

2016

The Role of Disruptive Innovation, Personality Characteristics, and Business Models on Entrepreneurial Success

Will Shannon
Claremont McKenna College

Recommended Citation

Shannon, Will, "The Role of Disruptive Innovation, Personality Characteristics, and Business Models on Entrepreneurial Success" (2016). *CMC Senior Theses*. Paper 1232.
http://scholarship.claremont.edu/cmc_theses/1232

This Open Access Senior Thesis is brought to you by Scholarship@Claremont. It has been accepted for inclusion in this collection by an authorized administrator. For more information, please contact scholarship@cuc.claremont.edu.

Claremont McKenna College

**The Role of Disruptive Innovation, Personality Characteristics, and Business
Models on Entrepreneurial Success**

submitted to
Jay Conger
and
Dean Peter Uvin
by
William Shannon

for
Senior Thesis
Fall 2015
November 30th, 2015

TABLE OF CONTENTS

Title Page.....	1
Abstract.....	4
Introduction.....	5
Clayton Christensen: Disruptive Leadership.....	6
Chapter 2: The Formative Years.....	13
Chapter 3: Ideation & Marketplace Dynamics.....	43
Chapter 4: Business Models.....	64
Chapter 5: Institutionalization.....	91
Conclusion.....	98
Figures.....	100
Works Cited.....	101

ABSTRACT

Disruptive Innovation, according to the term's founder Clayton Christensen, is defined as a specific type of innovation that is able to capture the lower-end of the market through quality, feature, or cost differences and leverage this position to achieve higher market share. Entrepreneurs who utilize disruptive innovation strategies have been historically able to create products and services that achieve massive financial and cultural success. Theories of personality characteristics have been previously applied to entrepreneurial activities, but not used to bridge the gap between developmental experiences and market success. Cross-industry analysis of ten top entrepreneurial business leaders from retail, food services, and consumer electronics allows for the identification of certain personality characteristics and influences present in the early lives and careers of highly successful entrepreneurs. Entrepreneurs can be categorized according to inherent skills and personality characteristics, which suggest either revolutionary or architecturally brilliant product or service creation. Patterns of conceptual product ideation and business model evolution show that there are similarities between experiences in an entrepreneur's formative years and the implementation of a business model and strategy. Implications of highly successful business models as they relate to marketplace dynamics include financial success, cultural impact, and institutionalization. To varying degrees, disruptive entrepreneurs are able to institutionalize their business concepts in order to ensure lasting success in their respective marketplaces.

Keywords: disruptive innovation, entrepreneurial personality characteristics, product ideation, business models, marketplace dynamics, institutionalization

I. Introduction

Innovation has long been the driving force behind the constantly changing landscape of American industry. Since the birth of the country, creative and enterprising individuals have rejected existing products and norms to develop newer, more innovative solutions to the problems of their time. In doing so, these individuals serve to provide the free market with ever-improving goods and services. As a result, the history of the American economy is one filled with clever, often incredibly simple ideas taken from infancy to instant success. From the invention of the Colt .45 revolver, the zipper, and the incandescent light bulb to more abstract processes such as assembly line production systems and efficient supply chain management, American inventors and entrepreneurs have consistently pushed market limits.

In order to understand the culture of innovation present within the foundation of the American economy, it is important to understand backgrounds, motivations, and innovative techniques employed by leading entrepreneurs. A list of ten entrepreneurs has been formed to provide a broad foundation for cross-industry analysis. Henry Ford of The Ford Motor Company, Mark Zuckerberg of Facebook, Sam Walton of Wal-Mart, Elon Musk of Tesla, Nick Woodman of GoPro, Steve Jobs of Apple, Howard Schultz of Starbucks, Jeff Bezos of Amazon, Reed Hastings of Netflix, and Ray Kroc of McDonald's comprise this list of ten and represent pioneers of industry ranging from automotive, retail, consumer electronics, and food services. The similarities and differences in their backgrounds and influences provide an interesting basis from which to analyze various entrepreneurial approaches.

This thesis will attempt to draw out the techniques and motivations by first presenting a brief description of these highly successful business leaders in the context of a framework designed around their styles and personalities. Secondly, analysis of each market will be provided in order to understand the unique business opportunities each individual was presented with. This will involve a study of the shared and unique factors that play a part in the development of an idea. Next, it will examine various business models employed by each entrepreneur to show how each company achieved success in their respective markets. Finally, it will combine all previous aspects in order to demonstrate how each successful model has become an established institution in its industry of operation. In total, this paper seeks to identify and explain specific factors that lead to innovative entrepreneurial success.

Clayton Christensen: Disruptive Leadership

Innovation has played a key role in the expansion and development of the American economy throughout its history. But while innovation is vital to the success of most companies, it is often not enough to simply innovate. To be a truly successful and innovative company, your product must be more than *new*. New products are exciting, but if a new product lacks quality, functionality, support, or a targeted customer, then it is limited in a freely competitive market. The excitement factor must translate into realized profit, and in order for that to happen, new products and services must be backed by substance. Innovative companies - and innovative leaders, for that matter - create exceptional products that meet consumer and market demand. However, even if you have

an exceptionally innovative product, finding and meeting these demand requirements is not as easy as it sounds.

In his book The Innovator's Dilemma, Clayton Christensen proposes an original concept, Disruptive Innovation, in an attempt to explain how some companies fail even when it seems that they have done everything right. The term disruptive innovation applies to specific innovation that transforms a product that historically was expensive and complicated and thus reserved only for a small portion of the upper class and makes it vastly more affordable and accessible to a larger percentage of the population. It describes a process by which an initially inferior or simple-application product is able to capture a small percentage of customers at the bottom of the market and use this leverage to quickly overtake major players at higher margins. Typical disruptive products achieve early competitive advantage by grabbing a low margin corner of the market in which the currently available products over serve customer's needs. At a lower initial margin, these products become available to a wider portion of the population at a discounted price comparative to the competition. As the disruptive product's user base grows, so does its general accessibility. Soon, a market that was once dominated by a highly innovative or specialized high end product is now under siege by a more practical, available cousin.

Disruptive innovation generally forces companies to go after new markets, people who they don't currently target based on price, quality, etc. An established company must make the decision between expanding to a larger portion of the market, and cutting margins in the process, or continuing to develop, produce, and supply products at the high end of the established market. This is what Christensen calls "The Innovator's Dilemma".

Disruptive Innovation is not a theory about what to think. Rather, it is a theory about how to think. Established firms need to understand that the future growth of their business and of their products is not guaranteed. That while their focus on “sustainable innovation” may seem valuable in the short run and narrowly-projected future, it is not an accurate prediction of their position down the road because it does not take into account aspects of competition. This form of competition does not only refer to people who are your competitive peers or equals in the present. Disruptive innovators will not be your competitive peers in the present, and possibly not even in the foreseeable future. These individuals will steal the lower portion of the market that established firms are too busy or too margin-obsessed to focus on. But make no mistake, allowing non-competitive peer entrance into the market at lower levels will have future market repercussions akin to that of allowing entry to a competitive peer in the present.

To combat innovative complacency related to the overlooking of non-competitive peers in the present, established firms must frequently look backwards at their market competition (or downwards) to low-margin market territory and ask themselves if they are maximizing their future potential by investing in sustainable innovation, or if they need to look elsewhere to disruptive technology in order to reconnect with the average consumer. In doing so, managers may be forced to sacrifice a portion of their present profit in order to ensure the security and sustainability of the future.

A prime example of the impact a disruptive product can have on established industry is the GoPro camera on the camera market as a whole. The GoPro, which is now billed as the “World’s Most Versatile Camera”, grew up from humble roots to become a giant within the consumer electronics industry. But it wasn’t always that way. Consumer

electronics markets, especially including camera markets, have a history of being highly innovative and competitive. Markets like this provide a promising platform for new and improved ideas, but incumbents also have to understand the highly competitive marketplace they are entering. When the GoPro was introduced in 2004, the declining mainstream digital camera market was dominated by top players Kodak, Canon, Nikon, Polaroid, and Sony. Within this market, segments existed to cater to diverse customer demand. During the GoPro's launch years, competitors like the Flip camera offered a low cost, medium-quality, portable alternative to traditionally larger, clunkier options. As a whole, general decline in yearly camera sales suggested that the changing market was ready for new entrants. In 2004, Popular Photography rated the Nikon D70 as the Camera of the Year, with a selling price of \$899. By contrast, entry level GoPro models sell for \$129 - \$199. The price difference of over \$500 allowed the GoPro to enter at the lower priced end of the market (see Figure 1.1 "Disruptive Innovation" curve), where its added features, small size, and versatility immediately earned favor among action sports enthusiasts. Here, as Christensen explains, companies like GoPro undercut the market in terms of price and are then able to follow sustainable innovative trends at prices more in line with consumer demand. It is in this way that the action camera market was born.

But if the arrival of the action camera has been such a massive success, then why didn't established camera giants like Kodak and Polaroid think of it first? The answer is more complicated than one would imagine. It is undeniable that the emergence of the high performance action camera significantly altered the landscape of the digital camera industry, but that doesn't necessarily mean that Kodak or Polaroid didn't conceive a similar camera in the past. One of the biggest indicators of a company's ability to turn out

disruptive innovation is scale. In the case of Kodak and Polaroid, as is the same for hundreds of companies in the past and countless more in the future, scale was both their biggest asset and greatest disadvantage.

The implications of scale in regard to a company's ability to effectively develop disruptive products are well noted in Christensen's book. It is true that large, historic, successful companies can be found at the base of nearly every established industry. In this case, whether it's Kodak in the camera industry, Wal-Mart in discount retail, or McDonald's in fast food services, massive multi-national companies seem to dominate the market. But, as suggested earlier, bigger doesn't always mean better. Understanding the massive amount of resources available to these large companies, it is difficult to imagine how the collective mind of the Kodak company could overlook the seemingly obvious expansion into the action sports realm. The answer, as explained by Christensen, is that these large companies either overlook or can't afford to take on disruptive projects because of the small percentage of profit that can be forecasted in low margin sectors of the market when compared to their existing, high-end, currently successful products. As companies get bigger, the increasing wealth and resources available to them stimulate massive innovation and improvement specific to their existing products.

Kodak, which once had a market value of more than \$30 billion at its peak in the 1990s, undoubtedly invested millions of dollars into product development. Though the quality of Kodak products undoubtedly improved over time, the company is now a shell of its former self. To see the impact of disruptive technology firsthand, take a quick look at the numbers. GoPro, which was founded by current CEO Nick Woodman in 2002, is now estimated to be worth nearly \$3 billion. Woodman alone boasts a net worth of \$2.3

million. By comparison, Kodak's net worth has fallen an estimated 98 percent since its heyday, and may only be worth \$3 billion in the sale of its retained digital-imaging patents.

Given the enormous shift in Kodak's fortunes over the course of two decades, it is clear that decision making related to the large size of the company was in some way detrimental to its continued growth. Christensen explains that another key aspect related to company scale is the type of innovations in which they are able to engage in. Established companies like Kodak engage in what he calls "sustaining innovations". These innovations operate at higher market tiers because these are the areas that have been historically profitable for the firm. The thinking here is that through relentless innovation in existing product grade, the company will be able to consistently charge higher prices to their most sophisticated customers, resulting in maximum profit. But Figure 1 shows a very different phenomenon occurring. (See Figure 1)

The graph depicts two parallel curves: the sustaining innovation curve and the disruptive innovation curve. The measure of performance of the sustaining innovation curve increases over time due to repeated sustaining innovations that continuously and incrementally improve some aspect of an existing product. The disruptive innovation curve enters the market at a lower performance level than that of existing available products, but then improves in performance over time at a similar rate as sustaining innovations. The disruptive curve, in this case, has introduced a product more closely to the level of market need and then progresses at an improvement rate equal to market demand.

By focusing all their efforts on the top end of the market, companies leave the bottom end open for disruptive entrepreneurs (like GoPro) to enter with newer, more affordable options. Companies like Kodak pride themselves on competition at the high-end, but fail to realize the value of the space at the bottom of the market. It is this space that so often results in the explosion of new products into existing industry, and serves as the birthplace for the “next big thing”. Effective innovation, Christensen would argue, is more than having the best possible product on the market. Intelligent innovation, truly disruptive innovation, is about having the right product, in the right market, at the right time, at the right price. The entrepreneur who can take advantage of this type of situation faces a new market with nearly infinite possibilities.

II. The Formative Years

This list of ten entrepreneurs is composed of some of the most talented and successful individuals the US economy has ever seen. It is a list that spans across nations, industries, and generations to bring together a unique collection of highly talented and ambitious individuals. Yet, despite their obvious differences, all of these men share one thing in common. No, it isn't a specific personality trait, or skill, or profession. The thing this group of high-powered individuals shares is that they each have entrepreneurial blood flowing through their veins. An inherent capacity to reject the status quo and venture into areas of business others were either unfit or unable to enter. Ford, Bezos, Schultz, Sears, Zuckerberg, Walton, Kroc, Musk, Hastings, and Jobs all bear the same mark of the entrepreneur, and it has allowed each to forge forward in their respective industries to leave real and lasting impact on the US economy. This chapter will attempt to explore the backgrounds and influences that shaped each entrepreneur in their formative years, with the expectation that these influences will explain how each individual went on to create their own brand of success later in life.

They have all been labeled innovators, visionaries, and prodigies at some time in their lives. But each, in ways that may seem superficially antithetical to their generally likable personalities, grew to build companies, products, and cultural icons through sheer force of vision and will. The scope of the impact these men have had in their respective industries is staggering. Of the ten entrepreneurs covered in this paper, at least five essentially created an entire industry or subsection through the genius of their business model. Jeff Bezos forever changed the retail industry when he introduced Amazon in

1995 and revolutionized online shopping. Henry Ford built one of the largest automotive empires in the world from scratch in a Detroit autoshop, and in the process completely changing the way the industry produced, marketed, and sold vehicles. Howard Schultz didn't invent the coffee bean, but his impact on the revival and subsequent boom of the US coffee and coffee shop market altered the course of the industry. In this chapter, I will attempt to provide a brief but comprehensive background for each entrepreneur in order to lay a foundation from which to analyze and explain their individual paths to success.

It is necessary to establish some sort of basic framework in order to categorize and analyze each individual entrepreneur. In this venture, an article by the American Psychological Association entitled, "The Big Five personality dimensions and entrepreneurial status" (Zhao & Siebert, 2006) lends a hand. The Big Five personality dimensions are listed, in no particular order of importance, as conscientiousness, agreeableness, neuroticism, openness, and extraversion. These dimensions can be measured through a number of assessment questions and are designed to rank the level to which each characteristic is present in the personality of a given individual. Regarding a specific difference between individuals projected to become successful entrepreneurs or managers, the APA study found that scores were typically higher for entrepreneurs on Conscientiousness and Openness to Experience and lower on Neuroticism and Agreeableness. This would seem to suggest that the prototype for a successful entrepreneur is one who is relatively flexible and keenly aware of the social and/or emotional states of his peers. Additionally, it may suggest that although the prototypical entrepreneur possesses high social competence, he may lack the softer personal touch of

strictly managerial personnel. Other reasons behind the APA's suggested categorization may lie within the nature of the entrepreneur.

It is all well and good to develop a theoretical prototype of the ideal entrepreneur, but in reality this prototype does not always accurately reflect the personality characteristics present within the real-world entrepreneur. While many of the entrepreneurs on this list of 10 exhibit many of the expected traits, some do not. In this sense, the theoretical framework needs to be paired with real-world analysis to truly understand the unique factors that combine to produce some of the world's most successful entrepreneurs.

Studies of correlations between Big Five personality characteristics and performance in college courses have demonstrated that high Conscientiousness is as predictive of success as base intelligence measured in IQ tests¹. Study results can be interpreted to broadly imply that an entrepreneur who possesses high levels of conscientiousness could be as effective as an entrepreneur who possesses high levels of intelligence. It is with this in mind that the first division will be made within the list of 10 entrepreneurs. Five of them - Ford, Zuckerberg, Bezos, Jobs, and Musk - exhibited above average intelligence from a young age. This group will be referred to as the Intellectually Brilliant. The remaining five - Schultz, Kroc, Walton, Woodman, and Hastings - exhibit above average levels of conscientiousness as it pertains to related traits of grit, perseverance, ambition, and work ethic. This group will be referred to as possessing Visionary Brilliance. It is worth noting that there is considerable crossover within these two entrepreneurial subgroups. Intellectually gifted entrepreneurs will, at times, display

¹ Heckman, James J. "Hard vs Soft Skills Training." *Focus* 21.2 (2013): n. pag. Print.

attributes of visionary brilliance, and vice versa. In general, this crossover can be expected given the extraordinary success that each has experienced over the course of their careers. The two subsections are primarily created to classify primary background features, Big Five Personality Traits, and ideation styles (concept explained in later chapters) that they possess. Identification of these factors will be presented in an organizational framework that separates entrepreneurial backgrounds into early interests, early career, failures, and the process of finding the business model for success.

Early Interests

A detailed analysis of the backgrounds of each entrepreneur has revealed specific patterns of childhood experiences that serve to influence entrepreneurial decisions made later in life. As such, it is necessary to expose patterns of influence present in the early lives of the intellectual and visionary subgroups. Innate and shared personality characteristics within the two subgroups suggest a relationship between personality and entrepreneurial interest and style. Entrepreneurial revolutionary individuals typically exhibit higher levels of neuroticism and openness. They are, in general, less extraverted than entrepreneurial architects, and operate with varying levels of agreeableness when dealing with their peers. Entrepreneurial architects on the other hand, tend to be high in conscientiousness, agreeableness, and extraversion. They are, in general, less technically brilliant than their intellectually gifted peers, but make up for the difference with superior confidence and emotional stability. As a whole, the group of 10 entrepreneurs is highly open to new aesthetic, cultural, and intellectual experiences. The tendency to be open to

new ideas when others may not be may be a factor in their ability to assume pioneering roles in their respective industries.

The shared personality characteristics of entrepreneurial revolutionaries undoubtedly affect the advanced development of their technical skills. In general, Ford, Zuckerberg, Bezos, Jobs, and Musk put less effort than others into socializing with others, instead choosing to focus on technical interests. They were not necessarily shy, but often labeled as “different”. Revolutionaries are generally higher on Big Five Personality traits Neuroticism and Openness. In other words, they are typically curious and open to new experiences, but are also impulsive and may be less emotionally stable in social or stressful situations. The following paragraphs provide background information that demonstrates the inherent presence of these general traits and their development through childhood actions and experiences.

Steve Jobs’ early life perfectly exemplifies the entrepreneurial revolutionary personality style. Jobs was raised by adoptive parents and was frequently described as a social loner by those who knew him at a young age. Throughout grade school and high school, he continuously had a difficult time succeeding socially, instead focusing reportedly on countercultural interests like reading Shakespeare and participating in electronics and engineering clubs. Jobs, like many of the other entrepreneurs, demonstrated extraordinary intellectual ability from the moment he entered primary school. In later years, teachers would later recount that he was curious, talented, and a bit difficult to manage. His fourth grade teacher, Imogene Hill, recalled that she once motivated Jobs to complete his homework by offering him a small cash reward. Jobs later

noted “that really kindled a passion in me for learning things”². It wasn’t long before Jobs’ attention turned to electronics and computing. He showed an early knack for understanding electronic hardware and quickly advanced beyond normal aptitude for his grade level. His later interest in electronic hardware can be traced back to early memories working on a workbench in his adoptive father’s garage. It was here that Jobs learned to take apart and reconstruct electronics, a skill that would later manifest itself in Jobs career. Despite his talent in computing, other aspect of Jobs’ childhood and formative years remained quite difficult due to his neurotic tendencies. While Jobs’ personal confidence was no doubt an inherent personal quality gifted to him from birth, it did not translate to a very happy personal or social life. Additionally, following chapters will explain a number of factors that influenced him throughout his early life and formative years that made a major impact on Apple’s success.

Facebook

Like Jobs, Mark Zuckerberg also had a childhood that revolved around electronics and computing. Zuckerberg was born in White Plains, New York on May 14, 1984; at least 20 years later than his techy counterparts Bezos and Hastings. Seemingly a prerequisite for founders of revolutionary tech companies, Zuckerberg was discovered as a computer prodigy at a young age when he built and sold networks, computer games, and programs at a level far beyond normal for his age group. Before entering high school, Zuckerberg had invented a connected network between his house and his father’s dentist office. Despite being a programming genius, Zuckerberg remained fairly isolated through

² Mayo, Anthony J., and Mark Benson. "Bill Gates & Steve Jobs." *Harvard Business Review* (2010): 1-19. *Harvard Business School*. Web.

high school, instead choosing to spend time improving his technical skills at locally available labs, often staying up all night writing new programs. His early dedication to the development of these skills is what propelled him towards the computer and software development industry later in life.

Ford

Almost a full century before Zuckerberg was born, Henry Ford was learning to hone his advanced engineering skills. Little documentation exists to describe Ford's early social capabilities, but like other intellectually brilliant entrepreneurs, his advancement was noticed at an early age. Born on July 30, 1863 to an immigrant farming family in Greenfield Township, Michigan, Ford quickly learned the value of hard work and perseverance. He showed impressive mechanical aptitude at an early age, dismantling and reassembling a pocket watch at age 15, and becoming novice local watch repairman. Sadly, his mother died in 1876 when he was only 13. Having no interest in running the family farm, Ford went to Detroit to pursue apprentice machinist jobs. In addition to openness, Ford shows the conscientious trait shared by many entrepreneurs on the list of 10 by demonstrating ambition and work ethic in the pursuit of personal betterment.

Amazon

Like his predecessor Ford, Bezos exhibited an early interest in understanding how things work. As a child, Bezos actually turned his parent's garage into a laboratory for the development of small-scale electrical contraptions. Early interest in creation beyond that of a normal child, especially at the level of Bezos and other revolutionary

entrepreneurs, indicates the presence of some level of curiosity and self-efficacy typically found in their childhoods. Later, Bezos would go on to start his first business in high school, eventually heading to Princeton University to pursue a stated interest in computers. Bezos graduated summa cum laude in 1986 with a degree in computer science and electrical engineering.

Tesla

Elon Musk was born in Pretoria, South Africa to parents Errol and Maye Musk. He has a younger brother, Kimbal Musk, and sister, Tosca Musk. Elon lived in South Africa with his father and brother until he was 18 and then moved to Canada to avoid being drafted into the South African army. He attended Queen's University in Ontario for 2 years of undergraduate study, then transferred to the University of Pennsylvania in 1992. At UPenn, Musk earned a Bachelor of Science in Physics and a Bachelor of Arts in economics from Wharton. He later gained admission to Stanford University's PhD program in applied physics, but left two days later to pursue an entrepreneurial internet venture with his brother. Musk's neuroticism and curiosity were displayed as he created and sold high-tech companies at an early age. The creation of these companies stemmed from an innate intellectual curiosity and self-belief.

Entrepreneurial Architects

As stated earlier, entrepreneurial architects tend to be high in conscientiousness, agreeableness, and extraversion. They are typically more socially active and successful early in life, and display a broader range of attributes, like work ethic, confidence, and

ambition, that are incredibly valuable but less specialized than the skills of entrepreneurial revolutionaries. Early growth of leadership characteristics can be seen in the childhoods of each entrepreneur in this category.

Netflix

Reed Hastings was born in Boston, Massachusetts in 1960, four years before Jeff Bezos. Like Bezos, he displayed a similar interest in computing at a young age. But, at least in his life before Netflix, many of the similarities end there. Hastings displayed traits that suggest the development of both intellectual and visionary qualities at an early age. His intellectual abilities manifested themselves in the form of academic and social recognition and awards. He would later receive multiple awards in mathematics from Bowdoin College. Before enrolling at Bowdoin, Hastings spent almost an entire year as a door-to-door vacuum cleaner salesman. During this time he learned quickly from the high rate of failure associated with prospective sales positions, improving his understanding of sales and customer need. Here, Hastings was able to apply his natural intellectual abilities in a practical setting to develop skills of an entrepreneurial architect. Hastings' road to entrepreneurial success continued when he entered the Peace Corps after graduating from Bowdoin College with a major in mathematics. After working in the Corps and teaching math in Swaziland for nearly 3 years, Hastings returned to the US to pursue a master's degree in computer science from Stanford University. Through this process, Hastings once again applied his natural gifts in a physical setting in order to refine his social understanding and visionary capabilities.

GoPro

Woodman was born in 1975 and raised in Menlo Park, California. Described as a relatively typical teen, the athletically inclined Woodman discovered a love for surfing towards the end of high school. As a senior, Woodman financed the formation of Menlo's first surf club by selling t-shirts at high school football games. Woodman was reportedly a B+ student, but dedicated much of his free time to the pursuit of his surfing passion. It was in the pursuit of surfing and other related passions that Woodman began to develop his entrepreneurial side and displayed characteristics typical of an entrepreneurial architect. Woodman was reportedly well-liked, and his affinity for surfing and action sports culture indicates an inherently competitive nature. Later in life, Woodman continues to exhibit an agreeable and extraverted nature, and is continuously described as personable and passionate.

Wal-Mart

Sam Walton was born in 1918 on a small family farm in Kingfisher, Oklahoma. Raised in a poor household, Walton learned the value of hard work from an early age. When the family farm was not able to pay the bills, Walton joined his brother's Walton Mortgage Company (an agent for Metropolitan Life Insurance), where he assisted in the foreclosure of farms during the beginning of the Great Depression.

Walton's family later moved from OK to Orlando, Florida, where they bounced around from small town to small town. When the family settled for a while in Shelbina, Missouri, Walton became the youngest Eagle Scout in Missouri history. Later in life, Walton would be granted a Distinguished Eagle Scout Award from the Boy Scouts of

America, a prestigious award in his time that was reflective of individual work ethic, skill, and perseverance.

During the Great Depression, the teenage Walton worked numerous part-time jobs in order to help provide some income to his family. He bottled, delivered, and sold extra milk from their family cow to local families, worked a paper route, and also sold magazine subscriptions. Walton's work ethic and general talent were noted in High School where he went on to win numerous awards. Walton attended the University of Missouri as an ROTC cadet. While at Missouri, Walton was an esteemed member of a fraternity, an alleged secret society honoring senior men, and the national military honor society, the Scabbard and Blade. Upon leaving UofM, Walton's leadership capabilities were given another significant acknowledgement when he was tabbed "permanent president" of the class.

McDonald's

Like Sam Walton, Ray Kroc was a classic hard working early-American entrepreneur. Kroc was born in 1902 near Chicago, Illinois to Czech parents Rose Mary and Louis Kroc. Raised in a family of immigrants, Kroc was instilled with the values of hard work and appreciation from a young age. When he was only 15, Kroc lied about his age and became a Red Cross ambulance driver in WWI, where he met the likes of Walt Disney, a relationship he maintained many years later in life. His involvement in the war indicates a highly confident and motivated personality that was clearly attractive to Disney, another reportedly passionate, creative, and highly successful businessman.

Starbucks

Howard Schultz was born in Brooklyn, New York in 1953. The son of an ex-US Army trooper and truck driver, he also learned the value of hard work from a young age. Like Woodman of GoPro, Schultz excelled in team sports at an early age. Schultz references the lessons learned in team sports as critical to his growth and development as a salesman and entrepreneur later in life. Given his family's financial situation, Schultz realized that sports could be his only ticket to a higher education. After a successful high school career, he was awarded a football scholarship to Northern Michigan University. Schultz would later graduate with a degree in communications before accepting a sales position with Xerox.

Early Career

The early careers of entrepreneurial revolutionaries and entrepreneurial architects are directly impacted by the early influences experienced in their childhood. Within the confines of the list of 10, entrepreneurs who displayed specific interests in areas like software development, sales, or engineering are likely to pursue these interests in their early careers. The similarity in early career entrance into professional fields that align with personal interests is not surprising. Regardless of entrepreneurial background, it makes sense that an individual would pursue a career in an industry where he has an understanding of, and interest in, and talents that can be directly applied in the market. However, differences begin to appear between revolutionaries and architects after they begin their early careers.

Entrepreneurial Revolutionaries

Apple

After high school, Jobs would go on to attend and quickly drop out of Reed College in Oregon. In 1972, Jobs landed a job with Atari after selling the company a popular video game board, but would again become quickly disenchanted with his position. In what can be considered as a particularly strange move, Jobs then dropped everything and took a self-exploration journey to India. After a seven-month hiatus, Jobs would return, seemingly more at peace with himself, and begin the fundraising, marketing, development, and sale of the first Apple Computer.

Embarking on a successful entrepreneurial venture requires confidence, competence, and a fair amount of luck. When Steve Jobs started Apple Computers with Steve Wozniak out of his Palo Alto garage, he had to know that the road ahead would be incredibly challenging. What he also knew, however, was that he had an incredible product and an even better idea. Combine that with favorable market conditions associated with the recent rise of the personal computing industry and budding national interest in technological expansion, and Jobs' Apple Computers had a potentially viable business model primed to challenge established players.

Ford

Again, his mechanical aptitude quickly gained him a job servicing steam engines for Westinghouse. Ford studied bookkeeping on the side at a local business college in Detroit as well, where he gained basic financial and accounting knowledge.

Ford's first job was with Edison Illuminating Company. He began experimenting with gasoline engines, and developed a self-propelled vehicle he named the Ford Quadricycle. Ford pitched the Quadricycle to Edison Executives, including Thomas Edison himself, and was given funding to continue experimentation and production of his vehicle. Soon after, Ford resigned from Edison and founded his own automobile company, the Detroit Automobile Company. Unfortunately, Ford's design was far too costly for its general lack of quality. Less than two years after its founding in 1899, the Detroit Automobile Company dissolved, leaving Ford to pursue other interests.

Ford bounced back by designing, building, and successfully racing a vehicle in late 1901. He then formed the Henry Ford Company in November 1901 with Detroit lumber mogul William H. Murphy. However, against Ford's wishes, Murphy hired an outside consultant. An unhappy Ford left the company in 1902, and the original Henry Ford Company was renamed the Cadillac Automobile Company.

Again, Ford was left with an enormous amount of skill and no direct way to utilize it. This time, Ford built an 80 horsepower racecar, which was driven to victory in a 1902 race by early 1900's legendary racecar driver Barney Oldfield. Oldfield's success served as further proof of Ford's talents, and Ford was able to secure financial backing from a Detroit coal dealer, Alexander Malcomson. Ford & Malcomson Ltd. was formed to manufacture a new line of Ford's vehicles in a factory leased by the Dodge brothers (who would later break off to form Dodge). After some organizational shuffling and a second round of investment, the Ford Motor Company of today was born.

Nearly a century later, three entrepreneurs from vastly different backgrounds were attempting to replicate Henry Ford's success in infant industries of their own. Jeff Bezos, Reed Hastings, and Mark Zuckerberg are known today as pioneers in online retail, video streaming, and social media technologies. These entrepreneurs share similarities in their prodigious grasp of technology and innovative approach to their businesses. On the personal level, all three demonstrate high flexibility with new experiences and have shown remarkable business intelligence in overseeing operations of their companies. But while the three share a similar passion and incredible aptitude for technology, their backgrounds and paths to success are very different.

Facebook

Rebuffing employment offers from the likes of AOL and Microsoft after high school, Zuckerberg decided to attend Harvard University. At Harvard, Zuckerberg quickly developed a reputation as one of the best software developers on campus. In his first two years at Harvard, the only things developing faster than Zuckerberg's local fame were the programs he was frequently putting out. As a product of his newfound notoriety, Zuckerberg was soon approached by a group of students--Divya Narendra and Cameron and Tyler Winklevoss--to develop a program for an upcoming social networking site called Harvard Connection. Recognizing the power of the social network concept, he soon left the group and went to work on Facebook, which would become one of the most significant cultural and technological inventions of the 2000s.

Coming out of college, both Bezos and Hastings would take jobs in high-tech industries. Bezos first worked at a number of Wall Street firms, while Hastings worked

for Adaptive Technology. Both were successful enough during their initial years of work that they felt comfortable leaving to pursue start up interests in Amazon (Bezos) and Pure Software (which would precede the founding of Hastings' Netflix). For Bezos, leaving a stable job in well-established industry to pursue new opportunities demonstrates significant intellectual and personal curiosity, as well as confidence in their ability to succeed on their own. Hastings demonstrated many of the same qualities in his success with Pure Software, but achieved more success after he learned to apply skills developed later as an entrepreneurial architect.

Tesla

Tesla's founder Elon Musk also earned success at an early age. Musk and his younger brother Kimbal started Zip2 in 1995. Musk used \$28,000 of his father's money to start the internet city guide, designed for initial sale to newspaper publishers, including the New York Times and Chicago Tribune. As the co-founder of a company with booming success in its early life, Musk appealed to Zip2's board members to elect him CEO, as he would have liked more control in the decision making process moving forward. To his dismay, Musk was denied the CEO position by the board. When Compaq acquired Zip2 in 1999, Musk received \$22 million of the total sale of \$307 million in cash and \$34 million in stock options. He would soon leave the company in search of a better opportunity with more leadership potential.

In 1999 Musk co-founded X.com, one of the first online financial services and e-payment companies, with \$10 million from the recent sale of Zip2. When the company merged with Confinity a year later it focused all its efforts on the infant money transfer

service PayPal. Musk drove PayPal's initial boom growth with a viral marketing campaign, and the company exploded shortly after. After X.com was renamed PayPal in 2001 in order to focus on the growing brand, Musk was ousted from his leadership role as CEO over disagreements regarding the company's future architecture. PayPal was later acquired by Ebay in 2002 for \$1.5 billion in stock. Musk received \$165 million as the company's largest shareholder with 11.7% of stock.

After raking in an estimated total of \$177 million from the sale of his first two companies, it's not crazy to think that Musk's entrepreneurial days would be over. On the contrary, he was just getting started. In the next half-decade, Musk would begin laying the foundation for SpaceX and Tesla, two of the most progressive and forward-thinking companies in the world.

Entrepreneurial Architects

All of the previously mentioned leaders were incredibly gifted individuals whose inherent talents and motivations allowed them to push through temporary failure in order to set themselves up for success. Each entrepreneur endured various challenges in their formative years that shaped their business values later on in their professional careers. While their specific motivations vary, each was driven by a hunger for success and fueled by an insatiable need to discover, design, and develop one step further. In a process that will later be explained in this paper, Jobs, Ford, Bezos, Hastings, and Zuckerberg were able to break down the barriers of failure with little slowing of progress because their innovative ideas essentially created entirely new industries from which they were able to realize rapid growth in first or early to market positions. But not all people are talented

and fortunate enough to create products and systems revolutionary enough to give birth to an entirely new industry. In some cases, entrepreneurs who develop simple solutions to complex problems open the gateway to a world of lucrative success.

Netflix

Hastings' first job was with Adaptive Technology, where he "learned the value of focus. [He] learned it is better to do one product well than two products in a mediocre way"³. After early success at Adaptive, Hastings left to found his first company, Pure Software, in 1991. The software troubleshooting company was an instant winner, and saw rapid growth in its first years. But while Hastings' engineering background gave him the perfect set of skills in Pure Software's development, it did nothing to prepare him for the challenges of being its CEO. Lacking confidence and disappointed by his leadership shortcomings, Hastings twice tried to resign from his position. Surprisingly, Pure Software stuck with him, and it wasn't until after the company's IPO in 1995 that he began to understand the reasons behind his failings.

In reflection shortly after leaving Pure Software in 1997, Hastings noted that he "had the great fortune of doing a mediocre job at [his] first company" and acknowledged "we got more bureaucratic as we grew"⁴. Hastings is a people-first type of leader. His time in the Peace Corps and long-standing history of supporting public education are evidence of the fact. Hastings' lack of high-level management experience during Pure Software's early growth period interfered with his ability to establish the firm's culture. With Netflix, Hastings would make a concerted effort to develop a culture of comfort,

³ "Reed Hastings." *Wikipedia*. Wikimedia Foundation, n.d. Web. 12 Nov. 2015.

⁴ "Reed Hastings." *Wikipedia*. Wikimedia Foundation, n.d. Web. 12 Nov. 2015.

competition, and camaraderie. Drawing wisdom from his past failure, he set out to find likeminded individuals with whom to build a truly innovative company.

GoPro

After graduating high school in 1993, Woodman went on to pursue creative interests at the University of California, San Diego, graduating with a Bachelor's Degree in visual arts and a minor in creative writing in 1997. Post-graduation, Woodman's entrepreneurial interests re-emerged in an attempted website startup called EmpowerAll.com. The site was designed to sell electronic goods at a fair price with no more than a \$2 markup, but never fully made it off the ground. Woodman's second startup attempt was Funbug, a gaming and marketing platform whose failure had the greatest impact on his future career. Unlike EmpowerAll, Funbug had raised over \$3.9 million in funding from investors eager to get in on another idea during the height of the dotcom era. This initial success validated Woodman's potential as an entrepreneur and aided in the development of architect qualities that would later be called to action with the founding of GoPro.

Wal-Mart

After returning from WWII, Sam Walton spent the next 18 months post-graduation working with the well-established retailer JC Penney. Here, Walton was reported to lack attention to detail. He hated to make customers wait while filling out necessary paperwork, and his personal workspace and records organization suffered as a result. However, Walton was a very successful salesman, and added about \$25 in

commision to his monthly salary of \$75. He continued working at the store until he resigned in anticipation of WWII. During the War, he worked temporarily for DuPont munitions factory in Tulsa, OK before joining the US Army Intelligence Corps. The Army honed Walton's already strong sense of service and personal character. He was stationed at Fort Douglas in Salt Lake City, Utah working as a security supervisor of aircraft plants and POW camps. After serving his time, Walton was bestowed the rank of Captain before leaving the Army to pursue personal interests. Later in life, Walton's upbringing on a small rural farm, leadership development in college, and dedication to service in the Army would all play large factors in the culture and values of the Wal-Mart Corporation.

McDonald's

The post-war Kroc worked a number of small odd jobs including paper cup salesman, DJ, and pianist. Eventually, Kroc found a niche as a commercial milkshake machine salesman. Kroc sold Prince Castle Multi-Mixers for over 17 years. During Kroc's career as a salesman he dealt frequently with a small restaurant called McDonald's. Over the course of the sale of 5 of his Multi-Mixers, Kroc gained exposure to the small chain. At the time, the McDonald brothers were founders and owners of the McDonald's restaurant chain. Realizing that his market share in the restaurant machinery industry was drying up, Kroc offered his services to the McDonald brothers. Leveraging his strong multi-year relationship with the McDonalds, Kroc applied for and was hired as the McDonald's franchising agent.

Starbucks

As a young salesman, Schultz was forced to go door-to-door in pursuit of business in midtown Manhattan. Not surprisingly, this wasn't easy work. The inherently difficult nature of the door to door sales process, Schultz said, "taught me to think on my feet"⁵. He "had to develop a thick skin and a concise sales pitch for a then-newfangled machine called a word processor"⁶. Not to be denied, Schultz persevered, recorded consistent high levels of sales, and was soon promoted to sales representative at Xerox. He credits an innate winning mentality and competitive nature driven home over many years of demanding contact sports as the main reasons behind his early success. Quickly, however, Schultz grew tired of his new position and left Xerox to pursue a more exciting career as an appliance salesman with Hammarplast at the age of 26. Hammarplast was a US subsidiary of the Swedish company Perstorp, which sold its products to upscale retailers on an international level. Sales of the company's specialty coffee makers eventually led Schultz to a small client in the Seattle, Washington area named Starbucks Coffee Tea and Spice Company. Surprisingly, the company was buying a huge amount of Hammarplast product--more than Macy's Department Store at the time--and Schultz felt the need to visit Seattle to establish a personal relationship with the Starbucks executive team.

⁵ Koehn, Nancy F. "Howard Schultz and Starbucks Coffee Company." *Harvard Business Review* (2005): 1-24. *Harvard Business School*. Web

⁶ Koehn, Nancy F. "Howard Schultz and Starbucks Coffee Company." *Harvard Business Review* (2005): 1-24. *Harvard Business School*. Web

Failure

Failure can be instrumental in the development of an entrepreneur. To most, success is the result of repeated failure. Many of the entrepreneurs on the list of 10 cite repeated failure as both the most frustrating and most important part of achieving success. Especially in business ventures like these, where new concepts and ideas are repeatedly tested against the consumer and the competition, learning from failure, and quickly, is key to survival. Each entrepreneur has a slightly different approach to failure, but whether they embrace it or avoid it, studies show that they are in universal agreement that the role of failure is deeply connected to the entrepreneurial process.

Entrepreneurial Revolutionaries

Henry Ford experienced repeated failure in his rise to the top of the US automotive industry. Before he found success with The Ford Motor Company, Ford was unsuccessful in three separate startup ventures. With each documented attempt, Ford got closer and closer to achieving his goal. He did this by learning from his past failures. While working for the Edison Illuminating Company, Ford designed a four-wheeled gasoline powered vehicle that was, at the time, rather remarkable. Having done so, Ford thought that he had the engineering resume to start a company and bring product to market. But his first company, the Detroit Automobile Company, failed quickly with a product that was nowhere near refined enough for mass-production along with serious organizational production and capital limitations. Rather than give up after his first failure, Ford pushed on, learning and growing and improving his engineering and

business skills until he was ultimately successful in creating a product and process that was good enough to sell to customers.

Ford's experience is comparable to that of other revolutionary entrepreneurs. To those whose products and services are truly revolutionary, failure serves to refine the entrepreneurial process. Ford improved his product and processes along every step of his journey. The same can be said for Bezos, or Zuckerberg, or Jobs, who all experienced failure but used it to create better products for their customers.

Entrepreneurial Architects

Despite their many differences, Entrepreneurial Architects experience failure in similar ways as Entrepreneurial Revolutionaries. Regardless of style, entrepreneurs who fail initially are forced to reevaluate their product and business model in order to make necessary changes for improvement. Whereas some revolutionaries can use superior intellect to revamp an engineering mistake, an architect will similarly have to adjust an aspect of his business to correct for past failure. Nick Woodman's experience with GoPro is a good example of this process.

Despite his high hopes in his first businesses, within a year Woodman's fledgling company was out of cash, out of users, and out of options. If the failure of his first company hurt, then this one really hit home. Woodman was quoted saying, "nobody likes to fail, but the worst thing was I lost my investors' money and these were people that believed in this young guy that was passionate about this idea... [When you fail,] you

start to question, are my ideas really good?"⁷. Rather than be defeated by failure, Woodman learned from it. Since Funbug, Woodman, who professes to obsessing over things, has directed his obsession on a fear of failure. When discussing lessons from his early business ventures, he says, "that's what the first boom and bust did for me. I was so scared that I would fail again that I was totally committed to succeed"⁸. Finding motivation in failure is a common theme among this group of highly successful entrepreneurs. Without the benefits of a failed attempt early in his career, there is no guarantee that Woodman would have been able to build the GoPro product empire that currently dominates the market.

Woodman's "fear of failure" concept doesn't necessarily mean that entrepreneurs are *afraid* to fail, but that they are constantly striving to avoid failure by working to put themselves, their products, and their companies in the best possible positions for success. There is a difference between learning from past mistakes and working tirelessly to prevent the same mistakes. Entrepreneurs who learn from past mistakes are all the better for it, but without venturing back into the market with system in place to specifically prevent the same mistakes from occurring, the knowledge is meaningless. Woodman's emphasis on the understanding that knowledge of failure is only effective if that knowledge is put into repeated action.

A man who shares strong feelings about the role of failure is SpaceX and Tesla's CEO and renowned innovator Elon Musk. But while Nick Woodman has experienced failure and modeled a business around preventing further failure, Musk embraces the

⁷ Mac, Ryan. "Five Startup Lessons from GoPro Founder and Billionaire Nick Woodman." *Forbes*. Forbes Magazine, n.d. Web. 12 Nov. 2015.

⁸ Mac, Ryan. "Five Startup Lessons from GoPro Founder and Billionaire Nick Woodman." *Forbes*. Forbes Magazine, n.d. Web. 12 Nov. 2015.

concept. When asked about risk involved with building a company, Musk said “Failure is an option [at SpaceX]. If things are not failing, you are not innovating enough”⁹. To Musk, success could be described as a journey in which finding out how to do things is often a product of finding out how not to do them.

His failure was based on personal expectations of global success, impact, and recognition. Musk’s thoughts operated on a higher level than most others, and thus he held himself to a far higher standard. Years later in a retrospective interview on his leaving PayPal, Musk commented: “Going from PayPal, I thought: ‘Well, what are some of the other problems that are likely to most affect the future of humanity?’ Not from the perspective, ‘What’s the best way to make money?’”¹⁰. \$177 million was not nearly enough, in Musk’s eyes, because the number did not reflect the ceiling that he saw for his companies nor was it enough to fulfill his personal ambitions.

Discovering the Business Model

For most of the entrepreneurs on this list of 10, finding the right business model for success came only after experiencing failure in their early careers. Because of the role failure plays in the refinement process, each failure brought the entrepreneurs closer to their ultimate early model for success. Once the entrepreneurs found their specific models, they set out improving upon what was already in place. This chapter will very briefly describe the environments that led to the finding of each entrepreneur’s business

⁹ D'Onfro, Jillian. "11 Elon Musk Quotes That Show His Genius." *Business Insider*. Business Insider, Inc, 11 Sept. 2013. Web. 12 Nov. 2015.

¹⁰ D'Onfro, Jillian. "11 Elon Musk Quotes That Show His Genius." *Business Insider*. Business Insider, Inc, 11 Sept. 2013. Web. 12 Nov. 2015.

model. The specific factors related to the development of each model will be discussed later in this paper.

The growth of The Ford Motor Company's business model is a great example of the finding and development process. Shortly after its creation, the only thing faster than the Ford Motor Company's initial growth may have been the vehicles it produced. Inspired by his past mistakes, Ford set out to build a cheap, high-quality vehicle that would be easy to drive and repair. In 1908, Ford released the now-famous Model T at a comparatively low price of \$825 (\$21,650 today). It would have been tough to predict at the time, but the release of the Model T marked the beginning of an era of growth for one of the world's premier auto-manufacturers. Rather than be content with Model T sales, Ford continued to innovate all aspects of his business model. In what will later be defined in the ideation phase of Ford's model, he recognized ways to improve manufacturing capacity in an evolving market, and put his ideas to good use.

For Jobs and Apple, it was not until 1985 after his failure to convince Apple's Board of Directors to allow him to take over the company that Jobs' most famous entrepreneurial journey began. In his following eight year absence from Apple, Jobs would develop the wildly successful Pixar graphics company along with NeXT Inc. computers, which he would eventually sell back to Apple before his momentous return to Apple in 1997. Apple's success in the following decades would be the direct result of lessons hardened in Jobs' character as the result of initial failures. The development of his business model happened over the course of many years of insight.

In 1994 at the age of 30, Jeff Bezos launched Amazon in as a premier online shopping platform self-proclaimed as “Earth’s Biggest Bookstore”¹¹. The company’s meteoric rise and Bezos’ now estimated \$58.2 billion net worth suggest to some that Amazon’s ascent was preordained. On the contrary, Amazon’s birth required a massive leap of faith on the part of the tech and business savvy Bezos. The company’s following success is not a result of luck (though favorable market conditions played a factor), but of the intelligence, vision, and will of its founder.

Unlike Ford, Bezos didn’t experience real professional failure during his formative years. Ford ventured out on his own to start his first company very early on, and was unfortunately stonewalled a number of times before he was able to accumulate enough capital and experience to make his vision a reality. Bezos went a different route. His computer and electrical talents took him to Wall Street, where he worked for Fitel, Bankers Trust, and an investment firm D.E. Shaw. Here, Bezos learned valuable lessons while remaining out of the driver’s seat at the beginning stages of his development. In 1990 his patience paid off when he was named the company’s youngest vice president. Bezos was making a substantial salary at D.E. Shaw when he surprisingly quit in 1994 and moved to Seattle to pursue entrance into the budding e-commerce market.

Facebook

Using Reed Hastings as a primary example, many leaders dedicate a substantial amount of time and energy towards creating a unique and productive culture in their startups. But in Mark Zuckerberg’s case, the product he introduced to the world would

¹¹ "Amazon.com: Evolution of the E-Tailer." *Graduate School of Business Stanford University* (n.d.): 1-20. *Harvard Business School*. Web.

have a larger impact on culture than anything he ever could have imagined. Zuckerberg realized the market for his idea soon after creating the first Facebook beta in his Harvard dorm room. Once it was evident that the social media concept could take off in the college market, Zuckerberg dropped out to pursue the idea full time. His early model had a high consumer focus with a premium placed on user growth to drive further brand recognition and business opportunities.

Entrepreneurial Architects

The previous five entrepreneurs found success more or less because of their exceptional innate intelligence. Each was able to work their way through various levels of struggle and emerged to invent an entirely new product, service, or platform that was successful in revolutionizing their respective markets and industries. The next five individuals come from very different backgrounds and utilized a different skillset and approach to business success. Sam Walton, Ray Kroc, Nick Woodman, Reed Hastings and Howard Schultz are pioneers of massive retail, online, and foodservice companies who achieved success using similar entrepreneurial skillsets in vastly different ways.

GoPro

Nick Woodman was one such entrepreneur. Woodman is now the founder and CEO of GoPro, the world's foremost action camera maker. His wild success with GoPro is indicative of some level of personal brilliance, but make no mistake, he is a unique entrepreneur on this list of ten. Previous individuals--Bezos, Zuckerberg, Ford--were dubbed prodigies at young ages for their early mastery of complex mechanical and

technological prowess. Their ridiculous success later in life was, on some levels, foreshadowed by this early prowess. Woodman was by no means an unintelligent child, but when matched against the same purely intellectual measuring stick, the sensation of his genius falls short. What, then, can be used to explain his massive success? The answer is a combination of passion, entrepreneurial vigor, and creative problem-solving in an area of personal expertise. Woodman's background offers some insight into how a Southern California beach boy became the highest paid CEO of 2014

McDonald's

But Kroc quickly realized that his vision for the company's future was not shared by his new bosses. After the opening of a number of franchised locations, the McDonald brothers were content with the company's slow growth. Kroc, however, had grand plans for the company's future that called for rapid expansion using a low-cost-buy-in franchising model. At odds with executive leadership, Kroc would purchase the company from the brothers for \$2.7 million in 1961, taking over the entire McDonald's restaurant chain and all of its assets. \$1 million would be paid directly to each of the brothers, but further negotiations would stall as Kroc and the brothers would later disagree on real estate and rights to the original McDonald's restaurant. Contrary to their word in the original handshake agreement with Kroc, the brothers maintained ownership of the first McDonald's (whose name had to be changed to "The Big M" due to the transfer of naming rights). In response, Kroc opened a new McDonald's restaurant near the original, soon forcing it out of business. In this savvy business move, Kroc effectively purchased

the rights to a regional franchise name that would fit perfectly into a national and later global model for expansion.

Like Ray Kroc, Howard Schultz built a restaurant empire (coffee empire) from the ground up. While neither entrepreneur was the founder of the original unit or early company, both stumbled upon a goldmine of possibility lying untapped beneath the feet of McDonald's and Starbucks former owners. In these two cases, the ability to envision a successful business model by tweaking an existent and currently non-effective model is a truly enviable entrepreneurial skill. But while Kroc built his company using the power of the franchise, Schultz was equally successful using a model that eliminated franchising need.

Starbucks

Jerry Baldwin, Gordon Bowker, and Zev Siegl founded Starbucks in 1971. Open for 10 years prior to Schultz's involvement, the company had gained a sizeable local foothold in the Seattle area coffee market. Similar to Ray Kroc and Elon Musk, Schultz knew he had a winner as soon as he first entered the doors. He recalls, "When I walked in this store for the first time--I know this sounds really hokey--I knew I was home"¹². Having never tasted a cup of specialty coffee before, Schultz nevertheless immediately saw the value in the company's product and brand. It was only a year later until he was hired as Starbucks' Director of Retail Operations and Marketing. From that point on, Schultz used his new executive decision-making powers to drive the company and its new business model.

¹² Biography.com Editors. "Howard Schultz." *Bio.com*. A&E Networks Television, n.d. Web. 13 Nov. 2015.

III. Ideation & Marketplace Dynamics

The best products don't materialize out of thin air. Even in the hands of the most accomplished inventors, ideas take time to evolve into feasible products. They are the result of past experiences, failures, and lessons learned along the way. Elon Musk didn't wake up one night when he was 18 with the idea for a Tesla. Rather, the evolution of the idea for the first high performance electric car was developed over years of business experience - much of it before Musk even became involved in the emerging industry. It was only after founding, growing, and selling two companies that Musk stumbled upon Tesla. Even after finding each other, Tesla would still have to wait another five years until Musk joined the company full-time. Likewise, Nick Woodman's GoPro wasn't built overnight. He may have partly conceptualized the GoPro camera one day while frustrated that he couldn't capture the experience of riding a wave with a disposable Kodak, but the product didn't even hit the market until two years after the unveiling of a prototype. These examples are not used to dismiss the possibility that a great idea can be thought of on the fly, but to show that a product's transition from ideation to market-readiness is a process.

Chapter 2 introduced each individual on the list of entrepreneurs and briefly described the significant life events and experiences that shaped them in their formative years. With their backgrounds in mind, this chapter will use that information to identify the sources of the original idea, how it transitions from a conceptual to material product, and the factors that influence these involved processes. In some cases, childhood experiences and aptitudes will foreshadow the birth of an idea. Other entrepreneurs will

be heavily impacted by past failures. Still others will simply find themselves in the right place at the right time to capitalize on a market opportunity. As a whole, however, the potential of the products and services germinated in the minds of these entrepreneurs and introduced to the world can be traced back to specific points in their lives. This chapter will identify the internal and external factors that go into the ideation phase and drive each originally conception through a unique evolution phase on its way to marketplace reality.

Ideation Phase

The Ideation Phase describes the part of the entrepreneurial process that leads to conceptualization and continues until a crude material product is formed. This phase draws heavily on factors in an entrepreneur's past that led to the birth of an idea. The application of this phase onto the list of 10 entrepreneurs will be broken up into two distinct groups, using the Entrepreneurial Revolutionary and Entrepreneurial Architect categories to separate entrepreneurial approaches.

Entrepreneurial Revolutionaries are individuals who use superior intelligence that has been polished at a young age to create new industries later in life. They come from relatively similar intellectually-centric backgrounds, and thus develop ideas in relatively similar ways. In this category, entrepreneurs rely on their prodigal intellectual and technical talents to invent products and services that take markets by storm. Zuckerberg, Ford, Jobs, Bezos, and Musk make up this group. Over the course of their individual ideation phases, each will come to the realization that their special talents and interests allow them to create things that others can not.

Mark Zuckerberg, Steve Jobs, and Jeff Bezos were noted for their technical and computer-related talents early in life. From their first years in school, it was clear to teachers and family members that these men possessed certain intellect that far exceeded that of their peers. Naturally, each displayed an interest in pursuing the things that they were good at. Society nurtured their talents until they were old enough to take ownership, then stepped aside as they let market changing ideas fly. Despite their varying backgrounds, this pattern of support for their intellectual curiosities remains constant. As a result of singularly focused childhood interest, these entrepreneurs went through much shorter ideation phases than some of their equally successful visionary peers. Their ideas didn't require as much time to develop because early experiences and failures would focus the development of their innovations much more quickly in life. Zuckerberg's talents, for example, were continuously reinforced throughout his early life as family, peers, and firms rewarded his ingenuity with increased recognition. In high school, Zuckerberg won awards in science, math, and physics. He recalls that when his artistic friends came over to draw or play, he would make software games based on their interests, which peers envied him for. The cycle of talent, recognition, and reward served to reinforce computer-based interests and further prepare him for the business world. Jobs and Bezos experienced similar cycles in their childhoods. Both were talented, recognized at a young age, and rewarded for their success in the form of money or praise. As a result, Jobs would drop out of college with an already well-developed technical skills, and Bezos would receive a high-paying job on Wall Street.

Like the previous three, Ford and Musk possess highly tuned skills that lent themselves well to early success in engineering and business ventures. Ford's engineering

genius earned him a job building gas-powered prototypes for the Edison Illuminating at a very young age. He quickly realized that his inventions could stand alone, and had started three separate businesses before the age of 30. Similarly, Musk had founded and sold two companies for millions of dollars before his 30th birthday. But while Ford was primarily an engineering genius, Musk's engineering genius was largely software related in his early years. Despite the fact that Ford's engineering was for a physical product and Musk's was digital, similarities between the two exist in that both required masterful construction of complex systems.

Entrepreneurial Architects are individuals who use a variety of innate and developed characteristics - including confidence, ambition, and vision- to reinvent existing industries. They are intellectually gifted, but not on a prodigal level equal to that of their entrepreneurial revolutionary peers. Instead, these entrepreneurs rely on a separate set of skills to achieve success. The Ideation Phase for Entrepreneurial Architects is often considerably longer than their intellectually brilliant counterparts, and requires the entrepreneur to walk a much different path to success. Intellectually brilliant leaders were fast tracked for success in specific technical industries because they honed industry-specific skills at an early age. On the other hand, Entrepreneurial Architects have a tendency to excel in a variety of areas in their formative years due to more advanced work ethic and social skills, but may have to wait for years until being able to fully apply the totality of their skills in the workplace.

For the sake of comparison, consider the differences between a young computer genius and the captain of the varsity football team. The computer genius is typically more reserved than the varsity captain, choosing to spend the majority of his time on computer-

related interests. Because of his singular focus, he is highly likely to be identified by high-tech firms looking to acquire young talent. The varsity captain, on the other hand, has developed a broad set of leadership and social skills that will be beneficial later in life, but may not lead him directly to industries in which his specific skillsets are best applied. His skills may first need to be combined with years of industry-related experience to learn how to be successful.

The term Entrepreneurial Architect describes those that are ingenious and visionary in their ability to *develop*, rather than *invent*. Develop, in this sense, refers to the ability to take an existing concept and improve it to drive success. Invent refers to the intellectual's ability to create a product or service using specific technical skills. Entrepreneurial Architects have the gift of transforming average companies, products, or services into industry disruptors. They are intelligent, but not on the prodigal level of the intellectually brilliant. Unlike the others, Howard Schultz, Ray Kroc, and Sam Walton didn't find success until later in life. Schultz was over 35 when he purchased Starbucks for \$3.8 million in 1988. Ray Kroc was 50 when he purchased the rights to the McDonald's franchise in 1961. Sam Walton was born in 1918, but the first Wal-Mart store didn't officially open until 1962. To be fair, these companies lacked the added benefits of increased connectivity provided to later entrepreneurs upon the rise of the internet. It is quite possible that if any of the three companies were founded in a different era, their development times would change based on the presence of added technology. However, acknowledging the potential effects of technology change, if the age of the entrepreneurs demonstrates nothing else, it's that the road to success for these visionary entrepreneurs involved far more twists and turns than that of their peers.

With the differences between Entrepreneurial Revolutionaries and Entrepreneurial Architects in mind, it is necessary to find a distinction between the types of ideation they employ. Whereas the revolutionary is able to invent his business, the architect relies on a more organic process of discovery. This process is born of years of past experience and market exposure. Schultz, Kroc, and Walton had varying degrees of success in their careers before Starbucks, McDonald's, and Wal-Mart. This period of time after the end of their formative years was crucial in laying a foundation for the later development of their business ideas. When each was presented with an opportunity later in life, they were prepared to capitalize on it. While they didn't have the original idea, they were able to take what they saw and build it into something great. From that point on, the histories of Starbucks, McDonald's, and Wal-Mart have been fueled by decades of entrepreneurial passion and experience.

It is worth noting that distinctions exist within this trio. The backgrounds of Schultz and Kroc differ from Walton's as both had accumulated significant sales experience prior to their involvement with Starbucks and McDonald's. Ray Kroc developed his vision for the future of McDonald's over the course of a 17 year sales career in the restaurant market. This experience heavily influenced the ways in which he would envision and implement his business plan. Similarly, Schultz worked as a commercial product salesman for many years before being introduced to Starbucks in Seattle. For both men, exposure to various competitors within the food services industry gave them experience with what did and didn't work in the industry. It is also unlikely that either man would have ever come into contact with either company had they not been working in sales. Unlike Schultz and Kroc, Sam Walton had no prior sales

experience before opening his first store. Walton had brief experience in his past working as a management trainee, but fully committed to retail shortly after. It was general interest, not a sales relationship, that first exposed him to the retail industry.

Still, other entrepreneurial styles exist outside of the previously described duo of revolutionary stimulated invention and architecturally stimulated development. Some entrepreneurs, like Nick Woodman and Reed Hastings, share certain aspects from both groups but deviate slightly from the intellectual or visionary mold. Much like Zuckerberg, Bezos, and Jobs, Hastings displayed traces of intellectual brilliance at a young age, specifically in mathematics. Initially, he was able to capitalize on his superior intellect and build Pure Software, a successful software company. Though his software invention was impressive, Hastings often refers to this period in his life as a time of great struggle. Although he was capable of working with others in a high-tech startup environment, the company grew quickly and its number of employees rapidly increased. Uncomfortable in such a large leadership-management position, Hastings left to pursue other startup interests with Netflix. In his new role, Hastings was forced to transition from the mindset of an inventor to that of a developer. Here, shared aspects of entrepreneurial architects begin to emerge. Rather than inventing the platform out of personal genius, he was forced to work for years to make the idea relevant for consumers as the internet market continued to evolve. Hastings vision and use of skills perhaps secondary in nature to intelligence place him in this category.

In addition to reasons stated previously, the ideation phases for each of the aforementioned entrepreneurs involved the invention and development of ideas for products and services that were designed to satisfy a market need. At the most basic level, many of

these new products and services solved customer problems. Before the introduction of the Ford Model-T car, customers wanted but were unable to buy cheap, reliable vehicles. Ford's invention solved the problem of the low-cost car and made it available to the average consumer. Before Amazon.com was launched, the retail industry had been relatively unsuccessful in capitalizing on the advent of the internet. Bezos' invention of the online retailer solved customer selection and convenience problems. Nick Woodman, however, set out to solve a different kind of problem, one that filled a need at the lower specialized end of the consumer electronics industry. But unlike Ford and Bezos, who started their companies to cater to evolving customer needs, Woodman's GoPro was created to fill both a personal and market need. For Nick Woodman, the ideation phase involved the solution of a recurring problem for action sports fanatics: recording and sharing experiences with their peers and friends. The ideation of GoPro began out of Woodman's desire to improve the action sports experience both for himself and the customer.

Building Block Factors

The success of a firm is dependent upon much more than a leader having a good idea. Often, it's not enough to have a good idea. People come up with good ideas every day, but only a fraction of these ideas ever actually make it to market. In most cases, a good idea needs something more: Timing. In some sense, each and every one of the successful entrepreneurs on the list had the benefit of having a good idea at the right time. Economists often speak of the importance of being first to market when describing a firm's success. Evidence of this can be found across many industries. Yet history also

shows that many products that achieved first to market status failed. In closer analysis of the entrepreneurial timeline, being *first* to market may not be as important as being *right* to market. Essentially, what this means is that timing is everything when unveiling a new product. One of the major factors that affects the timing success of a product is technology. In order for a new product to succeed in the market, it need adequate support from current technology. The necessity for adequate technological support extends to all parts of a product and its market, without which a product's success will be restricted in the same amount as the gap between available and necessary technology.

Take Elon Musk, for example. Musk didn't invent the electric car. In fact, he wasn't even close. Electric taxis were roaming the streets of New York in 1897, over a century before Musk would even come into contact with Tesla. Incredibly, the first electric "vehicle" can be traced back to Scottish inventor Robert Anderson in 1832¹³. Unfortunately for Anderson, his vehicle failed to sell because inadequate technology at the time made its production and use unrealistic. Musk's current success shows that the electric car idea can succeed in a particular marketplace, but only if that marketplace contains adequate technology necessary for success.

In this example, many of the disadvantages of being first to market explain why your environmentally-conscious boss is driving a Tesla and not an Anderson. For one, in 1832, battery technology was nowhere near advanced enough to support the viability of an electric car. Ferdinand Porsche designed a battery-powered hybrid car in 1898 whose batteries alone weighed more than a Prius¹⁴. Yet even in 2015, the widely popular

¹³ "History of the Electric Car." *PBS*. PBS, n.d. Web. 19 Nov. 2015.

¹⁴ Lubin, Dylan Love and Gus. "13 First-To-Market Products That Failed." *Business Insider*. Business Insider, Inc, 25 May 2011. Web. 19 Nov. 2015.

Porsche brand doesn't contain a single battery powered car in its primary lineup. In addition to technological deficiencies, factors associated with unmet societal conditions (which will be explained later) impacted the success of electric vehicles prior to the creation of Tesla. Clearly, an innovative concept can only go as far as available technology will take it. If the tech isn't right, then even the most forward-thinking products will fail. When Musk introduced the Tesla Roadster over a hundred years later, battery and other related technology had progressed far enough to not only support the viability of a battery-powered car, but create one that rivaled gas-powered cousins in performance.

In addition to demonstrated technological requirements, market readiness is also a product of consumer understanding and demand. If consumers don't have a need for a new product, the product will fail. Likewise, if consumers aren't ready or don't understand the need for a product, then they will be unwilling to buy it. Atari launched the home game consol movement in 1977, but the successful personal gaming revolution didn't take off until years later as Nintendo, not Atari, garnered a majority of the market share. Nintendo wasn't first to market in the space, but was able to develop technology that satisfied the consumer in terms of superior price and content. These examples demonstrate that entrepreneurs need to understand the sophistication of their market in order to capitalize at the right time. A market that is technologically advanced, is made up of a well-informed consumer base, and has a expressed consumer-need for innovation is a market that is ripe for entry. In the entrepreneurial process, capitalizing on a ripe market is possibly as important as the product or service itself.

Technological Changes: Rise of the Internet

The first recorded concept of an “internet” is attributed to a series of papers written by J.C.R. Licklider of MIT in 1962¹⁵. Commercial use of the internet, however, didn’t really take off until the mid to late 90s. For enterprising young technology-nuts at the time, the arrival of the internet signalled a new era of business ideas. In 1995, Jeff Bezos left a lucrative career in Wall Street finance to move West and pursue the promise of the emerging digital marketplace. He understood what others at the time did not. While being first to market - especially in a new and untested market like this - had its risks, the potential rewards for a properly implemented business model and strategy were almost incomprehensible.

Like Bezos, Reed Hastings recognized the potential of the online marketplace before many of his competitors. Netflix was founded in 1997 in the image of Amazon, incorporating its customer focused model of service, selection, and convenience. This model served a double purpose for both Amazon and Netflix in the early years of online growth. Much like new internet-businesses, consumers were generally taking time to feel out the variety of uses the internet could offer. By focusing on systems collaborative processes between the firm and the consumer, these companies were able to improve customer knowledge of internet capabilities, serving in turn to raise the sophistication of the consumer-base. An increase in consumer sophistication paved the way for future web-based companies to join the rapidly growing market.

In 2004, Facebook’s founder and CEO Mark Zuckerberg did just that. Launched out of his Harvard dorm room, Facebook debuted at a time in which the rise of the

¹⁵ Leiner, Barry M., Vinton G. Cerf, David D. Clark, and Robert E. Kahn. "Internet Society." *Brief History of the Internet*. Internet Society, n.d. Web. 19 Nov. 2015.

affordable personal computer had exponentially increased the number of global online users. Zuckerberg understood that a growing number of users meant an increase in social connectivity via the internet. Unfortunately, existing social platforms at the time like MySpace were limited in their capacity to connect users through the freedom of the open web. To put it simply, MySpace and other early social platforms were set up all wrong to promote the massive connectivity that Zuckerberg envisioned. Access to a person's MySpace page was largely limited to a person's real world connection with another individual. In this sense, all early social media sites did was transfer physical social groups into online groups. Facebook destroyed these limited social barriers by promoting free and easy social connectivity at a premium to the young consumer. The platform's effect on the market can be described as nothing short of revolutionary; further extending the boundaries of online markets and serving to raise societal tech-sophistication just as Amazon and Netflix had done 5 years earlier.

As bizarre as it is to consider that an action sports camera maker owes anything to the creator of the world's premier social network, Nick Woodman may actually owe Mark Zuckerberg a debt of gratitude for Facebook's influence on the cultural impact GoPro has made. Woodman began his entrepreneurial life seeking to create a camera capable of taking high-quality pictures in unconventional situations. As he was doing so, Mark Zuckerberg was well at work creating Facebook. The two products were released around the same time in 2004. Though he may not have known it at the time, social network culture would greatly benefit the GoPro in the future.

GoPro's initial success is even more impressive considering the incredibly competitive marketplace for consumer electronics. Giants like Apple, Samsung, and Sony

had dominated the industry for at least the past decade, developing products like the smartphone that have eliminated a huge portion of the market. Popular 90's products like the handheld GPS, portable video game consoles, music, and media players had taken a massive hit at the hands of the smartphone. In particular, sales of the portable camera had nosedived since the introduction of the higher quality smartphone camera.

In a similar situation as when Starbucks opened in the declining US coffee market, GoPro was introduced as the camera was being phased out of common use. But while the smartphone was in the process of destroying the camera, Woodman was developing a product that was designed to withstand the competition. GoPro's competitive advantage wasn't necessarily in picture quality, but in its picture taking versatility. Designed to be nearly indestructible in high-stress environments, the camera had a distinct feature that existing technology lacked. Woodman was able to leverage this advantage in the market, understanding that he could carve out a niche in specialty markets before expanding his brand to a broader audience.

Societal Conditions

It is widely held that markets can be affected by a multitude of factors. This section will explore the specific societal conditions that allowed for the successful introduction of the various products and services invented and developed by each entrepreneur. With an understanding that timing plays a major part in the successful introduction of a product or service, this section will analyze the role of specific societal factors and conditions regarding competition in a company's early success.

Along with technology, consumer demand, and market sophistication, societal events greatly impact market readiness for new products. Economies are bound to feel the effects of significant societal events like war, climate change, or social movements. The specific market effects of major societal change manifest themselves in a variety of ways. It is the task of the enterprising entrepreneur to understand and take advantage of societal change in order to optimize market timing and maximize product success. The introduction and evolution of a number of companies, including Ford, Wal-Mart, Tesla, and Starbucks are evidence of this connection.

Following American industrialization in the mid to late 1800s, urban populations swelled as people were relocated from rural areas by the promise of jobs and faster growing local economies. Cities grew rapidly as the labor force increased, boosting local and national production output, especially in the manufacturing industries. Born in 1863, Ford came of age at the perfect time to put his business and engineering talents to use. By implementing employee-friendly wages, he was able to leverage an increasingly plentiful blue-collar workforce searching for the means for upward social and economic mobility. Workers clambered through Ford's doors, eager to work on the development of the company's first major success, the Model T. Prior to the introduction of Ford's Model T, control of the auto market was fragmented. There were 100 or so small, private manufacturers in the US by 1900. Almost all cars were virtually handmade, which led to their outrageous cost and quick stereotype as a luxury good. However, there was an obvious need for these new gasoline-powered "horseless carriages". Before Ford, American manufacturers had been trying to break into new automotive markets for a decade. Innovation was steadily improving vehicle functionality and comfort, but no one

had been able to mass produce a comfortable, reliable car at an affordable price. It was just a matter of time until someone was smart enough to take the lower segment of the market. That person was Henry Ford, and the combination of his superior talent and perfect timing resulted in an explosion of success. To put his success into perspective, examine the success of the Model T, Ford's premier early vehicle. Introduced in 1908 at a price of \$360 per car (\$7,020 today) the Model T was by far and away the best option of its kind on the market in terms of price and quality. Sales exploded at such a rate that in 1918, half of the cars driven in America were Model T's. When production of the model was discontinued in 1927, Ford had sold more than 15 million, an individual model record that would stand for the next 45 years¹⁶.

Major parallels exist between the early success of the Ford Motor Company and Wal-Mart when viewing the two from a socially conscious perspective. Just as Ford was able to leverage the urban population surge of the early 1900s, Sam Walton took advantage of the relative regional location of post-WWII baby boomers. In the years immediately following the war, birth rates skyrocketed, filling up rural locations with new families. Rather than follow the commonly held practice of placing retail centers in densely populated urban centers, Walton instead chose to focus his business in these unclaimed rural markets. Massive sustained growth in rural locations allowed for Wal-Mart's rapid expansion through increased volume, better distribution, increased buying power, and less competition from established retailers. By the time competitors took note of Walton's strategy, it was already too late.

¹⁶ "Ford Motor Company Timeline." *Ford Corporate*. The Ford Motor Company, n.d. Web. 19 Nov. 2015.

Fast forward 50 years, and societal factors are still playing a major role in the market opportunities presented to young entrepreneurs. In the early 2000s, the world began learning of a new and growing threat to global security: Climate Change. It was around this time that Elon Musk had just sold his second company, and chose to invest in the forward-thinking startup Tesla. As global environmental conditions deteriorated and mass media coverage of climate-related issues increased, the need for alternative energy sources gained significant social, political, and economic traction. To chalk Musk's early positioning in environmentally friendly companies up to luck would be a gross underestimation of his brilliance. Musk's ability to sense market need before others had been previously demonstrated in his past business successes. When Musk took over Tesla operations, it was at the perfect time to take advantage of socially-pressured government loans (to the tune of \$4.9 billion in total support¹⁷). Like Ford and Walton, Musk's acute understanding of market influencing factors had enormous impact on his subsequent successes.

The past three examples serve to reinforce the connection between societal events and economic opportunities. But whereas positive societal tendencies may indicate opportunities for growth in well-established industries, negative trends also indicate opportunity for the particularly opportunistic entrepreneur. In 1970, if you had asked any sane economist to project the 10 and 20 year futures of the US coffee market, the answer would have been decidedly negative. That's because before Starbucks broke the market open in the late 80s, coffee was a product in serious decline.

¹⁷ "Musk Defends Receiving \$4.9 Billion in Government Support for Tesla, SolarCity and SpaceX." *RT English*. Autonomous Nonprofit Organization, n.d. Web. 19 Nov. 2015.

In 1940, the US coffee market was dominated by large processors like Nestle, who exclusively produced instant and decaffeinated coffee at very poor quality (and very poor taste). Supermarkets were the dominant distribution center of choice for producers, where the product was largely bought in bulk and consumed out of necessity by those who needed a caffeine boost, rather than for the taste. Mergers in the mid-1960s only served to corner the market further, as national distributors continued shoveling low-quality product on the masses. By 1970 and 1980, the market for coffee had shrunk considerably so that the average American was consuming far less than 2 cups per day.

In a cursory analysis of the state of the US coffee market, the average entrepreneur would likely proclaim the market to be dead or dying. But Howard Schultz didn't think that way. When Schultz was introduced to the market in 1986, he didn't see a desert, but endless potential. Starbucks' birth is a perfect example of Clayton Christensen's Disruptive Innovation concept. The coffee market wasn't dying, but rather grossly underserved in particular areas. All Schultz did was introduce an alternative way to enjoy one of the world's most popular beverages to one of the world's largest consumer markets. The rest is history: Schultz bought Starbucks in 1987 for \$3.8 million with nothing but a few coffee shops and a vision. In 2015, the company boasts an estimated market cap of over \$91.7 billion.

Marketplace and Competitive Dynamics

If the proper technological and societal conditions have been met, an entrepreneur must then turn to an analysis of the specific industry that he seeks to enter with the introduction of his product or service. Industry success is largely determined by the

similarities and differences a product and firm offer in comparison to existing competition in the marketplace. Newly introduced products may find it difficult to enter a market that is highly saturated with similar competition. In general, it will be increasingly difficult to gain a foothold in the marketplace as the number of competitors rises. On the other end of the spectrum, emerging markets present entrepreneurs with a unique opportunity to debut new products in markets with lower numbers of existing competitors. The competition for customers in these markets may be equally fierce, but often ill-defined customer bases in these markets allow entrepreneurs to carve out niches within the market that don't exist in older markets. Therefore, it is critical that entrepreneurs have an acute understanding of the marketplaces they seek to enter and the competitive dynamics that exist within them.

Henry Ford founded The Ford Motor Company at the advent of the American automobile revolution of the early 1900s. A decade prior to the founding of Ford, the auto-market was largely composed of manufacturers at the high and low ends of the quality spectrum. High-quality vehicles were generally priced far beyond the viable range of the average consumer. There were available options at the low end - the 1908 Buick Model 10 went for \$900 - but most had issues related to either cost, quality, and quantity. Following the last century's industrialization and urbanization movements, Ford understood that a growing middle class meant a growing number of Americans with increased potential for consumption. Ford's idea for the Model T was to create a higher-quality low cost vehicle (at an original target price of \$500) for the consumer. Because of the competitions innovative shortcomings and inability to produce enough units to take advantage of the benefits of economies of scale, Ford had a competitive advantage. With

an understanding of the various shortcomings of his competition and an ability to capitalize upon them, Ford created a product and solution to significant market need.

The ability to digest available market information and consumer trends is key in predicting future market demand. The rise of the internet in the mid-90s and early 2000s created entirely new markets that would have been previously unavailable mere years earlier. The competition in emerging markets created by the internet was different than the competition in the past century's automotive or retail markets. The growth of online technology allowed for the first creation of virtual business platforms, which provided prospective firms with an ability to connect and serve massive amounts of customers at a rate and range of acquisition previously unmatched. However, as the rates of potential customer acquisition rose in this new marketplace, so too did the number and speed of new entrants. This created market opportunities that appeared and disappeared much faster than in the past.

Only a select group of entrepreneurs was able to capitalize on the massive early markets that emerged, creating a class of business leaders that aspiring technologically-inclined entrepreneurs around the world strive to emulate. The intellectual brilliance of Jeff Bezos, Reed Hastings, and Mark Zuckerberg allowed the trio to take advantage of emerging market conditions by creating products and services that would revolutionize the digital marketplace for decades to come. Many aspects of the companies created by these three men were similar; each sought to capitalize on rising consumer demand for convenience, selection, experience, and connectivity. By understanding the trends that were happening in the high-tech marketplace, each was able to invent a revolutionary company and lead it to continued success.

Signals that presented themselves to entrepreneurs like Bezos, Zuckerberg, and Hastings in their respective markets following the birth of the internet were also apparent to Steve Jobs when he first began to take notice of the growing personal computer industry. Jobs had a history of intellectual brilliance in regard to his understanding of computer hardware. In the early stages of market growth, his background allowed him to quickly identify opportunities to break into an underserved market. With an understanding of the growing market, an interest in computers, and a capable partner in Steve Wozniak, Jobs began the process of making his dream become a reality.

The growth of McDonald's market share took a different journey than many of the companies on this list. Contrary to popular belief, Ray Kroc wasn't the first to venture into the fast food business. By the time he came into contact with McDonald's, the US fast food market was already well-established. Fast food's popularity began with the introduction of White Castle in the 1920s and developed into the franchising model when A&W decided to expand its brand nationally¹⁸. What made Kroc different from the others was his vision for the development and expansion of the McDonald's brand. Fast food at the time catered primarily to the time-constrained consumer. Kroc's vision was to expand the range of fast food to the average American. A large portion of the market was underserved by the industry, and Kroc saw the potential in new areas. By targeting families in suburban areas with relatively low competition, Kroc was able to establish a local, regional, and national brand. Unlike other entrepreneurs on the list, Kroc's success didn't come from inventing or developing a new product or service. Rather, he was able to see the potential for an altered business model within an established industry. This

¹⁸ "The History of Fast Food in America." *The History of Fast Food in America*. AccuPOS, n.d. Web. 20 Nov. 2015.

vision required a unique understanding of the fast food market, and allowed the company to expand rapidly through the franchising model over the next half-century.

What is becoming increasingly evident is that all corners of the economy are connected via a complex industrial web. This connection supersedes geography, industry, and socio-economic class. It is an organic and ever-evolving network of increasing connectivity. The result of this entanglement is a marketplace in which individual markets are continuously expanded due to the actions taken in another. Steve Jobs helped pave the way for the rise of the personal computer in the 80s. The rise of the affordable personal computer allowed the internet to develop into a global marketplace that gave way to Amazon, Netflix, and Facebook. The social interconnectivity of Facebook allowed the GoPro to become much more than a camera, but assume a position as a physical product that promotes shared experiences within its customer base. Even automotive markets have benefitted, as Tesla now incorporates first-rate computing and media capabilities into the dashboards of every model. Behind this web of interconnectivity are the actions of enterprising entrepreneurs. Regardless of their intellectual or visionary capabilities, these leaders take advantage of market opportunities to bring unique ideas to life.

IV. Business Models

In its most basic sense, a business model simply describes the way in which a company makes money. It is the particular network of relationships, processes, systems, and organization that together allow for company profitability through the production of some product or service. Despite its relatively simple definition, however, the business model is often overlooked during a firm's developmental phase. In an excerpt from "The Entrepreneur's Toolkit" describes some fundamental components in the construction of a business model and strategy¹⁹.

The Entrepreneur's Toolkit explains that after identifying a money making opportunity, a business must answer three questions:

1) How will my business create value for customers? This is the first step in identifying the foundations of your model. Businesses are successful when they create products and services that provide a benefit to the consumer in some way previously unavailable in the market. A business that creates value for the consumer has succeeded in finding a primary customer base with which to focus its efforts.

2) How will it make a profit for us and investors? Now the model is going deeper. Creating value for customers is one thing, but a business can't continue to operate if it doesn't generate profit. Ultimately, the proof of the efficacy of a model is shown by the profit it generates. Businesses that rely on capital investment from external investors have

¹⁹ "Building a Business Model and Strategy: How They Work Together." *Harvard Business Review* (2005): n. pag. *Harvard Business School Publishing Corporation*. Web. 15 Oct. 2015.

to prove that their model is effective in order to compensate investors and attract further investment necessary for continued operation and expansion.

3) How is it different from competitors? Here is where many entrepreneurs go wrong. At this point, they have identified a product or service that is profit-generating and valuable to consumers. The business is in its infant stages, and has proven that it has the legs to go further. Now, the smart entrepreneur must ensure that this product occupies a select niche in the market. Competition is fierce, and a product that fails to provide unique value lacks staying power. An effective model incorporates all aspects of the product's comparative advantage in the marketplace, and is built around the ability to leverage this advantage to generate further profit and market impact.

When a business has identified value and profit generating aspects of its model and figured out how its core products and services are different from the competition, it is ready to create a business model that blends these aspects into the desired culture of the growing firm. More specifically, the model will identify sources of cost and revenue and build a list of factors that will be critical to the success of the firm. Some examples of critical factors include a firm's ability to roll out new products on a consistent and sustainable basis, or the ability to quickly and accurately meet customer demand.

Without a clear understanding of the ways in which your company plans to make money, it is unlikely that your company will survive past its infant stages. Understanding your business model not only requires a deep and comprehensive understanding of each and every relevant factor that makes your model *what it is*, but also a solid understanding

of *what your model is not*. An effective model finds the balance between what it does well and what it does not do well. If your company is built around a core product or service, then it is critical to understand everything possible about that product or service, the market it operates in, and the various competitive players that are also seeking to claim a piece of the market. But just as important is understanding what your product is not. Take the history of Apple, for example. Steve Jobs founded the company from nothing, developing innovative products and selling them to customers out of his garage. Apple's initial expansion can be credited to Jobs' early hardware genius. But even though the company was hugely successful in its first years, back then it was nothing but a tiny seed of the global power it has become today. When Jobs was ousted from Apple in 1985, it was because he had lost touch with his business model. After years on his own, in which he was also very successful with NeXT and Pixar, Jobs returned with a noticeable difference. This difference was immediately infused into Apple, who in Jobs' first years back at the helm transformed from an average market player to one of the most unique, innovative, and customer-conscious companies in the world. While it is true that the products had changed, the biggest difference was that Jobs returned with a strategy with which to change and leverage the existing model. The Apple of the 1980s and early 1990s made fairly innovative products, but was limited in a competitive industry. Fast forward to Apple in the late 90s and 2000s, and you see a company that not only creates innovative products, but it has strategically positioned its products, services, and entire company as socially revolutionary gadgets that have continued to be must-have items for over a decade. Jobs strategy was to create a model in which Apple's hardware and

software perfectly supported each other on a unique platform that was intuitive and socially relevant.

Jobs identified that the iPod and other Apple products would create value by providing customers with unique music and media playing devices. Apple's existing production and distribution channels allowed the company to mass-produce and ship products cheaply around the world. Apple didn't just sell hardware, it sold hardware connected to a software platform that encouraged continued and expanded user engagement. It had a proven profit-generating model, and investors could quickly see that it was completely different from competitors. At some point along the road, Jobs realized that a well-defined business model was not enough. Strategic implementation was the difference for Apple, and serves as a perfect example of the benefits of competitive differentiation in the marketplace.

According to "The Entrepreneur's Toolkit", strategy formulation, like business model development, requires a separate set of steps to be successful. As Bruce Henderson, the founder of the Boston Consulting Group, says, "The difference between you and your competitors are the basis of your competitive advantage". If this is the case, then entrepreneurs need to understand how to effectively implement their strategy in order to capitalize on these advantages. The Toolkit explains that strategy formulation comes from six steps:

- 1) Entrepreneurs must look *outside* their firm to identify threats to their core business and opportunities for expansion. Threats can be financial, personal, or operational, and each one poses a threat to the continuation of your business. If economic trends shift, savvy entrepreneurs have to be flexible in order to stay one step ahead.

Tough decisions, like cutting certain products or segments, may be necessary in order to secure the future the firm. For example: In 2007, Reed Hastings cut Netflix physical subscription to redirect company energy on developing better streaming services. Hastings did so after identifying a shift in market technology and demand. The decision was difficult, but ultimately resulted in a high payday for Hastings and Netflix.

2) Entrepreneurs must look *inside* their firm to identify resources, capabilities, and practices that may provide additional competitive advantage to the company. It is quite possible that a firm, even one that is profitable, is underutilizing critical segments that can be reorganized or repositioned to be more beneficial. In doing so, leaders must always ask if proposed changes align with the business model and strategic vision. If so, and the business segment is still open for improvement, then the firm should take advantage of the added benefits. For example: Elon Musk first invested in Tesla in 2003, but it wasn't until 2008 when he took over as CEO and began a complete overhaul of the company's core directives in order to lay a foundation for the production of a high-performance pure electric car. Musk first addressed internal issues with the understanding that he was not going to be able to bring an adequate product to market if Tesla's internal state of affairs wasn't cleaned up. By firing ineffective executives and overhauling costly programs, Musk re-focused the company's future direction.

3) Entrepreneurs must consider strategies for addressing incoming threats and opportunities. This involves things like proactive creation of or planning for alternative products or revenue sources in the event of a change in the market. At this step the

entrepreneur needs to gather as much information as possible and make the wisest decision for the future of the firm. In some cases, the decision making should be done after consulting with a management team. Sometimes, the entrepreneur should go with his gut and act in a way that he thinks is best. Regardless of the process, the chosen strategy must be consistent with the business model and true to the firm's core. For example: Schultz and Bezos engage in proactive infrastructure spending to prepare for future issues that will arise as their companies expand physically and into different product markets. This doesn't necessarily change their short term business model, but it puts them in the best possible position for strategic implementation of their models in the future. Planning for the future is not easy, and the decision to forego immediate profit to invest in projected future return contains an element of risk. This is why it is so crucial that the entrepreneur be well-informed and well-advised in order to make the best possible decision.

4) The entrepreneur must build a good fit among different activities that, when combined, support strategic initiatives.

5) Entrepreneurs must ensure that employees are on the same page strategically. Because collective understanding of the business model is so critical to the firm's success, employees must understand the company's strategy and their role within the development and implementation of that strategy. A good employee understands the direction the company wants to go in. They are able to perform functions that help the company reach its goals. Employees who are unable to align with the company's strategy

and values may need to be let go. Operational alignment is equally important. Marketing, compensation, and even physical assets need to be managed in a way that is conducive to the firm's success.

For Netflix, alignment of internal talent was used to foster a competitive workplace. Early on, Reed Hastings came to the realization that he only wanted to work with top talent. If employees didn't meet company expectations, they would no longer be part of the team. What resulted was a group of employees who were incredibly talented and unified in their understanding of Netflix's model and strategy. They were able to efficiently focus on developing and improving Netflix's streaming platform while catering to the specific customer needs. The company was so effective in doing so because there was no confusion about its core model of customer service.

6) Finally, entrepreneurs must be prepared to implement strategy. After identifying internal and external threats and opportunities, considering strategies and designing appropriate activities, and creating alignment within the company, it is time to put strategy into action. The implementation process will now revolve around four main concepts: the strategy itself, the structure that supports it, the staff that are responsible for its implementation, and the systems in place and in development that will aid in the implementation process. An entrepreneur who has reached this point in the strategic process should have completed the necessary background requirements to be able to successfully implement their strategy. However, even after all this work, there are no guarantees of success. Sometimes, even brilliance and planning fall prey to bad luck.

There are hundreds of conceivable ways in which a company can alter their business model and strategy to maximize productivity. With this in mind, it would be

exhaustive to try to cover all of the possibilities in one paper. Instead, this thesis will seek to analyze the models and strategies used by our list of 10 entrepreneurs in search for similar patterns and driving factors behind their lucrative and innovative success.

After analysis of the business models used by the 10 entrepreneurs, it is clear that a number of factors play a part in the type of model created. Each company in question is an extension of the beliefs, values, and inspirations of its founder. Past experiences, successes, and failures all impact the way in which an entrepreneur structures his model. Three categories are most prominent when separating out the different factors involved in a business model. The three categories are employees, systems, and customers, and individually they influence all other factors associated with the business model and strategic implementation. This is not to say that an entrepreneur whose model exhibits an employee-based focus can't also be conscious of the effects of systems on his model--there is often crossover--and by and large, aspects of all three focuses permeate the culture of the company. The success of a business model depends on how well a firm's leadership integrates aspects from each of the three focuses into its organizational framework. In many cases, especially in such large and complex firms, all three factors will be readily at play. The following examples will highlight specific actions taken by these entrepreneurs in the three areas of customer, employee, and systems focus in order to develop and implement effective business models.

Customer Focus

Products and services are optimized through a commitment to one or multiple of the three focuses. Some entrepreneurs choose to structure their business model primarily

around the customer. In this case, the strategy for profitably addressing customer need is reflected in the firm's commitment to understanding the customer and creating products that generate the most consumer value. Facebook, Apple, GoPro, and to a lesser extent Amazon and Netflix have all adopted the customer-centric focus as a major part of their business models. These companies have invested a large percentage of their resources into connecting directly with customers to find out exactly how to improve their products to better represent market need.

Facebook

When Mark Zuckerberg first launched Facebook in his Harvard dorm room, he did so with the purpose of providing fellow students with a platform that promoted free social engagement. This consumer-oriented approach was part of what made Facebook so appealing as the first major social network. During its initial growth period, he was forced to revisit Facebook's business model. What's so interesting about this particular example is that in revisiting Facebook's model, Zuckerberg realized that the beauty of social media is that it caters to the wants and needs of an increasingly interconnected society. As the company continued to grow, significant capital investments were necessary to supply the company with the necessary resources, staffing, and data storage space for expansion. However, while the size and scope of the company changed, the core focus of the business model did not. Facebook has reportedly turned down numerous buyout offers, instead remaining committed to building and supporting the world's premier social network through a demonstrated commitment to its more than 1 billion users. Today, Facebook operates a social media platform that is entirely set up to

maximize user experience. It creates value for customers by freely storing and sharing photos, videos, and other media and has been widely adopted into mainstream culture. The evidence of Facebook's emphasis on the consumer is in the numbers. The company saw a 13% user increase from 2014 to 2015 (1.49 billion total users). 968 million people log onto Facebook daily, and Facebook is so integrated into the daily lives of its customers that reports indicate 50% of 18-24 year old users check Facebook when they wake up²⁰.

Netflix

A strong commitment to the customer is reflected across many other social and consumer-technology firms. Much like Zuckerberg, Netflix CEO Reed Hastings quickly learned that his customers were the most important part of his business. Netflix has a seriously large customer base, with a reported 29.4 million people subscribing to its streaming services in 2015. That's especially impressive when considering that until 2007, the company didn't even offer streaming services. Before that, nearly all of Netflix's profit came from subscription payments for its monthly DVD delivery services. So how was Netflix able to make such a massive transition to the Video On Demand (VOD) market? The answer, as Zuckerberg learned in the creation of Facebook, was to listen to the customer.

According to Hastings, Netflix's original model was based on three pillars borrowed directly from other successful Internet companies (like Amazon) because they thought it would be appealing to customers. First and foremost was Value. This emphasis

²⁰ "Top 20 Facebook Statistics - Updated May 2015." *Zephoria Inc.* N.p., 18 Oct. 2015. Web. 17 Nov. 2015.

is akin to answering the first question from the “Entrepreneur’s Toolkit” regarding ways in which firms can generate value for customers. Netflix targeted eBay type customers who were looking for cheap deals but were at the time underserved in the market.

Hastings reflects, “We were targeting people who had just bought DVD players... We didn’t have much competition. the market was underserved, and stores didn’t carry a wide selection of DVDs at the time”²¹. Clever positioning here allowed Netflix to expand into a growing market, establishing its brand with a younger customer base whose tech-savviness would hopefully result in reciprocal value to the company. Secondly, the company identified that its ability to turn a profit would be reflective of its ability to effectively uphold Hastings’ second and third pillars, Convenience and Selection. Internet shopping was becoming an increasingly convenient alternative to physical shopping in the early 2000s. But in order to make the convenience of an online video rental platform worthwhile to the customer, Hastings understood that the company’s selection would have to be far superior to the stock held in video rental stores.

It took Netflix years to effectively accomplish these goals. Before streaming services, Netflix used the US Postal Service to distribute DVDs to a national customer base. Once it was able to build its brand and increase title selection, this gave it a significant advantage over static movie rental stores. Now that it had acquired a substantial base, Netflix was able to begin strategic implementation of its expansion plans. To leverage its growing number of subscribers, Netflix launched a recommendation system that used customer-specific analytics to suggest additional titles for rental. The system had a twofold effect on the company. The suggestion service

²¹ Shih, Willy, Stephen Kaufman, and David Spinola. "Netflix." *Harvard Business Review* (2009): 1-15. *Harvard Business School*. Web.

dramatically increased the number and variety of DVDs rented, while utilizing customer reviews and rental history to improve system accuracy. Overall, the feedback from customers was enormously helpful in providing Netflix with information about how to best serve customers. Additionally, it strengthened the connection between the company and subscribers, making customers feel like they had a direct link to Netflix, and that their voices were heard and resulted in noticeable improvements in how the company operated.

Netflix also used consumer suggestions to open up a viable market for non-mainstream videos. It then was able to partner with lesser-known studios excited about the promotional capabilities the site would offer. Increased corporate partnerships led to improved content acquisition, as more and more media firms were willing to have their movies promoted and viewed through the growing subscription service. As its market value and influence grew, Netflix was able to widen its total selection while increasing the quality of its top-tier content, which generated the highest potential for rentals and, in later streaming services, downloads. Improved content meant increased customer satisfaction, which in turn led to improved customer retention and acquisition. In total, it all comes back to the customer. By simply eliminating the hassle of the video rental store, Netflix created value for the customer in terms of convenience and selection which, through application of smart strategy, snowballed into bigger and better services.

GoPro

The evolution of the GoPro camera company has followed a path as unique as that of its CEO. Woodman's background in surfing and action sports is infused into the

company culture, and influences the ways in which the company operates. In the highly competitive consumer electronics market, GoPro has carved a niche by providing a specific and highly desirable service to the action sports community. At his core, Woodman is a self-made entrepreneur whose first hand experience and understanding of his customer base has allowed him to create a product perfectly designed for their needs. Woodman's journey from upstart inventor to billionaire entrepreneur is unique in that he created a product that not only satisfies the needs of his customers, it also satisfies his own.

Woodman invented the GoPro in 2001 but didn't sell his first camera until 2004. At the time, similar products like the Flip video camera existed all over the market. Fortunately for Woodman, none of these existing products were marketed towards the action sports community. What separated the GoPro from its competition was that this device was not billed as a camera, but rather an experience. Woodman understood the culture of the action sports community, and realized that a product that could capture the experience of riding a wave or skiing down a mountain and convey that experience to the masses was far more powerful than just a piece of hardware. With this in mind, when GoPro was introduced in 2004 at San Diego's Action Sports Retailer trade show, it exploded onto the market as the premier experience-capturing action sports camera for adventurers and thrill seekers alike.

The original 35mm GoPro Hero camera was 2.5 by 3 inches in dimension and weighed less than half a pound. The product included a camera contained in a clear, removable case with a camera strap and lash for attachment. It was submersible underwater up to 15 feet, and included a roll of Kodak film that could be removed and

developed after its use. But for rabid fans, the original version wasn't enough. Customers loved that the GoPro Hero was both flexible and functional in highly demanding environments, but quickly began offering suggestions for improvement. True to his roots in the community, Woodman listened closely to his customers and continued improving the camera's design. Since its release in 2004, the company has debuted six other Hero models, each more functional than the last. The product now features high resolution video capabilities, wifi connectivity, and is nearly indestructible. Yet still, it is more than just a camera. The secret to GoPro's model is that Woodman created a product that advertised for itself. In 2013 alone, GoPro customers had uploaded over 2.8 years-worth of original video content. The better the content, the better the advertising for GoPro. Woodman's identification of these mutual benefits and usage of their content has created a close relationship between customers and company that fosters continued short term growth.

Collective Analysis

This section is designed to take the longer company-model pieces and draw out the specific features present within each; identifying unique features as well as strategic patterns used across-industries

The Facebook, Netflix, and GoPro examples provide valuable insight into the efficacy of consumer-focused business models and strategy. By paying attention to customer needs and responding accordingly, these companies have been able to establish loyal followings that only serve to perpetuate their success. It all starts with providing value to the customer with product or service previously unavailable on the market. Once

introduced, these products or services generate profit by leveraging their competitive advantages. For customer-oriented firms, this advantage lies with a superior understanding of market need. If a company has a great product, then an understanding of what the customer wants combined with the development of a suitable model and strategy is a recipe for success.

Employee Focus

An employee-centric focus is the second of the three focuses used by the list of 10 entrepreneurs. Companies who employ this strategy put a premium on the quality of their employees, stressing factors such as pay, culture, and environment when constructing a model of success. By improving the quality of the lives of their employees, companies expect to improve the overall quality of work performed. The result of internal investment in employees generally leads to happier workplaces in which individuals are increasingly positive and productive. Employee-centric companies reduce turnover and are able to hire and retain top talent. They also empower their employees to take ownership of their careers, opening new avenues for internal improvement and innovation that would be otherwise unavailable. In similarity to models that stress customer focus, the employee-based model is also diverse in application and is exemplified in the operating strategies of both Starbucks and the Ford Motor Company. At the onset of their companies, both Henry Ford and Howard Schultz adopted business models that emphasize employee well-being. While they operate in completely different industries, each has been the beneficiary of personal and financial rewards resulting from the employee-based model.

Ford

Henry Ford didn't invent the American automobile or the assembly line, but his role in the creation of the first widely affordable car and implementation of innovative manufacturing processes forever changed the automotive industry. While Ford's success was deeply rooted in the systems of production the Ford Motor Company employed, its fame can also be attributed to a strong executive commitment to its employees. In addition to starting a manufacturing revolution, Ford's employee-centric labor philosophy revolutionized the landscape of blue-collar manufacturing jobs in the US. Much of the power of the Ford Motor Company's business model was derived from its fair treatment of workers. Ford identified that he could create increased value for his customers if his company and workers were more efficient at producing cars. Improved efficiency would increase mass production of his vehicles, driving the price per unit down while selling more units at equally high margins. That's why, in 1914, Ford offered the nation's first \$5 per day wage (about \$120 in 2015), more than doubling the previous rate for most of his workers.

Ford was a pioneer of welfare capitalism, meaning that he believed in providing services and opportunities to his employees. In addition to showing a genuine interest in the lives of many, Ford also understood the internal value that could be generated from a workforce with an improved quality of life. A well-paid, well-treated employee is far more likely to do good work than an unhappy one, and a company filled with happy, productive employees is far more profitable than one that is not. This management style was in stark contrast to the industry competition at the time, and served to draw top

engineering talent away from competitors. With a highly motivated workforce and excellent internal talent, the Ford Company was able to capitalize even further on its existing systematic comparative advantages.

Starbucks

Howard Schultz purchased Starbucks in 1987 from its previous owners for \$3.8 million. He took over a company that had a big footprint in Seattle, Washington, but was largely irrelevant outside of the metropolitan area. In order to change the fortunes of the company and apply his vision for success, Schultz would have to revamp the company's business model and put together a strategy for effective implementation. In addition to his proactive infrastructure investment program, which will be explained later in the systems-focus section, Schultz has dedicated significant time and money over the course of his executive career into the training and development of a superior Starbucks workforce.

In his return to Starbucks in 2008 after an eight year hiatus, Schultz did the unthinkable and closed the chain's 7,100 locations for a mandatory evening of employee training. In 2007, Schultz released a now-famous memo to the Starbucks management team detailing the abysmal state of affairs throughout the company's stores. Interestingly enough, the company's brand hadn't suffered with consumers during this period of slowed growth. Rather, employee focus and decision making (from vice presidents to baristas) was way off track. In his new employee-focused model, immediate emphasis was going to be placed on the improvement of internal operations. As the primary focus in a company-wide turnaround effort, employees were given an entirely new mantra.

Schultz's new model called for the end of Starbucks' "growth-over-everything" approach and instead called for responsible, sustainable growth²². Store employees were retrained in efficiency-improving procedures and told to focus on activities that would benefit the company as a whole. Executives were reined in from their market driven expansionary approach, instead told to focus on responsible expansion. This new focus was externally unpopular at first, but designed to create long-term value for Starbucks, its customers, and shareholders.

Collective Analysis

The strategy of identifying room for internal investment in a firm's human resources can pay huge dividends in the short and long term. By paying, training, and treating employees better, firms maximize the potential of their internal talent. Happy people are generally productive people, and increased productivity results in increased profit. Efficient, money-making firms also generate more value per capita for their customers and shareholders.

Systems Focus

The systems focus offers perhaps the most room for creativity and innovation from entrepreneurs in regard to business models. In this approach, leaders are given incredible freedom to develop systems that, when implemented correctly, serve to optimize factors of production, impact internal standardization, and raise operating

²² "Starbucks' Quest for Healthy Growth: An Interview with Howard Schultz." *Starbucks' Quest for Healthy Growth: An Interview with Howard Schultz*. McKinsey Quarterly, Mar. 2011. Web. 18 Nov. 2015.

efficiency. A number of entrepreneurs on this list have developed and adopted innovative systems that aid in providing a competitive advantage in the marketplace. Ray Kroc, Sam Walton, Henry Ford, Elon Musk, and Jeff Bezos are prime examples of the effectiveness of this approach across multiple industries.

McDonald's

When Ray Kroc purchased McDonald's in 1961, he did so with a vision for the company's future growth and success. An excerpt from the Ray Kroc Story on McDonald's website details his vision: "Ray Kroc wanted to build a restaurant system that would be famous for providing food of consistent high quality and uniform methods of preparation. He wanted to serve burgers, buns, and fries that tasted just the same in Alaska as they did in Alabama"²³. Kroc understood that an effective franchise would have to maintain unyielding standards of quality and service in order to give customers a unique and consistent eating experience. In order to do so, Kroc needed to develop a business model that would standardize all of McDonald's procedures.

Kroc's business model utilized his "Three Legged Stool" principle, focusing equally on franchisees, suppliers, and employees to achieve success. Prospective franchisees were encouraged to buy into the franchise at comparatively low cost and interest rates. Once a partner, franchisees were then encouraged to invest their own money in McDonald's, tying their personal fortunes to that of their employer. Also in 1961, Kroc launched the Hamburger University, a company-wide training program for managers designed to teach the values and management techniques necessary for

²³ "The Ray Kroc Story." :: *McDonalds.com*. McDonald's Corporation, n.d. Web. 18 Nov. 2015.

franchisees to operate a McDonald's restaurant. With emphasis on "Quality, Service, Cleanliness and Value", Kroc effectively standardized employee and manager operations by conveying and holding them to an expected standard of excellence.

Along with human standardization, Kroc was a pioneer in setting technological and operational standards. Variance in cooking and serving processes were kept to a minimum with the implementation of assembly line food production principles designed to optimize cooking times. Customer turnover and speed of sale were maximized with the implementation of multiple registers, improving efficiency at the point of sale and allowing for the faster sale of product. Finally, Kroc focused on developing suburban areas to establish a trusting relationship with the customer at a young age. Also, these areas contain densely-packed population of McDonald's target market, the average family and consumer. This would ensure that Kroc's standardized product was being purchased by the ideal customer, allowing for better understanding of the consumer and giving McDonald's the ability to market specific products and meals to a homogenized audience.

Kroc's intense attention to detail didn't stop with franchisee training, but rather extended to all aspects of McDonald's operation. To ensure universal quality consistency, McDonald's ensured that every single ingredient was tested and tasted extensively in order to perfect each item on the menu. McDonald's explosive expansion necessitated an advanced system for the adequate supply of goods to each franchise. The growing volume of orders combined with massive potential for sustained future growth had suppliers clambering to come aboard. Kroc's shared vision for success allowed him to develop the most innovative, efficient, and integrated supply system in the fast food

industry. Many of the supplier relationships founded in McDonald's early years still exist today.

Wal-Mart

After Sam Walton's early success owning and operating a single Ben Franklin store, he began looking for opportunities to improve upon his existing business model and expand further into the retail industry. Walton wanted to target rural areas where he knew his business model could dominate competition and benefit local consumers. With the post-war baby boom, Walton knew that small towns were only going to get bigger, and that demand for retail goods would quickly increase. The First Wal-Mart opened on July 2, 1962 in Rogers, Arkansas. Walton was determined to market and sell only American-made products, and tirelessly sought out American manufacturers who could supply merchandise at a low enough price to be competitive with foreign producers. His patriotic domestic focus created an instant connection with customers and suppliers, one that Walton was able to later leverage to the mutual benefit of all parties.

The Wal-Mart model's systematic brilliance is the result of a number of combined factors related to distribution, logistics, and technology. Walton's vision for a one-stop-shop supermarket placed emphasis on wide range of well-stocked American made products. Larger size and scale allowed the company to purchase bulk orders of product, benefitting local suppliers with huge order increases. Bulk purchasing also resulted in lower purchasing price, in turn allowing Wal-Mart to sell at a lower price while maintaining competitive margins. But the true genius of Walton's business model didn't

relate to bulk purchase, but resulted rather from an innovative logistics and distribution strategy that capitalized on intelligent regional placement.

Contrary to the prevailing retail practice in the time of placing stores in the most densely populated areas as possible, Sam Walton sought out small towns within a day's drive from Wal-Mart's regional distribution warehouses. Stores located within a one day drive allowed for efficient stocking of product, diminished wasted space and time in inventory, and the fastest production to sale chain in the retail business. Walton implemented cutting-edge in-store inventory tracking methods to ensure product was always stocked as quickly and efficiently as possible. Efficient delivery via smart distribution and logistics patterns allowed Wal-Mart to beat competitors prices in the purchase and sale of discounted name brand merchandise.

Massive, sustained growth in rural (and later, urban) areas allowed for increased volume, better distribution, increased buying power, less comparative inventory space and quicker product turnover. The company had struck system-gold, and the strategic implementation of the volume purchasing, logistics driven model has been a perennial winner since its inception.

Amazon

For over 40 years, the Wal-Mart retail model dominated the US and global retail landscape. That is, until Jeff Bezos introduced the online retail concept in 1995 with the launch of Amazon.com. Much like what Reed Hastings would later build in the movie industry, Amazon's development strategy was based on an online model that took advantage of lower operating costs compared to physical competitors. The increased

efficiency, selection, and convenience of the internet allowed for national and global expansion with a speed and flexibility that traditional retailers simply could not match. At its inception, Amazon essentially created an entirely new retail market that was free for the taking if Bezos could effectively manage the company's growth.

Amazon debuted as an online book retailer that claimed to offer over 1 million titles, offering customers over half a million more titles than the inventory at any of the world's biggest bookstores, with the convenience of purchase and delivery only a click away. How did the company amass such a massive inventory in such a short time? Using the \$54 million raised in its 1997 IPO, Bezos re-invested everything into a "Get Big Fast" expansion model. Understanding that his market was about to grow exponentially in the coming years, Bezos invested in building a physical infrastructure to support the inevitable increase in orders. He spent \$200 million in 1999 on 12 new regional distribution centers across the US. These centers were smartly placed in established distribution hubs, allowing for fast and efficient shipping of product anywhere in the nation.

Bezos also understood that Amazon's growing number of orders could be processed most effectively by a fully automated system. In addition to heavy infrastructure investment, Amazon spent millions to develop an automated system that could handle its growing business. By investing early and heavily in infrastructure and automation, Amazon was able to turn its later focus to the customer and use feedback and purchasing patterns to refine its processes and product selection.

Ford

In addition to its emphasis on the employee, The Ford Motor Company's massive growth can be attributed in large part to the success of the innovative production systems it employed since its founding almost a century ago. Early on, The Ford Company built simple, reliable, cheap cars for the masses. But Henry Ford was not satisfied with the early success. In order to build a product that could be sold at a lower price to more customers, Ford knew that he would have to find a way to build cars more efficiently.

Ford's inspiration for the first automotive assembly line came from observing the continuous flow production used in canneries, breweries, and bakeries and especially the disassembly of animal carcasses in Chicago's meat packing plants. He noticed that the continuous process eliminated costly stops and starts required in traditional automobile construction. If the Ford Company could adopt this method, production capacity would skyrocket.

Ford broke the old production process into 84 separate steps, teaching one step to a group of workers at each stage along the assembly line. He then hired motion-study expert Frederick Taylor as an efficiency consultant for the company. The resulting innovation--the moving-chasse-assembly-line--blew previous production times out of the water. With the introduction of the mechanized belt on the assembly floor, production of Ford cars was cut from over twelve and a half hours to under six. Within a year, that time was cut to an astounding 93 minutes²⁴. That meant that Ford could now produce over seven cars in a fraction of the time, resulting in significant price cuts, retained margins, and serving to widen the customer base to nearly every American in the US.

²⁴ "Moving Assembly Line at Ford." *History.com*. A&E Television Networks, n.d. Web. 19 Nov. 2015.

Tesla

Like Ford in the early 1900s, the Tesla brand of the 2000s was a global symbol of performance and innovation. Unlike Ford, however, Tesla's roots run opposite of the traditional auto-company. Elon Musk took an active role as an investor in Tesla in 2003, but it was not until 2007, after firing much of Tesla's existing executive team, that he took control of the company's strategy and development. Unlike previous management, Musk was highly in tune with the capabilities and limitations of Tesla in its infant stages. He used this understanding to develop a unique strategy that runs almost opposite of the accepted model in the automotive industry.

Because of the major startup limitations related to the production of the first Tesla Roadster, Musk worked in reverse. Ignoring the benefits of economies of scale he instead focused on building a high-performance sports car that would be competitive with gasoline alternatives in performance and price. The Roadster's initial success was a result of Musk's refusal to compromise on quality, which in turn served to establish Tesla's brand as an innovative, high-performance, environmentally conscious vehicle in a highly competitive marketplace. From there, Tesla's business model got even more creative.

Traditional automotive sales revolve around the dealership model. Established companies like Ford, GM, and Toyota mass produce product and ship inventory around the world to be sold in licensed dealerships. These companies receive and fill dealership orders, from which interest is paid proportional to the quantity of stocked product. This is all well and good if you have well established production and distribution channels but, again, Tesla did not. As a result of these significant limitations, Tesla had to come up with a new way to market and sell its cars. Tesla's solution to this problem is a three

pronged model that utilizes direct sales, service, and continued development of its supercharger infrastructure to bypass the entrenched dealership model²⁵. Direct sale allows Tesla to target consumers directly. Tesla employees teach consumers about the cars, and offer test drives and other information to those seriously interested. In this way, Tesla is increasing population awareness of its brand while promoting it directly to a larger audience.

Committed investment in the supercharger station infrastructure has also been key in Tesla's growth. As Bezos understood in Amazon's early development, infrastructure spending is crucial when establishing a unique brand. Like Amazon, Tesla is pioneering the pure-electric car market. For customers to be confident in the product, there needs to be an established and proven infrastructure capable of taking care of their future needs. This massive up-front investment in infrastructure, research and development, and marketing serves to establish the brand and set it up for sustained growth.

Collective Analysis

Nine times out of ten, companies that maximize their efficiency are helping to maximize their success. There are many ways to create value for the consumer but, in general, companies like McDonald's, Wal-Mart, Ford, Amazon, and Tesla do so through superior systems and execution. Henry Ford was a pioneer of the efficient market when he introduced the assembly line to the automotive industry. McDonald's was able to gain a competitive advantage by encouraging franchisees to buy into the system and, once acquired, providing them with extensive training in standardized operations. It took

²⁵ "What Makes Tesla's Business Model Different? (TSLA,GM)." *Investopedia*. Investopedia LLC, 21 July 2015. Web. 17 Nov. 2015.

standardization to the next level, developing efficient cooking and sales methods to maximize customer turnover in a comfortable environment. Wal-Mart created an integrated logistics network capable of providing industry-leading distribution and inventory management. It created value for customers through the bulk purchase of domestic products, driving down prices and creating a cycle of ever-increasing bargaining power with suppliers. In this image, Amazon created an entirely new retail market through a cost-cutting system that provided customers with superior convenience and selection.

V. Institutionalization

Longevity is one of the best indicators of business success. In the highly competitive global market, firms that are able to beat the competition deserve a lot of credit. More so than credit, they deserve to be studied, because their success is evident of deeper factors at work. Approximately 543,000 new businesses get started each month in the United States. Unfortunately for upstart businesses, the forecast for a sustainable future isn't very bright. Statistics estimate that only 7 out of 10 firms survive at least two years after they open. In 5 years, the dropout rate falls to about 50%, and only one third of firms will make it 10 years. Taking that one step further, only a quarter of firms have what it takes to stay in business 15 years or more²⁶.

Of the primary businesses started by this list of 10 entrepreneurs, ten out of ten have been operating for over 10 years. Seven have been in business for over 15 years. Five for over 25 years. Four for more than 50 years. And one, The Ford Motor Company, has been in business for more than 100 years. That's an incredible collection of talent. Obviously, these firms are doing something right. The last chapter focused on business model analysis; identifying the shared patterns that led to individual and combined success. This chapter, titled Institutionalization, will focus on how businesses begin and continue the process of harnessing initial successes and creating companies that have solved the longevity problem.

The list of entrepreneurs has previously been broken down into the categories Industry Founders, Industry Disruptors, and Industry Mutators. There are two founders,

²⁶ Nazar, John. "16 Surprising Statistics About Small Businesses." *Forbes*. Forbes Magazine, n.d. Web. 20 Nov. 2015.

four disruptors, and four mutators in total. Whether they were creating new products, new markets, or changing the status quo, each was constantly refining their business to improve chances for long term success. This is incredibly challenging to accomplish because, as the statistics show, it's hard enough to stay afloat in competitive markets. Before it can look ahead, a growing business has to take care of the itself in the present. This means accounting for hundreds of factors like staffing, marketing, product development, and financing. If a business can't effectively provide for itself in the present, then it has no chance of proactively planning for the future. Entrepreneurs from this list understand this concept, and were able to consistently meet their company's short term needs. While doing so, each was able to lay a foundation for continued success. This required them to continuously look ahead in order to position their companies in the best possible place for the future.

For Howard Schultz and Jeff Bezos, institutionalization was the result of proactive investment in infrastructure. When Starbucks was young, Schultz was actively investing to create a resource network capable of sustaining growth year after year. This meant investing in real estate for new locations, distribution centers, and improving factors of production. In an interview with the McKinsey Quarterly magazine, Schultz pointed out that young entrepreneurs can't be afraid to spend money in the short term in order to make money in the long term. This is not to say that businesses should ignore making risky decisions; financial decisions should only be made after assessing the costs and benefits associated with any transaction. But the lesson does presume that, at some point in their careers, entrepreneurs will need the guts to make forward-thinking decisions. Despite the company's enormous growth, Starbucks actually operated at a loss

in 1987, 88, and 89. Schultz's strategy of proactive investment didn't begin to pay off until the 90s, when the company experienced 300% growth from 1990 to 1992²⁷.

Comparisons between Starbucks' impact on the coffee market and Amazon's on the budding online retailing market are numerous. Amazon's early success in the online book-selling market, combined with a successful IPO, supplied the company with a pile of cash that would make other companies drool. Massive amounts of cash allow companies to bypass the normal capital restrictions that restrain growth for most firms. Like Schultz, Bezos adopted an early financial strategy of aggressive investment in infrastructure. For Amazon, this meant building a vast physical infrastructure to support its rapidly growing online activity. Bezos' "Get Big Fast" strategy extended to all parts of his business. Distribution centers were strategically placed at trading hubs across the nation and, later, the globe. Aggressive investment in automation increased operating efficiency and lowered cost. Amazon's complex interface allows for the rapid sorting of orders and organizes efficient distribution. It's collaborative filtering feature allows for the personalization of user purchase histories, providing buying suggestions that drive future business. By implementing these and other innovative processes, Bezos was able to build a company that was self-sustaining in the short term and well-positioned for online expansion at the turn of the century.

Starbucks' and Amazon's explosion of growth and revenue in the 90s and early 2000s is validation of Schultz and Bezos' aggressive investment strategies. By 1990, the specialty coffee market had officially arrived and revived the US coffee market on a larger scale. In total, the industry saw a 3,000% increase in activity in the following

²⁷ Koehn, Nancy F. "Howard Schultz and Starbucks Coffee Company." *Harvard Business Review* (2005): 1-24. *Harvard Business School*. Web

decade²⁸. Likewise, Amazon basically created the online retailing model that dominates the current market. From nothing 20 years ago, online retail sales surpasses \$300 billion in 2014²⁹. That is an insane amount of growth in both industries over a relatively short period of time. As pioneers in their respective markets, Schultz and Bezos should be held in high regard.

Industry Founders

Industry founders have the incredible opportunity to grow and expand in new markets in which the possibilities are literally endless. These new spaces lack the direction provided by market pioneers in well-established historical industries. As such, the actions taken by industry founding entrepreneurs have far more impact on founding company's chances for long term success. In addition to intelligent growth strategies, much of Jeff Bezos' success with Amazon can be attributed to the company's timing as a founder of online retail. Like Amazon, Facebook was one of the first companies to venture into the developing social media market in the early 2000s. At Facebook's time of entry, the market had little competition. Mark Zuckerberg's ability to effectively capture a huge population in the infant social media market earned the company a record-breaking early valuation and, like Amazon, an enormous amount of money to spend. Responsible and expansionary-focused spending over the next few years allowed Facebook to expand faster than almost any company the world had ever seen. Fast-

²⁸ Koehn, Nancy F. "Howard Schultz and Starbucks Coffee Company." *Harvard Business Review* (2005): 1-24. *Harvard Business School*. Web

²⁹ Enright, Allison. "U.S. Annual E-retail Sales Surpass \$300 Billion for the First Time." *US Annual E-retail Sales Surpass \$300 Billion for the First Time; E Commerce Growth Statistics*. Vertical Web Media, 17 Feb. 2015. Web. 21 Nov. 2015.

forward ten years later, and the company boasts over 1 billion daily active users. It is clear that the effects of Facebook's timing as a market founder has made it much more than a normal company. At this point, Facebook is a global institution.

Industry Disruptors

Industry Disruptors are also presented with a unique opportunity to impact the markets in which they and their products enter. Disruptive products, by nature, quickly acquire underserved segments of the market. By entering at the lower ends, these companies also maximize the potential for expansion into mass markets. Reed Hastings, Nick Woodman, Henry Ford, and Steve Jobs all created products that disrupted the existing competition. Of the four, Hastings, Ford, and Jobs have successfully institutionalized their companies. Woodman, the odd man out, has still managed to make impressive headway into an established industry. While he hasn't captured the majority of the camera market, the action sports and high-performance niche that GoPro occupies is significant and growing.

The institutionalization of Netflix follows a similar path as Amazon, the company in which founder and CEO Reed Hastings admits he stole his early business model from. In the late 1990s, Blockbuster dominated the movie rental market, with over 70% of rentals coming from its stores. Hastings had yet to create Netflix, and investors considered it to have a bright future. But the market had no idea what was coming. Blockbuster officially filed for bankruptcy in 2010, and by 2015 Netflix's market cap now exceeds \$52 billion. Obviously, something significant happened within a 10-20 year period that completely shifted the fortunes of both companies.

Netflix became a modern institution by capitalizing on technological and consumer changes at the turn of the century. The Netflix-Blockbuster relationship is similar to the relationship between Amazon and physical retailers during the online retail revolution. Blockbuster and other physical movie stores were ill-equipped to deal with a technology shift and slow to react to a changing market. In contrast, Netflix built a company to take advantage of shifting consumer needs. As customers started to demand increased product selection and convenience, Netflix positioned itself to be their primary provider. With the rise of the internet, Hastings recalls taking a leap of faith and investing heavily in the emerging video-on-demand market. That decision has turned out to be one of the best the company has ever made, and has served to completely change its long term outlook. Following the evolution of its major service as a provider of physical media, Netflix has grown its digital brand into a distinct cultural phenomenon. Its convenience allows the company a welcome daily presence in the homes of its customers. Today, Netflix is a household name as a provider of convenient high-quality digital media.

When speaking to the impact technology can have on culture, one would be remiss not to mention Steve Jobs or Apple. The institutionalization of Apple has everything to do with culture, and the man behind Apple deserves all the credit for bringing the company to where it is today. Following his return in 1997, Apple transitioned from a middling consumer electronics company to be the creator of the world's premier tech-culture device.

The introduction of the iPod in 2001 marked the beginning of a major product-driven shift in the way music and media were delivered to consumers. The iPod

combined intelligent hardware with an innovative software platform that brought the same aspects of convenience and selection utilized by Amazon and Netflix to the average music lover. Apple marketed itself as a hip, youthful, and intuitive product that was immediately accepted by customers of all backgrounds and ages. In the following years, Apple continued to release improved models that stayed on the cutting-edge of technology. Next, in 2007, Apple released the iPhone, a product that would have a similar revolutionary effect on the cell phone market. The introduction of the smartphone, much like the iPod in 2001, was all about being functional, appealing, and forward-thinking. Apple, claiming ownership of two of the most influential consumer electronics of the decade, had cemented itself as a short term and long term institution.

Industry Mutators

Industry Mutators function differently than industry founders and disruptors. Mutators don't exactly cause disruption through entrance at the low-end of the market like their disruptive peers. Rather, mutators seriously alter market activity by developing innovative products and business models that have far-reaching impact across various areas of the market. For example, unlike Netflix, which disrupted the video rental market by entering the lower rentals-by-mail area, a mutating company like Wal-Mart changes aspects of accepted business models to take advantage of underserved markets. The institutionalization of Wal-Mart happened because of its intelligent combination of volume purchasing, store placement, logistics and distribution, automation, and standardization of employment practices. The same can be said for McDonald's, who like Wal-Mart wasn't first to market in the fast food industry but still managed to gain

massive traction with effective training and standardization practices in its franchising model.

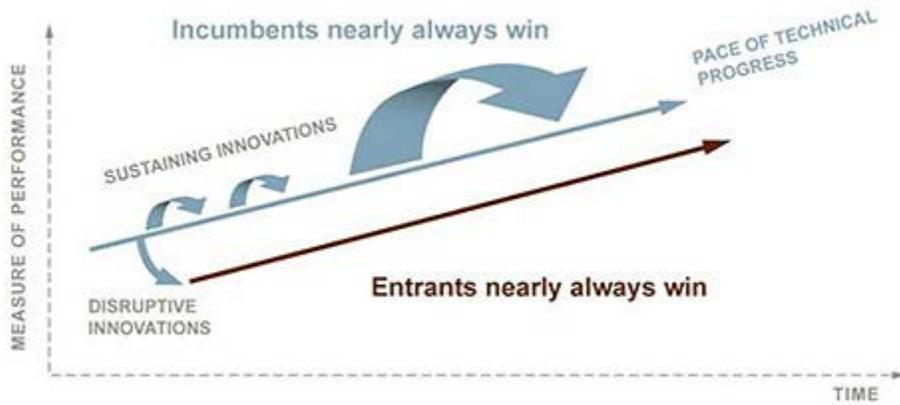
VI. Conclusion

The many factors that are involved in the entrepreneurial process make for a difficult analysis of any single entrepreneur, let alone ten of them. This thesis has been able to break down the entrepreneurial process into an entrepreneur's formative years, ideation and marketplace dynamics, business models and strategy, and institutionalization. Henry Ford, Mark Zuckerberg, Sam Walton, Elon Musk, Nick Woodman, Steve Jobs, Howard Schultz, Jeff Bezos, Reed Hastings, and Ray Kroc constitute a cross-industry group of highly successful business leaders. While their backgrounds and influences differ in the beginning, patterns arise out of inherent skills and tendencies that allow for entrepreneurial categorization as revolutionaries and architects. This categorization, along with the distinction between entrepreneurs who are either founders, disruptors, or mutators, creates distinct groups whose separation allows for in depth analysis based on similarities and differences.

What has been determined is that entrepreneurs, specifically disruptive and innovative entrepreneurs, can be categorized based on their skills and interests at an early age that later manifest themselves into certain types of business models and strategies based on these skills and interests. The process of concept ideation and model evolution, specifically as it relates to disruptive innovation, may lend itself to potential institutionalization of a company's core product or service provided that the company and

entrepreneur have established a foundation for continued success. This success can be based in any combination of financial, cultural, or organizational factors, but will ultimately result in institutionalization if able to properly leverage the companies competitive advantages in the marketplace.

Figure 1. Christensen's Disruptive Innovation Curve for Incumbents



Christensen's Graphic Depiction of Disruptive Entrant's Impact on Existing Industry

(www.claytonchristensen.com/key-concepts/)

References

- "Amazon.com: Evolution of the E-Tailer." *Graduate School of Business Stanford University* (n.d.): 1-20. *Harvard Business School*. Web.
- Biography.com Editors. "Howard Schultz." *Bio.com*. A&E Networks Television, n.d. Web. 13 Nov. 2015.
- "Car Dealerships in America." *Wikipedia*. Wikimedia Foundation, n.d. Web. 21 Nov. 2015.
- Copeland, Michael V. "Reed Hastings: Leader of the Pack." *Fortune Reed Hastings Leader of the Pack Comments*. *Fortune.com*, 18 Nov. 2010. Web. 21 Nov. 2015.
- D'Onfro, Jillian. "11 Elon Musk Quotes That Show His Genius." *Business Insider*. Business Insider, Inc, 11 Sept. 2013. Web. 12 Nov. 2015.
- Enright, Allison. "U.S. Annual E-retail Sales Surpass \$300 Billion for the First Time." *US Annual E-retail Sales Surpass \$300 Billion for the First Time; E Commerce Growth Statistics*. Vertical Web Media, 17 Feb. 2015. Web. 21 Nov. 2015.
- "Ford Motor Company Timeline." *Ford Corporate*. The Ford Motor Company, n.d. Web.
- "GoPro." *Wikipedia*. Wikimedia Foundation, n.d. Web. 21 Nov. 2015. 19 Nov. 2015.
- "GoPro | World's Most Versatile Camera | HERO4 Black Edition." *GoPro Official Website*. N.p., n.d. Web. 21 Nov. 2015.
- Heckman, James J. "Hard vs Soft Skills Training." *Focus* 21.2 (2013): n. pag. Print.
- "History of the Electric Car." *PBS*. PBS, n.d. Web. 19 Nov. 2015.
- "Home Page." *Clayton Christensen Home Page Comments*. N.p., 10 July 2012. Web. 21 Nov. 2015.
- "Howard Schultz on How to Lead a Turnaround." *Inc.com*. *Inc.com*, 01 Apr. 2011. Web. 21 Nov. 2015.
- "Jeff Bezos." *Bio.com*. A&E Networks Television, n.d. Web. 21 Nov. 2015.
- "Kodak Worth More in Breakup With \$3 Billion Patents: Real M&A." *Bloomberg.com*. Bloomberg, n.d. Web. 21 Nov. 2015.

- Lapowsky, Issie. "Why GoPro's Success Isn't Really About the Cameras." *Wired.com*. Conde Nast Digital, n.d. Web. 21 Nov. 2015.
- Leiner, Barry M., Vinton G. Cerf, David D. Clark, and Robert E. Kahn. "Internet Society." *Brief History of the Internet*. Internet Society, n.d. Web. 19 Nov. 2015.
- Lubin, Dylan Love and Gus. "13 First-To-Market Products That Failed." *Business Insider*. Business Insider, Inc, 25 May 2011. Web. 19 Nov. 2015.
- Mac, Ryan. "Five Startup Lessons from GoPro Founder and Billionaire Nick Woodman." *Forbes*. Forbes Magazine, n.d. Web. 12 Nov. 2015.
- "Moving Assembly Line at Ford." *History.com*. A&E Television Networks, n.d. Web. 19 Nov. 2015.
- "Musk Defends Receiving \$4.9 Billion in Government Support for Tesla, SolarCity and SpaceX." *RT English*. Autonomous Nonprofit Organization, n.d. Web. 19 Nov. 2015.
- Nazar, John. "16 Surprising Statistics About Small Businesses." *Forbes*. Forbes Magazine, n.d. Web. 20 Nov. 2015.
- "Reed Hastings | Biography, Pictures and Facts." *Famous Entrepreneurs*. Famous Entrepreneurs.com, n.d. Web. 21 Nov. 2015.
- "Reed Hastings." *Wikipedia*. Wikimedia Foundation, n.d. Web. 21 Nov. 2015.
- "Starbucks' Quest for Healthy Growth: An Interview with Howard Schultz." *Starbucks' Quest for Healthy Growth: An Interview with Howard Schultz*. McKinsey Quarterly, Mar. 2011. Web. 18 Nov. 2015.
- "The History of Fast Food in America." *The History of Fast Food in America*. AccuPOS, n.d. Web. 20 Nov. 2015.
- "Top 20 Facebook Statistics - Updated May 2015." *Zephoria Inc*. N.p., 18 Oct. 2015. Web. 17 Nov. 2015.
- "The Ray Kroc Story." :: *McDonalds.com*. McDonald's Corporation, n.d. Web. 18 Nov. 2015.
- "What Makes Tesla's Business Model Different? (TSLA,GM)." *Investopedia*. Investopedia LLC, 21 July 2015. Web. 17 Nov. 2015.

"Understanding Facebook Business Model." *Understanding Business Models*. BMI Matters.com, 10 Apr. 2012. Web. 21 Nov. 2015.

Zucchi, Kristina. "What Makes Tesla's Business Model Different? (TSLA,GM)." *Investopedia*. Investopedia LLC, 21 July 2015. Web. 21 Nov. 2015

Rampton, John. "12 Hot Business Lessons from Starbucks CEO Howard Schultz." *Inc.com*. Inc.com, n.d. Web.

Zhao, Hao, and Scott Siebert. "The Big Five Personality Dimensions and Entrepreneurial Status." *PsycNET*. American Psychological Association, n.d. Web. 10 Nov. 2015.

Harvard Business Review:

"Amazon.com: Evolution of the E-Tailer." *Graduate School of Business Stanford University* (n.d.): 1-20. *Harvard Business School*. Web.

"Building a Business Model and Strategy: How They Work Together." *Harvard Business Review* (2005): n. pag. *Harvard Business School Publishing Corporation*. Web. 15 Oct. 2015.

Koehn, Nancy F. "Howard Schultz and Starbucks Coffee Company." *Harvard Business Review* (2005): 1-24. *Harvard Business School*. Web

Mayo, Anthony J., and Mark Benson. "Bill Gates & Steve Jobs." *Harvard Business Review* (2010): 1-19. *Harvard Business School*. Web.

Rothaermel, Frank T. "Tesla Motors (in 2009) and the U.S. Auto Industry (Case A)." *Harvard Business Review* (n.d.): 1-25. *Harvard Business School*. Web.

Shih, Willy, Stephen Kaufman, and David Spinola. "Netflix." *Harvard Business Review* (2009): 1-15. *Harvard Business School*. Web.