

What were you thinking?

Navigating the blind spots in the entrepreneurial journey



What about BOB?

- Ex-New Yorker (BBQ)
- NYU Engineering/Stern (Operations Research, Finance)
- Finance, operations, IT executive with Fortune 200 companies
- EforAll mentor/coach since 2013
- Lives in Stow, MA
- Red Sox Fan

Today's Agenda

- Start Me Up
- Blinded by Science
- Heuristics and Biases
- The Fantastic Four
- Summary
- Resources



Blinders... *because she*
Shies
At New Ideas

FLILING MACHINES, horseless carriages — they had their skeptics. Every new idea, every great advance, does. Electrolux is no exception.

We don't mind that. For though Electrolux is four years old, has enjoyed a phenomenal success and is today in hundreds of thousands of homes, it is still the new idea, the big radical improvement in automatic refrigeration.

All we ask is that you go and see Electrolux with your eyes wide open. Judge the facts at first hand.

You will find that Electrolux not only freezes ice cubes quickly and provides perfect constant cold all ways, but does this without sound, without machinery, and at much less cost than any other refrigerator.

Is it any wonder that Electrolux sales in 1931 were far ahead of 1930?

You certainly owe it to yourself to see this remarkable refrigerator that has so greatly changed the old order of things. It is on display at the showroom of your gas company.

And if you'd like complete information by mail, write to us direct for free literature, Electrolux Refrigerator Sales, Inc., Evansville, Indiana.

ELECTROLUX
THE *Gas* REFRIGERATOR.

The old order changed and they see
how tales of blinders' all moving party

But first, a game!



Which car is bigger?

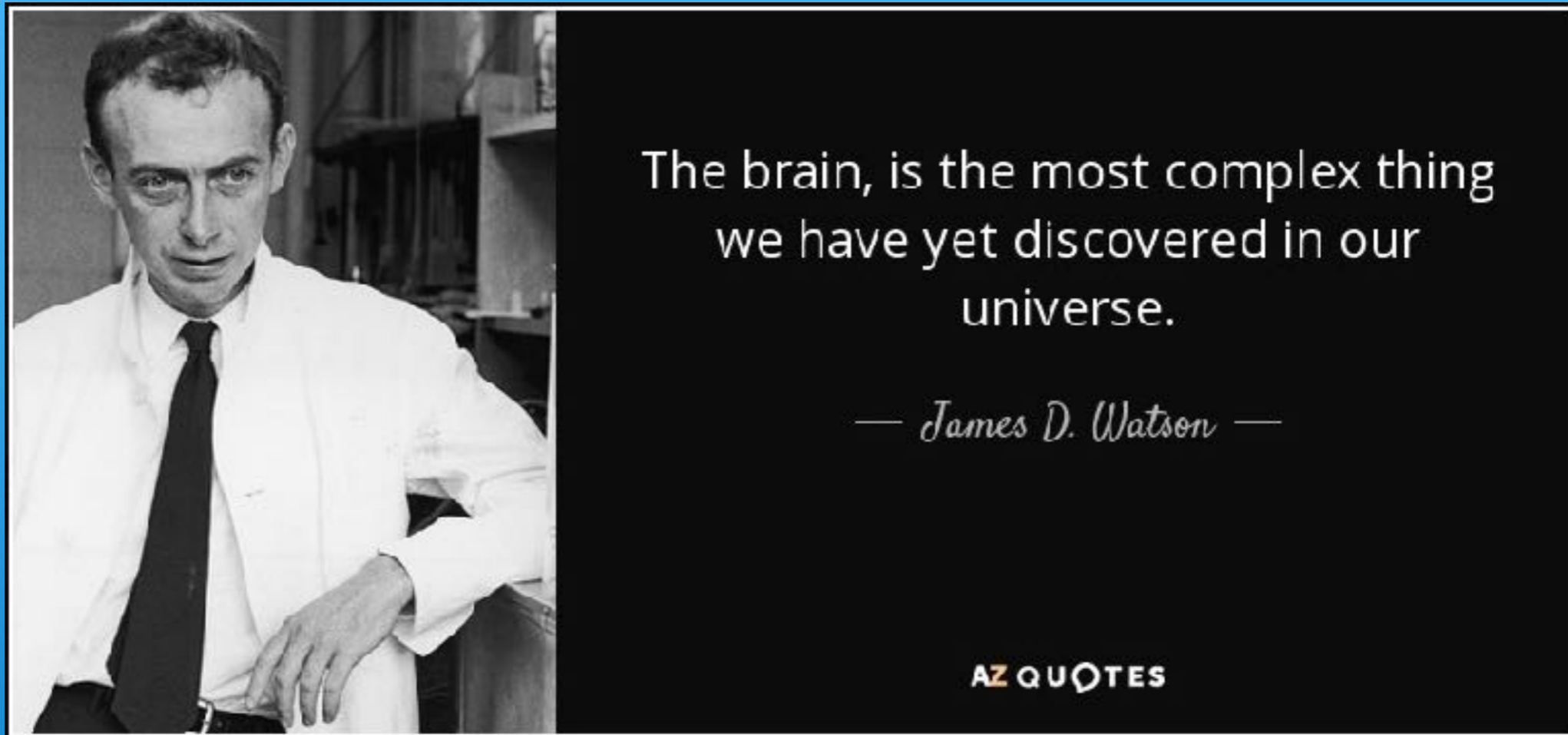




1963 Dodge 330

aka "Black Beauty"

Blinded by Science

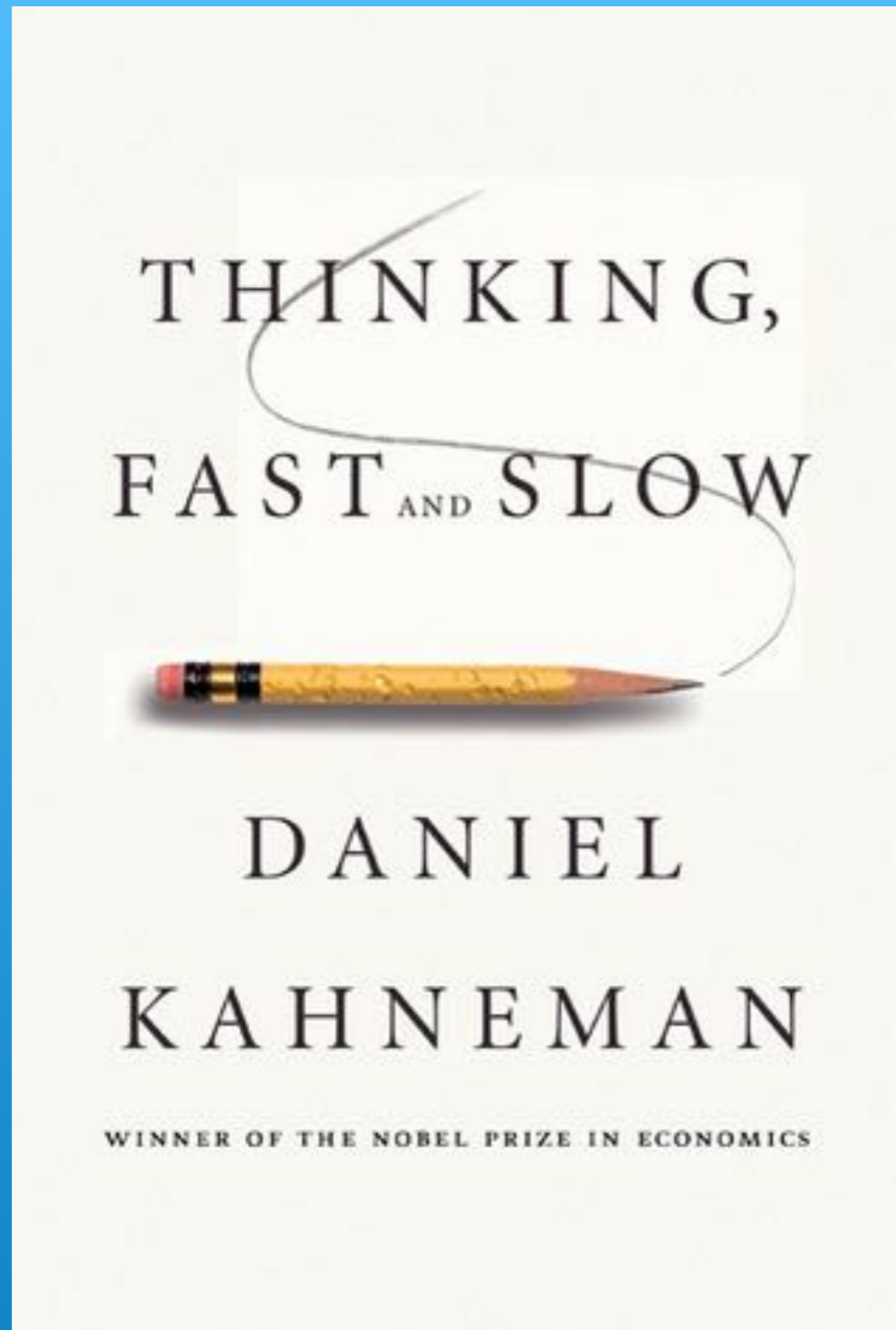


How do we make decisions?



Amos Tversky & Daniel Kahneman

Behavioral Psychologists (circa 1969)



"**System 1** operates automatically and quickly, with little or no effort and no sense of voluntary control. **System 2** allocates attention to the effortful mental activities that demand it, including complex computations. The operations of System 2 are often associated with the subjective experience of agency, choice, and concentration."

"We can be blind to the obvious, and we are also blind to our blindness."

Reptilian Brain

- Controls vital functions
 - (heart rate, body temperature, balance)
- Rigid and compulsive

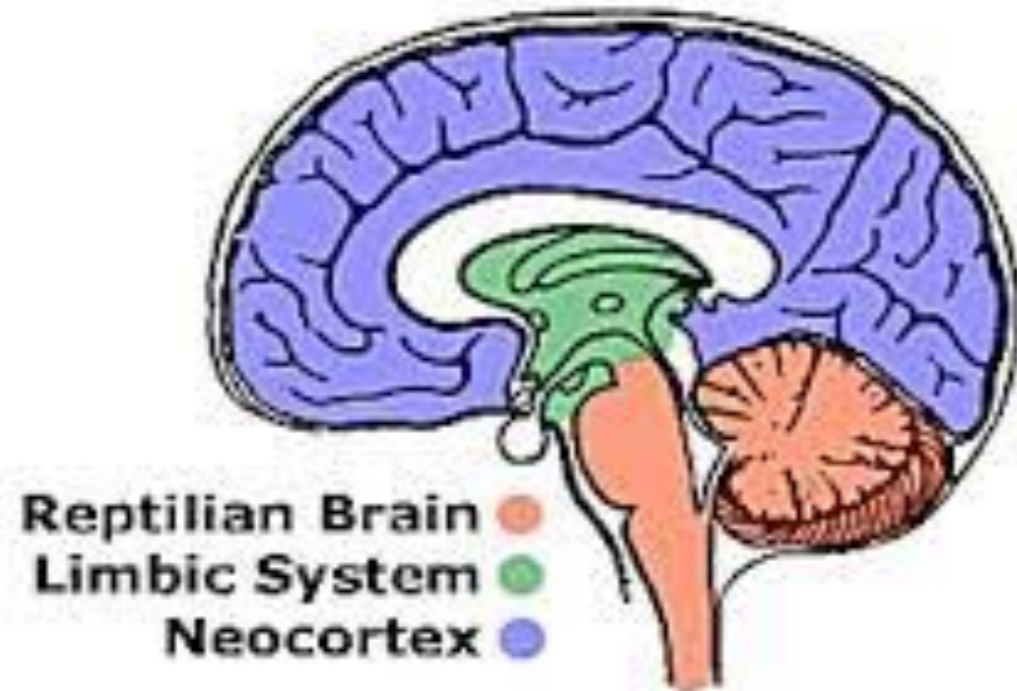
Limbic Brain (System 1 - Automatic)

- Emotion and Mood
- Addiction
- Long term memory
- Makes value judgments (intuition, “fight vs. flight”)
- Fast
- Trickster, exerts strong influence

Neocortex (System 2 - Reflective)

- Smart, the center of
 - human language
 - abstract thought
 - imagination
 - consciousness
- Flexible with infinite learning abilities
- Slow and Lazy

The Evolution-Designed Brain



Seven Heuristics

- ***Anchoring Effect*** - Occurs when people consider a particular value for an unknown quantity before estimating value
- ***Availability*** - Relying on immediate examples that come to a person's mind when evaluating a specific concept, topic, method or decision
- ***Representativeness*** - Used when making judgments about the probability of an event under uncertainty
- ***Optimism and Overconfidence*** - Bias assumed to cause a person to believe they are at less risk of experiencing a negative event compared to others
- ***Gains and Losses*** - Loss avoidance; avoiding a loss is better than taking a gain
- ***Status Quo Bias*** - A preference for the current state of affairs unless the benefit outweighs the risk
- ***Framing*** - Tendency to reach conclusions based on the “framework” within which a situation is presented

7 1/2 Deceptive Biases

- **Confirmation Bias - Mother of all biases**
- **Survivorship Bias - Lucky or good?**
- **Overconfidence Bias - You can't be paranoid enough**
- **Availability Bias - If I have a hammer...**
- **Hindsight Bias - Hindsight is 20/20**
- **Story Bias - Buy the steak, not the sizzle**
- **Swimmer's/Quarterback's Body Bias - Be like Mike, Tom, Gizelle etc.**
- **Authority Bias - Beware of HiPPOs**

**Many more
wrong
headed
ways of thinking!**

- **Confirmation Bias**
- **Survivorship Bias**
- **Overconfidence Bias**

If you understand how people think and make decisions,

You can avoid or take advantage of the “blind spots” we all have!



Juicero:
(noun) /joos/ār/rō
Cold-pressed juicing system

Juicero - launched in June 2016 to provide the first home cold-pressed juicing system. Four years in development, raised \$118 million in venture funds (including Kleiner Perkins and many other VCs) was outed by WSJ earlier this year - now in reorganization



Entrepreneur, Customer, Employee, Investor



“The fox knows many things but the hedgehog knows one Big thing” -
Greek poet Archilochus

Hedgehog - aka Customer

Wants:

- Productivity
- Simplicity
- Convenience (24x7)
- Risk reduction
- Financial, physical, innovative
- Fun and image, coolness
- Environmental friendliness

**Consumers love Hedgehogs
(Entrepreneurs too)!**



The Fox aka You, the entrepreneur

Wants:

- Positive Free Cash Flow
- Stickiness
- To convert casual fans
- Reliability
- Cost effective

Foxes (almost) always win!



Your Employees

Want:

- A paycheck, security
- Rewarding work
- Freedom of expression
- Good boss

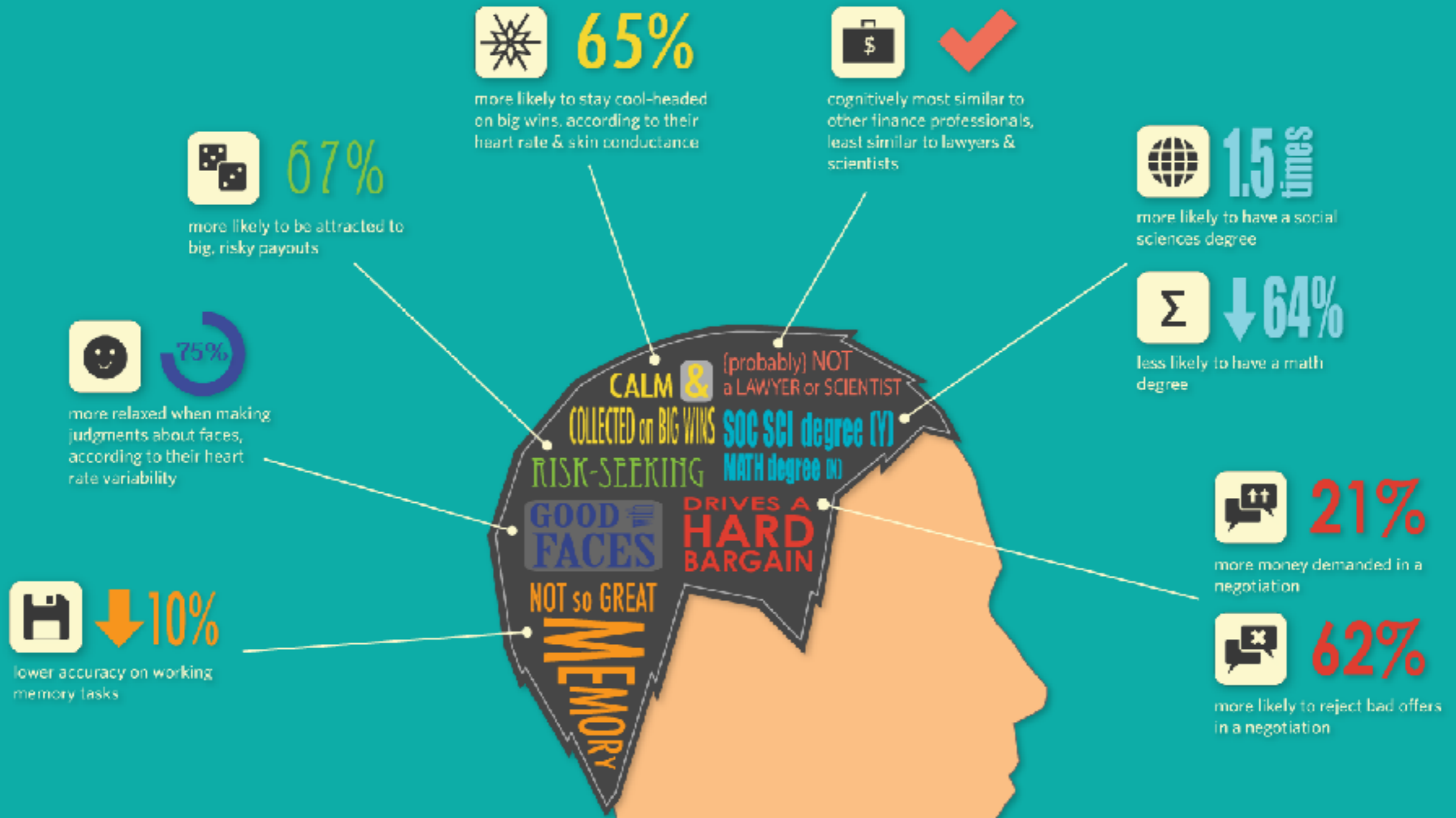
What You Need:

- Persistence
- Curiosity
- Creativity
- Dedication



The Mind of a VC

Prophecy Sciences uses a neuroscience-based assessment to measure the cognitive factors that predict performance. Results are achieved through a combination of cognitive games, biometric signals, and machine learning algorithms. The data used in this graphic come from a sampling of VCs in Silicon Valley and San Francisco. Comparisons are made versus the rest of the data set, which is composed of elite performers at top tech companies, start-ups, media outlets, universities, athletic organizations, and more. To read about how these results can work for you, visit blog.ProphecySciences.com



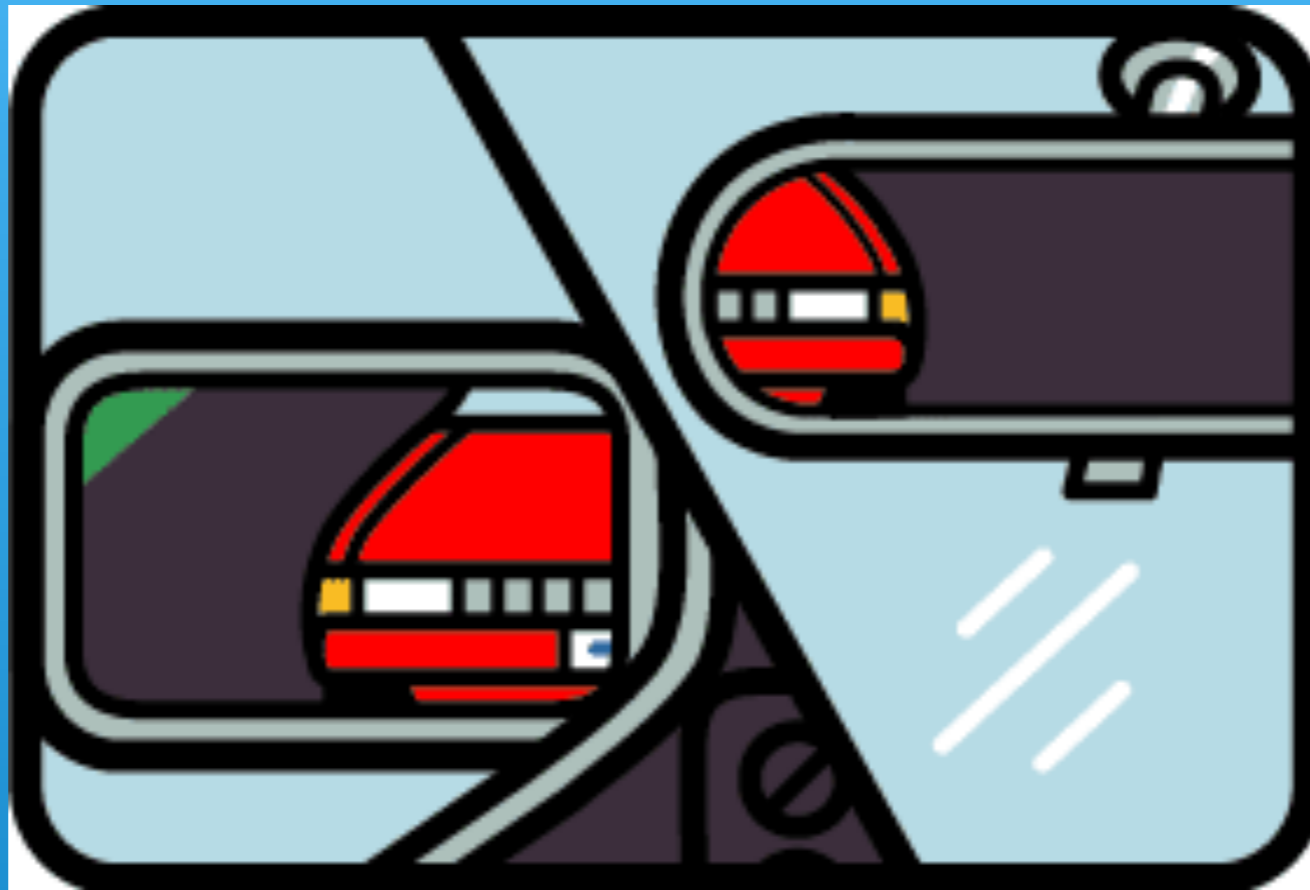
Your Investors Want

Return on Investment but also

- People with passion and appetite
- People who can scale their businesses
- People who have strong and varied relationships
- People that can build a team/culture



Avoiding the



Blind Spots



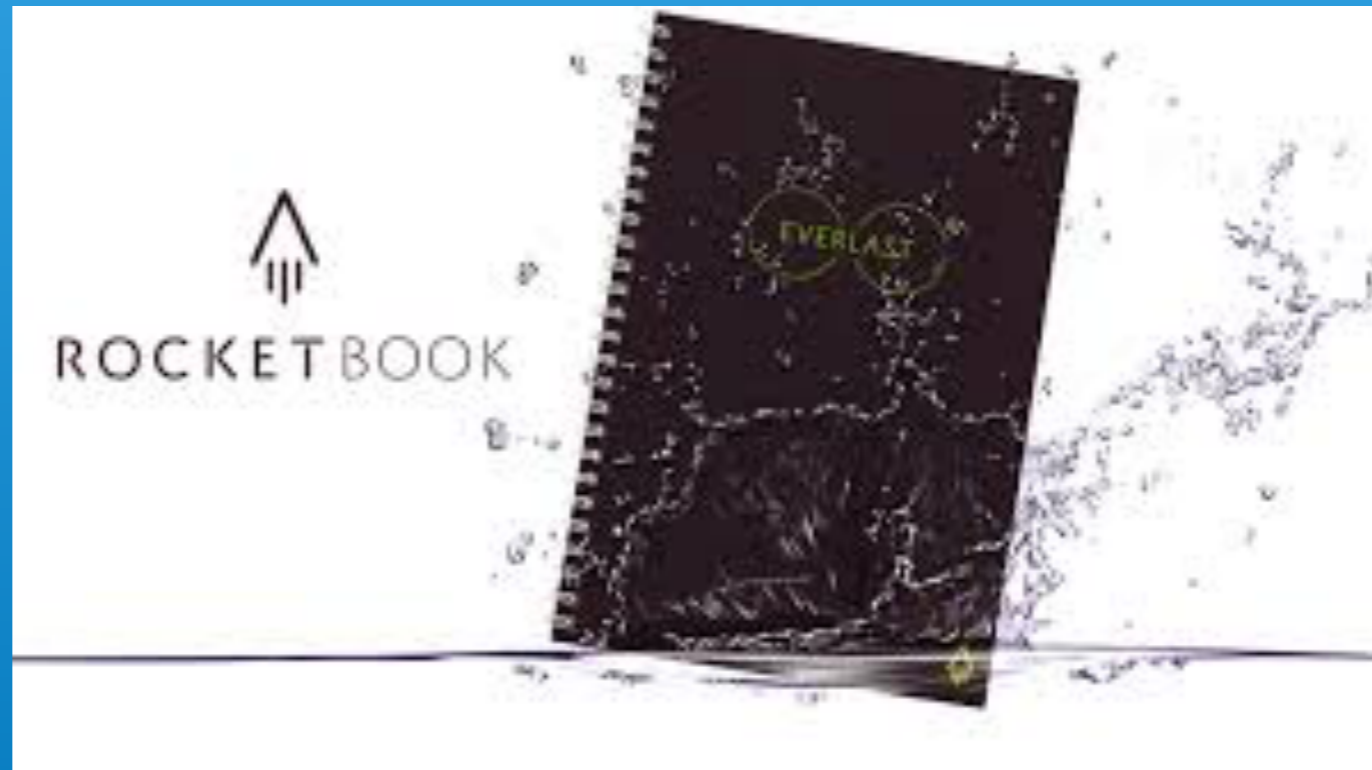
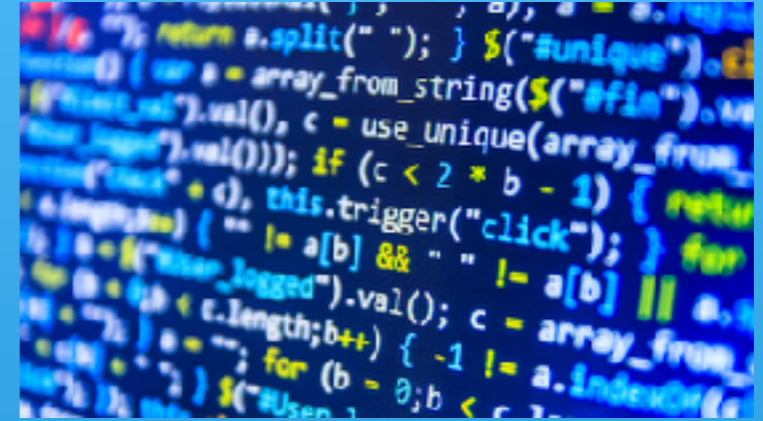
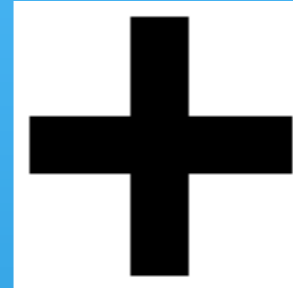
2017 Model S Safety Features

8 Air Bags	Integrated Turn Signal Mirrors	Blind Spot Monitor	Bio-Hazard Air Filtration
4 Wheel ABS	Night Vision	Lane Departure Warning	Brake Assist
4 Wheel Disc Brakes	Rollover Protection	Auto Leveling Headlights	Electronic Stability Control
Adaptive Headlights	Traction Control	Auto-On Headlights	Child Safety Locks



Navigating past your blind spots

- **Follow your passion and trust your instinct**
(Be open minded, ask good questions and read a lot)
- **Do no harm**
- **Don't worry much about making mistakes**
(Learn from them but be quick about making them)
- **Sense the environment (customers, employees, competition etc.)**
(And take evasive action when warranted)



Thank you!



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Resource List

- **The Undoing Project - Michael Lewis**
- **Thinking Fast and Slow - Daniel Kahneman**
- **Misbehaving & Nudge - Richard Thaler**
- **Principles - Ray Dalio**
- **Invisible Influence - Jonah Burger**
- **Risk Savvy - Gerd Gigerenzer**
- **The Art of Thinking Clearly - Rolf Dobelli**
- **Four Steps to the Epiphany - Steve Blank**
- **Charlie Munger: The Complete Investor - Tren Griffen**
- **Blogs**
 - **Farnam Street Blog - Shane Parrish**
 - **Design Luck - Zat Rana**