

**the business
is imaginary.
the confidence
is real.**

The Business Is Imaginary. The Confidence Is Real.

AI can make a venture look complete before its founder has learned what the business must survive.

Imagine someone who has wanted to start a business for years. They know a field, have noticed a problem and finally have tools that let them build without financing a development team. An AI assistant helps create the prototype, describe the customer and simulate interviews. Plausible objections inform the product; encouraging responses support the pricing; projected demand feeds the investment case.

By the end of the exercise, the documents appear to corroborate one another, although the customer has never entered the room.

The weakness need not be a fabricated statistic or defective software. Accurate information can surround an untested commercial claim. The original assumption has travelled through successive outputs and returned wearing the authority of research. What feels like accumulating evidence may be an increasingly elaborate expression of the founder's starting belief.

This is circular validation: apparent corroboration that depends on the proposition it is supposed to test. It exposes a deeper risk than a bad business plan. AI can help someone acquire the confidence of a founder before they have developed the judgement of one. Once other people commit money, livelihoods or trust, the distance between those two things becomes consequential.

A customer you can rewrite

The opening these tools create deserves defending. Someone excluded by the cost of technical and creative help can explore ideas previously beyond their reach. Established founders should hesitate before mistaking their advantages for evidence that others belong outside.

But the ability to produce an offer does not establish its value. A simulated interview can help prepare questions; it cannot establish that a buyer experiences the problem, controls a budget or prefers the proposed solution to doing nothing.

Real customers bring circumstances the founder cannot edit: an incumbent contract, an exhausted implementation team or a problem too minor to warrant attention. They can decline to participate altogether. Their independence is what makes the encounter informative.

Conversational reassurance can blur that distinction. Anthropic's 2023 research found sycophantic behaviour across five AI assistants, with responses sometimes favouring users' beliefs over truthfulness. The finding concerns the systems and evaluations studied, but demonstrates why approval from an assistant cannot substitute for independent evidence.

Asking for a ruthless critique may improve the thinking. It does not turn a generated objection and rebuttal into independent witnesses to what the market will do. Both can inhabit the same incomplete account of the situation.

Inside that account, effort produces visible progress. Outside it, effort may produce silence, rejection or a promise the founder is unsure they can keep. Another refinement feels responsible. Another week's preparation seems inexpensive because the software bill is small, while lost time, deferred income and attachment to the idea are harder to count.

Scar tissue is useful only if it changes the decision

Wanting to be a founder does not necessarily mean wanting the work of founding. Autonomy and ownership appeal; collecting payment, resolving failure and accepting correction can be less inviting. AI can help someone undertake that work or furnish the identity while the work keeps being postponed.

Calling this a shortage of “entrepreneurial DNA” turns behaviour into destiny. A novice can learn to seek commitments and revise assumptions; an experienced executive can avoid both. The relevant distinction is how someone responds when reality threatens the story.

The capabilities worth cultivating contain tensions. Conviction sustains a founder through rejection, but it needs a capacity to revise the proposition. Urgency gets work moving, but irreversible commitments deserve restraint. Resourcefulness finds another route, but honesty prevents a limitation from becoming someone else's undisclosed risk.

The boundary between those strengths and their destructive versions is rarely visible in a personality description. Conviction becomes denial when contrary evidence is repeatedly explained away; urgency becomes recklessness when the team inherits commitments it cannot fulfil. Resourcefulness becomes overpromising when a workaround is presented as a dependable capability. What matters is whether the founder can recognise the change while there is still room to act.

That requires separating a rejection of the offer from a judgement of the self. A lost sale can expose a weak proposition, the wrong buyer or unfortunate timing; it cannot tell the founder which without further investigation. Treating every refusal as ignorance protects the idea from learning, while treating it as personal failure makes learning intolerable. The useful response preserves ambition while making the explanation answerable to evidence.

None of this guarantees success. Markets, resources, timing and luck still matter. Nor does suffering automatically confer wisdom. A failed launch, lost customer or cash crisis becomes useful experience when it changes the next decision: identifying the wrong buyer earlier, pricing delivery honestly or recognising a cash shortfall before it removes every option.

Scar tissue can also preserve the wrong lesson. Someone betrayed by a partner may become unable to trust a capable team; someone rewarded for persistence may continue long after the evidence warrants stopping. Experience earns authority through its interpretation, including recognition that circumstances have changed.

While at Microsoft, I co-produced *Creativity in the Digital Age*, a documentary with Johnny Marr exploring his career and creative process through successive changes in technology. Watching him work brought the distinction into focus. The tools could expand what was

possible, but the music depended on imagination, disciplined practice, precise craftsmanship and collaboration. Taste was exercised in deciding what to keep, what to change and what to leave out.

That experience informs how I think about AI. More options can enlarge a creator's freedom without settling what deserves to exist. The human contribution includes the intention behind the work, the sensitivity to recognise what matters and the discipline to pursue it. In a business, that judgement also has to meet people whose needs and choices are independent of its creator. A founder can make something they believe in; customers still decide whether it matters enough to use and pay for.

Some effort should disappear. Other effort contains the learning a venture needs. A sceptical buyer exposes ambiguity, delivery reveals constraints and competing demands require judgement. Delegation becomes a liability when it removes those encounters while supplying the confidence associated with having completed them.

A field experiment with Kenyan entrepreneurs makes the limits of assistance tangible. Researchers found no statistically established average improvement in revenues and profits from access to a GPT-4-powered adviser. Subgroup analysis found worse outcomes among initially lower-performing entrepreneurs, while higher performers may have benefited. The researchers linked the difference to the advice owners selected for implementation.

The study did not examine simulated startups or establish that AI harms novices. Its relevance is precise: access to advice left consequential decisions with the owner. More available expertise did not automatically produce better judgement.

The founder must become less necessary

A founder's judgement and a company's durability are related but distinct. Someone can sell brilliantly while creating a business that depends on their personal intervention in every delivery. Others can build an excellent product without finding an economically credible route to buyers.

A venture becomes more dependable as it learns to acquire customers, fulfil promises, retain confidence and finance the operating cycle. Early founder heroics may be necessary; enduring dependence on them limits what the company can sustain. The work must become understandable and reproducible by others without quality collapsing.

Across Microsoft, Amazon and founder-led businesses, the resources behind the proposition have differed considerably. The commercial questions remain recognisable: who values the offer, what makes buying possible and what it takes to deliver. A large organisation can conceal gaps through its machinery; a small venture can conceal them through the completeness of its presentation.

The first sale is an agreement about a future benefit. Delivery tests whether that benefit survives the customer's circumstances; renewal tests whether it remains worth paying for. Between those moments, a founder may discover that the work required to retain the customer bears little resemblance to the work required to win them. Growth can then amplify the burden before it improves the economics.

Learning has to enter the business itself. If every implementation depends on knowledge held in the founder's head, another sale adds obligations faster than capability. Capturing that knowledge in methods, product changes and clear decisions lets the next customer benefit from the previous one. Repeatability should preserve what customers value while reducing avoidable effort; standardisation that strips away the benefit defeats its purpose.

AI introduces a particular temptation here. A cheap prototype can suggest a cheap business. Actual delivery may require integration, supervision, correction and support that the demonstration never encountered. Generating more output can also shift the burden onto people reviewing it. The economic benefit depends on the work eliminated and the obligations introduced.

Where more suppliers use similar tools to make similar offers, customers have alternatives. Distribution, trust, workflow knowledge and reliable execution deserve scrutiny as possible sources of advantage. Each must explain why a buyer chooses the company and why that choice can endure when competitors gain the same technology.

The question is whether the organisation becomes more capable with each customer, rather than merely busier. Repeated sales without reusable learning can reproduce the original delivery problem at greater cost.

Opportunity comes with unequal room to fail

A legitimate tool provider can deliver value and earn its fee whether a customer's venture succeeds or fails. Capabilities have been purchased; income remains unresolved. That distinction should stay visible wherever software is sold as a route to independence.

At the deceptive extreme, capability becomes an earnings promise. In June 2025, the US Federal Trade Commission announced a proposed settlement against Ascend Ecom, alleging that the operation falsely promoted AI-powered tools as a route to substantial passive income and defrauded consumers of at least \$25 million.[3]

The case concerns a particular operation. The wider vulnerability is the hope that buying a system can remove commercial uncertainty.

Promoting entrepreneurship as an answer to insecurity carries responsibilities beyond distributing software. People need access to buyers, credibility and financial room to survive experimentation. Someone who cannot afford one failure faces a different opportunity from someone who can afford several, even with identical tools. Counting new ventures cannot establish that either has gained a viable livelihood.

As polished submissions become easier to produce, investors and grant bodies should investigate the evidence beneath them. This is a risk to address, rather than proof that institutions are already financing an epidemic of simulated businesses. Retreating into pedigree would protect familiar applicants; independent tests give unfamiliar founders a fairer way to demonstrate capability.

There is a difficult balance here. Requiring extensive proof before offering support can favour people already able to finance it. Requiring too little can reward confidence while transferring unresolved risks to employees, customers and the public. The better response is staged support: enough to conduct a meaningful test, followed by a decision grounded

in what it revealed. A well-run experiment that invalidates the idea can be a responsible use of money, especially when it prevents a larger commitment.

That changes what programmes should reward. A founder who reduces uncertainty and stops an unsuitable venture may have demonstrated more judgement than one who produces another optimistic forecast. Institutions need room to recognise that result without making failure itself a badge of merit. The question remains what was learned, whether the test was credible and which subsequent decision it improved.

Those tests must fit the undertaking. Scientific development cannot be judged by immediate software revenue, but its technical, regulatory and commercial uncertainties still need examination independent of the founder's account.

The human stakes change when others rely on the claim. An employee gives up another opportunity, a supplier extends credit and a customer changes a workflow. Honest failure belongs to entrepreneurship. Responsibility lies in representing uncertainty accurately and managing commitments accordingly. Sincerity explains belief; it does not discharge responsibility.

Seven principles for earning confidence

Let reality interrupt the story. Use AI to formulate hypotheses, then seek evidence it cannot supply on your behalf. Observe existing behaviour, make a concrete offer and investigate refusal. An experiment earns its cost when the result changes a consequential decision, including what should be built.

Turn experience into judgement. After a setback, identify the assumption, decision and consequence. Record what will change and when the lesson might cease to apply. The evidence of learning is a better subsequent decision, rather than a more impressive account of hardship.

Persist with a purpose. Define the next uncertainty, the time and money available to resolve it, and the conditions for continuing, changing direction or stopping. Persistence then serves discovery, while capital remains protected from indefinite defence of the founder's identity.

Price the whole promise. Include acquisition, implementation, review, correction, support and payment timing in the economics. A low development bill matters less if each customer creates an expensive obligation. Examine whether repeat business produces adequate margins and cash.

Build beyond the founder. Convert successful delivery into responsibilities, reusable methods and standards others can meet. Quality should survive delegation, and subsequent customers should benefit from what the company has already learned. Growth becomes more credible when it requires less exceptional intervention.

Delegate work while retaining responsibility. Match verification to the consequences of error, preserve the expertise needed to challenge outputs and assign accountability for decisions. Check whether the organisation's actual workload falls without reliability deteriorating; faster production alone cannot establish that.

Make institutions earn their confidence. Investors, boards and public programmes should examine evidence, decisions and company progress, using tests suited to the venture's stage. Give unfamiliar founders a route to demonstrate capability and release further support against meaningful learning. This protects resources without turning pedigree into permission.

The founder at the laptop has gained something valuable if the tools make an encounter with the market possible. A finished-looking company becomes dangerous when it gives its creator permission to defer that encounter while asking others to believe.

AI can make it cheaper to discover that an idea is wrong. Taking that benefit requires allowing the discovery to happen. Before the next investment, hire or customer commitment, ask: **What evidence gives us the right to ask other people to rely on this?**

Make the promise answer to someone.

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