



## HEART, SMART, GUTS and LUCK

What it takes to be an entrepreneur and build a great business

*Anthony K. Tjan, Richard J. Harrington, Tsun-Yan Hsieh (HBR Press)*

Its core finding is that business success and decision-making is driven by the four traits of the book's title: one's Heart, Smarts, Guts and Luck. Understanding which of these traits dominates your personality and decision-making is critical for long-term success.

Authors: three prominent business leaders and entrepreneurs (now venture capitalists and CEO advisers) share the qualities that surface again and again in those who successfully achieve their goals.

### Heart: Winning with the Heart

HEART is passion, excitement, obsession, and ultimately, contagiousness. 60% of founders are Heart-driven. Starting with purpose and passion is the strongest leverage point for creating a lasting great business.

'HEART makes a company special. Without it, a venture often loses its meaning, purpose and culture. In short, the heart is the *why* to the *what* and *how* of business strategy.'

*HEART = Purpose & Passion (beyond product or profit) + Sacrifice & Work Ethic (agape) + Nuance (inspiration, soul)*

*The Business Plan Myth:* Look internally and start by doing, not writing about it. Trial and first project experiences will probably be the most important input for your business plan.

HEART flourishes at two stages of a business: At founding and extension growth.

WEAKNESESS: execution, think too big, desire to control even the smallest element of the company.

EXAMPLES: Starbucks's Howard Schultz, Ikea (democratize design), Patagonia (responsible manufacturing, sustainability), and Nike (active lifestyle); these brands are powerful examples as per their authentic purpose and passion.

### Smarts: IQ is Only the Beginning

Next to HEART, 'a Smarts dominant person comes in handy as a rational, fact driven force who begins steering the business by delegating and setting goals, forging a system of accountability, articulating strategy, and emphasizing top-notch performance.'



SMARTS go beyond what it takes to get an MBA. Entrepreneurs need street smarts, intuition, emotional and conceptual intelligence. And smarts only gets more important as a business grows bigger.

SMARTS is all about *pattern recognition*: The ability to absorb and classify patterns through trial and error, business experience that leads to practical, repeatable habits that in time become second nature and apply directly to successful business building.

SMARTS types Habits:

1. Book Smarts (analytical): Memo to the board with top 5 priorities
2. Street Smarts (experience): 3 minute rule (context matters); power of pause (think and act, not react)
3. People Smarts (empathize): critical conversations, 5 percent rule (cultivate your network); Focus on intrinsic reward (meaning, feedback, development, thank you)
4. Creative Smarts (right brain oriented): sensing and interpreting patterns

WEAKNESESS: too much focus on details, fail to grasp the big picture, sometimes unwilling to take a leap of faith.

EXAMPLES: Jeff Bezos of Amazon, and Warren Buffett.

## **Guts: How to Initiate, Endure, and Evolve**

GUTS is a willingness to take risks, to stand tough in the face of adversity and uncertainty.

GUTS driven business –builders are not fearless, but cope with or even thrive in, uncomfortable situations.

GUTS types:

1. Guts to Initiate: Take a leap of Faith
2. Guts to Endure: Remain strong and Resolute
3. Guts to Evolve: Pivot, Evolve or Reset

Cross Roads that take GUTS:

1. Do I pivot and change course of the business?
2. Do I replace myself as CEO?
3. Do I replace an early team member?
4. Do I sell?

WEAKNESESS: Find balance between refusing to accept failure and simultaneously embracing it when it appears.

EXAMPLES: Nelson Mandela, Virgin's Richard Branson, Stieg Larsson (wrote three books without first having secured a publisher); Ralph Lauren (born in the Bronx, sold neckties to his class mates and worked after school to buy suits that was the foundation for a \$5.6 billion revenue company).



## Luck's Inevitable Role in Business-Building

LUCK isn't just about probability. We can become more receptive to luck and in some cases even influence it.

*LUCKY ATTITUDE = **humility** (humanize) + **intellectual curiosity** (explore) + **optimism** (energize)*

*LUCKY NETWORK = authentic + generous + diversity + openness + genuine interest*

LUCK-oriented people believe that great things can happen, they pursue such endeavors:

'Was Alice lucky to find Wonderland, or was she curious and open enough to follow the White Rabbit? In the end, wasn't it one and the same?'

Bad LUCK: it happens to anyone: don't let it bring you down, learn from it and move past it.

EXAMPLES: Tony Hsieh of Zappos

## Business Archetypes and Iconoclasts

Three key business archetypes, not necessarily three different people, correlate to the typical S-curve growth cycles of a company:

FOUNDER: Heart dominant, with Guts or Luck to go with it.

What matters most: Vision formation, team building, cultural evangelism

*Rich-versus-King Dilemma:* Being in control of a small successful organization or owning and operating a potentially larger, more impactful business?

SCALER: Smarts-Guts profile and growth oriented. Preserve founders culture and make a trade off for the purpose of scale.

EXTENDER: Heart dominant with Smarts

Extender Q's:

1. What business is the company *really* in?
2. Should I reframe the marketplace and business definition?

## Putting It All Together

This book is about self awareness; it will contribute to you professional and personal success. That's why we developed the HSGL (Heart Smarts Guts & Luck) Framework.

What business building NDA companies require in at each stage of growth and what to do if you find yourself coming short?



Now find out your HSGL Profile!

The results of the Entrepreneurial Aptitude Test, or E.A.T., will give you a directional idea about what natural bias with which you lead: [www.hsgl.com](http://www.hsgl.com)

## Wisdom Manifestos

The eight wisdom manifestos:

1. The three golden rules
2. Be the Best at Something
3. Think big, Start Small, Scale Fast
4. Recurring Customers and Revebues Make Life Easier
5. Simple Rules and Questions for Getting and retaining the Best People
6. Accountability Makes or Breaks your Culture
7. Embrace Failure