

LESSONS IN ENTREPRENEURSHIP

The lemonade principle

True entrepreneurs turn chance events to their advantage. Stuart Read and Nick Dew report

Unexpected things happen in the process of starting a company, and it is how we deal with them that matters. The saying goes that when life serves up lemons, you make lemonade.



SERENDIPITY

While Thomas Stemberg was working on a business plan to buy a supermarket chain, his printer ribbon ran out of ink. It was a holiday weekend in the US and office supplies stores in his area were either shut or did not carry the ribbons. Stemberg saw a broad market opportunity: individuals needed easy access to business products. In 1985, he founded office products provider Staples, now an \$18bn business.

ACCIDENT

In 1943, James Wright was in General Electric's labs trying to create an inexpensive substitute for synthetic rubber. By mistake, he dropped boric acid into silicone oil, and was surprised to find the result both stretchier and bouncier than rubber. GE presented 'nutty putty' to scientists around the world but was unable to find a commercial use for it. Then in 1949, Peter Hodgson, an unemployed ad man, encountered it at a party. He borrowed \$147 to buy the rights from GE, renamed it Silly Putty, packaged it in a plastic egg, and the rest, as they say, is history.

MURPHY'S LAW

When Honda tried to enter the US motorcycle market in 1958, everything went wrong. Although the firm wanted to invest \$1m, the Japanese government let the team of three Honda employees take only \$110,000 in cash and \$140,000 in cycles and parts out of the country. The approval took until the summer of 1959, forcing Honda to launch



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in the autumn, after Americans had stopped buying motorcycles for the year. Once they began to sell bikes in spring 1960, the products were a mechanical disaster. Short on funds, the team used Honda's inexpensive 'SuperCub' mopeds for transportation around LA, and one day got a call from a Sears representative who had noticed the unusual scooters. The business grew rapidly on the strength of SuperCub sales through Sears.

WORKING WITH LEMONS

The common thread to all these situations is that when faced with the unexpected, entrepreneurs see opportunity where others see distraction or even catastrophe. They are able to leverage chance events because they know that even the most thoughtful business plan rarely survives the first customer contract. A person intent on selling motorcycles might not have returned a call from a Sears rep about a moped. But to an entrepreneur, the mystery call always has the potential to lead to new opportunity.



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