



# Stanford eCorner

## Crazy is a Compliment [Entire Talk]

Linda Rottenberg, *Endeavor*

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Linda Rottenberg, co-founder and CEO of Endeavor Global, shares smart lessons for cutting an entrepreneurial path in a turbulent world. Touching on elements from her upcoming book, *Crazy is a Compliment*, Rottenberg unpacks insights from Endeavor's work driving entrepreneurship in emerging markets around the world.



### Transcript

Take it away Linda. Thank you. In the spring of 1998, I walked into an unassuming room and an unnamed neighborhood of Buenos Aires. I was there to meet Wences Casares, a 24-year-old charismatic son of a sheep farmer from Patagonia, who now had the improbable idea of creating the e-trade of Latin America. When I walked out of that office I was carrying with me one of the most important lessons I've learned. The most important backer you will need to start any venture is not your mother, your father, your spouse, your boss, your banker or your friend, it's you. And you're the hardest backer you will ever have to win. Now Wences had started several ventures before, but those were pretty low sticks. This time he had dropped out of college and convinced his two sisters to drop out with him. When he travelled back to Patagonia to inform dad that his three children were now college dropouts, his dad looked at him and said don't fool around.

Then things got really scary. Wences was running out of cash, 32 local investors turned him down and his sisters were sleeping on this couch in this tiny apartment they shared. Now Wences considers himself a doer and he had to keep going with the financial services portal he called patagon.com. But he looked at me when I was in his office and he said "Do you think I'm crazy?" Then I said, yes, but that's why you're going to succeed. I ended up creating Endeavor, well co-founding it 17 years ago, to support dreamers and doers like Wences. We are one of the first organizations to focus on the scale up face of entrepreneurship. We screen thousands of entrepreneurs every year. We've screened 40,000 to date and look for the ones we call high impact. The ones with the biggest ideas, the greatest potential to create businesses that will grow and have impact and the ones who can inspire others. We put them through a year long screening process and once they become Endeavor entrepreneurs we give them a suite of services, 900 people have made it through that screening to date and we give them everything from access to talent to access to capital.

In Wences case we brought him a COO, we introduced him to VCs, we gave him a Stanford Business School student to help him with an expansion plan and he married my assistant Bell. We are a full service organization. And when 18 months later Wences sold patagon.com to Banco Santander for a whopping \$750 million. We helped him become a role model and a mentor. Today Wences sits on my Board, he is one of the most prolific mentors not only for Latin Americans, but for entrepreneurs around the world and kids today growing up everywhere from Patagonia all the way to Mexico will say if Wences can do it, I can too. I've learned a lot of lessons supporting these doers like Wences over the years and I want to share four lessons today. But first I wanted to just tell you a little bit about my own story and how I got started. I grew up in a traditional household that's out of Boston. My parents met when they were 14 and 17 at a dance in Rhode Island. My dad was a lawyer, my mom was a stay at home mom and they were and they are incredibly loving, focused on education and almost genetically risk averse.

Stability and security is what they crave. And some of this rubbed off on me, I went to Harvard for college and then I took

the safe path and applied to law school. But as soon as I got to Yale Law School, I figured out I had no interest in becoming a lawyer. And this was scary for me, because up until then I had done the safe thing. I tried to please other people, but I really decided it was time for me to figure out who I was. So on a whim I flew off to Uruguay and went to sleep on a pen pal's couch in Montevideo, and my parents were convinced this was just a phase and they made me take the bar exam before I left. But soon I had moved to Buenos Aires, and I was dancing tango and rooting for local soccer teams and I paid my way by working at law school and then later at Ashoka, the organization that supports social entrepreneurs around the world. But at the same time I was becoming enchanted with a new celebrity back home. This was the gilded age of Michael Del and Howard Schultz and Bill Gates, it was the dramatic return of Steve Jobs. This was when Netscape and Yahoo had just created these magical IPOs and I became a convert to entrepreneurship.

It seemed to fit that moment of individualism and rebellion and daringness that I was experiencing. So I kept talking about entrepreneurship with friends in Latin America and they really didn't understand what I was saying. And one day I was late for a meeting and I struck up a conversation with a taxi driver. He told me that he had an engineering degree, but couldn't find work except for driving a cab. I said "Really? Excuse me but, why aren't you - " and I couldn't think of the word in Spanish, so I said in English, "an entrepreneur?". He said, "What are you talking about? I told you that no one will hire people with my skills that only the government and big businesses hire; I don't know what you're talking about". I said, "No, you know an entrepreneur is someone who starts a business of their own". He said, "Oh, impresario" using the word for big businessmen. I said, "No, its impresario like what's the word for an entrepreneur, someone who starts something, innovates on their own?" He shrugged. "I don't think we have a word like that here".

And then it dawned on me, no wonder I wasn't seeing many of these high flying entrepreneurs, these innovators in Latin America not only did they lack start-up capital, which is why 32 investors ended up turning Wences down. They didn't even have a word for such a person. So I had a vision. What if there was an organization to find these young dreamers to support them in scaling their businesses to help them transform local economies. What if we created a global network around innovation? I thought this was a great idea and I went rushing back to the United States and I went home and talked to all my friends, everybody I knew from economic development to Wall Street and - nada, nothing. No one had a clue what I was talking about. I tried to get foundation capital and racked up ding letters telling me why my dream would fail. And that was my first personal lesson of entrepreneurship, which is that the first part of doing anything different is being misunderstood. Because if you think about it, if you're trying to shake up the status quo, then those following the status quo are not necessarily going to embrace your vision. But luckily I found another person who had the same strange idea, Peter Kellner, he was at Harvard Business School at the time, and had just come back from China where he too had this idea to support these emerging market entrepreneurs.

And the two of us had our first meeting at my parents' kitchen table, outside of Boston. And we crafted the business plan for Endeavor on a napkin. And my parents were on the other side of the room, they were not pleased. My mother said, "Linda you're not thinking of giving up your job for this, are you?" My dad reminded me of the pledge I had made that I would take some time off the treadmill, but then I would focus on a real career. If I wasn't interested in the law, how about consulting? That wasn't working, so my mother took a different tack. "You know your eggs aren't getting any younger", she said. I was 28 and a half and at that point, my mother had myself, my brother and was pregnant with my sister and she said, "You know, you've got to stop getting on all these planes if you ever want to get married". So here I was, I was caught between what my parents wanted for me, and what I was feeling myself. It was the same feeling Wences felt looking at his sisters on the couch and most entrepreneurs I know confront. It's that juxtaposition between doing what's the safe and the known and the unsafe and unknown.

It's the juncture between hope and fear. And I chose hope. I looked at my parents and I said, "I can't turn back. This is who I am; this is what I'm supposed to be". And I think that, I've thought a lot about that kitchen table moment and I think that my passion for helping entrepreneurs stems a lot from wanting to help them through those moments, when they feel most alone, when no one else believes in them, and their idea. One of the things that I then learned is that once you give yourself permission to think contrarian, to be different, you must brace yourself because everyone else is now going to criticize your choice. And I learned this in one of the most defining moments of my career. So a few months after that kitchen table moment, I got a 10-minute meeting with Eduardo Elsztain. Eduardo had been a college dropout himself and had secured a 10-minute meeting with George Soros in the early '90s and pitched him this idea that Argentina was suddenly going to become a hot market. Eduardo walked out with a \$10 million check from Soros that he proceeded to turn into the largest real estate empire in the nation.

So five minutes into our meeting, Eduardo looks at his watch and he says, "Okay, I will try to get you a meeting with Soros". I said, "No. I don't want to meet Soros. Eduardo, you're an entrepreneur. I'm an entrepreneur, this is about supporting entrepreneurs. Here is what I want; I want your time, your passion and \$200,000". Now our meeting had been in English, but he turns to his right hand guy, Oscar and he says it is like she seems - it's like you're in a bad movie where the heroine kind of seems nice and charming and then all of the sudden you're in the shower and she is coming at you with a knife", a knife

indeed, a butter knife to butter you up. I said, "Eduardo, . This heroine understands Spanish". I said, "This from the guy who walked out of Soros's office with a \$10 million check, you are lucky I only asked you for \$200,000".

Eduardo gaped at me, looked at Oscar, took out his check book and wrote me a \$200,000 check and became Chairman of Endeavor, Argentina. And that is when I learned my lesson that is now the title of my book, which is 'Crazy is a Compliment'. And in fact I actually have a corollary which is that if you're not called crazy, you're probably not thinking big enough. Okay, so four quick lessons that I've learned. Number one, stop planning, stop planning, start doing. Last year I was on the Today Show with an MBA turned internet entrepreneur who talked about creating a 75-page business plan before starting her company and recommending that all viewers do the same. I nearly fell off my chair. I told Hoda and Kathie Lee on that we can agree to disagree. Endeavor's plan as I told you was written on a napkin, Intel's plan was 161 words and misspelled many words including and. Two-thirds of the Endeavor entrepreneurs did not create a business plan, Wences didn't create a business plan and if that's not good enough Inc.

500 did a survey of the - Inc. 500 companies, only 12% conducted formal market research before launch and only 40% actually created business plans and of those that wrote the business plans, two-thirds of those admitted ditching it within months. So what I say to entrepreneurs or would be entrepreneurs is that really the trick is to view the world differently. And then I've come to learn that entrepreneurs don't look at the writing on the wall, they look at the spaces in between, because it's in those gaps where real impact happens. And as I like to say the greatest entrepreneurs I know, they focus on pain points, not power points. They stop planning, they start doing. Lesson number two; don't bet the farm. Now we have this image sometimes of entrepreneurship as this incredibly risky thing. Ray Kroc, the man who founded, who took McDonald's to a scale said, "If you're not a risk taker then get the hell out of business". And this appeals to a kind of macho bravado; in fact the term "don't bet the farm" came from the Wild West where in five card draw if you bet the farm, it proved you had cojones.

Well boys will be boys, but entrepreneurs will be savvy. And in my experience most entrepreneurs are not risk maximizers, they're risk minimizers. We did a survey of the 900 Endeavor entrepreneurs and most of them veered toward the middle in terms of their attitude towards risk. They dreamed big, they took that daring step, but then they executed small and did everything they could to then derisk risk. They may have wagered a few chickens, but they didn't bet the farm. Lesson number three. Now many of the ways people today don't bet the farm is to apply where I'm sure you're familiar with here at Stanford, which is, the principles of Eric Ries Lean startup. And while I'm all for a minimum viable products, I'd like to suggest an alternative model that I consider the dark arts of entrepreneurship and they don't teach it here at the engineering school. And the way I approached funders is I confined them to small spaces where they couldn't escape. I would loiter outside airplane bathrooms, I would lurk in fancy restaurants, I would hover around gym treadmills, yes, I was a stalker.

And that brings me to lesson number three stalking is an under rated startup strategy. And one of my favorite entrepreneurs started this way. Her name was Josephine Esther Mentzer. So Esther Mentzer, she was known, was born to Hungarian Jewish parents in Queens, but she coveted luxury. One day she was at a saloon and she noticed this beautiful blouse that a women was wearing, she said, "Where did you get that blouse?" The women looked at her dismissively and said, "Why would you care? You could never afford it". And at that moment Esther vowed that she was going to have it all. The jewels, the exquisite homes, the arts, she was going to have everything. So her uncle John was a chemist - struggling chemist, who couldn't sell his lines of creams. So Esther took to stalking, she would stop unsuspecting victims on their way to a Salvation Army meeting in the elevator, on the street, she would point out their wrinkles they didn't even think they had, whip out her super rich all purpose cream and say that she could help them glow. When the ladies said "we have somewhere else to be", she said, "No, no just give me five minutes".

And when Esther was successful enough to have her own business, the first thing she did is change her name to appear more in the realm of luxury that she desired. She took her married name Lauder and changed her first name to Estee. Now Estee Lauder also stalked retailers because her dream was to get into Saks Fifth Avenue. But the Saks buyer did not want this untested brand with this unknown women. So Esther waited for her opportunity. And one day, now Estee, at the Waldorf Astoria charity meeting, she actually handed out these lipsticks in a metallic sheath, which are a big step up from the plastic. The women lined up and said, "Okay, where can we get more of these?" Estee smiled and said, "Why didn't you try Saks". The line at Saks went out the door across the street, the next day the buyer called and placed an order for \$800. Stalking is an underrated startup strategy. Lesson number four.

And this is the one that I think working in emerging markets, I've had the most insight into and that is the turbulence is the official climate of entrepreneurship. Stability is the friend of the status quo, chaos is the friend of the entrepreneur. We started Endeavor in Greece in 2012. We spent 15 years working in the emerging markets and afterwards business leaders from Greece called and said they were interested, we then went to recently Spain and Miami, so I've been joking that we now also work in the submerging markets. But anyway Greece was in the middle of its financial crisis and people said, "Why on earth would you go to Greece?" And I said, "When economies look down, entrepreneurs look up". And we - well we've had many incredible entrepreneurs come out of Greece during that recession, and come out of Egypt in the midst of revolution, I could

give countless examples. My favorite two stories, and I tell today, took place at a different time. One took place during the Napoleonic wars. The Russians were invading France and looting and pillaging everything they came across including the vineyard of Barbe-Nicole Ponsardin. So Barbe-Nicole was the 40-year-old widow of Francois Clicquot and had inherited a small winery.

But she was very adept and she actually did something revolutionary, which is she took the bottles, stored them in a rack upside down, turned the bottles to freeze off the excess yeast and it resulted in a sharper taste. Champagne to this point had been very sweet, and her 1811 vintage is considered the first modern champagne. She was - widow, in French it's veuve, so she is known as Veuve Clicquot. Now the Russians come pillaging everybody else is shutting their doors and Veuve Clicquot spots a marketing opportunity. She resolves to get the Russian army wasted. "Now they drink, tomorrow they will pay", she said. So she drowned the Russians in free wine and when Napoleon's army beat back the Russians a few months later, she did it in inverse. So she gave the Napoleonic army the champagne flutes and the bottles, but they were running on horses and they couldn't actually use the flutes. So instead they took their swords and looted off the necks of the bottles and that is how sabrage was created. What happened next was her bigger gambit.

In the spring of 1814, right before the cease-fire was announced, Barbe-Nicole who had held back that 1811 vintage, decided to take all the bottles and run the blockade and get them to St. Petersburg in Moscow. This was very dangerous; if she had been caught she would have been ruined. But instead she timed it perfectly. The moment the treaty was signed and the cease-fire was announced, her bottles were already appearing in Moscow. The Russians were drinking like fish and Tsar Alexander announced he would only drink the widow. To me this is a moment of someone ceasing opportunity in chaos. And there is a kicker to this story, which is that today Veuve Clicquot honors women business leaders every year and one of the years I won an award and the award is actually a vine named after you in the rouse. So just watch out, because the Rottenberg grape may be coming your way soon. The last story I want to tell gets back to the issue of mindset, which I think that I've learned most of all, that working in countless places, I've learned that it's not finance, it's not institutional structure, it's not culture that prevents people from becoming entrepreneurs or taking risk even in their jobs.

It's psychology, it's mindset, it's giving yourself permission to fail. My favorite story for this is Walt Disney, who was 26 years old and at that point he had been a failed newspaper illustrator, he had started and bankrupted two companies with his friend of Iworks. But at this point he was ready to celebrate his first success. He had come up with cartoon character Oswald the Lucky Rabbit. And Oswald scored with audiences and he was in New York celebrating and to meet the husband of his film distributor. But at the meeting Walt got a nasty surprise. Instead of giving Walt higher profits, the film distributor announced that he had hired away all of Disney's team and taken full rights over Oswald. Walt was devastated. And on the train home he brooded. Lillian, his wife, said, "He was like a raging lion", he had no contract, no employees and worse yet he had no cartoon character and all the lovable characters, the lions, the dogs, the rabbits were all taken.

So Walt said, "But the only creature left that hadn't been featured in cartoons was the mouse". By the time the train pulled into Kansas City, he had on train stationary created this drawing of a mouse with red velvet pants and two pearly buttons. And Walt reportedly wanted to call the mouse Mortimer. But Lillian said, "Too sissy". So Walt said, "What do you think of Mickey an Irish name, an outsiders name", she said, "Better than Mortimer". Mickey Mouse was born in a moment of chaos. So that's what I want to leave you with today, which is Walt said, "My constitution is that I'm feeling more comfortable when things are going wrong, than when things are smooth as whipped cream". And so the biggest lesson of entrepreneurship I believe is to act counter to everyone else and counter even to your own instincts. When your world is smooth as whipped cream, do something to check it up. See the world differently, startle the everyday, when everyone is zipping starting zigging.

But when things are rough and unsure and every dreamer faces setbacks, don't give up. Stay calm, narrow your options, be a doer like Wences, maybe click with the enemy like Veuve Clicquot. And above all else, stay on the entrepreneurial train, because if you don't, while you're complaining about your misfortune, somewhere someone else will board a train and conjure up Mickey Mouse or some other crazy idea and you will be stuck holding Oswald, the Rabbit. Thank you. Okay. So now you know why I'm the president of Linda's fan club. So I want to dive back into all the things you've learned from Endeavor. How many companies - how many countries is Endeavor in now? We are now in 20 countries on five continents. Can you name, where you started. Can you give us a little map of how you expanded? This is going to be like quiz.

I forgot anyway. We are in - so all over Latin America, Argentina, Brazil, Chile, Uruguay, Mexico, Colombia and now Peru. We - I don't know if you consider Miami part of Latin America. We're in South Africa, we're all over the Middle East, Turkey, from Turkey to Morocco, Saudi Arabia, the United Arab Emirates, Jordan, Lebanon, Egypt. I'm probably forgetting something else, and then now in Southeast Asia in Indonesia and Malaysia. Next up -- and we're in Miami I said, and next up is the Philippines -- Spain and Greece are also in our network already. Next up is the Philippines, Italy, Nigeria and then Detroit. Detroit? Yes. So that great emerging markets. That's okay.

What happens when you set up an office there? So let's imagine Detroit. You set up an Endeavor office, what actually happens? Yes, so believe it or not, I no longer stalk people, now they call us. But we really believe from the get go, it's about

mentorships. Tom Friedman called us mentor capitalists. So we said we've got to start, eventually our hope is that like Wences says, our entrepreneurs become the role models, they become the mentors. But you've got to start with the existing business leaders. So actually one of the stories that happened a little later, about four years into Endeavor I got a call from Pedro Aspe, the former finance minister of Mexico and he asked me to come talk to a group of business leaders about entrepreneurship and maybe bringing Endeavor there. And he undersold what was happened because I walked in the room and someone tapped me on the shoulder and said, "Do you understand what percent of Mexico's GDP is in the room?" I said "No, and I don't think I want to". And it was Carlos Slim, and Lorenzo Zambrano and Emilio Azcarraga and all the business leaders. And they said, "Look why is entrepreneurship happening in Brazil, in Argentina, and Chile, why not Mexico?" So I looked at them and said, "Okay, well here in Mexico you're the big fish and you tend to eat the little fish".

I said, "So if you're interested in Endeavor, why don't you think of us as an aquarium where you learn to feed the little fish" and I thought I was going to get kicked out of the room or something and instead they all signed up and 10 years later Amelio runs most of the media and the top business magazine had a spread on a decade of entrepreneurship in Mexico and the headline was 'Big fish feeding the little fish'. So I think that really sums up our model. We have the top business leaders who commit, they think the one thing they can do is find and nurture these innovators, they otherwise wouldn't meet through their networks. I think one of the biggest insights that I learned about early on from Endeavor was the idea that one of the biggest problems in these parts of the world is that there aren't local role models and so is - I mean something we obviously don't have a problem with here in Silicon Valley, everyone in this room is probably starting a company, okay. But when you go to these other places and you ask about entrepreneurship people either think that it's a euphemism for being out of work or that your dad gave you the job or you that you did something illegal. Yes a government contract - exactly. I think trust is a big - another big issue. Now I would tell the story of Steve Jobs and Steve Wozniak and people would look at me and say "How is this relevant to my life, I don't even have a garage". And I think that one of the things we've done is, I mentioned Wences, but so many of our entrepreneurs are running family businesses. We have one of my favorite entrepreneurs started in - who grew up in the slums of Rio.

She was a cashier at McDonald's, Leila Velez and her sister Heloisa Zica, the story is - was a hair dresser and Leila got frustrated that there weren't products for curly haired Afro-Brazilian population and she said poor people deserve to feel beautiful too and so she and Leila - she and Zica went to Leila's kitchen and concocted a potion, they tested it on their husbands, the husbands hair falls out. They go back to the sink, we meet them they have a saloon where there were six-hour waits because these products were so desirable. And we said they're on to something, we help them with franchise experts, we help them reconfigure their team and get access to capital and people say okay that's a nice story of microfinance, we said no, no, no. There is nothing micro about Leila and Beleza Natural it's now this -- last year generated more than \$80 million in revenues, the employee more than 2,300 women and Leila goes around saying this, "If I can do it, you can too". That is the most powerful message and I think telling stories that aren't just in tech and that aren't just young people, but people in all industries, really from all walks of life, the more stories we have that people can find relatable, the more people that are going to be starting something. Terrific. So you've been in now all these countries. Can you give us some sense about the differences between them, because obviously you probably - have to do things differently when you go into these different cultures? Yes, I was very nervous when I first started in the Middle East and I was - I just didn't know if they were going to respond in the same way, I was a woman, an American, and it's been really fascinating that I started out focusing on the differences, but today it's really much more the commonalities. I think entrepreneurs everywhere they have a desire to see things differently to change the world for the better to create jobs and even on the operational level, we started everyone said oh, it's different in Saudi Arabia than it is in Brazil and what about Uruguay? Its tiny than Jordan and then Fernando Fabre who is now our President who ran Endeavour Mexico and was so good and kept telling me what I was doing wrong, so I said, "Fine, then just come and be the president". He started giving people scores based on their net promoter score for, that we use from Bain to talk about how entrepreneurs view our services.

And he gave each board a score card and suddenly they said, "Wait a minute, what's the best practice that they doing in Indonesia, that's working or Turkey it seems to be doing that interestingly" and suddenly, its amazing competition really works, they all started saying forget the differences, we're all going to apply what works. Right. So I want to in a second open it up to the audience. Does anyone have a question, a burning question they want to start with? What's your question? Great. The question is which is the best operation? I'd say that one of the things that the score card really taught is that different offices are good at different things. And I think it really - so whereas Brazil and Turkey do a lot in terms of the broader conversation about entrepreneurship. In Mexico, they really focused on looking at universities and they have nine different offices in different countries. In South Africa it's something else, so what we've tried to do is take a little bit from every office and sort of call together the best practices, but there is no one office and in fact we started a co-investment fund called Endeavor Catalyst. And I thought they were - all the entrepreneurs were going to come from one or two countries, and there's really been a wide a wide spread of countries. So good question, but my answer maybe is a little wimpy, but I think they all do different things well.

So I want to dive into this question about the characteristics of entrepreneurs and I love the fact that you said that entrepreneurs are really not risk takers, their goal is to really try to squeeze the risk out ... Yes. ... get the best people, the

technology, the best markets. How do you teach people to do this? Is this something that you spend time actually cultivating in people? We - I think that we've - actually in the book I talk about something we did at Endeavor which is different profile types. I'm a big fan of Myers-Briggs and so we actually did these different profile types and we've learned is you can be successful as different types of entrepreneur. There are some entrepreneurs that are focused on a brand, think of an Oprah Winfrey or Richard Branson, the others that are focused on numbers and metrics thinking of a Jeff Bezos there are others that I think are focused on the new-new thing. And there are others that really just want to have impact. What we think is know your strengths and then surround yourself with people to bring something else to the table. If you're not comfortable with numbers, find someone who is.

If you're comfortable just innovating doing mini innovations, get someone who is going to think more creatively. So what we've found is we focus a lot on teams and making sure that within the team you have the different strengths. Great. And way back in the back. Please speak really loudly. I read online that you're a member of the Council of Foreign Relations, I was just curious if at all how that relates to your work with Endeavour and sort of what impact that has on the things that you decide to go after? Yes, the question is about the Council of Foreign Relations and I think that to me I think that a lot of the strategies now for diplomacy are failing because they are being held at the business level, I mean at the political level. And I really think when I look at the people we have across cultures that are partnering, that are doing businesses together, we have Brazilians that are now partnering with people in Dubai and Oman and I think that to me the next wave of diplomacy is going to be held, I think entrepreneur to entrepreneur EtoE and so that's what I've kind of come and taken away is that if the young people if we can infuse this new more global culture, more open and less of these top down solutions of one president to another, then I think that we're going to make change. So, that's my answer. Great. Yes.

Hi. I'm a PHD candidate, so I do research on entrepreneurs. So I'm curious from the ground what are the questions that you would hope that scholars at Stanford would be looking at, what are the burning questions that you have? Well to me one of the things we have started doing research in Endeavor because we got frustrated is that all the focus on ecosystem development which is now what people want to do, they want to cultivate entrepreneurial ecosystems to solve social problems. The two frustrations we have are one, it focuses on the startup. We believe that most of the job creation and most of the impact happens at the scale up. And a lot of times in these markets, its family businesses that are taken over by the next level and they could -- the next generation and they could get to the next level, but they need that help. So I think that's number one. I would love more work looking at what happens at the scale up phase, rather than all the research on the startup. The other thing is it talks a lot about the red tape. The number of days it takes to get a business started, it's something that the World Bank puts out.

All entrepreneurs don't care whether it takes two days or 20 days or 200 days, they will get around the red tape. The issue is human capital, it's access to talent. It's this trust issue and it's the lack of mentorship. So I think these softer issues you brought up role models, role models, mentorship, trust, almost are never factored in, they're harder to study, they're intangible. We're starting to look at network effects and the role of entrepreneurs we've found who actually go on and become angel investors as well as mentors of next generation have outsized, influence on their ecosystem, that's where the catalytic effect happens. But I think that looking at different less traditional what are the policies, what's the role of capital at the more human and psychological and intangible things, I'd certainly pay a lot for that research. Building on that, one of the things that I've found, I get - I'm fortunate enough to get to travel to different places of the world and we've lots of entrepreneurs come here and one of the things that always comes up is the fact that a lot of other places people don't give equity to their employees. And that's one of the things that's so powerful here is that when you bring people on to your team, you give them a part of the company and they feel like they're owners. Absolutely. And that - that ends up (35:39) being a huge motivator for people, whereas if they don't get it, they feel like well I'm here to make you successful.

Can you talk a little bit about how you deal with that in different parts of the world? Yes, it's a great question and we spend I should say its - every time I go into a country the first thing we do is unwind bad deals. So the biggest problem is the entrepreneurs own no equity. So any sort of venture investing in these markets when we get started, you will - for \$100,000 the entrepreneurs are giving away 95% of the company. So I think one of the things we start to do is educate the investor network community there to talk about what Silicon Valley does in terms of making sure the entrepreneurs and the executive teams are properly incented and then they can build that out. So while many of our entrepreneurs in fact are the first in their communities to give equity. What they've also taught me and running this kind of hybrid non-profit, for profit type organization, I've learned that while financial equity is important, psychic equity is more important. And I think that for millennials today especially that issue of autonomy, of collaboration, of doing something that's really important that is incredibly powerful. So what strikes me about these entrepreneurs is, it's not about creating the next WhatsApp. It's not about getting rich and IPOing quick, that's great if that happens, they want to grow. But they really believe that they're transforming their countries and they're creating better jobs and lives for people in their communities and that is so powerful that people want to work for them.

So I think that sometimes here we get so caught up in the financial side that we forget about the power of psychic equity. Really important. So let -- why don't we talk a little bit about Endeavor's business model? How has - how did it start and how

has it changed? Well, we decided that trust was such an important missing ingredient that we'd be what Bill Draper called venture capital without the capital for a while. And that we'd be the neutral provider that provided the screen for entrepreneurs as a seal of approval, but that we wouldn't invest ourselves. About three years ago, some of the investors on my board, Nick Beim from Venrock, Reid Hoffman of LinkedIn and Greylock and a few others came and said its time. There are so many investors now from all of the world calling Endeavor up to find and invest in our companies. We can do this in a roles based way. So we created something called Endeavor Catalyst and we now passively co-invest in all our entrepreneurs who raise rounds of financing from qualified institutional investors and the great thing about that is we can maintain neutrality because we let the lead investors set the terms. They piggyback on our due diligence and then we piggyback on their due diligence and their terms, which is great. And what's exciting is we have both a donation option, but we also have LPs.

So we have this investment fund that we started as well and I can't really talk about it yet, but we're about to do something very exciting, maybe you will have me back here that's about to go retail and our goal is that in the next seven years that Endeavor will become increasingly self sustaining off the success of our entrepreneurs. What's really exciting to me is that now close to a \$1.5 million of the more than \$25 million we've raised so far is coming from Endeavor entrepreneurs themselves. They want to pay it forward and then co-invest in one another. Fabulous. Really - really inspiring. Yes. So how do you go to market for finding the right entrepreneurs for the program? Yes, we spend a lot of time locally as I said. So we've offices in 20 countries I mentioned, 45, 46 cities now. Endeavor has 350 full time employees of which 40 are based in the U.S. We have an office in California and our headquarters in New York and the rest are in the field.

So what we do is we have these business leaders, the top leaders in the country and we have a team of anywhere from 2 at the beginning to 40 in Brazil, our largest country and they're scouring their countries looking for top innovators in any sector. So we work with a lot of the accelerators on the tech side, but we're also really looking for non-traditional companies that really have the potential to scale, but they're at an inflection point. We are all about that scale up, so we want people who have gotten some traction, but really if we can unlock their potential could really create many jobs, create lots more revenues. And then five times a year, Tina knows this, because she participated in a selection panel. It's sort of the Olympics of entrepreneurship; I call it 12 angry men. I love when there is a woman, because they're - the film 12 angry men 1 juror holds out or 1 juror can sway everybody. And these get very intense. And so by the time people come through this selection panel it's only 900 of 40,000. They have that seal of approval and they have such good relationships. So we have entrepreneurs that have stayed in touch with the Head of Amazon International or the head of different companies that can teach them about franchising or marketing.

And so part of the process itself is the reward, in fact 15% to 20% of the companies we select, did not make it the first time. So one of our companies in Argentina that's about to IPO this year, actually had to come through twice because we were told them the first time that there were too arrogant and they didn't have their plan in order. And they spent a year working to get - into the Endeavor network and now they are one of our top companies, it's called Globant. Yeah. It was an incredibly inspiring experience. It was several years ago and I still stay in touch with a lot of the entrepreneurs that I met there. Yeah. In fact Diego Piacentini. He - I met him there and he then became an ETL speaker here. Oh I love that.

That's great. Any more questions from the audience? Yes. We just moved over here recently. And I'm getting ready to pitch my ideas. I've got the pain point nailed. Good so you don't have a PowerPoint. Yeah. You need a PowerPoint here. Yeah. But the trick is how to turn that, I guess, how to find a solution that makes it palatable because the pain point people kind of like panic and run away from.

And I need some kind of maybe it's about pitching the positive side of it, in order that people can listen and that's when they'll write the cheques or I just want to make that transition I guess. I'm happy - first of all I'm happy to talk offline. You can follow me @lindarottenberg on Twitter or you can email me. And what I would say, is have you tested this out on people? When we talked about the pain point we saw with Endeavor, which is that these markets didn't have venture capital. They didn't have these role models, they didn't have mentors. We said if we're successful the local business leaders will realize that they can't be building first world companies in countries that aren't creating more jobs and they'll come to us. And that's what started happening and then people started believing us. But it was only when we not only identified the pain point and the problem, but we started saying the people who we felt were experiencing the problem showed demand, showed interest in our solution. Then they were not necessarily - they were some of the funders. But even outsiders who weren't living there could actually see that okay people really experience this problem.

So that's what I would say is go once you have the pain point, find the people who are most affected, share with them. And I think this is why crowd-sourcing is so popular these days, crowd-funding, crowd-sourcing. Because people are actually co-creating their products and services by sharing what they most want and need. But I'm happy to talk offline as well. So when you think about different parts of the world. Yeah. One of the other pain points that often comes up is a lack of capital. We happen to have, you can walk down the street and there's a venture capitalist on every corner. Yeah. Who's looking for the next big thing.

But in a lot of parts of the world that's just not a really robust system. How do you deal with that? Well. I think that while we

encourage our board members and then our entrepreneurs to become venture capitalists and angel investors themselves. While, we try to attract capital from here to these markets, so we try to show the potential. I think there is an advantage in having to bootstrap. I think here we've gotten to a point where there is almost too much capital. And I really think back to this issue of pain points and finding a market. People that are scrappy but they actually - they do a lot with less. I think you showed me Tina your phrase that entrepreneurs are people who do a lot with - with little. And I think that yesterday I was talking to somebody who said you know what all this idea of chaos and risk that's fine but I have student loans to pay off.

And I said that's really legitimate but in my experience there are a lot of people who get past the point at which they were paying back their student loans and they get to the golden handcuffs and they increase their lifestyle expenses. One of the things we found is 95% of our entrepreneurs don't risk food and shelter for their families. 80% have expenses covered for more than one year. These are not necessarily wealthy people. These are people, who because they knew there wasn't capital, they knew they had to save enough to actually prove traction in the marketplace. Actually have revenues, profits. And I think it's actually very healthy, so I think that the things that are negatives end up becoming what drives people to create great companies. It's a really interesting point you bring up, because we live in this culture here where there is such a culture of getting venture capital early. As opposed to... Yeah.

...growing with customer money. Actually having real customers who are actually willing to pay you and scaling your business that way. Yeah. So the fact that is that in other parts of the world, that's of course the way you do it. So who has another question? Yes, back there. As you continue to grow your success, how do you reintroduce chaos in your own life? So can you repeat the question? Ha ha ha ha. Well I'm the mother of identical twins. The question was how - as we grow our success how do we introduce chaos into our own lives. So I have that in spades both - having identical twins but I think that there's the professional I'm constantly disrupting that's why I think I have people around my team who are much more methodical and like structure. So I can continue to be a little bit crazy and disrupt without shaking up the whole organization.

But I think it gets to something else where - thinking about my twins, which is that part of what I have had to learn is how to be a leader, how to be an entrepreneur and a mom. And I didn't even realize I was a leader. I mentioned that Wences had married my assistant Belle. Well Belle first taught me this lesson, when I was a few years in and I was at Harvard Business School, unveiling of the Endeavour - first Endeavor case study and I thought we had arrived, I called Belle and I couldn't wait to share my news and she said Linda, you forgot to authorize payroll today. And I said, oh okay, but someone else must have taken care of that. Can I now tell you what happened? She said no, you're the CEO, you're the only one authorized to pay payroll and by the way you have to realize that your employees need to pay rent. And at that time, we had 8 people working in the office and I was like employees, I don't have employees, we're all teammates, we're all in this together. And that's when I realized that if I didn't learn to become a leader then I wouldn't have anybody to lead. But I think that one of the things I've learned through my own personal story is that after having twins when they were three my husband Bruce Feiler he's an author known mostly for his work Walking the Bible. So he was the walking guy and he developed a 10-inch osteogenic sarcoma bone cancer.

And we got the diagnosis and this was right when Endeavor was set to scale our Chairman, Edgar Bronfman Jr. had declared 25 countries in 2015. And here I've three year old twins. I have a husband who at that point was not given a very good prognosis. And I said look, I've got to be at every chemotherapy treatment, he had a seventeen hour surgery, he had nine months of chemo. And when I wasn't with him I really wanted to make sure my girls were stable. And what didn't surprise me was that in my absence everybody stepped up. The team is extraordinary and I knew that that would happen. You also learn when you're absent, that micro managing is not a good thing and that people actually prefer sometimes. But here is what did surprise me.

My husband is 5 years cancer free now I should say and when I came back to the office full time a year later. I couldn't keep up the walls that I had traditionally thought of as a - especially as a female leader. I thought I had to be invincible and compartmentalize and not talk about my personal life. But people kept asking about Bruce and my twins Tybee and Eden. And I just let my guard down and I would share what was going on I occasionally cried and instead of freaking people out or making them more distant, it really drew us closer. And a number of the younger employees said to me listen you know what Linda, we always thought of you as - this role model but kind of superhuman and not in a good way in a kind of un-relatable way. And they said now that we know that you're a human being and you've let us in we will follow you anywhere. And so I think that that is one of the biggest lessons I've learned is that being authentic being vulnerable, it actually opens you up to many more possibilities, it's very scary. It does reintroduce chaos. But it's what really makes you proud.

Thank you for sharing that story with everyone I know it was a very painful period of time. And I'm sure that that really affected a lot of the lessons that you learned. You know in writing a book about, in fact, I understand that Bruce helped you. He's quite a well celebrated author and this book Crazy Is a Compliment the question is can you have too many crazy people in your organization. I mean, can you only have like one crazy person there who's stirring things up or can everybody have that that crazy gene all the time. That is a great question in that you don't want everyone at every moment being disruptive. But

here is what I've come to believe and I talk a lot about I call entrepreneur skunks in my book I named it after Lockheed Martin's Skunk Works. And I think that everyone today even if you planned to be in a consulting firm or an investment bank or corporation, your companies are no longer safe, your job is no longer safe, even if you're sole proprietor today and you're not going to have any employees. Your path is not secured. Everyone today I think needs to think and act more like an entrepreneur, everyone needs to take more risks or risks being left behind and yet as we've been talking about the whole process of entrepreneurship is that tension between taking risk and de-risking risk thinking big, dreaming big executing small.

And so I think that everyone today can learn these skills even if they are not necessarily going to create their own organization. Terrific. Question? Yes. I just had a question on - you spoke a little bit about the Lean startup methodology which is kind of taught a lot at Stanford and the Bay area. Yes. And it sounded like you had some criticisms of it. No, I was sort of making a joke. I think Eric Ries has done a phenomenal job. Many of our entrepreneurs use minimum viable products. I was just saying that it doesn't cover everything in that traditional methods, including my joking, don't really stalk people.

But I thought that basically - people - it's not just all about minimum viable products that people actually know there is art as well as science to entrepreneurship and I think a lot of it really is about psychology and it's not only the psychology of the founder, it's about the interaction and engagement with the customers, with the funders, with the community. And so I think my only point in trying to be somewhat humorous way is that - that I think we risk sometimes thinking everything can be boiled down to a science. Because as I've talked about with chaos is at any point no matter how perfect your product is, no matter how much your customers love it, there is going to be moments of turmoil and disruption. And I think that when you look at the top Fortune 500 companies half of them were started during periods of recession and chaos. I think we've been taught here just prioritize stability. And as I said before, I really believe that stability favors the status quo and entrepreneurship is all about disruption and turmoil. So all I'm saying is I'm all for Lean startup methods, but don't think you're going to avoid all chaos, you're not going to avoid all crisis every dreamer faces setbacks. And you've got to prepare self for those setbacks. Great. Yes.

Can you share a little bit of your story at the very beginning, so you said you wrote the plan on a napkin? Yes. And then you went to raise some money. But what are some things that you've done that set-up a foundation for your success, and kind of got you through the dips and the challenges that most entrepreneurs face within the first few years. Yeah. I think that you know I talked a little bit about some of the first believers and after that scenario with Eduardo Elsztain. We got a call from the 3G guys in Brazil. The men who've now taken over Burger King, Heinz and Anheuser Busch and they said "look, Linda. We want to bring Endeavour's model to Brazil. We want to create entrepreneurs but we're going to be partners. We're not taking orders from you." So I think that one of the first things I learned is this is a partnership, we're not going to be the people from America with all the answers.

Here's your formula and your franchise manual for cooking the ham burgers in terms of entrepreneurship it's been a give and take. So I think that not having all the answers allowed us with our entrepreneurs and with our first believers to engage in this experimentation. People like Wences as I mentioned and Leila of Beleza Natural. There were some of our first entrepreneurs we said look we don't have the network built already you're helping us build the network. Come along for the ride we'll tell your story and so it was really mutual and it was really interesting it gets back to vulnerability. The thing that should have made us weak we admitted that we didn't have the money at that point and that we didn't even have that much of a network but they joined us for the ride and they felt like we're building this together and in fact many of our earliest entrepreneurs are now our board members. They are now our funders. So I think that that's the thing don't be embarrassed to have people co-create. I think that really if you've solved a problem people want to join you for the ride, they won't expect you to have everything done and set. But they will often trust you more than the foundations and the investors thought we were crazy they didn't understand it.

So that was the other thing, we went right to the markets. And we said we're going to get our support locally and then we'll - now we're \$30 million organization, now we get support globally but really starting with the people who had the need right in front of them that really helped. I love that you mention Wences so much, he of course lives locally now.... Yes, he lives locally now. And has been one of our ETL speakers. So for anyone who's interested you could go hear his story. Now running a big plane company. Yes. Exactly. Okay, great.

So I work for an accelerator and one of the things that I see a lot of is foreign companies trying to come to the Bay area and try to build . Yes. Like what are you trying to focus on to kind of keep - prevent that ? Yeah. I think that's a really good question that we grappled with about the brain drain. And you mentioned Wences I think he's a fantastic example, so Wences has a place in Woodside, his fifth company is now - Xapo is now run out of here. But he still spent so much time. He spends an hour or two a day mentoring entrepreneurs from around the world, he was just on a call with a financial service provider in Indonesia the other day. And I think that we said that's okay. We said it's okay if some entrepreneurs actually do come and become expats. But one of the things is that we're not just in technology.

So I think that we've seen a lot of disruption, a lot of innovation happening in healthcare, in environmental companies, in restaurants, in companies that are creating a lot of jobs but are not necessarily the ones that are going to get the venture

capital. And so when we have that mix, that balance in our network, we know there are going to be some local players that really build up the local jobs and there are others that are going to be these huge role models which we find exciting as well. So as long there is a combination we don't actually see it as a problem. Great, another question. Yes. So you've branded Endeavor as high impact entrepreneurship. Yes. I'm curious, what you mean by impact? Because is it creating jobs or is it the fact that the venture has a social goal? There's a bunch of different ways... Yeah. It's funny because in the book I started talking about, I've given species names to different types of entrepreneurs.

Because I think we've all, me included, taken this already clunky word entrepreneur and now added all these qualifiers, social entrepreneur, micro entrepreneur, high impact entrepreneur and made it clunkier so apologies for that. But we really were starting up at a point when people understood micro credit and they assumed that anybody we're supporting in an emerging market must be someone micro, and we said no. So we said how do you describe that and we said it's going to be high impact. We always meant growth. So we were always adamant that we'll take any industry, we want these people to have a commitment to their societies but that can be by creating great jobs and creating high growth companies. What we realized is that many of them end up even if they are not per se an education company or an environmental company having some social values built-in because trust is such an issue. I mean we have a company for example in Jordan a fantastic chain of pharmacies, Pharmacy-1 and Amjad Aryan the entrepreneur realized there weren't enough trained pharmacists. So he ended up creating schools within the colleges to train pharmacists. Today, 70% of his pharmacists are woman that he actually trained by going into the educational system. We've so many examples of that where entrepreneurs because there isn't the human capital, where they're training people.

They are often giving the first equity or the first healthcare to their workers, they are paying for the education of the kids, they are somehow banking the unbanked in some way, but I think that we said high impact is about the ability to create businesses that matter and will grow and that were at an inflection point that you could get them so that they weren't going to wither away because what we see is 10 companies in many of these countries controlling most of the resources. And so that's what we mean and now we are in this impact-investing space and interestingly enough we're finding that a number of people also believe that not only job creation but what these companies are doing for their communities qualifies. That's my answer. So as we slide into the very end of this talk, are there any final words you would have even wanted to hear yourself when you were in school, I mean, imagine you had gone to Stanford and you were sitting here in this auditorium and someone who was an inspiring entrepreneur came in what could they have said to you that would have really had an impact at that formative stage. I think there are a few things I think one is that I was always told to keep doors open to keep options open. And now what I tell people is close doors, I think you really you cannot be one foot in one foot out you can for a little while but at some point you've just got to choose something and focus and do. You can always - you can pivot if it doesn't work out, but I find that people get paralyzed when they keep too many doors open and that happens especially at institutions like this where there are so many options you don't want to give any up. So that's one, close doors. The second thing I think of is this issue of keeping your lifestyle expenses low, I really think, I really think that it is important I think that student loans are big issue, when people come and they have a lot to pay off, but I think too many times we actually could live on less than we think to get our ideas going and we use it as an excuse because we've actually created these unsustainable lives. And I think that I wish I had known that earlier because I would have taken maybe risks even earlier than I did because I had more ability than I thought that I had.

And the third thing was something that my daughters taught me and this is later on and they said I was getting ready to go to one of my trips and one she was about five and Eden tugged on my leg - tugged on my leg and said just remember you can be an entrepreneur for a short time. But you're a mommy forever. Great, well, I'm sure you can agree that this was totally inspiring; please join me in thanking Linda.