

What is being an Entrepreneur?

By Andy Freire

Well done is better than well said.

BENJAMIN FRANKLIN

When I was close to graduating from the University of San Andrés, Buenos Aires, I decided to call on every businessperson that would agree to see me. I was in my last semester of Economics and I felt an inner counter reset to zero: a career was a different ballgame than college, and my academic success did not guarantee any success in the business world.

My aim for these interviews, being as I was at the brink of starting my professional activity, was to get guidance. I recommend this exercise to anyone in their final year of college. Often, young people in that situation think, “Why contact that businessman if surely he won’t see me or give me any attention?” But those who do dare (and daring is essential for the entrepreneur in action!) could be surprised. That was my case. I was really surprised by their response. Some, driven by a genuine will to help, others perhaps for fun, or due to a mixture of both..., the thing is many businesspeople are willing to see students who want to know “how they did it” and ask them for advice or guidance.

In my case, I began by visiting friends of my parents. Next I visited friends of friends of my parents, next I saw my friends’ parents and I even got round to seeing parents of friends of ex-girlfriends... I didn’t leave a single contact unexplored. I was avid to learn what it was to be ‘a businessperson’. In one of those visits, I met Guillermo Schettini, one of the Argentine businesspeople I respect the most, whose business activities cover everything from finance to gastronomy.

I recall that he had given me a fifteen minute interview from 3 to 3.15 PM in the modern Chacofi building in downtown Buenos Aires. I was so eager that I arrived at 2.50 to the 23rd floor. As I stepped into his office, he asked me:

- “How can I help you?”
- “I’m finishing college and I am not too sure where I want to go. I know little about the business world because no one in my family is in it. I am trying to learn.”
- “What exactly is your problem?”
- “Whether I go for a corporate career or start up a business,” I replied. At that time, the word entrepreneur, which became fashionable later on, was almost unheard of to me.

Then and there, Guillermo asked me the key question:

- “Who do you want to be: the president of Citibank or the owner of ‘Freire’s Popcorn?’”
- “The owner of ‘Freire’s Popcorn,’ without a doubt!”
- “Good, what you want is perfectly clear. Now let’s see how I can help you get there.”

Years after our first interview, Guillermo Schettini headed the seven million dollar investment with which Santiago Bilinkis –a friend of mine since college days- and I started Officenet.

THE KEY QUESTION

What is an entrepreneur? What is entrepreneurship about? International bibliography on these topics displays different approaches to the answer. But in short, there are two definitions that I like and always use:

- AN ENTREPRENEUR IS A PERSON THAT DETECTS AN OPPORTUNITY AND CREATES AN ORGANIZATION (OR ACQUIRES IT OR IS PART OF A GROUP THAT ACQUIRES IT) TO ADDRESS IT.
- THE ENTREPRENEURIAL PROCESS COMPREHENDS ALL ACTIVITIES RELATED TO DETECTING OPPORTUNITIES AND CREATING ORGANIZATIONS TO EXPLOIT THEM.

RICH, YOUNG, EDUCATED?

Often people associate the word ENTREPRENEUR to images that do not always match reality and, most importantly, that are not conducive to understanding what the entrepreneurial process is. The sum of those features produces a stereotype of the entrepreneur as a young person from a wealthy family, who, after graduating from college, receives a stack of money from his or her happy parents, to do business -generally in the industry sector where the family has business, thus exploiting all the advantages of “belonging” to that industry. Of course there are entrepreneurs like the stereotype (and very good, at that!), but it is wrong to believe that this is the typical model or essential rule.

The myth that entrepreneurs generally come from well-to-do families is widespread. When we started Officenet, for instance, many people said to us: “Oh, yes, you’re lucky people from the University of San Andrés! Surely your parents gave you money to start the business.”

Let me point out that the University of San Andrés, given the academic excellence it offers and its consequent cost of tuition, has a reputation of educating very wealthy people only. In our case, nothing could be farthest from the truth. Santiago and I completed our secondary education in state schools; we were able to go to university thanks to scholarships that we renewed yearly by having one of the highest four academic

averages. We did not have wealthy parents that could finance Officenet. Incidentally, neither did we start up during the Internet mania days when almost everybody could find funding (how incredible those days seem today!).

Another widespread myth is attached to the entrepreneuring age. Little ago, in my capacity as a judge in an entrepreneurship contest, I met Félix Brunato, a man who started an exotic chocolate factory in a small town in Chile. He produces chocolates filled with Roquefort, curry and a wide variety of similarly imaginative delicatessens. Félix started his project... at 83! Today he employs 40% of the labor force of the district where his business is located, and his city has become a tourist attraction.

In my role as a member of the Global Board of Endeavor, an American foundation supporting entrepreneurs in emerging markets, I partook of many international panels selecting entrepreneurs. And I met all sorts of people! People like Félix Brunato and artists like De La Guarda that started out as a theatre group in underground Buenos Aires and today form several casts that troop the globe on world tours.

This is to say, YOU DO NOT HAVE BE RICH OR YOUNG OR NECESSARILY HAVE BEEN THROUGH COLLEGE TO BECOME AN ENTREPRENEUR. WHAT YOU NEED –IRREPLACEABLY- IS COURAGE AND CONFIDENCE IN THE BUSINESS YOU WANT TO CREATE.

Even when there is a family fortune, the success of the startup is not sealed. Such is the case of Daniela Klabin, daughter of one of the largest Brazilian paper tycoons. When I met her, Daniela was starting a food delivery company. In time she managed hundreds of deliveries for restaurants in Sao Paulo and Rio de Janeiro. Regardless of her origin and family wealth, her entrepreneurial drive was admirable.

Another example of courage and confidence is Alain Favier, a Mexican that started out making car alarms. He almost went broke twice, or in his own words, “The soles of my only pair of shoes were worn out from walking the streets to repay the debts that were drowning me.” In the end, Alain turned his business into a platform with a unique security technology against supermarket thefts. Carrefour is one of his global clients, and he collects millions in sales.

Not to mention the Arturo Sánchez – Andrea Franceschini marriage! Seeing themselves jobless and penniless, they began distributing cakes to restaurants in the Argentine city of Córdoba. At the beginning, they made deliveries by bus. By 2003, they had over 10% of the cake market of Córdoba, producing over 10,000 cakes a month. They grew 100% annually in a period as contractive as the early years of the new century in Argentina.



In short, entrepreneurs come in so many different shapes! Some are young, others, elderly; some have brilliant academic careers and some never went to college; some do not have family wealth, others do; but ALL OF THEM ARE DRIVEN BY THE DEEP-ROOTED DESIRE TO START THEIR OWN PROJECT.

ELEVEN ULTIMATE CONDITIONS OF THE ENTREPRENEUR

While entrepreneurs have many different profiles, eleven elements are common to all great entrepreneurs:

- 1) Freedom: Over 60 percent of great entrepreneurs say that freedom and independence are their main motivation to become entrepreneurs.
- 2) Moderate ambition for money: Paradoxically, most studies show that only 20 percent of entrepreneurs consider money to be their main motivation. The majority sees money as an inevitable consequence of a successful enterprise, rather than a goal in itself.
- 3) Passion: Entrepreneurship requires a round-the-clock mind, body and soul dedication to a project, even when this may affect friendships and family relationships a little.
- 4) Results: Great entrepreneurs are dreamers, but over and above all, they are doers. Many have great intellectual capacities, but their focus is always on achieving tangible results.
- 5) Spirituality: Successful entrepreneurs often combine their professional work with commitment to personal development. There is a positive correlation between entrepreneurs' success and their emotional and spiritual quest to know and improve themselves as human beings.
- 6) Beginner: Although this may come as a surprise, great entrepreneurs show great humbleness and a constant will to learn. They are often the opposite of the great "knower" who thinks he masters human knowledge.
- 7) Enjoy the ride: Great entrepreneurs find a curious balance between the hard struggle to overcome obstacles and the pleasure of enjoying the daily steps with a sense of humor.
- 8) Shared successes: Great entrepreneurs always see their team members as partners, and look for ways to share the value created with them.
- 9) Resolve: Great entrepreneurs take the necessary time to take decisions but once they have taken them, they show great confidence and firmness in their actions.
- 10) Optimism and dreams: They all have hope and a clear vision regarding where they can and want to take their company.

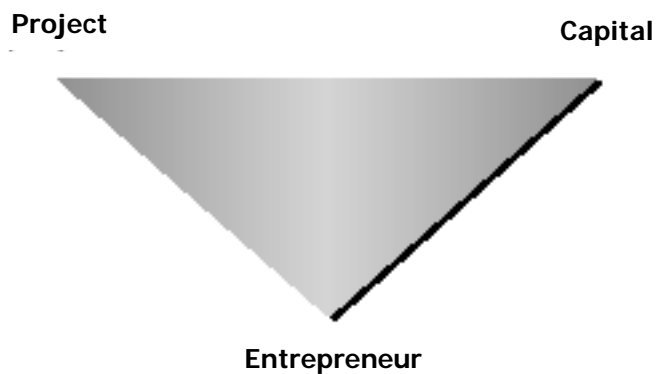
- 11) Unconditional responsibility (being a player): Unlike those that assume the role of victims and always blame the context, justifying “what they do not do” with “what others do to them,” great entrepreneurs assume the role of player and assume unconditional responsibility for their destiny. Their most characteristic attitude is: “Given the context I face, how do I choose to reply?” This mind frame gives them a feeling of commitment that empowers them to overcome obstacles.

As this list shows, there are many challenges to become “a great entrepreneur” ... and even more so in developing countries!

A line from George Bernard Shaw about couples applies very well to the entrepreneurial activity: “Any fool can start one; it takes a genius to end one successfully.”

THE INVERTED TRIANGLE

We can look at the entrepreneurial process as an inverted triangle, as in the figure below:



The entrepreneur occupies the point of support (the lower vertex); capital occupies the right vertex, and the project or idea occupies the right vertex. When a startup is not successful, the reason is one or a combination of the following: the entrepreneur was not competent, the capital was not enough or the project was wrong.

This triangle helps understand why many people believe that only wealthy people’s children can become entrepreneurs: for many entrepreneurs, particularly in emerging markets, often the greatest difficulty is getting the seed money, that is, the first sums of money needed to start. In this sense, it is true that people with wealthy parents (and generous too, as some wealthy parents never give their children a cent under the



premise “They have to earn them to deserve them”) tend to have less of a problem with the money vertex than others.

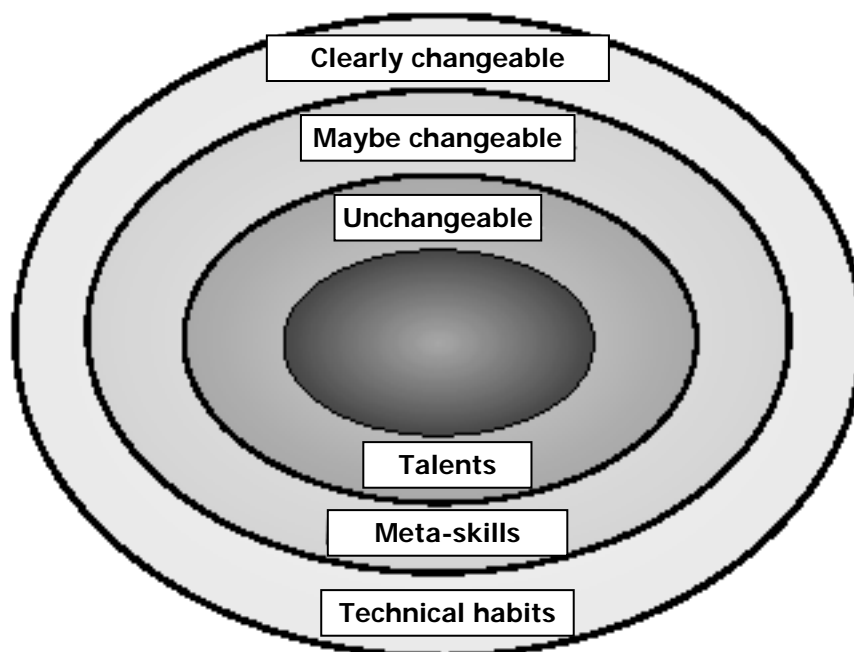
But if we look closely at the figure, we see that the triangle rests on the entrepreneur. To a large extent, the figure depends on the entrepreneur’s steadiness so as not to fall. THE BRILLIANT ENTREPRENEUR ALWAYS FINDS THE CAPITAL OR THE GREAT PROJECT SOONER OR LATER. THE MEDIOCRE ENTREPRENEUR, REGARDLESS OF WHETHER HE HAS A RICH PARENT, IS NOT SUCCESSFUL. Perhaps the child of a wealthy parent starts off with the problem of capital almost solved, but this is no guarantee that he or she will come up with a competent idea or, even less, that they will become an excellent entrepreneur.

At any rate, my experience (and this is in no way a rule but a simple empirical observation) is that many “rich kids” have ideas and plenty of capital, but fail in points 3 and 11 of the ENTREPRENEUR’S list: passion and unconditional player responsibility. Often people with unlimited access to family funding lack the “hunger” needed to become an entrepreneur, a fact that clips their commitment to respond to difficulties.

ENTREPRENEUR, NATURE OR NURTURE?

Some people think that it is impossible to modify inborn characteristics and hold that some of these are crucial to become an entrepreneur. “He is a born entrepreneur,” “He sells like the best,” “He manages people like the best” are phrases we hear daily about successful entrepreneurs. On the other hand, others hold that “It’s all nurture, it’s not nature, everything can be learnt.”

My stance is in between these two positions. I believe there are three layers or levels of analysis:



- 1) A layer of easily acquired and changeable technical habits. These are connected to educational learning. What is a term sheet, how to open the company to public offer, how to develop a commercial and financial strategy and how to make a business plan, among other, are skills that can be acquired through academic or technical training.

Despite being the most superficial or external layer, it is a central aspect, since it covers all the work that can be done towards learning the technical keys of the entrepreneurial process. College education, interaction with mentors, specialization studies in one line of business to understand how it works, all of this is fundamental. For instance: How will I negotiate an investment if I do not know how to contact potential investors?

- 2) In the other end, at the core of the entrepreneur, there is a neuronal layer of unchangeable talents that we simply have or not. People “have them in their blood,” and it’s unimaginable that someone may acquire them at will, hard as he may try. Martin Seligman’s work “What you can change... and what you can’t” is very useful on this topic. Here he shows that recurring patterns of thought and behavior belong to the individual’s physiology and are a product of his genetic and of pre-puberty influences on his neurological system. Fred Kofman, my partner at Axialent, says “No matter how long I train, I will never play basketball like Michael Jordan or soccer like Maradona or the violin like Isaac Stern. I may play better than I do today, but I’ll never be a world class performer.”

Something like this happens in the world of entrepreneuring. Chances are I will not manage to have Bill Clinton’s charisma or Bill Gates vision. The question, however, is whether only that counts or whether the relevant thing for me to do is to do the best I can.

- 3) Between the ends, between the clearly changeable and the unchangeable, stands what Kofman calls the “grey area of the conceivably changeable.” This is about what Fred and I call meta-skills. They are, precisely, the characteristics I listed under the eleven conditions common to all entrepreneurs.

If the entrepreneur has a firm commitment to improve his skills, it will not suffice him to learn technical aspects. The latter are necessary but not sufficient; with them he will be a “technically more qualified entrepreneur, but the same at the core.” What will really make him a better entrepreneur are those eleven conditions: to let himself dream, to assume the role of the player ever ready to learn and dedicate to personal growth, to develop his self-esteem to achieve greater firmness in his decisions, to fall in love passionately with his project and commit

unconditionally to it, to learn to share with his team, to take risks to achieve independence and, above all, to learn to enjoy the process of his hits and misses.

These eleven meta-skills can be developed independently of our unchangeable dimension. It is a matter of degrees and constant improvement. Nobody holds the title of “constant learner” or of “100% self-esteem” once and for all. All these capacities are developed in time –as long as, of course, the entrepreneur is firmly interested in developing them and sees them as clear multipliers of his entrepreneurial potential.

WHY BECOME AN ENTREPRENEUR?

There are many reasons why someone may decide to become an entrepreneur. Broadly we can classify entrepreneurs in three groups by type of motivation and attitude:

- 1) **Fighters.** Faced with the impossibility to be part of an existing project, they see the entrepreneurial process as the only way to subsist. I call he who does not actually choose to become an entrepreneur a “fighter.” He becomes one because it is his only option. For different reasons, he cannot work for someone else in a stable, predictable job. Thus he starts something in whatever way he can. The best example is the taxi driver that chooses to use the little capital he has to buy a car and turn it into his source of labor. Many cab drivers would like to have another activity, but circumstances make them do what they do.
- 2) **Wave riders.** They ride the big waves of the moment –this is typical in developing countries– seeking fortune. Like in surf, they jump from wave to wave without much commitment to anything. One day they open a store of sportswear, the next day they open an ice skating ring, the next day maybe they form a rock band and who knows?, perhaps they end up as yoga instructors, if that is the boom of the moment.
- 3) **Gladiators.** They feel the entrepreneurial process running in their veins and they will become entrepreneurs regardless of context. Even when they have other options, they choose to make a career in this activity, and though they want to profit from opportunities, they commit to what they do, beyond fashion or circumstances. These are the real entrepreneurs.



THE DIFFERENCE BETWEEN SUCCESS AND FAILURE

Out of these three groups, the wave-riders are usually pre-destined to fail. I met, for instance, hundreds of people that left their corporate careers during the Internet boom in pursuit of “catching fortunes” through web related startups. The explosion of capital markets in those years generated such attractive returns that many wave-riders said “Here I come!” Had they smelled a fortune in classical ballet, most all of them everyone would have bought ballet shoes.

The problem is that THE ENTREPRENEURIAL PROCESS HAS A HUGE NUMBER OF OBSTACLES, AND ONLY SUCCESSFUL –AS OPPOSED TO UNSUCCESSFUL- ENTREPRENEURS MEET THEM WITH STRENGTH OF CHARACTER.

Most wave-riders I met chose to withdraw to the safety of a job in sight of the first challenging hurdles. Going back to our list of the eleven conditions of the ENTREPRENEUR, the wave-rider is often weak in most of them, but especially in meta-skills 2, 3, 9 and 11. He is too ambitious for fast money, he does not put in the necessary passion, he is not firm in his decisions and, above all, he does not assume a profound commitment with what he undertakes.

Among the fighters are many of the small enterprise owners of emerging markets. To understand their importance in the economy of these regions it suffices to say that in Latin America over 75 percent of the labor force is employed by companies with under 5 employees, many of them being family businesses. Some of these businesses are successful, others not so much, and others fail. We would have to study each case individually to determine what led to one result or the other, but generally the vertex that determines the long-term result is our triangle’s point of support: the entrepreneur.

Some fighters were able to tackle challenges and built empires in the long run. I am thinking, for instance, about the Pagani family in Argentina, who built the international food and agriculture giant Arcor, or in Carlos Alberto “Beto” Sicupira who led Lojas Americanas in Brazil and subsequently the Banco Garantia. They started out as fighters, because they almost had no choice. What strikes out in these and other cases is that when they managed to build huge companies and could have thrown themselves to a corporate activity within them, they decided to continue in the entrepreneurial world, facing new challenges. At that point, the division between having become an entrepreneur by need or choice disappears.

Gladiators, on the other hand, are a majority among entrepreneurs in developed countries. In the United States, for instance, entrepreneurs generally chose to become entrepreneurs despite having other career options. Two related facts are very meaningful: during the nineties, in the United States ninety percent of created employment and 95 percent of innovations came from startup companies. They are the great motor behind the American economy and, to a great extent, the reason of the economy’s growth.



In developed as much as in developing countries, we find the most successful entrepreneurs among gladiators. They studied to become entrepreneurs, they chose it as their career and they are willing to face the obstacles and make their way whatever the context. When I met Antônio Bonchristiano, founder of Submarino; Wenceslao Casares, creator of the Internet Patagon financial portal; Sebastián Popik of Salutia; Alex Oxenford of DeRemate sales portal; Marcos Galperin of Mercado Libre, or Marco Giberti of EJKrause, it was almost evident that, sooner or later, they would be successful. They all possessed that strange combination of great technical knowledge (obtained intuitively by some, but developed after all) and those eleven qualities of the great entrepreneur, enabling them to be ready for almost any storm.

