



Stanford eCorner

Overestimating Risk

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Video URL: <http://ecorner.stanford.edu/videos/3209/Overestimating-Risk>

Steve Teig, president and CTO of Tabula, argues for why entrepreneurs frequently overestimate the risks in starting companies and building products. Teig also explains how you can create a superpower by re-applying fear and worry as additional effort.



Transcript

The first is - and this has always kind of made me laugh as long as I've lived in Silicon Valley which is 30 plus years now - fortunately for the people who live around here people who don't live around here generally speaking are scared to death to start the kinds of crazy companies that people who live around here start. They overestimate the true downside of blowing it. So let's go through the exercise. So you go ahead and you start a company and you give it your all and you work on it for three years and at that point you can probably tell whether there might be something there or not. And let's imagine there isn't and the thing just fails. Presumably you were somebody pretty smart and motivated, you got the thing funded, you managed to build a team, you managed to build a product, you're going to get another job. You'll either start another company; you'll be able to join another company somewhere else. The objective risk, at least early in your careers which is where essentially all of you are, the objective risk is low. The worst thing that will happen to you is okay, so you'll get another job. You're going to be reasonably paid while you're at that start-up, you're going to learn a lot.

The experience of trying to build a company and of trying to figure out how to make it fly will serve you whether that company flies high or not. So I think people vastly overestimate the true risk that they are taking. Now with that said, I don't really know a way to say this to you that you will really be able to internalize because I know I wouldn't have accepted it at your age, except having experienced it myself but I'll try to say this anyway. What I have found for myself in being willing really to take the plunge, really not to protect my own ego, really to think I am going to bet it all and if it fails, I am going to feel terrible, is that I am able to do things that I myself don't think I can do. What I found the first time I did that, was that problems that I thought were too hard for me were nearer to my grasp than I thought because the third of my effort - third of my - whatever, of my effort that I was spending protecting myself - oh, what if this goes wrong, all that stewing about all the things that could go wrong, by taking that third of my effort and applying it to the problem, I was now 1.5 times as powerful as I would have been if I hadn't done that. And I found that it was like a super power; that it ended up making me and my team in whom I inculcated the same idea, it made us a more powerful engineering team than we thought we were. So I realize that unless you've done this that might not resonate but it certainly matches my own experience.