

## Verne Harnish Keynote Speaker - Gazelles

URL: <https://www.youtube.com/watch?v=eVNCRJ4L0AY>

this person is known as the growth guy he is the founder of the world-renowned entrepreneurs organization you know it as EO and he's also the CEO of a Global Executive Education and coaching company known as gazel he's a global syndicated columnist of Fortune he's the author of three books the newest is scaling up he is about money he is about success he is about growth and he's here on this stage ladies and gentlemen Vern Harish give it up oh yeah you what's interesting it takes about 25 years in order for a company to really hit its inflection point you know he launched in 1976 and by 2001 now 9600 employees is decent but it's you know it's Harley putting a dent in the universe and it was really when he launched the iPod that everything else happened so quick question if we could let's have the lights up for the rest of our presentation here I want to see a show of hands how many of you guys have been in business for less than 25 years I want to see a show of hands all right you still have time all right now those of you over 25 years you know it's exciting you know so Jim Collins has been a dear friend and Jim's research is clear that our most productive time is over 50 in fact Peter duer wrote twice as many books over 50 than he did before and so we have time as well so there's been my passion for 33 years just how do we get these companies to scale up we know we know that this journey as you begin to scale up your particular business can be tough I mean it literally feels like at times you're the only one carrying the entire weight up that scurve so I want to take our framework and I want to share five very practical ideas five decisions that you absolutely have got to get right if you're going to go ahead and scale it up whatever it is that you plan on doing and so first what is the most important question you've got to own number two what are the two words that you absolutely must own in the marketplace number three how do I decide what I focus on next and then number four what is the ultimate truth if we are going to put that pile of cash together and then along the way I want to share some kind of critical routines that I think are helpful now I want to get into this first practical idea and that is around the question and every one of us we anchor are scaling up people would you enthusiastically continue to work with all the people you've got around you and one of the things that I have learned in the 33 years of being out there in business is that you have to avoid the a-holes for sure because they will waste so much of your time along the way by the way they said there's no I and team they found it it's hidden in the a-hole right there sure enough and one of the things that absolutely I know I've learned it gets in my way gets in the way of our clients is this three-letter word called ego e g o because one of the things in the 21st century that I think we all have to come to grips with is that you are absolutely not smart enough alone to drive up your business the entire intellectual capital of your team is not sufficient I remember when we decided we needed to get Global and so we needed to just update our CRM system I needed something in the cloud that would really work for us around the globe and so my it team that we Outsource in India put together over 5 weeks that's unbelievable Excel spreadsheet that listed 24 CRM systems I didn't even know that many existed and we're starting to pour through the features and benefits and they're telling it's going to take us another five weeks and I realized it was literally screaming in my head Jim's words and I said who do I know that knows more about this in a little pinky than they do in our entire being I said ah Jim Cecil I know Jim up in Seattle the nurture Guru uh I know I know Jeffrey Moore and I quickly sent off emails to both of them said look guys you know my business here's the spreadsheet I'm staring at blindly which should we choose and independently and within minutes they both emailed back and suggested the exact same CRM system and that decision was made in three minutes so I put out this book called scaling up last year and I actually thought that was a great looking cover it was black and white it was thick and I put it out to about 500 of our world they basically said my baby was both ugly and stupid it hurt man it hurt and so that's what the crowd created and we've been real proud of how well it's done and so what are you going to do to tap into to a whole lot more brains in order to scale up your business now I want to get strategy and our key question there is can you state your strategy simply again I was down in Australia and I saw this we are number one in the number two business now as Jeffrey introduced I am known as the growth guy and by the way how do you know if you own a couple of words you go to the search

engines any place on the planet you put those two words and you see if you own that critical viable real estate and I do the problem is this nobody searches for it I mean when's the last time anyone's sitting around saying man I need a growth guy unless it's like Viagra related and that ain't my deal guys that's not my deal and so I screwed up you know they often say you know no one's worthless they can at least serve as a bad example and that has been me now we think we know the two words we need to own and we're getting about it but you got to figure this out let's now shift to execution and there it's all about Relentless repeatability and it's about keeping the main thing the main thing the problem is easy to say but how the heck do I figure that out so I want to tell you a story about Mark and so he's getting ready to take the company public in 2012 but that December he wakes up in a cold sweat like the rest of us and say oh my God we are about to screw up we have missed the most important trend on the planet and that's people aren't using their their PCS anymore they have switched to to Mobile in Facebook and all the competitors had not made the switch so every quarter one of the routines he puts up a big big white tent and all their employees are required to tent at the time he had 3200 employees he had 2,000 local 1,200 around the globe and they're all thinking he's there to announce the fact that we're going to be focused on this pending IPO by the that's a pretty big thing to do to go public yet he hardly mentioned it in passing what he said to his team was what I need you to do I'll handle that distraction what I need you to do is I need you to laser focus keep your head down continue to focus and deliver and get us mobile now in the meantime he gets public \$38 within a few months the stock literally crashes in half even as a riter for Fortune we're sitting there beating him up maybe the boy wonders luster is gone but he kept focused and the rest is history even Facebook has limited time limited resources limited effort like everyone else sitting here in this audience and what you have to do is always always apply your effort to that constraint now I'm not talking about problems we are not a company that's about solving problems we'd rather go after what's working and do more of that no this is about the constraint that's out there and if you don't Focus your energy on what's constraining the growth of your your speaking business whatever it is next you're spinning your wheels and by the way often who will help you fix that constraint is the right who built around owning the two words in the marketplace that will build your brand when Steve Job realized the next constraint was retail that nobody could retail his products like he could he said we got to get in the retail business just like you figured out iTunes was the real constraint he needs to control the distribution of music and a hardware manufacturer to go that direction and then go to retail was crazy but it was all driven around a very very simple decision where's the constraint so then he set up a mock retail store and for 3 hours hours every day dragging his friend Larry Ellison over there on the weekends in six months when they launched everybody was just blown away that they' created the largest most successful retail store on the planet it doesn't happen by accident so how do we convert this all into Cash how are we going to make literally a ton of money legitimately out there all right if you want to make a ton of money here is the alter ultimate truth you have to give away 200 lb so I want to tell you a story I um so I launched gazel in 1996 uh on the eve of the birth of our our first son Cameron and I it was a great ride we took it from a half million to a million to two million to four million getting ready to go to 8 million I'm going to be an ink 500 company and then 911 hit and it slapped us silly and I literally lost a million bucks in eight weeks we almost lost our home I had to let all the team go at just before Thanksgiving my only positive was well now you at least have the holiday month off you know you try to generate whatever positivity you can I came home to Julie and I mean I'm telling you we are in trouble but I said look I I trust this universal truth and we committed to donate over the next 36 months the largest chunk of change I had ever even conceived I would give away and you know what it worked and it was crazy what I'd actually committed to give away in 2002 I ended up taking to the bottom line 10 times that but it was ultimately this guy John Whitehead and I had a chance to serve on a board for many many years with John and at one of the board meetings I pulled John aside I said John what have you Le learned in life and he he thought about it and then he said you know what to always do a little bit of retail business every day and he said let me explain that he said you know as co-chairman of Goldman Sachs you know you got the big office and all that stuff but I always made sure I went down to the trading floor to see if there was somebody one of our new employees that could use some help when I became de deputy secretary of state I told my staff that as busy as I was bring me one person every day who was in trouble a couple who had lost their passports in Paraguay and just needed somebody in government to pull a string and help them

one of the most important routines at least for me over the last decade was to make sure I carve about 30 minutes to 45 minutes every day and go help somebody who's asked for help and that because see ultimately it only comes when you give first and so let me wrap up here first who's the top 25 that's going to help you scale up the business number two what are those two words or a few words the idea the space that you can absolutely own number three then as you're trying to scale up it's always focus in your effort where the constraint is and then the ultimate lesson around cash is man you got to give it before it comes you got to give before you take now we talked about the critical routine of learning but I want to share just one last one and this comes from Marshall gold smith and I got to tell you this has transformed me and my team and our clients more than any other idea I can share with you and that was importance that you cannot do this thing alone that you need what he calls a peer coach not a mentor I got all kinds of mentors and always have been privileged and blessed to have that but this is someone different this is a peer this is my friend Sebastian Ross who ultimately it comes down if you want to be a better father better husband and a better leader of your business it comes down to what you're going to do more or less of on a daily basis and so at the end of the day to keep scaling it requires these three [Music] things NSA thank you so [Applause] much

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 1

## Gazelle's CEO Verne Harnish on Scaling Up

URL: <https://www.youtube.com/watch?v=xltJcMo-8Uk>

well Carol thank you so much one thing though she didn't mention it was exciting to see Martha last night wasn't it you know I love entrepreneurs and I've got this kind of sandy blonde hair and glasses and so what a lot of folks don't know is I'm actually the secret love child of both Bill Gates and Martha Stewart and I think you're gonna be able to see it right there so we all have our secrets that we keep that's mine you know here's why we're here to talk about it it's interesting statistic 11,000 startups every hour in the world so we're not hurting for new companies the real challenge is how do we get these ones to scale up and I think it's not really an issue of industry do a lot to make a lot of fun of how the the automobile would displace the horse yet I find it interesting the equine industry is alive and well at over 300 billion around the planet we just kind of transferred from transportation to entertainment it's a little bit like the movie theaters we're supposed to go out of business with Netflix and so I don't think it's an industry problem that any of you have in here it's always a leadership problem and so that's really what we want to talk about here for a few minutes there is the actual value I love this photo by the way I think that's how man and machine and ultimately working together as well and it was interesting I'm gonna come back to Scott Scott was one of her early clients he's the new Unicorn down in Australia he and his partner took at Lassie in public for 4.2 billion they still held 70% of the company when they went public they didn't give it all the way as a tech firm and I just checked last night here 24 months later they're at 15 billion in market caps so they've pretty much done a 4x and what they were clear when they were going through our tools is that's ultimately what it takes is both discipline and focus which is part of what I want to talk about here but also I think's interesting not only did Scott and his partner get stinking filthy rich but they really had an opportunity to make an impact on today about 2,300 employees they've consistently been named one of the very best places to work in Australia and now that they've got a significant work force here in United States they've been in the top five list consistently here as well so I think what's neat is we can do well financially and we can also do well by our employees along the way here's the latest unicorn there in the UK Splash Damage and our coach was walking up to Paul Wedge Woods car and he saw there in the back of a copy of my book and so if you've got to take nothing else from the presentation I want you to equate scaling up equals Ferrari all right so that that's where we're headed and this is what I want to talk about the topic that we decided were what are the real barriers to scaling up and they're really three you know first it's right between our ears number two it's how do we handle this kind of a scalable infrastructure we need to put in place the second bigot issue between companies ten million to a billion according to Tom Stewart at the Middle Market Center at Ohio State is the digitization of our firms and I want to kind of come back to that and then number three is really marketing effectiveness and I want to I want to start there I just want to be really practical the fundamental barrier to scaling from a functional perspective is marketing separate from sales that a really quick question how many of you have what you feel is a robust marketing department separate from sales I do want to see a show of hands good and it also involves some very practical which is a one-hour marketing meeting separate from sales now what are we going to be working on during that well I really have been a fan of Ogilvy's kind of pivot away from what are the four P's of marketing product price place and promotion and look my view is marketing strategy equals strategy and I'll he goes by accident the late Steve Jobs the only function Steve headed up was the marketing function Tim Cook handled everything else and he ran a three hour marketing meeting every Wednesday afternoon now instead of these though four P's would oh the leaves done has updated them to these four E's and we saw for instance one of the things that that Steve obsessed on was it wasn't just the product or service but it was the entire experience look they obsessed even about the Bob being a great experience for the customer we've got a client Dwight Cooper that really obsessed about making sure that the the invoice was a great experience for the payables clerk so the 150 hospitals that were holding his cash hostage would take that invoice from the bottom of the pile and put it to the top of the pile never represented about two million in just additional cash flow because he made every touchpoint within his company a great experience but what I want to do is I want to focus on one area

that I feel we are absolutely ignoring as leaders and that is the area of price it's interesting between World War two and 2007 the Great Recession there was absolutely more demand than there was supply and so I don't take anything away from your companies but if you could just show up and deliver you got the business and we all spent time running around the planet in managing our supply chain could we just do it better faster cheaper the pivot occurred in 2007 mainly because of the internet and what's happened with the middle class exploding around the planet we now for the first time in 50 years have more supply than demand in every single industry think about it u.s. is now in that exporter of energy and as a result we as leaders have got to make the most significant pivot we've ever had to make in business and that is for spending 80 percent of our week on the supply side of our business our head into if you would the cost side and now we need to be spending 80% of it on the price side and real quick show hands how many you've actually taken a course read a book on strategic pricing good because that's where the future is just just think about Amazon we've got the second wealthiest individual on the planet Jeff Bezos next to President Putin and that's a joke but not really and how often first let's start here how often does price change on Amazon all the time yet the retailer's competing with them are setting a price with a sticker and the only time they make that change is when they want to try to give it away there was a head of one of the major airlines look that industry has been absolutely devastated from proper perspective for decades has had a record for years and as one of the heads of a CEO of one of the major companies said look if I've got 1500 people between two routes and I've only had 1200 different prices we've screwed up 300 times this executive program which I'll be teaching in tomorrow up at MIT we had the reunion class last year and one of the CEOs came in his business of business since look we have this piece of software that absolutely solves this major problem for a large company we charge 30 grand for and we can't sell one of them so he said I went out and talked to the customers and I said look you guys have this major problem they go yeah we have this elegant solution it looks like that why aren't you buying it they said because it's only 30,000 there's no way that we trust that you're gonna be here to support it for something that this mission-critical when we've got 10x that budgeted so what did he do very simply 10x the price and now he can hardly support as fast as he's selling this solution why are we such idiots when it comes to pricing why is it because we're selling to people and there was this guy Richard Thaler who just won a Nobel Prize of all things in economics for discovering that human beings are not rational so the father of Influence Robert Sheldrake he just looked at a really fun experiment let's take a restaurant they got a list of why's they typically move from low price to high price and all they did was switch the order of the wines from highest to low didn't change the price didn't change a wine and they generated 25 26 % more revenue then they anchored it with a really really expensive bottle of wine and they drove up revenue 250 percent it's not rational and that's why we mess it up so I just want to recommend a quick book this is the Guru he's a German his consultancy is the largest in the world and the pricing space he finally wrote a book called confessions of the pricy man what I want you to do is I want you to go in there and read about the London Olympic case study what's interesting Rio lost two billion plus dollars London four years earlier generated more revenue than the previous three Olympics combined and a big part of it was their unique pricing strategy what I want you to realize is if you want to be different but you're pricing the same as everyone else you're not different and so upping our game in this particular space as a component of marketing I think's one of the most important decisions you in this room need to get become a part of and spending a lot more time on number two scalable infrastructure this is how this is what crushes you complexity as you arithmetically add human beings you geometrically increase the complexity one of the things that we know is that the average size of an effective team is about four point six it's five there's a reason why our Special Forces teams are limited to four to five troops not eight or nine it's one of the things we also understand in nature through this program that I co-chair and Panama called Geo versity and so here's the here's the second significant pivot we're needing to make form and function mere each other see last century we did back work we did muscle work and so it made sense that we built organizational structures that mirrored our skeletal system upon which we put our muscles it's fun I think we've got some alternative organizational structures if any of you guys recognize some of these challenges with human beings the secret resentment well some of this isn't quite appropriate I love this one chief idea killer director of analysis paralysis look manager new growth ideas that's absolutely vacant over there we've even seen that it's always been personality driven one of my favorite charts from Silicon Valley

but the reality is this we have moved from our backs to our brains and if our organizational structure doesn't Muir that that's what's gonna get you stuck scaling in the 21st century and so this is how it starts you guys remember the early days right it was a team of you in a room and then all of a sudden sales wanted their own office and the county needed quiet and then you needed to open up space so you're close to customers and then you begin to organize around product groups and other things and you saw Martha talk about it last night and some of the other changes and that interesting enough is the organizational chart of the 21st century and what is it mirror it mirrors our brain so what we've got to do is we've got a pivot from a skeletal like traditional structure to one that is much more agile now is this just theory so I want to recommend a couple of resources this is a Belgian this book reinventing organizations I think it's the most important book written this century so far skip the forward it's absolutely terrible part one will bore you to tears but part two I want you to go there and read it first and you're gonna read about companies like Spotify that have organized around teams as opposed to traditional structure and I want you to read about this health care organization named boots arm that's now come to the United States started ten years ago they have 14,000 nurses today and growing they have some of the highest patient satisfaction nurse satisfaction and the entire organization of 14,000 nurses has 15 people at HQ at headquarters no middle-management whatsoever and just eighteen coaches they kind of travel around to make sure that these teams of nurses structured like that are able to do their job just report it out this Chinese can't do this in the east this is one of the largest Chinese white good manufacturers in the world they just made a significant decision with their 74,000 employees they just eliminated all 10,000 middle managers nobody once managed in the 21st century anyway but they do need coached and what they've done is they've organized those 74,000 employees into four thousand teams micro-enterprise errs moving forward by the way what does that lair cost you about 30% of your revenue and this is where you've got a real opportunity to gain margin out in the marketplace and so one of the guys that I entered I invited here on I think you asked a question you want to stand up Ron loved it Ron just came out with an outstanding book most CEOs that write books honestly they're really not that good and so Ron's been begging me to read it and so over holiday last weekend in Barcelona I took a look at it and Ron did just this he built out a Canada a private security firm of 1,500 employees became one of the best in the industry for the movie industry and all of those and Ron he got rid of all the middle managers you were able then to take and take that compensation and up it for the folks at the front line and many of the other kind of things that we're talking about in terms of a modern organization he was able to put into place and so I would encourage you if there's only one book you can read coming out of my particular presentation its grabbed Ron's new book outrageous empowerment again stand up Ron make sure they catch you at break and he sold the thing in an industry that sells for three to five times earnings for twenty four times earnings because of the give him a hand because of the kind of culture that he was actually able to build one of the other things he did is he outlawed as I had suggested to my trends article a year ago it's time to literally get rid of the word manager and he pivoted those folks into coaches within the organization and so that's the model I think for all of us in this particular room and it was the same thing that Stanley McChrystal had to do in order to get us turned around in the Iraqi war is get rid of the middle and empower the frontline teams of 6,000 in order to be able to get on top of an enemy that was driven today by really no centralized leadership and social media which is precisely who every one of us is competing against here in the 21st century that's why I come back to it Lassie why is Scots stock gone from 4.2 billion to 15 billion in about 30 months because they build the technology that allows us to create the corporate wiki look the reality is if any of us get sick we go to dr. Google first and what they did at Boots Argus create dr. Google across there 14,000 nurses so the 24/7 if I've got a particular question flaw to me question I can go to that internal Wikipedia the collective intelligence of everybody in that organization and get the answer in nanoseconds not worry about finding an expert someplace who might be busy this weekend and so it's a technological change that must occur with this organizational change and Google has been doing a lot of the research around how to make this effective last is leadership development as we wrap up here with three minutes in my second book I featured what I thought was one of the greatest business decisions one that Bill Gates made and that was to institute what he called us think week I want you to I want you to ponder that this is a technology company 42 years old that is still one of the top five market cap companies on the planet up against the youngins the Amazons the googles

and the Facebook's and the key is that they have focused on one thing how do we as leaders remain relevant and how do we keep our companies relevant and so one of the things Bill did because he had the same pile I've just piled on and he had his Tower of guilt as he would take a week twice a year and for 18 hours a day seven days straight his record a hundred and twelve books manuscripts PhD theses and white papers because he knows that nothing creative can come out of this operating system you don't put in first and so he piled it in a habit that Mark Zuckerberg is now copying Eric Schmidt when we interviewed him on stage as he was trying to help because he was helping the Google boy scale he said what was the key we asked him what was the key and he said to shut his BlackBerry off every weekend I read a book or two we hosted Mark Cuban I've known mark since his early days as an IT guy in Dallas early involved in ACE and white yeah I didn't realize though till I read his book that scent age 20 his critical habit is three hours of reading every day and all he's looking for is one idea to help one of the hundred and fifty plus companies he's invested in her own moving forward Mark Zuckerberg obviously started the same habit as Bill Gates bill reads about 50 books a year he publishes them every year marks about half that and he puts the list out as well but I thought this was interesting on the 50th anniversary we were talking about Warren last night and this morning on the 50th anniversary of Bookshare Hathaway they asked this partner Charlie Munger all right come on be straight with us how's Warren done it how's he beat the market by a factor of 10 for 50 years and Charlie didn't hesitate he said it's Warren's first first priority to reserve much time for quiet reading and thinking even with this advanced age that he's in he is about 5,500 pages of morning and so our view is if you want a 10x your company's it's fairly simple formula you've got a 10x to the knowledge and you heard that from McKinsey and others about how we've really got to begin to develop our people if you're not literally focused on 10 xing the knowledge of everyone else in your organization that's gonna be the constraint moving up and so I want to kind of finish I had a really tough decision to make my first book Tom Peters the guy who created the genre business books that we read today dear friend of mine was kind enough to endorse my first book Jim Collins wrote foreword for the second book one of the other icons of business and a dear friend so who was I gonna put on the cover of my latest book and I chose one of my early students he went to Poland and opened up the very first Pizza Hut when the wall came down the Iron Curtain came down and let's before today the 25th anniversary of his company this year I just saw him at a Russia University a few weeks ago still a major client of ours 38,000 employees over 1,600 restaurants 16 countries he's now the largest European owner of restaurants in the world from Russia to China to Spain where I just hung eight years and what's interesting just finished a 12-year study and in terms of performance his crushed number two by almost a factor of two across all the other restaurant owners across the European continent and it was interesting when we hosted Henry in front of his thousand restaurant plus managers at their anniversary said some very profound profound I thought we're more a training company than a restaurant company and that's why we've done what we've done with this kind of front line workforce not the kind we're looking at the googles Facebook's and elsewhere and so I wrap with this this final thought you know Steve and I had the privilege to host his first public speech when he was fired from Apple and I've obviously followed his career since rest his soul and was interesting in the wilderness years he learned focus you know when is that Pixar he found the power of having just one thing which was Toy Story and so when he got back to Apple he got him out of a whole bunch of other stuff and said we're gonna do the same thing one hit every two years so he did the iPod than he did the iPhone than they did the iPad and look there was no fooling Steve he knew he was dying and he had to choose his final 24 month project what are you gonna choose to focus on if you want to make sure that your baby not only survives but thrives when you're gone and what was that final project that he spent his time on but Apple University and he really understood that it's not just Tim Cook that's gonna make sure that the company moves forward now the largest market cap company on the planet by over a factor three since he passed away but it was going to require everyone all 250,000 plus employees to be able to do that and so there it is the three barriers first thank you for being here this is why this is put on and so we can continue to fill you up between your ears and give you that idea that you might be able to use today or 10 years from now number two it's a revolution is upon us it requires technology to drive these new organizational structures and number three get serious about marketing particularly price there's the book thank you so much for the opportunity to share [Applause]

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 2



## The greatest business decisions of all time: what start-ups (...) Verne Harnish - 4 Years From Now

URL: [https://www.youtube.com/watch?v=665QQ\\_mUVLU](https://www.youtube.com/watch?v=665QQ_mUVLU)

neighthan unbelievable story so thank you so much for sharing that hopefully we can kind of follow up and and summarize and also Christopher Palmer endings here Christopher stand up with active ventures thank you for inviting me to speak and the stuff I've got my a forum member here Alberto so it's good to be so got a company called gazelles I want to get us back on time here quickly and so let me kind of move forward as Schenker had mentioned and it's not advancing guys if we could do I have the right one hello there it is known as the growth guy will move it's not advancing hello there we go there's the company I've got by the way called gazelles we're in about a couple thousand locations helping customers all over the world scale up their businesses there's a couple of books that Shankar had mentioned right away and let me jump right into it there's what we're trying to do you know guys get started like Nathan and it ends up very quickly feeling like that like you're the one kind of dragging this venture through the sand in the goals Ben how do we make it turn into that so it really feels like Wendy you're back and you've hit that that hockey stick and so we develop some tools and I think what's interesting is this thing takes a while to happen you know it's interesting they're calling it four years from now but it took the internet forty years to become valuable it took electricity 40 years to become valuable big data was launched in 1973 actually by Christopher's father at McKinsey and only in 2013 forty years later did it finally hit the the modern press and so this is a long-term journey as you can see and we know that Nathan will will experience himself I just looked at Apple just for fun started in 76 by 2001 their 25th anniversary I you know 9600 employees is good but you know it's not hardly putting a dent in the universe and it was their 25th anniversary where they launched the iPod and the rest is history I looked the same thing with Starbucks and Starbucks had the same kind of path started in 1971 by their 25th anniversary Howard Schultz said you know what I think we're finally ready to get outside the US and all the rest of the growth has happened since and so this is quite quite a journey moving forward that only a few companies have been able to do it in something shorter than that but whether it's new technologies or it's new entrepreneurs you've got to hang in there and have the patience I think to move forward and so I've got a new book coming out called scaling up it's going to replace the latest book because here's what we're looking at look there's a lot of interest in startups but the real needles are moved by the scale ups and then hopefully if you don't screw it up then you can actually end up buying it back which is what Michael Dell has done recently and taking his company private and what our goal is is to try to keep companies from stalling out and so we build some tools to help folks do that so holler if we can but what I want to do is focus on two things what I think are some trends that we need to be looking at kind of the idea of this event and then I'm going to share with you what I think are the greatest business decisions that have been made that we as mere mortals can actually apply to our companies and I saw many of those represented by Nathan's presentation so let's take a look at first of all this was in my fortune column on the venture columnist for Fortune magazine as well what I consider the four big trends that we need to be looking at I think first and foremost is this I think it's one of the most important KPIs for not only our countries but our companies and that's robots per capita by the way you can see I think this bodes well for Japan moving forward Singapore South Korea and Germany are doing extremely well Spain is equal to about the United States now one of our clients is the hundred ton gorilla in the microphone space when Barbra Streisand went on tour she made sure that they got a custom microphone made by the Sydney based company called Rhoads microphone what's interesting is they were manufacturing in China that has now all been brought back to Sydney they've got a couple hundred employees but nobody is making the product they basically have a dark factory that is producing these and so we think one of the most important things we're all going to have to look at again as companies and countries is what are we doing in order to get robotics involved in whatever it is that we're doing moving forward by the way what's interesting just came out from Oxford a few months ago a study that said looking at the 702 jobs in this next generation will be replaced 47% by robots which I don't think going to bode well for the unemployment numbers that all of us countries

and companies are looking at so first is robotics second is AI name what's called newsjacking there's actually a book by David Meerman Scott called newsjacking and I think it's the most important thing you've got to do that's exactly what Nathan did there was some hot news around the election he and he news Jack Pat and Mabel and was able to insert his company into the middle of the mainstream newscast we saw this just recently Elon Musk announced what was going to be he thinks his fifth in industry that he's going to disrupt he's really upset about this 75 billion dollar train boondoggle between San Francisco and LA and so he came into the news and he explained this thing he called the Hyperloop well this little unknown company called white cloud decides within 24 hours because they're experts in the AI area of 3d design and printing that they're going to actually print up a real model of what Elon Musk's dream was and these guys garnered more global news for their small startup than any other activity that they could have prescribed to and so figure out what is the hot news today and everyday which is why you need a strong functioning marketing person on your team figuring out a way that you can news Jack that and become the second paragraph third I gave to V John Govinda Ron who came up with a book called reverse engineering adverse innovation and here's what's critical the real breakthroughs aren't going to be happening in the first world you heard Nathan get to New York well I think what you've got to do is get to Africa and a lot of the large companies are figuring out that the only way that we're really going to innovate ideas that will be useful for everyone else is to figure out how to make an affordable and useful in places where they don't have a lot of money and so GE put together a device for \$1000 that replaces a \$10,000 ECG machine and now that they've proven it useful in India they are bringing those back to the first world imagine if the number one killer of men in the United States has heart attacks number two is women we're going to have one of these devices probably in every one of our homes and so what you need to be doing is not hanging out so much here in the modern spaces but you need to figure out if we can make our product work in these much more challenging areas of the planet then we've got the breakthroughs that we can bring to the first world by the way a lot of the big companies are figuring this out you need to as well and then last obviously this whole trend that I mentioned as I opened up around big data and the number one news story for us at Fortune magazine in 2013 was the massive turnaround of Reed Hastings at Netflix I mean this was a company that just prior to this was considered dead they were like the laughingstock of the industry hey Conor and so what they did is they mined their massive big data they know exactly what movies who rents at what time how far into the movie do you go before you stopped and in that analysis they said if we could actually find a series that was about the universal issue on the planet right now which is the corruption of government and we've seen that every place not just Spain not just us just Syria but about the corruption of government and it happened to star Kevin Spacey we would have a hit on our hands and they knew it before they did the deal well the rest is history that turned that company around there continued to do innovative new content for themselves and just the latest news yesterday how this how this show has become a huge hit across places like India and others and so it's the power of us harnessing big data as small companies that I think is going to be critical for us moving forward so there's four trends that we think all of us need to embrace if you're going to be able to scale up your business moving forward now what I want to do on this last bit of time that I've got is talk about this latest book that I wrote with my fellow editors of Fortune magazine where I looked at what I considered the 18 greatest business decisions of all time by the way the impetus for this was the the night I was in India at the top of a you know Hotel in New Delhi with my partner sipping probably the most expensive Jack Daniel's I have ever sipped in my life and that day they announced Steve Jobs death and it was quite a traumatic moment for me Steve I considered one of the original young entrepreneurs when I launched the young entrepreneurs organization I threw the party for Steve post his being fired from Apple in 1985 as first kind of coming out and I had about eleven hundred eighty six of you including Michael Dell was sitting there I put him at the head table with Steve and many many of the other Mark Cuban who went on to do broadcast comm and many of the young entrepreneurs it became kind of our role models moving forward and so is a it was an unbelievably emotional evening when I got the news being in India and I said what in an amazing decision that that Apple made to bring Steve back and and then do the greatest work of his life and maybe there's some other decisions and so we wrote him down that evening we wrote him up and said maybe there's some lessons for the rest of us as we begin to scale up our ventures and so let's take a look at these so I'm going to call this last piece the power of

decision and clearly it's this your success equals all the decisions that Nathan and his his founders made every moment of the day that have led them to this point where we're seeing their success in 2013 and beyond and so wrote this book and let's so let's take a look at them and to me it's all based around this very simple idea that look your jobs not to have the answers I want you to be clear about that your job is to have the right question and then to tap in to his biggest part of the world as you can in order then to get the answers and that's really what Nathan and their team did when when they were advised to get yourself to New York and talk to some of your users and so find out what the challenges are and so I want to start with the one idea that if you get nothing else from my presentation it's this one and I was kind enough to have Jim Collins a dear friend of mine wrote good to great built to last and all of those successful books do the Ford to the greatest business decisions and in this four he puts forward one idea that I know has helped my company grow globally as well as our thousands of clients and it's simply this whenever you have a challenge whenever you are facing an opportunity and you catch your team sitting around discussing man what do we have to do and how do we have to do it and where do we have to go I want you to stop your first question should always be a who question and if you can find the right who's that's what Nathan really did in their team is they went and found the right who's the Y Combinator bunch to be the folks who could really help power their business model for it we made a decision back in 2007 see in the writing on the wall that we wanted 50% of our revenue to be outside the United States it's one of the things that precipitated my move to Barcelona which I've been here now for five years this is absolutely the right city in the right time zone to do global business it put me six time zones closer to the wild wild East India I'll be in the Middle East tomorrow and Bahrain in China and so my team is sitting around saying you know what do we have to do and how do we have to do and where do we have to go and we're like wait a second let's take let's eat our own dog food all we have to do is find the right who and all the what's in the house and the where's we'll take care of themselves and so it took me 24 months but I got probably the Guru on the planet he's a German writer Hermann Simon who understands what it takes for privately held companies to go global he knew more about in his pinky than I do in my entire being and we got him on our advisory board and the rest is history with his advice five years later we are 47% of our revenue outside the United States so what is the challenge that you're facing right now or the opportunity and your only job after this event is to get out a piece of paper and try to figure out who's the smartest human being we can find on the planet to advise us to move into that particular space now Keith Ferrazzi who a huge fan of I think he's the Mr. Relationship Guru has a very simple idea along this line and that is take out a piece of paper and he we do this with CEOs and say what are the top 50 to 250 relationships you're going to need to double the size of your company next if you look at my particular 50 I've got 22 of our 2,000 plus customers that are influencers in their particular industries catapult systems being that in the IT services field and I want to make sure that I stay close to those 22 of our 2,000 customers it's my editor at Fortune magazine it is my board of advisers like Herman Simon and John Connais and Jack Stack that have helped us do the things that we're doing around the globe it's my six CEO is running our different companies and it's my head of operations Joanne so it can be folks that are internal and they're people I've yet needing relationships with if I'm going to now double the size of our company again in the next three to five years and so get the piece of paper out make the list and then take take Keese advice next which is never eat alone that is your most viable tool in order to grow your business which is breakfasts and lunches and I can tell you the fundamental shift in my thinking occurred when I moved from Washington DC which is where my company is based to Barcelona back then I would work hard all through lunch and breakfast and dinner crankin on the business because I was too busy to go out and have a meal with someone to break bread you come to Barcelona it's Connor you know that is impossible you know things are shut down you're going to spend 2 to 3 hours at a fantastic lunch with vino and I can tell you in the 48 months I've been here I've got deeper closer relationships politically in the business community and the academic world and obviously in the entrepreneurial world than I ever did in the 40 years prior to that in the United States and so pick your list and then go have two or three breakfast or lunch every single week very much like the Airbnb model where you're going to kind of hang out with folks and those are the relationships that you will nurture for a lifetime now let's dig into these final five decisions and then we'll get on I think I get us back on time here so I gave the number five greatest business decision literally a jack well to GE who made a very important bet let a hundred

thousand people go in his kind of depths of GES time yet he invested 50 million dollars in Croton ville to educate folks now what does that apply to us well I think it's not by accident that the final decision Steve Jobs made his final project in the two years he knew he'd be on this planet was to launch Apple University I think who's done a great job in this space he's my favorite blogger I read everything that he writes is Ben Horowitz and andreesen horowitz is the I think most important non VC VC in the world by the way he's got a new book coming out I encourage you to grab it and read the wisdom of Ben but the Ben understands in one of the reasons why they win deals over all the other competitors in Silicon Valley is he believes in the entrepreneur and he believes in investing in their education and making them into great leaders versus replacing them wholeheartedly which is definitely been the approach of most VCS in the marketplace out there this is a guy who understands that like what you're doing here taking a few minutes precious minutes out of your time of growing your business to get some ideas is one of the most important things that you can do and so continue to make that investment the number four decision I gave to a very unlikely company one of only two outside the United States we thought it made the greatest business decisions of all time and it was this little Korean company that's now the seventh largest in the world and literally giving Apple a run for its money now how did this happen what can we learn from them well chairman Lee made a decision in 1990 to get outside the country and most importantly to learn a whole bunch of other languages and they took 400 young people I said look you're going to learn every language on the planet we're going to stick you out in that corner of the globe and you've got a year to just basically build a network to perfect the language to understand the culture and then come back and share what it is that you learn one of my favorite stories they send a young South Korean to Russia Soviet Union at the time and he's hanging out there for a year and he comes back and he has to submit it what became an 80 page report on what he learned there there wasn't a word about business it was basically 80 pages about the drinking habits of Russians and if anyone's been there you understand the importance of that one you know the rest of that story two years later he comes back and he is now the head of Samsung in that entire part of the real world and every product they've introduced has gone to number one now what does that mean for us I am competing with a dear friend of mine right now and there's their Samsung's moves and that is Tomas hood I've only had one a private client in Barcelona and that has been soft onic I met Tomas and Emilio when they're only about five million in revenue they're considerably much bigger than that here today and one of the most important decisions they made was to get out of Spain they they were at first just a service for spanish-speaking people in order to download free safe software and they were competing with the hundred ton gorilla download.com in the United States and where they won and won big is they were the first to get into multiple languages so that they could then be available to everyone else on the planet besides download.com great news as of today they're number one in the world and they'd beat the hundred ton gorilla in the United States and so our lesson here is you got to get out of town and to me the only way to really protect your business is diversify geographically not in terms of different products and different services I would rather you stay laser focused and then March around the planet as your strategy for growing the business number three I gave two what is the largest revenue company in the world and that is Walmart almost a half a trillion in revenue now what could we possibly learn from this behemoth for our companies and and Nathan couldn't have described it any better as he was describing for you with the ramp up of Airbnb here is what we can learn and the success of Walmart and we said actually my editor in Hank Gillman one of only three that's ever been allowed in the inner circle at Walmart Jack Welch a GEB and the other and an unnamed CEO out of Japan who we could guess probably what company he was with Hank goes in there to say could we possibly hey Matthew could we possibly figure out what is the key to Walmart success and Hank came out of that said I think I figured it out it was a habit a routine that Sam started in his very first store in that very first Saturday morning there in Bentonville Arkansas and what he did and you can't imagine how progressive this was 44 years ago he sat down before the store opened up and he said you know what employees what did you learn this week what did you hear from customers what our customers saying we ought to do and make changes Sam himself would spend his week talking to employees talking to customers and shopping competitors and every Saturday morning they would decide what's one or two things they could do to tweak in this case their product their service their store what's one or two things we could do every week and if you can make your company 1% better every week compound interest

is your friend let's speed forward 44 years later two hundred liters at Walmart leaves Sunday night or Monday morning and they spend 80% of their week out just doing one thing talking to employees talking to customers and shopping competitors they come back Thursday night and they have a meeting in a room about like this where 200 of them begin to try to figure out what did we learn so that we can tweak our model slightly week after week to lessons what was the first piece of great advice that Nathan the team got was to get where your best customers are and go hang out with them where are they they're in New York let's get to New York and let's go spend time talking to them and figuring out what it is that they want and then they started tweaking it 1% of the time a better picture here a better description there a better pricing there that is absolutely the process it's the whole essence of Erich Reese's lean startup where you get in very close contact directly with your customers as Alberto is doing here sponsoring your contest where you're giving away folks who can rapidly prototype some piece of software so they could get things tested as quickly as Airbnb Alberto has gotten here with his customers to figure that out the second lesson and somebody said this you know we were famous for this thing called the one-page strategic plan and you can you can write whatever you want on this business plan this dream but let me tell you your real strategy is not what you write on that plan it's what you put in your calendar every week you just show me your calendar and I'll tell you your strategy and I guarantee you anyone who's a leader of a company in this room if you're not spending and I'm being literally here I'm getting very precise 80% of your week if it isn't fit figuratively or literally out of the office out talking to customers talking employees talking to you know shop and competitors if you're not literally spending 80% of your week doing that you're going to fall behind the competitor who does and so again it did not surprise me that the real breakthrough in Nathan's business that you just heard was when he finally got out of their apartment and got to New York and spent time out in the marketplace with real customers making real improvements on a 1% basis at a time and once you do that and perfect the model then as they were advised you can scale by the way GE calls a quick market intelligence who even the largest companies in the world make sure that their sales people are calling in every day reporting on what it is they're hearing in the marketplace as someone else said while you're looking at your calendar your competitors looking at their watch and so you have to have the Intel slightly faster than the competition and then act on it quicker the number two decision I would come back to how I started my my presentation and that was Apple decided to bring Steve Jobs back as the AI CEO and doing literally the greatest work of his life now what is it that we mere mortals can learn from Steve Jobs journey and here's what's interesting it's clear Steve needed to be fired from Apple he had not learned what necessary to build a gray company and he admitted later on that it was in his wilderness years when he was actually out building Pixar that he learned the single most important idea single most important business management idea that allowed him then to take Apple huge and become the largest mark cap market cap company on the planet it was very simply this at Pixar he saw the power of having everybody's every waking moment and every ounce of resources focused not on 10 things not on 5 things but one thing and that was Toy Story and he knew if we could invest two years and that kind of effort we could create something great again it was Nathan's decision that you know what we actually going to have to get some discipline we're actually all gonna have to wake up at 8 o'clock and we're going to have to crank hard all day day after day after day focused on one thing and then we can create brilliance something that you're going to do kind of as a side is never going to work so Steve comes back to Apple he draws the famous two-by-two matrix and it was a good friend of my right here in Barcelona Fergal who had to close down all the printing operations for Apple because Steve called up and said Fergal shut him down all we're going to do we're going to get out of handhelds and printers and scanners and all that other stuff we're doing and all we're going to do is build two desktops and two laptops now that sounds like for toy stories but then what he did is he divided the company literally into four separate teams walled off physically from each other so that everyone in the company had absolutely one focus in two years later the rest is history they produced some of the greatest to desktops and laptops the world at seeing company went from broke to five billion in market cap and then Steve had the discipline to stick with it what was her next toy story two years later the iPod what was her next toy story the iPhone what was her next toy story two years later the iPad and by the way his last toy story was Apple University which he hoped would be the way that his legacy would continue so what's your Toy Story it's exciting that Mark Zuckerberg is in town but in

December of 2011 Mark wakes up in a cold sweat in the middle of the night as we reported in Fortune magazine just a few months prior to his pending IPO and realized that he had just missed the biggest trend on the planet even though he was the youngest self-made billionaire at this point and that is he had missed mobile and so January just two weeks later he puts up a physical white tent on the campus of Facebook and it is a mandatory meeting of all 10,000 Facebook employees 2,000 or local 8,000 around the world that are forced to be men and there everyone's thinking it's Mark and announced the pending IPO that was then May of 2012 but Mark just kind of mentioned it in passing it's look guys it's just a necessary step we need to take I'll take care of that distraction what we must do is go mobile and one of the things that we teach leaders is that you must get on message and you must take that message and repeat yourself so much that everybody in the company wants to just puke if they hear you say it again and for the next 18 months at every quarterly meeting every weekly meeting every acquisition every single decision every single hire that they made every single prioritization was built around one thing Mark Zuckerberg relentlessly saying mobile mobile mobile mobile Mobile mobile mobile mobile Mobile that was his Toy Story in 18 months to the month in May of last year they released their version of going mobile in the rest is history here's a company taking huge hits because the opening price was \$38 stock price 2:27 everyone's thinking you know what the hell happened there Mark didn't care he had his focus well you saw the latest results over fifty percent of their revenue last quarter was off a mobile the stock prices considerably almost double the \$38 offering price in the rest is history everybody thinks this stuff is easy no it's about a leader getting crystal clear what is their toy story and then getting everyone in the organization laser focused engaged with the market making one percent improvements every week and only having one thing to accomplish that you get Airbnb or you get Facebook this stuff does not happen by accident and if Mark had not made that decision I don't think we'd be touting them as much at this Mobile World Congress as if he had so what is your toy story now what's the second lesson we can learn from Steve and what's interesting is that the height when Apple achieved its highest market cap just two months prior to Steve's untimely death if you total up entire market share of all their products globally it was only 7% IKEA only has 5% of the global furniture market your second job is to figure out the right 7% you do not want the other 93 and by the way this 7% represented 50% of the profitability of the entire industry that's where you want to go now I was in India recently they said but Verma isn't all the activity at the bottom of the pyramid yes but of that billion people in India when Tata Motors who I featured in my book went after them with the Nano car if they had just gotten to the right 70 million of the billion they'd be much more successful today your second job as the entrepreneur is to figure out what is the right 7 percent again I love the single most important piece of advice Nathan's team received which is where our who's your customer and what was his answer everyone he comes back and no let's ask the question again where are all your customers you have today New York City then get your butt to New York and hang with them and so your job is to figure out the right 7% and go after them with a vengeance and by the way that's been a big enough market share for almost any company who wants to dominate their industry on the planet now I'm going to skip this real quick two last ideas I featured this interesting company in the book a lot of you recognize Soft Soap it's almost a foregone conclusion nobody uses bar soap anymore but this was quite an innovation of these young entrepreneurs and what's everybody's concern as an entrepreneur you come up with the next soft soap you come up with the next iPod and then what happens the big companies come in and crush you they just take it from you and that that's a real thing you've got to worry about and so the soft soap guy said look we're going to invest a lot we're going to make this thing a big deal then all of a sudden Procter & Gamble is going to come in and they're going to crush us and so I kind of skipped the slide here but oh it's not going backwards help me guys can you guys go backwards for me back there all right see I love this book if there's like one book besides Ben Horowitz that you read it's this old classic he died the same year as Steve Jobs did Eli Gold's book called The Goal and it was all about understanding how to control the constraint the choke point every industry has a choke point by the way the iPod would not be successful if they had not really controlled the choke point of the distribution of music iTunes you guys got to know the inside story as Steve Jobs fought the App Store almost to his death it was totally against his core value of letting anyone else touch his devices and make software that would run on it and in one of these famous fu no fu no fu stories that we undid finally Steve relented and let the guy launch the App Store and I can tell

you the iPhone in the iPad would not have the stickiness today if the ten billionth app had not been downloaded in 2013 so your other job is the entrepreneurs to find the choke point and control it John D. Rockefeller there were these barrels that that held the oil when he was trying to gain control that industry had to hold those oak pieces together was this iron ring and only one company made that iron ring and so John D. Rockefeller bought that company when he controlled the iron ring he controlled the distribution of oil and so what did the Softsoap guys do well there's this little spring pump which by the way was not ubiquitous back when they launched it was a very specialty product they made the most important bet in their early company's history and that was to buy up entire global year supply of those pumps and so when they launched their product out in the marketplace and they all were heating up and everyone saying man you guys have got something here the Procter & Gamble's the world said all right guys let's copy him they couldn't get any pumps and it gave Softsoap the 18-month runway they needed to build up critical mass and market recognition to be a player in the marketplace now I don't know this for a fact but I know this case study was out there and well-known at the moment that Apple launched the iPod and look at 9600 employees it would have been pretty easy for a bunch of other companies including Sony on the planet to jump in and copy that yet one of the single most important decisions they made was to lock up the entire global supply of that proprietary disk that was at the sender and heart of the iPod having not made that decision again I don't think we'd be seeing the Apple that we're seeing today so what is the control point the choke point and can you get control last decision I gave to what I think was the greatest decision ever made on the planet it led to the wealthiest country on the planet at the time the United States and that was when Henry Ford decided back in the early 1900s to double the wages of his people from 2 dollars and 50 cents to 5 dollars now why do I what possibly can we as mere mortals learn from this I don't know about you but probably one of your largest expenses is payroll and to me one of the single most important decisions you will make in this next 42 4 to 40 years is how are you going to leverage people in your particular business model and so I want to end with a final story that's around Mark Zuckerberg and Facebook I want you guys to get an appreciation for Mark did when Mark went public the final number was six fourteen point eight billion is what he got just put in perspective Twitter only got a billion eight in their recent IPO Mark has done things in a handful of years that even his closest rivals have not been able to achieve and he only has been the key to making WhatsApp achieve what they did because he's the one who spent the 19 billion this last week to get them what is it can we can learn from Mark that every one of us can apply to our businesses that comes back to a very simple idea that this is the competitive weapon of the Information Age by the way I found a picture of the male brain it's slightly different but we'll talk about that later let's go back to the human brain and look it comes back to this very simply last century is about getting the right butts in the right seats who could you get on your bus this century it's very simple business model can you build a business that gets the most people on the bus she think about it Facebook's real valuations tied to the billion three pages that have been put up and who's done all of that work for free you which means the few folks he does have working at Facebook he can pay him a ton of money to attract the best talent because he's leveraged another billion three of us to work literally for free Amazon the real value their business model is the millions of us that keep it updated with feedback and recommendations and the like that allow us then to have confidence and sort through the product offerings that we would like to choose Wikipedia seven million volunteers 31,000 people who spent at least two hours every day keeping that free source of information updated that's how you leverage a business model and so this final decision is if you can build a business model that leverages the crowd air B&B; versus just your own people you're going to beat a competitor who doesn't do this the app store when Apple finally allowed the rest of the planet to do its work for it only then was its business model and valuation unleashed Peter Diamandis founded the XPrize and one of my favorite books abundance and so this guy Rob McCune he buys a gold mine up in Canada and obviously his first question is where's the gold and so you take Jim Collins advice and I'm going to go out and find the smartest who's I can on the plan and he hire some of the smartest gold geologists you can and can't find anything and so he said you know what maybe I'll turn it over to the crowd and he put together the global search challenge here and here was the specific deal I'm going to put up the four terabytes of geological data we've got for free I want the world to see it in any team that can find at least six million ounces or more will win a half a million dollar prize when the dust settled foreigner teams allowed the information a hundred teams

submitted where they thought the gold was and three teams won and split the half a million dollars two teams from Russia they are wicked smart up there and another team from New Zealand about as far away from Canada as you can get on the globe and to date those teams have found several billion dollars worth of gold based on what was a half a million dollar prize I love these guys quirky you've got I do in the old business model we're going to get some of the smartest human beings in a room and we're going to come up with new retail ideas for our clients quirky said let's turn it over to the crowd anyone in the crowd have a great retail idea we'll make sure we get it rapidly prototype and tested in the marketplace in a company just a few years olds already at 50 million and growing rapidly because they have built a business model different than the old guys at IDEO and then I love this one Jones soda let's let the crowd design our labels so not only do they take us have a sense of ownership of our product but they then viral it it out we get our labels made for free and so look in finding gold and coming up with retail ideas or designing my labels on my soda product like Facebook like air and be like Amazon the companies that you're going to win big in the next four and 40 years are those that figure out how to tap into the crowd in summary get educated get out there and learn every language you can get in every part of the globe that you can with your business make sure that you're mining what you're learning from customers and employees and the competitors every day of every week and then your focus is to make a 1% improvement and you're going to make that 1% improvement to your next toy story and that toy story is going to be aimed at only 7% of the market because that's all you need in order to build the largest market cap company on the planet and along the way if you can leverage the crowd more than the competition you win big guys good luck and enjoy the rest of the conference thank you you

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 4



## Verne Harnish - Survive to Thrive through the CoronaVirus Crisis

URL: <https://www.youtube.com/watch?v=eqwkyVV06GY>

buildings but he was in the process of furloughing all 60 of his employees just to give you a quick update so what he was able to do over the last weekend was pivot I think Steve Blank was right if you're practicing your same business model today that you had a month ago you're probably going to be out of business quite quickly and so here's let me give you the update you just sent it to me a few minutes ago so approximately 50 percent of his employees are currently working on emergency products the probably most important tool that we've got out there and Rick can send it to you is what we call our sweat tool and that's our strengths weaknesses and trends and what you need to do right now is sit down and take an accounting of what are our capabilities what are the absolute things that we are core excellent at and then you've got in particular what do we what do we suck at and then we have to contrast and compare that with where is the puck going because we've got to skate towards the opportunities that are available this next week and what we think the opportunities are going to be available over the next probably twelve months and so that's what Rick did immediately and so what they've done they're gonna ramp up to eighty percent of their employees today tomorrow and ninety seven percent by them Monday what they did is they reached out being up just near New York City they reached out to the New York City government and the hospital systems and they said look we can manufacture two things because these disposable mass and these disposable intubation boxes that physicians can use to keep themselves safe core business sales are down 75 percent they're shifting their messaging they suspended 90 percent of their ad spend so what's happened in this week facials they produced and shipped fifty thousand units since last Friday they have committed orders for three Malley three million units and they have proposals out for twenty million units their current capacity is eight to ten thousand per day capacity as of Monday is 50,000 per day and they're going to scale to a hundred as I'm today within a week and they are hiring folks that have been laid off in their community of Montgomery Phil Pennsylvania they're gonna hire right at a hundred temps starting Monday they're then going to ramp up to three shifts 24/7 starting Monday on the intubation shields they produce and ship 250 units they have committed orders for 800 current capacity 75 per day and they believe their capacity by Monday will be 250 so Rick didn't sit around in furlough 60 folks that were manufacturing shutters he said look what is the immediate demand right now and we publish that Rick you Jeff you can share that it's a list of the 16 designated emergency services that are allowed to operate right now and all of the workers we know right now 300,000 workers are needed just for delivery services I saw the juice bar question up here and we are getting that kind of stuff delivered right to our home from a juice bar that my partner Deborah enjoys so you're going to need to pivot now what's that require data data data I could comment on how either good or bad data is driven this mess that we're in but this is the brutal fact reality and so we've got to gather ourselves so I want to be very prescriptive here step number one is you need to get with four or five other people in your same industry so again the person with the juice bar make some contacts with some not competitors but folks that are in other cities because you cannot think this through alone it's absolutely the way the brain works the more you think about it the worse it upsets your stomach the tougher it is for you to sleep it's only when we speak do we put the vibrations out that we can actually watch the brain your fear center shuts down that thing that you don't want to fight or fly from and you're then prefrontal lobes begin to light up like a Christmas tree so there were five event companies in Florida earlier this week is you can imagine they did put on big musical events and others they are out of they expect their revenue from traditional sources to go to zero and each off each one of them was in a funk but a friend of theirs Chris who wrote a book called start ugly said all right let's get the five of us together on a zoom call and let's begin to brainstorm what are the assets we have what are the capabilities we have and they made literally a physical list that included they've got these trucks that have LCD screens on them that obviously they pull up to help kind of provide lighting and entertainment for various events then they said all right who might need these capabilities and assets and they realize that hospitals and governments and others that need to direct people what to do that need to put signage out in front of the hospital that allow people to know

what is going on and so they put together a list of 48 assets that they collectively add together and one of them had a contact right into the governor's office and this is when you really want to tap into your network and they were able to get that in front of the governor's eyes within 24 hours and they're now beginning to deploy those assets to the emergency kind of essential services that are available right now so first identify four or five other people in your same industry and I want you to get them on a zoom call because collectively you're gonna come up much better ideas than if you're sitting there by yourself number two I have three advisors and I am on the phone with them three times a day bouncing ideas off of them getting their feedback and again it's not texting it's not emailing it is the opportunity to get them on the phone and have conversations because again 90 percent of the value is you hearing yourself talk you need to get those vibrations out and get the prefrontal lobe literally working to begin to solve this problem and they've been the ones that have allowed us to pivot very quickly within the last seven days to something that we're doing a chef knows later on and so get talk time with your key advisors and here's what's interesting almost every one of the successful industries we see today launched in periods like this like FedEx and I want to use an analogy what the Gulf War did to launch CNN this covert crisis was going to launch for instance we know 3d printing this is fine it's been around for 40 years but it's now with this whole movement we know over the next few years of bringing manufacturing everything else back local people needing parts in minutes not months Brad Feld who is a good friend of ours is a big investor in the 3d printing companies that's what's gonna be hot we also know that distance learning it's been sitting around here for decades but this is it's time in the Sun and it's beginning to take off as we're seeing with homeschooling through these kind of events so we've actually done a data scrape of all of the new sources and have identified 87 what we think are gonna be right now the hot opportunities and will be the hot opportunities over the next 12 months we'll be putting that out by tomorrow and what you want to do then is take those significant trends that's the tea and our sweat tool look at your capabilities and then get a lot of talk time with your advisors with your friends with other people in your industry and figure out what kind of opportunity can you take advantage this is your Gulf War as it did for C it an opportunity for you to make a significant pivot and and I want to remind you of something really significant you know this global economy was thirty four trillion that in the year 2000 it was 88 trillion this last year and what I've seen are the worst predictions the Great Depression let's say the global economy drops by 25% and as was said earlier you must plan for the worst we have planned to have zero traditional revenue over the next six months so you plan for the worst and then you see where the opportunities are if the whole global economy drops by 25% it's still twice the size it was just in the year 2000 and so you really have to have a local mentality not vogel a local mentality says look there's ten hundred thousand million or a billion that someone's going to get if we can gather the data make quick decisions and then act accordingly and it's got to be done in minutes not months moving forward now with that I want to share we did a document called the five C's of leading in a crisis and again Jeff I you can get that document out I can I can get it reset back over to you to share but let me walk you through those five seas and in our typical style of what are the top five and the number 105 the first is that you need to communicate daily with whatever team you have left and I assume by this time it's been two weeks at you as of last Friday made the tough decisions who you're keeping who you're not who you need to get out there on unemployment you've applied for your \$10,000 disaster loan as we did two days ago when it became available tomorrow or the next few days then will be these disaster loans and payroll protection programs but again you don't want to be protecting payroll they think you're going to be forgiven for at least three months of that payroll amount so that would I would jump on immediately that may give the runway in order to make the pivot that you need so make sure you've got somebody we've already in touch with our bank here we're already in touch and I assume Jeff you've got some experts like Omni or something they're gonna be talking about this so I hope you've made the tough decisions and by the way if you got a cut you want to cut once you want to cut deep and then the team you've got left here's the key first you want to communicate daily with them this is different than our daily huddle which we'll talk about but what you want to do is you want to put out an email four or five sentences you want to put out a video if that's your style and I really do think video is thing to do right now or if you're on slack or whatsapp with your team then let's get a audio message out so they can hear your voice because you need to know if you are not a solopreneur but you're leading a team they are much more fearful than you can imagine we're

gonna share some data this afternoon from amplify which is the technology it's measuring by the moment people's kind of mental social physical health and they are much more scared than their leaders understand and they're not letting it on to you and so you're their leader they want to hear from you every single day now if you have bad news to share here's the key to this message you want to keep it factual you don't want to put a lot of estimates in there things like I bet you're feeling or I bet you're no don't be betting or guessing anything if you've talked to one of them and you've got something specific to share do it and so keep it to the facts keep it short and if you've got bad news to deliver and we we had some on Friday do not create what has been called a sandwich which is you're gonna take some good news and then you're gonna shove in the bad stuff and then put good news on the other side the godfather of influence dr. Robert eldini said if you want to really build trust and believability you want to be able to put first the bad news and then follow it with all right here's what we're going to do about it here's what we're doing next and obviously if there's any good news then share that again you're going to be much more believable so number one you need to communicate out daily to your team just giving a quick update so that you can Olay their fears and if you sense that any of them are having issues look I think it's important for you as much as you can is to have a phone call with every one of them that you can number two the second C I'm gonna call it customer / community look the main thing we have to do is triage right now we have to decide what's gonna work and not which customers are going to pay us in which aren't what bills we're gonna pay and what we're not going to and where can we pivot for the customers who actually have the opportunities and so what I want you to do is I want you take out a piece of paper and what you want to be thinking about is when this thing's over what did you regret what relationships do you want to make sure that you've maintained because right now you are establishing brand and what your brand stands for so I'll give you a very specific example in our industry we have always been huge Marriott fans they were there to help bail us out in 9/11 we were just getting ready to do our first summit and then all of a sudden nobody wanted to fly for the next two months and so they've always in our mind been the white hat Bill Marriott was my very first speaker when I launched the entrepreneurs organization back in 1987 and I'd always seen Hilton when he was written when it was run by Boland block is kind of the evil black hat of the industry it's amazing how that has switched in the last few weeks first it was interesting that of all the best places to work Microsoft Facebook all those Hilton has been number one both last year in this year for how they've treated their employees and so when all of this mess went down Marriott reaction not run by a Marriott anymore was to me to kind of let go of a bunch of folks there their contract negotiations with if have been terrible and unfriendly where Hilton said look let's see if we can find places for our employees to work because there are these 300,000 jobs that are immediately available we feel like our people are well-trained and let's see if we can help pivot them into those industries and I think they're gonna remember that so that when we're back up and running again as an industry maybe you're for now but they're gonna come back to the place in the industry that they've enjoyed and their contract dealings have been so much better and on board we've already made a decision that Marriott burnt their relationship with us and we are gonna go Hilton for the rest of the next decade to the extent that we're running these kind of events up number two see I want you to take a piece of paper out I want you to make a list of what are all the key customers what are all the key relationships what are all the key suppliers community people that I need to make sure that I maintain a great relationship with and here's the crazy part I want you to call them I what's interesting during a crisis like this is you can get a hold of people and they want to talk that you probably couldn't have got to hold up the last twelve years because we our hair has been on fire and I have had what are 15 minute conversations with people who probably wouldn't have given me 15 seconds when crazy things were going on so this is a chance for you to build those relationships now I also want to be very precise here there's a guy Brad Stewart he's got a company called outsourced access and what he did for a professional paint residential painting company and you can imagine again their revenue has been crushed they're saying alright what we're gonna do during at least the next few weeks is we're gonna go clean up a lot of our database our marketing our website they had 500 pictures sitting around of the previous 500 jobs that they have done they're now taking time to curate that get that up on their website making sure that they ride up those success stories and then what they did is they took their CRM and they database and they gave it to Brad Stewart and by the way for \$50 you can do what would cost you five grand through

virtual outsource services in comfort places like India right now in the Philippines and they were able to data scrape information from LinkedIn and other places about these top 500 customers that they know are going to be both key referral sources and additional business for them when we come out of this particular issue and so right now I think who wins is who's prepared to go to war oh did it my video not start again I was on video there we are thank you and so what we want to do is make sure that in short the oldest profession in the world is intelligence whoever has the most Intel wins Wars and markets and so this residential pain are saying alright I'm facing the brutal facts I'm not sure I'm gonna go out and try to find some painting that might need to be done on any of the essential services but he's concluded that he's gonna take at least a few weeks and really get to know better his customers link with them on LinkedIn get their stories put together and have the information so that when this thing comes back his marketing is ready to go out there and grab that business that's a second seat the third seat this is a time to do your spring cleaning it was interesting I've been wanting to update my speaker page for two years hey I had some idle time with one of my team members last week and so we got that thing considerably updated we're going through and and remember the key strategies to always make things easier for customers to find you to do business and so those kind of process improvement projects that have been sitting around we're now doing the cleanup on which then leads to number four which is particularly you've got to clean up your cash situation its cash cash cash I just saw a report that came out that commercial loans actually went up by 8% last week I hope again you're in touch with your banker that you've got your forms filled out prefilled out so when things go live you can get in line first for that true two trillion that's gonna be available about three hundred ninety billion about for us as SMBs into the marketplace and then we've come and what you want to do is get your whole team involved not just you and your part-time CFO or bookkeeper and as we were combing through for instance our Amer can express charges over the last month we realize that we had been paying for two CRM systems we had shut one down we thought it we did a year ago but nobody everyone thought somebody else had contacted that organization to stop the payments as we weren't using their system anymore and we have found close to twelve thousand dollars worth of kind of recurring expenses that we had been absorbing and not being not paying attention to and then number five along the whole way just remain calm and consider it it's and and here's the key to do that first if you're in a meditation spectacular I have got one of the Meuse twos sitting right by the bed here where I can kind of you know hack my way into some calmness I've got that \$300 or a ring that's giving me data about my sleep so I can I can see what's affecting it and not I can see that my my respiration rate is higher than normal even in my sleep I can see where my variable heart rate is moving right now and really focused on trying to get good night's sleep so that I'm awake to go into battle but here's the simple one and we really learned it from a Russian scientist who came to MIT to finish her PhD in studying executive decision-making and she looked at she studied executives over a period of time who in a tough situation had to make a tough call and then she checked in with them three months six months a year later to have them reflect on the quality of that decision had they made the right decision or not in hindsight and what she discovered is those executives that made the best quickest toughest decisions did three things number one and that's how I want to kind of go back where we started they went out and gathered as much firsthand facts as they could so I don't first stop the news if it bleeds it leads it's nothing but negativity there isn't really any facts there that you can trust we you need to do is you need to talk directly to customers to your team to people that you know on the street to find out what's really happening and what people are thinking and doing so get first-hand information rapidly then you've got to be comfortable gathering it within hours not weeks and only be about 70% sure that you've got enough you're never gonna have a hundred percent then number two take a couple of deep breaths I want you throughout the day and before you've got to make a tough call before you've got to make a tough decision before you're really trying to think through or really talk through something right now just take a couple of deep breaths and then step number three check in with your gut and it's crazy you're you can really if you gather good first-hand information you've talked to some customers you've talked to them you know your advisors who've talked to a few other people in the industry you've heard some information on things like this take a couple deep breaths and then check in with your gut with the decision you're about to make and that's going to improve the quality recision tremendously and help you remain calm or in the alpha state so let me summarize five C's first communicate daily bad news

first number two this is all about making sure in your customer base and your community there may be some new customers you need to pivot to that you have made that list and you're beginning to have conversations with them and gathering Intel number three this is the time to do spring cleaning clean out the kind of dumb stuff everyone's been wasting time on and figure out how you can support this business maybe with two folks instead of twenty number four it is then about cash cash cash cash cash get your everything in line there by the way Jeff can give you an access to Allan Milt's cash flow story software he's got now a very simple screen that you can put six numbers into in order to play very sophisticated what-if questions around your projected cash flow and then number five make sure just remain calm and considerate alright I think read everything that dawned upon E is reading right now da n da PA and I donned upon East kind of this spiritual guru that a lot of us in yo and others listened to he had a great article earlier this week and to go back with the spouse and with your whole team it's amazing how calming focuses and right now the analogy I used a couple of days ago in an email I sent out is Everest has been enveloped now by a massive storm you are trapped on that ayah that that mountain and you've got to save your life what do you do you focus on the next step you don't think any further than that when when anyone my team or my partner or my children ask me all right what's gonna happen this weekend I said look I'll let you know on Friday what we're gonna do on Saturday your strategy's only as good as your next punch in the face and we're getting punched in the face every moment and so when you're on Everest and if you've read the stories you've all plans go out the window and you got to just focus on what is the next step either up or down some people still need to make some decisions about getting down very quickly in terms of making the tough choices and cutting teams and getting your cash back preserve because you said that's a kind of equivalent of putting your own oxygen mask on first and so what does that mean get very focused on what I can accomplish in the next hour I don't care if it's I'm gonna get this counter cleaned off you want to do kind of creative positive activities that can have a conclusion within an hour so that you can have these little celebrations if you've got a damage team or a relationship or situation you have to piece together little wins and then what you do is after you've accomplished the one thing not the three to five stay focused I'm gonna get this email done I'm going to get this form filled out for our \$10,000 emergency fund I'm going to get then this video shot those related three that I did in three hours yesterday then between each one of those I want you to get up walk around take a break grab a glass of water and one of the things that we learn from Steve Jobs the late Steve Jobs is the power of these walks and tops and this combines everything that I just said we know that this kind of walking movement pacing around I'm doing five miles a day in steps some of it is outside but a lot of it's me pacing around and getting talk time why I'm on the phone and that we know physically calms you down and it allows you to begin to focus up work really hard on one thing for an hour and then give yourself permission to take a break walk around talk to somebody grab a glass of something and then go back to work piece together one-hour steps with your team with your spouse with your children and that's how you get off this mountain called Everest in the story so back when I launched why do the young entrepreneurs organization who I learned this from was Regis McKenna Regis was the marketing guru who was there in the very beginning with Steve Jobs and Wozniak with Andy Grove at Intel Genentech and in 1983 I cold called him and said hey you helped Steve go to a billion I just want to get this entrepreneurs organization remember I'm a student at Wichita State University I'm really a nobody kind of nowhere but I reached out and said look I need your help I had a good elevator pitch that made sense to him and he said all right I'm gonna take you through what I did taught Steve Steve did this when he needed to launch i-tunes you take out a piece of paper and you make a list of who or all the key influencers or relationships I need in order to really get launched and that's what not right now everyone's doing is relaunching their organizations as if it were a start-up and I wrote down all right President Ronald Reagan I come Wichita State biro down the President of the United States and I wrote down look and I want Steve Jobs and Michael Dell and ink magazine inventor magazine involved I made a list of 25 I didn't know a single one but then we spent an hour every week here you need to spend an hour every day and you then figure out how through your network you're gonna get to them how what your message is gonna be and in 36 months we were global I had the president coming to open up a big event I got invited to the White House I had Steve Jobs there Michael Dell Inc bench it was crazy how it worked so this company in Austin called proof they started out wanting to kind of own this base social

proof marketing Dave had launched two other previous companies he said it was late too hard and so he really on a third company with this his team wanted to launch in three days and so using our tools Jeff knows him well in three days he took this company from idea to launch and one of the key things he did is he took a piece of paper out and he said not 25 but who were the 50 key people that I need to know have them know what we're about to do look you don't need that product or anything what it is that we're gonna be doing what our capabilities are that this is a space that we want to dominate by the way you knew nobody on that list of 50 then what he did but he said these are the key people that I've got to get to like the governor of this or that CEO of that you you can make your list in whatever it is you want to do next and Danny said all right who are the two or three people that would probably know these 50 and that's who we focused on through his network getting to them in two months he got to forty five of those fifty remember it's a start-up I don't have product he's way way pre product and he got those 45 start you know you create this momentum the 45 started referring to him and his new company and he said it was crazy Franz kept emailing him or messaging through Facebook saying Dave everyone's talking about you you are everywhere and he still laughs about it today you know it perceptions 90% out in the marketplace so that's the kind of list I want to make I made it immediately when we hit this crisis first guy on the list was a guy named Steve Hall who had scaled a company in 400 million so the ten billion dollar company took a division from 100 million to a billion when he was there he's one of the smartest guys I know he should quote retired right now and I said Steve's who I need to get talk time with every single day and he's enjoying talking to me versus all the sad cases that he's having to deal with as a wealthy investor in various companies right now we have to realize our most competitive weapon always has been is right between our ears this is your operating system what you've got to do is you've got to feed it rapidly with good data and information recognize where the pucks going and then get lots of rapid talk time with people and then you need to decide move and pivot you can't freeze on the mountain or you're gonna die and so you got to move up or you got to move down one step at a time by the way one last thing somebody mention it the the way our neurons work in our brain it's kind of crazy but I don't we've done all these zoom meetings an hour inside our own company and we've never had the video lot for the first for the first time in the last two weeks we've had the video on and the research is very clear it's why we feel close to certain celebrities when we actually see their face and that's why we think upping your video and video time and visual connections with people right now you're building bonds that cannot be built just do verbal communication over the phone or again through texting and emailing so key KPI lots of video contact either live or get videos out to your team so they stay feel connected

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 6

## Verne Harnish - The Power of Focus

URL: <https://www.youtube.com/watch?v=vkEBqC266Eg>

amazing how calming focuses and right now the analogy I used a couple of days ago in an email I sent out is Everest has been enveloped now by a massive storm you are trapped on that I bat that mountain and you've got to save your life what do you do you focus on the next step you don't think any further than that when when anyone my team or my partner or my children ask the art what's gonna happen this weekend I said look I'll let you know on Friday what we're gonna do on Saturday your strategy's only as good as your next punch in the face and we're getting punched in the face every moment and so when you're on Everest and if you've read the stories you've all plans go out the window and you've got to just focus on what is the next step either up or down some people still need to make some decisions about getting down very quickly in terms of making the tough choices and cutting teams and getting your cash back preserved because you said that's a kind of equivalent of putting your own oxygen mask on first and so what does that mean get very focused on what I can accomplish in the next hour I don't care if it's I'm gonna get this counter cleaned off you want to do kind of creative positive activities that can have a conclusion within an hour so that you can have these little celebrations if you've got a damage team or a relationship or situation you have to piece together little wins and then what you knew is after you've accomplished the one thing not the three to five stay focused I'm gonna get this email done I'm going to get this form filled out for our ten thousand dollar emergency fund I'm going to get then this video shot those related three that I did in three hours yesterday then between each one of those I want you to get up walk around take a break grab a glass of water and one of the things that we learned from Steve Jobs the late Steve Jobs is the power of these walks and talks and this combines everything that I just said we know that this kind of walking movement pacing around I'm doing five miles a day in steps some of it is outside but a lot of us meet pacing around and getting talk time why I'm on the phone and that we know physically calms you down and it allows you to begin to focus up work really hard on one thing for an hour and then give yourself permission to take a break walk around talk to somebody grab a glass of something and then go back to work piece together one-hour steps with your team with your spouse with your children and that's how you get off this mountain called Everest in a store

References and Recommendations: No references or recommendations found.

## CEO Summit - Presentation by Verne Harnish

URL: [https://www.youtube.com/watch?v=3YQDp\\_WRkR0](https://www.youtube.com/watch?v=3YQDp_WRkR0)

I'm gonna ask folks to join me in welcoming Vern Harnish who I have to say provides more ideas per minute than almost anyone I know burn as most of you know is the author of two classic business bestsellers scaling up Rockefeller harvard's 2.0 and mastering the Rockefeller habits burn has spent the past three decades helping companies scale up he's the world-renowned is the world without founder the world's renowned entrepreneurs organization with over 13,000 members worldwide for 15 years he chaired as premier CEO program the birthing of giants a program which she still teaches today he is founder and CEO of scaling up a global executive education and coaching company with over 200 coaching partners on six continents he's also a good friend and partner of chief executive and a strong supporter of this community we're very grateful to have him with us today please welcome Vern Harnish well Dan first of all thank you for that introduction and look I want to go back to Jim and thank him for this unbelievable rigorous and relentless research that has created so many of these memorable stories and insights that over the decades that many of us abused in orders we tried to seek greatness so Jim thank you as always for that presentation second I really want to thank you this opportunity maybe there are some additional ideas and examples I know that have helped guide me and our clients around the globe and I hope they inspire you as well and third I don't know if you can't ran across it but I saw this amazing analogy that I thought was fitting for the times and it's that we may all be in the same storm but we are not in the same boat and whether you've had to rush the scale up or you've had to scale down look the one thing that we're clear about is there is no going back there is just moving forward scaling forward and so I think to help you a little bit along I've got some visuals and we're gonna make that presentation available so packs if you would go ahead and do a share that would be great and I want to take you back here to beginning of the crisis and we immediately recommended that everybody read two books first Jim Collins great by choice and number two Gregg Brenneman's right away and all at once now many of you might recognize Gregg he was on that team that had this spectacular turnaround of Continental Airlines they literally went from worse to first in months and since then he's helped dozens of companies do the same and most recently died through this crisis including as a board member of Home Depot and Dan way we were really lucky to have Gregg on their very first virtual summit we did April second and I I thought he said he really shared something profound and that is what great leaders do as they absorb fear and they exhume hope now I think what this means is we absolutely have to plan for the worst I know last Monday meeting with my team and our counsel we said look I I don't think this recovery is gonna happen anytime soon I think we're looking at two tough years at the same time you really have to hope for the best and so that's where I turn to actually the first person that we hosted on that April 2nd summit that was Margaret F Renaud from the UK and when she was running a software company out in Silicon Valley she was named one of the 500 CEOs today she's this amazing author and just a month ago released a very prescient titled book uncharted and she employed us and I know it inspired and energized me and that was to be ambitious and so I want to kind of set the stage for that I think a lot of it is the mindset you bring into this situation if we go back to last year and we look at the global GDP it was 88 trillion and so if we're gonna plan for the worst what Goldman McKenzie and others are saying we're facing potentially a Great Depression a drop by 25 percent of the global economy to something like 66 trillion but I want to put that in perspective that is still twice what it was at the turn of the century in the year 2000 that is a lot of market to serve and so how are you going to do that well last week I sat on I'm always loving to learn re binds bugs webinar and he is the founder of the number one deli in the world up there in Ann Arbor Michigan Zingerman's he said you know what this is the way he's been thinking about this crisis it's like running a marathon through a minefield and I'll show you one thing you don't want to be first I love the fact that when they made the decision for restaurants to open which was last Monday said hey we could have rushed to that but he said you know what let's take our time and they gave it another week to make sure that they got it right so how do you win in these wars in these markets and I want to go back to what I considered the single most important tool and that is Intel intelligence whoever is the



best Intel wins and we're not talking about Intel from watching the news or reading the newspaper this is firsthand Intel it's about getting out and talking directly with your marketplace with your team in that council which we've had ever since Jim mention it on Monday at 9:00 a.m. and so I want to suggest right off the bat what I consider literally not only through the crisis but beyond and before the number-one KPI I want you to measure it I want you to pay attention to it that is how much talk time measured in hours are you having every single day with again your key customers your key team and the broader marketplace that you're trying to serve and if I could be a little bit bold I find that it's useful when everyone else is zigging that you zag I'm gonna suggest who's gonna win who maybe as long as you do it safely has the best face time like right now when everyone's saying hey we're gonna continue to work at home we're not gonna travel I got on a plane about a week ago and went to Detroit and I can tell you those face to face meetings helped me sort out things faster you're gonna shorten cycle times in the marketplace if you're willing again to be safe to have the face time where everyone else is trying to be virtual look it's one of the things that the late Steve Jobs understood when he came in to turn around his baby Apple and he set up that war room and they met every single day and one of the requirements he had up as his key team was that they didn't travel if they stayed together that they met every single day it's one of the reasons why he had every day with Jonathan I'd not unlike a hundred years ago John D. Rockefeller realizing the importance of having lunch every day with his nine directors of his company and so it's who gathers the best real-time Intel but I think winds out there in Wars and markets it's really about the ODA loop a loop that I remember Jim Collins had kind of turned me on to that that the fighter pilots who are able to out there and have a faster doodle-loop we're the ones who survived it's who can learn decide and then act quicker are the ones you're gonna be able to take advantage of this still huge market that we've got to serve and so what I want to do is take a look at this and there are four decisions that we've always thought you've got to get right and there are right and wrong answers and what I want to do in this short time that I've God has shared just for practical ideas in each one of these areas so I'm gonna call my four keys of scaling for it and that is people pivot process and price and like Jim big huge fan of questions my favorite quote of all time is we had the answers it's the question we do not know and so I'm gonna anchor each of these areas with the question and so the first is who to pursue and look I agree you got to get the right butts and the right seats and so we created a list of seats that we've been using for years for executives to begin to take a look at and see where do we need to fill in the gaps and so I'll encourage you to download that and take a look at it but I want to I want to expand beyond that key team and really take you a tool that Regis McKenna had taught Steve Jobs early on and that was whenever you need to accomplish anything just take a piece of paper out when he decided to launch i-tunes something new he took a piece paper out and I want you to make a list of the top 25 brands relationships people to who's if you would that you need to bolt on to your organization right now you know what's great in a crisis is you can get to people that you won't normally have an opportunity to we just structured a relationship a key relationship with Harvard that never would have had been prior to this crisis I've been able to have longer conversations with key brands that wouldn't have had 15 minutes over the last dozen years when the wind has been to our back and so I want you to make that list of key folks you want to go after and so I want to give you both the big company in a small company example right right now there's a lot of labor available but there's always a shortage of talent and so Brian Scott or more runs about a 450 million dollar kind of top franchise organization in North America he needs a new CFO and so he's really realizing that now is a time for you'd able to widen your net and the unbelievable talent is available this is the time to go after it number two on the customer side he realizes that there's been a lot of folks that have been laid off furloughed out of these large companies and they want to control their destiny moving forward and they are exactly the kind of people that he's looking for in terms of franchisees so even though his franchise revenue may have taken a quit during this crisis he has seen a huge opportunity to go after the franchisees and what's been interesting he brought back his inside sales team he's augmented it and he's realized he had to do advertising over the last few months as many opportunities been flowing his way so what are the relationships the brands and the key people that you can really attract to this venture right now by the way forever to go down lower into his organization one of his franchises is in the residential painting business you can imagine I got shut down and so its franchisee out of Ottawa simply took this time to go back over the last five years and realize it was at the top 500 customers that

I've done business with and he taken the time to go out and reach out to them to make those connections and now that he's built those connections I'll share at the end what he's been able to do in order to power that part of the business for if I read a smaller company example I want to take you to Wichita and Tom Smith about a year ago made an important pivot they they have this calibration business they were serving the oil and gas industry and you can imagine how he's taking a double way I mean not only is that industry down but we've got the crisis and so he said look given my capabilities why don't I pivot into something that's growing fast during this and that is solar and so when everyone else has had to layoff one hundred eighty nine thousand people and Richard thought it had to move on to unemployment he with his fifty employees is out recruiting an additional 25 and has been powerful the amount of talent that he's been able to attract to his his venture now if I were to step back a little more broadly I want to take you down to Panama and I co-founded a group called geo versity and what we've been looking at is how can nature inform us as we scale and so I want to recommend a book and I'm a huge fan of tamps and Willy Barker I think her book teaming is one of the most important that was written this century and what's interesting is we wrote a piece called lessons from the high that it's interesting they have faced these kind of pandemics for millions of years us just thousands of years and some of the things that we've done no high would ever consider doing and there's some other lessons that I think we learned from moving forth because as Jim said this isn't last one that we're going to face and so I want you to go into the book and let's learn from these organisms these super organisms what are the ways that we can move and forward organize our people in order not only to be resilient but as I read Park later anti fragile here are the five ideas first the importance of cultivating collective intelligence the answers just aren't among your senior team but it's mining all your employees and the broader market number two its nurturing this swarm creativity again getting ideas in from everyone not just yourself number three relying on distributed leadership you can think about it hives beehives they don't have any central command it's highly distributed and I would maintain that a lot of our crises have been driven by this kind of absolute power that we've seen number four the importance of reciprocity and sharing in this process and last their ability to compound this regenerative bro that allows them to continue not only survive and thrive so take a look at of her book I think those are the the future of our organizations of how we're gonna organize our people movement for it if we look then its strategy here the key is what do we have to build or rebuild and if I were to go back to the beginning of this crisis bark and recent wrote this very prescient blog that said it's time to build and I would encourage you to go back and take a look at that and when you're going to build there are really two key components first you've got to get those pylons those piers down to Brett bedrock number two you got to get the roof on as quick as possible and once those two things are in place then you've got some time in order to be able to get that flywheel moving and so we created a tool that really has been we found helpful during this crisis we've been taking companies through it in droves and we call it the swept the swap that many of you know is useful if it's kind of business as is but if you're gonna really scale forward you've got to look at these three components and first one of the piers is to have a deep kind of brutal honest understanding of what are your core capabilities what are you great at it's the Hedgehog the Jim has always talked about I think of the big corporation out of France I mean look there are no other paint companies that do lighters and razors and all of this it's it seems obvious today but back then they had a deep understanding that it's not making cheap plastic pens it's that we can do kind of consumable disposable plastic anything the other thing you were really great at is how do we put plastic and metal together so what are those two or three things at your core that you're great at it's also really being honest about what you're terrible at what are your core weaknesses so that even though there may be this kind of shiny object this opportunity that you don't go after it and kill the company and then last let's get on top of the roof and look beyond the forest and the trees let's understand where's the putt going what are the trends and we know just like the Gulf War launched CNN this crisis has really launched things like 3d printing digitization and even our world distance learning and so we encourage you to go out and gather that kind of Intel we've got a list that we data scraped from the media that identifies about a hundred and twenty-five and Dan will make that available as we did earlier of what we see are the short and long term opportunities moving forward you then anchor that with what I consider probably the most important strategy question ever popularized by the late thank you Christiansen we lost him earlier this year that is a deep understanding of ultimately what is the job we need to do the

new job that the market needs us to serve by the way I think the veterinarian taxidermist got it in terms of with job Steve Jobs understood that when he explained to us what we're gonna do with this crazy device called the iPod he was the master at letting us know that it was a thousand songs in our pocket and so I want to take you over to the UK and I was just on with Michael yesterday he's got a company called steelo forty employees as you can see they do large structural fabrication projects and you can also imagine that their revenue has been hit hard and so he was familiar with that big example and he said wait a second steel metal and plastic and this idea that we should then match where the puck is going he made a very important pivot and created more importantly a brand work shield and I loved a tagline it really describes the job that he wants to do the service he wants to provide which is to get your business going by the way let me know this morning they were able to survive through this with their 40 employees though they take an advantage of some of the talent that is available and have been able to upgrade we also want you to focus on moving forth profit share not market share it's what caused us to create what we call the 770 rule which is look you don't want all the customers at Apple when it first hit its highest market cap only had seven percent global market share but they had 50 percent of the profitability if you look at IKEA they 6.9% global market share but 72% of the the segment that they pioneer called flat pack furniture and so just last Wednesday Starbucks filed with the SEC a document where they announced a fundamental pivot that they're going to make in the marketplace and it was really based on Intel data that they have driven they branded it Starbucks pickup and typically where they shut down like a hundred stores every year they're gonna shut down 400 I Jim you know you and I are both here in Boulder and I've been surprised on the Boulder mall that that Starbucks hasn't reopened where they have otherwise and what they've realized even before this crisis is that 80 percent of their customers chose that to go option and so they've launched they announced that last Wednesday Starbucks pick up and what I love is they have preserved their core at their core has always been this idea to be the third place and experience yet how can they carry that through this new innovation and this was I thought when the powerful kind of paragraphs in that SEC filing last Wednesday now to kind of bring it down to us mere mortals to tie all this together I want to take you to Chris and Dan Ryan's company blue canary now they have had a core of spring in the healthcare field a blue canary you might recognize is the firm they give to first responders medical typically firefighters that go in to the fray and they said right now let's take that core capability of helping medical of buildings be clean and safe and let's pivot that to the hospitality industry it begins to open up but they then looked at the Intel and realized that the fortune 500 has said look we're not going to be traveling we're not going to be doing big corporate events not till 21 or 22 so which segments of the hospitality industry is hot and it happens to be the boutique hotels and so they then identified a list of the 3,000 there they made that list of the 3,000 boutique and then they said we went to the 770 rule which 7% of those boutique do we think are gonna be the ones they're gonna move forward given location and ownership and pass tradition and they've identified 250 that's who they're going after by the way in the first two weeks they've landed over three million dollars for the contract now what they're doing is working on branding it will notice a they first of all came up with a tagline axonal solutions and comeliness but then they realized they didn't want to get stuck as a clean service and so last week they pivoted that to in safety and just this morning we've been playing with what's the word or true the job to be done and they thought crystal cleaned and crystals safe but then there's this company in Europe that already has that brand and so Dan said literally he didn't get a wink of sleep last night he emailed me this morning and he said I think we've got it and that is that it is gonna be sapphire safe it's a blue ruby it goes with their brand and medicinal and mystic kind of stories around sapphire are powerful so my question to you is ultimately what is the new brand that you're going to create what's the new word or what's the job you're gonna do for us we know disis learnings gotten hot but we've coined the term near learning which is where we think the puck is going now if I were to step back a little bit I want to encourage everybody to read the same polyps anti fragile look it's one thing to be resilient to really fight through this crisis but I look I think it's our job if we had to let people go to figure out how we'd ever have to do that again how do we build an organization that doesn't survive but thrives in this continuing chaos and so in that book I want you to look at really two examples first switchable this is already a small country but the reason it's been so anti fragile is it's divided into 26 camp hogs and the leadership is distributed the money is distributed it's back to exactly what cancer wooly Barker said are the

organizations that thrive moving forward it was a 1996 that I was invited in under the tan of Microsoft and I knew that and I have this kind of famous bad I put out that Microsoft at one point read the largest market cap company over which it is right here at this moment the reason I saw that is they built in the very beginning to be anti fragile this is a company with 150,000 employees who's got sixty four thousand Microsoft solution providers none of those folks are on their payroll they represent almost a half a million plus employees that are out there in the marketplace and look if you happen to lose two or three thousand of them you still of gosh sixty plus thousand out there doing and driving most of your revenue and it was really their marled model that we built our organization on with our 200 plus coaching partners giving us some anti fragility throughout this particular crisis now if we go to go to process the execution side here the key is how do you get the speed means and we got a tool called our process accountability chart and what it finds interesting particularly with growth companies is we're so focused on getting our functions right you know we've got the right marketing and sales and operations that we fail to realize that the market and even our people experience the organization through these processes that cut horizontally across those functions and so we thinks it's adds critical to sit down and discern what are the for denying processes that drive the organization and then clean house and I want to share an interesting statistic that may inspire you to do some I know it did Brian Scudder more when he gave me a call during the crisis at 1-800 GOT JUNK with global 500 interesting average about four hundred and seventy five thousand per employee revenue us mere mortal mid-market companies are at a mere hundred and twenty six dot we're about a fourth is efficient and you would think these big bloated bureaucratic organizations would be a lot less efficient than us lean mean fighting machines but it's the opposite we are sloppy and so this is a time really for you to be able to kind of new clean house and we're a huge fans of Paul Akers he wrote the to secondly he's got a bunch of videos for the help but more importantly he's got this book he's given away for free it's his way of being of service called banish sloppiness and I would encourage you to dig into it and so I want to want to take you down to Texas and Morris Miller was one of my early students at that MIT program I founded he went on to co-found Rackspace they scaled at him and Graham and the other team and sold it for about seven billions it was a good run for that and then in 2009 these two doctors encouraged them to join as CEO their company Xena and they had found a way in minutes instead of hours to disinfect hospitals disinfect hazard areas where you might have infections and as we know it's that it's the third leading cause of death in the United States I and so they began to build this company over the last decade and had ramped up to about eight units a month well overnight this thing took off and within two months with the relentless focus on process engaging there at the time 70 employees today a hundred and fifty employees they have now ran from what was eight a month to a hundred a month and they're on their way to 500 if you want to do the math each of these devices is a hundred and twenty-five thousand dollars and it's been their ability and surprise to discover that they get essentially 10s their productivity when they both made their mind up to it and engage the minds of all of their employees very much a teeming kind of aspect if I were to step back more broadly it's really about figuring out how to make things easier if you really look at Amazon and they're explosive growth since that flywheel and through the crisis it's all to me because they've made things easy I was just talking through the CTO that we've been able to you know kind of bring into our organization an unbelievable person we could never source prior to this crisis and he was told me how he was really interested in this kind of veg-o-matic device and he could by track for less but it was gonna be too much my honestly just pushed the the easy button on Amazon and had it delivered immediately if we go back to Jack Ma who retired just before this whole craziness happened in China he said look at the heart of our business was a very simple idea that we're just gonna make it easy to do business anywhere so here's where I want you to follow it's the easy path where is things not easy for employees where are things not easy for your customer and if you can make things frictionless that's the direction you want to go in process and then we we come to cash what what is the quickest way to recover and it's through a focus on price again we've got a tool to help you begin to think through because looking get by with me some people decent strategy some execution but not a day without cash in fact we encourage people to go immediately to great by choice Jim Collins book can go to the chapter with fern on luck and you saw that those great companies early on had at their heart great cash reserves and if you don't I hope that's something you see moving forward and one of the quickest ways to drive on cash if you look at the

great Phil Cutler's for peace product price place and promotion you have to realize that three of those fees you've gotta spend money in order to make money look you can only cut yourself so far to get through this crisis at some point you're gonna have to drive through marketing and begin to drive sales the only team that gets you cash and revenue immediately additional his price and so and one of the things that I found is it will spend a lot of time on the cost side of our business but when it comes to setting price we'll look our finger and put it to the win in fact the the great Herrmann's Simon who I know is a good friend and Jim Collins and vice versa Jim says who I mean Herman says who is the who were a price and we only make two mistakes in price either charge too much or we charge too little and so it really is a science and the reason we get it wrong is because even it be to be we don't sell the companies we sell the people and one of the things that we know is people are not logical they're psychological and it's companies like Amazon who are using AI as you guys know there is no price on Amazon and in the airline's figured it out four years ago which is why up until this crisis they've had record profitability themselves back you've all run into it where you want to order something and all of a sudden if you didn't buy about five minutes later the price had gone up it's like oh my gosh they're on to me and so we've been working with companies to do both news AI to drive process improvement but more importantly to understand how the Amazon to the world have used AI to drive price nobody pays the same price on an airline seat or for product anymore the other thing we need to understand about price given the psychological piece I want to take you back to Robert Eldini the the father of influence and he did an interesting piece of research he went to a restaurant and they had a wine list and generally that list was from least expensive the most expensive all they did was reversed from this and revenue went up 25% they didn't change a price or a wine that's how sensitive perception is so I was in Shanghai a few months before this crisis hit back in November and Adrian Wally's a YPO or who's got a very simple job to be done and that is to bring famous New York friends to China to Shanghai the first being Joe's pizza and he'd heard me speak about a year before about the importance of this psychology of price so when I was there last November he said burn you got to come down to the restaurant and sure enough said we used to live from vegan the meat lovers all we did reverse the order didn't get the 25% but he got the 15% now it's business-to-business I want to refer you to what I think was one of those important articles written over the last two years and it's called good better best approach in Harvard Business Review and as you go down through this very detailed article at the very end you're gonna see how Dowell EMC in pricing their after sales service when they move from a single bed to a good better best only increased revenue 300% and so go dig into this the a book we recommend very beginning of the crisis was Herman Simons the the pricing gurus book meet the crisis it's a very simple read and I want you to go immediately to chapter 6 where he details 7 very precise pricing strategies that you can put the work immediately so I want to come back to finish up and so one of the things that Brian did is they only had about a third of their customers historically would actually order online everybody else wanted to make a phone call and because he had to get all those people out and get decentralized he said how can I Drive both the drive efficiency and the business drive up people ordering online that's where he's pricing and he said we'll give a twenty seven dollar discount if you'll order online as a result they've now moved from the third all ready to 1/2 and that print that Peter I mentioned he went out to those 500 customers that he nurtured during the crisis he said look if you think you need a painting job sometime the rest of this year if you're willing to pre pay a deposit I will give you a real discount and that filled him up with the cash you need it so there they are if you're gonna scale forward really I hope you'll focus a lot of stuff but particularly on what's the talent and other relationships you can attract how are you going to pivot and create particularly a new brand and job to be done number three how are you gonna get your kind of clean house process together and last get educated and really use price through this particular crisis it's getting the video started here thank you so much as a tremendous presentation as I said at the beginning you give more ideas per minute than almost anybody I know I want to start with the idea this is a question that came in from the audience thing it's a really good one and it's something that you and I talked about when I interviewed you about a year ago and that's getting good intelligence but more than the talked I'm developing systems for pulling to get for pulling in intelligence particularly about customers particularly about the market can you give us some tips about how good companies are doing that yeah and let me do it through an example he was kind of out to kind of endorse the back of the book I want to take you to India to Sanji

mohanty Sanjeev was given the job to kind of turn around Levi's Benetton and at the time Levi Strauss was kind of the number one fashion brand in his country and not only was it a brand that's been dying but his hundred and four stores weren't doing well at all and so they called us in and I could tell that even though the senior team had a lot of years of experience that they were lacking real immediate feedback from what was happening both with their customers and their employees so you did some very simple this is how you systematize it you put a card at every one of the cash registers I said look you got an idea suggestion thought this is kind of that swarm creativity and and Intel email and he was surprised that almost overnight 200 customers and employees began to share information now he did two things he put a team together to mine that information but he looked at the headlines the subject lines it's like Warren Buffett poring through 500 pages of headlines to give him a good gut feel for the market and then he would choose one every day that he would reach out to and ask if he could have a phone call with and within two years he took that that brand Bennett on to the number one fashion brand in all of India by the way who that upset Levi Strauss and so where is Sanjeev mohanty today he is sent you the number two guy running Levi Strauss all in within Asia and just a few months ago he received the retail in an icon award for his country so that's that's how you have to actually kind of systematize it within the organization and it's interesting is what you're talking about is not doing going down the rabbit hole as deeply as perhaps even Amazon has where they have incredible data on every single transaction you've ever done what you're really talking about is the CEO makes the time to get in touch with the customer to really metabolize what the customer is thinking yeah that's how you win wars and how you win markets another great question here top advice you have for companies going from adolescent stage of operating like a start-up but they a scale growth what are some of your top tips under that's a particularly interesting time that you like focusing on how do they make that ship now well we actually you know early on in this crisis we had an example of a firm out of Austin that was in start-up phase it was happened to be Dave Rosa Mosers third startup and he just he wanted to do it quicker and so they literally those four decisions that we just went through they made those over a weekend first thing that they decided was what are the 50 key relationships in the particular market they were going after by the way Dave didn't know any of the 50 any more than Steve Jobs knew the 25 that were in the music industry but he knew three guys who probably knew those 15 he engaged them in his counsel and within two months he had 45 of those 50 on board and I loved how Dave described as just a startup that all of a sudden all my friends were like Facebook you mean de jure everywhere even though they had just started up if I go on the cash side way prior to even have them product they put a webinar together and they identified what they thought would be the top 200 customers that they wanted to go after and buy them into this webinar and at the end of it they offered them to pricing an opportunity to be kind of a lifetime customer and they ended up with I'm missing the number it was up like 38 customers who pre-signed up and that funded the launch of their business and so all of these tools dad that we walked through making the list deciding the space that you want to own this word or two job to be done what do you got to do to relentless thing get focused on the few things and then use price as an opportunity to really drive cash or critical even first startup talk to me a little bit about you talked about superorganisms the role of diversity and inclusion when we're talking about super organ it seems self-evident that if you're trying to do some of these things that diversity and inclusion is part of that why isn't it and what do you do in order to help with that well first of all I was so excited we had a chance as you know the host dr. Francis Frey from Harvard Business School and I thought she made an amazing ten minute presentation around the importance that do not go after diversity if you don't have first a mentality of inclusion and so that's where you've got to start there is a cart and horse if you get one before the other you're going to be in trouble beyond that this is not my expertise as you know I recommended 40 other books in my book and so I would really encourage you her book just came out on leadership and dr. Frey knows more and a pinke about this stuff than I do my entire self she's become kind of like a fixer for places that have become troubled um you know when we were had problems and you know when you know when me work had problems work continues to have problems what do you think about the organization moving out of the office and embracing remote workers how do you engage employees and train new people in the current environment that we're in yeah well you know at the heart of our work and Pat may Lynch OD may talk about it as well is this daily huddle you know if you want to move faster you need to pulse faster and so it's really important that you've got that

kind of vibrant communication going on equivalent to that lunch that again Steve Jobs had every day with Jonathan Ive and John D. Rockefeller did with his group as well and so again you can't think your way through this you have to talk your way through it and in the crisis we had many of our clients move do that daily huddle twice a day and so that is one of the keys whether you're a virtual or here they're physically together we're getting a ton of questions in here yeah how do you create a new brand for an organization you know that's you know grounded in an ancient tradition for instance like the church like what's the how do you that's the question that they have here you know how do you rebrand especially in this kind of environment where perhaps also attention is not being gay yeah yeah the key is to start small and local everybody wants to be big out of the chute and so let me share a story I had a chance to share the stage with Nathan one of the cofounders of Airbnb and a lot of people think that they were just this overnight success but they really kind of messed around for five years and talked their way into Paul Graham's Y Combinator and we're still floundering and Paul Graham came in one day and said look guys who's your best customer and they're like well everybody right that's your typical and a response he goes no no no no right now the customers you've got where do you have like where are your best customers and they go New York City and they had 20 and so Paul said look I want you guys pack up and I want you to move to New York City and I want you to go likely live with those 20 customers I want you to figure out by getting that intimate with them that kind of mealtime FaceTime conversation where this business models not working and he found it by the way it's always simple they just had really bad photos and descriptions and they got that fixed they stayed then local until they went from 20 to 200 and then that's when the flywheel began to spin fast enough that they could go global and so it's that's what I love what Blue Canary did they made that list of the 3,000 they said all right we don't want all three we're gonna pick the right 7% to go after and it's that kind of radical fanatical focus that I think is critical if you want to scale up anything that we're enormous at a time but I do want to ask any final thoughts you got a lot of you know a lot of business owners here going to you know it a bit tough time hopefully we're gonna see a you know we're starting to see some things turn but well what would you like to share with them what's your best piece of advice for the current moment well I've shared a lot I really just want to remind them that they are the first responders of our global economy our medical responders have done an amazing job but coming out of the last recession it wasn't the Fortune 500 and it wasn't startups it was this market that I know you guys served that the scale ups that generated 92% of the jobs in the U.S. almost 100% around the rest of the world you're the ones are gonna generate all of the innovations and so look what you do really matters and when I founded the EO it was I shamelessly borrow from a good buddy of mine Joe Mancuso a line that said it's okay to be independent no reason to be alone and that's why that counsel and your advisors and your coaches and all that are so critical so you're not alone what you do matters you are the unsung heroes of our global economy whose names and brands most people don't know I just want to appreciate you for the job that you're doing to absorb fear and to continue to exude hope dan thank you so much for this burn harness I want to thank you so much for joining us today we do appreciate you and really appreciate you taking the time

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 8

## The 3 Most Important Things for Every Entrepreneur | Verne Harnish

URL: <https://www.youtube.com/watch?v=RGt0cjhoUe8>

That's what you've got to begin to do is figure out what gives you energy and do more of that and then what makes you tired. Stop doing that and find somebody else to do it. who's ready to scale up their sex life. All right. That's tomorrow. All right, so we're gonna, we're going to be doing something different. Aired out. Jason though, left one thing out of the introduction. You know, I absolutely love entrepreneurs. It was so great to see how many of you have your own business. Uh, I'm this kind of nerdy guy as well. And so what's little known as I am actually the secret love child of bill Gates and Martha Stewart. So you're going to see it right here as it clicks. Let's go through. There I am. All right. So it's, it's a good pedigree, by the way. My, uh, confidence monitors don't have the show on it. There we go. That way I can see it. Not there yet, but that's all right. I'll look up this way. So anyway, this is why we're here. What's interesting, 11,000 startups. Every hour in the world. So we're not hurting for new companies. And what's interesting in the United States, 76% of those companies never get beyond the entrepreneur as the sole employee. And I would suggest that most of those companies are overstaffed. Yeah, exactly. It's going to be a rough morning. All right. I'm going to have to tell the audience when to laugh at my jokes. Here's why we're here though, is really to focus on what it takes in order for us to, there it is. It's coming up. Everything's coming together now. It's not clicking. There it is. Um, what we're really trying to do is figure out how to be one of those 3% in the United States. Only 1% of companies around the world ever get beyond. Those handful of employees, and I saw how many of you would like to get on up there and whatever scaling means to you, whether it's revenue, your influence. By the way, I'm going to make a little side note. I decided to kind of push back against this word impact. If there was a switch that we need to make right now on the planet is we need, it's not a men women thing, it's this masculine feminine, and we need to bring the feminine to the business world. And many of the women haven't been able to bring that either stuck into this kind of masculine paradigm. And so what we think is critical is the word impact. If you think about it, it's synonyms or hit strike. It's very masculine. It's very warlike. I think what we really want to do is bring influence. We want to bring reach. And so what we want to do is try to help you scale your influence to people around the world as we move forward. So that's what we're going to focus on. We'll give that a try. Um. And so here's what it takes in order to do that. And by the way, Scott, from, uh, from it lasts. He, and he and Mike were sitting right where you were sitting in 2002. They had launched a company in Sydney called Atlassian. And today, just give you a perspective. They took the company public about three years ago for 4.2 billion. And I just checked this morning and their stock just top 31 billion, and they'll tell you that what they learned that day in that workshop in Sydney was this. It requires these two things, absolute discipline and focus if you're going to move forward in doing it. And what, the other thing I love is not only these guys have gotten stinking wealthy as a result, they just bought the two most expensive homes in Sydney from the mining families. That had been the original wealth of Australia. So we're really seeing it moving from the old industrial sector of last century to the digital sector of this century. They've also been consistently the absolute best place to work. Now they got number two last year to salesforce.com but what I love is that they've done well. And they've done good in both cases. Super excited. Our latest unicorn up in the U K splash damage, our coach Paul Lewis was walking up to Paul Wedgwood's Ferrari and what did he see in the backseat? But a copy of scaling up. And so if nothing else, I want you to equate scaling up. Equals Ferrari. Alright. If that's something that you aspire to, that's what we're going to figure out. And I've always loved this photo. We really thought that the automobile was going to put the horse out of business, but what's interesting, last year it was the \$300 billion healthy equine industry. What's my first point? There are no bad industries. I don't want you to blame your industry. It's just bad leadership. I don't want you to blame the economy. Anyone. You should know this number, by the way. What's going to be the global GDP in 2019 the estimated global gross domestic product? Anyone want to guess how big the global economy is? Close to 88 trillion. That is up from 34 trillion at the turn of the century and what is considered the great depression. Meant that the economy dropped by 10% that would mean we would drop from 88 trillion just back to what we



were two years ago to 80 trillion. And if you can't figure out how to make a million or a billion out of that, that's your fault, right? So this is not an industry issue. This isn't an economy issue. This is a you issue. And that's why we're here and we want to focus on that moving forward. And here is the fundamental. You want to do well, you have to be different. That's the essence of strategy. Otherwise, you're going to be commoditized and one of the keys is you've got to do everything different. I want to start with something very simple pricing. If you price the same way as everyone else in your industry prices, how can you call yourself different. And all the great companies figured out how to price different than their competition. By the way, you want to understand why they're decimating the retail industry. Amazon, first of all, how often does Amazon's prices change daily by the hour? Not that I don't check a half a dozen times a day, but my book has moved from \$15 in change to \$20 in change just over weeks. Yeah. Retailers competing with them, put a sticker. This is the price. And the only time they change is when they have to try to give it away. And so you've got to, if look, if you hire the same people that everyone else in your industry hires, how can you say your different? So the key is you've got to figure out how to do your thing. Different than everyone else in the marketplace. And to do that, you've got to nail for decisions, and that's really the framework of the book. People, whoops, people, strategy, execution, and cash. Now, I know at any one time you're going to have an issues in all four of those, but look, if you want to scale four balls, you want to juggle them higher. You can only do it one ball at a time. And so I wanted to do a quick little poll. Grab your phones if you would, and I'm going to pull up a quick little app that we created called one pg.com and real quick I want you to do is give me your email address. Then you're going to get my insights. I'm going to give you mine, the harnish@gazelles.com or if you don't want to remember that Vern. V E R N e@scalingup.com but you put yours in where we want to get a sense. We're doing this research globally. I just reported some of it out at our CEO Bloomberg summit that we did last Monday in New York city. I'll give you mine three Oh eight Oh three Oh two and then I want you to vote. What is your number one issue? People, strategy, execution, or cash? Mine's right now people, I'm a big issue with a partner. Daniel knows who that is. I'm going to submit and then what you're going to do is you're going to see a little graph like this pop up, and it's going to be real time. All right, we've got 35 votes now, people 24 strategy execution 17 let's keep going. Cast just got bigger. You know, all people look at that. People's moving up there. What's been interesting is almost every place on the planet, the number one except in Western Michigan has been people. All right, I'm going to set this up here and I'll look at it in my pocket here. So you guys keep voting, and what I want you to do is I want you to remember, and I'm going to look at this here in a moment, that's going to guide where I'm going to spend more time over a couple of hours together. So you have your in control of my time here. Of where I'm going to put an emphasis and I want you to remember what it is that you chose. Do I think it's people strategy, execution or cash? Is my next constraint? The thing that's in my way of accomplishing the influence that I would like to achieve, and then here's our dirty little secret. The knee bone connects to the thigh bone. Look, I really wish business was this well-organized, but if you said, look, I think it's strategy. I don't think we're really different. Well, we've learned that may be the root causes, the one just before it right there. Maybe I don't have the right people helping me put that strategy together or I'm not spending any time thinking about these strategic issues because I'm so stuck just trying to deliver on the products or services that we're providing. If I chose execution, maybe it's because I'm executing a mess. If I chose cash, maybe it's cause my execution sloppy. So I'm not really generating the profitability. I can feed back into the business. And if I think it's people, well maybe I'll have sufficient funds to get the talent that I need to bring into the business. And so what I want you to do is pay attention to the one that you chose and then look at the one just before, as I go through these, and at the heart of our work is a very, very simple phrase. Routine sets you free. It's fundamental. You're going to get it from all of the workshops over the next few weeks. What you do more of, less of or different every day. Is the difference, and it's the set of routines that we really become well known for, including these fundamental disciplines. These were the original Rockefeller habits for my first book in 2002 and that is first you being clear that when you wake up every single morning of the thousand things that you've got to get done. What is number one. What is the priority? Number two, the only way that I have really a sense of what I need to work on today, this week, this month, this quarter, this year, is I've got to have data flowing in. I've got to have a good gut feel for what's going on. I'm out talking to customers and I'm looking at my quantitative data as well, not my financial statements. Once a month

or once a quarter. And then I've got to get in Rome and meet if nothing else with myself, and sit down for a few minutes looking at the data and then decide, all right, this is where I have to go to next. And so those are the three fundamental Rockefeller habits, setting priorities. And this is precisely what I taught Mike and Scott when they were sitting there in that workshop in Sydney, just getting their company started as they've scaled. Now to third. 31 and a half billion. Uh, this morning in market cap. And there's one of the things we're well known for this kind of day, week, month, quarter, year meeting rhythm, if you would, the heartbeat of the business. Cause look, anytime you get a second person involved, even if it's a customer, it's a contractor. The number one issue is communication. And that's what starts spray to any of you in a relationship. Understand what I'm talking about and this ability both in your personal life as well as your professional life to have this routine, this rhythm, you want to strengthen your relationship with your partner. Get on the phone for a few minutes every day and let them vent. Let them share, and that daily huddle, both personally and professionally, is unbelievably powerful. We're going to come back to that now. This is typically. A three day event that we teach to companies all over the world. Scott, in fact, he and his team attended the one I just did in Vegas a couple of months ago. So what I'll do is I've got time really to share for practical ideas. And so first we're going to look at under people. The number one question, bill Gates considered the best he had ever been asked in his business career, and I'm going to have you address that question here as well. Number two, what is the essence of branding? By the way, what is brand give you pricing power, and that's what you need in the marketplace in order to really get the margins to move this business forward. Look, you can, you can scale the business by giving it away, but that's not a lot of fun. Number three, I know you've got a thousand things to do. How do you choose the one. What's the key question I asked myself to figure out what is it that I really need to focus on next? And then last, there is a universal truth that if you want to make a lot of cash, you need to understand. And so those are the four simple ideas that we're going to spend some time on here at this morning. So let's get started. And I really want to. Let me back up. We'll get the volume up. This is a guy who rest his soul scale. What is today? The second largest market cap company on the planet next to Microsoft. Microsoft is still in the lead. It just over a little trillion dollars this morning, and I. I got to host Steve, his very first public speech after being fired from Apple. And I still remember I had about 1200 of you in an audience in the Bonaventure hotel. And so we put together this little video tribute of who I think today still is the greatest young entrepreneur. When I first launched the entrepreneurs organization the world has ever seen. So let's listen to some wisdom of Steve jobs. Building a company is really hard and it requires your. Greatest persuasive abilities to hire the best people you can and keep them at your company and keep 'em working, doing the best work of their lives, hopefully. I think one of the things that really separates us from the high primates is that, uh, we're tool builders and I read a, a study that measured the efficiency of locomotion for various species on the planet. The condor used the least energy to move a kilometer. And, uh, humans came in. Uh, with a rather unimpressive showing about a third of the way down the list, it was not, not too proud of showing for the crown of creation. So, uh, that didn't look so good. But then somebody in scientific American had the insight to test the efficiency of locomotion from a man on a bicycle and a man on a bicycle or human on a bicycle blew the condor away completely off the top of the charts. And that's what a computer is to me. Uh, what a computer is to me is it's the most remarkable tool that we've ever come up with and it's the equivalent of a bicycle for our minds. I was lucky. I found what I love to do early in life was, and I started Apple in my parents' garage when I was 20. We worked hard. And in 10 years, applique grown from just the two of us in a garage into a \$2 billion company with over 4,000 employees. We just released our finest creation, the Macintosh a year earlier. And I just turned 30 and then I got fired. And so at 30 I was out. And very publicly out. People say, you have to have a lot of passion for what you're doing. And it's totally true. And the reason is, uh. Is because it's so hard that if you don't, any rational person would give up. It's really hard and you have to do it over a sustained period of time. So if you don't love it, if you're not having fun doing it, you don't really love it, you're going to give up. And that's what happens to most people actually. If you really look at the ones that ended up being successful unquote in the eyes of society and the ones that didn't, oftentimes it's the ones that are successful, loved what they did so they could persevere. When you know, when it got really tough and the ones that didn't love it quit because they're saying, right. Who would want to put up with this stuff if you don't love it? So it's a lot of hard work and, and it's a lot of

worrying constantly. And so that was Steve and it is a lot of hard work and it's a lot of worry constantly. We're going to get into that kind of mindset that you've got to have if you're going to be able to scale. And I really saw that he did three things. He really understood it required this kind of, this passion, this purpose in this persistence. And I don't want to come back to this idea of passion. He said, I discovered early in life, and I look, I'm a huge fan of Cal Newport and cow's the one who said, look, we got everything. Backwards here. If you ask people, what are you passionate about? 99% of the plan says, I have no idea. That's not how it works. Steve did not sit around and Lotus position and all of a sudden become passionate about computers. What actually happens in life is you start doing things and then all of a sudden you bump into something that actually gives you energy that starts actually working well. I guarantee you if, if it was not going well in those first couple of years. Steve would have given up and shifted to something else. So passion comes after you've been doing stuff and then all of a sudden find out, wow, I'm pretty good at it. And so I want to turn to a guy, Marcus Buckingham, and Mark has really gave me an idea and our teams something that's probably helped me more personally than any other single idea. And it's this, you've got to understand what really is strengths and weaknesses. See a strength isn't that you're good at it. And part of the problem in this room is you're good at too many things, is one of the reasons why it's going to be really hard for you to let go and have someone else come into the company and take over marketing or sales or operations or go out and represent you and coach for you. Cause look, you know you're good. Now, see, I went back up for a second. Yeah. Time management's important, but the business we're really in is energy management. And see time's limited, but energy's not. And so here's how you'd literally have to think about your life every day. And we really encourage you, like take a piece of paper out over the next couple of weeks when you get back run in your company, you start to write down, and a buddy of ours handy Bailey put a list up on a pawn on the wall that said things that give me strength, give me energy, and what are the things that I do that make me tired? And then your job is to get the things that make you tired off your plate and delegated to somebody else. And so a strength is only a strength that it gives you energy. Look, I was going to be a lawyer. I nailed the, the LSA T Taz. I every, every mock trial I'd ever been in, I won, but just today, send me a contract to look at just the fact that it shows up in the email. I'm already exhausted thinking about having to open it. And I've had to find someone Keith darken, who can actually open those in face the music. You know what makes me tired? Putting my PowerPoints together. This is, this is how precise you have to think about it. So I went out to 99 designers here in Europe, and I found this unbelievable woman. I had not met her for years, but for a decade now she's done all of our design where Juni she is half Korean, so very creative. She's half German. So it gets delivered now. And I can just send her an email at night saying, Hey, I need a slide that does this. And it shows up magically the next morning. And that's how you begin to really think through how you bring on team and contractors and others to help you scale the business. And so I'm going to dig into our first growth tool. Those of you that have got it open up to it, it's on page four. You've got it up here in front, and Jim Collins said, look, you got to get the right butts in the right. Sees. The problem is he didn't give us a list of seat. So I sat down and said, look, these are all the functions. There are no titles. These are the functions you've got to have in order to drive a business. And by the way, if you're a startup or a single person whose name is next to every one of those, right, may, may, may, may, may, may, may. I'm headed company marketing, R and D, sales ops, treasury, comptroller, it, HR, talent development and customer advocacy. And then what you gotta do is you got to figure out, all right, which one of those makes me the most tired? And I've got to go find someone. So the very first part-timer I hired when I launched this company in 1997 was my neighbor, Claudia Smallwood. Claudia, I need somebody to do the books and I need somebody for a few hours every week. Now these people you bring on board need to pass three tests. Number one. They have to kind of fit your culture, your values. Now, in this case, her husband bill was a very successful entrepreneur in the community. We all knew that she had had, she had run the books for bill early on, so I knew she got entrepreneurs. She got startup. She would understand what I'm up against. Second test, these people should not need managed. If you've got to look over their shoulders, constantly nudge, and then what are you gonna get me my financial statements? When are you gonna get me the numbers that I need? Claudia didn't at all. She was very proactive. And number three, they should. Wow you and every once you, I should go look for it. I know you're busy. I remember those early days when bill was launching the company and

scaling up, but I see something interesting in the numbers that might. Be helpful and I'm like, wow, Claudia, that was helpful. And so they need to really fit where you are and the size of your company, where you are in scaling. Number two, they really don't need manage. These people need to be independent and they in fact are actually wowing you as part of the process. And Juni did that day one for me when I add her, do my first design that I needed accomplished. Now I want to take it a little bit further. Ultimately on this list, I want many of you to realize you do not have to be the head of the company. It's one of the first things the entrepreneur has to come to a realization. You may have title of CEO or whatever's appropriate in your country, but it doesn't mean that that is the function you need to do. Steve jobs, when he came back to Apple, the only function he chaired was marketing. Tim cook did everything else, which was why it was easy when Steve passed away for Tim to take back over. So buddy of mine, Randy Ayman, one of my early students at this MIT program, had a small company in Baltimore, Maryland called ABL electronics. He was building little cable assemblies for computer companies, and I loved his title, founder and head of customer service. He was the only function he enjoyed and he back filled the company as he scaled it with the CEO and CFO and VP sales and marketing. And he only held onto the one. Long story short, he ends up selling the company to a \$2 billion firm that became 10 billion. That's now 40 billion. And you can guess there he is, his latest, he is the SVP of what customer care and quality and almost a \$38 billion global company. He has stuck to what gives him strength all the way along to thine own self be true. Now, if we look at the purpose, when Steve came back to Apple, he took a dollar as salary. He didn't, he didn't do it for the money. If anyone in this room is doing your business for the money, it's probably not going to show up. There has to be this higher purpose. And by the way, particularly with the rest of your team, helping you get rich isn't particularly a useful purpose for everybody else within the organization. And so for Steve, he shared it and that video, his purpose was to create the bicycle for the mind. And so we have this one page called the vision summary. There's just a few things you need to fill in on it. It's page 10 of your growth tools. And by the way, Daniel, across these workshops that he's going to be doing. The next several days is going to kind of walk you through this more methodically, but right there, front and center, the very top is this purpose and we want you to be able to really begin to nail that appropriately. All right, and then persistence. What's interesting is on the 25th anniversary of Apple, Billy had 9,600 employees. Not that that isn't good, but that's hardly putting a dent in the universe. As Steve jobs wanted to. What's interesting is the real 10 acts occurred after that 25th anniversary, and this isn't an anomaly. Just look at Starbucks. Starbucks started in 1971 they only had a hundred stores at their 20th anniversary. They weren't even global yet. It was at the 25th anniversary that they really taxed. And what's interesting is Howard Schultz has really talked deeply here about what happened at this point. And that was the first time he got a coach. No one has ever achieved peak performance without a coach. Anyone who works out who doesn't have a coach knows that when you get one, it's much more effective moving forward. And so quick question, how many have been in business for less than 25 years? I want to see a show of hands. All right. You all have time. In that great news, and so you've got to hang in there and persevere. In my world, it, Peter Drucker is the rest, his soul guru of the business book world. He wrote those 39 books, and what's interesting is only a third of those were written before his 65th birthday. He did two thirds of his best work after what is traditional retirement age in at least my country of the United States. I hung out in Barcelona for eight years. I saw many of you. How many of you saw me in Barcelona when I was there for the very first mine Valley and Picasso of the hangout there, and what the critics considered the top 10 paintings he ever did in his life. Six of those 10 were painted after age 50 and four of those 10 that you see right here when he was 51 so look, we are absolutely innovative and creative in our twenties but we're twice that in our forties and 50s and looking around the audience, that bodes well for some of you. All right. We still have time. So let me now dig into, I want to get to that question that bill Gates considered. The best he'd ever been asked is who we're looking at each of these areas specifically. So scaling up people, we anchor it with a question, a question. You're not going to have to constantly ask yourself. It's one of the toughest as a business leader, would I enthusiastically still be doing business with that person? Knowing what I know about him today. My bank, my supplier, my customers, the key people I've brought on. These are the toughest decisions for you to make, but often they're the constraint to you scaling. And one of the things that's challenging is that human beings are not logical. They are psychological. It's one of the reasons

why, by the way, everyone in this room generally, we mess up pricing. Pricing is set logically, but that's not how people buy. It's interesting. Go to a restaurant. One of the things you'll notice, this is work done by Robert Cialdini, the father of influence, and they've got a wine list, and typically that wine list is listed from least expensive, the most expensive wines. All you have to do is reverse the order and put the most expensive wine at the top to the least expensive and revenue increased 26% you didn't change a wine, you didn't change a price. And then if you anchor that wine list with a handful of unbelievably expensive bottles of wine at the top, you can raise the revenue as high as 250%. So a friend of mine, Ann Marie, is the soap making queen of her industry, and she's getting ready to do a new Kickstarter campaign for a package that she got. And typical, how many of you have used a Kickstarter campaign or any of those out there? Typically, it's what a dollar. If you want to contribute to my cause, \$10 to the tee shirt. Here's what I'm selling for, \$30 and then I've got the granddaddy package for two 99 right? She has something similar. She calls her team immediately. She says, look, reverse it. But the two 99 package at the top, let's go down to the dollar and then let's make up a package. \$2,500 I will come out personally and make, so for you, she sold out the campaign in eight hours. It had never been done before. Just by understanding that if she reversed it and anchored it because humans are not logical, they're psychological. It's one of the reasons why we also mess up compensation, but we don't have time to deal with that here. And I think generally one of the rules along the way as you deal with people cause you need people's relationships in order to scale, is you want to stay away from the a-holes. Because one of the things that we know is there is no I in team yet. They found it. It's actually hidden in the a hole right there. All right. I know it's the only thing you're going to remember for all morning. You know, you're all taking photos of it. It's, it's so sad. It's so sad. And look to everyone say, well, but Steve jobs was in a hole, but you're not Steve jobs. Okay? So don't think you can get by with it. And as we say in Spain, the bottleneck is always in the top of the bottle. So if we want to really face what it takes to scale, we've got to look at ourselves. We've got to look at what's between our ears. And that's why you're here is in order to expand that moving forward. And let me share a really dark statistic. Entrepreneurs have the highest, we are the cohort that has the highest percent of depression. Of any cohort out there, it truly is lonely. It's why I founded the young entrepreneurs organization. Now, EO, it was based on a friend of mine, Joe Mancusos, note that it's okay to be independent, but no reason to be alone. And so depression runs rampant. I guess a third of you in here may be suffering some versions of that. The whole way to the organization is sitting on your shoulders and your employees will never understand that. They never will. So I just want to recommend a guy. Have any of you read Michael singer's work? Yeah, so I recommend that you read his books in reverse. You read his second book first. This is his biography called the surrender experiment. He was this hippie who said, what's his voice in my head? You guys, you don't have voice. We're talking about, and he asked a very interesting question. What if that voice was a friend of mine? And it was saying all this crazy stuff to me that it's, I'm hearing when I still want it to be a friend, and that's what you've got to get your arms around. And so he wrote this, he did this thing called the surrender experiment, and what you'll see is by surrendering to what live brought him, he built a multimillion dollar construction company and a multibillion dollar software company. So it's a great bog graphy for entrepreneurs. And then you read his first book. Second. This is the runaway bestseller, Oprah Winfrey's favorite book. You've got to see the three part interview series that she did with Michael singer, and it's, and it's his classic that is actually helps so many. Entrepreneurs who fighting depression get over. We actually do an hour with Michael at every one of our CEO bootcamps. As a result, it's that important. So I hope you go out there and and read his books, and I need you to do a checkup from the neck up, which is, look, if you've come here, playing not to lose, and that's one of the things that happens as you start to get success, that becomes your constraint, because now you start to go conservative. You start to change the game plan and that's the losing shot. We see it right now in, in the world cups and in, in, in sports. How many of your teams have been in a massive lead and then what do they do? They change up and start playing defense. At the last world cup, 86% of the teams that did that ultimately lost. Playing not to lose is a losing strategy. You've got to really convince yourself that I want to win, that I am playing to win. That's the mindset that's critical. Now I want to dig down underneath this and I want to be real practical. The function that is absolutely critical to scaling. You've got unbelievable resources here at mind Valley this next few weeks, and that is marketing. That is a function. It's why that's the function. Steve jobs

drove the entire time that he was Apple. And so his coach was a guy named Regis McKenna. Regis coached Intel, Genentech, almost every other Silicon Valley company and some young student at Wichita state university. Mwah. I'm getting ready to launch his global entrepreneurship organization. I cold call Regis McKenna. I'm a startup. I'm a student, and I share, you got to have a good elevator pitch. You better have a big elevator pitch. And I did, and he took me on his only free client he's ever had in the history. He still reminds me today, it was \$80,000 to have a first meeting with Regis. I said, all right, I'm going to teach you everything I taught Steve jobs. And, and Intel and bill Gates and all that. And he said, but you got to do two things. I said, all right, bring it on. And he puts his finger up and I go, what? And your finger? He goes, first, you have to set aside an hour every week to focus on marketing. This is different than sales. And at the time it was me and he would get on the phone when he did, and he assigned a young guy, rich Miranda, me, and for an hour every week for the next two years. We had our marketing meeting. So how many of you guys have a marketing meeting? All right, write it down. When is mine's 10:00 AM every Monday Eastern standard time, and I've done it now for 30 some years. So first you have to focus on marketing. Then he asked me the question that bill Gates considered the best question he'd ever been asked, and this is what I want you to work on next. And that is take a piece of paper out invert. I want you to write down who are the top 25 if you're a bigger company, I suggest two 50 but for most of you in this room, who are the top 25 particularly the top five. People, relationships, brands that you need to bolt onto what it is that you're doing if you're going to scale. And so, and he said, look, the bigger the names, the faster you're going to scale. Now I'm a student. I'm at Wichita state university. I have this dream to build the world's largest entrepreneurship organization. So I take a piece of paper out. I said, all right, I'm young, dumb broke as the song goes, first name on the list. 1983 president Ronald Reagan, I'm going to get the president of the United States to be the first president to ever utter the word entrepreneur. And I did, and I got invited to the white house and then consulted with the Bush administration. And then I wrote down Steve jobs. I got to get Steve involved with this organization. He's in his twenties if I get him to sign on, everyone else falls behind that. And Michael Dell, Michael had just launched, still an acquaintance friend today. He had me coach his son. Then I wrote down who had the two big media players, inc magazine and venture magazine, and I need to get to know their founders and get them behind this movement. And I wrote 20 more names and we worked that list. Every week, 36 months later, I'm global. 1986 I'm leading the first delegation of young entrepreneurs to mainland China. As a guest of the government. I've just thrown the party for Steve jobs, first public speech after being fired from Apple with 1200 of you in the audience. And I've got sitting next to Steve on the stage, Michael Dell and Mark Cuban and Kevin Harrington and Neil Balter and all of the hot shot young entrepreneurs at that point. And I've got ink magazine giving me full page as the six page story on that particular event and venture magazine, Arthur Lipper, still a dear friend of mine today. Giving me full page ads for our events for free. It was crazy how it worked. My daughter who's 16 has launched a natural body butter business. And so the first thing I did is I said, all right sweetheart, let's sit down. Let's take a piece of paper out and I want you to write down at least the first five names of who you need to get behind this venture in order for it to scale. And she knew four of them were like YouTube bloggers, because that's where her generation really gets their information. She knew who they were, and then she wrote down number five, Joe Biden, who's looks like he's running for president again, the United States daughter. Who we've now network to, to have a lunch. So I'll skip this store. I want to go right to a mere mortal. So I want to tell you about Tony Hardell. So Tony was an early student of mine, is this MIT program. He opens up a sun tanning salon in Dallas is not Facebook. He's not Google. He's opened up suntanning salon. But we sit down and he says, all right, what brands do I need to bolt on to scale this thing? If you know anything about Dallas, Texas, what would be the biggest brand that needs a tan? And we, the Dallas cowboy cheerleaders, right? So he networks his way there and he becomes the official tanning salon of the Dallas cowboy cheerleaders. Now he's running radio ads. Hey, he could do it, but he wants the biggest name, the biggest mouth in Dallas to do it. And at the time he was single. So he gets his way to Mark Cuban, the multi-billionaire owner of the sports teams in Dallas. He says, Mark, guess who I have hanging out at my sun tanning salons? Mark said, I'll be right over. And he becomes Tony's spokesperson. Look, you are the official tanning salon for the Dallas cowboy cheerleaders, and you have Mark Cuban, the voice of your radio ads folks. It's done right. Game over and he becomes the

largest player in the entire region. Ultimately gets bought by the national player for a gazillion dollars. So he can then retire. His latest deal was wine and he got hair. You could afford to get hair. He then wrote a book, and I absolutely recommend it, particularly if you've got yoga studios and fitness facilities and those kind of businesses called selling sunshine. He was an absolute brilliant operator. The mastering the Rockefeller habits, he applied it to his suntanning salon, so don't get me wrong, he understood marketing, but he also got operations. And he called me up a few months ago. He said, Vern, after 10 years, I'm bored out of my mind. I'm going back in the business. And last September he bought his first crunch fitness franchise. He's just announced he's going to do 20 more hire a thousand people. He's got the first 70 as he said, and he's back in business. But that's how it goes. And what's he doing? First thing, figuring out what brands. He's going to bolt-on. When I launched this, I have 156 members of Y. E. O. I decided I want to do an executive program, so I convince M I T to bolt their name onto the event and inc magazine to be the media sponsor. It's game over. We had 800 applicants for our 60 spots year one. And that's what really, once I had that, I knew why EO does today. EO would be the global entrepreneurship organization of the planet. So take a moment right now and who are those five names, by the way? Don't put mine. All right, so take a moment. Media personality. A friend of mine, Karen bank, he was in that very first MIT class today. She owns juice, beauty, quarter billion dollars. Who's our partner. Gwyneth Paltrow, you get Gweneth Paltrow to be your partner. It's game over folks. And I was a student at Wichita state university, right? I had no brand, but I had vision. And so who are the five biggest names? Local politician. The right reference clients, man, if we're doing business for that company, we'll get all the rest in the industry. the person who writes for your industry in the local publication or the national or international trade publications, who is the YouTuber? Who is the blogger that influences your marketplace? If you're in the software business, if Mary Meeker doesn't say what you've got, brilliant. You better start over. But if she does your billion dollars, every industry has its influencers and that's what you need to work. But it starts with the list. We're super excited. We just got Richard Branson to decide with all his centers for entrepreneurship, all focused on startups to realize that the action's not with startups. It's with scallops, and they've chosen to standardize on my book. That's a brand. To bolt on just recently. How do you do this? So you start by putting their name in Google alerts. So I want to get to Greg Brenneman, the top turnaround guy on the planet. By the way, when Steve jobs needed to launch iTunes, he took a piece of paper out. He said, look, I'm a guy that manufacturers hardware. He was well known, but the egos in the music industry, you couldn't fit in this planet. He writes down the top 25 names. He can't get to anybody. No one word turns his phone call. So he says, who do I know? And I know, ah, I know the drummer for the Eagles. And he invites Don Henley over to his house. They go on a walk and a talk, and at the end of it he goes, Hey, Don, you know anybody on the list? He goes, yeah, I know that guy. And Steve worked the list until he became the King of music distribution. That's how it's done. So once you know the name, first of all, you call their office, you get to know who their assistant is. This, I got the Jack well to GE, Roseanne Badeau ski, and you become friends. My buddy, one of the founding board members of Y, E O Dean Lewis was 16 when he launched his limo company in New York city. And the thing he did, he was known for dressing up and bringing a Rose. To the receptionist of every company that he wanted to do business with, and he built a personal relationship with the receptionist and the assistant to the people that made the decision, who was going to use what limo service. He became one of the fastest growing limo services before he sold it in New York city at age 16. This is how it's done. And then once their names pop on Google alerts, you have a reason to email to say, Hey, um, just tell Jack. I love what he just said, what he just did, the award he just got, and that's eventually got Roseanne to set up a phone call with me and Jack Welch. That allowed us then to ultimately partner with GE in the early days of me starting this company. That's how it started. All right, and then I want you to get this book you don't have to read. It's actually a really crappy book. I just want you to get it and sit it on your desk and stare at it the rest of your life. Keith Rozzi studied underneath Regis McKenna. He was one of his prodigies, and that is to never eat alone. I want to now give you the number one entrepreneur key performance indicator. I want to literally measure every week how many people the right people. You have breakfast with coffee, with lunch, with second lunch, with third lunch, with afternoon, evening drink, because that's the most important thing you need to do if you want to scale. And it's why Jason and Daniel and I had coffee this morning before this particular event to discuss the partnerships that we have here with

mind Valley and enjoyed the dinner. How Vishen's master at this. Of knowing not to waste a single moment of breaking bread alone unless you do need that critical meeting with yourself. All right, and so never, and I hope you're clear, who are the five or 25 you want to meet this three weeks that you've really looked at the list that you've reached out and that you have a coffee or a lunch or an afternoon with the right folks, they're going to be able to move whatever it is you need forward from this event. That is the most important strategic thing that you can do. All right, let's switch to the strategy and here are, the key question is, can you stay at it simply? It doesn't mean it's simple. It's not simplistic. We have to can't state it simply. It's, first of all, it's going to be really hard for the market to understand what you do. And so I just want to tell you two words. I want you to guess the company we deliver pizza. Which company is that? I've asked this question on six continents and everywhere, but Southeast Asia where pizza hut got their first. It's dominoes now. Let's finish it out. We deliver pizza. What was the promise? In 30 minutes or less, or it's free. That's it. That simple strategy simply stated, strategy made Tom Monaghan \$4 billion. He gave it all the way to the Catholic church. It's a whole nother story. Now, a lot of you're saying. But I use something slightly more complex than shove and cheap pizza in college. Kids faces, right? Feeding their faces fast. And so it's never been lost on this guy, Larry Ellison, Oracle, same deal, our exit data, and by the way, you, you hang where your customers hang. Not on Facebook in this case, but international airports took that recently at AU at Heathrow. Exit data is their database. That's the word they want you to remember, and it's not four, not six. It's five times faster than IBM, or you win 10 million bucks. Now, why would Larry Elson do something so cheesy? Because it works if you can't stay your strategy simply. No one's going to be able to get what it is that you can do for them. So let's not break this down. All right? And I want you to now make some decisions. So the first decision is, and I consider it the best strategy question ever popularized by this Harvard professor Clayton Christianson, and I'm going to give you an assignment. I want you to go watch a four minute YouTube video called job of a milkshake. Because only if you can understand the job, a milkshakes doing for your customer in the morning. Can you understand how to build on that success or compete with it? And by the way, it's not nutrition. All right? So I want you to watch that video. Now I wanna ask you a question in one word. What is ultimately the job. Of all of our products, of all of our services, of all of our lives, if you would, in one word, what is the job of all of our companies in this room? Just shout it out. What's her number one job service? Maybe replace, may be love. Maybe, uh, by the way, maybe means no, I'm just trying to, just trying to be nice. All right. And now, look, I don't, I don't know if I'm right. But I know this is useful. All right? And the clue comes from nature. By the way. There are no straight lines in nature. That's something humans made up, and I only see them on hockey stick projections of startups. That's more how your journey is going to be. And what is the simple rule that nature's used for millennials, for the millennials, I mean millenniums to get from Evers to the ocean. What's the simple rule. Go well, go with the flow. I like that path of least resistance. Let me say just in one word, here's your job, easy. At the end of the day, your job and your product's job and your services job is to make someone else's job or life or the life of their customers. Easy, not hard. Got it. So one of the wealthiest guys on the planet building, one of the largest company I was on the other side of the planet, Jack Moss said, it's very simple, our mission statement and make it easy to do business anywhere. This is why Ikea bought task rabbit two years ago. Now that the population is aging, let's add services to our product in order to make it easier for the elderly to pick up and assemble the products that we make into the marketplace. But I want to take it to a mere mortal status. So this my buddy Maine, Hank Morton, hang 20 years ago, 22 years ago now, launched a company out of San Diego called Baja bound. It does one thing, man. If I'm going to drive my car in the U S to Mexico, I need Mexican auto insurance. I am going to be the place where it's easiest to buy that today. He lives in Barcelona. 60 some hundred miles away from his company. He makes more money than any human being deserves to make. He owns this little niche within the larger insurance industry and he does it all. With six employees and a dog. That's his entire team. All right, so you don't have to scale to tens and hundreds. Just let's get five or six employees. Let's get clear. What is the thing we're going to do? The job we're going to do is make it really easy for people who need to drive to Mexico to get the insurance that they need. In fact, if who is the wealthiest guy on the planet today, next to Putin. Jeff Bezos, right. And I know for a fact, cause Jeff Wilkie, his the other Jeff that runs that companies, a friend of mine, every Monday, they obsess about one thing. How do we make it even? What? Easier for people to get



what they need immediately. That's all. If you want an assignment every week, what do we have to do this week? So take a moment now. I want you to work on this. What's not easy. In your business? Is it not easy? Is it easy to find you? Is it easy for people to figure out what it is you can do for them? Is it easy for them to order from you? Is it easy for them to get a call back? Is it easy for them to get a quote? Is it easy and all you have to do is systematically 1% of week compound interest as your friend is figuring out how do we make it just a little bit easier every week? And ultimately you could have the most killer app on the planet. But if it's not easy to use what it's dead on arrival. That's why user interface so critical with everything that we do. When we talked about the strengths versus weaknesses, it's really what do you find that's really hard in doing your own job within that business, and then what do you do to find people that can make the hard look easy moving forward? This is the path. Nature's path is to always take the easy route. Not the difficult route. And I think we get confused by that. So this'll be something you can focus on every day of every week. Side note, as you get employees, therefore, what do you think your job is as the leader? How do we make their lives easy, not hard? And by the way, most employees view their bosses, man, that person is trying to make my life miserable. And so if you can just focus on easy. Care love. But Karen Love are just too hard for me to get my arms around. They're too femoral in some sense. Easy I can get, and that's why we find it's useful as a way to think about the business. What are you going to do to make things easier? Now we're going to dig into our, what we call seven strategies. Man, if you don't get the strategy right, you're going to waste the next three years of execution. And that's why it's important for us to focus on it. So we took all the best. Kind of strategy, theories and world. I bunched them all together, put them in a martini shaker and out came this thing we call the seven Strat, and now we're just going to work on a couple of the items, number one, and number two. And the first question is what is brand? The essence of brand? It's owning some very important real estate that is Mindshare around a word or two. When I say the word Google, what word does Google own in your mind? Search, right? And they own the word Google. And those two have become synonymous. By the way, it becomes such a problem that all the other businesses that they got in, they needed to spin out and put under a different brand. Alphabet, I all wish upon you the same problem Google has had, right? By the way, who did they steal that word from? Yahoo and Yahoo never recovered. You want to, you want to weaken your competition, steal their word. From him and y'all who never figured out. None of you could ever figure out then what job Yahoo could do for you. See the word or two you own describes the job you're doing to make people's lives easier. Google is absolutely made. It's easy for us to figure out anything, find anything. Dr Google, if we're even ill, right? I love this. I'm down in Sydney, Australia. Again, you can't stay at any simpler than this. We're number one in the number two business. Now if you need translation, they Pompe poop, right? And if you don't need poop pumped, you don't need to do business with this company. I'm, I'm fly a lot through Turkey. I see this article about this young artists in, or the single artisan who loved to carve wood as a child, and he ended up getting a job at a furniture company where he's carving kind of, uh, tables and dining room sets and things like that. And then he decides to specialize. He just wants to carve doors. Wooden doors or Nate wooden doors? No. Or Nate wooden doors for churches now, or ne wooden doors for Christian churches and this lone artisan. Now the literally the market beats a path to his door. He delivers these ornate wooden carved doors for Christian Church, and he'll do a mosque or two if he needs to. Um, by the way, what are his marketing costs? Customers now stand in line to what hope he chooses their project. What's his pricing power? What's his margins. And how do you know if you own a word or two? You Google it. Look, even if you're local, if you aren't the best at Thai and restaurant in Atlanta, it's game over because that's what people are going to search for. And you better be working that. Now I messed up. I'm the growth guy. And by the way, I know I own any anywhere on the planet. Cause even though it's geo specific, you put in growth guy, you find me. The problem is no. Buddy cares. When's the last time you were sitting around thinking, man, I need a growth guy. Unless it's like Viagra related or something like that, and that's not my deal. I'm Cialis. No, I'm just kidding. Um, Hey, quit laughing. That's so we figured out that, look, it's scaling up. That term has really caught on. People want to scale ups that talking about not startups now scale ups. So we own the URLs and we're getting about that business now. Something, one of the things I love entrepreneurs get to do is we have to get to make new categories up. So dairies Beckoff knows he can own water. Like nobody could own automobile, but safe automobile Volvo had for a long time. Great

drive and experience. That's BMW. So we said, I'm going to create the first new beverage category in 25 years. He labeled it enhanced waters. He just took water, added vitamins and minerals to it. You know, it is vitamin water, it called it energy brands. And then what you want to do is you want the media to independently label you. The King of the queen of the godfather, of in this case, enhanced waters. He didn't care that a, the customers knew. The only way you're going to make a gazillion dollars in this industry is ultimately sell the Coke or Pepsi. He got him in a bidding war and when the dust settled before his 40th birthday, he sold his company to Coke for four point \$1 billion. Don't you wish you had just taken some water, added some vitamins and minerals too, instead of doing this stupid business that you're in, right? You could probably get passionate about water as well. So you want to create the category and it starts with your name. I look, I just want to be honest. A lot of entrepreneurs I meet have like just these stupid company names, and that was the same with my hero, Carrie Smith. I finally got to share a stage with him last year. Carrie had this company that makes these fans, you've seen him in airports and the like, and the company was like called V T C H technology. Something was like low velocity. Low velocity high look, I can't even remember. Nobody could, and everybody would call in and say, are you guys the ones with the big ass fans? So Carrie's like, shit, let's call a big ass fans. He then changed his title to chief big ass, and guess what got more publicity than any industrial manufacturer deserves to get. Last year he sold the company for. Cause they'll, you know, half a billion dollars. It was a pretty good exit for this entrepreneur who was just making fans. So I got to tell you a story about a mere mortal good friend of mine out of Barcelona, Alberto. Alberto has got three employees. He's figured out a whole new way to do SCM. By the way, how many SCM firms are there? Search engine marketing firms. A gazillion, right? Every student who can't get a job but knows how to put a Wix website up is all of a sudden in the SCM business and like this young kid in his twenties he names the company clack, shunning, sorta had this techie name, and now things are starting to catch on his differences. What he's does is he optimizes using. Physics and high level math. His employees are all physicists, math, quant heads out of wall street. He can optimize. Not 50 not fifty thousand fifty million keywords, 150 million keywords. So now he's ready to go big. The first thing we say is, you got, you got to change the name. It sounds stupid. And then we looked it up and we found out that Claxton actually in the urban dictionary means cliteracy action. That not going to work maybe for another site, but not for this one. Okay. Uh, I told you we were going to talk about sex, all right. So first thing we did is he said, look, all right, I want a name that connotes luxury. I want to be seen as the luxury brand in this industry. And then he reasons, almost all luxury brands are what? What do they have in common? They seem to be two people's names like Dolce and Gabbana, Mercedes Benz. You can just, you can go down the list. It's, it's a very interesting thing. And so he says, ah, I'm going to pick two great mathematicians names. And today the company's called gals and annoyance and the website looks like \$1 million. His first major client, I bury the airlines. He only increased the revenue 108% the first year he then land. Now he had a second problem though. Let me tell you the biggest mistake almost all service companies make and how many of your service businesses. Yeah. Right. Versus product businesses see product companies, you know, to name everything, right? Every, you know, nutritional bar you've got, and every product line you've got and everything you've got, you give a name to three M's got 55,000 of them. But service companies, you don't name anything. So nobody can point to say, we do that. Rockefeller habits thing. We do scaling up. You need to sub brand. Your unique approach to service. So this is what we're working on next with them. So we go to a meeting on, I go, Alberto, explain how you, what you do is different than everyone else. And he says, and he shows me this diagram and I want you to go to the website and see it. But to make a very long story short, you guys know what mass marketing is. So we coined a term mask marketing. Which stands for massive array of structured keywords, and that has become as big, if not bigger, brand than the name of his company post. Can't remember the name of the company GNN he shortened it just like Dolce and combine. It has the DNG, but they do say, Hey, worthy, we use those guys that do mask marketing and so I want you to go create a brand, a sub brand. I want you to brand everything that you do so your customers can point to you. We have a unique way of doing yoga. Give it an aim. All right? Not just the name of the company. My early students who are the ones who scaled up rack space, the ones who provided hosted servers that a lot of us used as startups. They were our startup servers when I launched Gazelles, and the smart thing they did early on is they branded their approach. They called it fanatical

support, and they became better known for the brand fanatical support than they did their own company name, Rackspace, as they scaled it and sold it for \$7 billion. So that's how it's done. Even this private equity firm that we were partnered with, what they do for companies, they call sparkle, and they just bought a client of ours Dwyer group, and the first thing he did is said, that is a stupid name. You have a whole bunch of home service businesses, so they rebranded it neighborly. So I want you to go back and rethink. We had to, my company's name was Gazelles. It worked for a while. That's the name you give to fast growth companies. Promise. Nobody could spell it. So one Z two Z is how many ELLs is there? An ass, not an ass. So I named the book scaling up. So the company's now called scaling up and all you have to do is go to [vern@scalingup.com](mailto:vern@scalingup.com) and you're going to find everybody within our company. We even thought through, nobody can remember folks last name. Your, your, your email address should be just your first name and then whatever. Otherwise, I can't find it easily when you're trying to go through your outlook to find somebody, cause I remember your first name and I put in Vernon if got it. It's about easy to spell, easy to remember. Amazon, Google, Facebook, Microsoft. All the great companies don't have these stupidly dumb long names. That many of us do. Second. All right, so next, what we want to do is strata number two. Robert Cialdini. Father influence again, says, if you want to convince somebody to buy your product over somebody else, your service over somebody else, you want to give them three reasons. Three trumps two or four or list of 10 and Francis fry, the gray strategy professor at Harvard said, the biggest mistake you make is you all go out and talk to the same customers. And the customers all want the same thing. And by the way, if you're not careful, customers will want, want, want, want, want, want you, right to bankruptcy. Customers want more, they want to pay less. There's the train wreck called commoditization. Well, you've got to do is be clear. What are the three, not the two, not the fourth, the three things. And clearly we're going to lead with the one 30 minutes or less. And so one of our clients as a family out of the Philippines, they've been in the shipping business yet the Philippines have had two of the worst fairy disasters in the history of the industry. They have 7,000 islands, like the thousand islands here that needed to be networked. And so they said, this is very missional. We need to create a safe way and the easy way for people to get in the Philippines among their beautiful islands. So they launched the company, they've been been fanatical fans of scaling up from the very beginning, and they said, Vern, you're going to love it. We took to heart your advice around the three brand promises and we even painted them right on the side of the ferry. First and foremost, we are fairly safe. We are fairly fast and we are fairly convenient and right there we know exactly. And now our hundred now thousands of employees as their Beehag is to have. 30 of these ferries that now have 22 up from the original seven that they bought to get the company launched, one of the fastest growing transportation companies in the world. And it's right there front and center of their website as well. And so I want you to work on these three weeks. What are the three reasons and the one you're going to lead with, most importantly safe. And that's what they wanted to bring to the Filipino people. Uh, and they're delivering on that. One of our dental dentistry is hugely competitive and one of our best dental clients in the U K look, they make it very simple. Yeah. We know that you better be able to fill the teeth and clean them properly. That's what we call table stakes. If you can't do your business, then get out of the business. But how are you different? How fast did we answer the phones? Were you seeing on time? And most importantly. I don't care what we do to you, you're not going to feel it. And a child can fill that out. And then they add the net promoter score at the end of that. There's the three, not the two, not the four, the three. And they ask every patient after their appointment, did we deliver on those three? And if you look at our one page business summary, we already talked about the purpose, right? There's, we're going to put those three brand promises. Take a moment. What do you think are the three reasons? No, no, you're not going to figure it out. So I had in that same workshop with Scott Fuqua, Naomi Simpson, Naomi's this X marketer out of Apple who decides she wants to do some, she has a purpose in Australia. I want to change the way Australians think about gifting. Let's gift experiences not stopped. It's either consumed or wilted within a week. Today, she's \$100 million company, but back then she had barely sold 75 of these experiences. And I said, now, let me tell me why people ought to do business with you. And she goes, well, it's easy. Number one, our branding red balloon, everything's red. It's like the, the Tiffany turquoise. She only wears red out there in the, in the public, you get a red car, obviously with a red balloon. So the brand new she nail, which you'd expect if she's an ex marketer, exact from Apple. Next unbelievable website.

We make it easy for people to sort through the 2,500 experiences that we offer for them. Then to choose the right one for their friend or colleague. And then number three, we'll actually have somebody on site that day to help out if there's any problems, something you're not going to get necessarily. If you. So she had it nailed until she went out and talked to customers and she's bumped into a friend of her slash. Customers. He thinks going, Hey, so what do you think about the business by the way, things aren't moving. She's not scaling. She can't figure it out. And he goes, Naomi, I absolutely love your branding. It's so cool to kind of serve as I hear you provide, and I particularly love your website, and I use it to figure out what experience I'm going to give. And then. I buy it direct and she goes, why? Because everything else is what he just assumed he was going to be paying what? A lot more, and that's when she realized her number one brand promise needed to be not low price, but to be a pricing guarantee that you go through us, you will pay no more than if you go direct. Plus you then get the branding and the ease and all of that. Now, being a smart marketer, she didn't call it price guarantee. She went and created a new brand called pleasure guarantee to kind of play off of that sex sells. And today she a hundred million dollar company judge on the shark tank show one of the most famous Australians next to Scott. And they were both at that same workshop and have done extremely well. That's how you think about it. Execution here. If you don't have relentless repeatability, and I'm not talking about six Sigma quality though, some of you, my daughter has to have that with her skincare. Um, but. Can you at least get the invoice out on time and is it accurate? And by the way, is your invoice easy for them to pay? And that's where these routines set you free, including our meeting rhythm. Now we're not gonna have time to dig into it. Daniel, are you going to do one of the sessions on meeting rhythm or not the third session? All right, but in essence, it's this day, week, month, quarter, year rhythm. That we think is critical for you to get organized around. And I want you to realize with any project, so Daniel R's partner, John Ratliff, sells his company for a gazillion dollars and decides he wants to launch a wee workspace, but for scallops, not startups, called the line.space. So he buys this whole brilliant, beautiful bank. And he pulls the team together. There's John and his team. On the right there is the design and construction team on the left. Notice the happy faces at the beginning of this project. You know, you're hiring a digital marketing agency to help your, you know, you're doing a real estate project and this whole thing very quickly. What gets over budget and it's going to be gazillion months late. And so we're on a call, he's on our council call every nine o'clock on Monday, and John wouldn't have thought to run his call center businesses without every one of his 650 employees in a daily huddle. He goes, Oh my gosh, I'm going to start a daily huddle. So seven 58 every morning, the team that touched this project jumped on a call real quick, just for a few minutes, and they went through our agenda. The project that was run in five months late got delivered in the next five weeks. Now I couldn't make up for all the money they'd lost, but they, the rest was spent properly and he wished he'd done it for the very beginning. So if you need to get any thing. God, if you want to move faster, you pulse faster, so you want to dig into that, that piece of the workshop, the Daniel's going to lead. By the way, there's the project, huge success. Scaling up. The key is this one of my favorite quotes of all time. The main thing is to keep the main thing the main thing, but it's hard when a thousand things are coming at you at any one moment. And so I want to turn to Mark Zuckerberg. Mark, I would never bet against to half a trillion market cap. He's going through hell and back, but the kids, heck, in his early thirties. When he went public, he took 10 X off the table off of everybody else. This kid is smart. This kid knows that every quarter he pulls his team together and it's not the five, not the three, but the one priority we're going to work on. So he's getting ready to take the company public. Our fortune editors said, we're going to send our two best writers out. We know Mark's good announced them going public, but they get to the meeting. They can't believe it. Mark hardly mentions it in passing. Yeah, I've got that IPO. What I need you guys to do is put treads down, stay focused. And get us mobile overnight. People quit using PCs and moved to mobile devices. Now the meantime saw it goes 38 collapses the 19 we're beating them up in the marketplace, but he doesn't care cause it's not as number one priority. And sure enough, they focused on it. Within a few months, they pivoted from laptop to mobile, and in the next 18 months, 98% of their revenue growth came from that new, um, channel. He could have done 999 other things and run in a company the size of Facebook. You know, he's got those problems, but he knew the thing that needed to be done next and he did it. And the rest is history. If he had not gotten mobile, they would be that light blue line. And if you have that kind of flat revenue growth, that's not good as a public

company, what do we call that light blue line? Yahoo. Yahoo failed on two fronts. They never got a word. Owned in your mind after they lost search to Google, you could not figure out how Yahoo could make your life easier. And number two, they never got mobile all the way the stock responded and it's 10 X what it was at the \$19 here is the number one business book ever written. I shared this when I was in Barcelona. If you can only want it read one business book, you throw my book out the window. And you get the late Eli goal wrath. This is Rayley's book called the goal. How many of you guys have read the goal? Not enough. It's a parable. You can read it very quickly. Now, Eli taught us two things. Number one, don't smoke. He died of lung cancer same year that Steve did. Also, you don't want to die the same year. Somebody like Steve jobs dies because it sucks up all day. Media attention. That's, that's a sick joke. All right. Number two, this is the idea. I'm a little sick. It's called the theory of constraints. Everything I've been talking about is this. What's constraining you. You start with what's between your ears that's constraining you. Hopefully that's going to get addressed over the next few weeks. What's constraining inside your business, what's constraining the industry, ultimately, what's constraining the market. And if you can figure those out. So I want to take you back to my second book and look, if you're going to be a great student of business, I think you should read its history. Like a great architectural student ought to read about the best buildings, like the Sagrada Familia. And, uh, what we've seen here in Pula. And in there, I tell the story of Robert Taylor. So Robert decides the market needs liquid soap. Some of you are too young to know that there was a time when only had things called bars of soap and you don't know whose body parts they'd touch last. Don't even want to go there. He launches it. 1980 goes to 39 million its first year. Now he's getting ready to go into year two. What's his constraints? Cash, distribution, office space, all the messes that come, and he could have addressed those 900 things, but if he had missed this one, he wouldn't, he wouldn't have. He would have lost it again. He said, look, he got wind that Colgate Palmolive was going to steal his idea. That's when you know you've got something. That's when people are going to steal it. Right? How's he going to control his destiny? And he said, the constraint is the pump. There's only one company that makes them this. We're talking about three years before even TNM and square RIA, or six years before that. It's China's not even on the radars of manufacturer. It's a company, California. He goes and visits them. Hey, what's the biggest order you guys ever failed? That goes yours 5 million last year. He said, how many of these do you make a year? And they go 100 million units, he goes, sold, and he negotiated a 12 cent price, \$12 million purchase order, a million a month for the next 12 months, hoping he could grow out of it. And he did. And when Colgate-Palmolive wanted to jump into the market, guess what? There's no screen pumps, right? There's no, there's, so they ended up ultimately buying his company for the gazillion dollars. It's a tactical term, actually, 75 million. Now, what do we call this strategy? Black male. You have to understand I'm being very serious now. Every one of you want to figure out how to get in the black male business. You control a key supply. Boston beer owns the spot in Bavaria that has the best hops today. They own 2% of the beer market. You want to figure out where the constraint is in the industry. You want to have a patent. If you can defend it, you want to have the right URL. You want to have locked up the right location, the right corner within your town to put that restaurant or yoga studio or whatever the case might be. You need to own something that allows you to blackmail. The market. You've got Mark Cuban as your spokesperson. I'm sorry. All the rest of the suntanning salons are dead overnight and the Dallas cowboy cheerleaders, this was not lost on this young guy. He's getting ready to go back, save his baby. He's going to launch a device at anybody could have copied, by the way, he was a master at describing the job. What was the job the iPod could do for you? Put his thousand songs in your pocket. See that you gotta you gotta describe what you do that's simply to the market. But people could have copied this. So what did he do? He went to bill Gates and said, bill, I need you to give me 150 million bucks. Bill said, yes. Why did he do it? Because he understood Bill's constraint. Bill's constraint was monopolistic pressures. And if Apple goes out of business, it's going to cost bill billions. So Steve understood that about bill. People are not logical. They're psychological. He gets 150 million. Then he uses that money and locks up the worldwide rice to this proprietary Toshiba flash-drive that only one con only Chiba made, and as a result, he was able to launch his product. Nobody could copy it, and the rest is history. He got the company turned around. It wasn't lost on this guy, Leon Musk, this case study, and I think he's not going to make it all tamale in electric cars or solar or any of that, but he doesn't care because what do you want? He knows the

constraint in both of those is the battery. And if you can get the battery technology right, which is where he's putting billions of our us dollars, then he can be the Intel inside every car and every home and every business with solar electric. What is that? What's the front domino you've got to push over and once you've figured that out, now it's time for you to climb. I've got the right name for the company. I've branded what it is we do. I under, I've figured out how to make it easy for people to do business with us. I can describe very simply, the job we do for them that's going to make their life easy. 1,000 songs in their pocket. I'm going to promise to do it in three ways. Fairly safe, fairly. You fast. Very convenient. I'm going to start the climb and it's not a straight line. Simon limb, one of my early clients out of Malaysia who does commercial building cleaning, it's not Facebook or Google. He cleans buildings. And he's kept a chart all along the way of his climb through the Asian financial crisis, the subprime crisis. There's not a straight line in history. It's tough to get up that wall. If it was more than 1% of companies would do it on the planet. And so I want to take it to Galloway Ireland to my buddy gene Brown jeans hauling trash in a small town. He's got 60 employees and he says, you know what? I want to go big. And so he comes to our workshop, he says, I don't know how I'm going to do it, but I want a million customers in the next 10 years. He was there in 2010 in Florida, and by the way, I would put it in perspective, there's only 70,000 people in Galloway Ireland. There's only a hundred thousand households in all of Dublin. He's does not going to get anything like a hundred percent market share. He's going to have to move through Ireland, great Britain across Europe, into the middle East. But he starts to decline. And the most important thing is for you to figure out what you have to do next. And that's what you have to figure out while you're here. When I have to do in the next 90 days, I don't, you don't need to see out any further than that. That's as far out as Mark Zuckerberg. Thanks. He has a Beehag, but then what do I have to do the next 90 days? He says, you know, I just need more cash. I needed to figure out how to get 40,000 more a month flowing in here. And so he turned it into a game. He put it out to all 60 of his employees and, and sure enough, they did it. And then, and by the way, he put up charts that they would track and the XC then figured out we got to start working more as a team and I'm going to track 180 work sharing days over the next 90 days. Then I've forgot to figure out how to we get rid of the stupid stuff that we're doing. And that's what he figured out that 90 days. And even took one 90 day period and said, let's figure out how to price right. Let's get the pricing, and they were able to average increase their price 7% per customer, which went right to the bottom line by rethinking it. No one has the same price. That's one mistake, by the way. You all make, you think your price should be the same for everyone. The airline industry's been massively a losing industry for decades, for the last four years has been their most profitable in history. As one CEO of a major airline said, if I have 1500 people flying in one day between Milan and Pula on the routes, and there's only 1200 different prices, I've screwed up 300 times, that's why you have all these options to buy this and that and early and the price changes. That industry figured it out. You need to as well, and the technologies are easy to do. It. He even did one around culture. We called it cool, not cool, and so it's all about the next 90 days. Cash. Take a moment. What do you need to get done in the next 90 days? What's the most important thing? Mark Zuckerberg knew it was to get mobile. Jim Brown said, I got to get some more cash in the door. virtual technology Corp, I need to get 16 more people hired. He found the only 20 on the planet that could do what he could do. Raytheon, the next year bought his company for a gazillion dollars. Where's the constraint? You need to lock up? What do you need to do in the next few months? I need to hire someone to do my PowerPoints. All right, got about five minutes. Let's wrap up with cash. And it is King, and I just want to recommend a book. It's the best book on this topic written by a dear friend of mine, John Mullins, a serial entrepreneur who then two decades ago turn into become a professor, London business school. Uh, his is one of the courses that we offer out there called the customer funded business. Let's get really clear. 99 point 99% of us are not going to get venture capital, and I got to tell you, get money from friends, families, and fools is tough and dangerous. The best capital to get to scale is from your customers. So I want to end with a story that ties everything together. I've been talking about, I want to take you back down and underdog Australia. As you can see, I have a love affair for that country. I'm actually, I have a great brand down there and this father, son, team, first of all, recognize a big trend that people want to eat. Well, healthy, but more importantly, local, local. And it's particularly important. You eat local honey that's produced from flowers that are local because nature puts local what it is you most need to deal with, the diseases and the other stuff that might be local, but

it's not easy to do your own honey. And so they invented this device. They called the flow. Now who invented it? The father, the son. Based on what I said earlier. The father, right? He had the infinite years experience that son figured out how to three D print it, so they didn't have to build up a big manufacturing facility. Now they need to raise \$70,000 to get it going. Now they could go to friends, families, and fools. But today we have these places called crowdfunding sites, right? They're not crowd funding. It's presales. And so Kickstarter's a U S Indiegogo is the one that's more global. So they put it up on Indiegogo. They hit a quarter million dollars in 15 minutes and hit their first million in three hours. They qualified now from membership, and EO normally takes longer than three hours to generate your first million in revenue. They doubled revenue in the next 11 hours, normally takes more than a half a day to go to 2 million. And when the dust settled. They had sold 30 days later, over \$12 million. It's the most successful Indiegogo campaign in the history, uh, to 36,000 people. There was her goal 70,000 and notice their, their proposition harvesting honey is right on both on everybody. There it is. Now, here's the backstory. Who is the marketer. Assad. Did they have a big marketing budget? No. You know what he did? He had been in my workshop. He takes out a piece of paper. What's he do? Write down the top 25 influencers in the, we like to eat what we kill space and grow and like his guests were those 25 we're reaching about 3 million advocates. Of people who want to eat what they raise and do themselves, and all they did was nurture a relationship with them, put on the, Hey, I'm a cute kid out of Australia trying to solve this complex problem so people could eat local honey. And then he stayed in touch with, Hey, we're launching in three months, two months, next month, next week, tomorrow, next hour. They drove the first quarter million, the next million, the next 2 million. He's nurturing relationships, by the way, with some of the bigger local media in Australia who are watching this in the national and international media. And he obviously had built a relationship with the folks directly at Indiegogo. So as this thing started to take off, how Indiegogo takes over and they're publicizing and CNN publicizes it and what their entire marketing budget was, zero. To drive their first 12 million in revenue. They have flow to out a very successful company today in Australia. You can look them up and in 2015 the innovation award for the globe was given to Elon Musk for the Tesla in 2016 the innovation award for the globe was given to this father, son team for the flow. Look, if they can do it. You can do it. All right. I've taught you what you need to know. Now, I want to be a little philosophical as we wrap up. So I launched my company. We went to half a million million, 2 million, 4 million, getting ready to do 8 million, and then nine 11 hit and I lost a million bucks overnight. I was definitely losing money in the late nineties as you're supposed to, and boom. But our EO chapter was bringing in this guy, Robert Kiyosaki, and I learned that if you want to make a ton of money, 2000 pounds of money, you got to give away 201st and Robert said, look, your rich dad that he knew when they got in financial trouble would fuel the pump by giving away sincerely. To their favorite charity to get the prime, the pump prime. And so charity I'm involved with is doing the largest capital campaign in its history. And they come to me thinking, I'm rich and I'm broke. And I thought, you know, I'm going to try it. And I committed to a sum of money over the next 36 months that I couldn't even dream to give away, let alone earn myself. And it was crazy. It worked. The modern version of that is Adam Grant's give and take. You gotta be careful though, how you give, cause givers can be taken advantage of. So even how you sponsor things and all of that. So there's some real detail around it. But it was this woman Lynn twist, who ultimately taught me about money. And you've got to get right with money, folks. You've got to get this right in your head because a lot of us grew up with really screwed up ideas around money from our families. Money is like water, water is life. Yet. If you let it go stagnant, it will kill you. The same with money. You got to keep it flowing. You got to keep the momentum going and the more you put out for your people to the marketplace, but in the right way, the more will come back. So let me wrap. For practical ideas. Number one, whatever you're facing, get a piece of paper out and make the list and start working the list. It's through others, brands, relationships, influence that you get stuffed on including a kid and his father in Australia. Number two, ultimately bland strategies about what word or two you can own in the minds of the marketplace. What is it ultimately you can make easy for someone in this case, harvesting honey. And they, they called it the flow. It had a name. Oh, well we got the flow. Number three, how do you focus your effort? You understand what is the biggest constraint for you to try to go after any, but the weakest link at this moment is a waste of your time, effort, and money. And so go to the constraint, not the weakness to the constraint. And last, what is the universal truth about

making a lot of money? You absolutely have to give first. And so if you can pull the a team together. And have this one page clear, simply stated, strategy, vision, and then get a set of these routines in place and this is the stuff that Daniel is going to go through with you. Then you can start to move. The key though is to have a bias for action. If you're going to sit here and just take notes and not do anything, I hope some of you who've already made decisions and have already texts back to your team, decisions you've made and things you're going to change when you get back. Don't wait till the end of three weeks. You got today on the planes of hesitation, bleach the bones of countless moons with the Dawn of victory, lay down to rest and interesting die. That's, that's kind of more of it, isn't it? But that's reality. It's a little bit better. The founder of habitat for humanity. It's easier to act yourself in a new way than it is to think yourself in a new way of acting. And so you've got to do with those three things. Joel, let's end with this. This video. Give me all, you got a friend look, government's never solved a single problem on the planet. Entrepreneurs do. All right, we are the job generators. This city just lost 2000 jobs last week cause their shipping thing went bankrupt. It's disastrous. And. The only thing that's going to save the city is get a bunch of entrepreneurs and they're going to be invited in as part of the being local guests, uh, to be a part of this. Look, you're the innovators, you're the job generators, you're the unsung heroes of your communities. So I want you to have fun over the next three weeks. I hope you had some fun today and laughed with me. I appreciate that. But this is serious business and, and I know the pressures that you're under. I've been there. Okay. And so Godspeed. Good luck out there. Thank you.

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 9



## How to Effectively Scale Your Business // Verne Harnish

URL: <https://www.youtube.com/watch?v=mXY0E5v3VKg>

can this business thrive without the owner you got to start putting systems and processes in place if you don't use the systems the business will break we're always looking to buy back our time you cannot say something once and expect that it actually is received a big motivation and that for me is creating a job for myself that I really enjoy this is how you discover your vision and this is process makes perfect hello everyone I'm Chris Ron co-founder and CEO of train yule and this is process makes perfect as always we're talking with experts in process creation automation and delegation basically the people that know how to make business easier and today we have with us Vern Harnish Vern is the authority in scaling up so much so that he literally wrote the book called scaling up following the success of his other two books the greatest business decisions of all time and mastering the Rockefeller habits and I've got to say our customers talked about these books non-stop so amazing books highly recommend them he's worked with thousands of organizations helping them grow successfully and efficiently and he even founded the entrepreneurs organization or IO which is a top hub of over 14,000 members across the world Vern's the CEO of scaling up which is an executive education and coaching company and his work has been a huge inspiration for me and growing Tran Yule from the principles of scaling up to being a member eight years member of VL and our brands even share the same color purple so Vern thank you for being here you gotta Chris glad to be on the show very cool so I'd love if you would share with our listeners just kind of the the inspiration may be so before i/o before scaling up these principles were obviously founded somewhere so what kind of gave you the aha where did you craft the the ideas that went into these books yeah so my dad was a successful business person I kind of grew up around entrepreneurs then when I got into college I helped kind of grow about a 12 million dollar company and ultimately join one of our board members dr. Fran Jabara the late doctor frangie berry and building the Center for entrepreneurship and that's when I launched AC Association a collegiate entrepreneurs ultimately then ye oh the young entrepreneurs organization became a oh and and YPO kind of a organization that we've mirrored ourselves around had an executive program at Harvard so make a long story short structured a deal with MIT launched this course called birthing of giants back in 1991 and as you know there's there's curriculum for startups on every street corner and I have an MBA we're supposed to help you scale a large company or run a large company but there wasn't anything in between the startups and the grownups in terms of the curriculum for what it took to scale and so launching that executive program with MIT in ink magazine we developed a curriculum moved about a thousand CEOs through that many of them who are well known today and then codified it at a book mastering the Rockefeller habit so that was really the genesis of what is scaling up Rockefeller habits 2.0 today I love it and so that book scaling up has been so influential and it was actually the the content of that book in your program your coaching program that formed I think the accelerator program which is where I started is that true it is so 15 years ago we competed we won the contract and it's our tools people strategy execution cash that invent the heart of the EO accelerator program so it's been a huge honor for me being its founder amazing program so we'll get into the tools in a second but in another interview you did I heard you say that there are something like eleven thousand startups every every hour hour every hour we're not hurting for new companies yeah in the United States were lucky 3% of those companies scale up in the rest of the world is less than 1% and so you're quite rarefied earth if you can get beyond just you as the sole owner and employee of the company so broadly before we get into the specifics you know what do you see is the the top couple things that people can't break through in order to pass that million dollar threshold yeah I asked you outlined in one of the early chapters of scaling ups called the barriers and we really identified three the first is really right between your own ears it's your own mindset it's your own education so we call that leadership development and the importance of really developing everybody through the organization look nobody no one talked to there's no manual and we needed to create the manual for it number two is scalable infrastructure which gets right at the heart of what you guys talk about around process and at some point you can't keep track of the business anymore on bits of paper you've got to start putting systems and processes

in place in order to manage the complexity that comes with scaling and then number three it's very functional specific Chris and this was research that Dr. Ed Roberts the senior fellow at the Sloan School at MIT first discovered the key function if you want to scale is marketing separate from sales and you need marketing not just to attract customers but talent investors even attention in the marketplace so three barriers leadership development scalable infrastructure and marketing I love that you said marketing and I want to touch on that for a second because for me it was a mental barrier that I was not a marketer and for so long I thought of myself as an Operations person and I think a lot of startup people do they use that as an excuse or maybe they're good at the thing but they're not good at marketing so do you see that as a challenge and is it a mental thing to overcome yeah it really is a mental thing cuz what's interesting is marketing is very cerebral it's very logical it's very numbers driven you actually want kind of the wonks engineers I mean folks who go into marketing had having backgrounds in mathematics and physics Steve Jobs his favorite subject everyone hurts ears about his calligraphy course but he loved physics and history very analytical kind of subjects it's why he ultimately led the marketing function at Apple when it truly scaled and so marketing is an analytical function different than sales which is really a relationship function and I had no idea how process-oriented it was I thought marketing is just the creative people on the white boards but it really is just tracking metrics metrics right yeah it's super process driven and that's why again the analytics are the ones that you ought to be hiring and looking to drive marketing okay great so let's get into some of these growth tools you mentioned them they're on the website they're fantastic resources and two in particular that stood out for me were really influential for me as I was building my companies the first is the the one-page vision summary or the the one-page plan I used to call it and I'll just leave it to you to kind of open up what this is and why it's so important yeah you know we talked about as you scale the key is you've got to get everybody on the same page but you've got to have the page for everybody to get on so we became well-known in the first book Chris with the one-page strategic plan that was a big one page it was an eight nap by 11 sheet of paper and so when I wrote the new book scaling up we said let's have a summary because the one page your teacher plan is quite detailed there's every item on there you need to figure out if you really want to scale successfully but it's not all the things that everyone else in the company needs to know and so we took the key items off that original one-page and put it into this vision summary and it really has three components top is what you might call the vision and that is four components it's the big hairy audacious goal where we're gonna be in the next ten to twenty five years and even in turbulent industries like technology Mark Zuckerberg put out a ten year you know plan for for Facebook so the vision summary really has three components the top third really summarizes what you call your broader vision and it's got four components the big hairy audacious goal your 10 to 25 year and then what are your general rules we're gonna call those core values what are the boundaries your three brand promises and then what's that bigger why than just making money called the purpose once you've got that then the middle third is okay given our vision what do we have to do this quarter this year in the next three to five years and then the bottom third says all right given that let's go to each individual or team and the company and say okay what can you do to contribute and that way everyone's got a very clear long medium and short term look at where we're headed with the company so if someone was to work on their system the system of their business is this the place to start this is the thing to do first it is yeah it's gonna be the foundational decisions that they're gonna drive all the rest of the decisions than the organization and then as you know we created a tool we call pace and you really have got it pick up the pace within the organization process accountability chart because one of the things that happens is we get so focused around the functions of the business and we have a tool also called face function accountability chart hey we got to get accounting ride in sales and marketing and HR and IT and operations that we forget that the real work occurs across those various functions this set of four to nine processes that drive companies and just as you've got to be clear who's accountable for the function who's driving marketing you've got to be clear who are driving each of these four to nine processes and ultimately though that accountabilities need to roll up to the head of operations it really should be or CEO or a head of operations that kind of number two person whose job is once you've said this is what we've got to do they've got to figure out how we can do it the most efficient way possible okay so you just set a bunch of stuff and I want to unpack this a little bit all right the the the first thing the the vision summary when you're putting this together this is the thing to write

down and share with all of your employees how soon should you do it should you do it at day one of the business should you do it before you hire the first person when do most companies do this well you want to lay out an initial vision but it does take five years it's a like a child their personality really isn't baked until they're about age five no it's interesting and the research is clear on this their personality age five is just going to be a more hardened self of age at age five when they're 55 same with the company so it look it took five years for air B&B; to figure out what they were gonna be when they grew up even these unicorns it takes roughly kind of three to five years to figure it out so don't carve anything in stone you're gonna do a lot of iterations with a lot of different customers and product offerings until you finally figure out hey this is what we want to be when we grow up but once you've hit that five year mark and you've kind of put it down in stone as it lassy and did they were about three year mark when we help them do use the Mars mission to discover their core values and they went from 50 employees that 3,500 employees and uh thirty two billion dollar market cap but what hasn't changed are those initial core values they discovered back when they had 50 employees Wow so it makes sense that you say five I read somewhere that the ideal time to go public to IPO would be six to ten years so you've got to figure out the foundation first before you really skyrocket right yeah an inside note everyone's delaying now going public and there's some real financial reasons for that yeah okay so so you you start to write things down you share at least the vision with the employees about where we're going the rules about our workplace and what makes us who we are and what everybody's responsible for quarterly and for the year so now the the process accountability chareth first time I filled this out it was me in every box and I'm sure you've seen that with the with the real micro companies so as you start to hire different people for each of those functions to take on and own each of those processes how how do you handle that kind of division of cells you know where one person does everything and it goes from then 10 people or 20 people how do you how do you navigate that most efficiently well first I want to back up you know there's really three rules about the people that you put in those boxes and they can be outsourced you know I had an outsourced bookkeeper when I first started gazelles what's now today scaling up so you might not need these people full-time but they absolutely have to pass three rules number one they have to fit your culture number two they shouldn't need managed if you feel like you've got to look over their shoulder and monitor what they're doing constantly then you've got the wrong person and number three they ought allow you you know if you feel like you could do it better than they could then you've got the wrong person I remember my first bookkeeper Claudia Smallwood she was a neighbor across the street first I knew culturally she got me because her husband it was a very successful entrepreneur and she was the early bookkeeper for him so she got entrepreneurs and she got the scale-up journey number two I didn't mean to manager at all I didn't have time I would just send over information and magically numbers would come back and everyone smiled you say hey look for I know you're busy I remember those early days when bill was scaling but I've seen something interesting in your numbers and I'd go like wow Claudia that that's helpful so there are those three tests of who you put in that box yeah I've numbered too yeah go ahead I was gonna say I think my girl management is really just a lack of trust and a lack of trust is a lack of training to be able to do the thing the right way and that people really should wow you or why are they there yeah exactly and look when you're starting out and even scaling none of us have these you know extensive corporate universities that large companies do now we've become that outsourced corporate University through our growth Institute because we know if you want to 10x the company you've got a 10x the knowledge of the people within the organization and the whole idea that cheap labor is a competitive weapon is gone according to McKinsey beginning of this year 2019 it's now smart talent doesn't replace cheap labor as your competitive weapon in the marketplace so you got it you do need to continue to develop the leader that's within everyone within the organization but back to your key question the other thing is you've got to be clear what accountability means it doesn't mean that you're the boss that you know it all but you make all the decisions it's the person who has the ability to count the accountability and so Lord in our company has the accountability for cash she literally counts my cash and I get a report every single week that projects out where we're at and where we're going to be over the next three months but she has very little authority over cash so let's not confuse accountability for Authority you don't have to give up your authority just because you've assigned accountability to somebody else and then we've got this word responsibility who's got the ability to respond I want everyone everyone on my team is very aware

of our cash situation at any particular point and I want all of them I had to actually a teammate call me a team member called me this morning saying hey Vernon when should be aware of a contractual item that I think is gonna negatively impact our cash situation our cash flow and I love the fact that Missy was bringing that to my attention and that she cares as much about my cash as I care about it so I have authority Laura has accountability and everyone on my team has responsibility and we really want to delineate that language within our own organizations crystal clear I love the distinction between that I'm gonna share that a lot so thank you okay so next thing you said is about who owns this you said it should be your head of operations a CEO Oh at the in the early days is it the entrepreneur and how does this change as the company grows does it does it ever shift into an HR function I know a lot of people talk about people operations how does it shift you know I think the first hiring decision an entrepreneur makes is they're number two it could just be an executive assistant but you need somebody who can get your life organized unless that's you but most entrepreneurs need that second person for me I had recruited this amazing woman I first launched a cetacean Legion on hers named Dee and she had work at a major belt company telephone Bell Telephone Company and the wish Shah area and she came on campus and she got us organized we ran as if we are a hundred acts the size that we were and I never could have scaled globally in 36 months if Dee had not been there to organize us and me so you need that person kind of at the very beginning yeah so the your first couple hires a lot of the companies I talked to hire people that are kind of jack-of-all-trades they help with a lot of things and then as you grow your hiring a bit more specialists and more people that are that are in their Lane do you see that is a challenge for it for companies where they've got their early employees that are very generalists and they're later employees that are specialists yeah for sure and I think you stated it well Marcus Buckingham said you know good leaders play checkers great leaders play chess and so in the early those jack-of-all-trades a whole bunch of checker pieces and as quick as you can you want to get to idiot savants you know people were absolutely brilliant at one thing and probably suck at everything else and you as an entrepreneur got to be careful that you're not hiring a bunch of people in your own vision you need an interesting strange a team if you remember the old TV show yeah yay team and you couldn't had a weird or bunch than that and so I loved this book called changed estranged by Daniel Cable out alone in business school and it sizes two points if look let's let's get back and really anchor this people and process them mm-hmm to win big that is have great margins have lower marketing costs and higher operating net you've got to be different everyone talks about it but look if you're not different then you're gonna get commoditized now what is different mean it means if you're pricing the same as everyone else in your industry you can't say you're different right if you're hiring the same people as everyone else in your industry is how can you claim to be different and if your processes run the same as your competition then you're not different and so you need to hire different people you need to price different and your processes how you go about the business needs to be different if you really want to have brand margin and lower marketing costs now one thing I've noticed with eight players and we have a bunch of them so in all of them I would say is they come in and they do a phenomenal job at what they're doing but they're motivated to keep growing in the business as well so when you've got someone that does something really well and wants to be promoted or wants to take on new challenges how do you make sure that the person coming in behind them does things just as well well but remember that's the job of the person you're gonna promote part of what allows them to get promoted as they have made they have already backfilled for you in a band backfield for you then they can't move up right I love that so we say get your business out of your brain it kind of applies to everyone that whatever you know whatever you do well you've got to be able to teach someone else how to do for you to grow well and it's one of the reasons why Atlassian has done so well it went public for 4.2 billion out 32 billion just you know less than four years later it's because they've built a set of technologies mainly tech companies use they give you a common knowledge base I think every company's got to create its own internal Wikipedia so that because right now if I have any kind of illness the first place I go is dr. Google and the first thing it pops up on Doctor Google is typically you know WebMD or Wikipedia responses you need to create the similar common knowledge database within your own organization so that if somebody leaves they don't take all of this corporate you know inside information with them absolutely of course I'm a huge fan of that comment with Trane Yule so how do you actually practically transfer knowledge in a business you know a lot of the people we talked to they

understand the importance they read the books they go to this the workshops and the seminars but then they go back to the office and they don't do it that's why I think you need a coach no-one's ever achieve peak performance without a coach I think all of a sudden because Mackenzie's comment overnight training has gotten popular we have to have smart like talent and the book trillion-dollar coach which is really about Bill Campbell and his coaching of intelligent and Dec and all the companies in Silicon Valley overnight having a coach is become hot and sexy but anyone who works out know is that if they have a trainer they're gonna do they're gonna get further faster and at a minimum every one of us can have what Marshall Goldsmith calls a pure coach and the research is really clear we will do more for our peers than our boss we will listen more to our peers and we will our boss and so it's important for you to identify just one other peer for me at Sebastian Ross and you decide what you knew more of less ever different every day and then you report out every day to that person we all need this accountability partner holding our feet to our fire if we're going to make sure we execute on the things that we learn yeah I love that it could be a text thread with your friend it could be someone in the organization a slack channel I've got all those things going so I am a big fan okay so so we talked earlier about you know process as it touches marketing it clearly it touches the operations of the business really process touches everything in the business right and so how do you prioritize for your operations leader where to start which out which processes do you nail down first yeah so you identify the four to nine processes and then it's the late dr. Deming said you could really only work on at a time otherwise you end up with what's called sub optimization so how do you choose it well that we come back to our quarterly fame you look at the business and you say kind of an Eli Goldratt the goal fashion what is the most immediate next constraint to us scaling up it doesn't mean problem we're not fixated on problems the biggest thing constraint might be an opportunity that you're not taking advantage of but I like this technical term constraint and then when you choose that constraint like when my business got in trouble right after 9/11 my constraint was my gross margin I was running at 42% I needed to get it to 55 percent and I said that's gonna be my critical number the thing I'm gonna focus on next then what you do is you say which of the four to nine processes do I really need to design or redesign pack or unpack clean out that's gonna most help me improve whatever that constraint is and because the knee bone connects to the thigh bone by unpacking any one process you are going to touch the others because everything is interrelated within the business but the key is to identify the constraint which key process most of impacts that constraint and then that's the process redesign and if you can focus on cleaning up and I let me give you an analogy I say processes Chris like hallway closets or garages you know they they get jumped up and you have a choice you can either build a bigger closet or a bigger garage or you can go clean it out and whenever you go in there clean it out you find out man have to close half the stuff in here I don't need anymore you can give it to somebody who could benefit more than you and so that's the same with a process once a quarter you pick one process you clean it out like your hallway closet or garage and so if you have four to nine processes you're gonna get these process every year or two and you better revisit it because again like your hallway or closet it could be clean but a year later it's junk backup right so if you want to optimize your business this is something you're doing constantly you're constantly cleaning the closets a lot of people say they want a playbook for the business and they'll make that their quarterly theme or their goal this broad idea if we're gonna make the playbook and I think that's probably biting off too much well but it could be the sales playbook it yeah if you're holding the playbook for each of the processes that's just I think another way to say process right right okay so we've we've we've talked a lot about process when when should someone put some attention into this like if actually let me ask this a different way so we started things off by saying so many companies never make it to that million dollar mark you tell them about process they read your book they go to the workshops I'm sure you've seen businesses resist this what happens if they if they don't put the energy into this well they well they're companies were scaling way before I came along we just and we have this like Rockefeller have this checklist and I'll bring it into a country like India where literally we have companies there Philippines other the companies have been around Chris for 130 years yet they have nothing checked on the checklist they're like how did we survive without doing all this and all that's happening is they've just got a lot of drama where they've been throwing bodies at the problem and it's just costing them money and time and so you don't have to do any of this stuff and you can still scale it's just costing you excess money and time into the expecting

you'd like to save some of that that's why these tools become important and that's why our first process we like to put in place in a company is a good communication rhythm a good meeting rhythm because the minute you get a second person involved in anything anyone who's in a relationship understands this the fundamental challenge is communication and all it does is just multiply and complexity as you add people to the process and so that's where we our communication rhythm probably the second thing that we're most known for next to the one-page strategic plan or vision summary is this day week month quarter annual meeting rhythm that if you do it that right 10 percent of a typical leaders week spent in the right meetings is gonna save him 10x the amount of time and ran emails and messes and drama that they're gonna have to fix afterwards let's let's hang on that for just one more second so as we've grown you know we tripled our number of employees in the last six months even and and as we're doing that we went from everybody in the same room with our meetings to now having department meetings and stand-ups and weekly so how does this evolve how's the communication rhythm evolve as someone's going through this growth process well first it does have to evolve so you know one of our early clients scaled about 2500 employees 80 locations and so at 8:45 a.m. Central Standard Time all the employees in the field huddled up for 15 minutes and then 15 of those offices each reported to the five kind of Medicaid regions and that was from 9:00 to 9:15 and then those five leaders of those Medicaid regions then dialed in to the senior team back in New Braunfels Texas from 9:15 to 9:30 and so essentially that entire company that worked across the four time zones of the United States was able to get aligned over 45 minutes and the senior team knew where they needed to go fight fires and put their efforts over the next 24 hours and that's what drove them to a billion bucks Wow so I think like everything else we've discussed scaling is a game of iterations and evolution and so you know we talked about the the growth tools I highly recommend people go and check those out we talked about having a coach and you've got an amazing organization for that and again a oh fantastic resource for growing businesses so so verna I guess if people are looking to follow up with you or your programs what's the best place to send them just go to scaling up com the name of the book and you're gonna find all kinds of free resources there up a barrier chapter that you can download for free so you don't have to even buy the book we've got all of our growth tools and I think 12 languages now the books going into a 16th language so we can cut across all those different cultural barrier and then if you're CEO I really encourage I do this thing called the CEO boot camp and that usually is a place that a lot of CEO star or they come to our scale up stomachs fantastic so whether you attend a boot camp go to a summit if you get a chance to see Vern speak I've seen him speak a couple times he's fantastic read the books this is the guy so Thank You Vern so much for being here and for everything you've done to make business easier around the world you got it Chris thank you and thank you for taking the effort to get this important education out to your world you got it all right take care hey thanks for listening to process makes perfect if you're watching on YouTube we do have an audio version available everywhere you listen to your podcast so be sure to check that out if you liked what you heard please leave a review and be sure to subscribe to the channel here and we'd love if you would tell a few friends or family or anyone you think that could benefit from this you can find me on social media anywhere at Chris Ron Zeo or the company train yule that's train you al like a training manual at train yule anywhere you want to follow us thanks for watching we'll see you next time

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 10

## The Mistakes You're Bound to Make When Your #Startup Grows

URL: <https://www.youtube.com/watch?v=yY2hgWEvQoI>

are you experiencing major growth in your business for the first time over the years countless CEOs and executives have shared their scaling challenges with me and I'm here to make sure that you can learn from their mistakes one of the biggest problems for CEOs and executives when they start scaling up is they don't know what they don't know but if you're looking for ways to scale up your business I have some great news because I know which mistakes growing companies tend to make and knowing what they are can help you prevent them my name is Vern Harnish and I help startups and mid-market companies move from one stage to the next more than 70,000 companies around the globe have successfully scaled up with my framework of tools and tactic called the scaling up methodology in this video I'm going to share some of the most common reasons why startups fail the top 5 mistakes that you can avoid number 1 scaling too fast see a common mistake the startups make is they scale up prematurely meaning before they have proven their market fit so after getting one or two clients these startups think they found their business model I understand the excitement's of course but you really have to validate your business model before you scale even when you already have more than one or two clients or users you still don't know if your business model will appeal to the main market you have to realize that at first it's the early adopters that are buying your product those are people who generally like to try new things but after that you need to reach the majority and the behavior of the second group of buyers is very different bridging the gap can be challenging so make sure you know exactly who your ideal customer is and that you've properly tested your product market fit mistake number two is a lack of focus and alignment many growing companies struggle and fail because they just try too many things at the same time it's true that more companies die from excess opportunity than for the lack of itself to prevent overwhelm and disorganization it's essential to have a clear focus this means you're deliberately choosing what to do but you're also DLitt really choosing what not to do for this you need to have the right goals and metrics in place that are clear and transparent for everyone on your team this is the own way you can discover what works and what doesn't now great tool that you can use to gain more clarity and alignment is our one-page strategic plan or opie SP this one-page document literally helps you get all your employees on the same page and mistake number three is hiring prematurely see during the first period of significant growth many companies just hire too fast simply because they desperately need extra help to cope with the demand this can be a big mistake because it can cause you to hire people don't fit into your company culture see over the past three decades CEOs and executives have shared how more than once they ended up being actually less productive with more people a small motivated and highly productive team is much better than a sluggish team with poor morale so take your time with interviews and really onboard and train new employees number four is mistaken leadership for management when your company's still in its initial startup phase you may be able to handle all the functional roles but it's a fatal mistake to believe you can continue to do so so if you want to accomplish the big plans you've laid out for your company stick with leading and don't start managing as the leader of your company your most important roles are to inspire others to have the vision make connections and secure funding for your company's growth those are not necessarily skills needed in a manager it's important to leave the execution to those who are great at it and common mistake number five is not setting long-term goals goals that give you direction and keep you on track during the grind see most startups and scallops constantly set short-term goals but they often fail to define that long-term direction so if you want to move fast you need to know where you're going you have to be able to make quick but smart decisions and this requires setting a longer-term goal often referred to as a be hag or MTP so the key to scaling up effectively is keeping your eye on the prize and adjusting course accordingly knowing what mistakes other fast-growing companies have made on their journey can help you avoid them so don't waste time or resources and keep scaling [Music]

References and Recommendations: No references or recommendations found.

## Verne Harnish – Scaling Up | Leadership Collab 2019

URL: <https://www.youtube.com/watch?v=cLI5XALRTgw>

good morning so we've got eleven thousand startups every hour in the world so you know we're not hurting for new companies and what's interesting is 76% of those companies only the entrepreneur is the lone employee and I would suggest many of those companies are overstaffed see what kind of pick it up and so the challenge is we got way too few scale ups in fact our country it's about three percent the rest of the world it's only 1% of the reality is you're the ones that generated all the jobs since the Great Recession 92 percent of them the large companies let go of folks the small business basically turned and burned and so you're really the unsung heroes of the economy and so that's what we want to talk about is what does it take for you if you're gonna be able to go out and give and make the change you want to how do we scale up and do that well and let me tell went to actually share great news with you we've got an unbelievable economy this year it'll be 88 trillion that's up from 34 trillion at the turn of the century so we're almost three acts averaging over \$10,000 for every man woman and child on the planet it's really just a distribution issue all she wants you to take a look at all of the folks in the United States we used to be the big dog 60% of the global economy if you're not global you're leaving three quarters of the opportunity right there on the table one of the reasons why we're operating on six continents the other great news it does not matter what industry that you're in we really thought that the automobile was going to put the horse out of business but last year was a global thriving 300 billion dollar global industry and so look this is an economy issue if we had a Great Recession next year we would just be at an economy the size we had in 2017 and so the reality is if you can't do a million or a billion in this it's really our challenge and so that's what I want to really take a look at moving forward so what does it take if you're really going to scale a significant business and Scott was kind enough to endorse the back of the book you're all going to get a copy of it and it really requires those two things both discipline which I think's interesting is its route from the Siple the discipline and the focus in order for you to be able to scale well tenderized i want to give you a story he was sitting right where you're sitting here in 2005 50 employees Sydney Australia three years ago they went public at 4.2 billion he and Mike still owned 75% of the company and I checked last night and they're at 30 billion in market cap as they've scaled from 50 to 3,500 employees and what I love about the story it's not only if they've done well but they've done good they they've been consistently named one of the best places to work using number one or number two in all of Australia now that they are in other different parts of the world just name number one in Amsterdam and from the very beginning and I think it's one of the reasons why when I saw Scott a few months ago again in Las Vegas he said right at the beginning we laid the foundation that we were going to give and so they set this early pledge that they're gonna have one percent of their product one percent of their profit one percent of their employee time and one percent of their equity which is a significant number on thirty billion in market cap and you can see just some of the results that they've had an impact on the hundreds of thousands of children around the world so I I don't want to come here and talk about Apple I I want to here come here and talk about apple tree and so John's a partner of mine I want to tell you allude about his journey as I bring this whole story together over the next 42 minutes that we have together and John kind of grew up on the wrong side of the tracks in Ridley Pennsylvania almost everyone else of his friends either ended up dead or in jail but he managed to escape and he he put together this company in the in the call center business this again isn't Google or Apple or Facebook it's it's answering phones and and they do this all over the world and it's a commodity industry and it's it's a really tough business but he put in a lot of great practices that we're gonna talk about and in an industry that average is 200 percent turnover and right now we got a situation where we're at full employment I was just in Ireland earlier this week and they are at full employment in Ireland and just looking for talent in order to fuel their growth in that business he was able to take that from an industry average 200% to a record-setting 18% now I want to pause just for a second one of the things that we really want you to look for is where is that internal 10x that you've got we called the x-factor in the book this 10x you've got over the competition in your particular marketplace and I'm gonna come back to how John was able to do this and in an industry that averaged 4%



profitability he was able to take that tie record 21.8% I want to put that in perspective that was better than apples profitability last year and in an industry where he was able to roll these companies up for by him four three times earnings which is the typical valuation that most of us would get in this room is two billion dollar company came along said John you've run call centers better than anybody else and so they paid him a company public multiple for the result and so what did he do and what has he done since so I want to come back to Scott's notion about this idea of discipline and focus and so we've always built our stuff around these three fundamental disciplines first that we really understand what our priority is one in this executive program I founded years ago and I still get to teach in it at MIT I used to host Jim McCann and Jim founded a little company that we know today is 1-800 flowers and Jim I loved had all over his building these posters that said built sell more flowers and he'd walk around and say so what are you working on and but is that gonna sell more flowers and what are you working on but is that gonna sell more flowers and his team was free to ask him but Jim what are you working on and is that gonna sell more flowers and look October 1st we've got the beginning of kind of for many of us the last quarter of the year is it absolute clear in your mind as well as everyone else in the organization what is that small dream that lives talked about it's the thing we call a quarterly theme what is the one thing that if we could just as a team collectively get that accomplished in the next nine days will make all the difference in the world for me I had to get my gross margin fixed back when my company got in trouble so we're gonna come back to that number two though the only way for me to have an insight into that is to have real data and what what struck me was the importance of us being with with our community with our customers when when Liz decided to actually take the leap and go to Uganda that's when it made all the difference in the world and so Sanjeev mohanty you endorsed the back of the book he he was stuck with this brand called Benetton in India and they're not only it's a global losing brand but it wasn't doing well and his country up against Levi Strauss and so we just did one thing we said look Sanjeev you need to get back with your community you need to get back with the customers you need to get back with the employees and he put this card up at every one of his stores and he said hey you got any ideas complaints concerns issues please email me and he began couple-hundred began flowing in every day and like Warren Buffett reading the headlines as he does every morning to make his investment decisions sanjeev got back in touch a good gut feel for what was happening in his marketplace and then he would pick one of those customers and he called one every single day and in 24 months he made it the number one fashion brand in India's displacing Levi Strauss and I could tell the rest the story but do you have the kind of insight both quantitative and qualitative feel for what's going on so you know what we need to focus on and then look it does us no good to have this information if we don't get in small group and we begin to discuss it and talk about it we're a being that needs to talk in order to kind of get things sorted out and so it's really these things that became we became well-known for simple and their explanation but if you put him in practice can make a huge difference and John wouldn't have thought to run his call center business without every employee being in some kind of a daily huddle together I was struck by Rick Warren's description last night of what you've got to do every day and once a week and once a year and that same kind of routine with ourselves personally is absolutely what we've got to have with our companies and it's these routines that do set us free so we lost a great entrepreneur a week and a half ago t Boone pickens many of you might read about at 91 years young had an unbelievable run up until the year 2000 and then he lost it all and what I love about his story is he was in his 70s and we heard we heard Greg talk about it last night that of grow the W this this commitment to ongoing learning and what was wonderful is T Boone dared to ask the question his seventies wait a second what what maybe haven't I learned yet and he went out and continued to search for the answer and he found it he changed one daily routine remember our success it's just a sum total of things that we do more of or less of every day do we pray do we meditate how we eat do we exercise and the kind of routines that we put in place in our own organizations and so he found it and I'm gonna give you the end of the story he was able to take what little he had left at the turn of the century and not that the number matters but he turned that into four billion which he ultimately then gave away and what I find fascinating he didn't actually make his first billion until he was in his 70s so guess what looking around this room some of us still have time right and then he wrote a book about it and I loved the title of book the first billion as the heart so trust me once you make the first the second third and fourth come so much easier out there and what did he

discover we went out and they looked at this this fascinating tool that we've got and he found out that there is this capability that really is tied to success almost every field and it's our ability to recognize patterns and then he looked at our brain and said you know we can sit around and think about it but at that point our mind to low lights up and men we just want to fight or flight' women who weren't involved in those initial studies now that we've looked you have a much healthier you want to flock together and he found you know what if we can just get together and talk and so what what did he do to make this transformation and it started at 5:45 a.m. every morning his analyst would come in and scour the internet and their network for what happened in our industry the last 24 hours and if you don't think things are changing in your world with your markets and your employees and customers your head is in the sand and so he immersed himself in that community and once they gathered that information then at 6:15 he would call in and he would have a conversation with the two of them and he would ask questions he'd go ask him and get more information and then 6:30 to 7:30 as he worked out he he actually challenged President Obama 30 years his junior to a fitness challenge this is a guy that knew how to carry his brain around up until the very end and why he's working his muscles out his mind was looking for what the patterns to what he had just heard versus yesterday last week in the last 60 years he'd been in the industry and then 7:30 he would break bread with his senior team and they would talk about what needed to get done now I don't think it's by accident that John D. Rockefeller the namesake of my first book he had lunch every day with his nine directors he would walk to work and walk home every morning and night with his founders and his brother and he made sure that even when they moved from Cleveland to New York City that they live near enough each other close enough to standard all headquarters they could continue to do those walks and talks in small group community Steve Jobs every day when he returned to Apple had lunch with Jonathan Ive and the design team and it was that that simple routine of information and communication and and breaking bread together that allowed him to accomplish what he did and so we know as you go from this this kind of startup phase to really begin to scale there is this gap and and you know what got you here won't get you there look you had to have absolute ego in the beginning but that's what will crush you and in the beginning you absolutely had to have answers but let me try trust me if you think you have answers today that's your fatal mistake in fact it became one of my favorite quotes of all time we we have the answer it's it's the question we do not know and I don't know if you're gonna get answers at any event like this but what I hope you search for it is a better question and so I want to go there and and so I want to look at what I consider and it was an interesting thing that happened to me so I'm gonna take you back 10 years ago 2009 I had just turned 50 and I was in the middle of my kind of midlife crisis and my pastor calls me and I had just moved to Barcelona Spain the family and we're gonna kind of spend an adventure there for a few years and he said hey we've got this initiative down in it just happened Uganda that I've been involved with and he's been my pastor for 22 years he said burn I'd really like you to come on down this time and and join us on mission and he gave us a book and I hope you guys have had a chance to read any of you've read this book I think it's an absolute must for all of us Christians in this room when helping hurts and and I'm reading through the book and it describes how just giving a dollar to a woman in a slum in India could absolutely do absolutely more dangerous harm than than good how our great intentions can be disruptive and I don't think it was the intention Dave wanted my pastor but after reading the book I'm like I'm not going I was doing it for my glory I wanted to do it maybe I don't know say that I did it and we're supporting this school and all that and I love that but the book was clear that I should really stick to my knitting that and if rather than spend all that money on the flight and all those things just give it to the folks who are in the field the Liz's who choose to actually go there and live there and set up the factories and so it really changed the way by the way that was the version of 2009 this is the newer one I showed you that's the one I read that came out that year and so I made a decision and that is you know I love entrepreneurs and I want it I believe they solve most of the problems on the planet and so I invested in my dear Spanish brother from another mother if they's our Martin el and we're fixing the whole low-cost housing problem on the planet and my buddy Baird are sick a student of mine of MIT programs getting rid of all the fertilizers on the planet as we're bringing yogurt to the soil and it's amazing the difference we're making and Cynthia Kay who who scaled one of the early EdTech companies was helping schools to at ninety eight million now is built a 2d technology that helps children all over the world learn to read and write to a 3d fun experience and and this initiative right now that's

nonprofit I'm supporting Julia and helping a million women get over that million dollar mark we're gonna add a trillion to our economy through this effort and because we're here talking about leadership health I've this clinic founded by one of the Forbes 400 families 42 years ago saved my life back in the 20s and so today I'm Vice I'm chairman this was vice chairman just made chairman and I and I want to share this message I've got about 30 minutes of what nature what mother nature what what God has actually put before us that we seem not to be able to recognize and so let me tell you some of the work that we're doing there we recognize her seven point six billion of us on the planet and we each have different fingerprints so why do we think anyone has the same disease I was I was really struck by Rick's note last night I want to go see him because he's got this quote rare disease and our view is there are no diseases this was something that Big Pharma created in conjunction with the FDA so they could have a monopoly on this thing and they could create these artificial things that we pump into our bodies and they don't want to cure us they just want a recurring revenue stream and so for 42 years we've been dealing with that that mess out there but healing amazing numbers of people mine Steve sir Jai runs one of the top staffing companies in the United States and he calls me he was a big soccer player at Penn State he says Verne can't believe it but Sammy my son is Xavier one of the top 10 soccer teams and he's been sitting every kind of record as a freshman and then he came down extremely ill ik he can't get out of bed to go play soccer let alas and the doctors say he's got Lyme disease and he's got black mould syndrome we got syndromes for everything and he must have psychological issues because he did have a dear friend commit suicide and so that man he was going to take this bag of pills and that just made him worse so we basically medevacked him to our clinic and we ran this battery of tests we've been considered the male of alternative health we actually had the president of Mayo Clinic's labs for 15 years Keith Lofton on our board to make sure that what we're doing is absolutely world-class and this is these are my results I get every year this is not Sam he's not allowed to share those but in these 400 data points we don't find the 2 or 20 but there's always five to ten underlying issues that are unique to every one of us as a unique human being like our fingerprint and when we found him and we wheeled Sammy in and five days later after the doc said there was nothing to be done we he walked out and he's been setting records ever since at Xavier in fact they they wrote up this miracle we all we also picked up Linus Pauling's torch Linus is one of only two human beings on the planet that won two Nobel prizes what a gift and one of the things he discovered is that Nature gave us this natural chemo this natural antibiotic and you know these antibiotics has just been crushing us around the planet it's called see it's not a vitamin and the great news is that this this thing called sepsis that killed Nelson Mandela oh that's really great oh I got you all thank you for not magnifying the message but what's interesting is this this disease kills half the folks that go into hospitals the number one cause of death 219 million people got Nelson Mandela and so one of our brave Doc's dr. Merrick and Virginia had a woman coming in 43 her all her organs are shutting down from sepsis this is a death sentence he knows it he says all right hey I've got the Hippocratic oath to save this woman's life I'm gonna give her an IV C and not only she alive the next morning but all her underlying issues were gone and and so he said all right I'm gonna try for the next 46 patients and in their previous 47 you would normally have a death rate of 30 to 50 percent depending on the quality they have one of the top hospitals in Virginia so they only had 19 the next 46 they only had four and none from sepsis now there's FDA says you're supposed to do this kind of blind study but his nurses wouldn't allow this death sentence to the patients in terms of the placebo so they did for the next hundred and fifty patients and there's only been one fatality since and so it finally became mainstream about a year ago got published and physicians weekly and if anyone and your family is coming close to having some infection or whatever that they can't deal with because I gotta tell you we're kind of only as energetic as the least healthy member we've got in our family and so it's it's given me great pleasure to say that hey we've been able to go out there and save lives now I'm gonna tie this story back to where we're going with John's company the other thing that's been fun there's another nonprofit Do'Urden clinics a non-profit this is the other nonprofit I co-founded down in Panama this is our famous kind of facility that we've got down there you recognize a Frank Gehry facility where we've really been turning to nature for answers mother nature if you would and so let's go talk strategy for a moment I consider the best question ever asked by this Harvard professor Clayton Christensen who said if you really want to understand your business understand what is the job that your product or service really

does for your customer and if you want a great video go go to YouTube and you're gonna see Clayton Christensen's video about what is the job of a milkshake and only till this company you can guess the name really understood why morning commuters were buying a milkshake could they understand both how to improve it and how to pivot around it and so I want to put a question out to you in a word what is the number-one job of all of our products of all of our services in a way in a word what's the number-one job of all of our companies and organizations to do in a world so if you would just shout it out what's that mean the needs may be glorify God yes keep going keep going to serve I love that word but I'm gonna give it a maybe by the way maybe means no I'm just trying to be nice to the audience now here has been my challenge I get served I get glorify God I get love but I haven't known how to implement it and part of our hour a revelation came again from nature I think it's amazing when we look around what what God has put before us it's it's like that kind of notion that pray but roll away from the rocks we've been given things along the way that we should embrace to take advantage of to make change and and what I find interesting is there are no straight lines in nature that that's a human creation I see on hockey stick projections of startups you know this is this is the reality and as I fly over this beautiful planet of ours and I see rivers what what's what's nature's rule for that river as it moves from Everest to the ocean what's its rule what path does it follow the path of least resistance that look I I don't know if I'm right but I know it's practical what does it mean to serve that that's what we wrestled with what does it mean to provide value what is it that God would like us to do with our businesses this time aren't planet and and this is what I find useful I again I know if it's the right word but it's if our product and service can ultimately help make someone else's life easy not hard and if you think about it there's this new convene app and it can have all the benefits and features on it but if it's not what easy to use it's it's dead on arrival are you easy to do business with or are you easy to be found is and I want to keep going here but I just retired a week and a half ago Jack Ma and I thought Alibaba had a very very simple missions they make it just you know easy to do business it's one of the reasons why IKEA bought TaskRabbit because the aging population wants to get their stuff but it's not easy because who wants to spend money on a Rolex when I can get something like Rick Warren set a watch for fifteen why don't I just get it there at IKEA but it's not easy to put together I've got a dear friend Hank and Barcelona who runs a company here in San Diego sixty-three hundred miles away and he can do it by the way simple value proposition you're gonna drive south we have the easiest way for you to get Mexican insurance and he does extremely well with seven employees and a dog and so I look from a business perspective I want you to go back and I want you to really ask this question you're a team and it's super practical what do we have to do this week to make it even easier and ultimately for our product or service to make someone else's business or life easy now where am I going with this because let me tell you what's not easy scaling with people I loved Rick's comment last night I it's true about entrepreneurs I often kid entrepreneurs we actually would love our business if we just didn't have employees or customers interrupting our grand visions you know that we have out there in the marketplace it was going in fact and most employees think the job of their boss is to make their life what miserable right right this we call this this company and management's here at the top and the employees are at the bottom when we know which way that stuff rolls and so I wanted I want to come back to John look they're sick there's six thousand leadership books written every single year yet our engagement stats haven't moved a tenth of a percent in four decades we've got about 19 percent of engaged employees so I got to tell you I think most these leaders missed it I hate to be so simplistic but if the job of our product or service is to ultimately ease the pain to make someone else's life easier not harder then our job of the leader is very simple you throw all of this out our job then is to make the lives of our employees what easy not hard I that I can act on I I don't I have a hard time and by the way I suggest a better four-letter word is the word care or love I don't think there's any way that our employees can love our business love our love on our customers care for our customers care for us care for if they don't feel loved and cared by us but what does that mean and I find if I could just take the easy path so let me tell you what John did so John would buy these companies they'd have 5 to 15 maybe 25 employees he buy it from one of the aging baby boomers who honestly the 19th century practices were just really kind of you know there are the employees and we're the boss and because it's got low margins let's shove them in c-class space some strip mall that had been converted into his windowless space and we're gonna stick our employees in there and you know maybe the the the

keyboard the letter C doesn't work so well and the headsets aren't that great but gosh we don't have much margin here anyway and John would buy the companies and he would love on the employees he would take care of them he would focus on all right my jobs to make their life easy not hard and so on day two they would tear along as we walk in and they would grab these really bad chairs that they're sitting in and they would ceremony like either throw him off a roof if they could or at one location they put him in a pile and burnt him the parking lot that didn't turn out so well as it kind of melted the asphalt but you know who cared and then he would ceremoniously wheel and these that the Herman Miller air Ron chair I mean this is the best chair that you can buy for any human being on the planet and we're talking about folks had answer phones and he would show a movie how it's been featured in 20 different movies and it's in the Museum of Modern Art and all of that and he would then move him over the next year in the Class A or a - space and even though no customers ever visited he made sure that the atriums were beautiful so that as the employees came in they felt pride and and John gave he understood that that charity started at home now what's interesting is as we scale this is what gets us complexity is we add people locations product line services and one of the things that's interesting is that research is clear that the average size team that's effective is somewhere between four and five it's not eight or nine even it's one of the reasons why our Special Op teams are four or five it's something even nature's understood and so what I find is interesting is we ended up with these org charts and you don't see this in beehives or ant colonies this hierarchy where there's this boss and all this leadership and I think I know why because form and function needs to match we for the last 50 years have really been working on organizing muscle our might to go to war or whatever the case and I think nature showed us a very interesting thing God gave us this amazing body that that organizes muscle in a way that allows us to do fine motor skills but build massive things but and so if you see it there's the head the shoulders the arms feet toes and fingers I you've ever seen it that way but it's a really great way to organize muscle by the way that's the real org chart you know we recognize that kind of stuff we'll move on this is a big company one chief idea killer VP stay the course manager new ideas they had this one in Silicon Valley where the org chart mirrored the personality of the particular entrepreneur but here's the reality we have moved from our muscle to our mind from our back to our brain and our org charts didn't change and so we've created a new idea you remember the startup team and then a county wanted their own office and sales wanted theirs and then we opened up some other offices to get close to customers and then we opened up like product groups and we are opened up service groups the problem is we put in like area managers and district managers and regional managers and we piled all of this what causes about 30 percent on to our people and what's interesting is that does not make their life easy it makes it hard and so we've got it here's what I finds interesting that saddl back right there Rick said it last night that it's the small group that that's the church that's what my Pastor Dave Norman is done with us we are all in small groups in our congregation and that's church and that's how church works best without a whole bunch of management never was meant to be that way there's the guy who's pioneering this thinking reinventing organizations and in there there's a nursing organization that's now moving across the plan it started with four nurses in a special ops team because nurses can do a lot more than Docs and today they're 14 thousand nurses across Germany through China into the United States and there's only 50 people you'd call specialists or VPS of this that or the other thing and maybe 18 coaches and they look like this and this big white goods manufacturer in China led by this amazing Chinese entrepreneur with 74,000 employees I can always tell you how much management I've I just divided by 7 to 10 there was that magical rule within the Bible and so they got rid of that middle management this isn't theoretical and they put those into small groups small enterprises and they structured like this and they're crushing it out there we had to do the same because we ended up with an enemy that was organized into cells communicating through social media they wouldn't line up like we used to in the world wars and so general McChrystal who had life and death decisions to make restructured into a team of teams and us mere mortals my buddy Ron loved it now on our team scaled across Canada 1,500 private security guards with no management it may be eight people at headquarters and what we call the agile scale-up what's interesting is this idea of the small group meeting and supporting each other has implications not just within our church not within our our other life but within our business now what makes that all work is that last seeing this technology which is why Scott's company is that 30 billion and when Google studied what makes for effective teams

because Google really is just organized into three-person teams and like an ant colony or beehive swarm all over the technology and by the way I think it's interesting that that it's a queen not a king that's at the top of what nature put in place and I'm gonna come to that and what Google found when they studied what makes for an effective team they only found two things I guarantee we've found it in our forms in EO and YPO and the convene groups that first and and I really want you to pay attention to this when you go back once you think about your last weekly meeting I would think about your last month of gathering did everybody talk equally or did two or three people always dominate and by the way guess whose voices are not heard the introverts which got mentioned this morning and women number two that it's our ability to connect at a human level to know more about us than at the business level that actually makes for effective teams it's why we opened up this morning Monday call started at 6:00 a.m. because I'm on the west coast and we opened with around a good-news personally and professionally so that we connect and when Yahoo brought me into their team when they having their big mess and we're going around for the first time in Libby their new head of HR shared for the first time some stuff about her son and the rest of the team said Libby we didn't know not even know you had a son and so this book has really really impacted me over the last year why greatness cannot be planned first having led the strategy sessions for my church I've really come to appreciate the discernment process versus the traditional planning process and what's interesting if there's a revolution going on you know God made man and woman made masculine and feminine and masculine was always to be Purpose Driven it's it's clear in Genesis what the masculine role there to take the hill to be mission driven to set priorities yet the feminine was to bring the love was to bring the art I find it fascinating one out of like thirty men are colorblind but only one out of 200 women are because of what they bring and so if there is a crisis within our companies and our organizations and our churches is that we've been too masculine driven and that it's time for us it's not about a men woman thing I hope we don't pit each other against each other because us men can have as much feminine energy brought to the table and women are often been forced to be masculine in order to survive and what's interesting is that it's serendipity that actually drives I have a question for you is anyone in this room what you're doing right now and you've heard the speaker's talk about it what you're doing right now was this ever your plan no it was a series of serendipitous God driven crazy moves and so there's the book I hope you have a chance to take a look at it we absolutely need priorities this week in this month but in some sense it's what gets in the way of what's one of the hottest trends and we have a tool called the sweat where we have you look at these trends and that is first we know the aging population is driving it but one of the things we were talking about last night at my table was the power of AI and if your business isn't figuring out AI plus your industry you're gonna get replaced by some 22 year old who does and what's what's fascinating is for AI to really work it's a cultural issue and it must allow for love and serendipity to flow we were talking about last night at my table where they couldn't figure out how to predict when a premature baby would get a raging infection because once they do it's over game over and so they finally use him big data discovered that was really at the heart of it was the fact that two hours prior to a raging infection the premature babies vital signs actually stabilized it was the opposite of what the whole medical community could see and it was this serendipitous discovery that it's now allowed us to really have a huge impact and so I created this plan this this one-page personal plan we really understood that we should have kind of focus and discipline in our personal lives as well as our professional life and I've always loved how mark has had some kind of a priority every year 2017 2018 and the guy who really influenced me when I built this was Chuck Feeney I hope you've read this book Chuck and his partners founded the duty-free shops they scaled it to where he amassed about eight billion in personal net worth not to that matter in the the first half of the book is about how we did it but the second half of the book is about how he then in a more difficult way gave it away and he gave it away anonymously not until I read the book that I realized and he single-handedly funded the end of the IRA at war he funded almost all the research institutions in Australia he is one who really brought Island on being and I was on this nonprofit nifty where we are teaching inner-city youth how to start companies and you know because there is this kind of fine line between the criminal mind and the entrepreneurial mind and some of you've walked that very carefully and we got in trouble in the Great Recession and Goldman Sachs and Microsoft and McKinsey and all of our funders had to pull back and we got this anonymous gift and no one on the board was allowed to know who it was except our

founder Steve Marriott Ian when the book came out I called Steve I said Steve was that Chuck who saved us and he goes yes and I realized at that point through Burke API that matters and you heard Rick and you've heard everybody talk about it it's a very simple measure how many people have we helped along the way that's the number not what we've got and so when we put this plan together and we looked we first of all put it around the 5s by the way we start with faith and just when I turned it sideways but these five F's were the ones that we built the plan around because at the end of your life some of the top wealth managers including Jim horns Berger out of Atlanta said Vern almost everyone I've dealt with the end has exact same five priorities in that order if they didn't have a faith they have a tendency to get it at the end and am I right with my family and my friends and my fitness and my finance and so we began to look at this and here's where I want to end and bring it back all full circle you know clearly in their relationship category we would have our friends our family by the way man it's very clear in the United States that we report that our closest friend is our spouse and that doesn't match with what our spouse tends to report back and in fact we're very lonely I would suggest writing down a list of who would be your pallbearers and it's difficult for men well I think he might be busy and he'd be out golfing and I don't know I don't know we that's why convene has been so beautiful in our forums and stuff because we know we have the closeness but I I want to by suggesting we put something on our list in addition I want to come back full circle and I think we as leaders business leaders have a food dictionary responsibilities around our employees and so I want to come back to John I think charity starts at home as I found not wanting to go to Uganda but instead investing in my own students who were making a difference and and I know about entrepreneurship so those are the boards I'm on and and so John was struggling with this 200 percent turnover when he had only four percent of his his salaried staff and there clearly was this disconnect and if his CFO would have a flat tire and could call triple-a and all that could still come in late but if an employee frontline employee had a flat tire and we're talking about this would be an economic real just disaster for this person and they still came in late they would get docked points and John realized wow how I treat my leadership team versus my employees and so he launched an initiative called dream on and he said look they're helping me make you know without a dream that you know without a vision or dream that people will perish with he said they're helping me make my dreams come true so why don't I there's let's not and so we went out to all of his employees he said no limit I want you to tell me your dream and we as a company are gonna do what we can to make him come true and amazing stories one employee wanted this book of poetry done in Spanish in his puerto rico office and they they published it and several weren't able to go on honeymoons that they had always wanted to and he found very humbly three employees who were homeless a woman working for him who got beat up by her husband and to escape out of that abuse had grabbed her child and they'd been in their car the last two weeks and look one thing we've got is a lot of Amex points and and we just have a lot of connections like but but the story i want to end on is this one so had employees first one one of his ten employees how spend is dying of this leukemia vluu Kimia and all he wanted was just this last time to go to the philadelphia eagles game he John's up in up in Pennsylvania and so John kicks in we had the connections he gets the medical limo to get him there and they get him out on the field and he gets to sit up in the players kind of area to watch the game and at the end the 53 players come out and they've got this roped-off area and they have a game ball and they all sign it in his favorite player comes out at the end and and it was an amazing day for a man who wasn't gonna make it to Christmas and but it put a smile on his face and I'm staying in touch with John on this dream on initiative and he tells me the story and I said John what kind of leukemias he got is he we just did some work at the Reardon clinic and men who've got issues with their father get this says you got to be kidding go ask and John never had this relationship with his employees but he did now because of this dream on initiative and he he goes to this employee and goes does Dan have any look I know it's gonna be weird for me to ask this but does Dan have any unresolved issues with his dad and she goes ash and white and goes yeah he was so close to his dad and then they had this big fight and before they could get it resolved his dad one night just died and it's weird dan you're right got sick after that and so John said look I don't know let's just get him and counseling will pay for it and the great news is eight years later Dan still here and so no this is about John so if we could I'm almost out of time let's run this video [Music] hi I'm John Ratliff I'm the CEO of Apple tree answers I'm Emily Ratliff and I'm the director of employee experiences at an apple tree essentially what we do is we have live people we

answer the phone for companies when they can't be there to answer for themselves our frontline employees are the heart of our business we were looking for ways that we could really really drive the employee experience and somebody said well what if we took the make-a-wish charity model and we kind of provided that model for our employees as we narrow down our list and narrow down our list that one just kept remaining at the top and turned into the concept we have now of our dream on program actually the first time I heard about the dream loan program was when Emily who's in charge of the program sent an email blasts out to every employee saying another dream has been granted and that led me to think well what is this dream on program if the company will actually give back to their employees but giving them a dream you know giving them their dream I thought it was amazing I'd never heard of something like that at first I thought yeah right but I submitted a fairly simple dream I wanted my daughter to have a birthday party extravagant birthday party laughter my wife fortunately lost her job we weren't able to provide that for my daughter so I had submitted a dream my dream was to go on the honeymoon that I could never afford and the honeymoon that I always dreamed of she was four at the time I wanted to do something special for her so I asked to take her to a boutique or salon just down the road from where we work and just to have her made up feel like a princess take some pictures they awarded the dream fake and then when she called me it was overwhelming I didn't think it would happen Emily had called me and told me she's like we decided to create your dream and I was still just for a minute I was just in complete shock I started crying waterworks just completely water where I was overwhelmed I didn't think it would happen not not the drink Regan granted that my daughter would be able to have this birthday party that I wanted her to have so badly my boss called me into the office and they sent me and my daughter and my sister and her boy to Disney for four days three nights and she went to the bippity Boppity boutique for the makeover that I had asked for and then they tell always take a step further and she said and on top of this we would like to go ahead and give her some presents as we know times are tough so she got a pink bike it was just it was marvelous it was wonderful one of my top three things that's ever happened to me besides me getting married and having my daughter that's right up there when there's unbelievable stories that have come out of the dream on program it's been probably the most successful initiative we've ever had as a company [Music] you know when I got in trouble and I'll go back in 2001 I thought like my dad I was losing my company went from half a million a million two million to four million eight million ain't five hundred company then boom 9/11 hit lost like a million bucks and in ten weeks and and this guy calls me again my pasture I'm broke I think we're gonna lose the house and he they decide the church can have the largest kind of capital raised in the history and I always gave a decent amount but I'm like and we just hosted Robert Kiyosaki and his Rich Dad Poor Dad he said you know the wealthy but they're really serious give when they when they at least can afford it and Adam Grant said that would give and take and it was Lynn twist who really taught me about money that's like water if you hold on to water it goes stagnant will kill you you have to keep it flowing and so I made this kind of crazy Greg I made this crazy commitment to Dave and the church beyond I mean this when I'm about 91% we're talking about twelve thousand percent of where we're at and it was funny it worked I think if you want to make a ton of money two thousand pounds you got to give away two hundred mmm John when he bought those chairs he couldn't afford it yeah he when he did the dream on initiative it started right in the Great Recession his company was in trouble I hope there's four practical ideas people in small groups strategy it's easy care love when it comes to execution I really think it's about granting dreams and I think if you if you want cash you got to give first and so well that's where I'm at Gregg thank you all right you're well you guys excited that Vern came there's so there's a little story we're gonna let people in on that has a little bit to do with us at convene for a minute but it could have been anybody we use some of your material unbeknownst to you and I called our team together and said well how much Vern's material did you use and they said well I was kind of a big percent and so I I went on to social media and I said who in heaven's name knows Verne Harnish I need to talk to him right away and so I called you called me yeah and I was this unknown number and you know hello this is Vern harness I'm like I'm so sorry but we use too much of your content and you know what Vern said this was in our learning piece you know what Vern said tell me about what your mission is so I told him what our mission was and he said you can use my entire book for free because I care about the kingdom of God thank you yeah thank you and just for the record Rick Warren's number one thing that he's thinking about right



now is scaling yeah and he wants to talk to you yeah so I am very grateful what if December and Seco designs and all of our business would scale more just because you said you'd come to be with us today I'm guessing from our stats and FCC eye stats that I'm pretty confident that there's probably about fifty thousand employees represented in this room that means fifty thousand dreams might come true if we implemented just that one just that one idea but I wanted to do something that so you've given a lot of principals a lot of ideas really really really good you've talked to thousands and thousands and tens of thousands and hundreds of thousands of people what would you say people get stuck on after they've heard you they hear the four things the six things they read gazelles they read scaling up they read Rockefeller happens but their company is still the same size as it was before where do people get stuck yeah I you know that's why I loved Liz's presentation this morning you've got to start with the small step okay and it's thinking you've got you know it's like drinking from a firehose I talk fast and and the like but you start with one or two very simple things and that's why this pick one thing over the next 90 days that you think could make a difference and just start there but what I was hoping you're gonna ask me is kind of I've talked a lot of folks and what have I learned from them and it was John Whitehead the late John Whitehead he and I were on the board at nifty together and John was co-chair of Goldman Sachs and he went on it was Deputy Secretary of State for Reagan and then he went on to actually chair the redevelopment of downtown Manhattan when after 9/11 and so I cornered him one Monday at the board and I go John what have you learned you know he's 40 years my you know senior and he said he thought about for mojitos to always do a little bit of retail business every day huh and I go aces burr let me explain he goes when I was chairman of Goldman I had big responsibilities made sure I went down to the trading floor and I'd find one one trader I knew it was just having a rough day I could see it I could feel it and I just went over and helped and when I was at secretary when I'm at state even though we're doing all these big things in the Reagan administration he said I told my team that I want you to bring me every day one person one family who's stuck someplace on the planet lost their passports and need somebody to just intervene for them for a moment and you know we guys like we get lots of calls every day hey could you help me get a call and was after that I said all right let's just keep it simple you can just help one person God is going to sit you at a table and was at the right table last night and I was at the right table this morning right back back there some are another if you just open up who you need to help hmm will make themselves present and if you do it's what Rick said last night is yeah that's the result well you know Rick was mentored by many people as he talked about and one of them basically said get this simplified and he created first base second base third base fourth base that's how you grow as a christian right that's what I'm doing there's an interesting conversation between dr. bright and Rick Warren yeah where someone said to dr. bright you're just this genius person you created the four spiritual laws you're kind of like a theological bastion of knowledge and he said no I'm not that smart I'm a tool maker that scales things right and that's what you're gonna help all of us do today so here's a question from the audience when's the right time to hire your first employee that time when you you're doing it all yourself you're staying up till midnight and you feel like you can't afford it yesterday yesterday no I and and here's the key you guys sort of asked the question you need to hire based on four criteria first will you know do they have the will to learn the will to persevere the will to serve the will des you can't train that then you've got a higher based on values do they fit then results skills the last and you heard Liz somewhat talk about that up here and so and you want to hire the person that complements what makes you tired so bookkeeping so I hired Claudia Smallwood across the street from me in Ashburn and I knew she got me because her husband is a very successful entrepreneur and she had done the books early for him and she you know would did not need managed and would often just wow me yeah and the minute the sooner you can do that then you free yourself up to do your gifts okay another question from the audience what do we do for people with ambition when we apply the small teams concept yeah and so it was one of the things that 3m had to fix early on I got to work with art Frye you invented the post-it note I'd go up to Minneapolis and lead their strategy sessions at 3m and they were really smart where they created two other parallel paths because management was at some level not what they wanted they wanted science and innovation and so the promotion was not more people to manage it was cooler projects and cooler initiatives and cooler things to do to me that's what we want to reward instead of layer and management okay I think that answers that how about we'll go we'll go where theologians fear to tread but since neither of us are one we could give it a shot

what about the Bible and what God did to scale his ideas right I mean he says oh I was reading that reading the next question yeah and I okay Leslie bet it really grabbed me I apologize that Greg I was not paying attack let's do it what's the number one God moment that changed you to fulfill God's purpose in your life yeah yeah we just ask easy questions yeah I know so my so I grew up around entrepreneurs my dad had to come very successful company hire electronics and then in a 73 recession he lost it all and back then you don't clear bankruptcy or anything we sold everything we had and we became really actually very poor moved out to Kinsley and and he ultimately became an alcoholic and there was some abuse in the family and he ultimately became estranged from us it was a tough moment when my sister's made a tough decision to have him put in jail because he was driving and drinking and we didn't want this responsibility of him possibly hurting another human being and he really kind of never forgave us for that and I don't it struck me that would be that God moment where because I was gonna be a nuclear engineer I was all set I was gonna be one on rickover staff and run the nuclear helping run the nuclear Navy and it's where I was my plan hmm and I was handed this other job which is to make sure that this never happens to another entrepreneur hmm on the planet and that's why Greg when you you know we had our conversation it's this is why I do what I do yeah great yeah thanks well we are out of time we all wrap up but I want to just say there's the Midas touch list at Forbes that some people know about yeah and the Midas touch list is who as a private equity person did the most that any other private equity person has done okay to create wealth wealth for other people right a Midas touch yes I think what you've done today is helped the people in this room create Midas touch like scalability but I know that the people in this room because of Ron blue trust because of national Christian foundation because of the work that we all do to want to advance the kingdom I think when we make more money we're gonna make a difference in the world and it's because of the time you've spent with us today so thank you

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 12

## European Virtual Scaleup Summit 2020

URL: <https://www.youtube.com/watch?v=QEtLATbu2ZU>

[Music] okay okay okay okay okay welcome to the first online european scaling up summit on behalf of vern and the scanning up partners i'd like to welcome you to this event we have participants from ireland the uk germany czech republic poland switzerland italy belgium and of course my homeland the netherlands my name is chase dion i'm an entrepreneur user and strong advocate of the scaling up methodology as it helped me building my companies over the past 20 years we are here in the studio in the netherlands and like you we are looking forward to two hours of scaling up inspiration insights tools techniques and new thinking i will be your host for today but more important i will help you to get your questions to our keynote speaker you do that in the q and a part of your zoom system and then i will pick out some questions that will be answered live in the session and note you can also upvote the questions from others and now i have the honor to introduce the man of the hour vern harness i did not want to do that in the traditional way so i created a short thank you speech so vern thank you for founding eo the largest global entrepreneurs association with over 14 000 entrepreneurs in 61 countries i am a member since 2003 and this network of entrepreneurs helped me enormously and is still today thank you for creating the birthing of giants a growth program held at mit in a program in which you still teach today thank you for writing the mastering the rockefeller habits back in 2002 the book that started the whole movement and of course thank you for writing scaling up this book has won eight major international book awards including the prestigious international book award for best general business book and it sold over half a million copies and it has helped tens of thousands of companies and thank you for founding the scaling up company a global executive education and coaching company with over 180 partners on six continents and your european partners are here in this session altogether thank you that we can partner with you and your organization anyway also thank you for the next two hours of your inspiration and the floor is your vern well case thank you so much for that introduction and by the way i'm glad you got the memo about what to wear we've got the white shirt we've got the blue blazer jacket so uh we didn't even coordinate that and i also want to thank all of you uh for dialing in because i want you to realize that look scale-ups are the first responders of the global economy and what you're going to be doing over the next few you know months and the next couple of years is clear because look from the last recession you generated all the net new jobs and you're the ones that generated all the innovation that really our cities and our countries need in order to be able to recover and so what you do many folks don't know your names don't know uh you know the spaces that you dominate but you're critical and that's why we've really enjoyed this this kind of kickoff initiative that we've had over the last 30 months in both london and in sydney where we've been able to really focus on helping scale-ups we've got a partnership with the city of london that city of westminster with our european partner neil lewis and given that success we had planned to move that to 20 cities here in 2020 but there was kind of an interruption so we'll be doing that launch in 2021 with the idea that over the next decade we'll take that from 20 cities to 150 cities around the globe including in europe where we're going to be able to 10x our impact with helping over 20 000 scale-ups do again the heavy lifting that's absolutely necessary for our cities and countries in order to recover now i want to kind of burn an image in your mind in order for you to scale successfully and profitably it really comes down to this are you doing things different and look we know you've got to have a differentiated advantage we're going to get into some of those ideas and a lot of people think they're doing it different but look if you price the same way everyone else prices you're not different if you deliver your product or service in roughly the same way that everyone else does you're not different and it's critical that you're going to be different really in these four areas that we focus on in scaling up and that is around people strategy execution and cash now i'm getting some kind of feedback there pax and what we want to do is look at each one of those four areas and we want to be able to here today over the next few hours really focus on four ps what you can do around people promise process and price and so that's really what we're going to be focusing on here over the next couple of hours and it it really starts with the right mindset you know the research is clear uh that if you see the cup as half full versus half empty whatever it is that you consider

is success you're more likely to achieve well let me tell you the great news the glass isn't half full it's three quarters full if we take even the worst case scenario that mckinsey and goldman had said could happen if we have the second wave and we saw a wave of lockdowns occur here over this last weekend the 2019 global economy was 88 trillion if it drops by the 25 depression era levels we're going to see a 66 trillion dollar economy but i want to put that in perspective that's still twice what it was in the year 2000 and so my view is it's up to us to find that million or that billion in order to be able to power our organizations forward and so it comes down to a mindset it also by the way doesn't matter what industry that you're in uh we really thought that the auto was going to put the horse out of business but in 2019 it was a thriving 300 billion dollar global industry now it had to pivot like a lot of us from transportation to a much more interesting niche which was entertainment one of the fastest growing sectors up until this 2020 coveted mess and so we'll see a recovery and it will come back it comes back then to this idea that look it's easy for us to kind of want to shrink away right now to kind of hide out i got to tell you in my darkest moments i want to just kind of take off the rest of 2020 and maybe the first few months into 2021 and because you've maybe got some success it's easy to start playing not to lose i don't know if you're soccer fans like i am i lived in barcelona for eight years go fc barcelona they finally got the la liga championship back and and messi with some additional records and in the last world cup they actually looked at it that when teams had a significant lead they often ended up changing their strategy to defense instead of staying on offense and 86 of the time they would end up losing that match and so it's really critical that you're there playing to win i just finished the book it's been out for a while called relentless by tim grover and some of you might recognize that name if you saw the michael jordan television special but he was the personal trainer to michael jordan to the late kobe bryant to dwyane wade and what was interesting in the nba lockout a whole lot of the players said all right i'm just going to sit back not do my workouts i'm going to rest i'm going to hide away but not kobe bryant kobe pushed the pedal to the metal he continued to train when that lockout was released he was in tip-top foreman was able to dominate then the next several months and so first of all i again i appreciate you being here and willing to continue to learn it's the you saw the quote in that opening session satya nadala who really has turned around microsoft and created the second largest market cap company in the world he said look it really was when we quit being a know-it-all culture to a learn it all culture so thank you for being here to learn and i want to emphasize the key to winning wars in markets has always been the same thing it's what i consider the oldest profession of time and that is intel i just finished up season eight of homeland and this tehran season i'm in uh just wrapped up on apple plus and it always has come back to whoever has firsthand intel not watching the the media traditional media but out there talking to customers and employees particularly those working remote and really in touch with the influencers so i've suggested from the very beginning of this crisis and through it that the number one kpi is literally not minutes but hours of talk time that you're getting into the marketplace and where you can be safe and i've been on an airplane every week since september out meeting face to face with folks again safely i think those of us who can get face time i uh we just discovered uh that salesforce in europe and in asia has ordered 650 copies of our book and so i've set up a call with that top sales force um leader next tuesday and i want to get that talk time and facetime via zoom and so it really comes down to whoever can learn decide and act faster than the competition in the marketplace and it often comes down to not having answers but getting a better question and so look over our two hours together i don't know if i'm going to give you great answers but i hope i give you some great questions that you and your team can begin to really push forward on and scale forward to the rest of 2020 and into 2021 because we have the answers but it's the question it's it's what we don't know that can actually get us in trouble and it often comes down to a few key questions my view the number one question popularized by the late clayton christensen is at the end of the day what is the ultimate job we need to do for our customers and maybe it's too much of a generalization but i really think all of our companies products and services have the same job to do and our hint comes from nature because i've been flying over our countries you know you look down and see the rivers and there are no straight lines in nature and as that river is trying to make its way from everest to the ocean it's following one very simple rule and that is the path of least resistance or what i'm going to call the easy path and if we look at the wealthiest guy on the planet next to putin and that's jeff bezos i can tell you that they obsess every monday on this one question and so i'd like you to really focus sometime over the next few

months with your team and every week what do we have to do to make it easier for people to find us to understand what we can do for them to order from us to figure out how to use our product or service you can have a killer app but if it's not easy to use that's dead upon arrival and so seek that easy path and you're going to see that as we get to the promise and so let me get right now to very specific ideas and tools in each of these four areas and if we look at people the key question is who to pursue i i got to tell you right now and it's i think going to accelerate there's been a lot of amazing talent that has been furloughed throughout this crisis and you've got a chance to really bring that talent into your organization the power forward we were able to access an unbelievable cto we never would have had access to except for this crisis to power on a new platform that we're building around what we're calling speed and near learning uh we were able to strike a partnership with harvard that i don't think would have happened over the last 12 years with wind of the back but university has been dramatically affected by this crisis and as margaret heffernan the great british writer and ceo has said this is the time to be ambitious so we have a tool called the face tool your coaching partners have got it it's part of our growth tools where as jim collins said we got to get the right butts in the right seats but he didn't give us a list of seats so we put one together there's a few spaces there for positions that i think are unique to your industry i will have my board meeting tomorrow at the reardon clinic and we have a chief medical officer that's unique to that industry but i can tell you this even a startup has to really have all of those functions and you start out by having your name next to every line item me me me me me and your job as you scale is to figure out how can you delegate not abdicate but delegate some things that you're doing to others that really pass three tests number one do they wow you uh number two do they need managed or not they shouldn't and number three do they fit your culture and so you're gonna have a chance and by the way if you have the right team your life is easy you have the wrong team your life is hard so it comes back to that idea of easy now i want to drill even more specific and we're going to give you some time as a team here to work this i turn to marcus buckingham and if you've read scaling up you know i reference 40 other books i hardly have all the answers we think it takes a village of gurus in order to really scale an organization and marcus i think presented really two important ideas around this space of people first that what you want to do is make sure that you and everyone else is playing to their strengths but what's important is for you to understand what we mean by strength it's not that you're necessarily good at it and that's part of your challenge those of you that are on this broadcast taking the time to learn i i know that you're great at a lot of things but that's not what gives you strength strength is specifically that which gives you strength gives you energy and even if you're good at it just thinking about doing it if it wears you out that is a weakness and if you consider that yes time management's important but energy is unlimited we're really in the energy management business and if you and your team are bringing more energy to the table as kobe bryant was bringing more energy to that basketball court and messi to the soccer pitch if you've got slightly more energy than the competition that is a significant advantage a significant difference in the marketplace and the second idea that he presented was this idea that good leaders play checkers great leaders play chess and that's why it's you've got to get more professional in your ability to hire if you just do the feel good at you know interview we as humans have a tendency to want to hire people like us and as a result we end up playing checkers every piece is the same and can only move the same way in chess you've got the multiple opportunities hopefully you've had a chance uh to watch that series the queen's gamut which is spectacular so i want to put both of these ideas together and it was really a student of mine like case attended that mit birthing of giants program one of the first dutch uh entrepreneurs to do it in addition to leander beaker lois did and she by the way built this very niche company out of dallas the riches are in niches as we're going to talk about and it was to really organize the org charts for large corporations all over the globe and every time somebody would run into her office and that's what happens as you scale and says look i'm just overwhelmed we need more help can we hire someone she'd say let's give it a pause because what you don't want to do is throw people at the situation and she would give them this piece of paper called love and loathe and she'd say what i'd like you to do over the next two weeks is write down everything that you do that gives you energy and everything that you do that wears you out and she would find two things first about 25 on either side nobody needed to do and that could be eliminated i like to think about jobs as like hallway closets or garages you know you get them all cleaned out and then six months later they're junked up and you go in there and you find out look i

haven't worn that for a year i don't need that anymore now you have two choices i can build a bigger garage or bigger closet i can throw more people at the problem or again i can clean it out and so 25 was able to get off both sides but there was still this this kind of pile over here of stuff that folks loved and so she had four programmers for instance that built her software and one of them would ask them to do somewhere in the sales or delivery cycle is meet with the customer but when they did the list they hated that you know if you have programmers they don't want to see even the light of day and so she went out and rather than hire another checker piece another programmer just like the other four she found a unique chess piece this programmer who didn't like programming but loved the customer interaction and that was her go-to person to be in those customer meetings and then once he gathered how they needed to customize the software he would come back with the famous two boxes of pizza as jeff bezos would describe the optimum size of the team and at two o'clock in the morning share with those four programmers what they needed to do well i think you've noticed it like we noticed it we tested everything of course for days and days before we seem to have a problem with the audio with vern they are now in their studio checking it and rechecking it we hope that we can go live again uh soon but i had just had a phone call with vern and he said case two things why don't you have the people already work at the load or love exercise it has been sent in your workbook your exercise book so vern expects you now to work on it by yourself or with your team the first exercise from this book uh you will be accompanied very very softly uh by our lovely anna aruna you've heard it before in the in the startup video of this conference she will be playing um slowly and and half silently some uh music and focus please for the next nine minutes on that exercise and we'll pick it up from there see you in nine minutes bye-bye [Music] oh [Music] supposed to i'm not supposed to [Music] but this tastes like copper i wanted all the silver where the plates have gold i want it all but this [Music] supposed to [Music] [Music] no [Music] but this tastes like [Music] this tastes like copper coins [Music] i wanted [Music] silverware [Music] where the planes have but this tastes like copper coins and i want it all the silverware the plates have gone i want it all [Music] [Music] [Music] oh [Music] a [Music] [Music] there's a little black spot in the sun today [Music] i have studied before inside the pouring rain with the winter in circles running around my brain i guess i'm always open chilling this rain but it's my destiny to be the queen of pain there's a little black spot in the sun today it's the same old thing as yesterday this black hair the wind won't stop [Music] ring but it's my destiny to be the queen of pain there's a fossil that's trapped in a high clear fall [Music] okay uh that was the song king or queen of pain ana thank you uh so much um so we solved the the issue it was a technical issue in uh in boulder usa in the studio of vern they solved it so thank you very much for your patience vern you can take it back and good luck so for me putting these powerpoints together wears me out and so through 99 designers there in europe i was able to find an unbelievably talented woman jun yi out of munich and she's half korean so very creative half german so it gets delivered now and i just send her ideas about hey i need this slide to look like this and move like this and overnight those things get delivered and then what can you delegate so list eliminate automate and delegate that's really how you lead your organization let's now switch to strategy and here the key question is what do we need to rebuild or and why should people buy from you here at the beginning of this crisis the great venture capitalist andreessen horowitz they put out a blog post that said look this is the time to build and i know we're building out all kinds of capabilities during this crisis of building anything there are two things that are really critical first that you get down a solid foundation you get those piers down to bedrock and then as quick as you can you got to get the roof on and once those two things are accomplished you can take your time kind of building out the rest and so we've got a tool that has been helping companies build and rebuild their strategy moving forward and it's called the sweat most of us know the swot tool strengths weakness opportunities and threats and it's a useful tool but it gets you focused a little bit too much internally and in your own industry i think it's a great tool for mid management within organizations they actually are closer to what's going on but as a senior team it's important that we get above the forest and we get above the trees and so that's the idea of this sweat tool we created and it starts with first the peers let's put down the foundation and that's understanding deeply what are your core strengths the core competencies that gary hamill and the late c.k prahlad discussed in that famous harvard business review article if we look at for instance the french company bit corporation they started out as a company just making inexpensive plastic pens and if that's what they saw their strength being i'm not sure they would still be a thriving two billion dollar

company today but what they understood deeply was that they were strong at two things number one disposable consumable plastic anything and number two they really knew how to put plastic and metal together which is really difficult if you want to do it inexpensively and accurately and as you know today that allowed them to expand their product line from pens to lighters to razors to an entire myriad of products and that may in hindsight not seem strange but look there is no other pen company that makes lighters and razors and no razor company that does the other two or lighter company that does pens and razors and so it isn't obvious these are different markets with different consumers but they've been able to make that kind of pivot so first it's a deep understanding of what you're really great at and here the mistake is you're actually defining it too narrowly and you want to look more broadly and by the way there's only going to be two or three next and it's even tougher for you to figure out is all right what are we really weak at and these are weaknesses that you're not going to fix you're just going to recognize that we're never going to be really good at this and we're going to avoid pivoting into those areas and these key strength weaknesses i remember for years i led the strategy session for the post-it note division at 3m i got to know art fry who invented the post-it note and all of us have known for years that 3m has a real core strength it was around innovation they pivoted to the word science period so if you look at their website it's all about science and scientists which meant that they had a core weakness which is they're really not strong in direct sales and by the way that's a significant trend so that's allowed them to make sure they've known where they can shed certain products because it's gone direct to consumer now what that meant is then they created a complementary strength to counter that weakness which is their unbelievable ability to partner with distributors distribution channels and they actually measure that by the number of partner awards uh vendor awards that they receive and so when they created a paint that can easily peel off an aircraft rather than sell directly to the aircraft organization they they partner with the boeing and the air buses and creating a solution with their science and then it's boeing and airbus that are really distributing that solution to all the airlines around the world and so get clear what your core strengths and weaknesses are and then what you need to do is get on the roof look above the force and the trends and say all right trees and what are the trends where is the puck going right when this lockdown occurred over the weekend again in the united states uh one of my close friends and mentor steve watkins called me said all right where's going to be the opportunity in this that we can actually make the next moves and that's the way you want to take a look at it so that's our sweat tool i hope you'll engage some of our coaching partners and kind of walking you through that as you can find ways to build and rebuild the organization and what you want to do is you want to go after profit share not market share uh you you don't want to own a big piece of a market in fact we created what we call the 770 rule if you think of apple when it hit its highest market cap two months prior to steve jobs untimely death at the time they only had seven percent global market share yet they owned fifty percent of the globe's profitability now let's feed forward here um 11 years later and in 2020 at a 2 trillion dollar market cap they only have 14 global market share 86 percent of people still use non-apple devices yet they own two-thirds almost 70 percent of the profitability in the entire industry ikea's the same great european company only about seven percent global market share 93 percent of people still buy their furniture some other place yet they own a majority of the profitability so i want to share with you mpa and i do think the riches are in the niches so i was in tampa here recently and he's an eo member and he's in the plumbing electrical and air conditioning business this is an apple or ikea it's you know fundamental services and he started out like everyone else man i'll do those three things for anyone who wants it you know in the beginning you'll take whatever revenue you can but once you cross that chasm now you need to begin to focus and say no and know the niche that you're going after and where the trends are pointing so what don who is the ceo and founder of this company's done is he said you know what we're only going to do plumbing electrical and ac for multi-family new construction we're not even going to do renovations we're not going to do repair we're not going to do single family homes and if you look at the trends of the united states the aging of the population folks particularly because of this lockdown wanting to get out of the northeast and get down south over almost a thousand people are moving into florida every single day the wind is to dawn's back and because it's the only thing that he does in tampa he has become the best and he's able to formulaically bid it he can have the best competitive pricing and because he knows how to do it so well he can do it in much less time and therefore pay his people more so he's getting all the jobs and he's

getting all the talent and he's been able to take this piece of the company to 30 million in revenue just in one city and so what is the niche that you're going after it's interesting if you want to come back then to intel during this crisis starbucks reached out to our sec and said look we want to let you know we're going to close down a lot more stores than we normally close down because our data had shown prior to the crisis this firsthand intel through their app that 80 of their customers were doing pickup anyway and so they've seen an opportunity here to dramatically reduce their retail footprint by the way in the united states they only own four percent of the entire market of coffee yet they own 40 of all of the locations on their way to 70 we'll see if they do it through an acquisition and opening up these smaller footprint stores and in the process they rebuilt and created a new brand called starbucks pickup so what are your opportunities as well so we have a tool called the seven strata that you can begin to walk through and the first three decisions are really your external expression of your strategy what first word or two do you own in the market google owns search volvo owns safety domino's owned pizza delivery then you want to make a promise in 30 minutes or less and then back it up with a guarantee or it's free and so i want to come very specifically around this idea of promise the second p that we're really discussing here and we're going to give you some time to work on um i want to take you to the philippines it's a country that has a distinction in having more fairy accidents than all the other countries combined and so this shipping family said look let's in a purpose-driven way really fix this problem so we can rent rent reunite the people on the seven thousand islands of the philippines so they launched with a b hag to have uh was 30 of these 10 to 12 million dollar ferries in operation in 10 years they started with seven they're about 22 and first notice it's all around making it easy and then if you look at their uh sides of their fairies the owner said vern you're going to love it we posted right on the side the three reasons and that's what the great godfather of of influence robert cialdini suggested if you want to convince somebody to buy your product or service give them three reasons it trumps two or four or a list of ten so here are you very safe are you very fast and are you very convenient and you're going to notice that on their second screen if you take a look at this great transportation company that they are emphasizing the three things now what i also want you to see if you look at this picture is what they're not delivering it's as important for you to decide what we're not going to do you can't be everything to every customer notice i don't see any really first-class seating there if they had it they probably would have shown it there's no really fancy art on the walls you're not going to get gourmet food on this particular but if you want those three leading with safety and supported by the other two this is the ferry and they're one of the fastest growing transportation companies in the world and so we've got a tool it's page four of those growth tools that you had a chance to to download and we want you to take some time here with your team over kind of the next six minutes and walk through this particular tool it starts with all right we're not going to serve everyone what's the piece of the market that we've learned after being a business for a while it's going to be new multi-family construction not renovation not repair not single homes who's our core customer and then what are the handful of things that they uniquely need us to do versus all of the rest maybe with an understanding of what our strengths are and then you're going to come back and say all right what are the three promises we're going to make the one we're going to lead with and then the two that are going to support it southwest airlines they went after sales people traveling sales people first they realized the thing they wanted most was low fare but it was low fare relative to bus fare not just the other airlines and so for the last 50 plus years they've led with one thing still today in a very turbulent industry we are low fare we are lots of fights and we are lots of fun and those three lfs have driven their business model you need to find the same like the ferry company in the philippines for your firm so case if we can let's put everybody back in their groups and we've got six minutes here for folks to work it out in their own organization [Music] the stage looks great [Music] do [Music] [Music] do [Music] so [Music] [Music] do [Music] do [Music] [Music] [Music] [Music] well uh hello back again um thank you again ana for the wonderful music um vern we have some uh some questions uh but first of all i need to apologize to france because i skipped france in my introduction and there we have also viewers and scale-ups for franz looking um and i think uh laura i think he's french uh he so far made the best remark because he said wow so far this is brilliant thank you so uh that's for you uh vern um so we we only have two questions uh logical questions for now in the system so i want to invite all the viewers to look at the the q a part in your zoom session and if you have a relevant session question for fern please put it in and when it's really good question we're going to make sure



that fern's going to answer it i'm not sure if you want to have this question vern but i'm still gonna kind of read it out to you and that is uh vern what about the responsibility and ability of companies to solve big social um and climate challenges do you recognize the shift from money and profit as a goal to money as a means to a mission so from company growth to growth in impact well you know it's interesting case kind of decades later the business roundtable here in the united states finally caught on to this about a year ago when they said you know what the the job of a corporation isn't just to make money for the shareholders but there is a customer an employee and a community aspect the whole new stakeholder model and the minute that came out i reached out to john cotner at harvard and i said john you've got to be dying here because you did he had done an 11-year piece of research back in the 80s where he looked at 209 companies over 11 years and he wanted to answer a fundamental question is it companies who put the customer first do they do better than companies that put the employee first versus companies who put the shareholder first and you've got to love when research really surprises you and what he discovered it wasn't any of those three there happened to be a handful of companies who treated all three equally that outperformed the rest by factors of five to ten which is why we've had that built into our model in our one-page strategic plan forever that you've got to make sure that the employees are taken care of the customers are taken care of and the shareholders are taken care of and we've then added this community component and so when we hosted nate who is one of the co-founders of airbnb look that company lost a billion dollars right in this crisis in january before it hit they had already decided that they were going to go to a stakeholder model of really driving the company and the only way you're going to do that is what gets measured gets done and so they've put real measures around what does it mean to really be there to support communities our employees our customers as well as our shareholders and as you know it's always been business not governments that have solved almost every one of the social issues that we have faced here on the planet so if we go back and i'll just wrap it up you know when amazon looked at this question of easy they also said how could we actually make what we do easier on the environment you know that that clear plastic that a lot of retail products are displayed on physically they said look that sends hundreds of people to emergency rooms who get cut every day by the knife they're using to open it or the plastic itself and with the aging population it's become even more of a critical issue of how do we get that package open easier plus that plastic is really bad on the environment and so amazon went out to their suppliers and said look the customer can see your product you know in a 3d kind of 360 view right on the website why do we have to then package it in this really harmful packaging to both our customers and the environment and so they've been able to eliminate a lot of that that have been going into ground into our ground and landfills and so yes we absolutely want to include a stakeholder holder model in driving our business it isn't just about the money and by the way the money is simply just a way for us to see that hey we're obviously the the crowd is voting that we are doing something that they want versus what they don't want and that's why it's a metric as opposed to an end in and of itself i think um that was about your speaking time for the q a i just want to say one thing vern did you see here in the studio the the the man hide the the the live big uh picture of yourself here on the walls maybe the studio can zoom out have you seen it to the left no but i love thank you and it's we've got our our same look there so thank you how about that so um by the way i've got about four minutes before this next segment i want to i want to go back to the brand promise if i can for a moment case sure uh because there's some really important nuances here and it starts with so how do you actually put this together i want to recommend a book and that's dr francis frye or frey is how you pronounce it the great harvard professor strategist who wrote a book called uncommon service i i actually consider it the best strategy book ever written and in there what she does is she walks you through a process that says look you first want to go out and talk to customers as we had suggested the mistake is though doing everything that they ask so you want to put together a list of 10 and as you know customers have more wants and they want to pay less and that's the train wreck uh they'll literally want want want want you to bankruptcy if you're not careful and so what you want to do is of that list of 10 you want to decide what are the three then on a scale of zero to five you're going to be a 10 at you're going to be so good at safety and speed and convenience like that fairy company and then the rest of the list you don't want to deliver it at all you don't want to be a five you you don't even want to do it and c suggests that that means you're probably going to upset or disappoint 93 of the market but that's what you want to do i i don't want to go to ikea

and buy furniture it's a terrible customer experience you're walking through the rat maze and having to put it together and take it home yourself but there's seven percent of the market that wants that price and and enjoys the design that they provide and those swedish meatballs those are kind of their three brand promises and everything else is inconvenient and that's what the great companies do the second key idea so pick your three out of the list of ten why your competitors are trying to be good at all ten and never end up being great at anything that's the key so read dr francis frey's book uncommon service number two we really have to come back to what gets measured gets done and so i want to use an example most would be familiar around the world and that's mcdonald's and they decided look they're not going to be health food they're but they're going to put speed back into fast food what's interesting though is how do you actually measure the speed and here's the key you have to measure the brand promise from the customer's perspective not your perspective so you might look at you know time in the drive through but look what really matters to the customer the stopwatch starts and ends from when the customer thinks they want to get something to eat and so i remember in ashburn virginia you know their main customer are children and yes burger king might be a better uh hamburger and maybe their drive-through at the time was slightly faster but there were two mcdonald's within two minutes the burger king was 20 minutes away and that counts towards the speed factor the corner of the four corners that you're located so it's easy to get in and back out given the traffic and the way that it's packaged so that you can eat it on the run versus having to kind of sit still and consume that all of that is a component of speed that mcdonald's understands well and yeah given all the ups and downs they've still had they're still the largest restaurant chain in the world and they've gotten even clearer lately of what they're great at and what they're not trying to be great at anymore so really a couple lessons there read francis frey's book understand your list of 10 and then pick the three that fit your core customer and then on this forum when we talk about how are you going to measure it you need to measure it from the perspective of the customer you've got to get into their mind it's not what is easy for you to measure so i think we're right at top of the hour case and let me now uh switch to and if you can to our execution and here the key question around process is your speed to ease and that's the key thing that we really measure and process is both the cost to do it but most importantly the time if we can get it done quicker one click if you would on amazon make it quick and easy to be able to return that product that's how you win in the marketplace and what i think's interesting if you look at the global 500 and the last data i've got from 2019 if you look at their revenue per employee one of the key numbers that we look at our one-page strategic plan they average almost a half a million dollars per employee in turn us lean mean fighting machine mid-market companies our average revenue per employee is about a fourth that 126 000 per employee so how can this be that these big bloated fortune global 500 companies can be four times better at generating a dollar per employee a euro whatever currency you're looking at then we are as these mid-market firms and that's why one of the key metrics that we really think is critical to look at particularly in the execution side of your business is gross margin dollars not gross margin percentage that's important but the number of gross margin dollars per employee that you're able to generate andy bailey who's one of our partners and coaching partners many of you case you know him well and others uh when he had a huge telecom company and was a client of ours before becoming a coach he looked at that number and at the time he was averaging 75 000 per employee gross margin dollars not revenue not profit and he said look what i'd like to do is drive that to a hundred and twenty five thousand well using our tools he was actually able to drive that to 275 000 his gross margin dollars per employee were almost twice almost everyone else's revenue per employee and the key there is really to focus on processing one of the challenges as we scale is we get so focused on making sure that our functions run well i want to well oiled operation and sales and marketing and hr and i.t function that we forget that the way our employees and our customers and the world experiences our organization is through a set of processes that cut horizontally across those functions and so i think it's our failure as we scale to be so focused on function that we ignore process and that's why we created another tool called pace so if you can get the face right the senior team the right butts in the right seats then your job is easy and then if you can get the pace right the speed and that really is around process and so we've got a tool that's part of your handout that we're going to be putting you in in a moment to take a look at and it really is going to walk you through three things by the way it normally takes about three hours uh we like again best if you've got somebody's kind of an expert

at understanding process to guide you through this but what you want to do is you want to first name like you've named your functions you want to name the four to nine processes that really drive the business and by the way a lot of those processes are going to have the same names as other companies just like we share a lot of the same functions but you need to get them down and and there's usually not less than four and there's not more than nine if there's more than nine then they're just sub processes within a broader and i'll give you some examples in a moment number two just like with functions you want to be super clear who is accountable and look i want to emphasize that the word accountability is different than responsibility and authority if nothing else they're spelled different and in all the different languages yet we have a tendency to use them interchangeably see the person who has accountability the ability to count it doesn't mean their boss doesn't mean they make all the decisions doesn't mean that they can tell everybody what to do look the person that's accountable for that function or this process is to be counting it to be measuring it to make sure that it's running well and to give it voice to scream loudly if we're having issues in that particular area which leads then to number three which is we need to measure we need to create again the key performance indicators the kpis that tell us generally is it running better faster and cheaper less cost we're delivering better quality and most importantly can we do it faster and by the way if you can do something faster in minutes instead of months there's no way you can spend as much money and you're more likely actually to have higher quality because you have less people touching that particular process and so those are the three steps we're going to have you go through here in a moment just to get the process started and and the one client that i had when i was in barcelona at the time became the most successful uh kind of unicorn within spain is a company called softonic and who has generally overall accountability for process is your head of operations your co so i sit down with their co and their team over an afternoon and i'll step out of here for a moment but these ended up being their particular processes if you want to take a look at them and notice they're going to have a lot of the same names that you're going to have though there's a couple that are unique to them content creation and publication being one of those and then what we did is got very clear that who had the sub accountability for each one of those seven processes and that really drove success up until they were able to successfully sell to a swiss firm uh and exit and so that's an example of how you begin to kind of name these processes setting accountabilities and then we had to get clear how are we going to measure each of them but particularly speed so with that i want to recommend a book i i don't think you have to actually read it uh i just want you to buy the book it was co-written by jeff sutherland the co-creator of scrum or agile many of you recognize that process and a lot of folks have actually referred to what we do as as helping create agile scale ups versus just scale ups and he he wrote this book called the art of doing twice the work in half the time and i want you to get the book and just set it on the desk uh of your coo or head of operations just to remind them that we really do have this kind of 4x slop inside all of our organizations that we could take our revenue gross margin dollars you you pick whatever it is and forex it without having to add a single additional person to the team and so i want to give you a concrete example i feature them in the book scaling up they're one of the fastest growing franchises in north america called nurse next door they're canadian-based out of vancouver co-founder ken sim and first they're playing to where the puck's going in a significant trend as we're having the aging population those of us with aged parents many times rather than put them in a nursing home would prefer to have a nurse come to their home and i remember when ken had just 28 employees at headquarters but they had you know hundreds of nurses in the field contract nurses serving their patients a little bit like boots arc does the great dutch company and one day his head of payroll comes running in the office said look ken i'm dying here trying to get in all of the information from these contract nurses so i can just get them paid and look you're we're doubling every year we're going to grow probably another 100 percent and i'm already working 80 hour weeks now any kind of reasonable leader would have said well get somebody hired but back to what we talked about earlier that's just kind of throwing people at the problem instead they brought in a lean consultant a guy named mike martin out of portland and i'll give you a long story short a year later they doubled the size of the company anyway that you want to measure revenue number of franchisees nurses out there serving customers yet their headquarter count actually dropped from 28 to 23 people now they didn't fire anybody over this initiative if you do everyone's going to stonewall you nobody's going to want to go there instead they lost a couple of people through natural

attrition that happens as you scale and a few others said look let's just go out in the field including being a franchisee and the ultimate was and kim was telling me at one of the meetings his head of payroll came in and said look ken i even though we're twice the size i can barely find 30 hours of work what else can i work on and so it's a real time example of lilly being able to do twice the work in what was taken her 80 hours now in less than half the time and by the way it wasn't just in payroll that they were able to really tighten up that process they had a process around how to acquire and onboard a new franchisee and the old way they did it they could barely bring on one new franchisee a month once they leaned out that process cleaned it up they were able to bring on five new franchisees a month they got a five-fold increase in productivity and if you look at that particular case study in the book scaling up you're going to see that they had these kind of gains in all aspects of the organization now i do want to mention one specific um case that i'm running into a lot and that is this division of labor it was an idea that we birthed in the industrial revolution and it's interesting the gentleman that i feature in kind of the opening chapter called the barriers alan rudy is on to his new venture and involves having to deal with our government in terms of filing paperwork with medicare and medicaid and the problem is that things have really slowed down inside his own or his company and the thing that we discussed was the fact that literally a dozen different people needed to touch a particular process to get it done and what lien yours usually finds out is if there's a dozen people involved and it could take maybe three weeks there's probably only about three hours of real work that's being done all the rest of us what they call waste it's sitting in somebody's email waiting for them to do maybe a 10 second aspect of that process and so what's happening in a lot of companies i think it's been forced upon in a way through all this remote work is we're going back to one person maybe two doing all 12 steps themselves rather than having to pass it off 12 different times and so a dear friend of mine who's in the mortgage business if you want to get a new mortgage by the way that industry is on fire with the low interest rates here in our country it there would be a part of the process where it just required somebody to do a ten-second activity but it would often sit there for six hours and in the meantime the client who's anxious to get that loan through has called or text three times and it just creates all this extra work instead she's trained herself in all aspects of the process and it's been crazy the whole thing has been going smoother for her for the customers and for the rest of the people inside the organization so i want you to go back and rethink this division of labor idea that we birthed in an industrial age that i don't think is as applicable here in the information age and if we can actually have one person do the four or five steps instead of having to hand it off which is what really causes the mistakes and adds so much time and frustration that's where i think we're headed in this next kind of 2021 as we revamp our processes and i want to recommend a book and that is paul locker's banished sloppiness and it was neil lewis our coaching partner up in london who pointed out that hey this used to be the old underground map until henry beck came along and he said look let's redesign it so again it was easier for people to be able to discern which tube they needed to take next uh and it's in this process of both simplifying and making easy that usually drives that the process improvements that you need to make inside the organization and so what i want to do is i want to in a moment here i'm going to take some q a but i want to take you kind of back to our process accountability chart and you're going to have some time as a team to again just start this first i'd like you to be clear it is going to be the coo or the head of operation that's going to have overall accountability next i want you to begin to start thinking through all right what are those four to nine processes that really drive the business and particularly um because our work is driven around these quarterly themes this idea that between now and the end of 2020 you know what's the number one thing that you want to get accomplished what you want to do is figure out what is the associated process that goes along with that so let's say you're trying to improve your sales close ratio i can tell you that in the last 12 years with wind to our back i don't want to take anything away from your sales people but many of them just had to be there to take the order but now that things have really tightened up in this crisis we really have to up our game in sales and in fact we know from research that only 26 of your sales people really have the skills that are necessary to close business in this much tighter environment and so you might decide alright what we need to do is make sure that we hold tight or increase improve our sales close ratio between now and the end of the year that would then make sense for you to also look at okay so what is our sales process and if in general if you can pick an associated process with each one of your quarterly themes if you've got four to nine processes that

means that you're going to be able to kind of redesign design or redesign one process every three months which means over every 12 to 24 months you're gonna get all of them redesigned and again processes like jobs are like hallway closets and garages you know you think you've got it clean but then six months later it is all clogged up again and what you've got to do is take time to clean it out and go in there and see all right what kind of dumb things have been added to the process what kind of policies and procedures got thrown at it how did we make it so much more difficult for people both our customers and our employees in order to engage in that process and then clean it out and and the late dr deming's fundamental rule was you should only work on one process at a time if you try to do it on multiple you can end up with what's called sub optimization because look the knee bone connects to the thigh bone all of these processes interact together and so if you open up and try to unpack too many of them you can actually create a bigger mess so you want to get clear all right what is the number one priority for the next few months what is the process that's most related to being able to improve that kpi that critical number and then get in a room and some of the tools of lean the ocean method and others and dig into uh the book banish sloppiness you can actually download it uh for free and so just google banish sloppiness paul acres is providing that and to give you a really concrete example i want to take you to a company a large company i visited earlier this year steelcase they're one of the world's largest manufacturers of office furniture and back in the year 2000 they were doing 4 billion in 12 million square feet today they do 4 billion in revenue out of a million square feet they have figured out how to use 1/12 the amount of space in steps in order to produce the same kind of revenue and the idea of the two second lien which is paul akers real fundamental work is this that we need to engage all the employees in figuring out not just have a lean expert but get all of them engaged in figuring out just easier ways to do everything within the organization if you could just save two seconds at a time it quickly adds up so when i was there earlier this year they had just started this initiative and the first thing they did is they empowered if you would all 3 000 employees to look for improvements and then if they found it to shoot a quick little video and then using some microsoft technology related to teams they are posting those videos and through bing is able to then watch those videos convert it into text so like a youtube channel you can search it and so what they're doing is really taking advantage of the wisdom of the crowd think about it today uh i just got a new range rover i wanted to see how to change out the battery in a second remote that i was given somehow another it wasn't working i don't know why and so i could have waited to call somebody at the dealership or go back no what do you do today we go out and we search and we find a youtube video that the crowd has voted up and in a matter of two minutes i was able to save time by doing it myself and just change out the battery in that particular remote and that's where we're going in the 21st century you want all 30 or 3 000 of your employees engaged in finding better ways to do things and look let's just shoot a quick video we can all do it easily with our phones and then get it posted up on your own internal in a way youtube channel to where like they do at boots arg they don't need to have experts but they've got 14 000 nurses that are going to help a particular nurse who's got problems finding a vein in order to take blood and he or she's going to be able to figure that out in two minute video that they find on a saturday night versus trying to find some expert who's probably not available that's where we're headed in the 21st century so case uh let's take some q a for four minutes and then we'll put everybody in a six minute exercise so for the number one voted question um i will share with you but you don't have to answer it yet you can answer that at the end of your uh of your session that is what has been your greatest lesson in your life um so we will skip that question you can think about it and we have two questions about strategy and about the brand promise the first one is from victor meyer victor meyer probably from germany how do you back something up by a brand promise guarantee well the first thing i would encourage you to do is read jim collins it actually he goes under the name james collins so you got to search that in harvard business review and he wrote an article about and i want you to search for the term catalytic mechanisms and that's what he called the brand prom what we call a brand promise guarantee because by putting a guarantee in place causing some pain to you and your people if you don't deliver on the promise that'll be a catalyst for you to innovate and make change and so first i want you to get that james collins jim collins article from harvard business review search catalytic mechanisms or i reference it in my book scaling up and i want you to read through example by example by example of companies and my favorite in there is granite rock this is a company that crushes rock that's used to

build highways and they had what's called a short pay guarantee the same one that we have inside scaling up with our coaching partners if we do some work and we send you a bill for it and you didn't think it was worth that you can pay us what you thought it was and i got to tell you that will get our attention for sure and you know we find and grant iraq had a similar situation there was a contractor who didn't get a road opened overnight when the traffic hit the next morning and so the department of transportation in california levied a heavy fine against them now the reason i couldn't get it open is there wasn't access to the gravel they needed now that wasn't granite rock's fault they're not open 24 7 but they came back then to granite rock and said look because we couldn't get rock when we needed it that's why we couldn't open and initially they wanted to fight that look it's not our fault you guys should have planned better but what came out of it was the first 80 rock atm machine so just like you can get cash 24 7 with an atm they created a rock atm to where two in the morning you could drive in put in your card and you could get 12 ton of number 2p gravel if that's what you needed and so it became a catalyst for granite rock to be really one of the most respected companies in their industry so the same with us you know what you find um like oracle's 10 million dollar guarantee if they're exadata server is it five times faster than ibm nobody actually ever takes you up on it uh instead it really gives them permission to let you know that you messed up and that's what you want to know because the worst thing you want is for that customer to start bad-mouthing you to other customers and customers talk to customers particularly about the bad things that happen and so the real idea of the guarantee is to assure the customer that look we're going to take serious your concerns and we're going to do what we can to respond to it now every once in a while you'll get an unreasonable customer but that's the exception not the rule and all that tells you is that we probably don't want to do business with that customer anymore and that's important to learn as well okay uh thank you so much fernan i think that was the time for the q a in this part of your session think about the answer to the other question and i would like to invite all the participants to look at the questions and upvote the question you think is most relevant so we have some time at the end of earn sessions to do some more q a i think now you have an assignment right for the group we do so we're going to be taking a look at here this process accountability chart it's page 5 of the growth tools and so get with your team and at least pick what is the most important next process that we need to work on a way to think about it is where are we suffering the most drama in the organization because what you want to do is be a drama free zone and that's the process you want to pack and unpack and see if you can make it easier for everybody customers and employees let's put them in their their groups five minutes [Music] black [Music] take these sunken eyes and learn to see [Music] all your were life waiting for this moment to be free [Music] blackberry take these broken wings and learn to fly all your only life for this woman to arrive [Music] black boys [Music] night [Music] take these broken wings and learn [Music] you were only waiting for this moment to [Music] arrive [Music] take these sunken eyes and learn to see all your life you were only waiting for this moment to be free [Music] fly into the light of the dark black sky [Music] black [Music] night [Music] into the light of the dark black night [Applause] oh so next we want to look at price the fourth p and this is in the cash area and and for me price is your quickest way to recover and generate cash and we know that cash is king it is the thing that growth sucks up if you're not careful and so we've got a tool called cash it's your cash acceleration strategy tool where there's all kinds of different ways that you can take a look at to improve what we call your cash conversion cycle uh our second tool is what's called the power of one and this is our partnership with alan miltz in the cash flow story allen had actually interestingly created technology in his first company that banks used actually to evaluate companies in terms of their ability to repay loans because that expertise wasn't broad inside banks and he sold it then successfully used by many banks all over the globe and then he realized that maybe i should create something similar for business owners because often as he says banks speak portuguese and uh the owners will speak spanish and it sounds similar but they're really different languages and so we wanted to get everybody on the same page because the challenge is this a lot of companies end up growing broke and that's when look revenue is going up your profitability is there but it's not converting into cash and so we created kind of seven levers for you to take a look at and we've got a piece of software that all of our coaching partners have access to and if you're working with them they can actually do a complimentary no charge uh cash flow assessment just like case your team has developed an unbelievable scaling up assessment that allows folks to see how they're doing and

people strategy execution and cash and again i hope you'll reach out to one of our european coaching partners and have them do that for that scaling up 4d assessment for the team here to end the year and to really analyze your cash flow story and the very first lever that he points out in the power of one is the power of price and if you look at phil kotler's four ps of marketing product price place and promotion it's price that takes money directly to the bottom line and into your bank account in terms of cash the other three you've got to spend money in order to make money and what i find is interesting is where we we're so focused and we have over the last 50 years on the cost side that's why we've really been focused on supply chain management at the heart of our ability to scale what happened in 2007 is the globe switched prior to that from world war ii to 2007 we basically had more demand than supply so if you could just show up and deliver you could get the business but in 2007 what really precipitated the financial crisis around the world is overnight we ended up with just the reverse today because roughly another 2 billion people coming on into the middle class out of the 7.6 they've got to produce before they can consume and now we've got more supply than we do demand in almost every field think about just energy the united states now is a net exporter of energy which has really impacted the middle east to the point where we know in dubai they had a billion-dollar deal with the paris louvre because they really have to be driving as much entertainment and tourism as they do the traditional oil and gas industry and so when you're in a situation where there's now more supply than there is demand which you have to realize is that the opportunity isn't as on the cost side yeah you still need to pay attention to that and make sure you've got people inside your organization probably lowered down more to the front line watching those costs because they're closer to it and what you as the senior leaders need to do is better educate yourself around the price in fact one of the things i want to i want to know is that all the unicorns there's all this conversation about unicorn companies those that are able to scale to a billion in market cap but about half the time as it traditionally took every one of those companies is focused more on the demand and price side than they are on the supply and cost side in fact those companies they really don't supply anything you know airbnb they're using everyone else's uh homes and in apartments uber's using everyone else's cars and instead it's their deeper understanding of what the customer wants and where they are and where they were just before they purchased it's their deep understanding that amazon has of what the customer's been buying that allows them to suggest uh products that you might love in fact right now they're about 19 they know if they can get to 33 they're just going to proactively ship you something that they know you're going to love and when you open up that box it's the old sales what we call puppy dog clothes i'm going to fall in love with it and want to keep it and not return it and so they're getting much much better at their predictability because of their understanding of the customer the demand side versus the supply side and the other reason we get and if you think about it how often does the price change on amazon every hour if you're a traditional retailer you put a sticker on that product and it doesn't change till you have to put it on sale to try to get rid of it if you think about uber traditional taxis there in europe the ones i took in barcelona had a consistent cost per eighth of a kilometer yet for uber it'll be inexpensive for you to get to that event but boy they know there's going to be huge demand to try to get home and so they can raise the price their price is based on demand and in fact if you look at the airline industry that it had come out of four of its most profitable years before this crisis as one leading ceo of an airline said if i've got 1500 people in any one day on a route let's say from barcelona to paris or amsterdam and back if i've got 1500 people in any one day on that route and there's only 1200 different prices we've screwed up 300 times and so look it's the same seat it's the same route but nobody pays the same price so why do we think we ought to be changing charging the same price to our customers b to b or b to c and the reason price is so difficult is that we're selling not to companies but to people and you know we learned a guy won the nobel prize two years ago for discovering it people are not logical they are psychological and to underpin that i want to take you to back to the godfather of influence robert cialdini first he's the one who said you want to convince somebody to buy your product give them three reasons it trumps two or four or that list of 10 we were talking about the second thing you did some research around was pricing and i was just in leon mexico last week with the state down there that really wants to focus on encouraging scale-ups it happens to be kind of the heartland of mexico there's a thousand shoe manufacturers there so i got my first pair of leather tennis shoes case you got to see these things you're going to want a pair and i'm going to have to send it to you anyway when i'm down there in lyon what

you realize is that um you know psychologically we're we're at a restaurant with one of our clients pro-and they're the second largest manufacturer of eggs in the world from there they've got 8 000 employees we're coaching them in the tools of scaling up with our coach patricio our international coach and we're sitting there talking about the psychology of pricing when they give us the wine list for lunch and sure enough the wine list is listed from least expensive wine to most expensive wine and what robert chaldini's research found is all you have to do is reverse the order of that list and put the most expensive at the top to least and you're going to drive 26 percent more revenue you didn't change a wine you didn't change a price and if you then anchor that list with three or four really expensive bottles of wine you can pull revenue up 250 percent look it's not logical but it's psychological so every year for the last decade i've been going to china and we've been teaching these tools my book just last fall came out in mandarin simplified chinese and two years ago adrian wall was in my audience he's a ypower and he's got by the way a very simple strategy he calls it a taste of new york in shanghai and again riches are in niches and he's gone to these iconic families in new york like the owners of joe's pizza that has lines typically out the door all night and he said look let me bring this iconic brand to shanghai and so they said yes and he then put up at every one of the joe's pizzas a menu with its pricing well that was a year and a half ago and by the way it was always listed from least expensive vegan to most expensive meat lovers so when i was there a year later last november adrian was actually sharing this same kind of summit the case is sharing for our european partners and he said vern you've got to come down and visit one of the restaurants and i want to show you something so i go down there and sure enough he said all we did was take your idea that of robert chaldini's and we just reversed the order of our menu and we put the meat lovers first most expensive to vegan last and we didn't get the 26 but we got a 16 boost in revenue we didn't change a slice we didn't change a price and that's the power of understanding it psychologically now this is a good b to c business to consumer example what about b2b so let me reference a critical article that came out two years ago again in harvard business review called good better best pricing and this detailed article walked you through a lot of business to business examples and as you go all the way down through you're going to see at the very end that dell emc today is called dell technologies but back then it was still dell emc they went from a single price service contract after the sale to a good better best price offering and revenue only went up 300 percent look just changing the psychology of the pricing increase their revenue threefold and so we took that idea in this crisis and we decided right there april 8th was our very first one that rather than have a single price we did a good better best pricing offering as we are for this master class we've got coming up here in december and it's been amazing to watch the psychology that that's driven and i guarantee if we had not had the three-tier pricing versus a single price we would not have had the success and the revenue that has helped us power through this particular crisis now i want to also recommend a book there in germany is the guru of pricing a dear friend of mine herman simon he's the founder of a hidden champion company called simon kutcher they're the largest pricing consultancy in the world last year they they did over half a billion in revenue and we hosted herman at one of our early summits here at the beginning of the crisis and we recommended a book and right now because they make it easy i want you to get your phone and i want you to go to your kindle app your amazon kindle app because in the time it takes for you to write it down you can just purchase it and download it and i want you to go get herman's book called beat the crisis he wrote it coming out of the last recession of 2008 and the book is spectacular but i particularly want you to go to chapter six and in chapter six he details seven pricing strategies that companies and he gives detailed examples of real firms most of them from europe so you're gonna i think really identify with them as a european audience of strategies these companies use besides just lowering your price in the crisis to really begin to power forward because look if you can add just a euro to your price that euro will go right to the very bottom line versus all the other things you might have to do to generate that marginal additional euro in profitability uh by the way i should also mention he wrote a real modern book called confessions of a pricing man and so i want you to take a look at that book as well read everything that herman simon has written including i want you to google this hbr low price herman simon one of the things he felt he had left out and so he corrected in an hbr article is what if you want to be the low price leader like ikea is in the marketplace he's identified seven strategies and if you only do six of those you're going to end up being a commodity but if you can implement all seven around your low price strategy you can have some of



the highest profitability like the historical 13 percent profit that ikea has generated where the industry in general averages about two percent now dropped since the death of their founder last january hopefully you're going to be able to recover but ikea has been the profit leader by a factor of six over the entire industry and they are the low price competitor in the marketplace so this isn't about being the low price or the high price like apple it's about understanding the strategies behind your pricing so you can generate that two-thirds of the profitability of your industry that we suggested during the strategy session and so um case um i want to quit here a little little early so we can take a broader range of questions and then what we're going to do for the last exercise i'll let you guys aside is put people back into groups and i want them to at least get the conversation started around pricing um and let's start with hey let's commit to learning more about pricing let's attend a workshop let's hire the simon kutcher folks let's read these books let's get that hbr article let's look at chapter six but most importantly let's start having more talk time at our council our mind monday morning 9 to 10 a.m where we've really had a lot of talk time around pricing particularly through this crisis and in general up your game in price like you've had such a focus on cost over the last 50 years so case yeah thank you very much uh vern so so before we discuss or we have the pricing assignment if we do that i didn't understand it let's do one or two questions indeed uh i have a question from the netherlands from annalise batalan back to the process accountability chart her question is how do the process accountability chart relates to the actions and key thrusts key initiatives from the one page plan of course this is a detailed question for everybody who is using the the scaling up method but maybe you can explain how those things are aligned with each other yeah well in general the kind of base camps along the everest we call this kind of three to five years when you think you're going to double the revenue next now i got to tell you right now in this environment it's anyone's guess and that's why you need that firsthand intel down in the streets of the marketplace to know what you need to pivot to next but we've decided for instance over the next 12 months that we want to build this new learning management system that's going to power our online education and the like and given that key thrust or capability that we want to add to our delivery of services to our customers that then ties back to all right what's our overall process for onboarding first acquiring onboarding and serving a customer in our online education and so that's how uh process relates to the priorities that you're setting so remember the priority you've got this quarter is going to be related to a key process the priority that you're going to set for 2021 will likely be related to two or three key processes and areas that you want to move into easy pay one of their key thrusts was to move from just being in australia to going into six additional countries that meant that there was some additional process that they needed to add in their organization and then out of that process hey the only way that we're going to speed it up or do it easy is we're going to need to take this set of actions this week and so that process as we know you only eat an elephant one bite at a time ultimately boils down to what is the sprint because that's what people want to run they want to watch the 100 meter dash in the olympics hopefully next summer not the marathon so we were going to break it down to a set of 13 100 meter dashes and all we want to do is be clear what is it we need to accomplish this week and then we're going to meet about it and readjust and that's the scrum or agile approach versus the old PERT charting approach that was last century that we know has failed and we saw it most recently with quibby this was a venture that jeff castenbaum launched with meg whitman two very famous entrepreneurs and ceos who spent two billion in two years because they were confident that this was a highly attainable goal they could achieve and they launched and four months later had to shut it down so you want to engage in weekly iterations close to the customer as you improve process and you try to achieve what are some key thrusts within your you know your business but be willing to pivot in any one week as you learn additional intel okay great answer um so i have another question that relates a little bit to what you were saying from louisa leonard i think it's france vern what are the common challenges scaling businesses when digitizing so if you go from manual process to digital processes rather than what is to be avoided well i thought jim collins was really clear about this in his the model i've been showing good to great if you want to go from good to three times good you first have to get the right people then you've got to make sure it's built around the right strategy you need to know what are the three promises you're going to deliver if it's going to be safety then only then in the execution phase do you add digitization and what you don't want to do is digitize the wrong stuff and you don't want to digitize a mess and so that's why it's important for you to get the process cleaned out first and then

digitize what's left versus just again speed up the mess and that's why it's critical the sequence with which you do it we will recognize a little bit with your remarks uh digitize the mess i think we're all been there um so are you now ready for your um final question or the first question what has been your greatest lesson in your life fern well there's a phrase that comes to mind that there is no losing that you're either winning or you're learning and that gives you permission if you've hit failure to just say all right what is this lesson trying to teach me and so it's winning or you're learning number two and it's a very practical thing and i've talked about it deeply in the people section it's what regis mckenna taught me he taught intel and genentech and he was the marketing guru just the late steve jobs and that is when you're faced with any challenge don't do it alone go out and take a piece of paper and make a list of the top 25 influencers people brands that you can bolt on they're going to be able to move further faster and so that's what i did when i launched yeo now eo and it's what we've done with this new learning management system that we're building and i've made the list and number one on that list michael horn the guru in blended learning and we've got michael engaged with what we're doing i've added kevin oaks to that list kevin built the number one learning management system years ago and john coney who was our early advisor who ran dell learning is now working closely with kevin oaks in that learning area and so vern any time can i can i just add to that i used your technique of building that list of 25 people who influenced your idea the most i did it it's such a simple concept but it's so powerful and for me it worked it's like the little things but the list of 25 people and you start with number one you start calling and then until you have them all you got it so i think we're almost up to our time where we're going to put them in and hopefully with the power of one we're looking at price but we've given you six other levers that and again we have a piece of technology that you can engage with a coach for no charge that allow you to be able to do what if scenarios that if we could just improve the gross margin by this or reduce our accounts receivable or improve our accounts payable the real sensitivity of your business model to these seven levers so that you can drive more cash because that's the thing that's going to give you safety here as we continue to power through this crisis okay vern we have uh still a couple of minutes for you to uh to close up so maybe um we want to drink a little bit more from the fountain so if you have like three or four minutes that you can share with us your latest thoughts on the situation where we are now in uh and the challenges and maybe the opportunities for scale-ups at this moment that would be a great final of this session yeah well i again i think it's so critical for you to keep the right frame of mind that there are always opportunities in a crisis and it's your job to find those and lead your team you know through the storm and the analogy that i like to use is literally a climb to everest the everest is your big hairy audacious goal naomi simpson with red balloon who we talk a lot about out of australia the one selling services uh or experiences to people she lost 90 of her revenue in april just like airbnb yet she's up 20 on the year using our tools and one of the things she shared a few weeks ago was her new big hairy audacious goal for this decade they want to go to selling one experience every second right now they're about one for every 39 seconds and so that's where they're headed over the next 10 years that's their evers so keep your eye on the prize but as we've read the books as we've seen the movies those teams are on everest and then these storms come in and that's what we have is this once in a lifetime storm that has hit us and at that point what you've got to do is just be clear what is the next step up the mountain or what is the next step down but what you can't do is freeze in place you have to keep working you have to keep moving you have to keep feeling to make sure that you're not going to fall through the ice and fall off that mountain and your team is counting on you to do that and so what does it mean in a really practical sense i just want you to wake up and be clear what do i have to do in the next couple of hours and communicate that with your team and your team as well and that's why the daily huddle is so important i it did surprise me that when again we hosted nate the co-founder of airbnb on our last virtual summit in september he said the very first thing they did when the crisis hit in march is he and his two co-founders and the senior team started into the daily huddle they had not been doing it before as a senior team and they initiated that and that has given them the talk time many of our clients have have moved to it twice a day so that we can make quick very agile moves and then see what the reaction is and decide what you're going to do tomorrow and then last and this really came from susan david uh i want people to realize that you've been shell-shocked whether you know it or not that we as leaders of our companies are suffering ptsd and she gave me a quick test and i failed it i clearly am exhibiting pstd kind of symptoms and so how do you

deal with those kind of stresses and she was very practical and i i took her up on it she said i want you to pick three times a day i want you to put it in your calendar and i want you to give yourself permission to do something for yourself so if you could see my office packs nose i've got a piano in there and i'll just i'm working on this song i want to perfect and i'll just take a few minutes to play the piano um i'll admit i love playing solitaire and so after this broadcast i'm going to go give myself permission to go play a couple of hands of solitaire and then i'll be at back at it uh with a vengeance on what i've got to do which i already have scheduled for the next couple of hours so keep your eye on everest but then lead your team one step at a time and be willing to adjust every single day if you need to and then last give yourself permission to take a break and do something fun for yourself at least three times a day thank you vern i think um that's a great ending to this uh wonderful uh two hours of your insights so i'm thrilled i'm happy i've listened to your speeches many many times and every time there's something new that i get inspired by but uh just to make sure i i wrote down some points that i just want to make sure that i repeat because repetition is the best way of learning so if everybody allows me i have about 90 seconds to close this up so you shared with us are you playing to win or not you have to create talk time which is the number one kpi you should have uh the the right team in place because that will make your life easy um and what you um what wears you out is a weakness what wears you out is a weakness that's that was a strong one then another technique list eliminate and delegate um a profit profit share is not market share and that's the 77 by 70 rule and make things easy for your clients for yourself and and for your co-workers the key is how to speed up easy just so the speeding up of the process lean out your processes that's what i uh that's what i wrote down and uh rethink the division of labor i thought it was very smart and not cut it up in little pieces but have uh people feel more responsible for one piece of the the labor engage all employees in this lean process uh one of the big ones always radically rethink price or your price strategy um you have to buy the book beat the crisis and you if you want to achieve something big you have to create the top 25 list that was in the the end of your session um and the last one or the the final one your team is counting on you so you have to you have to do it as an as an entrepreneur and then the last one uh maybe the west the best one of today is play solitaire right yeah how about that for uh for a summary in one minute summary case you nailed it thank you so much by the way for hosting this you're always so gracious honor for the beautiful music and again to all of you scale ups what you do is important and it's important that you take this serious do the work don't take yourself serious as the late alex trebek who passed away last week from jeopardy suggested so take your work series don't take yourself serious and we're going to get through this crisis thank you vern um and that leaves me uh thanking the team thanking the rt thanking anna aruna here in the studio for the music hopefully um thanking you uh of all the uh all the the viewers hopefully next year we're going to be back live in a european summit or we come to your country thank you very much and see you next year

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 13

## Webinar: "FAST Goals: Game Plan for 2021" with Verne Harnish

URL: <https://www.youtube.com/watch?v=eHDNiehXxow>

um hi everybody my name is eugene turk i am the vice president of business development at align and i want to welcome everyone to today's webinar um for those of you who may not know this a line puts on a monthly webinar where we have thought leaders from around the world share their knowledge their expertise and their wisdom in the hopes that such meaningful content will help you grow and scale your business today is a particularly special webinar for us as we're honored to have the growth guy himself verne harnish with a particularly timely presentation on setting fast f a s t goals and how to game plan for 2021. uh one of my favorite shows on netflix right now is david letterman's my next guest needs no introduction and i think in the business world vern certainly falls into that category considering he has spent the last three decades helping companies scale up however in the event that some of you may not be familiar with some or all of his accomplishments and achievements please allow me to give you a quick summary vern is the founder of the world-renowned entrepreneurs organization eo as it is better known which currently has more than 14 000 members and for 15 years he chaired eo's premier ceo program the birthing of giants at mit a program which i think he still teaches at today uh vern is also the founder and ceo of scaling up a global executive education and coaching company with more than 190 coaching partners on six continents uh hopefully many of you are familiar with his best-selling books mastering the rockefeller habits and scaling up mastering the rockefeller habits 2.0 which by the way scaling up has now been translated into 19 languages and has won eight major international book awards including the prestigious international book award for best general business book vern also chairs the annual scale-up summit which one was held virtually just last week he serves on several boards and is a private investor in many scale-ups for those of you who might be interested in knowing in his free time vern enjoys piano tennis and is a card-carrying member of the international brotherhood of magicians so in 2019 a line partnered with vern and his scaling up organization to create a private branded version of the alliance software called the scaling up scoreboard and so we are thrilled to have him present this webinar today uh before we begin hold on just one second before we begin just one administrative matter uh we want this to be as educational and informational for all of you as possible so to the extent that you have a question please pose the question via the chat uh function within zoom and we will direct as many of those questions as we have time for at the conclusion of verne's presentation i again want to thank everyone for attending today's webinar and without any further delay i will turn the presentation over to vern all right well eugene thank you so much for that introduction by the way if i take the camera around the corner you've seen my piano uh and i was going to be in a recital here in a couple of hours with my son quinn you're doing a piano violin uh duet but the snow has postponed that uh to next week but i still it really gives me great pleasure to be able to play and particularly each one of my children who are musicians uh as well and i also want to thank all of you for making the time right here in in some sense the offseason i don't know about you but at some level i just want to quit between now and the end of the year and take the rest of it off but as many many of you probably heard me talk about i had become a real fan of this book relentless by tim grover and tim was the personal trainer for michael jordan and dwyane wade and kobe bryant and as i was reading through the book a couple weeks ago i noticed when the nba had its lock out many of us are locked down but when they had the lock out it was interesting a lot of the players dragged on for months said hey i can back off my training and the like and they took it easy but not kobe bryant kobe doubled down with his training and so when the lock lockout was released kind of almost overnight the rest of the players were scrambling but kobe was ready and so the fact that you're willing to take this time right now and invest in yourself and your organization this close to the end of the year after an exhausting year of 2020 uh is to be commended but you know you win by training in the off season and so away just being the off season i appreciate you being here let me share my screen and um we had an issue with our switcher normally i would be down in the lower right hand like we did on our summit last week if some of you participated in it but i'll have to be over here in the corner but it's the content hopefully it's going to be helpful so i want to welcome all of you um hey what's interesting is one of the guys that

endorsed the books scott fuqua he and mike were my first workshop in 2005 with 50 employees there are 3 500 and i just checked the market cap a few minutes ago it's not at 42 billion at the end of this year it's almost 60 billion so they've had a great run as a digital company and scott will still tell you i still stay close to him i just saw him at the beginning of this pandemic i'm all set to be his very first outside keynoter he's ever had when they restart their in person with their big global event in las vegas here this coming april and and he'll tell you it's at the end of the day comes down to two things that have allowed them to scale and it's discipline and focus which he picked up he and his team back there in 2005 and he's asking me now to train his people and all kind of the solution providers that helped drive that almost 60 billion in market cap and he wouldn't do that if he knew it didn't work and so i want to kind of come back and we're going to really focus on the execution piece and around setting fast goals not the people strategy or or cash component and so i think it's always a good reminder that at the heart of our work are really three disciplines and if you're not achieving what you thought you could achieve or as fast as you could achieve it it usually is in one of three areas first you've either got too many priorities or you didn't pick the right thing to focus on number two probably the reason you're having a struggle with it i find that when companies are like it's not immediately obvious what is the priority today the sprint this week or two or what we need to focus on the next 90 days to 2021 is because we don't have sufficient data we don't really have that clarity and foresight that comes with gathering first-hand intel not reading the news unless you're betting on the market like warren buffett does but this firsthand intel of real conversations with customers and employees particularly with them being remote that gives you a real-time sense because look all wars all markets have always been one through intel through intelligence i just wrapped up a few weeks ago apple plus tvs series tehran and once again it re-emphasized the power of whoever had the best intel were the ones that were the victors and it does you know good to have this information if you don't get in a room and talk about it and that's why at the heart of our work is this meeting rhythm that i want to kind of cover and to give you a sense that both small and large companies continue to focus on really these three fundamentals i i don't want to over complicate and and keep you focused on just these three decisions i want to take you to steel case i had a chance to visit them at the beginning of this year before that everything shut down and i want to take you back 20 years ago i came to visit kind of on the 20th anniversary of them practicing mastering the rockefeller habits in 2000 the company was in trouble don hackett was brought in as ceo and bob who runs there at the time 12 million square foot factory had found my book and said all right we're going to use these rockefeller habits with our first coaching partner ever john anderson uh there outside of detroit and they began to practice these tools 20 years later in what took 12 million square feet to generate 4 billion they can now do it in a million square feet it's a better than 10x improvement in productivity and as i got to tour the factory and kind of ceremony meet everybody to celebrate this two-decade uh involvement with our tools they shared how all their 3 000 employees and i got to tour around and see it are with an ice shot of a very simple white board like this and i'm a big fan as bill gates is of white boards and you'll see at the top they've got detailed therefore what we would call in our work key thrust like so what are the four three four five areas of focus for the next several years that are going to really drive the business and that's that kind of three to five year and for them it's safety quality delivery and cost but notice even with those four they said we're going to focus last year's focus was safety this year's focus is quality and in fact if you notice there in the kind of right hand corner um they have a theme banish sloppiness and so look they're into themes just like we encourage you to put a theme together for what would be the first quarter of 2021 what's going to be the rallying cry of what it is that you want to get accomplished and the notice down the side is very simply organized as we just showed priorities data i'm going to come to meeting rhythm underneath that they're saying all right this is the actions we're going to take this week in order to based on this data to achieve these priorities and notice it's one priority in each of those areas there's not a bunch of them and what i also love is up in the upper right hand corner as a reminder of their communication protocol and i want you to see that email is the last resort i i got to tell you trying to solve problems or anything via email is a nightmare it's gonna take you seven days instead of seven minutes and notice their priority is face to face uh look you can't do a factory remote so they're there working safely and the leadership has bicycles and so if they want to talk to somebody they just get on a bike and they bike across that million square feet and they get face to face if not at least voice is importance of us of vocalizing our data and

information conversation and then video via whatsapp is there a third but email is last resort um and then i had this chance to be in their daily huddle it's at 9 00 a.m it's exactly seven minutes and what they found is is john ratliff and everyone else has done the daily how every minute that your team's in a daily huddle saves 10 minutes so they they figure this seven minutes saves everybody an over an hour of what would have been useless emails and other messes that could have been handled if we just all got in a room for a few minutes and they've got this the most obnoxious alarm that goes off at the end of the seven minutes now here's what i love about the detail and the tweak notice still their first key thrust is safety and what they decided is they didn't want to ever shortchange conversation around safety if it was needed so the safety report happens first and then they start the seven minute clock and it just so happened the morning i was there in january somebody in the factory one of their factories had got a finger pinched in a roller and they ended up having about a 15-minute conversation about that because they take safety super serious within the organization so this is you know manufacturing you would expect them to be this discipline but hey a lot of us are in the service business if not professional services and so i want to take you kind of the whole other uh spectrum and ypr or neil malek many of you have had a chance to hear me talk about neil he runs i think one of the more significant pe firms they just raised another four billion in the crisis they've done over 100 acquisitions they have another 400 to go in the next five years and every one of those companies that they acquire has to go through our tools our two and a half day master class the ceos through our boot camp we've got three more of their ceos booked for our january eight through um or 12-15 boot camp by the way if you really want an immersive experience with me and john and eight ceos we've got two seats i think open in january and a few seats in february but neil has all his ceos go there because they've got to move fast and grow and what's interesting is not only does he require all the hundred uh companies in the portfolio when i was last there in person he actually made all the ceo stand up and say what time their daily huddle was it's because he practices what he preaches and so i'm going to show a little video here i'll kind of i'll talk over uh the audio but i just want you to see that real companies do these real things so first uh everyone in the organization is in some kind of a daily huddle uh where they have a chat notice how informal it is they just kind of gather in folks space they're just chatting through and catching up but these things are about 10 minutes on average then once a week they have an all-firm meeting where they're getting together discussing there's neil uh every one of the firms and issues within their portfolio they also have got their key performance indicators their data up bigger than life which really helps drive transparency throughout the entire organization and accountability i love the way their offices are set up they've had to adapt since a lot of them are remote but this data is up on electronic boards that show up on their computers as they log in and they've absolutely maintained their meeting rhythm throughout so from manufacturing to professional services this setting priorities having data that drives it and talking about it daily and weekly is critical now at the heart of that is a real shift actually in our thinking we're we're continuing to evolve and learn and most of you are familiar with the smart acronym for setting goals it's been around for decades i referenced it in my first book in 2002 mastering rockefeller habits i put it in scaling up but recently because i self-published i was i'm able to update my book consistently i just made a bunch of edits for the new version that's coming out that updates the numbers to 2020. i changed this acronym in the book to fast and this came from the mit sloan school the equivalent of the harvard business review but sloan puts out their own review and about two years ago they put out about a very important article that said maybe it's time we let go of this smart acronym and we shift to this fast and by the way i think it aligns much better with companies that are wanting to scale up and to me it reduces some of the redundancy i saw in the acronym smart by the way i can never remember exactly what all the letters stood for either fast has been easier for me and so really it's four areas and i want to go deep in each of these four but it's first does you know good to set all these goals if you don't frequently discuss i don't have time by just looking but that seeing it keeping it visible then causes conversation number two absolutely as margaret heffernan said at the beginning of this crisis it's time to be ambitious you can get a hold of people we structured a deal with harvard we could never have done the previous 12 years why win was to their back but universities have come under massive change as all of us have in this cobit so we've been able to be ambitious and that's the kind of goals that you want to set not attainable which i think was the a in smart number three you want to be specific so that's like the s and the m i think if you're specific it's going to be measurable and vice versa

and and i think the thing that was confusing is what you want to measure is what matters and then figure out how i mean you want to be you want to specify what matters then figure out how to measure it rather than i think people go the other way and say well what can we measure uh i thought of mcdonald's when they really wanted to figure out consistency and they tried everything you know we're gonna measure uh how long the french fries sit out all kinds of things amount of waste because their concern was that if you've ever had a mcdonald's french fry that's slightly like two minutes old you could pound nails with it and ultimately they said we gotta implement the largest mystery shopping campaign the world has ever seen and they would literally mystery shop a store at if it closed at two in the morning at 158 order the fries and they had not been a batch new batch put out that franchisee was in massive trouble so you want to be specific about the goal and then figure out how to measure it as opposed to well we're only going to set goals we can measure and then last and this is what i think is key is we've got to make it transparent and we have to use the single most powerful leadership tool that was ever created and that is peer pressure and we need to be clear around the research people like teams sports teams are willing to play much harder for their peers than their coach or their boss they learn more from their peers than their coach or their boss and so and the power of being transparent so the peers more importantly than everyone else sees it is a powerful tool and that's really what i think neil malek is putting to work both inside his pe firm and across the companies in the portfolio so let's dig into each of these specifically let me check on the time here so first when it comes to frequently discussed that's why this meeting rhythm's important it's the importance of having conversation and equal conversation as google's research found around operation aristotle and in our meeting rhythm first daily we really want to get to the tactics and communicate as you'll see in the agenda weekly then is to real deeper discussion focused around priorities not a bunch of things on people's to-do lists number three then if there's big issues around that we get in a room for long enough so we have some time to really dig underneath and get to root cause and then once a quarter we want to kind of reset the clock and specifically if you look at our daily agenda we're really focused on what's up relative to the priority so once you've said this is the theme hey we've got to get mobile like they did at facebook or jim mccann at 1-800 flowers i've gotten reacquainted with him recently as he bought worth magazine and we partnered then uh with them on some initiatives jim won 800 flowers he had signs littered around and said will this sell more flowers and that's the idea is you're managing by zooming around or calling around it used to be walk around to her back in person jim would say hey what are you working on and then he'd say is that going to sell more flowers and they could ask him the same question as well so i'm looking for a pattern and causing us to frequently discuss what are the things that we're doing today that are aligned with those priorities then any daily metrics clearly the metrics that are related both to your key performance indicators and this priority you're going after remember when michael dell said we've got to get into server business and if every day the numbers showed up on people's screens and in their daily huddle every four hours uh it was all right give me the updated numbers on where we are with getting servers sold and in one year they went from not being in the business to number three in the marketplace and then number three obviously where you stuck particularly in moving the ball forward around those key priorities and then we see i'll skip this and we'll see the same thing with the weekly agenda where notice right towards the front end after good news we want to discuss all right where are we with the priority and then we want to really look at any longer conversations that would then drive your ability to move forward on that priority so it's the meeting rhythm that really allows you to make sure that you're frequently discussing the priorities and goals that you've set number two obviously the power of being ambitious again we hosted margaret april 8th when this whole thing hit we rushed to the market a virtual summit she was our opening speaker wrote a great book uncharted could have been a better title for 2020 and she said this is the time to be ambitious and that's why continuing to stay focused even though we've hit a storm on the mountain we still want to keep our eye on the the summit of everest um you guys have heard me talk about naomi simpson and her big hairy audacious goal at red balloon and most importantly you see the scoreboards up big they keep it front and center and she's got scoreboards everywhere that again make the data both visible and transparent you can't hide from the numbers and as she's remote i checked in with her their business dropped 90 in april for the year though they pivoted they're up 20 so way to go naomi and her team using our tools but a few about a month ago she said all right it's time for us to reset our b hag for the next decade between 2020

and 2030 and it's now to serve an experience every second sustainably and she's got the data that she's tracking and so it's important then that we obviously be specific about it and that it's measurable and it's being tracked real time including on scoreboards like you would expect that again keep it transparent and frequently discussed because all of a sudden when the numbers change or wow did you see how and they really had a nice boost obviously this time of the year in the holidays they've cut that time in about half uh right now in terms of experience and when it then comes to specific and the s in fast this is where we really turn to moneyball i hopefully you've read the book uh seen the movie uh my partner john radley who runs our global coaching organizations on council with doug who heads up uh a line every monday it's his favorite non-business business book because you know you know we measure a lot of stuff and he he was in the call center industry and he was on his industries national council that even established what they call this golden award and it was like a dozen or two data points on mystery calls put into your call center and then if you pass it you got these golden awards and and john took it so serious that across his 24 locations he implemented a mystery call to every one of his 650 employees every month just imagine the expense of go of doing that the time and then he used that data to evaluate the performance of each of his 24 centers and then he sees the movie and he's got one of those epiphanies it's two o'clock in the morning he wakes up and he goes wait a second you don't suppose like the baseball industry we've been measuring all this stuff but it doesn't matter and that's what billy bean found is that all this data that the baseball industry you know collects and was using to set compensation and choosing who what players to recruit he discovered that most of that didn't correlate to actually winning which is the outcome you want and so john went back to a ceo kevin it was he was still with him today even though they sold the company to a two billion dollar firm and said kevin we've got data on every one of our 24 call centers and the thing we want is customer retention see everything you measure you need to tie back to but is this really correlating to the outcome we want you've got to zero base this and he said look customer of attention is our best measure that we're doing a great job in a commodity business answering phones so they went back and did the correlation and you know life is crazy you can't make this stuff up truth is crazier than fiction his call center that had the highest the golden quality score per these metrics that he was part of setting in the industry had the lowest customer retention and his location down in mississippi that had the lowest quality score had the highest customer retention again you can't make this stuff up and then all the other 22 centers it was a scatter diagram there really was no correlation whatsoever and he's like whoa have we wasted a lot of time and a lot of emotion looking at stuff that doesn't matter and so he went back and said let's see if we can find the data that correlates to the outcomes and he did he found what i call his moneyball stat on base percentage happened to be one of those key ones in baseball and that one metric was the one that he used to really measure and drive performance at his 24 locations instead of all that other stuff he was measuring and so see if you can find that by the way my favorite team fc barcelona they really boiled it down to one metric ball possession and they they cut the grass different they trained different they had smaller players this ticky tacky tikitaki movement and they became the winniest team in the history of this sport by saying look it's a lot of stuff we can measure but if we can control the ball which they do on average 76 of the time if you've got the ball three times more than your opponent the chances are you're going to win now their coach their owner all went up to manchester city if you're a big fan of this industry and sure enough they won their champions their premier league three years in a row doing exactly the same thing so what is your money ball statistic that you really need to drive the business around and that's what john did at apple tree and then last um you know we talked about this topic of transparency we've got people on this call from all over the world and i was in egypt um just after the egyptian soccer team won in 2019 the big african league they were celebrating and soccer's huge in egypt yet that morning when i'm giving this workshop some of the egyptian leaders came up to me uh and said look vern you have to understand that culturally this idea of transparency uh we're not as open to it as maybe you are in other parts of the world and i and i said don't you love your soccer and they go yeah and i said are is every one of these players stats readily available real time as a match is going on he goes yeah of course and i said and i assume you're going to have a team ready for what we thought was going to be the 2020 olympics in tokyo and he goes yeah and i said is every olympian from every country have to expose in front of the whole world their stats real time there's a transparency in sport that i think transcends all of our cultures and the minute i said that i saw a mindset



change within the room and so this idea is sometimes somehow culturally it's not acceptable to be transparent with metrics our view is this and i want to leave you with it and then i'll turn it over to uh to doug and eugene and team if i go back to this picture then i'll summarize you know we talk a lot about how we'd love to create a family kind of culture within the company and look i know about you but i wouldn't wish my family dynamic on anyone it is it's like watching shit's creek if you would uh i think the term dysfunctional family is like a redundancy redundant term and so look i i again wouldn't wish the family dynamic on any trying to be high-performing organization keep that in the family but my view instead is that the best model for companies moving forward is the professional sports team the the scoreboards the transparency the analytics that they've really brought to the metrics the fact that as i was watching one of the nfl games and sure enough they kept going philadelphia eagles kept going for their fourth down because the analytics show that that is the thing that you should do is go for fourth downs uh and when you should go for two-point conversions which uh happened at a couple of the key games this week and so all the professional sports teams around having a coach versus a manager having detailed stats in front of everybody real time and having scoreboards bigger than life uh is a model a better model for us to scale than it is the family model in summary jim collins where i really got our framework from said if you want to go from good to three times good you need to have disciplined people that's where we think coaching comes in discipline thought that's where learning comes in and then he said you want to apply technology in order to really drive disciplined action and so look i'm a big tennis fan big rafa nadal affectionato go rafa i think he's the goat within that particular sport and what i love is wherever i am in the world i can dial in on my mobile device as naomi simpson cam with hers and see real time the stats of where we're at with that particular match down to the detail of heirs and winners and aces and all of that that go with that particular uh sport and so that's why i was involved you know with with the team at line to say we've got to bring the same transparency and technology and ease to our own companies and it's got to be mobile ready so that you can really track the cascading priorities and data that at some point becomes an excel spreadsheet nightmare like early on it does in project management and it does in accounting and there's systems we've developed for every function for accounting for sales and marketing for operations but the ceo generally doesn't have a tool to do what they're supposed to do which is to make sure we got the right people doing the right things right when it comes to executing and so uh in summary i'm a huge fan of pivoting to this new acronym as you set goals for 2021 look it does you no good to do that if you set them on the shelf frequently discuss them please set ambitious goals you might as well shoot for the moon uh number three make sure it's specifically measuring that which ties back to the results find your money ball stats and then use the power of transparency and peer pressure to take the pressure off you having to be the bad guy or gal and instead use that peer pressure in order to drive performance within the the team and the organization eugene back over to you great thank you vern if you would uh stop sharing your screen just for a moment uh thank you very much obviously if you have questions now is a great time to start putting those into the chat i want to take just a few minutes to sort of build upon vern's presentation to discuss how you can use the align software or any of the other software that is powered by the aligned platform including the scaling up scoreboard to make it easier to put into practice fast goals for 2021 in your organization so building upon exactly what vern just talked about f for frequently discussed um it's critical to have good communication rhythms in your organization so you can frequently and regularly discuss strategic goals and priorities use the software to create those daily and weekly huddles and tag your quarterly priorities your metrics your stux that vern mentions so that they get pulled into each huddle this way the most important work that needs to get done is front and center and is a topic of discussion every day or every week obviously you want your goals to be ambitious so within the one-page strategic plan there's a place for you to document your big hairy audacious goal it's not just ambitious it's audacious and then to take that b hack and start breaking it down into annual initiatives um essentially what you're doing is you're taking a smaller bite of that huge elephant in the room and you're uh breaking it down into more manageable priorities and strategic objectives that your team is going to see going to measure and going to work against or towards next you want to be specific so you want to break those initiatives down into specific quarterly priorities that can be viewed and tracked in the software's managed priorities page so you can see the specific goals that ever the company different teams and departments and even individual employees have created for themselves more

importantly as vern just noted in a peer sense you get to see how else everyone in the organization is doing how is everyone performing how is everyone measuring against the specific goals and targets that they have set for themselves for success whether that be through a key performance indicator just some numerical value that we're trying to reach or whether it's through specific action items that have to be completed by the individual or the organization and finally making things transparent everything about the alliance software has a bias towards transparency including the managed priorities page that i just showed you but furthermore you can create a company dashboard that is now visible just like red balloon that's visible to every single employee on the software that shows the gauges for the company's most important metrics and the heat maps for the company's quarterly priorities this provides instant visibility so that everyone knows how well the company is doing against those fast goals that have been established so uh in the event that any of you are not already using the align software or scaling up scoreboard software or one of our other software applications that's powered by the align platform we'd like you to learn more hopefully you're interested in learning more i would encourage you to visit [align.today.com](http://align.today.com) fast for more information and to even take potentially advantage of a special offer that we are providing to webcast and webinar participants until january 15th should you wish to subscribe to the software so we hope you will take advantage of that again [align.today.com](http://align.today.com) fast all right i am now going to check into our chats and vern uh we're gonna see if uh we can throw some questions uh at you well and if you don't mind i've gone to q a and i love this first question how is music influenced how you think about work and it's one of the reasons why if you go back to that meeting rhythm visual i'm showing the equivalent of a jazz band uh i'm showing really music as an example and my son cole happens to be a jazz drummer and what i love about jazz i wish i could be a jazz pianist i'm not that good and i've i've been trying to learn but what i love about jazz is it looks a lot like growing companies it's it's free-flowing it can be chaotic time but what's beautiful it's actually one of the most disciplined music forms and as such you can have musicians come in from all over the world who have never played together once create beautiful music immediately and it's because there's really three things that are in place one everybody understands the fundamental rules of jazz and there are it's like the core values that don't change number two we obviously have to be playing the same song you can have beautiful musicians but if they're all playing a different tune and that's really equivalent of our vision summary or one-page strategic plan let's get everybody on the same sheet of music and then number three and that's my son's job is you can have these beautiful you know fantastic musicians playing the same song but if you're not all playing it to the same rhythm the same beat it's going to be ugly and so i think really organizations you could say you're good or great or i could say make a lot of noise or create great music and so that's where it's been of a real influence and this meeting rhythm really is the heartbeat or drum beat of the organization uh vern we have a question here uh and uh feel free to answer in terms of what is the time element for a fast goal versus a smart goal if there is a difference or well there's no difference because what we're really talking about is setting a goal whether that goal is today and we look when this crisis hit we often can see no further than a day and so my team uh just like nate's team at airbnb you know we hosted him one of the co-founders of airbnb that just went public and rocketed into a hundred billion market cap it's back i saw this morning about 70 billion but still worth more than marriott and hyatt and westwood and like hilton all together it's crazy but the first thing they did they said when the crisis hit in march is they all went into immediately a daily huddle and there like you're setting goals for the next 24 hours in a traditional sprint that you see in silicon valley it may be for a week or two and then obviously what is our goal we got to get mobile in the next 90 days which was mark zuckerberg says they were getting ready to go public and when michael dell took back dell he said hey we got to get our asqc score this year back up by 10 points so it the time frame is irrelevant it's when setting a goal for today this week this month this quarter this year you just want it to be fast frequently discussed in everything we've talked about um in that sense how important are yearly goals whether they be fast or smart preferably fast when you have sort of no idea how things will change from quarter to quarter particularly in uncertain times like we're in right now yeah i i actually don't think i and we've got some thought leaders that disagree with me on this but i really use the analogy that there's only two things you need to be certain about and that is your destination the big hairy audacious goal naomi simpson knows that she's going to get to one experience sold every second and she beat her last one by two years hopefully she can beat this one by two years and then what's the next step you've

got to take and when the storm hits do i get to go up the mountain or down the mountain some of you had to scale back quickly but what you can't do is freeze in place and i'm gonna suggest everything else in between is a wag a wild ass guests and so i look set the long term and start up the hill and adjust accordingly and that's really the agile or scrum approach to developing soft robust software or getting up whatever everest you're trying to climb uh vern do you have any tips for introducing fast goals to a team that has valued independent contributors and independents is a question that will has asked yeah there that's why it's it's why we we took the term strategic planning and we broke it apart and realized that it's two separate activities and teams there's the strategic thinking piece that says all right that's the kind of customer we should go after with this product offering and there's our big hairy audacious goal that's the strategic thinking piece and there's really only a couple three decisions there that you as a leader need to get right that's why you get the medium bucks then the execution planning you really want to turn over to everybody else you actually want the front line to decide how they're going to take the hill and if they're the ones that are setting the goals themselves the fast then it's going to be hard for them to disagree with the goal and so look i am a big fan of the tribe and i think that is the model we're moving to the beehive or ant colony there isn't a lot of middle management in an ant colony or beehive it's everybody doing their job and laying down clues or hints fear homes like google to say that's where the food is and if you think about it how do we decide what restaurant to go to we used to rely on experts in a book called fodors now we trust the crowd tripadvisor and almost every single decision where we get advice amazon which one we look at the number of reviews and we look at those reviews versus some expert who says this is the right answer and so it's actually engaging a tribe of independent thinkers who are collectively feeding into this process and deciding all right if that's the hill we're going to take let us decide how to take that pill and then they own it i hope that answered the question um vern we we've had a question of how do you or can you elaborate on the idea of how determined the number one thing to focus on and build fast goals around yeah yeah that that is the 64 question that is the late stephen covey's the main thing is to keep the main thing the main thing the challenge is when you have a thousand things to do what's the main thing and there's some tools uh one's called hoshan i was just talking about this morning with our whole cohort of a couple hundred executives on our master class uh it's a tool out of toyota's lean methodology we used it to really solve a significant issue between raytheon and tolus on a project that they were extremely late on for nato so there are some tools and technologies that are allowing us to kind of if you would uh mine the ideas and thoughts and then figure out the right sequence because your goal is to line up all the things you've got to do and say all right what's the front domino if we can push this one over so i'll give you an example when again michael dell took over dell in 2007 they were 50 billion but failing he fired kevin rollins the ceo he brought in he really thought he was going to spend more time with his four kids and he said all right i got a thousand problems but what's the lightning rod what's the one thing that if we can get this done it's going to fix the thousand and he said it's this asqc score that is used in the industry and that one court did correlate well and he said all right that's it we're going to move that asqc score back up 10 points back up to the high 60s that had dropped to the high 50s and that was his number for that 2007. then he said all right there's a thousand things we got to fix to do that but let me pick the four that i think will drive it most and that's where you need some analytics and like john entailed and by the way if you need great uh analytics almost every person in india knows how to do that from grade school any analytics i've need i've just outsourced to teams over there and he said all right there's four things we're going to focus on and one of those was reduce the number of phone calls he said the data was shown it was taken on average seven phone calls for people to do any business with doubt order something get a return get it fixed and he said that's frustrating the customer it's costing us a lot of money and the employees aren't happy that's what you want to do is you want to find this one thing is like upsetting everybody and that was their focus for a whole 90 days and he reported out every day their progress and they eliminated two million phone calls that were necessary that quarter which reduced costs made customers happy and their asq score went up now let's set all that aside leader ceo this is again why you get paid the medium bucks you know trust your gut what's keeping you awake at night what's frustrating you what is your sense that if we could just get this done and so for me when my company failed back in 2001 we had just come off a huge run half million million two million four million eight million and boom 911 hit it's kind of like this crisis and people have been trying to tell me my gross

margin wasn't where it needed to be and i didn't believe i thought i was smarter than the rest of the market but i learned my lesson and so our first focus was let's get our gross margin from 42 to 55 and in causing that to happen we had to fix 100 other things within our business model and we've been at 55 ever since so that's the way to think about it um and it's it's iterative it's messy and it's testing a lot of stuff but here's the most important thing and i'll end with this pick something i mean the worst thing is to get frozen on the mountain pick something and when you're first starting pick something that the team can actually achieve so you can start piecing wins together if you've got a demoralized culture the worst thing is to pick nothing um vern i think we've got time for one more question and this one might be uh applicable to a lot of different businesses right now someone is asking if you could provide some guidance or thought how to scale down a business in these uncertain times with the intent of scaling back up when the business returns the sub heading was the uncertainty is customers and employees balanced in proportion to business returning in a sustainable way that keeps employee morale high and customer satisfaction equal or better while still remaining profitable i know there's a lot in that question to unload and unwrap that's you know i thought i'd throw that out at you yeah we did a whole hour webinar on that topic right when this crisis hit we put out the five c's for leading in a crisis if i were to answer it in one word it's transparency it's that last letter of fast and it's communicating daily the brutal facts you know people can handle it and if you handle it with dignity and humbleness and they know that tough decisions have to be made they respect it if you're like willing to do it kindly and keep everybody informed and i've seen companies let folks go but stay in touch with them and when things came back they were anxious to come back we had one company i you know what i admired and i think it was why they were named the best place to work two years in a row and it wasn't google or microsoft or salesforce it was hilton hotels i mean come on it's it's a hotel company and i was lucky enough to buy their stock at the beginning of the crisis and it's over doubled um because they're just a well-run company the new leadership there and when this crisis hit i have to tell you i lost respect for marriott they just let a bunch of people go um hilton worked to find every one of their people an alternative job like what's hot right now delivery and so they they helped a bunch of their employees pivot over to working for companies like amazon and others that did needed well trained that's what hilton's known for you know dedicated well-selected people that could go do delivery services but you know those employees want to get back to what they want to do and so when he'll as hilton comes back online i'm pretty sure those employees are going to come back because hilton was there and doing their best to take care of them when this crisis hit and look i used to be a fan of marriott and hilton was run by an evil guy now it's crazy how it's flipped there's not a marriott running marriott anymore i think that's an issue and the new leadership at hilton i think has done a great job and so i think there's our our model and we've got four more minutes you want to take one more you want to wrap eugene no i'm going to wrap uh what i'm going to do is i'm just going to uh give everybody this slide one more time because i do obviously i want to thank everyone for attending today's webinar a huge thank you to vern for a great presentation again if you're interested in learning more about the software please go to align today.com fast the other thing you've earned that i wanted to let everybody know is if you enjoyed today's webinar i hope that you will join us on january 20th at 11 a.m eastern where we're going to be joined by my friend and your friend vern andy bailey oh my gosh who is the founder of petra coach and the author of two books himself no try only do building a business on purpose alignment and accountability as well as his most recent book vitamin b for business your one a day supplement for improving your business and leadership um andy is going to be giving a presentation on creating quarterly themes uh to help inspire and motivate your organization in achieving its fast goals for 2021. so uh till then we hope i've got a way in it's why andy is on our council every monday he is an execution beast and he understands themes and this question of how you choose the right number one priority he's a grand master at it because he and his teams are out there coaching they're leading 240 strategy sessions just this month uh setting folks up for 2021 so he really knows more in his pinky about that aspect than i do in my entire being and he's one of the most disciplined humans i know personally so you guys are in for a treat to be with uh andy bailey that's absolutely true well until then we hope that everyone continues to be healthy safe and well and we wish you the best for the upcoming holidays and the new year and thank you again vern you got it bye eugene bye guys you

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 14

## Verne Harnish 20,000 Scaleups London 2023

URL: [https://www.youtube.com/watch?v=Uu\\_IlasV5xo](https://www.youtube.com/watch?v=Uu_IlasV5xo)

yeah hey I just want to welcome everybody it is oh Dark Thirty here uh at Dulles Airport I've got the lights of my car serving as my ring light so beautiful beautiful Okay so we've got here the fifth cohort of the 20 000 scale up program here in London and we're welcoming Vern Harnish who is at dual's International Airport I think that's in Washington it is yeah I'm on my way down to Panama you know where we're doing our taking Executives into the jungle to learn how to scale very very good well then over to you we'll let you do a bit in terms of welcoming everybody on the cohort to the program uh your insights into the challenge of company scanning up and if you have got time maybe field a few questions from the team here in the room you got it so hey I do want to Welcome All of You You Are by the way an unbelievable super hands with Neil he's probably shared if he hasn't you know for the first five companies in the first cohort have already exited for Combined billion dollars uh and uh he clearly has become kind of Mr scale up there in the UK so Neil thank you for doing your work and you know as we've pointed out and and I think there's been a lot of Formula One race car drivers have been credited with this but as they've said you cannot pass 15 cars when it's sunny but you can when it's raining and with all of the challenges out there around you know threats of recession which could be coming inflation uh brexit which you've been dealing with and all of that this is the time to do one thing and it's what Margaret Heffron on uh the Great British software uh you know one of the top hundred women entrepreneurs said at the opening of the pandemic when we hosted her at our first virtual Summit she said there's only one thing to do and that is to be ambitious this is the time to pass 15 cars uh and your competition out there in the marketplace so I'd say that's number one and part of that is really focusing on what is it that we could 10x you know if you're only going to 2x then you just have to do a little bit better than what you're already doing but if you're going to look at finding that X Factor inside the organization that advantage over the competition uh if you're going to look at we which we think is easier maybe than revenue and cash is 10xing the valuation of the organization so you can go out and do Acquisitions or maybe at some point in the future there's there's going to be an exit uh for you but for you to think about how do we 10x some aspect to the business you actually have to do it different and that's what the great Michael Porter the strategy professor at Harvard has said you really don't have a strategy if you're not doing things different and so we're really focused right now on pricing and getting pricing right is critical in this environment but if you price the way everybody else does you're not really different if you hire roughly the same people that everybody else does in your industry you're not really different and if you deliver your product or service in roughly the same way that everybody else does then you're not different and so that's the key is you look at people strategy execution and cash is can you find a different way to approach each one of those and uh my partner who heads up our Global coaching organization John Ratliff John you know it wasn't Facebook it wasn't Google it was call centers I consider them kind of the sweatshops of the information age you know it's a commodity I can get anybody to answer the phones from the Philippines through India to Mexico and in every place in between yet in that kind of an industry that averages 200 percent turnover of its team and that's an industry average before a war on Talent he was able to take that to an industry record setting 18 less than one-tenth the industry average which gave him a tremendous Advantage out there in the marketplace he could stabilize his Workforce he's not spending five thousand dollars per 15 an hour employee replacing them twice a year and he was thus able to stabilize his Workforce um and in an industry that averages four percent profitability he took that why he was growing three thousand percent a lot of people say well you can't really be profitable when you're growing he grew three thousand percent in seven years and took profitability from four percent to 21.8 percent and his company was apple tree and I would calculate every year Apple's profitability and I'd send him a note that John you beat Apple Again by one point uh as a percent of profitability on Revenue and as a result he took that as I said from four percent to 21.8 percent and that's really the definition of greatness is at the end of the day you're three to five times industry average profitability uh and let me give you maybe even a simpler measure you know in good companies you the senior team uh you're stressed out and

everybody else in the organization seems very relaxed kind of Clueless to the challenges that the organization is facing in a great organization you're relaxed and everyone else's hair is on fire for good reason because they know exactly what it is they need to accomplish today and the fact that you're able to be there and take time to do learning and if you look at the barriers chapter the number one number one constraint to scaling is right between our ears it's not having the knowledge that we need in order to make these changes the fact that you're able to take the time to be a part of this cohort tells me you're already on your way to Greatness if not already there and and by the way in John's case if you can find your internal 10x Advantage his was the turnover of employees and you can get at three to five times industry average profitability a two billion dollar company came along and said John you run call centers better than anyone else he took it to about 650 employees to 24 buy-side Acquisitions and we do think scaling through acquisition is the right strategy is a strategy but a pretty important one over the next three to five years as the Aging populations in your country and my country are wanting to exit their their small businesses John was able to piece 24 of those small businesses together and he exited for 14 times earnings a public company multiple and so uh but he did it by approaching the people side different than everyone else his strategy in the marketplace was different including his pricing strategy price different than everyone else in the call center business he executed in a much different way uh finding what he called The Money Ball stat instead of the other 25 kpis that everybody else was looking at in the industry and all ultimately he even financed all of those Acquisitions with a line of debt uh acquisition credit at his local bank so he didn't have to spend even a dollar of his own money doing those 24 buy side Acquisitions so doing it different becomes the key so with that I just want to welcome everybody again you're in great hands with Neil and let me open it up for a couple of questions and then I'm gonna go get finish my drive to Dulles Airport and hop on my flight to Panama brilliant thanks Fern um right questions who's going to go first okay all righty um Nikki hang on just I'll get you a mic so then can hear you know you can repeat it yeah I can thank you um in terms of your experience in the really successful companies that have scaled what does good marketing effective List look like um it first recognizes that it's more than glorified sales support um that it also recognizes that generally the MD or the CEO is the default Chief marketing officer because marketing strategy equal strategy and so it's it's really focused on two things and I learned it from Regis McKenna Regis is who advised Steve Jobs Intel Genentech and most of Silicon Valley in terms of marketing and me back in 1983 when I had this idea that I wanted to launch is worldwide organization to support entrepreneurs I just co-called Regis McKenna uh put out my vision and he said look all right I'll help you I was his only free client he said you had to do two things one you had to have a separate marketing meeting separate from sales that's why they need and that separation is critical and marketing's job is to bring new relationships to the organizations obviously new customers we needed as much to bring in new Talent new investors and equally new attention to the or organization so it is about relationships and identifying and then arming their job should be to give sales the precise list of who they ought to go after who is the core customer where are we going to find them and arm the sales people with the information that they need because in sales sales has moved from sales 1.0 show up and throw up you know you're talking brochure nobody needs that sales 2.0 was the Neil Rackham spin selling where I'm going to go into the client and I'm going to discern their challenges here's more B2B than B to C and then I'm going to present my solution as being considerably less cost than what their problem is costing them the problem is they're all short-handed they and you're expected to know more about the problem that they're having than they know it and so sales 3.0 is you're coming in and you're actually educating them on the depth of the cost of this challenge that you're trying to solve and then presenting Your solution and no sales person is going to do that kind of research so marketing needs to be there front and center driving the Gathering of that Intel Market Intel which is how all wars and all markets are won and most importantly getting clear what is the voice of the customer uh I'll just tell one story and and that's why Intel's critical we have a client Roger Hardy uh Coastal Contacts are selling contact lenses over the internet and the phone uh globally and they call me in to do a strategy session and they were sitting around 11 Executives 110 years experience in the industry and they were discussing should we lower our price that's in the four Ps of marketing product price place and promotion updated to the four ease of marketing which Neil may share anyway they're sitting around talking about should we lower our price in order to knock out some ankle biting competitors should we extend our products into

glasses and sunglasses a product decision should we actually get into the service side of the business as a way to get closer to the customer I could tell Nikki they were making stuff up as they were sitting around so I said look you're not making any decision and I'm going to put you on a diet of customer input and for three months they put in a net promoter score and they as senior leaders called 20 customers every day collectively uh that had asked hey I wouldn't mind a phone call after answering their NPS long story short I come back three months later they're like we learned we could raise our prices a year later and customers don't tell it directly you have to see the patterns they figured out that their happiest customers were those that were next to their Distribution Center which meant they were automatically getting their contact lenses overnight and when do people order their contact lenses not in advance when they run out and so they're like since we raised price instead of lower thank goodness why don't we test overnighting all of our orders whether they asked for it or not they did the test Revenue jumped 60 percent they rolled that out and they went from 60 million to a quarter billion exited for the largest e-commerce deal in the history of Canada you know marketing's job is to get clear what is it that what job does the customer really need us to do and then arm the organization and the sales people with the information they need in order then to close those sales so um good marketing is glorified you know putting brochures together and putting up websites let's run a social media campaign great marketing starts with a deep understanding of the customer understanding who is going to be the core customer and that we're going to go after profit share instead of market share and we're going to nail the four P's and fouries of marketing which I don't think is more important strategy than marketing strategy so long answer Nikki but it's an important topic hi Vern it's Damian from data science Talent um you could join us today um so mine uh question is somewhat related to the marketing question um we're a recruitment company in the business to business Professional Services Arena uh targeting large corporations 10 20 000 employees plus who are you seeing um in that space uh that are doing that have done the lead generation uh in a predictable repeatable sustainable way and have done it really well if anyone that comes to mind what's uh what's the space again so we're in recruitment so head hunting um uh so I rarely see good examples of business to business Professional Services firms that have very repeatable lead generation strategy um that that delivers regular leads every single month so I'm just wondering if you've come across any examples of them that we could yeah so we um about a year ago we helped exit a firm that was in well first of all the riches are in the niches they had a very precise Niche for the pharmaceutical industry where they were providing packaging talent talent that would help these big Pharma design and develop the packaging that was necessary to put around their their products and it was a staffing function but they became the best in the world and part of the key was they had set up an operation in Vietnam so where they had labor for the fraction of what it would cost in the United States and that labor in Vietnam and this is what we'd call the Rembrandt in the Attic hadn't you know they could have so many people scraping um and really looking through LinkedIn and other sources of candidates that this is why on a company that ended up with about 3 million ebitda exited for 90 million dollars 30 times earnings but it's because exactly that the constraint was getting enough leads enough candidate flow that was the the constraint in this part of the industry and they solved it with a very unique approach by Outsourcing a big part of that identification of candidates to a team they set up and well trained in Vietnam and that cost Advantage then over their competition is part of what the large company who ended up buying them saw and was willing to pay the 30 times earnings so that that's one example um Dwight Cooper PPR uh named the only mid Market company in the world by Gallup as best place to work the other were fortune 500. um part of his key was he utilized our top grading methodology to um attract and then hire 15 000 nurses a year that they then provided to Medical operations around the globe Fortune 500 firms and there the key was they had such a beautiful culture and they saw in this case the cus the nurse because that was the constraint as their key focus and they built out one of the the best cultures in support of nurses that nurses chose to work for them than anyone else and so when you get all the talent then you're controlling the constraint in the industry and uh Dwight did exit that firm after scaling it to 15 000 nurses placed every year uh uh to a PE firm uh about two years ago so there's a couple of examples Egon Zender by the way we think is the best in the world at supplying executive talent to Fortune 500 and I feature them in my new compensation book and part of the key is they have a radically different compens approach to compensation of their recruiters than any other company in the world and that



Advantage has put made them the largest private recruiter to the fortune Global 500 that exists today so lots of difference in doing a kind of standard business which is what's given every one of these firms an advantage I don't I hope that answered the question at some level then one of the topics conversation with the CEO dinner last night was around artificial intelligence what are you seeing around this phenomenal artificial intelligence at the moment yeah well there you know the episode there's a um a book called prediction machines and it's written by three professors out of University of Toronto at least in North America University Toronto has been the epicenter of AI machine learning uh they Place most of the people at Google and Facebook and Microsoft and and their business school is particularly focused on it and here's the things here are the keys one AI is neither artificial or intelligent so it's kind of a bad term number two it's really about machine learning or pattern recognition and so the key question is and that's why they titled the book prediction machine where you want to apply AI is any place where knowing something sooner than later and delivering a quicker answer can make or save you Millions uh whether I need to deliver an answer to a customer uh we've got a client code Distributing about 120 million it's not Google or Facebook it's Distributing office furniture uh but the number one question their customers have had in the supply chain challenges is hey but do you have it in stock and when could I when's its availability um JD had was spending thousands of hours answering that question and taking up a lot of his people's time and customers time trying to find the answers that they put in machine learning to scrape all the data that existed in the industry from their suppliers and their own inventory gave her a name and customers can come to the site and they don't even know it's not a human that's texting back or answering back but they're using machine learning you know in the chat GPT kind of Technologies to give customers that answer quicker than they can get from any other competition so your first question is where would doing something knowing something quicker sooner than later would make her save us Millions now how is JD then spun up his AI initiatives and because for you to put in machine learning function you know it was a quarter million a half a million pounds could be up you know a million pounds a year most of us can't afford that so what JD did is he contracted with his local university University of Pittsburgh in almost every university has a data analytics department and he got with the professor and he said look could I contract with your students to do one project every semester and the cost is ten thousand dollars every one of us in this room can afford that in his very first um and then all you have to do is get the right question where you need the machine to predict a better answer than what you could get and that first decision was where should we put our next Distribution Center a lot of people don't think of that as a prediction question but that's your job is to see around corners as Steve Jobs said to predict where would be the next best move to make and so the students took on that and what's nice about the students is they don't have any bias around the company around its existing data and it's also they're also going to go out and look at the craziest data sets that you might not even consider anyway they crunched all the numbers and they not only said JD who's based in Pittsburgh Pennsylvania but it ought to be in Houston they said if you could put it in this building on this block in Houston then that'll be the best decision well that's what he did their second was hey like Netflix who releases a lot of shows and because they have all kinds of data about what's popular uh how far people have watched in to a show where did they happen to stop what they crunched so much data that they're able to predict before they even produce it that uh this show is going to be popular so JD's like I'm always releasing new office furniture ideas it cost me a lot of money to test it could machine learning baby predict before I spend all that money whether this would be a popular product or not that's a crazy question but you know if you could do that like Netflix can it would save or make you Millions well the students modeled that out uh saw the saw data from the customer that even humans couldn't really you know see and crunch and their models now are close to 80 percent accurate for JD um so he's been able to do a series of court of semester-long projects with these students for ten thousand dollars that get at really tough questions he has around prediction being right sooner than later and uh now what he's done is he's hired a couple of those students and he's starting to build out that function in his organization so that's where you want to start where would prediction a maker save you Millions beautiful thank you so much Stephanie hi Vern um questions linked to something you were talking about earlier on which is for us one of our big challenges as we grow as people um scaling the people so our strategy in that is we have an office in India and now 25 workforces in India we're based in Chennai where there's 11 million people it's just a talent is yeah the

challenge for us is culturally how we make that work so that it isn't just seen as an offshore in but seen as part of the business integrated in each of the teams and how we how we do that successfully we haven't we haven't worked that out just well you know at the heart of it is our daily huddle so we've got a client out of San Francisco they're the ones that handle all the back end transactions for Visa and so it's trillions of dollars of transactions that they're headquartered in San Francisco right next to visas headquarters but their entire team that does that work is in Calcutta India for all the reasons that you're in Chennai and the team in San Francisco twice a day um so it's convenient for their team is on a daily huddle via video way before Zoom was popular because they can't afford to mess up a transaction for Visa or they're in trouble and it's that daily stand-up that they do with the entire team there uh and then all those employees are in some kind of a daily is how they keep their San Francisco and corporate culture alive and a big part of that's reviewing a core value each day like they do at the Ritz Carlton uh that built one of the great cultures um making sure but most importantly the job of the leader is to keep the dumb stuff and the dumb people out of the organization in Calcutta and they want to understand on a daily basis whether we've got the wrong person we happen to get in the organization driving everybody else crazy and that we don't have good process and because the people in Calcutta number one feel like they are cared for and the way you show caring is attention you know out of sight out of mine you know it's not going to be a good relationship with your spouse or significant other if they don't feel like they're getting your attention and by the way uh that is best handled with a 20-minute phone call if you're on the road that says hey honey how was your day and let them kind of share what's going on so they feel cared for because they're not going to care for you or the company or your customer if they don't think you care for them and so by the way we think the best leadership book is called care to DARE is by George colerizer the number one hostage negotiator in the world he's a professor out of IMD in Switzerland and uh and that daily routine that the team has and all of our clients do with their offshore teams in India or Philippines or elsewhere is part of the key thank you so much I think that's uh good I'm out of time I do need to get there and get my car checked in yeah that's absolutely brilliant I think again just being able to bring that reinforcement the learning we've been doing here in Arundel house the place that you've been to a couple of times do you want more points yeah let me just share a couple of three points when it comes to Talent first if you yeah the most important we think Moneyball stat in 2023 is your gross margin dollars per employee our ability to raise price was 21 and 22 we had the air coverage of the pandemic but your ability to raise price in 2023 has been uh is going to be much more difficult there you've got to work internally on process to drive gross margin and I just want to suggest that most mid-market scale-ups have thrown a lot of people at the problem and so my view is you could probably do twice the revenue you've got with the existing staff if you could get your pace your process accountability chart as right as your function accountability chart so work on gross margin dollars per employee and our our good friend Annie Bailey who's in the Telecommunications retail space he took that from 75 000 which was the average in his industry gross margin dollars per employee to 275 000. four times industry average and when you've got that it takes all kinds of pressure off wage that's number one number two the best source of talent if you need it is referrals from your own existing employees and as Jim Clifton said the CEO of Gallup the number one determinant of whether an employee will be engaged uh and happy is they have a friend at work he says nobody wants to believe him they've surveyed 100 million employees in every culture every year for 50 years and so having your own employees refer in people they know and giving really high referral bonuses average 5 000 pounds instead of 500 pounds but paid out over a year is critical and then number three and it comes back full circle is having a fishing hole a consistent place where you're recruiting Talent so Gene Brown which I'm sure Neil will share uh were these rough and tough gymnasiums throughout Ireland and Great Britain and ultimately into the Middle East where he expanded and once you start getting some people out of that particular company that sector of an industry uh that gymnasium then when things work out they're gonna then go back to that fishing hole and draw more of their friends into the business so now you've got friends you've got a consistent place to fish and as long as you're driving gross margin dollars per employee you'll then have the margins in order to pay the better wages and now you're in a virtuous cycle instead of in a vicious cycle and that's ultimately what you want to do how do we create virtuous Cycles instead of Vicious Cycles with that Neil I bid you guys uh good a day and uh good luck out there thank you so much Finn you bet bye-bye

References and Recommendations: No references or recommendations found.

Transcript Section End - Video 15