

# Confidence Knack (How much is too much)



My friend and his wife learned a hard lesson. A few years ago he and his life partner started coaching and public seminar business. They conducted several seminars on "Changing Own Life" "How to be successful in life" etc. Within no time business was very successful in terms of enrollment, revenue and buzz generated that they reprised it the following year and topped their performance. They decided last year to go even bigger, offering top level speakers in seminar. They were so confident about the seminar that they did not even consider the possibility of failure. That's when everything went against expectations.

Overconfidence contributes from grim rates to entrepreneurial failure. If entrepreneurs think they are better than others, they may be overly optimistic and start things with low chances of success. That's probably because most of us go through life watching confident people succeed, whether it is political candidates winning elections, cancer patients beating their illness or athletes earning medals.

To illustrate how overconfidence can lead to poor outcomes, I describe a cricket player with a so-called "BOOM BOOM" or "GOLDEN ARM" theory. The theory that player (batsman) is more likely to make a successful shot if his previous shot was successful, or in case of bowler expectations of getting next wicket after successful delivery which earned a wicket. Statistically, the BOOM BOOM or GOLDEN ARM doesn't exist. But the player still believes it, so he takes more risks. These actions, such as taking wickets or high score on one bowl, decrease the likelihood of subsequent results.

Under-confidence also has its downsides. An entrepreneur with ability and skills to deliver a valuable service, but being less sure of his/her capacity to convince clients over and over again, can turn down the business.

The data suggests that having balance confidence is incredibly important for motivation and persistence. Not only confidence give entrepreneurs a sense of control, it also allows people to endure setbacks and continue forward. People who appear more confident get better outcomes from people around them. So, a confident veneer could help convince investors to write a check or get shops to stock a new product.

When it comes to confidence, preparation is the key. It helps self-doubters, because the more prepared you are, the more confident you feel. And for those in the opposite camp- the overconfident- it means reliance on due diligence rather than a "Boom Boom" theory.

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