

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.

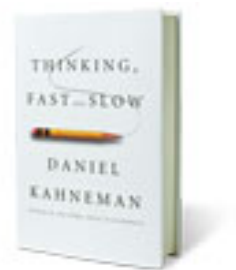
Having our business flow with processes that work on getting projects done and getting business in the door has to be done first. Then we can test out ideas that could be big, as in fire bullets but not bet the farm on one idea that will risk everything.

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](#).