

Beware of the “Dark Side” of Entrepreneurism

As someone with lots of entrepreneurial DNA in my blood, what gets me excited are the opportunities that rise to their potential with lots of upside. We are working on a project right now that has lots of potential, and I feel situations like this help to bring a team together to work on something that could have an upside beyond existing expectations.



Near the end of last year, a couple of guys came to me and wanted to talk to Efficiencie about an idea they had to build a mobile app. They wanted to provide a cool way to look at what people are doing out there and share their thoughts. After some discussion, they proposed that we build the app for equity in the company. This is a tough thing to do, because if you build something and don't get paid, you had better make sure that you have enough income from other projects to keep paying the bills or you will soon be out of business.

We had experienced investing our resources in a few different projects and getting them out there. However, seeing them not being accepted in the marketplace, in any way, was frustrating. Lots of our profitability was eaten up in R&D around the next idea – hoping for something to go viral and make the big bucks. But it didn't! Why should we try again? Well, 1. Because you can't help yourself when it is in your blood and 2. Because if you don't keep trying, you will never provide the opportunity to truly succeed.

Over time, I have been made aware of how chasing these opportunities can get you into trouble and open you up to the

“dark side” of entrepreneurship, as was described by Steve Wynn at the 2007 E0 20th Anniversary Celebration in Las Vegas. He said that the need to seek out opportunities that may push you to put it all on the line for the next big thing is addictive and scary, but it gets the blood moving for those of us with the itch. Wynn did this when he started his casino. He put it all on the line and almost lost it all.

You may recall a [blog](#) I wrote on how entrepreneurs suffer from overconfident optimism – another area that can create blinders to the reality of your situation and get you in trouble. There are a couple of ways to deal with that, as I discussed in the [blog](#), and they are doing a premortem and firing bullets that Jim Collins reveres to in his book, [Great by Choice](#). The approach that we have taken is to fire a bullet and not bet everything on one idea or situation.

Having our business flow with processes that work on getting projects done and getting business in the door has to be done first. Then we can test out ideas that could be big, as in fire bullets but not bet the farm on one idea that will risk everything.

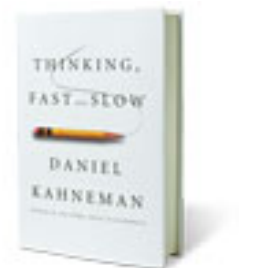
So my main point is that those of us that get caught up in the entrepreneur euphoria, just be aware of the “dark side” and the over-confident optimism that seems to follow, and take steps to rein it in before it gets us into trouble.

[Can the Entrepreneur Optimism](#)

Be Risky?

As an entrepreneur, I consider myself a pretty optimistic person. I look to the future and see a rosy picture filled with visions of a lifestyle that incorporates my dreams. I will sacrifice now acknowledging that I will see better times ahead. Knowing that the little steps of progress I see in my company is leading to something better really gets me excited, and the optimism overflows even more! Have you ever thought this could be a little risky? I didn't, but let's explore this some more.

When I was preparing for India, I knew I needed some good reading material to entertain me on the 24 hours of travel time I would have each way. I went to [Barnes & Noble](#) to search and came upon a really good book called "[Thinking, Fast and Slow](#)" by [Daniel Kahneman](#). Daniel won the Nobel Memorial Prize in Economics in 2002, and with this book he aimed to "improve the ability to identify and understand errors of judgment and choice in others, and eventually in ourselves, by providing a richer and more precise language to discuss them."



I have found this book to be very interesting and mentally stimulating in the same vein that I did with "[The Black Swan](#)," which you can read more about [here](#) on my [blog](#). I have not finished the entire book yet but was very intrigued with a chapter called "The Engine of Capitalism." Here, Daniel discusses the advantages of optimism and how it leads to happier, healthier, more resilient people. The optimists are the inventors, the entrepreneurs, and the political and military leaders, which he points out are not the average

people. They get there by seeking challenges and taking risk.

Most interestingly, he discusses how an optimistic bias can blind an entrepreneur from seeing the full risk of an undertaking or the decisions they make. In study after study, Daniel shows that optimistic people were not capable of predicting or generating the results they expected. What do we do with this overconfident optimism? Daniel suggests one option would be to do a “premortem,” and I see another option of firing “bullets.”

The premortem occurs when the organization has almost come to an important choice but still before the big decision. They gather a group of people involved in the assessment, and they write a brief history imagining that they implemented the decision and it died, so now they have to imagine they are looking back and come up with reasons why it might have failed. Daniel says this does two things. First, it overcomes group think when it appears a decision is moving forward. Second, it opens up the floor for knowledgeable individuals to express their doubts when they may have been suppressed by the leader before.

I think there is another way to handle overconfident optimism, and that is to fire bullets, as [Collins](#) discussed in “[Great by Choice](#).” When you test the market reaction by looking for empirical evidence with small, low risk exposure (firing a bullet), your confidence comes from real world market feedback. Only then do you fire the big cannon ball without worrying that your optimistic bias got in the way of a venture that could have been devastating to your company.

I know my over eager optimism has gotten in my way and has been costly. How are you managing yours?

Side note on the [4 Billion Customers'](#) blog last week: I read [David Meerman Scott's](#) [blog](#) this week, reinforcing the mobile expansion to all parts of the world. He was in the jungles of

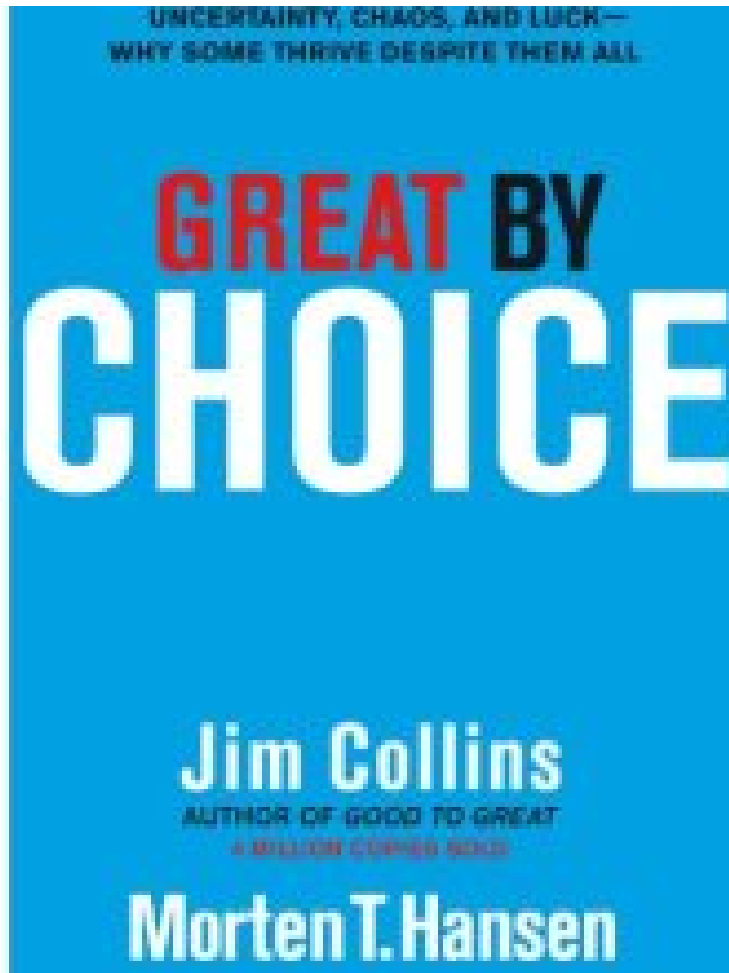
Central America and experienced tribal people with no running water or electricity using mobile devices to better their world. Check out his [blog](#).

3 Keys to Business Greatness!

If you asked me the business authors out there who I think provide the most value, I would have to say [Jim Collins](#) and [Peter Drucker](#). Both of these guys have provided huge insight to the business community on how to run a successful company. Like most businesses, we at Efficiencie are starting the year formulating strategies and goals to make forward progress toward our destination, and reading Collins' and Drucker's material has always been good preparation.

Peter Drucker is legendary and has since passed on. I credit him for giving me the insight in the early '90s to see how the information revolution would provide the future with value and to develop a mutual fund called [IPS Millennium Fund](#) in '95 to participate in this information revolution.

Jim Collins opened my mind to creating a company that had a big vision with a BHAG (Big Hairy Audacious Goal), a heart with a core purpose, and personality with core values. So, when Collins came out with his new book, I was anxious to see the new awareness that would come from his decade long research.



In [Great by Choice](#), Collins and Hansen set up an awareness of how three key areas acted as the common themes in the companies that have dealt with uncertainty, chaos, and luck as well as why some companies thrive despite all this. What they found was very interesting and contradicts common thinking about great companies. They discovered what they call 10Xers (companies that have been beating the marketing and comparison firms by at least 10 times in stock market performance) were **not** more visionary, more bold, more risk taking, more innovative, or more creative than the comparison companies.

They were more of 3 things:

- 1) **More Disciplined**
- 2) **More Empirical**
- 3) **More Paranoid**

This book is very eye opening! When we think of a company that has had great success, we usually assume it has done so with a new break through idea, a new patent, or by taking a big risk that is paying off. However, this was not the case. Of course, to a point, these companies were innovative and creative, but they became really great by finding what works through empirical evidence, testing that out, and then being super disciplined to get it done. They also worried excessively about what was out there that could change the game for them.

I will discuss each in more detail in next week's blog. Happy New Year, and I wish you much success this year being worried about what is coming, gathering evidence that your ideas work, and implementing them with vigorous discipline.

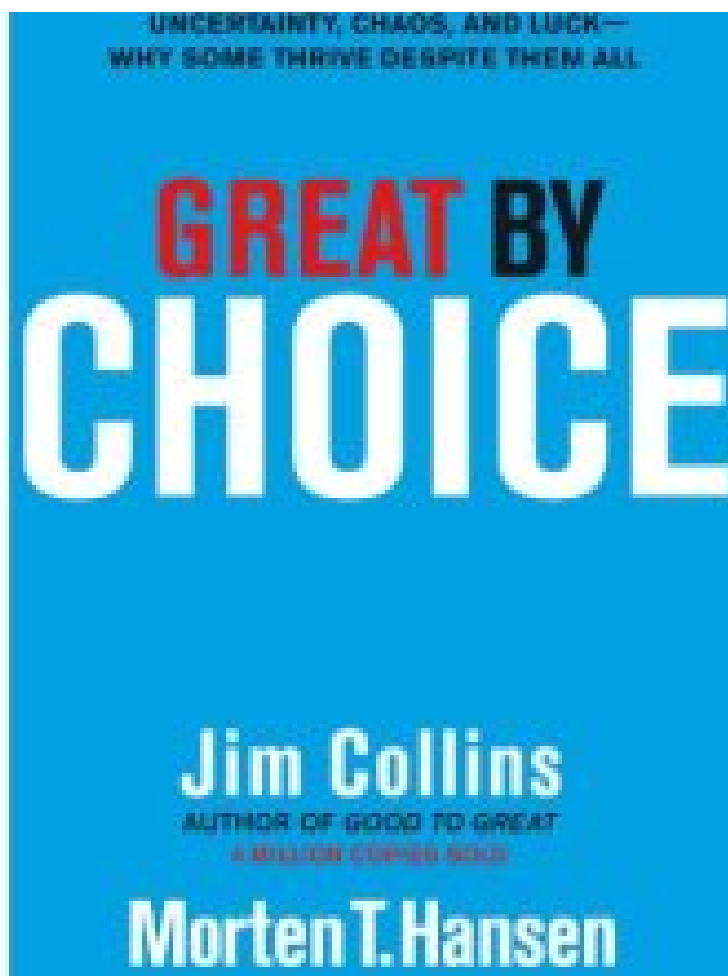
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**Choose to be Great with These
3 Behaviors!**

conducting practical experiments, and / or engaging directly with evidence rather than relying upon opinion, whim, conventional wisdom, or untested ideas.” I really relate to Collins analogy of firing bullets instead of cannonballs. Fire the bullets and make adjustments to be sure you zero in on the target. When you have a lock on the target, then you fire your cannonball.

When observing the core behavior of productive paranoia, the 10Xers displayed a sense of constant worry in regards to what could cause their demise in good times as well as bad. They worried, like [Gates](#), that the guy in the garage would come out with something that would sink them. Like me, you may remember [Andy Grove](#) of Intel, a 10X company, coming out of the cover of Fortune with the title [Only the Paranoid Survive](#).” Collins says, “They (10Xers) believe that conditions will – absolutely, with 100 percent certainty – turn against them without warning, at some unpredictable point in time, at some highly inconvenient moment. And they’d better be prepared.”

I have discussed many times in these writings how [Efficiency](#) is working toward its BHAG by creating many products in the marketplace and observing the evidence of what works. Those are our bullets, and when the empirical evidence comes in, we will fire a cannonball. I expected this to be a core behavior, but the other two behaviors of discipline and paranoia found in the 10Xers surprised me. We will be working hard to step up to our discipline and paranoia going forward. How will you use these behaviors to be great?