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PREPARE FOR YOUR LUCKY BREAK

Randy Komisar

A long career in business has impressed upon me the unpredictability of success.

As an entrepreneur and investor, this lesson is particularly sobering. When I started, I felt that my hard work and a modicum of intelligence would propel me to certain success. Simply put one foot in front of the other. But living in the Silicon Valley casino has changed my view.

Success is, after all, relative. There is much written about the short half-life of the joy experienced after receiving a significant windfall if others have received an even greater sum. It seems we can't even gauge our own success without comparison to others. And, in Silicon Valley, the relative distribution of success appears largely random. That is not to say that many of the successful icons of innovation aren't impressive; it's to say that in comparison to so many of the also-rans they are virtually indistinguishable. And that realization alone is humbling.

My job for decades has been to pick the winners and losers. There is a bit of the Heisenberg Principle at work here: when successful people place their bets, the simple act of betting alone gives the lucky recipient a distinct advantage. But as venture capital statistics attest, it's not enough. Most venture investments fail, and even the "gurus" need something more.

Now, compare that to the hype. The media is gaga for larger than life successes. They plaster their home pages with tales of huge IPOs, massive investments, prodigious founders, and brilliant and not-so-brilliant innovations, with all the trimmings. Their fawning coverage amounts to not much more than the boastings of a company press release. The tech media has become a haven for fan-boys and fan-girls stoking the star-maker machinery.

At the same time, more and more people are heeding the siren call to fame and riches by joining the ranks of founders and entrepreneurs hoping to make their mark while eating free lunches. Even in a world where the best fail more often than they succeed, everyone feels they can beat the odds because they are smarter than the rest.

This brand of arrogance may be endemic to taking risks. It is another instance of the "God Complex," where a surgeon's sense of supreme confidence is a pre-requisite for making life and death incisions. These egotists might not be the sort of people we want to break bread with, but we do want them to feel cocksure when removing our appendix—or in the case of Silicon Valley, spending our capital.

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Still, innovation, at least commercial innovation, is not usually a life or death proposition. And entrepreneurial hubris creates blind spots, especially for the young and uninitiated who arrive fresh from the university where they have crushed it, and expect that life owes them more of the same. A venture capitalist or entrepreneur with a God Complex is a sorry sight.

This sense of entitlement is a font of the current pseudo-libertarian streak in places like Silicon Valley. The Valley was actually pioneered by hard-nosed, work-a-day, pocket protector types who ground out silicon chips and all their accouterments. No Gods needed apply.

The Valley upped its game when the sixties generation moved in. They were fresh from a countercultural revolution steeped in sex, drugs, and rock and roll, and they prided themselves on rejecting everything their parents' generation held dear. They resented being cannon fodder for a senseless war in Vietnam and they were hell-bent on escaping the comfortable middle class aspirations that had swaddled them.

These "Techno Utopians" endeavored to use the emerging personal computer technologies to seize control from the establishment and democratize not just technology, but also the power and wealth it engendered. They were not myopic technology zealots; rather technology was just their latest weapon in the culture wars. They did not pledge allegiance to technology, they deployed technology to further their social objectives.

And the Techno Utopians dominated the innovation industry for decades. Steve Jobs and Apple Computer were the epitome of this generation. When Apple released its 1984 Super Bowl Ad depicting a strong woman shattering the Big Brother screen to free the lobotomized masses, it was more than just gripping eye candy. It was a poignant political statement aimed squarely at a receptive generation. The Techno Utopians had suffered through the treachery of a duplicitous government and manipulation by ravenous big business and they were rebelling against their Orwellian oppressors.

But in the late 1990s something changed. The Internet Bubble brought carpetbaggers and speculators to the Valley looking to cash in. The Techno Utopians were graying and personal computing was ceding to a roaring, crowded Internet. The rush of interest in entrepreneurship brought a new generation that believed in technology qua technology.

This new generation didn't share the Techno Utopian quest to use technology to further social change; they were "Techno Libertarians," convinced that technology was a movement in its own right. (To be clear, the "Utopian" and "Libertarian" monikers reflect differing philosophical views toward technology and society, not classic, political science definitions.) For the Techno Libertarians, technology was more than just a means; it was the end, the answer to every question, the solution for every problem.

I would hazard a guess that Google was the missing link between the Utopians and the Libertarians. "Organize the world's information and make it universally accessible and useful" and "doing no evil" reflect Utopian ideals, but Larry Page and Sergei Brin had not lived through the Vietnam War, Woodstock, the Civil Rights Movement, the Women's Movement, the assassination of three leading lights, or the disgrace of Nixon. They had a reverence for the marvels of technology free from the complicated history of a social revolt against an Orwellian future.

Ironically, Google was a lucky beneficiary of the United States antitrust prosecution against Microsoft in the 1990s. Left to its own devices, Microsoft may well have usurped the Web, leaving Google and its progeny with the scraps. The government's curtailing of the Microsoft monopoly allowed for the open market hyper-growth and competitive innovation of the 2000s.

By the time of PayPal's sale to eBay in 2002, the Techno Libertarians were in full swing. Peter Thiel is the epitome of this wave. A self-proclaimed political libertarian, he espouses personal autonomy over social responsibility. And his fellow PayPal founder, Elon Musk, has risen to mythic status in the media. His bold ventures into electric cars at Tesla and space travel at

SpaceX capture the public imagination with the mystical powers of technology. He is a true believer that technology will make us free, even if it will happen on Mars. And he carries the God Complex to new heights, boring tunnels, hyperlooping trains, and even offering a made-to-order mini-sub to save Thai kids stranded in a cave—a Hollywood comic strip hero in the flesh.

The Techno Libertarians insist that if we would just remove all the legal and social constraints on their businesses and technologies, they can show us the wisdom of their ways. Trust them to do the right thing and they will invent it. The rush of Uber and Airbnb to occupy urban centers before communities could establish coherent policies. New kid on the block, Bird, has similar approach to flooding cities with electric scooters and then ask for forgiveness rather than permission, demonstrate the Techno Libertarian disdain for the social-political process.

That is not to say that many Techno Libertarians wouldn't like to improve the world. But their social conscience is easily eclipsed by their overwhelming faith in technology. Innovation cannot just be about good intentions, it must also anticipate the societal implications and be accountable for them.

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Google, Facebook, and Amazon have become juggernauts with immense control over not just the lives of Americans, but of the entire planet, seemingly overnight. They know more about each of us than the government. And yet, we trust them with our most precious information while continuing our vigilance against Big Brother. In seducing the masses to trade their jewels for the trinkets of convenience they have created a very different specter than the Techno Utopians had feared. It's not Orwell's *1984*, it's Huxley's *Brave New World*, where rather than being oppressed by the government we are lured into offering ourselves up willingly to domination by the rich and powerful.

We find ourselves in a situation hauntingly similar to Microsoft's market domination that threatened the flourishing of the Internet in the 1990s, but this time its Google, Facebook, and Amazon, among others, who have come to dominate. Yet, in this era of the Techno Libertarians, the political will to circumscribe the powerful is tepid at best.

It may be convenient for Techno Libertarians to believe they are responsible for their own success, but they must tread lightly. To find a self-made person, you need a very narrow field of view. What has been bestowed upon them in resources, education, and opportunity has been invaluable to their success. Remove the government funding of research and infrastructure, to say nothing of law and order, and even the most privileged amongst us would flounder. Tesla would be stillborn without government subsidies and incentives, as would its sister company SolarCity. Techno Libertarians believe in the superiority of technology, and as a consequence tend to believe in their own superiority as the masters of it. Certainly, if you are rich, the maxim goes, you must be right.

Which brings us back to the secret of success. What is that special trait that distinguishes the brilliantly successful from the disappointing also-rans? The Gods from the mere mortals?

After decades of soul searching I have come to a conclusion. I warn you it's an ugly four-letter word: *luck*.

Successful business people cringe at that word. It robs them of what they covet most: a sense of superiority. Of being winners. Of being self-made. Heck, if you are a Techno Libertarian, luck is anathema. Many argue that since luck must be evenly distributed, their success must be about them, not luck. In the capitalist, Social Darwinist tradition, they are the chosen ones.

Except luck isn't evenly distributed. There are many contributing factors. Race, gender, and able-bodiedness. Where you were born and raised, and who raised you. Being part of the ruling "tribe" or class, having privileged access to education, information, influencer networks, and career opportunities, to say nothing of health, nutrition, safety, and security. These factors cannot be taken for granted.

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And even then I will wager that the vast number of successful people relied on some event or some thing happening outside of their control. Good fortune, good timing, synchronicity—call it what you may. So, let's call it by its name: luck.

I contend that acknowledging the crucial role of luck does not diminish anyone. We aren't, after all, talking about blind luck, or the kind of luck that unexpectedly drops a house of money on your head. We are talking about luck in the form of opportunity. It's a critical skill to identify an unforeseen opportunity and grab it when it appears. It's a business skill we should acknowledge, value, teach, and perfect. Preparing for and managing luck is itself a best practice. After we account for all the societal and other disparities, how we navigate luck is the biggest difference between the winners and losers.

Steve Jobs tried hopelessly to make Pixar a success for decades after buying it from George Lucas. He transformed it from a minicomputer hardware system, to minicomputer software, and finally to personal computer software, all without success. After investing a tidy piece of his Apple fortune, Jobs cried uncle and looked for a buyer. But no one wanted it. And then came his lucky break. Jeffrey Katzenberg, at the height of his power at Disney, wanted to make a 3D animated feature film. He tried to recruit Pixar's creative director, John Lasseter, to leave his job making demo reels for Pixar in order to lead Disney's effort. But rather than take the bait, Lasseter convinced Disney to sign a measly three picture production deal with Pixar. And then, against all odds, the first film was the phenom *Toy Story*. It was followed by an unprecedented series of hits that lead to Disney ultimately buying Pixar for $7.4 billion.

Sure, we like to credit Job's uncanny acumen for the Pixar saga. It's the Hero Story we crave. But Jobs wanted to sell. It was his seizing the second best opportunity and capitalizing on the lucky break of Disney trying to recruit Lasseter that lead to Pixar's heroic outcome.

And to drive home the point, Job's was not just struggling with Pixar. His rebound venture after Apple, NeXT, also struggled. But here again, Job's spotted the moment his luck changed and leapt like a tiger. Apple was declining fast. Its lackluster management team at the time decided they needed a new operating system to stay relevant. And they approached Jean Louis Gassée, Apple's prior VP of Engineering, who was running a startup called Be Inc., which had just such an operating system. But reportedly, when Apple offered Jean Louis $200M for the company he held out for more and Apple balked. Job's caught wind of the broken deal, offered Apple the chance to buy NeXT for an attractive sum, and the rest is history. Jobs returned to lead Apple to unthinkable heights of innovation and success.

Job's frenemy, Bill Gates, was no stranger to good luck either. When IBM set out to enter the personal computing business with the IBM PC, it recruited software developers to create products for the new platform. Gates was then a big fish in the very small pond of personal computing with his programming language, BASIC, and he was intent on dominating the programming language category for the upcoming IBM PC. He did IBM the favor of introducing them to Gary Kildall at Digital Research so they could acquire the PC operating system they sorely needed. But when IBM came knocking, Kildall was out and his wife refused to sign the one-sided non-disclosure agreement that IBM insisted upon.

That was all that Gates needed. He assured IBM he could supply an OS. And he knew just where to get it. Rod Brock at Seattle Computing Products, a fledgling startup, was willing to exclusively license its QDOS operating system to Gates. This became Microsoft DOS, and was pivotal to Gate's becoming the leader in personal computer software.

An even more recent iconic example is the saga of Google AdWords. Google started with a white-labeled search engine that they licensed to the then prominent Internet portals, like AOL and Netscape. The portals used search to monetize their own customers and paid Google a fee.

When the portals informed Google that they could no longer keep up with the volume of searches, Google needed a better way to monetize.

What seemed like a really bad break turned into a great bit of luck. GoTo.com, later Overture, had a search engine they monetized directly by selling placement results to advertisers. Google did not like the model, in large part because it did not serve the customers' best interests to prioritize results on the basis of advertiser fees over the relevancy of results. But when confronted with their dire situation, Google improvised and presented the user relevant results on the left side of the web page while selling placements directly to advertisers on the right. This became AdWords, the rocket fuel that fundamentally changed the advertising industry and made Google the behemoth it is today.

Katzenberg's solicitation of Lasseter, Gassée's broken deal with Apple, Digital Research's refusal to sign IBM's nondisclosure agreement, and the rejection of Google's business model by the portals was not under anyone's control. They weren't even foreseeable. But they were lucky breaks leading to huge successes for Jobs, Gates, Page, and Brin, because they were astute enough to recognize them when they occurred and prepared enough to seize them in the moment. Luck is not just another four-letter word; when practiced by a master it's an art form.

Professional gamblers are connoisseurs of luck. The average gambler enters the casino hoping that this will be their lucky day. But a skilled gambler is much more methodical. They systematically evaluate not just the strength of their hand but also the richness of the deck in determining how best to proceed. When their analysis, pattern recognition, and seasoned intuition suggest that the cards are running in their favor, they bet more. When they suggest that the deck is thin, they bet less. They stay in the game regardless, lest they miss a chance to capitalize on a change in luck, but they manage their luck with the astuteness of an insurance actuary.

And they avoid the classic pitfalls. They viscerally understand the trap of "pot odds," where a large pot mesmerizes a lesser gambler to go all in without due caution for the true odds of winning. They avoid the "tilt," where falling behind can lead to a frenzy of reckless betting in a futile attempt to recover. And they appreciate the "bad beat," losing a hand when you have done everything right but luck simply went the other way.

Appreciating the bad beat is crucial to preparing for your lucky break. If winning is your only yardstick, you are likely to fall prey to false confidence during a lucky streak—or to give up completely during an unlucky one. It's just another instance of the God Complex rearing its ugly head. And when the streak ends, odds are you will tilt trying to recapture it. But if you respect luck like a professional gambler, you realize that all decisions actually fall into one of four buckets: good decisions/bad decisions; and right decisions/wrong decisions. The most you can strive for is to make the best decision under the circumstances and with the information you have available. You may prove to be wrong—an instance of a bad beat—but that does not make the initial decision bad. It just means that bad luck has ambushed a good decision. Of course, we all hope to make a good decision that is also the right decision, and periodically we are so lucky that our bad decision turns out to be the right decision. But sometimes a good decision just turns out to be wrong. The best strategy is to stay in the game and lower your bets until your luck changes.

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So how do you prepare for you lucky break? Here are some basic rules to follow.

Be Clear. Know what your objectives are. Don't get confused by trends or fads. The crowd may be on to something, or it may just be headed for a cliff. What everyone else is doing is only information to improve your own decision. It is not necessarily the best path. Don't assume your tactics are your goals. Know where you are going. Measure to keep yourself on course, but don't get too attached to the route. You need to focus on the destination. There will be multiple ways to get there. You will have to bushwhack your way through an ever-changing landscape. So be crystal clear on where you going.

Be Excellent. You may be so enormously lucky that in spite of your incompetence you are blessed with success. But Jobs, Gates, Page, and Brin were operating at the highest levels when their lucky breaks occurred. Being excellent means that your luck doesn't have to be overwhelming in order to give you the edge. After all, an experienced black jack player can only push the odds a percentage point or two in their favor by counting the cards and calculating the richness of the deck. Be fully prepared by assembling the team, core competencies, resources, network, and other key assets required to take advantage of the odds when they are running in your favor. As Louis Pasteur quite sagely put it, "Fortune favors the prepared mind."

Be Open. Focus is a good thing, but not at the expense of having a wide enough aperture to identify your lucky break when it appears. If Jobs was so intent on selling Pixar that he missed the Disney deal, or Gates was so focused on computer languages that the operating system opportunity slipped past him, history would be very different. Keep your hands on the controls, but your eyes above the clouds. This is where planning and measuring too precisely can actually hurt. If you are measuring the wrong things, you will fail to notice the unforeseeable opportunities that arise outside of your assumptions. You can't just look for your missing keys under the streetlights; you need to check in the weeds.

Be Decisive. It is easy to dismiss your lucky break. Staying the course has all the comforts of inertia. And making a hard right turn in the middle of a long journey carries the risk of leading you to a dead end. You don't just need to recognize your lucky break, you need to seize it. Surround yourself with advisors and mentors who can provide the peripheral vision you need to spot a new opportunity in the weeds, and to give you the courage to capitalize on it.

Be Humble. Conceit is the enemy of luck. Acknowledge the contributions of others, and of circumstances beyond your control. If you take full credit for your good fortune your hubris will become just another impediment to future success. Great business leaders overcome the God Complex and are sufficiently humble to recognize the limits of their powers, the contributions of others and the crucial impact of things outside their control. Being humble will keep you curious and awake, rather than lulled by the certainty of your own vision. Humility is a powerful asset in preparing for your lucky break.

To be a generator of success you also need to be a lightning rod for luck. I am not suggesting that blind luck accounts for success, but I am saying that your chances of being successful are greatly enhanced by the ability to identify and seize your lucky break. It's a skill, not a gift. And like any skill, there is a best practice. Business people should master it just like all the other elements necessary for their success.

Don't let hubris blind you to the unpredictable opportunities that arise every day. As a business leader it is your job to make it rain, and to figure out how to do so even when there isn't a cloud in the sky. **But if you are wise enough to prepare a bucket to collect any unexpected downpours you will increase your chances of beating the odds.**

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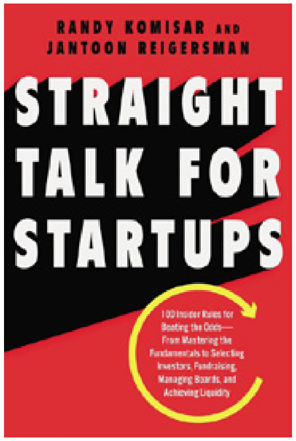

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About the author

Randy Komisar is a venture capitalist with decades of experience with startups. He is the author of the best-selling book *The Monk and the Riddle*, about the heart and soul of entrepreneurship, and co-author of *Getting to Plan B* and *I F**king Love that Company*. He taught entrepreneurship at Stanford University and is a frequent lecturer at universities, as well as a regular keynote speaker on entrepreneurship, innovation, and leadership. In his new book, *Straight Talk for Startups, 100 Insider Rules for Beating the Odds,* he and Jantoon Reigersman equip entrepreneurs and investors with the best practices for preparing for their lucky break, from mastering the fundamentals to selecting investors, from fundraising and managing boards to achieving liquidity. Its your trusted advisor in one hundred crisp, 1-3 page rules that can be read in any order and referred to over and over again as you confront new issues in your venture.

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