



Lecture 3

How to Fail

Today's agenda

- **“Identifying Problems” HW Discussion**
- The Mindset of an Entrepreneur
- Examples of Entrepreneurs – Part 2
- The Marshmallow Challenge
- Key Takeaways

HW#1 Discussion

- Form groups of 5.
- Together as the group discuss the exhaustive list of things that bother you from yesterday's homework.
 - Identify the overarching themes
 - As a group, pick the top 5 you think are most important and why?
 - As a group, pick the top 5 you feel most passionate about and why?
- Each team will have 2 minutes to present the results to class

HW#1 Discussion

- What seemed to be the common themes in the problems presented?
- Were you passionate about the same problems you found important?
- Was it easy to agree on 5 problems as a group, or difficult?
- Are any of these problems unique to Indonesia? Are any of them universal?

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The Entrepreneur

- Visionary
- Driven
- Optimist
- Strategist
- Articulate
- Resilient
- Diligent
- Imaginative
- Risk-Taker
- Ethical
- Confident
- Ambitious
- Problem-solver
- Curious
- Crazy
- Passionate
- Failure

Only 8% of startups are successful.

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Henry Ford

1. Detroit Automobile Company
 - a. “high prices, low quality”
 - b. Bankrupt in 1901
2. Henry Ford Company
 - a. Abandoned due to fight with partner
3. Ford Motor Co.
 - a. Low sales, couldn't pay back investors
4. Ford Motor Co.
 - a. Saved by angel investors. Re-capitalized.
 - b. Introduce assembly line system to make quality vehicles for cheap
 - c. Success at last



Henry Ford

Takeaway: *listen to your customers and investors to validate your product.*

Then iterate and try again, iterate and try again...

Kathryn Minshew

1. Pretty Young Professionals (PYP) 2010
 - a. Quits her job
 - b. Puts personal savings into company
 - c. 1 year later, only 9000 viewers
2. Redesign captures 20,000 users
 - a. Argument with co-founders
 - b. Split & threat of lawsuit



Kathryn Minshew

"I spent three weeks *alternating between the fetal position and the whiteboard* trying to figure out how strongly I wanted to fight for the existing company versus how prepared I was to strike out and do it over."

Kathryn Minshew

3. Launches *The Daily Muse*

- a. PYP's entire staff joins her (as well as a co-founder)
- b. By end of 2012, 2 million users in 160+ countries
- c. Chosen by Y Combinator
- d. Added mobile and social media
- e. 60+ partner companies, such as Twitter, Sephora, Intel



Kathryn Minschew

Takeaway: “Formalize the paperwork.

It's so important to find people who share your values and ethics. Having different sets of opinions is valuable, but not when it comes down to code of conduct.”

Nihal Mehta

1. First venture in 1999
 1. Bankrupt
 2. Assets folded into mobile marketing company which sold in 2005
2. Buzzd 2007
 1. Mobile city guide
 2. US\$ 4 million funding
 3. Before iPhone takeoff. Run out of money in 2010 – can't find revenue model.

Nihal Mehta

"I remember negotiating [my co-founder's] departure on the phone, on my birthday, April 22, 2010, walking around Central Park. Definitely a low point."

Nihal Mehta

1. Renegotiate with Buzzd investors
 1. Generates US\$7 million
 2. New name: LocalResponse
 3. Projected \$10 million profit
 4. 30+ employees

Nihal Mehta

Takeaway:

“ Building products isn't easy, but if you keep working hard, keep throwing things at the wall, *you will find a way*. It was six years from my first company to my first exit.”

There are an infinite number of ways a start up can fail...

And no way to foresee all those chances for failure.

But we can adopt a mindset that allows us to *work with and build upon failure.*

How to Fail so you can Get Back Up

1. Start with a desire.
2. Take a smart step as quickly as possible towards your goal
3. Reflect and build on what you have learned from taking that step.
4. Repeat.

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Now you've learned about how entrepreneurs can fail. Let's see if you can learn from their (and your) mistakes.

It's time for...

The Marshmallow Challenge!

- **Your Task:** build the tallest freestanding structure to support your marshmallow!
- **Rules:**
 - The ENTIRE marshmallow must be on top (no eating or cheating!)
 - You can use as much or as little of the supplies as you want, except for the bag
 - You can break, tear, or cut your supplies, except for the marshmallow (obviously)

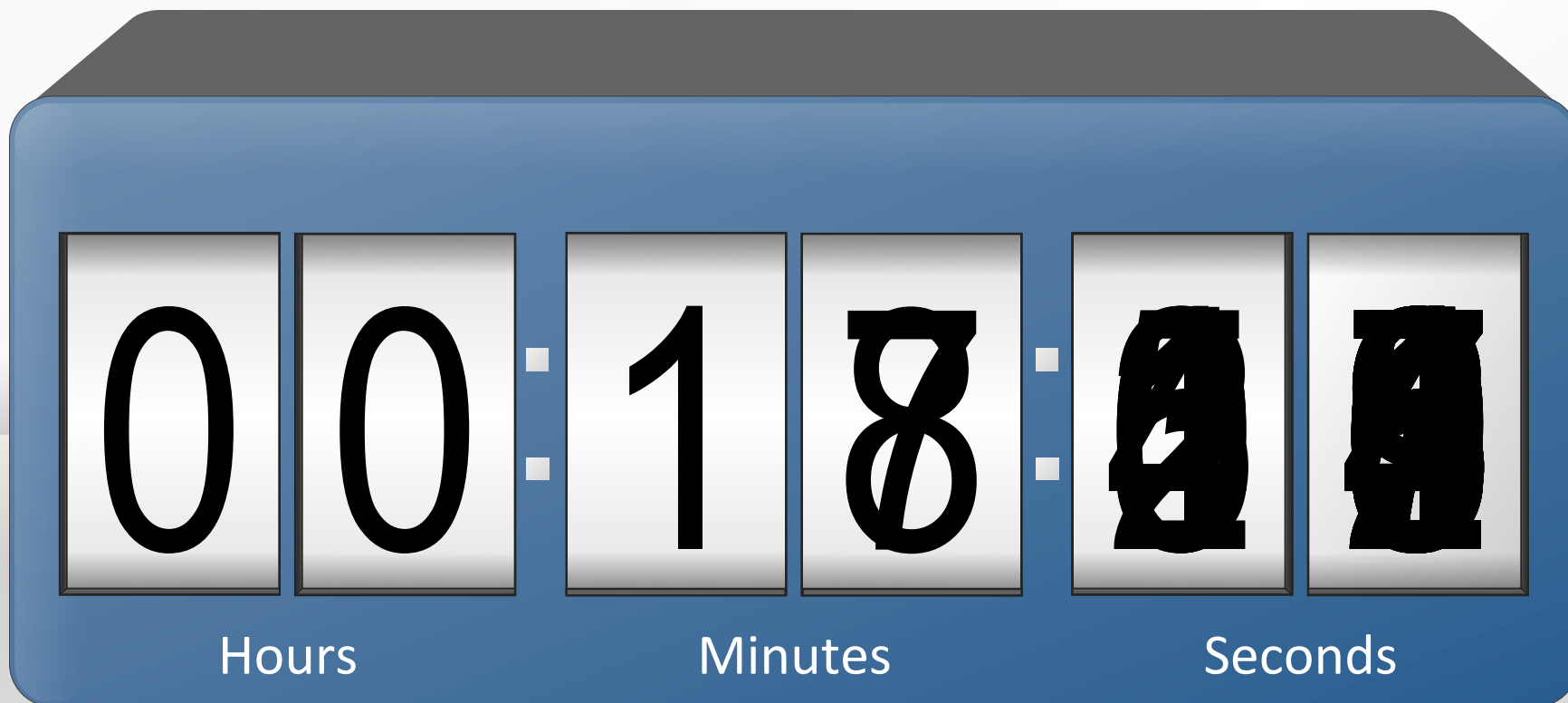
The Marshmallow Challenge!

You have **18 minutes**. All structures must stand freely when time is up. (no holding!)

Questions??

Your time starts...

NOW!!!



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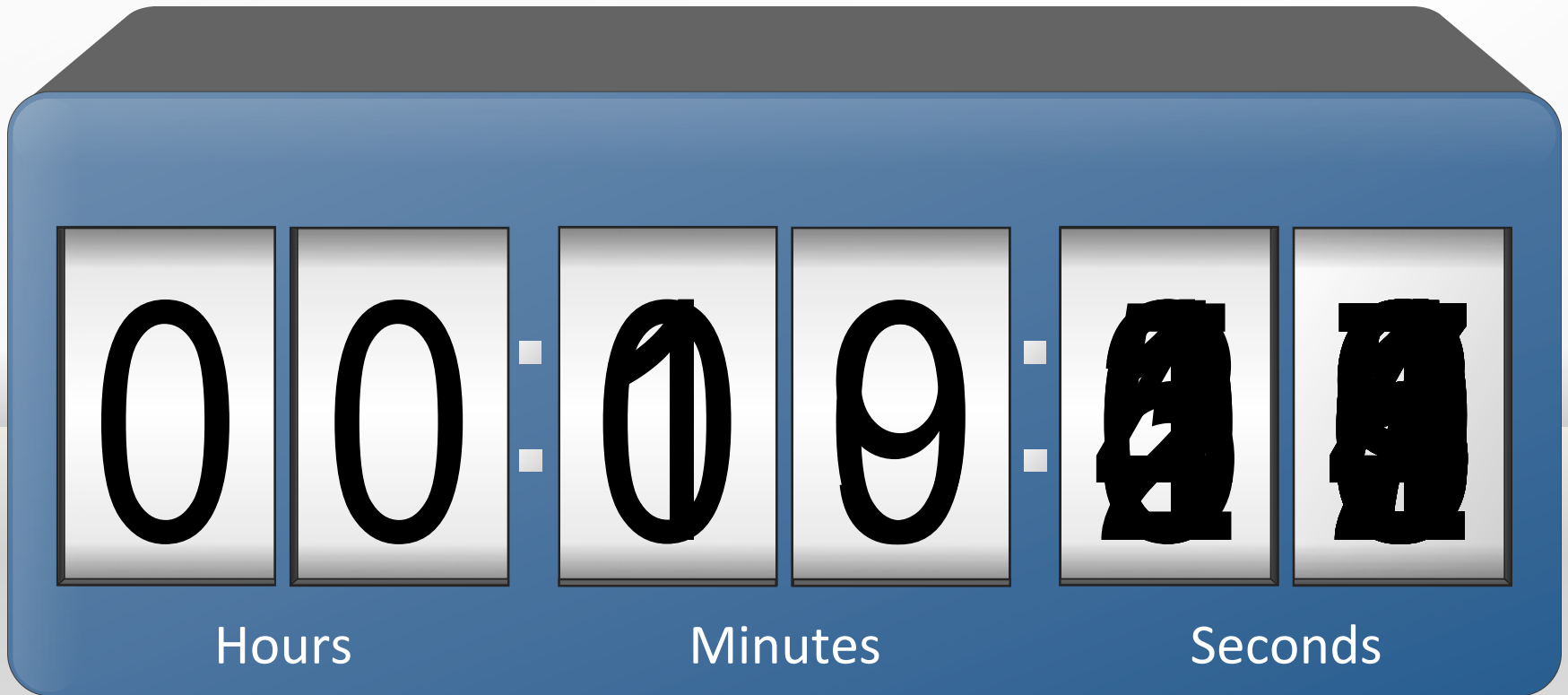
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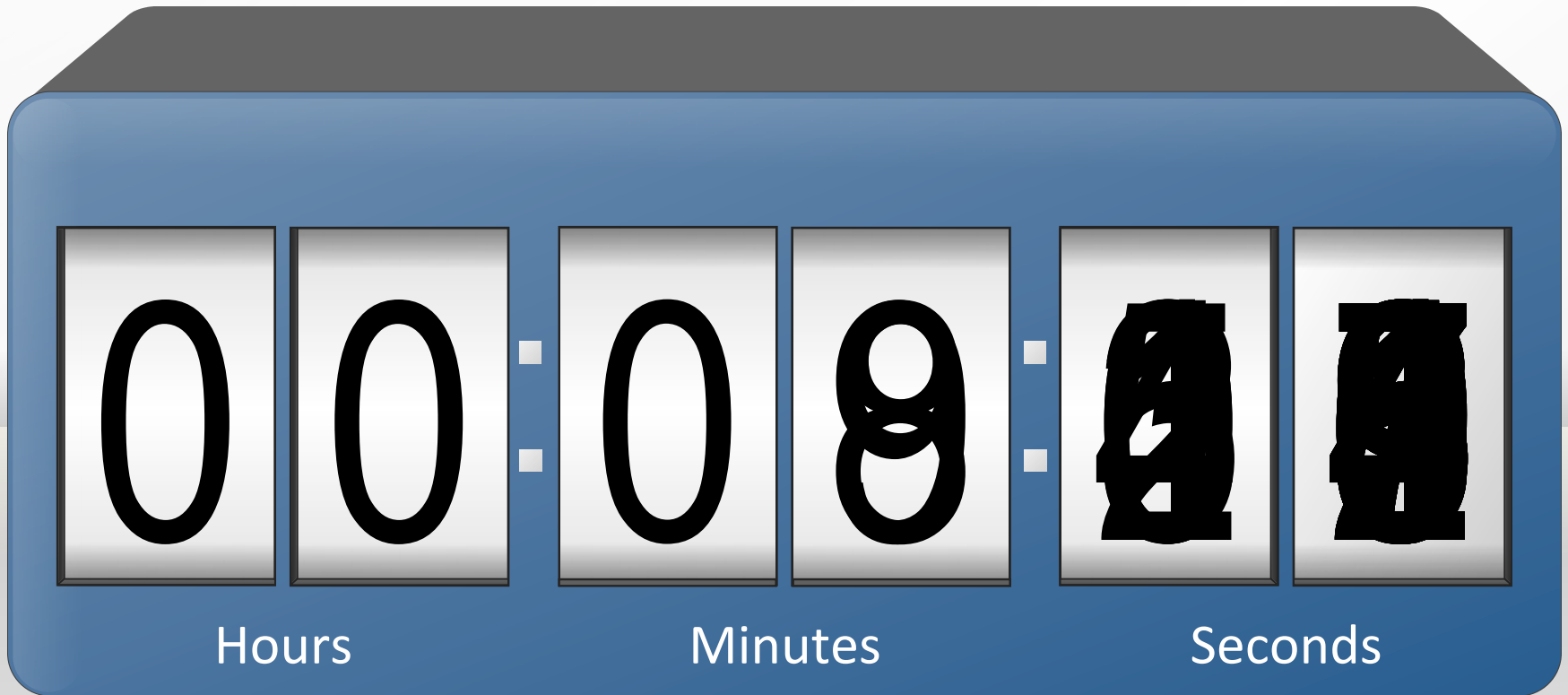
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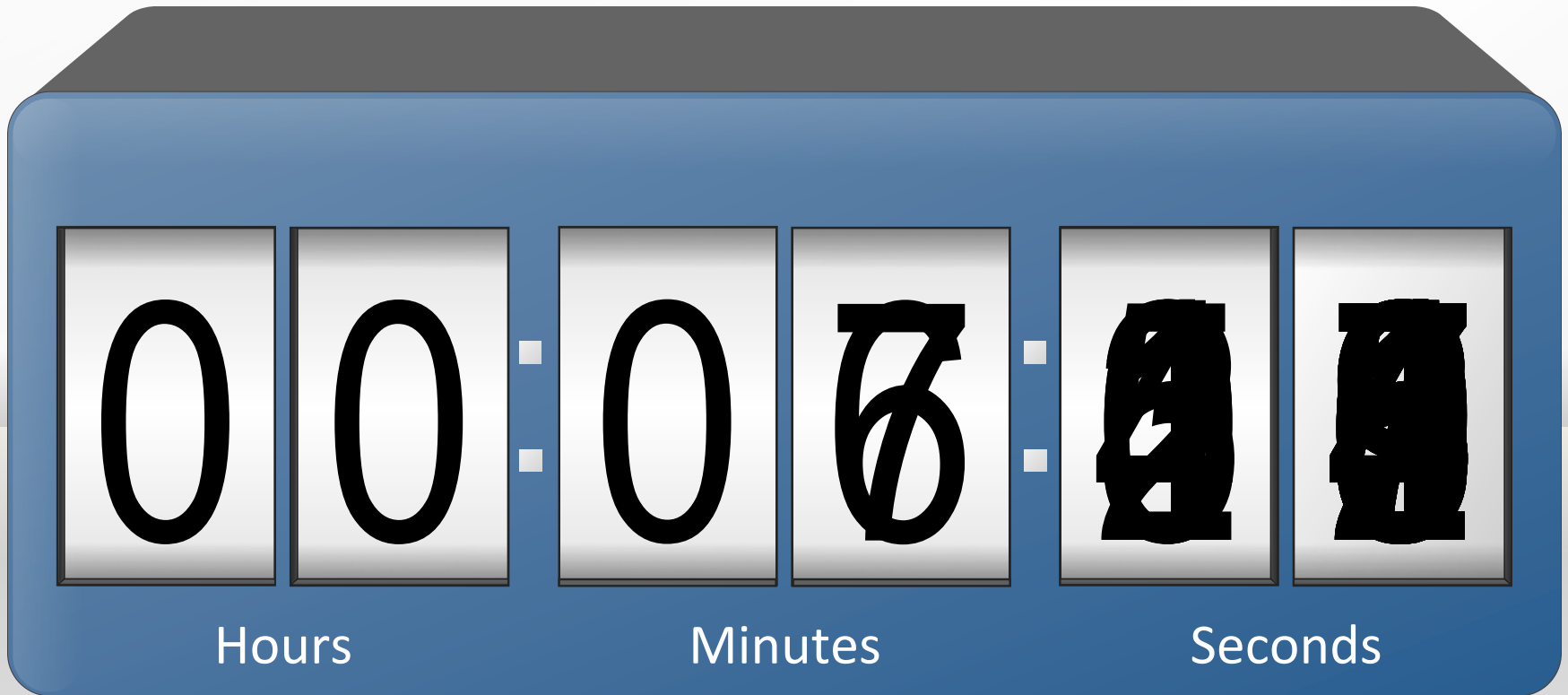
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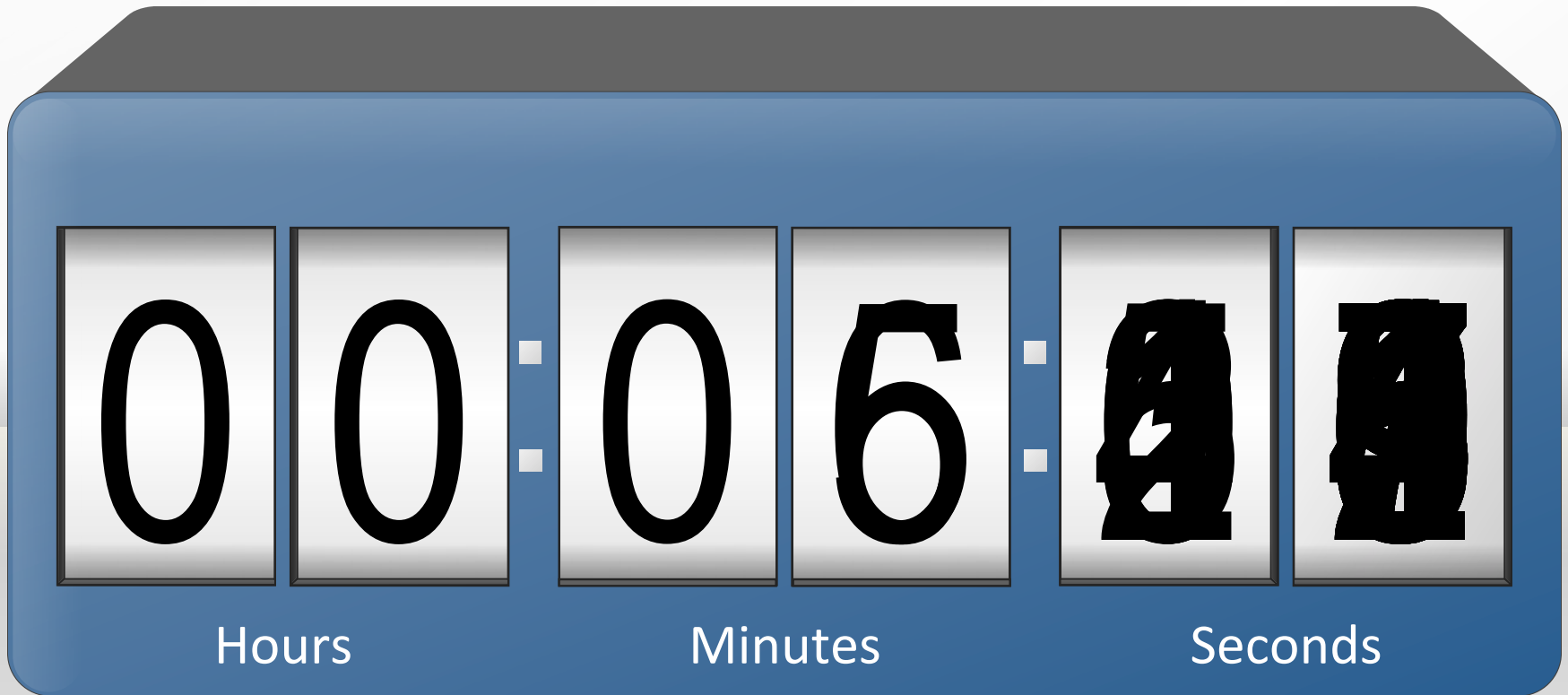
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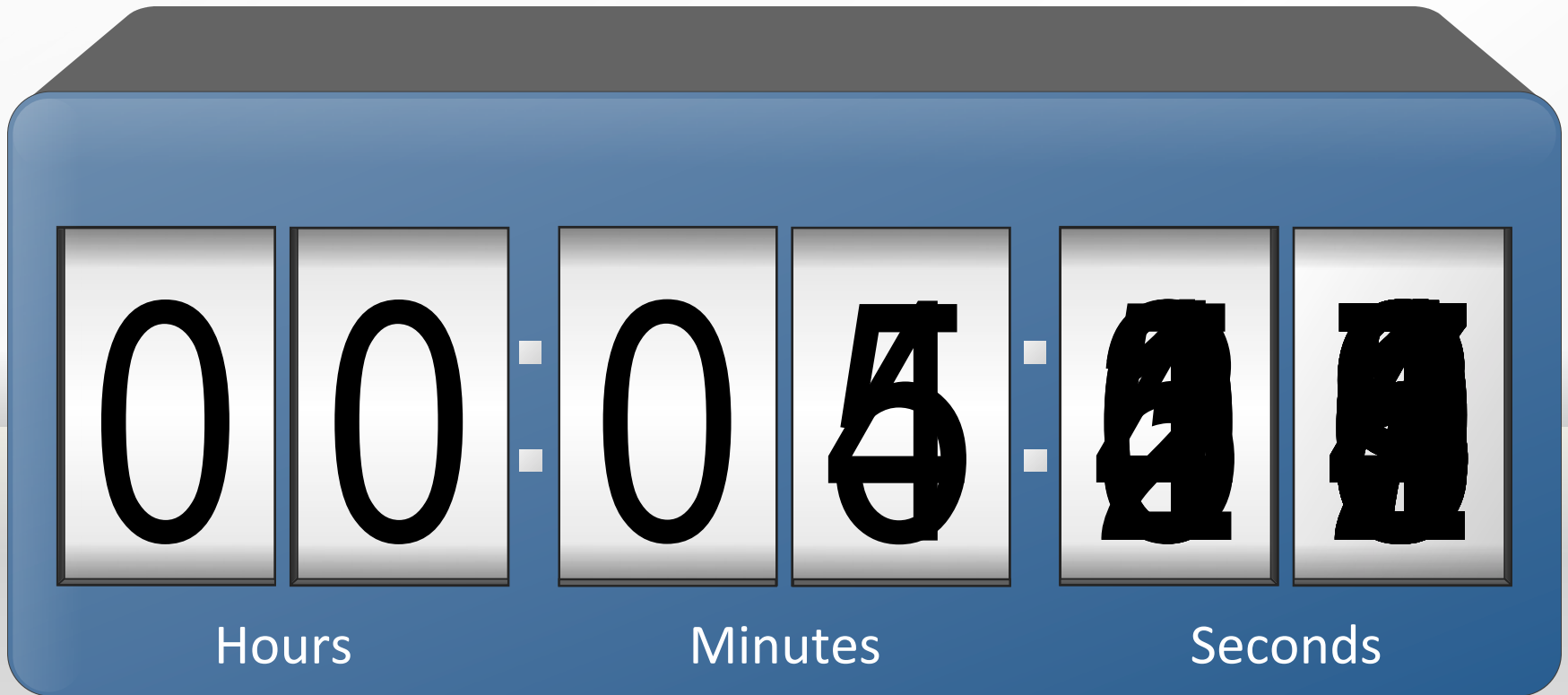
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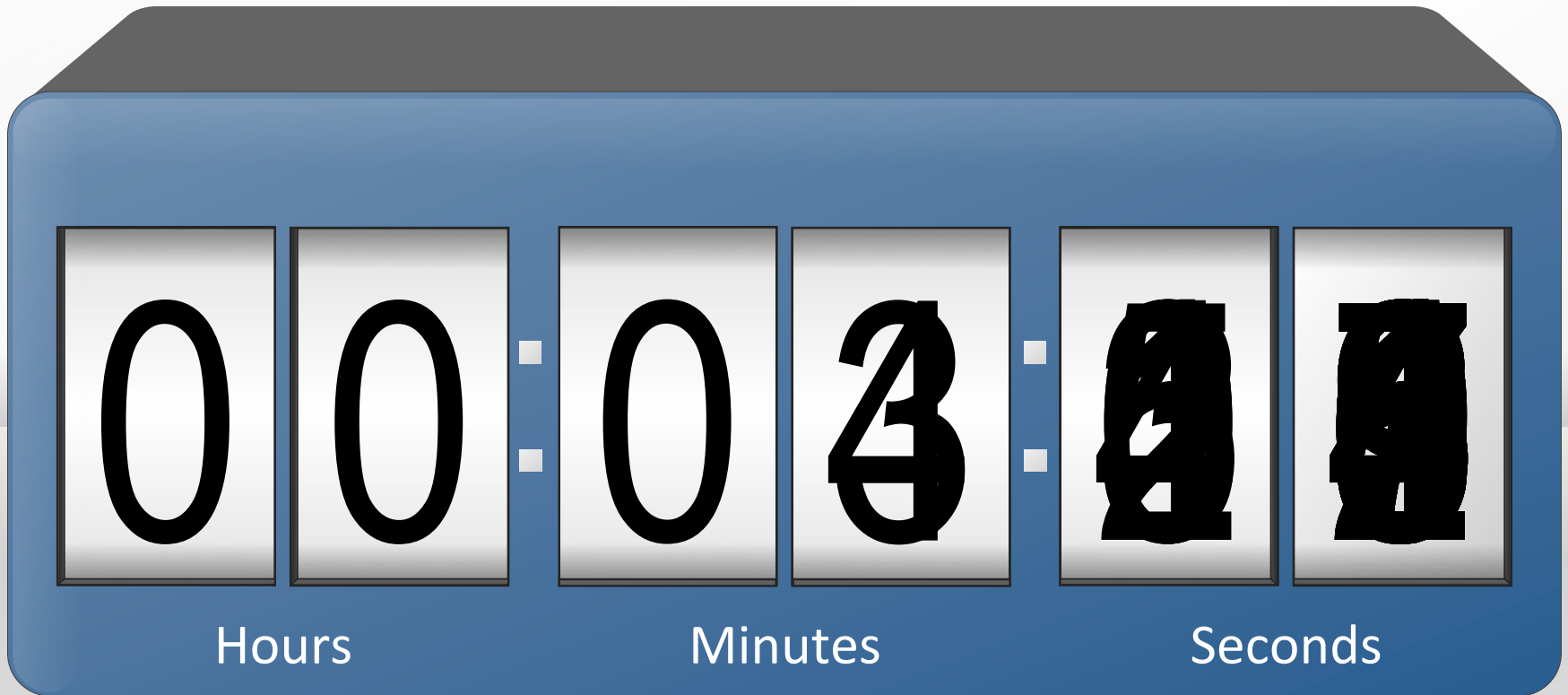
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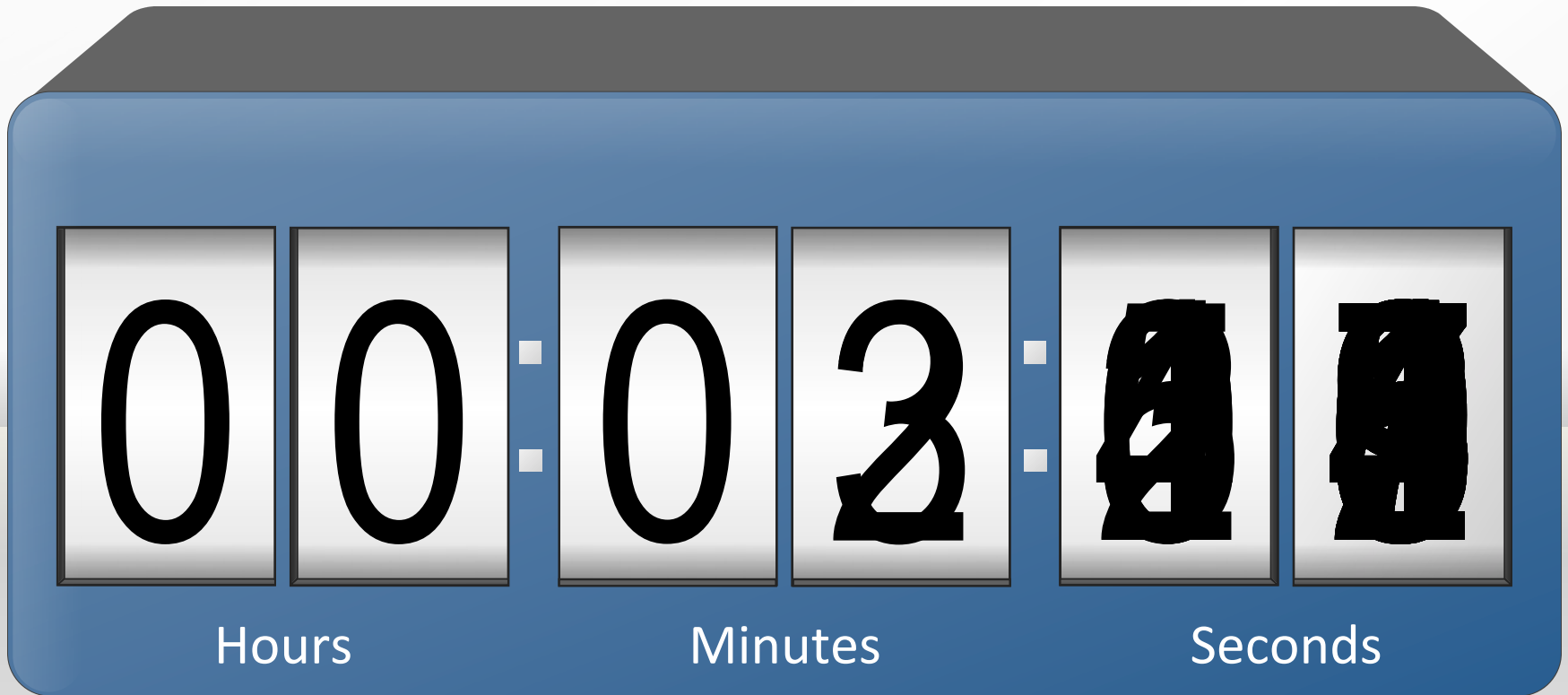
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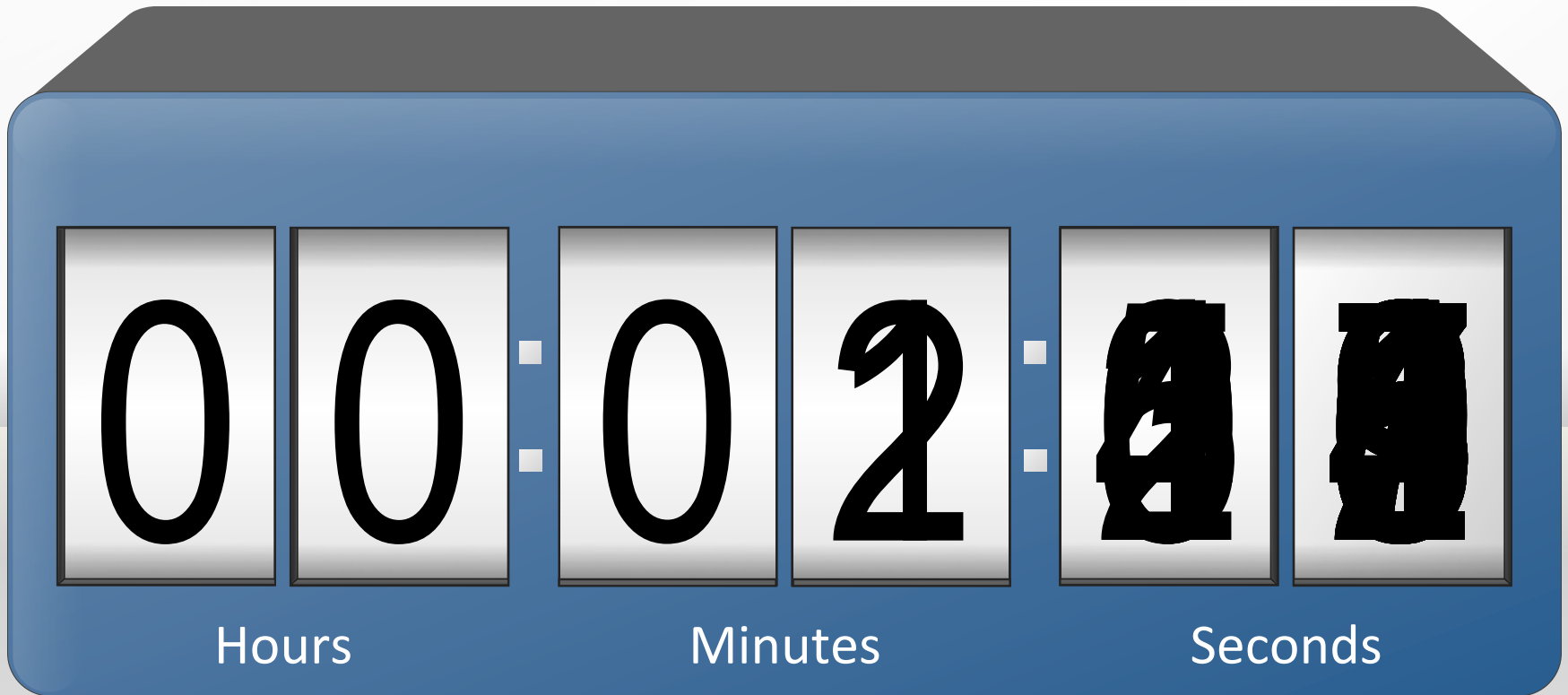
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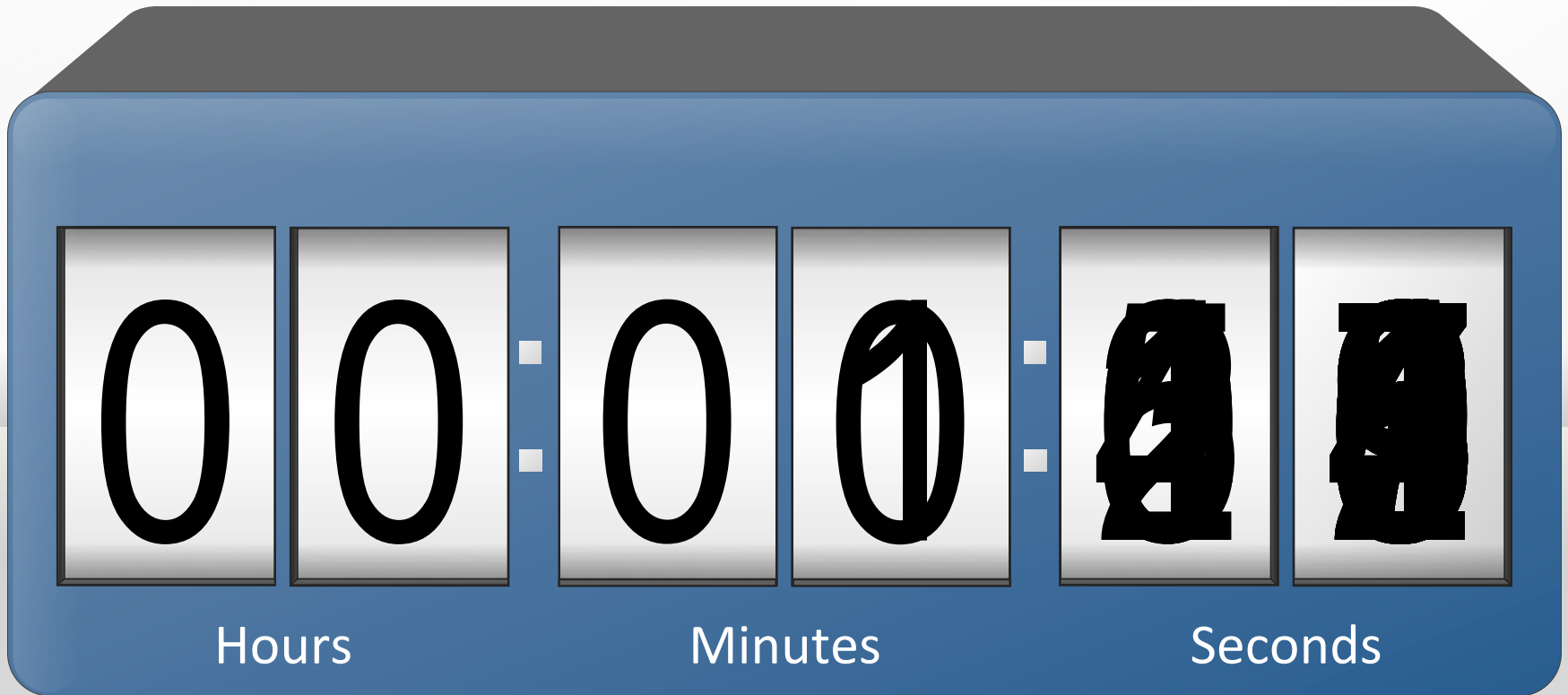
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Time's up!

Let's see how you did.

Stand away from your structures...

And the winning team is...

- What was your approach?
- Did you have a leader? If yes, how did you choose him/her?
- How many structures did you build?

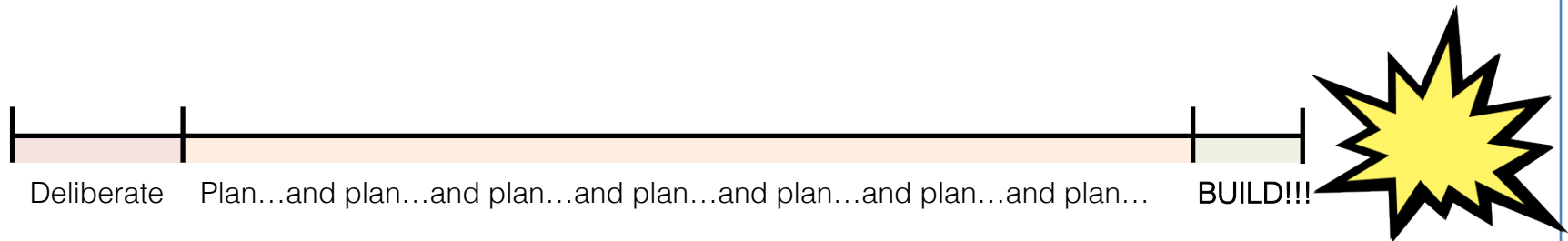
Activity Debrief

- This challenge has been completed by 10's of 1000's of people around the world.
- Who performs the worst?
 - Business students
- Who performs the best?
 - Young children (ages 3-5) and engineers (of course!)

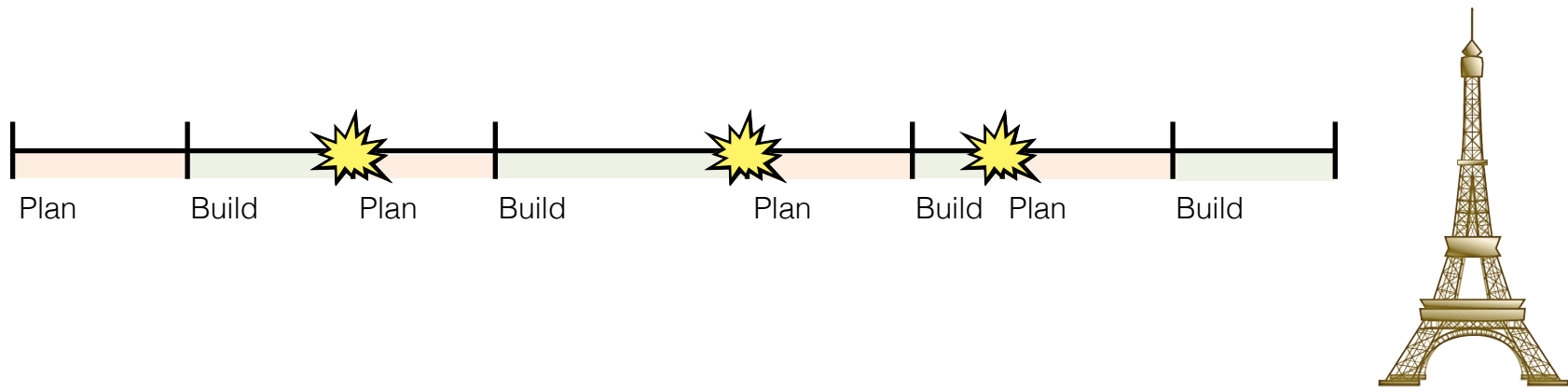
Why?

Business Students vs. Children

Business Students



Children



Would a child make a better entrepreneur than you?

Entrepreneurs...

- See challenges and problems as opportunities
 - Are not afraid to take risks because greater risks means greater rewards
- They acknowledge failure but are not afraid of it and are prepared for it
 - They learn from their mistakes and try again
- Are confident and committed
 - Have an irrational passion*

The Marshmallow Challenge!

- Watch the inventor talk about the challenge:
http://www.ted.com/talks/tom_wujec_build_a_tower.html
- Read about the challenge on his website:
<http://marshmallowchallenge.com/>

Key Takeaways

1. It's easy to nod and to remember all this about failure now, but keep these in mind when you do run into real problems of your own.
2. Listen to feedback and iterate (Ford)
3. Find a solid team (Minschew)
4. Keep going – nothing worth having ever came easy or quickly (Mehta)
5. Fail in order to gain wisdom, but fail wisely.

“If you're not failing every now and again, it's a sign you're not doing anything very innovative.”

- Woody Allen

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- Check your e-mail for any additional announcements
 - Questions?
 - HW #3: Choose the top 3 problems you most want to solve and write this on your profile on the AITI website
 - See you Thursday!