

Poker Lessons for Start-Up Businesses

By Richard D. Harroch

Everywhere you turn these days, you see poker. There are poker tournaments throughout the world, poker on ESPN, poker online, poker books galore, and poker articles in numerous major publications.

And there are great stories from the World Series of Poker. In the 2005 tournament, a former chiropractor from Australia beat out 5,619 people and won \$7.5 million. In the 2004 tournament, Greg Raymer, an amateur and lawyer, won the event and \$5 million. In 2003, a total unknown who had never played in a live tournament won the tournament and \$2.5 million (the best part was his name — Chris Moneymaker, which is his real name).

No other sport allows an amateur to participate and have a meaningful chance of winning. Could you beat Tiger Woods at golf? LeBron James at basketball? No way. But in poker any amateur with some experience has a legitimate shot at winning a big tournament.

I find that poker can provide a number of lessons to entrepreneurs and start-up businesses. Poker players have an abundance of catchy phrases, so let me set forth some of those phrases or principles and apply them to the start-up world:

“Trust Everyone, But Cut the Cards.” This is a poker adage that says there is nothing wrong with trusting other people, but make sure you protect yourself by cutting the cards. In business, there is nothing wrong with being cordial and trusting, but make sure that you are protected by appropriate contracts and deal terms.

“If You Can't Spot the Sucker at the Poker Table, Then It's You.” An important element of being a great poker player is being able to read other people. Are they constant bluffers? Do they have some kind of "tell" that tips off other players whether they have a strong hand or not? In business, you should constantly observe the people you do business with. Know what is important to the other side. Listen more than talk. And don't ever underestimate the opposition.

“You've Got to Know When to Hold Em, Know When to Fold Em.” This phrase is typically said by a Kenny Rogers fan or a poker player who has no clue as to whether he should continue playing his hand or fold. In negotiations, you have to know when to keep pushing on a point, and when to give up and move on. Fighting every point won't get you to a final deal, unless you have tremendous leverage. Knowing what leverage you indeed have is crucial. But constantly assess how important any particular deal point is if it threatens consummating a deal.

“I'd Rather be Lucky Than Good.” This phrase is typically uttered by someone who is neither lucky nor good. In the long run, when all the luck is bled out of the equation, it's

skill that separates winning players from losing players. And in business, you have to know what you are doing, you have to provide real value and you have to be reasonably priced — and then luck may follow.

“I’m All In.” This refers to a player betting all of the money in front of him on his current hand. Many times, the bettor does not have the best hand — he may be bluffing, he may be on a good draw or he may be only second-best. In the business world, you should bet all of your chips only when you are objectively supremely favored to win the bet. After all, losing an all-in bet in business can have devastating consequences. Make sure to recognize whether a particular decision you are making is in essence an “all in” bet. Analyze the decision in that way and then determine if you really want to take the risk.

“Never Count Your Money in the Middle of a Hand.” Actually, there is nothing wrong with counting your money in the middle of a hand. You need to constantly assess how you are doing, whether in business or poker, and from that make meaningful bets or decisions on how to move forward.

“Rocks and Grinders Don’t Get Big Paydays.” There is a class of poker players known as “rocks.” They play super safe. They only play hands that are very strong and don’t take many risks. “Grinders” are players who sit patiently hour after hour waiting for the perfect opportunity. What they don’t realize is that if you keep your nose to the grindstone, you’re only bound to get a flat nose. Similarly, to be successful in business, you must take chances-- playing it safe is not for innovators.

“Work at It.”

A start up is hard work. It takes intense dedication and long hours. To be successful at poker, it also takes time to learn the game, read the books on strategy, and get enough experience to recognize when to bluff, raise or fold.

“Know when to Pivot.”

A poker player has to adapt and change, depending on the game. If he recognizes that there are multiple “rocks” at the table, he might loosen up and raise more, knowing that those rocks will generally fold unless they have a very strong hand. If he has players that are loose and will often call raises, he might have to tighten up and bluff less. Some tactics and strategy will work, but like startups, the player has to adapt and pivot depending on the circumstances. If a startup is not getting traction on its original plan, it may be best to pivot the business quickly before its funding runs out.

“It Requires Patience.”

Poker can be a boring game, requiring lots of patience when you are running card dead. The startup life can be tedious with long hours required. Both require some element of patience.

“Don’t go on Tilt.”

Poker players will go on “tilt” when things don’t go their way in a particular hand. They start playing looser and with much greater risk. This often leads to yet more losses. Recognize when you are going on tilt so as to not exacerbate your losses. While startups have to be bold and innovative and quick to act, don’t do so without some thought as to the consequences. Discuss major strategic changes with your team, your Board, and your advisors.

“Ask for Advice.”

Good poker players often ask other poker player friends how they should have played a hand (Should I have raised? Should I have folded? Should I have move all in?). Entrepreneurs should frequently consult with their team, co-founders, Board members and advisors.

If you want to learn more about poker, check out [Kazillion Dollar Poker](#) and [Poker for Dummies](#) at Amazon or Barnes & Noble.

Copyright © by Richard D. Harroch. All Rights Reserved.