

Daymond John Inc Magazine Interview - Teaching Note

Introduction

The Daymond John video is a great way to illustrate the contrast between prediction and control and to teach the principles of Effectuation.

Class Flow

Depending on the class size and level you can either:

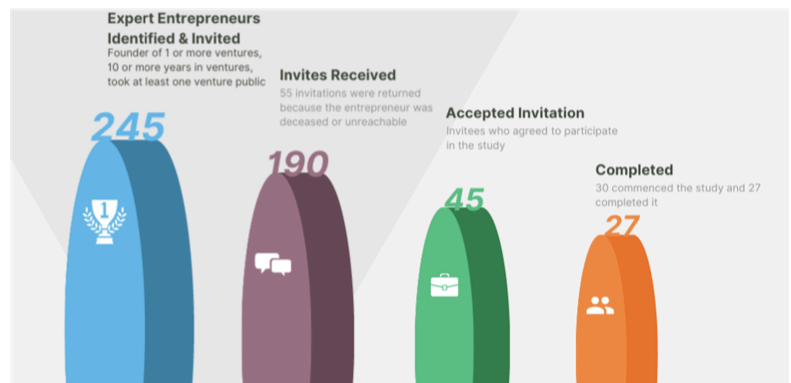
- 1) Start the class by explaining we will be working to better understand how entrepreneurs think
- 2) Start the class by briefly explaining Professor Sarasvathy's study of expert entrepreneurs but without introducing the conclusions of that study

Entrepreneurship Emerges as a Distinct Field

The Investigator - Saras Sarasvathy



- 5x Entrepreneur - 3 continents, services and manufacturing
- PhD supervised by AI Nobel Laureate Herb Simon at CMU
- Investigating What Makes Entrepreneurs Entrepreneurial?



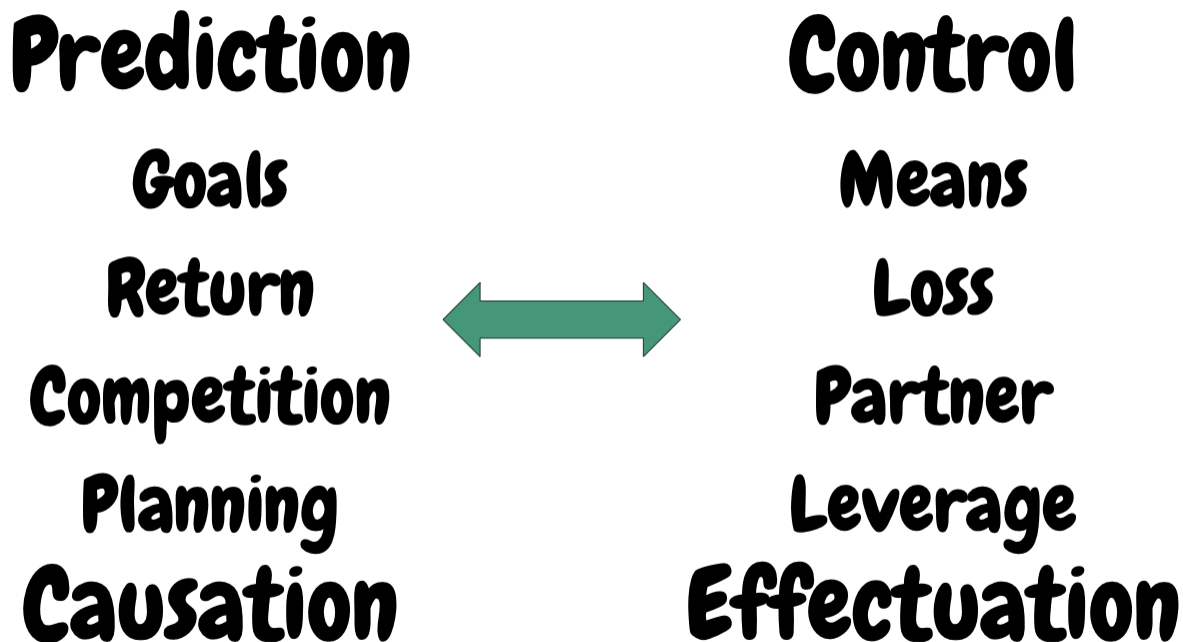
The Study

- Think aloud protocol, not interview
- Includes SV luminaries

Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of management Review*, 26(2), 243-263.

- 3) Tell the students they will be watching an interview of an entrepreneur 2-3 times and you will be looking for their help observing how entrepreneurs think. Provide background - the video is an interview of world famous Shark, Daymond John, by Scott Gerber of Inc. Magazine. The topic of the interview is the founding of Daymond's company FUBU.
- 4) Play the Video - [How Hip-Hop Inspired Daymond John to Start FUBU | Inc. Magazine](#)
- 5) Set up the board with 3 columns:
 - a) What Scott Asked?
 - b) Blank

- c) What Daymond Answered?
- 6) Assign half the class to observe Scott and half to observe Daymond for questions/answers. Encourage them to write their observations down
 - 7) Replay the Video
 - 8) Have a short discussion highlighting the contrasts between Daymond and Scott
 - 9) Solicit input first from the Scott observations (see board work section below)
 - 10) Solicit input from the Daymond observations (see board work below) if possible align questions and answers (see transcript) but it's not essential.
 - 11) Once you have 4-5 observations for each side begin to explore further how they contrast. For example, when Daymond discusses failing, Scott asks if failure was from supply and demand imbalance or too much investment. Daymond answers, "I was hungry." Look for opportunities to show how Scott is predicting and how Daymond resists prediction to focus on what is in front of him. Use this to explore the contrast between prediction and control
 - 12) Use a slide or two to introduce the principles of Effectuation



- 13) Return to the board and ask the class to suggest the answers that Scott was looking for when he asked. Look for opportunities that highlight Scott seeking analysis while Daymond was pursuing action.
- 14) Put the five principles on the board and then ask the students to see if they can identify any of the principles in Daymond John's answers.

- 15) Close the discussion by either returning back to how the principles are traceable back to non-predictive control or by exploring the Effectual Cycle using the Effectual Canvas slide.
- 16) Make use of the other discussion questions and themes as needed.

Transcript:

Scott Gerber: Let's talk about FUBU when you first started. You sort of saw something that most people didn't see, a market that was really unseen, unheard about other than amongst your peers. What made you say there's a market here?

Daymond John: At that age that was the only market to me. See you know it was a segment that grew and we just really loved this music called hip hop and that I eat, lived and you know everything else Hip Hop. So, I don't think I saw an opportunity that other people didn't see, I saw why doesn't anybody know about my love, my passion.

Scott Gerber: And so when you look at the various items you tried, you tried different items of clothing. What ultimately gave you that core value, that core belief that said, this isn't just a couple of t-shirts or a couple of hats or a couple of apparel items, this is a brand that's got longevity. This is not just some one off success.

Daymond John: Well it kept, it kept growing you know. Initially it started with hats and then I was fortunate enough to have three other partners. I did not start just by myself. I had three other partners and they came over there and they started saying man, we can make this bigger, we can make this bigger and you know most fashion houses were one person. It was four of us at any given time in different places, pushing this and understanding it was a bigger story, you know story, this.

Scott Gerber: But when do you feel that you owned your market enough to own that culture in your opinion?

Daymond John: You know organic growth I would say more like life support, right. Because from 1985 to 1992 I closed FUBU three times because I ran out of cash.

Scott Gerber: What were the reasons for running out of cash? Was it just supply and demand? Was it just investing in too many things?

Daymond John: You know it was trying to cut patterns, it was selling a couple of shirts here, and then having to actually eat and feed myself. So I had to use the money to buy a couple of wing dinners or something like that. The cash wasn't a lot, maybe it was \$2,000. But as it grew I realized that we owned the market right around 2000, Which was about 11 years later.

Scott Gerber: And what was that moment, what was that aha? Was it just plain penetration of the products in that space? What is just that feeling?

Daymond John: That aha moment was you know, \$350 million in sales and 50 international stores. Everybody calling to meet us such as Mandela and Prince and everybody else of that nature. And people just wanting more and more, they couldn't get enough of us.

Scott Gerber: As you look today as an advisor in businesses yourself, having a lot of businesses outside your core disciplines that you are used to, what advice do you give them when you're trying to figure out how they can target new markets or find new opportunities? What are you telling them to keep their eyes open for or to be aware of as they begin to see where their products and businesses can go?

Daymond John: While I mean there are several steps. So first of all as I said, you always have to go make a sale. Don't have analysis paralysis or go out there and guess the whole world's gonna be great

that you are gonna sell your product. Go out there and actually physically make a sale, not to grandma who loves you because she's going to buy the stuff anyway. Sell it to an absolute stranger. Number one. Number two is start to be aware of the other markets that are tapping into your goods. I mean that's really the reason that FUBU was founded. Timberland made a comment saying we don't sell our boots to drug dealers. When they didn't realize that basically 80% of their revenue was coming from these inner city kids. They were not hiking, they were not climbing, they weren't construction workers. So they didn't adopt that market. I went home and created another brand that did pay attention to that market. Always understand where your market is, who your market is. When I first launched FUBU Seattle Washington and Japan were the first places that bought it. It was the guys who loved grunge and it was the Japanese kids who loved Hip Hop. And I supported those kids. So you always have to just understand who your customer is, and don't shy away because you only have this tunnel vision of who you **think** your customer is.

Annotated Transcript:

Scott Gerber: Let's talk about FUBU when you first started. You sort of saw something that most people didn't see, a market that was really unseen, unheard about other than amongst your peers. What made you say there's a market here?

Daymond John: At that age that was the only market to me *[BIH, what he knew]*. See you know it was a segment that grew and we just really loved this music called hip hop and that I eat, lived and you know everything else Hip Hop. So, I don't think I saw an opportunity that other people didn't see, I saw why doesn't anybody know about my love, my passion.

Scott Gerber: And so when you look at the various items you tried, you tried different items of clothing. What ultimately gave you that core value, that core belief that said, this isn't just a couple of t-shirts or a couple of hats or a couple of apparel items, this is a brand that's got longevity. This is not just some one off success.

Daymond John: Well it kept, it kept growing you know. Initially it started with hats and then I was fortunate enough to have three other partners *[CQ, 3 self-selected stakeholder]*. I did not start just by myself. I had three other partners and they came over there and they started saying man, we can make this bigger, we can make this bigger and you know most fashion houses were one person. It was four of us at any given time in different places, pushing this and understanding it was a bigger story, you know story, this. *[PinP, we had a system to co-create]*

Scott Gerber: But when do you feel that you owned your market enough to own that culture in your opinion?

Daymond John: You know organic growth I would say more like life support, right. Because from 1985 to 1992 I closed FUBU three times because I ran out of cash. *[Lemonade, learns value from shutdown]*

Scott Gerber: What were the reasons for running out of cash? Was it just supply and demand? Was it just investing in too many things?

Daymond John: You know it was trying to cut patterns, it was selling a couple of shirts here, and then having to actually eat and feed myself. So I had to use the money to buy a couple of wing dinners or something like that. The cash wasn't a lot, maybe it was \$2,000. *[Affordable Loss Stops at \$2,000]* But as it grew I realized that we owned the market right around 2000, Which was about 11 years later. *[Pilot in the Plane, demonstrates control vs. prediction]*

Scott Gerber: And what was that moment, what was that aha? Was it just plain penetration of the products in that space? What is just that feeling?

Daymond John: That aha moment was you know, \$350 million in sales and 50 international stores. Everybody calling to meet us such as Mandela and Prince and everybody else of that nature. And people just wanting more and more, they couldn't get enough of us. *[Crazy Quit, us - self-selected stakeholders]*

Scott Gerber: As you look today as an advisor in businesses yourself, having a lot of businesses outside your core disciplines that you are used to, what advice do you give them when you're trying to figure out how they can target new markets or find new opportunities? What are you telling them to

keep their eyes open for or to be aware of as they begin to see where their products and businesses can go?

Daymond John: While I mean there are several steps. So first of all as I said, you always have to go make a sale. Don't have analysis paralysis or go out there and guess the whole world's gonna be great that you are gonna sell your product. Go out there and actually physically make a sale, not to grandma who loves you because she's going to buy the stuff anyway. Sell it to an absolute stranger. **[Crazy Quilt, Self selected customers] [Pilot in the Plane, don't predict, control]** Number one.

Number two is start to be aware of the other markets that are tapping into your goods. I mean that's really the reason that FUBU was founded. Timberland made a comment saying we don't sell our boots to drug dealers. When they didn't realize that basically 80% of their revenue was coming from these inner city kids. **[Bird in Hand, people he knew]** They were not hiking, they were not climbing, they weren't construction workers. So they didn't adopt that market. I went home and created another brand that did pay attention to that market. Always understand where your market is, who your market is. When I first launched FUBU Seattle Washington and Japan were the first places that bought it. It was the guys who loved grunge and it was the Japanese kids who loved Hip Hop. And I supported those kids. **[Crazy Quilt, worked with customers]** So you always have to just understand who your customer is, and don't shy away because you only have this tunnel vision of who you **think** your customer is. **[PinP, shaped with customers]**

Board Work

What did Scott Ask?	What was Scott expecting?	What did Daymond say?
What made you recognize that Hip Hop was going to be a market/opportunity.	I did a market opportunity and saw hip hop	Hip Hop was a market (the only) that I knew. I don't think I saw an opportunity that other's didn't. I shared what I loved.
When did you know you (solo) were onto something? Onto a big brand?	I launched a product and it was a big success and (solo) built from there	I never knew, I did something (t-shirts) and then something else and kept trying things. I didn't do it alone, I had 3 co-founders who self selected in because they thought they could make it bigger. We were all working on different things to build FUBU
When did you know you owned the market?	I had this moment when the competition bowed before me	I never knew. I was more concerned about running out of money and I did 3 times (affordable loss). Each time I restarted.
Why did you run out of Money? Was it the supply chain, lack of demand, investing in too many things	I made investment decisions (expected return) that didn't pay off	I was making product I got hungry It was 11 years before I felt we owned the market
Was there a moment when you knew you were a success?	I was in the news and people were telling me I was a success	I didn't know until I had \$350 million in sales, 50 stores and Prince and Mandala wanted to meet with me. NOTICE how big!
How do you teach others to find new markets? New opportunities? How do you do analysis to recognize the right market to enter ahead of time?	I identified markets that existed I made products for my ideal customers for Hip Hop based on what I thought Hip Hop kids wanted	Go make the first sale to a stranger Look for other people who are buying your goods and serve them Don't be deceived by who you think your

		<p>customer is. Serve those who actually are your customer. For example: I made the products for the customers who wanted Timberland - Hip Hop kids. Note they weren't using Timberland for hiking or camping. But these were not his first customer. Seattle and Japan adopted first.</p>
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Discussion Questions:

What did he say about the competition? What didn't he say?

What did you learn about the importance of selling (anecdote - sold \$400K of clothing ahead of production)?

Themes:

Daymond John resists the "boxes" that the interviewer was describing

Look for use of language Scott vs. Daymond - SCOTT - Market, Opportunity, Investment, Brand, Market Penetration, Supply & Demand, Target, Longevity, Aha Moment, but / DAYMOND - My world, analysis paralysis, sell, support, others, partners, organic growth, passion, running out of cash - Note use of personal vs. impersonal, non-jargon vs jargon