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Global Crisis? Opportunity for Entrepreneurs!

Thank you Bruce.

It's great to be back on the Brandeis campus – and I'm glad my parents were able to join me for such a wonderful occasion.

This campus is very special to me. I grew up ten minutes away - in Newton - and would come here for swimming classes. So I guess I owe Brandeis for literally teaching me how to keep my head above water!

I'm grateful to the International Business School and to Len Asper for honoring me with the 2009 Asper Award for Global Entrepreneurship – the first for a social entrepreneur.

Earlier this month, I gave a talk at Harvard Business School about the great fortune I've had to participate in the 10-year transformation of social entrepreneurship. What began as the cause of a loose band of renegades -- determined to shake up the non-profit sector by using private-sector approaches to solving social problems -- has become a globally recognized and growing movement.

What I said to the group of assembled social entrepreneurs was: *"We've come a long way baby!"*

Surprisingly, the same is true for what Endeavor calls High-Impact Entrepreneurship in places like Argentina, Brazil, Turkey and Egypt. Ten years ago, in each of these countries, there was no word in the local language for entrepreneur.

It was my simple discovery of this fact that led me down the path to launch Endeavor and establish a global support network for those emerging-market entrepreneurs with high-growth, innovative businesses.

The "Aha!" Moment

It all started while I was riding in the back of a taxi cab in Buenos Aires. I struck up a conversation with one driver who told me he had an engineering degree.

I asked him why he was driving a cab; shouldn't he be an entrepreneur? To which he replied, "A what?"

"An entrepreneur I repeated," you know someone who starts a business.

“Oh you mean an *empresario*,” he says, referring to the Spanish word for big businessman, which was associated more with corruption and greed than innovation and growth.

“No not an *empresario*, an entrepreneur, what’s the Spanish word for entrepreneur?” I asked. To which he just shrugged his shoulders and said “I don’t know, I’ve never heard of this word before.”

This was back in the late 1990s when American universities were abuzz with students talking about how their start-up idea would change the world.

It was when two computer science grads named Sergey and Larry were testing out their idea to revolutionize Internet search; when Pierre Omidyar managed to sell a broken laser pointer on a new e-commerce site for \$14.83; and when a guy named Jeff Bezos took a cross country drive from New York to Seattle, along the route developing a business plan to sell books online.

It was also a time when people were thinking about how to make a social impact with their ideas. Like my friend Wendy Kopp whom I met while she was writing her Teach for America business plan, brilliantly disguised as her Princeton senior thesis.

In 1989, Wendy had managed to persuade me to become her first campus recruiter for TFA and nearly convinced me to drop out of Harvard altogether. I remember telling her, though tempting, I wasn’t quite ready for the Bill Gates drop out model.

But nearly a decade later, after graduating from Yale Law School and then working for Bill Drayton at Ashoka, I’d discovered my inner social entrepreneur. Everywhere I’d go, I’d look around wondering:

Where’s the need, the gap, the pain point? What’s being overlooked by both the government and the private sector? Where’s the opportunity to fill a need or bridge a gap?

For me, that entrepreneurial “aha!” moment came while riding in that cab in Buenos Aires.

I’d been living in Argentina for some time and noticed the astonishing gap between rich and poor. The middle class didn’t seem to exist. The story was the same when I traveled to places like Brazil and Mexico.

I’d also noticed another gap – in financing. During the 1990s micro-lending organizations were on the rise, giving out \$50 and \$100 dollar loans to poor people launching small-scale businesses.

Meanwhile, private equity and foreign direct investment were said to be flourishing throughout Latin America. But only the 10 wealthiest families, who for generations

owned the 10 biggest businesses in each country, appeared to be able to access the \$10-50MM “risk” equity capital.

The young entrepreneur who had gotten started but had reached an inflection point didn’t have anywhere to go. There was nowhere for him to seek advice or financing. There were no established mentor networks. There were no self-made role models.

Heck, there wasn’t even a word for what that entrepreneur was doing!

So in that cab, when I heard the driver tell me that his engineering degree and ingenuity guaranteed no real opportunity for self-fulfillment, I knew there had to be a better answer.

In 1997, I co-founded Endeavor to identify and support High-Impact Entrepreneurs in emerging markets – those with the biggest ideas and most ambitious plans.

Our stated purpose was to establish High-Impact Entrepreneurship as THE leading and most widely accepted force for global economic development.

Our unstated purpose was to put the word *emprededor* (or *empreendedor*) in every Spanish and Portuguese dictionary – and eventually to put the equivalent word in every Arabic dictionary too. We wanted to inspire engineers and others in emerging markets to believe *they* could become the next global business icon.

My timing for this venture couldn’t have been better.

Just as Endeavor was getting off the ground, the Thai Baht collapsed, sparking the Asian financial crisis that gripped the region and spooked all the financial markets in 1997. This idea to support emerging market entrepreneurs, I was told over and over, would surely fail.

Against that backdrop, I hit the pavement to prove that an emerging market crisis was the BEST time to launch Endeavor. (Of course, I needed creative methods to garner support, so I began my Endeavor career as, well, a STALKER... But that’s another story).

It wasn’t easy. Like most entrepreneurs, I had a number of doors slammed in my face. I still have those “ding” letters from foundation after foundation telling me that we’d never get philanthropic funding because Endeavor wasn’t helping the “poorest of the poor”; we were “only” helping to build a *middle class*.

But intuitively I knew that crisis is when the BEST entrepreneurs have almost always emerged, as the recent special report on entrepreneurship published in last week’s *Economist* boldly proclaimed.

So in October 1997, my co-founder and I set off to Argentina and Chile to find examples of young people driving innovation and creating jobs in spite of the financial markets.

Argentina

Andy Freire and Santiago Bilinkis were two twenty-somethings who had just quit their very stable and well-paying jobs at Proctor & Gamble in Buenos Aires to start an office supply company called OfficeNet.

Andy and Santi's idea was simple – start an office supplies company that marketed through catalogs (*the Internet wasn't big in Latin America back in 1997*) and delivered directly to the customer – the Dell business model. Andy and Santi didn't want to spend money on rent, but rather on people whom they believed could run a really effective, profitable and transparent business.

But cynics told them, just like they told us, it couldn't be done. For starters, Argentina was notoriously corrupt.

Andy and Santi were told that they would have to cook the books. They were told they would have to pay bribes in order to get their suppliers to deliver on time. Any talk of making OfficeNet a so-called “clean company” and they'd be driven into the ground.

Oh, and there was the little matter of equity. When we found Andy and Santi, despite their impressive warehouse and even more impressive first-year revenues, the pair had precisely *zero* equity in their business. Nothin'. Nada. Nul.

You know what Endeavor did? Number one: we gave Andy and Santi a *seal of approval* that told them they were entrepreneurs with high-impact potential. That was an enormous confidence boost.

Number two: we helped Andy and Santi convince their angel investors to rewrite the terms of their agreement, so the entrepreneurs would be motivated to stick with the company as it grew.

Number three: we recruited an MBA from Stanford GSB to help develop an expansion plan for OfficeNet, and we connected the entrepreneurs with smart mentors who could help scale the model throughout Latin America... without paying bribes or cooking the books.

Finally, we put Andy and Santi in touch with Boston-based Staples Founder and (then) CEO Tom Stemberg -- a potential acquirer.

In 2004, Staples bought OfficeNet and helped it become the largest office supply business in Latin America. More importantly, the story of Andy, Santi and OfficeNet helped changed the playing field in Argentina. It showed how young innovators

with a new and transparent businesses model could, in fact, rise to the head of the pack.

Today, Santi leads Staples' operations throughout Latin America and mentors and invests in young entrepreneurs on the side. Andy started a new business that helps companies define their corporate HR culture, and his clients include top brass at Microsoft, Yahoo! and Google. Andy and Santi also have taken over the leadership of Endeavor Argentina's Board, as chairman and vice chair, helping us to fulfill Endeavor's dream of becoming an organization "of, by and for" entrepreneurs.

Brazil

Finding "diamonds in the rough" like Andy and Santi gave us the confidence to expand our model beyond our pilot operations in Argentina and Chile. In late 1999, we decided Endeavor was ready to tackle Brazil.

Of course, around that time, Brazil was struck by the "Asian flu". The Brazilian government decided it would float the currency rather than keep it pegged to the US dollar. The *real* plummeted more than 40% and foreign capital fled. Meanwhile, the country was facing a major domestic energy crisis.

Again, to our critics, Endeavor's timing could not have appeared worse. The only institutions that should be going to Brazil, I was told, were the IMF and General Electric. Endeavor had no business there.

I wonder, sometimes, if I *had* listened to these naysayers and gone into Brazil only AFTER the crisis has passed, would Endeavor ever have met Bento Koike?

The son of Japanese immigrants, Bento graduated from a Brazilian university with a degree in aeronautical engineering and an idea for producing cutting-edge wind blades for wind power turbines. Bento financed his education entirely through government scholarships, and resolved to "return the investment" by succeeding in his new venture.

In 1995, he launched Tecsis just outside Sao Paulo and secured one customer, Green Energy. By 2001 he had grown the business into a \$25 million dollar company with 600 employees.

But Bento had a big problem. Tecsis was a Brazilian company – thousands of miles away from where wind turbines were being used. Both the raw materials and customers resided in Europe and America, and the huge blades were nearly impossible to ship.

How could this unknown business "somewhere over in the rainforest" have any impact on the world's wind energy consumption?

Endeavor helped Bento with an expansion strategy. We provided him with legal advice on exporting and patenting and helped him determine the best capital structure and financing options for the company. Aware Bento was a “one man show,” we also recruited an MBA from Harvard Business School to go to work with him; eventually the HBS grad took over Tecsis’ operations for all of Europe.

And when General Electric came knocking on Bento’s door, The Chairman of Endeavor Brazil, Beto Sicupira, helped guide Bento in his negotiations with the multinational giant.

Today, Tecsis is a \$500MM company (*yes, half a billion dollars!*) with 5000 employees, mainly in Brazil. The company has captured more than 66% of the wind energy market here in the United States. And Bento recently signed a \$1 billion dollar deal with General Electric.

When I caught the “Special Report on Entrepreneurship” in last week’s *Economist*, in which Tecsis is referred to as “one of the world’s most successful manufacturers of wind-turbine blades,” I smiled. Our timing with Endeavor in Brazil had been just perfect.

High-Impact Entrepreneurship’s Moment

Now, Endeavor looks not only for high-impact entrepreneurs, like Bento, with the best ideas and biggest plans to create jobs and wealth in their countries. We also search for inspiring *stories* that could help catalyze entrepreneurial cultures in emerging markets.

For us, inspiring young people in Buenos Aires and Sao Paulo --and today in new places like Cape Town, Cairo and Amman -- to grow up to say “If she can do it, I can do it too,” is what’s going to make global development truly sustainable.

Brandeis board member and alum Tom Friedman regularly asserts that “there is no such thing as economic development without entrepreneurship.”

In the conversations that I’ve had with Tom, we’ve talked about the links forming between entrepreneurs from places like Istanbul to New Delhi, which is exactly what Endeavor is fostering. Tom, of course, calls this phenomenon the flattening of the world. I call it E2E, or, emerging market-to-emerging market networking.

“We’ve become a real-time laboratory for your ideas,” I told Tom in our first phone conversation (he loved that ☺).

Then he said, “I can’t believe Endeavor has been off my radar screen until now.”

I said, “That’s because the moment for High-Impact Entrepreneurship is now.”

We were thrilled when Tom included a new chapter on Endeavor in the paperback edition of *The World is Flat*, dubbing us “Mentor Capitalists” and calling our pro-entrepreneur approach “the best anti-poverty program of all.”

Until Tom wrote this, few people had linked Endeavor’s model to the *anti-poverty* movement.

As a non-profit organization supporting for-profit entrepreneurs, we often get accused of not having a compelling social mission. My response to the naysayers is that our for-profit entrepreneurs are doing more than just generating profits.

Endeavor Entrepreneurs are creating the jobs that pay, on average, ten times above the national minimum wage, and provide more benefits that are required by law. They also provide training that is allowing their employees to move up, and, in several instances, move out of the firm to start their own entrepreneurial venture.

A few of our entrepreneurs go even further, blurring the boundaries between for-profit entrepreneurs and social entrepreneurs, “doing well by doing good.”. Take the example of Shane Immelman.

Shane is the second Endeavor Entrepreneur mentioned in *The Economist* report on global entrepreneurship last week.

He was highlighted for his South African-based company LapDesk, which manufactures a portable school desk for children. Shane’s simultaneously solving an important social problem – over 4 million African students lack desks let alone schoolrooms! – and making a tidy profit through corporate sponsorships. You see, the LapDesks are paid for by companies advertising both socially responsible messages as well as their corporate logos directly on the desks.

Global Crisis? What Global Crisis?

Andy & Santiago, Bento, and Shane are among the 400 High Impact Entrepreneurs, screened from more than 19,000 entrepreneur candidates, who have to date received Endeavor’s seal of approval. Collectively, our entrepreneurs have created over 90,000 high-value jobs and, in 2007, they generated over \$2.5 billion dollars.

The Endeavor Entrepreneurs are part of a new generation of high-impact entrepreneurs emerging outside of traditional hubs like Silicon Valley and Route 128.

Entrepreneurs like ours, along with their better known peers in India, China, Israel and Ireland, are demonstrating that good ideas have no boundaries. And that when it comes to innovation, one’s address shouldn’t matter.

But, of course, just as these high-impact entrepreneurs emerged on the global stage, the world economy welcomed them with crisis.

Last October, I flew out to San Francisco to attend an entrepreneur event that Endeavor was hosting in Silicon Valley. The flight over was quite depressing, as my fellow passengers were glued to CNBC and news of the tumbling financial markets.

But when I arrived at the event, I found none of that doom and gloom among the 70 Endeavor Entrepreneurs. They were just as eager as always to tell me about their impending financing deals and future plans.

“What about the crisis?” I asked one of them. This entrepreneur responded that sure the crisis would hurt sales, but he and his partners had been through worse during the Argentine peso crash in 2001.

“So you’ll get through this OK?” I asked. “*Claro!*” he shouted. “This crisis is an opportunity for us to hire better talent and beat out our competitors. We couldn’t be more excited.”

And just like that my mood began to change. Still, I wondered if what I heard from this one Endeavor Entrepreneur was true for others, so I asked my team to conduct a survey to find out.

The results were astonishing. Endeavor Entrepreneurs surveyed in eight emerging markets expect to increase their revenues by 31% and expand their workforces by 12% in 2009. They were optimistic about the future – and this makes me proud. We love our entrepreneurs to THINK BIG.

But their confidence also makes me nervous.

Optimism is good. So is passion. But it’s so important to ask the tough questions. I’ve always been a big believer in looking at the challenges and threats along with opportunities and that is no truer here.

I’m happy to address some of those challenges and threats in our Q&A period. But I want to end my remarks by focusing on the professional environment you as business school students now face.

What MBAs can do now

Endeavor is among the top recruiters at leading business schools around the country; for summer programs, we’re actually the top recruiter at Harvard Business School and Stanford GSB. Over the years, we’ve seen many business school students turn down lucrative opportunities in investment banking and consulting to come and work for Endeavor Entrepreneurs.

When I ask these MBAs what compelled them to go to Chile or Mexico or Turkey, and give up a real salary, they usually tell me they’re looking for something that Goldman Sachs or the Boston Consultancy Group couldn’t offer – the opportunity to

become an immediate partner in a business and to learn first-hand about challenges operating a small-yet-fast-growing business in an emerging-market setting.

These MBAs weren't earning much money – but they were getting what I like to call *psychic equity*. At Endeavor, we may not offer million dollar bonuses or stock options, but we offer priceless personal satisfaction and fulfillment.

Well, today in a world where bonuses are under siege and the stock market is at its lowest point in over a decade, that psychic equity is looking even better! Hey, it doesn't devalue! (And as my husband pointed out while watching the AIG imbroglio, bonuses paid in psychic equity can't be clawed back!)

Through this financial crisis, certain doors have been closed on, or rather for, you – and that's a GREAT thing.

I've always believed too many options were a distraction – I hated the mantra that was sold to me throughout undergrad and grad school, to “always keep your options open.”

Well, leaving all options open often leads to paralysis, as I've seen with many of my former classmates.

I didn't have that problem. I never seriously considered any of the traditional post-graduate options my parents would have liked me to pursue. (In fact, it took my folks about a decade to understand just what the heck I did at Endeavor. Around the time when I was starting, I overheard my mother lament to a friend, “Alan and I sent Linda to Harvard and Yale only to have her take early retirement at age 28!” So I'm especially glad my parents are here today and can share in this award!!)

With some traditional post-MBA doors closing, I would encourage you to look around and start asking questions:

Where's the need, the gap, the pain point? What's currently being overlooked by both the government and the private sector? Where's the opportunity to fill a need or bridge a gap?

Today, I look back on my own entrepreneurial “aha!” moment, riding in that cab in Buenos Aires, and smile.

A few years back our office in Sao Paulo got a call from the editor of the leading Brazilian-Portuguese dictionary. In large part because of Endeavor's efforts, the words “empreendedor” and “empreendedorismo” were being entered into the lexicon!

Today, throughout Latin America, you can hear young people speak about becoming an “*emprendedor*”, or as we like to say at Endeavor, “*Un Emprendedor de Alto Impacto!*”

As it’s been in the US for decades, it’s now become cool for young Argentines, Brazilians, Colombians or Mexicans to say they’re part of a start-up.

In fact, two of our Mexican Endeavor Entrepreneurs just won an Oscar! Ollin Studios was one of three firms that formed the special effects team for Benjamin Button, starring Brad Pitt.

Endeavor’s ambitions were always global, and we’re planning to have operations in 25 emerging markets by 2015. We recently expanded our model to South Africa, Turkey, India, Jordan and Egypt.

We’re already working with our colleagues in Jordan and Egypt on a compelling word for entrepreneurship in *Arabic*.

And, since we fashion ourselves lexicographers, we’re also working on coining a new word in the English language: **meritocracize**.

When we looked back at the initial gap that led to Endeavor’s founding, and looked ahead to our BHAG – our Big, Hairy, Audacious Goal – we came up with this:

By rigorously identifying and supporting entrepreneurs with the biggest ideas and most ambitious plans, Endeavor will *meritocracize* wealth, catalyze entrepreneurial cultures, and increase the GDP of all Endeavor countries by 1% within 20 years (~2030).

That’s Endeavor’s hopeful – if ambitious – antidote to the absence of a real middle class in emerging markets.

Today, with markets in chaos, governments lurching and the private sector in retreat, there are many new challenges to be addressed.

New models will appear, and I suspect many of the successful solutions will blend elements of the private sector with elements of social enterprise.

Brandeis International Business School has given you both the tools and the values necessary to capitalize on this unprecedented moment.

There’s an exciting opportunity to become part of these new and intersecting movements of global entrepreneurship and social entrepreneurship.

And I hope many of you will pick up the gauntlet!

Thank you again for this tremendous honor.