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Serial entrepreneur and investor Chinedu Echeruo shares lessons from starting multiple companies, including HopStop, which was acquired by Apple in 2013. Echeruo discusses the beneficial attributes of founders, learning from his missteps, and why he sees creativity as a tool for unleashing value for the world.



Transcript

Tom, thank you very much for the kind introduction.. I flew in from New York last night and I am very excited to be here at Stanford with you guys.. So I'd like to talk about two things while I'm here.. The first thing is my entrepreneurial journey and share some of the lessons I have learned, and the second is talk about the power and the potential for creativity.. A topic that typically isn't discussed, it's certainly mentioned, but I really do believe it's the source of - it's an unlimited resource that people really should take more advantage of.. So I will start with how I came to this country.. As you can tell from my accent, I'm not American or that I wasn't born in America.. I came here when I was 16 years old with my parents.. He is a professor, so we kind of jumped around from university to university.. And I graduated with a finance and accounting degree and I did what most people with finance accounting degrees did is like you went to Wall Street..

So I did M&A my first year and I found it fascinating just to be in the midst of so much and just to see kind of really global capital flows and learnt lots of skills, financial skills et cetera.. I spent way too much time with models.. And I'm talking about financial models, by the way.. So that's - I definitely learned a lot in that department.. But I think I felt something was missing, and we would go to pitch companies around, helping them raise capital at JP Morgan and I just had this burning urge to be on the other side of the table.. So I said I called my mom and I told her that I wanted to be entrepreneur and like a typical African mother, she said like well what's - that's not a job, what's an entrepreneur? And it's like I have to have a real company, to work on a real business opportunity to go after.. So I figured that the best way to do that is to have sort of transition points for myself and for that for me that was business school.. So while I was at Harvard business School, I didn't have one interview for a job, because I was - it was clear in my mind that I wanted to be an entrepreneur.. I wanted to have full control over my life.. I wanted to have the freedom, to choose how I spent every single day of my life going forward..

So that's - that was the decision I made.. So after graduating from school, I ended up starting a company called Afridaq with a classmate of mine and my brother.. And so you have to think back in 2000 when I graduated.. So Internet penetration in Africa was still pretty low, but among the corporations and the corporates it was good enough.. And the idea behind Afridaq which was a play on NASDAQ is to create a platform to trade financial assets, money markets and foreign exchange and securities in Africa, given it was - now the penetration of Internet access on the continent.. And we raised a friends and family round, we flew to South Africa and to Nigeria working on business development deals and the company failed, and that leads me to the very first lesson.. So people often talk about make sure pick an opportunity that you feel like you are the best person to solve and it's certainly great sound advice, but remember that you kind of have a - kind of conflict of interest.. So not only you are the person deciding, who is the best person to build this company, the person is also you.. So our mistake was - so we looked at our team, so I had a finance background, my co-founder, had an operations background, my brother was a securities lawyer.. And on paper it made sense that we would be almost like a perfect team to go solve this problem in Africa..

But in reality what we found was that we didn't really understand the nature of the problem and while it made sense on paper that foreign financial assets should be - you can create a great platform to trade in financial assets.. We didn't understand the kinds of agency issues, we found particularly in Nigeria.. So what we found is that while it made sense to auction your foreign - your foreign reserve efficiently and transparently, as kind of a general market principal, the members, the CFOs, the treasurers of these organizations had their own sort of side deals with the buyers and sellers of these securities.. So we certainly didn't create the kind of liquidity and the adoption we expected.. So there I was kind of essentially

broke after Harvard loans and I had to get a job.. I had to get back and pay the rent.. So I knew I didn't want to do investment banking again.. I want to do something more intellectually engage in.. So I decided well I'm going to go work for a hedge fund.. So the first - so it was a financial derivatives hedge fund focused on convertible bonds and kind of credit default swaps..

But that's when I learned what I think is probably the most valuable lesson so far, which is that ideas matter and I - and I think everyone else should take ideas very seriously, because in the financial world you could create financial trade, you can suggest a trade idea that connects millions in a couple of days.. And when you think of yourselves as entrepreneurs, who are creating companies, you almost feel like, well ideas are good, but I need to hire a team, find an MVP, raise capital etcetera.. I'd like to argue that those are literally inefficiencies; they aren't virtues in and of themselves and that the true source of human capital and potential is in the ideas you come up with.. So after three years at a hedge fund, I decided to leave and give another - give the entrepreneurial journey another shot, and so I started a company called HopStop.. So the idea around HopStop was essentially this, right so you have - what the site essentially does it lets you get door-to-door directions using walking directions, subways, buses, et cetera, so you'll enter starting address, enter your ending address and it would give you walking directions to the trains, get - tell you where to get off, where to take the next bus and from the bus - and at the bus stop how to get your final destination.. So for those of you who use Google Transits and we actually started and owned that space before they and they joined us two years after.. So that was the company.. So I love to share with all these initial stories, as the initial kind of HopStop stories early on.. So I lived in Brooklyn at that time and I remember having to go on a date on the Lower East Side and I think it was somewhere in Eldridge Street and then you had the subway maps, obviously you didn't have the kind of everyone the map in everyone's phone.. And I remember figuring out well how actually do I get to 200 Eldridge Street, I'm on the subway and I have a horrible sense of direction and I got lost et cetera..

And I don't quite remember how the date went, but I have vivid memories of what I did the next - the very next morning and I went to the subway station and grabbed the subway map, put in my - on the floor of the apartment in Brooklyn and I used the only tool I could use, which was Excel, because I was a finance guy.. So what I wanted to do was like how do I describe the subway system to a computer science engineer? Such that, so that they will be to write an algorithm to solve that problem.. So I had some experience with kind of datasets et cetera and so that's where I started.. So I built spreadsheets, okay we'll have routes and stops and exits and so all kind of the cool kind of informational - information model for the company.. So I went to Elance, which is I think now called Upmarkets and I found a developer in Russia to build it.. So we continued on this process, iteration after iteration until we actually had a viable product and I call it the MVP these days.. And the interesting thing about that story is that I actually never met - I met developer Alex for the first time four years after we started working.. So for the four - the vast majority of my time at the company we worked remotely using, I think then it was Messenger et cetera.. And I definitely had a few lessons from that experience.. The first one is that product matters..

Products solve so many problems in so many ways.. So it helps you retain and grow your user base.. It helps you get PR, when someone in the press reuses it they won't write up a product that they aren't are actually in love with.. It helps with the viral growth of your business obviously with the existence of the social graph there are much more efficient ways to engineer the kind of virility you want in consumer facing products, but back then it was really kind of press and kind of really old fashioned kind of word of mouth.. So that was like the early days and I was obsessed about the products and so my wife would look at me and wonder why I would stare at the screen and HopStop by the way was only three pages.. So you enter your homepage, you enter your directions and you get the results.. There isn't that much to think about, but there is so many elements of that experience that I absolutely obsessed about and I think one of the reasons we continued to grow even after Google started competing with us was because we had such a loyal user base going forward.. So again products matters, products solves so many problems going forward.. So while I was at HopStop, a Columbia Business School student e-mailed me and said, he wanted to - he loved HopStop, he wanted to be an entrepreneur, but he didn't have a company, he didn't have ideas that he could work on and I said well, I have tons of ideas let's meet for coffee and discuss a few.. So I pitched him on an idea which was based on my own frustration not being able to find a travel specialist..

So back then if you wanted to travel to - if you wanted to do a safari in South Africa for example, it was - it's easy to get a flight and a hotel, because you can use Expedia, you can you use Kayak, you can use Travel Velocity et cetera.. But if you want - if you wanted what back then people called long tailed travel, so there is kind of like more specialized travel experiences whether you wanted to do a safari, you wanted to do some wine tasting in Kenya for example, I mean it's hard to find an online solution to that problem.. And the business was essentially aggregating demand or interest for these kinds of travel and then monetizing that interest through a network of travel professionals who are willing to pay you for that lead.. So kind of lead gen meets travel was the essential concept.. So I mean it was great, I was more focused on the product and he was more focused on business development and sales.. So we eventually raised venture capital for the business.. We hired a CEO to continue running the company and the company is - still exists and it's now owned by USA Today.. But so I did this while I was CEO of HopStop, but I also realized that my true passion and my true interest and my core strength is really in the kind of the early stages of a company.. So I approached my board and with their support I ended up - we ended up recruiting a new CEO for the company.. And then the company was in I think 20 cities or so and he did a fantastic job, the new CEO and scaled it I think to close to 300 cities, by - I think by the time of the acquisition..

So it was the decision that was a real tough decision to make, just because that was so product centric and to be able to hand over a company that you have built kind of really from scratch to someone else to have stewardship over.. It's a pretty tough thing for any entrepreneur to do.. But I thought it was the right thing to do, just given my own particular skill sets and

that's kind of understanding of what my own particular passions were and my deficiencies in particular, in terms of growth and scaling the business.. So I then moved to West Africa where I essentially did private equity for three years.. So then - so I switched from entrepreneur to now investing or wanting to invest in food businesses started by small and medium scale entrepreneurs.. So the whole idea was if we could - if I could invest capital and also help in addressing the food challenges in West Africa, it would be something worth doing and I thought that at least I'll be able to do good while making money as well.. So we saw lot of companies.. We saw one particular story was a soy processing factory in Kumasi which is an hour away from Accra, Ghana's capital.. And so I walk into the guy's factory and you see these kind of old equipments and still rusted, you see holes in the wall and essentially this entrepreneur had incredible vision in terms of what he wanted to do.. But he lacked a lot of information; he didn't have really a template to begin to build his business..

He bought the wrong equipment from China.. He just made so many fundamental, he didn't think about the layout of the factory to allow for the optimal processing of soy et cetera.. And I saw many companies like that and so I did a short TEDX talk on this whole idea of a business in a box where if society's real goal is to foster entrepreneurship, especially among small and medium-sized businesses that account for the vast majority - not the vast majority, around 50% of the non-government workforce, we need to - we can easily do so much more to encourage it than kind of derisk that process for them.. So the whole idea around the startup in a box was basically say look let's think of the verticals or the industries that make sense whether it's soy processing, mango processing, food processing, silos whatever it is, and let's create - and crowdsource and open source and make it freely available, the core elements of a successful business of that kind.. So think of being able to look at say mango processing and be able to say look here is a blueprint, here is an architect submits a layout of an optimal factory for mango processing.. And then the engineers say look for - a process engineer says look like here is the best way to set up your line to be able to get the result you want.. Or a financial person contributes a simple financial worksheet that lets them plan for working capital, which was a major issue in the companies I saw.. So that was the idea.. And for those of you who are interested, you can just Google my name and I think on YouTube it's on YouTube if you are interested in pursuing that, but that was kind of what I thought was missing on the African continent.. So we ended up not investing in the food business as I wanted and we did make some other investments that also turned out okay, but I certainly didn't - I was - I didn't succeed in the ability of being able to contribute to the kind of food value chain in West Africa..

So then in 2013 Apple bought HopStop.. So I moved back in 2013 to New York City.. And so there I think is another lesson.. So just think of I think it was 2005 that Google Transit launched, probably 2007.. So there we were, small team of guys and girls in New York City and literally the number one competitor you have is Google.. I mean, that's a pretty tough place to be in.. And you never know, people talk about the ups and downs with the entrepreneurship, it's very true.. And but the thing to realize that the ups may actually be downs and the downs may actually be ups.. So regardless of what the good news or bad news you have, just keep on focusing on what you need to do.. So to illustrate that - so one would argue that the entry of Google into our space was one of the worst things to happen and we continued to grow even though we probably didn't grow as fast, if you just think about the how widely distributed and syndicated the Google maps product is..

But I suspect - I wasn't in the Board room when the Apple decision was made, but I suspect that the Apple acquisition of HopStop was because they had a competitive hole in their map, in the core mapping product and they needed to fill that hole.. So again, take your good news and take your bad news and just keep on going, because again for - in my own case the entry of Google was probably one of the catalysts for Apple's acquisition of HopStop.. So over the past 12 months have actually been one of the most creative months for me.. I can't describe how I feel right now, because every element of every month, every couple of weeks, an idea pops into my head and I think they're good ideas and I'm very excited to work on them.. But what I see and so Tom's introduction is what I see as well, you have these what you think are great ideas then why can't they be great companies? Then as I observed the - what's happening in the kind of incubator and accelerator space.. I just feel like there is more that can be done and in some ways the entrepreneurial process even in the United States reminds me of what I experienced with Kufi in Ghana.. So you have ideas, you have passionate people who want to build great companies, but you also lack so much information, so many resources to execute on those ideas.. And in my mind, I realized that I think that the whole system can be re-architected in a much more efficient way, so that the countless entrepreneurs don't spend their life savings and have all the family issues that go with the failures that are very often the case with many of these start-up ideas.. So my particular passion right now is to basically rethink the entrepreneurial process, rethink how do good ideas turn to great companies and create the kinds of win wins right where you have great idea, great company, you have investors who make enough money for the ideas and you have the entrepreneurs who don't spend 5, 10 years of their lives with a company that doesn't result in the kind of outcomes they want.. So I had - I came across a very interesting commencement speech by a guy named David Foster, I'm not sure how many of you have - who knows about David Foster? Okay, great..

So it goes something like this, so two little fish are swimming down a stream and they come across this older big fish and older big fish says, good morning boys how's the water? And they swim by - and one of the little fish looks at the other little fish and says, "What the heck is water?" So it's - I guess you guys - so I mean I thought it was very profound, because it really cuts at the heart of the question of creativity.. So I believe that in this very moment, we are all immersed in kind of unlimited potential, at this very moment you are at the cusp of the next big idea.. And you might wonder well - I am looking for the next big idea, but I'm really struggling.. And I think that's the - I believe that's the wrong approach.. So the key in my mind in terms of unleashing the kind of potential for human creativity that I think all of us have is to try not to look for the next big idea.. So instead of doing that, I suggest and I hope that you figure it out, what kinds of activities and habits do you need to inculcate to basically be able to see the water next to you, which is a different approach, because what you will find is that not

only will you see that which you sought, you might see that which you didn't even know to look for.. So the whole different set of possibilities that become available to you once you have that mental approach towards creativity.. And that the idea - sorry, so to make it, put in some practical terms so well, so what's the big deal about creativity, like where in Stanford it's all about products or it's about customers, et cetera, but I do believe that creativity plays a big role in success.. So I mean I used Uber to get here and I'm sure there is a kind of like the guys that came after Uber and the guys that came after them as well, but I use Uber and that's what I use, so there are real competitive advantages in being first to market and if you have a new idea that no one has thought of, you own that space, you own the market share, you own the - you create thought leadership in the space and it's a real competitive advantage, especially to the extent that you're building the network effect type businesses, it's a strong and - it's a - be able to be first in doing something is a real advantage.. Even after starting a company, to be able to take comments, ideas from your customers, from other people from other industries and apply it to your own company again is a source of incredible value and I encourage you to think about as - think of creativity as a way of really unleashing a lot of value that is right there in front of you..

So you might not see it, but it's there.. So instead of looking for it, try to figure out what stops you from seeing really what's next to you.. So again that leads me to kind of what I'm working on now.. So because I have gone through this period of a lot of creativity, my challenge right now is to figure out wait well how do I turn that creativity and the ideas I have now into companies? So I'm working on a variety of things, but the first thing that I realize that the number one bottleneck for me is finding talented people to join the team and work on these different ideas so far.. I believe creativity, again as I said is a source of unlimited wealth, you will never run out of good ideas to start, you just haven't found those good ideas, and once you find the next one, there will be a next one after that.. It never ends; there won't be a point in human history where we'd have all the ideas all the services and all the products we want, that'll never happen.. Those ideas are out there, you just need to figure out how to actually see the water next to you.. And to put it in a more concrete terms imagine a marketplace where you have the small fish competing with the older big fish and they don't even know there is water next to you.. So those are my comments and those are my experiences so far.. I'd love to answer any questions you have..

What was your biggest success? What do you mean, what's - in what aspect? So you said you're in private equity.. What was your most favorite experience when you're in private equity? Can you repeat the question please? Yes, so the question was what was my most favorite experience in private equity? I'm not sure if I can answer that, because for me it wasn't my thing.. I realized again that I wanted to be an entrepreneur.. So I certainly enjoyed my time in Ghana and Nigeria, looking at what's - but I wanted to be an entrepreneur.. And that's - and the Apple sale happened, so that gave me the luxury to go back and pursue that, but my true passion is creating companies.. So people think of businesses - entrepreneurs as business guys, but for me I really think of it as arts.. I think of businesses as a form of creative expression where there are things that are unique experiences that each one of us have and if you have the intention or you have the interest in manifesting some of those interests, for me that's a big part of what drives me to create companies.. You mentioned that it's better to put yourself in situations where you are able to see opportunities and think differently, how have to generate ideas.. Could you give maybe one or two specific examples of what you did different or habits you actually inculcated in your personal life that sparked ideas that you didn't have before? Sure.. So one of the things I did over the past 12 months is literally devote an entire day towards investing in my creativity..

So I would literally say Fridays I wouldn't work.. I wouldn't have any meetings set up.. And I think it's - everyone is different.. Some people focus on kind of meditation, some people focus on listening to music, people focus on traveling, and experiencing new things, but it is you kind of need that, because while education and society are great, they are very bad at inculcating the human spirit in terms of what you want to do.. So we have traded kind of an "oughtness" around the world with kind of potential.. So you ought to do this, you should do this, and I think what's missing is the wide variety of human potential and I think education has to play a role in it and parenting has to play a role in it, but each person has to discover for themselves what unleashes and what brings down the walls of literally seeing the water around you.. And for me it is - I listen to music, quite a bit, because I think something about music and the complexity of sounds allows my brain to see new things so to speak.. I have a question about the impact that your company has or actually Constant Capital LLC or Partners, Ventures has in Africa.. I think, recently I guess you were ranked amongst the Forbes Africa's most powerful men, whatever.. What do you see as your vision or your impact for the African region in terms of the Constant Capital Ventures investing in the young people or the people in Africa in general and what kind of impact or changes do you think? Sure..

I didn't know how I made it on the list.. So I'm just start off with that.. So I think technology represents a huge opportunity for Africa.. So the way I think about the opportunities with technologies, especially in Africa is I think at some point I don't know it its 10, 20 years from now, the - all the phones in the world will probably be smartphones, right.. So you have the poor African armed with a smartphone.. And that for the first time allows them to access and creates an ecosystem and a marketplace for people to build the kinds of apps and services that actually create value for them.. The large corporations and most of the governments in Africa have done a poor job in really catering to the average man.. So once you have these phones in the hands of the average African, you can now allow them to access a whole variety of resources and assets that they never had an opportunity to so in healthcare, in education, and in financial services.. All those are things that make a big impact on the lives of the everyday African.. So we don't invest specifically - saying we are going to invest only in Africa..

My mission for the venture builder based out of New York City that I'm working on is to be able to address global opportunities including those in Africa.. In comparison to current - to other incubators or accelerators that are out there what

are you going to do differently from the ones that you see right now? Yes, that's the secret sauce that I'm working on.. There are so many elements with it, so I really can't discuss in detail, but so the short answer to the question is there - in my mind there are basically four things you need to have a successful company at least in the initial years.. So you have a great idea, you have a well-functioning team; you probably have a product that has some traction and you have capital.. People could disagree on a few things, but I think roughly those are the elements of early-stage success.. And I believe that each of those processes are currently - each of them is broken.. So just think about how people think about team - building a team.. So you guys are I think mostly very technical, I think the Engineering School at Stanford, but the typical process - let's take the case of Harvard, so a Harvard Business School student says I have a great idea, let me go to MIT, let me figure out a technical co-founder, which may make sense, because you have limited resources, you need to figure out the best person to help you work on the idea.. But I think that what you will find is probably the number one reason why Internet companies fail in the early days is kind of internal team dynamics.. So it seems odd to me that an industry focused on disrupting and innovating other people's industries, that this is all we have..

This kind of lock-based approach and this kind of highly networks approach was finding team, like what are the characteristics.. So a person like with the certain attributes of what I think are important in my own life and my own work style, isn't there a more thorough way to think about team building? Do we - is this really the optimal set of processes in terms of building the team.. So I think there are lots of things that can be done around it.. Product cycles for example is another one.. So you have these entrepreneurs' obviously lean start-ups as a major theme, but I feel like even within that industry if you go to an incubator and accelerator and they have speakers tell you about best ways to think about your MVP, there is still so much that you have to learn.. And all - there is so much wasted in their efforts in being able to figure out how do I go from an idea to a prototype to an MVP et cetera.. Same thing with capital raising.. You guys are here in the hearts of Silicon Valley, so you probably have an easier chance of meeting them; those having those kinds of meetings that allow you to raise venture capital.. For the most for - most other parts of the world, people don't have that opportunity and I think there is a much smarter way of really aligning capital to these kinds of ideas.. So those are the - essentially those three things I'm trying to build systems around people, product, and then capital..

So looking back on your childhood, what specific experiences would you see were particularly pivotal in forming a set of values that you think have enabled you to be successful in a variety of different context, but particularly within entrepreneurship and I guess what advice would you give to mainly people in college or going through college right now to really seek out experiences that will help develop those things.. Sure.. So I grew up in Nigeria as I mentioned, and I came here when I was 16 years old.. And what's - something that really affected me is this whole idea of the power of business to change lives, because I always believed that and everyone knows this like the African countries in general aren't that very people friendly, the one resource that human beings have kind of our own selves, people kind of downplay for natural resources and others as well.. So what I found was just the power of business to change lives, so that was a big factor in the way I think about what is valuable work.. So I definitely think that business is right up there with education, with being a doctor, et cetera because you solve problems and my definition of entrepreneurship is solving problems profitably with limited resources.. So that is how I think of it, I really think of every, every start-up I've done or intend to do is geared towards solving a real problem for people.. So that's the way I think of it.. But there is - but on your question, there is one experience I had that I actually realized was actually much more important than I have actually thought about which is the whole - so one of the first real job I had was as an intern that is a company called Agway, it's now bankrupt.. But I was an intern, but on the whole idea was it I had to basically they had all these reporting units and I had to find - use Excel, I had to use a database and I had to use Excel to basically streamline the reporting for all their different operating units..

And coming to thing about it right, that experience allowed me to have a certain comfort with information and how to think about data that that then allowed me to kind of be able to attack the HopStop problem.. So you'd be surprised how those nuggets of experiences now become the thing that gives you a leg up, or gives you an insight into the nature of different problems.. You talk about finding the right people is such a hard thing.. And whether it's people you're looking to help you build out your platform or whether it's people you're looking to invest in, what are two or three of the qualities, characteristics that you have developed a keen sense to look for in people that you would bind yourself to? So I think - but I think many people have already discussed this.. So I'll try to figure out how to spin it differently.. So I do talk about skill sets and capabilities.. So I know my - I think I've been able to kind of look at myself and figure out well these are the things I'm good at, and things that I'm not good at and the logical step for me is to figure out people who can do the things that I don't want to do or can't do.. So I think that just the first one.. But I think there is no one way to do it like the CEO of HopStop, who did a great job running the company, him and I are entirely different.. And he went through basically a whole transitioning of people at the company just because him and I have different kind of work styles and personalities..

So I don't think there is a particular answer.. Some people could be very analytical, but slow and that people who are - I think kind of gut-driven and quick.. And so it's a really - you can't really - there is no real kind of one answer for that kind of question.. But the things that matter obviously are kind of interest and passion in the products that you want to build and your ability to really able to work with them, which is such a key thing.. Again, the team dynamics is one of those under looked or over looked parts of entrepreneurship that I think people should really, really think about before starting the journey.. I was reading I think Apple bought HopStop for around \$1 billion or somewhere around that.. What at all do you think went to that process - of having a maximum purchase it for that amount and what were they really looking at in the whole process? Sure.. I don't know where the billion dollar came, because it was certainly not public and I have never said

what the - and Apple hasn't either said what the purchase price was.. So I just want to be clear on that.. So the - obviously the rationale is what I initially explained..

Again, I don't know what the rationale is, I mean, to be clear on that, but I assume it's because of the relevance of Transits into the core Apple mapping product.. But again, it's something that happened and happy it did, but it's not something that like that drives kind of the decisions I make generally.. With that what we'd like to do is have a big round of applause for Chinedu..