

TUESDAY 28.11.06

# REPORT ON BUSINESS

↓	↓	↓	↓	↑
<b>S&amp;P/TSX</b> 11,826.44 -39.32 Energy stocks lead first decline in four sessions	<b>DJ Ind.</b> 11,069.06 -46.26 Interest rate worries undermine blue chips	<b>Nasdaq</b> 2,262.96 -19.40 Chip stocks drop as Citigroup cuts recommendation	<b>Dollar</b> 87.18c (U.S.) <b>Unchanged</b> Rate concerns in U.S. and Canada squeeze loonie	<b>Gold</b> \$556.60 (U.S.) <b>+2.00</b> Renewed inflation concern underpins bullion gain

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## Business Jiu-Jitsu



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WISE WORDS

**B**usiness is War. At least that is what a number of authors would have you believe, when they apply macro martial theory to modern business. The best-known case for this is, Sun Tzu's, *The Art of War*, in which the legendary Chinese General, Sun Tzu, provides a treatise that has often been cited as fundamental for modern business, namely, the seminal treatise on military strategy.

However, this is the macro view, so what about the micro? If Sun Tzu can teach CEOs how to run global multinationals, who can entrepreneurs turn to, to learn the micro martial strategies required for the victory of their business? In my view, there is but one place to start, the Gracie Family. This family has arguably brought the most powerful martial art, Jiu-Jitsu, from its traditional origins in feudal Japan into the modern age and in doing so provided entrepreneurs with a treatise of their own.

There are three core reasons for the selection of Jiu-Jitsu as a starting point for an entrepreneurial treatise:

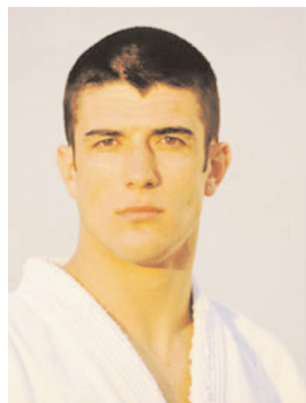
1) The historical art is seen as the foundation of many modern styles of martial arts. This style became formally modernized in the early 20th Century when Mitsuyo Maeda, a master of Japanese Jiu-Jitsu, immigrated to Brazil and taught his system to Carlos Gracie, who then passed it on to his younger brother, Helio. Thereafter, the Gracie family evolved the art into the modern and established form of Brazilian Jiu-Jitsu (Brazilian Jiu-Jitsu, is the pre-eminent form of unarmed combat, where one takes on all opponents, irrespective of their size or preferred style of fighting). Since that time, the Gracies have seldom been beaten in unarmed, one-on-one, no rules competition.

2) In 1993, an open tour-

namment was held, where practitioners of all styles of martial arts competed in one-on-one, no rules combat. It was here that Royce Gracie, master of Gracie Jiu-Jitsu (i.e. Brazilian Jiu-Jitsu), reigned supreme. He went on to become a living legend in mixed martial arts, winning the next 3 of 4 Ultimate Fighting Championship (UFC) tournaments, which proved that Gracie Jiu-Jitsu was indeed the most well rounded form of hand to hand combat, in the modern world.

3) The parallels between serial entrepreneurs and Jiu-Jitsu experts are extensive, but the most fundamental one is that both remove size from the equation. Similarly, in both Jiu-Jitsu and entrepreneurship, strategy trumps the use of force.

So I sat down with Brazilian Jiu-Jitsu black belt, Professor Rener Gracie, of the Gracie Academy ([www.gracieacademy.com](http://www.gracieacademy.com)) whose grandfather, Helio Gracie, is accredited with helping create the art of Brazilian Jiu-Jitsu; whose Uncle, Royce Gracie, is arguably the most recognized professional martial artist in the world after winning UFC 1, UFC 2, UFC 4; and whose style of fighting has proved to be the most all round dominant form of martial arts on the planet. We discussed the fundamental principles of Gracie Jiu-Jitsu and how entrepreneurs might apply such to their everyday quest for victory in the business world.



### The Guiding Principles of Gracie Jiu-Jitsu

#### 1. If you have the leverage you do not need the strength:

"The most important thing is not how much strength you have but how efficiently you use your strength," says Rener, currently a lead instructor at the Gracie Jiu-Jitsu Academy in Torrance, CA. Before applying this to entrepreneurship, one needs to quickly re-examine the principle of leverage. Referring to my previous column, **Leverage your Board**, we know that Archimedes defined leverage as the manner in which you can use a key point to allow you to move a

disproportionably larger object with less force.

The same is true in small business. First you must find the key point on which all else rests. In commerce, this is often defined as the KPI, or key performance indicator, the one thing on which the growth of your venture rests. It may be cost of goods sold, or cost of customer acquisition, or even patentable intellectual property, but once you find it you need to drive your value through it and continue to leverage it until victory is assured.

#### 2. Prepare for all worst-case scenarios:

According to the Gracie family if you train yourself to be comfortable in problematic situations you are never caught off guard. "If you prepare for the worst, nothing can surprise you", says the Californian based black belt. The same is true in entrepreneurship in my experience. You need to be aware of the risks, plan for them, mitigate them to the best of your abilities, but don't fear them.

Addressing risk is most often required when entrepreneurs pitch for capital. Investors grow gravely concerned, when an entrepreneur blindly discounts the risks associated with the opportunity. Instead, founders who prepare contingency plans for worse case scenarios, even if there is only a remote possibility of such occurring, comfort investors. Examples of prepared scenarios might include, losing a key customer, the denial of a patent or slow sales traction.

#### 3. Position before submission:

According to Rener, before you can focus on victory, which might result from your opponent's submission or a decisive knockout, you must set yourself up for it. He elaborates, "You need to focus on achieving a good position and the submissions will come." How does this apply to startups and other forms of high growth companies? Well, the lesson here is fairly straightforward: before concentrating on victory, set yourself up for success and work on achieving a strong market — position.

For instance, if you believe



that your KPI is customer satisfaction, then focus all of your energy toward achieving the highest possible degree of customer satisfaction. This in turn, will serve as a precursor for high customer traction and high sales revenue and will eventually lead to victory. Hence, you must first locate the key leverage point of your venture and use it to excel, relative to your competitors.

#### 4. If you do not lose you will eventually win:

This was the most challenging principle for me to comprehend and so I asked Rener to explain it further. He elaborated, "If you have good technique and you can avoid defeat long enough, the only possibility left is victory."

Applying this to entrepreneurial business is tricky, but can be done. If you accept, that just as in a fight business is a war, made up of a series of skirmishes, you can see that if you survive through these, you will eventually win the war. As a case in point, let us examine YouTube. The skirmishes in the case of YouTube, might include litigation letters from content providers, such as Fox and Universal, attacks on market share from video sharing rivals, like Google and MSN and the need to police content. While YouTube might not have won all of these confrontations, they certainly did not lose them and in the end, they achieved victory, as Google tapped out and submitted by buying them for more than \$1.5 billion dollars.

#### 5. Timing is everything:

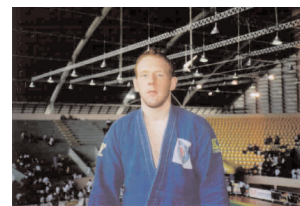
"The right move at the WRONG time is worthless," comments the third generation warrior, "the right move at the right time is priceless." Attendant with setting yourself up for victory, you must be patient and wait for the right moment to strike.

One need look no further, than the example of Friendster vs. MySpace, to illustrate the importance of timing. While both have at their core, the same fundamental business model and value add to end-users, the former was created in 2002, while the latter emerged in 2003. Friendster is now viewed, as having gone to the market before it was ready for it, compared with MySpace

that entered the market at the right time. Google offered to buy the former for \$30M, while the latter sold for more than \$0.5 billion just 24 months after launching. Why did this happen? It was not due to better technology, marketing or focus, but simply timing. MySpace hit the market, just as the couch potato tweens were becoming mouse potato teens, while Friendster went for the knockout and gassed before the second round was complete.

#### The Canadian Perspective

I was so impressed with Rener Gracie and his insights on the lessons that Jiu-Jitsu can teach entrepreneurs, that I looked up Mark Bocek, one of Canada's first black belts in Jiu-Jitsu and a former student of the Gracie's, to delve deeper into "Business Jiu-Jitsu".



The five time Canadian Champion agrees with Gracie's insights "Jiu-Jitsu is one of the world's most powerful martial arts, mostly because it is skill not size that leads to victory."

In addition to the five principles laid out by the Californian Gracie, Bocek suggests entrepreneurs leverage the following insights, which he has learned in his storied career:

#### 1. Take your opponent out of his or her comfort zone

"In fighting, like business, you have to choose where you want to focus your energies. I always suggest that you take the fight to the spot your opponent doesn't want to go." This is particularly useful for entrepreneurs to remember, when they go to the market with limited resources. Choose a key area, such as price, quality or customer service, where your competitors are weak and channel your limited resources there. By doing so, you will be strong where they are weak and have a better chance of attaining victory or as Mark put it, "Dictate where the fight takes place (on the ground, on your feet, in the clinch) and you are able to gain the advantage."

#### 2. Never stop learning, the day you stop learning is the day you die

Rener's Grandfather, the legendary Helio Gracie, at the age of ninety-three, is

rumoured to still be practising the art he helped found. Mark agrees: "The moment you sit back, you're done. You have to always be open to learning new things, to making changes in your style and approach, and most of all you have to be willing to listen to others." Therefore, just as in business, Jiu-Jitsu requires flexibility and adaptability.

#### 3. Study your opponents

Bocek recommends, learning as much as you can about your enemy, before engaging in combat with them. He expresses, "Knowledge is power. Knowing your enemy allows for preparation. Preparation leads to victory." *Scientia potentia est*, the Latin maxim, was coined by Sir Francis Bacon. The phrase, which roughly translates to "knowledge is power," implies that knowledge augments one's abilities and potential in life. I concur with both Bacon and Bocek and find that this maxim is applicable to Entrepreneurship.

#### The Bottom Line:

Just as Sun Tzu taught us, that macro military theory has a place in the corporate world, the Gracie Family teaches us that entrepreneurs can learn a lot from the principles of modern Brazilian Jiu-Jitsu. However, if you want to earn your black belt in either, you must train hard, by dedicating yourself to practising the fundamentals everyday, so that when the opportunity presents itself, you are prepared to seize victory.

Sean Wise, BA, LLB, MBA is the Managing Director of **Wise Mentor Capital**, a national venture capital consultancy focusing on bridging the gap between entrepreneurs and capital. Sean currently sits on the Boards of the Canadian Venture Forum, the Banff Venture Forum, the Toronto Venture Group and Silicon Valley's *IBDNetwork*. He speaks at more than 20 Entrepreneurial Bootcamps and events across North America annually. Sean is the online host and industry advisor for CBC's hit business reality show **Dragons' Den**. ([www.INSIDetheDRAGONSden.com](http://www.INSIDetheDRAGONSden.com))

His monthly column on [www.theglobeandmail.com/smallbusiness](http://www.theglobeandmail.com/smallbusiness) covers a wide range of topics on entrepreneurship and venture capital as does his blog found at [www.SeanWise.com](http://www.SeanWise.com).