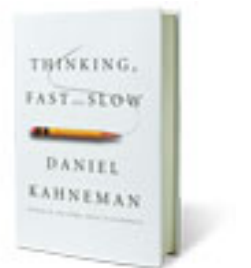


# Can the Entrepreneur Optimism Be Risky?

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](#).