

Instapaper

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The “being realistic” fallacy « Leo starts up
leostartsup.com

On my way to the airport this week, I’ve had an amazing conversation with Joel. It was about a topic I thought I had nailed for a long time and realized that actually rather the opposite was the case.

Joel told me something very inspiring along the lines of that whenever someone mentions the phrase “that’s not very realistic” or “if we are realistic about this, then” a magic sensor goes off in his brain. He aims to fight off every conclusion that was drawn from “being realistic” and get back to thinking what we could do, if we only were less realistic about things.

When I thought more about this on the plane, which is where I’m writing this, I realized that there are two very important things that are connected to this idea of “being realistic”.

Why it is so hard to work against the “being realistic” argument

Let’s take the sentence “Let’s be more realistic about this.”

If I were to substitute the word “realistic” for other words that would trigger the same meaning in my head, a few options come to mind. One is “logical”. So the sentence would be

“Let’s be more logical about this.”

Another one would be “rational” or “think this through”. So we get

“Let’s be more rational about this.” Or *“Let’s think this through”*.

All of these substitutes are things that we would intuitively agree with. We *want* to be more logical, more rational and most importantly we want to think this through.

So without knowing, we are being drawn in to agreeing with a topic or point of view, purely because we want to be more logical, rational and thinking smart.

What I’ve realized though is that being realistic merely means this:

Being realistic = fear of failure

When I think back to every moment someone mentioned “being realistic”, I’ve actually realized, that it is merely an expression of fear of failure.

Being realistic purely shows that you believe something can’t be done. It means something isn’t in your reach or you are not capable of doing it. To put differently, the universe of your thinking, of the things you know and have done before, this or that idea can’t work within these “realistic” boundaries you’ve created.

Whenever this fear of failure overcomes us, when we can’t see this “thing” to be possible in our heads within the realms of things we know, there is one thing we have to remind ourselves of:

“We cannot solve a problem with the same level of thinking that created it.” ~ Albert Einstein

Of course it is not realistic and of course you will fail with the knowledge and tools you’ve been using so far. That’s not the point. The point is that you’ll do things differently to go about this. You will

choose the tools of risk and excitement that will get you to do things you've never done before.

So the next time someone or even you yourself mentions "realistic" in a sentence, listen carefully. Why? Because "It all always seems impossible until it is all done." ~ Nelson Mandela

Hi, I'm Leo, Co-Founder of **Buffer**, a new way to Tweet and share Facebook posts smarter and with more impact. On this blog, I share my insights about life, startups and marketing. Subscribe to my **Facebook updates** or **email me**. I would love to connect.

Why Ideas are a Bad Place to Start a Startup – or – Why Ideas are Evil | The Startup Guy

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Context:

I've been working with Startups in the Indian Ecosystem for about 9 years now. Have been an entrepreneur / for the past 15 odd years, and over the past 9 years have met atleast 1000+ startups in the Indian Context, and interacted with quite a few globally.

About 18 months ago, we started an effort named In50hrs - a platform to bring together Ideasmiths, developers and designers together to pitch an idea, form teams and build prototypes of them, so that a) teams/Entrepreneurs find team members b) Learn how to build prototypes c) People get off their lazy butt and do something about that "brilliant idea" they've been sitting on. 18 Months, 10 events, Close to 400 participants. 180 odd Prototypes, and 25 startups later, I am coming to realize that Ideas Suck. They are evil and are absolutely the worst place to start a startup.

Pitchforks ready? Excellent. Now Let me explain.

The Starting Point

It has come to become the norm that the first step to build a startup is to think of an idea. Now imagine an entrepreneur, and he or she has about three to six months of money saved up in the bank and now wants to build a business and hopefully will succeed in building one that will have him or her land on her feet and atleast making the money that they were making while having the job. The chances of that happening **when you start with an idea is very very very slim.**

There is a reason why we force folks to talk about problems they are solving rather than jump right to solutions at In50hrs.

Now let's go down the idea rabbit hole and see how far it goes:

You start with an idea and there is a chance that its a bit vague – most idea descriptions we get during prototyping events are. And over the past few months i've come to realize the ones that can turn into a business and the ones that cant. There are ideas that do get pitched saying :

"Here is a brand new way to manage tasks. it is based off the book or a theme like Getting things done, and we believe the current tools out there don't do the job, and hence we have a new idea".

By sheer proposition, there is nothing wrong with this, except that – apart for that spark of brightness, and the happiness of having thought of something out of nothing – the feeling of creative genius wraps over and then it takes over. The idea is converted into a product. The hunt for the elusive customer begins (sometimes to no avail and it starts to feel that perhaps only big foot will use this app – if only he can be found and a survey be done on him, or a beta app be released), pricing becomes a big issue if there is a payment – for free you get a few ~~customers~~ users, when you ask them how much they will pay for it, they circle around zero or a number that doesn't make any sense – even to justify your cheapest cloud hosted service, One day you realize that people are starting to use the app for very strange uses and the audience is a bunch that you cannot relate to at all (Imagine if you are a logical programmer and a ton of creative artists start using your app), and the demands that come from them become something that is not very enjoyable. And then comes the last big question – the stake in the heart – is this scalable? You are a SaaS application and you found ten whacky artists (apologies to the

artists) who were ready to pay, but you have absolutely no bloody clue how to find a thousand or ten thousand more of them to justify taking venture capital for this startup. By now, its probably month nine and you are way past the red line.

The realistic scenario is that the downturn happens much earlier. For a week you are overjoyed at the thought of the idea, then there is a slightly overwhelming nag that perhaps this idea is too big for you to execute, a sense of impatience comes by next, and for a little while followed that you are paranoid that someone is going to steal the idea – and timely enough you hit refresh in techcrunch and will come across an article on a startup doing the exact same thing – as if by psychic powers they stole the idea. Most people don't recover from that emotional setback for a while, they get back eventually. Learn nothing and the cycle continues.

The Idea Emotional Wave. Most IdeaSmiths who start with an idea, not a problem, do head straight to crash and burn after the high.

Starting up as a Process, Not Shot in the dark

Building a business has to be a process. You can do it the creative way if you'd like (just follow the steps mentioned above a few more times) and don't get me wrong, you will hit success in one of those chances. But the fact is that it is very unpredictable. Someone who can tell you when you will hit gold, is nothing short of a prophet. *Side effect: When you yourself don't know when the dawn will break, asking investors to come onboard, is mostly a futile exercise as well.*

Starting from an "Idea" however has worked in large organizations, as mechanisms to do out of the box thinking and when the revenue from that exercise is not what will keep the lights on.

What Then, Mr. Doomsday?

In empathy for the lad or lady who has just quit her job and is looking to start something that will become a business in a set time frame, here is a proposal for a slightly structured way of going about it. **Step One : ~~come up with an idea~~** figure out who your audience is. If you are a human who has had any social communications with other human beings, you will realize that you are part of some circle, clique that you understand really really well. If you are young, and a student, you understand the student audience really well. If you are a professional with a few years of experience, you might have an audience within your profession, or area or expertise, or if you have taken an extra effort and built a blog or some expressive means, you have a follower base who you can relate to. That is as good as the best starting point to build a venture. Why? because you are one of them and there is nothing easier than to try to build something that you yourself would use.

This is the way businesses have been built in India. Some of the businesses classes have the luxury of extended audiences through their family networks etc, but i strongly believe everyone has an audience. Its just a matter of figuring out what that is.

The Lie

Now, I might have lied. Remember how I said Ideas are evil? Well not really. They are, if you let them loose and let them take you through the paralysis of the highs and the lows of creativity. Ideas are like rebellious teenagers and have momentum. If you can focus an idea, it is powerful. So what do you use?

You have to **constrain an idea** under the verticals of, an audience you know and can relate to and have access to, the value system that the audience has – lets say you have been an active community of the open source movement, the unsaid value system is that they believe software is and can be free – building something proprietary and trying to sell to them, might not work. Understand that. Note their pain points – **never ever ask, but observe**. I absolutely believe that Heisenberg's uncertainty principle comes to play more often in this world than we imagine: If a subject that is under observation comes to know about it, they react to being observed – often in a way to mask what their real pain points are, and in expressing a digression. So observe where people emit pain points. If you are one with the entrepreneurial community, you'll know how much people hate doing finances. There will be entire rants that developers will make about issues they have when trying to get something done and something standing in the way. Listen, observe and note them down, and see for patterns of it.

So:

Step 1: Identify Audience

Step 2. Identify their value system

Step 3. Listen, Observe and note pain points

Once you have these three, ask yourself the final question – does the value system of this audience stop them from paying for a service and if they wouldn't mind paying, what would their ability to pay be.

An example would be an iOS app developer. We know the typical app developer is paying 99\$ per year for the license. ~~Loses~~ Shares 30% of all revenues with Apple. Marketing cost for most products are around 30-40%, so the developer has 30% left to pay for his time, infrastructure costs and take home something. If your pricing works out to be that you are demanding far more than that, it's obviously not going to work. **Understanding the business of your customers is pivotal.** That's where customer care really shows its head, to see if you really care.

So, step 4: Understanding the business economics of your customers to know viability.

Step 5: Would be to do a quick check to know if there is more than one customer that you can target. And a quick check on if there are more such clusters, would be an additional plus.

Lay all of this down on the board. Pin these as constraints and then think of ideas. It will be harder, but you will be far more focused and effective.

Some Examples:

1. I had the pleasure of Meeting Kunal Shah of Freecharge a few weeks back. The Concept is simple: You recharge your mobile / DTH via them, and they give you coupons worth the amount (in some cases more). While I have seen a few entrepreneurs try to replicate the model, five mins after I met Kunal it was very obvious that it was not a random idea he came up with. His previous stint with Paisaback – a cashback reward startup had given him enormous insight into what makes customers tick and in trying to solve the problem better for marketers, rather than giving cash – giving coupons, which are essentially a sales lead. There is no surprise as to why Freecharge is one of the highest transaction sites in the country (next to IRCTC ofcourse).

2. There are quite a few folks who are making an attempt to build something like twitter – hoping that's vague at first, and without an exact “one liner” but evolves to become a fundamental tool over a period of time. While Twitter seems to have come out of thin air, the truth is that a) Jack Dorsey has had a history of building nifty products. b) The initial concept for twitter came about because of his worrying mother who always called to ask how he was doing and if he ate on time, and the tool was a way to keep her informed what he was up and about for the day. Listen to his talk at Stanford Technology ventures Programme.

A More closer to home example: BharatMatrimony – which is the biggest matrimonial site here in India with close to 40,000 new profiles being added every day, started off as a newsletter / site that targetted the NRI population while he was in the US. An experimental Matrimonial section spurred the interest that helped him make the pivot. But, there was already an audience that was built around the company – as early days as it was, that helped the entrepreneur figure out a better gold mine.

Sulekha - which in Sanskrit means Good writing – in its previous avatar and the height of its glory days was THE destination for aspiring writers to come together, publish their short stories and essays, and there are plenty of folks who still have fond memories of the venture in that avatar. It started off as the founders' interest in writing and build a “clan” around that. Audience building preceded an idea and a venture.

One of the biggest examples of a startup that built an audience, and catered to them would be 37Signals, but I believe they are rather over-quoted at this point. So I'll share the example of this small, and amazing startup named Tenmiles. They are based in Chennai, and they have a portfolio of applications. The founder has a rather interesting philosophy of – a) knowing who he is building for before he builds anything. b) Making sure they will pay for the product – or atleast the very very near term. c) The first prototype that is made is made on a shoestring budget and tested for paying users – till

the money is recovered, there is no further investments made. d) on crossing certain revenue milestones, the product is further developed. HelpdeskPilot, Doattend, are all products of such a process. I've heard of a very similar story with zoho and how its previous avatar Adventnet was built (completely bootstrapped as well)

Case of an Audience without Credibility:

Why is an audience so darn important? Shouldnt a venture stand in the merit of its problem and how its being solved alone?. Good question and let me explain that with an example:

Being an accelerator, we do track interesting problems that need solutions and there potentially being a big opportunity. We dont talk much about it, fearing that folks will consider this as RFPs and start building projects, but in any case, one of the opportunities that we are keeping an eye on, is we have been constantly hearing from a few large organizations on the CIO level that there is a need for dashboards – mobile dashboards, which can help their workforce be more efficient. Given the constraints of mobile, the key is to make minimalistic dashboards – so lets say I am one of the teams from the support side of things, i wouldnt see anything related to finance, but I will see the number of tickets open, the average rate at which issues are being closed and the longest pending issue – with alerts for high risk showstoppers.

Interesting problem, and the solution to which cannot be that hard to build. it however requires that someone with credibility build a venture in this space – and someone with credibility might mean either a CIO or senior level management who was responsible on operation level of a mid-size to large enterprise, who probably can relate, associate and dig into his network to validate and sell this before the days clock turns over. It might be a few months before a young lad even cracks an appointment with the senior management to talk about the solution.

Bottomline: Sometimes, and more often than not, credibility with the audience matters to close that sale – especially in the case of B2B.

Circle back to the Goal:

Once this is done, start the second phase. Make a target of what is that revenue goal you wanted to achieve – say your salary, plus some additional bonus, plus some money to pay for taxes. Say it as a solid, round number. Work backwards and see how many customers you will have to get to make that money, what it costs to find each of that customers (this will be very very low because guess what, you are one of them, and they trust you and you know exactly where to find more of them).

The three biggest costs in a startup are – the cost of finding and convincing a customer, the cost of delivering the service and the cost of customer service. Most startups die before they figure out who their customers are, let alone figuring out what the cost of it will be in scale.

As George Costanza of Seinfeld, in the profound episode, revealed the truth: If what you are doing doesn't work and seems to be spiraling down the twists and whirl of uncertainty, perhaps to get a predictable result, all you have to do is flip the problem on its head and do the opposite: find your audience and start there.

PS: The difference between the teams (at In50hrs) that become startups and the ones that fizzle out, strangely though seemed to be exactly that – one that is trying to solve a problem they understand, vs a shot in the dark.

Updates:

I have been noticing a series of pingbacks and feedback posts on this post. I thought I'd link the ones that seem to be interesting (If you write a rebuttal, I promise to link it up as well)

1. John Melonakas writes about his experience – as a computer vision scientist, building a startup in the Virtual Cosmetic space, and facing the challenge of not being able to relate to an audience, nor being able to speak their language.

Look for Startup Ideas that Aren't Unique « 10,000 Startup Hours – David Cummings
davidcummings.org

One of the most common refrains from people interested in being an entrepreneur, but haven't taken the entrepreneurial plunge, is that they don't have a good idea. My immediate response to the "I don't have a good idea" statement is "what ideas do you have?" Almost always, an idea is presented followed by the fact that they looked around and someone else was already doing it, so they gave up on it.

Here a few things to keep in mind regarding startup ideas:

- A startup idea that is truly, completely unique is likely a bad idea
- Other companies working on the same or similar idea validates the idea (still might not be a great one but at least someone else thinks it's a good one)
- Ideas are plentiful, it's the execution of the idea that's much more difficult
- Many times it takes the second or third generation startup with the same idea to be successful (being too early with an idea is a failure)

Ideas are important, but they shouldn't be unique. Find an idea that has great founder fit and out execute the competitors.

What else? What are your thoughts on looking for startup ideas that aren't unique?

Entrepreneurs: Resist The Sirens' Call Of Exciting New Ideas

Business Insider

On my three year startup journey that lead to Yipit, I had over 30 other completely unrelated ideas.

Each time I got the idea, I would immediately start sweating profusely for three straight hours in a ridiculous state of unbridled excitement and optimism. Sounds great, right? Not really. Those **new ideas and the emotional frenzy were a serious distraction**.

To be clear, the "ideas" I'm referring to are the ones that have **nothing** to do with your current startup. Switching your startup's focus to a related area based on what you've learned (i.e. pivoting) is a winning strategy and one that Yipit employed twice. This post also assumes that you are and have been actively working on an idea. If you haven't started yet, experimenting with new ideas is a great way to start.

In our case, Yipit had always been about organizing local information and we had been working on it for a while. But, along the way, we spent significant time on other unrelated ideas including:

- Social version of delicious (summer of 2007)
- Tool to recommend the best version of the online video you were currently watching (spring 2008)
- 140it.com: Bookmarklett that smartly shortens your tweet to less than 140 characters. Over 350K tweets shrunk (spring 2009)
- UnHub.com: 2-minute personal website creation using your existing third party profiles. 10K accounts, 40K monthly unique visitors (spring 2009)

I now think of these new ideas as the Sirens of the startup journey. If you listen to their call, your startup journey will cease to make progress. Each of these projects were serious distractions from our initial vision of organizing local information.

The Temptation

To understand why these new ideas can be so tempting, I refer you to the incredibly insightful startup transition cycle.

The gist is that when you have a new exciting idea, you are in a state of "uninformed optimism". As you spend more time on the idea and start learning about all of the issues, you get into a state of "informed pessimism". This is a bad state that eventually leads you to a "crisis of meaning" where you either turn the corner into "informed optimism" or crash and burn.

Most startups are in "informed pessimism" and heading to a "crisis of meaning". And, that's when the Sirens start calling with new exciting and unrelated ideas. **Those new ideas are tempting**

because they are still in the “uninformed optimism” stage and seem so much better than your current idea. I fell for it several times.

The Danger

Your ability to become a successful entrepreneur is about taking your current “informed pessimism” idea and turning the corner into “informed optimism”. **If every time you get to the disappointing “informed pessimism” stage, you impatiently hop back to a new idea at “uninformed optimism”, you’ll get caught in a never ending cycle.** You have to be patient long enough with your idea to see if you are able to turn the corner.

The Solution

I finally learned to resist these new ideas after reading Tim Ferriss’s post. **I now see those ideas for what they really are, “uninformed optimism” ideas.** They may seem amazing but you just don’t know about all the issues associated with them.

So, if you are in the “informed pessimism” stage, either plug your ears or tie yourself to the masthead like Odysseus and keep working on your current idea. Don’t be seduced by the Siren call of that exciting but shallow unrelated idea.

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