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In your own words, how would you describe the difference between an entrepreneur and a freelancer?

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In your own words, why would you say it's important to share your experience of entrepreneurship with others who can understand? What do you think about that? Why?

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## Tolerance for Ambiguity Scale

**Developed by Budner (1962)**

*Respond to the following statements by indicating the extent to which you agree or disagree with them. Circle the number that best represents your evaluation of each item.*

**SD** = Strongly Disagree

**MD** = Moderately Disagree

**D** = Slightly Disagree

**N** = Neither Agree nor Disagree

**A** = Slightly Agree

**MA** = Moderately Agree

**SA** = Strongly Agree

		SD	MD	D	N	A	MA	SA
1	An expert who doesn't come up with a definite answer probably doesn't know too much.	1	2	3	4	5	6	7
2	I would like to live in a foreign country for awhile.	1	2	3	4	5	6	7
3	There really is no such thing as a problem that can't be solved. (All problems have a solution.)	1	2	3	4	5	6	7
4	People who fit their lives to a schedule probably miss most of the joy of living.	1	2	3	4	5	6	7
5	A good job is one where what is to be done and how it is to be done are always clear.	1	2	3	4	5	6	7
6	It is more fun to tackle a complicated problem than to solve a simple one.	1	2	3	4	5	6	7
7	In the long run, it is possible to get more done by tackling small, simple problems rather than large and complicated ones.	1	2	3	4	5	6	7
8	Often, the most interesting and stimulating people are those who don't mind being different and original.	1	2	3	4	5	6	7
9	What we are used to is always preferable to what is unfamiliar.	1	2	3	4	5	6	7
10	People who insist upon a yes or no answer just don't know how complicated things really are.	1	2	3	4	5	6	7
11	A person who leads an even, regular life in which few surprises or unexpected happenings arise really has a lot to be grateful for.	1	2	3	4	5	6	7
12	Many of our most important decisions are based on insufficient information.	1	2	3	4	5	6	7
13	I like parties where I know most of the people more than ones where all or most of the people are complete strangers.	1	2	3	4	5	6	7
14	Teachers who hand out vague assignments give one a chance to show initiative and originality.	1	2	3	4	5	6	7
15	The sooner we all acquire similar values and ideals the better.	1	2	3	4	5	6	7
16	A good teacher is one who makes you wonder about your way of looking at things.	1	2	3	4	5	6	7



## Scoring Key for Tolerance of Ambiguity Scale

To score the instrument, the **even-numbered items must be reverse scored**. That is:

**7** = 1

**6** = 2

**5** = 3

**4** = 4

**3** = 5

**2** = 6

**1** = 7

**High scores indicate a greater intolerance for ambiguity.** The chart below will help you score your tolerance for ambiguity more easily.

	Copy your original score here	Reverse the score for even numbers	Copy scores from grey cells and sum
1 (I)			
2 (N)			
3 (I)			
4 (C)			
5 (C)			
6 (C)			
7 (C)			
8 (C)			
9 (N)			
10 (C)			
11 (N)			
12 (I)			
13 (N)			
14 (C)			
15 (C)			
16 (C)			
After reversing the even-numbered items, sum the scores for all 16 items to get your total Tolerance for Ambiguity score.			

Three subscales can also be calculated to reveal your major source of intolerance to ambiguity—**novelty (N)**, **complexity (C)**, and **insolubility (I)**. Here are the items associated with each subscale:

Novelty score: (2, 9, 11, 13)

Complexity score: (4, 5, 6, 7, 8, 10, 14, 15, 16)

Insolubility score: (1, 3, 12)



Tolerance for ambiguity is influenced by culture. Most Americans have a moderate tolerance for ambiguity, while other cultures tend to have significantly higher (Scandinavian cultures) or lower (Asian cultures) tolerances for ambiguity.

**What did you learn about your tolerance for ambiguity by completing the scale?**

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**How might your tolerance for ambiguity affect you as an entrepreneur?**

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**If you fail, why will you fail?**

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**What are you doing to make sure those things don't happen?**

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**How can someone else help you to make sure those things don't happen?**

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**How would you hire and fire people?**

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**How do you evaluate other people's work?**

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**Who are the mentors in your life?**

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**What have you learned from them?**

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**Identify a time when an ambiguous situation impacted your decision making.  
What was ambiguous about the situation?**

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**How were your actions influenced by this ambiguity?**

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**“The purpose of life is not to be happy. It is to be useful, to be honorable, to be compassionate, to have it make some difference that you have lived and lived well.”**

*—Ralph Waldo Emerson*

## Finding Your Purpose

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## Preview

### **After reading this chapter, you should be able to:**

- Identify when you have acted from a default purpose.
- Identify the power of acting from authentic purpose.
- Identify your life purpose.
- Identify ways to activate your purpose at the present time.





**M**ost people have had the experience of suddenly considering their lives and wondering “Why am I here?” In moments like that, you might feel small and insignificant—one person on a planet among billions.

In 2011, Dr. Ali Binazir, a Harvard scientist, attempted to calculate the probability of ever being born. He calculated the probability of your parents meeting and staying together long enough

to have children, as well as the probability of a unique egg and sperm meeting, resulting in the individual that is you. This one probability has to be combined with the probability of each of your ancestors being born, surviving to adulthood, and having the child that became your mother, your grandfather, and so on...back to the beginning of life on this planet. Looked at this way, you are the representative of an unbroken chain of existence that goes back about 4 billion years. And the probability of your unique existence is about one in four-hundred-quadrillion, or basically zero. Dr. Binazir writes, “A miracle is an event so unlikely as to be almost impossible. By that definition, I’ve just proven that you are a miracle.”

That small and seemingly insignificant life each of us has is a statistical miracle. That doesn’t mean you always have to be grateful for your existence or go out and “do great things.” But it does mean that you matter—your choices and actions matter in the world. If your choices and actions are informed by a sense of your own purpose, you can take control of your life story in ways that are likely to bring you greater satisfaction and contribute positively to others around you.

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## WHAT ARE THE ODDS?

### LET'S START SMALL.

What is the probability of your dad meeting your mom?



Your dad could have met 200 million women  
but over 25 years probably met 10,000 women.



The odds your mom is in this group and met your dad is:

**1 in 20,000**

and the odds that they have children is:

**1 in 2,000**



Dad has 4 trillion sperm. Mom has 100,000 eggs.  
The odds that the one sperm met the egg to make you is:  
**1 in 400,000,000,000,000,000 (1 in 400 quadrillion)**



What are the odds that your lineage remained  
unbroken for the length of human existence?:

**1 in 10<sup>45,000</sup>**

**That's a 10 with 45,000 zeros after it.**



The odds the right sperm, meeting the  
right egg for every ancestor (150,000 times):

**1 in 10<sup>2,640,000</sup>**



### LET'S ADD IT ALL UP.

$10^{2,640,000} \times 10^{45,000} \times 2,000 \times 20,000$

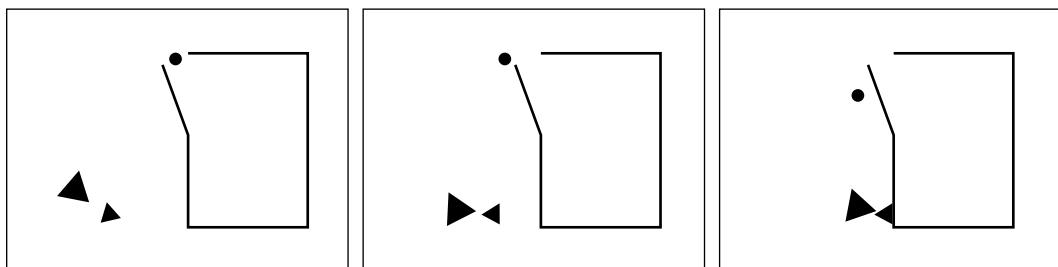
**1 in 10<sup>2,685,000</sup>**

The number of atoms in the known universe is estimated  $10^{80}$ .  
So, the odds that YOU exist at all are basically zero!

## The Power of Purpose

In *The Invisible Leader: Transform Your Life, Work, and Organization with the Power of Authentic Purpose*, Zach Mercurio notes that humans are “wired” to find purpose, as our brains sort and organize patterns and attach meaning to what we see and do. For example, in a sociology experiment from 1944, researchers showed a simple animation featuring a large triangle, a smaller triangle, and a circle moving inside and around a large rectangle. All but one of their participants described the animation in terms of human behavior and relationships, characterizing the larger triangle as a “bully” and giving the smaller forms emotions and motivations to tell a story about the random movement of the shapes.

This is an important insight because our brains are wired to find patterns and fit those patterns into the stories we tell ourselves about how the world works. It is this ability that causes us to form stereotypes that allow us to anticipate the behavior and motivation of things that appear to fit a particular pattern. We do this every day.



For example, if you approach a group of people talking in a public space—even if you’ve never met or seen them before—you automatically start to fill in assumptions about their character and motivations based on their body language, clothing, age, race, etc. You tell yourself a story about who they are and how they relate to you (are they friend or foe?). Similarly, we tell ourselves stories about who we are in the world and how we relate to others around us. When we connect with purpose, we see ourselves as part of a story that extends beyond ourselves. Because purpose is rooted in something outside ourselves, it has the power to pull us forward and help us develop the resilience to get through difficult times.

Applying this insight to what motivates us as human beings—what prompts us to get out of bed in the morning, interact with others, and perform the routine tasks of our work and lives—Zach

makes the point that “our brains are wired to find purpose and meaning in whatever we do.” By identifying purpose, we contribute our talents and skills more enthusiastically to our work and pull together with others to produce better results and stay focused on our end goals.

For example, when President John F. Kennedy toured NASA headquarters for the first time, he introduced himself to a janitor who was mopping the floor. The President asked the janitor what he did at NASA, and the janitor replied, “I’m helping to put a man on the moon.” To some people, the janitor was carrying out a low-level task, just cleaning the building. But the janitor believed in the work NASA was doing to land the first man on the moon and he connected his purpose to the history that was being made.

In a similar story, Zach interviewed a woman who had retired from a custodial position cleaning university dormitories only to return to an entry-level custodial position at the same university. Asked why she returned to the position, she replied, “I couldn’t stand the thought of those students not having a parent figure away from home.” Like the janitor at NASA, this woman identified her purpose at work in terms much larger than the cleaning tasks she performed. “Cleaning was what she did. Supporting and connecting with students was why she did it.” In other words, no matter how large or small your role is, your actions contribute to a larger story unfolding in your life, your workplace, and your community.

Research shows that activating purpose provides strong benefits both personally and professionally. People who are driven by purpose tend to have increased income, greater contentment and personal fulfillment, stronger memory, better mood—even longer lives! Similarly, businesses that are connected with purpose have lower levels of staff turnover and more fulfilling work relationships, resulting in greater staff loyalty and stronger organizational culture. These businesses also benefit from higher profit margins, as 55% of customers are willing to pay more for products that have purpose, and greater customer loyalty, as 73% of consumers switch to higher-purpose brands. On average, companies that activate purpose outperform their industry peers by 12-to-1.

Purpose also tends to produce strong results. In *Built to Last*, Jim Collins writes that companies that identify a purpose that impacts the public good outperform their competitors by an average of six to one. For example, in 2004, Dove launched an ad campaign that connected its product—soap—with the larger purpose of helping women feel better about their bodies. Through Dove’s

Real Beauty Pledge, the company promised that they would feature real women, never models, in their advertisements; portray women as they are in real life, without digital manipulation to remove flaws and create images of perfection; and help girls build body confidence and self-esteem. With personal hygiene and skin care products, Dove pledged to help change how the world defines female beauty and celebrate the diversity of real women. Over a decade later, the company's website notes that "we see mothers proudly displaying stretch marks on Instagram, women rejecting the allure of the 'perfect' size, and young girls celebrating diversity of skin colour and hair." During the same time period, Dove also increased its sales by \$1.5 billion globally for a product that had been on the market for over sixty years.

Importantly, however, identifying purpose is not about identifying goals, outcomes, or strategies. This may sound counter-intuitive, as so many self-help and business books focus on the importance of setting goals and driving results. Instead, goals, outcomes, and strategies are the result of purpose. Zach makes the point that purpose is not obtainable in the future—in fact, it may never be fully attainable; therefore, purpose cannot be identified through future-oriented goals. Purpose is not located at a certain point in time—it is the reason behind your choices and actions in the past as well as in the future. Zach writes, "If market conditions or life circumstances determine your purpose, it isn't real. For instance, a purpose crafted to attract millennial employees is actually a tactic, not a purpose. A sales goal is not a purpose, and neither is any financial target." The difference between focusing on results or purpose comes down to mindset—the attitudes and questions that shape your thinking.

Remember that your mindset is not static—you can learn a new mindset—so take the time to identify the questions you ask yourself and the effect of those questions on what motivates you.







## Default Purpose

Many of us go through life with a default purpose, which Zach identifies as “one that another person or organization or the marketplace has described for us.” People who accept others’ definitions of success, for example, are likely to be living with default purpose. Zach recognized the crushing effects of default purpose in his own life when he got his first “real” job fresh out of college. It was a “good” job, selling television advertising: He wore a suit, made good money, lived in a nice apartment with nice things, and went to happy hours with his colleagues where he could brag about his connections in the entertainment industry. His parents were proud, his friends were envious, and his Facebook connections were impressed. The problem was that, although Zach had a lot of “things,” he didn’t feel a sense of purpose. Instead, he felt as though he was living someone else’s life. He says, “My decisions up to this point were based solely on results, on the idea of a job and career and all that came with it. I was doing what people who didn’t know me told me I was supposed to be doing: I was living a default purpose.”

He found himself often leaving work to sit in a nearby park, watching planes and birds flying by overhead and wondering, “Is this all there is? Is this what ‘working’ is all about?” One day, a cab driver stopped by the same park for a break. The cab driver was talkative and

asked Zach about his work. Zach responded that he sold television advertising, and asked, “Is it the weekend already?” Wanting to change the subject, Zach asked the driver how he liked driving a cab. The driver responded, “It’s amazing. You can’t beat it. I get to drive around the city all day talking to new people from all around the world.” Zach had expected the cab driver to hate his job and was surprised to hear the driver talking not about what he did but why he did it.

It’s important to think about default purpose, because unless you define your own purpose, the world around you will likely offer you a default purpose. Too often, default purpose is placed on a person based on largely irrelevant social factors. For example, women often have purpose placed on them by their husbands, partners, or fathers—be a good wife and mother or follow a path laid out by someone who is there to “take care of you.” Society is likely to place a range of limited purpose to people based on their upbringing, socio-economic status, or criminal history based on what others see as your potential. Unless you put in the time and effort to define your own purpose, other people will offer you one, and you can’t count on others either to know you well enough to define your purpose or to have your strengths and best interests in mind.

## Identifying Purpose

So what is purpose? Zach defines authentic purpose as “a person or organization’s genuine and unique reason for existence that is useful to others in society.” His definition underscores the importance of our connections with other people because, no matter what our work is, there is always another human being on the other end of our tasks, product, or service. When you think about the impact of a product or service in terms of its impact on the lives of other human beings, you can begin to identify purpose.

Defining your individual purpose gives you the opportunity to find meaning in the world—beyond money and praise—from the skills, traits, and interests that shape your actions. Purpose can bring your thoughts, interests, and actions into alignment, making them work together, and drive your choices, giving you a way to change the world in some small way. Individual purpose answers the question, “Why me?” Your individual purpose is the place where your strengths, talents, and interests meet human needs.

From a business perspective, organizational purpose is significantly different from a mission statement because, Zach points out, a mission statement is something employees *know*. An organization’s purpose, on the other hand, is something people *believe*. This distinction is

important because it distinguishes between why people should care about the work an organization performs—its purpose—and what the organization does—its mission. For example, workers and consumers might know that the mission of Dave’s Killer Bread is “to reset the bar in every category we play in by delivering the highest quality, healthiest and best tasting killer products in the marketplace.” However, if people believe that their jobs and their purchases exist to give people with criminal histories “a second chance not only to make a living, but make a life,” they are likely to be more committed to their work and their purchases. An organization’s purpose answers the question, “Why this?” It is the reason why you exist and includes the problem you exist to solve. When you develop a vision statement in “Mission, Vision, and Values,” you will extend that purpose to think about what the world will look like and how you will have changed something about how the world works when you’re done delivering your purpose and acting on your mission.

Organizations and teams can increase the impact of their work when people share a common interest. When an organization’s purpose is clear to everyone at every level of a company—not just its leadership—and when every person sees his or her own *individual* purpose reflected in that wider purpose, an organization has a tremendous advantage.

This advantage comes from the fact that when purpose is clear and individuals who make up the organization are aligned, they naturally deliver the organization's purpose at the same time they deliver their own. Zach notes that, "organizations are simply individuals who come together to accomplish something, so it makes sense: when people are pulled by meaning and purpose, organizations experience results." Identifying a team's common purpose answers the question, "Why us?"

Identifying your purpose develops from reflecting on your experiences and identifying what motivates you or makes you happy in each situation. The "Apply Key Concepts" section of this chapter outlines a series of strengths related to purpose and defined by PurposeMatch, an organization that exists to help individuals identify and activate purpose. Identifying strengths is the first step toward identifying individual purpose, because it's important to know who you are and what talents you bring to the world.

## Activating Purpose

You start to activate your purpose by thinking about the human problems that motivate you and that you have a desire to solve. As you learned in "The Entrepreneurial Journey," all businesses exist to solve a customer problem. Every product you use and every company you work for exists to solve some kind of human problem or fulfill a human need or desire.

Often, we think of those problems in small, concrete terms. For example, when Seth Godin started a business in college delivering birthday cakes to students living away from home, he identified that parents had the problem of having no "easy way to get birthday cakes to their kids." That is true, but looking at the business in terms of purpose, Godin may have identified something deeper—that he was contributing to the students' emotional well-being by providing a service that provided a small gesture of family love and support.

When you think about how to activate purpose in your own life, think about the big social issues you might want to impact using your strengths. Importantly, those big social issues may be hard or even impossible to solve completely because they are interconnected with other problems and there are many competing opinions about how best to solve them. But no one said that activating purpose in your life would be easy.

As a starting point for thinking about problems you may want to impact, think about the development goals established by the United Nations:



**Goal 1: End poverty in all its forms everywhere.**



**Goal 2: Zero Hunger.**



**Goal 3: Ensure healthy lives and promote well-being for all at all ages.**



**Goal 4: Ensure inclusive and equitable quality education.**



**Goal 5: Achieve gender equality and empower all women and girls.**



**Goal 6: Ensure access to water and sanitation for all.**



**Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy.**



**Goal 8: Promote inclusive and sustainable economic growth, employment, and decent work for all.**



**Goal 9: Build resilient infrastructure, promote sustainable industrialization, and foster innovation.**



**Goal 10: Reduce inequality within and among countries.**



**Goal 11: Make cities inclusive, safe, resilient, and sustainable.**



**Goal 12: Ensure sustainable consumption and production patterns.**



**Goal 13: Take urgent action to combat climate change and its impacts.**



**Goal 14: Conserve and sustainably use the oceans, seas and marine resources.**



**Goal 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.**



**Goal 16: Promote just, peaceful, and inclusive societies.**



**Goal 17: Revitalize the global partnership for sustainable development.**

These problems may seem outside of the reach of most EITs' businesses, but think again.



Coss M. is a Defy EIT who founded the prison style fitness bootcamp, ConBody. Coss hires people with criminal histories as his physical trainers. His work impacts several of these big social problems, including ending poverty and reducing inequality—his trainers are earning wages and may have struggled to find work because of their criminal histories—as well as ensuring healthy lives through physical fitness.



Susan B. is a Defy EIT who founded All Broads Plumbing, a plumbing service that hires and trains women with criminal histories. Her work impacts several of these big social problems, including ending poverty, empowering women, and reducing inequality, as her plumbers are all women who are earning wages and may have struggled to find work because of their criminal histories—as well as ensuring access to water and sanitation.



Vincent B. is a Defy EIT who founded ConCreates, a creative agency that harnesses the design talents of currently and formerly incarcerated people, giving them a chance to use their creativity to create brand materials for companies that want to “break the mold.” The company’s larger stated purpose is “to shatter the stigma associated with the 1/3 of the U.S. population who have criminal histories, provide people with a second chance to be valuable members of society and reduce recidivism.” His work impacts several of these big social problems, including ending poverty, ensuring healthy lives and personal well-being, promoting inclusive economic growth, employment, and decent work for all, and promoting just, peaceful, and inclusive societies.

These businesses have the ability to connect with a purpose much larger than simply making money or providing for themselves. However, connecting with that deeper purpose is something the business's leadership and employees need to believe. Just because you are providing plumbing services, for example, it does not mean that you fundamentally believe you are providing safe drinking water and sanitation. Nor does a business need to connect to multiple big social problems to identify its purpose. In fact, it may be better to stay focused on one thing you believe most passionately. For example, Susan identifies her own business's purpose in terms of empowering women—both her employees and her customers, as most repair service workers are received in the home by women.

The “Apply Key Concepts” section of this chapter outlines a series of impact areas related to purpose and defined by PurposeMatch. Identifying impact areas is the second step toward identifying individual purpose, because, once you know your strengths, you have the power to turn those strengths into purposeful action. Remember that knowing your strengths is not enough to define purpose. If your efforts don't meet some kind of need beyond yourself, they can't be described as purposeful. Identifying your impact areas gives you the ability to focus on why you do what you do.

As you take the next steps to define your purpose, remember the most important part—your purpose is something you act on every day, not some day in the future. Your purpose is not a set of goals. Rather, your goals are the results of your purpose. Your purpose is who you are and why you make the choices you do. There is freedom in choosing purpose.



## Resources

### **Mercurio, Zach, *The Invisible Leader: Transform Your Life, Work, and Organization with the Power of Authentic Purpose*:**

**This book provides many case examples of purpose at work in people's lives and goes in depth regarding how to identify and activate purpose, both for individuals and larger organizations.**

**Frankl, Viktor, *Man's Search for Meaning*:** Viktor Frankl is a psychologist and Holocaust survivor. This memoir chronicles the story of his survival inside four Nazi death camps, including Auschwitz, where his parents, brother, and pregnant wife died. In Auschwitz, Frankl identified that those who survived often kept going because they had connected to a deeper sense of purpose. He argues that although we cannot avoid suffering, we can choose how to react to it, find meaning in our lives, and move forward with renewed purpose. As a psychologist, he believed that humans' primary drive in life is not pleasure but the discovery and pursuit of meaning.

### **Collins, Jim and Jerry Porras, *Built to Last: Successful Habits of Visionary Companies*:**

This business book is based on research on eighteen exceptional and long-lasting companies—from startup to midsized corporation, through their later status as large corporations. The research compared the success of these companies compared to their top competitors. The authors focus on what makes truly exceptional companies different from their competitors and identify common practices for building successful and long-lasting businesses.

### **Komisar, Randy and Lineback, Kent L., *The Monk and the Riddle: The Art of Creating a Life While Making a Living*:**

Randy Komisar challenges entrepreneurs to define success beyond money and find work that is personally fulfilling. Komisar, a Silicon Valley investor, shares critical insights about how connecting with purpose allows you to tell your story and connect with people who can support your business idea.



## Apply Key Concepts

**How might you talk about your work if you were talking about why you did it rather than what you did?**

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**In what areas of your life have you seen “default” purpose at work?**

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## Defining Purpose: Strengths

Defined as “exceptional ability,” countless things could be considered strengths. For example, someone might say she is strong at “playing basketball,” and this would be a meaningful observation. But what’s the source of that strength? Exceptional ability in basketball may be rooted in assertiveness, competitiveness, teamwork, and/or physical agility or speed.

To help people understand their strengths and create a common language about purpose, think about the root of your abilities. This will allow you to identify strengths that can’t be divided easily or attributed to other strengths.

### Finding Your Top Strengths

To find your strengths, work through the questions below. It may not be necessary to answer each question. Choose at least three of the following questions and respond to the ones that you connect with the most.

#### STEP 1: Strength Questions

**It's 6 a.m. and the alarm goes off. You're so tired, and your first thought is that all you want to do is hit the snooze button, roll over, and go back to sleep. But then you remember what you need to do that day, and a wave of excitement washes over you. As tired as you are, your passion for the task at hand overwhelms you, and the sleepiness washes away as you jump up to start your day. What could make you feel that way?**

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**If we asked your friends when you most “shine” or when you most “come alive,” what would they say?**

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**What comes naturally to you and feels effortless?**

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**When are you at your best? What makes you come alive?**

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**What are some things you can do that many other people can’t, or what can you do better than most people?**

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**If you're working with a partner, ask him or her: "What have you seen me accomplish that we haven't already talked about?"**

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**STEP 2: Reflect On Your Answers**

**When you look through your responses to those questions, what themes do you see? Are there ideas that appear again and again? What concepts do you see at the root of your answers?**

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**If you're working with a partner, ask: "What themes do you see in these answers?"**

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### **STEP 3: Consider the Strengths List**

**With those themes in mind, study the following list of strengths:**

#### **Analysis**

##### ***What is it?***

The ability to process information and arrive at an understanding of its essential nature. People who are strong in Analysis can think through complex problems and situations and reduce them to manageable, actionable pieces.

##### ***How does it play out?***

Any team is ultimately trying to solve a problem or meet a challenge, and step 1 is to truly understand the problem. For that reason, people who are strong in Analysis are critical at the outset of any team effort. As things progress, they can also help the team evaluate its efforts. Why did a particular initiative succeed or fail? Where was the team most effective? Where can it improve? People who are strong in Analysis are needed in a wide variety of fields, from business to government to social action. Anywhere a problem exists, they can help break it down. Examples: Mathematics, Philosophy, Business, Science, Technology, Politics/Government, Social Action/Social Work, Education, Psychology, Health, Journalism.

#### **Artistry**

##### ***What is it?***

Excellence in aesthetic form. People who are strong in Artistry can manipulate media to create beauty. Artistry and Innovation are both forms of creativity, but we use Innovation to refer to creativity of ideas, methods, and perspectives, and Artistry to refer to excellent craftsmanship or creativity of form.

##### ***How does it play out?***

When it's time for a team to creatively execute its vision, people strong in Artistry lead the way. This can happen in an array of fields, including: Art, Music, Architecture, Fashion, Interior Design, Graphic Design, Web Design, Product Design, Engineering, Advertising, Culinary Arts.



## **Assertiveness**

### ***What is it?***

The ability to advance one's will. People who are strong in Assertiveness don't hesitate to claim authority and use that authority to lead a group toward a particular goal.

### ***How does it play out?***

While there are many kinds of leadership, most teams need someone who is strong in Assertiveness to make difficult decisions and keep things moving forward. This is especially important in: Business, Education, Politics/Government, Social Action/Social Work, Sports.

## **Charisma**

### ***What is it?***

A strong personal magnetism that compels other people in some way. People who are strong in Charisma have a special power to influence others based on this intangible quality.

### ***How does it play out?***

Because people naturally gravitate toward people who are strong in charisma, they can be helpful in influencing others and building consensus, and they are often thrust into leadership positions, whether they want them or not. This is especially important in: Entertainment, Business, Politics/Government, Religion, Social Action, Public Speaking

## **Compassion**

### ***What is it?***

A deep sense of empathy, accompanied by an innate desire to positively affect others' situations. People who are strong in Compassion have the ability to offer hope and support to people in need.

### ***How does it play out?***

When teams are trying to meet a need in the world, people who are strong in Compassion are important for interfacing with clients/customers who have that need. They're also good at understanding team members' frustrations and challenges and offering encouragement and support. This is especially important in: Social Action/Social Work, Social Entrepreneurship, Education, Religion, Politics/Government, Health

## **Competitiveness**

### ***What is it?***

An innate desire to win or succeed. People who are strong in Competitiveness are highly driven to reach the top, in relationship to people or personal objectives.

### ***How does it play out?***

People who are strong in Competitiveness can provide fuel for helping the team outperform its competitors. And while an unhealthy level of competitiveness between team members can be destructive, a healthy dose of interpersonal competitiveness can drive team members to perform at their highest potential. This is especially important in: Business, Politics/Government, Social Action, Sports

## **Connection**

### ***What is it?***

The ability to interact with others in a positive, productive way. People who are strong in Connection are team builders and team players who draw energy from community.

### ***How does it play out?***

People who are strong in Connection are team players, and are great at fostering collaboration and “building team.” This is especially important in: Business, Sales, Social Action/Social Work, Religion, Education

## **Empowerment**

### ***What is it?***

The ability to help people achieve maximum success. People who are strong in Empowerment can inspire others to be their best selves, often by helping them discover their purpose.

### ***How does it play out?***

People who are strong in Empowerment are critical for any team; they help bring out the best in their team members, allowing the team to be maximally effective. This is especially important in: Business, Social Work/Social Action, Psychology, Education, Sports, Health



## **Expression**

### ***What is it?***

The ability to communicate ideas to others. People who are strong in Expression are good at using the power of words to spread knowledge and understanding.

### ***How does it play out?***

People who are strong in Expression are great at sharing the team's message with clients/customers and with other groups within the organization. They can also be helpful in articulating the team's vision in a way people within the team can understand. This is especially important in: Entertainment, Business, Politics/Government, Religion, Social Action, Public Speaking, Journalism

## **Generosity**

### ***What is it?***

The ability to give of oneself in the service of others. People who are strong in Generosity are readily willing to sacrifice their own time and/or resources to improve the lives of others.

### ***How does it play out?***

People who are strong in Generosity are willing to make sacrifices to help the team. They'll often put in extra time and effort to help their teammates, and they care as much or more about their teammates' goals and desires as their own. This is especially important in: Social Action/Social Work, Social Entrepreneurship, Education, Religion, Politics/Government, Health.

## **Initiative**

### ***What is it?***

The ability to originate action. People who are strong in Initiative don't wait on others to get something started; they dive in and make it happen themselves.

### ***How does it play out?***

These people are critical for getting the team moving, and can be critical when starting a new project, or when moving from a planning phase into an execution phase. This is especially important in: Entrepreneurship, Business, Social Action, Social Entrepreneurship.



## **Innovation**

### ***What is it?***

The ability to introduce new things or ideas. People who are strong in Innovation are always looking to create better solutions to existing problems.

### ***How does it play out?***

People who are strong in Innovation are certainly critical in developing creative ideas for developing or enhancing products and services, but they can also help teams come up with better, more effective ways to operate and collaborate. This is especially important in: Technology, Social Action, Entrepreneurship, Social Entrepreneurship, Education, Science, Business.

## **Learning**

### ***What is it?***

The ability to acquire and retain knowledge. People who are strong in Learning are driven by curiosity and an innate desire to understand the world around them.

### ***How does it play out?***

People who are strong in Learning are critical for gathering the research, client/customer feedback, and market data the team needs to make wise decisions and create effective strategies. They're also valuable when circumstances change and new skills or information are needed. This is especially important in: Education, Journalism, Politics/Government, Science, Business, Religion, Health.

## **Nurture**

### ***What is it?***

The ability to help someone or something move to a point of greater maturity. People who are strong in Nurture are good at protecting, supporting, and encouraging the young and vulnerable.

### ***How does it play out?***

These people are often best in interpersonal (and especially one-on-one) situations. They can be highly effective at helping new team members ramp up and grow into their roles. This is especially important in: Education, Business, Religion, Psychology.



## **Optimism**

### ***What is it?***

The ability to focus on the positive. People who are strong in Optimism view daily struggles in the context of a rosier big picture, and believe that things will work out for the best in the end.

### ***How does it play out?***

In most fields, success isn't easy to come by. Teams need to first believe they're capable of meeting a challenge, and people who are strong in optimism can help foster this belief. Instead of wasting energy on fear and anxiety, they can help the team focus on its Strengths and goals. This is especially important in: Education, Politics/Government, Business, Religion, Health, Psychology.

## **Organization**

### ***What is it?***

The ability to form separate pieces into one coordinated whole. People who are strong in Organization are good at arranging things, people, or ideas for maximum utility or clarity.

### ***How does it play out?***

People who are strong in organization can help ensure that the right team members are working on the right aspects of a team challenge, and that they have access to the resources and information they need to do their jobs well. This is especially important in: Social Action/Social Work, Politics/Government, Architecture, Interior Design, Information Management, Business, Technology.

## **Perception**

### ***What is it?***

The ability to apprehend meaning based on information gathered by the senses. People who are strong in Perception listen and observe carefully and recognize the true significance of the information communicated to them.

### ***How does it play out?***

People who are strong in perception are good at understanding the needs and wants of clients and/or customers. They also have a keen sense of what teammates are thinking and feeling, and can help bridge the gap when they aren't understanding each other. This is especially important in: Psychology, Business, Government/Politics, Social Work, Religion.



## **Perseverance**

### ***What is it?***

The ability to keep moving through challenging situations. People who are strong in Perseverance don't let hardships prevent them from achieving success; they press ahead and do whatever it takes to reach their goals.

### ***How does it play out?***

These people can help their teammates push forward in the face of challenge and conflict. This is especially important in: Entrepreneurship, Social Action/Social Work, Education, Journalism, Politics/Government, Business, Religion.

## **Physical Prowess**

### ***What is it?***

An advantage rooted in the physical body. People who are strong in Physical Prowess can use their physical Strength, speed, agility, flexibility, balance or energy as resources for success.

### ***How does it play out?***

This Strength is obviously important in physical pursuits like athletics, construction, and landscaping, but high energy levels and good physical health can help fuel a team in any field. This is especially important in: Sports, Construction, Forestry, Law Enforcement, Emergency Services, Health & Fitness, Farming & Ranching.

## **Restoration**

### ***What is it?***

The ability to bring healing to anything that's broken. People who are strong in Restoration use a tranquil disposition and a keen sense of how things SHOULD be to help move things back toward that ideal.

### ***How does it play out?***

Teams don't always function at full capacity; they're sometimes slowed by disagreement and conflict. People who are strong in restoration can help resolve those conflicts and move the team back toward a healthy, high-functioning place. This is especially important in: Medicine, Psychology, Conflict Resolution, Social Action, Social Work, Religion, Emergency Services, Government.



## **Strategy**

### ***What is it?***

The ability to formulate an effective plan. People who are strong in Strategy bridge the gap between idea and execution, helping determine “the best way to get there from here.”

### ***How does it play out?***

Every team needs someone who is strong in strategy—who can help the team create a plan for executing its vision. This is especially important in: Business, Social Action, Government/Politics, Entrepreneurship, Education.

## **Trustworthiness**

### ***What is it?***

Consistency of character. People who are strong in Trustworthiness can be depended upon by others because they apply a consistent ethic to their decisions and actions.

### ***How does it play out?***

People with this Strength are appreciated and respected by their teammates because they honor commitments, treat their teammates fairly, and get the job done right. This makes it easier for everyone else on the team to do their jobs with confidence and commitment. This is especially important in: Education, Religion, Social Work, Business, Politics/Government.

## **Versatility**

### ***What is it?***

The ability to succeed in the midst of changing circumstances. People who are strong in Versatility shift easily between their other Strengths depending on the demands of the situation and the Strengths of their team.

### ***How does it play out?***

These “jack of all trades” individuals can fill multiple roles within a team as needed, and are able to go with the flow as circumstances (both internal factors and external market conditions) change and evolve. This is especially important in: Entrepreneurship, Social Entrepreneurship, Social Action, Religion, Farming & Ranching, Sales, Construction.



## **Vision**

### ***What is it?***

The ability to perceive future possibilities. People who are strong in Vision are more focused on “what can be” than on “what is.”

### ***How does it play out?***

Before a team can do anything, it needs a vision. People with this Strength look at the problem the team is trying to solve, and help the team understand what a solution to that problem might look like. This is especially important in: Entrepreneurship, Social Entrepreneurship, Education, Business, Social Action, Politics/Government, Architecture, Art, Design, Entertainment.

### **STEP 4: Identify Your Top Strengths**

**With the themes underlying what makes you the most happy and productive in mind and your understanding of the strengths areas, choose your top four strengths. Which ones best describe you?**

**Know that if a strength doesn't make your top four, it doesn't mean you don't have that strength; it just means there are four other ones in which you are stronger. All people have some degree of ability in each strength, and your top four are the strengths that are most strong in you!**

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## Defining Purpose: Impact Areas

What needs or challenges in the world do you care about most? To find your impact areas, work through the steps below:

### STEP 1: Impact Questions

When have you made a difference for others?

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What are some needs/issues/challenges in your family or your circle of friends that you think about often?

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What are some important needs/issues/challenges in your community that you think about often?

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**What are some important needs/issues/ challenges in the world that you think about often?**

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**Imagine a wealthy philanthropist has given you \$10 million to address any need, issue, or problem that is important to you. Perhaps you are worried about crime in your neighborhood, or you have an idea for an educational video game that engages students who are struggling in the classroom. Maybe you believe more resources should be put toward informing people about our disappearing coral reefs. What would you do with the money?**

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**If you're working with a partner, ask: "What themes do you see in these answers?"**

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### STEP 2: Reflect On Your Answers

As you look through your responses to those questions, what themes do you see? Are there ideas that appear again and again? What concepts do you see at the root of your answers?

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If you're working with a partner, ask: "What themes do you see in these answers?"

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### STEP 3: Consider the Impact List

With those themes in mind, study the following list of impact areas:

#### Animal Rights & Care

##### *What is it?*

Protecting the health and well-being of animals, and the sustainability of animal populations. You're a person who has a big heart for animals, and might have a pet yourself. Or perhaps you love protecting animals that can't speak for themselves. On a larger scale, you might want to impact our planet and be a good steward of the earth by helping keep our animal ecosystem in balance.

##### *How does it play out?*

There are endless possibilities here: You could be a veterinarian, or you could work for a national park, zoo, or wildlife refuge. Work or volunteer at local animal shelters. Work for organizations that protect wildlife. In a career in education, you can teach people about animals. Many organizations use service or therapy animals. The opportunities are endless!

#### Basic Goods & Life Needs

##### *What is it?*

Helping meet people's need for the basic products that support a reasonable standard of living. Everybody in the world has a need for clothing and basic household goods. This is universal. It's not "saving the whales," and most people don't think of this need when they think about how they can have an impact in the world. But at the end of the day, there are few things that are more fundamental to the lives of more people than access to inexpensive, quality clothing and household products.

##### *How does it play out?*

Opportunities to make an impact in this space are limitless. You could work in research and development, product design, logistics, or management for any number of companies that specialize in household products or clothing. You could work in retail, helping to connect customers with the products that best fit their need. Or you could get involved with an organization (either as an employee or a volunteer) that helps distribute basic products to families that can't afford them, locally or globally.



## **Business Support**

### ***What is it?***

Providing the tools businesses need to create quality products and build successful organizations. You care about creating the tools others need to succeed. You might not be an entrepreneur yourself, but love to support others and see them accomplish big things. You also might have a specific interest in a particular business niche.

### ***How does it play out?***

There are lots of options in this space. You could be a consultant, accountant, lawyer, software developer, graphic designer, public relations professional, or even work in investments or crowdfunding. It's all about finding your niche and providing a service to others.

## **Community**

### ***What is it?***

Helping people build and maintain authentic human connection. These people are easy to spot in a crowd! You understand the importance of why relationships and networks are important, and why working together helps everyone achieve their goals. The people who are best in this role have a high level of integrity, which builds trust, because they have genuine motives. This can play out in local communities (one on one, startup to startup) as well as larger ecosystems (industry to industry). You make a habit of introducing people to each other and enjoy fostering these relationships.

### ***How does it play out?***

You could organize events and mixers in your community. Run a Co-Working space. Create new MeetUp groups. Become a mentor or advisor. Help people raise funding. Anything that involves connecting people!

## **Contribution & Identity**

### ***What is it?***

Helping others feel a sense of purpose in life, make a positive contribution to society, and take pride in who they are. Remember, this isn't about wanting to make a contribution or explore your identity; it's about helping others do so. Everyone needs to know themselves and feel like they're making a contribution in life, and this Awareness suggests a desire to help make that possible for people.

### ***How does it play out?***

This can be done through teaching, parenting, counseling, career counseling, life coaching, business and non-profit management, ministry, and HR work, to name just a few.

## **Creation & Expression**

### ***What is it?***

Helping people express themselves by bringing new things into existence. This applies across many areas, from the arts, to journalism and writing, to teaching. Even in business, chances are good that you can find ways to help others express themselves in their field.

### ***How does it play out?***

You could be a mentor or facilitate and organize events. Or facilitate communities online by becoming a journalist or writing for blogs. Or help to create products that foster creativity, like online design tools. Or even help people express their creative side directly by teaching dance, cooking, software development, etc... the opportunities are endless.

## **Economic Development**

### ***What is it?***

Contributing to the growth and stability of local, national, and/or international economies. This can apply on both a macro level (working to help other countries with their economic development) and a micro level (creating policy to stimulate economic opportunity in cities, or working with the various factors that impact a city, such as infrastructure, schools, local businesses, etc.).

### ***How does it play out?***

You could work for local, state, or federal government. Work for any number of non-profits that are focused on economic development. Work with a for-profit business, or look at opportunities in education, healthcare, finance, or business.

## **Education**

### ***What is it?***

Meeting people's need for intellectual, emotional, and physical development. The line between a passion for education and an awareness of education is pretty thin. While a passion for education



suggests that the process of educating others brings you great joy—that teaching is fun, for example—an awareness of education suggests that you care deeply about the importance of learning for all people and that you might want to help meet that need.

### ***How does it play out?***

Teaching doesn't just happen in schools; it happens through online media (educational sites, blogs, etc.), television and radio, corporate training, community programs, and religious programs. It's also a key component of parenting and other types of mentoring relationships.

## **Energy Development & Renewal**

### ***What is it?***

Meeting the need for sources of energy and/or renewable energy. You understand that we have limited natural resources, but you also understand that the energy demands of our society are increasing, and that further economic growth depends on meeting those demands. Accordingly, you're interested in finding wise ways to manage our energy resources. But not one to be happy with the status quo, you're also interested in innovative energy practices and new sources of renewable energy.

### ***How does it play out?***

You could work for any number of energy companies, many of whom are constantly innovating with new technologies. You could get an advanced degree in science, and do research in the energy sector. Or, closer to home, you could educate other people about ways to save money and conserve energy.

## **Entertainment & Recreation**

### ***What is it?***

Meeting people's need for relaxation, inspiration, and fun. You understand that people can't work all the time; they need ways to relax and unwind. Recreation time allows people to explore their passions, build relationships, and stay healthy. And at the end of the day, taking time for recreation also helps people to be more effective when they are working.

### ***How does it play out?***

You could work in film & television or theater, be a writer, or create online games. Get a job in



tourism or work for a resort. Work for a travel company and help people organize trips. Become a fitness trainer. Create MeetUp communities to connect people. Run or organize marathons, camps, or sports leagues.

## **Environmental Preservation**

### ***What is it?***

The need for the health and sustainability of local and/or global ecosystems. There are several motivations that lead people to a strong awareness of the need for environmental preservation. Perhaps you want to be a good steward of the planet we live on. Or maybe you desire to serve as a voice for the voiceless, protecting wild animals that can't protect themselves. Or perhaps you just really love spending time in nature, and want to ensure that your grandkids can experience the same beautiful nature that you hold so dear.

### ***How does it play out?***

You could teach people about conservation as a school teacher or non-profit program manager. Work (or volunteer) at a National Park. Join a group that focuses on protecting and preserving certain animals or ecosystems. Get a job at a for-profit company that shares your mission of positively impacting the environment. Or even just help people make small changes in their consumption habits that collectively make a big impact.

## **Financial Well-Being**

### ***What is it?***

Helping individuals or families achieve financial stability and security. You care about helping people improve themselves, specifically by changing their lifestyle and getting out of debt. Perhaps you listen to the radio shows of people like Dave Ramsey or Suze Orman, or have signed up for things like Financial Peace University. You may or may not be a “numbers” person, but you understand the connection between solvency and personal well-being, and want to help people find the peace that comes with financial stability.

### ***How does it play out?***

You could become a professional financial planner or work for a bank. You could host money workshops. Lead a personal finance-related book club. Tell people about software like Mint.com. Or work for any number of financial startups or companies.



## **Food & Diet**

### ***What is it?***

Helping provide for people's nutritional needs. You enjoy helping people live happy, healthy lives, and you know that it begins with the food we eat. You believe that every person should have enough to eat—and not just any food, but healthy food. Accordingly, you care about ensuring that quality food is produced and distributed in a cost-efficient manner to the families that need it, both locally and globally.

### ***How does it play out?***

You could use social networking to educate people on healthy eating. Join a local non-profit focused on providing healthy food to families in need. Open a juice bar. Work for a food company that deals with healthy, organic food. Or even work for an international organization that works to help people around the world gain access to quality nutrition.

## **Health & Wellness**

### ***What is it?***

Helping protect and improve people's physiological and psychological well-being. Quality of life is deeply tied to health; when people are sick or hurting, it's almost impossible to find value and success in other aspects of life. By helping people stay healthy, you help them to be happy, contributing members of society.

### ***How does it play out?***

You can obviously pursue a career in healthcare, and become a doctor, nurse, medical tech, etc., but you might also explore careers in hospital management. You could run an assisted living facility, teach health-related courses, or work in fitness and nutrition, on the preventative side of healthcare.

## **Human Rights**

### ***What is it?***

Helping to alleviate injustice and preserve dignity for all people. All persons should have the freedom to make lives for themselves, free of the abuse and manipulation of others. Sadly, these conditions are currently out of reach for millions of people around the world who are victimized by power-hungry governments and individuals that see them as little more than means to an



end. Does your purpose include working to guarantee the rights of others, so that they, too, can seek a life of purpose and dignity?

### ***How does it play out?***

Throughout the history of civilization, injustice has always existed, and there have always been good people fighting against it. You can get involved—in your own backyard, or with atrocities occurring around the world. Think about how you can stand up for those who don't have a voice. Defend people who are mistreated, abused, or taken advantage of. Promote and create awareness for your causes. This might mean working in the court system, law enforcement, government agencies, or any number of non-profits, churches, or religious institutions that are joining the fight.

## **Infrastructure & Transportation**

### ***What is it?***

Helping develop or maintain the facilities, services, and installations needed to support the functioning of communities or societies. Ever think about all that's involved in that cup of coffee you make in the morning? The water comes through the public water department, and the power for the coffee maker comes from the public power grid. The coffee itself is delivered, probably via airplane and truck, to your local store. We take it for granted, but effective infrastructure and transportation is absolutely vital for a high-functioning society.

### ***How does it play out?***

City and community planners have a direct impact on the quality of life for millions of people, as their decisions affect the structure of people's daily plans. Especially with the millennial generation, we see a strong trend toward "new urbanism" as younger people desire to live in cities where they have easy access to work and play. Beyond careers in city planning, other options include real estate development, construction, and transportation business (rail, bike shares, Uber, Zip Cars, etc.).

## **Interpersonal Communication & Conflict Resolution**

### ***What is it?***

Helping people better understand each other and arrive at mutually-agreeable solutions to pressing interpersonal problems. This Awareness is all about helping people get along. We



live in a world where 7 billion people with countless ideas are pulling in trillions of different directions. And in order for us to find both personal and societal success, we have to find ways to understand each other and either reach consensus or make compromises.

### ***How does it play out?***

Anywhere teams, partnerships, or communities exist, this Awareness is critical: marriages and dating relationships, school classrooms, work teams, etc. Accordingly, it's an important Awareness for teachers, counselors, negotiators, coaches, and managers in any field (business, government, non-profit sector, social work, etc.)

## **Law & Criminal Justice**

### ***What is it?***

Protecting people from crime and rehabilitating persons convicted of crimes. To create a high-functioning society where people can pursue their dreams, the members of that society must agree on and maintain certain principles allowing for the protection of persons and property. Maintaining those principles is an ongoing effort, and there may always be those that seek to gain an advantage at the expense of others, but the goal is to foster safety, accountability, and opportunity for all people.

### ***How does it play out?***

You could consider getting involved as an attorney, paralegal etc. A degree in law or criminal justice could help, but some jobs within the court system are accessible without a degree. You could work on behalf of victims, by pursuing a career in counseling or therapy, or in reentry—helping people change their lives for the better and achieve stability in the community.

## **Love**

### ***What is it?***

Helping people find the emotional attachment, mutual support, and/or physical connection that comes with familial or romantic relationships. These things aren't luxuries—they're critical to human happiness and success. Humans are naturally social creatures, and our familial and romantic relationships are vital to our health, growth, and happiness, and the propagation of our species!



### ***How does it play out?***

This is a growing field! You might consider a career as a family and marriage counselor, or offer premarital counseling through a local church or non-profit organization. You could offer communication workshops, or work in any number of careers across the fields of sex therapy, family communication or child development. These fields offer great opportunities to directly impact lives, by helping people build healthy, mutually beneficial relationships.

## **Materials & Resources**

### ***What is it?***

Helping to direct natural resources toward human needs. It's obvious that we need certain resources to make our society work; woods, metals, and fuels come immediately to mind. But materials research also allows us to create better cell phones, better laptops, better TVs, better clothes, etc.

### ***How does it play out?***

Random fact: did you know that scientists have worked at the atomic level to create a material called "graphene" that is the strongest material known to physics? You could take a fabric made out of graphene, drop the weight of an elephant on a single point on the fabric, and it wouldn't tear. Crazy. Working for a company or government agency that tests and develops new materials could be both invigorating and lucrative!

## **Media & Information**

### ***What is it?***

Providing people the information they need as a foundation for personal, economic, and sociopolitical choices and action. One of the most critical components of a free society is a free press. In order to vote, invest, spend, give, and plan effectively, people need to know what's happening in the world. They need to know what choices are being made by their government agencies, and they need to understand the goals, needs, and priorities of others, both locally and globally. Media makes this possible, while also holding people in authority accountable. The distribution of information can truly change the world!



### ***How does it play out?***

Are you a news junkie? Naturally curious? Do you like to tell stories, or be the first person in the know? Do you like to share this news with others? If so, you might consider a career in media and information. This could mean several things, from writing a blog to working as a newscaster, journalist, or newspaper publisher. Lots of ways to change the world here!

## **Mentorship & Guidance**

### ***What is it?***

Helping people overcome challenges and navigate the journey of life. Why should people learn everything they need to know through trial and error? Sometimes, it's far wiser to leverage the knowledge and experience of others. This Awareness is about using your wisdom and expertise to help make others' journeys smoother and more enjoyable

### ***How does it play out?***

There are professional mentors, like therapists, counselors, ministers, life coaches, career coaches, teachers, etc. But mentoring and guidance is also critical for parents and managers in any field (business, government, non-profit, social work, etc.)

## **Natural Disaster Prep & Response**

### ***What is it?***

Helping to minimize and/or alleviate the devastation caused by natural disasters. We can't keep natural disasters from happening, but we can prepare for them, so that their impact on human life and property is minimized. When they do happen, we can respond quickly and effectively, to ensure that victims are supported and lives are rebuilt as quickly as possible.

### ***How does it play out?***

People with this awareness tend to have big hearts and a strong sense of empathy. When you see a person in need, are you compelled to help? Were you the person in school who stood up to bullies, and made friends with those who were struggling? There are lots of opportunities here. You could look at non-profits like United Way, Salvation Army, or the Red Cross, or international aid organizations like Doctors Without Borders. The US Military responds to natural disasters all around the globe. Pilots are needed to fly aid and supplies into affected regions. Locally, firefighters, police, and EMTs are needed every day to respond to those in need.



## **Peace & War Relief**

### ***What is it?***

Helping to prevent or resolve sociopolitical conflicts and/or address the damage they cause. Are you a peacemaker? Do you see conflict, and want to help people come to a peaceful resolution? People with this awareness tend to care deeply about people, and are willing to enter into challenging situations to bring hope for a better future.

### ***How does it play out?***

You could work for a non-profit like United Way, Salvation Army, or the Red Cross, an international aid organization like Doctors Without Borders or the Peace Corps, or any number of smaller non-profits focused on specific war-torn areas. While many people associate the military with war, its ultimate goal is to keep the peace, and many military jobs are focused on helping to rebuild communities that have been ravaged by war. Of course, there's also a great deal of conflict closer to home, and you might consider working in your community to find peaceful resolutions to challenging local issues.

## **Shelter, Housing, & Sense of Home**

### ***What is it?***

Helping to provide people facilities that protect them from the elements and serve as a base for managing their lives. Few needs are more basic and essential than this, and many people would be surprised to learn how many families, even in the U.S., live in sub-standard housing without electricity and clean, running water.

### ***How does it play out?***

Do you like to work with your hands? Do you take pride in seeing a project completed, and seeing the fruit of your labor? You might consider a career as a home builder, architect, or contractor. You could also volunteer at a local shelter, or work on any number of urban initiatives aimed at providing inexpensive, quality housing for families in need. As our population grows, there will continue to be a huge need in this space!



## **Spirituality & Faith**

### ***What is it?***

Helping people find spiritual well-being. Feeling a sense of peace, wholeness, connectedness, and personal value that transcends the material world can help people to be happier, more loving, and more productive across all aspects of their lives.

### ***How does it play out?***

Many people with this awareness choose to work as a clergy person, while many others volunteer through their faith community. You might also find opportunities to impact people's spiritual journeys as a writer, teacher, counselor, or non-profit leader.

## **Technological Advancement**

### ***What is it?***

Helping create technologies that make life more efficient, more comfortable, or more significant. Does society need technological advancement? There are those who would argue that it doesn't, and it's certainly good for people to unplug sometimes and go outside. But technology also has the power to improve life in countless powerful ways, from improving health to fostering communication to protecting the environment. We aren't just talking here about cars and gadgets; technological advancement includes everything from more comfortable beds to more efficient ovens.

### ***How does it play out?***

Do you like to dream about the future, thinking about ways that things could be better? Do you like to "nerd out" on innovative new products and websites? If so, you're in luck. This space is red hot! There are tons of jobs in software development, engineering of all kinds, IT, aerospace, graphic design, and STEM professions. There are huge opportunities and lots of money to be made. Feeling bold? Create your own technology, or start your own software company. If you find yourself in these careers, your skills will always be in demand!



#### **STEP 4: Identify Your Impact Areas**

**With the themes underlying your desire to make a difference in the world in mind, and your understanding of the impact areas, choose your top four impact areas. Which ones best describe you?**

Again, know that if an impact area doesn't make your top four, it doesn't mean you don't care about that area; it just means there are four others that are even more important to you!

**1** .....

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**2** .....

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**3** .....

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**4** .....

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**Think about a time when a sense of purpose pulled you through a difficult situation. Describe the situation and how you stayed aligned with your sense of purpose.**

**Ex: Situation: I have to do low-level janitorial tasks for my job.**

**Purpose: My work keeps the lab clean and helps NASA scientists do their jobs.**

**How I stayed aligned with purpose: I'm helping to put a man on the moon.**

**Situation:**

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**Purpose:**

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**How I stayed aligned with purpose:**

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.....

**Write down three to five things that make you happy when you're doing a job.  
What drives your energy?**

For example, you might write, “working independently” or “helping others understand complex ideas.”

**1** .....

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**2** .....

.....

**3** .....

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**4** .....

.....

**5** .....

.....



**Think about what bothers you. When you walk around your community or listen to the news, what grabs your emotions? What issues do you bring up over and over with friends?**

For example, you might write, “no recreational facilities in the community” or “no good coffee in the neighborhood.”

**Write down three to five things that bother you.**

1 .....

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2 .....

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3 .....

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4 .....

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5 .....

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**Think about a time when you felt your work was most meaningful to you. Describe that situation. Who was there? Where were you? What were you doing?**

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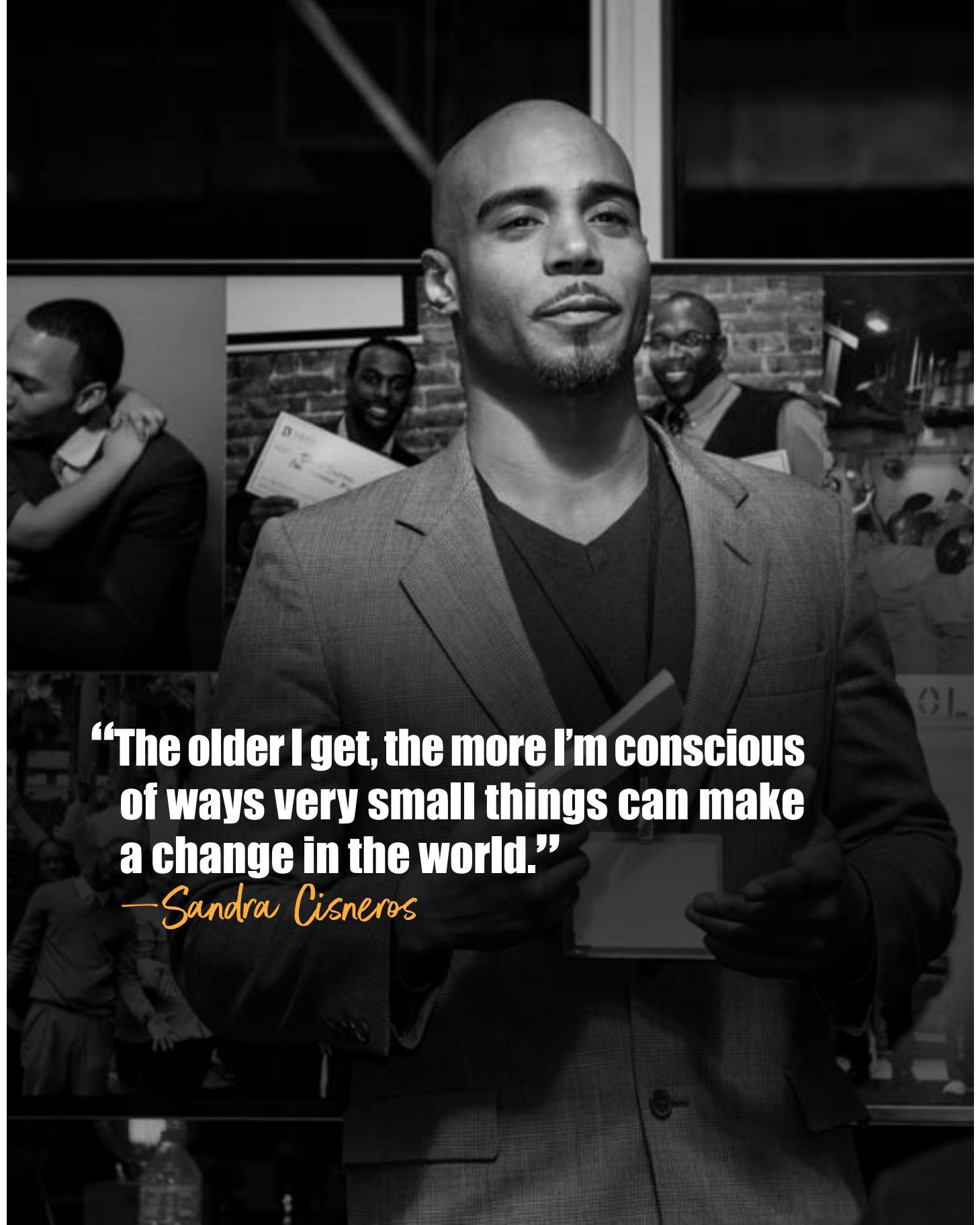
### Craft a Purpose Statement

For example, someone interested in teaching Social Studies might write: I exist to generate interest in history and help (verb) people (who) learn from the past (why).

I exist to \_\_\_\_\_ (action verb) \_\_\_\_\_ (who)  
to \_\_\_\_\_ (why).

**Why does what you do exist in the world? My purpose is:**

.....  
.....  
.....  
.....  
.....



**“The older I get, the more I’m conscious  
of ways very small things can make  
a change in the world.”**

*—Sandra Cisneros*

# Identifying Customer Problems

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## Preview

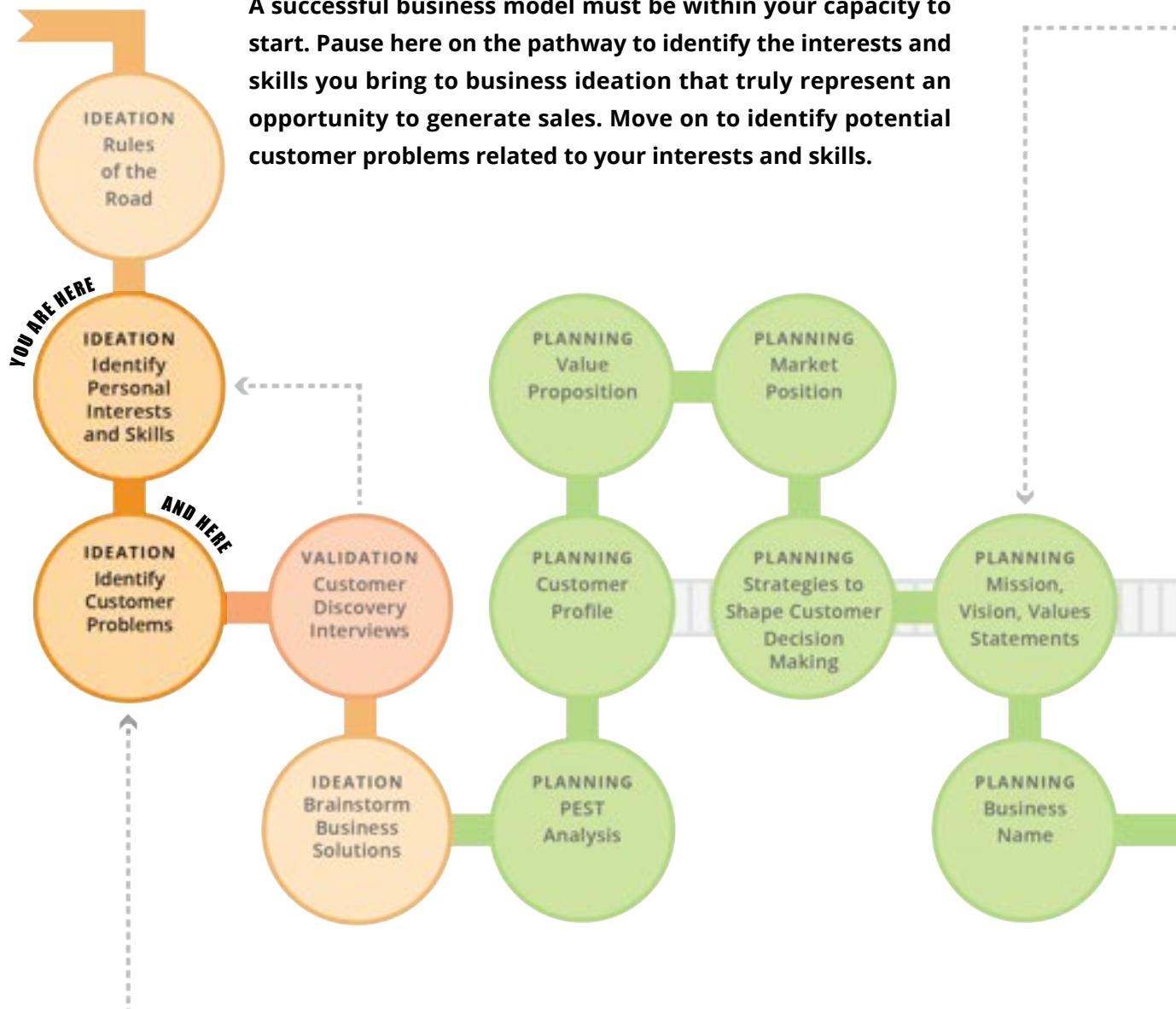
### **After reading this chapter, you should be able to:**

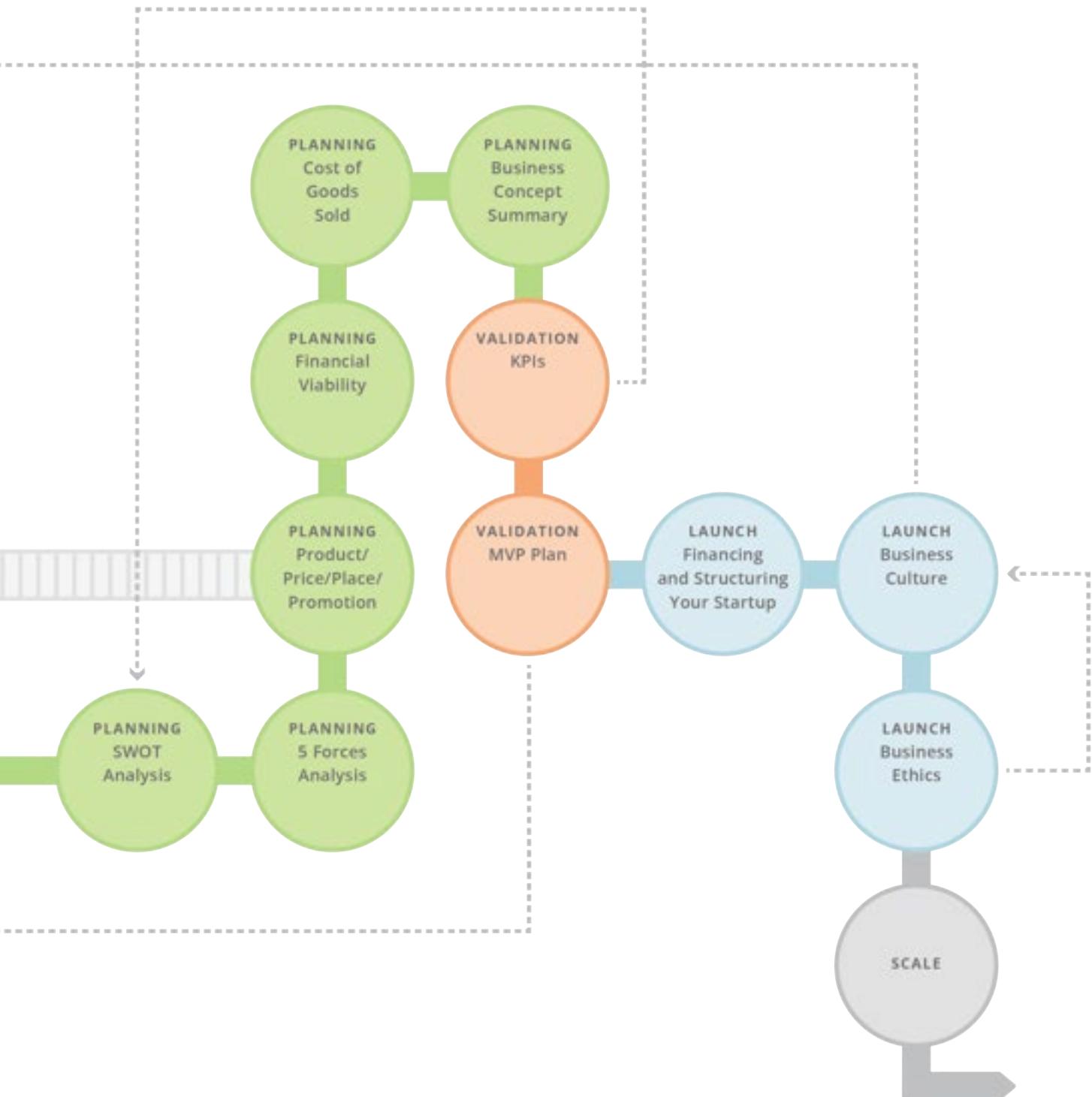
- Define a business model.
- Identify the factors that contribute to a successful business model.
- Identify interests and skills that could contribute to the development of your business idea.
- Identify potential customer problems.



## Entrepreneurship Pathway Outline

A successful business model must be within your capacity to start. Pause here on the pathway to identify the interests and skills you bring to business ideation that truly represent an opportunity to generate sales. Move on to identify potential customer problems related to your interests and skills.







**I**deation means the “formation of ideas or concepts.” Defy uses a three-step ideation process that includes:

- Identifying customer problems.
- Customer discovery.
- Brainstorming solutions.

This chapter focuses on identifying customer problems and introduces a framework for assessing whether the customer problems you identify can form the basis of a successful business model.

Upcoming chapters will focus separately on “Customer Discovery,” and “Developing a Business Solution.” You will use the framework for what makes a successful business model, along with Defy’s rules for ideation, to assess the business idea you ultimately develop in “Developing a Business Solution.”

## Recognize a Customer Need

One of the first things an entrepreneur has to do is distinguish between an idea and an opportunity. Ideas are wonderful sources of inspiration, but they are not carefully thought through and researched. An **opportunity**, on the other hand, *identifies a need or a want in the market that is likely to become a profitable business*. An idea that ignites personal passion is valid and can be a satisfying hobby or side business. But, it is important for an entrepreneur to focus on developing a path to profitability when first launching a business **recognizing a customer need**.

Think about all the products or services that you have purchased in your lifetime—furniture, clothes, cars, insurance policies, haircuts, eyeglasses, cleaning services, dog grooming etc. Everything you have ever spent money on, you purchased from an entrepreneur. At some point, an entrepreneur’s business enabled you to buy whatever it was you needed or wanted. Businesses are built on **transactions**, which are, in turn, built on **relationships** with customers. You form relationships with customers when you’re able to illustrate the problem you will solve and market that solution directly to them through various forms of communication. Transactions happen when a customer pays a business to solve his or her problem. This means that for a business to exist, a customer has to want to pay for a product or service that it offers. On the other hand, the business has to be able to sell that product or service for a price that seems fair to the customer

and allows the business to make a profit—to make more money in the sale than it spent to make the product or produce the service. If you are able to delight your customer as a result of the transaction, you continue to build the relationship and earn trust. This is how you can build loyal customers who help spread the word about your business.

In general, people buy things that they cannot make themselves either cheaper or better. For example, if you pay \$3 for a muffin, you’re doing it because you think the muffin is worth at least that, if not more. It is worth it to you to spend money on the muffin because you need to eat breakfast, but you don’t want to buy a muffin pan, you don’t have room to store a dozen muffins in your kitchen, you don’t want to eat the same flavor muffin every day, and you don’t want to waste the time and money it would cost to buy ingredients and make muffins that might not all get eaten. On the other side of the transaction, the bakery sells you a muffin that it only cost them a dollar to make. Both parties win. In other words, you purchase something when you perceive that you are receiving good value for your money.

But when you purchase something, you almost never buy it directly from its **inventor**. The person who cuts your hair is not the first person ever to open a salon or barber shop. The person who sold you eyeglasses did not

invent the magnifying lens. Instead, we buy things from an entrepreneur who figured out a way to bring them to us, not the person who invented them. The highly publicized successes of innovators like Steve Jobs can make it seem as though, in order to be an entrepreneur, you have to invent something new. While this may be true in some cases, it is the exception rather than the rule.

One challenge of entrepreneurship is to **reject the mythology that you have to be original**. You do not have to be *original*. What you need to be is *useful*. Being “useful” involves **solving a customer’s problem and getting paid for it**. If you can be useful to a customer, you can be an entrepreneur by figuring out how to make transactions happen.

## Case Study: Seth Godin

Seth Godin, an entrepreneur and business author, started two businesses when he was in college. He says, “When I was in college, I had no money, yet I co-founded a business that ended up growing to 400 employees. We discovered the college was hiring temporary employees and paying temporary employment agencies, such as Manpower and Kelly, \$20 per hour for temps to do office work. Temporary employment or staffing agencies provide placement services for employees and work with a broad range of employers. Employees go to an agency and are often able to find a temporary position rather quickly. Temporary employment can be a good way to get your foot in the door for a full-time position or gain experience in a particular field. Employers are able to get a position filled quickly so work gets done effectively and efficiently.

Our business identified that there were lots of unemployed college students right on campus. We thought, “Why don’t we get college students to do temporary work, and we’ll save the university money?”

We went to the university and said, “You’re using our tuition to pay \$20 an hour for temporary labor. How about if we charge you \$15 an hour, and we’ll give you college students to do the labor? The school said, “Okay.” Next, we went to college students and said, “You’re

unemployed, but you don’t want to leave campus to work. We’ll pay you \$8 an hour to go do clerical work for the school.” They agreed because that was eight dollars an hour more than they were making.

The university was paying us \$15 an hour; we were paying the students \$8 an hour, so we were keeping \$7. We were immediately cash flow positive. That business still exists over 30 years later, and thousands of people have made extra money doing this simple transaction.

We also noticed that students’ parents had a problem if their kids were away at school for their birthdays. We went to a bakery near campus and asked, “Will you sell us birthday cakes for eight dollars?” They normally sold the cakes for \$10, but they agreed to \$8 because we were going to buy a lot of cakes. Next, we got a mailing list of parents and sorted the list by students’ birthdays. In January, we sent a letter to every parent whose child’s birthday was in February, saying, “Dear parents, your kid’s birthday is in three weeks. Want us to deliver a cake? It’s \$25.” Almost every single person who got the letter sent us \$25 to deliver a cake. We walked over to the bakery, paid \$8 for a cake, walked it to the student’s room, and made \$17 every time we did it, every single day of the school year.

These businesses illustrate the simple process for identifying any business idea: identify a

problem that someone will pay you to solve. In the case of the birthday cake delivery service, Godin identified that parents had a problem because they had no easy way to get birthday cakes to their kids. The bakery also had a problem because they couldn't sell cakes at a high volume. By offering the bakery a chance to sell more of its product, Godin's college business solved both of those problems and was cash flow positive in three days. These businesses also demonstrate that an entrepreneur does not need to have a unique idea, but rather needs to be useful—to solve a customer's problem. There is nothing original in the idea of providing temporary labor or selling birthday cakes. Instead, Godin was able to identify a specific situation in which a customer might need his service and market his solutions.



Godin says, *"You can build a business like this as soon as you find two sides to a problem. Find people who have a problem and find a way to solve it; charge enough money in between that everyone says you're doing them a favor. That's what it is to be an entrepreneur."*

## Startup Success

A **business model** describes the rationale of how an organization creates, delivers, and captures value. In other words, it is a scalable, repeatable process by which your business creates value that someone else is willing to pay for by solving a customer's problem. Remember that within Defy, finding a scalable idea means that the business you create has the potential to grow to sustain additional employees beyond yourself. If your goal is to create a sustainable business, your search for a good business idea should follow these general principles.

### **Good Business Models:**

- **Solve a customer problem:** Successful businesses must always solve a customer's "pain" by addressing a need. This does not mean that your business provides a unique solution, but it does mean that there is still a need for your product or service that people are willing to pay for. If you build your business from a commodity product or service, customer demand is high even if many competitors exist.

### **Reflect your interests and skills:**

Reflect on what you enjoy, what you are good at, the kinds of people you want to be around, or the way you want to live your life. Remember, your business will take a lot of your time and energy. Think about what you want to eat, sleep, and dream.

DEFY  
VENTURES

DEFY

DEFY  
VENTURES

DEFY  
VENTURES

DEFY  
VENTURES



Think about the life purpose you identified in “Finding Your Purpose.” Your purpose can help you identify the things you find deeply meaningful and the ideation process can help you find ways to activate purpose in the present!

- **Are within your capacity to start:**

You should have the necessary skills and experience to launch your new business—or access to people with skills and experience you lack. For example, during business coaching, an EIT had an idea to make flavored milk products, but had no experience making flavored products or food service of any kind. The EIT *did* have drywall and construction experience, however, which allowed him to develop a business idea that was within his capacity to start. When you think about businesses that are within your capacity to start, try also to identify potential risks and challenges that are beyond your ability to control. You might not want to start a business where there is significant risk and uncertainty or there are aspects that are fully out of your control such as regulatory oversight. If there are special permits or licenses associated with your business, consider how expensive and time consuming it is to obtain them.

- **Don’t reinvent the wheel:** Your business does not have to create a brilliant new invention. Copy models that have proven

effective. You may offer a similar product or service to others already in existence, but find a way to differentiate yourself while making your product or service better or more desirable. One way to differentiate yourself is to provide a high level of customer service in a traditionally low service industry. Upcoming chapters will help you define what differentiates your product or service from others already in the marketplace.

- **Have realistic startup costs:** You should be able to start your business with minimal upfront investment, and costs associated with startup *must* be less than \$20,000. In upcoming chapters, you will have an opportunity to define your startup costs fully. At this stage, it’s important only to have a rough understanding of how expensive it will be to launch a given business.

- **Are financially viable:** We define a “financially viable” business as one that will generate enough revenue from every sale to ensure that you make a profit. Your business will be financially viable when it has access to a large number of customers relative to the number of providers and is in a competitive environment that makes it difficult for new competitors to enter. Practically, this also means that your business idea should be scalable, allowing you to grow the business without having to commit significant

financial investment or other resources. You might also think about whether the type of business you plan to launch has a positive future and is unlikely to be antiquated or easily disrupted. In a world that is increasingly dependent on technology for communication, for example, it would be a bad time to start a typewriter repair business. Of course, there is always uncertainty when you forecast whether a business has a positive future. No one foresaw the major changes in consumer behavior related to the 2020 coronavirus pandemic, for example, which quickly shifted people into working remotely, halting non-essential travel, and increasing their reliance on delivery and other at-home services. But this example illustrates the importance of watching out for current trends. During the pandemic, brands with strong direct-to-consumer business models and online presences were far less threatened than businesses that relied on in-person transactions. Every entrepreneur faces this kind of uncertainty, which is why resilience and flexibility are such important traits for business owners. Upcoming chapters will teach you the basics of accounting and pricing, help you understand the forces that insulate your business from future competition, and identify growing markets.

- **Have a large potential market:** There should be enough customers in your market

to support the entry of a new business. Practically, this also means that you might not want to start a business in a field that is overly crowded. If every customer in the market is already served and satisfied, there will not be enough new business to make your startup financially viable. Upcoming chapters will help you define your unique value proposition, understand competitors, and identify a market position that can help you attract customers.

- **Have a way to reach the customer:**

You may want to sell services to billionaires, but if you have no way to reach them, you will be unable to develop a financially viable business. After you've identified a potential problem for your target customer, know how and where to communicate your solution to them—preferably directly. In most instances, you can do this by developing a social media presence through Facebook, YouTube, Instagram, Pinterest, Twitter, and other platforms. Today, the most effective communicator is the one who can speak to customers directly and authentically. Upcoming chapters focus on marketing fundamentals that can help you communicate directly with potential customers.

- **Identify where a transaction can occur:** Once you can solve a problem and know where to find your customers, it's

important to identify where your customer will be most motivated to purchase your product or service. Think about how best to sell “direct-to-consumer.” The benefit of living in a digital-first age is that you will be able to market and sell to your customers directly online. Developing the tools to do this will help your business scale exponentially. Upcoming chapters that focus on marketing will help you identify the right place to sell your product or service.

- **Support the public good:** The best business models support the public good and are not destructive to humanity or the environment. Businesses can build **corporate social responsibility** statements into their business models to be intentional in the kind of impact they make on society. To practice corporate social responsibility, a business chooses ways to enhance society and the environment instead of contributing negatively to them. One way that several EITs’ businesses support the public good and practice corporate social responsibility is by becoming fair chance employers and hiring other people with criminal histories.

## Identify Potential Problems

Too often, entrepreneurs get excited about an idea for a business and assume that others will pay money for it. In other words, too many entrepreneurs begin with a solution in mind without ever making sure there is a problem that customers would be willing to pay to have solved for them. Before you identify a solution, it is critical to define what the problem is that you are trying to solve as well as who is experiencing it.

One of the most important things to remember about entrepreneurship is that **businesses exist to solve customer problems**. Every business idea starts with a customer problem. As you look for problems that are within your capacity to solve, try to identify things that have bothered or irritated you related to your own interests and skills. You can also think about problems you have experienced personally.

### Problems Related to a Skill

Ralph is an EIT who learned leather work in prison where designing and hand-stitching wallets “served as a therapeutic hobby.” He knew he wanted to use leather working as the basis for his business. He might have identified the following things that bothered him about the leather goods he personally owned and that he noticed in relation to other people:

- *Men’s wallets all look the same. There is no wallet that communicates luxury and status.*

- Women's wallets tend to be thick and bulky.
- There are few wallets that let someone access their public transportation cards without flashing the entire contents of their wallets.
- Women's commuter backpacks usually have a zipper or clasp on the back of the bag, making them vulnerable to pickpocketing when worn on the shoulders.

### Problems Related to an Interest



Jessica had an interest in scented candles. She liked having a scented candle burning in her apartment, but was irritated about the following in the choices she had available to purchase:

- Scents are often paired with colored wax. Sometimes, a scent Jessica would be interested in was colored with wax that wouldn't fit in with the colors in her living room.
- Candles are often poured in highly decorative containers. Sometimes a scented candle she likes is poured into a container that wouldn't match her decorating style.
- Container candles are often poured into Mason jars. Jessica didn't like candles with screw-top lids, as she thought they didn't look nice enough for her living room.
- Container candles almost always have a glued on label. Even though the labels might look nice, Jessica didn't like how the labels stand out in her living room.

- Container candles with the kind of simple containers she likes tend to be marketed as high-end, expensive products.

### Problems You Have Experienced

Warby Parker, an eyeglass company founded in 2010, started with a problem one of the founders had experienced personally. As students on a backpacking trip, one of the founders lost his glasses. The cost of replacing his glasses was so high that he was unable to replace them and returned to school the following semester unable to see properly. He identified that the cost of glasses was too expensive.

By thinking through your skills and interests as well as problems you have experienced personally, you may be able to identify a range of ideas for how you can become useful to potential customers—identifying problems they may be willing to pay *you* to solve.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. During startup, Defy emphasizes that it is important that you \_\_\_\_.**

- A.** Are the only investor in your company
- B.** Turn a profit with minimal startup costs
- C.** Find partners to help you pool resources
- D.** Spend more than you make

**2. What important feature did Seth's college businesses have in common?**

- A.** They were quickly cash flow positive.
- B.** They solved a problem for college parents.
- C.** They did not require the purchase of anything.
- D.** They made Seth wealthy almost instantly.

**3. Seth advises choosing a business idea that \_\_\_\_ rather than a business about which you are passionate.**

- A.** Excites your investors
- B.** You know a lot about
- C.** Solves a problem
- D.** Another EIT has started successfully



**4. A business opportunity is \_\_\_\_.**

- A.** A source of inspiration
- B.** Likely to make a profit
- C.** A risky innovation
- D.** Likely to come from a hobby

**5. To maximize your chance of succeeding, you should sell to people who \_\_\_\_.**

- A.** Live near you
- B.** Know you
- C.** Like you
- D.** Have money



## Apply Key Concepts

Transactions occur when a buyer purchases something perceived to be more valuable than the cost, and the entrepreneur sells something for more money than it costs to make.

List two to three things that you have purchased in the past that you would describe this way. What about the purchase contributed to your perception of its value?

1 .....

.....

2 .....

.....

3 .....

.....



**Think about these purchases and why you made them. How did you locate or hear about the company you bought from? Word of mouth? Targeted by an ad online? And if you're a repeat customer, what's the guiding factor in continuing the relationship with this brand?**

PURCHASE	HOW YOU HEARD ABOUT THE COMPANY	REASON FOR CONTINUED BRAND RELATIONSHIP



**List three to five skills you already have—the things you already know how to do that you might use to develop a business idea (e.g., “I already have woodworking skills”). This is not a resume, so don’t worry about whether the skills and experience you list come from a legal job.**

PURCHASE	SKILLS/CERTIFICATIONS/WORK EXPERIENCE/EXPERTISE
5	Sales+Marketing (drug dealing to generate \$2,000 in profit per day)



**On the left, list three to five interests—things you like, do repeatedly, or buy often.**

**On the right, identify any skills you can realistically learn in the next two weeks related to your interests (e.g., “I have access to training to learn silk screen printing”).**

INTERESTS	SKILLS



**Use the space below to identify as many potential customer problems as you can related to two to three of your interests and skills. At this point, the potential problems you identify should be rooted in your own experience.**

Ask yourself:

- What's a need that you or someone else has related to this interest or skill?
  - What's one thing about this interest or skill that bothers you (or is even slightly irritating)?
  - What about your experience of this interest or skill could be improved?



**As you look back at your interests and skills, you may find that you can't identify problems related to each of them. That's okay. Your experience of a particular interest or skill may be just fine. That is likely to be a signal that there are more problems to be solved in a different area.**

INTEREST OR SKILL	PROBLEMS I'VE NOTICED
I have leatherworking skills.	Men's wallets all look the same. Wallets don't let you access your metro card without showing the contents.



**Before you narrow your focus on one or two of the potential customer problems you identified, you should use the components of a successful business model to analyze potential problems and identify pros, challenges, and first steps. Based on the example below, choose one of the customer problems Adem identified and analyze the pros, challenges, and first steps that Adem would need to think through if he were to turn that problem into a business idea.**

**On his way home from work, Adem noticed the following problems:**

When he went to buy a snack, Adem wished he could find a kind of savory hand-held pie that his grandmother makes, but he couldn't find anything like it being sold by the street vendors on his way from work to the subway. Adem wondered if other people might like the kind of tasty, easy to carry snacks his family makes.

When people park their cars at metered spots on the street, they buy 15 minutes of parking time for 25 cents. He noticed that most people pay for the maximum amount of time—one hour for two dollars—but most people leave their parking spots before the full hour is up. Adem wondered if people might be able to sell their unused time using some kind of parking meter smartphone app.

Adem notices that the treats he feeds his dog smell terrible when the dog is chewing them, although they're supposed to make the dog's breath better. Adem likes to bake and wondered if he could make dog treats that didn't smell bad and that helped make the dog's breath better.

Adem plays video games and can settle down with his game system for hours. He noticed that although it's easy to get take-out delivery, there is no service that delivers snacks. He wondered if people would be interested in a delivery service for snacks.

Adem noticed that the elevated highway that runs through his neighborhood creates soot in the air that gets onto people's window sills and furniture that are close to the window. He wondered if people in the neighborhood would be interested in buying window screens that could filter out the soot. He also wondered if people in the neighborhood would be interested in a cleaning service that targets their windows and removes the soot.



LACK OF SAVORY, FRESH-BAKED SNACKS		
PROS	CHALLENGES	FIRST STEPS
Adem knows how to make these pies. It is within his capacity to start.	The pie's ingredients may make the snack expensive. Adem will have to find supplies that allow him to make a profit selling the snack at a reasonable price.	Government licensing and oversight is required for food preparation. Adem needs to get a food handler's license.
The idea reflects Adem's interest and baking and snacks.	He does not have access to a commercial kitchen.	Startup costs will include the cost of the license, access to a commercial kitchen, and ingredients.
There is a large potential market for selling snacks. Commuters and tourists buy snacks from food vending carts. Adem might even be able to set up as a vendor at Smorgasburg or sell to film industry production food vendors who often set up shoots in his neighborhood.	He does not have access to a commercial kitchen.	



<b>CHOSEN ADEM EXAMPLE:</b>		
<b>PROS</b>	<b>CHALLENGES</b>	<b>FIRST STEPS</b>

**List two to three problems that you think people might pay you to solve. How will you create exceptional value for the customer?**

**1** .....

.....

.....

**2** .....

.....

.....

**3** .....

.....

.....



**Identify pros, challenges, and first steps for the customer problems you are most interested in solving.**

CHOSEN ADEM EXAMPLE:		
PROS	CHALLENGES	FIRST STEPS



**One of the features of a successful business model is that the business supports the public good. Although many people who want to support the public good think about starting a nonprofit, Defy's guidelines specifically require EITs to create a for-profit business.**

**List two to three ways a for-profit business can help people or give back to the community.**

1 .....

.....

2 .....

.....

3 .....

.....



# **Case Study**

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**Monica Borell**

Founder and CEO of Cardsmith





**“Experience is simply the name we give our mistakes.”**

*—Oscar Wilde*

## Case Study: Monica Borrell

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**M**onica Borrell is the Founder and CEO of Cardsmith, an online organizational tool that allows users to create virtual “sticky notes,” organize them either freeform or in a grid, and draw connections between the cards.

Monica is what you would call a “serial entrepreneur.” Growing up on a farm, she subcontracted what she perceived as a “low-value task”—pulling weeds—to a neighbor boy so she could concentrate on a more “high-value task”—buying avocados from her father and selling them at a markup to local Mexican restaurants. Later, she created a food business from her interest in Asian cuisine by concentrating on three main recipes, working with a contract manufacturer, and selling to gourmet grocery stores.

Monica’s next entrepreneurial venture was a consulting business that helped new customers implement a software platform developed by the company where she used to work. The company had decided to focus only on creating software rather than implementing it. Monica saw a customer need, so she left the company and created a business to implement their software. To gain customers, she supported the sales team to demonstrate the value of the software, then worked with the new customer on implementation. From a side job freelancing as an individual consultant, Monica grew the consulting business to hire ten contract freelancers.

By adding additional consultants on a freelance basis, Monica was able to scale the business up or down based on demand without taking on the overhead—or fixed expenses—that full time employees represent. Of this business, Monica says, “The timing was right and this was by far my most profitable venture. It had low risk, good returns, and it didn’t require any capital investment.” The company grew further by identifying gaps in off-the-shelf software and creating software products that could integrate different software packages together.

Next, Monica saw the need for better business intelligence and created a Business Intelligence company called Cornerstar with a partner whom she later married. Business intelligence allows companies to collect information related to customers and processes so they can analyze their data and make data-driven decisions. After leaving CornerStar following her divorce from her co-founder, she returned to consulting, which is where the idea for Cardsmith was born.



## The Importance of Entrepreneurship

For Monica, entrepreneurship was “in the blood” from a very young age, and she says she feels most proud of the fact that she hasn’t had “an actual job since 1992.” She has created her own opportunities and not had to conform to an employer’s idea of a “job” since she was young.

Entrepreneurship fits with Monica’s personal style. She acknowledges that, “I don’t necessarily take directions from other people well. I’m not the best employee. I’ve tried it off and on, and throughout my career people have wanted to hire me. I’ve always said, ‘No, let me consult for you for a while and then we’ll see.’ I don’t want to work in a big company, which I perceive as slow. Small companies can be more nimble, and I honestly like being a boss.”



Monica also recognizes that choosing entrepreneurship is a struggle, but, she says, “I think there’s a huge value in the journey.” The journey of an entrepreneur includes intelligent risk-taking and requires that you learn from failure. She recommends that you keep yourself safe, but push yourself into the “learning zone.” She says, “As you’re pushing yourself and growing in life, there’s the ‘comfort zone’ and then there’s the ‘danger zone’ where you get in over your head. You want to push yourself beyond what’s comfortable and into the ‘learning zone.’ Don’t stay in your comfort zone but don’t go into the danger zone too much, either.”

Monica acknowledges that she pushed herself beyond her learning zone on many occasions because she has a high tolerance for risk. However, on one job, she was under more stress than her body could handle. She got sick multiple times in one season, suffered a herniated disk in her neck, and had to quit the project. Monica has learned to monitor the early warning signs of stress that signal when she is working in her danger zone.

Like many entrepreneurs, Monica learned this lesson the hard way, but that doesn’t mean you have to! Stress causes your body to produce adrenaline, which increases your heart rate and boosts your energy, and cortisol, which increases your blood sugar so you have the long-term energy needed to sustain your activity. If you find yourself working frantically, unable to sleep, or unable to shut down mentally, these may be signs that you’re working in your danger zone.

## Learning from Failure

Monica was successful in her early entrepreneurial ventures, but she says she would consider Cardsmith something of a failure. The company launched in 2015, and Cardsmith still struggles to gain traction in a crowded field of online organizational tools. For the people who work on Cardsmith's solution, it's a labor of love.

Monica looks at success and failure as "a long journey that she's on," and she acknowledges that she experienced a lot of shame when things didn't go as planned with her business and had to "come to terms with my own ego." When it looked as though the business was going to fail, Monica thought her team was going to walk away, saying, "You know we tried. It's not good enough." At that point, she realized that she was so stressed because she had merged her own idea of herself with the success of the business. She says, "It was like Cardsmith and me were the same thing."

Monica dealt with the stress of failure by going on a week-long silent meditation retreat. "I didn't speak and I meditated thirteen hours a day. Through that process, I realized that Cardsmith is not me. That I have value and even if it does fail, it's okay. It doesn't mean I'm dying." After separating her own "ego" or sense of her personal value from Cardsmith's success...or failure, she was able to regroup her team and come back to the business six months later.

This opportunity—to face failure and confront your own weaknesses—is painful, but it's one that Monica ultimately values. She says that failure is "part of the entrepreneur's journey and an opportunity that many people don't have in a normal job."



## Solving a Customer Problem

In Entrepreneurship Bootcamp, you'll learn that a business needs to solve a customer's problem. Cardsmith solves a growing problem among remote business teams, helping them increase productivity and creativity. Through her work as a consultant, Monica observed that when teams brainstorm solutions, they often use sticky notes, placing them on walls or whiteboards and drawing connections between individual ideas to create the map for a solution.



The idea for Cardsmith came from an experience Monica had consulting for a large oil company that was in crisis. To design business process improvements, Monica's team took information from the company's databases and put it up on cards. She recalls, "It looked like we turned this very fancy, big office into a kindergarten class, because we got string and construction paper and put this big board up. And then I got to see the transformation of the people go from pointing fingers at each other and yelling to pointing fingers at this visual wall and work together to solve problems."

This shift from blame to collaboration occurred when people stopped trying to talk about abstract problems and focused instead on a wall of cards that allowed them to see patterns and find solutions in them. Monica observes that the value created by Cardsmith is that "it helps people and teams think better by providing a visual map." When people can "get stuff out of their brains" and make their ideas visual, they can identify gaps, patterns, and solutions. That kind of brainstorming is difficult with remote teams, who get together using video conferencing tools. Cardsmith simulates an easy to use whiteboard and Post-It notes so people can collaborate even when they're not in the same room. This kind of visual interaction allows people to step back and look for patterns in their ideas.

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## Identifying Your Market

In Entrepreneurship Bootcamp, you'll learn about the value of using open-ended questions to find out if the problem you perceive exists within a larger market, and you'll learn how to develop a profile of your target customer. Once Monica identified a problem she thought she could solve with Cardsmith (using virtual sticky notes on a white board to help teams collaborate), she conducted rounds of customer development interviews. Originally, she had thought of Cardsmith as a visual Kanban tool. Kanban is a system for workflow management that visually processes cards, which represent tasks, through various stages of completion. For example, a task might move from a column labeled "Assigned" to "In Progress," and finally into "Completed." This system allows managers to see at a glance what stage tasks are in and to intervene with support if a task is held up or creating a bottleneck. The need for virtual Kanban systems was already being met by several online tools such as Trello.



*"At events, Defy volunteers have stressed the importance of asking the right questions. Asking the right questions lets you learn about customers' problems and needs. It also helps you learn from others' mistakes. It's important, though, not to allow the fear of repeating those mistakes become a setback."*

—Tavaion Sowell, EIT Graduate

As Monica heard from potential customers, Cardsmith's potential scope expanded. Monica began asking office managers and project managers about their problems with document management and project management. Existing tools couldn't facilitate brainstorming, manage a recipe collection, or create a workout plan. She says, "The mistake that I made was to think that Cardsmith can do too many things well and I had a hard time finding a focus. It became too big."

Monica acknowledges that customer development is a difficult process to get right. In her experience, the biggest challenge is that, "it's really hard not to hear what you *want* to hear and not to taint the interview with suggestive language. It takes a lot of time and patience to interview prospective customers about the problem and not even clue them in that you might have a solution. You have to really understand the problem in a lot of detail and a lot of depth." Later, you'll come back with a solution, but when you're trying to understand the potential customer's problem, it's important not to hear what you want to hear and rush to market with a solution. Monica looks at the customer development process as an opportunity for continuous learning. Instead of focusing on a solution, she approaches potential customers with "hypotheses," then goes out to try to disprove the hypotheses.

She recommends that customer development becomes easier when you have a clear focus and develop a specific user persona. To understand the kinds of customers who are attracted to Cardsmith, Monica has worked to develop profiles of their users. Since Cardsmith is an internet-based company, their users come from around the world and are not limited to the business world. Among other use cases, Cardsmith is used for business and project management, household organization, organizing writing projects, and instructional design. To understand who they're actually marketing the product to, Monica has had to think about the attitudes and preferences—the psychographics—of their users as well. Cardsmith's customers are process thinkers who appreciate simplicity, who want the freedom to build their own systems, and who are comfortable with white space—a blank canvas on which to map their ideas. Like any blank piece of paper, white space can produce fear and hesitation, so people who are comfortable with white space tend to be people who are comfortable with the unknown and are willing to take a certain amount of risk in thinking “outside of the box.”



## Corporate Values

The team at Cardsmith used a brainstorming process to create company values. Monica says, “It’s one of those things that you need to keep in front of your team constantly. I’m able to go to Cardsmith and remind myself what our values are.”

- **Simplicity**
- **Value the creative process**
- **Collaboration**
- **Technology should be fun and joyful**
- **Always learning and adapting**
- **Trust and transparency**

Cardsmith’s team uses the company values—for example, simplicity—to shape their decision making. When Cardsmith feature requests come in from users, the team sifts through the ideas with an eye toward how well the feature requests match their values. Monica observes, “We don’t want to load Cardsmith up with features that are very, very specific” and would take away from the product’s simplicity.

Along with company values, the team uses a simple decision-making criterion to ensure they are prioritizing the right ways in which to develop Cardsmith’s product. To prioritize new iterations, the team focuses on the resources of time, people, and money. Monica observes, “We need to do things that are easy to do that can solve a wide variety of problems—not take six years to develop.”

Transparency and trust shows up for the Cardsmith team in that there are no closed-door or one-on-one meetings. The team meets twice weekly and discusses all of the company's decisions openly, using this public forum to hold each other accountable and collaborate on decision making. Monica says, "We like to call decisions 'hypotheses.' If we're wrong about a decision, we can change it and pivot quickly and easily as a team because we have that level of trust."

her that, "Those are just funding sources for Cardsmith," encouraging her to reframe how she thought about challenges in a way that serves both herself personally and the business.

## Incorporation

Cardsmith is currently incorporated as a single-member LLC. In the future, Monica plans to convert the business to a C-Corporation or an S-Corporation and use the "slicing pie" model to offer the promise of future equity shares to her team. The slicing pie model allows business owners to reward people with equity based on their contributions to the company's growth. This model aligns with Cardsmith's values because it is transparent and collaborative.

## Finding Mentors

No entrepreneur succeeds alone. Mentors can challenge your thinking and help push you beyond the barriers that you might otherwise see for yourself. When you identify mentors in your own life, you might think about people who are supportive but don't tell you what to do or offer their own solutions to your challenges. Mentors who remind you that, "You can do this if you want to do this. You have it in you to do this. I believe in you," are an invaluable resource to an entrepreneur.

Monica identifies one mentor who has been able to support and challenge her as a business owner and who also cares about her as a person. She says, "He has challenged me to think bigger." When Monica had to start working on the side to support herself while also working on Cardsmith, he reminded

## Pitching to Investors



In the Entrepreneurship Bootcamp, you will pitch your business during the Business Pitch Showcase. One of the ways to grow your business is to seek additional funding, which could come through bank loans, individual investors, or other sources of funding. Defy may be able to connect you with. As part of Defy's Entrepreneurship Pathway, you will pitch to our Investment Committee for the opportunity to receive seed funding to start your business.

Monica is starting to pitch Cardsmith for angel investment, but her early pitches did not receive funding because she thinks their "story is too broad. We've been too abstract in articulating our customer's problem and our solution." Without a clear story related to the customer's problem and the solution, it's difficult to show that Cardsmith is something the market wants.

Monica experienced what you will be faced with when you go to your own pitch competition. She says, "You have to go in front of people and tell a story that is very short and concise and that focuses on what investors care about." Investors want to know that you have identified a problem and have a viable solution

that the market wants to buy. Investors aren't interested in the features and details of your product or service. Instead, investors are looking for your passion and commitment. Monica acknowledges that she had "to suspend doubt. As an entrepreneur, you've always got these two sides—an unwavering belief that your idea is amazing and this fear that it might fail. You have to sort of split your brain and leave that fear aside when you pitch."

Monica recommends focusing on the value you bring to your business idea. Even when you pitch to people who have success and experience that you don't have, they're not you. Recognize your own strengths and experiences and be humbly confident in your vision. She also says, "It's okay if they don't get your idea. Not everyone will, but that doesn't mean you're not doing a good job or you don't have a valuable idea to bring to the world. Just keep at it."

As a woman business founder, Monica advocates for you to trust yourself and keep your own counsel. The best piece of advice she says she has received is, "Don't take everybody's advice. Take input. But at the end of the day, you're the one that has to give yourself advice on what to do."





## Apply Key Concepts

What ideas from “The Entrepreneurial Journey” apply to Monica’s experience of entrepreneurship?

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Based on your understanding from “The Entrepreneurial Journey,” what advice would you give Monica?

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In your own words, what would you say is the danger of staying within your comfort zone?

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**In your own words, what would you say is the danger of pushing yourself into your danger zone?**

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**Write about a time when you knew you were functioning within your learning zone. What were the circumstances? How did functioning in your learning zone make you feel?**

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**What observation or advice from Monica's story seems most important for your own entrepreneurial journey? Why?**

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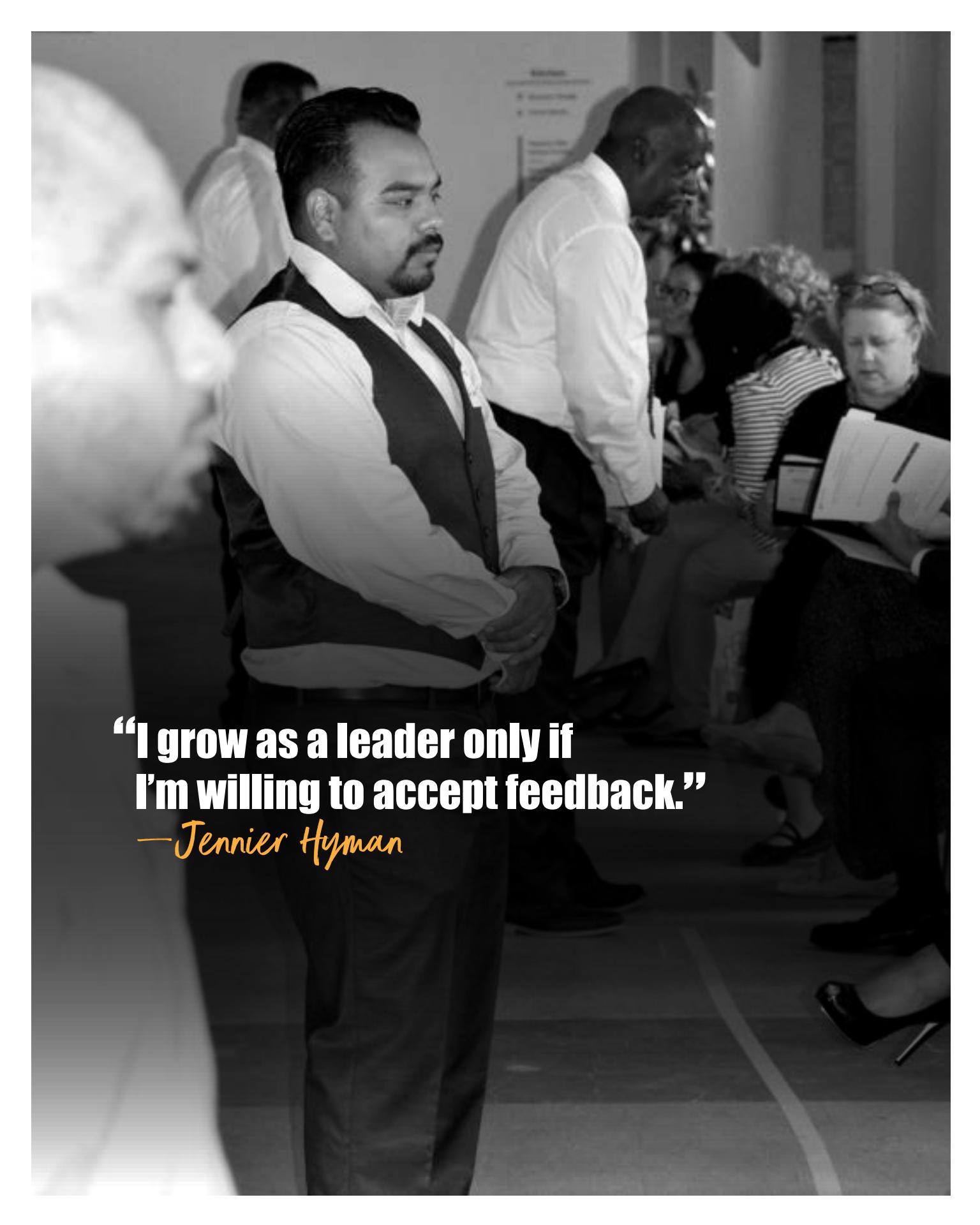
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**“I grow as a leader only if  
I’m willing to accept feedback.”**

*—Jennier Hyman*

## **Giving and Receiving Feedback**

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## Preview

### **After reading this chapter, you should be able to:**

- Understand the connection between having a growth mindset and feedback.
- Develop active listening skills.
- Give effective feedback.
- Use feedback to strengthen your work.
- Echo back feedback to clarify another person's intended message.



Organizer Alley  
Graham Corridor  
Dinner  
Dymation Triangle  
Kitchen



**G**iving and receiving feedback are critical skills that relate to your own as well as others' personal and professional growth. To offer constructive feedback and to learn from the feedback that others give you, it's important to acknowledge the role of fixed and growth mindsets. As you learned previously, having a fixed mindset assumes that character, intelligence, and creative ability are in-born and unchanging. Having a growth mindset, on the other hand, assumes that skills and intelligence can be developed through hard work.

How you react to feedback is closely tied to your own mindset. Adopting a growth mindset when it comes to giving and receiving feedback can help you identify feedback as an opportunity for growth. When you provide feedback, it is a chance to help others improve their performance and grow as human beings. When you receive feedback, it is a chance for you to step back, evaluate what you could do better, and grow from the experience. Developing confidence in your ability to grow and change makes you more likely to benefit from the feedback others offer and more likely to offer others constructive and supportive feedback. On the other hand, having a fixed mindset can cause you to withhold feedback from others and can make hearing feedback painful because you assume the other person is insulting or targeting who you are instead of what you are doing.

## Active Listening

**Active listening** refers to a pattern of listening that keeps you engaged with your conversation partner in a positive way. Active listening involves more than just hearing someone speak. When you practice active listening, you make the other person feel heard and valued. You listen with all of your senses and give your full attention to the person speaking. In this way, active listening is the opposite of passive hearing. When you listen actively, you are fully engaged and immersed in what the other person is saying, rather than ready to jump in with your own ideas and opinions about what is being said.

**Many people understand active listening as the process of:**

- Not talking while someone else speaks.
- Affirming what the other person is saying by nodding or offering verbal sounds like, “Mmm hmm”.
- Paraphrasing and reflecting back what is said.
- Withholding judgment and advice.

According to Jack Zenger and Joseph Folkman in an article in the *Harvard Business Review*, active listening is more complex than simply holding your tongue, nodding, and repeating back what someone has said. Additionally, they point out that most of us assess our listening skills much the same way we assess our own driving skills—most everyone thinks they’re above average, while in reality many people have a lot to learn about being a good listener.

Zenger and Folkman point out that “Good listening is much more than being silent while the other person talks.” In fact, the best listeners **periodically ask questions**. Silently nodding while another person speaks provides little evidence that you are actually listening, while asking a question demonstrates that not only have you heard what is being said, but you understand and care enough about it to seek additional information or challenge assumptions. Viewed this way, active listening is an active *conversation* that produces dialogue and insight rather than a one-way speaker versus listener interaction.

In a conversation between people who are active listeners, **feedback can flow back and forth without defensiveness** on either side. Active listeners may challenge assumptions and disagree, but the person being listened to feels the listener is being supportive, not trying to win an argument. By contrast, people who are not good listeners tend to get more defensive or competitive about making points in the conversation—listening to identify errors in the other person’s reasoning or to prepare their responses.

Because active listeners promote dialogue that is supportive and constructive, other people tend to feel that the **conversation is a positive experience**. Active listeners convey confidence in the person they are listening to and support the development of that person’s ideas. In this way, active listeners make conversation safe for discussing controversial issues or differences of opinion openly.

Although the conventional wisdom is that active listeners withhold advice, Zenger and Folkman challenge that idea. Instead, they say that active listeners tend to make suggestions, but those suggestions are well received because someone who is an active listener has established credibility by asking questions and creating a supportive dialogue. By contrast, suggestions from someone who jumps in after listening silently or who has been defensive might lack credibility. There is an important difference between the kind of person that others complain about as the person who “doesn’t listen and just tries to offer a solution” and an active listener. Active listeners establish their credibility by ensuring that others feel *heard* and supported.



*“I’ve always been good at encouraging other people, but I learned that my encouragement was usually general. It was my training in Defy that taught me how to actively listen and give meaningful feedback. Defy’s program offered many opportunities to engage in giving and receiving constructive criticism as we listened, shared, and critiqued each others’ ideas. That process taught me how to really pay attention and hone my communications skills in both giving and receiving.”*—Kathy H., EIT Graduate

## Tips for Being an Active Listener

### Active listeners:

- **Remain open, neutral, and withhold judgment.** This requires you to shut down your own internal dialogue and concentrate on what the other person is saying rather than what you think about what he or she is saying. It is impossible to listen attentively to someone else and your own internal voice at the same time. This means you can’t plan your reply while another person speaks.
- Make **eye contact** while the other person speaks. In general, aim for eye contact about 60–70% of the time while you are listening.
- **Paraphrase or echo back** what has been said before offering your own thoughts. You might start this off by saying “In other words, what you are saying is...”.
- **Ask questions** to clarify what the speaker means, identify underlying assumptions, and show interest. Ask open-ended questions to encourage the speaker to continue.
- **Lean toward the other person and nod** your head occasionally. Avoid folding your arms, as this closed body language signals that you are not open to what the other person is saying.
- Observe **non-verbal cues**, such as facial expressions, perspiration, respiration rates, gestures, posture, and other subtle body language signals.

- Identify the other person's **emotions and feelings** about the topic and acknowledge them. An active listener empathizes with and validates those feelings in a supportive, nonjudgmental way.
- **Remain patient.** We are capable of listening much faster than others can speak. While it is tempting to want the speaker to get to the point, an active listener allows the other person to share in his or her own way.
- Avoid **distracted behaviors** such as checking your watch or phone, searching for chewing gum, or constantly looking around the room.
- Avoid holding **side conversations**. If you interject in another conversation, it's a clear signal that your attention is not fully focused on what another person is saying.

Active listening is an important social skill that has value in a variety of social settings. You will use active listening skills during Defy events to get the most out of your interaction with volunteers. And active listening skills are essential for interviewing, both as a prospective employee and an employer. Practice this skill often and it will become easier for you.



*“It has taken me a while to become comfortable with receiving feedback. It may have been a self-limiting belief that I must be “perfect,” and that anything negative means I am less-than or not good enough. That leads an individual to view critical feedback as criticism, which has a negative connotation to it. Receiving feedback is something I worked on specifically during my time in Defy.”*

—John N., EIT Graduate

## Receiving Feedback

**When you receive feedback, view it as an opportunity to:**

- Practice having a growth mindset.
- Practice active listening.
- Adopt and learn from another person’s perspective.
- Identify ways you can grow, learn, and improve.

### Tips for Receiving Feedback

**Be Open:** The first step to taking in and learning from feedback is to be open to hearing it. Remember why feedback is important—it gives you insight on how this person is perceiving you and presents an opportunity for you to grow, learn, and improve your skills. So even if the language is critical, try to be open to the information being communicated.

**Be Thankful:** Expressing gratitude is an easy way to diffuse the awkwardness of giving or receiving feedback. Saying “thank you” shows that you are thankful for the time and effort the other person put into giving you the feedback and that you are ready to listen and receive input.

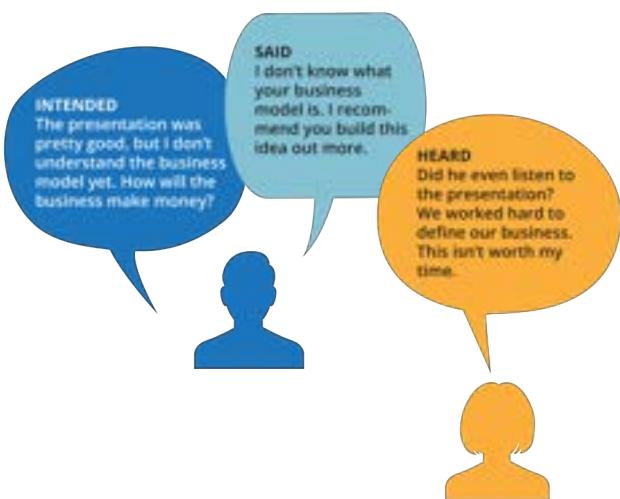
**Be Aware of Your Body Language:** Turning away from someone, crossing your arms, or slouching your shoulders sends the message “don’t talk to me,” which makes it difficult for someone to give feedback. Instead, stand tall and look at the person to express confidence that you can handle the feedback and grow from the experience.

**Listen to What Is Said:** It’s easy to get defensive and jump to why the feedback is wrong or incomplete. Instead, pause, take a breath, and listen to what the other person is actually saying. When you allow your brain to focus on how you will respond, you stop listening to the other person and instead start listening to your own internal dialogue. Try not to think about how you will respond. Instead, focus on what you can learn from the feedback.

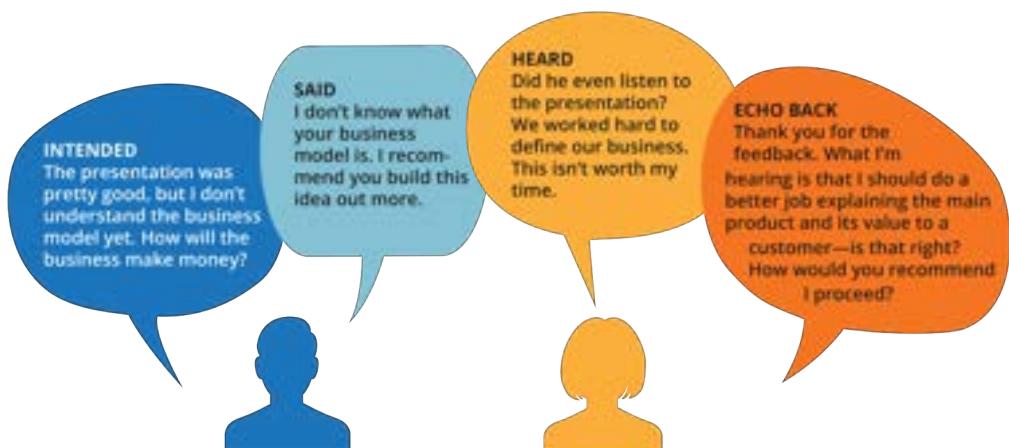
**Echo Back:** Use your best active listening skills. Repeat back what you heard to make sure you understood it correctly. For example, “What I heard you say is...” People hear through their own filters and often think the worst. Often the message the other person intended—what he or she actually said—and what you heard can be different. Repeating back helps minimize this gap and limits the possibility for misunderstanding.

Think about how an exchange might go without an echo back, or repeating back what you perceived someone to mean.

In this scenario, what the person receiving feedback heard could cause her to become defensive, possibly leaving the room or expressing anger, which may not be professionally appropriate.



The same exchange could have a different outcome if the person who was receiving the feedback went through the step of echoing back, or repeating what she perceived the other person meant.



**Use Your Judgment:** Once you have heard and understood the person's feedback through an Echo Back, you are ready to evaluate whether this feedback is useful to you. Understand that the feedback is the other person's reaction to you or experience of you—it's not necessarily the truth. You can decide how you want to receive the information and whether you want to act on it. But if this is someone who has more experience or offers another point of view it may be useful to pay attention!

**Put It to Use:** If the feedback is useful, make a note and remember it. If you don't use the feedback to change and grow, you have not learned from the experience.

## Giving Feedback

Just as receiving feedback is a skill which you can develop, giving feedback is also a skill. You want to ensure clarity of communication so the other person hears the feedback you are trying to give them and knows what they can do to improve. For this reason, aim to provide others with constructive feedback, which is information-specific, issue focused, and based on observations.

This is different from praise or criticism, both of which communicate personal judgments about a performance effort or outcome, with praise being a favorable judgment and criticism an unfavorable judgment. These types of comments are often general and vague, focused on the person—instead of his or her actions—and based on opinions or feelings.

### Tips for Giving Constructive Feedback

**Ask for Permission:** Ask the other person if you can give him or her feedback. Simply by asking, “Hey, can I give you some feedback,” you establish a spirit of trust and collaboration and ensure that your feedback isn’t intrusive in the moment. If the other person is distracted or upset, it might not be the right time to offer feedback. If that is the case, set up a time to offer your feedback when the other person will be ready to listen.

**Gut Check Your Own Feelings First:** If you have anger towards someone, then you may be trying to hurt him or her with your feedback. If you speak with anger or sarcasm, the other person is likely to get defensive and neither hear the information nor make a change. To ensure you communicate the information you intend to, make sure you aren’t too emotionally charged to present it well.

**Use I Statements:** By using I statements, you take responsibility for your reaction to the person rather than make an accusation. For example, you might say, “I feel angry when you interrupt me during team meetings, as you did the other day because it shifts the focus to what you’re saying before I’ve had a chance to finish my point.” rather than, “You always interrupt people. That’s so rude.” You might use the formula: **When** [factual description of the situation], **I feel** [identify emotional reaction] **because** [state the consequences of the behavior and/or facts].

**Be Generous:** You cannot know exactly what another person’s experience is. There are often details of another person’s situation about which you were unaware. As people, we often jump to the worst conclusions about others, even though their behavior was influenced by their situations. (Jesse isn’t mean, he’s just having a really bad day.) If you approach giving feedback with a spirit of generosity by assum-

ing another person's best intent and with the knowledge that you don't have all the facts, you can keep an open mind and make the other person feel comfortable.

**Align Feedback to the Other Person's Vision:** Ask the other person to clarify what he or she intends. By taking the time to find out what others value or what they are trying to accomplish, you can align your feedback to their vision and give it greater value. Your feedback is more likely to come across as an offer of support, intended to help the other person reach his or her goals.

**Focus on Behaviors:** People can change behaviors much more easily than they can change their personality. If you focus on a person's behaviors, he or she is less likely to feel attacked. Instead of saying, "You're a lazy person," say, "I get frustrated when you don't help me with our project."

**State Observations Rather Than Interpretations:** Observations are what you can see and hear. Observations can also extend to what you do *not* see and hear. Observing what is *not* being said or done as well as what *is* can extend your understanding of what another person is communicating considerably. Interpretations are your analysis or opinion of what you see and hear. Focus on what you've noticed, not what you think of it. Observations are factual

and nonjudgmental, whereas interpretations are based on your opinion or analysis of those facts. Moreover, be specific and use examples to ensure the other person knows exactly what you are talking about. Instead of saying, "You're pretty cool," say why you appreciate the person.

**Invite Curiosity:** Invite both of you to be curious about the feedback. By saying something such as, "I wonder if there's an opportunity here for you to..." you offer a chance to collaborate on solutions and give the other person ownership for choosing a strategy for change.

**Ask for What You Want:** Be clear and specific about what you would like to happen as the result of your feedback. Help the other person make your feedback actionable by offering possible next steps that focus back on your shared vision for success.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. A growth mindset is related to how you give and receive feedback because \_\_\_\_.**

- A. People with a fixed mindset are more likely to offer solutions rather than feedback
- B. People with a growth mindset are more likely to see feedback as an opportunity to improve
- C. People with a fixed mindset are less likely to withhold feedback
- D. People with a growth mindset are less likely to be confident

**2. Javyon is often criticized for not listening. People describe him as sitting with his arms crossed, making eye contact, asking them to get to the point, and challenging their reasoning. Based on your understanding of this chapter, what advice might you give Javyon? Choose all that apply.**

- A. Ask questions that help you understand the other person's ideas and assumptions.
- B. Just stay silent and nod your head when someone else is speaking.
- C. Stop offering advice. Let the person you're talking with reach his or her own solutions.
- D. Be aware of the message your body language sends.



**3. Donette is meeting with a mentor to review her resume. Her mentor shares feedback meant to help her improve it, but what Donette hears immediately is “This isn’t any good.” Based on this chapter and what you understand about growth mindset, what advice would you give Donette? Choose all that apply.**

- A.** Just ignore negative feedback—it’s useless.
- B.** Echo back what you think you heard and make sure you understand what was said.
- C.** It’s okay to feel angry that your mentor just doesn’t understand you.
- D.** Remember that feedback can help you improve—no one gets it perfect the first time.



## Apply Key Concepts

In your own words, how would you describe an active listener?

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What would you say is the most important factor for giving effective feedback?

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How does receiving feedback make you feel? Why?

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Describe a time when you welcomed someone else's feedback. What was it that made that feedback welcome?

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**Most people have had an experience of someone they would describe as just “not listening.” Think of a specific person who you have reacted to that way. Describe how that person acts in a conversation. What about this person makes you feel as though he or she is not listening?**

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**What feedback might you give this person to improve his or her listening skills?**

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**How can you apply active listening skills in your life right now?**

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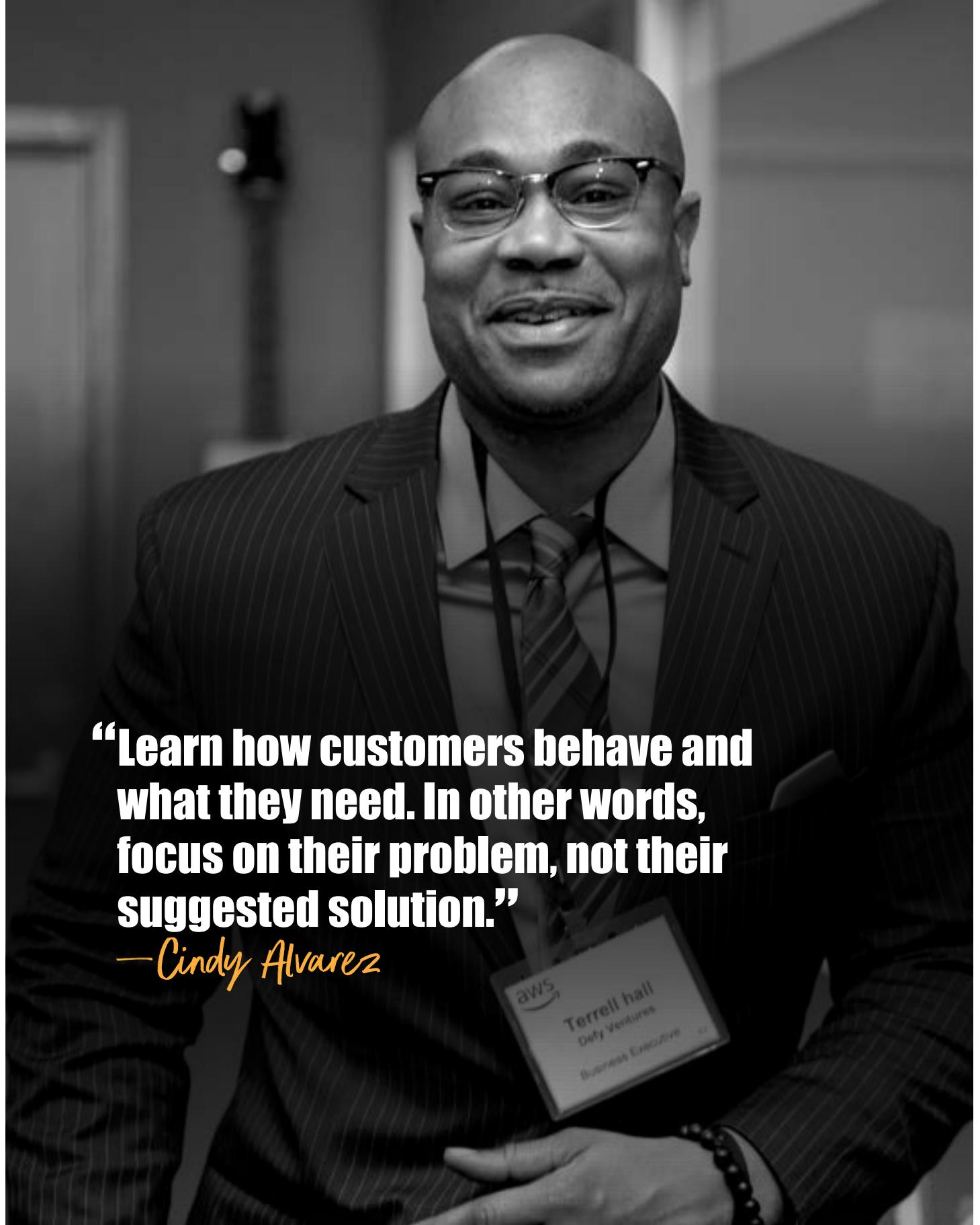
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**“Learn how customers behave and what they need. In other words, focus on their problem, not their suggested solution.”**

*—Cindy Alvarez*

# Customer Discovery

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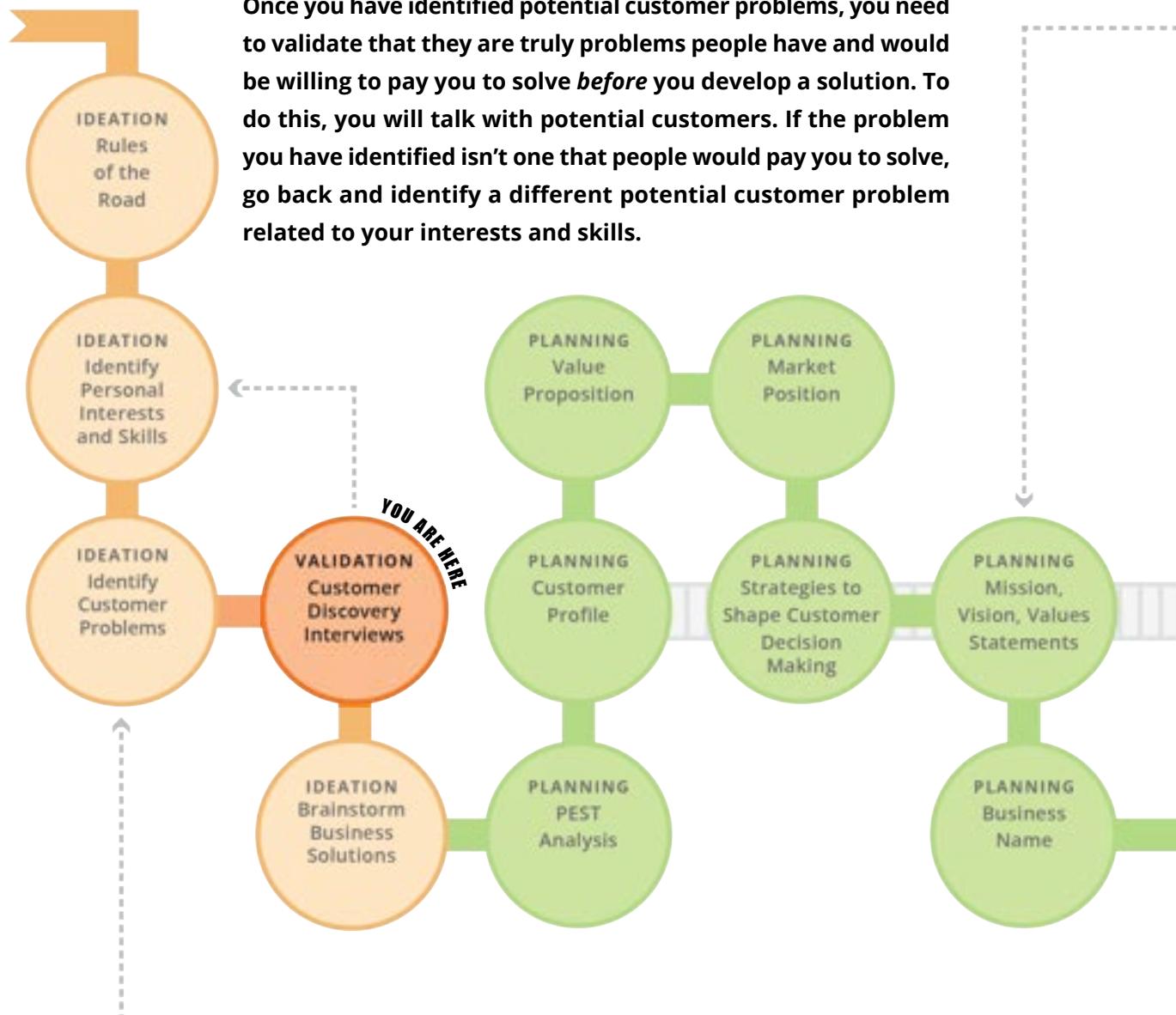
## Preview

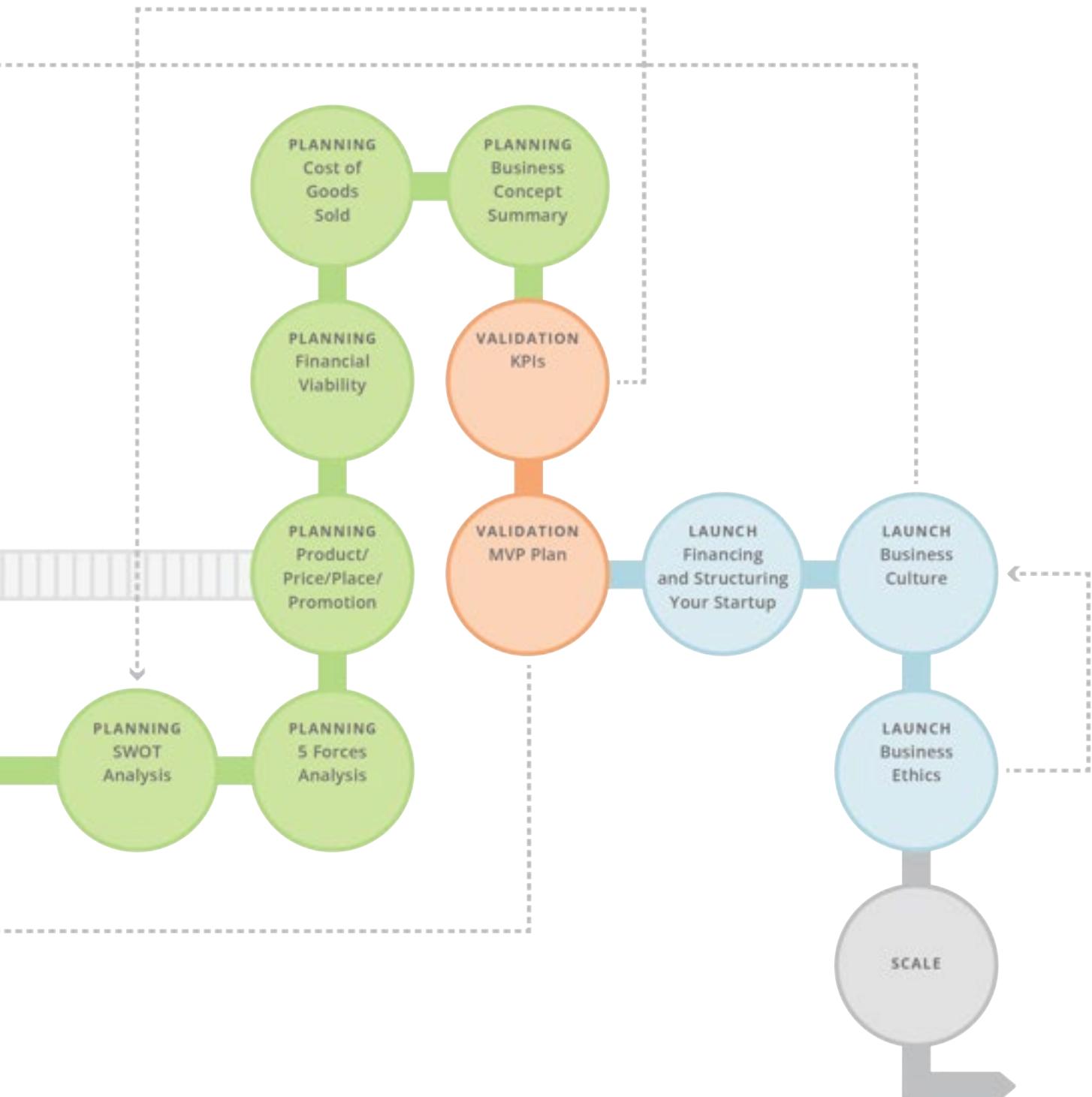
### **After reading this chapter, you should be able to:**

- Understand the value of open-ended questions.
- Develop questions to validate your understanding of customer problems that could support a business.
- Identify customer problems that you might be able to solve.
- Identify a target market for customer problems.
- Develop a problem statement.



## Entrepreneurship Pathway Outline







The role of an entrepreneur is not simply to come up with business ideas; it is to define the problems you are solving and for whom. Once you start identifying potential customer problems, it's important to validate that they are real problems that exist in the market—and that customers would be willing to pay you to solve them—before you develop a solution and make assumptions about your target customer. To validate your ideas, you need to talk with potential customers so the business idea you end up proposing meets real customer need in the marketplace.

To identify problems that exist in the marketplace, you can begin with a problem that you personally face, but it's important not to rely solely on your own experience. Your task is not simply to find out what customers need—try to determine what they are struggling with, what pain-points they have. Looked at this way, defining a customer problem begins with **empathy**, the ability to understand and share another person's feelings. If you focus only on your own perception of a customer problem, you are placing your ego at the center of your ideation process, and ego-centrism is the opposite of empathy. Putting yourself at the center of your ideation process can result in establishing a business that does not meet the needs of the customer.

**Customer discovery** is the process through which you define the problems you plan to solve in your business and the people for whom you are solving them. It is an opportunity to put potential customers at the center of the ideation process. The purpose of customer discovery is to figure out how to develop a business model that has the best chance of success for the least amount of money. It can be done quickly and requires very little investment. In fact, from the outside, customer discovery looks like a conversation where you or someone helping you asks open-ended questions of a stranger. These questions allow you to identify what your potential customers' problems are. Your customer discovery conversations also allow you to learn who your most likely potential customers are and whether you're targeting the right people to buy your product or service.

Customer discovery may sound easy because it's just a conversation. However, the process requires some confidence: you will need to approach strangers and ask questions about their needs. There is no special formula for this interaction. Although it may feel awkward, you will feel more comfortable each time you talk with someone new. Be polite and direct, and don't be offended if people are rude or dismissive.

To identify potential customers, find people who do not know you. The goal is to elicit the opinions of people who are not giving you answers because they already know and like you. People who already know and like you are more likely to give you answers you want to hear, because they won't want to hurt your feelings or damage their relationships with you.

As you explore customer problems and potential solutions, people may say that they are not interested in the product or service you have in mind. Negative feedback from a single person doesn't indicate that you need to abandon your original idea. If your goal is to gather feedback from 10 potential customers, negative feedback from one or two of those people probably gives you more information about your target market than it does about your product or service. However, if several of those 10 potential customers say they don't have the problem you had perceived or would not be interested in your potential solution, you would be wise to listen.



In 2014, Ralphy D. founded Pen & Pistol, a company that creates handcrafted leather essentials. Pen & Pistol began as a boutique leather goods brand. *The New York Daily News* described Ralphy's wallets as "superpricey, ranging from \$399 to \$469" and acknowledged that their "use of alligator skin may put off some animal lovers." Customer feedback confirmed these limitations. As a result, Ralphy reassessed his brand, reworked his pricing structure, and shifted his target market. Instead of trying to sell to customers whose purchasing reinforces luxury and social status, Ralphy focused on selling to a socially conscious demographic who want to use their everyday purchasing power to support social ideals. Today, rather than using alligator skin and other exotic pelts, Pen & Pistol hand-sews products from recycled leather materials that would otherwise end up in a landfill.

Ralphy says, "You have to know your customers so you can understand your position in the market. You have to acknowledge when your product isn't right for the customers you want to target. We went to markets where our customers shopped, saw what they liked, and learned how to make a viable

*business from that. If your product doesn't make money, it doesn't make sense, and you learn that from talking to your customers."*

### Connecting with Customers

During the coronavirus pandemic, post-release EITs struggled with customer discovery interviews, as they were unable to interact with potential customers in person. Instead, they had to get creative, reaching out to potential customers using online discussion boards and technology to conduct surveys. These are perfectly valid ways to conduct customer discovery. When it is difficult to connect with potential customers in the community, you might use LinkedIn, Facebook, Nextdoor, and other social media sites to identify people with whom you might connect virtually. If you maintain a log of email addresses for people with whom you network, you can send surveys using tools such as SurveyMonkey and collect feedback electronically. Video conferencing using tools such as Zoom or Google Hangouts can allow you to conduct face-to-face interviews, even when you cannot meet in person. This kind of creativity and persistence is part of the entrepreneurial mindset.

## Open-Ended Questions

Customer discovery conversations are most successful when they are driven by open-ended questions you have prepared ahead of time. An open-ended question is designed to encourage a full, meaningful answer based on the subject's own knowledge and/or feelings. It requires thought and more than a simple one-word answer. It is the opposite of a closed-ended question, which encourages a short or single-word answer such as "yes" or "no." An open-ended question creates a pathway to identifying a customer problem that the subject may have—even if he or she doesn't know it!

Before you ask open-ended customer discovery questions, remember that you do not yet have a solution in mind. You are asking in order to validate that a problem exists that customers would pay you to solve. Your customer development conversations will help you figure out what the key problem is to solve, not how to sell a particular solution. Get away from assuming what the solution is going to be so you can focus on what the problem is. Stay open-minded and curious as you conduct these conversations!

### Examples of Open-Ended Customer Discovery Interview Questions

Let's look at an example, using Warby Parker. In this case, the entrepreneurs had identified a

problem that they experienced personally, but it would have been important to engage with potential customers to find out how common this problem was and what other problems exist in relation to buying eyeglasses.

**They might have jumped immediately to a question such as, "Would you buy these eyeglasses for under \$100?" Although many people want to focus on their idea for a solution, "Would you buy these eyeglasses for under \$100?" is a poor question to ask potential customers for two reasons:**

- It is a closed-ended question requiring only a Yes/No answer.
- It already assumes the solution (a pair of glasses at a determined price point).

**The question "Would you buy these eyeglasses for under \$100?" limits the information you get from your subject and prevents you from finding out about additional problems the potential customer may have. Remember that at the customer discovery stage you are only asking questions...not selling anything or proposing a solution. Therefore, the customer development interview is not the time to ask about:**

- How much potential customers would be willing to spend to solve the identified problem.
- What kind of product features they would prefer.

Although you can consider asking about general spending habits to find out how much potential customers spend in relation to your identified problem, the best time to ask about pricing and features is when you test your idea with potential customers by conducting a Minimum Viable Product (MVP) experiment. Customer development simply helps you figure out what the problem is. At this stage, you're not actually selling anything. You're simply figuring out what problems in the market you might solve. The customer discovery process improves the chances that your MVP experiment will be on track to succeed with customers as a proof of concept for your business idea.

Asking a question such as, “Are you satisfied with the process for buying eyeglasses?” begins to head in the right direction because it gets away from a specific solution, but it is still a yes or no question.

**To find out if there was a widespread problem that needed a solution, the Warby Parker entrepreneurs could have asked questions such as:**

- How frequently do you wear eyeglasses?
- When do you prefer to wear eyeglasses?
- What don't you like about wearing glasses?
- What prevents you from wearing eyeglasses more often?

- How satisfied are you with your current eyeglasses?
- Tell me about the last time you complained about having to wear eyeglasses.
- What did you complain about?
- Tell me about the last time you complained about having to buy eyeglasses.
- What did you complain about?
- If you were to purchase new eyeglasses, what types of glasses would you be most likely to purchase first?
- What are your favorite styles for eyeglasses?

Notice that these open-ended questions begin to identify that there may be a problem that the entrepreneurs could solve by developing eyeglasses or a method of buying and delivering them. It's entirely possible that your customer discovery interviews will point you toward a different solution. Perhaps these entrepreneurs shouldn't focus on selling eyeglasses and focus instead on selling contact lenses, glasses cases, or lens cleaning solutions.

During customer discovery interviews, it's important not to commit yourself to a solution that you've already identified. If you keep thinking, “How can I sell these eyeglasses?” you're locked in to a pair of eyeglasses, but maybe there's a much more effective solution. Use the customer discovery process to figure out what the key problem is to solve, not how to sell a particular solution. Get away

from assuming what the solution is going to be and spend some time thinking about what the problem is.

**Going through the customer discovery process, the Warby Parker founders might have identified a range of problems related to purchasing eyeglasses:**

- Glasses are too expensive.
- Because glasses are so expensive, customers only buy one pair at a time.
- There's no back up if frames are damaged or lost and no variety to wear with different clothing styles.
- Wearing glasses with face masks is a hassle because the lenses fog up.
- Getting new glasses is a hassle. Small optical shops often don't have a good range of options and larger optical shops have an overwhelming selection.
- It's difficult to find classic-looking frames without unnecessary jewelry accents or trendy styles and colors.
- Optical shop sales people always try to upsell more expensive frames.
- Buying glasses is inconvenient and usually involves multiple trips to the store, first to pick out frames, then to pick them up and have them fitted.

During the customer discovery process, you might add further research that supports or explains some of the customer problems you

find. For example, in the case of Warby Parker, the price of eyeglass frames is artificially inflated because a limited number of manufacturers control the market.



**Let's look at the potential problems that Jessica identified related to her interest in scented candles.**

**We will use this example to illustrate entrepreneurship concepts throughout the curriculum. To conduct customer discovery interviews, you might ask:**

- What products in your home give you a sense of everyday indulgence?
- What products in your home make you feel peaceful or calm?
- What products do you use to make your home feel cozy?
- What scented products do you use?
- What do you like most about scented products?
- What do you like the least about scented products?
- What gender do you identify as?
- What is your age range?
- Who, if anyone, currently lives with you in your household? Please include permanent residents only. (Please select all that apply.)
- On a typical day, how likely are you to make a purchase online?

## Identify the Target Market(s)

As you conduct customer discovery interviews, you'll want to pay attention to the types of people who have the problems that you find. Your product or service may have more than one target market. It's important to begin to identify each potential target market as specifically as possible. This will help you down the road when you need to develop a customer profile that identifies the demographics and motivations of your potential customers.

**Looking at the Warby Parker example, customer discovery might identify the following potential target customers:** The target market for Warby Parker is primarily limited to people who wear glasses. Approximately 60% of the population needs corrective lenses, so this is a large potential market. The total market is segmented by age. Approximately 40% of people between the ages of 20 and 40 need glasses. This percentage climbs quickly with approximately 90% of people over 50 needing glasses.

Since Warby Parker identified the expense of glasses as the core problem they wanted to solve, they would also identify that people who care more about price than designer brand names are within their target market. People who don't mind spending several hundred dollars on their frames are not part of Warby Parker's target market. Based on the other customer problems identified, Warby Parker's target market will also value convenience but won't value interaction with sales people or trendy styles.

**Warby Parker might identify that two primary groups form their target markets:** early career young professionals as well as older adults who are price conscious, independent, and who value convenience and classic style.

Of course, there may be other groups of people who need glasses and are price conscious. For example, low-income parents who need to buy glasses for their children, might be a target group who values price. Yet this might not be a specific target market that Warby Parker identifies. When you identify your target markets, it is important to identify groups of people who not only have the problem you identify but also have money to spend to solve that problem. If you can sell your product or service to people who are willing to pay for the solution you create, building a successful business becomes easier. In Warby Parker's case, young professionals in

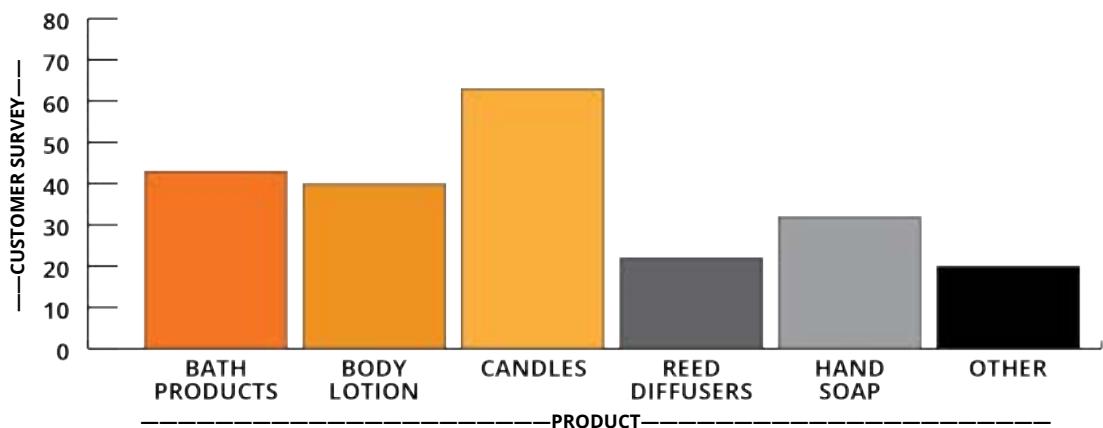
their 20s and 30s and professional adults over 50 are two of the demographic groups with the greatest amount of buying power in the United States.

Defining your target market in terms of people who have money and are willing to spend money to solve a problem does not, however, require that a business simply ignore other people who might not have money to pay for their solution. In fact, some of the most successful businesses find ways to support the public good. The founders of Warby Parker believe that everyone has the right to see and identified that close to one billion people worldwide lack access to glasses. This means that 15% of the world's population cannot learn or work effectively because they can't see clearly. To help address this problem, Warby Parker donates a pair of glasses to people in need for every pair of glasses they sell.



The scented candle business conducted customer discovery with a survey in SurveyMonkey. The business owner asked colleagues to share a survey link with their networks and posted the survey online using the neighborhood-based social networking site, Nextdoor. Using this method, the business owner was able to collect 60 responses within one week from total strangers.

Based on the results of 60 customer discovery surveys for a business idea related to an interest in scented candles, you can see that interest in scented candles is strong. 63% of respondents identified candles as a product they use in the home to provide a sense of everyday indulgence, followed by body lotion and bath products. The candle industry represents an approximately \$3.2 billion dollar market, and 7 out of 10 households in the U.S. purchase candles, so there is a large potential market for scented candles.



**scent**  
pillows  
**candles**  
blankets

In response to customer discovery questions asking respondents to identify products that “make you feel peaceful and calm” or that “make your home feel cozy,” the most common response was “candles” (56 responses) followed by “blankets” (37 responses), “scent” (25 responses), and “pillows” (23 responses). Again, these responses confirm that there is strong potential interest in a scented candle business.

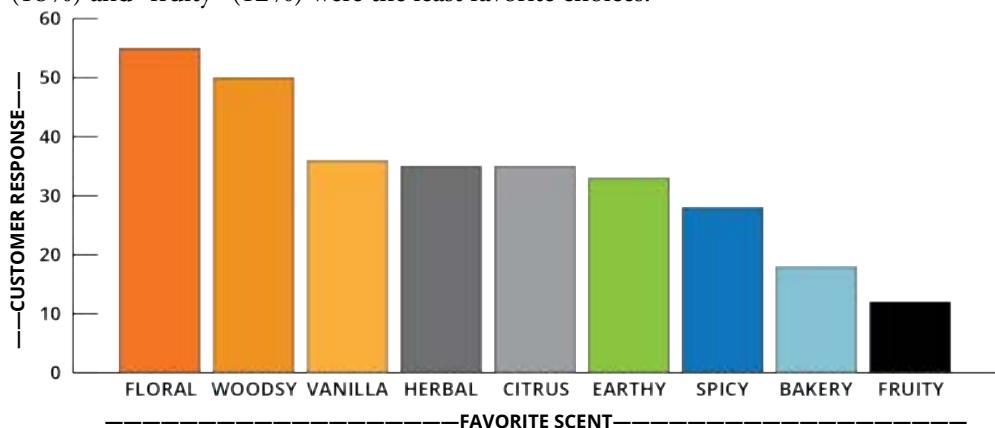
In response to the customer discovery question asking respondents to identify what they like *most* about scented products, the most common responses were related to “mood” (6 responses). Specifically, that scented products are “calming,” related to “memory,” and have the ability to “transform” or “freshen” a room or “transport” people to different places in their minds. Additionally, respondents preferred “natural” scents.

**transform**  
natural  
**freshen**  
**mood** memory  
**calming** transport

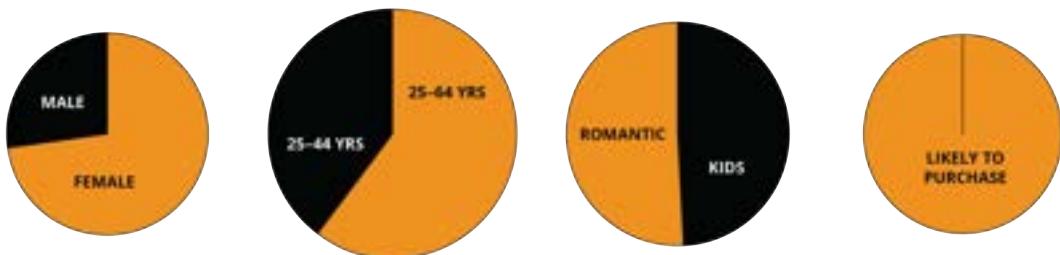
**artificial**  
cloying sweet  
**overwhelming**  
**strong** perfumey

In response to the customer discovery question asking respondents to identify what they like *least* about scented products, the most common responses were when a scent is “overwhelming,” too “strong,” “artificial,” and “cloying” or too sweet and perfumey.

Favorite scents identified during customer discovery include “floral” (55%), “woodsy” (50%), “vanilla” (36%), “herbal” (35%), “citrus” (35%), “earthy” (33%), and “spicy” (28%). “Bakery” (18%) and “fruity” (12%) were the least favorite choices.



Respondents were 73% female and 27% male. Although 90% of candle purchases are made by women, this may indicate that men represent an underserved market segment for scented candles. 92% of respondents were between the ages of 25 and 64, with close to 60% between the ages of 25 and 44. 60% of respondents either lived with children in the home or were adult children living with parents and 62% of respondents lived with a romantic partner. 97% of respondents were “somewhat,” “very,” or “extremely” likely to make a purchase online.



## Define the Problem

After you've taken the time to empathize with customers, discover problems, and begin to identify your target market, you will need to define the problem you are seeking to solve. Defining the problem ensures you fully understand your goal. To define your problem, you'll need to step back from the results of your interviews and look for common themes or patterns in the challenges potential customers express. Once you've found those patterns, you will be able to write a **problem statement** that outlines the issue or challenge that you will seek to address. Think of a problem statement like a hypothesis, a proposed explanation for the information you have gathered during customer discovery.

A problem statement helps you articulate what you are trying to accomplish because it identifies the gap between the current state (the problem) and the desired state (the goal) that you can close by providing a business solution. A good problem statement should leave room for you to brainstorm a range of different ideas. This is not the place to refer to a specific solution. Instead, make your problem statement broad enough to encourage creative thinking. At the same time, your problem statement should provide direction for generating business ideas. If it's too broad, you'll have a hard time narrowing down the possible solutions.

A problem statement should be no more than two sentences and keep the customer at its center. Rather than write your problem statement from the perspective of the business's goals—"We need to increase sales of eyeglasses among 20- to 30-year olds by 30%"—you'll frame it from the customer's perspective. In the case of Warby Parker, a problem statement might be: "Buying glasses is expensive, time-consuming, and overwhelming. Young urban professionals want an affordable and convenient way to buy glasses from a selective and organized set of classic frames."

To develop your problem statement, you might try to focus on questions related to **who, what, where, and why**.

- **Who is experiencing the problem?** The answer to this question helps you identify your target user who will be the focus of your problem statement.
- **What is the problem?** Identify what you learned during customer discovery about the pain points your target user experiences. Think about what needs customers are trying to fulfill and the frustrations and irritations that are preventing them from addressing those needs.
- **Where does the problem present itself?** Think about the space wherein customers face this problem.
- **Why does the problem matter?** Think about why the problem you have identified is important and the value a solution would bring to the customer.

Let's go back to our example based on problems related to an interest in scented candles.



After conducting customer development interviews, you might develop a problem statement such as: *"People want affordable items that make natural scents part of the atmosphere they create in their homes and blend in with their decorating choices. The options available today are either too expensive or out of place with people's decorating taste and style."*

Once you have defined the business problem you want to solve, you will have a clear and concise problem statement that can guide your brainstorming during ideation. Your problem statement will form the basis of your ideas and potential solutions.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. From the outside, customer discovery looks most like a \_\_\_\_.**

- A.** Formal dance
- B.** Sales exchange
- C.** Conversation with a stranger
- D.** Casual chat between friends

**2. When does customer discovery happen?**

- A.** Before you have settled on a business solution.
- B.** After you have developed your business concept.
- C.** While you are developing your business plan.
- D.** After your business idea is approved.

**3. Why is the question, "Would you buy this necklace?" an inappropriate question for customer development? Choose all that apply.**

- A.** It is a yes/no question.
- B.** It is too vague.
- C.** It already assumes a solution.
- D.** It doesn't focus on product feature options.



**4. Customer discovery helps you figure out the \_\_\_\_\_. Choose all that apply.**

- A.** Pricing for your product or service
- B.** Problem your business is going to solve
- C.** People most interested in your proposed solution
- D.** Product features that people are most interested in



## Apply Key Concepts

In the space below, write out five to seven questions that you might use to conduct customer discovery interviews for your own business. You will have the opportunity to receive feedback on these draft questions from other EITs.

### Example:

Imagine you want to develop a service that would make cooking easier for single parents. You might ask potential customers questions such as:

- Think about the last time your children were with you on a week night.
- Did you make your meal?
- If so, what were the challenges or frustrations you experienced?
- If not, what did you do for dinner?
- What kinds of foods do you eat most often as a family?
- How frequently do you eat in versus going out or ordering take out?
- What do you enjoy most about preparing food with or for your children?
- What do you enjoy the least about preparing food with or for your children?

Remember to develop questions that lead potential customers to talk about their interests. At this stage, you are asking questions—not selling a solution!

1 .....

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2 .....

.....

3 .....

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4 .....

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5 .....

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6 .....

7 .....

**Briefly describe the kind of person—your potential target customer—whom you want to interview.**

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**What is your plan for collecting customer discovery feedback? Will you be able to conduct customer development interviews yourself, or will you need to enlist the help of a loved one? You will record summaries of your customer development feedback in your Google Classroom and use what you learn about customer problems during business ideation. It is critical that you make a plan to gather this feedback.**

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**How does the idea of having conversations with strangers make you feel? What are some tips or strategies you can think of for conducting the conversation confidently?**

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**Why do you think the customer discovery step will be important for your business ideation?**

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**After getting feedback on your draft customer discovery questions from other EITs, use the space below to record three to five questions that you will use for your customer discovery interviews.**

**Remember to develop questions that lead potential customers to talk about their interests. At this stage, you are asking questions—not selling a solution!**

1 .....

.....

2 .....

.....

3 .....

.....

4 .....

.....

5 .....

.....



**On the following pages, record feedback related to each of your questions from seven to ten customer development interviews. After conducting customer development interviews, summarize what you learned from each interview—your key takeaways.**

CUSTOMER DEVELOPMENT INTERVIEW #1	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	

CUSTOMER DEVELOPMENT INTERVIEW #2	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	



CUSTOMER DEVELOPMENT INTERVIEW #3	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	

CUSTOMER DEVELOPMENT INTERVIEW #4	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	



CUSTOMER DEVELOPMENT INTERVIEW #5	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	

CUSTOMER DEVELOPMENT INTERVIEW #6	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	



CUSTOMER DEVELOPMENT INTERVIEW #7	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	

CUSTOMER DEVELOPMENT INTERVIEW #8	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	



CUSTOMER DEVELOPMENT INTERVIEW #9	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	

CUSTOMER DEVELOPMENT INTERVIEW #10	
QUESTION	CUSTOMER FEEDBACK
1.	
2.	
3.	
4.	
5.	



**Based on the results of customer discovery, identify the characteristics of people in the target market who have the customer problem you are most interested in solving.**

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**Based on the results of customer discovery, define the customer problem you are most interested in solving with the development of a business idea. Your problem statement should indicate *who is experiencing the problem, what the problem is, where the problem presents itself, and why the problem matters*.**

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**“There is an amazing power in getting to know your inner self and learning how to use it and not fight with the world.”**

*—Juhi Chawla*

## Emotional Intelligence

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## Preview

### **After completing this chapter, you should be able to:**

- Identify the importance of emotional intelligence.
- Label emotions accurately.
- Understand the relationship between knowing what you are feeling and why, and remaining healthy and in control of yourself.
- Identify the relationship between internal judgement of your emotions and self-limiting beliefs.
- Understand the connection between emotions, needs, and goals.
- Understand the danger of repressing or avoiding negative emotions.
- Make “I” statements that open up conversation about difficult emotional topics.
- Practice techniques for identifying triggering emotions and dealing with negative emotions productively.





**D**ealing effectively with emotions—your own as well as others’—is a skill that is key both to relationship building and business leadership referred to as **emotional intelligence**. John D. Mayer, one of the two psychologists who coined the term, writes that, “emotional intelligence is the ability to accurately perceive your own and others’ emotions; to understand the signals that emotions send about relationships; and to manage your own and others’ emotions.” Emotional intelligence is simply the

ability to name and manage the feelings coming out of you and coming at you. We tend to place a lot of importance on the things we know or are able to do, but Daniel Goleman, a business author and psychologist, has suggested that your emotional intelligence quotient, or EQ, is as important if not *more* important than your intelligence quotient, or IQ, in determining your ability to succeed in work and life.

**As defined by Daniel Goleman, emotional intelligence includes:**

- Self-awareness—the ability to identify your own emotions
- Self-regulation—the ability to manage your emotions productively
- Motivation—a sense of purpose or reason for action that goes beyond money and status
- Empathy—the ability to understand and share the emotions of others
- Social skills—the ability to manage relationships and build networks

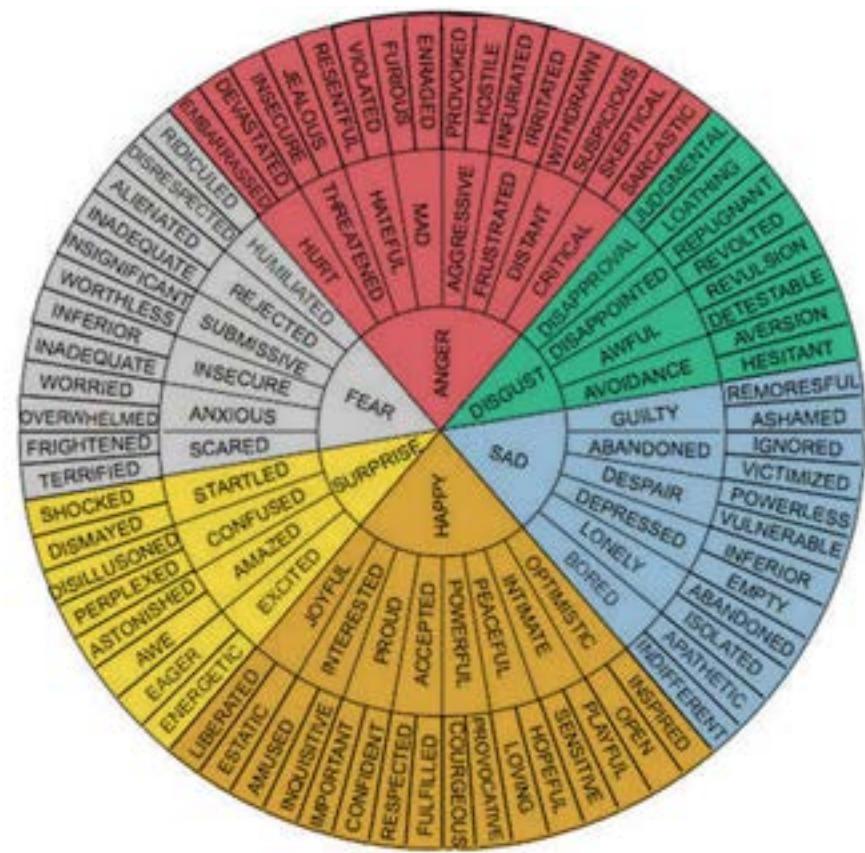
Throughout the Entrepreneurship Bootcamp, you will have the opportunity to explore all of these facets of emotional intelligence; this chapter focuses specifically on self-awareness and self-regulation.

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# Identifying Emotions

**Emotions** define how you experience the world around you. Your emotions engage your body toward action in response to what you perceive through your senses and your intuitive reactions to either approach or avoid what you see, hear, smell, taste, or touch. Emotions, then, get activated when our instincts tell us to change our relationship to something we perceive—either by approaching it positively or reacting negatively against it. Our reactions and beliefs churn on a sea of emotion. Knowing *what* you feel is the first step to knowing *why* you feel that way. However, it is often difficult to identify what exactly we are feeling or to accurately label our emotions.

There are multiple reasons why labeling emotions is so difficult. On one level, this is a function of limited vocabulary. Too often, when we experience strong emotions, we identify them with the first words that come to mind. But underneath the first words that come to mind are rich sets of words that may more accurately describe what you are feeling.



PLEASANT FEELINGS			
OPEN:	HAPPY:	ALIVE:	GOOD:
understanding confident reliable easy amazed free sympathetic interested satisfied receptive accepting kind	great gay joyous lucky fortunate delighted overjoyed gleeful thankful important festive ecstatic satisfied glad cheerful sunny merry elated jubilant	playful courageous energetic liberated optimistic provocative impulsive free frisky animated spirited thrilled wonderful	calm peaceful at ease comfortable pleased encouraged clever surprised content quiet certain relaxed serene free and easy bright blessed reassured
LOVE:	INTERESTED:	POSITIVE:	STRONG:
loving considerate affectionate sensitive tender devoted attracted passionate admiration warm touched sympathy close loved comforted drawn toward	concerned affected fascinated intrigued absorbed inquisitive nosy snoopy engrossed curious	eager keen earnest intent anxious inspired determined excited enthusiastic bold brave daring challenged optimistic re-enforced confident hopeful	impulsive free sure certain rebellious unique dynamic tenacious hardy secure

DIFFICULT/UNPLEASANT FEELINGS			
ANGRY:	DEPRESSED:	CONFUSED:	HELPLESS:
irritated enraged hostile insulting sore annoyed upset hateful unpleasant offensive bitter appressive resentful inflamed provoked incensed infuriated cross worked up boiling fuming indignant	lousy disappointed discouraged ashamed powerless diminished guilty dissatisfied miserable detestable repugnant despicable disgusting abominable terrible in despair sulky bad a sense of loss	upset doubtful uncertain indecisive perplexed embarrassed hesitant shy stupefied disillusioned unbelieving skeptical distrustful misgiving lost unsure uneasy pessimistic tense	incapable alone paralyzed fatigued useless inferior vulnerable empty forced hesitant despair frustrated distressed woeful pathetic tragic in a stew dominated
INDIFFERENT:	AFRAID:	HURT:	SAD:
insensitive dull nonchalant neutral reserved weary bored preoccupied cold disinterested lifeless	fearful terrified suspicious anxious alarmed panicked nervous scared worried frightened timid shaky restless doubtful threatened cowardly quaking menaced wary	crushed tormented deprived pained tortured dejected rejected injured offended afflicted aching victimized heartbroken agonized appalled humiliated wronged alienated	tearful sorrowful pained grief anguish desolate desperate pessimistic unhappy lonely grieved mournful dismayed



## For example

You might identify that you feel “angry,” but perhaps it would be more accurate to describe yourself as feeling “grumpy,” “s spiteful,” “defensive,” or “offended.” Sometimes people also misidentify adjectives as emotions. For example, as an entrepreneur, you might say that you are feeling “disorganized,” but disorganized isn’t an emotion. Instead, you might identify that you are feeling “powerless,” “discouraged,” or “uncertain” and that those emotions are making you act in ways that you would describe as disorganized.

It’s important to take the time to consider whether you’re dealing with “anger” or “disappointment,” since you might take a different approach to managing and responding to those two different emotions. If you don’t take the opportunity to identify what emotions you are feeling, you might not even address them at all, and there is a high cost to suppressing our emotions. If you “stuff feelings down,” they don’t go away. Instead, repressed emotions represent unfinished business that will need to get taken care of one way or another.

When we repress or avoid emotions, it can be because we are protecting ourselves from something or have developed a coping strategy—one that may no longer be working well—in response to past experiences. Perhaps avoiding a strong emotion allowed you to soothe yourself in the past, but if you continue to avoid that emotion, it builds up and can have consequences later in life. Sooner or later, those repressed emotions can be triggered and burst out of you, taking control of your thoughts and reactions in ways that you might not intend and that can be destructive to yourself or your relationships with others. You might ask yourself what holding these emotions down does for you—what purpose does it serve?

Since emotions tell you something about your needs and goals, it is equally important to label “positive” emotions as well as “negative” ones. Identifying that you are “proud” and “optimistic” about a new job, not just “happy,” or that you feel “trusting” and “encouraged” by a new colleague, not just “I like him, he’s nice,” gives you important information. The information your emotions are giving you can help you identify intentions and goals for the new role or relationship in ways that are likely to increase your success.

Another reason why it can be difficult to identify and label emotions is that humans, unlike other mammals, both experience emotions and judge them. In other words, we don't just feel an emotion. There is a part of our brains that experiences emotion, and there is another part of our brains that narrates and judges the experience of that emotion. How we privately judge those emotions—and ourselves—is deeply rooted in our past experiences, so understanding those past experiences can help us better understand why we react the way that we do and where certain feelings come from. For example, consider a pretty common and seemingly innocent example. At three years old, Terry falls while running in the playground, scraping his hands and knees and bumping his head on the ground. He feels startled and confused by his fall, there's sudden pain, and when he sees blood on his skinned hands and knees, he feels scared and starts to cry. His father comes over and picks him up, saying, "You're fine. Get back up and stop crying. Boys don't cry! Don't be a wimp." That exchange, even if Terry doesn't consciously remember it, helps shape his future response to fear and confusion, planting a judgement in his mind that such emotions are for "wimps." As Terry grows to adulthood, his internal judgement of these emotions creates a self-limiting belief that causes him to project toughness or anger when he experiences confusion or fear.

These internal judgements related to emotions contribute to the unspoken "rules" for displaying emotion in public and our tendency to try to suppress negative emotion. Anger and stress are two emotions frequently associated with the workplace, but those emotions can both be socially "unacceptable." Consider these examples:

Nicole is in a meeting with her colleague Matt about a project they are working on together. Also at the meeting are members of their teams as well as their boss. They are both managers of their departments, but Matt keeps telling Nicole's team members what to do and acting like he's her superior. He interrupts her frequently to interject his own ideas. When it comes time for the group to make a decision, Matt raps the table loudly with his knuckles and pushes the group to adopt his preferred choice. He takes the opportunity to remind everyone at the meeting about a project Nicole's team took the lead on last year that failed to achieve its goals.

Nicole feels *angry*, but underneath that anger, she might also feel *embarrassed* that her team's project failed, *frustrated* about the factors she couldn't control that contributed to that failure, and *anxious* about her status within the organization. She might also feel *resentful* about the way

Matt interrupts her and annoyed that he doesn't listen when she speaks. All of these emotions feed into her anger, but they are separate emotions that fuel her thoughts and reactions. She wants to stand up, slam her notebook on the table, and snap at Matt to stop talking over her, but she believes that such an outburst would make her look bad in front of her team. Part of her wants to cry, too, because she thinks Matt is making her look bad in front of her boss, but she believes her boss would see her as weak if her anger spilled over into tears.

It is 7:00 p.m. on a rainy Thursday evening and Terrell stands near the door of a train car heading away from downtown. He has at least an hour's ride ahead of him, and he's got to finish a report when he gets home. At one stop, a group of tourists gets on and crowds together around the center pole, talking and ignoring other people on the train. At the next stop, people leaving work push onto the train, packing in. The group at the center pole does not move into the train, making it difficult for commuters to get into the car. A man dressed in a suit pushes into the car, snapping his umbrella shut and scattering raindrops on the feet and legs of the people standing closest to him. One of the young women holding the center pole gives the man a dirty look, stepping back and knocking into Terrell with her backpack. She says something in another language that sounds like a curse and gives him a dirty look too. Standing opposite Terrell in the train doorway on the far side of the car, a well dressed white woman smiles at him. Standing further down the car, a uniformed police officer looks Terrell's way. When Terrell finally gets home, his wife notices the look on his face and asks him what's wrong. He responds, "I'm just stressed," and opens his laptop to complete the report he has to finish.

Terrell feels *stressed*, but underneath that stress, he might also feel *discouraged* that he's still working on a report that his boss expected today, and *worried* that he's in over his head at work. He believes that he's just not cut out for the tasks he's being given and wants to give up. Work should be more enjoyable. He is also feeling *bitter* about the man on the train who splashed everyone with rain. He believes that no one would behave like that unless they were entitled and oblivious. The tourists are more evidence of that kind of entitlement and obliviousness. And that woman—Terrell believes she was looking at him with pity, and he feels *exhausted* by his efforts to suppress his sudden *rage* toward her and everyone else who contributed to his miserable commute. He had wanted to shove the tourist who knocked into him, tell off the man with the umbrella, and shout across the train to the woman to tell her to stop looking at him, but he believes he would have come off as an angry Black man and become a target for the police officer on the train.

There are largely unspoken “rules” for displaying emotion in public, especially in the workplace, which limit what Nicole and Terrell can do and say in the situations described above. But it is also important to “unpack” these big emotional labels, because underneath the labels “angry” or “stressed” lie feelings of anxiety, bitterness, resentment, etc. as well as beliefs about self and others. It is equally important to interpret the emotions coming at you from others. For example, if you perceive that a coworker is “angry” all the time, you might respond with anger in kind. But every emotion comes with a variety of nuance, or subtle difference. If you take the time to identify that your coworker gets *annoyed* when his train of thought is interrupted or *impatient* when tasks are delayed, it can transform your relationship. You can respond to the specific emotions coming at you and the concerns they represent without getting angry yourself. Accurately perceiving and labeling emotions gives you important power that increases your ability to remain in control of your reactions, no matter what is happening externally.





## Making “I” Statements

Identifying emotion is an important first step, but developing emotional intelligence also means that we need a way to express that emotion productively. Identifying an emotion but then stuffing it down without talking about it with the person who provoked the emotion won’t strengthen your personal and work relationships in the long run. Instead, it’s important to learn ways of communicating emotion and resolving potential conflict or misunderstanding in ways that make your needs and goals clear without alienating the other person.

“I” statements are a style of communication that focuses on the thoughts and emotions of the speaker. This contrasts with “you” statements, which shift blame to the perceived thoughts and characteristics of the listener and often make him or her defensive.

For example, consider the difference in the following statements provoked by a situation in which one person chronically comes home late:

“Why are you never home on time?”  
“I feel lonely and worried when you come home late without calling.”

The first statement might come across as an attack or accusation and provoke an argument, while the second statement focuses on the speaker’s feelings. It would allow the two people to acknowledge feelings, talk about what’s going on that causes the other person to come home late, and make a plan for how to communicate better in the future.

Or consider the difference in the following statements provoked by a situation at work in which an employee is chronically late completing important tasks:

The first statement might come across as a condemnation, making the employee feel anxious and discouraged, while the second statement communicates the employer’s priorities and concerns. It also allows the employer to coach the employee on how better to manage her time and opens up a conversation about how they set deadlines.

“You’re unreliable.”  
“I feel concerned that you’re not meeting deadlines. It’s important to me that we get this project completed on time. Is there anything we can do to make sure your tasks are on track?”

## Emotional Triggers

Everyone experiences unconscious triggers that provoke us and influence our thoughts and feelings in negative ways. A **trigger** is something another person says or does—or sometimes who another person is—that affects you negatively. Most people have pet peeves—little things that provoke small negative reactions. But a trigger reaction is what occurs when someone “sets you off,” your reaction boils over, and you lash out or snap, experiencing uncontrollable emotion that is probably out of proportion to what is happening in the present. Identifying what you—and others—are feeling, why, and being able to describe it is key in remaining healthy and in control of yourself. For example, you catch a person staring at your shoes, which are in bad shape and embarrass you. Although the person may have been daydreaming, you “fly off the handle,” because someone once made fun of the shoes you had to wear when you were a child. Or another EIT asks if the pencil you are writing with is his. Although the EIT is asking an honest question, you are “set off,” because someone once wrongly accused you of stealing. It may appear as though there was no reason for you to “fly off the handle,” but these reactions are related to past experiences when you felt judged or humiliated.

Of course, different people have different emotional temperaments. Some people have

emotional systems that are easily triggered, generate more intense reactions, and are harder to soothe. It can be challenging to identify your triggers, but by getting to know and understand them, you can address the root of the reaction and learn how to control your response. By scanning your body for physical changes that signal anger or distress, your “internal radar” can help you learn to identify triggers and unpack why you are experiencing this emotional reaction—what about the situation is triggering a “fight or flight” response? The physical reactions that accompany distress and anger are the same ones you can look for during a body scan: tightening your jaw, clenching a fist, pacing, tapping your feet, shallow breathing, sweating, blushing, or feeling your heart start to pound. Once your body is on high alert, you are likely to respond as though the situation were life threatening, so it’s important to recognize the signals you can pick up on your internal radar before you get there.

Think of a trigger as an emotional boiling point. If you picture a thermometer, you might identify that your boiling point is 100 degrees. Perhaps when you react to a trigger, the temperature on your thermometer rises quickly from 0 to 100. However, when you feel your emotions start to rise—when you start to clench your teeth or tap your fingers—you’re maybe only at 30 degrees on the thermometer.

If you learn to identify the physical reactions that accompany your rising emotional “temperature,” you can start to see when you’re at 30 or 40 degrees on the thermometer and cool yourself down before your emotions boil over.

## Mind-Body Connection

Our bodies and emotions are deeply connected, which is why we feel butterflies in our stomachs when we’re nervous and tension in our shoulders when we’re stressed. By noticing how your body is responding in a given situation, you may be more attuned to the fact that you’re having an emotional reaction, and may be about to respond automatically.



An essential part of being able to STOP UP is learning to notice when you’re about to have an instinctive emotional response to a situation—before you do.

A Body Scan is a simple technique to help you notice whether your body is stressed and about to kick into a “fight or flight” response. It simply means checking in with yourself to notice:

- Your breathing—is it short or fast?
- Your muscles—do they feel tense or tight?
- Your heart—is it racing?
- Your temperature—do you feel hot or sweaty?

All those are signs that adrenaline may be pumping through your body and are signals that you may want to STOP and UP your game.

Notice that during a Body Scan, you should focus on sensations rather than emotions. For instance, instead of “I am angry,” you might notice the sensation of heat in your chest, tightness in your face, and shallow breathing. Your body often reacts more quickly than your brain—being able to notice these physical cues can help you to spot an emotional reaction faster.

## Take a Timeout

Of course, there may come a time when you feel yourself approaching a point of no return. You know you are going to explode either verbally or physically, doing or saying something that you are likely to regret later. If you feel yourself approaching this point of no return, you can remove yourself from the situation and take the time to settle your thoughts and emotions. Remember, it is *your* responsibility to manage your emotions, not anyone else's. Once you learn to recognize the physical signs of rising emotion—especially as you remain open and curious about the sources of your emotion—you become increasingly responsible for controlling your reactions and not allowing yourself to “fly off the handle.”

Taking the time to remove yourself from a situation allows you to do whatever you need to do to stop yourself from saying or doing something you might regret later. It allows you to interrupt your reaction and take the time to label your emotions, think about what kind of judgments may be coming from your inner voice, or what past experiences fuel your emotions. If you can step back from your automatic thoughts and internal judgments about what you are feeling, you may gain greater insight and change your future reactions.

One thing to keep in mind: Taking yourself outside of a situation should not further provoke it. For example, if you need to remove yourself but you shout, “I’m out of here!” curse, and slam the door on your way out, your actions aren’t likely to make the situation any better. Removing yourself from an emotionally charged situation shouldn’t involve a lot of drama. Instead, you can quietly go off by yourself to meditate or calm your reactions.



## Managing Emotion

We live in a society where we are taught to repress strong emotion and where we are encouraged to make experiences “comfortable” for others so they don’t have to experience negative emotions at all. For example, Gregg Henriques, a psychologist who also volunteers as a children’s soccer coach, writes that he, “was told that the focus [for the soccer team] was on ‘positive coaching,’ which translated into the rule that I could not in any way criticize a child’s play because this might hurt their feelings. I could only say positive things about their behavior. ...[T]he responsibility for any negative feelings [was] placed with the coach and the message for everyone is that criticism of any kind (even from a loving coach who is trying to foster growth), is ‘damaging’.” That is neither realistic nor productive, as sanitizing our feelings essentially keeps us away from failure or pain, and we learn and grow from those experiences.

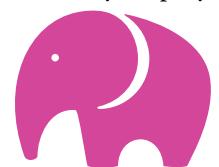
We all experience negative emotions—if we are criticized for work we could have done better, we might experience anxiety or shame; if we are hurt in a relationship, we might experience anger or sadness. Experiencing a range of emotion is the price of working and having relationships in the world, so it’s important to develop ways to regulate, or maintain control over, the unconscious thoughts and impulses associated with strong feelings so your actions can stay aligned with your long term goals and values.

People who have strong self-regulation skills—who have learned to manage their emotions productively—tend to develop the following skills:

- **Acting in accordance with their values**
- **Calming themselves when upset**
- **Cheering themselves when feeling down**
- **Maintaining open communication**
- **Persisting through difficult times**
- **Viewing challenges as opportunities**
- **Putting forth their best effort**
- **Remaining flexible and adapting to situations**
- **Seeing the good in others**
- **Staying clear about their intentions**
- **Taking control of situations when necessary**

When you experience negative emotions—even a strong emotional trigger—you can learn to recognize and accept them, then neutralize them, and even turn them around into something positive. Remember that your emotions tell you something important about your needs and goals. They tell you what at least part of your brain perceives as either good or bad for you. This is natural and is, in fact, a hard-wired survival mechanism. And repressing or avoiding unpleasant emotions just creates unfinished business that can overwhelm you later on. However, you do not have to allow your actions to be controlled by your emotions. You have the power to recognize your emotional reactions and learn from them.

You might remember to STOP UP and remind yourself, “I need to stop and take a deep breath.” People can trigger your reactions without meaning to or even knowing they are doing it—an emotional reaction is not about the other person but rather about you. Remember that you are not trying to suppress emotions. When you try to force an emotion away, you actually amplify it by thinking about how you should be ignoring it. For example, if you tell yourself to ignore the elephant on this page, you will probably find yourself thinking about and glancing toward it rather than overlooking it entirely.



**C Curiosity**

**A Acceptance**

**L Loving compassion**

**M Motivation**

**M Metacognitive**

**O Observer**

Instead, take the time to “sit with” your emotions. You’re allowed to experience strong emotion! What you need to become mindful of is your reaction to those emotions. By taking the time to sit with an emotion, you give yourself the opportunity to reflect on what you’re feeling, what prompted the feelings, and how you have reacted. You might also try to develop what Henriques refers to as a CALM MO, which is an acronym to help foster a particular kind of mindfulness involving **Curiosity, Acceptance, Loving compassion, and Motivation** to learn from the emotions you are experiencing.

By remaining **curious**, you give yourself permission to recognize what is going on internally and start to identify the source of your emotions. You might ask yourself questions like, “What is this emotion and what is it telling me? Why am I feeling this now? What important memories might this emotion be tied to? How does it relate to my current relationships or the present moment? How do I feel about my feelings?”

**Accepting** your emotions allows you to relax and reassure yourself that—no matter what you are feeling—the emotions have something to tell you. Accepting emotions means being able to hold them safely in your mind and in your body while acknowledging the pain or joy they bring. It means that, whether positive or negative, you can accept your emotions as part of life without unnecessarily judging yourself or others for having them.

Maintaining **loving compassion** toward yourself or others allows you to step back from your judgement of the emotions coming out of you or coming at you and remind yourself that individuals are worthy of dignity and care. People are generally trying to do the best they can given the situations they find themselves in and the resources they have. Approaching emotion with loving compassion is an opportunity to step back and remind yourself that you and others are imperfect but that, most of the time, people are struggling to do their best, not to cause others pain.

Finally, being **motivated** to learn and grow from your emotions means maintaining an awareness that emotions have something to tell you. No matter how painful, your emotions prompt you to look for changes that can make your life more fulfilling or successful. Acceptance of your emotions and motivation to learn and grow from them exist in creative tension. If you simply accept your emotions without being motivated to learn and grow from them, you might find yourself wallowing in them. But if you remain motivated, you can accept those emotions as an opportunity to learn about your needs and goals and make positive changes in your life.

MO in this acronym stands for **Metacognitive Observer**. Metacognition is simply the skill of thinking about your thinking. Becoming that kind of self-aware observer of your own physical and emotional reactions allows you to step back and figure yourself out without listening to the voice of judgement in your head that might tell you you are weak for feeling fear or a bad person for feeling anger. An “MO” also commonly stands for *modus operandi*, which is Latin for “mode of operation,” or a characteristic way of doing something. When you develop a CALM MO, you can establish yourself as someone who is characteristically open to experience, willing not to judge yourself and others, and commit to growth. There may be no greater skill for establishing yourself as a valued employee, a skillful entrepreneur, or a trusted friend.

## Resources

### **Goleman, Daniel, *Emotional Intelligence: Why It Can Matter More Than IQ*:**

This business book written by a psychologist explains why “how much you know” is not an automatic predictor of success in business or the workplace. Goleman writes about how two minds—one emotional and other rational—work together to shape what you are able to accomplish. Because humans always work and interact with others, emotional intelligence is a key skill and one that can be nurtured and strengthened at any point in your life.

### **Goleman, Daniel, *Emotional Intelligence for the Modern Leader: A Guide to***

***Cultivating Effective Leadership and Organizations:*** In this book, Goleman extends his discussion of emotional intelligence specific to business leadership. Because business leaders need to motivate and inspire others, establishing emotionally intelligent leadership can help you develop the kind of strong organizational culture capable of making your business successful—even in the face of the inevitable challenges that come with entrepreneurship.

### ***HBR's 10 Must Reads on Emotional Intelligence:*** This collection of articles originally published in the *Harvard Business Review* features work by Daniel Goleman and others who write on topics including what makes a leader, why good leaders make bad decisions, resilience, and how a lack of emotional intelligence impacts both employee morale and business profit.





## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Based on what you read in the chapter, what is the purpose of identifying emotional triggers?**

- A.** To bring internal anger to the surface.
- B.** To reflect on your triggers and learn to control your reactions.
- C.** To suppress strong emotions.
- D.** To disconnect your memories from your beliefs.

**2. What is the healthiest way to face a triggering situation?**

- A.** Learn to control your physical and mental reactions.
- B.** Brace yourself for negative emotions and strike back.
- C.** Ignore the emotions and focus on your business plan.
- D.** Push aside unpleasant memories.

**3. Based on what you read, which of the following EITs has effectively handled an emotional trigger?**

- A.** Krystal, who stalked off after muttering a curse.
- B.** Charles, who took some deep breaths.
- C.** Phyllis, who told herself “All men are liars anyway.”
- D.** Stanley, who threw a book on the floor.



**4. During peer critique of her work, Jasmine feels her face grow flushed when she hears other EITs' criticism. She begins tapping her foot and feels her lips tighten. Based on what you learned in this chapter, what would you recommend that Jasmine do?**

- A.** Take deep breaths and remind herself she is in control of her reactions.
- B.** Suppress her anger and tell herself she's being stupid.
- C.** Swear and storm out of the room to take a time out.
- D.** Relax her face and reassure herself that she can ignore other EITs' criticism.

**5. Nicole takes the opportunity to discuss her reactions to Matt after their meeting. Which of the following would be an effective "I" statement to communicate her anger?**

- A.** I wish you would stop interrupting me at meetings because it's rude.
- B.** I think you're trying to make me look bad in front of our boss because you want a promotion.
- C.** I feel annoyed when you tell my team members what to do because it undermines my authority.
- D.** I feel as though you're out to get me because you're making me look bad.



## Apply Key Concepts

**What is your favorite emotion to experience? When was the last time you had that emotion and what made you feel like that?**

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**What is your least favorite emotion to experience? When was the last time you had that emotion and what made you feel like that?**

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**How did this emotion influence how you acted?**

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**In the space below, reflect on the last time you experienced the emotion you like the least. Describe the situation and the feelings it evoked. Then try turning your feelings into a “you” statement and an “I” statement.**

SITUATION	FEELING EVOKED
SITUATION	FEELING EVOKED



**To identify a trigger, describe a situation in which you experienced a strong emotion and reacted out of proportion to what was going on around you. Perhaps someone said something that made you feel inexplicably criticized, inadequate, or judged, something that reminded you of a time when you felt vulnerable or humiliated. Try not to judge or fear your reactions; just notice them.**

**Identify what may have triggered your emotions in that situation. Look at what was said, what the person looked like, how he or she dressed, his or her tone of voice or choice of words, what the person may represent to you (e.g., authority figure who is going to mess up your life).**

**Use the emotions chart in the chapter to label what you felt in that situation. Once you've identified it, try to come up with two more words that describe how you felt.**

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**Why do you think your brain perceived the situation and these initial feelings as "life threatening and dangerous"? Look back at your past life, from a small child through your teenage years. What situations, experiences, interactions, pain, etc. may have triggered your emotions in that situation?**

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**How did your actions after your emotions were triggered affect you and your relationships with others?**

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**Has this trigger served you well in the past by getting you out of danger?  
If so, how? If not, why not?**

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**How might this trigger fail to be helpful, either now or in the future?**

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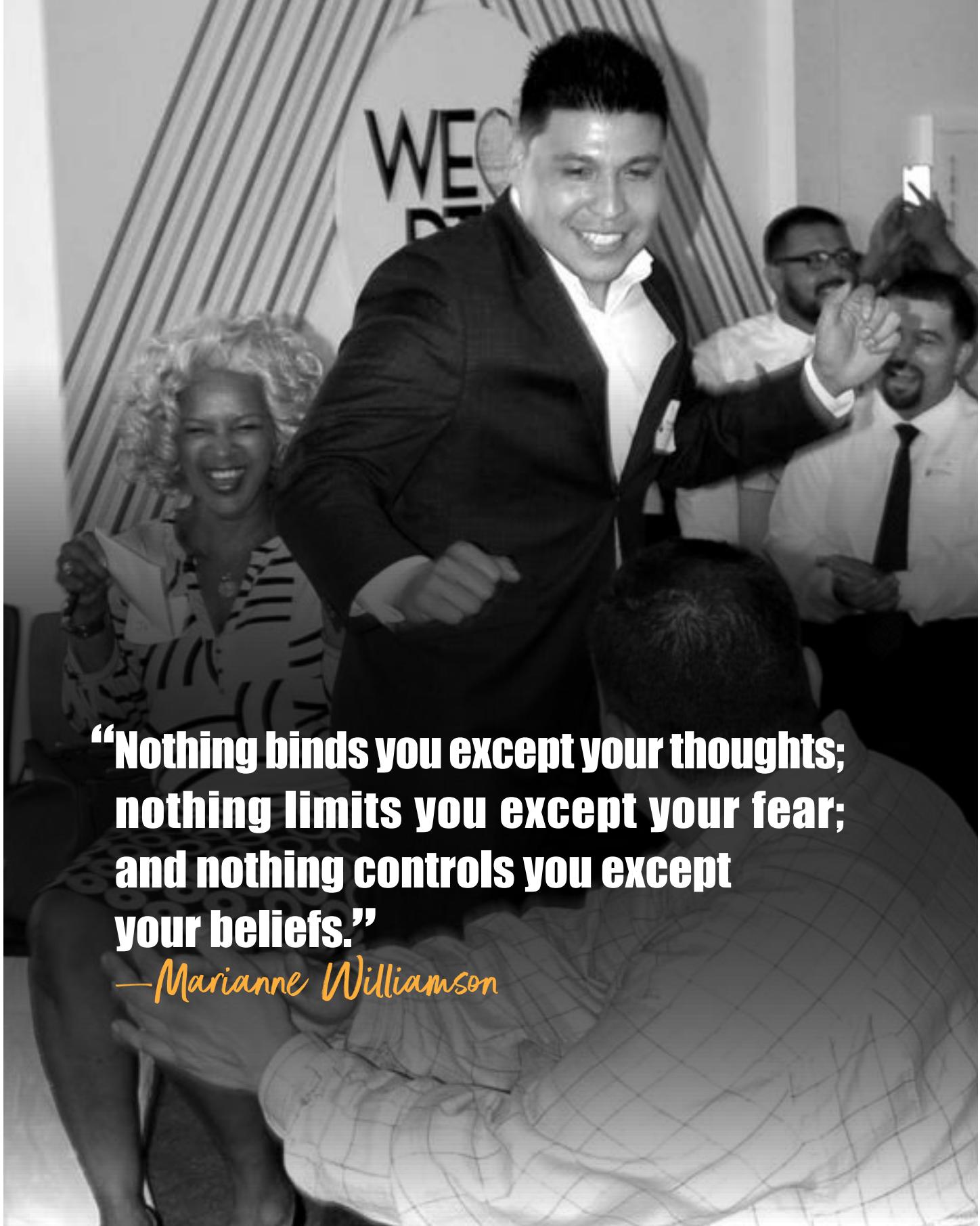
**List as many emotional triggers as you can think of—things that provoke a rush of negative emotions for you. These may be situations, people who look a certain way, or things a person might say. For example, people who smack their lips when they chew, getting interrupted when you’re speaking, or being told no might push your buttons and provoke a negative response.**

**Get specific. Exactly what situations, actions, or words set you off? How do you usually react when each hot button is triggered? Next, think through the new responses you plan for each of them. In the first column, identify your triggers. In the second column, list how you normally react when this button is pushed. In the third column, write what you could do as a conscious response instead of your normal knee-jerk reaction.**



EMOTIONAL TRIGGER	TYPICAL REACTION	NEW REACTION
Someone dismisses my comments or feelings.	I get angry and yell.	I'll share that my feelings are hurt.
I feel insecure about my body.	I eat ice cream.	I'll take a walk and take the time to accept my feelings.





**“Nothing binds you except your thoughts;  
nothing limits you except your fear;  
and nothing controls you except  
your beliefs.”**

*—Marianne Williamson*

## Self-Limiting Beliefs

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## Preview

# After reading this chapter, you should be able to:

- Understand the relationships between thoughts, emotions, and actions.
  - Understand how beliefs form.
  - Identify the difference between automatic and mindful thinking.
  - Develop effective coping strategies to slow down automatic reactions.
  - Practice taking another person's perspective to consider alternate interpretations of events.
  - Identify self-limiting beliefs.
  - Develop self-freeing beliefs.



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**We** don't often take the time to look at and evaluate—let alone challenge—the ways in which our assumptions shape our actions and relationships in the world. When you take the time to examine your own thoughts and reactions, you have the opportunity to step back and look at how well your own assumptions—your beliefs about how the world works—are serving you and make choices that can open new doors in your personal

and professional life. Part of being a trusted friend, valued employee, or successful entrepreneur relates to how you present yourself in the world—your behavior towards others. Examining your own thoughts, behavior, and reactions can allow you to step into the professional world with a more centered awareness of what you believe about yourself and others and build strong, healthy relationships which can translate into professional success.

## The Consequences of a Thought

Although we don't often stop to think about it, our actions in the world are almost always sparked by thoughts, emotions, and beliefs that shape our responses to the things happening around us. These are our **automatic thoughts**. The types of automatic thoughts you have are likely to affect your well-being, as behavior that is triggered from negative thoughts and emotions often leads to negative consequences. Learning to analyze and upgrade your thinking can help you avoid such negative consequences.

Every situation we experience produces thoughts and/or emotions. Thoughts and emotions are simply your brain's way of processing external stimuli. Of course, one person's thoughts and emotions may not be the same as someone else's because each of us interprets situations based on our own personal experience.

Our responses—our behaviors—are frequently driven by automatic thoughts and assumptions about a situation, often about another person's motivations. Automatic thoughts that lead to fast decisions are often motivated by anger or fear because these emotional reactions are hard wired into the part of the human brain that is sometimes referred to as the “reptilian brain,”

**SITUATION**

Every situation—positive and negative—creates a context for your thoughts and feelings. The situation is what triggers, or comes before, your thoughts and feelings.

**EMOTIONS**

Your emotions, or feelings, can be either positive or negative, mild or strong. Often, people confuse a state of being (“I am stressed”) with the emotion that state triggers (“I feel angry”).

**CONSEQUENCES**

Every action—positive or negative—has consequences. A consequence is simply what happens as a result of your actions in the world.

**THOUGHTS**

Your thoughts form the basis for how you perceive and interpret a situation. Thoughts can be based on slow, logical reasoning or quick, automatic instinct.

**BEHAVIOR**

Your behavior is how you act on your thoughts and emotions (the things you do and say). Unlike thoughts and emotions, which are internal, your actions are external and shape the consequences you experience.

the **amygdala**. In other words, these reactions are instinctual and deeply embedded into the most ancient structures of the human brain. This part of the brain is programmed with the “fight, flight, or freeze” response. The reptilian brain automatically assesses the environment to determine whether it should fight, run away from, or freeze in the face of potential threats, which is why anger and fear have such fast, automatic on/off responses. These emotions create a quick response, which leads to immediate action and is designed to ensure your self-preservation.

The human brain has evolved, and the “reptilian brain” is overlaid with parts of the brain that allow you to process information, make plans, and control your impulses. In other words, we humans no longer need to be controlled by the instincts, or automatic reactions, of our reptilian brains. We can think critically about *why* we are responding to a particular situation as though it is a life or death matter. But we can only think critically about a situation if we slow down our thinking and become aware of what is going on around and inside of us. This ability to pay attention to what is going on both inside and outside of yourself is **mindfulness**. Sometimes the automatic response is the correct response. However, you want to be in control of your thoughts, feelings, and emotions rather than allowing them to control you. Developing mindful thinking habits will give you more options for how you can respond, allowing you to control your behavior and influence the outcome.



To observe your thinking and control your automatic response, try the STOP UP technique, which can help you in the heat of the moment when you are struggling with intense emotions. This technique can help you STOP and manage your emotional responses in overwhelming, difficult, or rage-inducing circumstances. Once you have slowed down your reptilian brain and are able to remain in charge, you will no longer be simply reacting. The next step is to UP your game and upgrade your thinking.



## The STOP UP Technique

**Stop:** Recognize that you are having an automatic, emotional reaction. Pause for a moment and slow your thinking down. Remember the wisdom of Viktor Frankl that, “Between stimulus and response there is space. In that space is our power to choose our response. In our response lies our growth and our freedom.”

**Take a Breath:** Next, try to slow your heart rate down and focus your mind by taking a deep breath. Notice your breathing as you breathe in and out. Try to slow your breath down. Breathe in deliberately through your nose for a count of 4. Hold your breath for a count of 7. Breathe out slowly through your mouth for a count of 8. Known as the 4-7-8 method, this type of controlled breathing allows you to distract the part of your mind that wants to take immediate action. Breathing deeply also helps to lower your heart rate and decrease blood pressure—both of which rise when you respond to potential threats.

**Observe Your Thoughts and Emotions:** Notice what is going on inside and outside of you, then put it in words. Tell yourself in a descriptive way what is going on. For example, “I feel angry, because I think they’re disrespecting me.”

**Pull Back and Look for Perspective:** Pull back and try to view the situation from a dif-

ferent perspective. Begin with the here and now. Don’t focus on how you look to others or what will happen later on. Pay full attention to what has happened, what you are thinking, how you are feeling, and see if there are other possible interpretations. It’s important to be open minded. Don’t immediately judge yourself or others. Accept that your thoughts and feelings are valid, but that other possible interpretations of the situation are possible. Look for alternative perspectives.

**Upgrade Your Thinking:** After you stop, take a breath, observe your thoughts and emotions, and look for perspective, you can take the next step to upgrade your thinking before you take action. When you take time to upgrade your thinking, you take control of your choices and actions. Upgrading your thinking allows you to move away from automatic thoughts and habitual actions and upgrade your life. No matter where you go or what you do in life, this can be an important skill. Remember, your thoughts and emotions propel you into action, but every action has consequences, which can be either positive or negative. Destructive thinking can lead to action likely to end in negative consequences—toward problems and conflicts and away from your goals. Imagine your future as a road stretching in front of you with your goal ahead of you in the distance. Your thoughts and emotions fuel your actions, “gassing you up” and influencing the direc-

tion of your movement. If you have set goals and know what you want out of life, you can evaluate whether your thoughts and actions are taking you in the right or wrong direction.

Of course, it's possible to let life unfold without a plan, so that actions and consequences drive you to a destination where you never intended to go. However, if you have a goal and know where you want to end up in life, upgrading your thinking and taking control of your actions can help you get there.

**Proceed to Take Action:** When you pause between your automatic thoughts, the intense emotional reactions that often arise from those thoughts, and your next action, you are taking control of your future. This is a life-changing skill that can allow you to make the best choices for your future—that support your goals, your immediate future, and others around you.

You can learn to control the automatic thoughts that shape your behavior so they lead to different actions...and different consequences. Look at what each situation needs, and evaluate your thoughts and feelings to keep moving forward toward your goals!



## Tools

Trying to adopt different points of view can help you gain perspective. Each of these methods allows you to gain some distance and perceive a situation from a new perspective, uncovering things you may have missed in your initial reaction and allowing you to make a more informed decision regarding how to proceed. By taking a different perspective, you begin to acknowledge that your perceptions of a situation may be inaccurate—that what you experience could be interpreted by others in a different way.



### Camera View

Your thoughts and emotions help you make sense of a situation. However, these thoughts and emotions can sometimes cause misunderstandings and misinterpretations of a situation. A “camera view” can help you turn a biased perspective—shaped by your internal thoughts and emotions—into a more objective perspective—more factual and separated from emotions.

Imagine a camera capturing a snapshot of a situation. If you were to look at the image on the camera, you would be able to see an objective view—a camera does not have feelings or attach meaning to events. It only captures what happened.

When trying to gain perspective on a situation, ask yourself, “What would a camera have captured in that situation?” Focus on things an outside observer would see, rather than how you *feel*. When you are faced with a situation that prompts an emotional reaction, it’s important to try to look at the situation objectively. By focusing your attention on what actually happened (and not how it made you feel), the camera view can help you check assumptions you have made and correct any misperceptions that may have arisen as a result. Try asking yourself, “How might I...” when you approach situations from this vantage point to create space to imagine new possibilities.



### Trusted Friend View

Remember that your thoughts are shaped by your personal experiences in the world. Other people have different experiences, so their perspectives are likely to be slightly different from your own. Most people have had the experience of having a trusted friend or role model talk them out of doing something they were about to do. A “trusted friend view” allows you to adopt the perspective of another person whom you trust. By thinking about what a friend might do or recommend in this situation, you can distance yourself from the moment, see the situation from another person’s perspective, channel their wisdom, and advise yourself.



### Future Self View

Most people have had the experience of thinking, “If only I’d known then what I know now! Things could have been so different.” Your thoughts are shaped by your current reality. In the future, you will have more experiences in the world and gain new perspective based on your older self’s confidence and maturity. When your automatic thoughts do not match a “future self view” of the situation, you can start to identify where your current experience might be limited.



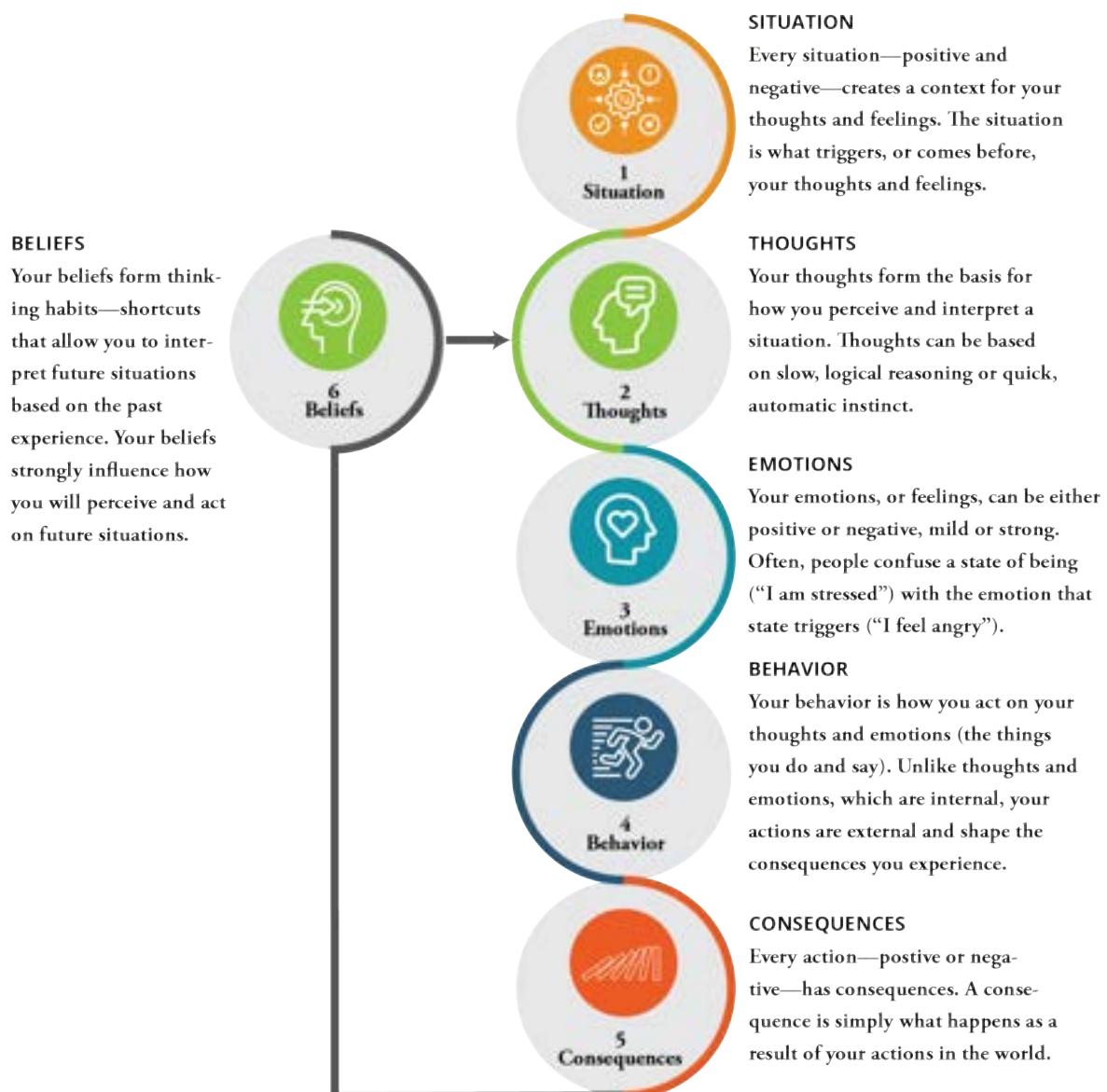
### What if / And then...

As you analyze your emotions, thoughts, and automatic reactions, you might try to play out a scenario by asking yourself, “What if / And then...” When you approach a situation, try to play out all the various scenarios that could happen. When you look at the “And then...” actions and reactions, you might notice that, even when something “bad” might occur, it isn’t the end of the story. Rather, your actions can create a new beginning or an opportunity to try a new path. Sometimes, a situation is not as negative as it may appear.



## Beliefs

Our emotions float on a sea of beliefs. Many people think that their emotional reactions tell them something about the substance of reality—that, for example, a situation that makes them feel angry is *wrong*. Rather, your emotions signal what you *believe* about that situation, so it's important to pay attention to your emotions—they illuminate your beliefs.



In particular, pay attention to the following emotions or situations, which can allow you to probe more deeply to uncover the **FACTS** about what you believe:



We've all had the experience at some point in our lives of feeling scared when we weren't in actual danger or *not* feeling scared—feeling calm and detached—when we *were* in real danger. Similarly, we've all had the experience of feeling frustrated by a situation and perhaps not being able to pinpoint what makes us feel so angry or annoyed, yet powerless to change what's happening around us. The emotions these situations reveal often uncover beliefs we might not know we have. For example, let's say you *avoid* asking for help because you believe that people will think less of you. As a consequence, you never ask for help until you're really in over your head with a project. Because you don't ask for help until a project is in jeopardy, you get in trouble with your boss, who is disappointed that the project will take longer than expected. Thus, your own actions based on your belief that people will think less of you continue the

cycle and reinforce your belief. Beliefs tend to self-perpetuate.

Understanding our past experiences can help us better understand why we react the way we do and where certain feelings come from. Knowing what you are feeling, why, and being able to describe it is key in remaining healthy and in control of yourself. Sometimes the beliefs we have about ourselves are reinforced over time to become **self-limiting beliefs**—beliefs about ourselves that limit what you see yourself and others as capable of. Such self-limiting beliefs develop in a cycle. Negative experiences can form self-limiting beliefs. These self-limiting beliefs lead to unconscious thoughts that influence how you perceive or interpret a situation. Your thoughts influence your behaviors, which, in turn, influence the behaviors of others around you. Others' behaviors lead to new experiences, which often reinforce self-limiting beliefs.

*Beliefs* are thinking habits—shortcuts that allow you to interpret future situations based on your trust and confidence in past experiences—that shape how you view yourself and the world around you. If we hold on to self-limiting beliefs, we validate them, tricking ourselves into thinking they are truths, when in fact they are only beliefs. These beliefs, many of which we may not be consciously aware of, shape the trajectory of our lives.

There have been many studies of the ways in which people form beliefs, which indicate that beliefs are formed by experiences with family, friends, environment, and culture. Think about a girl who overhears an elementary school teacher tell her parents that, “She’s more of a follower than a leader.” Although she is something of an introvert, as an adult in the workplace, people seek out her advice, she stays calm in crisis, and she is passionate about her work. Nonetheless, she believes she’s “not meant to be a leader” and doesn’t seek out opportunities for promotion. Kevin Leman, a psychologist, would go so far as to call self-limiting beliefs “lies.” In *What Your Childhood Memories Say about You*, Leman writes, “There are all sorts of lies you tell yourself over and over until you accept them as readily as you do your own skin. And it isn’t always easy to recognize them as lies.” They can be little lies we tell ourselves that might take the form of a joke, such as, “I’m the worst singer in the world.” Or they can be big lies that control our futures such as, “I’m always going to screw up in any job because I’m just no good.” These beliefs about ourselves can prevent us from achieving our full potential, and if you keep holding on to them, self-limiting beliefs can sabotage your relationships, career, and business.

Once a belief forms, it has an overwhelming tendency to *persist* because our brains filter out

evidence that doesn’t support our beliefs and focus instead on evidence that supports them. All of us have self-limiting beliefs. In fact, we have thousands of them—beliefs about yourself, money, authority, power, gender, race, etc. Every person you have ever met, every person alive and who will ever live has beliefs they carry around with them that they may not notice or consciously examine. Like a racehorse with blinders on, those beliefs allow us to focus on and find meaning in events in our lives that tend to confirm them and limit our movement along a narrow path.

Over the years, countless small and large messages from our everyday lives create new beliefs or feed into existing beliefs—some productive and some limiting. Each time these beliefs are supported through experience, they gain more of our trust and confidence, making them stronger. This is not to say that beliefs are unchanging, however. Through conscious awareness, new experiences give us an opportunity to alter our beliefs.

**Examples of experiences that can lead to self-limiting beliefs include:**

- Someone bullied you.
- Another child made fun of the way you were dressed.
- A parent called you lazy.
- You overheard a parent express a racist belief.
- A neighbor called you a bad kid.
- A teacher called you stupid.
- You saw someone else abused.
- A boss belittled you for a mistake.
- A school counselor told you that science isn't for girls.

Based on our beliefs, we develop an internal “private logic” that shapes the way we see the world. This logic is generally consistent with the way you learned the world operated as a child. Leman points out that, “Your private logic is your subjective interpretation of the people, places, and things around you—a perspective that changes over time but that’s built upon the solid, immovable foundation of your formative, early childhood years.” And, according to Leman, “The way you respond to each and every moment in your life reveals how you see yourself and the world.”

Beliefs that are rooted in childhood experiences with family are especially powerful in shaping our thoughts about what is true in the world. The most well-intentioned parents would be surprised how their children misinterpreted what they say and do. But parents

aren’t perfect, adult life is rushed, and children internalize messages without having all of the tools necessary to interpret an adult’s words and actions.

It is also true that many EITs were brought into the world by people who caused them great harm. Sometimes, this harm was even intentional. One EIT shared the story of being left in a dumpster at the age of three, only to be turned over to the foster care system. What kinds of self-limiting beliefs would be likely to form in someone who was abandoned as trash by his or her parents?

### **Self-Limiting Beliefs Case Study:**

Dennis M. is a high school dropout who served four years in the military.

Dennis describes his childhood, saying, “My mother never cared for me as a person. Her name for me was ‘that thing’ or ‘faggot.’ She couldn’t believe God hated her so much as to burden her with something like me, given all the other things she had to contend with in life. In front of me, she taught my oldest brother Donald to hate and despise me just as she did.

When my brother and I were eight and nine years old, Donald stole my grandfather’s .38 revolver and tried to kill me. When the police showed up, my mother explained that I was ‘somebody’s child from the neighborhood’ trying to break into her home and that her son Donald had saved them from harm by firing a round at me.

When the cop asked me where I lived, I said, ‘Right here’ and pointed to the house my mother had just told them I had broken into. I still remember the look of confusion on the cop’s face. It was then that I realized I had to leave that place or die. At the age of eight, I left home and didn’t see my mother again until I had turned 21.

For some reason, I had a compelling urge to see her. I had not lived in the city for years, and it took me three hours of driving around to find my bearings and locate her home. As I approached her door, she opened it and stared at me, realizing who I was, and asked what I wanted. I told her, ‘Today is my 21st birthday. I just wanted to see you.’ We stood looking at each other, and then she asked me, ‘Are you still a faggot?’”

A few years after his discharge from military service, Dennis got into a fight in a bar, stabbing another man and killing him. As a consequence, Dennis served 25 years in prison for second degree murder. He says, “Because of my inability to deal with myself and my own perceived shortcomings, I allowed my anger to turn to rage. I took my rage out on someone I barely knew and who had done nothing to harm me.”

Based on Dennis’s story, you might imagine he would develop self-limiting beliefs related to trust, acceptance, and violence such as, “People will always choose others over me,” “I don’t belong,” “Violence is normal,” or “If I don’t protect myself, no one else will.” As you can see from Dennis’s story, such self-limiting beliefs can provoke reactions that end in disastrous consequences.



## Examining Your Beliefs

Our beliefs may be rooted in past experiences with other people, but, no matter how damaging or destructive others' past actions may have been, Leman points out that, "If you live your life blaming [others] not only for their actions in the past but also for yours in the present, you remain locked in the past." As an EIT committed to growth and change, it's important to embrace the truth that **you can change your beliefs**. You've told yourself lies—we all have—and now you're choosing to seek the truth that change is possible.

We've all heard someone say, "I'll believe it when I see it," and perhaps you are feeling that way about the prospect of changing long-held beliefs. Although beliefs are rooted in your past experience, **your beliefs actually create your experience**. Because your brain seizes on evidence that your beliefs are *right*, your beliefs shape your experience of the world. Therefore, we all need to be very careful about what we're trying to be right about. When it comes to your beliefs, don't ask if a belief is *true*. Instead, ask yourself if the belief is *useful*. Every belief is useful for something, but it may not be useful in a way that contributes positively to your emotions and behaviors. For example, if you believe "I am broken," that belief may allow you to retreat to survival mode. You might be less likely to start your business because the belief gives you an "out" to think that you

won't be successful anyway. You might be more tempted to go back to familiar patterns because you're already broken, so there's no point in trying to start something new. This kind of belief helps justify or excuse destructive behavior. It helps you justify what you've always done.

The Greek philosopher, Socrates, said, "The unexamined life is not worth living." Self-examination gives you the key to overcoming self-limiting beliefs. If self-limiting beliefs represent unconscious and deeply-held "baggage" you've been carrying around for a long time, you can begin to break the cycle by examining each self-limiting belief in turn. Maybe one of these beliefs is the reason you went to prison. Now is the best time to change those beliefs so they are unable to control your future.

You don't have to be at the mercy of self-limiting beliefs and fear. When you have an experience and you feel negativity creeping in, notice it. This is when you can use the STOP UP technique. Analyze what is happening and what sparked your reaction. Identify which self-limiting belief has just kicked in. You might also try to adopt the perspective of a trusted friend or mentor to gain new perspective on your thoughts and feelings. This is what living the "examined life" is all about—start examining self-limiting beliefs and taking their control over you away. You *can* break the cycle!

Remember that, when it comes to breaking away from self-limiting beliefs, your goal is to make progress, not strive for perfection. You are likely to slip into old, familiar thought patterns from time to time, but if you develop an awareness of your beliefs, you can start to notice when self-limiting beliefs speak up and encourage you to act in ways that aren't in the best interest of the person you want to be.

You might imagine self-limiting beliefs as a stack of baggage. As you start to examine your own "baggage," think about the heaviest burdens you walk through life carrying, and ask yourself how much each of these self-limiting beliefs weigh you down. This will allow you to identify the self-limiting beliefs that are the most important to work on in order to move forward. Imagine you are dragging 100 pounds of self-doubt and limitation in just one of these suitcases. Yet another suitcase weighs 25 pounds. It's not as weighty as the first one, but it adds to the burden that limits your behavior and success. Each of us has a pile of baggage like this. As you think about the self-limiting beliefs that shape your behavior, identify which are the biggest, the heaviest, the most limiting. How much does each self-limiting belief weigh you down? To reduce your load, which parts do you want to set down first? Your goal is to free yourself from these burdens—the beliefs that hold you back from achieving your greatest potential.

Remember that we each have thousands of self-limiting beliefs, so this act of self-examination is not a one-time exercise or an act of vanquishing a single destructive belief. Part of being someone committed to growth means that you are on a life-long journey of discovery. As you sift through your beliefs and choose especially weighty ones to work on, you will uncover deeper levels of self-limiting beliefs, and you will be able to continue examining them as you refine your beliefs.

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## Self-Freeing Beliefs

It's important to acknowledge here that, on some level, *all* beliefs are limiting beliefs. If you believe that you are intelligent, you're not also free to believe that you have no good ideas to contribute. Those two beliefs are incompatible. The value of beliefs is that they create limits. So consider *how* you want your beliefs to limit you. Rather than adopt beliefs that allow you to think of yourself and the world around you negatively, you can develop life-expanding beliefs—**self-freeing beliefs**. Self-freeing beliefs can also be a strong insulator against structural and systemic racism and prejudice, a way to combat the pervasive messages that often present themselves as "beliefs" but can be shifted through introspective work.

By identifying a self-limiting belief, you begin to rob it of its power. The next step is

to transform it into something true that is positive and healthy. Remember that your beliefs create your experience of the world, so by developing self-freeing beliefs, you are committing a powerful act of self-leadership. Max DePree, the former CEO of the Herman Miller office furniture company and business author, extends that idea into what makes a business leader. He writes, “The first responsibility of a leader is to define reality.” In other words, leadership is the art of defining and cultivating a common set of beliefs that shape the experiences of everyone who works in or transacts business with a company. The more of a master you are at defining your own reality, the more you will be able to shape others’ experiences and perceptions.

A self-freeing belief is not simply a reversal of the self-limiting belief. For example, if your self-limiting belief were “No one cares about me,” it would not be realistic or true to reverse it into the statement, “Everyone always cares about me.” This would be unrealistic and set you up for disappointment. There is always a reason why you hold each self-limiting belief. For example, the self-limiting belief that “no one cares about me” could have been generated by the experience of rejection from a parent or friends. Instead, a self-freeing belief might be “I can find and connect with people who will appreciate me,” or “I can make friends with people who will care about me, and I know that if I invest in a relationship, I have a good

chance of being appreciated for my efforts.”

Self-freeing beliefs should focus on *belief* rather than *action*. For example, if your self-limiting belief were “No one cares about me,” then “I’m going to spread love” would not be an effective self-freeing belief because it focuses on action and does not necessarily connect to your underlying beliefs. A better self-freeing belief might be, “Sometimes my actions will go unappreciated, but that doesn’t mean I’m not appreciated at all. I am comfortable doing kind deeds even when they are unappreciated, because these deeds bring out the best in me.”

Make sure your self-freeing belief counteracts the essence of the original self-limiting belief and write it using words that speak from your heart. For example, “Dogs are dangerous,” might become “Some dogs are loving and gentle. With the right guidance, I can be introduced to a gentle dog, and I might enjoy the right dog’s companionship and love.”

At the beginning, you may find it helpful to use the following statements:

**“As I am healed, I will be able to \_\_\_\_.”**  
**“With the help of my friends and family, \_\_\_\_.”**  
**“With help from my Higher Power, \_\_\_\_.”**  
**“With guidance and discernment, \_\_\_\_.”**

When writing self-freeing beliefs that include other people, be careful to not impose your

will on them. Write a statement about what is positive, beneficial, and possible with others' support. For example, if you have been hurt by infidelity in your relationship in the past, you should not write, "My partner will never cheat on me," because this imposes what you want to happen on another person. Instead, you could write something like, "Although I struggle with trust, I am choosing to put the past behind me. I can become a trusting and loving partner."



Some people use their faith-based traditions and holy books or scriptures to turn self-limiting beliefs into self-freeing beliefs.

In these examples, see how self-freeing beliefs can be shaped by a spiritual viewpoint.



## Gaining Perspective

One of the challenges of self-limiting beliefs is that they can be difficult to identify. We get so used to our own beliefs—because they conform to our experience of reality—that we often don't recognize how distorted our beliefs might be. It's often easier to identify someone else's self-limiting beliefs, which is why a therapist, coach, or trusted friend can be an important ally in identifying some of the beliefs that hold you back. We strongly encourage you to ask someone else for perspective. Sit down with another EIT or a mentor and ask that person to help you identify your self-limiting beliefs.

It might be easy to dismiss a potential self-limiting belief identified by someone else, but instead of dismissing another person's insight, ask yourself, "Is it possible that any part of this self-limiting belief could be playing out in my life, even though I don't see it right away?" Have the humility and openness to hear the other person out...and then return the favor!

## Taking Action

When we redesign our beliefs, it can feel as though we're lying to ourselves. For example, if you've gotten used to telling yourself that you're broken and unworthy, it can feel like a lie to tell yourself that you are capable of change and worthy of success. You may even hear that voice inside your head speaking up to

condemn your new belief and remind you of the self-limiting belief. This voice in your head is a form of self-talk, and Leman says that, "Self-talk is simply the voice of your private logic inside, responding to what happens around you. And it responds either graciously and truthfully...or condemningly with lies." As you begin to take action to redesign your beliefs, remember to be kind to yourself. You might think of this inner voice as you would a friend or loved one. You wouldn't condemn your best friend for encouraging positive changes, so try to avoid berating yourself, as well, on this journey of self-discovery.

Changing a belief or thinking habit takes time—at least a month—though research indicates that when we set and monitor goals, we can begin to notice changes within about two weeks. Over a relatively short period of time, you can begin to notice changes in your life if you commit to setting a goal and creating an action plan to redesign a self-limiting belief into a self-freeing belief.

Developing self-freeing beliefs is more complex than simply telling yourself something new over and over again, but Leman points out that, "If your self-talk is healthy—if you are recognizing your weaknesses and handling them graciously—the lies in your private logic and lifestyle can't 'talk back.' There are two kinds of people in the world: those who

tell themselves lies and believe them, and those who tell themselves lies but choose to fight them.”

To take action, you might try meditating on new self-freeing beliefs to **focus your intention** and rewrite the limiting beliefs stored deep in your unconscious mind. By focusing your intention on a self-freeing belief, you can shift your conscious mind and begin to transform your awareness—your experience of reality—at the deepest level.

In *The Seven Spiritual Laws of Success*, Deepak Chopra recommends meditation practice as a way to move beyond the thoughts, emotions, and memories that occupy our conscious minds and create the self-talk of our private logic. Creating a still mind allows you to plant the seeds of intention represented by your self-freeing beliefs. Chopra recommends that, when you have established “a state of restful awareness, release your intentions and desires... After you set an intention, let it go—simply stop thinking about it.” This allows you to set a new intention from a place of internal peace and contentment, which can be more powerful than intentions set from a state of anxiety or need.

You might also try reading your list of self-freeing beliefs first thing in the morning and before you go to bed at night for the next

30 days. Each day, read over your list of self-freeing beliefs for a period of time to give yourself the space and opportunity to let new truths sink in.

As you make it a habit to meditate or reflect on your beliefs, your self-freeing beliefs will begin to take hold: Your behavior can be less governed by automatic thoughts and reactions, and your actions can take you in a positive direction. You can break old habits, act from a place of mindful awareness, and unlock your full potential. This may be one of the most valuable transformative experiences of your life—but it won’t happen unless you apply daily discipline.

Make sure these newly planted beliefs are well rooted and begin to manifest in your life. Continue to give attention to the new beliefs until you stop feeling as though you’re lying to yourself and begin to feel them deep in your heart. Soon these self-freeing beliefs will begin to build trust and confidence inside of you, replacing the heavy baggage of self-limiting beliefs. Eventually, you will be able to think, make decisions, and set expectations and goals that correspond to your self-freeing beliefs—and that will turn your life from limited to unlimited.



## Have Faith in Yourself

Most major world religions refer to a spark of “divinity” that exists within every human being. You might think of this as your soul, essence, spirit, personality, or life potential. But too many people surround themselves with self-limiting beliefs that snuff out that inner spark. As a Defy EIT, we recognize extraordinary potential in you. We see your creativity, your talents, and your essential connection to the human story. But others might not see these things until you see them for yourself. By working to plant self-freeing beliefs, you will be able to see the spark of your highest self within, trust it, and stay true to it. Thank you for doing this work of deep introspection. We believe in you. Many men and women before you have faced their self-limiting beliefs to live up to their full potential. We know you can do it too.

The process of identifying self-limiting beliefs isn’t easy—they can look incredibly ugly. It is an act of bravery to look inside yourself and identify the negative self-talk that shapes your perceptions and limits your choices. It’s unfair to let self-limiting beliefs cause you to fail to achieve your highest potential as a parent, a partner, a friend, an entrepreneur, a neighbor, a citizen of your community, and a contributor to the world. The world can be a much better place for your contribution to it.

So have faith in yourself. It’s the gift that everyone who loves you wants you to accept.

### Defy's Affirmations

When you are able to come to a Defy event, you’ll learn that we use positive self-talk and self-freeing beliefs to help set the tone during Business Coaching and Business Pitch events. In your loudest and proudest voice, we will ask you to recite the affirmations that follow. Consider saying these affirmations to yourself out loud every day and making them part of your practice to develop self-freeing beliefs. You have the ability to transform, to be the CEO of your new life, and to succeed.

### Affirmations:

- I am a Defy EIT
- I am proud of myself
- I can hold my head high
- People know my past and love me anyway
- I am forgiven
- I choose to forgive me
- I am worthy of the love I am receiving
- I am in a community that believes in me
- I am an entrepreneur
- I am the CEO of My New Life
- I am defying the odds
- I have already won, just by being here today
- I will succeed
- Succeeding feels good
- I am a proud Defy EIT!

## Resources

**DePree, Max, *Leadership is an Art*:** DePree looks at leadership as the stewardship of culture.

He stresses the importance of building relationships, initiating ideas, and creating a lasting value system—a sense of purpose—within an organization. Rather than focusing on how to get things done in business, he focuses on why a leader wants to get things done. For DePree, the first responsibility of a leader is to define reality and the last is to say thank you. Additionally, DePree writes that leaders need to actively cultivate an organization's purpose and values, enable others to reach their personal potential and align with organizational purpose, and develop the leadership of others within the organization.

**Leman, Kevin, *What Your Childhood Memories Say about You*:** Dr. Kevin Leman is a psychologist who writes about the importance of childhood memories and what those memories say about your beliefs about how the world works. He writes that memories form when an experience aligns with your understanding of the world and creates emotional feedback. This book is useful for identifying the childhood origins of self-limiting beliefs.

**Lipton, Bruce, *The Biology of Belief*:** This book by a medical school professor and research scientist explores the connections between mind and body. He highlights new research findings that the cells in your body and mind are fundamentally affected by your thoughts.

**Chopra, Deepak, *The Seven Spiritual Laws of Success*:** Deepak Chopra writes extensively about personal transformation and holistic wellness practice, including the benefits of meditation and mindfulness practice. This book can challenge you to define what you want success to look and feel like in your life.

**Holiday, Ryan, *The Obstacle Is the Way: The Timeless Art of Turning Trials into Triumph*:**

This book takes its title from a frequently quoted section of the *Meditations* of Marcus Aurelius, a Roman emperor and Stoic philosopher “The impediment to action advances action. What stands in the way becomes the way.” Using case studies focusing on historical figures such as John D. Rockefeller and Amelia Earhart, the book examines philosophical principals that might be described as Stoic optimism, encouraging readers to disengage from fear, observe challenges rationally, and turn obstacles into opportunities.

**Harris, Dan, *10% Happier: How I Tamed the Voice in My Head, Reduced Stress Without***

***Losing My Edge, and Found Self-Help That Actually Works—A True Story:*** After having

a panic attack on live television, news anchor Dan Harris set out to restore balance to his life. He realized that the source of his anxiety, fear, and embarrassment was something he had thought of as a great asset: the demanding and unrelenting voice in his head that pushed him to be competitive and take risks. In this book, Harris lays out the brain-based science behind meditation and encourages readers to calm the voices in their heads to increase calm, focus, and happiness.





## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Tom is walking alone into the courtyard of his housing complex when another resident, Justin, approaches, heading out to the street. Justin is with three of his friends. As he and his friends pass him, Justin mutters something under his breath that sounds like it was meant as an insult. What might Tom do to keep himself from responding and getting into a fight?**

- A.** Take a picture of the scene and study it later.
- B.** Use his future self to remind him of the consequences of getting into a fight.
- C.** Ask Justin to repeat what he just said to make sure he heard it accurately.
- D.** Create an action plan for settling the score with Justin later.

**2. What is the best definition of a self-limiting belief? A self-limiting belief \_\_\_\_.**

- A.** Is a heavy suitcase that you bring everywhere throughout your life
- B.** Defines the actions you must take to create a meaningful life
- C.** Is a thought pattern that allows you to have control over your actions to limit your negative behaviors
- D.** Is a thinking habit based on past experience that shapes how you view yourself and the world around you

**3. What is the best way to correct a self-limiting belief?**

- A.** Think the exact opposite of the self-limiting belief.
- B.** Establish a realistic and positive belief about yourself.
- C.** Remind yourself that self-limiting beliefs are stupid.
- D.** Meditate on universal truths.

**4. You should meditate on your self-freeing beliefs for at least 30 days because \_\_\_\_.**

- A.** Developing a new habit requires reinforcement over time
- B.** Science proves that all habits can be changed within one month
- C.** It is better to meditate than to talk about those beliefs out loud
- D.** Meditation is the most effective way to combat fear and free your mind

**5. Which of the following are examples of self-limiting beliefs?**

**Choose all that apply.**

- A.** I am not worthy to receive anything special in life.
- B.** I can't sing the same range that I used to be able to.
- C.** I cannot let others know about the things I want.
- D.** Even when I do or give my best, it is not good enough.
- E.** A healthy diet can help me feel more physically attractive.
- F.** I have no control over details of my daily life.
- G.** I need to make more money to afford the lifestyle I want.
- H.** Because I am allergic, it is dangerous for me to be around dogs.

**6. If you were bullied in your childhood, what self-limiting belief might you have developed?**

- A.** I am stronger than anyone around me.
- B.** I am weak and cannot protect myself.
- C.** I am capable of providing for my own needs.
- D.** I do not have the moral sense to be a good person.



**7. Benjamin struggles with this self-limiting belief: "I have made too many mistakes in my life." What is a self-freeing belief that might help Benjamin begin to make positive progress against his self-limiting belief?**

- A.** "Nothing in my past was my fault; everything that happened to me made me a victim."
- B.** "Although I have made a lot of mistakes, it is not too late to make changes that will help me to redeem old mistakes."
- C.** "Everyone makes mistakes every day; there is no use worrying about them or trying to change their effects."
- D.** "From this day on, I will never make another significant mistake in my life."

**8. Naqil is determined to fight his self-limiting beliefs in order to become a healthier individual, husband, and father. What advice is important for Naqil? Choose all that apply.**

- A.** Share painful experiences and self-limiting beliefs with someone you trust.
- B.** Commit to fighting against the people who first created your self-limiting beliefs.
- C.** Make a habit of reading and thinking about your self-freeing beliefs.
- D.** Take time to reflect on the origins of your self-limiting beliefs.

**9. For most of her life, Yvonne has believed that she was a terrible friend and a selfish person. Yet she has kept in touch with many people from her past and sends encouraging cards to many of them. What is the best advice for Yvonne about these self-limiting beliefs?**

- A.** Just stop thinking them so they will go away.
- B.** Reflect on the fact that these are beliefs, not reality.
- C.** These beliefs reveal some truth, so figure out how to fix yourself.
- D.** Find people who will accept you even if you are a terrible friend and selfish person.

**10. Which of the following is an example of a Self-Limiting Belief negatively affecting life and decision-making?**

- A.** Someone who believes he or she will be abandoned by people when they need them most will not be able to make steps to start new relationships and gain support.
- B.** Someone who believes he or she will never have any real direction will take the first job that becomes available.
- C.** Someone who thinks he or she will always be lonely says “I am worthy of friendship and kindness.”
- D.** Someone who believes all authority figures will abuse him or her takes action to separate him or himself from the law.



**11. Da-rell has the Self-Limiting Belief that, "I never live up to my own potential."**

**What is a realistic Self-Freeing Belief he might embrace to begin to disarm the Self-Limiting Belief?**

- A.** I will work harder every day to find a way to become what I was intended to be.
- B.** I do not have very much potential, so I will try not to hope as much for the future.
- C.** The best way to avoid future disappointment is to lower my expectations for myself.
- D.** I may not reach all the goals I set, but I can make plans that allow me to reach goals that will bring me a sense of accomplishment.



## Apply Key Concepts

**What's a situation in which an automatic reaction might lead to positive consequences?**

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**What's a situation in which an automatic reaction might lead to negative consequences?**

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**Write about a situation in which you experienced a strong, negative emotion. Stick to the facts in your description. Identify what happened that triggered your reaction.**

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**What do you remember feeling in this situation? Be specific.**

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**How did you react in this situation? What actions did you take?**

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**How might the situation you wrote about above in which an automatic reaction might lead to negative consequences change if you were able to stop and think about your best course of action?**

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Imagine a baby screaming in the checkout line at the grocery store. The baby's mother is bouncing it on her hip, trying to get the infant to calm down while paying for her groceries. Her attempts to calm the infant slow down the checkout line. The store is busy and you can't change lines. Write down some thoughts and emotions you might experience in this situation.

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**What thoughts and emotions might the baby's mother experience in this situation?**

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You work at a fast-food restaurant. You are told by your supervisor to mop the floor. You want to start working the counter and become a cashier, but your supervisor has said you need to work on your customer service skills and start presenting yourself more professionally before he lets you interact with customers. Instead, day after day, he assigns you to cleaning duty, mopping the floors and cleaning the bathrooms.

**Camera View:** Identify the thoughts and emotions that you would experience in this situation. Identify the automatic reaction you might have based on those thoughts and emotions.

THOUGHTS	EMOTIONS	REACTION



**Based on this situation, step back and identify the facts of this situation. What would a camera see?**

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**Camera View: Objective Facts**

Take a moment to analyze your perspective on the situation. Compare and contrast your perspective with the camera view. Are there alternate explanations for what is happening in this situation? If so, your perspective on the situation might be distorted or irrational.

**Identify alternate explanations for your boss's actions.**

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**Based on this situation, identify a trusted friend whose perspective on your own automatic thoughts and emotions you would trust. Describe this trusted friend. Why would you trust his or her perspective on the situation?**

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Next, identify the thoughts and emotions you think your trusted friend would experience in this situation. Identify the reaction you think your trusted friend would encourage you to have.

THOUGHTS	EMOTIONS	REACTION



**Take a moment to analyze your perspective on the situation. How are the thoughts, emotions and reactions of your trusted friend different from the initial reactions you may have felt?**

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**Perspective Review:** Identify alternate explanations.

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**Future Self View:** Describe your future self in one year. Based on this situation, describe how your future self might see this situation one year from now.

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Next, identify the thoughts and emotions you think your future self would experience in this situation. Identify the reaction you think your future self would encourage you to have.

THOUGHTS	EMOTIONS	REACTION

**Childhood Memory:**

- Describe a childhood memory in two to four sentences.
- What were your feelings attached to the memory?
- What was the most vivid part of your memory?
- How old were you?

CHILDHOOD MEMORY	
MEMORY	
FEELINGS	
VIVID PART OF THE MEMORY	
AGE	



**Write down what you think this memory reveals about who you are.**

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Use FACTS (Frustration, Avoidance, Complaining, Tolerating, Scared) to identify situations that spark an emotional response. For each, identify a situation that raises your emotional reactions, then translate that situation into a belief. Get as specific as possible.

IDENTIFYING FACTS		
THOUGHTS	EMOTIONS	SELF-LIMITING BELIEF
I am an EIT.	Scared I won't be successful.	I'm not wired to be a CEO.
I might be able to launch a business, but it probably won't make enough money.	Scared I won't be able to support myself and fail.	I may resort back to crime to get things I need. I may get stuck in a job I don't like.



IDENTIFYING FACTS		
THOUGHTS	EMOTIONS	SELF-LIMITING BELIEF



**Use the following prompts to begin to identify additional self-limiting beliefs. Place a check mark next to any of the self-limiting beliefs you have experienced as negative self-talk.**

- I'm not very smart.
- I'm weak.
- People in my life won't be there for me when I need them. I can't count on anyone else.
- It would be better if I had never been born.
- I am all alone. No one loves me.
- I only get in trouble when I share my feelings.
- I have made too many mistakes in my life.
- It doesn't matter if I live or die.
- Violence is an acceptable way of resolving conflict.
- I will never amount to anything.
- I am damaged goods.
- I am not important.
- I don't belong. I am always left out.
- I am the problem. If things go wrong, it is my fault.
- I need to wear a mask to hide who I really am.
- I never get credit for what I do well.
- Even when I give my best, it is never good enough.
- My life will only be perfect if I have no conflict.
- Nobody cares what I have to say.
- I'm not original enough.
- I will never really change and be my best.
- I can't speak well in public.
- I must be guarded about what I say, since anything I say will be used against me.
- I'm better at fighting than I am at thinking or learning.
- Having protection makes me someone people won't mess with.
- I cannot give anyone the satisfaction of knowing that they have wounded or hurt me.
- People will think I'm soft if I report violence and don't handle my own business.
- My value is based on others' judgment or perception of me.
- People like me don't become successful.
- I never follow through on my goals.
- I'm good at starting projects, but I can't finish them.
- I don't deserve [money, recognition, success].
- No matter how hard I work at something, I'll never measure up.
- There's no point in trying.
- I'm lazy.
- I've tried it before and failed, so I'll fail if I try again, too.
- People will think I'm soft if I don't stand up.
- I'm a procrastinator.
- I can't ask for anything. I'll be rejected.



Choose one of the self-limiting beliefs you identified in the previous exercises. Self-limiting beliefs often lead people into risky or self-destructive behaviors. What is the usual pattern of behavior that results from the self-limiting belief you identified?

For example, you might say that when you experience the thought that you are damaged goods, you are more likely to drink to excess and engage in risky sexual behavior. This leads to a feeling that it doesn't matter whether you live or die, causing you to continue acting this way for several weeks at a time until you feel guilty and depressed.

**Write down a self-limiting belief. Then map out the specific thoughts, emotions, behavior and consequences that result from this belief. Be as specific and detailed as possible.**

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**Is this trail of consequences something you can accept or something you would like to change? Why?**

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### Upgrade Your Beliefs:

An important part of breaking the cycle of self-limiting beliefs and experience is upgrading self-limiting beliefs into self-freeing beliefs. By identifying a self-limiting belief, you begin to rob it of its power. The next step is to transform it into something true that is positive and healthy.

A self-freeing belief is not simply a reversal of the self-limiting belief. Remember that there is always a reason—based on past experience—why you hold each self-limiting belief. For example,

SELF-LIMITING BELIEF	UNREALISTIC REPLACEMENT BELIEF	SELF-FREEING BELIEF
No one cares about me.	Everyone always cares about me.	I can find and connect with people who will appreciate me. If I invest in relationships, I have a good chance of being appreciated and having people in my life who care about me.

**In the space below, write down a self-limiting belief, an unrealistic replacement belief, and a realistic self-freeing belief.**

SELF-LIMITING BELIEF	UNREALISTIC REPLACEMENT BELIEF	SELF-FREEING BELIEF



**In the space below, use what you've just learned to turn five to ten self-limiting beliefs into self-freeing beliefs that counter each negative belief.**

1. SELF-LIMITING BELIEF	
1. SELF-FREEING BELIEF	
2. SELF-LIMITING BELIEF	
2. SELF-FREEING BELIEF	
3. SELF-LIMITING BELIEF	
3. SELF-FREEING BELIEF	
4. SELF-LIMITING BELIEF	
4. SELF-FREEING BELIEF	
5. SELF-LIMITING BELIEF	
5. SELF-FREEING BELIEF	



6. <b>SELF-LIMITING BELIEF</b>	
6. <b>SELF-FREEING BELIEF</b>	
7. <b>SELF-LIMITING BELIEF</b>	
7. <b>SELF-FREEING BELIEF</b>	
8. <b>SELF-LIMITING BELIEF</b>	
8. <b>SELF-FREEING BELIEF</b>	
9. <b>SELF-LIMITING BELIEF</b>	
9. <b>SELF-FREEING BELIEF</b>	
10. <b>SELF-LIMITING BELIEF</b>	
10. <b>SELF-FREEING BELIEF</b>	



**Think back to the purpose you identified in “Finding Your Purpose.” How would you say that self-limiting beliefs and the ability to connect with purpose are related? How would you say that self-limiting beliefs and the ability to connect with purpose are related?**

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**Identify up to three self-limiting beliefs that may limit your ability to connect with purpose. Turn those self-limiting beliefs into self-freeing beliefs.**

1. <b>SELF-LIMITING BELIEF</b>	
1. <b>SELF-FREEING BELIEF</b>	
2. <b>SELF-LIMITING BELIEF</b>	
2. <b>SELF-FREEING BELIEF</b>	
3. <b>SELF-LIMITING BELIEF</b>	
3. <b>SELF-FREEING BELIEF</b>	



**Dialogue with Your Beliefs:** Look back at your list of self-limiting and self-freeing beliefs. Choose one that feels important but not overwhelming and write it down here.

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Next, imagine you are having a conversation with your old self. Your old self holds on to the self-limiting belief, while your new, wise self has a self-freeing belief.

Write for five minutes and let your old self speak up. Write down everything negative he or she has to say about why and how that Self-Limiting Belief is true. No holding back!

In this exercise, make sure you write to yourself and call yourself by your own first name, just like someone else would!

For example, Kim, as the “old self,” might write: “Kim, you never accomplish anything you set out to do because you don’t follow through. You don’t deserve success because...”

You may need additional sheets of paper for this writing exercise.

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Next, write for five minutes from the perspective of your wise future self. Rather than try to convince yourself that the self-limiting belief is wrong, let your wise self reflect back all the ways that you see this story affecting you when you buy in to your self-limiting belief. Write about ways the self-limiting belief serves you—and ways it holds you back. This is not a pity party, but a real opportunity to witness and reflect.

As the “wise self,” Kim might write: “Kim, you can accomplish anything you set out to do if you create a plan and set specific goals. Remember the success you had when...”

You may need additional sheets of paper for this writing exercise.





**What would happen in your life if your self-freeing belief were true? What would you do differently? What risks might you take? What dreams could you pursue?**

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**What are your most surprising self-limiting beliefs? What do you think may have stopped you from seeing those at first?**

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**Sometimes, people hold self-limiting beliefs about their relationships with others based on race, sex, or sexuality. What beliefs do you hold that may limit your ability to forge strong and mutually supportive relationships with people who are different from you?**

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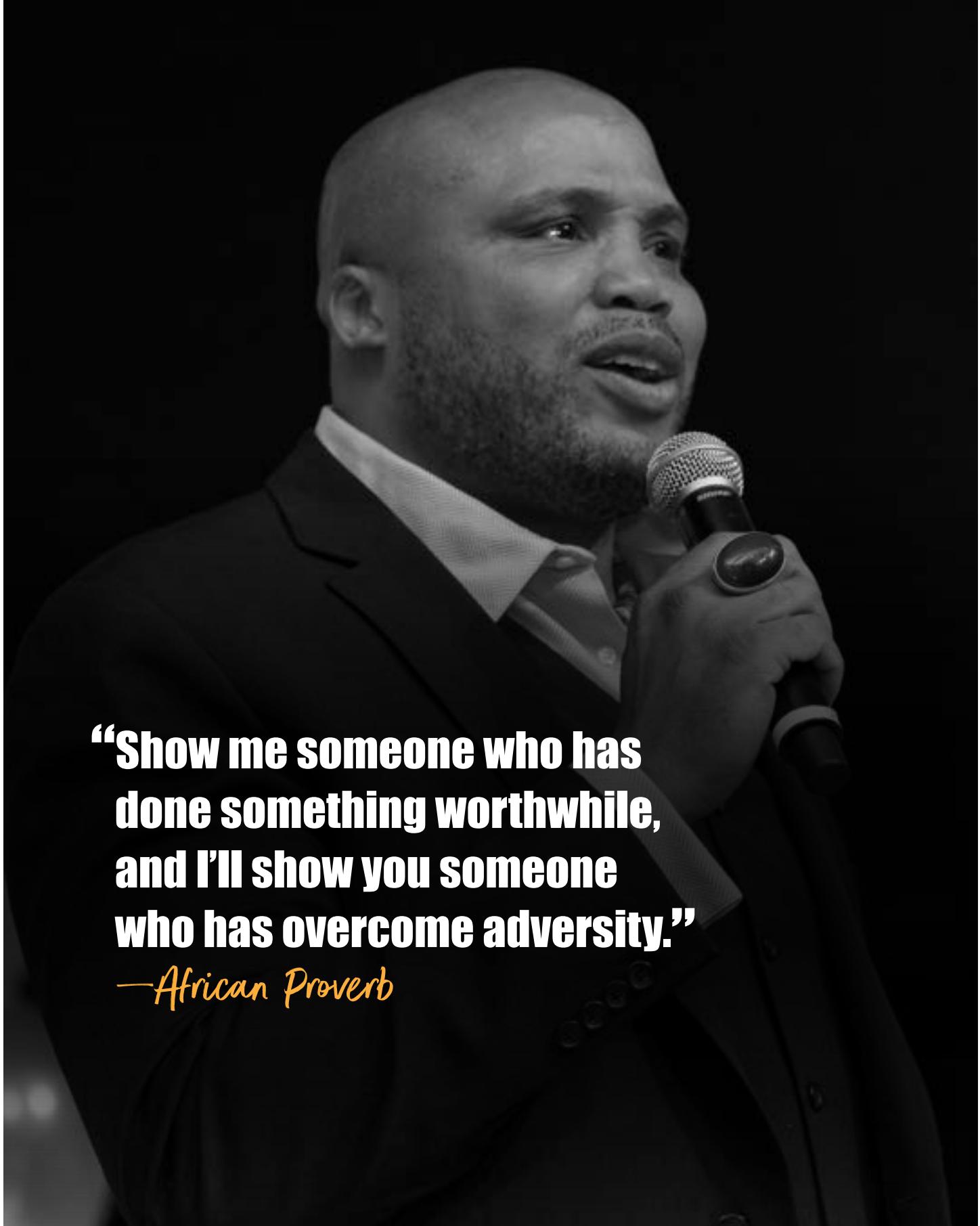
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# Case Study

**Jameel McCline**

Professional Heavyweight Boxer





**“Show me someone who has  
done something worthwhile,  
and I’ll show you someone  
who has overcome adversity.”**

—African Proverb

## Case Study: Jameel McCline

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**Political Career** ..... **399**

**Apply Key Concepts** ..... **400**



**J**ameel McCline has lived a life that is both fascinating and triumphant. His rise from newly released inmate to heavyweight boxing champion, to businessman and congressional candidate is one that reminds us that, with determination and focus, you can create the life you want, no matter the odds.

Jameel learned about Defy through an article in an in-flight magazine and immediately knew he wanted to participate. As someone who had been incarcerated himself, he felt an instant kinship with Defy, especially with EITs.

Jameel grew up in foster care. At just seven-years old, his mother gave up custody of him, even though all his other brothers and sisters stayed with the family. Years later, she told him she had seen something special in him. “You were just different,” she said, “and I wanted to give you an opportunity to succeed.” Jameel describes himself as a child who loved to read and paid close attention to detail: “I was always concerned about how the bed was made and where my glasses were on the table—weird things like that.” But he can only guess that these were the traits his mother saw that allowed her to send him away to grow up in the foster system. As a child, this separation was traumatic, and Jameel struggled to make sense of it.

Growing up in the system was difficult, and Jameel moved from foster home to foster home and finally into a group home. This transient lifestyle made him feel as though he had no permanent place in the world and haunts him into his adulthood; he moves frequently, even now. Jameel was never formally adopted. Instead, he spent his childhood in the foster system—feeling unloved and unwanted—until he aged out, becoming a bit of a troublemaker along the way. He did well enough in high school to get into college, though he says this was, in part, because his group home required passing grades and staying out of trouble.

Once he went to college, however, the expectations for achievement were higher, and he began to have trouble both academically and financially. Jameel had never learned many of the basic

life skills that allow young adults to survive and thrive in the “real world.” He didn’t know how to open a bank account or write a check. He didn’t know how to focus and motivate himself to study. Worst of all, he hadn’t developed coping skills and didn’t know how to deal with the pressures of college or the stresses that come along with financial independence.

Because of this, Jameel was vulnerable to temptation and allowed an acquaintance to persuade him into becoming involved in illegal activities. Arrested while driving into New York City with a trunk full of guns, Jameel was sentenced to five years in prison.

In prison, others were suspicious of Jameel because of the way he spoke. He says, “A lot of people thought because of my strong command of the English language, I was not who I said I was.” He got into a lot of fights, and because he was a large man who knew how to protect himself, he was labeled a dangerous prisoner and spent 14 months in solitary.

Jameel used his time in prison to learn about politics. He took college courses, particularly political science courses, and listened to political talk radio shows. It was the language the politicians used that interested him—the eloquent way they get their points across, even when the other party doesn’t agree. Jameel also started lifting weights and working out, a habit that would give him a big break in the future.

Like many people who have spent time in prison, Jameel says his incarceration was a turning point in his life. Had he not gotten arrested when he did, Jameel thinks his life might have turned out very differently. When he was arrested at the age of 19, he was on a mission to prove something to himself but wasn’t going about it in a healthy way. Rather than putting in the effort to work hard in the face of his academic challenges, Jameel took shortcuts and saw himself as a victim of circumstance. This way of thinking could have landed him in much worse trouble had he not made the decision in prison to turn his life around.



## Boxing Career

Jameel's rise to heavyweight boxing champion began as a surprise. Before he was incarcerated, Jameel says he was fighting from a place of pain. After his incarceration, Jameel acknowledges that he still had the will to fight, but he had also found the will to turn that energy in a positive direction. After being released from prison, he continued going to the gym and was trying to teach himself to jump rope at a gym on Staten Island when a man approached to ask if he was interested in becoming a boxer.

Jameel had never thought about boxing, even though he had been in many fights, but the stranger handed Jameel his card and said, "Give me a call and I'll take you to a steak dinner and we'll talk about it." Having been recently released from prison, it was the steak dinner that got Jameel's attention. He decided to give the man a call and listen to whatever he had to say, just to get a good free meal. His career as a boxer was born.

Jameel was unique in the boxing world because he never had an amateur career. Starting his career at the age of 25, he was too old to compete as an amateur and had to learn to box as a pro fighter. With many losses in his early career, people recommended that he quit because his age and inexperience made success unlikely. Despite the improbability of success, he was confident and ignored other people's suggestions that he should quit. He says, "I was given a goal. I was given a goal that I had control of. I was given a goal that involved my physical being. We were off to the races."

Jameel's strong sense of conviction and determination fueled his career success. After starting off as a boxer in 1994, Jameel began a 27-fight winning streak in 1995. Beginning in 1995, he didn't lose a fight again until 2001, when his streak was broken by Vladimir Klitschko, a fighter Jameel considers one of the greatest of all time and who went on to become the heavyweight champion of the world.



## Political Career

While Jameel was always certain about his boxing career, running for political office was another story. When he was approached by friends who suggested that he run for office, he thought they were joking. Because of his criminal history, he thought he didn't stand a chance of winning an election. His friends however, thought differently, and came to him again, this time to ask him formally to mount a Democratic primary challenge to the incumbent, Representative, Alcee Hastings. They had faith that he could overcome anything, even if he didn't at first.

It turned out that the very history he had been concerned about was what resonated with voters in the 20<sup>th</sup> District of Florida. The primarily African American district has high rates of poverty and incarceration and few educational opportunities. Jameel's platform of Education over Incarceration was something that spoke to people in the district.

Although Jameel did not win in his run for Congressional office, he loved the opportunity to give back to the community and offer help and inspiration to people like him who had struggled and wanted to create successful futures for themselves.

Jameel reminds EITs that you are never too old to make changes in your life and achieve success. To older EITs, he says, "At 38, you still have another 40 to 50 years on this planet. What are you going to do?" Jameel believes there are few obstacles that can't be overcome with determination and focus. If you have focus and conviction, you can defy the odds and create a new future regardless of your age or your past circumstances. It's up to you to decide who you're going to be and where you're going in life.

Of course setting goals is just one part of achieving transformation. Personal transformation is hard work and sometimes requires an act of willpower to prevent you from giving up. When he was lifting weights during his time as a boxer, Jameel developed the personal affirmation, "My will is stronger than this steel. I will not be denied this victory." This affirmation is not just about physical strength; it's about the strength of will to overcome a challenge.

For Jameel, education is the key to achieving your dreams. He says, "Read newspapers, magazines, anything you can get your hands on to learn more about the world." What goals do you have and what do you need to do to reach those goals? What opportunities do you need to take advantage of?



## Apply Key Concepts

**Write about a time when you defied the odds and did something others said you wouldn't be able to do. How did you feel at the time? How do you feel about that experience now?**

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**Write about a time when you stopped trying to do something because others said you wouldn't succeed. How did you feel at the time? How do you feel about that experience now?**

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**Think about your own history with education. What would it mean to you personally and to the community more generally if we were to promote "education over incarceration"?**

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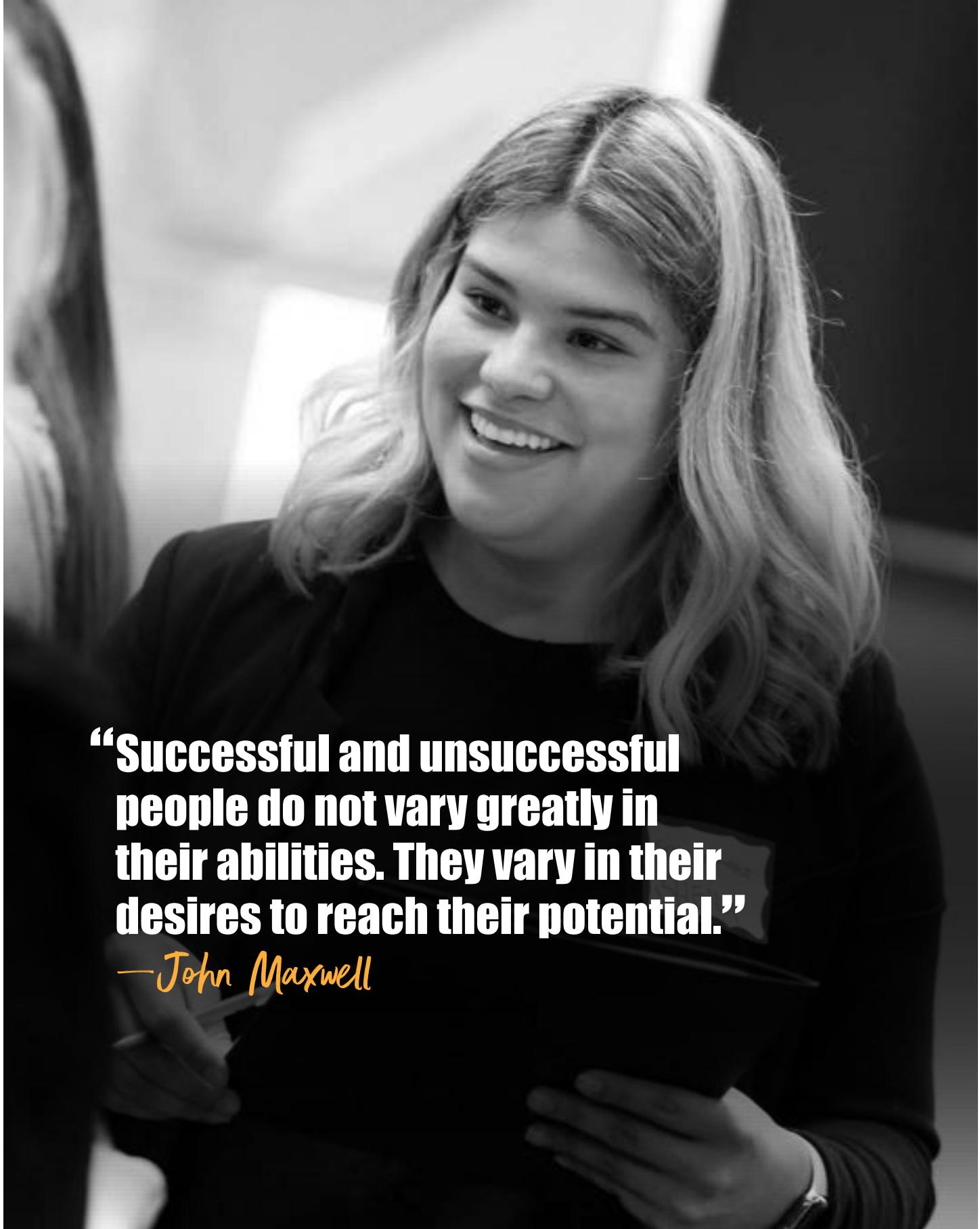
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**“Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential.”**

*—John Maxwell*

# Developing a Business Solution

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## Preview

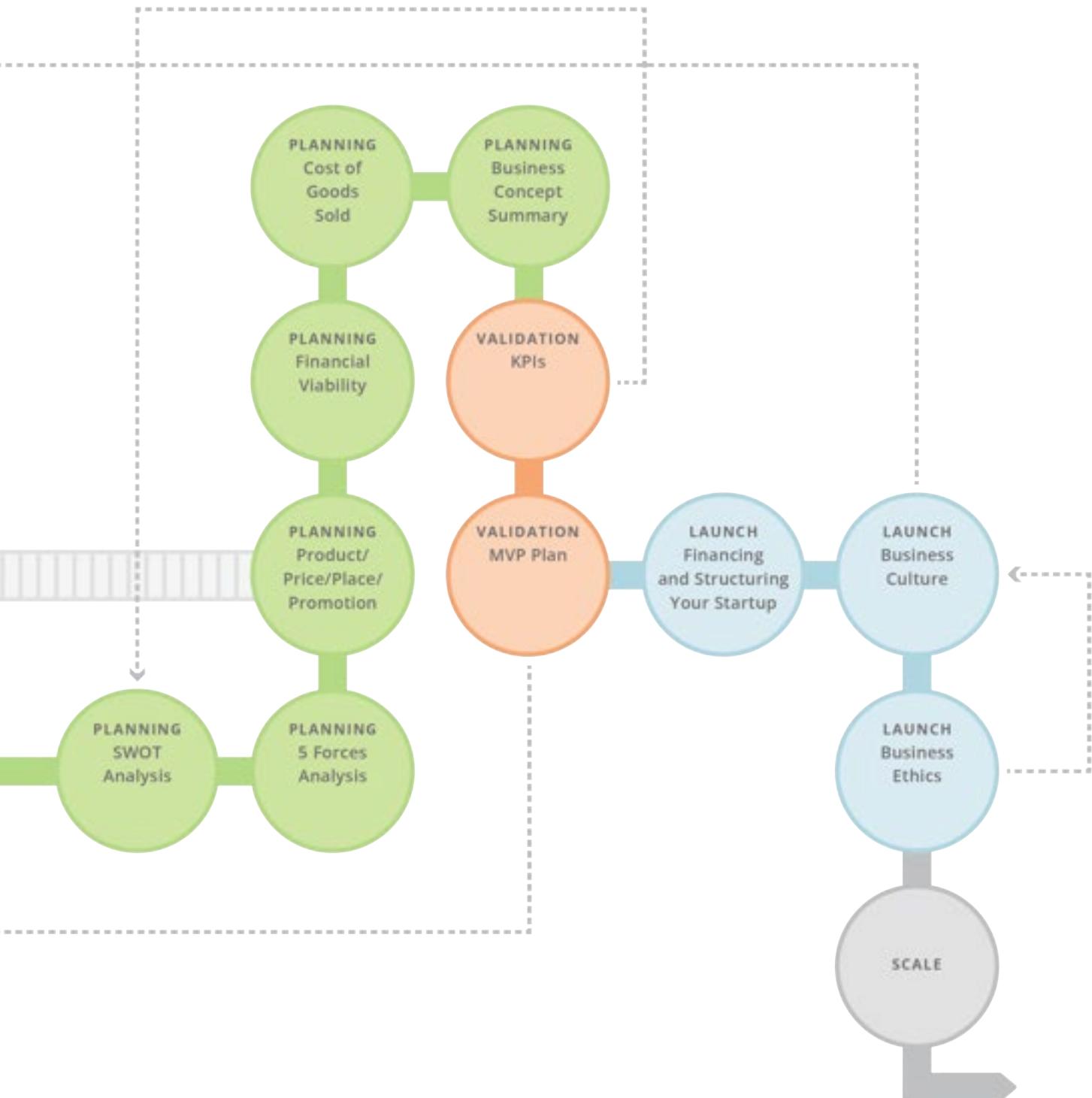
### **After reading this chapter, you should be able to:**

- Brainstorm business ideas.
- Understand the different types of business.
- Identify a beginning business idea.



## Entrepreneurship Pathway Outline







**A**fter all this preparation, you are ready to start generating business ideas. Business ideation is a type of brainstorming that allows an entrepreneur to generate multiple business ideas designed to solve customer problems. Ideation allows you to take the step from learning about your users and defining the problem to generating potential solutions.

Even while you are employed by someone else, the ideation process will prepare you to be a stronger and better employee and earn promotions faster. You will gain valuable business skills, including how to apply critical thinking to customer problems and strategic opportunities and how to market a business.

When you brainstorm, it is important to keep the following guidelines in mind:

- 1 Defer judgment
- 2 Encourage wild ideas
- 3 Build on others' ideas
- 4 Stay focused on the topic
- 5 Have one conversation at a time
- 6 Be visual
- 7 Go for quantity

Based on Warby Parker's problem statement, "Buying glasses is expensive, time-consuming, and overwhelming. Young urban professionals want an affordable and convenient way to buy glasses from a selective and organized set of classic frames," the company might have brainstormed ideas such as:

- *Find a low-cost manufacturer for frames*
- *Design our own frames*
- *Sell glasses online*
- *Offer at-home try-on for frames*
- *Develop a buy-one/give-one incentive*
- *Partner with nonprofits to distribute free glasses to people in need*

In fact, Warby Parker's final business model incorporates all of these ideas. The company is primarily driven by e-commerce, selling glasses through a website. The company launched exclusively online, only opening its first brick-and-mortar store three years later. Customers can

choose up to five frames to try on for free at home, and glasses ship directly to the customer's home address, making buying glasses convenient and avoiding the hassle of going to an optical shop. Solving the core problem that the company identified—glasses are too expensive—most glasses on Warby Parker's site sell for \$95, complete with lenses, and customers can opt to split the cost into three payments. Further solving the problem that glasses are too expensive, Warby Parker donates a pair of glasses to people in need for every pair of glasses sold. While this may sound counter-intuitive, as there is a significant cost associated with producing a complete pair of glasses, Warby Parker's target customers—young urban professionals—may be more likely to choose companies that have a corporate social responsibility program.

Of the solution to the problem Warby Parker set out to solve, the company's website states that, "By circumventing traditional channels, designing glasses in-house, and engaging with customers directly, we're able to provide higher-quality, better-looking prescription eyewear at a fraction of the going price."



**Let's go back to our example candle business's problem statement:** "People want affordable items that make natural scents part of the atmosphere they create in their homes and connect them with a sense of place or pleasant memories. The options available today can be overwhelming or too sweet and perfumey." Based on this problem statement, you might brainstorm ideas such as:

- *Create naturally scented soaps*
- *Create naturally scented candles using renewable wax supplies (soy, coconut, palm, beeswax)*
- *Develop unique scents for candles and personal products*
- *Create natural air fresheners*
- *Develop essential oil diffusers*
- *Develop do-it-yourself (DIY) candle making kits*
- *Develop an online build-your-own candle business that allows customers to mix and match containers, wax coloring, and scents*

After brainstorming, the business owner might decide to establish a business that sells naturally scented soy candles online, allowing customers to mix and match scents within a limited range of container types.

## Types of Businesses

As you begin to brainstorm business ideas, you'll need to think about the type of business that can solve the problem you identify. There are different market forces that impact each type, which you will learn about in later chapters that focus on strategy. The four business categories are:

- Manufacturing
- Retail
- Service
- Wholesale



A **manufacturing** business turns raw materials, parts, or components into finished goods that can be sold to consumers. Automotive companies, such as Ford and Buick, are classic examples of manufacturing businesses that use parts, labor, and technology to create a finished product. Although we often think of large manufacturers, anyone who makes a product is a manufacturer. An EIT who makes and sells cupcakes or leather goods would be a manufacturer.



A **retail** business, or merchant, sells goods directly to consumers through various distribution channels. Retailers often do not manufacture the goods they sell. A retail business is a store where you can buy products you need. This store can be a physical building or an online presence. Grocery and furniture stores are classic examples of retail businesses. Amazon, the world's largest online retailer, is an example of a business that does not rely on physical, or "brick and mortar," stores. An EIT who starts a business that assembles gift baskets and sells them on a website would be a retailer.



A **service** business sells its labor, knowledge, and time, providing intangible "products." Accounting, consulting, cleaning, dog walking, landscaping, and education are all examples of service businesses. An EIT who starts a cleaning business or provides writing tutoring would be a service provider.



A **wholesale** business buys large quantities of products from manufacturers. Because they purchase in large volume, wholesale businesses have buying power and can purchase goods from manufacturers at a lower price. Whole-

sale goods stores such as Sam's Club and Costco are classic examples of wholesale businesses. Other wholesale businesses do not have retail components and store large quantities of goods or raw materials in warehouses, selling to retail businesses or manufacturers. An EIT would generally be unable to establish a wholesale business through Defy, as wholesalers rely on large inventories.



The types of businesses are interdependent, meaning they rely upon each other. Manufacturers sell to wholesalers, which in turn sell to retailers. In some cases, a business may fit more than one category, though you should determine a primary business focus. For example, a business that sells hand-poured scented candles online both manufactures and retails its product. In this case, however, the business would be identified as *primarily* a retail business, since it exists to sell the candles directly to consumers.

Warby Parker is primarily a retailer. The company launched in 2010 with a seed investment of \$2,500. As of 2018, the company had raised \$300 million in funding and established plans to set up its own manufacturing plant for frames and lenses. Even when Warby Parker establishes its own manufacturing plant, the company's primary business category would still be retail.

Types of businesses are different from business industries, and manufacturing, wholesale, retail, and service businesses exist in each industry. A **business industry**—such as the food, hospitality, or furniture industry—includes groups of companies related through their primary business activities.

For example, the food industry includes wholesalers who purchase and distribute bulk product—large quantities of oranges, or poppy seeds, or milk. These wholesalers sell to manufacturers who turn ingredients into prepared foods. A bakery, for example, might be considered a manufacturer. Farmers who produce or grow raw food ingredients could also be considered manufacturers. Wholesalers might also sell to retail businesses, such as grocery stores. Within the food industry, restaurants and other places that sell prepared food directly to consumers would also be considered retail businesses. Within the food industry, businesses that provide specialty services, such as steam cleaning for commercial kitchen hoods, dumpster cleaning, and removal of cooking oil are service businesses.

## Establishing a Successful Business Model

At Defy, we identify components of a successful business model, so let's apply those components to our Warby Parker example and see how the company created a successful business model.

- ✓ **Solve a customer problem:** Warby Parker identified that glasses are too expensive and inconvenient to buy. Because of their expense, most people cannot afford to treat glasses like an accessory and are limited to one style for long periods of time.
- ✓ **Reflect your interests and skills:** The founders of Warby Parker wear glasses and had experienced the problem they set out to solve first-hand.
- ✓ **Are within your capacity to start:** The founders of Warby Parker were students at the Wharton School of Business. They had the business knowledge and skill to launch the company. One of the founders had experience designing and helping to produce glasses for a nonprofit that were made to be affordable for people living on less than \$4 a day.
- ✓ **Don't reinvent the wheel:** Warby Parker was not the first company to design or sell eyeglasses. The value proposition for customers that made their company unique was their use of e-commerce to retail glasses, the style of their frames, and the convenience established by their at-home try on program.
- ✓ **Have realistic startup costs:** Warby Parker launched with a seed investment of \$2,500.
- ✓ **Are financially viable:** Although we do not know the actual profit margin that Warby Parker makes on each sale, the cost to produce frames in China, where Warby Parker does its manufacturing, is between \$4.50 and \$10 per pair of frames. Warby Parker's original pricing model was \$40 for a pair of glasses. At \$95 per pair, Warby Parker is making sufficient profit on its sales to be financially viable.



**Have a large potential market:** Approximately 60% of the population needs corrective lenses, so this is a large potential market. On average, a Warby Parker customer completes more than one order per year. Their customer's average purchase is 1.5 units per order, so nearly 50% of their customers order more than one pair of glasses per order.



**Have a way to reach the customer:** Warby Parker's customers live online. They're connected to their own and others' experiences on social media. They invested time and energy to market their products solely online and built a simple direct-to-consumer model that would allow their target customers—young urban professionals—to shop online within their news feeds.



**Identify where a transaction can occur:** Warby Parker invested marketing resources in social media ads that targeted young professionals directly and used consumers with large numbers of online followers—*influencers*—to promote their product. They also built their value proposition—the ability to try glasses shipped to you at home before purchasing—using digital communications. Their marketing communications directed customers to their e-commerce, or online retail, platform to make the purchase decision extremely easy and seamless.



**Support the public good:** Warby Parker's buy one, give one program distributes glasses to people in need through a partnership with a nonprofit. About the company's social mission, one of Warby Parker's founders and co-CEO, Neil Blumenthal, says, "Frankly, the social mission is what drives us. It's what gets us up in the morning. It's what prevents us from hitting the snooze button and spending another 15 minutes sleeping. And for our 1,800 current employees and for people that we're recruiting, we lead with social mission. That's the No. 1 reason people want to come work for Warby Parker." In other words, Warby Parker's social mission is a key factor in the company's ability to attract and retain a talented workforce.

## Defining Success

As you think about developing a successful business model, the Entrepreneurship Bootcamp will challenge you to grow and define success for yourself, both personally and professionally. Importantly, however, this work of defining success does not begin by identifying key performance metrics or financial projections. For many successful entrepreneurs, the money is a reward, not the reason, as you can see from Neil Blumenthal's comment about Warby Parker's social mission. *The work you do with Defy is important, not only for you, but because entrepreneurship can change our society for the better. Whatever you think your business is, it's actually something more.* A catering business is an attempt to feed and nourish people. A business focused on after school music programming is an attempt to help kids stay off the streets and develop creative problem-solving abilities.

That is not to say that money doesn't matter. Obviously, it's important that your business idea is financially viable and has the potential to grow into a full-time business with sufficient income to sustain you. But beyond that, the idea of simply making money isn't the best driver for success. In fact, there is not a strong correlation between being rich and being happy. Instead, there is a strong correlation between having a sense of purpose and impact on the world and being happy.

Being proud of what you do and what you've accomplished is the ultimate reward. You can measure your success by what it feels like to solve one customer's problem or what it feels like to hire one person and give him or her a chance. Your objective is to make enough money so you can continue to build on your successes. If you can figure out how to keep solving problems in such a way that people will keep paying you, you can make money every single day and never feel out of control of your life. Entrepreneurship is not a sprint; it's a marathon.

As an entrepreneur, you don't go work to earn a paycheck. You work for the customer. Providing value for your customer's money doesn't mean you are the cheapest, nor does it mean you are giving your work away. It means you find people willing to pay to have a problem solved, make big promises, and keep them. *People who achieve long-term success are trusted.* The way to earn trust is by offering significant value for the money, not by chasing quick deals. If you measure success by how quickly you make money, you will discover that fast deals become harder and harder to find. The idea of getting rich quickly is tempting, but the best way to succeed is to do it slowly, step by step and day by day.

## A Changing Marketplace

Before you formally begin your own process of ideation, it's important to think about changes in the world that affect the types of businesses that survive and thrive in the marketplace. Because of the internet, the world is a smaller place, information is readily available, and businesses are not limited to selling to customers in their local markets. Technology is simpler, cheaper, and becoming increasingly woven into the fabric of our lives. Not only do most consumers rely on smartphones that allow them to search for information and place orders from anywhere, but an increasing number of products are becoming "smart" and getting connected to the **internet of things**. Household items including light bulbs, appliances, home security, and cars are increasingly connected to the internet, allowing users to control them from their smartphones.

Technology allows people to collaborate virtually without sharing physical space or tangible documents. Applications such as Google Suite, which replicates many of the functions of the Microsoft Office Suite, allow people to collaborate on document creation for free in real time. Other applications allow people to store and share documents easily without needing to own their own computer servers. Video conferencing software, allows people to conduct face-to-face meetings without being

in the same physical location. Technology also provides affordable solutions that make it easier to start and run a small business. For example, **readily available software and online platforms** allow business owners to manage bookkeeping, set up an online retail environment, design websites, and track inventory. These technology solutions make what might seem like complex tasks much easier for small business owners.

Businesses benefit from the ease of **mobile payment** options that are available in the current marketplace. Mobile credit card readers allow business owners to collect payment using mobile technology such as a smartphone or tablet. In the past, small businesses may have found it cost-prohibitive to accept credit card transactions. This technology makes it affordable and convenient for business owners to accept a full range of credit cards. Mobile payment also allows people to send cash directly to individuals using apps on a smartphone or tablet. Service providers who accept tips can also benefit from the shift toward mobile payments.

One key change that affects every business open today is that businesses *must* have a digital presence. **Websites** and **social media engagement** are essential, not optional. Not only do customers expect to find information about your business and potentially place

orders online, they are increasingly active in leaving user feedback and reviews of the products and services they buy. Brands that establish a compelling point of view and don't hide from difficult, direct conversations tend to gain loyalty from the customers who interact with them online. Businesses benefit from word-of-mouth reviews and are able to grow through online testimonials from their customers. This type of marketing can be very beneficial for your business because by providing a product or service of value to your existing customers you can get "free marketing" via word-of-mouth that will bring in new customers. That cycle can build on itself, helping to grow your customer base in a significant way. As you will learn in an upcoming chapter on "Customer Decision Making," potential customers trust the opinions of other consumers, who tend to be perceived as "objective." Because an online presence allows businesses to reach more potential customers and increase the network of users who are willing to vouch for the quality of a product or service, many businesses thrive without brick and mortar retail spaces. Consider Warby Parker's example. Warby Parker began selling glasses directly to customers exclusively through its retail website.

The Warby Parker example highlights another key change: a growing number of businesses are able to manufacture and sell products **direct to consumer**. In the past, manufacturers of

consumer products had to secure distribution contracts with large retailers. Now, because of our widespread reliance on the internet for information exchange and online advertising that targets likely consumers, more and more businesses are able to bypass traditional retail channels and sell directly into people's homes. Such businesses deliver a wide range of products including glasses, toothbrushes, candles, deodorant, toilet paper, cleaning products, hair care, baby care, and pet food. Many of these companies launched with a single product, only expanding their product lines after they have earned a reputation and loyal customer base.

Some companies that sell direct to consumer create a **subscription-based business model**. Through subscriptions, customers can sample products before making a commitment, receive regularly timed shipments of products they use regularly, or gain access to variety that is selected—or "curated"—specifically to meet their preferences. Several of the businesses mentioned above allow customers to make one-time purchases but offer price discounts for those who set up subscriptions. Most subscription-based businesses offer their customers flexibility. For example, some subscription models allow customers to sign up for three or six month subscriptions or allow customers to control the number of weeks between regular shipments. Customers can also send subscriptions as a gift to a new

member, making them attractive options for holiday giving. There are subscription-based businesses for just about every type of product including grocery meal kits, dog toys, crafting, snacks, beauty products and clothing. Companies that offer subscription services build relationships with their customers, allowing them to predict stable revenue. Of course, customers stay with a subscription service only as long as it provides value and solves their problems, so businesses that use a subscription model have to be responsive to features that their customers are willing to pay for.

Many business models benefit from current trends in **big data**. Big data refers to the large volume of user data that is collected from everything from social media profiles to purchasing behavior tracked with customer loyalty cards. People have become increasingly willing to share personal, purchasing, and location information with companies that are able to collect and analyze that data to produce consumer insights. Consumers benefit by receiving information about products and services that are specific to their preferences and needs. Businesses benefit by being able to target specific customers through advertising and gaining deeper understanding of what drives their customers' decision making. Small businesses can take advantage of big data by monitoring Google Trends ([www.trends.google.com](http://www.trends.google.com)), creating targeted advertising

on Google or Facebook, and reading market research reports. As a small business owner, you will not need to do the data mining yourself or pay someone to conduct a data study for you. The companies that mine big data for consumer insights have developed marketing tools that allow small business owners to target their core customers.

Many new business models are driven by people's emerging interest in **personal health**. Smart technology—most notably smartwatches that allow people to track steps and key health indicators such as heart rate and blood pressure—have increased people's awareness of and participation in their personal health needs. Consumers are willing to pay for personalized health services, including meal preparation and fitness and nutrition counseling. Several of the businesses mentioned above manufacture products that either directly or indirectly solve customers' problems related to developing a healthier lifestyle. For example, Native and Function of Beauty market their products as free from ingredients that affect personal as well as environmental health. Several Defy EITs, including Coss Marte, who founded ConBody, and Cynthia Lewis, who founded Living Healthy Lunch Boxes and Catering, have established businesses that address customers' problems related to improving personal health.

## Business Terms

- **Sharing Economy:** People have shared the things they own forever. However, the current sharing economy creates the opportunity for people to engage in short-term peer-to-peer transactions that rent the use of assets that one person owns and another person wants to pay to borrow. The sharing economy often relies on an online platform that connects buyers with sellers. Uber, the ride sharing platform that allows private drivers to provide paid transportation services, and AirBnB, the home rental platform that allows home owners to rent out entire properties or even spare bedrooms, are two of the most well-known names in the sharing economy. However, many assets and services are being brought into the sharing economy. For example, there are sharing services for cars, parking spaces, luxury clothing, bicycles, and lawn mowers.
- **Gig Economy:** The gig economy refers to the segment of employers that rely on temporary and part-time positions filled by independent

Another significant change relates to business models within the **sharing economy**. Companies such as Uber and Lyft have changed the way people think about using property they own (their personal vehicles) to participate as **gig workers**, or short-term freelance drivers who compete with taxi services. Other companies, such as AirBnB, have changed the way people think about vacation rentals, allowing homeowners to rent private properties—even rooms within their homes—to people who are looking for temporary lodging. This is not to say that EITs should develop business ideas that might become the next Uber or AirBnB. Both of these business models are **cliff businesses** that don't generate significant revenue until millions of people change their behavior and use them. You might be able to think about business models that allow for localized sharing of resources such as lawnmowers or other equipment that people might subscribe to for use rather than own outright. Rather than try to replicate this kind of model, it is often more important to look at the opportunities these business **disruptors** open up for businesses to solve new problems that are related—or adjacent—to the disruptor business. While an innovative new business model may solve one problem, it often creates new problems that other entrepreneurs can set out to solve. For every business disruptor, there are **adjacencies** that an entrepreneur can look into to find new opportunities. For example,

AirBnB's business model opens up opportunity for businesses that provide cleaning and linen services. Notice that the customer problems adjacent to tech disruptors are not high-tech opportunities. You don't have to think of the next big tech disruption to find a great business idea.

The gig economy also changes how you, as an entrepreneur, might think about accessing the expertise you will need to launch your business and establish a brand. Rather than establish a contract with a marketing firm, for example, you might contract with gig workers instead. Two Defy EITs, Vincent Bragg, who founded ConCreates, and Aaron Owens, who founded Ark BM, have established businesses that connect gig workers to companies looking for marketing services.

There are always changes on the horizon that can affect the business environment. For example, analysts predict that in the coming years, we will see changes to the way products are manufactured and sold related to 3D printing, artificial intelligence, and virtual reality. While we can begin to predict what some of those changes will be, we might not fully anticipate the changes, both large and small, to the ways we work, live, and transact business. What's important is that you remain aware of emerging trends and do your best to anticipate how they might affect your business

contractors and freelancers rather than full-time permanent employees. The term is borrowed from the music world, where performers book "gigs," which are single or short-term engagements at a particular venue. Gig work includes working as a driver for a ride sharing service such as Uber, delivering food or other local purchases, writing freelance articles, or even providing administrative assistant support. Gig work benefits workers by providing flexibility, allowing them to meet the demands of their life needs. Gig workers are more likely to work from home and work multiple gigs than traditional workers. Gig work benefits employers, who do not have to pay benefits such as health care coverage, allowing them to reduce expenses and provide cheaper services.

- **Cliff Business:** A cliff business is one that doesn't really "work" or make money until a critical mass of users change their behavior and become customers. Instead of ramping up slowly, making money with each sale and growing over

time, cliff businesses need to gather the support of a large number of customers before they can succeed. Many emerging technologies, apps, and online platforms represent cliff business opportunities. For example, Facebook, the social media giant, makes money through advertising. When a user clicks on a sponsored post, or advertisement, Facebook gets paid. You can see that this business model wouldn't work to generate significant revenue with 100 or even 100,000 users. Facebook needed to gain over 1 million users before it could start making money.

- **Disruptor:** Disruptors are businesses that have the potential to change or completely eliminate existing companies or industries. These businesses may have innovative technology or new processes that make the old way of doing business obsolete. Often, disruptors open up new business by targeting users who were previously unable to access a product or service. Examples of disruptors include IBM, which introduced the first home computers and smartphones; Netflix, which

ideas. Remember, this doesn't mean that you need to create a new robotic solution or learn to code virtual reality environments. Instead, think about how changes to the way we work and live might create new customer problems and needs. For example, some of the changes related to technology are opening up opportunities for products and services that emphasize a "human touch" or artisanal craftsmanship. Change always produces a certain level of uncertainty and risk. However, change also opens the door to new opportunities.

## Understanding e-Commerce

One of the major shifts in the past 20 years has been a move toward e-commerce, which is simply buying and selling goods and services online and transferring money electronically to pay for those transactions. In the past, transactions almost always required a physical location for an exchange between buyer and seller to take place. As a buyer, you had to go to the mall to shop for clothes, search multiple shoe stores to find the right style and size, browse for records or CDs at a music store, or select from the varieties of spices available to you at the local grocery store. As a seller, you had to develop goods and services that met local consumer needs and preferences and invest in expensive brick-and-mortar retail outlets or sell your products to retailers at a discounted wholesale rate. The internet as we now know

it has fundamentally changed those dynamics, with an ever increasing percentage of transactions taking place entirely online.

The first secure online transaction was recorded in 1994, with the sale of a Sting CD through an online marketplace. By 1995, the online retailer, Amazon, launched as a book selling platform, thus beginning the revolution in how we now buy and sell products. Amazon became a major disruptor of brick-and-mortar bookstores because it hosted the world's largest collection of titles. By contrast, a local bookstore had to limit stock based on space constraints. As a result, local bookstores tended to stock popular titles and new releases and would have to special order less common titles. Since 1995, e-Commerce has grown to sell everything from toys to tools, clothing, electronics, furniture, and cars.

The growth of online shopping was already increasing steadily when the pandemic that began in 2020 accelerated it, shifting even things like grocery store purchases online. What began with relatively few people shopping in a virtual marketplace has increased to an estimated 2.14 billion people who shop online as of 2021. Moreover, even if customers make a final purchase in a brick-and-mortar store, 63% of shopping now begins online, with customers researching products and reviews before stopping in to a store to make

upended the movie rental industry, first through DVD rentals and later through its streaming service; and Amazon, which changed how we purchase retail goods.

- **Adjacency:** An adjacency is a new business opportunity that opens up in the wake of a trailblazing business's success. **Adjacent opportunities** are often created from market disruptions. For example, AirBnB, the vacation rental platform that allows homeowners to list properties or guest rooms, is a disruptor of the hotel industry. AirBnB has opened up opportunities for startups that provide services to hosts and guests such as cleaning and guest communication services.

## Technology Trends in the World Today

- **The Internet of Things (IoT):** The Internet of Things (IoT) describes a network of physical objects that have embedded sensors and technology that connects them to the internet. IoT devices are things that normally wouldn't be connected to the internet such as refrigerators, coffee makers, alarm clocks, thermostats, and washing machines. Once connected to the internet, IoT devices can communicate with each other and human users as well. For example, a smart alarm clock could adjust your usual wake-up time based on weather conditions and get coffee started before you even get out of bed. In manufacturing, IoT sensors can automatically manage inventory or schedule machines for maintenance.

- **Artificial Intelligence (AI):**

Artificial intelligence is the development of computer systems that can perform tasks that otherwise require human intelligence such as visual perception, speech recognition,

a final purchase. For example, in the past if you wanted to purchase a new mattress, you would go to a furniture showroom, lie down on a few mattresses, and select from available stock. Now, consumers are able to go online, research new brands and mattress designs, compare features, read customer reviews, research professional reviews, and watch YouTube videos of unboxing and comparisons before making a purchase decision. Once that purchase decision is made, they might go to a furniture showroom and test out the mattress before committing, but there's no guarantee their final purchase will be made in the brick-and-mortar store. Because customers already know about price incentives, shipping, and payment options available directly through the mattress company, they may return home to make their purchase online. They will only make an in-store purchase if the retailer offers competitive pricing and service.

## Types of e-Commerce

Business models for e-Commerce can mirror traditional brick-and-mortar business models.

**Business to Business** (B2B) e-commerce allows for the sale of goods and services from one business to another. For example, businesses that use online payroll management systems, website design platforms, or e-commerce fulfillment services are buying services from another business online.

**Business to Consumer** (B2C) e-commerce allows for the online sale of goods and services directly to a consumer. B2C companies can build business models based on individual sales or subscription services. For example, the startup company, Quip, manufactures and sells innovative electric toothbrushes. Their B2C e-commerce strategy allows customers to simply purchase a toothbrush or subscribe to receive replacement toothbrush heads every three months, encouraging long-term customer commitment.

There is also **Consumer to Consumer** (C2C) e-commerce that allows individuals to sell directly to other individuals, such as eBay, an online platform that allows users to create auction listings for things they want to sell and connect to a large group of other customers who are looking for items ranging from antiques to used appliances.

decision-making, and translation between languages. At its simplest, AI combines computer algorithms with large datasets that can make predictions and recommendations based on usage. More complex forms of AI make use of machine learning to respond to customer service inquiries, analyze medical data to provide treatment recommendations, summarize audio recordings, and even drive cars.

- **Augmented Reality (AR):** Augmented reality is technology that superimposes a computer-generated image on a user's view of the real world. Augmented reality keeps the real world in focus, adding visual elements that aren't really there to change your experience of the environment you're in. Augmented reality can be used to visually "place" furniture in your room, see how a room would look in a new paint color, try on a new lipstick shade, or add game elements to a streetscape.

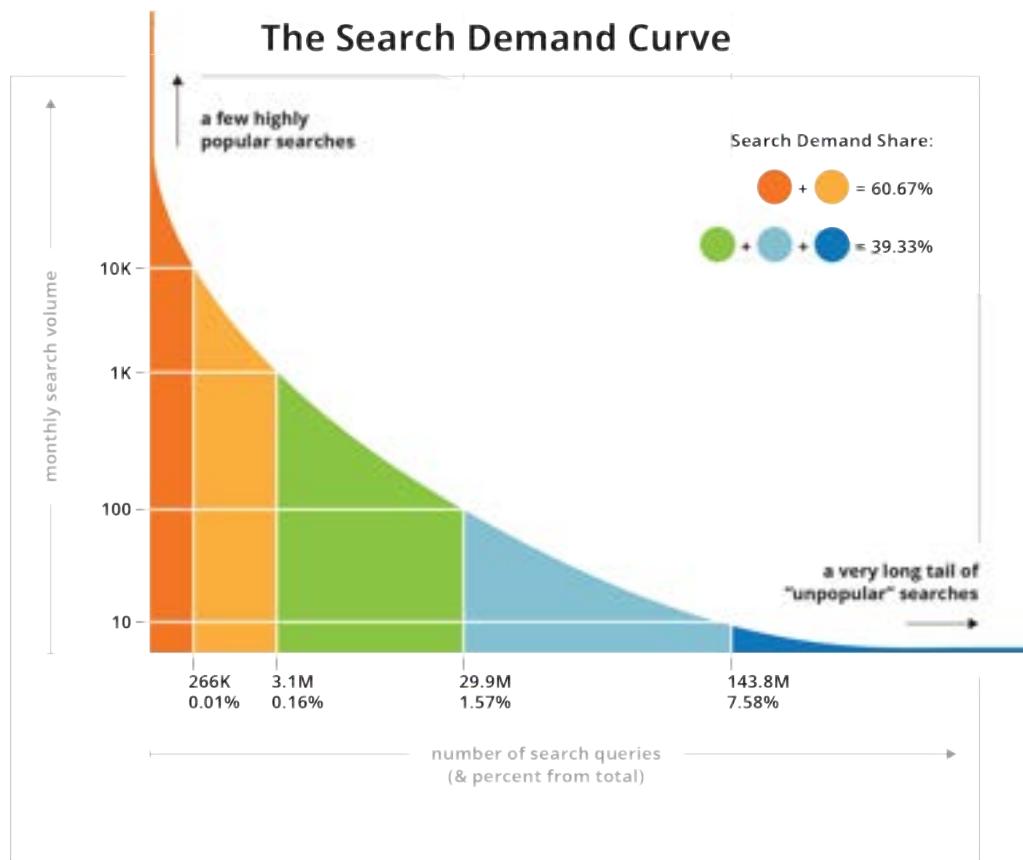
- **Virtual Reality (VR):** Virtual reality is technology that creates an entirely immersive artificial environ-

ment. Using a headset that removes vision of the real world and creates a 3D video environment, virtual travelers can tour a city in another country, students can take a virtual field trip to Ancient Rome, and surgeons can learn new techniques in a virtual operating room.

- **Clean Technology:** Beyond renewable and green energy, clean technology is exploring the use of hydrogen as a clean energy source and developing carbon capture technology to remove and store carbon emissions.
- **Quantum Computing:** The computers we know today use binary code, where data is expressed as either 0 or 1, to store information and perform calculations. Quantum computers use qubits to store data, which allows a piece of data to exist in two states at the same time (both 0 and 1). Once perfected, this technology will increase the speed of computing, and complex calculations that might take years using existing computer technology would be solved in minutes.

Finally, there is **Consumer to Business** (C2B) e-commerce that allows businesses to buy directly from individuals. For example, instead of listing individual items on eBay, the online merchant Replacements.com buys used china, crystal, flatware, and collectibles from consumers, then turns around and sells the items for higher prices on its website.

The advantage of an e-commerce strategy is that it opens up a business's potential market to the internet's 4.66 billion users. This is not to say that your target customer is everyone! What this means is that, with an e-commerce strategy, your target market pool may not be limited to a local or regional market but can extend to a larger group of people who match your target customer profile. E-commerce allows businesses to benefit from what is known as a **long-tail** strategy. Instead of selling high volumes of popular products, a business focused on the long tail can sell products that are less in-demand or hard to find. There may be fewer people looking for those items, but with billions of users shopping online, the probability of connecting with those people increases the ability of niche products to find their market.



While the majority of people shopping online are searching for products that are stocked by mainstream retail stores, nearly 40% of potential buyers are searching for items stretching out from the long tail illustrated above. Overall, some economists project that the U.S. economy will continue to shift from mass market buying to an economy of niche buying fueled by e-commerce.

Another significant advantage of an e-commerce strategy is related to costs. An e-commerce business does not require a storefront, so it eliminates costs related to having physical space. With all transactions occurring online, it promotes paperless processes, which will help business owners save on resources in the long term. In addition, online marketing costs are a fraction of traditional marketing costs and allow e-commerce business owners to benefit from technology that allows them to more accurately target customers based on their interests and online activity.

## Useful e-Commerce Sites

As you explore the world of e-Commerce, get to know some of the large platforms that help sellers establish channels for their online sales. A business might use one or multiple of these sites.

- **Amazon:** Amazon is one of the largest selling platforms in the world, with almost 200 million active monthly users. Individual businesses can set up Amazon storefronts that will allow their products to be found in search results for those millions of Amazon users. Businesses can choose to be part of the “Fulfillment by Amazon” program, which allows them to store their products at Amazon fulfillment centers and have Amazon pick, pack, and ship them.

- **eBay:** eBay is another of the large, global marketplaces where sellers can establish storefronts. eBay was built to establish a peer-to-peer platform to sell pre-owned or collectible items through online auction-style listings. For antique or collectible items, auction-style listings can drive prices higher, and eBay limits sellers’

## Developing a Successful E-Commerce Strategy

The rise of e-commerce underscores the importance of creating a **business that meets a customer need**. With so many potential customers online searching for products and services to meet their needs, you have a greater chance of connecting with your target customer if you adopt an e-commerce strategy.

At minimum, this means your business will require a compelling website in order for potential customers to find it and research your product or service. From a marketing perspective, an e-commerce website brings the product or service closer to consumers, who expect to be able to see pictures of and read about your product or service during the phase of the purchase decision-making process when they are considering alternatives.

To fully embrace an e-commerce strategy, however, it also means that your website will need the functionality for customers to purchase and pay for your product or service online as well as leave reviews. This might sound overwhelming, especially if you are not currently tech savvy, but there are services that facilitate setting up an online storefront, marketing to customers, and taking payments. For example, Shopify makes it easy for entrepreneurs to identify products that sell, establish a website, brand your business, connect to multiple sales

channels such as Facebook Marketplace and Instagram, take payments both online and at a point of sale, manage inventory and shipping, and even gain access to funding. Shopify was founded based on its CEO's experience of the difficulty small businesses face in establishing an online presence, so all of its services are geared toward making the road to e-commerce easier. Etsy is another online platform that allows small businesses to establish online shops that tend to sell niche products such as handmade jewelry and decorative objects or hard to find plants.

E-Commerce also underscores the importance of **responding to customer feedback**. Brands will be built up or undercut based on customer reviews, so it is imperative to know what your customers are saying about your product or service and respond to feedback. For example, the startup deodorant company, Native, was established in 2015. It set out to create a natural, aluminium-free deodorant that actually works, selling direct to consumer through one-off sales and subscriptions. The company rigorously tracked feedback, reformulating its deodorant and adding new scents based on what customers were saying. It also used its website to highlight customer reviews, showcasing its overwhelming number of 5-star reviews to encourage new customers to try the product—especially if they had previously tried a natural deodorant and

risk by allowing them to establish a minimum sales price. However, sellers can also opt to create fixed-price “buy it now” listings.

- **Etsy:** Etsy is a global marketplace for people searching for handmade, vintage, and unique goods. Similar to Shopify, merchants set up a storefront through which they can list and sell products. Unlike Shopify, an Etsy storefront exists within the universe of Etsy sellers, and buyers searching for a particular type of product will find products from multiple Etsy sellers. For example, an EITs might have a business building wooden shelving. A buyer searching for wooden shelves would find the EIT's offerings as well as products to compare from all other sellers on Etsy who make wooden shelves.

- **Shopify:** Shopify is a user-friendly subscription-based service that helps a business sell products online. Shopify merchants build a website that acts as a digital storefront. Through Shopify, you can sell through social media sites, blogs, other websites, email, text,

and chat. Shopify also includes a built-in point-of-sale system, allowing merchants to sell in-person at retail outlets, pop-up shops, and farmers' markets.

- **Wix:** Wix is a user-friendly website hosting company that allows businesses to establish their internet presence and set up online storefronts. Wix connects to social media sites and processes payment transactions, although it does not include a point-of-sale system.

Keep in mind that each e-Commerce site will attract different types of buyers and sellers. For example, people looking for vintage goods would search on eBay or Etsy over Amazon. And a business that plans to sell goods both online and in-person at farmers' markets would choose to create a storefront on Shopify over Wix.

found themselves less than pleased with the results! Native's successful e-commerce strategy attracted the attention of Procter & Gamble, one of the largest companies in the personal care products market, which bought the startup for \$100 million dollars in 2017.

A successful e-commerce strategy also relies on **speed**. Consumers who shop online or who start their research online know what they want, are willing to search for it, and are not willing to wait once they have made a purchase decision. Information and speed are critical to their purchase decision and post-purchase behavior.

Ultimately, all of the factors that contribute to a successful e-commerce strategy rely on strong **customer relationship management**. Think about customer relationship management as the extension of the customer discovery process into your business operations. Before your business is operating, you conduct customer discovery interviews and surveys to identify a customer problem that is within your capacity to solve. Later, you conduct a series of MVP experiments to test your riskiest assumptions before fully launching your business. Once your launch your new business, you continue to develop relationships with your customers by listening and responding to their feedback, reaching out to them through email marketing, and learning more about their purchase

behaviors using the data mining tools that will be available through your website platform. An e-commerce platform like Shopify integrates data mining tools into your website so you can gain customer insights, gather website and app metrics, and use them to create personalized experiences for your customers.

The biggest advantage of using the internet to sell your products or services is the interactivity it offers. Through online chat, customer reviews, and email outreach, you can develop relationships with customers that will help your brand grow and thrive. Of course, the significant advantage this interactivity offers also exposes a danger if it is not done well. Customers *expect* to find a credible business online. They expect that a credible business will have an informative website that details your product or service offerings, complete with pictures of your product or service and engaging content. They expect to read real customer reviews, and they will listen to customer feedback over any claims you make about your product or service. They expect to find answers to their questions and, if they have a question not answered by your website, they expect to be able to reach out for more information—preferably without having to wait on hold. They expect to be able to book a service or buy a product entirely online, and they expect speed in their delivery. Businesses that do these things well can build strong

relationships with their customers, and that translates to customer loyalty and a higher lifetime value in their customer base.

But businesses that fail to meet these expectations can quickly erode customer interest and loyalty. One case in point here is the online furniture company, Joybird. Joybird launched in 2013 as an e-commerce retailer of furniture and home goods, including couches, chairs, side tables, bed frames, and decorative accessories. Their model was innovative, allowing consumers to customize furniture, selecting from a wide range of upholstery choices. Furniture was built to order in the United States and shipped to the customer, who received automated updates of the stage their furniture was at throughout the process of building it. While Joybird's website features positive customer reviews, the company has slipped in consumer confidence, with reviews on other websites such as TrustPilot and the Better Business Bureau and blog posts indicating poor communication, unresponsive customer service, excessively long delivery delays, and manufacturing defects. In the face of conflicting information about the quality of the product and a lack of customer service response, consumers will quickly shift their attention to other similar e-commerce furniture businesses. Unless they repair customer relationships, Joybird is in danger of losing market share and becoming less profitable.

The increasing importance of e-commerce means that you should look at developing an informative and compelling website as a *necessity* of doing business, so customers can discover and research your product or service. It also means that you should strongly consider building e-commerce into your business model. Even if you plan to sell products or deliver services in person, you might use an online strategy as an additional source of sales or allow customers to book and pay for service online. Given the internet's reach and speed, there is simply no better way for customers to find your business and consider your product or service when they are making a purchase decision. The speed of information exchange that e-commerce enables has shaped modern consumers' expectations in ways that only reinforce the fundamentals of starting a new business. If you solve a customer problem, provide customers with reliable goods or services, respond to customer feedback by continually improving and iterating on your product or service offerings, and develop strong customer relationships, you can ensure your business's future success and growth.

## What if You Don't Know

If you're unsure what kind of business you would like to start, Defy's ideation process will help you generate ideas by teaching you first how to focus on customer problems, then come up with potential business ideas to solve those problems. But if you're still unsure about a business idea after thinking about potential customer problems, examples can be a helpful starting point.

The following list of business models represent successful businesses owned and operated by Defy EITs. These businesses have low startup costs and high chances of success, and they require skills that are easy to obtain. Use these to help spark your imagination, but please do not feel limited to this list.

Be prepared to review your customer discovery results and business idea with executive volunteers during a Business Coaching event. Defy will help you develop your idea through volunteer feedback during a Business Coaching event and later, through your participation in Defy's Business Accelerator.

We hope that each and every one of you is successful and creates a thriving business. We would like nothing more than to expand our list of proven business models for future cohorts of Defy EITs.

## Manufacturing

- **Catering:** A catering business involves preparing and serving food at a remote site for an event, such as a party or business meeting. Catering services range from dropping off sandwiches at a business location to serving chafing dishes of hot food at a wedding. Caterers typically do at least some, if not all, food preparation in their own kitchens and sometimes use on-site facilities to finish preparing the food.
  - \* **Pros:** Great job for amateur chefs or anyone who is good at cooking. Coming up with dishes is creative work. Great food with great service makes people happy. No shortage of opportunities.
  - \* **Cons:** Clients can be demanding and difficult. Mishandled food can make people sick. Working in a commercial kitchen is cramped, hot, and potentially dangerous. Must have some experience cooking. Government licensing and oversight is required for food preparation. Food must be prepared in a licensed commercial kitchen (which can be rented by the hour or day).
- **Handmade/Artisan Products:** Use your skills and imagination to create custom-made products for direct sale to consumers. Your products can range from small leather accessories to woodworking items to welded/metal offerings.
- \* **Pros:** If you are able to sell on-demand with a long lead time, your startup costs will be minimal. You can experiment with product ideas until you find one or a few that seem to generate the most interest.
- \* **Cons:** When you decide to scale, you will need to take some inventory risk to build in advance of demand. You will need to identify the right platform to sell your products. Flea markets, farmers' markets, retail partners, and e-commerce sites have different advantages and disadvantages. If you develop an online retail site, you will need to figure out how to advertise effectively online to access your target market.
- **Gourmet/Specialty Foods:** This business involves the preparation and sale of gourmet/specialty food items such as ice cream, candies, cupcakes, etc.
  - \* **Pros:** Everyone loves to eat! Margins can be high. Can scale regionally or nationally if successful.
  - \* **Cons:** Food-related businesses require specialized licenses, which can be costly. Food for sale must be prepared in commercial kitchens, which can be rented by the hour or day. Nutritional labels must be sourced for most packaged food items. Generally requires some prior food preparation and/or cooking experience. Can be difficult to differentiate, as this is a crowded space.

## Retail

- **Do-It-Yourself (DIY) Craft Kits:** Assemble DIY kits for consumers to build their own creations, from candle-making kits to home terrariums, to custom-made gift cards. This is a terrific home-based business if you love being creative and have a passion for arts and crafts. You can sell individual craft kits, sponsor craft parties, and sell kits as corporate gifts.
  - \* **Pros:** Work from home. High margins. Small up front investment required. Low skill required.
  - \* **Cons:** The biggest challenge in this business is centered around your marketing strategy. You will need to develop a plan to acquire customers. Some inventory may be required, but you can offset this cost if you charge customers in advance for their purchases.
- **e-Commerce Site:** Develop an e-commerce retail site that sells specialty products created by other artists and artisans. This is a great way to empower people—even people who are currently incarcerated—who otherwise wouldn't be able to do what they love, while also making their work available to interested buyers.
  - \* **Pros:** Small up front investment required for this online business. Large social benefit. Knowledge about the artist population.
  - \* **Cons:** Complexity in establishing a network of artists and artisans to get enough pieces to interest buyers. Spreading the word about the business given the many websites that sell specialty products.
- **Food Truck:** Develop a mobile food truck that directly sells your food to consumers. This is a great way to showcase culinary skills and create a small, themed menu. It can be started with minimal upfront investment and is less risky than opening a brick and mortar restaurant.
  - \* **Pros:** This is a growing industry, and food trucks are popular with customers. Food trucks are not limited to a single location and are able to meet customers where there is demand. There are many ways to market the business and reach target customers. They require reasonable upfront costs and resources. Trucks can be rented short-term for one-off events or long-term for a month or more. Rental can be a great way to get your business off the ground, test locations and recipes, and start to build a following.
  - \* **Cons:** Multiple sources of competition, including restaurants and delivery services. Creating initial awareness can be difficult. In addition to navigating the licensing requirements of food-based businesses, food truck owners need to be aware of zoning restrictions. Generally requires prior food preparation and/or cooking

experience. Unlike rental cars, which can be found in almost every city, food truck rentals can be more difficult to find.

## Service

- **Awning and Gutter Cleaning:** This business serves residential and commercial customers who have awnings and gutters in need of cleaning. Most awnings and gutters are more than one story above the ground and periodically fill with leaves and dirt. This service involves climbing a ladder to reach the awning or gutter and removing the dirt and debris either with a leaf blower or a power washer.
  - \* **Pros:** No special skills required. Set your own schedule, to some degree. Work outdoors. Can be combined with other services (see Window Cleaning). Low startup expense for needed equipment. Large market in urban areas.
  - \* **Cons:** Potentially hazardous. Working from heights. Somewhat seasonal in nature (busiest during the Fall and Spring).
- **Carpet Cleaning:** This business involves operating a steam-cleaning device, similar to a vacuum, which removes dirt, stains, and bacteria from carpets inside homes and businesses. Cleaning solutions, scrub brushes and vacuums are also used to complete the job. Carpet cleaning is generally done by appointment and is usually sold on a per room or per square foot basis.

- \* **Pros:** No experience required. Large number of homes and businesses with carpets. Repeat business with customers who want their carpets cleaned on a regular basis.
- \* **Cons:** Tough stains require working on hands and knees. Can be physically demanding. Possibly higher cost of startup equipment.
- **Commercial Cleaning:** A commercial cleaning business serves the needs of landlords and businesses who need to keep their properties clean. Most commercial leases do not include cleaning services — tenants must source and pay for their own cleaning. This job typically includes vacuuming, dusting, workplace kitchen and bath cleanup, emptying trash containers, and straightening up. Commercial cleaners may be required to bring their own vacuum and cleaning supplies with them. In some cases, customers may keep their own equipment/supplies on premise for the cleaner to utilize.
- \* **Pros:** Work indoors. No experience necessary.
- \* **Cons:** Cleaning up messes made by other people. Clients can be very particular or even difficult. Work hours are generally in the evenings or overnight, when offices are empty of staff. May be required to purchase/bring your own equipment and supplies.

- **Contracting:** This business involves repair, remodeling, or restoration. Contracting can range from complicated tasks that require technical skill, such as structural repair or carpentry tasks, to simpler tasks, such as painting. Contractors who specialize in a particular skill such as bathroom remodeling or cabinetry usually own power tools that are specifically designed for certain tasks.
  - \* **Pros:** Large potential customer base. Usually working indoors. Home repair and renovation add value to a home, creating a potentially lucrative business. Significant opportunity to increase profits through upselling and change orders.
  - \* **Cons:** Bidding properly on a job can be challenging. Work can be physically demanding and potentially hazardous. Some prior experience is necessary for many tasks. General contractors are required to obtain a license and insurance. Specialized equipment for advanced services can be expensive.
- **Demolitional Service (Interior):** This business specializes in the teardown and removal of existing items and structures, such as kitchen cabinets, bathtubs, and walls. Demolition work usually prepares a room or site for renovation by safely clearing structures and fixtures that are to be replaced.
  - \* **Pros:** No special skills needed. Some experience with construction or hauling
  - required. Equipment is basic (hammers, crowbars, etc.) and inexpensive.
  - \* **Cons:** Must be careful not to damage surrounding structures, fixtures, plumbing, and electrical wiring.
- **DJ Services:** DJ services can range from creating simple play lists on a computer using client feedback to executing master of ceremonies duties with sophisticated sound systems. A DJ must understand and adapt to musical tastes.
  - \* **Pros:** Some flexibility in hours worked. High margins. Small up front investment required.
  - \* **Cons:** Most events will be during the evening or on weekends. More sophisticated sound systems are needed for bigger areas and are expensive. As such, equipment may require transportation such as a van because travel to venues is required. Contingency plan is required for illness, etc. Clients can be difficult and picky. DJs must be able to set a crowd's mood. Not likely to constitute full-time employment.
- **Event Planner:** An event planner organizes and executes events, including luncheons, parties, corporate events, fund raisers, and weddings. Client experiences can vary greatly, depending on the type of event being planned. An event planner must be able to understand the event objective and work

with the personality of the client to fulfill the desired vision.

\* **Pros:** Some flexibility in hours worked. High margins. Small up front investment required. No special certification required. Work has the potential to be based on referrals and repeat business.

\* **Cons:** Must have people skills, ability to guide clients, and ability to form relationships with caterers, DJs, etc. Many events will be held during the evening or on weekends. Travel is required. Contingency plan is required for illness, etc. Clients can be difficult and picky. Must be able to control a crowd. The ability to be creative yet precise is required to work with budgets and strict time lines. The ability to improvise and be flexible is important for resolving conflicts and fixing problems. Not likely to constitute full-time employment.

- **Handyman:** A handyman is a “jack of all trades” who typically handles small jobs that can be done with common hand tools, such as toilet repair, window replacement, fixing holes in walls, and small carpentry jobs. Handymen handle immediate needs of homeowners and charge an hourly rate or flat fee for a particular job.

\* **Pros:** Set your own hours and rates. No certification needed. Freedom to build client base and attend workshops during off hours. Usually work indoors.

\* **Cons:** Requires some mechanical skill and coordination. Self-promotion requires constant effort. Mistakes add to the time a project takes and hurt profitability. Dissatisfied customers are difficult to collect from.

- **Kitchen Equipment Cleaning:** This business involves cleaning, degreasing, and sanitizing commercial kitchen equipment for restaurants, delis, bakeries, etc. Cleaning kitchen equipment is necessary for sanitary food preparation. The service involves disassembly and cleaning of equipment using degreasers, soaps, and bleach. Kitchen cleaning typically occurs in the late evening, after the kitchen has closed for business.

\* **Pros:** No experience needed. Clientele are often repeat customers or contract customers.

\* **Cons:** Work is usually late at night/very early morning. Working with greasy equipment is taxing and dirty.

- **Landscaping:** This business involves the maintenance and improvement of the visible features of an area of land. Maintenance typically consists of mowing grass, trimming shrubs, and removing weeds. Improvement typically consists of planting and caring for perennials, trees, and shrubs. Landscapers generally work with lawn mowers, line trimmers, leaf blowers, and similar power equipment to get the job done quickly and

efficiently. Most small landscaping companies own a work truck to transport tools to the job site. Some landscaping companies offer additional services, such as leaf and debris removal, tree trimming, and light masonry work.

- \* **Pros:** No special skills needed. Set your own schedule. Possible winter work from shoveling and ice removal.
- \* **Cons:** Seasonal work. Insurance usually required. Can be physically demanding and potentially hazardous. Equipment and truck purchase or rental can be expensive.

• **Moving Company:** This business involves removing furniture and equipment from one location and relocating it to another. Moving company services may include packaging and crating items to be moved. Most small moving companies have at least two employees or contractors, as many items are too large or heavy to be lifted by a single person. A small moving company may own or rent the equipment needed to complete the job, which includes a truck with a tailgate ramp, a hand truck, dollies, moving blankets, rope, straps, and tape.

- \* **Pros:** No experience necessary. Very little overhead.
- \* **Cons:** Moving is physically demanding work. You must be careful not to damage valuables or property. License and insurance are usually required. Injuries related to lifting heavy objects can occur.

• **Networking Technician:** This business involves troubleshooting problems with computing networks in addition to installing new networks.

- \* **Pros:** Very little space or tools needed. High margins. Somewhat flexible work schedule, depending on client needs. Can work for residential or commercial customers.
- \* **Cons:** Prior knowledge of networking technologies is required. Must be certified as proficient in various networking technologies/vendor offerings to present yourself as an expert. Risk of doing further damage. Customer acquisition can be challenging.

• **Painting:** A startup painting business usually handles small residential and commercial painting jobs, from painting a bedroom or office to painting the exterior of a house or business. Some painting businesses also paint or stain floors, decks, furniture, siding, etc. A small painting company usually has a truck or car to carry equipment and paint supplies to and from the job site, and usually owns at least one ladder and several drop cloths. Paint and supplies are typically purchased once a down payment has been secured.

- \* **Pros:** No experience needed. Work indoors. Not very strenuous labor.
- \* **Cons:** Prep work is tedious. Painting can be messy work. Regular exposure to paint fumes. Exposure to lead paint debris.

- **Pet Care/Grooming/Walking/Training:**

This business consists of caring for the pets of owners who do not have time to walk them and/or the skill to groom them. A typical small pet care company involves a daily scheduled walk of one or more dogs and periodic grooming of dogs and cats. The company may provide house visits to check in on and give medicine to sick animals. This business can also perform visits to the homes of owners who are traveling.

\* **Pros:** Working with pets can be fun. Walking pets is also good exercise. Pet owners tend to be generous when it comes to spending money on their pets.

\* **Cons:** Working with pets can be challenging or even hazardous. Cleaning up after pets can be messy. Grooming scared or nervous pets can be hazardous.

- **Personal Trainer:** The goal of a personal trainer is to help a client accomplish his or her health goals. This includes physical fitness, appearance, and nutrition.

\* **Pros:** Outdoor or indoor work depending on your preference. Low startup costs. Large client base to choose from when creating a target market. Flexible schedule.

\* **Cons:** Strenuous labor. Often a physical trainer must exemplify physical fitness standards since their own bodies are their best marketing. Motivational people skills are required. Some clients may prefer certifications.

- **Traveling Makeup/Hair/Beauty Services:**

In this type of business one can focus on everyday beauty services or special events like weddings.

\* **Pros:** Mostly indoor work. Low startup costs. Large client base to choose from when creating a target market. Flexible schedule.

\* **Cons:** Talent, people skills, and transportation are needed. If the services are for events, working evenings and weekends might be required. Clients can be picky or difficult. Not likely to constitute full-time employment.

- **Window Cleaning:** This business involves cleaning the exterior of residential and commercial windows. Many businesses contract to have their windows cleaned weekly. The windows in one and two-story buildings can usually be cleaned without the use of scaffolds. Small window washing companies typically have at least one ladder, pole brushes, and buckets, and may have scaffolds to accommodate clients with larger buildings.

\* **Pros:** Set your own schedule. No experience necessary. Can be combined with other businesses (see Awning and Gutter Cleaning).

\* **Cons:** Working outside in extreme weather. Working at heights can be dangerous.

- **Car Detailing:** Car detailing is cleaning a vehicle to like-new condition. Exterior detailing involves cleaning and restoring a car's paint finish, trim, windows, wheels, and tires. Interior detailing involves deep cleaning carpet and upholstery, including stain removal, and polishing hard surfaces. Car detailing does not normally include paintwork or body repair.
- **Pros:** Car detailing can be done at a home garage or a mobile setup. Low startup costs.
- **Cons:** Working out of a home garage will require a Certificate of Occupancy from your local building department or zoning board. Business may need to comply with specific water usage and/or wastewater rules. May need "Garage Keeper's Liability" insurance which covers you for working on vehicles as they are in your possession.



## Resources

**James Stephenson, *Ultimate Startup Directory*:** This book, from *Entrepreneur* magazine is an exceptional ideation resource, providing 1,500 different business ideas with startup costs ranging between \$5,000 and \$25,000. Industries covered in the book include advertising, instruction, travel, sports, fitness, and many others.

**Reum, Courtney and Reum, Carter, *Shortcut Your Startup: Speed up Success with Unconventional Advice from the Trenches*:** The Reum brothers are former investment bankers, entrepreneurs, and Defy volunteers. In this book, they present ten “Startup Switchups” intended to help entrepreneurs identify a business idea and speed up your success as an entrepreneur.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

1. **Think back to the example of Seth Godin's cake delivery business in "Identifying Customer Problems." Seth's primary business category was \_\_\_\_.**
  - A. Manufacturing
  - B. Wholesale
  - C. Retail
  - D. Service
  
2. **Ralph's business, Pen & Pistol, sells leather goods through retail partners and at open-air markets. Ralph's primary business category is \_\_\_\_.**
  - A. Manufacturing
  - B. Wholesale
  - C. Retail
  - D. Service



**3. Leslie, launches a business making children's clothing from vintage materials, such as printed tea towels, lace, and antique tablecloths. To run her business, she buys vintage goods in bulk and stores many bins of material in her workshop. On the weekends, Leslie sells her handmade goods at a local flea market. Leslie's primary business category is \_\_\_\_.**

- A.** Manufacturing
- B.** Wholesale
- C.** Retail
- D.** Service

**4. Johnny runs a food truck selling donuts. An e-commerce strategy could allow him to \_\_\_\_.**

- A.** Bring customers to the food truck to pick up orders they placed online
- B.** Ignore customer reviews, since he is expanding his customer base
- C.** Focus on print marketing and billboards to get word out about the business
- D.** Deliver donuts worldwide

**5. Becca runs a dog grooming business and uses Facebook to feature occasional photos of dogs' before and after pictures. The business accepts cash or checks for payment of service. Based on what you learned in this chapter, what advice might you give Becca?**

- A.** Set up a mobile grooming salon
- B.** Establish more point of sale payments options
- C.** Allow customers to book and pay for service online
- D.** Run Facebook ads to generate business



## Apply Key Concepts

Did any of the successful business models generate new ideas or interests for you? If so, which business models did you find interesting and why?

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**Write down the problem statement you developed in “Customer Discovery.”**

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**Write down the characteristics of people in the target market who have this customer problem, which you identified in “Customer Discovery.”**

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**Brainstorm a list of five to ten business ideas that could address this customer problem for the target market.**

**Put a star next to the business idea you are most interested in developing.**

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....
- 6 .....
- 7 .....
- 8 .....
- 9 .....
- 10 .....



**Check your business idea against the criteria for developing a successful business model and Defy's guidelines for ideation. In the space below, identify how your business idea fulfills each of the criteria for success.**

<b>Solves a customer problem:</b>
<b>Reflects your interests and skills:</b>
<b>Is within your capacity to start:</b>
<b>Doesn't reinvent the wheel:</b>
<b>Has realistic startup costs:</b>
<b>Are financially viable:</b>
<b>Have a large potential market:</b>
<b>Have a way to reach the customer:</b>
<b>Identify where a transaction can occur:</b>
<b>Support the public good:</b>



**How might you incorporate e-commerce into your business strategy?**

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**In what ways does an e-commerce strategy amplify the principles of business success?**

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**How would you say that an e-commerce strategy differs from a traditional business strategy?**

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## Ideation Questionnaire

### Criminal Background

Total number of years served in your lifetime: \_\_\_\_\_

List your major convictions so Defy volunteers can coach you on whether they could negatively impact the business you want to start. For example, if your conviction involves robbing homes, we will advise you not to start a home cleaning service. Defy requires that businesses **do not conflict with an EIT's criminal history**. In addition, Defy will not support businesses that:

- **Promote illegal activity**
- **Use sex, or sexuality, to sell products or services**
- **Have alcohol or drugs (even legal drugs) as the primary product**
- **Are morally questionable or unable to pass the "newspaper test"**

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## Business Ideas

### Customer Problems

List three to five problems that you identified and are interested in solving.

(Examples: Construction workers are hungry and their lunch breaks aren't long enough for them to go to a restaurant. Busy San Francisco dog owners need their dogs walked and most dog walking services are extremely expensive.)

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....



## Customer Discovery

List the questions you asked during customer discovery:

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Summarize the feedback you received during customer discovery regarding the customer problem you are most interested in solving.

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## Business Problem Statement

Define the customer problem you are most interested in solving with the development of a business idea. Your problem statement should indicate **who is experiencing the problem**, **what the problem is**, **where the problem presents itself**, and **why the problem matters**.

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Based on the interests, skills, and experiences you listed in “Identifying Customer Problems,” why would a customer pay you to solve this business problem? What specifically qualifies you to solve this problem?

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### Target Market

Describe the characteristics of the people who have this problem (e.g., construction workers, women age 65–85 in Oakland, young professionals, etc.). Describe at least five characteristics of these people. You can include age, buying preferences, location, ethnicity, income, gender, etc. The point is to understand who is having this problem and whether this group of people would want to pay you for a solution.

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....

### Business Idea

After reflecting on your own interests, experience, and strengths as well as customer problems and barriers to entry, what business idea would you like to pursue? Why is this the right business idea given your personal qualifications and market factors?

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### Interests and Skills

How does your business idea reflect interests, experiences, and skills that you already have?

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## Financial Viability

### Barriers to Entry

What are the requirements/costs for certifications or licensing, and what are any restrictions that could prevent you from entering this industry, given your criminal history, education, financial resources, etc.?

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## Support the public good

How might you support the public good with this business idea? Defy requires EITs' businesses to be **for profit**, but we encourage businesses that support the public good.

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**“The greatest danger in  
times of turbulence is not  
the turbulence—it is to  
act with yesterday’s logic.”**

*—Peter Drucker*

# Understanding the Business Environment

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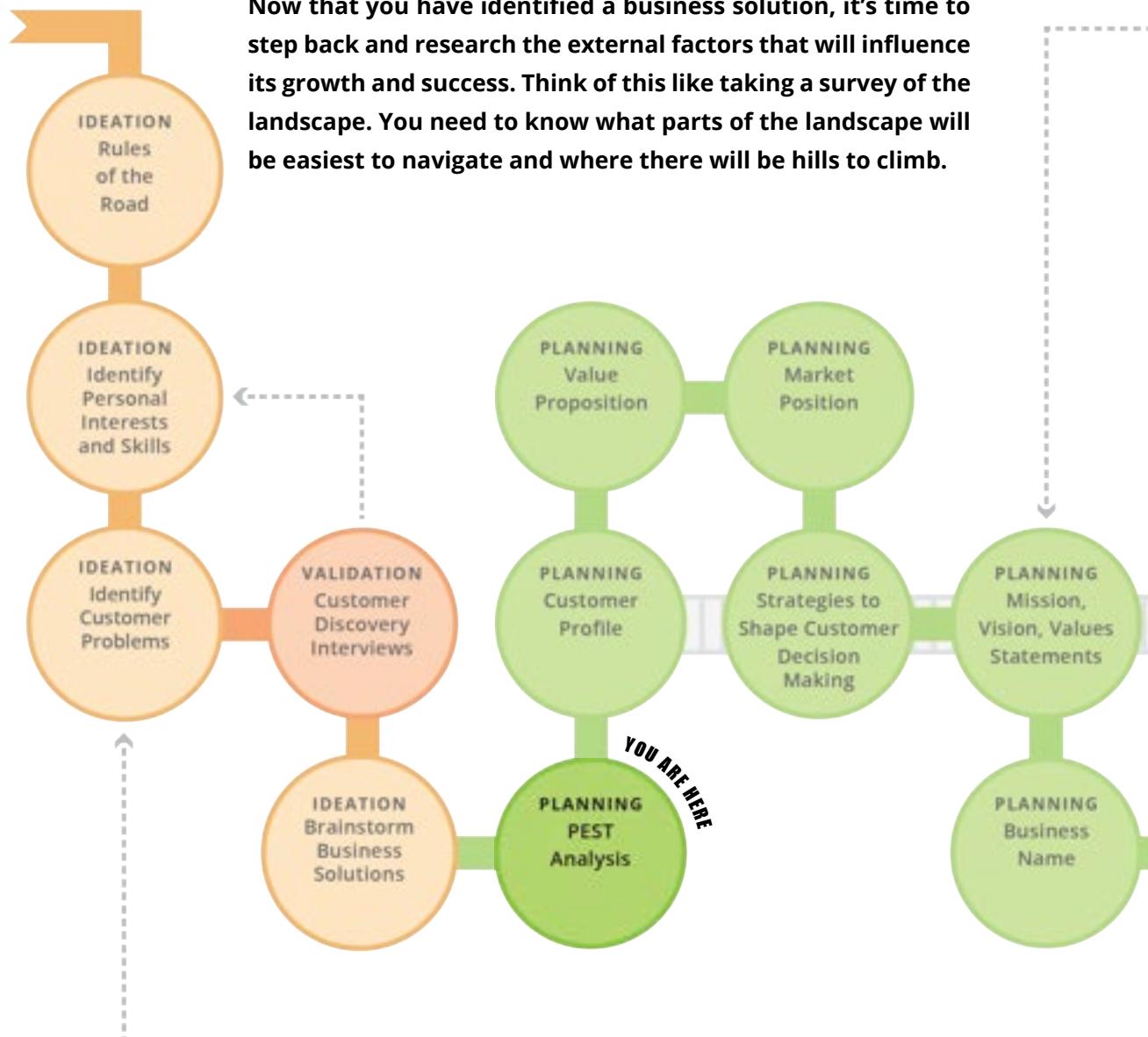
## Preview

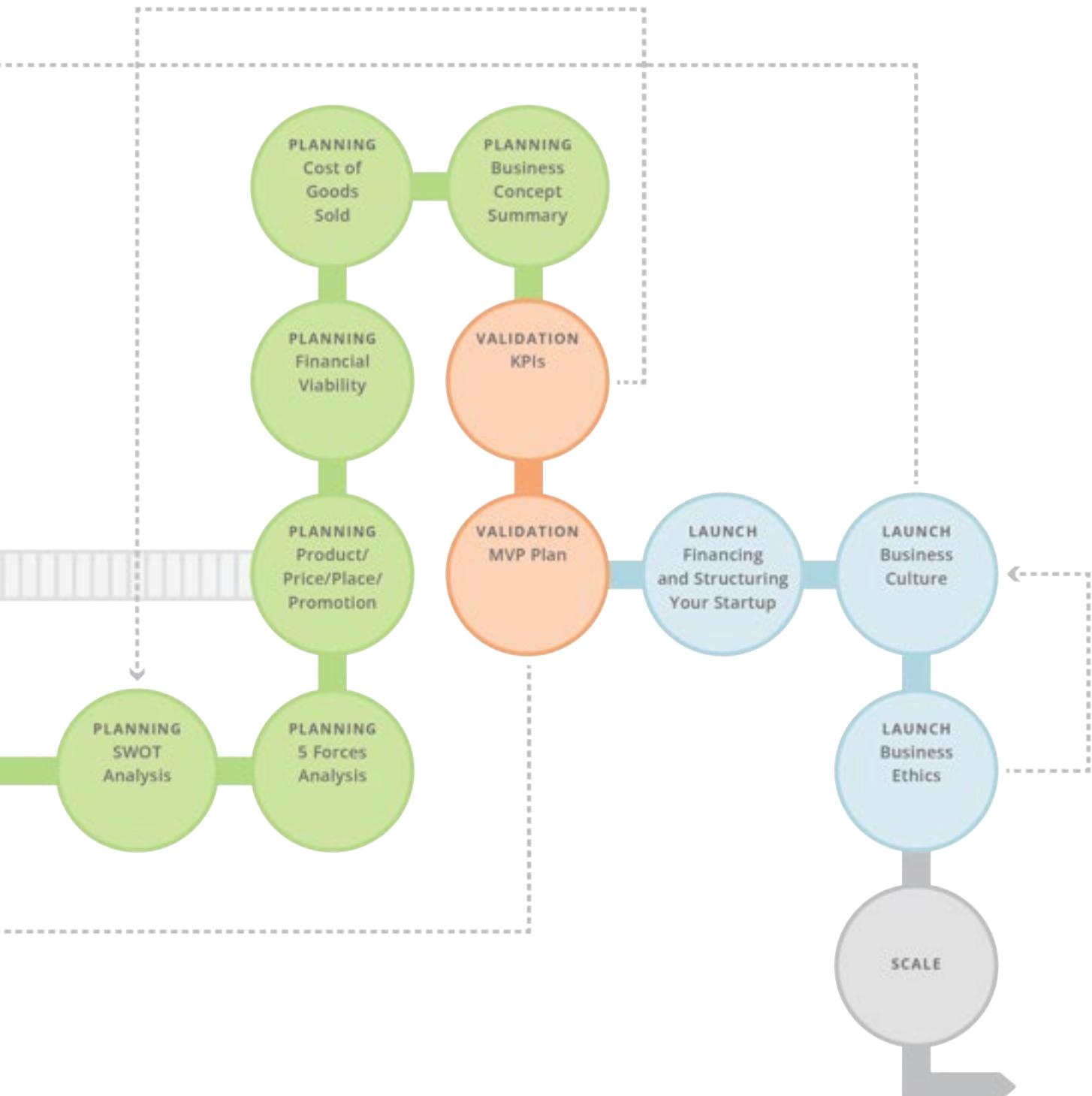
### **After reading this chapter, you should be able to:**

- Identify focus areas for market research.
- Understand the difference between primary and secondary research.
- Define the business environment.
- Identify external factors in the business environment relevant to your business's success.
- Identify sources of secondary research into the business environment.
- Perform a PEST analysis of your business environment.



## Entrepreneurship Pathway Outline







Market research allows an entrepreneur to learn about potential customers and what motivates them to buy products and services. It provides a roadmap to making sales. However, marketing is more than a simple management function—how to make sales—of your business. Marketing can define a central philosophy of your business. Either a business is customer focused, or it's not. Achieving your business goals will depend on your understanding of what customers want and need and delivering products or services that satisfy them more effectively and efficiently than your competitors. Market research tells an entrepreneur what customers want and need. An entrepreneur takes that information and presents his or her product or service as the answer to the customer's unmet need. By becoming a customer-focused entrepreneur and researching your market, you have the opportunity to improve the quality of your business decisions by being informed with accurate and relevant information about your potential customers. You also have the opportunity to monitor and control the business's success by reviewing your business's performance within your target market.

Market research is a systematic process of gathering and analyzing information related to the customer problem you are trying to solve in your business. Quantitative research is about collecting and analyzing numerical data. By looking at the numbers of people or sales, you can find patterns and averages, make predictions, and test causal relationships. You can take information about a smaller group and generalize it out to a wider population. When you look at quantitative research, you may need to identify statistical measures such as the “mean” and “mode.” A **mean** is an average of all responses. To find the mean, you simply add all numbers in your set of data and then divide by the number of responses, or values, in that set. The mean can tell you what the average customer thinks about a product or service. For example, if you look at 10 customer reviews that rate a product or service on a scale of one to five, an average, or mean, score of 4.1 would tell you that, overall, customers think the business provides a good product or service, but there may be room to improve. The **mode** is the response that occurs most often in a data set. For example, looking at those 10 customer reviews, you might find that

the mode is “4 stars,” with seven responses. Two additional customers might have rated the product or service “5 stars,” while one gave it “3 stars.” **Qualitative** research, on the other hand, involves collecting and analyzing non-numerical data such as customer interviews, to understand concepts, opinions, or experiences. Quantitative research tells you *how many* people share the customer problem you have identified. Qualitative research tells you *why* people make decisions related to that problem.

Entrepreneurs conduct both primary and secondary market research. **Secondary research** involves gathering and analyzing existing information already in existence. Outside sources of secondary research include information published in newspapers, trade journals, and reports by industry analysts and consulting firms. Internal sources of secondary research include a business’s internal sales and marketing data and analysis of customer interviews. Even though it is called secondary, this type of research is generally conducted *before* primary research. It is “secondary” because it is one step removed from primary, or first-hand, sources of information and includes a layer of analysis or interpretation. Secondary research provides you with an overview of your industry and can help you identify business trends before you conduct primary research. **Primary research** is research an entrepreneur conducts personally to gain first-hand information about the

market. Primary research allows you to gather new information to meet a specific need. It is considered “primary” not because it is the first step in conducting market research but because it involves collecting immediate, first-hand reactions to a business’s product or service. This could be achieved through focus groups, surveys, interviews, and other ways that enable the entrepreneur to hear what customers want and need in their own words. Primary research can also be conducted by observing customers’ behavior through tracking studies or watching how people react during product testing, a critical component of your Minimum Viable Product (MVP) experiment, which you will develop in an upcoming chapter.

### Market research looks at three factors:



This chapter focuses on understanding the business environment. Upcoming chapters will focus separately on “Developing a Customer Profile” and “Sizing up the Competition.” We

will begin with a general overview, which you will use in an upcoming chapter, “Introduction to Business Strategy,” to identify opportunities and threats and make strategic decisions about how to use your understanding of the business environment to help you succeed.

If there is a single issue that links all types and sizes of organizations, it is the fast pace of change in the business environment, which contributes to uncertainty and risk. The **business environment** includes all of the factors that affect how it functions and its ability to succeed. A business does not operate in a vacuum. Instead, it is part of a community and a country shaped by political, legal, economic, socio-cultural, technological, and environmental factors that are beyond its ability to control. These factors, which are all external, form the environment your business operates within. As you can see, they are large forces you cannot control but have the power to impact your business either positively or negatively. Each of these factors creates a unique set of challenges and opportunities that entrepreneurs can work with to create a winning strategy. The business environment is vast, constantly changing, and complex. The interplay of actions, causes, and effects that shape the business environment can result in foreseeable changes as well as unpredictable and unprecedented ones. For example, while an entrepreneur would have been able to foresee the technological factors

driving many consumers to adopt tools that make remote conferencing and collaboration possible, the socio-cultural and economic upheaval caused by the coronavirus pandemic was both unpredictable and unprecedented, resulting in rapid, widespread adoption of this type of technology.

It is important to distinguish between the business environment that affects a particular industry and the business market. The business environment that shapes opportunities within the petcare industry, for example, will be different from the forces that shape opportunities within the landscaping, retail, or healthcare industries. The business environment is defined at the national or even international level. A **business market**, by contrast, defines a more local or limited social arena that brings together suppliers, businesses, consumers, and government for the exchange of goods and services. Markets are subject to the factors that influence the business environment, so it is important for entrepreneurs to understand the business environment to succeed in the market. To compete successfully, entrepreneurs need to understand how the changing business environment can affect their businesses and learn to adapt.

## Researching the Business Environment

To analyze the business environment, you can rely on secondary research. Read business magazines and newspapers to get a sense of current changes and trends. In the community, you might also listen to podcasts, search for webinars posted on YouTube, or read opinion pieces written by business thought leaders. You can also find research reports written annually by consulting firms. For example, Deloitte ([www.Deloitte.com](http://www.Deloitte.com)) publishes annual outlook reports surveying trends in the retail and consumer products industries, and PwC ([www.strategyand.pwc.com](http://www.strategyand.pwc.com)) maintains an ongoing series of annual industry trends. McKinsey ([www.mckinsey.com](http://www.mckinsey.com)), Bain ([www.bain.com](http://www.bain.com)), and the Boston Consulting Group (BCG) ([www.bcg.com](http://www.bcg.com)) publish frequent industry updates, with articles that focus on consumer and management trends. The Small Business Development Centers' National Information Clearinghouse (<https://www.sbdccnet.org/category/small-business-research-reports>) produces small business snapshot reports that provide research including data, trends, and resources related to popular small business ideas. You can find research reports on a wide range of businesses such as cleaning, food trucks, petcare, baking, personal chef, and landscaping. To get started finding relevant research, you might start with a simple Google search for "YEAR Business Environment

INDUSTRY." For example, you might Google "2020 Business Environment Petcare." The Pew Research Center ([www.pewresearch.org](http://www.pewresearch.org)) publishes reports on current trends, including social, technological, demographic, and political trends. Finally, the U.S. Census Bureau ([www.census.gov](http://www.census.gov)) provides comprehensive data on the American population, with tools and reports specifically designed to help small business owners get to know their customers.

As an entrepreneur, you need to research the business environment relative to a specific industry so you can understand the industry's strength and the factors affecting its growth potential.

**Researching the business environment allows you to answer questions such as:**

- *Is this a good time to open a business in the industry?*
- *How much demand is there for these goods or services?*
- *Is it a profitable industry right now?*

You can also look at historical data to see how strong the industry has been over time.

Researching the business environment allows you to accept—or even embrace—change, helping you prepare for and adjust to changes successfully as the business environment evolves. Ultimately, understanding the

business environment allows you to identify potential threats and opportunities that are linked to change. We will focus on how to use the threats and opportunities you identify in the business environment in an upcoming chapter on business strategy.

## External Factors



**Political** and legal factors that influence the business environment include the amount of government regulation of business affairs, the laws that regulate consumer behavior, and the political stability of a government. Federal, state, and local governments all create laws that determine how certain businesses are able to function. For example, some industries face specific regulations that are designed to protect the environment by reducing emissions or enforcing workplace safety codes to safeguard the health of their workers by enforcing workplace safety codes. Businesses are impacted by laws that protect the rights of workers and the privacy of customers' data as well as laws that allow the government to collect tax revenue. Beyond political factors that directly influence how your business operates, government interventions like changes to the interest rate can also affect consumer spending or demand for certain products or services. The current political climate of a country or region will influence future legal and regulatory forces. For example,

a political environment that is “pro-business” is likely to reduce taxes, lower interest rates, and loosen regulations, while a more “pro-worker” environment would be likely to push for higher minimum wages and expand benefits and protections for workers. Regardless of your individual politics, it is important to recognize the impact that competing policy agendas can have on how you run your business and the proportion of revenue that you will owe the government in taxes.



**Economic** factors are among the most important external influences in the business environment because they influence the decisions and activities of both businesses and consumers as well as the oversight and intervention of government. Although the economic health of a business is important, these factors refer to the financial state of the economy on a regional, national, or even global level beyond the level of the individual business. This is because the larger economic conditions impact overall demand, consumer buying power, and willingness to spend. For example, when the economy is growing, unemployment rates are low, and income levels rise. Rising income leaves consumers with more **disposable income** or income they have left to spend after paying for essentials like housing and food. With more disposable income, consumer demand for products and services goes up. By contrast, in a down-

turned economy, consumer spending is more conservative, meaning that people are less likely to spend money beyond the goods and services that they absolutely *need*. To respond to decreased consumer demand, businesses might be forced to lower their prices or sell less of their goods or services. The government can apply political forces to the economy, for example by lowering interest rates to stimulate spending or increasing interest rates to make goods and services more expensive, which will eventually decrease inflation.

When you think about economic factors, it's important to consider **environmental**, or ecological, factors which are related to the physical environment on our planet. This includes the effects of the seasons and weather as well as climate change and the availability of non-renewable resources, such as oil. Environmental factors may not seem to affect every business directly. But many businesses are impacted indirectly. For example, if the supply of natural resources decreases, businesses that use fuel in any significant amounts will be affected by rising prices. Businesses might also be impacted by changes in consumer behavior related to environmental factors. For example, businesses that rely on tourism would be affected if patterns of travel change because fuel costs make travel either more or less expensive.



**Socio-cultural** factors are a reflection of who we are as people—our attitudes, values, perceptions, beliefs, norms, preferences, traditions, and lifestyles. These factors affect how we behave and what we buy. Socio-cultural trends are strongly influenced by the population's **demographics**, the statistics that outline a group's age, sex, race, and location. Demographics help a business define its target market, as different demographic groups have different customer problems, interests, and spending habits.

For example, the generation born between 1981 and 1996 are considered Millennials, according to the Pew Research Center. In 2019, Millennials surpassed Baby Boomers, the generation born between 1946 and 1964, as the largest living adult generation. This means that Millennials make up a huge percentage of consumers and have enormous buying power. Millennials are the first generation of “digital natives,” who were born into a world where computers were household items and grew up using the internet. They tend to dismiss advertising and prefer to read customer reviews and interact with brands through social media. They are also a socially conscious group of consumers who want to spend money with businesses that align with their personal values. While this might sound like just an interesting set of facts, these factors influence how businesses market their products.

and services and compete for customers. In response to these consumer preferences, businesses might respond by establishing online retail options, paying close attention to social media engagement, and establishing corporate social responsibility programs to attract customers who align with their values. You may also want to consider environmental factors when you think about the socio-cultural factors that affect your business. For example, consumer preferences for sustainable products and growing opportunities in a “green economy” might affect the types of products and services the business focuses on.



**Technological** factors include the application of new tools to improve business processes and increase efficiency. This includes anything from physical tools to more streamlined processes, to digital tools and computing capabilities. Generally, technology allows businesses to increase productivity, allowing them to produce and sell goods and services with greater speed and lower costs. For example, software makes complex tasks such as bookkeeping and inventory management more simple and technology allows entrepreneurs to communicate with employees, customers, suppliers, and others through a smartphone in the palm of your hand. Technology affects the products and services a business might focus on as well as its internal processes. Technology also influences consumer behavior and expectations.



## PEST Analysis

You can put all of this information together into a PEST<sup>1</sup> analysis, which allows you to examine the Political, Economic, Socio-Cultural, and Technological environment surrounding your business *in order to identify potential opportunities and threats*. Analyze each of the factors to draw conclusions about the business environment. For example: Could any of what you learned from PEST help you launch new products and services, enter new markets, or help you improve the way you run your business? A PEST analysis allows you to gain insight into possible changes in your business environment, so you can benefit from them, rather than be harmed.

POLITICAL / LEGAL FACTORS TO CONSIDER	ECONOMIC FACTORS TO CONSIDER
Political and legal structures Monopoly restrictions Political and governmental stability Foreign trade regulations Environmental protection legislation Political orientations Employment legislation Political pressure groups Power of trade unions Political alliances Recent legislation Taxation policies	The nature of competition Overall strength of the economy Unemployment levels Patterns of consumer ownership Availability and price of natural resources GDP trends Money supply Inflation rates Investment levels Energy costs Business cycles Trading blocks
Demographics Lifestyles Behavioral patterns Social mobility Education levels Attitudes Consumerism Attitudes regarding the environment Defining spirit or mood of the society (zeitgeist)	Technological shifts Product life cycles Joint ventures Speed of technology uptake The changing costs of technology Levels of investment in research and development of new technologies (R&D)
SOCIO-CULTURAL FACTORS TO CONSIDER	TECHNOLOGICAL FACTORS TO CONSIDER

Note that some factors are generic because they affect *all* businesses. For example, the rate of inflation is a factor that will affect every business. As inflation rates rise, businesses have to reconsider how they price their products or services, consumer purchasing power decreases, and demand for luxury or “optional” goods and services falls.

The recent pandemic was an economic factor for every business, whether it affected them negatively or positively. For example, restaurants and movie theaters were affected negatively by the pandemic because people were unable to gather together in large groups. However, construction and landscaping businesses were affected positively. Because people were spending more time in their homes, the demand for home improvement projects and projects to create relaxing outdoor spaces increased dramatically.

Similarly, some technological factors such as the use of apps, social media, video hosting services, and payment processing technology will affect every business.



Helen “Skip” Skipper did not serve one long sentence, but for over 20 years, not 12 consecutive months passed without her spending time behind bars. “Usually,” she says, “I would complete a program in jail, get out and do well for a while, then get back into the vicious cycle. I did what drug addicts do, taking whatever wasn’t nailed down. I had to hustle on the streets to get high and hustle in jail to get by. My love for the hustle got fine-tuned in jail, where I had to take nothing and make it into something.” Today, Skip has used her hustle to earn national and state credentials as a Certified Peer Specialist and Recovery Coach, helping transform her life experience into a means to help others overcome substance abuse and mental health issues. Skip also owns her own legal business. “You have to persevere,” she says. “If you can’t do something, you have to find help or teach yourself. You are your business, your business is you. Most of us, we did what we had to to make it on the street. Now we have to take the same principles which got us by then and apply them to our legal enterprises.”

Through her experience as an EIT, Skip started the business Pridizm, which sells rainbow merchandise at Pridefests and parades in seven states on the East Coast. Skip identified a need when she observed that vendors at Pride events weren’t selling rainbow merchandise.

Skip embodies the lesson that entrepreneurs should solve customers’ problems. She bootstrapped at first, taking armloads of rainbow flags to parades; from there, she developed ways to expand her merchandise. The business’s motto is “Coloring the world with Pride!”

Skip's business also embodies the lesson that your business idea should reflect the experience and skills you already have. Coloring the world with Pride is important to Skip as a masculine identified woman—she uses the pronouns she/her/Queen and dresses in men's clothing—because her gender non-conformity caused issues during reentry. Recalling her experience during reentry, Skip says, “I don't wear dresses, make-up, heels and stuff like that. In programs, they would always try to get me to conform because I was not dressed like everyone else. When there were clothing donations, I was looking at the guys' stuff and they would steer me to the girls' clothes. Once I needed a coat and there were men's coats, but I was given a dress. At another program, there was a job working a front desk position. Men in the position would have to wear a suit and women would have to wear a dress. I was willing to wear a suit, but they would not allow it and I was denied the job.”

The way Skip presents and dresses even caused her to receive a parole violation and get sent back to prison because her parole officer assumed that clothing she had purchased—self-affirming clothing that included men's boxers—was going to be resold for drug money. She says, “The most difficult thing about reentry was being authentically me with parole, in drug treatment, and at the shelters. It was difficult to be authentically me when there was so much emphasis on the gender binary, even in programming.” Because of her own experience being shamed and shut out of opportunity, it is important to Skip that people are able to celebrate who they are and live authentically in the world.

A PEST analysis of Skip's business environment might look like this:



Political / Legal Factors	Economic Factors
<ul style="list-style-type: none"> <li>Gay rights advocacy has been prominent in the news for many years—both pro and anti. The AIDS crisis in the 1980s and '90s brought the topic of homosexuality “out of the closet” and into mainstream conversation, and gay rights advocates have worked to promote Pride and acceptance.</li> <li>In 2015, the U.S. Supreme Court ruled to make same-sex marriage a right nationwide. Since then, advocates have promoted transgender rights and opponents have pushed to scale back reforms.</li> <li>Certain states have advanced legislation that would roll back protections for LGBTQ workers or established laws limiting cities and counties from extending nondiscrimination protections to LGBTQ people.</li> </ul>	<ul style="list-style-type: none"> <li>If the current economy is strong, people have disposable income. If the economy is in a downturn, people will have less disposable income.</li> <li>Demographic research indicates that gay couples have slightly higher average incomes than heterosexual couples and only about 30% of gay couples have children. As a result, this demographic has somewhat higher disposable income than the average American household.</li> </ul>
<ul style="list-style-type: none"> <li>Gallup estimates that approximately 4% of the U.S. population identifies as LGBTQ.</li> <li>This is a growing segment of the population, due to increasing social acceptance and willingness to be forthcoming about sexuality and gender.</li> <li>Although socio-cultural norms make identifying as LGBTQ commonly accepted, changing demographics, with the Millennial generation entering adulthood and Baby Boomers entering retirement, as well as political factors create some uncertainty for a business specializing in gay Pride merchandise.</li> </ul>	<ul style="list-style-type: none"> <li>Pridizm currently distributes products at events and parades.</li> <li>Pridizm currently accepts cash payments for sales and does not accept credit or debit card purchases.</li> <li>Pridizm has no presence as an e-commerce retailer and no wholesale partnerships.</li> <li>Pridizm does not have inventory tracking or shipping management software .</li> </ul>
Socio-Cultural Factors	Technological Factors

A good way to identify opportunities is to ask, how might this business increase sales based on the four factors of the PEST analysis? The same is true for threats. How might the business be threatened by these four factors?

Based on this PEST analysis, Skip might identify the following opportunities and threats to her business.

Opportunities	Threats
<ul style="list-style-type: none"><li>Pridizm can capitalize on the political visibility of LGBTQ advocacy and should remain aware of political changes that could impact the appeal of rainbow Pride gear and apparel. Such changes might influence the size of the market, the number of available sales channels, or even the messages printed on t-shirts.</li><li>Pridizm has the opportunity to make in-person transactions easier by using Square or other mobile credit card processing technology.</li><li>Customers are increasingly well-informed, mobile, and socially connected. Pridizm has the opportunity to establish more of an online presence and serve mobile buyers.</li></ul>	<ul style="list-style-type: none"><li>A downturn in the economy will threaten Pridizm's potential revenue, as rainbow merchandise represents a discretionary purchase.</li><li>The coronavirus pandemic has limited people's ability to gather at events and parades.</li><li>If legal protections for LGBTQ+ people are rolled back in key markets, individuals may be less likely to purchase Pride merchandise.</li></ul>



Let's take a look at the business environment for our example business, which plans to sell naturally scented candles online.

Political / Legal Factors	Economic Factors
<ul style="list-style-type: none"> <li>Candles require fire safety labels. Some materials used to develop fragrances require warning labels.</li> <li>There are performance requirements for containers that can be used for candle making.</li> <li>Websites selling candles need to have a terms and conditions page including trademark or copyright limitations, whether prices are subject to change, and a disclaimer of warranties and liabilities.</li> <li>Online sales websites require a sales tax permit. Internet sales tax laws require sellers to collect sales tax on sales made into a state.</li> <li>Sales taxes are collected on finished goods, so the business needs a resale certificate to purchase wholesale materials tax free.</li> </ul>	<ul style="list-style-type: none"> <li>7 out of 10 U.S. households use candles.</li> <li>Candles that use natural waxes are a growing industry with a projected compound annual growth rate of 8.5%.</li> <li>Candles represent a highly discretionary purchase and sales are strongly influenced by the economic climate.</li> <li>Soy wax production supports U.S. farm businesses.</li> <li>Coconut wax production is sustainable.</li> <li>Competition is strong, with many independent craft candle makers competing against industry giants (Yankee Candle), venture capital-backed startups (Otherland), and fashion designers (Louis Vuitton).</li> </ul>
<ul style="list-style-type: none"> <li>90% of candles are purchased by women, and approximately 35% of candle sales occur leading up to the holidays.</li> <li>Candles appeal to customers with interests in self care, well-being, and home decor.</li> <li>94% of soy wax production comes from genetically modified soybeans, which require large amounts of pesticides and fertilizers.</li> <li>Palm wax production contributes to deforestation in sensitive rainforest environments.</li> <li>Consumer use of subscription services for purchases across all categories is increasing.</li> <li>Socially conscious consumers prefer to buy from people rather than large corporations.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing numbers of consumers buy a range of products online.</li> <li>Instagram is an important marketing tool for candle sellers.</li> <li>Online sales are expected to grow as a result of the increasing number of Millennials using smartphones and tablets.</li> </ul>
Technological Factors	Socio-Cultural Factors

Based on this PEST analysis, the business might identify the following opportunities and threats.

Opportunities	Threats
<ul style="list-style-type: none"><li>Using natural waxes and essential oils may appeal to environmentally conscious consumers.</li><li>Because competition is strong in the candle industry, the business might want to develop a loyalty or subscription program.</li><li>The business may want to promote messages related to self care, well-being, and home decor.</li><li>Since scent is the most important factor in customers' purchase decisions related to candles, the business may want to create unique fragrance blends rather than rely on commercially available blends.</li><li>Since socially conscious consumers prefer to buy from people rather than large corporations, the business should develop a strong "maker story" that helps customers connect with the brand.</li><li>To develop strong relationships with customers, the business may want to find ways to give customers the opportunity to customize scents or scent/container combinations.</li></ul>	<ul style="list-style-type: none"><li>With competition strong, the business will need to establish a compelling reason for customers to buy. Branding and marketing will be important.</li><li>Because competition is strong, it will be easy for customers to switch to other products.</li><li>Businesses without good social media marketing will have limited ways to raise customers' awareness.</li><li>Commercially available scents are used by many small candle companies, making it easy for customers to search for common scent names.</li></ul>

## Conducting Market Research

Market research allows an entrepreneur to learn about potential customers and what motivates them to buy products and services. It provides a roadmap to making sales. However, marketing is more than a simple management function—how to make sales—of your business. Marketing can define a central philosophy of your business. Either a business is customer focused, or it's not. Achieving your business goals will depend on your understanding of what customers want and need and delivering products or services that satisfy them more effectively and efficiently than your competitors. Market research tells an entrepreneur what customers want and need. An entrepreneur takes that information and presents his or her product or service as the answer to the customer's unmet need. By becoming a customer-focused entrepreneur and researching your market, you have the opportunity to improve the quality of your business decisions by being informed with accurate and relevant information about your potential customers. You also have the opportunity to monitor and control the business's success by reviewing your business's performance within your target market.

Market research is a systematic process of gathering and analyzing information related to the customer problem you are trying to solve in your business. Quantitative research is about collecting and analyzing numerical data. By looking at the numbers of people or sales, you can find patterns and averages, make predictions, and test causal relationships. You can take information about a smaller group and generalize it out to a wider population. When you look at quantitative research, you may need to identify statistical measures such as the “mean” and “mode.” A mean is an average of all responses. To find the mean, you simply add all numbers in your set of data and then divide by the number of responses, or values, in that set. The mean can tell you what the average customer thinks about a product or service. For example, if you look at 10 customer reviews that rate a product or service on a scale of one to five, an average, or mean, score of 4.1 would tell you that, overall, customers think the business provides a good product or service, but there may be room to improve. The mode is the response that occurs most often in a data set. For example, looking at those 10 customer reviews, you might find that the mode is “4 stars,” with seven responses. Two additional customers might have rated the product or service “5 stars,” while one gave it “3 stars.”

Qualitative research, on the other hand, involves collecting and analyzing non-numerical data such as customer interviews to understand concepts, opinions, or experiences. Quantitative

research tells you how many people share the customer problem you have identified. Qualitative research tells you why people make decisions related to that problem.

Entrepreneurs conduct both primary and secondary market research. Secondary research involves gathering and analyzing existing information. Outside sources of secondary research include information published in newspapers, trade journals, and reports by industry analysts and consulting firms. Internal sources of secondary research include a business's internal sales and marketing data and analysis of customer interviews. Even though it is called secondary, this type of research is generally conducted before primary research. It is "secondary" because it is one step removed from primary, or first-hand, sources of information and includes a layer of analysis or interpretation. Secondary research provides you with an overview of your industry and can help you identify business trends before you conduct primary research.

Primary research is research an entrepreneur conducts personally to gain first-hand information about the market. Primary research allows you to gather new information to meet a specific need. Primary research is both quantitative and qualitative. It is considered "primary" not because it is the first step in conducting market research but because it involves collecting immediate, first-hand reactions to a business's product or service. This could be achieved through focus groups, surveys, interviews, and other ways that enable the entrepreneur to hear what customers want and need in their own words. Primary research can also be conducted by observing customers' behavior through tracking studies or watching how people react during product testing, a critical component of your Minimum Viable Product (MVP) experiment, which you will develop in an upcoming chapter.

For example, if you were launching a new flavor for a coffee beverage, you might begin with quantitative data to identify what flavors are purchased most frequently by customers in the most popular coffee shops in your area. You might then move on to qualitative research to better understand how consumers think and feel about flavors for coffee. You might explore emotional memories of drinking coffee, smelling coffee brewing, and different associations with flavors. You might then return to quantitative data collection by asking customers to sample and rate your new coffee beverage flavor.

In the early 2000s, Starbucks, a popular national coffee store chain, engaged in just this pattern of market research. The company was looking for another coffee flavor to add to the holiday favorites, Eggnog Latte and Peppermint Mocha, which they already had sales data on. The team in their “Liquid Lab,” a secure research and development center at Starbucks headquarters, began to explore ideas for a pumpkin-inspired espresso beverage. They would sample a forkful of pumpkin pie, followed by a sip of hot espresso, teasing out which flavors from the pie best complemented the coffee. Then they conducted quantitative research to determine which recipe produced the best tasting latte. Finally, they launched Pumpkin Spice Latte in 2003 in a limited number of stores. It was an immediate hit, and the company rolled out the new flavor across the country in the following year. Using both qualitative and quantitative research, along with their own creativity, Starbucks created the Pumpkin Spice Latte, which now generates more than \$500 million in revenue each year.





## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. The purpose of market research is to \_\_\_\_.**

- A.** Learn the discipline of business marketing
- B.** Collect information to support a business's success
- C.** Research the competition
- D.** Find and hire the best employees for a specific job

**2. Helena plans to open a new business selling hand-poured soy wax candles. To develop the marketing for her business, Helena visits competitors' web sites to research their offerings, reads articles about consumer trends in home decor, and reviews industry trends. What kind of market research has Helena conducted?**

- A.** Academic
- B.** Primary
- C.** Secondary
- D.** Informal



- 3. After reviewing published information about the candle industry, Helena interviews gift shop owners and sends a survey out to select customers of a local boutique to inquire about their preferences in home decorating and their needs for scented products. What kind of market research has Helena conducted?**
- A.** Academic
  - B.** Primary
  - C.** Secondary
  - D.** Informal



## Apply Key Concepts

### PEST Analysis

As you think about starting your business, it's important to think carefully about the business environment. Now that you've studied two examples of PEST analysis, it's time to create one for your own business. Remember that some factors are generic because they affect all businesses.

Political / Legal Factors	Economic Factors
	
Socio-Cultural Factors	Technological Factors



Based on the PEST factors you listed, brainstorm potential opportunities and threats to your business and list them below. For each factor, ask yourself the following questions:

- **How might my business increase sales based on the four factors of the PEST analysis?**
- **How might the business be threatened by these four factors?**

Remember that some factors may produce either opportunities or threats, depending on what your business does. For example, inflation threatens sales because of higher prices, yet it also creates opportunities for innovative businesses.

Opportunities	Threats



**What steps might you take to take advantage of the opportunities you listed?**

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**What steps might you take to reduce the threats you listed?**

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## Market Research Exercise

Remember that the two methods of market research, quantitative and qualitative, provide different types of information for your business. Qualitative research lets you know the emotional factors or the “why” behind consumer decisions. Quantitative research generally allows you to draw valid conclusions based on numbers and data.

### Step 1: Quantitative Market Research



Quantitative research is a powerful tool to help you make good business decisions. When researching a customer problem, quantitative research in the form of a survey can provide useful and actionable information.

For example, Sam owns a food truck business called The Sandwich Box that specializes in delivering sandwiches to construction sites. His business solves the customer problem of what to eat when you don’t have time to travel away from a work site for lunch. He wants to find out who his competition is and create the most appealing sandwiches for his customers. Conduct primary research on his behalf using a survey, and then analyze it to provide your recommendations.

**1. Which do you prefer for lunch? (circle one)**

- Sandwich freshly made and delivered
- Sandwich brought from home
- Variety of lunch choices

**2. Do you enjoy choosing your own sandwich bread, proteins, and toppings?**

**(choose where you are on the scale from: 1 = yes and 5 = no)**

1      2      3      4      5

**3. Do you prefer to order a combo that includes a sandwich, chips, and beverage?**

**(choose where you are on the scale from: 1 = yes and 5 = no)**

1      2      3      4      5

**4. How much would you pay for The Sandwich Box combo? (circle one)**

Less than \$10    Between \$10 and \$15    Between \$15 and \$20

**5. How many times a week do you purchase a sandwich? (circle one)**

Less than once per week      About 2–3 times per week      Every day, I love sandwiches



## Step 2: Analyze Primary Market Research Data

Use the collected responses from the survey to analyze the primary research market data for Sam's food truck business, The Sandwich Box. Count the number of responses for each question and record the total.

### Question 1: Delivery vs. From Home

How many chose freshly made and delivered? \_\_\_\_\_

How many chose brought sandwich from home? \_\_\_\_\_

How many chose a variety of lunch choices? \_\_\_\_\_

### Question 2: Choose Your Own

Mark down how many circled each number:

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

### Question 3: Combo

Mark down how many circled each number:

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_

5 \_\_\_\_\_

### Question 4: Price Point

Mark down how many chose each price point

Less than \$10 \_\_\_\_\_

Between \$10 and \$15 \_\_\_\_\_

Between \$15 and \$20 \_\_\_\_\_

### Question 5: Purchase Frequency

Mark down how many people chose each purchase frequency

Less than once per week \_\_\_\_\_

About 2–3 times per week \_\_\_\_\_

Every day \_\_\_\_\_



### Step 3: Conclusions and Recommendations

The results of Question 1 will give you guidance on how much competition there is for the lunch business. If most of the people said they want a variety of lunch choices, it might be challenging to succeed in this location. On the other hand, if the majority want a freshly made and delivered sandwich, this could be a great opportunity. What did you conclude?

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Question 2 will help you know whether to create sandwich ideas for people, e.g., turkey and swiss, ham and cheddar, or to simply list the choices and have people choose their type of bread, primary filling, cheese, and toppings. What did you conclude?

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Question 3 will help you discover if you should offer a sandwich, chips, and beverage combo, rather than letting people buy one or two things. People ordering the combo will spend more money! What did you find out?

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**Question 4 gives you a sense of the price sensitivity of your potential customers. What price point would you recommend for Sam?**

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**Question 5 reveals how often people say they will buy a sandwich. If the frequency is low, what could you do to increase it?**

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**What, if anything, surprised you in the results of this survey? What would you recommend Sam do to make The Sandwich Box a big success?**

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**Now it's time to apply quantitative research to your own business idea. What are some of the unknowns around your business? What information might you want to find out from potential customers? List seven to ten questions that you might use for a customer survey or focus group.**

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**How do you feel about the prospect of conducting primary market research?  
What do you think makes you feel that way?**

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**“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.”**

*—Peter Drucker*

# Developing a Customer Profile

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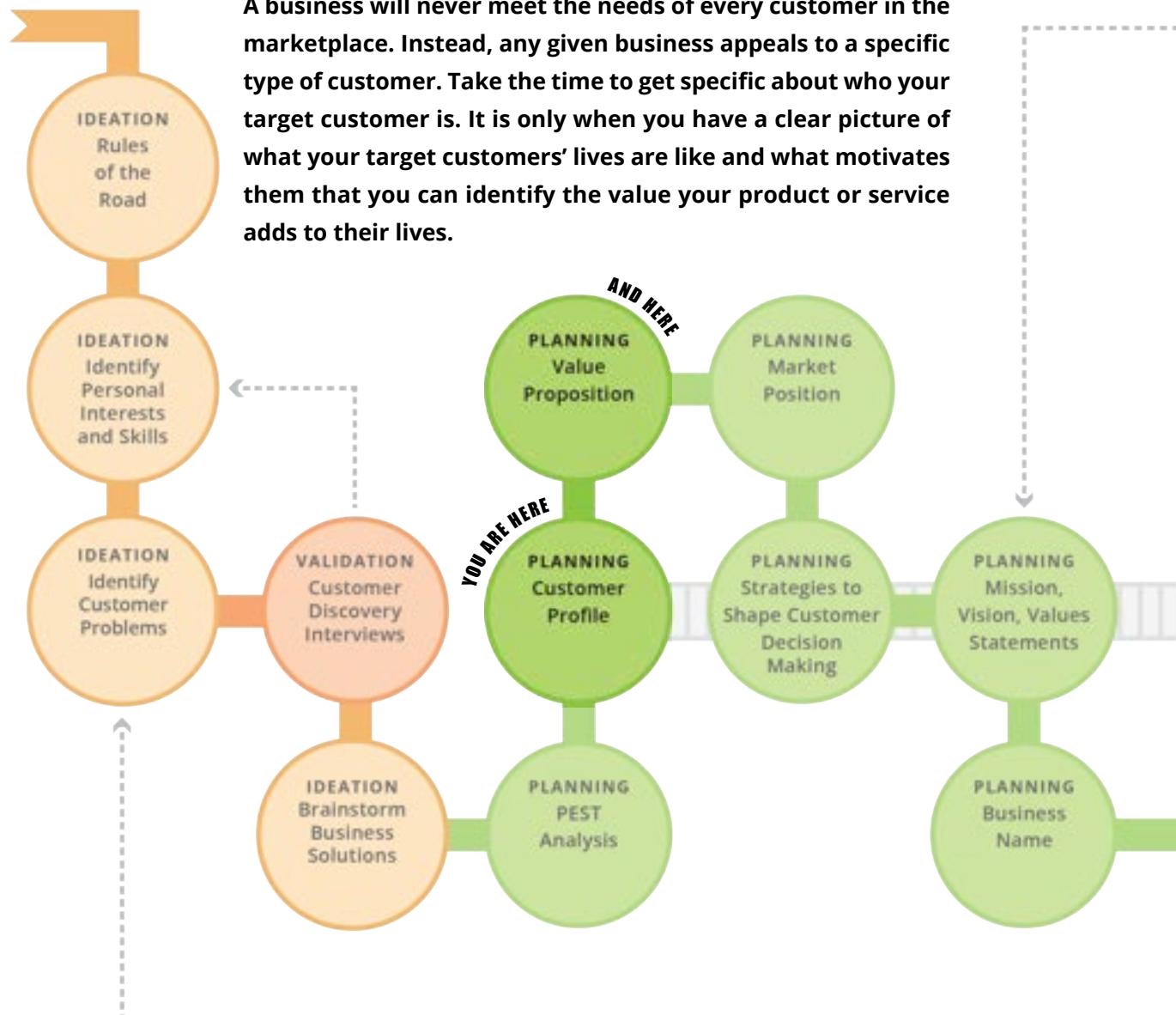
## Preview

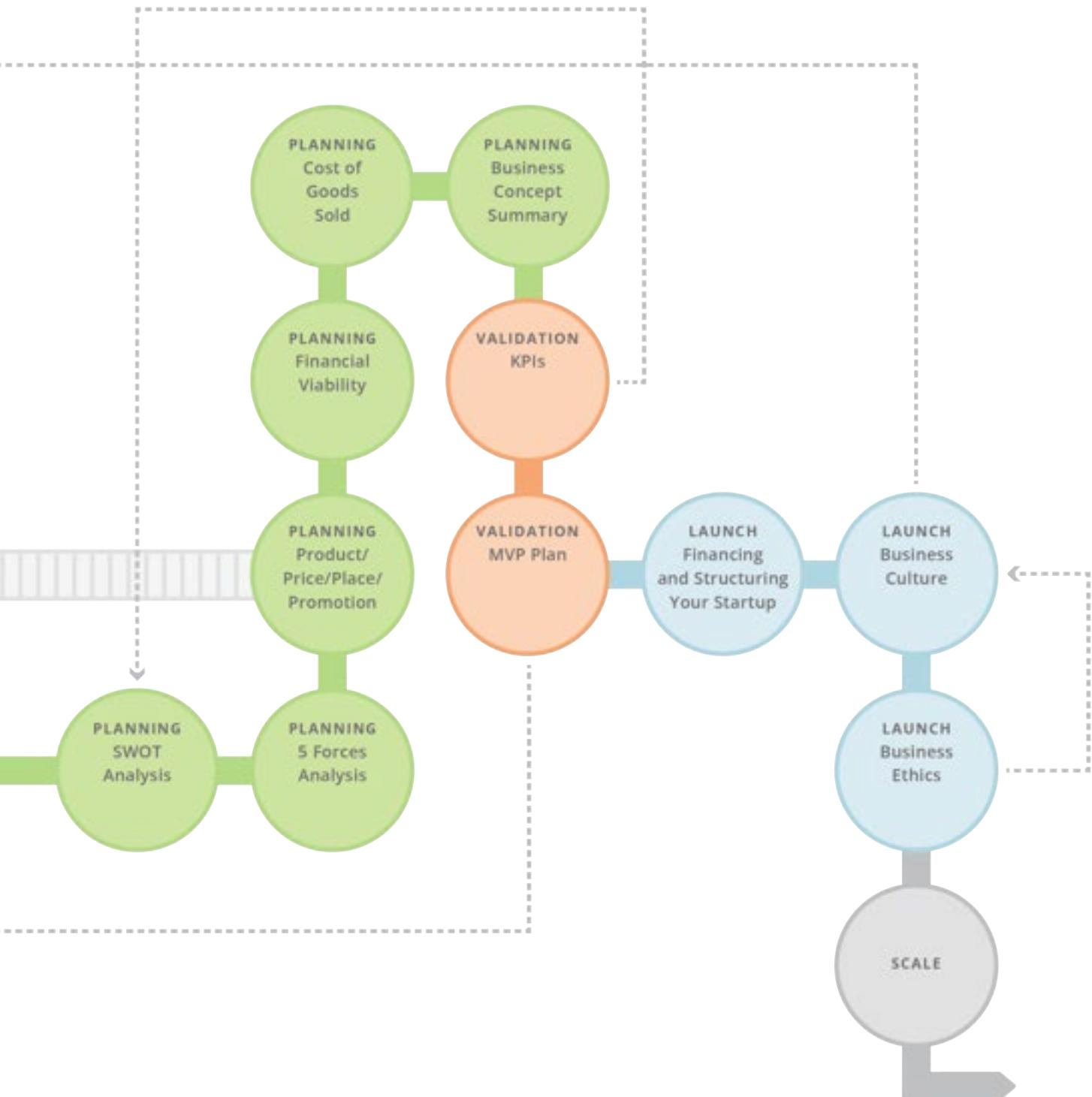
### **After reading this chapter, you should be able to:**

- Understand the nature and purpose of market segmentation.
- Understand how markets can be segmented.
- Understand the factors that influence consumer behavior.
- Understand how positioning your product or service is related to market segmentation.
- Identify characteristics of a viable market segment for your product or service.
- Develop a customer profile.
- Define a business's value proposition.
- Identify the value proposition your product or service represents for your target customer.



## Entrepreneurship Pathway Outline







**A**s your business seeks attention and customers in a crowded market, it is tempting to “cast the net” for customers as wide as possible. If you ask a start-up business owner who is going to buy his or her products or services, he or she will often answer “everyone!” The owner sees all people as potential customers. However, the market doesn’t work this way.

Your potential customers will be part of a **market segment**, a subgroup of the entire market—or “everyone”—who share similar interests, requirements, or buying characteristics. As an entrepreneur, you will need to identify which characteristics are the most important for your product or service. Members of a market segment should be more similar than different based on the characteristics that are important for your planned product or service. There will be multiple market segments that you *could* target, but it’s important to choose one or perhaps a few that will be financially viable, or potentially profitable, given the customer problem you are trying to solve. You should limit the number of market segments you plan to target with your business, as no one business can solve all customers’ problems. As you start to define your target market segment, you will begin to specify a set of demographic, family life-cycle, geographic, behavioral, and psychographic traits of the potential customers who match the need addressed by your business’s product or service. Your customer profile needs to be based on research rather than on your perceptions alone. That research might come from your earlier customer discovery interviews as well as secondary research related to market or industry trends.

An explanation of what each of these segments means is included in this chapter.

## Market Segments

**Demographics** include data about a population and particular groups within it. Demographic information includes race, sex, age, education level, household income, and household size. If you have ever filled out a Census form, you know that it asks many detailed questions. These are all demographic questions, making the U.S. Census Bureau a primary source for this kind of information.

As a subset of demographic information, some EITs may want to think about their target customer's place in the **family life cycle**. Family life cycle analysis helps you identify the different needs and preferences of people who are young and single, are newlyweds, have families with young children, have families with older children, are empty nesters, are retired, or are widows or widowers. At various stages of the family life cycle, people need different products and services and their income levels vary, such as when children go off to college or the primary breadwinner leaves the workforce.



LIFECYCLE FROM BIRTH TO OLD AGE



For example, consider our example business that plans to sell naturally scented natural wax candles online, allowing customers to mix and match scents within a limited range of container types. The business's problem statement is, ***“People want affordable items that make natural scents part of the atmosphere they create in their homes and connect them with a sense of place or pleasant memories. The options available today can be overwhelming or too sweet and perfumey.”*** Candles are purchased at about the same rate across all income and education levels and among all ethnicities. However, based on the business's problem statement and customer discovery interviews, the business might target professional women ages 25 to 64. The target customer is female, since 90% of candle purchases are made by women. The people in the targeted demographic age groups are likely to have the disposable income to make regular discretionary purchases and be interested in products that “transform” their home environment, produce a “calming” oasis, or create a sense of place.



It would be possible for the business to be even more targeted in its demographic segmentation. For example, since millennials are one of the biggest purchasing groups, the business could target the segment of potential customers who are 25 to 34. On the other hand, there are many businesses already targeting this segment. Women in this segment are also more likely to have families with young children and may be less likely to purchase candles regularly. Thus, the business might want to target customers who are between 35 and 64. These customers may be overlooked by competitors who are targeting younger consumers.

**Geographic** traits allow you to think about where customers live, providing valuable location information about how many potential customers reside in a given area. Geographic information includes **location** (country, state, city, zip code) as well as **population size** and **density**. The **climate** of a given geography may be a relevant factor for your customer profile if, for example, your product or service relies on weather that is hot, cold, snowy, or rainy. Geographic information can also tell you about the **urbanicity** of your target market—whether your target customers live in urban, rural, or suburban environments.



In the scented candle business example, geography would not be a significant factor for developing

the customer profile, as people from all areas of the country as well as urban, rural, and suburban regions purchase candles.

A customer profile also includes **psychographics**, or lifestyle characteristics. Psychographics provides an analysis of *how* people live and interact with their environments. Beyond the demographic factors and behavioral drivers, it is a way to identify a person's way of being and acting in the world. Psychographics allow you to think about the values, attitudes, and psychological needs of people in different social or demographic groups to help you understand why and how they make their purchase decisions. You might want to consider whether your target customers think of themselves as "worldly" or "traditional," are focused on personal health, motivated by environmental or social justice issues, or interested in experimentation, among other personal values, attitudes, and lifestyle traits.

You can think about the psychographics of three broad categories of potential customers. The first group of people are *sustenance-driven*. They are economically disadvantaged and motivated by material security. They may be traditionally-minded working class people or people who feel a need to belong within the larger society who tend to be more conservative in their tastes and reluctant to experiment with new products or services. The second

group of people are *outer-directed*, motivated or directed by social needs outside of themselves. This group has money to spend and is typically aware of what other people will think about their purchase of a product or service. They tend to be motivated by a desire for status, achievement, and personal enjoyment. The third group of people are *inner-directed*, and are likely to place more emphasis on their individual needs than external values. They may want to experience a wide variety of what life can offer. They may also be socially resistant and motivated by a sense of responsibility and justice and a need to improve social conditions. The psychological motivating factors for each of these groups influences how and where they spend their time and money to sustain their lifestyles.



In the scented candle business example, the business might target customers who are motivated by individual needs. For these customers, a candle might represent an everyday indulgence or a gift they purchase for themselves. The target customer is interested in personal well-being and a socially conscious desire for natural and non-toxic products. This target customer would *not* be seeking products that communicate status or creating a decorating focus. Instead, the target customer is interested in products that are sophisticated and minimal, blending in to an established decorating style and producing a calming, cozy environment.

**Behavioral** traits of a target segment include the attitudes and knowledge of potential customers as well as the benefits they are seeking, their customer loyalty, and their usage rates of a product or service. In this case, the word “behavioral” **does not** refer to what motivates an individual’s behavior—that’s psychographics—but rather to the measurable behavior and actions of consumers in the marketplace as they interact and engage with products and brands.

Think of the kinds of data a store collects through customer loyalty cards to get a better understanding of the difference between psychographic and behavioral traits. A customer loyalty card cannot tell a business owner what values and attitudes motivated the customer. It can tell the business owner what product categories a customer typically buys, how frequently the customer tries something new, or whether a customer changes purchase behavior when a new product or brand is on sale.

You might want to consider whether your target customers are technologically savvy or are current or former users of a similar product or service. You might want to also consider their attitudes toward big-name brands, how frequently they will want to use your product or service, and how loyal they will be to keep returning to your business to fulfill their needs. Thinking through these drivers of consumer behavior can help you identify the benefits

your target customer is seeking in the products and services they choose.



In the scented candle business example, the target customer is tech savvy and likely to purchase products online. The target customer prefers to buy from *people* rather than large brands and develops strong loyalty to brands and products. The target customer is a frequent and regular user of candles and tries new products based on appealing scent and design as well as price.

Overall, demographics, family life cycle,ographics, psychographics, and behavioral characteristics add up to a broad portrait of your target market. To be viable, a market segment also needs to be measurable and reachable.



In the case of the scented candle business, you can measure the market segment using population data, and you can reach this population through targeted advertising. Since the scented candle business will sell online, it would not be limited to population data for the region in which the business is located.

Based on your understanding of your business's target market segments, you will develop a **customer profile**. You should be able to define your target customers' age range, family size, household income, profession, place of

residence, motivators of behavior, and purchasing behaviors. You might also need to gather more specialized or localized information from geographic segmentation. For example, if you wanted to launch a business that targets the campus community of a major university, you would want to develop a profile specific to the population of that group of people.



**Our example scented candle business might establish a customer profile such as:**

**Sadie Webber** is a 41 year old manager who enjoys books, photography, travel, wine, and yoga. She lives in Oak Park, IL, has been married for ten years and has two children, ages 9 and 6, and a dog. Her monthly combined household income is \$15,000. She is too busy to do much research before making purchase decisions and relies on recommendations and reviews to find new products. Sadie spends time on Facebook and Instagram and is willing to try new products that appeal to her interests in health, well-being, and eco-friendliness. She prefers to buy from people, not brands, and likes to support small producers. She shops on Amazon for convenience rather than browse at multiple stores. She uses subscription-based purchases for multiple home purchases including personal care products, paper products, and pet food. Sadie develops strong loyalty for brands that meet her tastes and interests, especially when they have corporate social responsibility programs.

DEMOGRAPHICS	GEOGRAPHICS	PSYCHOGRAPHICS	BEHAVIORAL
35 yrs–64 yrs Upper-middle class Married with children	Suburban city closely linked with an urban market	Enjoys books, photography, travel, wine, and yoga Things she enjoys align with internal motivations rather than external motivations Pet owner Likes to support small producers Motivated by corporate social responsibility linked to interests in health, well-being, and eco-friendliness	Prefers to buy from people, not brands Shops online for convenience Reads user reviews Uses subscription services for household products Strong brand loyalty

## Defining Your Value Proposition

When you fully understand your market segment and develop a customer profile, you can begin to identify ways to attract customers, differentiate your product or service, and establish a compelling value proposition. A business's **value proposition**, also referred to as its unique selling proposition (USP), is a service or feature that makes a business uniquely attractive to customers. Your value proposition allows you to stand out from the competition and differentiate your product or service. **A value proposition must come from the customer perspective.** Although it might highlight what makes your business different from competitors, it should always focus on *how customers define your value*. A value proposition is not a slogan or a tagline. It's not a statement of your business's market position. Instead, a business's value proposition identifies the aspect of your business that solves part of the customer's problem *that other competitors don't*. You gain an advantage in the market when you offer something that so strongly appeals to the target consumer that he or she chooses you over the competition. Your product has to be better at meeting your target customers' needs than other options available in the market, which is why understanding their psychological and behavioral motivators is so important.

After developing your customer profile, your business's value proposition should start to become clear. Your value proposition summarizes what motivates a consumer to purchase one product or service over others. It should directly address your customers' needs and the benefits they are

seeking. Your value proposition should be something specific and distinctive. All businesses claim to provide excellent customer service, so this should not be the basis of your value proposition. It also has to be a positive statement that affirms the quality of your business rather than trying to differentiate your product or service by referring negatively to the competition.

To develop your business's value proposition, you might use the value proposition canvas included in the Apply Key Concepts section to think through your target customers' **wants** (emotional drivers), **needs** (rational motivators), and **fears** (undesired outcomes). You can connect those wants, needs, and fears to your product or service's **features** and the customers' perception of the **benefits** and **experience** of using it. Think from the customer's perspective about how using your product or service increases pleasure or decreases pain, how the features improve the customer's life and how using it makes the customer feel. Reflect back on what you started to learn about potential customers through the customer discovery process. You will be able to modify your value proposition as you learn more about potential customers when you develop a Minimum Viable Product (MVP) experiment.

You might also approach developing your business's value proposition using a simple formula to distill all of the insights you gained identifying your target market segments into a single sentence:

*We help (X) do (Y) by doing (Z)*

### Example Value Propositions:

#### DEFY VENTURES

We give people with criminal histories their best shot at a second chance by changing mindsets to increase economic opportunity and the odds of successful reentry.

#### WARBY PARKER

Warby Parker offers fashionable, quality glasses at an affordable price coupled with a convenient way to try on and purchase glasses.

**ZAPPOS**

Zappos's value proposition is their customer service, providing 24/7 customer service, uncomplicated returns, and free shipping both ways.

**IKEA**

IKEA offers a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible are able to afford them.



**Our example scented candle business might establish a value proposition such as:**

“We help busy people transform their environment into a calming oasis by connecting them to nature, memory, and emotion.”

As you can see, a business's value proposition relies on a thorough understanding of the target customer's needs and preferences and shares the benefit the target customer can expect from purchasing that business's goods or services. The value proposition *does not* state what that business does particularly well or share how it stacks up against the competition. Instead, the value proposition focuses exclusively on the customer's perspective and starts to inform the business's pricing decisions and manufacturing decisions. For example, the furniture company, IKEA's value proposition states that “as many people as possible are able to afford” to buy their products. If the company were to charge premium prices, it would undermine its value proposition. To keep prices low and in line with its value proposition, IKEA manufactures its products in China, ships products using flat packaging, and sells furniture that customers frequently have to assemble at home.

In “Sizing up the Competition,” you will think about competitors in the marketplace and compile a competitive matrix that compares how well your product or service addresses your target customer's needs. In “Introduction to Marketing,” you will identify how to price and market your products or services based on the value they provide your potential customers.

## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Your business's value proposition is \_\_\_\_.**

- A.** How much you value, or charge for, your product or service
- B.** What drives a consumer to buy your product or service over others
- C.** Higher for products and services that fulfill emotional needs
- D.** How much your customers are willing to promote your business

**2. A customer profile is \_\_\_\_.**

- A.** A description of a favorite customer's buying habits
- B.** An article that describes customers within an industry
- C.** A feature article on a business blog that profiles top customers
- D.** A description of the target customer's needs, preferences, and characteristics

**3. A customer profile includes \_\_\_\_. (Choose all that apply.)**

- A.** Demographics
- B.** Infographics
- C.** Geographics
- D.** Psychographics



**4. Which of the following business owners should consider family life cycle in their customer profiles? (Choose all that apply.)**

- A.** Gerald, who plans to open a window cleaning company.
- B.** April, who plans to sell jewelry customized with children's birthstones.
- C.** Sharon, who plans a catering company that focuses on healthy soul food.
- D.** Alex, who plans a meal preparation and cleaning service for seniors.

**5. Jerry launches a food truck selling Mexican food in New York. His target customer is motivated to purchase food that is healthy and sustainably produced. The target customer can choose from other offerings of convenient and low-priced food truck options. Which of the following best articulates his business's value proposition?**

- A.** Jerry's Burritos is the best quality Mexican on the Lower East Side.
- B.** Jerry's Burritos is the first Mexican food in the neighborhood to use local, organic produce.
- C.** Jerry's Burritos has the best value-priced food on the block.
- D.** Jerry's Burritos is a new business selling Mexican street food to busy business people.



## Apply Key Concepts

**In your own words, what is a business's value proposition?**

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### Customer Profile

Imagine that you are developing a company that provides home cleaning services. The following description is of your target customer. This description is representative of a larger group of customers who repeatedly use your cleaning service.

Mindy is a 35-year-old woman who lives in the Fort Greene neighborhood of Brooklyn with her husband and two children, ages four and six. Residents of the neighborhood are diverse in terms of age, race, and income. The majority of neighborhood housing consists of apartments in brownstones and converted industrial lofts with some new buildings. Mindy is worried about her family's exposure to chemicals in the environment and to air contamination from the elevated highway that runs a block away from her home. She cares about contributing to a healthy environment and about supporting local businesses. She is willing to pay a little extra to make sure she's buying a product that's sustainable from a locally owned company.

Based on this customer description, write out your analysis of the target customer's demographics, geographics, psychographics, and family profile. You may add detail to your profile that is missing from this description. Feel free to get creative here. Remember that you're developing this customer profile for a company that provides home cleaning services—not on your own business.

### Demographics (Include Age, Race, and Sex)

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### Income Level / Profession

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## Geographics

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### Family Profile

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### Behavioral Characteristics

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### Psychographics

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**What information did you need to add or infer from the customer description?**

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**What are Mindy's behavioral drivers?**

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**What will be most important to her in choosing a cleaning service?**

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**What are Mindy's likely obstacles to making a purchase?**

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**What will stop her from hiring a service provider?**

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**What do you think will be Mindy's expectations from the buying experience?**

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**What will keep her coming back and becoming a repeat customer?**

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**What would prevent her from becoming a repeat customer?**

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**Write out a customer profile for your business's target customer.**

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**What are your customer's behavioral drivers?**

.....

**What will be most important to him or her in choosing your product or service?**

.....

**What are your target customer's likely obstacles to making a purchase?**

.....

**What will stop him or her from purchasing your product or service?**

.....

**What do you think will be your customer's expectations from the buying experience?**

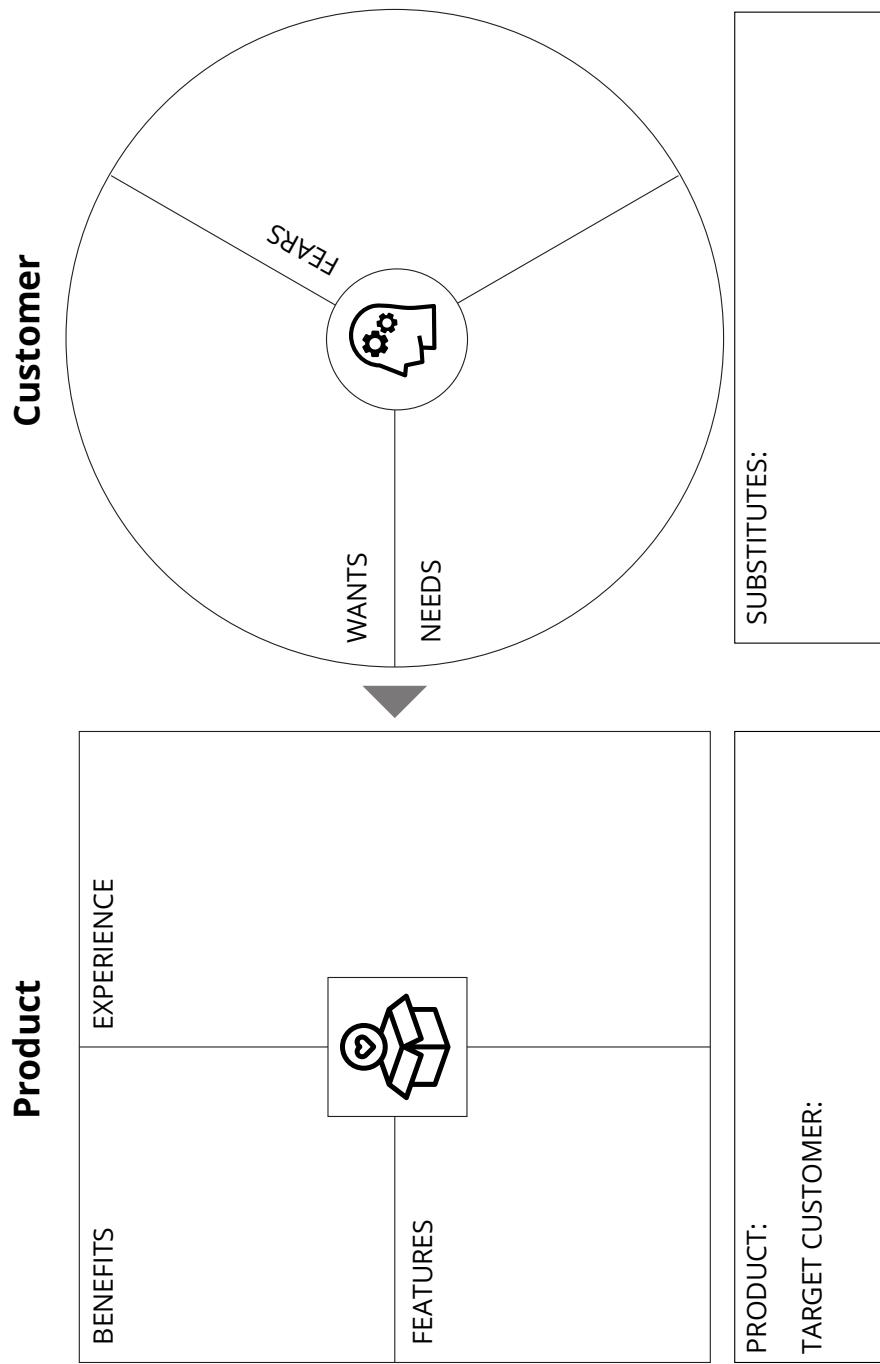
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**What would prevent him or her from becoming a repeat customer?**

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**Use the Value Proposition Canvas below to organize notes about your product and customer.**



**Based on your target customers' needs and the benefits they are seeking, summarize your business's value proposition.**

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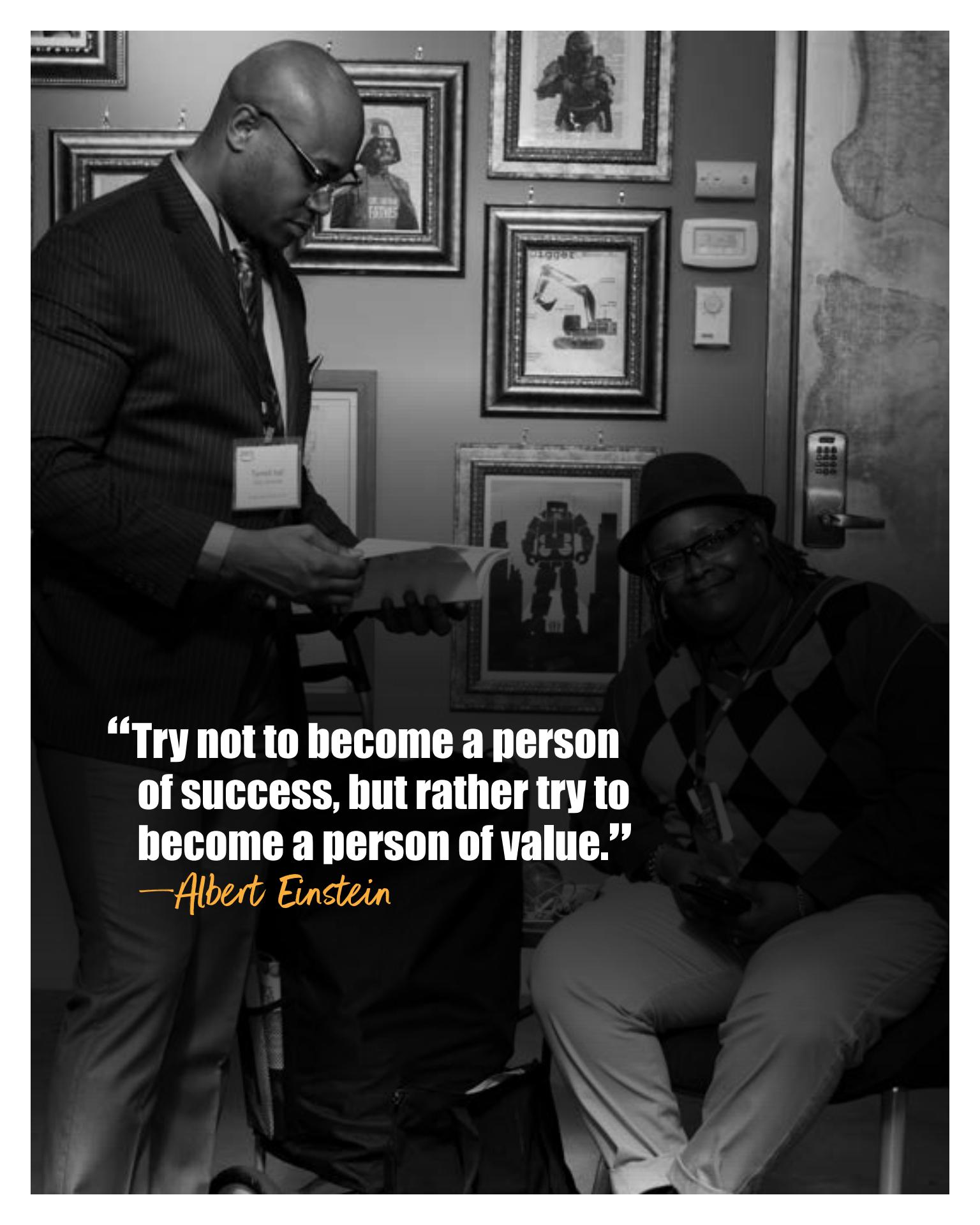
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**“Try not to become a person  
of success, but rather try to  
become a person of value.”**

*—Albert Einstein*

## The Power of a Promise

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## Preview

### **After reading this chapter, you should be able to:**

- Understand the power of a promise.
- Apply the STOP UP technique to people or situations that make you feel suspicious.
- Identify the connections between self-limiting beliefs, promises, and suspicion.
- Make promises and take action to fulfill them.





**L**ike most humans, you know from your own experience that a broken promise can cause incredible pain for the person who is let down, but also for the person who failed to keep the promise. In some instances, a broken promise can erase any remaining trust or love between people. The same is true in the world of business. As an employee or entrepreneur, a broken promise can result in decreased trust and lost opportunities, so keeping promises is vital to your success.

So how do you make promises you can keep in order to avoid breaking promises altogether? What is involved in bringing a promise to fruition? And how do you repair the damages of broken promises?

## Promises and Commitment

**Promise:** a declaration, written or verbal, made by one person to another, which binds the person who makes it, either in honor, conscience, or law, to do, forbear, or not to do, an act, a certain act specified. A declaration which gives to the person to whom it was made a right to expect or to claim the performance or forbearance of the act.—Webster's 1828 English Dictionary

Sometimes it's helpful to look at the origins of words to understand them more fully. Take a look at the Latin root meanings for promise and commitment to see what they can tell us:

- **Promise:** from the Latin root meaning “to send forth”
- **Commitment:** from the Latin root meaning “to send with”

A promise is a declaration about something that is being sent forth—something that “will be” in the future. It states something that is yet to come.

*For example:*

- *Jamal tells Aaron he will meet him at 9:30 on Tuesday morning to discuss Aaron's business plan.*
- *Vincent promises to be a dependable father to his daughter Rita from now on.*

A promise alone, however, is merely a statement of words. It does not magically come to be just because it has been stated. A commitment is the invisible and unspoken spirit or pledge that you send with any words you speak in a promise to another person. In order to be at the 9:30 meeting or to be a dependable father, something inside of you has to resolve to make that promise come true.

for payment. It is a legal and binding document. Again the etymology, or origin, of the word is interesting here: the word promissory shares the same root word as promise.

Once any promise is made between two parties, the receiving party has the right to expect and claim the product of that promise. And the promising party has a duty to act according to that promise. Think about how this applies to the two earlier examples:

## A Promise as a Contract and a Duty

Once a promise is made, it becomes a verbal and relational contract between two parties—a father and a son, a business owner and a customer, a politician and a citizen, and so on. A promise, whether to someone you know or don't know, binds the two parties together at some point in the future. The solidity of the relationship depends on the performance of duty in keeping a promise. This is why saying that you will "try" to do something is a half-hearted promise—one that you know deep down you may choose not to keep. Back all of your promises with a commitment to do, not to try.

If thinking about a promise as a contract seems extreme, think about the term "promissory note." A promissory note is a written promise to pay someone a certain amount of money, typically for a loan, usually with a fixed date

*If Jamal tells Aaron he will meet him at 9:30 on Tuesday morning to discuss Aaron's business plan, Aaron now has the right to expect that Jamal will be there. Aaron can make his own plans based on that promise. Jamal has a duty to show up to meet Aaron.*

*If Vincent promises to be a dependable father going forward, Rita now has the right to expect her father to be dependable in his actions and behavior in the future. She can make assumptions and plans based on the expectation that he will be there. Vincent now has the duty to respond responsibly to Rita's needs.*

These examples illustrate that a promise is more than a series of words or a legal contract. In fact, on a deeper level, a promise is a transformative act: **it transforms a right you**

**have for yourself into a duty you have to somebody else.**

Before the promise, Jamal has the right to plan his time however he chooses. And he has the right to make the promise. Once he makes the promise, however, he surrenders that right and gives it to Aaron, who now holds that promise as a claim. In other words, Jamal's right becomes Aaron's right. It is now Jamal's duty to keep his word.

Until his promise, Vincent had a choice about his behavior towards his daughter Rita. But when he promises to be a dependable father, he gives up that right to his own behavior and turns it into a duty. His behavior is now bound to his daughter. He owes her his dependability.

The examples also illustrate why broken promises have such a damaging effect—they are the breaking of a bond—a tie or link between two entities. When promises made between parties who have a close or personal relationship are broken, the results can be devastating. The people who are close to you—a child, spouse, parent, friend—rely on your word. If your word is no good, trust is broken and the foundations of the relationship can begin to crumble. Even when a promise is not personal, it is still a critical contract—and a testimony to your character. Think about what each of these situations says about a person:

- When a promise is exchanged and the duty to perform it lies well within the grasp of the promising party and they do not perform, it illustrates his or her character in a negative light.
- When a promise is exchanged and the duty to perform it is within the grasp of the promising party and they perform said promise, it builds trust between the two parties.
- When a promise is exchanged and the duty to perform it lies outside of the promising party's scope of performance and hence they are unable to perform, it is considered forgivable.
- When a promise is exchanged and the duty to perform it lies well outside the grasp of the promising party, and yet they still perform, it shows an unusual strength of character.

If your word is really your promised bond, other people in your life will take notice. You will build trust by following through on your promises.

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## Commitment as Action

Remember that a promise is merely words if there is no internal commitment to making that promise a reality. When you commit to something, you cause it to happen by “going with” the promise into the future. Without the actions that are the substance of a commitment, a promise is never kept. When you make a promise, it is critical to think about the specific actions you will take to keep it. Without those actions, your promise is meaningless.

Think about Vincent's promise to be a dependable father to his daughter Rita.

*When Rita was 14 years old, she began experimenting with sex and drugs. Vincent traveled frequently for work, and his wife asked him to stop traveling so much to help her with Rita. Vincent's first action to fulfill his promise to become a dependable father was to come home and commit to spending more time with Rita. He decided to pick her up from school every day, spend time doing homework with her, and try to talk with her until they got to some sort of breakthrough. Rita's response to Vincent's action was to ask sarcastically, "So is this your effort at being a good father now?"*

*Vincent feels angry and hurt. His automatic thoughts are about his daughter's disrespect and he wants to lash out at her. He also feels guilty, because he knows he hasn't been there for her in the past and that his actions might appear to be a token gesture rather than genuine commitment and caring. His anger and hurt are directed at himself as much as at Rita. He takes a deep breath and says, "Okay, true. This is probably more about me than you right now, but I care about you, and I'm going to keep trying."*

*This goes on for several months and the tension between Vincent and Rita increases. He wants to stop trying because he doesn't see any way to make the relationship better and he's convinced he will fail. One day in tense silence, Vincent was driving Rita to school. He tried asking her questions, but Rita refused to respond. Finally, he pulled the car over and said, "Honey, I love you like you have no idea, and I'm screwing up, but I want you to know something. I'm the only father you're going to have, and I'm going to screw it up until I get it right, and I'm not giving up."*

*Rita's response surprised Vincent. She hugged him and started to cry, saying, "I was afraid you were going to send me away. Now I know you love me because nobody would keep going like this if they didn't love me."*

Vincent's commitment to Rita was not just words. Instead, it was the internal pledge combined with the specific—and exhausting—actions he took to continue to show up for his daughter that eventually convinced her that he meant what he said.



## Promises and Your Past

In an ideal world, promises would be easy to make—and easy to keep. However, although a promise is a contract, it is not a guarantee. Things come up, plans change, and life happens, despite the best level of commitment to a promise. When honest conversation joins people together, a promise that has to be broken out of necessity does not have to destroy the relationship. Realistically, however, it's important to remember that promise-making brings to the table all of the past life experiences that you and the other party have had. In other words, promise-making can activate automatic thoughts and self-limiting beliefs for both parties. If you have a history of people breaking their promises, you might find it hard to trust someone who makes you a promise today.

That's a natural, human response to life experience. However, when you can't accept a promise based on your own past history, you give the past control over your current and future life, jeopardize the opportunities that may lie before you, and ask the other party to bear the burden of your past. You limit your ability to transform your relationships with others. Therefore, you may not want to use your past experience to distrust others automatically, just as they shouldn't use theirs to judge you. Instead, you can face your history realistically and break the cycle of distrust when you can.

Even if you have significant misgivings based on your past experience, you do not have to view everyone with suspicion.

Take a look at how this works in the example between Jamal and Aaron:

*Jamal tells Aaron he will meet him at 9:30 on Tuesday morning at a local coffee shop to discuss his business plan.*

*Now imagine that in Aaron's past, many people have broken their promises to him. And now Jamal, whom Aaron doesn't know very well, has made a promise to meet Aaron at a specific time and place. What happens to Aaron in this situation? He probably has a hard time deciding what to do. He might ask himself, "Do I trust Jamal? Will I expose myself to some degree of loss with this person?" Aaron's unfinished business in the past with broken promises challenges his ability to make a promise in the present. Consider all that Aaron might miss out on if he doesn't accept the promise: Jamal's advice on his business plan, Jamal's friendship, and the opportunity to build trust and transform his ability to relate to someone else.*

*If Aaron accepts the promise, Jamal is bound to him. Aaron is setting his life and his resources up to be at the coffee*

*shop at 9:30, and that time now belongs to him. Jamal has given it to Aaron, who has received it; now Aaron has a right to expect and claim that time. In other words, the promise now binds Jamal and Aaron in the future.*

*We tend to claim promises after there has been a breach of the promise; for example, “Why didn’t you show up?” But the time to claim a promise in a good relationship begins the moment it is made.*

*Think about the example of Jamal and Aaron again.*

*Imagine that Aaron overhears Jamal talking to Silvia about plans to go to get breakfast on Tuesday morning at 9:30. If Jamal makes a new promise to Silvia, he destroys the future that he had committed to with Aaron. But Aaron has the right to step in and claim that time because Jamal had given it to him in the promise. In so doing, Aaron and Jamal have the potential to strengthen their relationship through the bond of their promise.*

## Suspicion

Broken promises can leave you feeling disappointed or even betrayed, because something you had counted on wasn’t fulfilled. Betrayal is a violation of someone’s trust. If you have experienced a pattern of broken promises and betrayal, it may lead you to feel suspicious of new promises and relationships.

**Suspicion:** The imagination of the existence of something without proof; or upon very slight evidence; or upon no evidence at all. Suspicion often proceeds from the apprehension of evil.  
—Webster’s 1828 English Dictionary

Pay particular attention to these words or phrases from the definition: “imagination,” “without proof,” “upon very slight evidence,” “no evidence at all,” and “apprehension.” They reveal that suspicion is seldom based on solid knowledge. Suspicion is often unconnected to an accurate view of reality. Instead, suspicion is the anticipation that there is something meant to sabotage or harm you in some manner without real evidence to support that apprehension.

Think about your own automatic thoughts and feelings when you have felt suspicious and the ways in which those thoughts and feelings influenced your behavior. If you suspect foul play in a conversation with a colleague, for example, you will adjust your conversation in an effort to play along, but with your defensive

mechanisms in place—ready for the slightest proof that your suspicions were correct. Suspicion becomes a burden on you.

Now add another layer: perhaps the individual of whom you are suspicious has harmed you in the past. Or perhaps the current situation resembles something that someone else previously did that has nothing to do with the current individual. You might still be suspicious because once someone has harmed you, it is difficult to see him or her in a different light, and similar situations may always put you on the defensive. Living with that kind of suspicion long term undermines the foundation of any relationship. However, since suspicion is a response to apprehension, it is related to an automatic thought you can learn to control.

The key to confronting suspicion is realizing that your perspective and assumptions—the reality you experience—may not be shared with the other person and remaining flexible enough in your thinking to imagine other motivations and perceptions of a given conversation or event. Instead of becoming suspicious and defensive without even thinking, you might remember to STOP UP—to pull back and gain perspective, considering multiple points of view before you interpret others' actions. Just because you think that someone or something is “out to get you” doesn’t mean they truly are. Recognizing there is more than

one perspective on external events allows you to view the situation as a conversation between differing assumptions. This decreases the impact of your perceptions and allows you to see the complexity of the situation—not just limit yourself to your own automatic thoughts and feelings. If your automatic thoughts about an interaction, conversation, or event do not tell the full story, you can adjust your perspective so you can view it without suspicion.

A valuable method for identifying your automatic thoughts is to notice points in a conversation that make you feel defensive. Remember the acronym, STOP UP. Get curious about the assumptions you are making and start to analyze them. Why has a particular statement or glance in your direction caused you to become defensive? Instead of lashing out, examine the statement at face value and think about what the other person may be attempting to communicate. You might use this as an opportunity to examine the emotions that are sparked by your automatic thoughts. A moment when you feel defensive may trigger feelings of anger or anxiety. These emotions may lead you to uncover a self-limiting belief that you can work on that can improve your ability to react to this person or a similar situation in the future.

*Imagine Victor is having a conversation with Rachel about who will take their children to school and who will pick them up afterwards. Victor says that he has to be at work early to prepare for a meeting and that his availability is slim around the time the children will be getting out of school for the day.*

*Upon hearing that information, Rachel's automatic thoughts might be, "Victor is going to be busy all day, and he is assuming I have nothing going on, so he just said it will be my job to take and pick up the children today. I asked him for more help with Rita. He's breaking his promise to take more of an active role in her life."*

*If Rachel immediately becomes suspicious of Victor's intentions, she might feel irritated, defensive, or resistant. The conversation could quickly devolve into an argument that ends with both Victor and Rachel going to work angry and frustrated.*

*Now consider another approach. Before Rachel invests in her own perception and becomes suspicious of Victor's motivations, she pauses before responding and slows down her reaction. She reflects on the specific time when their children need to arrive at school and considers the time Victor is normally supposed to be at work. Next, Rachel asks questions. Is it possible that Victor could drop the kids off on his way to work since she has a busy morning too? She explains that her afternoon is open, so she could pick the kids up from school. By opening herself up to other solutions, Rachel is able to think about Victor's perspective rather than assume his motivations. In fact, he was not telling her to do all the carpooling—he was letting her that he was stressed about a busy day and wanted to connect with her. This ability to take another person's perspective and solve problems collaboratively ultimately strengthens relationships and increases your ability to communicate well with others. Healthy communication is key to developing trust and honesty in relationships.*

Taking the time to explore your thinking this way and eliminating suspicion can be difficult and uncomfortable, but being open to the possibility that an interaction, conversation, or event might not have the ill intent you imagine can allow you to see more clearly.



## Building Authentic Trust

Trust is the state of unguarded interaction with someone or something. It is the awareness and subsequent choice to be vulnerable to some degree of loss. Consider how different that is from suspicion, which is a state of guardedness. When others are suspicious of you, they hold you at arm's length in order to avoid loss. When others trust you, they no longer feel the need to be guarded and they become vulnerable, recognizing that there could be possible loss or disappointment in the relationship. There are different types of trust that are defined by the level of awareness that people bring to them.

The type of trust a child has for its parents might best be called **simple trust**. It is not something the child has agreed to, nor is it something discussed with its parents. As a result, the idea of broken promises or betrayal is not something a very young child ever considers. If a child's simple trust is broken, it can be absolutely devastating. Because the child had no knowledge that promises could be broken, he or she had built no defenses to protect them from it.

Another kind of trust is **blind trust**. This type of trust develops over time as a result of experience, but not as an outcome of a dynamic relationship. It is "blind" because the parties are not paying attention.

For example, Ryan and Marquis are friends. Ryan has kept his word to Marquis dozens of times. He's always done what he said, so Marquis stops paying attention to Ryan and his life. He just expects him to perform like he's always done. Then Ryan's wife leaves him and his concerns and priorities shift. Based on his new life circumstances, Ryan is no longer committed to his relationship with Marquis. He breaks a promise, and Marquis is shocked because he was not paying attention. That's the danger of blind trust.

By contrast, **authentic trust** is based on honest, active, open, and ongoing engagement in a relationship. When you give this type of trust to someone, you recognize that although there is always the potential for disappointment or betrayal, you are actively engaged in the relationship, addressing what works and what does not, and keeping your mind open to the possibilities of the other person's life. Authentic trust allows you to pay attention to your relationships and promises so that when something seems awry or there are challenges, you can open the conversation and talk honestly with one another to identify what's going on in order to deepen the trust rather than damage or destroy the relationship. This is where real learning and growth take place because you have chosen to accept the risk of a relationship and build trust with your eyes open.



## Forgiveness

Of course in any relationship in which there is a promise or commitment, there is the possibility that the “contract” will be broken. Broken promises result in loss—either in relational terms or in economic terms. A pattern of broken promises can lead to feelings of bitterness and betrayal that eventually destroy a relationship. If you have ever been on the shaky ground of a failing relationship, you know that attempting to make things right again is no easy task; in fact, it is an uphill battle that is rarely won completely.

### Let's go back to the words promise and commitment:

- **Promise:** from the Latin root meaning “to send forth”
- **Commitment:** from the Latin root meaning “to send with”

### Now take a look at the word root for forgiveness:

- **Forgiveness:** from the Latin root meaning “to send from”

Think about the three root definitions—their similarities, their differences, and their interconnectedness. All of them contain the word send, which conveys how relational the three concepts are. They happen between parties, not just inside individuals.

Perhaps you can begin to understand why the concept of forgiveness is so powerful in light of broken promises. Forgiveness means the injured party sends the broken promise away from the present reality so that it does not dictate the nature of an ongoing relationship. Instead of holding onto his or her claim to the promise, the person lets it go—sends from—so that it is no longer the defining broken bond between parties.

Forgiveness, therefore, is the critical ingredient in repairing the relationships damaged by broken promises. But the process of forgiveness is not as simple as an apology. It involves action by both parties. When you know you have wronged someone by breaking a promise, you might feel guilt or pain. This is especially true if you did not mean to break the promise. Your instinct may be to run away from that pain you caused for yourself and the other party. However, it's important to face the results of a broken promise. By listening to what other people have to say regarding their anger or injury, you are also allowing them to release their pain. When you ask for forgiveness, you ask for them to direct their anger, hurt, and sadness away from you. But you are also asking them to free themselves from that anger, hurt, or sadness. When both parties acknowledge the truth about the effects of a broken promise, they open up the possibility of reinventing the relationship.

Let's go back to Aaron and Jamal from earlier in the chapter.

*Imagine that Aaron shows up on Tuesday at 9:30 and Jamal is not there. Disappointed and angry, Aaron leaves after 30 minutes. An hour later, Jamal calls Aaron to apologize for missing the meeting. How can the relationship be restored and strengthened? Here's what will not fully restore the relationship: Jamal says "I'm sorry," and Aaron says, "No problem," without reckoning with the real effects of the broken promise. Jamal and Aaron have to have a real conversation if they want to have a forgiven relationship. To face the broken promise, Jamal needs to find out from Aaron what happened as a result of the broken promise; he needs to listen to Aaron's anger and distress in order to know what he's really asking for. If Aaron chooses to forgive Jamal, Aaron is saying that he'll send the offense and the pain they both feel away from the relationship so that they can restore it. He gives up his claim to that promise and will not hold onto it—or his emotions about it—in the future.*

The most important aspect of asking for forgiveness is that you truly mean what you are asking for. It is important that you convey

your understanding of the issue—the broken promise—and your part in it. To do this, you must actively listen to what the other person is saying, without delving back down into your own personal situation or internal dialogue. In an upcoming chapter, we will focus more in-depth of what it takes to make a meaningful apology.



## Promises, Beliefs, and Actions

Sometimes, self-limiting beliefs cause us to draw conclusions about a person or circumstance that affects our ability or willingness to keep a promise. Those self-limiting beliefs may allow us to hide from doubt or give us a way to maintain control; ultimately, they allow us to justify broken promises by deceiving ourselves into thinking that something else is more important than the word we gave.

You may not always be aware of the self-limiting beliefs that shape your behavior, yet brain-based research has found that almost every single action you perform is intentional—even if you are not consciously aware of the intention. This fact suggests that every broken promise has some kind of intention.

The intention behind the beliefs that allow us to break promises often falls into one of four categories:

- **Looking good**—“I couldn’t keep my prom-

ise because I would have been humiliated.”

- **Feeling good**—“I couldn’t keep my promise because that situation would have made me uncomfortable,” or “I couldn’t keep my promise because something came up that made me feel good, so I did that instead.”
- **Being right**—“I couldn’t keep my promise because I would have had to admit that I was wrong.”
- **Being in control**—“I couldn’t keep that promise because I didn’t know what the outcome would be.”

Unfortunately, the protection these beliefs provide ends up limiting your relationships and prevents you from keeping your promises.

To break the power of self-limiting beliefs such as these—and regain the control you need to keep your promises—try to:

**Remember to STOP UP:** Realize what you are doing. Take the time to consider your behaviors, particularly the ones that others have pointed out to you as being unnecessary, bothersome, or fruitless. Acknowledge that you do them. Consider the circumstances around those behaviors.

**Examine your beliefs and try to understand your motivation.** What aspect of a situation might you be trying to avoid or control? While others may help you to come to this understanding, the key to understanding lies within you.

**When you break a promise, explore why you broke it.** What did you consider more important than keeping that promise? Why does that have so much power in your life? How can you correct your perceptions so that you can keep your promise the next time? The more honest you can be, the more likely you are to strip the self-limiting belief of its power, enabling you to commit yourself to keeping your promise. As a result, your life and relationships can become grounded in authentic trust.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Based on the chapter, what does it mean that a promise is “sent forth”?**

- A.** A promise is a statement about something that is yet to come in the future.
- B.** It is a declaration that should be made public to many people.
- C.** A promise, in reality, is a person who does what he or she says he will do.
- D.** It is written down so that it can be conveyed through letter-writing.

**2. What is the most critical element of commitment?**

- A.** Intentions.
- B.** Hopes.
- C.** Actions.
- D.** Emotions.

**3. Which phrase best describes the relationship between two parties once a promise has been made?**

- A.** Optimistic about their future.
- B.** Bound to each other.
- C.** Financially responsible to one another.
- D.** Committed to forgiveness between each other.



**4. Consider the chapter's scenario of Vincent and his daughter Rita. Imagine that Vincent does not show up to Rita's school poetry jam, even though he promised to be there. Based on the anatomy of promises as described in the chapter, which of the following best describes why Rita has the right to be upset with her father when he doesn't show up?**

- A.** By giving Rita a promise, Vincent had given his right to that time over to Rita.
- B.** Vincent has a long history of breaking promises to Rita, and she is tired of listening to his excuses.
- C.** Rita has never broken a promise in her life, so it's not fair to have people who break their promises to her.
- D.** Rita knows she has a duty to forgive her father, and she does not want to have to talk to him about it.

**5. In the scenario from the previous question, what has to happen for Rita and Vincent's relationship to be mended?**

- A.** Rita has to forget what her father did and move on.
- B.** The two have to have a conversation about the effects of the broken promise on Rita.
- C.** Vincent has to make new promises to Rita to prove that he loves her.
- D.** Vincent needs to provide a good excuse for why he missed the performance.



**6. What is the best definition of forgiveness, based on this chapter?**

- A.** The internal ability to let a broken promise stay in the past.
- B.** The relational act of removing the broken promise from defining a relationship.
- C.** A supernatural intervention that happens outside of human activity.
- D.** The process of acting out one's anger against the other party.

**7. According to this chapter, suspicion is primarily based on \_\_\_\_.**

- A.** Facts
- B.** Evil
- C.** Imagination
- D.** Truth

**8. Which statement about that nature of suspicion is true?**

- A.** Suspicion is typically based on an accurate view of reality.
- B.** Suspicion is a person's response to an apprehension of harm.
- C.** Suspicion is nature's way of reconciling one's past and present.
- D.** Suspicion is built into people at birth as a defensive mechanism.



**9. Which of the following are true about authentic trust? Authentic trust \_\_\_\_.**  
**Choose all that apply.**

- A.** Pays attention
- B.** Ignores betrayal
- C.** Speaks honestly
- D.** Makes assumptions

**10. Why is open conversation so critical in building trust?**

- A.** An in-person, spoken conversation is the only way to tell if someone is telling the truth.
- B.** People are more willing to envision their own future when they don't have to do it alone.
- C.** People who are trustworthy can be recognized by what they wear in a public place.
- D.** Conversation helps people to get beyond their own perception of reality and hear the other person's.

**11. Gabriella is worried that her partner Wallace is engaging in some criminal activity. He was once incarcerated, and she wonders if there's a chance that he has gone back to that lifestyle. She sits Wallace down and explains that she is having questions about him and wonders if she is perceiving reality accurately. She invites him to tell her what is really going on.**

**This is an example of \_\_\_\_ trust.**

- A.** Blind
- B.** Simple
- C.** Authentic
- D.** Foolish



## Apply Key Concepts

### Reread the definition of promise:

A declaration, written or verbal, made by one person to another, which binds the person who makes it, either in honor, conscience, or law, to do, forbear, or not to do, an act, a certain act specified. A declaration which gives to the person to whom it was made a right to expect or to claim the performance or forbearance of the act.

**Based on what you learned in this chapter, define the word promise in your own words.**

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**Consider one important promise that was made to you and later broken. What impact did that have on you?**

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**According to this chapter, commitment is an internal spirit or pledge combined with the specific actions that are needed to keep a promise. Reflect on what promises you need to commit to. Think about Vincent's commitment to his daughter, Rita. To keep your promise, what will your commitment look like? What practical steps will you have to take to make the promise come to fruition in the future?**

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**Think about the concept of forgiveness as it is presented in this chapter. Who bears the responsibility for forgiveness in a relationship? Consider a situation in which a relationship of yours can only be healed if you choose to forgive. Describe the situation. Then describe what you might need to do to make that forgiveness a reality. Remember that forgiveness is not easy and it comes at a cost. Be honest and specific.**

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### **Promise Cards:**

Promise cards can help you remember the importance of your commitments and goals.

Use the cards included in the Appendices to make and keep a promise to improve yourself, your family, or your community. You can pull this page out of the book and separate into individual cards by creasing the paper along the dotted lines and ripping it carefully.

Set yourself up for success by making your first promise one you know you will keep!

**Sometimes it's tempting to hold on to suspicion because it feels like control and a protection from potential disappointment or injury. Yet the chapter also says that suspicion can become a burden. What do you think this means? If you have experienced suspicion as a burden, describe what that felt like.**

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**Define trust in your own words.**

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## HOW TO USE A PROMISE CARD



Make a promise.



Write your promise on a card.



Give the card to the person to whom you are making a promise.



Keep your word.



Get your card back once you've fulfilled your promise. Keep your card to remind yourself that you are a person who keeps promises.

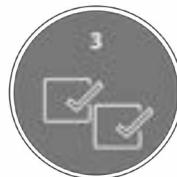
## TRADE COMMITMENTS



You and another person each record a commitment to one another on separate cards.



Exchange cards as a symbol that you are making promises to one another.



Keep your word.



Trade your cards back and keep them.

## MAKE A PUBLIC PROMISE



Write your promise on a card.



Take a picture of the promise card.



Post it to your social media sites.



Ask friends to help hold you accountable to your word.



Celebrate when you keep your word.

## PROMISE TO THE DEPARTED



Write your promise on a card.



Mark the card as a memorial to a departed loved one or leave it at your loved one's burial place.



Fulfill your promise as a memorial to your loved one.



**If you have experienced authentic trust with someone, describe what that trust looks like.**

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**Now think about authentic trust in your future life. What can you do to create authentic trust in your relationships? Remember to focus on what you can do, not what you can expect of another person.**

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**Define betrayal in your own words.**

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**Describe a time when you experienced betrayal. Looking back, what signs were there that the betrayal was coming? If you could deal with the situation again, how might you approach it differently?**

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**How did your experience of betrayal affect your ability to trust others?**

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**When have you betrayed someone else? What impact did that have on the other person? What might you do to restore that relationship?**

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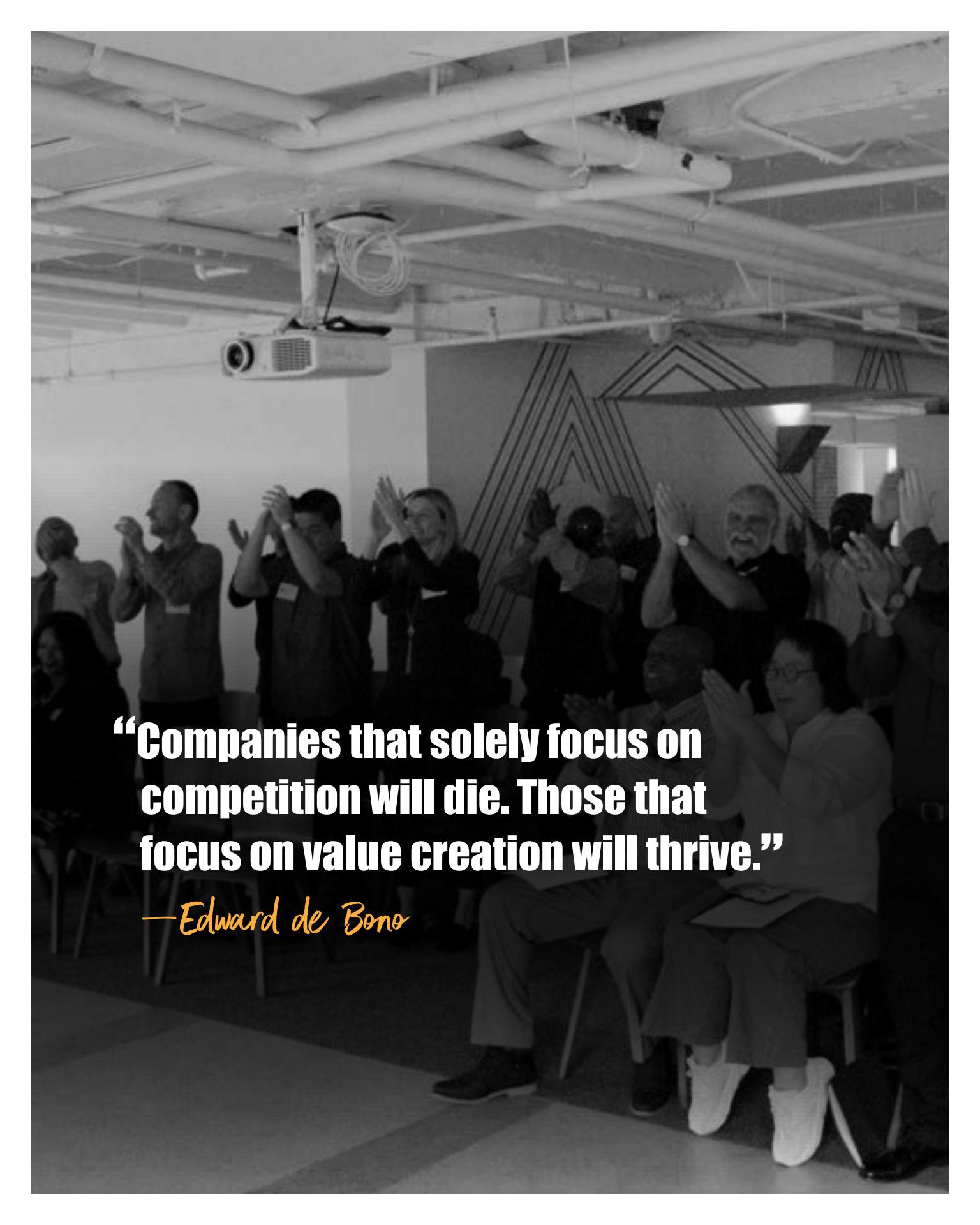
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A black and white photograph of a group of people in a room with exposed ceiling pipes. The people are clapping and smiling, suggesting a positive event or presentation. A projector is mounted on the ceiling. A large graphic of a triangle is visible on the wall.

**“Companies that solely focus on competition will die. Those that focus on value creation will thrive.”**

*—Edward de Bono*

## Sizing up the Competition

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<b>Entrepreneurship Pathway Outline</b>	<b>536</b>
<b>Evaluating Competitors</b>	<b>540</b>
<b>Identifying Your Market Position</b>	<b>544</b>
<b>Defining Your Market Position</b>	<b>547</b>
<b>Check Your Understanding</b>	<b>549</b>
<b>Apply Key Concepts</b>	<b>550</b>

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## Preview

### **After reading this chapter, you should be able to:**

- Identify direct, indirect, and secondary competitors for your business.
- Identify a viable market position.
- Develop a brand positioning statement.

Google

nest

Dropbox

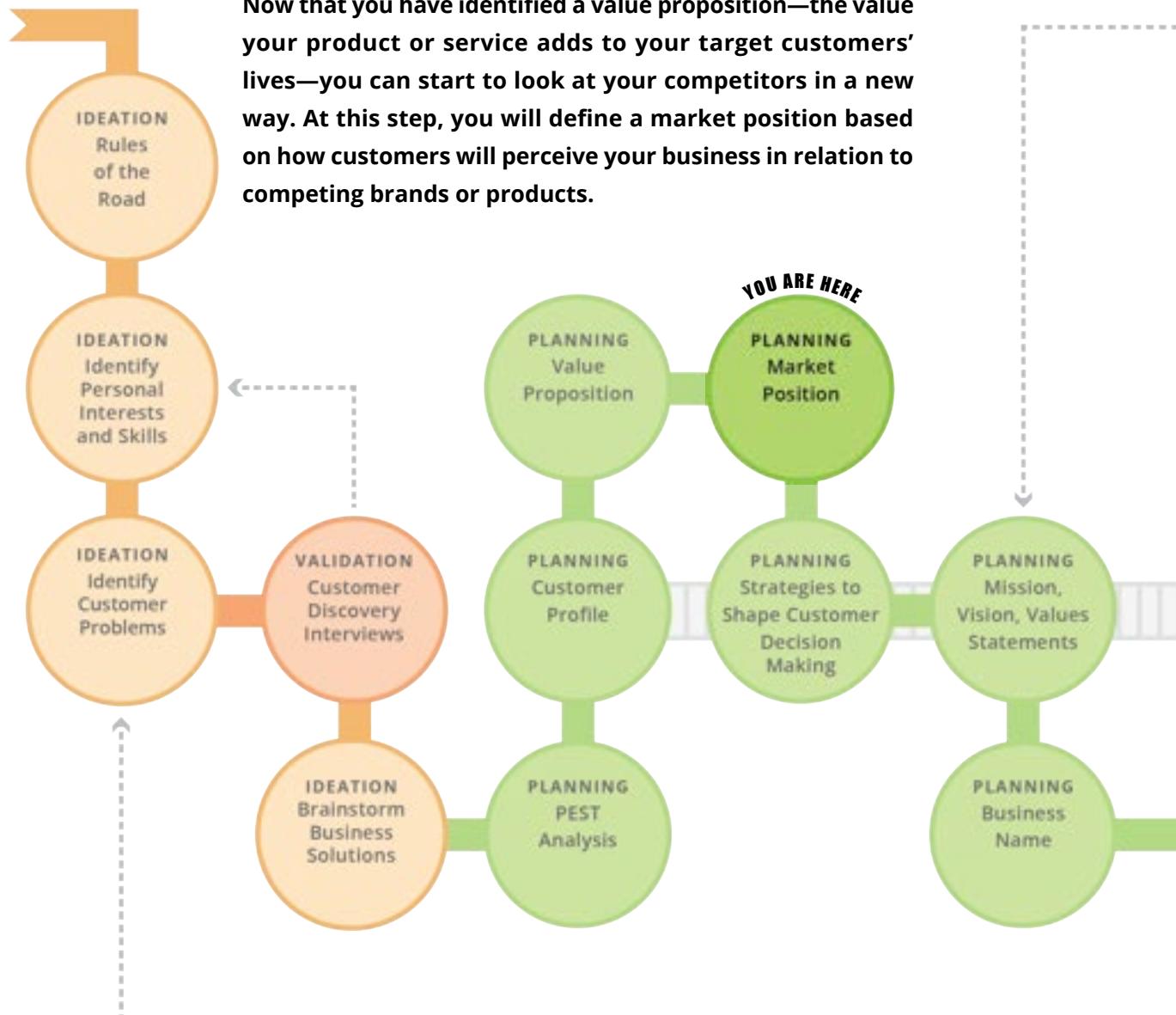
slack

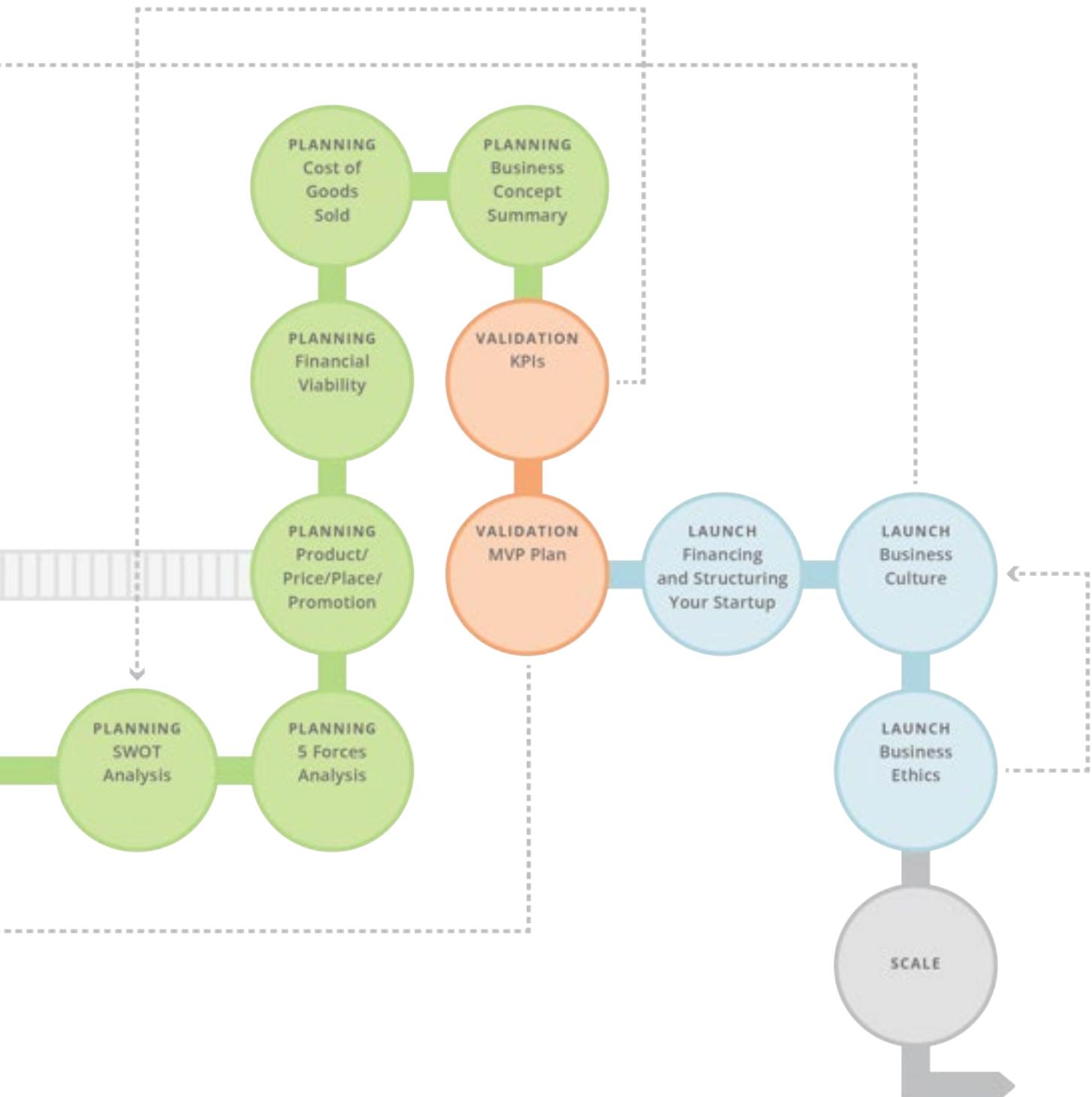
INFO



## Entrepreneurship Pathway Outline

Now that you have identified a value proposition—the value your product or service adds to your target customers' lives—you can start to look at your competitors in a new way. At this step, you will define a market position based on how customers will perceive your business in relation to competing brands or products.







**A**s you continue to research the market for your product or service, you will need to think about your competition and start to define why customers will choose *your* product or service over those offered by existing competitors. As an entrepreneur, you can and should be confident that you are making a unique contribution to your industry. However, all businesses have competitors who offer similar products and services, and, within an increasingly

competitive marketplace, modern consumers tend to be driven by values and have higher expectations for both quality and service. To analyze your competition, think about the customer profile you developed. Put yourself in a potential customer's shoes and ask yourself where you would go to buy the product or service you intend to sell. Those are your competitors. There is always competition for your product or service. If an entrepreneur claims there is not, it means one of two things: Either he or she has not done enough research, or there isn't a market for the business idea.

There are **direct competitors** selling the same product or service as yours, which are fairly easy to identify. McDonald's and Burger King are examples of direct competitors. They sell the same products—fast food burgers and fries—and are usually located within steps of one another, splitting the profits available in any given location. Warby Parker pioneered home try-on and direct online sales of eyeglasses. But being first to develop a new business model doesn't protect against competition. Warby Parker's direct competitors now include Liingo, Archibald Optics, Felix & Iris, and Fetch. All direct competitors offer at-home try-on and online sales.



Our scented candle business example would have many direct competitors, all selling soy candles on their own websites as well as retail platforms such as Etsy and Amazon. Competitors would include PaddyWax, BadAss Candles, Southern Elegance Candle Company, and Witty Wicks, among many others.

There are **indirect competitors**, businesses that offer *different products or service* that solve the *same customer problem*. In the case of McDonald's and Burger King, a pizza parlor in the neighborhood

would be an indirect competitor, as both types of businesses compete to satisfy the customer's hunger with fast, convenient food. Indirect competitors for Warby Parker provide online sales of contact lenses. Competitors include Hubble, LensDirect, and 1-800-Contacts.



In the scented candle business example, a retailer who sells cozy slippers, pillows, or blankets might be indirect competitors solving a customer's need to create a cozy, calming environment. Candle companies that sell candles made from different waxes (e.g. paraffin, palm, coconut, beeswax) also represent indirect competitors. For example, Colonial Candle and Yankee Candle, two of the best known candle brands, primarily sell candles made from paraffin wax. Keap Candles, Otherland, and Sanari use coconut/soy blend wax blends.

There are also **secondary competitors**, businesses that offer different *high-end or low-end* versions of the *same product or service* as yours. In the case of McDonald's and Burger King, a secondary competitor would be a restaurant that sells high-end burgers and fries. For example, the Gramercy Tavern in New York City features a \$37 burger on its lunch menu, providing "prompt service in an elegant setting." For Warby Parker, secondary competitors include Zenni, EyeBuyDirect, and Glasses USA. These companies are Warby

Parker's largest competitors, offering complete sets of frames and lenses for prices even lower than Warby Parker's. These secondary competitors offer "virtual" try-on rather than at home try-on.

For the scented candle business example, there are secondary competitors selling both high-end and low-end candles. High-end secondary competitors include Nest, New York, (\$140), Fornasetti (\$175), Perfumer H (\$180–\$375), Versace (\$300), Gucci (\$350–\$680). Low-end secondary competitors include Mrs. Meyers Clean Day (\$10), Artist Print Tin Candle (\$10), Confetti Candle Company (\$11), and Beaver Mountain Candle Company (\$13).

When you think about the competition for your product or service, don't just focus on businesses of a similar size to yours. Research your closest competitors and the largest, most profitable companies in your industry to understand how they operate, what they've done successfully, and how you can learn from their successes and failures. Based on your understanding of your target market—your customer profile—think about how you can differentiate your product or service within a field of competitors that include small local businesses as well as large and well-established businesses.

## Evaluating Competitors

Identifying the competition for your product or service allows you to answer the question, “*Against whom am I competing?*” But this is only the first question to answer when you think about the competition. Next, you’ll want to answer questions such as:

- **“What are the businesses’ strengths and weaknesses?”**
- **“What are their objectives?”**
- **“What strategies are they using and how successful are they?”**

Importantly, focus on the competition’s strengths and weaknesses *in relation to the problem* you seek to solve for your *target customer*. **Competitive intelligence** is the term to describe this complete body of information.

An entrepreneur may use competitive intelligence to create a competitive matrix. This includes information about:

- **The price of your goods or services versus the competition’s prices**
- **The quality of the goods and services**
- **The level of customer service**
- **Turnaround time between ordering and receipt of the goods or services**
- **Shipping and delivery service**
- **Unique knowledge and characteristics of the businesses**

You can gather competitive intelligence by exploring your competitors’ websites, looking at their social media presence, and reading customer reviews. Larger and public competitors should have a wealth of information readily available online. You might find some competitors mentioned in the press or industry reports. For smaller competitors, you might check reviews on their website as well as on other services such as Etsy, Yelp, Google, or Amazon. You can also gather competitive intelligence by acting as a “secret shopper,” buying samples of competitors’ products in order to evaluate their quality and customer service.



You will evaluate your competitive intelligence by compiling it into a matrix, or table. You may assign a number or letter grade to each factor to help interpret the differences. For example, to evaluate differences for the scented candle business, we might develop scales such as the following that would allow the business to assign a numerical score to different aspects of price and quality.

PRICE		SHIPPING	SCENT	WAX	CONTAINER
5	Affordable, everyday indulgence (\$25–34)	Free	Essential oils	Coconut blend (majority coconut)	Minimal, elegant, reusable
4	Affordable (\$15–24)	Flat rate \$5	Custom blend fragrance oil	Soy/coconut blend (majority soy)	Design emphasis
3	Cheap (\$5–14)	Free shipping over \$50	Commercially available fragrance oils	Soy	Tumblers with removable labels
2	Too expensive for everyday (\$35–44)	Free shipping over \$75	Supplier fragrance oils	Soy/paraffin blend	Permanent label
1	Luxury/status purchase (\$45+)	Shipping calculated by weight	Sweet/bakery scents	Paraffin	Jars

Notice in the example above that the scale for Price is not linear, with “5” representing the highest prices and “1” representing the lowest prices. Instead, the business owner identified what price point was “the best” based on the business’s customer profile and value proposition. That price point—in this case \$25–34—is labeled a “5” on the scale. Similarly, the business owner had to identify which price point was “good” (4), “okay” (3), “not so good” (2), and “unacceptable” (1) from the customer’s perspective.



For the business example selling hand-poured scented candles, you might develop a competitive matrix that identifies a set of competitors that looks like the following. In this matrix, we have assigned scores from 1 to 5 based on the previous scales and identified unique characteristics related to labeling and the beauty and simplicity of the candle container.

Business	Price/11oz candle	Price		Quality			Unique Characteristics	Avg. Price Score	Avg. Quality Score	Avg. Quality Score	Total Score
		Price Point	Shipping	Scent	Wax	Container					
Scented Candle Business Example	TBD	5	5	5	4	5	Reusable/returnable containers. Minimal, non-adhesive labels. Mix/match scent and container. Subscription option.	5.0	14	4.7	24
PaddyWax	\$28	5	2	4	3	5	Collections feature rotating candle designs	3.5	12	4.0	19
BadAss Candles	\$24	4	5	1	3	2	Appearance of customization. All candles come in the same containers. Customers choose scent.	4.5	6	2.0	15
Southern Elegance	\$25	5	4	2	3	3	Southern memories theme	4.5	8	2.7	17
Witty Wicks	\$18	4	2	2	3	3	Square candle jars decorated with natural ingredients (e.g. coffee grounds)	3.0	8	2.7	14
Yankee Candles	\$27	5	3	4	2	3	Rewards program; suggested auto-ship schedule	4.0	9	3.0	17
Nest NYC	\$140	1	1	4	1	4	"Premium wax blend" does not mention plant-based waxes. Likely to contain paraffin.	1.0	9	3.0	11
Mrs. Meyers	\$9	3	5	4	2	1	Available in grocery and big-box stores. Fragrance from essential oils and synthetic ingredients. Soy blend contains palm wax.	4.0	7	2.3	15
Beaver Mountain	\$14	3	1	3	3	1	5% of sales go to veterans' causes.	2.0	7	2.3	11
Keap Candles	\$49	1	3	4	5	5	Scents designed by master perfumer. Subscription program.	2.0	14	4.7	18
Otherland	\$36	2	5	4	4	4	Labels are highly designed and meant to be a focal point. Savings on a 3-pack.	3.5	12	4.0	19
Sanari	\$44	2	3	5	5	5	Emphasis on health benefits. 15% of retail sales donated to help stop breast cancer. Connects with founder's story.	2.5	15	5.0	20

After researching the market and compiling the results into a competitive matrix, reflect back on the value proposition you identified when you developed your customer profile. Based on your value proposition, you will see how you can price and market your products or services to capitalize on what is uniquely yours.



Let's return to the value proposition for our example scented candle business: "We help busy people transform their environment into a calming oasis by connecting them to nature, memory, and emotion." As you can see from the competitive matrix, the candle industry is a highly competitive space, making it difficult to stand out for consumers. Based on this competitive matrix, you can see how a business idea might evolve and begin to include product features to capture consumers.

The scented candle business will allow customers to mix and match scents within a limited range of container types, all minimal, elegant, and reusable. This would be a point of differentiation from all of the candle companies included in the competitive matrix. The business may also want to create a subscription service and corporate social responsibility give-back program to appeal to the psychographics and behavioral characteristics of the target customer. For this business, we might want to shift from pure soy wax to coconut/wax blends and from commercially available fragrance oils to custom blends of essential oils to scent the candles. This would help reinforce the preference for "natural" scents that we found through customer discovery. Both choices have financial implications, as materials needed to make the candles will be more expensive. The choice regarding scent is risky. First, essential oils produce weaker scents, but the coconut wax actually helps to boost scent "throw." Second, finding the right blends of essential oil will take time, requiring experimentation and practice.

The unique features that reinforce the scented candle business's value proposition include: plant-based wax; natural scents; minimal, elegant, reusable containers; mix and match containers and scent; removable, non-adhesive labels; subscription program.

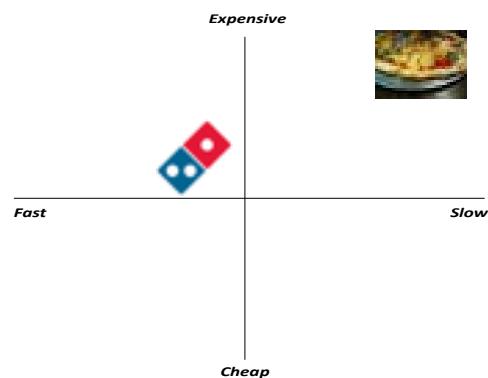
## Identifying Your Market Position

One of the decisions about your business that you need to make up front is to determine what position you will fill in the marketplace. Your **market position** is defined by *how customers perceive your brand in relation to competing brands or products*. Identifying the market position you want to establish as you think through your business model is a marketing decision that will fundamentally shape every aspect of your organization.

A simple technique to identify your market position involves using a graph to chart two extremes which illustrate customers' options. Think about pizza, a product within a highly competitive market. A graph of the pizza market might position customers' choices between "fast" and "slow," along one axis versus "cheap" and "expensive" along the other.

A local restaurant might serve delicious pizza, but at a high price and a long wait time. For example, at Di Fara's, in Brooklyn, every pizza is made by hand by the owner, and when he is unavailable, the restaurant is closed. In a city with a lot of pizza choices, critics and locals hail this as "the best of the best" despite the restaurant's notoriously long wait times and high prices. Di Fara's has successfully established itself in the upper quadrant of "expensive" and "slow."

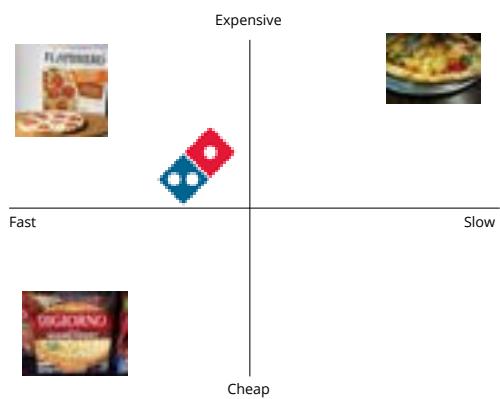
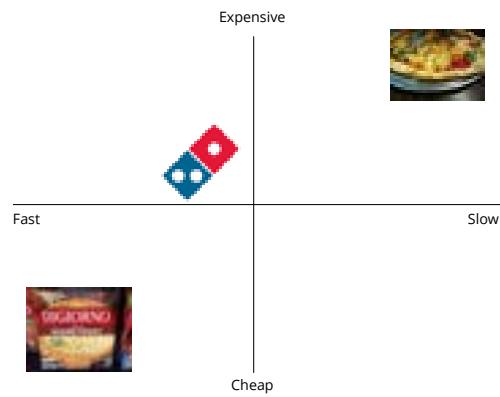
A chain might deliver pizza that isn't better than a local restaurant but is fast and convenient. For example, Domino's value proposition is to produce pizza that isn't better than local pizza and may even be worse, but that is fast and easy to get.



Many frozen pizza makers produce pizza that is both fast and cheap. For example, DiGiorno pizza is cheap and fast because it's in your freezer and ready to eat in under 20 minutes.

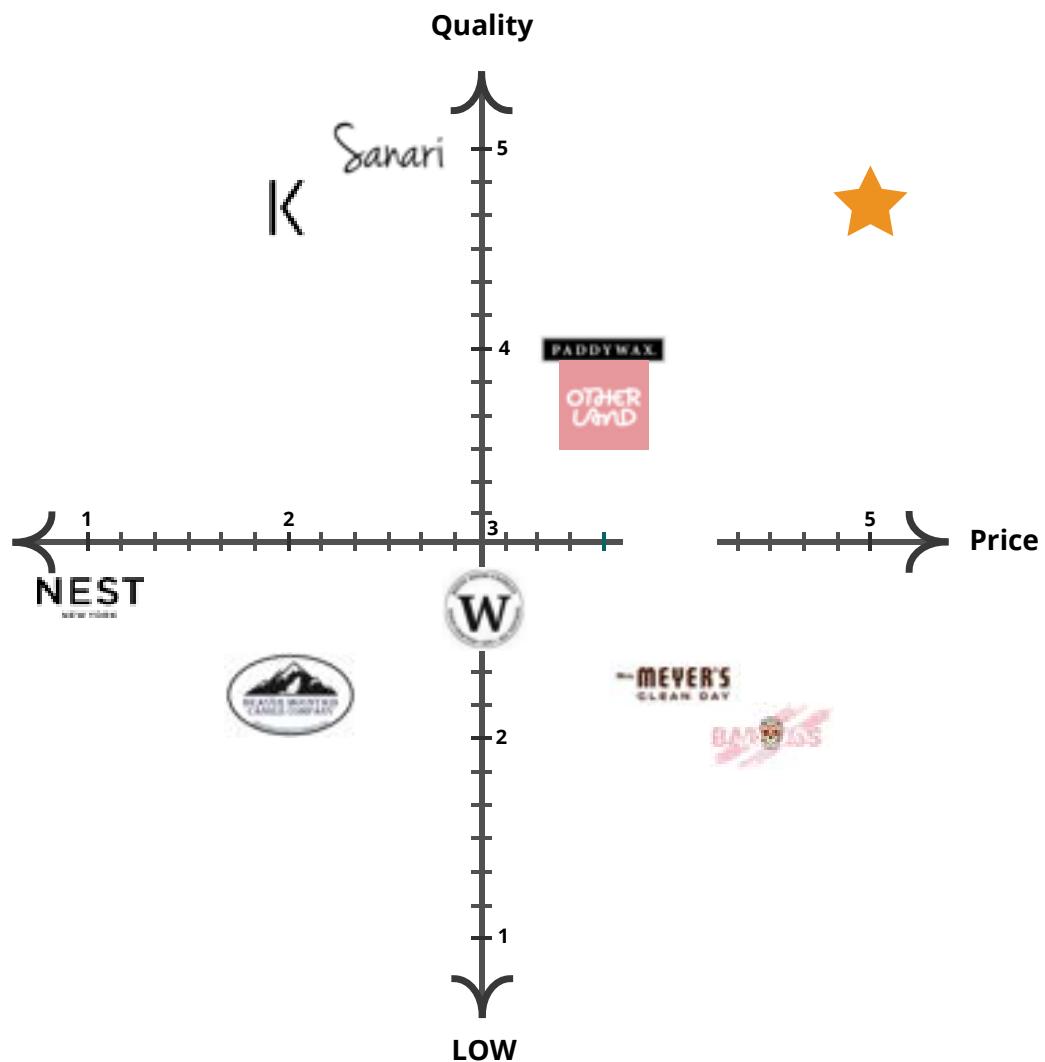
In this example, you might notice that there is an unserved section of the quadrant for customers who are willing to pay a higher price for fast and convenient pizza. This market position is filled by American Flatbread pizza, a company that produces frozen gourmet pizzas.

When you choose the market position for your business, it is a **best practice to chart Price versus Quality**. How you define “quality” is up to you, but it’s important to choose something your customers care about as a measure of quality, not something that you *think* is important. For example, if you are planning vacations and your quality axis focuses on whether it’s easy to use foreign currency at a hotel, you are unlikely to find a market to capture. Your customers have the ability to convert their currency, so they don’t care whether your business accepts other countries’ currency.





To develop a market position graph for our example scented candle business, you could draw a graph based on Price versus Quality, defined as a combination of wax, scent, and container scores. If you didn't like the market position that creates, you might plot Average Price Factors versus Average Quality Factors or you could plot Price versus one of the specific quality factors.



Once you have created a graph (or more than one graph), ask yourself: “*Is there a quadrant I want my business to compete in? Is there a quadrant where, if I use the business model I have, I will be alone—a monopoly, an indispensable choice?*” If your answer to the second question is “*no*,” you will have to do a lot of marketing and put forth a great deal of effort to win customers. Instead of fighting within a crowded market position, look at the market through a different lens. Choose different extremes that customers care about and redo your graph until you find a unique space you can fit into.

As you create your graph, ask yourself: “*Do the opposite extremes make sense? Do customers care about them?*” If the answer to both is “*yes*,” you may have found a market position where you can thrive.

## Defining Your Market Position

Once you have identified a market position, you can concretely define your brand’s position in the market. A **brand position** statement serves as the foundation for your business’s marketing message and overall brand identity. By identifying a market position, you have taken the step of identifying the benefits of your product or service to your target market. A brand positioning statement, then, helps you

start to craft a compelling message that will appeal to consumers within that target market to make a purchase. A brand position defines **what your product or service does** and **how the target customer views your product or service within the competitive landscape**.

You’ve already learned to look at your business idea in terms of a customer problem and a solution, which you are presenting. Now put yourself in your customer’s shoes and think about the kind of message that would persuade them to buy into your solution. Define your brand position in terms of the functional, symbolic, or experiential benefits your customer will experience. **Functional** positioning focuses on how the business solves a customer’s problem. If your product or service provides a tangible benefit to potential customers, you may want to focus on functional positioning. **Symbolic** positioning focuses on the customer’s feelings of belonging or self-image. If your product or service boosts the customer’s ego or helps your customer feel fulfilled in some way, you may want to focus on symbolic positioning. **Experiential** positioning focuses on the physical or mental stimulation that your customer will experience. If your product or service provides a noteworthy experience, you may want to focus on experiential positioning.

A brand positioning statement provides a clear description of your business's brand. It can take the following form:

***"To (target customer) our (product or service) provides (functional, symbolic, or experiential benefits) because (support/reasons to believe)."***

Many businesses create brand positioning statements that articulate only who their target customer is, what they do, and the benefits their product or service provides. But a brand positioning statement can go beyond that kind of factual description to articulate a reason for your target customer to *believe* in the solution you are offering.

Consider this brand positioning statement for Warby Parker, based on the company's mission and vision statements:

***To young, urban professionals, our eyeglasses provide affordability, convenience, and superior quality, because everyone has the right to see.***

In this example, you can see how the "because" part of the brand positioning statement allows the company to stand out on an emotional level.



For our example scented candle business, we might create a brand positioning statement such as:

***To socially and environmentally responsible consumers, our candles provide unique, natural fragrances presented with a minimal aesthetic because scent is memory, flame is sacred, and candles are quiet.***

At this stage of market research, you're able to start thinking not only about who your target market and competitors are but how you can communicate your business's value proposition in a way that will connect emotionally with potential customers. Modern consumers have more choices than ever before, and they need a reason to try your product or service over everything else they could choose. By understanding your target market and competition, you can develop a market position and brand positioning statement that potential customers can not only find attractive but compelling. It's important to remember that this kind of competitive research is not something you will do one time as an entrepreneur. The competitive landscape is constantly shifting, so it's critical to keep an eye on what your competitors are doing. At least once per year, review what they do well, what innovations they are using to reach new customers, and where they struggle so your understanding of the competitive landscape stays fresh.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Which of the following is an example of indirect competition?**

- A.** A shoes salesman opens a store next to a barber.
- B.** A photographer opens a studio down the block from another photographer.
- C.** A water filtration company markets to consumers of bottled water.
- D.** An animal groomer markets to new dog owners.

**2. A business owner fills out a competitive matrix to \_\_\_\_.**

- A.** Establish company values
- B.** Compete for grants and investor funding
- C.** Identify a market position
- D.** Create an interesting graphic



## Apply Key Concepts

Use the table below to develop a competitive rating scale. You may assign a number or letter grade to each factor to help interpret the differences.

		CRITERIA:				
SCALE:	5					
	4					
	3					
	2					
	1					



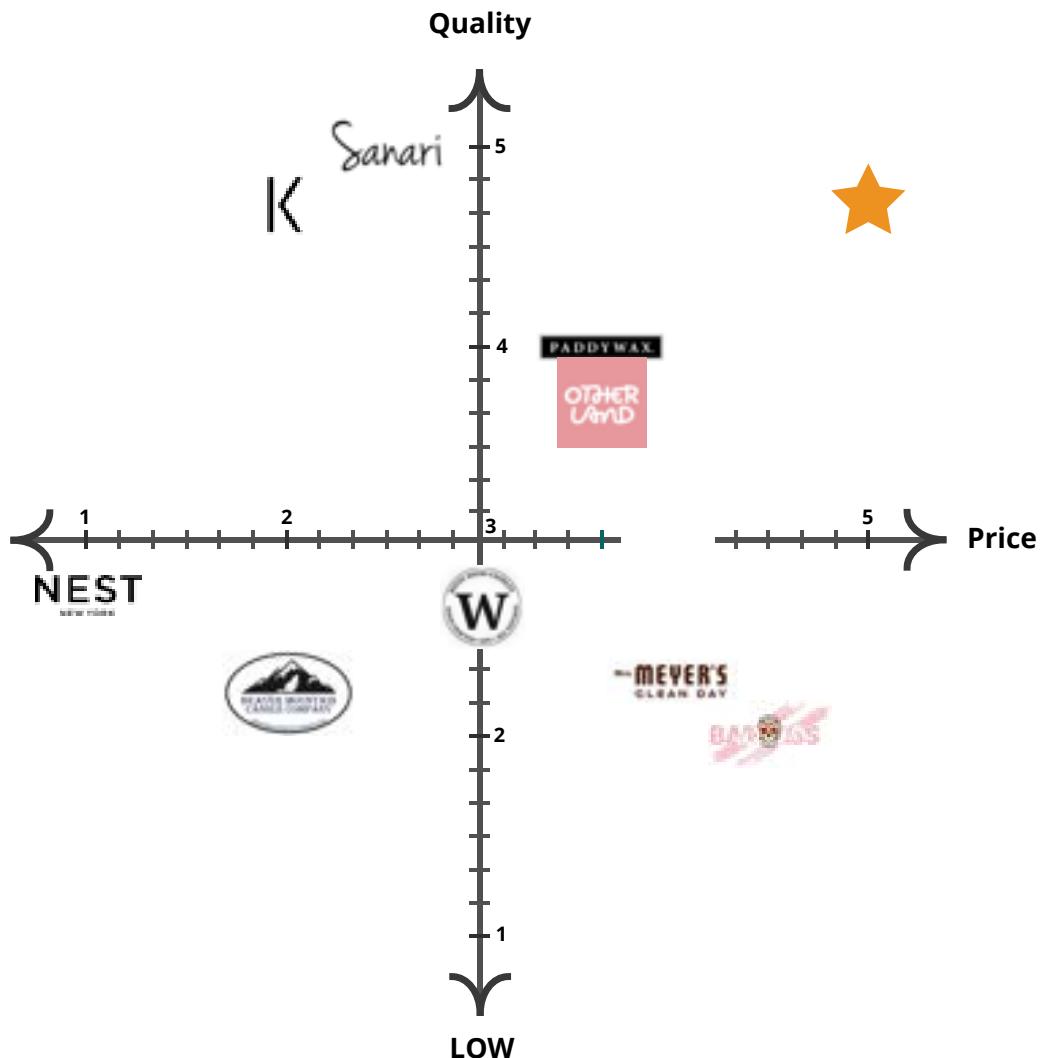
**Use the table below to develop a competitive matrix that identifies a set of competitors. Use the scale system you've chosen for the rating scale.**

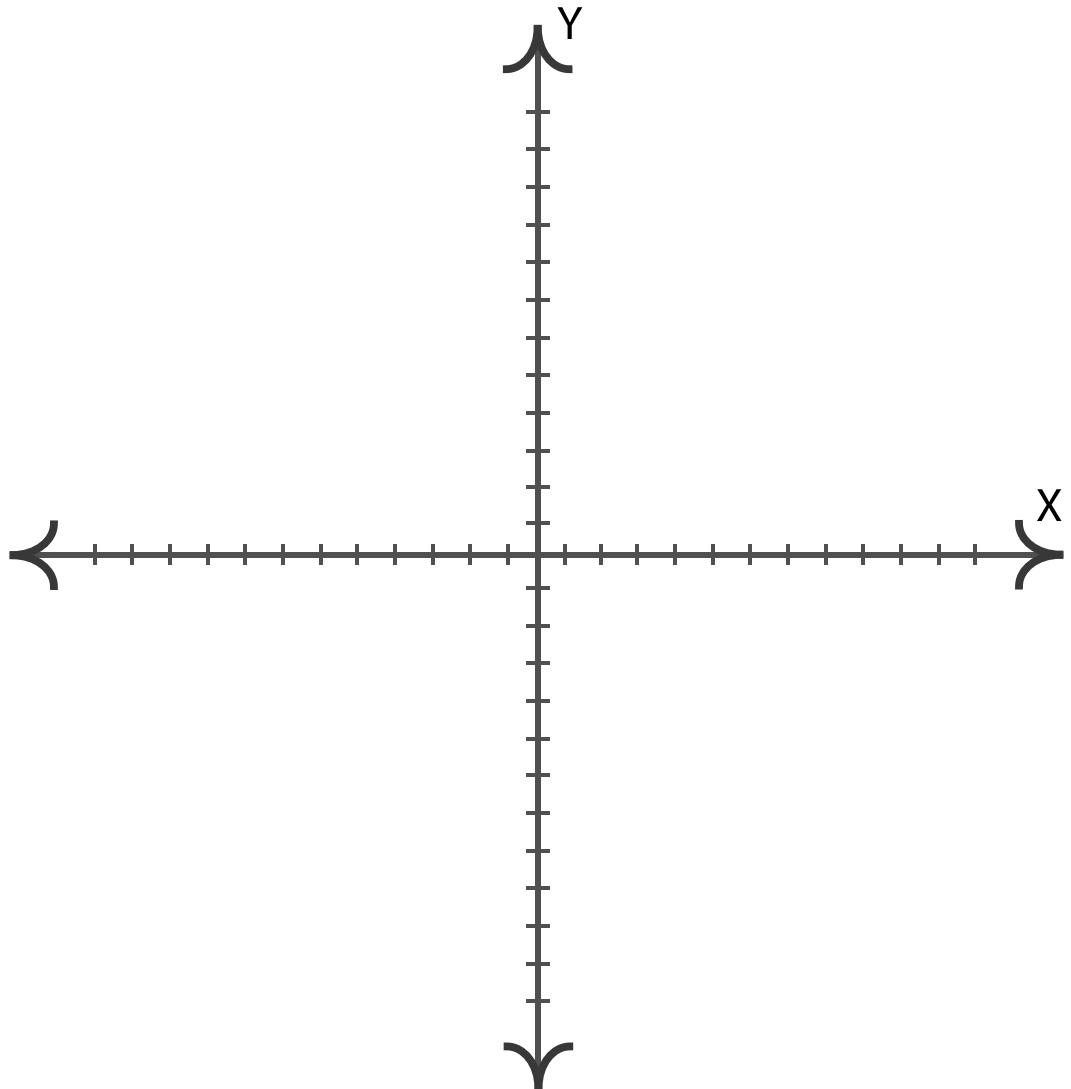
Business Name	X-Axis Criteria:				Y-Axis Criteria:				Avg. Score	Total Score



Using the example graph below as a guide, use the blank graphs to label the horizontal and vertical axes with “opposite extremes” that might matter to your customers.

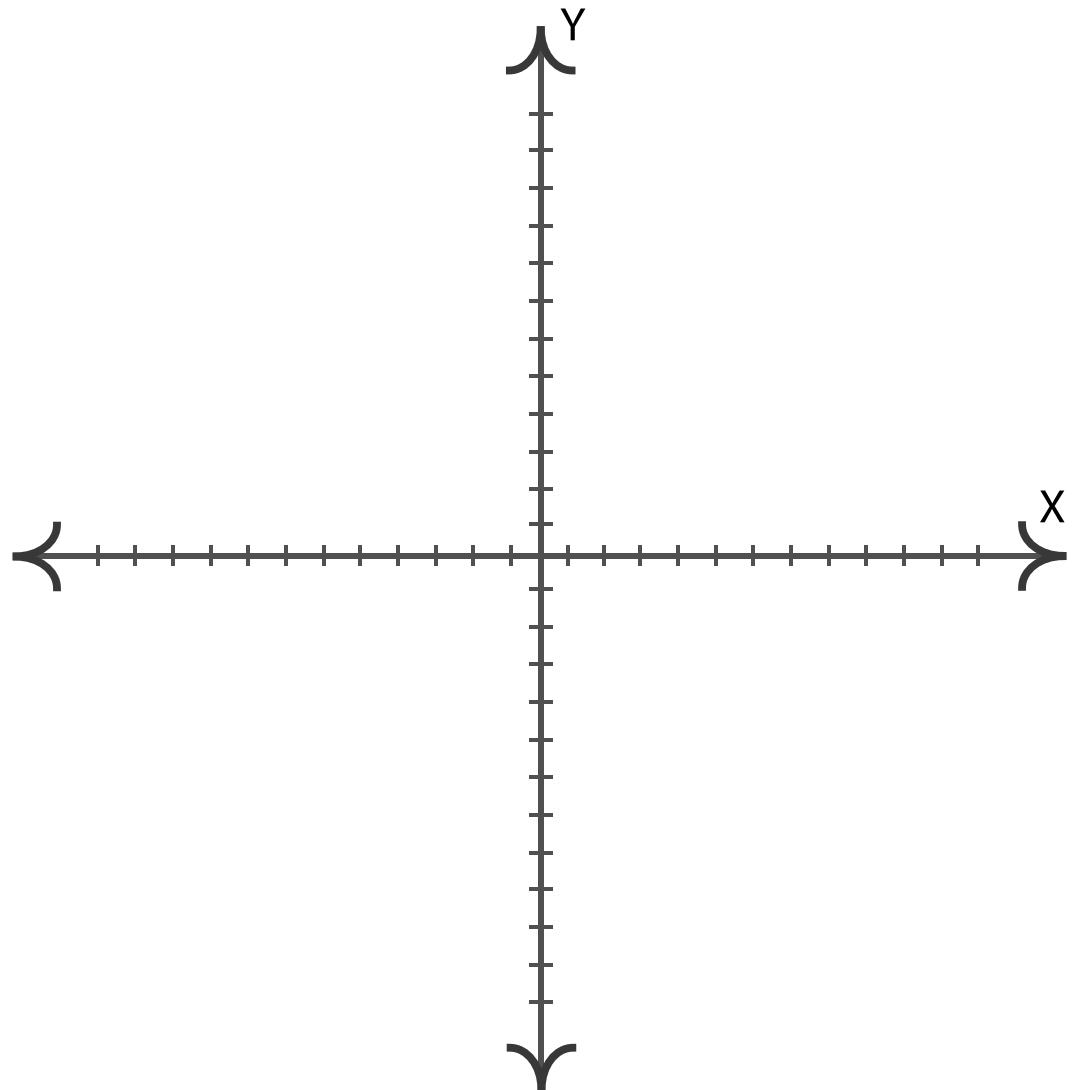
In each quadrant of the axes, place your competitors. Identify any empty spot your business might fill and capture a market.







**If you didn't find any empty spot you can live with, draw different axes!**





**Describe the position your new business will fill in the marketplace.**

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**Write out a brand positioning statement that will persuade your target customer to buy your product or service. Use the formula: *"To (target customer) our (product or service) provides (functional, symbolic, or experiential benefits) because (support/reasons to believe)."***

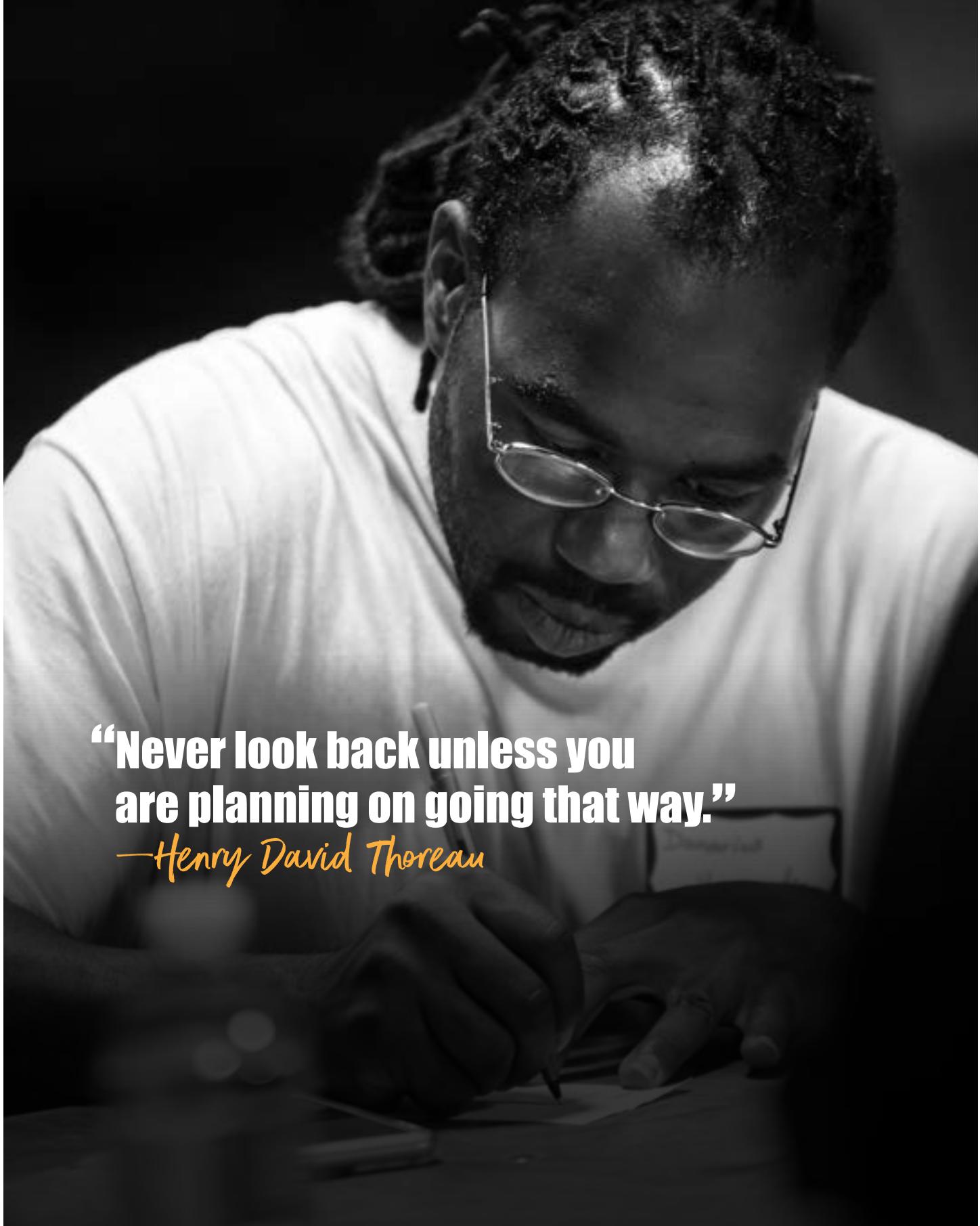
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**“Never look back unless you  
are planning on going that way.”**

*—Henry David Thoreau*

## Preparing for Defy Events

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## Preview

### **After reading this chapter, you should be able to:**

- Anticipate what to expect when you attend a Defy Business Coaching event.
- Know what to bring to the Business Coaching event.





Defy events give you an opportunity to take what you have learned in the classroom and apply it in a real-world interaction with Defy volunteers, many of whom have significant business and entrepreneurship expertise. This real world application allows EITs to extend their learning and also creates a supportive community. In the Entrepreneurship Bootcamp, we use virtual events to develop empathetic connections between our volunteers and EITs. Many volunteers have

never met someone with a criminal history and don't know what to expect, which makes it difficult for them to understand Defy's program. When they meet you, they see your potential and are often moved to support EITs in a variety of ways. At a Defy event, remember that you are not only representing yourself—you are representing Defy.

Defy events are the cornerstone of the Entrepreneurship Bootcamp, which give you the opportunity to build relationships and see yourself in a new way—as a future entrepreneur. Remember that your success is not just *what* you know but *who* you know. Defy events expose you to people from all walks of life and allow you to build a network of people who want to support you to be your best. Participating in Defy events is part of the excitement and challenge of being an EIT. Get ready to greet volunteers and have a great time. In this chapter, you'll learn what to expect—and do—to make these events successful for everyone.

## What to Bring

When you come to a Defy event, you have the opportunity to show off the work you have begun in the Entrepreneurship Bootcamp. It is your responsibility to bring the key deliverables that volunteers are there to give you feedback on. Events in the Entrepreneurship Bootcamp allow you to receive feedback on how customer discovery has informed your business ideation.

### Unless you are notified otherwise, these include your:

- Customer discovery questions and feedback.
- Preparation Prompts for Business Coaching.

At an event later in the program, you will be able to receive feedback on the results of your Minimum Viable Product experimentation.

In addition, you should always have something to write with, a pen or pencil, and paper or a notebook. Remember that a great way to show respect for and interest in the volunteer who is giving you feedback is to take notes while he or she is speaking.

### Maintaining Professional Boundaries

At a Defy event, professional boundaries are critical between EITs and volunteers. Those boundaries promote trust, demonstrate respect, establish structure, create optimal conditions for receiving and giving feedback, and increase safety for all event participants.

When volunteers come to a Defy event, they come as professional helpers. We expect volunteers to treat you with dignity and respect your privacy. Just as we remind you not to get too personal when you're making small talk with volunteers, volunteers should not ask you questions that probe for information that makes you feel uncomfortable or offer any therapeutic advice.

Volunteers share their expertise and experience during a Defy event as a way to empower *you*. While their feedback and insights are important, volunteers need to respect that your work

is your own and you have the final say in if or how you choose to incorporate their feedback. Volunteers should not overwhelm you with their own ideas or project an attitude that you should listen only to their advice and feedback.

Remain mindful of how you are feeling. Remember that professional boundaries help you stay safe. If at any point you feel uncomfortable or unsafe, please talk with a Defy staff member.

To help facilitate those strong professional boundaries, we ask EITs and volunteers not to exchange contact information directly. If volunteers are interested in supporting EITs outside of the Business Coaching event, they will be able to make their contact information available through your facilitator. We are happy to make those connections on your behalf. However, we need to be mindful of the time commitment and capacity of our volunteers. Similarly, we need volunteers to be aware of the depth and importance of the commitments they make to Defy EITs when they offer support outside of a coaching event. It's our responsibility at Defy to ensure that both EITs and volunteers' needs and expectations are met and their time is respected.

## Attending Virtual Events

At this point in the program, you have probably gotten used to attending class sessions virtually and navigating Zoom. If you have had technology issues in the past, reach out to your facilitator ahead of the coaching event for help troubleshooting.

Meeting on Zoom can feel fairly informal. After all, we usually get on Zoom meetings from our homes, and pets and children often make guest appearances. However, it's important to remember that coaching events are not casual meetings. **Come prepared to be seen on camera looking professional.** Make sure that your clothing and background are appropriate, and think about how you can minimize background noise and distractions during the event. Also make sure you can attend the coaching event from a stable location. This is not a meeting to call into from your phone while you are driving, for example.

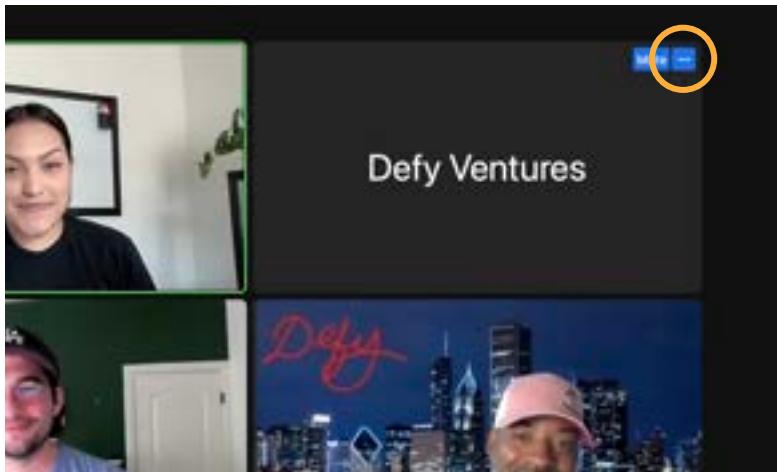
When the event begins, turn on your camera and change your display name to your alliterative name (e.g. Ambitious Alex). To change your display name, click on the three dot menu that displays your camera and click on Rename.

## Welcoming Executive Volunteers

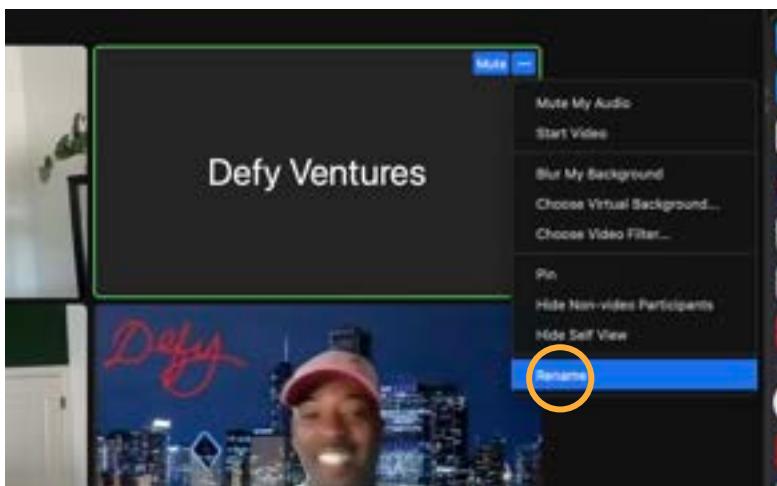
Defy's executive volunteers are entrepreneurs, investors, and business professionals. That might sound intimidating, and we know EITs get nervous about the thought of interacting with executive volunteers, but the volunteers are nervous, too! By the end of the day, though, the volunteers will see you for who you are—people who have incredible determination, hope, and resilience and who are worth their time and effort. You'll see them for who they are, too—people not so very different from yourself.

Think of yourself as a generous, gracious host, and make volunteers feel welcome and comfortable, even when you feel uncomfortable and awkward. Greet volunteers with a smile; make them feel welcome and appreciated.

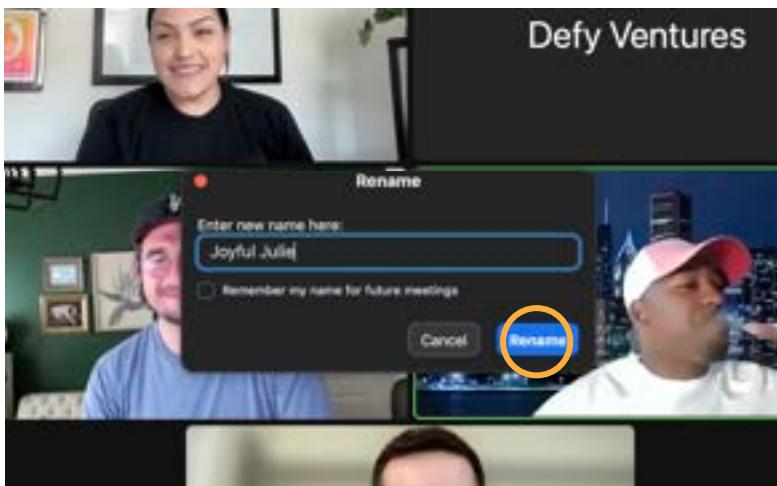




**Step 1: Click on the three dot menu that displays your camera.**



**Step 2: Click on 'Rename'.**



**Step 3: Type in a new display name and click 'Rename'.**

## Networking

A Defy event begins by making contact with other human beings—people who may be total strangers—and greeting them warmly. Defy events begin with an icebreaker activity that will include personal greetings. Remember that this is networking practice—look the other person in the eye, smile, greet the other person, and introduce yourself. After a round of greeting, you'll see people smiling and laughing, and that sets the tone for the rest of the event.

During an icebreaker activity, you greet a stranger and smile. The next step in connecting with someone new is making small talk. In this first conversation, you're establishing common ground. When you make small talk, focus on the things that bring you together. Remember, when you introduce yourself, it's entirely proper for you to greet the other person first and ask questions. Don't just talk about yourself. Ask questions that open up conversation, but don't get too personal.

**Ask questions such as:**



**When you make small talk, it's equally important to know what not to ask. In general, you should avoid questions about a volunteer's finances, politics, and lifestyle. For example, questions such as "How much money do you make?" or "Do you support the President?" would be inappropriate questions for making small talk.**

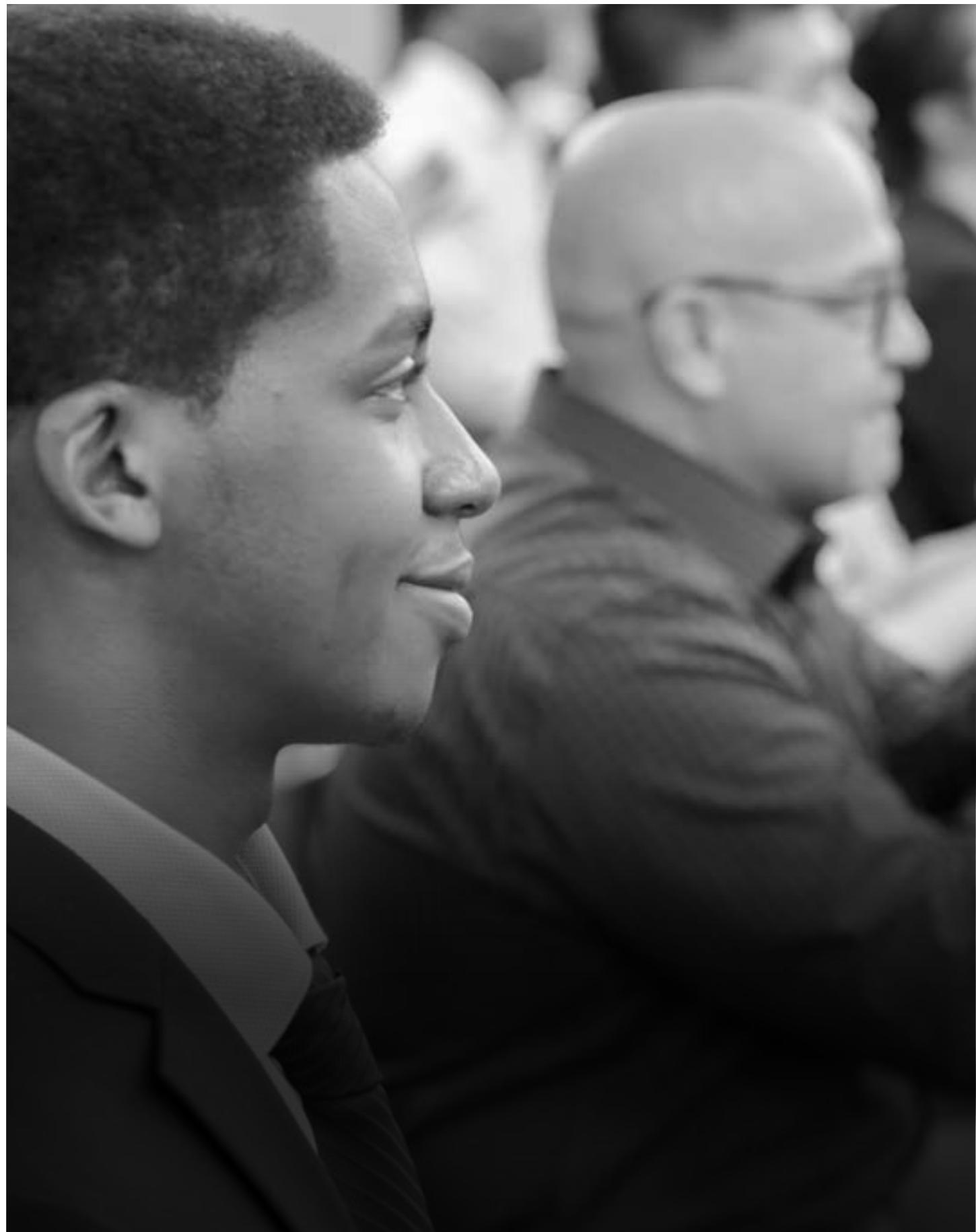
## Coaching Rounds

At the beginning of each coaching round during the event, you will be placed in a virtual breakout room for networking conversations. Often, EITs are placed in a breakout room with multiple volunteers. Your Defy facilitator will provide guidance on the allotted time for networking before your presentation begins. To help make for a successful event for everyone, being mindful of time is important. When it's time to transition out of a coaching round breakout room and your Defy facilitator sends you back to the main Zoom room, say, "It was great to meet you. Thank you so much for coming."

One of the primary goals of a Business Coaching event is to provide you with meaningful, constructive feedback on your customer discovery results and beginning business idea. Show up prepared with your materials, ready to listen actively and take notes, so you can benefit the most from the day.

During a Defy event, you will have the opportunity to receive several rounds of feedback and get comments from judges on your business pitch. You can incorporate the feedback or choose not to incorporate it. We recommend bouncing feedback off of several volunteers. If you get feedback from one volunteer, ask the next volunteer that you interact with about it. You can say, "Here's what I heard from another volunteer. Do you agree with that feedback?" When you hear the same thing from multiple volunteers, they're probably on to something that should be strengthened or changed in what you are presenting.

Never let feedback derail you. Even if you have to make significant changes to one of your deliverables or to your business pitch, you should take feedback as an opportunity to grow... not as a judgment against you.



## Words of Gratitude, Joy, and Affirmation

When words of gratitude, joy, and affirmation are spoken publicly, it can be incredibly powerful. Taking time at the end of the event to share these words gives EITs and volunteers a chance to speak from the heart about what they have experienced during the event.



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. What should EITs bring to Defy events? Choose all that apply.**

- A.* Paper and pen
- B.* A laptop
- C.* Assigned key deliverables
- D.* A voice recorder

**2. A great way to show respect for what someone is saying is to \_\_\_\_ while he or she is speaking.**

- A.* Take notes
- B.* Blink rapidly
- C.* Clap politely
- D.* Take a picture

**3. Which of the following is *not* a suggested question for small talk?**

- A.* Is this your first Defy event?
- B.* How was your flight?
- C.* What do you do for a living?
- D.* How much do you make?



**4. Defy often ends events with spoken words of \_\_\_\_.**

- A.** Anger
- B.** Devotion
- C.** Promise
- D.** Affirmation

**5. Which of the following should EITs *not* do during a Defy event?**

**Choose all that apply**

- A.** Make small talk
- B.** Exchange contact information
- C.** Monopolize the executives' time
- D.** Shake hands



## Apply Key Concepts

**What do you expect will be the most enjoyable part of a Defy event?**

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**How does this make you feel (be specific, e.g. excited, confident)?**

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**What part of a Defy event are you looking forward to the least?**

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**How does this make you feel (be specific, e.g. nervous, anxious)?**

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**What will you do to present yourself in the most professional manner during a Defy event?**

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**“People don’t care about how  
much you know until they know  
how much you care.”**

*—Theodore Roosevelt*

# Understanding Customer Decision Making

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## Preview

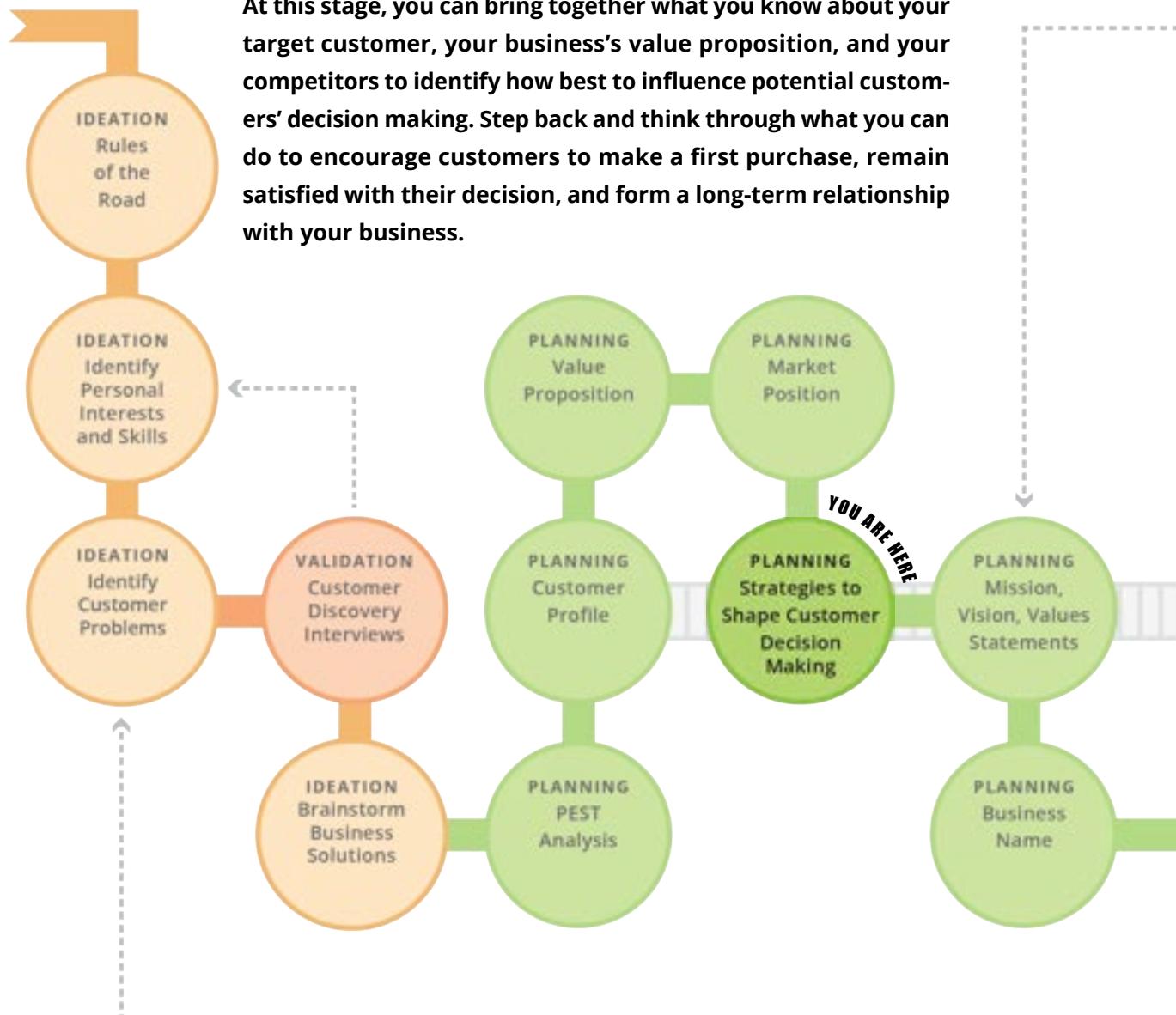
### **After reading this chapter, you should be able to:**

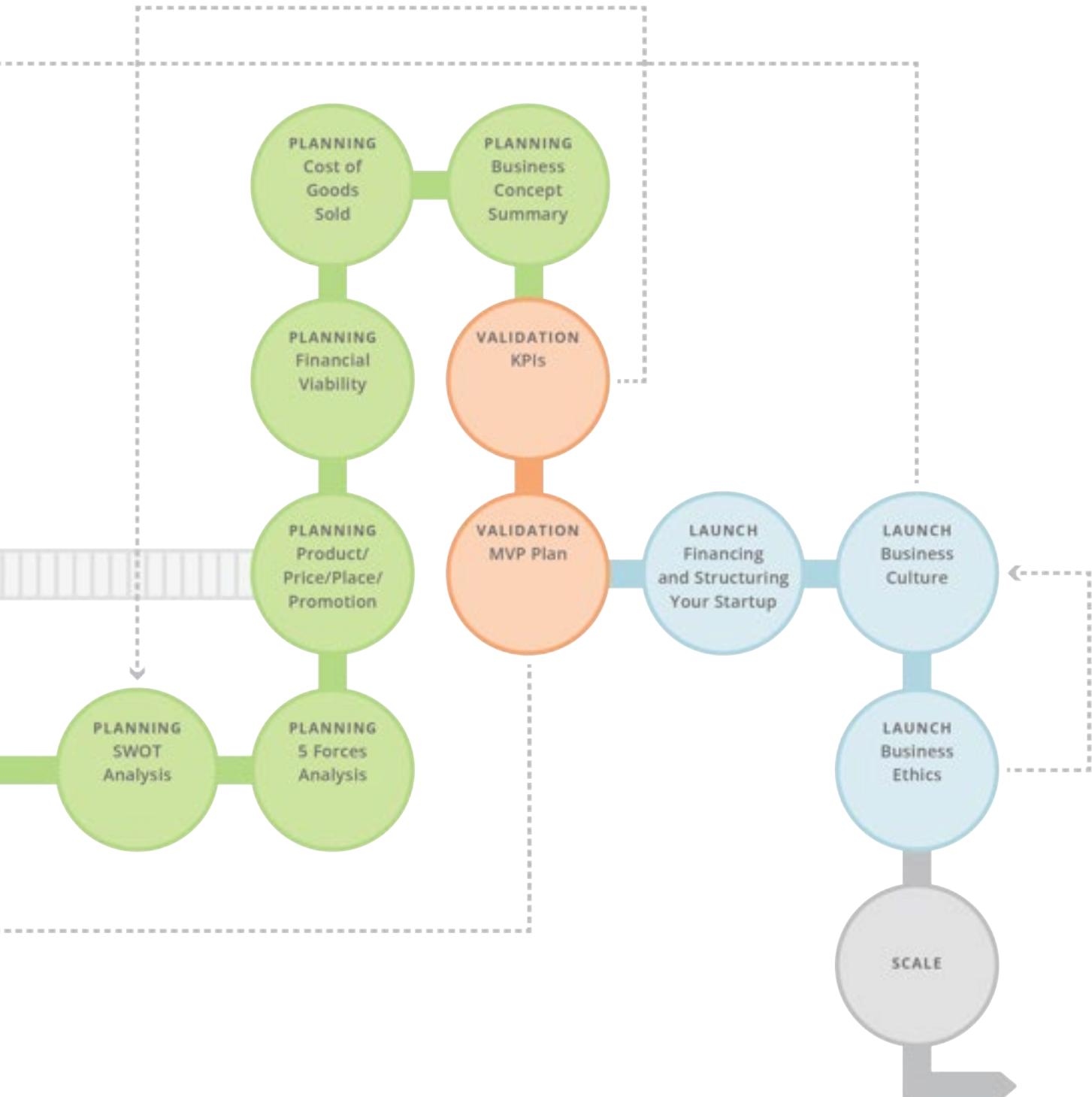
- Understand the consumer decision-making process.
- Identify the need fulfilled by their business.
- Understand how to influence customer decision making.
- Understand the importance of post-purchase consumer behavior.
- Understand the value of a business's net promoter score.
- Calculate the net promoter score for a business.



## Entrepreneurship Pathway Outline

At this stage, you can bring together what you know about your target customer, your business's value proposition, and your competitors to identify how best to influence potential customers' decision making. Step back and think through what you can do to encourage customers to make a first purchase, remain satisfied with their decision, and form a long-term relationship with your business.







The consumer decision-making process describes the stages customers move through before they purchase a product. These stages may be unconscious and rapid in the case of routine purchases. By contrast, in the case of major purchases—buying a new car, for example—customers often go through an intentional and lengthy decision-making process. Understanding this process can give you insight into the various decision points that your product

or service will have to get through before a customer makes a final decision to buy and can help you develop your marketing plans.

When they buy a product or service, consumers go through a five-step process that begins before the purchase is made and concludes after the purchase is completed. Although this process is generally the same, it is important to recognize that not all consumers are influenced by the same things. Cultural, social, individual, and psychological factors affect each of the steps in the consumer decision-making process.

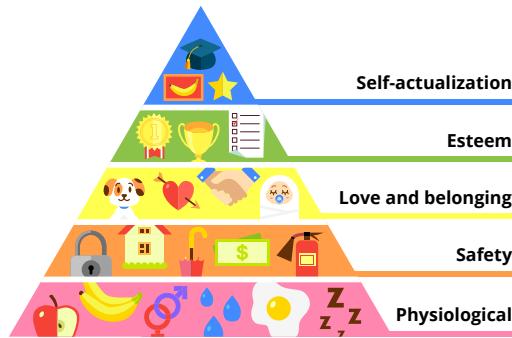
## Need Recognition

The first step in a customer's decision-making process is **need recognition**, which is often identified as the most important step. A purchase cannot take place without the customer identifying that he or she needs or wants something. Need recognition happens when a customer realizes his or her current state does not match his or her desired state. In other words, the customer feels as though something is missing or wrong and needs to address it to feel complete.

### Maslow's Hierarchy of Needs

Abraham Maslow, a psychologist, argued that human actions are motivated by needs ranging from the very basic—security, warmth, food, rest—to higher needs—self-esteem, altruism. Within this hierarchy, people's basic needs generally take precedence over higher needs. For example, your basic need for food and safety must be met before you can concentrate on improving yourself through education.

Within Maslow's Hierarchy, needs can be grouped as “deficiency” or “growth.” **Deficiency needs** arise from deprivation—food, shelter, belonging—and motivate people when they are unmet. When deficiency needs are satisfied, they disappear. For example, if you have adequate food and shelter, you no longer experience them as needs. Of course, you still need food for your next meal, but you are not concerned that your need for food will go unmet, so this basic need does not drive your choices.



**Growth needs**, on the other hand, motivate people not because they lack something, but because they desire to improve themselves. Growth needs include esteem—from self and others—and self-actualization, the motivation to realize your full potential.

A need can be triggered by **internal stimuli**. In marketing, an internal stimulus refers to a **personal perception experienced by the consumer**. An internal stimulus can be something basic—for example, a customer

who feels thirsty and buys a bottle of water is responding to an internal stimulus. An internal stimulus can also be more complex—for example, a customer who faces a long train commute may want to save time by driving to work and decide to purchase a car.

A need can also be triggered by **external stimuli**, or **outside influences** such as advertising, posters, coupons, point-of-purchase materials, store displays, or word-of-mouth. For example, a customer might not consider buying a bottle of watermelon juice until given a sample in the grocery store.

If you can determine when your target demographic develops these needs or wants, it would be an ideal time to advertise to them. Alternately, you may be able to stimulate a need through marketing.

Consumer needs can also be classified into broad categories that start to define the value proposition your product or service offers. As you recall from “Developing a Customer Profile,” a business’s value proposition summarizes what motivates a consumer to purchase one product or service over others and must come from the customer perspective.

Some consumers are motivated by functional aspects of a product to meet their basic needs. **Functional needs** are practical. Products or

services that fulfill functional needs allow consumers to save time or money; reduce cost, effort, or risk; avoid hassles; improve organization, variety, or quality; simplify; inform; connect with others; or provide sensory appeal. For example, a consumer who wants to connect more frequently with friends and family by posting video to social media might choose a new smartphone that records sharper video. A consumer who wants to find a bank that is “convenient” might be motivated by the need to save time, reduce effort, or avoid hassle.

Other consumers are motivated by **psychological needs** when they make a purchase decision including **their own emotional needs or a need to change their psychological perception of something in their lives**. These purchase decisions may fulfill consumers’ need to boost self-esteem, help them “belong” in a social environment, or elevate their social status. Products or services that fulfill emotional needs allow consumers to reduce anxiety, increase attractiveness or personal wellness, gain rewards, achieve status, connect with a sense of nostalgia, or provide fun and entertainment. For example, a consumer who buys a BMW may be motivated by the perceived social status and connection to an elite group that the car represents.

Consumers may also be motivated by a need to change **how others view them or how they perceive themselves**. Products or services that fulfill this “life changing” need provide hope or motivation, allow consumers to fulfill a greater potential, or establish affiliation and belonging to a group the customer admires. For example, a consumer who buys a baseball cap with the logo of the local sports team may be motivated by a need to belong.

As an entrepreneur, remember that **the first step of a customer’s decision-making process is to recognize an unmet need**. You can improve your ability to meet customers’ needs if you are clear about the value proposition your product or service offers. You can also think about the importance or urgency of the product or service you offer in relation to your customers’ hierarchy of needs. For example, if a homeowner needs a plumber because a pipe burst and water is pouring from the ceiling, that consumer’s decision will be motivated by functional and physiological needs. These needs might motivate the consumer to pay a premium price for plumbing services.



Our scented candle business example would appeal to a customer’s psychological need to create a calming atmosphere and indulge in something “nice.”

## Information Search

After a consumer identifies a need, he or she is likely to make a purchase and begins to search for the perceived best solution. At this stage, the consumer reviews internal and external sources of information to evaluate available options. **Internal information** is already present in the consumer's mind and comes from opinions formed through previous experience with a product, service, or brand. **External information** comes from advertising, online reviews, and word-of-mouth information from family and friends. In general, **consumers give more weight to the opinions of friends, family, and other consumers, who are usually perceived as more “objective” than advertising.**

The extent of the consumer's information search depends on the number of possible choices available to solve the problem and the importance of the need. Think of information search as a consumer's process of managing the risk represented by the purchase. To balance the risk of making a bad investment or being disappointed in a purchase, consumers may use online search tools to identify options, read customer reviews, and ask questions about others' experience.

If the identified need is important or expensive, the customer is likely to be more involved in the purchase decision and consider a greater number of potential solutions. Purchase decisions related to cars, furniture, major electronics, and other expensive products are likely to produce this high level of customer involvement. Decisions related to items such as shoes, clothing, and smaller electronics—items that are important but do not represent major investments—tend to produce a medium level of customer involvement. Finally, routine decisions, such as which toothpaste or laundry detergent to buy stimulate low customer involvement.

To help ensure that potential customers can include your business in their information search, the first thing you will want to do is make sure it is discoverable online. This means that when customers search for a product or service in your category, they can easily find your business. You'll think more about how to make your business discoverable in chapters that focus on “Naming Your Business” and an “Introduction to Marketing.” Once customers have found your business, you'll want to provide meaningful information by answering their likely questions and persuading them that your product or service meets their needs. Sometimes, the best way to win a customer is to be a credible source of information rather than simply a seller of products or services.



The scented candle business might want to create detailed scent profiles that help potential customers connect to the kind of memories and emotions that will appeal to their psychological need for a calming environment and an everyday indulgence in something nice for themselves.



## Evaluation of Alternatives

After gathering information, a consumer evaluates different products or brands before committing to a purchase decision. This evaluation may involve **objective characteristics** related to a product or service's features, functionality, and price as well as **subjective characteristics** such as customer reviews or brand reputation. Sometimes, a consumer creates lists of pros and cons based on the characteristics that increase his or her likelihood of satisfaction with the final purchase.

This evaluation of alternatives produces two or three groups, or “sets” that narrow the consumer’s choices. An **evoked set** contains products or services the consumer might consider purchasing. On the opposite side, the consumer’s **inept set** contains products or services that he or she has eliminated from consideration and will not purchase. A consumer may also create a third set, the **inert set**, which lists products or services about which he or she has no specific opinion.

Ultimately, this process of evaluating alternatives is based on the consumer’s individual needs and personality. Some consumers prioritize objective characteristics, while others feel subjective characteristics are more important.



Because the scented candle business wants to appeal to customers who are motivated by health, well-being, and eco-friendliness, to help potential customers evaluate alternatives, it might share information regarding the benefits of natural waxes, the negative environmental impact of petroleum-based wax and palm wax, and the negative health effects of common candle scent ingredients. As a new business, it might offer promotions or discounts to incentivize customers to share reviews or promote the business.

**Especially in relation to purchases that produce a high level of customer involvement, you can influence your customers' decision making by:**

- Providing specific information about your product or service's features, including proof of your claims.
- Demonstrating your product or service's value compared to competitors' value propositions.
- Responding to your customers' needs for additional information and positive influence.
- Managing customer review sites (e.g. Google, Yelp).
- Monitoring customer reviews, and responding with positive customer service.
- Collecting and promoting customer testimonials.
- Incentivizing customers to share and promote the business.

## Purchase

Once consumers have evaluated alternatives, they will make final purchase decisions based on their needs. This final purchase decision could be disrupted by negative customer feedback, such as online reviews, as well as the consumer's willingness to accept the feedback in those reviews. For example, having arrived at a purchase decision, a consumer decides to buy a new coffee maker. However, because a friend offers negative feedback about the brand, he or she might consider changing that decision. For the same purchase decision, the consumer might read online reviews and ignore a small number of negative reviews that complain about shipping problems if other reviews are positive. If negative feedback gets posted online, a business can mitigate its effects by responding back proactively and resolving customer issues.

A final purchase decision could also be disrupted by unanticipated situations such as a sudden job loss or relocation, a negative shopping experience, or even an in-store sale or promotion. For example, a consumer might decide to hold off on buying an expensive new vacuum cleaner after losing his job, a consumer committed to buying a well-known computer brand might change the decision based on an unpleasant experience with the sales clerk, or a supermarket promotion might convince a consumer to purchase a brand from her "inert set."

For online businesses, the primary reason for shoppers to abandon their carts is unexpected shipping fees. 63% of abandoned carts, which represent interrupted purchase decisions, are the result of additional shipping fees that the customer was not aware of going into the purchase.

To avoid introducing hidden fees at the last step of the purchase decision, it's best to be up front about any shipping fees or build the cost of shipping into the price of the product and offer "free" shipping to the customer. Additional reasons for customers to abandon an online purchase include discount codes not working, long wait times for shipping, or difficulty entering credit card or shipping information.

To facilitate the purchase step, you want to make the purchase experience transparent, easy, and seamless for your potential customers. If customers have gotten to this point in the decision-making process, they want what you have to offer. So make the experience easy for them to check out without surprising them with additional fees.



The scented candle business will want to monitor customer feedback to make sure that negative feedback doesn't disrupt purchase decisions. The business will also want to make sure that discount and promotional codes work seamlessly; customer check out is easy by offering multiple payment methods, such as credit cards and PayPal; and shipping is fast and reliable.

## Post-Purchase Behavior

Once a product is purchased and used, consumers evaluate whether their choices met their needs and expectations. Your customers will decide whether they made the right purchase decision and form opinions that will influence their future buying decisions. If satisfied, a consumer who develops brand loyalty may choose to minimize his or her information search and evaluation of alternatives when making future purchases. On the other hand, if the experience with the product was average, consumers are likely to repeat the stages of the consumer decision-making process, making repeat purchases less likely. If the experience was disappointing, the consumer may exclude the brand from a future "evoked set."

Consumer opinions of your product or service may be positive, negative, or neutral. Regardless, those opinions are sure to be shared by word-of-mouth, on social networks, or in consumer product review websites. Remember that during the information search phase, information from other users has enormous potential power to shape a potential customer's evaluation of alternatives. The internet, with its easy access and massive audience, gives both satisfied

customers—**promoters**—and dissatisfied customers—**detractors**—a great deal of power to shape other consumers’ perceptions of your business. Customers’ post-purchase behavior can have important consequences for you as an entrepreneur. A satisfied customer might become a loyal customer who promotes your business, while a dissatisfied customer can leave negative feedback that discourages others from trying your product or service and become a detractor.

A **net promoter score (NPS)** is a measure of customers’ satisfaction with and loyalty to a brand. An NPS is generated from responses to a single survey question: “**How likely is it that you would recommend our company/product/service to others?**” Customers respond based on a scale of 0 to 10, with 0 representing “Not at all likely” and 10 representing “Extremely likely.”

- **Promoters (9–10)** are satisfied and loyal customers who will continue to buy your product or service and refer others, fueling growth.
- **Passives (7–8)** are satisfied but unenthusiastic customers who are vulnerable to being lured away by competitors.
- **Detractors (0–6)** are unhappy customers who can damage your brand and potential for growth through negative word-of-mouth.

This simple grouping of customers acknowledges the power of word-of-mouth advertising that happens when someone you trust recommends that you try something new...or stay away from a particular product or service.

A business’s net promoter score is calculated by subtracting the percent of detractors from the percent of promoters.

$$\% \text{ Promoters} - \% \text{ Detractors} = \text{NPS}$$

An NPS can range from -100 (everybody is a detractor) to +100 (everybody is a promoter).

Companies with **high net promoter scores (70 or above)** generally have a high degree of customer loyalty and those customers spread awareness of the business’s products and services through strong word-of-mouth advertising. Customer loyalty is an important source of business



revenue. The purchasing potential of a satisfied consumer throughout his or her life cycle creates **lifetime customer value**. Lifetime customer value is a prediction of the total profit a business can attribute to a customer over time. It is a measure of a business's potential profitability. For example, a tee-shirt company that sells ten shirts to one customer is likely to be more profitable than a similar company that sells 10 shirts to 10 different customers. The first company attracts loyal customers who make repeat purchases. It has a higher lifetime customer value, and thus the potential for greater profitability when it develops a larger customer base.

To optimize your customers' experience and mitigate the negative impact of dissatisfied customers, you might offer a money-back guarantee and top-notch customer service. Giving a dissatisfied customer a positive customer service experience can influence his or her post-purchase behavior in your favor.



To monitor customers' post-purchase behavior, the scented candle business may want to ask customers how likely they would be to recommend its candles to a friend. It might collect feedback from customers who are neutral or detractors and make referrals easy for promoters by offering a referral link with a discount code that customers can share on social media or email to their friends. To strengthen customers' post-purchase behavior, the scented candle business might offer a money-back guarantee or offer replacement candles to customers who are dissatisfied with the candles' performance or scent.

## Decision-Making in Action



### Need Recognition

A consumer is hungry and has nothing to eat at home (current state, internal need). She wants to have food delivered (desired state).



### Information Search

Recently, the consumer ordered delivery from a local sandwich shop (internal information); a friend recommended a pizzeria (external information from word-of-mouth recommendation); and the consumer found a flier for a new Thai restaurant (external information from advertising) on her doorstep.



### Evaluation of Alternatives

The consumer was disappointed by the sandwich she ordered recently, so she decides against the sandwich shop right away and it becomes part of the inept set. A friend recommended the pizzeria, and it has several positive online reviews; the pizzeria becomes part of the evoked set. The Thai restaurant has received some positive online reviews; it, too, becomes part of the evoked set.



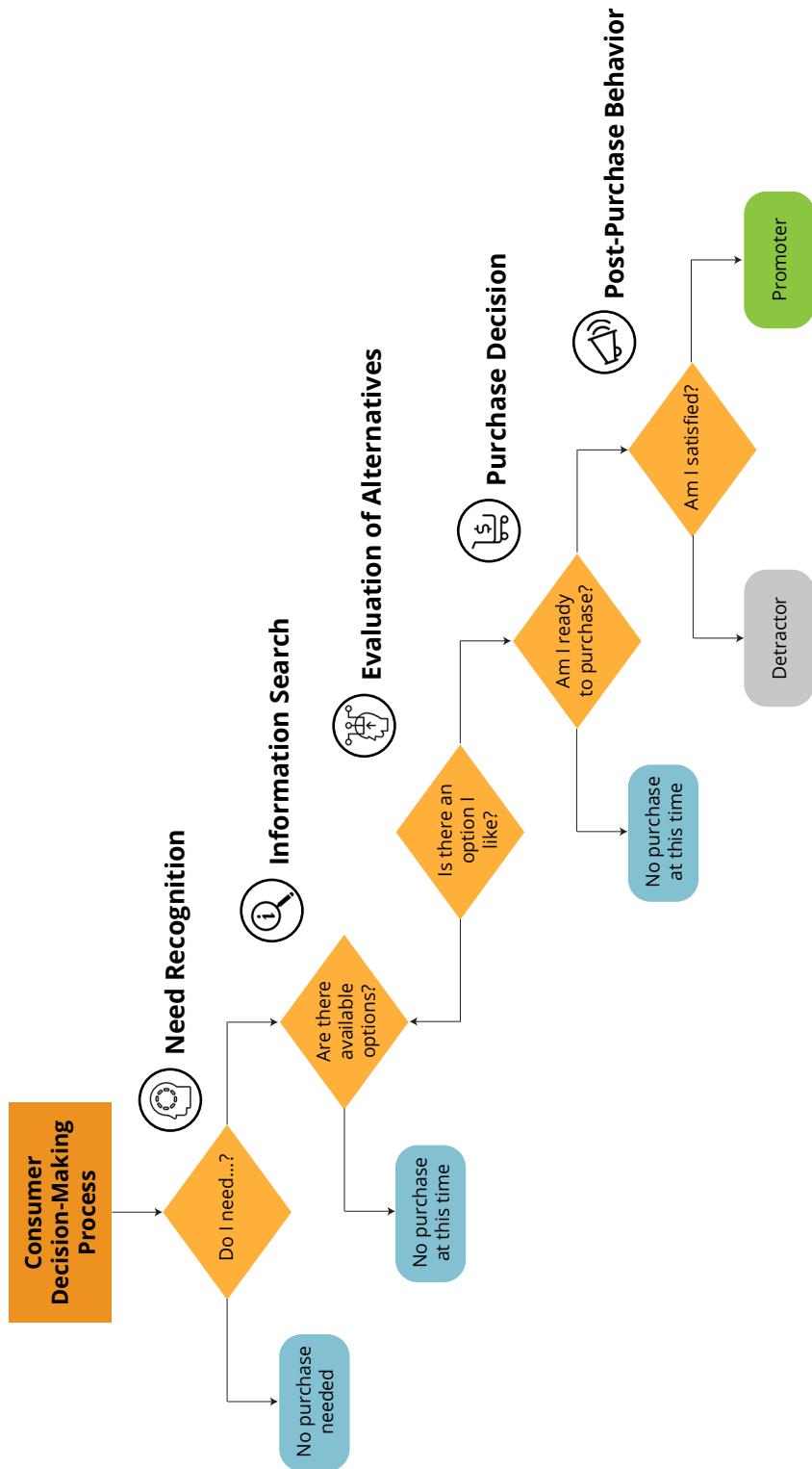
### Purchase Decision

The consumer makes the decision to order from the pizzeria since her friend recommended it. She calls the restaurant, but the phone is busy. Her decision to purchase from the pizzeria is interrupted, and she changes her decision to order from the Thai restaurant.



### Post-Purchase Behavior

The Thai food is delivered promptly, the delivery person is friendly and polite, and the food tastes great. The consumer is satisfied with her purchase and keeps the restaurant's menu in a kitchen drawer, ready for the next time she needs to order food. The Thai restaurant has taken a first positive step toward creating a loyal customer with lifetime customer value.



## Building a Love Brand

In *IF\*\*king Love That Company*, authors Bayard Winthrop, CEO of American Giant, and Randy Komisar, venture capitalist and former CEO of several tech companies, identify the power of customers' post-purchase behavior in the creation of what they call "love brands." A company's **brand** is a series of features that set it apart and make it unique to its customers—your value proposition. Love brands are brands that you care about because they produce a product or deliver a service that is meaningful to you. Big-box stores like Walmart might be great places to buy toilet paper or a coffee maker, but when you want to purchase a product that is important to you, you might seek a company that offers more than low price or convenience.

For example, if you are an avid bicyclist, you're not likely to buy a bicycle online from Amazon. You might be more likely to buy it from the local bike shop where they custom-build bikes to fit their customers' needs. You might also be willing to pay the shop owner a higher price or wait a little longer to get your bike because it is special to you.

If you are fortunate enough to create a love brand, it is important to understand and embrace exactly what is fueling your customers' love and loyalty so you can deliver that value and experience consistently. Remember that your product or service forms the basis of your relationship with your customers. When a company creates a love brand, its customers feel as though interacting with the product or service is a valuable experience, something they want to tell their friends and neighbors about.

Often, a love brand is created by design-focused (rather than cost-focused) companies. **Design-focused** companies create products that communicate quality. That sense of quality might be communicated in the way a product is packaged, how it is presented, or what the label looks like. Everything about a design-focused product demonstrates consistent care and pride. By contrast, **cost-focused** companies are less likely to invest in the kind of packaging, presentation, and labeling that make a product feel "special." For example, Quip is a design-focused company that makes electric toothbrushes. Like most electric toothbrushes, Quip includes a motorized base and replaceable brush heads. Unlike most electric toothbrushes, however, Quip toothbrushes can fit into regular toothbrush holders and are easy to use for travel. There are no plugs or wires with a Quip toothbrush. Instead, it is powered by a AAA battery, which keeps the toothbrush handle slim. The base of the toothbrush is made from brushed metal, making the Quip stand

out against its less good-looking competitors. A design focus also extends to the customer's experience and solves common customer problems. Quip, for example, times the vibration of its electric toothbrush so the brush pauses every 30 seconds, reminding users to brush their teeth evenly, and automatically turns off after two minutes. Other design-focused features include a base that doubles as a travel cover and a sticky strip on the back of the case that allows users to "mount" the toothbrush base to a mirror or tiled surface.

Other times, a love brand is established through superior customer service. For example, the company Zappos is an online retailer that earned its reputation for customer service selling shoes. Zappos's legendary customer service reputation comes from the company's stated goal to "surprise and delight" its customers. This "surprise and delight" comes from the company's tendency to deliver products ahead of schedule, free shipping for deliveries and returns, and non-judgemental return policy.

To create a "love brand," develop a strong understanding of your product—use it, care about it, be proud of it. Your heart and soul have unique value—let that value shine through in the product or service you provide.



## Resources

### **Winthrop, Bayard and Komisar, Randy, *I F\*\*king Love That Company: How a New***

***Generation of Brand Builders Is Defining the Post-Amazon World:*** This book by the CEO of American Giant and a venture capitalist profiles how retail is being reshaped by e-commerce as well as the ways in which consumers hold new power in the retail world. They argue that brands that inspire love and loyalty from their customers will thrive, while other brands will falter, and share insights into the many ways in which customers who love a business's brand can share that love with a huge audience of new customers.

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## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

**1. Sophia needs to buy a new pair of shoes because the soles of the shoes she relies on for work are worn down. She receives an email promoting a sale for an online retailer that carries her favorite brand of shoes. Her need recognition is prompted by \_\_\_\_\_. (Choose all that apply.)**

- A.** Internal need
- B.** External need
- C.** Internal information
- D.** External information

**2. The concept of lifetime customer value illustrates the point that \_\_\_\_\_.**

- A.** A repeat customer will generate more revenue than customers who buy a product or service only once
- B.** Customers who buy a product or service only once will leave negative reviews and harm the business
- C.** Consumers buy a variety of products and services over the course of their lifetimes
- D.** Businesses add value to their customers' lives through good customer service



**3. Barry's refrigerator is over 20 years old and about to fail. The repair service he uses tells him the appliance is not worth repairing and he should purchase a new refrigerator. Barry is likely to \_\_\_\_\_. (Choose all that apply.)**

- A.** Have a low level of involvement in the decision and buy the same brand that he is replacing
- B.** Be highly involved in the purchase decision and consult external sources of information
- C.** Be motivated by a functional need to find a refrigerator with enough freezer capacity that fits his space
- D.** Be motivated by an emotional need to boost his self-esteem through the purchase

**4. Quan runs a commercial cleaning company in a market crowded with competitors. He knows that potential customers look for a new service when they are dissatisfied with their current provider, when a new business opens, or when a new commercial space is built. To influence potential buyers' decisions, he should \_\_\_\_\_.**

- A.** Disregard negative reviews on Yelp
- B.** Rely on print advertising and brand recognition to generate new business
- C.** Promote a luxury service that appeals to customers' need to belong to an elite group
- D.** Develop informative marketing materials that include customer testimonials



**5. Toni sent a survey to her customers and found that her business has a Net Promoter Score of 60. Looking at her respondents, she might find \_\_\_\_.**

- A.** 70% are promoters and 10% are detractors
- B.** 70% are promoters and 10% are detractors
- C.** 80% are promoters, 10% are passives, and 10% are detractors
- D.** 60% are promoters and 40% are detractors



## Apply Key Concepts

Think of a time when you recall going through the consumer decision-making process. What was the product or service you purchased? What did you learn and what decisions did you make at each step of the process?

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**Briefly describe your business's product or service. Include the benefits of your product or service, its pricing, and how you plan to differentiate from the competition.**

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**Based on your description, what objective characteristics will your product or service have?**

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**What subjective characteristics do you want your product or service to have?**

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**Look back at the value proposition you identified in “Developing a Customer Profile.” Be specific about how your product or service will fulfill consumers’ needs based on Maslow’s Hierarchy as well as functional or psychological needs.**

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**How might you use external stimuli to create a need for potential customers?**

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**What level of customer involvement is your product or service likely to produce?**

**Why do you think this is the case?**

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**Based on the product or service you plan to create, how do you anticipate your customers will search for information?**

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**What external information do you think will be most important in influencing consumers' purchase decisions, and why?**

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**How will you develop your product or service's subjective characteristics?**

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**When your customer has selected your product or service and is in the purchase stage, what will you do to ensure he or she stays with your product or service?**

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**What might you do to guide your customers' post-purchase behaviors?**

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**Identify a company that you would say has created a “love brand.” In your opinion, what makes that company’s product or service particularly special?**

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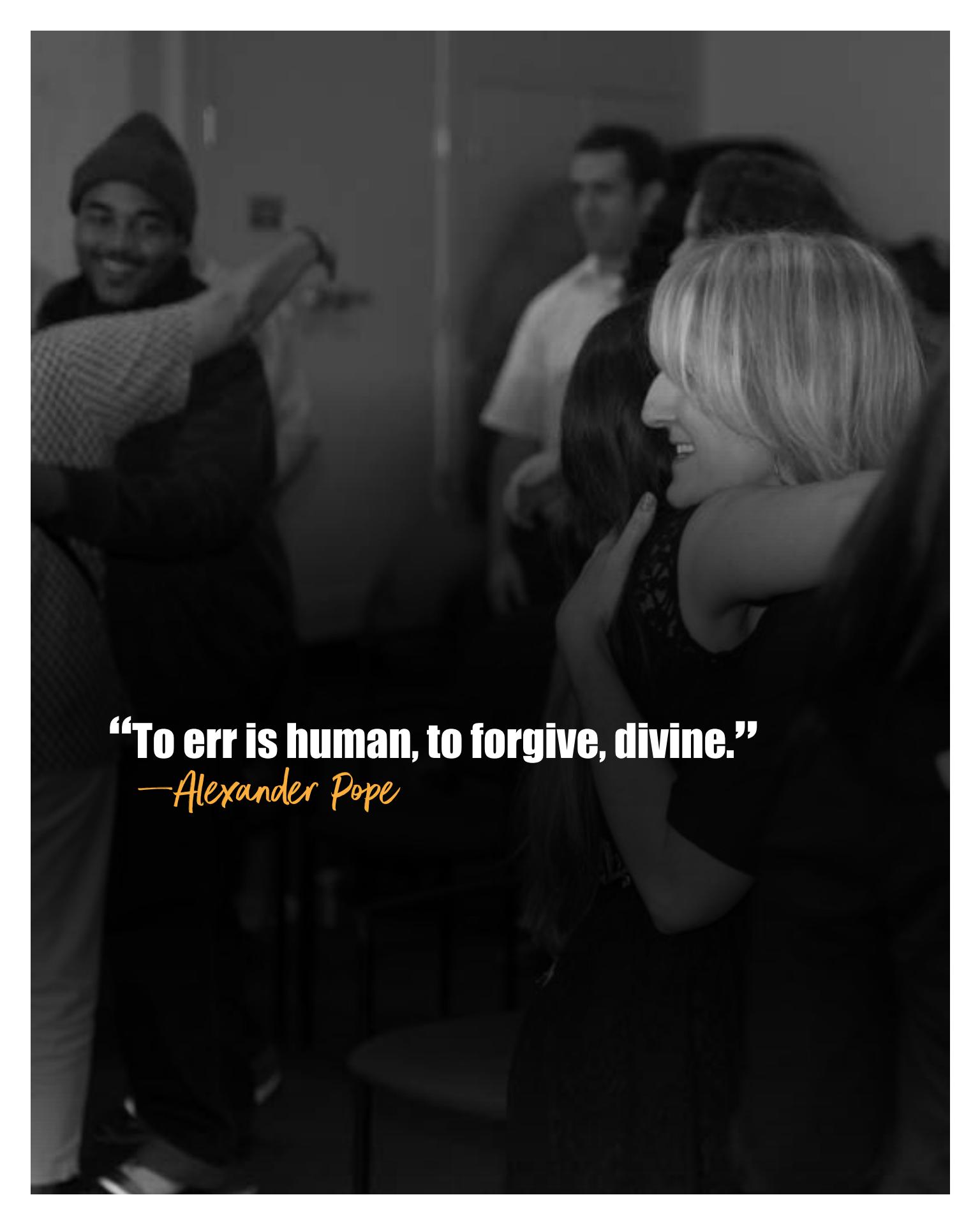
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**“To err is human, to forgive, divine.”**

*—Alexander Pope*

# Meaningful Apologies

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## Preview

### **After reading this chapter, you should be able to:**

- Identify what makes an apology ineffective.
- Identify what makes an apology effective.
- Practice making meaningful apologies.





**I**t's impossible to go through life without making a mistake at some point that hurts or offends someone else, both personally and professionally. However, if you reconcile with those you hurt, you have an opportunity not just to repair, but potentially to improve your relationships. One powerful way to do this is by learning to offer meaningful apologies.

Often pride gets in the way of going back after we've made a mistake and making a meaningful apology. It's rare, especially in a business context, that people humble themselves enough to say: "I'm sorry" and take responsibility for their actions. If done correctly, apologizing can be a powerful experience for both parties. It can create a sense of loyalty in customers and strengthen personal bonds. If done poorly, however—like when an apology comes late or is delivered in the wrong tone of voice—it can have the opposite effect. The most important thing you need for an apology to be meaningful is sincerity. If an apology is insincere, the person on the receiving end will know you don't mean it. If you don't think you did anything to apologize for, then maybe the time isn't right for you to apologize. Sometimes you might not feel bad about what you did, but you do feel bad about the impact that it had on someone else; for example, you hurt someone unintentionally. You don't have to be sorry about the intentions of your words or actions, but you can certainly feel sorry about their negative impact.

## **Ineffective Apologies**

To grasp what makes an apology effective, let's first look at what makes one ineffective. Think about the times in your past when you've apologized and not gotten forgiveness or when someone has attempted to apologize to you and you haven't accepted it. What was it about that attempt that went awry?

Sometimes, apologies are rejected because of a history of repeated behavior—someone apologizes, but continues to repeat the problematic action, making the apology seem insincere. Sometimes the body language of the person apologizing can undermine the apology. For example, if you have a smirk on your face, are rolling your eyes, or have an angry, unrepentant expression or tone

of voice, your apology is less likely to go over well. Making excuses for the offending behavior while you apologize is also likely to undermine the effectiveness of an apology. Timing is also important when you deliver an apology. While apologizing eventually is always better than never apologizing at all, you may get a negative response if you wait too long to apologize for something you've done wrong. On the other hand, apologizing right away might not be the best timing either, as emotions may still be running high.

It's almost always best to apologize in private. Apologizing in public, surrounded by witnesses, puts pressure on the other person to say he or she forgives you and act polite for the sake of others, rather than because he or she genuinely forgives you. The only time a public apology is needed is when the offense itself took place in public. If you make fun of or embarrass a co-worker in front of others, for example, it might be appropriate to apologize publicly and acknowledge your wrongdoing in front of everybody else who was involved.

Most of us have experienced apologies that just didn't feel right, when the person apologizing made excuses, tried to shift blame for the incident, or ended the apology with a "but..." statement. The news is full of examples of business owners, celebrities, and politicians who make public apologies that essentially say, "I'm sorry you misunderstood me" or "I'm sorry you feel that way" instead of "I'm sorry I said what I did" or "I'm sorry I caused harm."

For example, in 2010, the CEO of British Petroleum, Tony Hayward, offered a public apology for the environmental destruction and economic damage created by the Deepwater Horizon oil spill in the Gulf of Mexico, saying, "We're sorry for the massive disruption it's caused their lives. There's no one who wants this over more than I do. I would like my life back." By concluding his statement with, "I would like my life back," Hayward effectively turned his apology around and made it about the disruption to his own life rather than the destruction the company caused under his leadership.



## Effective Apologies

Maybe you've also experienced a particularly effective apology, but perhaps you've never stopped to think about what the other person did to make you feel good after you experienced disappointment, anger, or harm. Before we dive into the what makes a great apology, let's look at an example of an effective apology.

The company LivingSocial sells discounted vouchers for events and items around the country. One of these vouchers was for a picnic basket. The item was purchased online through LivingSocial, then picked up at the participating company. Unfortunately, the picnic basket was not as advertised, and one customer contacted LivingSocial to complain. The company's response is an example of an effective customer service apology.

First, the company apologized: *"We're so sorry. It was wrong of us to advertise something that was not delivered to you."* This apology was offered, despite the fact that LivingSocial was not technically in control of the picnic basket; rather, the vendor they worked with provided the merchandise. Nevertheless, LivingSocial apologized.

Next, the company offered restitution—a full refund and an additional \$20 credit for the next purchase. Suddenly, the customer moves from frustrated to impressed.

However, the company didn't stop there. They insisted on investigating the issue of the picnic basket and talking with the vendor to make sure the issue never happened again. In doing so, they transformed a dissatisfied customer into a loyal one, who now sings the company's praises to others—all because of a meaningful apology!

Of course, things might feel more complicated when you're talking about personal apologies, particularly if the offense is a big one. For example, an EIT who served eight years in prison and had to leave her five-year-old daughter might come home to find an angry and distant thirteen-year-old. She might feel angry because her parent missed out on valuable years of her life.

Many parents never take the time to apologize to their children, but if you say, *"I am so sorry that I wasn't there for you and that I was away for some of the most meaningful parts of your life,"* you

take an important first step to opening up communication and establishing a new relationship with your child.

You might also ask your child how it made him or her feel not to have you around. Sometimes, we think that we know what we need to apologize for, when, in fact, we don't know how angry the other person is or what really hurt them. Make sure you apologize for what affected the other person by asking sensitive questions, then acknowledge his or her pain and take responsibility for causing it.

To offer restitution in this situation, you might ask: *"What are some things I could do to make it up to you?"* It's impossible for you to take back the time you were incarcerated, but there may be some things the two of you can come up with that will make you both happy.

Finally, it's important to assure the child in this scenario that you've changed your ways, that you won't leave him or her again, and stick to it.

This conversation can be incredibly hard for the parent and for the child, too. Making yourself vulnerable, even if you're the parent, goes a long way, no matter how uncomfortable it may feel at the time. These are sensitive conversations, but the framework for offering meaningful apologies is just as applicable in your personal life as it is in business and will strengthen relationships with your family and friends.



## Meaningful Apologies

### Expressing Regret & Accepting Responsibility

The first step of a meaningful apology is to express regret and say, “I’m sorry.”

Expressing regret for past actions allows you to accept responsibility for what you have done. Some ways to say this are:

- *“I know I hurt you deeply. I am truly sorry for what I did.”*
- *“I’m sorry I disappointed you. I should have been more thoughtful. I apologize for causing you so much pain.”*
- *“At the time, I was not thinking. I never intended to hurt you, but I can see my words were way out of line. I’m sorry I was so insensitive.”*
- *“I’m sorry I violated your trust. I’ve created a roadblock in our relationship that I want to remove. I understand that it may take a while for you to trust me again.”*

Take note of the way these examples are worded. It’s not a demand or an obligation on the other person to forgive you right away or even to accept your apology. A true statement of regret simply acknowledges the damage caused by your words or actions. There are no excuses or justifications in these examples. Sometimes the other person might ask, “*Why did this happen?*” which is an invitation for you to explain. However, you should never frame your explanation as an excuse.

When you express regret without justifying your actions, it leaves you feeling vulnerable, but that’s also what makes the apology itself more powerful.

### Making Restitution

The next part of the language of apology is restitution. **Restitution** is the restoration of, or compensation for, something lost, stolen, or injured. Essentially, restitution is what you are going to do to “make it up” to the other person.

Some creative ways to ask this question include:

- *“Is there anything I can do to make up for what I have done?”*
- *“I know I’ve hurt you deeply, and I’d like to do something to repay you for the hurt I’ve caused. Can you please give me a suggestion?”*
- *“I want to make up for what I’ve done. What would you consider appropriate?”*
- *“I know that I’ve inconvenienced you. May I give you some of my time to balance things out?”*

Sometimes there’s a clear and obvious solution for restitution. Other times, we can hurt people or take something away from them which is impossible to make up for.

Whatever form of restitution you decide on, the most important thing to remember is to

be willing to make yourself vulnerable and ask the other person, “*What can I do to make it up to you?*” This empowers the person whom you offended.

Sometimes, the other person will say, “*There's nothing you can do to make it up to me,*” and that's something you must learn to live with. However, in some cases it might be appropriate to dig a little deeper and say, “*I'd like to do something to try to make this up to you. I want to do something that is meaningful for you.*” Even if it is not directly related to the harm you caused, you can try to make restitution in a way that the other person finds meaningful.

### Expressing Repentance

Sometimes the most meaningful part of an apology is not the part where you say “*I'm sorry I was wrong,*” but the repentance. You might think of repentance as being the same as expressing regret, but **repentance emphasizes a need for change.** Repentance emphasizes a turn away from one behavior and toward another. Repentance is an important part of the language of apology because people want to know that the person who hurt them is **not going to repeat the same behavior in the future.** This seems like an easy thing, but, too often, we apologize for behaviors that we never commit to changing.

### Examples of statements of repentance include:

- “*I know I'm not going to be perfect, but I really want to try to change this behavior. Would you be willing to remind me if I revert to my old patterns? I think that will help me to stop and change my direction.*”
- “*I let you down by making the same mistake again. What would it take for you to begin to rebuild your trust in me?*”
- “*I know that what I did caused you pain, and I don't ever want to do that to you again. I'm open to any ideas you have on how I can change my behavior.*”
- “*I know what I'm doing is not helpful. What can I change to make this better?*”

As with the other parts of a meaningful apology, genuine repentance requires you to make yourself vulnerable to the other person. It also means that you commit to taking a good look at your actions and motivations and changing your behavior in the future. You may even be able to get the other person's assistance to keep you on track and make positive changes.

### Requesting Forgiveness

You don't always have to ask for forgiveness as part of an apology, but it can provide closure if you do it well. Asking for forgiveness means that you are asking the other person to stop feeling angry or resentful—to cancel the debt created by your wrongdoing.

**Examples of asking for forgiveness are:**

- *“I’m sorry for the way I spoke to you. It was loud and harsh, and you didn’t deserve that. It was wrong of me, and I hope you can forgive me.”*
- *“I know what I did hurt you deeply. You have every reason never to speak to me again, but I am truly sorry for what I did, and I hope you can find it in your heart to forgive me.”*
- *“I didn’t intend to hurt you, but obviously I have. I realize that now, and I see that my actions were wrong. I promise you not to do that again. I want to ask you if you will please forgive me.”*
- *“What can I do to work toward your forgiveness?”*

Asking for forgiveness transfers the power of the moment from the person who has done something harmful to the person who has been hurt. The tricky part of asking for forgiveness is that you don’t want to put pressure on the other person. Just because you’re ready to ask for forgiveness, doesn’t mean that the other person is ready to forgive you. If you want someone to forgive you, be aware that he or she may need time to digest your apology and deal with his or her own feelings first. You may have taken time to come to grips with what you’ve done and prepared yourself to apologize, but the other person might need time to process your apology. You can’t demand forgiveness. It must be given freely to be as sincere as your apology was.

It’s okay for the person who’s offended to feel angry after you apologize. If you have made the best apology you can and the other person is not yet ready to forgive, it’s best to express understanding and give him or her more time. Remember that forgiveness might require more than one attempt at apology, especially if it’s for something that caused a whole lot of hurt. You might need to go back and try again; just don’t pressure the other person to forgive you.

If you have done everything in your power to apologize and still don’t receive forgiveness, you may need to accept the fact that the other person is not ready or able to forgive. If you have exhausted all efforts to apologize and change but have not received forgiveness, you may have to learn to forgive yourself and move on in your life. In some cases, you may even need to let the relationship go eventually. You can’t control others, and some people—for whatever reason—have a hard time with forgiveness.

Ultimately, the process of learning to be vulnerable and apologize for your mistakes, of learning to repent and turn away from destructive behaviors, will make you a better person with or without the other person’s forgiveness.



## Examples of Meaningful Apologies from Defy EITs

The following example closely follows Defy's formula for creating a meaningful apology.

*Dear Mom,*

Several years have passed since I was in trouble with the law, but I wanted to say I'm sorry for the many years of heartache you were forced to bear due to my weak character and poor decisions.

You and Pop always provided a solid family structure, giving me more than basic food and shelter. I grew up with the best educational opportunities available, moral teachings through church and your examples, and all the love and support that could be expected of any parents. I don't have any excuse, and no reason other than laziness that led to my convictions for theft and drunk driving.—**Expresses regret and accepts responsibility for past actions**

The financial support you gave me over the years is likely more than I could calculate or ever repay. The only restitution I can realistically commit to would simply to be the best son I can be going forward.—**Offers restitution**

I think the six years that have passed since my last incident and conviction is a start, and I know my commitment to living right is as strong today as ever. I have changed the way I handle adversity, dealing with challenges and disappointments in a different manner than in the past, and I promise to continue doing things the right way.—**Expresses repentance**

I know you love me because you have continued to support me all of these years. I hope you will be able to forgive me as well.—**Asks for forgiveness**

*Love,  
Tony*

This second example shows that a meaningful apology doesn't have to follow Defy's formula in exact order. The following EIT hits all of the points needed for a meaningful apology, but does so in his own way.

*Dear Son,*

I apologize to you from the depths of my soul, for I hurt you. I made horrible choices that ultimately cost me everyone and everything I had in my life, most importantly you guys. I acted foolishly and lived dangerously, not thinking how it all would end. I didn't care if you saw the condition I was spiraling into. I love you with every fiber of my being, and I thought in some sick, twisted way I was protecting you, providing you with a better life. Now I realize how bad my problem really was. I hurt you without intending to.

You have every right to be angry at me and hurt. I take responsibility for my behavior. I have had over ten years alone with my thoughts and feelings of remorse and regret for everything I did, starting back when you were young and I stayed away from home for days at a time.

The guilt I feel over this cannot be put into words. I wasted precious time away when I should have been with you. I wish I could go back and do things differently, but of course that is not possible.

In 1998, I began to get greedier. This is when I started going to Mexico to purchase ridiculously large amounts of drugs. The violent and aggressive and out-of-control behavior began and finally ended with a prison sentence.—**Expresses regret and accepts responsibility for past actions**

They say that out of true remorse comes the determination to better yourself and make a life change. I promise you that I am doing just that. I'm taking care of a

lot of problems that I have been avoiding and doing a major attitude adjustment. I have mellowed out quite a bit.—**Expresses repentance**

If there is any way you can find it in your heart to forgive me, it would mean the world to me, but I understand and respect your decision if you can't.—**Asks for forgiveness**

I would be more than willing to listen to you tell me, even if just to vent your anger, how much I hurt you and why. I need to hear it from you, because not knowing exactly which events I pulled that finally drove you away from me eats me up. That's up to you, I know. Please take some time and think about it if you could.—**Offers restitution**

I think about you every day and wonder what your life is like now.—I love you so much.

—*Papi*



## Check Your Understanding

Based on what you read in this chapter, circle the letter of the best answer. Where noted, some questions may have more than one correct answer. For these questions, you will be prompted to choose all that apply.

### 1. Which of the following would be considered a meaningful apology?

- A.** I'm sorry you feel that way.
- B.** I'm sorry I hurt you, but I've had a hard life and was in a really bad space at the time.
- C.** There's no excuse for what I did. I know that I hurt you and I'm very sorry for it. What can I do to make it up to you and show you that I'll never do it again?
- D.** I'm sorry you're mad at me. I know that I hurt you, but I didn't mean to. What do you want me to do about it now?

### 2. What should you do if the person you apologize to doesn't accept your apology?

- A.** Get angry. You're trying, and the other person isn't acknowledging your attempts to make up!
- B.** Give the most meaningful apology you can, then give him or her time to think about it.
- C.** Just let it go. Some people can't forgive, and it's not worth your time to keep trying.
- D.** Keep apologizing until he or she forgives you.



**3. The goal of a meaningful apology is \_\_\_\_.**

- A.** Reconciliation
- B.** Getting paid back
- C.** Self-worth
- D.** A clear conscience

**4. Which of the following statements is an example of a company accepting responsibility?**

- A.** “That’s our policy. I just work here. I’m so sorry you didn’t get what you needed.”
- B.** “Our company will reimburse you for the damaged goods, as promised in our customer satisfaction policy.”
- C.** “Our call center is experiencing an unusually high call volume and we apologize for the wait time this may cause.”
- D.** “Our company dropped the ball and did not deliver the service we promised.”

**5. Accepting responsibility for a hurt or inconvenience exposes \_\_\_\_.**

- A.** Pride
- B.** Weakness
- C.** Anger
- D.** Vulnerability



## Apply Key Concepts

**Write to apologize for something you regret. This does not need to be something significant—this is simply a chance to practice apologizing.**

**Express regret and accept responsibility:** (*I'm sorry for... What I did was wrong because....*)

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**Offer restitution:** (*I'm willing to do \_\_\_\_\_ to make it up to you...*)

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**Express Repentance:** (*I promise to make the following changes...*)

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**Ask for Forgiveness:** (*Will you please forgive me...?*)

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**Now write to apologize for something big—a time when you really hurt someone. Even if you've already reconciled with the person you offended, you should still write this letter.**

**Express regret and accept responsibility:** (*I'm sorry for... What I did was wrong because....*)

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**Offer restitution:** (*I'm willing to do \_\_\_\_\_ to make it up to you...*)

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**Express Repentance:** *(I promise to make the following changes...)*

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**Ask for Forgiveness:** *(Will you please forgive me...?)*

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**How did you react to writing these two apologies? Was one more difficult to write than the other? Why or why not? Remember, the more that you practice apologizing, the better that you will get at it!**

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**How might an increased awareness of what it takes to make a meaningful apology help you identify the costs associated with hurting someone before you do so?**

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**Are there relationships that a meaningful apology might help you repair? Identify two to three relationships along with the words or actions that created the original injury.**

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2 .....

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3 .....

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# FOURTH EDITION

# Entrepreneurship

# Bootcamp

**Julie Jackson-Forsberg, Vice President of Learning**

*with Christine Castillo, Vice President of National Programs and*

*Dr. Yehudah Pryce, DSW, MSW, Senior Director, National Mental Health & Well-Being Programs*

## 1 TEXTBOOK—Appendix

**DEFY  
VENTURES**



### Chapter 13: Self-Freeing Beliefs Rubric

Criteria	Excellent 3 Points	Good 2 Points	Needs Improvement 1 Point
<b>Completion</b>	Includes 10 Self-Limiting Beliefs and 10 Self-Freeing Beliefs that counter the Self-Limiting Beliefs.	Includes 5 to 10 Self-Limiting Beliefs and 5 to 10 Self-Freeing Beliefs.	Includes fewer than 5 Self-Limiting and less than 5 Self-Freeing Beliefs.
<b>Focus of Concentration</b>	Self-Freeing Beliefs address the main issues of the Self-Limiting Beliefs and express a productive way of looking at the same concepts.	Self-Freeing Beliefs are somewhat related to Self-Limiting Beliefs but don't fully address a change in thought processing around the core issue.	Self-Freeing Beliefs are unrelated to the core issues of the Self-Limiting Beliefs. Responses don't challenge EIT's maladaptive thoughts.
<b>Practicality/ Groundedness</b>	Self-Freeing Beliefs are grounded in reality and include progressive actions to change.	Self-Freeing Beliefs are more superlative and exaggerated (e.g. "I'm going to be a billionaire"). EIT counters Self-Limiting Beliefs but doesn't include actions to change.	Self-Freeing Beliefs are too broad or improbable. Self-Freeing Beliefs aren't embedded in action.
<b>Total Points (sum)</b>			



## Chapter 16: PEST Rubric

Criteria	Excellent 3 points	Good 2 points	Needs Improvement 1 point
<b>PEST Factors</b> PEST analysis includes specific political, economic, socio-cultural, and technological factors that may impact the business.	PEST factors are expressed as sentences or phrases that clearly articulate the relation of the factor to the business. PEST factors are thoughtful and thorough.	PEST factors are expressed as phrases that point to an impact on the business but do not fully articulate the relationship. PEST factors are limited and likely to overlook potential impacts on business success.	PEST factors are expressed as generic terms. PEST factors are limited and overlook potential impacts on business success.
<b>PEST Analysis</b> PEST analysis identifies external opportunities and threats to the business.	Analysis of external opportunities and threats is thoughtful and thorough. Analysis clearly articulates ways in which the business can leverage opportunities and mitigate threats.	Analysis identifies external opportunities and threats but may not fully address PEST factors. May identify opportunities and threats that are not related to PEST factors.	Analysis is minimal and not clearly connected to listed PEST factors. May fail to articulate any strategies related to opportunities and threats.
<b>Total Points (sum)</b>			

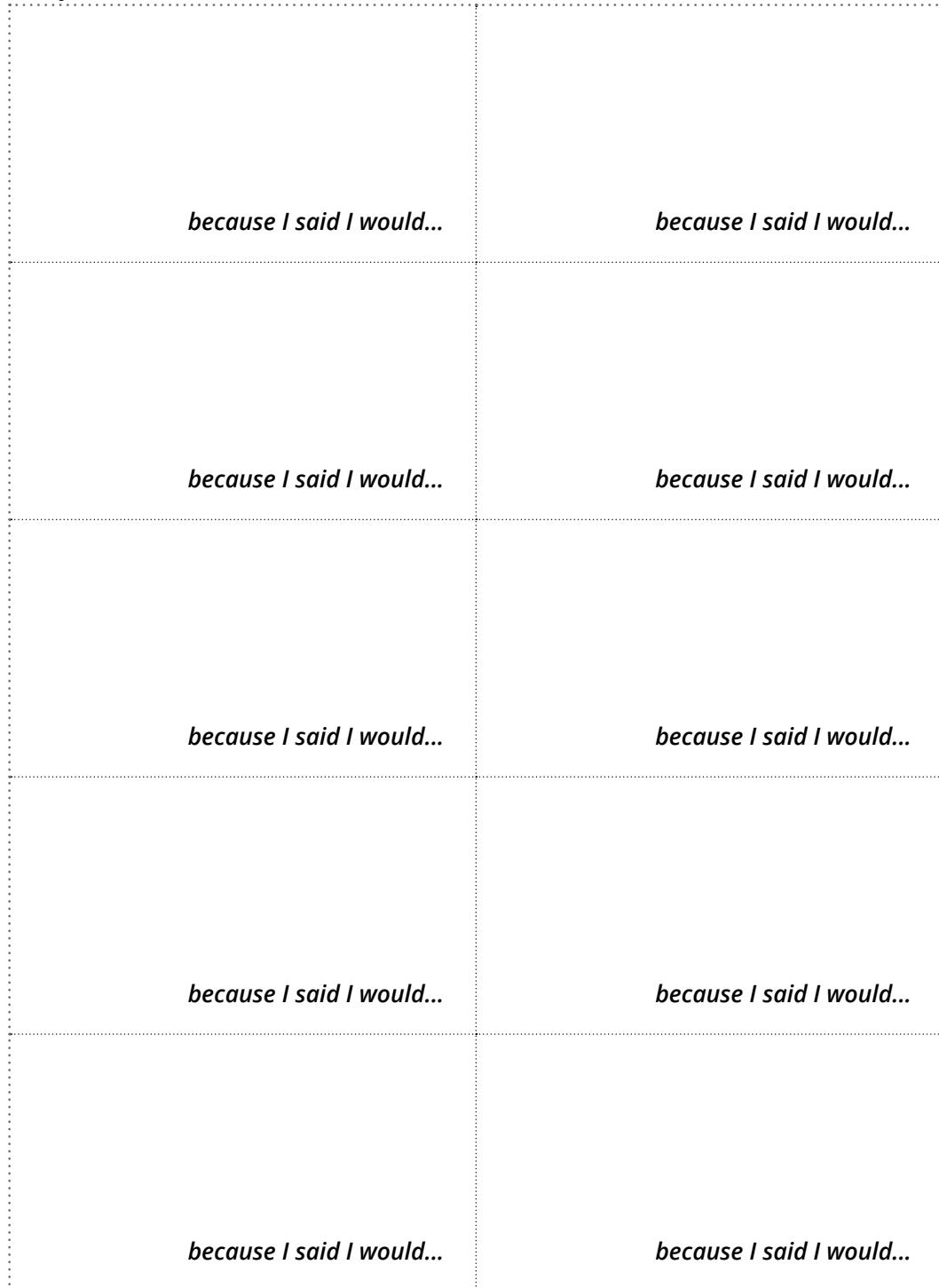
## Chapter 17: Customer Profile Rubric

Criteria	Excellent 3 points	Good 2 points	Needs Improvement 1 point
<b>Market Segments</b> Articulate the Demographic, Geographic, Psychographic, and Behavioral characteristics of the business's target customer.	Demonstrates clear understanding of target market acquired through customer discovery and customer interactions. Articulates appropriate segments related to each characteristic. Understands when family life cycle is important to the demographic profile. Understands the difference between psychographic and behavioral characteristics.	Lists characteristics that point toward an understanding of the target market. May articulate market segment characteristics in terms of what the business will do rather than the characteristics of the target customer.	May identify characteristics that are overly broad leading to a conclusion that the business is for everyone. May confuse the difference between psychographic and behavior characteristics.
<b>Customer Profile</b> Describes the target customers' age range, family size, household income, profession, place of residence, motivators of behavior, and purchasing behaviors.	Paints a portrait of a hypothetical target customer by describing specific characteristics that influence buying behaviors.	Demonstrates an understanding of the specific characteristics of an ideal customer, but does not paint a portrait of a hypothetical target customer. May focus on business activities rather than customer characteristics.	Does not demonstrate an understanding of the specific characteristics of an ideal customer. May articulate a position that the business is for everyone.

<b>Value Proposition</b> The value proposition articulates how the business solves the customer problem in ways that other competitors do not, allowing it to stand out from the competition. The value proposition focuses on how customers define the business's value.	Value proposition is expressed in one sentence to clearly articulate how the customer would value the business's product or service. Demonstrates a thorough understanding of the target customer's needs and preferences and shares the benefit the target customer can expect from purchasing that business's goods or services.	Value proposition points to how the customer would value the business's product or service, but lacks clarity. May be overly long, attempting to list a range of things customers might value without getting to a clear and simple statement of overall value.	Value proposition expresses what the business will do particularly well rather than how the business provides value. May point to how it stacks up against the competition.
<b>Total Points (sum)</b>			

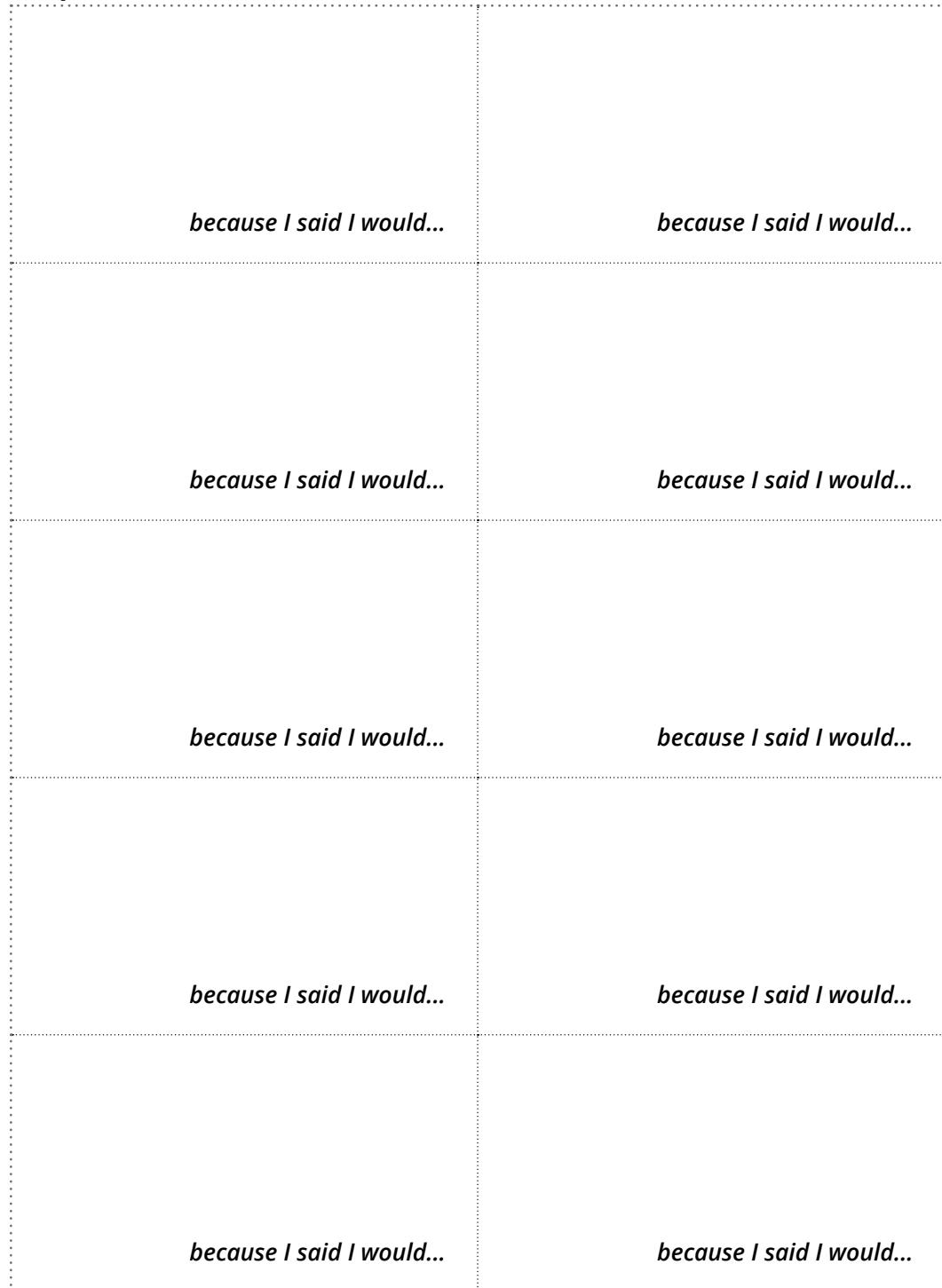


## Chapter 18: Promise Cards





## Chapter 18: Promise Cards





## Chapter 19: Market Position Rubric

Criteria	Excellent 3 points	Good 2 points	Needs Improvement 1 point
<b>Market Position Graph</b> A market position graph provides a visual representation of how customers perceive the business in relation to the competition.	Market position graph demonstrates a thorough understanding of the competitive landscape. Displays competitors within a matrix of factors that customers would care about.	Market position graph demonstrates beginning understanding of the competitive landscape. May not identify more than a few competitors. Choice of matrix factors may be confusing or questionable as factors that customers would care about.	Market position graph demonstrates a limited understanding of the competitive landscape. May identify market position in relation to only one or two competitors. Choice of matrix factors may be unclear or irrelevant to what customers would care about.
<b>Brand Position Statement</b> A brand position defines what your product or service does and how the target customer views your product or service within the competitive landscape.	Brand positioning statement provides a clear description of your business's brand in the following form: "To (target customer) our (product or service) provides (functional, symbolic, or experiential benefits) because (support/reasons to believe)."	Brand positioning statement articulates who the target customer is, what the business does, and the benefits the product or service. Does not go beyond the factual description to articulate a reason for the target customer to believe in the solution the business offers.	Brand positioning statement may focus on the competition rather than on how the target customer views the product or service within the competitive landscape.
<b>Total Points (sum)</b>			

