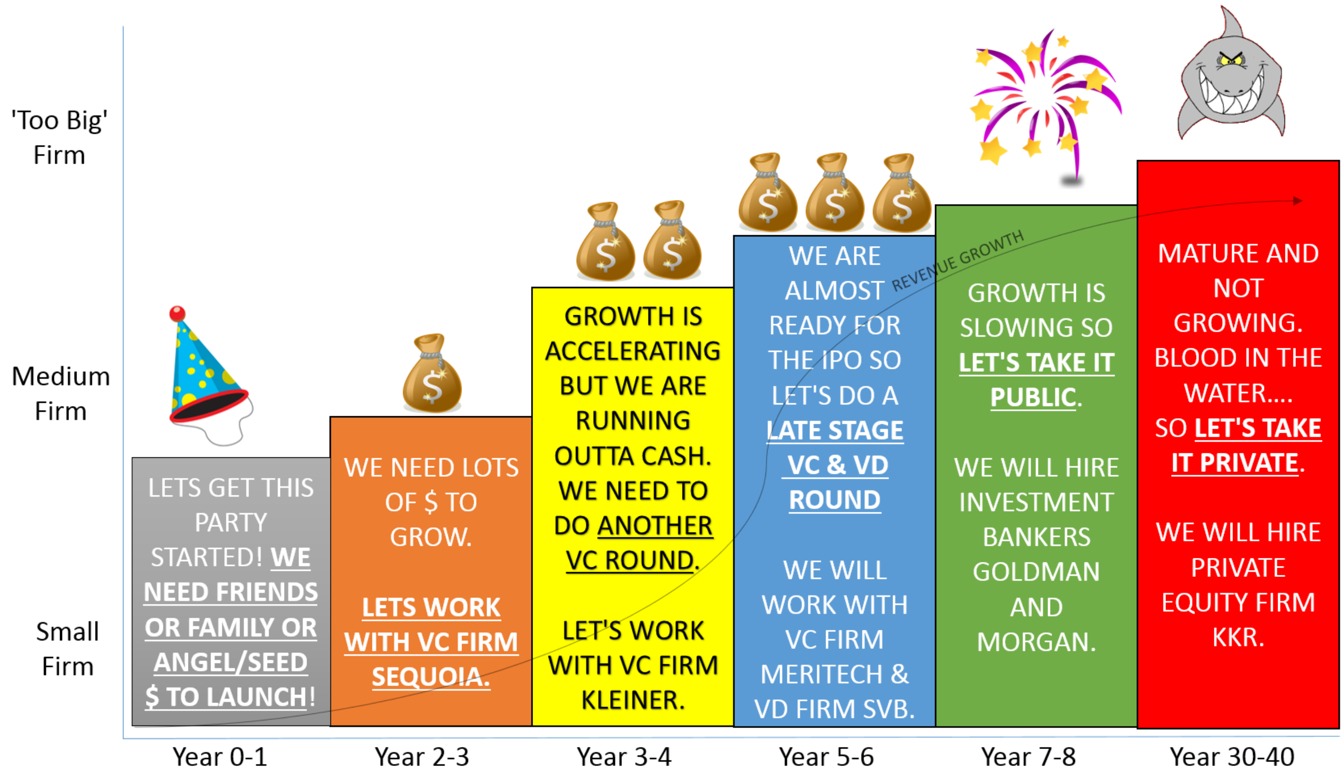
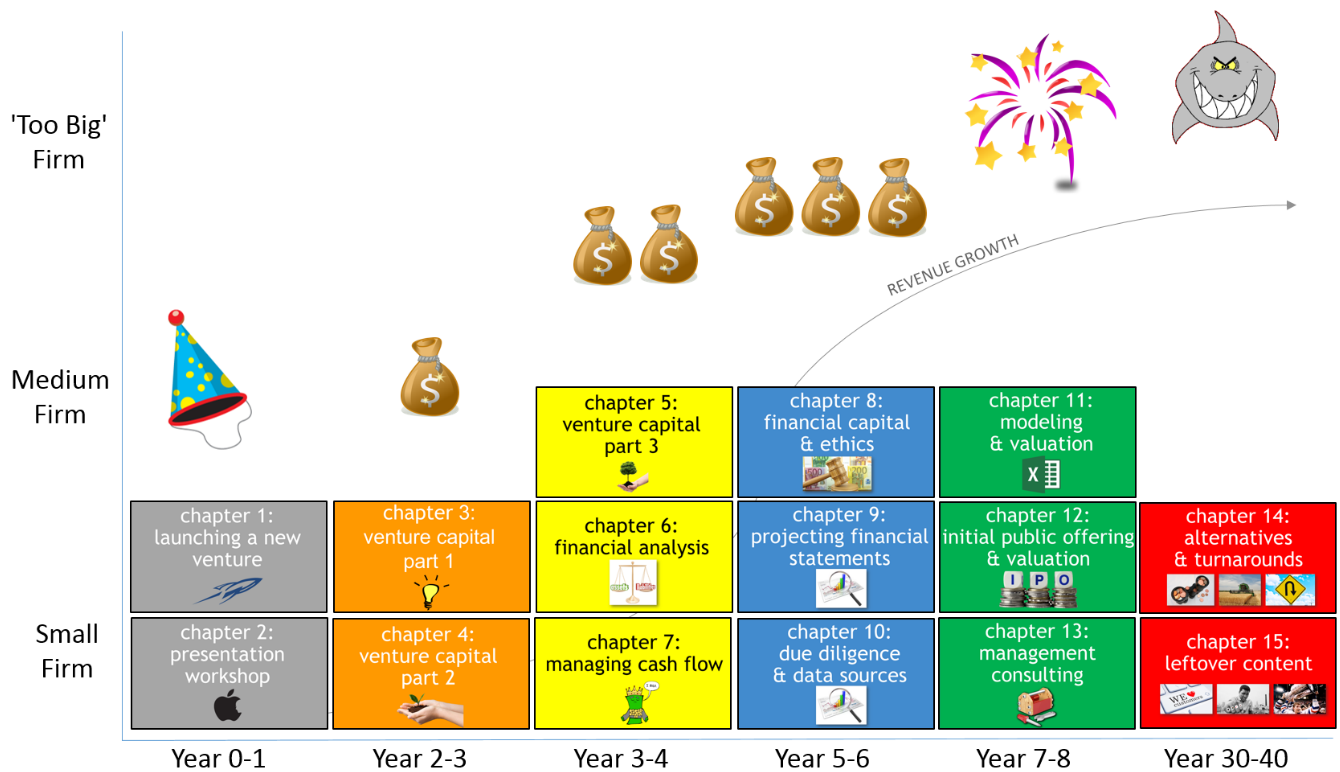
CHAPTER 15: LEFTOVER CONTENT

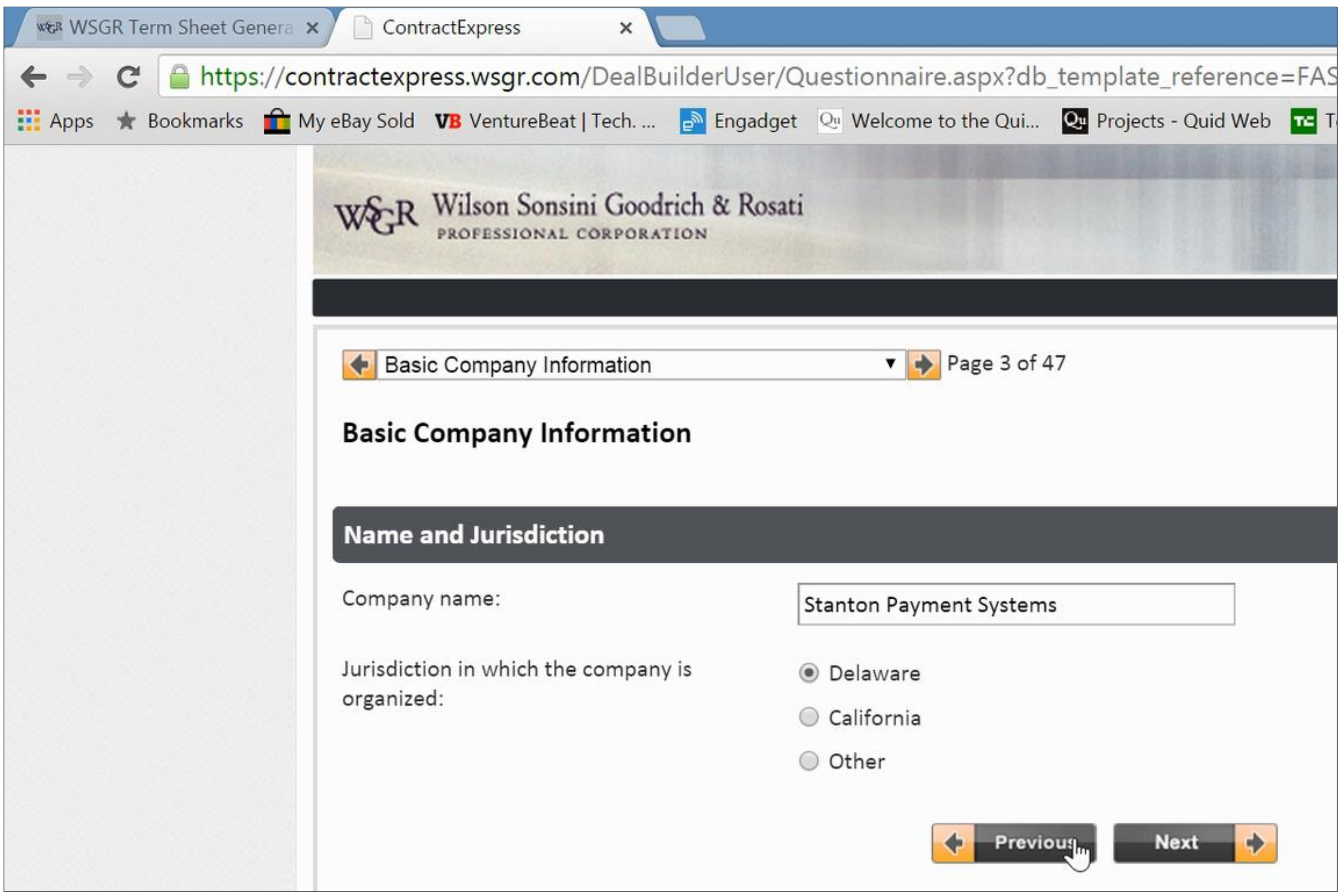
"The harder we work, the luckier we get."

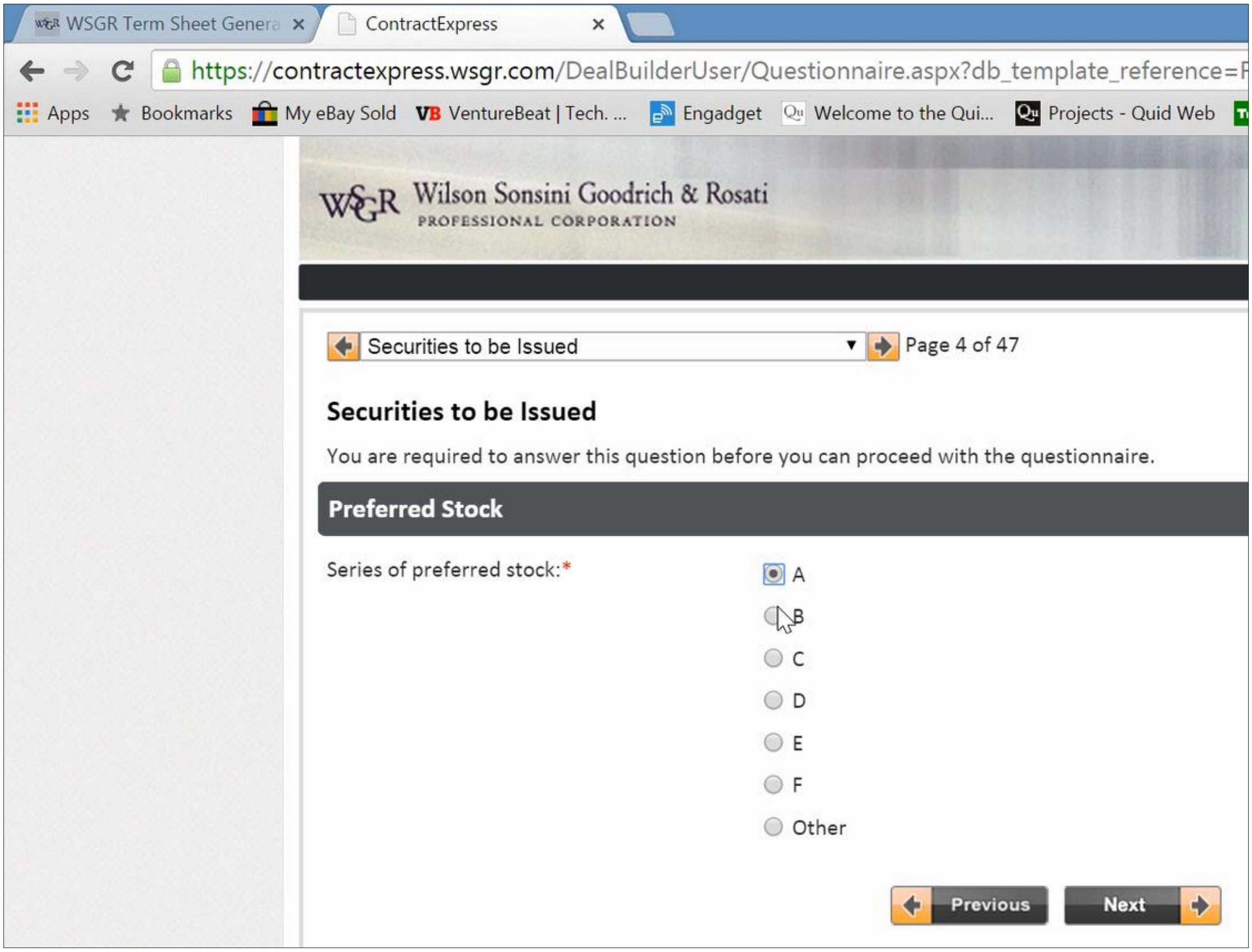

'Too Big' Firm
Medium Firm
Small Firm
LETS GET THIS PARTY STARTED! WE NEED FRIENDS OR FAMILY OR ANGEL/SEED $ TO LAUNCH!
WE NEED LOTS OF $ TO GROW.
LETS WORK WITH VC FIRM SEQUOIA.
GROWTH IS ACCELERATING BUT WE ARE RUNNING OUTTA CASH. WE NEED TO DO ANOTHER VC ROUND.
LET'S WORK WITH VC FIRM KLEINER.
WE ARE ALMOST READY FOR THE IPO SO LET'S DO A LATE STAGE VC & VD ROUND
WE WILL WORK WITH VC FIRM MERITECH & VD FIRM SVB.
GROWTH IS SLOWING SO LET'S TAKE IT PUBLIC.
WE WILL HIRE INVESTMENT BANKERS GOLDMAN AND MORGAN.
MATURE AND NOT GROWING. BLOOD IN THE WATER.... SO LET'S TAKE IT PRIVATE.
WE WILL HIRE PRIVATE EQUITY FIRM KKR.
REVENUE GROWTH
Year 0-1
Year 2-3
Year 3-4
Year 5-6
Year 7-8
Year 30-40


'Too Big' Firm
Medium Firm
Small Firm
REVENUE GROWTH
chapter 1: launching a new venture
chapter 2: presentation workshop
chapter 3: venture capital part 1
chapter 4: venture capital part 2
chapter 5: venture capital part 3
chapter 6: financial analysis
chapter 7: managing cash flow
chapter 8: financial capital & ethics
chapter 9: projecting financial statements
chapter 10: due diligence & data sources
chapter 11: modeling & valuation
chapter 12: initial public offering & valuation
chapter 13: management consulting
chapter 14: alternatives & turnarounds
chapter 15: leftover content
Year 0-1
Year 2-3
Year 3-4
Year 5-6
Year 7-8
Year 30-40

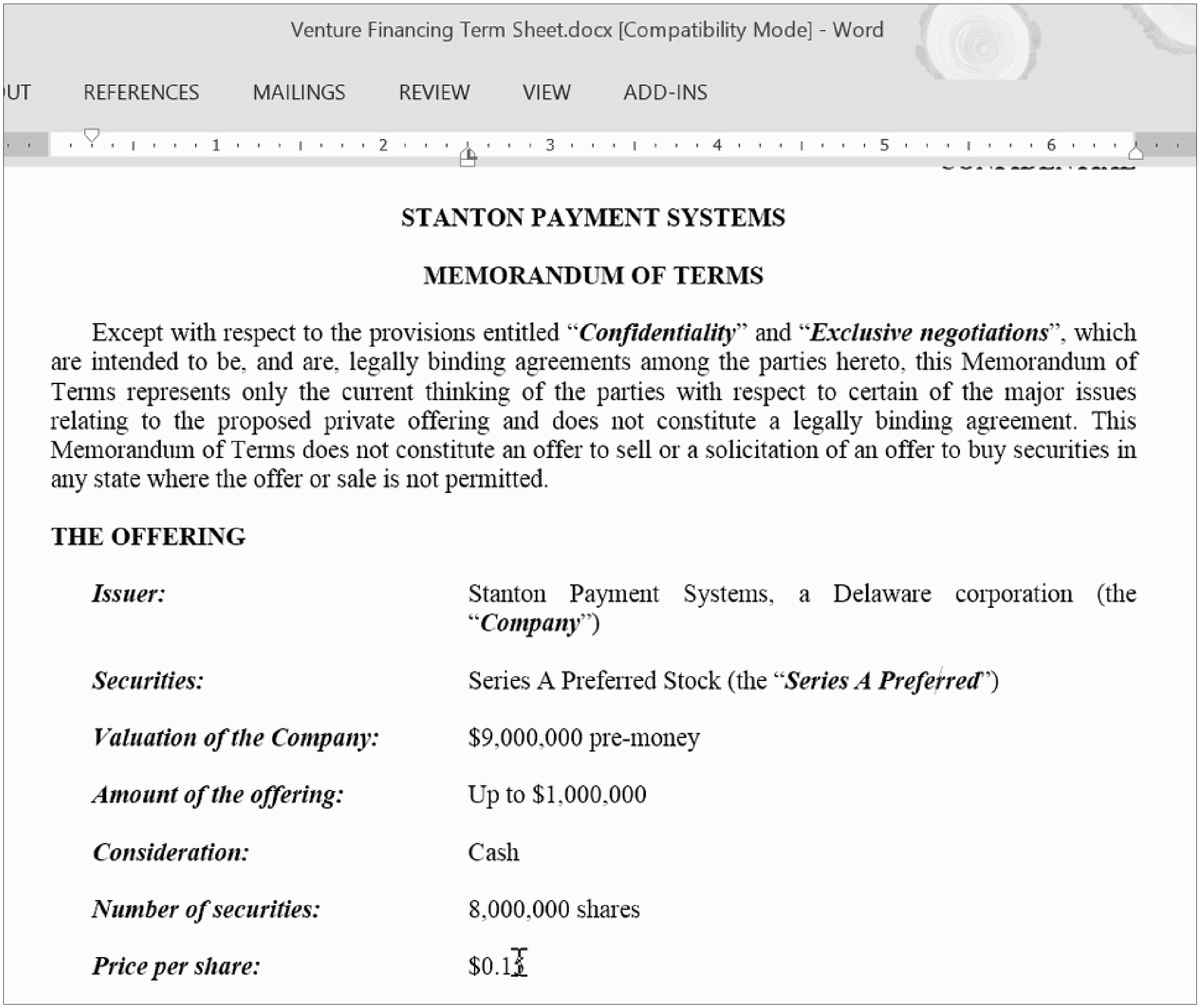
How Do I Make A Term Sheet?

A term sheet is a non-legally binding document that you and your investors sign highlighting the high level terms of an investment by the investor(s) in your company. I highly recommend getting a lawyer to draft all of your documents. However, if you want to know the contents of a term sheet you can make one yourself using an easy to follow step by step process on the web at a great law firm's web site called Wilson Sonsini. This website will automatically generate a term sheet for you for free: www.tiny.cc/chris106





After completing all 47 steps, a PDF of your term sheet is automatically generated (please see the image on the next page):



STANTON PAYMENT SYSTEMS

MEMORANDUM OF TERMS

Except with respect to the provisions entitled "***Confidentiality***" and "***Exclusive negotiations***", which are intended to be, and are, legally binding agreements among the parties hereto, this Memorandum of Terms represents only the current thinking of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement. This Memorandum of Terms does not constitute an offer to sell or a solicitation of an offer to buy securities in any state where the offer or sale is not permitted.

THE OFFERING

Issuer:	Stanton Payment Systems, a Delaware corporation (the "***Company***")
Securities:	Series A Preferred Stock (the "***Series A Preferred***")
Valuation of the Company:	$9,000,000 pre-money
Amount of the offering:	Up to $1,000,000
Consideration:	Cash
Number of securities:	8,000,000 shares
Price per share:	$0.1[illegible]

THE MOST IMPORTANT INVESTMENT YOU WILL EVER MAKE

You are your biggest investment. Don't be cheap when it comes to education and self-improvement. Continuous improvement is of paramount importance when it comes to your success in business or in life in general.

Spend more than you think you can afford on education, including degrees, online education, books, audio books, podcasts etc. Whatever it takes. You do have time to read. Yes you do; you can listen to audio books during your commute to work or at the gym. You can also watch many online lectures. In fact, most online lectures are free and my favorites are inspiring Ted Talks. If you have Wi-Fi and a stationary bike at home you can watch online courses at www.Udemy.com or even on YouTube.

Be a voracious reader. Read as many books as you can on successful business people and humanitarians. What are their secrets? Learn from them and watch your career take off.

Follow these People...

I have always been a voracious reader of biographies of successful people. I love learning from them. What are their recipes for success? How did they do it? Did they lead a well-balanced life on the road to their success? Although I am incredibly busy, I listen to many biographies of successful people in the car, and in the kitchen.

Use Twitter to follow your business heroes. They often tweet incredibly motivational quotes that resonate well with me. I love their short snippets of optimism, hope and best practices.

I find it incredibly motivating to know as much as I can about these successful people as most of them came from very uncompromising backgrounds. I love the poor, smart and hungry rags to riches stories. I feel empowered when thinking about them; there are no limits to what you can achieve. These people are no smarter than you are. They all have very positive attitudes, which I love!

I Have Never Met a Successful Person With…

You will never meet a successful person with a negative attitude. If they didn't believe in themselves and in their goals, then they would never have been successful. The quintessential example of this is Richard Branson. I just finished his latest audio book and my goodness does he ever have an amazing positive attitude! In fact, what I have learned from most of the audio books that I have completed on successful people is that the secret of their success is that they all believe that there are no limits to what you can achieve!

I have spent a lot of money on many biographies of successful people over the years and this was probably my best investment ever. So what is the biggest takeaway of the many biographies that I have read? How did all of these positive people all maintain a positive attitude with so many negative people around them? **<u>Their secret is that many of them believed that unjustified criticism is a disguised complement</u>**? How prophetic! Successful people often see criticism as a complement!

I used to get a bit sensitive when others would criticize me in business. I don't let this bother me anymore. In fact, the more successful in life you become, the more this will happen to you. How should you react? Well first of all I hope this happens to you more often because it is a reflection of your success. You almost want this to happen more often as it is incredibly flattering. Your coworkers or competitors might develop a very slightly condescending tone with you over the years the more successful you become as well. You almost want to reach out and thank them for the disguised complement! Don't worry because maybe they just feel threatened by you which is a euphemism for a huge complement.

Successful people are criticized all the time. The ones that are the happiest and have the best peace of mind are those that see criticism as nothing more than a disguised complement. So bring it on doubters! :)

The most important investment you will ever make is you! Be a voracious reader of published works written by or written on your business and humanitarian heroes. **<u>Follow their success blueprints and one day others will follow and read about you as part of the most important investment they ever make!</u>**

A COMPANY IS ONLY AS GOOD AS ITS CUSTOMER SERVICE

I have never heard of anyone that had a bad customer experience with Amazon, Apple, Costco or Salesforce. The aforementioned companies are incredibly successful due, in large part, to a material focus on the customer experience. Not surprisingly, the stock market has handsomely rewarded these four companies over the past decade.

Amazon is so customer focused that it will literally send you a replacement for a lost package immediately without ever implying that the customer is at fault. The result is a consumer experience that is so optimal that Amazon is the only place where many consumers decide to shop online.

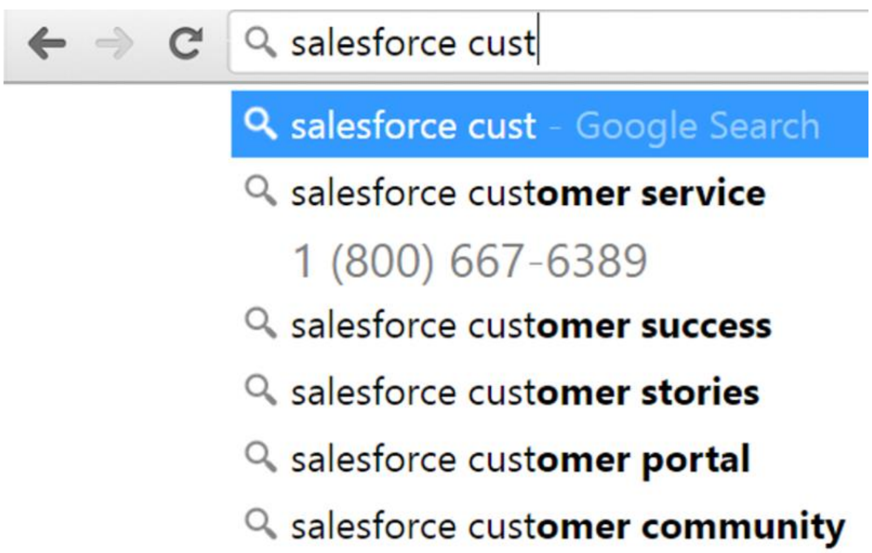
The same can be said for Apple when it comes to the in store experience. Apple employees are so passionate about their products that I feel like I am talking to a polite tech enthusiast in the Apple stores and not Apple employees! The result is incredibly brand loyal customers. When was the last time we heard of a consumer switching from using primarily Apple products to non-Apple products? Apple's in store Genius Bar customer support concept is brilliant and I can't understand why more companies don't do it. The result is Apple having the highest sales per square foot of any retailer in the U.S. at close to $5,000 per square foot per year!

The customer experience at Costco is also superb. In fact, Costco has the best return policy in the retail industry. We only buy televisions from Costco given the company's multiyear return policy. Costco also doesn't even bother asking for a receipt when you return items (given their digital receipt policy). In addition, Costco has never raised prices on its fast food products; you still pay only $1.50 for the hot dog and drink combo, which was the same price Costco charged consumers 30 years ago! Most consumers don't know that you can even trade in your old consumer electronic devices at Costco and receive a 'Costco Cash Card' in return. A friend of mine jokes that "if you can't find it at Costco, then you don't need it!"

Not surprisingly, Salesforce, whose roots are in the customer relationship market, also has superb customer service. In fact, Salesforce is so customer focused and so transparent that the company will publicly disclose in real time when its cloud services are unavailable or having reliance issues. Consumer trust is of paramount importance as 'transparency builds trust'. For more details, please see the following link for real time Salesforce outages:

https://trust.salesforce.com/.

How good is Salesforce's customer experience? Here is what happens when you start typing 'salesforce customer support' in your browser address box or in Google:



In conclusion, a superb customer experience begets more loyal customers that will no doubt spend more money on a company's products or services in the long run. A superb customer experience also leads to higher stock prices over time. In this digital social media age, if a customer has a poor experience, all of their online contacts might find out about it very quickly. It can take 30+ years to build a brand and just a handful of poor customer experiences to destroy it; a company is only as good as its customer service.

3 REASONS TO BE LONG-TERM GREEDY

When I worked at Goldman Sachs my mentors would always tell me to "***be long-term greedy.***" I didn't fully appreciate it at the time but it makes perfect sense to me now, especially when it comes to investing. Here are 3 reasons to be long-term greedy:

1: If you think long-term, then you can think like the founder does.

My favorite investments are the ones run by founders that don't care about quarterly earnings. Rather, they think about long-term strategies only (especially after the IPO). This is why I love Google and Amazon as both companies don't really care about short-term guidance metrics for investors. I love this quote from Amazon's incredible CEO, Jeff Bezos: "***If we have a good quarter it's because of work we did 3, 4 or 5 years ago. It's not because we did a good job this quarter.***" When you invest in a company, you are investing in the management team. Hence, we must think like the founder does before considering investing. In the technology sector, if all of the founders have left the firm, then the company is not a worthwhile investment in my humble opinion.

2: If you think long-term, then you can ignore irrational market volatility which purges 'tourist investors'; this creates buying opportunities so that you are not fooled by randomness.

Warren Buffet is the best long-term investor in the history of the stock market. My favorite quote of his is "***the New York Stock Exchange is the only store in the world where consumers sell stuff when it goes on sale.***" Brilliant! Mister Buffett also said "b***e greedy when others are fearful and fearful when others are greedy***." This is a euphemism for being a contrarian; don't buy stocks everyone else buys as there will be fewer incremental buyers. Being a long-term investor lets you focus on the company's destination and not on the path.

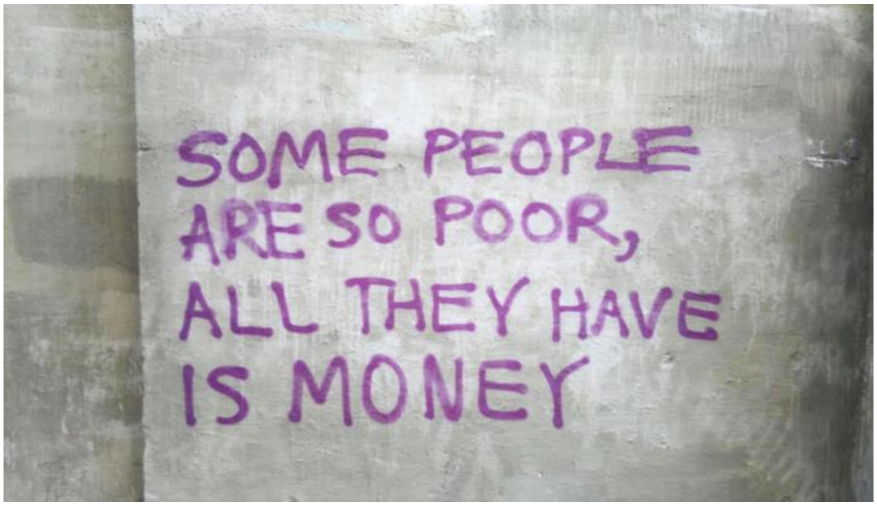
3: If you think long-term, then your outlook on the company's prospects will not be the same as consensus.

Before I do due diligence on any company as a potential investment candidate, I ask myself one very basic question: "***In 5 years will this company be more relevant or less relevant than it is today?"*** Sounds pretty simple! It should be because the best investors see the forest from the trees and understand that investment trends last much longer than we think. I always ask myself this basic 5 year question before I do any due diligence on companies.

Nobody is better at being a wise long-term investor than Warren Buffett. I remember when I was an MBA student at Columbia University in 1999 and Warren Buffett was teaching one of our classes on value investing. One of my classmates pitched a technology stock to him. He very politely interrupted 30 seconds after my classmate pitched the stock and said "***Son thank you very much for the idea but I don't have enough visibility where this company is going to be product cycle wise in 3, 5, 10 or 20 years.***" He was right as 6 months later the technology company my classmate was pitching went belly up; there is a reason Warren Buffett is called the ***Sage of Omaha.***

Mister Buffett ended his presentation to us with this prophetic investing quote: "***The longer the view, the wiser the intention***".

WEALTH = HEALTH + GRATITUDE + HAPPINESS



MONEY DOES NOT = HAPPINESS

When I started my second company, I was stressed out and I took a drive alone down the beautiful California coast. I stopped by Carmel and I went for a long walk as I often do to come up with personal and professional goals. I stopped by a beautiful old church and I sat down and collected my thoughts.

A priest was there and sat down next to me. We spoke for a while about what I was trying to accomplish in life. I mentioned that I wanted to make as much money as possible so that I could give my children the standard of living that I wanted them to have. What he told me that day was incredibly prophetic and just what I needed to hear:

"Chris, 50 years from now your children will not look back on you and remember how much money you made. They will look back and reflect how good of a father you were."

I was blown away by his comment and I thanked him profusely for imparting this incredible wisdom on me. I now know in my heart that money does not equal happiness. Please don't make it your primary goal. Find your passion in life and the money will come whether you want it to or not! Then you can focus on giving it away and making the world a better place.

I have seen money destroy friendships and families so many times. Money can destroy your relationship with many people including your children. Give most of your money away to charities and only keep enough to keep your family happy as counterintuitive as that might sound.

PERSONAL GRATITUDE AND HAPPINESS

You will be much more successful in business if you have sincere personal gratitude for what you have. Years ago I read ***The Art of Happiness*** by the Dalai Lama. He said that in western society people are so unhappy as we tend to compare ourselves to those that have more than us. By contrast, those that live in second, or third world countries are happier than we are as they focus on what is important in life, like family and friends and a beautiful day!

If we are grateful for at least one different thing in our lives every day and help others that are less fortunate, then we will all lead more fulfilled lives. At night when I say prayers with my 3 wonderful children, I always make them thank God for something different every day.

If we spend more time helping others that are less fortunate, we will all be much more fulfilled and we will be much more successful in life.

All Your Wealth Can't Buy You Health

If you are happy in your life personally and professionally, then you will be much more productive. However, in order to be happy you need to find time to exercise daily (no excuses) and focus on nutrition (no excuses) and get 7-8 hours of sleep per night (no excuses).

I promise you that your productivity and level of happiness will increase materially if you exercise daily. Nothing is more important. Exercising daily helps you think more clearly and be generally happier at work. That positive attitude will remain elevated with exercise.

The Dalai Lama, when asked what surprised him most about humanity, answered:

"Man. Because he sacrifices his health in order to make money. Then he sacrifices money to recuperate health. And then he is so anxious about the future that he does not enjoy the present; the result being that he does not live in the present or the future; he lives as if he is never going to die, and then dies having never really lived."

Wealth = Health + Gratitude +Happiness

TURNAROUNDS DON'T WORK IN TECH

Yahoo, Dell, RIM, HP and Computer Associates are all technology companies that are in secular or terminal decline as they continue to lose market share to companies like Apple, Google and Salesforce. When a technology company is in secular decline, then the road ahead is filled with potholes, false hope and empty promises. Only 1 turnaround in the technology sector tends to work each decade in the public markets. Last decade it was Apple only because Steve Jobs returned to the company and in the 1990s it was IBM under Lou Gerstner, the brilliant former McKinsey consultant.

Once consumers sense that a technology company is in secular decline, they gradually use the product less often regardless of what new products are introduced by the company in secular decline. This is what happened with BlackBerry's parent Research in Motion. Many executives, especially on Wall Street, used the BlackBerry as their very first smart phone. Then the iPhone and Android handsets were released which had awesome app stores, unlike the BlackBerry. Then for a while executives carried a BlackBerry and either an Android or iPhone device. Then executives phased out the use of their BlackBerries entirely. The biggest problem with the BlackBerry was that its app store paled in comparison to Apple or Google's app stores. BlackBerry had trouble trying to be a decent software company as well as a decent hardware company. Most companies can't effectively produce high quality software and hardware products. Apple is probably the only company in the world that can be a great hardware and a great software company at the same time. Google was smart enough to know that it is a software company and therefore partnered with Samsung and other hardware companies to make Android-based smart phones. Google is trying to change this though by acquiring hardware related start-ups including Nest while retaining some of the patents from its Motorola acquisition.

The same argument can be said for enterprises; where there's smoke there's fire. Once an enterprise decides that a technology company might be in secular decline, then they no longer purchase products from the company. In many cases they even rip and replace the technology company's products as they are fearful that they won't be able to get the proper support for the underlying products in the long run. When I used to work in the technology consulting sector at Accenture as a software engineer, I would always be neutral when it came to the decision of which database to use and I would leave it up to my clients to decide. Clients would always ask me which company is most likely to be in business in the long run. As a result, we usually chose to deal with Microsoft's SQL Server database or IBM's DB2 database or Oracle's database Instead of Sybase, which had a less rosy long term outlook (this was a wise choice as the company was later acquired by SAP). The same can be said for today when it comes to antiquated technology companies like CA (Computer Associates). Forward thinking enterprises prefer to use cloud-based solutions from incredibly forward thinking companies like Salesforce.com, Workday or NetSuite. We all know that the cloud is the future and that the mainframe and antiquated client server products from companies like CA are in secular decline.

Consumer and enterprise companies will be well served to ask themselves one very basic question before purchasing a technology product, which is this: **"***in five years is this technology company going to be more relevant or less relevant that it is today"***.** This is a simple question but it has a lot to do with future technology purchases. As a result, IT purchasers might decide not to use products from companies that have structural or secular issues including Hewlett-Packard or CA, among others.

We can use the same logic when it comes to investing in technology companies. Technology investors should never invest in a company that they believe is not going to be more relevant in 5 years. This is why investors tend to flock to Apple, Amazon, Salesforce and Google instead of HP, Yahoo, CA, RIM or Dell (when it was publically traded). Quite often we see investors lose their shirts by getting seduced into investing in companies in secular decline because their valuations seem attractive. What we often overlook when chasing 'value traps' is the fact that the earnings estimates by Wall Street analysts for these companies for this year and next year and the year after are usually way too high. As a result, the valuations of these companies are incorrect. Investing in a technology company because valuation seems attractive this year or next year is not a winning proposition.

Investors are far better served to create a financial model and value a company on earnings at least five years from today. Why? Once a consumer or an enterprise has decided that a technology company is in secular decline, it is almost impossible to convince them to go back and use the products they thought were once relevant. If you disagree, then why don't we all wear fashions that were in style in the 70s like bell bottom pants? How many of us that used to use Yahoo as our search engine and then switched to Google have ever switched back to using Yahoo? Exactly! How many of us that used to use a Windows laptop and then switch to using a Mac have switched back to using a Windows laptop? How many of us that used to go to Barnes & Noble and then switched to Amazon have decided to go back to shopping only at Barnes & Noble for books? Lastly, how many of us print more documents using HP printers since we purchased our first tablet? Exactly!

Companies that are in secular growth mode are those with superb customer service too. I have always believed that a company is only as good as its customer service is. The companies that are in secular growth mode like Apple and Amazon have the best customer service. Those that are in secular decline (including Comcast) have very poor customer service. Perhaps this is due to low employee morale given the difficult outlook for the company they work for

Smart money investors value companies off of their earnings estimates at least five years in the future. If you disagree talk to hedge fund portfolio managers who have tried to short Amazon over the past decade because the stock seemed expensive. The smart money investors in secular growth companies love Amazon because earnings will be much much higher in at least five years from today. The same can be said for hedge funds that shorted Netflix because valuation seemed lofty. Don't ever bet against secular growth companies (unless we are in a horrific bear market, in which case almost all tech stocks will fall).

Valuing secular growth tech companies based on this year's earnings is illogical. What matters much more is valuation based on your earnings estimates at least five years into the future. Many investors get tempted to invest in companies in secular decline given their relative attractive valuation. Most of the time, this is a huge mistake. Investors might be fooled by randomness and profit once or twice from this strategy but this is usually due to the markets rallying and all ships or all stocks rising as well. More often than not, investors buying turnarounds in tech are merely 'tourists' and give up investing after realizing that there are better secular growth opportunities elsewhere; they learn their lessons from 'renting' and losing money investing in the companies in secular decline.

Given the slippery slope that technology companies face once they enter the secular decline phase of their life, it's no wonder why value investors are usually not very good investors in technology companies. Rather, growth investors that love to invest in secular growth companies that might appear expensive on this year's earnings and next year's earnings do far better when investing in technology companies than value investors do. If you disagree with statement, then look at the historical price earnings chart for Hewlett-Packard over the past decade. Investors that argue the stock might have been cheap at 18 times earnings lost their shirts as price earnings multiple contraction always occurs over time to companies in secular decline. Investing in technology companies because you believe you will see price earnings multiple expansion is not prudent. All that should matter is if your estimates are higher than Wall Street estimates up to five years from today.

So how do we know if a technology company is in secular decline? There are a few ways. If you notice that fewer people are using a technology product today than they did a year or two ago then chances are that the company is in secular decline. Another way to tell if a company is in secular decline is if the company misses several quarters in a row versus Wall Street estimates (unless we are in a recession). When I used to work in the hedge fund industry we would always say that software companies never miss just once. Another way to tell is if many employees start resigning because they are on a sinking ship. Check outwww.glassdoor.com and see if the employee reviews of the company they work for deteriorates over time.

So should you invest in technology companies that think they can improve their business prospects once they are in secular decline? Absolutely not. There's usually only one company per decade that can buck this trend; I don't like those odds. If a founder comes back to the company then there is a small chance that the company will no longer be in secular decline, but the odds are against it. When you hear Wall Street analysts or other pundits telling you that a technology company is a turnaround play, be very skeptical as the chances of a turnaround working in technology is extraordinarily low. Where there is smoke there is fire; turnarounds almost never work in technology.

SUCCESS = APPLE'S SIMPLICITY + INTEL'S PARANOIA

Some of the best investments in history have had a combination of Apple's simplicity and Intel's paranoia. In fact, both Apple and Intel had a healthy dose of paranoia and simplicity under CEOs Steve Jobs and Andy Grove respectively, which is a winning combination. Other companies that have showed similar characteristics include Microsoft, Nintendo and Netflix.

In 1997 Andy Grove wrote his masterpiece, 'Only the Paranoid Survive' which stipulated that a company contains the seeds of its own destruction and that success, in fact, breeds complacency. Complacency then tends to breed failure. As a result, companies must be paranoid in order to survive by either disrupting their own markets or being overly paranoid of the competition. Steve Jobs was paranoid of employees leaking products ahead of product launch dates and even had many secret code words for the same product so that he would know who leaked a product name should the press write about it. Grove was incredibly paranoid about the viability of his company's business when it came to competing with the Japanese, who were much more aggressive with pricing. Grove reacted accordingly and reinvented the company in the processor market.

Steve Jobs' genius was the simplicity of his products' designs and marketing efforts. He was the quintessential communicator and he was famous for his simple catch phrases. He believed that 'less is more' and he was adamant about having only one physical method for entering information in hand held devices, unlike the post Jobs products which are a bit more complex (including the Apple Watch which is slightly confusing to use at first and the stylus on the new larger iPad). In fact, Jobs believed in product portfolio simplicity by having relatively few products to sell. The number of Apple products that the company sells increased from 12 four years ago prior to the passing of Mr. Jobs to 24 today. Under Andy Grove, Intel created the brilliant yet simplistic 'Intel Inside' advertising campaign with the Intel jingle, creating consumer brand loyalty for a chip that consumers never see! Simply brilliant.

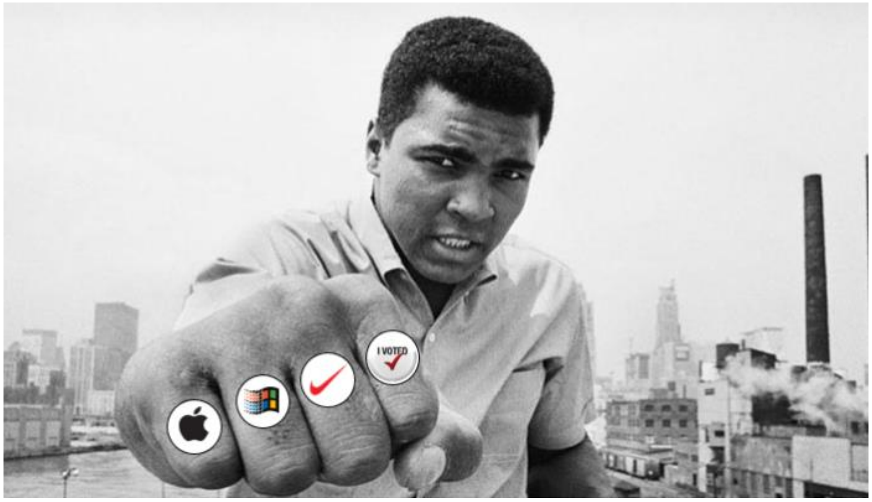
Microsoft also had a healthy dose of Apple's simplicity and Intel's paranoia under Bill Gates as he believed that Microsoft was always one and a half years away from bankruptcy. Under Gates, Microsoft simplified the process of using computers with the release of Windows. In the post Bill Gates Microsoft era, the number of products has also grown materially leading a slightly more complex product portfolio.

Nintendo, similarly, has prided itself on very simple video game designs while being incredibly paranoid since its founding in 1889. For many years Nintendo has had a multi-billion dollar cash balance that many investors feel is unnecessary. In fact, Nintendo is so paranoid when it comes to its cash balance that the company could actually operate at a $250mn annual deficit for more than 35 years if needed! I met the CFO of Nintendo in Tokyo about 8 years ago and I asked him why they have such an enormous cash balance while the Nintendo Wii was a huge success. He told me that they are always paranoid about companies that they compete with that are much larger than they are, including Microsoft and Sony. The Wii U, which is the follow up to the Wii, has been such a flop that it would cause many competitors to declare bankruptcy, which happens often in the video game sector (i.e., Sega). I now appreciate and understand why the company is now in its third century of existence!

Netflix is yet another example of a company that has embraced simplicity in all of its platform solutions on multiple devices while using paranoia to its benefit. Netflix's streaming business was created in order to cannibalize its cash cow DVD rental business years before competing streaming devices could do so. Founder Reed Hastings was paranoid that his DVD rental business would not be viable in the long run, so he preemptively destroyed his own cash cow. Please leave a comment at the bottom of this article if you can think of a company that has ever reinvented itself as well as Netflix has.

Companies run by CEOs that have a healthy dose of Apple's simplicity in its products and marketing tend to outperform those that do not. Similarly, companies run by CEOs that have a healthy dose of Intel's paranoia withstand the test of time and remain relevant. Companies that have a healthy dose of simplicity and a healthy dose of paranoia are extraordinarily rare and are superb investments. Simply put, only the paranoid survive.

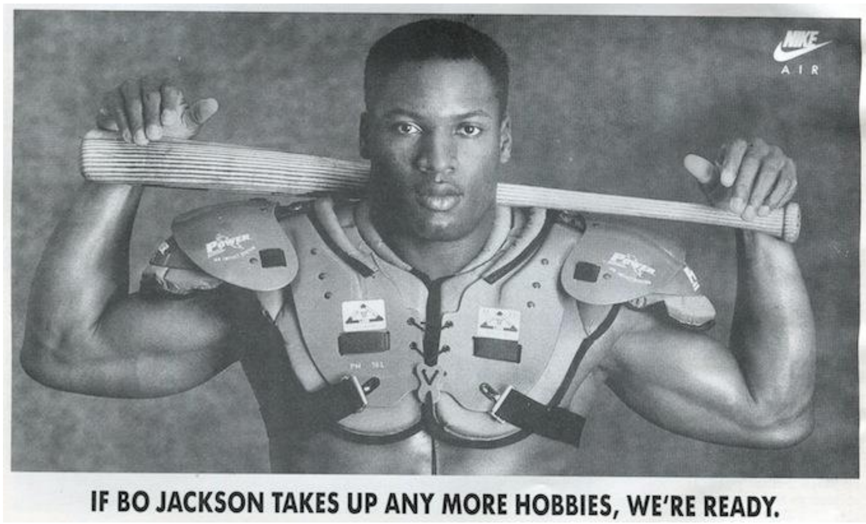
SUPERB MARKETING BEATS GREAT PRODUCTS



Remember the days when we used to talk about the type of processor we had in our computers? Nobody really cares or knows anymore what processor our iPads or iPhones or laptops or Samsung products have. Superb marketing almost always beats great products; this trend exists in the technology sector, the clothing market, academics and even in politics!

Windows 3.1 was released in 1992 and it certainly paled in comparison to Apple's 'Mac 84'. The same can be said for Windows 95. So why did Microsoft Windows have materially higher market share than Apple back then? One of the reasons was that Microsoft then had much better marketing strategies than Apple did. Microsoft's Steve Ballmer was a marketing genius. Most people don't realize that prior to joining Microsoft, Ballmer was a Product Manager on the Duncan Hines cake mix product at Procter and Gamble. He managed to get Duncan Hines to the #1 product in the sector by market share by simply making the box bigger! In fact, per the image below, Steve Ballmer made the size of the Microsoft Windows box exactly the same size as the Duncan Hines box which was larger than competing products! Marketing was a key reason why Microsoft was so incredibly successful then.

Microsoft's marketing savvy has since deteriorated, in part, due to founder Bill Gates resigning. In fact, when all the founders leave a company, both the marketing and product quality deteriorates; remember how much more dominant Nike's marketing efforts were prior to founder Phil Knight retiring? There are many examples of this in the technology sector, clothing sector and many other industry verticals.

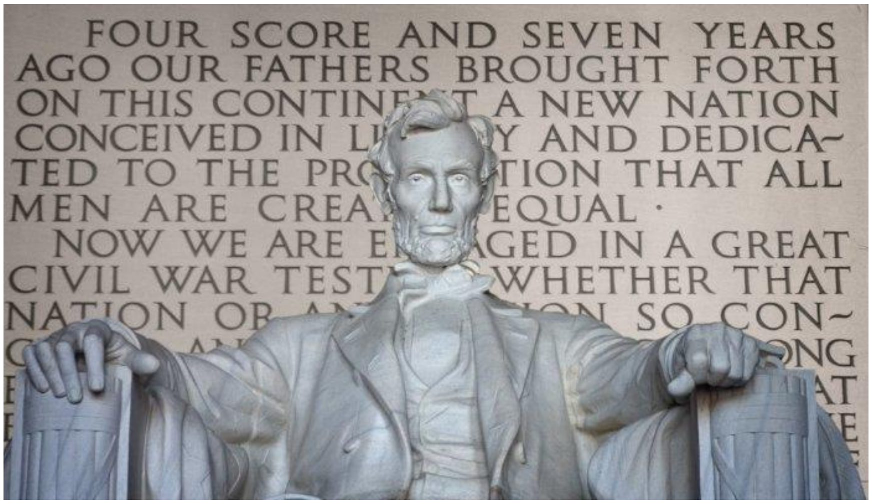


The 'superb marketing trumping great products' trend is also very much apparent in politics where the person that often wins an election does so because he or she has a much better marketing campaign than the competition does. In fact, think of most political leaders since the Nixon Kennedy's televised debate in the 1960s and we might conclude that many elections around the world were won by candidates that had better marketing campaigns and by candidates that were more affable; the quality of their product or policies doesn't seem to be the primary driver for election success. Superb marketing beats great policies in politics too.

The same trend can be said for academics. In many cases, students with the top grades are not the most successful in life. Rather, students that have superb 'Marc Benioff-esque' personal marketing skills tend to prosper the most. Their grades (or their diploma product) is not nearly as relevant compared to their personal marketing skills.

It is extraordinarily rare for a company to have a combination of superb marketing and superb products. When this occurs, we get companies that tend to dominate their sectors at least until the founder is no longer running the company. Companies that have this killer approach of having superb marketing and superb products almost always knock out the competition and offer superior investor returns.

Less is More in Business



President Lincoln delivered the Gettysburg Address on November 19, 1863 on the battlefield near Gettysburg, Pennsylvania. This speech was incredibly powerful yet it was only 272 words! Less is more.

Steve Jobs was the quintessential communicator and entrepreneur. He firmly believed that for a product or idea to be widely adopted, it needed to have a simplistic design. The iPhone and iPad have only one button. His presentations usually have 3 bullet points or 3 images per slide and that’s all.

In this day and age we are so inundated with information that 140 character bottom line summaries are more relevant than lengthy write-ups. This is why Twitter has been so incredibly successful. The best business model presentations that I see as a venture capitalist have a maximum of 10 slides with only 3 bullet points per slide; less is more works.

Executives and potential investors have extraordinarily short attention spans in this day and age given the many screens that we are addicted to like smart phones, tablets, laptops, watches etc. You need to get your point across in as few words as possible.

Pretend that each message that you send costs you $100 per word. With this in mind you will definitely embrace the winning methodology of less is more in business.

TIMING IS CRUCIAL IN BUSINESS

Since I am Canadian, I have to quote the greatest hockey player of all time, Wayne Gretzky. Gretzky was incredibly successful not because he skated to where the puck is. Rather, he skated to where the puck is going to be. Companies that have incredible foresight into a market that will have an enormous total addressable market (T.A.M.) are essentially subscribing to Gretzky's forward thinking strategy. This is what Bill Gates and Paul Allen did in the 1970s when they read the cover story of Popular Mechanics and knew in their hearts that there would be a day in the not too distant future that we would all have computers on our desks.

The right idea at the right time is a major driver of success. Yahoo's purchase of Broadcast.com for $5.7bn in 1999 could have had YouTube-like returns for investors. Similarly, Yahoo's purchase of social media pioneer GeoCities for $3.6bn in 1999 could have produced Facebook-like returns for investors. Unfortunately the timing of the two aforementioned acquisitions by Yahoo was way too early.

The same can be said for Apple's Newton product, which was several years too early or Microsoft's early tablet computer strategy or even Oracle's brilliant but failed Network Computer strategy in the 1990s. There are also so many amazing environmentally friendly clean tech companies out there that might be decades too early to succeed; I am certainly hopeful that they do. Timing is everything.

I had the privilege of speaking with Silicon Valley legend Andy Bechtolsheim about the drivers for success. Many people, myself included, believe Andy is the most successful technology entrepreneur in Silicon Valley history. Andy was not only the very first investor in Google, but he was also the first employee at Sun Microsystems and a founder of so many unbelievable companies that are public or have been acquired, including Arista, Granite, DSSD etc. As I always do when I meet incredibly successful entrepreneurs, I ask for reasons for their success. Andy has never had a failed startup and he very humbly told me that **<u>timing is one of the most important drivers of success</u>**.

Timing also matters when it comes to venture capital investment opportunities in cyclical economic downturns. During the recession of 2001 there was 1 notable company that venture investors felt safe investing in, which was Google, which went public in 2004. The same can be said in 2008 when we were within 24 hours of bank machines not working! Venture capital investors then wanted to back a sure thing, which of course was Facebook. Of course we know that Google and Facebook succeeded for many reasons, including brilliant management teams and execution, but timing helped them as well.

So how do we know if our timing is good enough to succeed? It comes down to several factors, including a huge consumer or enterprise appetite for a product or service which can be quantified through an enormous T.A.M. Component or input prices for products needs to be low enough as well, which is a reason why Android and Apple smartphones have been so incredibly successful. Years ago I read an incredible McKinsey study about how all component prices in computers, phones and TVs drop in price close to 1% every single week! The hard part is assessing through focus groups when prices for consumer or enterprise products or services will be low enough to entice them to buy the products or services.

Timing might be a bit less relevant in technology today for a reason aside from the price of purchasing the product or service. What I mean by this is that many technology companies are copying the magazine subscription business model and renting or allowing consumers or enterprises to effectively subscribe to use their products, which is superb from a revenue visibility perspective. A two year subscription to a smart phone might cost close to $1,000. By having consumers subscribe to products on a monthly basis, the sticker shock risk is mitigated. As a result of subscription business models from companies like Apple or Salesforce, timing is a big less of an issue today.

Timing has a lot to do with success; we need to skate to where the puck is going to be in the not too distant future.

Frustration is a Good Thing in Business

If you have a high level of professional frustration in your life then this is a gift to you. It's a gift to you because you are not professionally doing what you are most passionate about.

It's perfectly normal to be frustrated in business. The fun part is figuring out what you love doing in life and what your business purpose is in life. What were you put on this earth to accomplish professionally? How many lives could you help improve if you accomplished your business goals? What would it take for you to no longer feel professionally frustrated?

Find humor in stressful and frustrating business situations and you will live a much longer and happier life! Self-deprecation is an admirable trait. Finding humor in frustration instantly changes your state and helps you to focus on turning a crisis into an opportunity. Rather than be depressed given a perceived failure or frustration, smile and cheer up because your future incredible success in business is a result of that failure. You will be grateful later in life that you 'failed'.

There are so many amazing examples of executives that have failed or have been fired which forced them to realize their dreams by starting their own company. Frustration often leads to breakthroughs in your career.

Here are some incredibly inspirational examples of people that were fired. Thank goodness they were or we wouldn't enjoy the benefits of their future business empire creations:

Tomas Edison was fired by Western Union.

Michael Bloomberg was fired which made him get his revenge by starting his financial empire Bloomberg. Without getting fired he wouldn't have ever become the Mayor of New York.

J K Rowling hated her job as an administrative assistant. She quit and found her passion, which was writing the Harry Potter books.

Walt Disney was fired by a publication he worked for.

Madonna was fired from Dunkin Donuts

Robert Redford was fired from an oil company.

Lee Iacocca was fired from Ford. So he turned around and led Chrysler.

All these amazing people lost their jobs because of a lack of passion or because of frustration with their careers. They then became incredibly successful because they focused on their passion.

What is your calling? What is your raison d'être? Find your passion and you will always be happy in business and in life. If you feel suffocated in your current job, then find your passion, write a business plan and quit.

Frustration leads to breakthroughs.

Frustration leads to reinvention.

Embrace it.

Find your professional passion and end your frustration; welcome to the new you.

SUCCEED LIKE DEREK JETER BY WRITING THESE DOWN

A major reason for baseball icon Derek Jeter’s success in every aspect of his life was because his parents made him write down his goals every single year. You need to write down your goals and update them often. If you do, the chances of you achieving your dreams rises materially; most of your competitors won’t bother doing this!

In 1953 there was a famous study conducted at Yale University. The graduating class was asked if they had written down their goals. Only 3% had done so. Then 20 years later, a poll was taken and the graduating students from the class of 1953 were asked what their net worth was. The net worth of the 3% that had written down their goals was greater than the other 97% combined!

Write down your goals in your smart phone’s calendar and have this calendar entry be repeated daily. Tell your friends or family members what your long term goals are so that it forces you to work towards them and think of your goals often. Consider writing your goals down on paper and then placing them in a sealed and stamped envelope with your address on the envelope. Then give the envelope to a good friend or family member and tell them to mail the letter in 6 months or 1 year.

Think of the most ambitious goal you can achieve in your life. Don’t ask yourself if it is achievable; of course it is. Rather, ask yourself what you need to accomplish in order to make this goal a reality. Make a rudimentary gap analysis. Once you know what your goal is then focus on filling the gap, meaning what you need to accomplish in order to make this goal a reality.

When you first think of an incredibly ambitious goal, you are so fired up and excited to start the journey. Before you start the journey you can clearly see the top of the mountain, which is a metaphor for your goal.

Once you embark upon your journey you are full of energy and excitement as with each step you get closer and closer to your goal. Then much later in the journey you become frustrated as you can no longer see the top of the mountain. As a result, your pace deviates a bit and is perhaps slower than it once was.

You wonder what happened to my goal? Why can't I see the top of the mountain anymore? Well the reason is simple; the reason is that you are half way up the mountain and can't see the top of the mountain. Rest assured, your goal is within reach. Finish what you started, be long term greedy and reap the rewards.

Set a goal so big that you can't achieve it until you **become the person that actually can achieve it**. Update these goals often and I promise you will wake up one day and realize that you accomplished all of your goals and more.

We often overestimate what we can accomplish in a year but we significantly underestimate what we can accomplish in a decade. Please write down your short and long term goals and watch your career take off!

TECH INNOVATION THRIVES IN THE US DUE TO YOUTH WITH CONFIDENCE

Tech Innovation Thrives in the US Due to Youth with Confidence

“We are witnessing the downfall of the U.S. economic growth engine as U.S. student test scores are way below test scores of other countries.” I have seen the aforementioned quote in countless media publications for my entire life, but the quote is flawed. American students, whether or not they were born in the U.S., are number one globally in the most crucial economic category that nobody acknowledges, which is confidence. Confidence leads to innovation. Innovation leads to entrepreneurship. Entrepreneurship leads to business models getting funded. Business models getting funded leads to risk taking. And risk taking leads to GDP growth.

Most generations criticize the next generation for being too entitled or the previous generation for taking on too much debt. Each American generation blames the one before or makes renegade critical comments like “don’t trust anyone over 30!” Each generation has the confidence to disrupt the previous generations’ business model empires and the confidence to question authority. This isn’t just a Haight Ashbury phenomenon; it transcends generations. The one common link all generations of American students have is the ability to confidently take risk and sell the dream of global innovation or global social justice.

The American Dream is based on the notion of confidence and innovation. Anybody can make it in America regardless of their backgrounds or where they were born. Due to this, there is a belief in the U.S. that anything is possible. Some of the best salespeople in the world were students in America regardless of where they were born. A great CEO is a great salesperson and a great salesperson has above average confidence. In all of our portfolio company investments in venture capital we look for a little bit of Marc Benioff or Steve Jobs, two quintessential, confident, brilliant visionaries and salespeople. Individualism and freedom of expression is embraced in America. Some other countries are more conformist, which leads to the antithesis of individualism and entrepreneurship and we hear of quotes like “the nail that sticks out gets hammered down.” In the U.S. failure is not shameful. Rather, entrepreneurs in the U.S., whether or not they were born here and regardless of their age, see defeat as merely a challenge to try again.

Confidence among American students is more apparent today than ever before. It’s hard to keep track here in the Bay Area of the number of successful student-founded ventures over the years where a student creates an overnight multi-billion dollar company, such as Facebook, Apple, Google, etc. Also, with ubiquitous mobile broadband offerings, expect the number of new multi-billion dollar disruptive business models to accelerate. In addition, given the extraordinary low cost of cloud computing from companies like Amazon, Google and Microsoft, the barriers to entry for start-ups are also extremely low. As a result, it is significantly easier for larger companies to see their business models disrupted by student run start-ups.

Each generation is given a label from Generation X to Generation Y to the Entitlement Generation, and so on. I refer to the current generation as Generation C for Confidence. With confidence comes innovation, prosperity and continuous generational improvements in economic productivity and social justice; I applaud the sub 25 year old Generation Confidence, as no other generation has had the same positive impact on older generations as the current generation. The cynical pundits that are calling for the long term downfall of U.S. economic growth due to poor student test scores have flawed logic; tech innovation has always thrived in the U.S. due to youth with confidence.

AMAZON AWS: THIS GENERATION'S BERLIN WALL TEARDOWN DEFLATIONARY EVENT

Amazon Web Services (AWS), with its ‘Walmartesque’ everyday low prices strategy, has single handedly altered the enterprise software pricing model and has created the most important deflationary impact of this century.

The ‘old tech’ business model was to dominate an industry and then release mediocre upgrades at commensurate pricing points and with minimal worthwhile innovation. The ‘new tech’ model is to undercut the competition with material value added lower cost upgrades, which is exactly what AWS is doing. Amazon’s low cost strategy has influenced many technology companies to also cut prices for their platform solutions, including Microsoft with its competing web platform, Azure, as well as Google Compute. In fact, you could argue that Windows 10 will be free for many users initially because of Amazon’s influence.

We are being conditioned to expect to pay nothing or next to nothing for operating system platforms. I can’t think of a more deflationary secular trend.

There are so many intriguing free Internet software products available now because of Amazon and there are no historical industry vertical precedents. The optimist in me believes that interest rates are low in part due to the deflationary impact of Amazon Web Services (AWS), and that the impact of low cost cloud platform computing will cause many verticals and software companies to cut prices in the years ahead and, hence, cause interest rates to remain close to historically low levels. AWS in 2015 is this generation’s 1989 Berlin Wall tear down deflationary economic event.

Today, enterprise applications and operating system prices are plummeting thanks to Amazon acting as a price cut leader. This deflationary trend has started to accelerate as Microsoft and Google have started to also be price cut leaders by materially cutting the pricing points of their cloud service provider platforms, which are the platforms that some of the most disruptive companies in the world operate on top of. New companies are being created like Uber that charge much lower pricing points due to the inherent cost savings of low cost cloud platform solutions like AWS. This deflationary trend should continue for the foreseeable future. Many disruptive new companies don't use any software from old school tech companies like Oracle or Microsoft as there are widely available free (or lower cost) alternatives that run entirely on AWS. As a result, as consumers, we have so many opportunities to use technology products that now cost next to nothing to use or subscribe to (i.e., Netflix).

Why was the global economy booming in the '90s? It wasn't primarily because of the booming tech sector. Rather, it was mainly because the Berlin Wall fell in 1989 and a plethora of lower-cost, high-quality labor was unleashed from Eastern Europe; this was the reason we had low interest rates then, relative to the booming global economy.

AWS is today's equivalent. And the technology cost savings we're seeing today are commensurate with the deflationary labor cost savings in that era. Instead of the late, great Ronald Reagan prophetically telling Mr. Gorbachev to "Tear down this wall," Amazon has forced the entire enterprise software market to dramatically reduce prices around the walled garden of ridiculously high-margin software prices. Only it was Jeff Bezos telling Mr. Ballmer in 2005, when AWS was released, to "Tear down this wall." The deflationary impacts are remarkably similar.

How is AWS deflationary? Your monthly cable bill is now more than 50 percent cheaper. Your hotel fees are more than 50 percent cheaper. Your server computing bill is more than 50 percent cheaper. The IT cost to start a business is now more than 50 percent cheaper. The list goes on.

Netflix is profitable and is dirt cheap at only $7.99 per month, with superb proprietary content, because Netflix runs on AWS. Airbnb allows us to pay next to nothing for hotels because Airbnb runs on AWS. Dropbox has cut our company's server costs by more than 50 percent because it runs on AWS. As AWS continues to materially cut the pricing point of its platform and applications, we can expect more companies to cut prices and/or new companies to emerge that compete with, and materially disrupt, old school companies that have dominated their respective industries for decades. It's astonishing how much better Netflix's content is today versus a decade ago when its pricing point was much higher; thanks in large part to Netflix running on AWS.

Under Ballmer, Microsoft only cut the price point of Windows three times since it was launched more than 20 years ago. By contrast, Bezos has cut the price point of AWS close to an astonishing 50 times in less than 10 years.

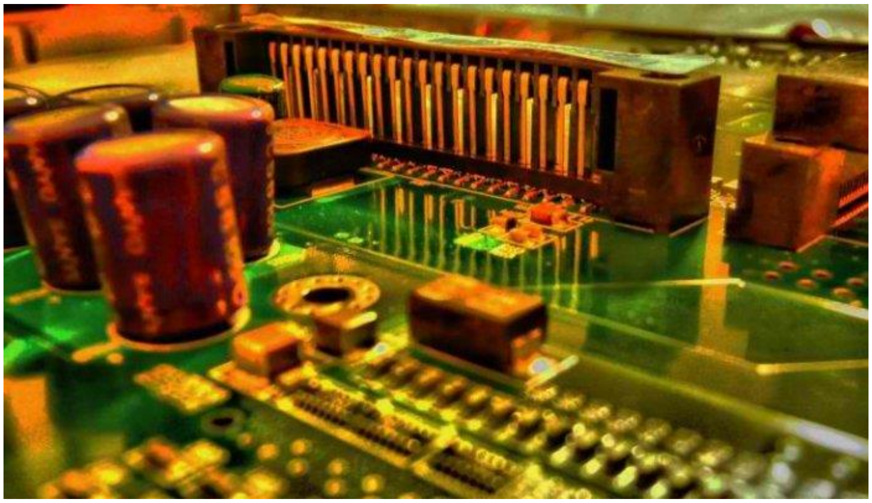
But now, under new CEO Satya Nadella, Microsoft's competing product to AWS, Microsoft Azure, is not just a price cut follower, but also a price cut leader. Google's superb cloud platform, Google Compute, is also now a price cut leader. We have three unbelievable cloud service providers all aggressively cutting prices.

These platforms are the most important cloud operating systems and, thanks to AWS, the deflationary impact of the aforementioned platform price cuts is staggering and unprecedented. This is not an irrational exuberance event.

There is no historical deflationary precedent in any other industry. The impact is commensurate with Ford, GM, and Toyota cutting prices on cars 50 times in 10 years. Or Marriott, Holiday Inn, and Ramada cutting hotel prices 50 times in 10 years. Or General Electric, Sub-Zero, and Maytag cutting prices on their appliances 50 times in 10 years.

In the past, companies were slaves to the enterprise software giants with their "one neck to choke" strategy. Conglomerates like Oracle, with their patched together acquired vertical offerings from the hardware layer (Sun Microsystems), to the middleware layer (BEA) to the enterprise resource planning layer (PeopleSoft and others), would charge hefty annual maintenance fees. Never again. AWS and lower priced deflationary cloud computing options have finally disrupted this model. In the years ahead, we will continue to see cloud service provider platform giants like Amazon, Microsoft, and Google continue to cut prices, furthering the most deflationary event we have seen since that historic event in 1989.

A Brief History of Silicon Valley, the Region That Revolutionizes How We Do Everything



If you live in Silicon Valley, chances are that you are reading this article from your iPhone, while riding in an Uber car to the company you work at that holds the next world-changing technology.

But it goes beyond the technology we see and hold in our hands and includes all the industries the Valley has helped flourish, providing growth for technology that shapes our lives in ways many of us not only don't understand, but don't even know. The minds and innovation that live and thrive here hold the keys to future technology innovation. The San Francisco the Bay Area receives more than 50 percent of the country's VC funding.

Silicon Valley offers unparalleled access to high-quality engineers, a risk-taking culture, venture capitalists and superb universities. But the reason this particular spot ended up at the heart of the technology industry might surprise you. It all starts with Sputnik.

Americans were brokenhearted when Russia beat the United States in the space race with the launch of Sputnik 1. NASA was created, and NASA needed high-powered components to be developed in order to put the first person on the moon. Fulfilling that need was Fairchild Semiconductor, which was founded in the Bay Area in the midst of Cold War competition.

The seminal event was the spark that ignited Silicon Valley's innovative, risk-taking culture five decades ago and it has truly shaped the way our lives have been, and will continue to be, enhanced by technology. If not for Sputnik we would not have witnessed the massive technology innovations that spawned from Fairchild Semiconductor and "Fairchildren" companies like Intel, AMD and NVIDIA. This was just the beginning. A flourishing hardware industry emerged. As a result, the software and Internet industries also flourished.

Bay Area innovation is changing the way we do everything – from Uber disrupting the taxi industry, to Twitter disrupting the media industry and Facebook disrupting the communications industry. One can even argue that Barack Obama is president partially as a result of embracing social media technologies and Salesforce's cloud-based software for campaign management – talk about a political disruption! In truth, you can look at any industry that has yet to be optimized by tech and bet that in the not so distant future it will experience a revolution in part due to innovations from Silicon Valley.

Think about the transportation sector, an industry that hasn't changed much in the last half century, but is on the precipice of complete technological disruption. Automated, self-driving cars are something we already see sharing our Bay Area roads, but in as little as five years these cars will likely be broadly available, instituting a massive disruption in the way we commute. Longer-term, this disruption will also offer a sizable boost to economic growth, with the number of accidents falling because of this sensor-based self-driving technology.

The opportunity for mobile commerce and communication are also limitless. While these are areas that receive a lot of air time, it's breathtaking to think that each of us with a smartphone holds more power in the palm of our hand than every computer we used to put a person on the moon (take that, Sputnik!), or that a child in Africa has more and faster access to information than Bill Clinton did in the 1990s. These revolutionary communications tools have worked to keep rogue governments in check, spurred political revolutions and enabled countries without sophisticated, tech-enabled banking systems to able to flourish, thanks to smartphone computing and the advent of Bitcoin. In short, the disruptive power of technology can, and will, rock every industry as we know it on a global scale.

Still more industry-disrupting companies will be born in the Bay Area over the next decade, leveraging technologies via the Internet of Things (IoT) movement or, in true Valley style, creating an entirely new movement altogether.

As an investor, the best investments are platform solutions because they own the ecosystem and are technologies that have the ability to scale and grow. Facebook, LinkedIn, eBay and even YouTube (as a media platform) are great examples of platform-based approaches that have scaled, with skyrocketing numbers of users, but also content or applications that run on top of them. It starts as one platform and morphs into something much bigger. The healthcare industry is beginning to see the platform tectonic shift that will change the way we all give and receive medical services. Once we address cloud-based security issues, enterprise public cloud computing will also flourish.

Other regions have tried to emulate what the Bay Area has done with little success. The region's technological prowess isn't just due to great minds and high-quality schools like Stanford and UC Berkeley. If this were the case, then Oxford and Cambridge would make London a dominant tech center. Silicon Valley is a fertile technology crescent 50 years in the making. It is the product of Sputnik-induced competition, a 1960s induced cultural renaissance and an open-minded, risk-taking approach where failure is accepted. Silicon Valley cannot be replicated anywhere else, but the effects of its innovation will continue to be shared around the world.

SPUTNIK, HIPPIES AND THE DISRUPTIVE TECHNOLOGY OF SILICON VALLEY

SIT DOWN AND talk with anyone about technology and you'll have little trouble arguing that the San Francisco Bay Area is the quintessential location for tech startups. The area offers unparalleled access to high quality engineers, venture capitalists and superb universities. But the reason this particular spot ended up at the heart of the technology industry might surprise you, and it all starts with Sputnik.

The seminal event was the spark that ignited Silicon Valley's innovative, risk-taking culture more than 50 years ago, and it has truly shaped the way our lives have been and will continue to be enhanced by technology. If not for Sputnik, we would not have witnessed the massive technology innovations that spawned from Fairchild Semiconductors and "Fairchildren" companies like Intel, AMD and NVIDIA. Apple, Google, Oracle, Uber, Twitter, Facebook and many other disruptive technology companies would not exist.

Still more industry-disrupting companies will be born in the Bay Area over the next decade. What Uber has done to the taxi industry is the just the tip of the iceberg. Bay Area innovation will disrupt countless industry verticals with Google and Tesla disrupting the transportation industry with self-driving cars. Then you have Twitter disrupting the media industry; Facebook disrupting the communications industry; LinkedIn disrupting the human resources industry; Salesforce disrupting the political and customer relationship management industries; and many emerging startups disrupting consumer markets via the Internet of Things (IOT) movement.

Silicon Valley has shaped our lives in so many ways that we don't realize. One can easily argue that Barrack Obama is president partially as a result of embracing social media technologies and Salesforce's cloud based software for campaign management. The advent of real-time data and communication allowed him to target specific regions for campaigning and reach out to tech-savvy voters across the country.

We also can't forget the incredibly open nature of the Bay Area, which has led to unprecedented sharing of information and empowering technologies. During the hippie movement of the 60s, Bay Area technology companies became more open minded and embraced the open-source movement and the sharing of ideas. This unparalleled culture has been critical to innovation and the exceptional speed at which new companies have been and will continue to be founded.

Additionally, this open nature mentality has led to a culture that embraces risk-taking where failure is seen as a learning experience and — unlike in other global economic hubs — is not shameful. As a result, risk-taking is embedded in the DNA of Silicon Valley.

Other regions have tried to emulate what the Bay Area has done with little success. The region's technological prowess isn't just due to great minds and high quality schools like Stanford and Berkeley, among others. If this were the case then Oxford and Cambridge would make London a dominant tech center.

Silicon Valley cannot be replicated without the 50-plus years of history it has taken to develop the ideal fertile technology crescent. So if you want to work in technology and change the world, move to the San Francisco Bay Area

WHEN A COMPANY FOUNDER RESIGNS, INVESTORS SHOULD HEAD FOR THE EXIT TOO

Most large tech companies are no longer run by their founders. This is problematic for investors, because a painful corporate bureaucracy develops when a founder leaves and, as a result, risk-taking and innovation deteriorates.

Any large tech company no longer run by its founder that tells you otherwise is being disingenuous to its investors.

Why is this the case? Many tech companies with enormous research and development budgets can't innovate as effectively as a few engineers in a garage if they're not run by their founder. Executives who work at large tech firms are focused mainly on climbing the corporate ladder. If they step out of line to take a risk by innovating and are unsuccessful, then their careers are significantly damaged. If they are successful, they won't get compensated, as HR departments refuse to materially disrupt compensation structures. For non-C-level executives, the best way to get compensated is to quit and join a startup or smaller founder-led private company.

Founders have earned the respect of their investors. They are less exposed to the pressures of having a short-term investment horizon, and they can take long-term innovation risks. They aren't subject to the same politics as executives at big companies, nor do they care. They don't have a job, they have a passion. To quote Steve Jobs, they are crazy enough to think they can change the world.

When a CEO founder leaves a company, passion, innovation, and risk-taking materially deteriorates, which obliterates shareholder value.

But what about Google, Amazon, and Salesforce? Aren't these enormous tech companies that are incredibly innovative? Yes they are, and all are still run by their founders. How are they different? They don't care about short-term quarterly results; they are correctly greedy in the long term, not the short term.

Google is run by a founder, Larry Page, who has given engineers an incredible amount of flexibility by allowing them to spend 20 percent of their time on R&D initiatives that they are incredibly passionate about.

At Amazon, founder Jeff Bezos doesn't allow any meeting to take place that requires more than two pizzas in order to eliminate the "too many cooks in the kitchen syndrome" (otherwise known as bureaucracy).

At Salesforce, founder Mark Benioff emerged as the quintessential cloud evangelist; I look for Mark's passion in all CEO/founders that I meet with when I do due diligence on potential venture capital investments. (As an example, we invested in cloud company Bracket Computing partially due to the visionary passion of cofounder Tom Gillis.)

Many investors believe that we are in a tech bubble. While I can't disagree that valuations on some private companies are lofty, I can argue that part of the lofty valuation is due to the fact that many large-cap tech companies have extremely low organic growth. As a result, and due to their inability to innovate, they have no choice but to make many acquisitions.

Given the large number of mature, large-cap tech companies no longer run by their founders, the number of expensive private market acquisitions has materially increased. The private tech market has caught on to this and, as a result, many tech companies are staying private longer.

The goal of many VCs, and private companies, is no longer to have a sub-billion dollar IPO. Rather, it has been fruitful for VCs to encourage portfolio companies to wait even longer to go public; large-cap tech companies are partially to blame for current lofty valuations, which is indirectly due to the fact that they are incredibly ineffective at innovation.

Does this mean that large-cap tech companies no longer run by their founders are significantly overpaying for acquisitions? Not necessarily, as many large-cap tech companies have more than 50 percent of their revenue overseas, versus many private companies that have almost all of their revenues from domestic sources. Small private companies are better innovators but have problems scaling; large companies are better at scaling but have problems innovating.

How do we address the large company innovation conundrum? Perhaps they should emulate the Google/Amazon/Salesforce practices of giving engineers much more creative freedom, keeping innovation teams small, and ensuring that there is more evangelical passion present.

It's also important for large tech companies to encourage innovation risk-taking by implementing unlimited upside bonus structures for engineering teams, tying them to the upside success of the products and services that they pioneer. Otherwise, your best talent will be incentivized to quit and join a startup run by a passionate founder, and investors will also run for the exits.

YOU NEED YODAS IN ORDER TO SUCCEED IN BUSINESS AND LIFE

You need many Yodas in your life and in your career. You need mentors and you need to mentor others in order to reinforce what your core beliefs or critical career and life success factors are.

Make sure that your Yodas (or mentors) are in a position that you want to be in one day. Are they successful professionally? More importantly, are they successful personally? Did they achieve a great work/life balance? Are some of their past accomplishments your future goals? Can you trust them? Do you enjoy their company? Can they offer you constructive criticism so that they can help you to seek continuous improvement?

It is extraordinarily rare for an executive to rise to the top of any organization or for any entrepreneur to be wildly successful without many mentors. Hewlett mentored Steve Jobs and Steve Jobs paid it forward too by mentoring Marc Benioff from Salesforce, which is now the largest employer in San Francisco.

Behind almost every single successful business person is a great spouse. You are a team and you have likely only gotten to where you are in life because of their mentoring. Listen to them and thank them often especially this Thanksgiving weekend as they are also one of your Yodas. I often read my emails that I am composing to my wife Christine before sending them. Her feedback always rocks.

Your spouse knows what makes you happy in business. Remind them often what your business passions are. In return, they will remind you what you love in life and reinforce and hence help guide and remind you **what you are on this earth to accomplish in business. What is your purpose?**

Your spouse is your ultimate confidant and life coach. Only your spouse can tell you if what you are wearing went out of style 80 years ago! Only your spouse can tell you that you sound too arrogant when practicing a corporate presentation. Only your spouse can remind you why you wanted to work in the industry you currently work in. Only your spouse can help you achieve your long term goals. So thank your spouse often as you will never get a better life coach / Yoda.

Give and you shall receive. This statement has been true since the beginning of time; those that are generous with their time and mentor others are much more successful than those that are not. Why? First of all it is the right thing to do as others helped you to get to where you are today, but by mentoring others you also reinforce your core beliefs and remind yourself what the drivers of success are.

I am so honored and so humbled to be on the board of a wonderful charity called the LEMO Foundation, whose mission is to eradicate poverty through scholarships to those that are less fortunate. LEMO's core mission statement is brilliant: "*Don't expect to accomplish your dreams unless you help others accomplish their dreams.*" I love that; so prophetic and so true! Some call it karma and others call it paying it forward. Everyone should seek mentors and mentor others; you will be much more successful in the long run if you practice what you preach.

People are flattered when you ask them to mentor you. They almost always say yes when you ask them. Ask and you shall receive mentors. They will help you achieve your goals in life. More importantly, there is nothing more satisfying in life than watching people that you mentor become incredibly successful. This is worth repeating: ***"Don't expect to accomplish your dreams unless you help others accomplish their dreams."***

When to Change Careers

If you get up in the morning and tell yourself that you are going to work, then you are doing it wrong; you need to change careers. Find out what your passion is. Find out what you were put on this earth to accomplish. It certainly isn't to make a lot of money. Don't worry, odds are that if what you are doing in life is your passion, then compensation will never be an issue. What is your calling?

Success does not lead to happiness; rather, happiness, leads to success. In venture capital when deciding what companies to invest in, we don't look for founders that want to be rich. Rather, we look for passionate entrepreneurs that want to put a dent in the universe. This is their calling. This is their reason d'être.

Don't worry about money early in your career; if you follow your passion, then everything else will fall into place. Many of my business students want to become investment bankers but then they hate it and they are miserable once they start. Focus on what you love doing most in life. The best entrepreneurs don't have a job; they have a passion. Superb examples of passionate entrepreneurs include Sir Richard Branson of Virgin, Mark Benioff of Salesforce, Christian Chabot of Tableau and of course Steve Jobs. The best CEOs and businesspeople in the world are passionate salespeople.

What is your passion? Ask yourself this question "who is a rock star to me but is not a musician?" Sounds out there I know, but for me when I was younger it was Bill Gates….so my passion then as it is now is software!

Don't ever focus on money as your primary career goal or you will never have a happy existence; you will never feel fulfilled. Here is a wonderful quote by the Dalai Lama on this topic:

"Man…sacrifices his health in order to make money. Then he sacrifices money to recuperate his health. And then he is so anxious about the future that he does not enjoy the present; the result being that he does not

live in the present or the future; he lives as if he is never going to die, and then dies having never really lived."

Don't have regrets later in life. Change careers if it will make you a happier person. It's never too late to start over.

Take that Walk & Ponder a Career Change!

Some of the best decisions in life are made on long walks. Steve Jobs used to go on long walks with his friend, Oracle founder Larry Ellison. All US Presidents needed R&R at Camp David to go on long walks to come up with impactful decisions.

Go on at least one long walk per week in order to clear your thoughts and assess where you are in life. When you have a critical decision that needs to be made in life, take a long walk and decide what to do, especially when it comes to your career.

When I worked in the consulting industry, I wasn't passionate about what I was doing and I thought maybe an MBA might help? I played a round of golf alone and in between holes, I wrote down the pros and cons on going to business school on two separate pieces of paper. I then put a score out of ten next to each criteria; 10 was the highest score and 1 was the lowest score. I then added up the scores. The total score on the pros card outweighed the total score on the cons page.

That long walk on the golf course that day in 1997 changed my life.

Should I Go Back to School?

Should you bother getting a graduate business or law or engineering or other degrees? Only if you need another degree in order to change careers. Only if getting a graduate degree will likely get you closer to your goals. If you want to go to business / MBA school and want help on how to get into a top school, please see this course: http://tiny.cc/chris116

When Changing Careers Remember that 'Nobody is Smarter than You!"

Please accept that fact that everything around you in business was created by people that are no smarter than you. I am not asking you to be arrogant. Rather, I am asking you to materially increase your confidence by accepting the fact that you are the smartest person in the world.

Why am I making such an outrageous request? Because if you believe it then you can accomplish any goal that you create in life regardless of how unrealistic others think it is. Actually, who cares what others think anyway!

Quite often the reason people are not successful in business or don't change careers is because they are not confident enough to accomplish their goals.

Please watch this short YouTube video by Steve Jobs as it will change your life:

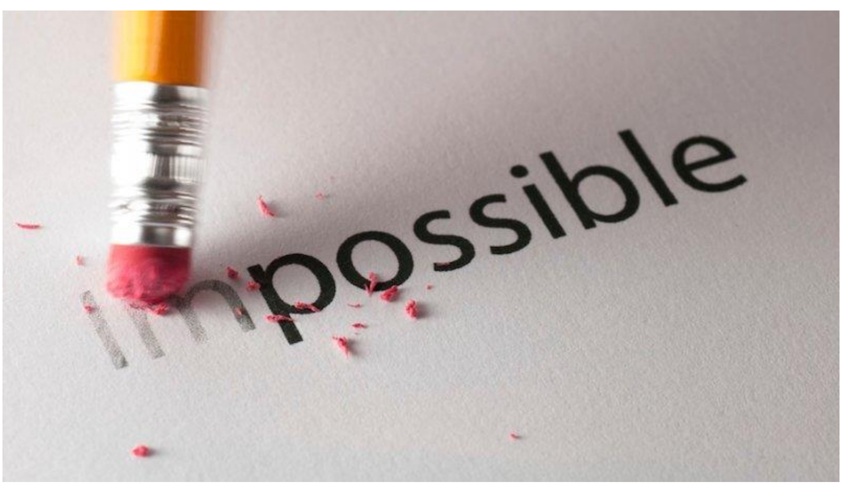
http://tiny.cc/chris115

Can I do it? People Say I Can't. Avoid 'those" People

Don't let them get you down. That's right. If you can, going forward disassociate yourself with negative people. Friends with negative attitudes are often not worth having. Surround yourself with positive people that believe there are no limits to what they and you can achieve. Surround yourself with people that are incredibly successful as their success, confidence and positive outlook on business and life will rub off on you and vice versa.

Surround yourself with positive people and the chances of you being extraordinarily successful in changing careers rises 1,000,000%. I have never met a successful entrepreneur, investor or CEO that doesn't have a positive attitude. Richard Branson is the quintessential example of a positive role model. I believe that his cheerful and positive outlook in life and business is the primary reason for his incredible success. His positive attitude is the cornerstone of the happy and positive corporate culture at all of his Virgin companies. Try flying Virgin America or Virgin Atlantic or one day Virgin Galactic and observe how amazing the attitude is of all of his employees. A company with an incredibly positive corporate culture will no doubt be much more successful than a company filled with negative people. A negative person would never consider launching a galactic service or taking on the airline industry. Richard Branson clearly avoids hiring "those" people.

I am a firm believer in letting our children do and be anything they want to be in life. Gone are the days of telling children to be doctors or lawyers. It's their lives so they should just do what they are most passionate about. Steve Jobs was passionate about calligraphy and my kids enjoy legos and Minecraft. They can be anything they want to be. My goal is to make sure they do what they are most passionate about in life.



Why are Technology Employees More Passionate than Other Sectors When it Comes to their Careers?

It certainly is fascinating how much innovation has come out of the technology sector versus other sectors. Why is this the case? It is partially due to passionate software engineers that never saw the profession as a job. Lawyers see their daily activities as jobs and the same can be said for most people in other professions, which is why most non-tech industries pale in innovation advancement, by comparison.

In technology it is astonishing how a great engineer can be 10 times as productive as an average engineer. Why is this the case? Because the best engineers love what they do! This is more apparent in the technology industry than any other industry, which is why there are so many passionate CEOs like Marc Benioff in the sector. I bet that none of the parents of technology innovators urged them to be a programmer when they were younger!

Can Someone be too Old to Change Careers?

No darn way! When I was a kid I remember seeing commercials in Canada on TV for 'Freedom 55', which was a retirement savings company. Then as I got older, this age became 65 for those eligible to receive social security benefits. This age is slowly increasing. It's ludicrous that people retire in their 60s or 70s. Heck, I know of many people in their 80s that are much sharper than I am.

We are on the cusp of a biotech and healthcare renaissance were we will see the eradication of many diseases in the next few decades. I think most people alive today will live to be more than 100 if they take care of themselves. I know in my heart that at some point in my life people will live to 150+ years old.

With this in mind, why would you want to retire in your 60s when you have another 100 potential years? You are never too old to start a new career or start a new company. Anybody that thinks otherwise is guilty in my humble opinion of age discrimination. It doesn't matter how old or young you are, leverage your network and reinvent yourself over and over again until you find your passion!

Ok are You Ready to Do this?

Condition yourself to embrace change and enjoy the process. This will help you deal with the perceived stress and profit from adversity while you change careers. If you feel stressed when you start embarking upon the next [augmented] chapter of your life, ask yourself in business "what is positive about this event and how can I enjoy and benefit from it?"

The belief that anything is possible leads to amazing accomplishments.

The glass is not empty.

The glass is not half empty.

The glass is not half full.

The glass is ALWAYS full!

You are never too old to start over. Successfully changing careers is based on having an unbelievably positive attitude. You be you. Welcome to the new you!

Questions Based on Chapter 15:

1: A term sheet is a legally binding document.

True or False

2: The most important investment you will ever make is:

a) A value investment
b) A growth investment
c) A debt investment
d) An investment in you! :)

3: Writing down your goals dramatically increases your ability to achieve these goals!

True or False

4: A company is usually more successful once the founder(s) resign.

True or False

5: You should mentor many people because this process can help to reinforce your own best practices.

True or False

PLEASE READ THIS LAST: GOAL SETTING WORKSHOP .

Please write down your <u>10 year</u> business goals….meaning where do you want to be professionally in 10 years. Please PLEASE PLEASE PLEASE PLEASE don't be conservative. There are no wrong answers. Think big and then think **<u>BIGGER</u>**. #DREAMBIG!

10 Year Goal #1: ____

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10 Year Goal #2: ____

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10 Year Goal #3: ____

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10 Year Goal #4: ____

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10 Year Goal #5: ____

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CLOSING REMARKS

Thank you. I hope you have enjoyed *An Entire MBA in 1 Book* by Chris Haroun.

If you are interested in taking online courses taught by Chris Haroun (including a comprehensive 8 hour video course version of this book), please visit: www.Udemy.com/user/chris-haroun/.

Other publications written by Chris Haroun are available at:

http://tiny.cc/chris117

If you would like to receive articles and blogs written by Chris Haroun or if you are interested in having Chris as a guest speaker at your school, charity or company, please contact or submit your email address at: www.BusinessCareerCoaching.com.

Thank you :)