

Risk, Impulse and Entrepreneurship

04/17/06

After a few years of owning my own business, I feel like I'm living on the edge. I see opportunities and jump on them. I ride a roller coaster of ups and downs. I put some wins on the board, and try to leave behind the things I wish I could do over. At the end of the day, it all seems like such a gamble. Is this what business ownership is all about?

For many owners, running a business becomes a thrill ride of excitement, adrenaline rush, let down, and re-charge. Let's start to answer this reader's question with a look at behaviors linked to entrepreneurship. We'll discuss warning signs and success markers. We'll end by looking at ways to survive the roller coaster ride of small business ownership, making more money while doing so.

One trait cited over and over again in discussions about entrepreneurs is impulse behavior. It is often posed as a chicken vs. egg question: which came first, the impulsive behavior which turned into entrepreneurship or the small business owner who survived by honing impulsive behavior. In fact, I pose that the more important question is what we do with our innate ability to react impulsively. How do we get things to work out better in the end, because we both use, and control our impulsive ability.

Impulsiveness has played a role in survival for as long as humans and animals have lived on this planet. Responding quickly and reacting with little or no thought helped keep us from becoming dinner when we lived in caves. Impulsiveness as a child, in some studies, is shown to lead to dominance, as youngsters mature into adults capable of taking action.

We use words like decisive, determined, courageous, and successful, to describe people who can act quickly, or impulsively. We also use words like rash, hasty and reckless, uncontrolled and careless. Why one view vs. the other?

We, as business owners, can probably all think of situations in which we dashed into action, only to look back later and wonder why we could have been so foolish. On the other hand, we can also probably cite plenty of examples where we succeeded by acting quickly, without getting lost in analysis or paralyzed by fear of making the wrong decision. Knowing when to act, and when to sit back and wait can be a crucial skill for business survival.

We hone our skills in the real world. Each day, we handle all sorts of challenges, make decisions, and live with the outcomes. We gain skill by working through repetitive situations. We survive real world

challenges, such as responding to customers negotiating for better terms, dealing with vendors calling to say they're experiencing problems, and managing cash flow to meet payroll. Through trial and error, we find out what works and what does not work. If we stay in business, we learn to repeat our successes, and avoid situations with poor outcomes.

Having successfully handled tough situations, we are encouraged to continue to grow and expand the business. As the business grows, we encounter situations that are not exactly similar to past experiences. Yet, we have honed the skill of acting quickly, decisively, without looking back. We have learned to act impulsively, and we value our ability to get things moving. This is when the trouble begins.

Life is about building our supervisory control skills, as much as it is about acting impulsively. Learning deliberate behavior, especially in unfamiliar situations, is crucial to long term success. We need to learn how to buy time, in unfamiliar situations, to understand what's truly going on, and to figure out what consequences might result from various courses of action.

Unfortunately, the school of hard knocks does not always require us to hone the part of the brain responsible for controlling our impulses. It is like having two opposing forces, impulse and

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supervisory management. And often in entrepreneurs, the impulse side gets significantly more exercise. Employees press us for answers. Business associates demand we act on the deals they offer. We feel we can't wait for tomorrow's information, to make today's decisions. As a result, our brain's supervisory management system, the frontal cortex, is not as strong as our impulse center. Yet, as we head into unfamiliar territory, as we expand the business and take on bigger and different challenges, we are no longer as likely to succeed by acting primarily on impulse. We need the protection the frontal cortex can provide, to keep us, and our business safe.

Curiosity, openness to learning, and ability to link actions and consequences, are all skills that successful entrepreneurs have developed. They use these skills, all tied to supervisory managements skills in the brain, to sustain themselves as they grow their businesses. They recognize that there is a difference between being alert for opportunity, and taking enough time to figure out if an opportunity will be likely to create sustainable profit. They learn when to apply brakes, and how to do so.

Successful entrepreneurs are able to learn from their past mistakes. They can look in the mirror and acknowledge what they have done wrong. They accept responsibility, and stick

around long enough to pick the situation apart, analyze their role in creating the problem, and figure out how to do things differently in the future.

Business owners succeed by discovering new resources to support them, and their business, as they grow. Growing businesses are constantly adding new resources in the form of employees, vendors, and customers. At the same time, owners of growing businesses develop the ability to innovate, rather than react. They find ways to look at situations from multiple points of view, and play out consequences for a variety of scenarios.

Part of the control mechanism, for most successful business owners, is achieved through having a set of written goals, and developing systems to analyze new situations. They define for themselves how much risk is enough, and what represents too much risk. And they learn to get what they want by staying within their risk boundaries, even if it means walking away from presumably great opportunities.

Successful business owners also learn how to moderate emotion. They build their skill at walking away when faced with a strong emotional reaction. They can curb high impulsive behavior in high stakes situations. They reduce the potential to mis-read a situation by giving it time to play

out, and limiting their investment of time, energy and finances, until they can be more certain of a positive outcome.

According to Gerald E. Hills', University of Chicago, survey of successful business owners, "ideas are a dime a dozen, evaluation is the key. . . . Identifying opportunities is a process rather than a one-time occurrence . . . an idea should be developed over time. . . problem is not to get the idea, but to get the capital and other resources."

Here are some statements you can use to assess your risk / reward quotient.

Set One

- I succeed by challenging myself to take action and quickly deal with whatever comes along
- I can decide on the spot if something, or someone, is likely to work out
- Taking on debt is a good way to fuel growth
- There are times when there is only one way out, one possible course of action
- There isn't enough time to plan things out; we just have to bull our way through
- I often throw people into situations and let the cream rise to the top

Set Two

- We know how to hedge our bets, we have three ways to go

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- I regularly do my homework, test concepts before I fully commit
- I can and do walk away, if it means that I risk more than I can afford, and I know exactly what I can afford to risk
- I use money to invest in opportunities with a well-defined, substantial pay-off
- I can accurately predict how people will perform, and put them in situations in which they are likely to succeed by matching past success with future situations
- I test instant impressions by doing my homework

If you tend to identify with Set One you may want to work on your control skills. If you felt more closely identified with Set Two, you are probably on your way to building a strong control system, which should serve you well as you grow your business.

Remember, success is tied to learning how to limit potentially destructive behavior. We gain skill at saying no. We stop over-extending ourselves financially, emotionally and physically. We learn to stop chewing up our resources on low potential risks. We avoid spreading ourselves thin. We learn that the best execution comes from a well thought out course of action, played out over time, with adjustments along the way. This is a path to wealth, that is tested, proven, and which more business

owners would be encouraged to follow.

Looking for a good book? Try *Primal Leadership: Learning To Lead with Emotional Intelligence* by Daniel Goleman.

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