

Complexity Requires Thinking in Essentials

by Peter Murphy, CEO, Objective Consulting

I recently heard four entrepreneurs pitch their business plans to a group of potential investors at a forum designed to help the entrepreneurs hone their skills. The audience included both individuals ("angels") and venture capitalists (VCs).

Following each ten-minute presentation, the investors critiqued the plan and presentation. Two of the plans were clever new product ideas targeted to distributors (retail and industrial, respectively) using mature, relatively simple technologies. A third wanted to commercialize software to speed clinical drug testing, and the fourth sought funding to develop and commercialize biochemical nanotechnology for microcellular testing and drug development.

All four have ideas for which there is proven or creatable demand, and all four impressed me as individuals and companies who can ultimately succeed.

But only one could clearly define his product, and none of the four could clearly state his prospects or even complete his presentation. All four experienced a fundamental problem that's widespread today: associating concrete facts – at the expense of thinking in essentials.

Why?

For the low tech presenters, a secondary cause of the problem appeared to be their lack of planning and financing experience. Fortunately, the investors' benevolence and the constructive format of the forum provided some good advice to improve their plans and pitches, and hopefully, to obtain financing and ultimate market success.

The high tech presenters, however, had considerable experience in business planning and prospecting, yet they too over-stressed concrete, derivative details, and thus unfortunately missed the audience's investment context. In their defense, theirs were far more difficult tasks given the sheer volume and complexity of the knowledge and values they're dealing with. But until eliminated, their deficiencies nonetheless cost time and money, and detract from their ventures.

It's no small task to condense vast amounts of knowledge regarding one's technology, history, organization, markets, and financial prospects. In fact, the high-tech presenters have likely already grasped and condensed more concrete facts than many individuals will do in a lifetime.

But this is the nature of progress – with each new generation there is increased volume and complexity of knowledge, larger projects, greater potential for more widespread success, more development time, more resources at stake, greater risks.

So progress necessitates "gaps" between the entrepreneur's vision and his or her own existing knowledge, as well as the existing knowledge of prospective investors, partners, employees, suppliers, and customers. Given the growing rate, scale, and complexity of progress, the size of that gap today is greater than ever.

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Until now, specializing in a given field of knowledge and endeavor was the means of bridging that gap and reducing its risks. Both of the high-tech presenters' companies already employ accomplished specialists. Most VCs and professional "angel" investors already limit their focus to industries and technologies they're knowledgeable about; they also greatly prefer to invest in seasoned management teams.

Every quarter, the gap is bridged, investments are made, customers are persuaded, and progress ensues. But according to the VC panelists following the presentations, capital raising takes a great deal of time and effort away from business-building, business-building almost always takes more time and money than foreseen, and only a tiny percentage of new ideas ever get funded.

This is why specializing in a given industry, although beneficial, is increasingly becoming insufficient. In the early 1990s, for example, IBM continued its descent toward bankruptcy until an industry outsider, Louis Gerstner, became CEO. Despite a paucity of computer industry knowledge, Gerstner was able to achieve an astonishing turnaround for IBM due to his superior method of inductive thinking.

Whether planning, financing, conducting due diligence, or executing, we cannot gain more advanced levels of success by merely associating and presenting facts in well-established formats. And when advancing the frontiers, trial-and-error without valid hypotheses and scientific method only increases risk and may never reach pay-dirt. We must instead improve our thinking.

Thinking is neither automatic nor random. It's a specific process that's capable of objectively identifying facts and values — but only when under our conscious direction and only when that direction has allegiance to the nature of the mind and to the nature of the mind's building blocks: concepts.

The inputs of thinking — knowledge we've stored and retrieved from our subconscious mind—must be in essentials, in the right contexts, in the right hierarchies, and without contradictions. And the better those inputs are, the faster and more powerful will be our results: good solutions, good decisions, persuasive communications to others, value creation, and mutually profitable exchange.

The venture capitalist who led the critiques provided a good example of essentialized knowledge at the ready. He continually pressed for answers to the investor's three most important questions:

What are you doing?

Who will value it?

What's it worth to investors?

Thinking in essentials tames complexity and increases precision. It integrates abstract "forests" and concrete "trees" without dropping the context of either. It also helps us bring our emotions into reinforcing harmony with our goals rather than

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becoming driven by destructive whims like pretense or defensiveness.

Every good entrepreneur deserves our admiration for the abundant good qualities of character he possesses - in thought (grasping and refining a bold new vision) and in action (possessing the heroic integrity to remain loyal to his convictions despite significant personal risk). High-tech entrepreneurs also deserve to be recognized for the complexity of knowledge they've been able to integrate and correctly use to advance their businesses.

But with better thinking in essentials, entrepreneurs will markedly clarify and improve both their chances for achieving the vision - and its cost in time, money and risk.

This is the great irony for entrepreneurs and investors in today's culture: despite unprecedented need for clear thinking, our educational institutions don't teach how to think, and instead thwart that most crucial ability by replacing it with mere concrete and muddy association. To remedy this deficiency, we need to rediscover what the best men knew in centuries past - how to identify essentials and integrate our concepts to more effectively and harmoniously gain the values we seek.

If you're an entrepreneur or investor, Objective Consulting can be your most important ally in this process: providing you with the fundamental value of getting clear on your essentials - on their logical, scientific, technological, financial and other fact- and value-oriented hierarchies. Decisions will be more enjoyable and profitable, and you'll execute faster, at lower cost, and with greater likelihood of far greater success.

You'll have better trees *and* a magnificent forest.