

**Entrepreneurship and Risk
in Libraries:
seizing and creating opportunities
for change**

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Who I am

- an entrepreneur who has created change as a librarian, an academic administrator, and a not-for-profit CEO
- A member of a family of entrepreneurs
- An instructor who taught Information Entrepreneurship for five years at Simmons College GSLIS

What we do today

- Look at issues in creating change from the practical point of view
- Entrepreneurship in general
- Entrepreneurship in existing organizations, especially in not-for-profits.
- What to do. What not to do.
- What's going to go wrong and why
- What you can do about it.
- The biggest risks and how you manage them

Frames

- The operational framework for the talk is experience
- The theoretical framework is behavioral economics
- My motivation is the desire to reduce conflict between people in organizations
- My method is to change your expectations of how people will behave

Entrepreneurs

- An entrepreneur is a person who creates value through innovation
- Innovation is the entrepreneur's response to change in the environment
- Innovation is vision-driven: we are here today, we should be there tomorrow
- Without change, there is no entrepreneurship
- That's why it's hard!

Adding value

- The value added through innovation may be monetary
 - New revenue
 - Lower costs
- But it can also be intangible
 - Higher quality
 - Enhanced customer satisfaction
 - Improved work environment
 - Greater sense of accomplishment

Change and risk

- All change involves risk. It is always possible to fail
- Entrepreneurs often fail, but they accept failure and move on
- Because they are vision-driven, entrepreneurs are not destroyed by failure
- Successful entrepreneurs learn to assess and manage risk

Risk

1. Risk is not uncertainty
2. In statistics, risk is the probability of a negative outcome *or*
3. In business, risk is an uncertainty that can be quantified *or*
4. For most people, risk is the potential loss itself, financial or psychic
5. Risk in the housing market

The entrepreneurial paradox I



- Despite the popular image, entrepreneurs cannot be loners
- Entrepreneurs cannot achieve their vision by themselves
- Ethical entrepreneurship
- How do we make sure it is *with* others rather than *over* others?

The entrepreneurial paradox II



- A thin line between vision and monomania
- Entrepreneurship and scarce resources
- Entrepreneurship and messing around with people's lives

Understanding entrepreneurial organizations

Entrepreneurial personalities will
not be happy in traditional
organizations

“Intrapreneurship”

- “Intrapreneur” n. A person within a large [organization] who takes direct responsibility for turning an idea into a finished product through **assertive risk-taking** and **innovation** *American Heritage Dictionary* 1993

Entrepreneurship in existing organizations

- Much more difficult than starting from scratch
- Established structures and infrastructures
- Plenty of oxen waiting to be gored
- Trying to look outside the box when you are living in the box

Looking outside the box from within



Looking outside the box from within

- Why we so often hire outsiders as change agents
- But anyone can ask, “ What kind of change do we need?”
- Revisioning or reprocessing?
- Are we changing what we do or simply how we do it?

Entrepreneurship in not-for-
profits.

Not for profits

Traditional

- Statute and rule directed
- Hierarchical
- Specialized responsibilities
- Centralized control

Entrepreneurial

- Mission directed
- Team oriented
- Integrated responsibilities
- Decentralization and empowerment

Not for profits

Traditional

- Accountable for rules
- Focus on what's best for organization
- Emphasis on programs
- Quality defined by professional standards

Entrepreneurial

- Accountable for outcomes
- Focus on what's best for customer
- Emphasis on performance
- Quality defined by meeting customer expectations

Not for profits

Traditional

- Cost focussed
- Monopoly service
- Dependent on external funding
- Try to be all things to all people

Entrepreneurial

- Value focussed
- Multiple choices
- Self-supporting
- Niche focussed

Adapted from Jim Thalhuber
National Center for Social
Entrepreneurs

The leader's job

Moving as many things as possible from
Column A to Column B

What to do

1. Change the vision

This is where we are;
this is where we must be!

2. Change the culture: repeat the entrepreneur's mantra

“It is easier to ask forgiveness
than to ask permission”

Change the culture

Create an environment
that is safe for innovation

3. Change the thinking: define the issues clearly

- You can't solve a problem that hasn't been defined correctly
- Most people simply do not think clearly
 - Inaccurate information
 - Inconsistent logic
 - Illusions
 - All sorts of heuristics (mental shortcuts)

Inaccurate Information: who is more intelligent?



- Bush had marginally better grades at Yale, marginally better scores on the military GCT, and went to a better graduate school
- What is the lesson here?

Inconsistent logic: Joyce Meyer



- “Avoid sex out of wedlock! STD viruses are constantly mutating and growing more deadly!”
- Joyce, do you believe in evolution?
- “No!”
- How about mutation?
- “Yes!”
- Consistent?

Illusions

Believing that men and women are equal does not mean believing that they are the same



“Why can’t a woman be more like a man?” Professor Henry Higgins



You Just Don't Understand
Deborah Tannen

Heuristics: mental shortcuts

- Kevin enjoys chess, going to classical music concerts, and taking dates to museums. Is he more likely to be a salesman or a librarian?
- Heuristic: ignoring the *base rate*
- Heuristic: availability
- Planning from too few data points, or, “everyone I know thinks”

4. Change the focus: have a clear idea of what you want to do

- What is the present state?
- What is the future state (vision)?
- What is the innovation, the value proposition, that gets you from now to then?
- Can you explain it in a sentence?

5. Write a business plan

- What are we going to do?
- What value will it add?
- What resources will be required?
- How will we obtain them?
- How will we organize the work?
- How will we market the results?
- How will we evaluate the project?
- How will we know when to kill it?

6. Quantify

Whoa, how can I quantify library programs?

Quantifying library programs

The cost of any new library program is

$$RC=(DC+RP+CC)-(FG+AB)$$

where

- RC=Real cost in dollars
- DC=Direct costs in Dollars
- RP=Risk premium in Dollars
- CC=Chaos cost in Dollars
- FC=Foregone costs in Dollars
- AB=Added benefits in Dollars

7. Share information fully

- Share information constantly and insist that others do as well
- Share bad news as well as good
- Share up the organization
- Share down the organization
- Listen to what you get back

8. Read everything



Rowecom left many
libraries in the lurch

All the evidence was in
their SEC reports

Library school students
figured it out

Librarians trusted the
company, *even
though it had
happened before!*

Read everything



Karen Kuvaas is the mayor of Narvik, Norway, which suffered heavy losses when investments in the American subprime mortgage market soured. Ms. Kuvaas *did not read the prospectus before voting to authorize the investment*. She said the town *trusted* Terra Securities, with which it had worked since the late 1990s Mark Landler“U.S. Credit Crisis Adds to Gloom in Norway “ *NYTimes* December 2, 2007

9. Understand that you are responsible

- If you don't understand something, get someone to explain it to you.
- Trust no one – but not in a paranoid way
- Understand that people fail, and you will need to manage around your weakest links.

Execution is all

What not to do

1. Don't announce projects before they are successful

Create a safe climate for innovation by
lowering the risk of failure

Scientists seldom announce their laboratory
failures

2. Don't get emotional



Powerful people don't yell

“Tell Michael it was only business.” Salvatore Tessio

It's only a _____ library!:
David Carlson, SIU Library Dean

3. Distribute the credit

- Give all the credit to other people
- They will appreciate it, and those who matter will know who deserves the credit
- Walk the walk
- “She’s the kind of person who pretty much just showed up for the photo:” Bill Potter

4. Don't blame others

- People fail. Get over it.
 - If you picked the wrong people and envisioned the wrong project, it is not their fault that they did not succeed.
 - But don't blame yourself, either.
 - “ I have not failed. I have successfully discovered 1,200 ideas that don't work!” Edison
 - Unsuccessful projects fade away if you don't hype them to begin with.
- *What did you learn from the project?*

**What's going to go wrong
and what to do about it**

Three reasons why things go wrong

1. The system is dysfunctional
2. Other people screw up
3. You screw up

I. Why systems don't work

- Systems are set up to be safe, not to be transforming or even efficient
 - The Purchasing Manager's Mantra "No one ever got fired for buying IBM"
- Familiar system problems: hiring
- Familiar system problems: conflict between libraries and vendors

Example: why are so many libraries at odds with their local system vendor?

- Explanation 1: Vendors are jerks
- Explanation 2: Librarians are jerks
- Since I'm ok and you're sort of ok, something else is going on

The real answer: *The Winner's Curse* by Richard Thaler

- The vendor selection process is an auction
- The prize is the library's money
- Vendors bid services to win that money
- Libraries encourage them to bid lots of services
- It is a "closed auction" so vendors don't know what other vendors are bidding

The sad result

- In closed auctions, the winner *always* bids too much, usually by a factor of 2!
- The Winner's Curse: the successful bidder can't make money if they deliver what they promised, so they resist
- The library pushes back
- System failure: not bad people, just a bad way of doing business

Behavioral Economics



- Richard Thaler
- *Freakonomics* and Steve Levitt
- Why teachers cheat
- Why your real estate agent gets more for her house than she gets for yours

Behavioral economics for librarians

- People are going to screw up.
- The good news is that people behave irrationally in certain well defined and identifiable ways
- Behavioral economics attempts to define, describe, and suggest techniques to manage the limits on rational behavior that lead to bad decisions
- We are all limited in some ways, and once we learn the patterns, we can recognize irrationality – our own and others!

2. Why people screw up

Change and cognitive errors



Psychologists Amos Tversky and Daniel Kahneman have shown that when people are confronted with uncertainty, they are more likely to make cognitive errors.

J. Groopman, "What's the Trouble", *New Yorker*, January 29, 2007

Four mistakes your staff will make in thinking

1. The “La Brea” phenomenon: change is so difficult that the future must appear twice as good as the present in order to motivate
2. Representativeness: “everyone I know”, “those people”, “my users”
3. Availability: ease with which examples come to mind: “we tried that before”
4. Affective: decisions based on what we wish were true: “our work makes a difference”; “everyone is just the same under the skin”

Analysis paralysis



Why we make bad decisions (Thaler)

- Bounded self-control
- Bounded self-interest
- Bounded rationality (Herbert Simon)

Bounded self-control



- Short-term thinking in long term situations!
- Tattoos!!!!!!
- Tanning
- Thinking I can have that drink or dessert and still lose weight!
- ***Choosing present pleasure instead of future benefit***

Bounded self-interest

- Ignoring the big picture
 - Tax refunds
- Fear
 - Not going to the doctor because she might find something
- Professional: *Fighting the inevitable* – “They are throwing standards out the window!”

Bounded rationality

- “Fairness” and Reason
 - Matthew 20 -- The Parable of the Vineyard
- Misguided loyalty
 - “I’ll give her just one more chance.”
 - *He’s Just Not That Into You*
 - Toxic families

Bounded rationality:

The endowment effect

VS

the curse of knowledge

The Endowment Effect

- Research shows over and over that
People always overvalue what they have and undervalue the alternatives,
- So, they resist change
- **Professional: *Loss aversion*** (fear of risk)

The Curse of Knowledge

- Managers and leaders invariably *overvalue* the new things they have developed
- I know all the wonderful benefits because I developed them!

The Curse of Knowledge



The Curse of Knowledge

- They also undervalue the existing system or program (“I’m changing it; therefore it can’t be any good”) leading to
- *What are we, chopped liver?* (“You are telling me that all my hard work for the last ten years was worthless.”)
- John T. Gourville, “Eager Sellers, Stony Buyers” *Harvard Business Review*, June 2006

**Bounded rationality:
major sources of error**

Framing errors

- How you frame the question affects the answer -- Tversky and Kahnemann, 1981
- Wrong questions, wrong answers!
 - *How* should we institute these changes, not *whether* we should institute them at all!
 - *How do we fill Bill's position?*, not what skills and qualities do we need now?
 - *Which* candidate to hire, not whether to hire any of the candidates

Overconfidence

- How sure are we that proposed changes are the right ones? (*Endowment effect!*)
- How many of you are better than average drivers?
- How many of you are better than average librarians?
- How often are we right about how long will it take us to implement the program or even finish the budget?

Overconfidence

- We underestimate the disruption of outside factors
 - Personnel changes
 - Illness
 - new assignments
 - late deliveries
- The investment world since 2001
 - ***It is irrational to make critical decisions expecting that things will be better than average.***

Underestimating randomness and reversion

- Reversion toward the mean
 - Today's high performer is likely to be closer to average tomorrow
 - Ascribing to ability what was only good luck
- Ignoring randomness in events
 - Lottery numbers and winning streaks

Finding *Confirming Evidence*

- I think it is a good idea, therefore all the data looks good to me (Curse of Knowledge)
- Democrats believe PBS, Republicans believe Fox
- *Escalating commitments* (see “The Winner’s Curse”)

3. How *you* will screw up

Thinking that everyone is like me

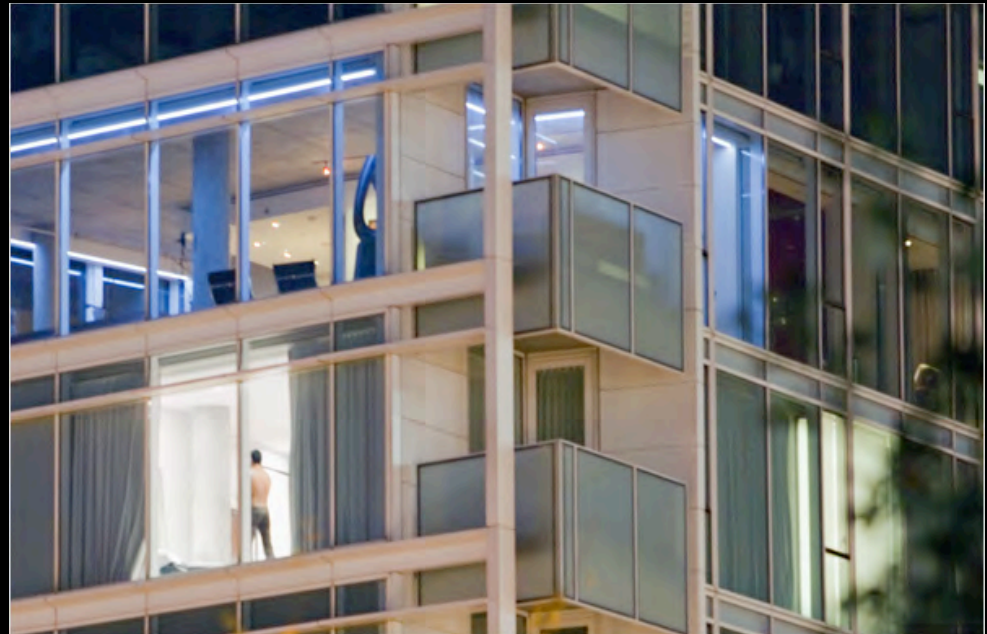
- Our responses to change are bounded by class and culture, our own and those of others
- In an increasingly global world, we need to be aware of how these factors limit us and those with whom we work

Simple cultural differences

cause a world of problems

Sense of space

- Personal space
- Public space
 - How much
 - What is appropriate



Sense of time

- Dinner at 7:30
 - Jackson, MS
 - London
- A meeting at 9:30 AM
- “Tomorrow” vs “mañana” vs “bokra”
- Standard deviations in meetings

Sense of urgency

- A New York minute,” ASAP, “I want it yesterday!”
- “IBM Syndrome”: Inshallah, Bokra, Malesh
- Tant pis!
- Whatever!

More complex differences

- **Deductive thinking**
 - From principle to particular
 - “God said it, I believe it, that settles it!”
 - Conservative, bureaucratic, classical
- **Inductive thinking**
 - From particular to principle
 - “Let’s look at the evidence”
 - Change-oriented, ad hoc, romantic

Conclusion? Problems in dealing with people undergoing change

- 40% human nature (behavioral economics)
- 40% cultural
- 20% personal temperament

You can understand and plan to deal with the first two, the third you are stuck with!

Organizations: The three biggest risks

Third biggest risk

Doing nothing

SYLVIA by Nicole Hollander



The coming tech services revolution

*Report of the working group on the future of
bibliographic control*

The future of bibliographic control will be collaborative, decentralized, international in scope, and Web-based. Its realization will occur in cooperation with the private sector, and with the active collaboration of library users. Data will be gathered from multiple sources; change will happen quickly; and bibliographic control will be dynamic, not static. Libraries must continue the transition to this future without delay in order to retain their relevance as information providers.”

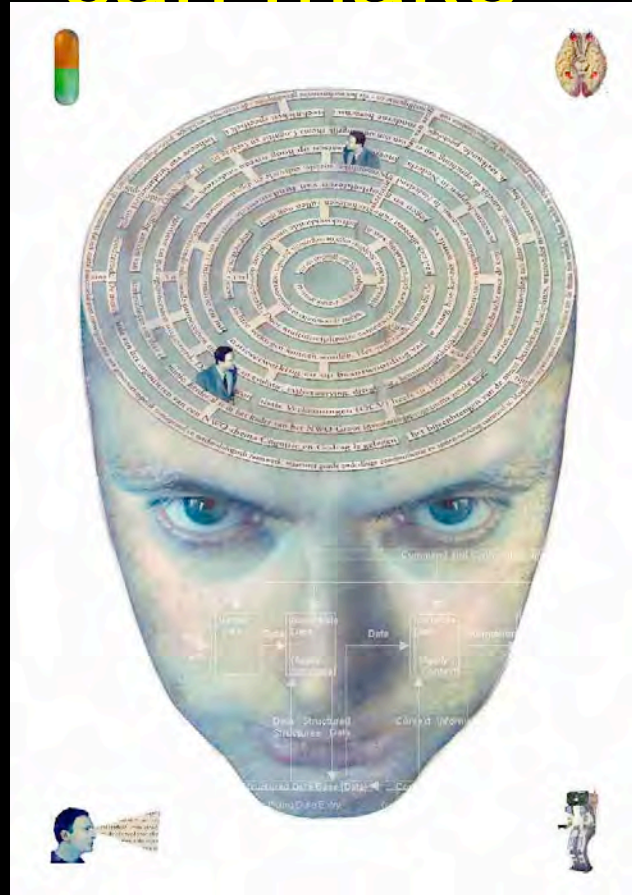
➤ ***Doing nothing is not an option.***

Second biggest risk

Your boss leaving: the person who hired you and encouraged you to create change is gone, and the new person has different ideas and priorities

Answer: Duck and cover

Your biggest risk as an entrepreneur: the mistake only you can make



The Curse of Knowledge!

Where managers and leaders go wrong

- Assuming that a change is good just because *you* thought it up.
- Are you *sure* the change is good?
- Think about proposed changes in the light of what you learned today
- Remember, you are messing with someone else's money and other people's lives: it is a serious responsibility

Where managers and leaders go wrong

- Personalizing the issues:
 - My way or the highway (business)
 - I'm OK, you're not so hot (not-for-profits)
- Treating as local and personal issues that are universal: different faces, same problems
- The cure:
 - understand why people act the way they do
 - react to the behavior, not to the person

“PINCH!-A Simple Model for Dealing With Conflict”

Journal for Quality and Participation, Rudolph Hirzel
Summer 2004
via the Reverend John Rice

Pinch Theory

- Relationships seldom proceed as planned or expected.
- Relationships have predictable stages
- Model for dealing with differences before they escalate into antagonism
- The pinch model describes the cycle of typical interactions and suggests a strategy for recognizing and managing conflict at the "pinch point."

A new person is added to the mix

1. Getting to know us
 1. Who are you?
 2. Who am I now that you are here?
 3. How will we relate?
2. Making the commitment
3. Stable and productive relationship

Feeling the Pinch!

Someone will do something that is not consistent with expectations:

I didn't know you were like that!

I didn't know you felt that way!

I didn't know I felt that way!

We feel "pinched" and have to make choices to return stability and productivity

Choices: ignore the pinch

- Don't rock the boat!
- Loss aversion
- Crunch time!
- Result: anxiety, brooding, disruption
- Loss aversive answer: going along without commitment
- Result: depression, ennui, paralysis
- "I'm outa here!"

Positive approaches to the Crunch

Back to Square One

Reconsider who you are

Reconsider who they are

Reconsider the issues

Renegotiate the relationship

Avoiding the curse of knowledge

Dialog

Advocate

Listen

Create scenarios

Incorporate feedback

The good news/bad news equation

- We almost always overestimate the pace of change in the short run.
- We almost always underestimate the amount of change in the long run.



“This is your wakeup call – change or die”