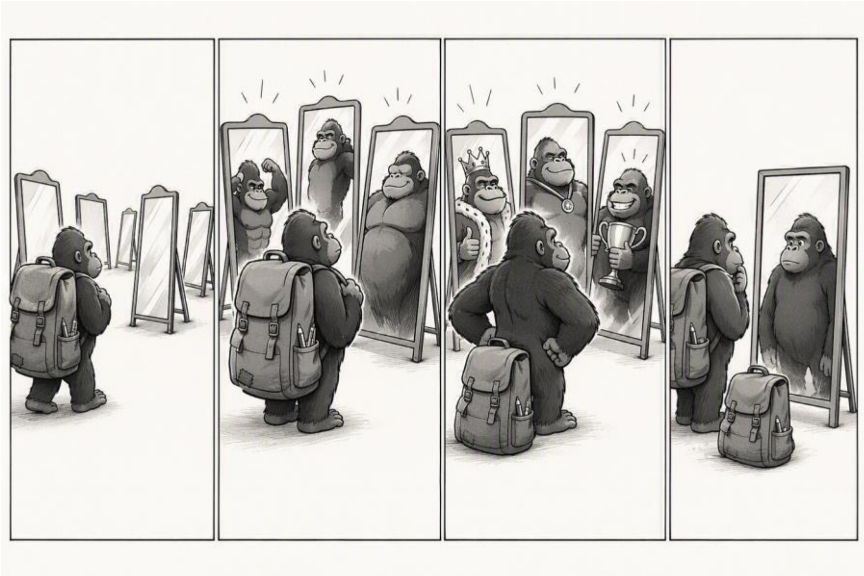
Chapter 3 — Why Founders Misread Reality

Seat: the founder.



Everything you hear about your company has been through someone else first. Most of it arrives kinder than the actual truth.

Core question: Why do founders misread reality?

Weak signals do not damage companies by themselves. Founders damage companies by needing those signals to mean more than they do. Beyond external noise, the deeper problem is the founder's need to turn incomplete evidence into a story that keeps the company moving.

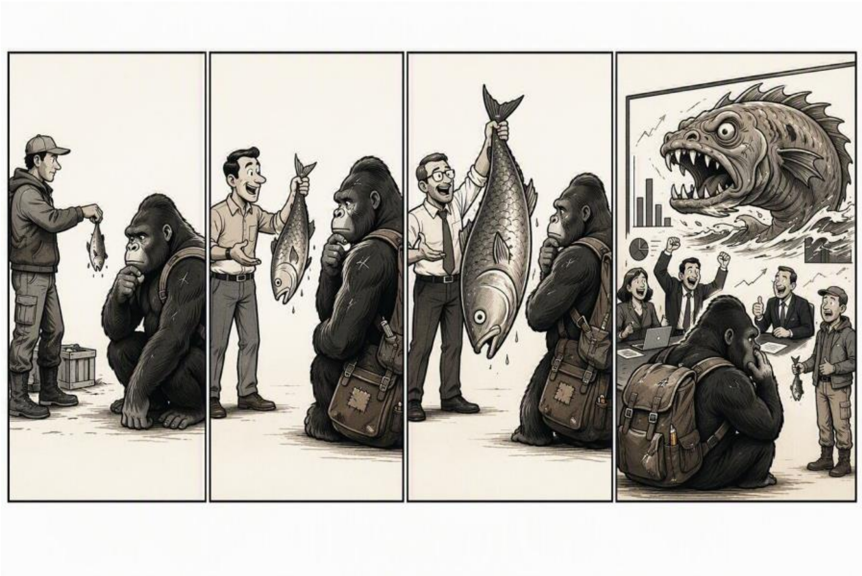
This book is pattern recognition, not immunity from bias. The difference is exposure — a founder sees one company; an investor who has reviewed more than 10,000 startups sees companies that looked strong and failed, looked weak and worked, were passed on, were backed, and were lost.

First, the limit from the outside. Even disciplined pattern recognition does not make the future fully readable.

One of those passes still teaches me something. In 2010 we looked at a stake in a mobile game publisher that had shipped more than forty titles without a hit. The cautious reading was understandable. A long catalogue with no breakout success is usually a warning, not hidden proof. Their newest game looked fine. Nothing special. Then a major platform company made an unpredictable strategic bet: pushing that one title across every channel it owned for two years, at a marketing scale no publisher could match alone. It became one of the best-known entertainment products in the world.

The example sets the boundary rather than excusing weak judgement. Some decisions are wrong because proof was misread; the console refusal in Chapter 1 was one of those. Others fail because the decisive event was unknowable. The discipline is knowing which risk you are taking.

Signals bend under pressure



The fish grows with every telling. Weigh it at the dock.

A founder is no neutral observer. Trying to make something work creates its own pressure.

The closest people rarely say, “Slow down. You do not know enough yet.” They ask how it is going, whether it is working, and when it will scale. Under pressure, uncertainty is rarely reduced. It is replaced with interpretation, and signals bend toward progress instead of truth.

The next scar moves from investor judgement to founder judgement. The skill is recognising when the company lacks a competence that reality will punish, not predicting the market.

A scar: I had vision, not customer anthropology

At nineteen, I had more customer meetings than I could physically attend. My father offered to help. I said yes almost without hesitation because I had worked for him since I was twelve and already knew exactly how good he was with customers. It worked far better than I expected. He did not know the first thing about our products.

What he had was something else entirely. He understood a customer’s real problem almost immediately, framed it back in their own language, and built trust instead of simply closing a sale. He was willing to go to extreme lengths to protect that trust, even when it cost us money.

The proof showed up fast. Some of our biggest customers were the kind that stayed cautious with new suppliers for a long time. They trusted him almost immediately. Deals I had not been able to move an inch on suddenly picked up speed. He also had a gift I did not have: creating a real sense of urgency in a customer without ever seeming to push.

That company grew into a roughly fifty-million-euro Nordic group (and the merged distribution business I led after its sale reached €120M in turnover), but the foundation was hiring the competence I lacked, before the market punished me for not having it.

That scar matters because misreading reality often starts as self-misreading. Founders overestimate what vision, effort, or intelligence can compensate for, and underestimate the specific competence the market is testing.

Employing my father was hard. It was also the third best thing I have ever done. Marrying my wife was the first, our three children the second. We fought more than once, and there were moments I regretted the hire. The fights were rarely about the big things; those we usually settled easily. It was the small things that created friction, especially when we were both under real financial pressure. But in the end there was always one person I could trust completely, who shared the same guiding principles I did.

Scar line: *Vision does not remove the need for competence the market is testing.*

A scar: reality was visible before we accepted it

More often the evidence is already available, and accepting it would force the company to change identity, story, product, or customer. Founders then read the evidence to protect what they already believe.

One of my early angel investments, where I was among the first to commit, made this visible. The founders had started with a dream of roughly 14 million potential customers globally. Against that number, the actual early traction looked almost embarrassing. Out of seventeen companies that fit the narrow profile they had first gone after, thirteen had bought. Thirteen customers, next to a dream of fourteen million, did not feel like something worth building a company around — it felt like a rounding error.

It was not. Thirteen out of seventeen meant a repeating buyer, not a lucky run. The mistake was treating it as a market-size problem instead of asking a segmentation question. Against fourteen million, the founders could not read thirteen customers as evidence. They read the number as smallness.

The founders kept chasing the fourteen million, because that number was the reason they had started the company in the first place. It took a long time, and a great deal of unnecessary spend, before anyone asked the more useful question: who else looks like these thirteen? When they finally asked it, they found a much larger population sharing almost exactly the same Buyer Proof and Value Proof profile: a real segment, not a dream, and large enough to build on. It also proved cheaper to serve and easier to grow than the market they had originally imagined.

The lesson was simple. Reality was visible from the first thirteen customers. It just looked too small beside the dream to be believed.

Scar line: *Reality is often visible early. Acceptance is usually late.*

How founders turn evidence into protection

Misreading reality follows a pattern. Pressure turns incomplete evidence into a protective story.

1. Selective interpretation. Signals that support the current direction are amplified. Signals that contradict it are discounted. Customers who do not buy often teach the most, because refusal removes politeness and exposes what did not move. If five people say no for the same reason, it is no longer feedback but a pattern.

2. Momentum becomes truth. Once something starts moving, questioning it gets harder. Activity is visible, so progress feels real, and stopping feels like admitting the whole thing was wrong. Continuing feels like progress even when nothing fundamental has changed.

3. Effort creates commitment. The more time is invested, the harder it is to question the direction. “Is this true?” becomes “How do we make this work?” That shift moves the company from testing reality to protecting effort.

4. External pressure accelerates decisions. Investors are only one source of pressure. Partners want certainty, friends expect progress, and teams need direction. Over time, reality stays uncertain while expectations become concrete. Founders burn out in that gap.

The company filters reality before it reaches you

Founders do not misread reality alone. They get help. Evidence enters the company at the edges (a lost deal, a stalled onboarding, a renewal that needed rescue) and passes through people before it reaches the founder. Every hop is a chance for translation, softening, and protection. By the time it reaches the founder, someone has usually converted behaviour into narrative. "the pilot is going well" instead of "the buyer has not touched budget."

The team is responding to training, not lying. Founders get shown whatever they reward. If bad news gets a hard reaction, the second delivery comes later and softer; the third may not come at all. The most expensive delay in a startup is rarely on the product roadmap. It is the lag between the moment a customer-facing employee sees the proof weaken and the moment the founder hears it in plain words.

The fix is language and reaction, not more reporting. Teach the people who touch customers to report behaviour before interpretation. What the buyer did, verbatim, without translation. Then reward it, especially when it kills a favourite assumption. A team member who disproves the founder's belief should have a good week, not a difficult one. Companies where bad news travels upward faster than good news misread reality less. The founder is no wiser; the inputs simply stay raw.

A scar: slow market, delayed orders, vacation

This scar still hurts me. Sales were slowing down with one of our key customers. I asked the key account manager about it, not once, but several times over the months. The answers were always reasonable. Slow market. Delayed orders. Vacation season. Each explanation was plausible on its own, and each one bought another month. Meanwhile, the customer had quietly stopped signing up for campaigns we offered them, one after another, without ever saying no outright: a clear behavioural signal sitting right next to the explanations, unread.

Then came my customer meetings, and I sat down with the customer directly. Sitting there, I learned what the explanations had been covering. They had already decided to move to another supplier. The decision was made. Nothing could be done anymore.

I still do not know exactly where the signal died. Perhaps the customer softened the message to the account manager. Perhaps he softened it to me. Perhaps he believed his own explanations, because believing them was easier than escalating a relationship problem he felt he owned. Most likely all three did, a little. Nobody in that chain said the one sentence that mattered: orders are falling, and no one can name a committed signal that says they will return.

What would have caught it was behaviour, not explanation. “Slow market” is an interpretation. Order volumes, reorder cadence, campaign participation, who at the customer was still meeting us and at what level. Those are behaviours, and they had been saying something different for months. The lesson had nothing to do with trusting the team less. It was to stop accepting interpretations as answers (from anyone, including myself) and to stop letting the yearly calendar be my evidence pipeline. Yearly is far too slow for proof that decays monthly.

I can still recall that meeting and what I felt about my key account manager. My first reaction, sitting across from the customer, was that I could have fired him on the spot. I remember almost nothing of the drive back to the office except that somewhere on that drive the anger cooled into something worse. The mistake was also mine. I had been lazy and accepted the excuses. I could have moved my customer meetings forward. Whether that would have changed anything is another question. But to learn, one has to make mistakes. We both learned from this one. He became noticeably sharper afterward at reading a customer’s weak signals, and reacted to them far more directly than he had before.

Scar line: *Bad news travels at the speed of the founder's last reaction.*

The yearly visit cycle

The account manager story taught me the failure. The visit cycle was the repair. It was already running; I redesigned it after that loss. As CEO I kept a yearly customer visit cycle, and its design was a deliberate sample, not a courtesy tour: the largest customers, with their management, because that is where information flows and where surprises are most expensive; a number of medium-sized customers, especially the fast-growing ones, to understand and learn their growth drivers; small customers; and, most informative of all, the customers decreasing in size. The scale of the commitment was real: at the time we had five thousand buying customers across seven countries, and the cycle consumed serious CEO time. I saw it differently. I was the enabler for my team, and that time commitment was earned by them.

The declining customers matter most because they are churn interviews you can still act on. A churned customer explains a decision already made; a shrinking one shows the decision forming. That is pre-churn evidence, the only kind that arrives while something can still be done. Had that category existed with discipline earlier, the account in the previous story would have been on the list long before the yearly meeting.

The resistance came from my own people. Many country managers and key account managers had an issue with the cycle. They did not want the founder walking into their accounts and hearing their customers unfiltered. I had to force it through, and some of those discussions were tough. I came to read the resistance itself as data. It measured exactly how much translation was happening between the customer and me. The louder the objection to direct access, the more the access was needed. AI compounds the filtering risk: it can make scattered signals look coherent before the business has earned that coherence. Sharpen questions with it, never close them.

Scar line: *The resistance to unfiltered evidence is a measure of the filtering.*

Two ways weak interpretation fails

Once misinterpretation takes hold, it fails in one of two ways.

The expensive version is obvious. The company moves forward on the wrong assumption. Hiring, scaling, and structure begin before the foundation is real. It looks like growth. The company is only amplifying its misunderstanding faster.

The silent version is slower and more dangerous because nothing clearly fails. The product works. Customers understand it. A few even use it every week. But nothing is urgent, nothing forces adoption, and nothing breaks if it disappears. That signal is easy to ignore because it is quiet: no complaints, no escalation, no pressure, and no dependency. Months or years can pass at that level. Improving something customers can live without.

The most dangerous company is the one that never receives a forcing signal; collapse at least forces a reckoning.

The job is to become harder to fool

The discipline becomes less about being right and more about becoming harder to fool.

Without structure, founders rarely disagree on facts. They operate on different interpretations of the same signals, and each interpretation feels valid. That leads to the next question: if reality is easy to misread, what structure helps founders interpret it without pretending uncertainty has disappeared?

When two people describe the same customer

The most useful version of this problem shows up in a meeting where the salesperson and the founder both talk about the same account. The two descriptions do not match. The difference usually sits in the customer's own articulation, the actual words used to describe the problem.

The instinct is to work out who is right. That is the wrong question. Both accounts are normally true. Each is told from that person's perspective and shaded toward that person's benefit, and the shading runs in different directions, so you cannot resolve it by averaging.

When the two descriptions differ, the company has not converged on how the customer describes their own problem. That is a Buyer Proof gap rather than a sales management problem, and treating it as the second one buries it.

The work is to interview each person separately and go deeper than the summary they arrived with. You are looking for what the buyer actually said or did, not for their reading of it. I ask the same question several times in different words. People sometimes find this irritating. That is the cost of getting past the version someone has already rehearsed, and it is the discovery part of the job.

Expect a delay before this resolves. The feeling that something is off arrives well before the facts confirm it, in my experience by a month or more. That gap is why the wrong direction is expensive to recognise late, and why you read the disagreement early rather than waiting for the numbers to settle the argument.

The Evidence Quality Test

Before a claim counts as proof, it has to survive five questions.

1. What happened? The raw observable event. What the buyer, user or customer physically did, not your interpretation of it.

2. What is its weight? A costless signal (praise, a meeting, pilot interest) or an economic commitment. Budget reallocated, procurement advanced, risk owned.

3. What is the alternative explanation? The least convenient one. Write it down before dismissing it.

4. What would prove it wrong? The precise behaviour that would falsify the conclusion. If nothing could, it is a belief.

5. Where did it come from? Direct exposure to the buyer, or a synthesis that made scattered data look coherent? AI increases the supply of answers faster than the supply of evidence.

Interpretations, opinions, activity and AI synthesis are not observed behaviour. Knowledge inherited from the industry is not exempt.

These questions are set out here so this book stands alone; they are operated in full in the companion volumes.

In practice you can cut the noise down to a few hard questions: do customers buy for a reason you understand, do you know the customer profile where that reason repeats, and can you pursue it without burning capital faster than proof improves?

Reality Check

- Recall the last status update you received that used a summary word (fine, slow, quiet, cautious) instead of naming a specific customer action. What was the actual behaviour underneath it, and how many days passed between the event and you hearing about it?
- Recall the last time someone told you something that undercut a decision you had already made. What did you do or say in that moment, and how did the next piece of bad news arrive compared to that one?
- Recall the last meeting where someone proposed how to solve a problem before anyone had agreed on what the problem actually was. What evidence got skipped in that jump?
- Point to a customer or account where the explanation for a problem has stayed the same for more than one cycle: the same reason, a different month. What is the actual number behind that explanation: orders, usage, renewal date?

Founder takeaway

Everyone who handles a piece of reality on the way to you takes some accuracy out of it, including you.

If a report describes a feeling instead of an action, send it back before it's allowed to move a decision.

Reward the person who brings you the version that kills your favourite assumption. Punish it once, and the next version arrives later, softer, or not at all.

Scar line: *Founders die of unresolved reality. Vision was never the thing missing.*

Reading reality more honestly is not yet a method.