

The Startup Survival Podcast by Peter Harrington

Series 2 Getting Better, Going Further

Transcript: *Episode 1 - Know your Entrepreneurial Self*



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Well, hello. Here we are. Welcome to series two of the Start-up Survival Podcast.

My name's Peter Harrington. And this second series is all about getting better and going further on your entrepreneurial journey. Much has happened since the first series concluded in September, 2020. Unfortunately, this awful virus is still with us, but Europe and the UK eventually worked out how to one tie their knot. And we've had the passing wind of a president.

But let's get into this episode, an episode which seeks to get inside the start-up mind and explore basic brain functionality. In this podcast, we go in search of truths that will hopefully help you better understand yourself and make more informed decisions. But I'm not going to be alone. Shortly through the magic of the online airwaves I'll be joined by Professor Emeritus, Andy Penaluna. Andy is not only a seasoned academic in the neurological space, but also an experienced entrepreneur too. But before we hear from professor Penaluna, let's take a step back a step back in time.

I want you to think about that moment in history when you learn to walk. Unfortunately that's easier said than done. Well, you probably know how to walk, but sadly, none of us can remember the process of learning to walk. Biologically, at the tender age of 12 or so months our brains haven't developed the appropriate memory systems. So we have no recall of learning how to walk yet.

When you think about it, you have remembered to walk because you do this activity every day. Even though we don't consciously think about the skill of walking. Why? Because the skill of walking is a hard-wired program burnt into our memory systems. Our powerful unconscious mind looks after this activity automatically giving our conscious brain the freedom to explore and tackle new things. The work of our unconscious conscious and subconscious minds will feature throughout this podcast episode.

But for now let's stay with the subject of walking because this simple everyday activity has much to teach us entrepreneurs. Take a moment to think about friends and family. And the last time you saw a toddler trying to walk. Unlike many animals, which manage to walk within minutes of birth, humans take months to develop that ability and walking on two legs independently can take weeks of practice. The skill requires strength, coordination, and balance. And we all learn by repeatedly standing up and falling down. Success is not just the result of weeks of practice. It's also the result of weeks of failure. Learning to walk is all about resilience and trial and error, but as toddlers desperate to explore our new world, do we give up, does our incompetence embarrass us? Are we worried about the label of failure? Absolutely not! We try, try, and we try again until eventually we succeed. And when we succeed, the world's our lobster as my good friend, Kay, always says.

Who knew toddlers could teach us Start-ups such an important lesson about overcoming adversity and beating failure?

Of course, toddlers grow up. As we move through adolescence and into the teenage years, our brains change too. And these slow, but subtle developments have important implications for all startups. Particularly those that start out young. In his excellent book, entitled 'The Brain - The story of you', neuroscientist David Eagleman references some highly relevant research from Harvard University. Led by Dr. Leah Somerville, the research established that as we grow into teenage life, the medial prefrontal cortex area of the brain, that's the bit above and behind our eyes, becomes more active in social environments. Peaking at 15 years of age, David says social situations carry a lot of emotional weight resulting in a self-conscious stress response of high intensity. In other words, unlike the adult stage, when we are younger, we feel more awkward around others, especially people who are not in our own peer group. Over the years, working as a university entrepreneur in residence, I've noticed how often aspiring startups, shun critical opportunities to talk with potential customers, people who are typically older and not known personally to them whilst I don't have any empirical evidence.

I am confident the high levels of activity within the medial prefrontal cortex region of the brain has something to do with young people's reluctance to have these critical customer discovery chats. And I'll be coming back to this issue later. Meanwhile, the Harvard research also showed younger brains are less able to control emotions and are more inclined to make immediate decisions and take risks. Especially when peers are involved.

Starting out in business at 23, my energy levels were very high and were a key reason my first venture survived. Yet I also cringe when I think back to moments of impulsive behaviour and decisions that didn't end well, if only I'd a bit more time.

Let's explore decisions and taking risks in a bit more detail and uncover what's happening within the brain. Decision-making is a very important startup issue. Entrepreneurs are faced with decisions all the time. So it's timely that I introduce someone who knows quite a bit about this subject, this episode's, special guest professor Emeritus Andy Penaluna. Hi, Andy, great to have you on the podcast.

Speaker 3: [\(06:44\)](#)
Thanks for inviting me

Andy, the research I've been reading suggests people at a younger age, especially are prone to making quick decisions that lack thought. Does your work back that up?

Speaker 2: [\(06:44\)](#)
Let's go back to the original fight or flight sort of discussion, or actually you can freeze too, can't you as well as fight or flight. As was said by Antonio Damasio, we are not thinking machines that feel, we are feeling machines that think so our feelings hijack the analysis that we need to do.

Speaker 1: [\(07:10\)](#)
So the way we feel about something in a given moment can dominate our rational thinking. Is that right Andy?

Speaker 2: [\(07:17\)](#)
Absolutely. And what we call that, is a hijack. We call it the amygdala hijack because if you look into your body and you look up the top of the spine, the first part of your brain, the Limbic system is actually what we call the lizard brain. And that's the first bit that actually operates. It's the first bit that takes any sensory

input. So if you think of that as the first connection, it's a really basic system fight or flight.

Speaker 1: [\(07:48\)](#)

And this basic system isn't able to make sense of complex decisions. Is that what you're saying?

Speaker 2: [\(07:54\)](#)

That's what I'm saying. Think about buying something, you know, maybe you are a customer now and you're selling something that's of high value. Look back to a time when you last purchased something that was a lot of money, say a nice new car or a good second hand car. It doesn't matter because what you tend to do is buy what you like, you buy, what your emotion tells you. And if somebody says to you, why did you buy that expensive car? You logic it out afterwards. You actually say, oh, it's good on petrol. Or I liked the colour or whatever it was. So quite often we make a decision based on our emotions without realizing that we've done it.

Speaker 1: [\(08:37\)](#)

So you're suggesting startups in a new buying situation are vulnerable to making poor choices.

Speaker 2: [\(08:44\)](#)

Yes they are. And if you look at the techniques used by very good salespeople, which we have to be as entrepreneurs, that's often used a lot. You buy more things from the people that you like, so you will also buy their ideas. So if someone's trying to persuade you to do something, it's a great tactic, but it's one that as the entrepreneur, you need to be aware of because it is just that it's a tactic to gain your trust. So trust is an important part and emotion.

Speaker 1: [\(09:15\)](#)

I'll be back with professor Penaluna in a minute, but for now, let's take a moment to consider the points he's raised in context. Andy referenced Antonio Damasio, and the fact humans are feeling machines that think he also talked about the lizard brain and the amygdala hijack. Whilst human brains have evolved over thousands of years our basic instinct to survive remains. So in times of high stress, for example, the amygdala sends out dominant messages to our body, which unchecked hijack, rational thinking. And we then act impulsively on those instincts. But whilst all startups experience emotions such as fear, guilt, trust, pleasure, and pain, it's extremely rare to be in a genuine survival situation in our modern society.

Our brains are incredibly powerful and ruthlessly efficient, but because there is much emotion involved with entrepreneurial life, we benefit hugely if we can also develop the ability to think rationally and override instinct. Being able to slow down and tune into our non-threatening circumstances, allows us to learn and work with our minds. So I asked professor Penaluna to offer advice and explain entrepreneurial decision-making in practice.

Speaker 2: [\(10:39\)](#)

Can I start by sharing an example of when I was in a car in a traffic jam, trying to get some work, getting a little bit stressed. There was a phone call to say that some brochures I needed for an exhibition at the NEC were going to be a day late at the printers in Wales.

This is when you were in business?

Yes, it was when I was running a business. But it illustrates the way that I used my understanding. I knew I was in the wrong state of mind to make a decision, but I knew a decision had to be made. So I started to think what's the silliest idea I could come up with. And the silliest idea turned out to be the good idea. I asked the company in Leeds not to deliver to Wales, but to take a risk and deliver directly to the NEC where

I would meet them. I would go directly there. So what that meant was I was able to make a logical decision because I gave myself half an hour to think about many alternatives. And that's the one that solves the problem.

Speaker 1: ([11:43](#))

So you didn't make an immediate decision. You, you bought yourself time?

Speaker 2: ([11:48](#))

I gave myself half an hour and I was getting stressed in a traffic jam. So I pulled off, sat there by the side and then thought about what would be fun, what would be enjoyable in this situation to bring myself back to a mental state that I felt I could then come up with ideas. And the trick here is the plural. If you've only got one idea, you've only got one to choose from.

So this rush to solutions, Daniel Kahneman talks about this, is often sort of a false way of us thinking we have found a solution. Whereas if we can slow down and look around and take things on board and we can simulate that in many ways, then we start to see the alternatives. And this goes back to my earlier point. If you're rushing to one idea, you're going to do that idea. If you've got 15 or 20 ideas in your head, then you will pick the best one. And even more as an entrepreneur, if something changes, you've got a bank of other ideas to pull upon,

Speaker 1: ([12:56](#))

Generating ideas is all part of entrepreneurial life. And for many, this creative process is enjoyable and we'll be looking at creativity in more depth in episode two, but very early stage startups who don't train their minds and unwittingly, let emotional thinking run free, can fall into a dangerous trap, especially if they don't consider alternative ideas and don't seek other people's perspectives.

I'll be talking with professor Penaluna about the importance of gaining new perspectives again shortly. But to explain this dangerous trap, let me share the work of Daniel Coyle and more importantly, his excellent book entitled the Talent Code first published in 2009. This book shares research showing how our brains change as we develop skills. Daniel Coyle contends that talent is not something we are simply born with. Moreover, it is something we can create and nurture at the heart of his book is the subject of myelin.

Speaker 1: ([13:59](#))

For many years, scientists were of the belief that learning was all about nerve fibre and synapse connections. But as part of Coyle's research, he speaks with Dr. George Badzukis, professor of neurology at UCLA in the States who said: Myelin is the key to talking, reading, learning skills and being human.

So what is this magical stuff called myelin? Well, according to Daniel Coyle, myelin is the insulation that wraps around nerve fibres known as the myelin sheath. And it increases signal strength, speed, and accuracy. The more we fire a particular circuit, the more myelin optimizes that circuit and the stronger, faster, more fluid, our thoughts and movements become. For example, when we repeatedly practice skills like playing the piano or keeping the ball in the air, we get better and better with practice. Yes, you may witness muscle development, but critical nerve fibre growth is also happening in our brains.

Speaker 1: ([15:04](#))

But what does this mean for early stage startups? And what's this dangerous trap I've been going on about, well, it goes something like this.

So many businesses fail in the early days because the owner is too what I call product focused at the expense of meaningful customer research. Product focused entrepreneurs prioritize making something and

developing promotional resources, such as social media and websites. People prioritize this work because it is enjoyable and absorbing. It also makes us feel like we are making tangible progress with our new venture.

But when we work on our own over a period of time, we increasingly and unwittingly believe in our own startup story yet our own startup story and surrounding beliefs lack critical perspective because we're not getting views from others, especially potential customers. As a result, many startups in this situation build muscle tissue, the myelin around what you might call the wrong nerve fibres within the brain.

Speaker 1: [\(16:13\)](#)

In other words, early stage product focused entrepreneurs teach themselves a false truth that they are actually creating something brilliant or at least something with which they can start a business. This is why so many wannabe entrepreneurs naively believe they have created a ground-breaking gizmo and worse choose to keep that idea secret until the worst bit happens. Come the day the startup entrepreneur seeks to go out to the market to sell their product or service rejection rates are typically extremely high. Why? Because the startup has created something based only on what he or she wants, missed opportunities to gather feedback from potential customers in the development phase has resulted in a product or service that has insufficient people that want to pay for it.

Harsh reality is a hard and bitter pill to swallow because in their own minds, literally the startup believes in their great product. If you've ever tried to sell something that no one wants to buy you'll know the pain of hard truth and constant rejection. Of course, lack of sales leads to lack of money, which leads to early business failure.

How do you work to avoid this all too common situation? Well, in episode three, I'll be talking with entrepreneur and best-selling author Diana Kander about turning ideas into and services through meaningful customer research. But for now, let's get back to professor Penaluna. Andy, what should people be doing if they have an idea for a product or service?

Speaker 2: [\(18:02\)](#)

So if you've got an idea for a product or service, ask yourself, how can I flip that and see it from the views of others? What would the vicar think about my idea? What would my mother think about my idea? It could be quite different. If you then take mentoring, mentoring is so important. Someone outside can come in and actually query your logic and give you another point of view. Good entrepreneurs take on board the points of view of the people they're particularly aiming to work with.

Speaker 1: [\(18:39\)](#)

Talk me through Andy. What's the benefit to the mind when we take on board other people's perspectives and points of view.

Speaker 2: [\(18:47\)](#)

It's because what they make you do is to try and find new connections. These are these moments of 'aha'. These are these moments when you will be relaxed. Now we all know them typically in the shower when you can't write it down. But this is because a logic circuit has gone into shutdown for a while. So look at a jazz musician, playing, look at someone who's improvising, look at a child in a school play who's not quite doing it right.

As Sir Ken Robinson mentioned, what happens there is that you're wanting to analyze and find out whether it's right or wrong or not shuts down. And what you do is you get into this flow of thinking and that circuit is going round and round again, doing something slightly different, finding a new connection. So if you're in

that state of mind is called relaxed cognition. That's when you're going to get at these moments.

Speaker 1: [\(19:46\)](#)

As discussed earlier entrepreneurs in a hurry, whether it's fear of failure or the need to achieve can often be impulsive. So what's happening inside our heads?

Speaker 2: [\(19:59\)](#)

When this happens it basically goes back to these two types of thinking, but physically in the brain, we've got the lizard brain. Our brain's made out of three layers effectively of evolution and the outer layer, particularly the prefrontal cortex. That's the bit, up here above your eyes. There's an awful lot of decision-making going on in there. And when we delay, because we have this analysis paralysis, we are constantly trying to sort of analyze why we did. We try too hard. If we just use the emotion, which is the opposite side, we take on board, our feelings first, and our feelings will drive any decision-making. The trick really is to create a balance. So you give yourself a chance to think analytically as well as insightfully. So the insight for will bring the things to mind that you can do. And the analysis will sense check it.

Speaker 2: [\(20:58\)](#)

If you look at what's done in terms of a creative person thinking they call it divergent and convergent thinking. Have a look at the Design Council, work for some more information on this. But divergent thinking is this ability to see many ways, and you can do this by interrupting the idea that you had by bringing something new to play. I always ask my students to respond to something that was unexpected. I might ask them which door handle was the best door handle they used today and I might ask them, what did you see on the way into college today?

So when these students bring in things that were unexpected, they get used to making new connections. That's the divergent thinking. The convergent thinking is the testing. So we test our answers or we ask reality, you know, can we afford that? Is this the right time for that? So we ask all of the why questions after we've come up with these alternative solutions.

Speaker 1: [\(22:15\)](#)

So this is all about learning how to train the brain.

Speaker 2: [\(22:18\)](#)

It is absolutely. Yes. And if you look at some of the work of John Kouneos, in America, he's actually discovered that whilst we are born with certain traits, we can learn to do things differently. He rather politely put it to me. You can learn to lose weight Andy, and you can decide whether to lose weight. And that is the way that this works, that we are born with, the semantic markers. We're born with a way of learning, but experience can change us. We need to understand the brain works in two ways as well. And this is really quite easy to follow because one of them is efficiency. We are trying to do things the same way, because it stops us thinking about things. We just do it without thinking. This is why the brain is very, very efficient. You mentioned myelin before a myelin is like a series of fat globules that sit around. It's the white that you see in the pictures of the brain and that protects these important chords, the axons, which are the main communication devices. That means that they can accelerate the thinking.

Speaker 1: [\(23:32\)](#)

Of course, the richness of your theoretical understanding. Andy is backed up by your personal entrepreneurial experience. Can you share why you found gathering perspectives and opinions from others to be so important to your thinking?

Speaker 2: [\(23:49\)](#)

Okay. So there I am about to start a new business. Unlike most people, I go to the bank, the bank turns the loan idea down. By the way, my wife is the manager of the bank. And, I have to find a quick way of finding out what other people think I need to know other views and other perspectives. So, first of all, this is my wife herself, and this is really helpful because she explained why the bank didn't give me the money. Then there's the people I need to see. I saw eight people. I travelled around the world and each of those gave me a snippet that when I assembled them, I had nine perspectives that helped me to see a new way forward for the intended magazine that we were going to produce. Now that magazine turned into something pretty phenomenal, but partly because I simply listened to other people who were critical of my own thinking.

Speaker 1: [\(24:44\)](#)

I love this story, Andy. So you travelled around the world after the bank said no. Out of interest without the loan, how did you fund your travels?

Speaker 2: [\(24:54\)](#)

Oh, I sold the car and my wife had to catch the bus to work the next day

Speaker 1: [\(25:01\)](#)

For the record. I've known professor Penaluna, and his wife Kath for a few years now. And they are both two of the brightest and kindest people you could ever wish to meet.

Being able to interview professor Penaluna, especially for the inaugural episode in series two has been a real pleasure. And there are a couple of his references that I want to pick up on before we close. Firstly, Andy mentioned, Sir Ken Robinson. Sadly, Sir Ken passed in 2020, but if you can't wait until the podcast about presentations, go and watch this great man without prop or assistance and demonstrate how to hold an audience. For more, Google Sir Ken Robinson and TED.

Secondly, Professor Penaluna also briefly mentioned Daniel Kahneman. He's a Nobel prize winner, behavioural economist, and author of the highly acclaimed book 'Thinking fast and slow. In this detailed, but wonderfully incisive read Daniel Kahneman talks about the brain's system one and system two.

Speaker 1: [\(26:10\)](#)

System one is associated with the unconscious and subconscious minds and operates automatically. And with very little effort nor sense of voluntary control. System two on the other hand is more about the conscious mind and focuses effort on mental calculations and computations. As, and when required system two, typically demands deeper thinking and concentration.

Whilst I encourage you to read Daniel Kahneman's work, his message for entrepreneurs reinforces what professor Penaluna has shared. Be careful not to simply trust in your system one brain, because you are in danger of relying on unchecked information and accepting your own assumptions. Keep your conscious system two brain active, notice things, slow down, be mindful question and get opinions and feedback from mentors and potential customers.

Yes, involving others makes for more work and adds layers of complexity, but you learn. And without that external invaluable information, your business idea is likely to be little more than a house of cards. The good news is that if your approach to startup is thorough and rigorous, you will be equipping yourself with the ability to meet new people, listen to and handle different opinions and work with alternative perspectives and crucially, as you do all this great work, myelin will be growing around the right nerve fibres - making everything easier when you do it again

Speaker 1: [\(27:52\)](#)

As with series one, I'm going to be recommending a book with each episode. So without further ado, let me quote the back cover of this cracking read, which says join renowned neuroscientist, David Eagleman on a whistle-stop tour of the inner cosmos. Easy to read, digest, and understand 'The brain The story of you' is my book recommendation for this episode. David Eagleman is brilliant at making the complex simple.

Speaker 4: [\(28:20\)](#)

Well, that's just about it for this episode, but before we close a huge thanks to my special guest professor Emeritus Andy Penaluna. Thank you so much, Andy, for your time, insight and wisdom. And thank you to, to the team in the background to my producer, Duncan Bennetts, researcher, Chris Jackson, and to the sponsors Seajam moths for the music. Finally, this podcast would not have been possible, but for the support of LSE Generate at the London School of Economics, as well as everyone at SimVenture.

In the next episode, I'm going to be joined by Professor Alistair Fee as we delve into the wonderful world of ideas and creativity, I'm sure you will love listening to Alistair who for many years has inspired thousands of innovators and entrepreneurs with his warmth and deep intelligence. Meanwhile, your podcast feedback is not just welcomed. It's needed, share what you really like and let me know what needs to be improved. I'd love to hear from you. My name's Peter Harrington, and this has been your Startup Survival Podcast. Go well, stay safe and thank you.