

FUTALEUFU MUSINGS

SEARCH FUND INVESTING. OLD SCHOOL.

Confidence and Competence

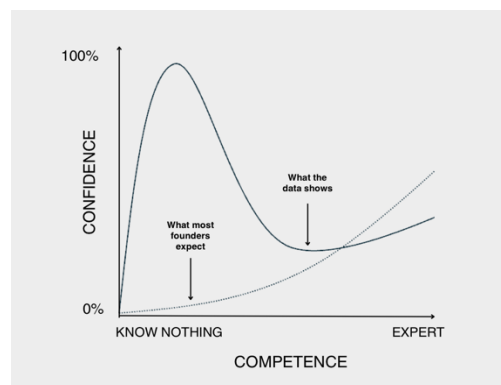
There is a long-held belief that when it comes to entrepreneurship, confidence and competence are correlated. Actually, researchers at Google's start-up laboratories did find a correlation, but in the reverse direction. Founders who scored highest on effectiveness tended to underate their skills and abilities (although not to the point of insecurity, which leads to decisional paralysis).



There is a wealth of psychological literature supporting Google's research, the most renowned coming from two Cornell psychologists, David Dunning and Justin Kruger, who observed that people who act highly confident are generally perceived as highly competent, at least at first. But their actual competence is often much lower than they estimate it to be—what is called “illusory superiority.” Likewise, those who displayed the highest levels of skills tended to underestimate their abilities.

This quality most often manifests itself not in false humility, humble bragging, or self-effacing comments, but rather in a business-like embrace of one of the Five Skills of Great Leaders: an insatiable appetite to seek and take advice from others.

While this applies throughout one's entire career, it's especially critical during the initial two to three years as an early CEO. The most common journey is one of terror on day one, and a complete lack of confidence. Then, as the CEO becomes more familiar with the job and the company, he or she potentially becomes overconfident—due to an unawareness of how long it takes to truly learn and internalize the job of running an organization.



We at FTF don't have the data that Google or Dunning and Kruger have, but in our experience the most successful search fund CEOs are the ones who approach the job with realistic humility. They are aware and proud of what they have learned, but also fully cognizant of the long journey still ahead.

This understanding not only leads to better outcomes, but it also makes the job more enjoyable and rewarding. You stop thinking you have to have it all figured out in the first six months, and instead you begin a long trek where you appreciate the forward progress, learning new skills, and the excitement of getting better each year.

Your Partners at Futaleufu,

A handwritten signature in blue ink, appearing to read 'D.D. Dodson'.

David Dodson

A handwritten signature in blue ink, appearing to read 'Susan Pohlmeier'.

Susan Pohlmeier

A handwritten signature in blue ink, appearing to read 'J.R.R. Jackson'.

Jason Jackson

A handwritten signature in blue ink, appearing to read 'Samuel Spar'.

Samuel Spar

A handwritten signature in blue ink, appearing to read 'Kirstin Siegrist'.

Kirstin Siegrist

A handwritten signature in blue ink, appearing to read 'Andrea Chiang'.

Andrea Chiang