

CRAFT *your* WORLD

Create a life worth living through
ENTREPRENEURSHIP

Copyright © 2022 Sze Y. Wong

Craft your world: Create a life worth living through entrepreneurship

A publication of Z1 Publishing in Herndon, Virginia

All rights reserved

No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage and retrieval system, without the written permission of the publisher or author.

Some names are changed to protect individuals' privacy. The information in this book was correct at the time of publication, but the Author does not assume any liability for loss or damage caused by errors or omissions. Some sample scenarios in this book are fictitious. Any similarity to actual persons, living or dead, is coincidental.

Paperback ISBN: 979-8-9867198-0-1

Hardcover ISBN: 979-8-9867198-1-8

To my wife, Hoi Lum
for being the bedrock of my world

Contents

Introduction	1
Your World	2
1 Business Myths	4
Myth: Acquiring Funding Is the Essential First Step	5
Myth: Money Solves All Problems, At Least in Business	7
Myth: Starting Your Own Business Is Risky	7
Myth: Having a Job Is Less Risky Than Starting a Business	9
Myth: Some People Are Cut Out to Be Entrepreneurs	11
Myth: You Should Go After Big Markets	15
Myth: Every Business Has a Dramatic and Romantic Founding Story	17
Myth: You Should Be an Expert	19
Myth: “Do What You Love” Is a Fantasy	20
Chapter Summary	21
2 First Principles Entrepreneurship Hierarchy	23
First Principles	23
The Entrepreneurship Hierarchy	28
Financially Free	35
A New Way to Approach Entrepreneurship	38
3 The Four Stages of a Startup	40

Stage Zero: Worst-Case Scenario	42
Getting to Stage One: First Dollar	42
Getting to Stage Two: First Profit	46
Getting to Stage Three: First Million in Annual Revenue	49
Getting to Stage Four: First Million in Annual Profit	52
4 Choose Your Own Path	57
Larry	57
Know Yourself	60
Finding Purpose	60
Find Your Crafts	61
Expanding Your Horizon	62
Chapter Summary	69
5 Find Your Market	71
Mundane Business Problems	71
The Deadly Sins	73
Painkillers, Not Vitamins	77
Find Your People (Your Tribe)	79
Serve the Underserved Community	83
Finding Your Blue Ocean	85
Chapter Summary	92
6 The World's Simplest Business Model	94
Business Model For Farmers	94
The Business Model Canvas	96
Value Proposition	98
The Shortest Path to Money	100

Experiment With Short PDCA Cycles	102
Survivorship Bias	104
Chapter Summary	105
7 Growing Less Busy	107
Rule One: Stop Trading Time For Money	108
Rule Two: No Monkey Work	114
Rule Three: Scale With Systems, Not People	117
Rule Four: Profitable Growth (Become a Zebra)	117
Rule Five: Plan in Weeks and Years, Not Months	119
Rule Six: Promote Yourself	121
Chapter Summary	122
8 The Art of Selling	125
Selling as an Introvert	126
Selling Comfortably	129
Sell by Passion	131
Harness the Purpose	132
Be Authentic	132
Chapter Summary	134
9 The Art of Negotiation	135
Prospect Challenges Your Pricing	135
Sending Multiple Options to a Customer	137
If You Want Guarantees, Call Your Insurance Agent	138
When a B2B Partner Is Being Picky	139
Other Tactics	142
Chapter Summary	150

10 Growing People	153
Servant Leadership	153
Never Be the Bottleneck	155
What Do You Think?	157
Scream Respectfully (Open and Honest Communication)	158
Be Human	160
No Abuse	163
Be Reasonable	164
Family First	166
Chapter Summary	167
11 People and Motivation	168
People Are Inherently Productive	168
Autotelic Activities	171
Find Your Flow	172
The Happy Line	174
Loser Syndrome	175
Have Big Dreams	176
Chapter Summary	177
12 Craft Your World	178

Introduction

“A wide-screen iPod. A phone. An Internet communication device.

An iPod, a phone, and an Internet communication device.

Are you getting it? These are not three separate devices. It is one device.

We are calling it the iPhone.”

Many of us can recall the day when Steve Jobs unveiled the iPhone in 2007.

The iPhone is one of the most revolutionary inventions that we can say with certainty changed the world. It shifted the trajectory of mobile phone design, the way consumer applications are created, and with that, the way that many of us work, communicate, and conduct our daily lives.

Steve Jobs is among the list of superstar entrepreneurs who have created companies or products that transformed everyday life. Thomas Edison invented the lightbulb, Henry Ford created the Model T and the assembly line, and Elon Musk founded Tesla and SpaceX. These are world-changing companies and products. They are both the envy and the role models of all entrepreneurs.

Many would-be entrepreneurs try to emulate Steve Jobs and Elon Musk. They want to create the next Apple, the next Tesla, the Uber of X, and the world's first Y.

This book is about a different kind of entrepreneurship. One that's less about emulating Jobs and Musk and more about changing one's experience in the business world.

CRAFT Your WORLD

I want to talk about your world.

You don't have to change the world. You just have to change *your* world.

Your World

What *are* your worlds? Aren't we all living in the same world? On the same Earth? Of course, I'm not talking about parallel universes here (there may be another book on that in the future). All I'm talking about is the environment that each one of us interacts with on a daily basis.

Your world consists mostly of the people you interact with. If you examine your world through the context of people you interact with, you'll realize your world is actually pretty small. It consists of no more than roughly 150 people. By carefully shaping who you interact with regularly, you can take control of your world.

You are in complete control of your world.

This book provides you with one of the key ways that you can craft your world: entrepreneurship.

Through entrepreneurship, you can shape your professional life, your financial future, and who you will interact with on a regular basis. Rather than feeling stuck, you can take charge of your life and craft a world that you can find success in.

Through entrepreneurship, you can create an opportunity to do what you love.

Most people start their entrepreneurship journey by trying to work out what business to get into. In my view, the most important aspect of the journey is knowing yourself.

Getting to know yourself sounds simple, yet most people don't have a deep enough understanding of themselves. By taking time to fully understand yourself, you can spend your energy more wisely and create a path that is the most suitable for you in the long run. Creating a business is extremely difficult, so we need to find a path that's worth fighting for.

Introduction

In the second part of this book, we'll dive deeper into how to run a successful business. We'll explore things like motivation, people management, and business skills such as sales and negotiation.

This book is for anyone who wants to go down the path of entrepreneurship and take charge of their lives. It's for people who want financial freedom while working on what they love. It's for people who want to enjoy work in the same way they enjoy their hobbies. It's for people who want to craft their worlds.

1

Business Myths

My son and I enjoy watching the TV show *Shark Tank* together. Entrepreneurs pitch their ideas in front of a few investors (the sharks) in hope of receiving funding. In a dramatic fashion, the entrepreneurs walk into a room where all the sharks sit, skeptically watching. They're given less than five minutes to pitch their ideas. The sharks then fire off one difficult question after another and have to decide, right on the spot, whether they want to invest in the venture.

The show is entertaining, and you could say borderline educational. However, I reminded my son not to take it at face value.

TV shows like *Shark Tank* and *Silicon Valley* create a narrow storyline for would-be entrepreneurs. A storyline that represents one possible path to entrepreneurship, without exploring other alternatives.

Throughout my years as an entrepreneur, I have coached and advised other aspiring entrepreneurs. Two years ago, I organized my experience into an entrepreneurship course.

As I talk to my students, I find that many are influenced by the process of *Shark Tank*, and other myths in existence. These are like the urban legends of the business world. Entrepreneurship is difficult enough as it is—we don't need the extra pressure from these misleading representations.

In this chapter, I want to debunk some of the myths that I hear all the time, or, at the very least, provide some counter arguments to such myths.

Myth: Acquiring Funding Is the Essential First Step

In the Silicon Valley startup world, funding is king. The key to a successful startup is big dollars—or so they say. Facebook, Google, Uber, and many other famous and successful startups are part of this culture.

The Silicon Valley startup culture defines success as world-dominating, like in the cases of Facebook and Google. Under such criteria, one cannot succeed without a world-changing idea and massive funding.

However, world-domination should not be the only determining factor for success. One does not need a world-dominating venture to be successful. Success in the form of being financially secure is a far more realistic goal.

In fact, if achieving financial security is a top priority, one should avoid the Silicon Valley startup culture. Silicon Valley is all about “go big or go home.” It’s a high-risk, high-reward culture. For regular entrepreneurs, we can take on much less risky ventures and still be able to achieve success.

Truth: You don't need funding, you need customers.

Instead of seeking external funding from the get-go, ensure your business idea is sound. You do that simply by acquiring customers. If someone is willing to pay you for the service or product you provide, your business is sound. You start with what you have. Your top priority is to validate your idea by acquiring customers as soon as possible.

This way of starting a business is called bootstrapping. It may sound difficult, but in reality, bootstrapping reduces risk. Having no money and no time forces you to tackle the problems that you face. The more problems you solve up-front, the more sound your business becomes as you grow.

Sarah Blakely told one of the most inspiring success stories on bootstrapping. Sarah started her company Spanx with just \$5,000 of personal savings. With no connections and no funding, she kick-started her way into the women's

CRAFT Your WORLD

legging business. She solved a problem that no one thought needed to be solved.

She was laughed out of garment factories as she tried to find manufacturers for her products and had to write her own patent application since she didn't have enough money to pay a patent lawyer.

Despite these circumstances, she eventually had a product that customers loved. Today, Spanx products are sold worldwide with an estimated annual revenue of over \$250 million dollars¹.

Saravana Kumar,² the founder of Kovai.co, is another entrepreneur who counteracted mundane problems that no one had previously thought to solve. He bootstrapped his way to financial success by identifying business problems that enterprises face.

In the early days, Saravana was a BizTalk server consultant, helping enterprises configure their BizTalk servers. While doing this, he realized that many of his customers were facing the same problems. As companies build BizTalk servers, the need to monitor the servers arises. Seeing the need and the gap in the marketplace, he created BizTalk360, a tool that helps with monitoring and analytics around enterprise-level BizTalk servers.

Building such a product may not be "world-changing," but it solves real problems for real people. Saravana continued to not only identify business problems around him, but also build solutions for them. Today, Kovai has an annual recurring revenue of over \$10 million, all without any external investment.

Pitching investors and receiving investments may be exhilarating, but if achieving financial freedom is your goal, you don't have to follow that path.

¹ <https://www.forbes.com/sites/elizahaverstock/2021/10/20/sara-blakely-is-a-billionaire-again-after-selling-a-majority-of-spanx-to-blackstone/?sh=3ee23c527d5c>

² <https://www.forbes.com/sites/nealtaparia/2020/11/20/how-one-entrepreneur-bootstrapped-to-10-million-in-revenue-by-solving-a-problem-he-saw-at-work/?sh=6a96fe56555b>

Myth: Money Solves All Problems, At Least in Business

Wrong! If that was the case, then we would all be wearing Google Glasses and Nokia would still be the world's biggest mobile phone manufacturer. Creating a successful company, product, or service takes a lot more than just money. I strongly believe having too much money in the beginning hinders your opportunity for success.

Imagine you start a bakery. If you have money, you'll likely start by finding a nice storefront, buying equipment, and hiring people to promote your business. Your intention is to get everything ready and provide your business with the best chance for success. This process, however, tends to do the complete opposite.

Why? Because the key to success isn't about any of the above. It's simply your product. It's your pastries. If what you bake can attract customers, having a nice storefront, great equipment, and awesome marketing can enhance your business. However, if what you bake is fundamentally flawed, or you misunderstood what your customers like, then having the best storefront or promotion will not make a significant difference.

Truth: Not having money forces you to face your customers up front, allows you to iterate many times, and helps you find eventual success.

Myth: Starting Your Own Business Is Risky

Studies have shown that between 90 to 95 percent of all startups fail within the first five years³. Therefore, starting a business is risky, right?

Well, perhaps. If you don't understand the basics of starting a business then it's risky. However, if you go about the process slowly and methodically, it may not be as risky as you think.

³ <https://www.nationalbusinesscapital.com/blog/2019-small-business-failure-rate-startup-statistics-industry/>

CRAFT Your WORLD

Why do most startups fail? According to Failory, a firm that collects information about failing startups, the number one reason is due to startups lacking product/market fit⁴. In other words, the failing startups are offering something that the market doesn't want or need. Starting a business is exciting, so many entrepreneurs find themselves caught up in the creation process, failing to address actual market needs.

I myself have been a victim of lack of product/market fit. Back in 2015, seeing the need for better data security, I invented a novel way of encrypting and sharing data. After securing a patent, my team and I crafted a product around the idea.

That product was a total failure.

Yes, the world needs better data security, and yes, our product addressed that need. However, I failed to listen to the market. What the market wanted was not just a secure database. The market needed something that solved real business problems while remaining secure.

If you jump into a business with a ton of excitement yet don't know how to listen to the market, you're bound to fail. That's why I tell my students, "You don't need funding, you need customers."

A student of mine wanted to start a bookstore. She wanted the bookstore to be a place where people could read books in a relaxing and peaceful environment. When asked what she would need to start it, she said, "I'd need some startup funding so that I could acquire inventory. I'd also need an operating budget to be able to find a storefront."

There's a natural tendency to process your entrepreneurship journey like this. After all, if you want to build a bookstore, shouldn't you start with books and a storefront?

Thinking like this is why most startups fail. The reality is, she doesn't need to acquire inventory at first. She doesn't have to find a storefront. Instead of

⁴ <https://www.failory.com/blog/startup-failure-rate#:~:text=Marketing%20mistakes%20were%20the%20biggest,%2C%20and%20if%20needed%20%2D%20pivot>

Business Myths

thinking immediately about books and a storefront, my student should focus on the customers.

What kind of customers does she want to attract? Can she attract those customers with a minimum set of books and without a storefront? If this bookstore is about the environment, what are the essential elements of such an environment? If it is about book selections, can she test her idea by starting a book club in her basement first? There are many local bookstores around—what makes this one special?

Finding books and building a storefront is straightforward and very actionable. As a result, most entrepreneurs focus their energy on these immediately actionable steps. The much more critical but difficult task is to find a unique business differentiator. If she can find customers without a storefront, building a store will guarantee more customers.

Truth: Starting your own business isn't risky if you learn to find customers first.

Myth: Having a Job Is Less Risky Than Starting a Business

It feels stable and comfortable when a paycheck shows up every two weeks. But have you ever wondered why someone would give you this stability? Why do employers promise to pay their employees regularly? What creates this safety?

It's all about profit.

If starting a business is risky and having a job isn't risky, that means the employer is taking all the risks and shielding their employees from said risks. By this logic, employers are like wonderful parents. They're beautiful human beings with big hearts and they protect employees from all the business risks.

Is this assumption true?

CRAFT Your WORLD

Many employers are great human beings, but most do not think of employment as a welfare system. Employers pay employees in order to make money. It has nothing to do with shielding employees from risks.

I am writing this book in the midst of a global pandemic, when many businesses are facing unprecedented hardship. Is having a job less risky than owning your own business in this environment? When a business sees a downturn, do employers take all the risks? If that was the case, you would not see employees being laid off by companies.

The answer is that employees face the same risks as business owners. In such an environment, nobody is immune from risk. In bad times, employees share much of the same risk as employers.

How about in good times... is being an employee less risky then?

Let's assume we're in a historic economic boom. Let's also assume you're a graphic designer looking for work. You can be an employee working for a design agency, or you can be a freelancer and start your own company.

Being a freelancer allows you to dictate how much you charge, and as there's no one in between you and the customers, you'll potentially be paid more per project. Since we're in an economic boom, finding customers shouldn't be a problem. However, being a freelancer means that you'll have to find your own customers, win your own deals, and collect the money from your customers.

On the other hand, if you are employed through an agency, someone will be doing the sales, marketing, and accounting work for you. All you have to do is deliver your graphics. In return, you receive a stable paycheck. The paycheck may be less than the fee you would receive from a direct deal, but in effect, you're paying for the service the agency is providing.

In good times, it comes down to the preference of work. If you only want to focus on your craft (graphics design) and nothing more, being an employee may be a better choice. If you don't mind taking on sales, marketing,

Business Myths

accounting, and other administrative tasks, being a freelancer will likely pay better, if you are willing to learn how to price and negotiate.

In good times, the overall risk is low. Having a job is simply a preference of not having to deal with sales and administrative tasks. In bad times, the overall risk is high. Having a job and owning a business is equally risky.

What most people see as the “risk” of running a business is, in fact, their reluctance or inability to do sales/marketing and administrative tasks. We’ll explore more about this reluctance in the next myth.

Myth: Some People Are Cut Out to Be Entrepreneurs

While no questions are bad questions, there is one question that I despise. That is, “Am I suitable for entrepreneurship?” I receive versions of this question at least once a week.

It's time to stop asking whether you're cut out for entrepreneurship, and instead to start asking a better question.

There exists this fruit called durian. Durian, which comes from Thailand and Malaysia, is called the “king of fruits.” Inside its huge, thick, thorn-covered shell are a few pieces of yellow or pink flesh, which carries a strong odor. If you slice open a durian, the entire neighborhood can smell it. Some people love the smell and texture of durian, while others hate it. It has a cult following. I have friends who will organize parties to celebrate the durian season. I, on the other hand, cannot stand the smell of the fruit and won't eat it.

But why? Is it because I'm not cut out for the fruit? Is it because my taste buds aren't suitable to eat durian?

No. It's not about suitability. I just simply don't like the fruit. I'd prefer to eat a ripe strawberry or a fresh coconut.

Take professional basketball as a different example. A study in 2011 claimed that if a U.S. citizen is at least seven feet tall, there's a 17% likelihood of this

CRAFT Your WORLD

person playing in the NBA⁵. For people who are between 6' 6" and 6' 8", the likelihood dropped to 0.007%. I am 5' 7". For me, the chance is zero. I am not suitable to play in the NBA. I am not cut out for the NBA.

While durian and NBA both don't match with me, we describe each situation differently. We say I *do not like* durian while I am *not suitable* to play in the NBA. Why is that, though?

It comes down to possibility. There's a possibility that I could eat durian. Not eating it is a choice. It's a personal preference. If I became stranded on a deserted island and the only food available was durian, I'd eat it. I could *choose* to eat it. I could learn to tolerate the odor.

However, I can never choose to play in the NBA. No matter how hard I work, the chances of me playing in the NBA remain at a zero. It's not a choice. It's biological.

But entrepreneurship is much different to playing in the NBA. It's not biological, it's a choice, which means it's anyone's game. Like eating durian, some people may naturally like it, while others may naturally hate it. Similarly, if need be, one can choose to eat it, and one can learn to tolerate it. Saying that one is not suitable for entrepreneurship assumes nothing can be done, which isn't true.

Let's dig deeper into a few essential attributes of entrepreneurship to see if they can be learned:

Leadership

Leadership is a key attribute in entrepreneurship. Growing up, there were usually some kids who were "natural leaders." They were the first to raise their hands in class, and they were the first to take on new responsibilities.

⁵ <https://www.forbes.com/sites/dandiamond/2013/06/27/nba-draft-is-being-7-feet-tall-the-fastest-way-to-get-rich-in-america/?sh=12da48666522>

Business Myths

I wasn't one of those star students. Growing up, I described myself as an essential follower and I rarely took on leadership positions. I followed closely behind and tried to offer support. It wasn't until after college that I started to realize that I, too, could lead. As I was promoted to my first management position, I started to learn. To this day, I continue to learn.

Self-Initiated

When you work at a job, someone will give you orders for what to do. When you start your own business, though, you have to come up with the tasks yourself. No one will push you. This requires self-initiation. Without a get-up-and-go attitude, it's highly unlikely that the business will succeed.

Again, we can always point to people around us who are hard-working and self-starters. We may feel like some of us are just born lazy and that we need people to push us. However, even the laziest person has a passion that will motivate them to become a self-starter.

My teenage son is extremely lazy with his homework. He avoids and delays, then only offers the bare minimum. However, when it comes to certain video games, he actively learns, researches, and practices. I once overheard him teaching his friends about interest rates and the concept of supply-demand thanks to a video game. When it comes to Minecraft, my son is a self-starter.

Sometimes our laziness is simply because we don't see the value of a given task.

To combat laziness, we need to find purpose.

There are times when we clearly see the purpose of something and desire the result, yet still lack the motivation to act. Losing weight is one such case. Many people see the reason, desire the result, but still won't act.

Are some people just too lazy to change? This, too, can be learned, with the right process.

One such process is called atomic habits. Author James Clear explained how one can use atomic, micro-steps to build good habits: "If you can get one

CRAFT Your WORLD

percent better each day for one year, you'll end up 37 times better by the time you're done.”⁶

With purpose and the right processes, you too can learn to become self-initiated.

Tolerance of Failure

Failure is part of running a business. Being an entrepreneur requires a high tolerance for defeat. People who have a lower tolerance towards failure see setbacks as a reflection of their own image. When you fail a project, it's natural to feel defeated. Defeat can make us want to avoid failure and close ourselves off from taking risks.

Is tolerance of failure a learnable skill? Psychologist Angela Duckworth thinks so. The author of *Grit* and the founder of the Character Lab believes that grit, as a character trait, can be systematically taught. She devoted her career to pushing grit development into mainstream education.

Grit, along with the growth mindset, made popular by psychologist Carol Dweck⁷, are being studied by education experts and incorporated into various teaching curriculums.

Business-Related Tasks

As discussed before, when you're an employee, you only need to focus on your craft. The company you work for finds the work and assigns it to you. You don't need to worry about sourcing work.

When you start your own business, sales and marketing functions become essential. Not only do you need to do the work, but you also need to worry about finding new work. You need to perform marketing functions to promote your business. You need to talk to and negotiate pricing with prospective customers. In addition, there are other business related tasks,

⁶ <https://jamesclear.com/continuous-improvement>

⁷ <https://digitalcommons.murraystate.edu/cgi/viewcontent.cgi?article=1006&context=ktej>

Business Myths

such as accounting, that need to be done. These are tasks that you do not need to worry about if you work at a job.

As tedious as they are, all these business-related tasks are simply work that has to be done. If you want to run your own business, you'll need to learn to perform those functions. You may not become an expert in these functions, but you surely can learn to be good at performing them.

Of course, there are other required attributes for starting a business, but these are the essential ones.

One is usually described as good entrepreneurship material if they have good leadership skills, are a self-starter, have a high-level of tolerance for failure, and can perform business-related tasks other than one's own craft. All of these attributes are learnable.

Truth: Everybody can learn to be an entrepreneur.

Myth: You Should Go After Big Markets

Another myth I often hear is that you should go after big markets. You can test this with your friends. If you tell your friends that you plan to start a business, you'll often get advice on the current big market and you'll hear all about the current trends. The assumption is that if a market is big enough, there will be a lot of opportunities.

This basic assumption isn't wrong. At an individual level, however, things are not always the same.

A *rising tide lifts all boats*. When real estate is booming, it doesn't take a genius to make money in real estate. The general logic that "a rising tide lifts all boats" is correct. However, when it applies to you, it may not be.

These markets have a huge first-mover advantage. People who move into these big, hot markets early reap most of the benefits. Latecomers either fight for scraps, or worse, they join the market and discover that they're only there to benefit the early movers.

CRAFT Your WORLD

If you're already in the industry when it starts to boom, you can take advantage of the booming economy. If you are an outsider and find out a market is booming, then by the time you hear of such a market raise, it's often too late.

When did you first hear about Bitcoin? Many people heard about the cryptocurrency for the first time during 2017, when Bitcoin went from around \$1,000 per coin to almost \$20,000 per coin at the end of 2017. That's a 20-fold increase within one year.

I remember having conversations about Bitcoin at almost every gathering over the holidays in 2017. Everybody wanted to learn more. During that time, Bitcoin was hot. Blockchain technology (the underlying technology that powers Bitcoin) was the trend. Mining was what many technology enthusiasts talked about during that time. If you entered into the mining business during the end of 2017, though, you were too late.

I first looked into Bitcoin mining in 2014, when Bitcoin was around \$200 per coin. After much research, I determined that it was already too late to start Bitcoin mining. The reason had to do with electricity cost, hardware cost, mining difficulty, and Bitcoin price. In 2014, my research indicated to me that unless I went in with a large scale operation, I wouldn't be able to make a profit.

I considered myself quite entrenched within the tech industry, and yet I felt like an outsider when it came to blockchain. As an outsider, by the time you hear about a trend, it's often too late.

This myth is not entirely wrong. It's just that you have to be an insider to take advantage of trends. Therefore, my general advice is to not listen to guidance on which big, hot market to get into.

You should get into markets that you're familiar with or passionate about, no matter how small. In fact, the more niche the market, the better. If you're into photography, don't fall for advice to get into real estate. Continue to develop your skills in photography. Pay attention to what people are doing

Business Myths

within your industry. Most importantly, find paying customers. When it comes to trends, listen to your customers.

Truth: Only go after markets that you are familiar with.

Myth: Every Business Has a Dramatic and Romantic Founding Story

“It all started with a childhood story...”

We often hear about how companies are established when the founder had an epiphany about an idea. Or that a tragic backstory prompted the founder to pursue a life-long goal.

I am not saying these stories are fake, but they often don't paint the entire picture. Let me illustrate with my own founding story:

<<The one-email story>>

On October 26th, 2008, I received the following email:

Subject: [twittervotereport] iPhone App Deadline is tonight @ midnight

From: Sandford Dickert

Body: Interested?

I had just come back from church when I saw this email. I vividly remember parking my car in the garage, glancing down at my phone, and seeing this email. Without thinking about it too much, I typed “YES.”

In the latter half of 2008, my partner and I had been trying to pivot our consulting firm into mobile software development. When the App Store was announced in the fall of 2008, we determined we would go all-in to this new market. At that point in time, I was one of the few developers who had iOS development experience, and I was

CRAFT Your WORLD

hungry for even more. That's why I jumped at the opportunity which had just landed into my inbox.

"I am not going to sleep tonight," I told my wife.

Within 30 minutes, I was in touch with the TwitterVoteReport team. The team was founded by a group of journalists who wanted to tackle voter suppression. They wanted to utilize a new platform called Twitter to help document what happened on the ground at polling places. That same year, the iPhone App Store was launched.

The iOS platform was less than two months old at that point. The group had a hard time finding an iOS developer for the iPhone app. Through connections, a one-word email reached my inbox.

At 2 a.m. the next morning (yes, I missed the deadline), I developed and delivered the TwitterVoteReport iPhone app. It was a basic app with a single form for voters to report their corresponding voting situation on election day. In 2009, the TwitterVoteReport project ended up winning a Golden Dot award.

After TwitterVoteReport, I started to imagine an app that allowed forms to be defined by users so future TwitterVoteReports would become easier to create.

In April 2009, we launched iFormBuilder.

You've heard countless founding stories like this. Stories like that are great, but that omit much of the detail. When starting your own company, you need the missing 95%.

What my one-email story failed to mention is that we had tried everything we could to get into the mobile world at the time. We had made a game. We had made marketing apps. We had made celebrity apps. Among the countless trials and errors, we also invented a data collection app. Had any other test turned out great, our founding story would have been much different.

Actually, I designed my first general-purpose mobile data collection app back in 2001, before the iPhone was even born. So I didn't have the epiphany after

Business Myths

TwitterVoteReport. That little fact, however, does not fit into the narrative and would make the story less dramatic. As a result, it was omitted.

Founding stories are great for inspiration. However, like many heroic stories, they aren't entirely real. They're narratives. They look at historical events to piece together a coherent story. When you move forward, the story unfolding in front of you is never as coherent as when you look backward.

One day, you too will tell a great, heroic founding story. You too may choose to omit 95% of the boring stuff, and that's okay.

Please know that you don't need "one big idea." You need one big *will*. You need a willingness to keep going. Keep trying. Your founding story is never scripted. You need to test many different ideas and see which one sticks.

I can't wait to hear your founding story.

Truth: Every founding story is messy and full of setbacks.

Myth: You Should Be an Expert

You've heard the stories of how Thomas Edison founded General Electric, and how AI experts created a breakthrough in a new AI company, solving great problems.

It's easy to compare yourself to the people in those stories and say, "But I'm not an expert in anything. What am I supposed to do?"

That, my friend, is taking the wrong view of the problem. You may be an expert in nuclear physics and therefore it may feel natural for you to start a business in that field. However, there are over 30 million small businesses in the U.S., and not all 30 million business owners are experts in their fields. Many did not even know their fields when they got into them.

Brian Scudamore, founder and CEO of 1-800-GOT-JUNK, founded the company with only \$1,000. He was 18 years old and flipping burgers at McDonald's when one day, he saw a truck with a hand-painted sign that said, "MARK'S HAULING." Brian thought to himself, *Why don't I try the same thing?*

CRAFT Your WORLD

So he bought an old truck for \$700 and became “The Rubbish Boys.” Today, 1-800-GOT-JUNK has an annual revenue of close to \$300 million dollars.

Like I pointed out in the last paragraph, this founding story omitted 95% of the details. My point here is that Brian Scudamore hustled his way to success. Brian wasn’t in the junk business prior to him starting, but he out-learned everyone around him. Years later, Brian found himself almost bankrupted, but he struggled through and became even more successful. Brian’s main key to success wasn’t domain expertise. It was grit.

Truth: You have to out-work, out-hustle, and out-learn everyone around you.

Myth: “Do What You Love” Is a Fantasy

The final myth that I want to talk about is one that says “doing what you love” is a fantasy. Some buy into the lie that there’s no such thing as starting a business doing what you love. You do business as business, and only after you’ve “made it” can you do what you love.

Proponents of this myth believe that work is innately hard, not to mention boring. They think that you shouldn’t enjoy (or love) your work. That enjoyment is for hobbies, not work.

Most of the world’s business culture actually suggests this as fact. We work during the week so that we can enjoy the weekends. We work most of the year so that we can enjoy a few weeks of vacation. We work most of our lives so that we can enjoy our retirements.

I’d argue that starting your own business is the key to stepping out of this bind. Work can be enjoyable if you structure it right. But first, what does enjoyment at work really mean?

It doesn’t mean having fun. It doesn’t mean sitting on the couch and watching TV, playing video games, or sitting in a hot tub all day long. Those things are pure entertainment and relaxation.

Business Myths

Enjoyment at work means working on things that are meaningful to you. That there's a reason behind your hard work. In order to enjoy working, you have to find your *why*. You have to find something worth working hard for.

It's amazing how many people cannot answer the simple question, "What do you enjoy doing?" And again, I'm not talking about entertainment.

For me, I love teaching. I love coaching. In general, I enjoy anything that empowers another human being. That's why I'm writing this book. I believe some of you reading this book will be empowered. Empowerment is my *why*. Writing this book hasn't been easy, but I enjoy it.

Truth: Find your *why*, pursue it, and make money doing what you love. It's not a fantasy.

Chapter Summary

You may feel like starting your own business is risky, while collecting a paycheck is stable. This assessment incorrectly characterizes the difficulty of starting a business. Starting a business *is* hard. To be successful, one has to go slowly and methodically. One has to take small steps and iterate. Like rock climbing, it's not risky for athletes who have the right equipment, training, and mindset for the sport.

Entrepreneurship, at its core, is a learnable skill. It's a multi-disciplinary sport. It requires participants to be all-rounded. One has to learn about leadership, people management, operating task management, and many other skills. If you are willing to learn, anyone can learn to be an entrepreneur.

When you decide to start your entrepreneurship journey, people will advise you to go after big and trendy markets. Do not go into a market just because it's big, popular, or trendy. Only go into market that you fully understand and enjoy. Entrepreneurship is difficult; you need to find a market that you feel it's worth fighting in.

CRAFT Your WORLD

The process of running your own business is messy. You won't see your founding story in the moment. When you look back, however, you too can piece together a dramatic and romantic story.

Find problems you can solve. You don't always have to be an expert in a particular field to start a business. Find problems that are worth solving, then out-work, out-hustle, and out-learn everyone around you. Find problems that you are passionate about. Starting a business in something you love is not a fantasy. It takes persistence and dedication.

2

First Principles Entrepreneurship Hierarchy

First Principles

In computer engineering, we learn that all computer processors are just a combination of three basic building blocks: AND, OR, and NOT gates. All modern computer processors—including the ones in your laptops, phones, and cars—are built with these three gates. The logic gates are one of the first principles of computing.

A first principle is a basic assumption that cannot be deduced any further. In other words, the first principles are the fundamental building blocks.

Elon Musk famously said he thinks in first principles⁸. When building SpaceX, he didn't try to start from existing rockets. Rather, he looked at the problem from the lens of first principles. He decided to rethink the fundamental design of a rocket. With first principles thinking, Elon's team discovered that reusability is the most crucial aspect of a rocket, and they started there.

⁸ <https://jamesclear.com/first-principles#:~:text=Musk%20used%20first%20principles%20thinking,rom%20there>

CRAFT Your WORLD

One might think that this way of thinking is wasting time or reinventing the wheel. But today, SpaceX has the most sophisticated rocket landing technology available—years ahead of any competition.

I employ first principles thinking to avoid distractions. Years ago, my friend Rodney Berthold wanted to start a private school. With almost zero initial capital, he was able to create a successful Montessori school.

Every time I tell this story, people around me immediately think we must have spent millions of dollars to create this school, and I start to see puzzled faces. One could imagine how to start a restaurant or an e-commerce business, but a school? How do you even start to build a school? After all, creating a school is a monumental task, right?

In first principles thinking, we reduce a problem down to its essence. In this case, we wanted to start a school. So we began by figuring out what defines a school. If we remove whiteboards from a school, is it still a school? If we remove the playground from a school, is it still a school? Continuing down this chain of thought, we reached a conclusion: As long as we have teachers and students, we have a school. In other words, a school is not a building.

Once we realized that a school isn't a building, the problem became a lot easier to solve. We just needed teachers and students, which we already had. With a single teacher (Rodney himself) and eight students, Berthold Academy started in my basement. Legally speaking, what we had in 2015 was not a school. It was a homeschooled group. From the first principles point of view, however, it was indeed a viable school.

Today, Berthold Academy is a thriving private school, with many classrooms, plenty of whiteboards, and a beautiful playground. All of those elements came later. Had we distracted ourselves with all the extras, we may have never gotten started.

How can we employ first principles thinking in entrepreneurship? If we reduce starting a company down to its essence, what would be the fundamental elements that we need? What distractions can we remove? Do we need funding? Do we need partners? Do we need a retail space?

First Principles Entrepreneurship Hierarchy

To start a company, you need customers. Anything else is a distraction. You can worry about all the rest later after you have customers—after you've proved that you are indeed providing value. Enough value that someone would be willing to pay money for.

Some of my students argue that they need funding to get customers. That they need partners to help them build the product to get customers. That they need retail space to sell to customers in.

I want to argue against all of them. These points may be true, but they are all excuses. I want you to try harder. If you think you need retail space to sell, try selling your product out of your home. If you believe you need partners to help, try doing only what you can. If you think you need funding to hire more people to build your product, try to do the minimum to attract only the early adaptors.

More often than not, you don't need anything else. You need a lot of will power and a lot of problem-solving skills. It's better to have money, it's easier to have partners, it's nicer to have a storefront, but they aren't necessary to start your business. They aren't necessary until you've proven that whatever you're building has a market. Once you achieve product/market fit.

In the early days of building iFormBuilder, I was only investing part of my time into it. I was still working full-time on two other projects.

One day, I was talking to a friend who worked at a Big 5 consulting firm. We were discussing some of the problems I was solving with an early version of iFormBuilder. At one point, she asked, "Wait, so how did you solve the synchronization problem again?" I reiterated how the basic sync process worked in iFormBuilder. "And you did this in three weeks?" she questioned.

"More or less," I said.

She then explained that her team was trying to solve a similar problem. They had a team of six developers, who had been working on the project for four months, and it still wasn't finished.

CRAFT Your WORLD

I laughed. "Yup, I got it. I am not particularly smart or efficient. I just have no time and no money."

Having no time and no money is an advantage. It forces you to solve the problem in the most innovative and direct ways. The synchronization algorithm that I put together in a few weeks served us for ten years, until a major rewrite happened in 2019.

Use your lack of resources as an advantage. You'll be surprised at how you too can outmaneuver a lot of big corporations with no time or money.

Cindy was a young immigrant to the UK. Her dream was to open up her own Asian restaurant. When she arrived in the UK shortly after graduating from culinary school, she had no money and no resources. Her first job was as a busser at a local restaurant. She had to do the lowest level jobs in the restaurant and didn't even get the chance to be in the kitchen. At that point in time, the job was about survival, not ambition.

A few months later, after settling in, she started to look for a new job. This time, she could look for the right job and without taking whatever was available.

About a month later, she landed a job in a nearby boarding school. She was an assistant chef in the boarding school's catering department. In this job, she could utilize her culinary skills. She worked extremely hard to learn the basics in the kitchen and later earned the trust of the other chefs.

She was given a chance to propose a new dish to her superior once a month. She decided to present some of the Asian dishes that she'd been testing in her apartment. After a few iterations, her boss approved her addition to the school menu. Soon, "Cindy's special" became a weekly occurrence on the school menu. As staff members, students, and teachers gave her feedback, she continued to improve and iterate her dishes.

A year into the job, after saving some money, she started her own business. She hadn't made enough money to start her own restaurant yet, but even so,

First Principles Entrepreneurship Hierarchy

she took her ambition to the local farmer's market. Every weekend, she woke up before sunrise and drove to the farmer's market. In a tiny 10x10 tent, she sold hot Asian snacks to hoppers there. She prepared all the ingredients the night before and had to be completely set up before the farmer's market opened at 7 a.m.

Despite being physically exhausted, she woke up excited every weekend. She explained that sometimes she had to haggle with customers and deal with unexpected weather conditions. For example, since the farmer's market was located outdoors, if it rained, she would lose a weekend. Even worse, if it started to rain after setting up, she would've wasted time, energy, and that week's rent. Despite all that, whenever she saw a return customer telling her they loved her food, the hard work felt worth it.

I'm not sure if Cindy ultimately started her own restaurant. Perhaps I'll interview her again in a few years to find out. I love her story because her story is about survival. She didn't have the cash required to start her restaurant, so she actively took steps toward that goal. In my opinion, not having money ultimately made her a better business owner and will make her future restaurant even more successful.

Her journey in the boarding school and at the farmer's market taught her important lessons. Even though her tent at the farmer's market wasn't a permanent restaurant, she had to face many of the same business challenges other restaurants would face.

When you face challenges while you're still a small business, you can fail fast and fail often. Had she arrived in the UK with millions of pounds, she may have been able to start a formal restaurant right away. However, I'd argue that without the training and experience she went through in the boarding school and at the farmer's market, her chance of failure would dramatically increase. If she hadn't worked her way up from ground zero, she may not have been able to lift herself back up after her first failure. This is why I argue that money and resources are often distractions. They distract you from having to face challenges early on.

When starting a company, think in first principles. Avoid distractions and solve problems in the most efficient and direct ways.

The Entrepreneurship Hierarchy

In 1943, psychologist Abraham Maslow published the paper "A Theory of Human Motivation⁹" in *Psychological Review*. It described the now-famous Maslow's hierarchy of needs. He argued that human behaviors were not merely reactions to rewards and punishments. This is where humans do not seek to maximize pleasure, but purpose.

Maslow challenged the widely accepted theories from Freud and Spinner. Freud's pleasure principle explained human behavior through maximizing pleasure and minimizing pain, while Spinner argued that free will was an illusion. Under Freud and Spinner's theories, human beings were pre-programmed to respond to external stimuli. Under the same external conditions, Spinner argued, all human behaviors are predictable.

Freud and Skinner's view is why most of the business world was organized around reward and punishment. In *Scientific Management*, Frederick Taylor argued that humans are inherently "lazy." To get maximum productivity, one has to be motivated by money, thus the idea of "a fair day's pay for a fair day's work." Trading time for money was "invented," or at least made popular, by Taylor.

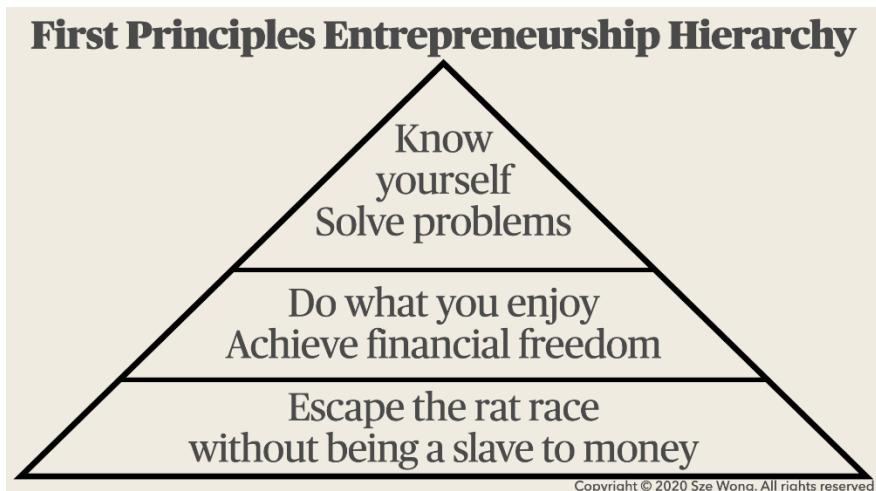
For over half a century, much of the business world tried to untangle the belief of Taylorism. In Daniel Pink's book *Drive*, he introduced the idea of motivation 3.0. Pink argues that we need a new motivation framework. In motivation 3.0, business should be driven by intrinsic motivation.

I believe the drive to start one's own business is driven by one's desire to move up Maslow's hierarchy of needs. When our jobs are stuck in Taylorism, we move up the hierarchy of needs by breaking free of employment. While some are driven to entrepreneurship because of survival, some are drawn to

⁹ <https://psycnet.apa.org/record/1943-03751-001>

First Principles Entrepreneurship Hierarchy

entrepreneurship because of self-actualization. I call this difference the *entrepreneurship hierarchy*.



Layer One: Escaping the Rat Race

Why you embark on the entrepreneurship journey determines where you are in the hierarchy. At the bottom of the hierarchy is the desire to escape the rat race. When the job is boring and does not pay well, one would look to entrepreneurship for a better living. At this level, starting a business is purely money-driven. One wants to control one's own destiny in order to seek a better life.

According to Wikipedia, a rat race is an “endless, self-defeating, or pointless pursuit.”

People who are stuck in the rat race make barely enough to survive. No matter how hard you work, your pay just keeps up with the rest of your expenses. Some people spend over 70% of their take-home pay on rent. In that case, you’re most likely working from paycheck to paycheck. You may not have the money, time, or energy to entertain yourself, lack alone invest in the future, like working on any self-improvement activities.

In addition, jobs that create this condition tend to offer little improvement potential. This means that your experience in the job only gets you marginally

CRAFT Your WORLD

better pay, as opposed to jobs that are paid many times better as you accumulate experience.

In many professional jobs, experience translates to many times the annual salary over the course of a decade. In many low-level jobs, however, experience gets you less than two times the entry-level salary. People in these jobs are easily stuck in a vicious cycle. If they stop working, they can't pay rent. If they continue to work hard, they make just enough money to survive.

My dad went into entrepreneurship in order to get out of the rat race. Over the course of two decades, he created a few different retail businesses. He started a household items store, a toy store, and even a jewelry store as he approached retirement. He jumped from one field to the next, looking for better opportunities. His goal was to seek a better living for himself and his family.

I once asked him if he enjoyed what he did. He laughed and said, "I will not say I do not enjoy my work, I just don't have the luxury to think about enjoyment."

People who start franchising businesses also tend to be at the first layer of the entrepreneurship hierarchy. A franchise is a premade business model. All you have to do is follow the recipe and execute. The motivation for buying a franchise is mostly about making good money. Very few people get into franchising because it's what they love to do.

Along the same line are various direct selling platforms. They follow a similar route as a franchising business. When you sign up with a direct-selling platform, you're given the products, the sales script, and sometimes a web storefront. All you have to do is to execute the plan.

Many students asked me if starting out in a direct selling business is considered entrepreneurship. My answer is yes. It's technically your own business. It is, however, at the bottom of the entrepreneurship hierarchy.

First Principles Entrepreneurship Hierarchy

Layer Two: Doing What You Love While Achieving Financial Freedom

Some people are not in the rat race but they are equally miserable. These are people who work in “bullshit jobs.” In David Graeber’s book, *BS Jobs*, Graeber formally defined a bullshit job as, “a form of employment that is so completely pointless, unnecessary, or pernicious that even the employee cannot justify its existence even though the employee feels obliged to pretend that this is not the case.”¹⁰

In one example, Graeber told a story about the German military. In the story, the military personnel are not allowed to move any IT equipment. When they need to move offices, all the computers and related equipment are required to be moved by the designated IT contractors. The funny thing is, sometimes a contractor was asked to travel up to 30 miles to a military facility just to move a computer down the hall. The contractor feels silly that he has to do such trivial tasks.

In Graeber’s research, our society is littered with these types of pointless jobs. People in these types of jobs feel they don’t add any value to society. However, unlike people who are stuck in the rat race, many people in these kinds of jobs are compensated well.

Many professional jobs fall into this category. In the field of software engineering, many software developers feel frustrated when customers keep changing the requirements. The term “scope creep” refers to a situation when the customer continues to change the requirements. Scope creeping often causes the project to run over budget and may end in cancellation. Engineers in a scope creep situation feel their jobs are pointless.

Ironically, the measures to counter scope creep also end up creating pointless jobs. In order to have strong project management practices, some projects create layers of approval to prevent requirements from changing. These practices create new jobs. People in these jobs often feel they are “paper pushers” that don’t add real value to the project.

¹⁰ David Graeber (2019) *Bullshit Jobs: A Theory* (pp.8)

CRAFT Your WORLD

People in these bullshit jobs may seek entrepreneurship as an outlet. In this situation, one may not be purely money driven. Many people start a side hustle while keeping their day jobs. Whether you're in a bullshit job or not, starting a side hustle is a great way to embark on your entrepreneurship journey.

In this second layer of the entrepreneurship hierarchy, you do what you love while achieving financial freedom. In other words, you want to escape the confines of a nine to five job and create your own destiny. You understand what you want to do as an alternative to your current career path. Many people spend decades in a normal career path before moving away into something that they enjoy.

The major difference between this layer and the first layer is that you're no longer driven only by money. You're driven by money *and* your own interest. That's why most people who enter entrepreneurship in this layer start with side hustles.

A side hustle is a part-time job that one can start while keeping their day job. In today's environment, it's never been easier to start a side hustle. With the help of the internet and the power of social media, the barrier of entry to start a side hustle is low. In fields like writing, photography, music, and training, the starting cost is close to zero. That's not to say it's trivial to start and market your side hustle. As the name implies, you still have to hustle.

Side Hustles - Case Studies

Jonathan started his side hustle as a writer for an online tech magazine. He achieved millions of views on his articles from thousands of readers. As a self-taught software developer, Jonathan shared insight with fellow self-taught software developers. His insight on Python and JavaScript hit the core pain points of many developers. He shared practical tips on everyday problems. His explanation never went too deep into the technical details, yet it was advanced enough to solve issues developers faced every day.

After he achieved success in working with an online magazine, Jonathan later started his own publications on Medium. Code 85 and Grow 85 were his

First Principles Entrepreneurship Hierarchy

creations in capitalizing the success of his writing. In addition, he's now working on a book aiming to help self-taught developers improve their technical skills.

As stated in the "About Us" section of the publications, the 85 brand represents learning: "According to artificial intelligence research conducted by the University of Arizona, Brown University, UCLA, and Princeton, the optimal success rate for learning is 85%. This means that a failing result occurs the other 15% of the time. The '85% rule' appears to be a sweet spot for maximizing learning and growth."¹¹

Jonathan created the 85 brand to maximize learning. He learned, he shared, and he taught. He does all that while achieving financial success.

Another friend of mine, Kenji, is a scaled model artist. He's been making scaled models since he was a teenager and has received awards in many competitions. Kenji spent many years working in the banking industry, first as a teller and later as a financial manager.

As he advanced in his career, however, he grew bored. He told me he felt if he did not make a move while he was relatively young, he knew he could be stuck in banking forever. So when an opportunity arose, he made a bold move.

A few years ago, a respectable scaled model artist and a model shop owner retired, leaving a popular model shop without an owner. When Kenji learned about it, he approached the landlord and discussed taking over the lease. Just like that, within a few months, he jumped from having a stable full-time position to becoming a shop owner.

Many people have asked if Kenji felt like he put his family at risk by making such a move. He said, "Yes, and that's why you have to do it while you're young and naive." Of course, it turned out to be a great move for his

¹¹ Wilson, R.C., Shenhar, A., Straccia, M. *et al.* The Eighty Five Percent Rule for optimal learning. *Nat Commun* 10, 4646 (2019). <https://doi.org/10.1038/s41467-019-12552-4>

CRAFT Your WORLD

happiness as well as his financial wellbeing, but the first couple of years were not smooth.

Jonathan and Kenji started their entrepreneurship journeys in pursuit of doing something they enjoyed while ultimately achieving financial freedom. Their motivation toward entrepreneurship was partially financial and partially personal.

Layer three: Know Yourself, Solve Problems

At the top of the entrepreneurship hierarchy is “know yourself, solve problems.” At this layer, you enter the entrepreneurship journey purely to apply yourself. You understand your place in the world. You apply yourself to solve your own problems, to solve other people’s problems, and to solve the world’s problems.

The major difference between this layer and layer two is that in layer two, your focus is inward. You’re trying to do what you enjoy and to make a good living. In layer three, however, the focus is outward. You are applying yourself to the world at large.

Understanding layer three will help your journey, even if you’re in layer two. Layer three is the core essence of my entrepreneurship teaching.

Knowing yourself is a never-ending quest of finding out what you do best, what you love to do, and what provides value. In order to understand yourself better, one has to develop habits to fine-tune one’s ability to know oneself. I’ll devote another chapter to talking about techniques you can employ to further self-understanding.

As you begin to know yourself better, you will start to understand your place in the world. You’ll find your purpose and your mission in life. At that point, it’s about maximizing yourself to make the world a better place.

Problem solving requires practice. It requires one to be in the problem-solving mindset at all times. You should practice looking at the world around you and recognizing problems. Problems that you can not only solve, but that are worth solving.

First Principles Entrepreneurship Hierarchy

I've mentioned Elon Musk multiple times in this book. When asked about why he founded SpaceX, his answer was, "We need to become a multi-planetary species. If my work does not involve working toward that, it's pretty sad."¹² This answer clearly shows that he's at the top of the entrepreneurship hierarchy.

But we don't all have to build spaceships to be at the top of the entrepreneurship hierarchy. The trick behind moving into the top layer is to be financially free. The main reason that many entrepreneurs never grew out of layer two is that they never feel financially free. The issue isn't how much money you've made, but how much money is enough for you to feel financially sufficient.

Financially Free

When I asked my students, "How much income is enough to feel financially free?" the answers usually involve big numbers.

"Over a million dollars a year in income," one said.

"Over ten million dollars in the bank, plus half a million dollars of passive income," another student answered.

One of the hypotheses to this phenomenon is that by believing in a huge number, we make the goal unattainable, and therefore we don't feel pressure to achieve the goal. If we make being financially free an unattainable goal, we won't have to work on it. The reverse of it is, once we understand that being financially free is attainable, we should, and will, work towards it.

In the most basic form, being financially free is simply when one is able to earn more than one spends. Once you've earned "enough," you are free. Basically, if you can live below your means, you are free.

¹² <https://www.cnbc.com/2021/04/23/elon-musk-aiming-for-mars-so-humanity-is-not-a-single-planet-species.html#:~:text=the%20red%20planet.,%E2%80%9CWe%20don't%20want%20to%20be%20one%20of%20those%20single,Crew%2D%20mission%20to%20orbit.&text=%E2%80%9CIt's%20been%20now%20almost%20half,we're%20last%20on%20the%20moon.>

CRAFT Your WORLD

Note: I am not saying you're rich, but when you earn more than you spend, you start to have room to think about how to apply yourself. You are starting to become free.

Let's try to figure out how much income we should consider as "enough."

According to the Brookings Institute, middle-class is defined as income between the 20th and 80th percentile. The top 20th percentile is considered upper class. We're going to define being in the upper class as being "enough."

According to data from the United States Census Bureau, the threshold to the top 20th percentile in household income in 2020 was \$147,076.¹³ That means if you make more than \$147,076 in the U.S., that's enough, right?

Well, not quite. The U.S. is a big country, and the expense level is vastly different between coastal metropolitan areas and small towns in the Midwest. Our definition of "enough" is being in the top 20th percentile in your area.

Finding detailed household income percentile information may not be easy in some areas. We can use a proxy to figure out this number. In general, the top 20th percentile fits between two and two and a half times the median income. Since median household income is a much easier number to come by, this should give us an easy-to-use method to define what we would consider "enough."

	Median Household Income	2.5X	Gini Index
San Francisco, CA Metropolitan Area	\$107,898	\$269,745	0.499
Washington DC Metropolitan Area	\$102,180	\$255,450	0.48

¹³ <https://www.census.gov/library/publications/2021/demo/p60-273.html>

First Principles Entrepreneurship Hierarchy

New York, NY Metropolitan Area	\$78,478	\$196,195	0.493
Chicago, IL Metropolitan Area	\$70,760	\$176,900	0.48
Charlotte, NC	\$60,764	\$151,910	0.47
Harrisburg, PA	\$37,356	\$93,390	0.469

<data from datausa.io>

Let me summarize: if your household income is two and a half times the median income in your area, you're in the upper class. Your income is enough.

I'm not saying making close to \$200,000 a year in New York is easy. However, it's much more attainable than making millions of dollars. Even though it is the most expensive area in the nation, "enough" is still far from millions of dollars. The problem is, of the people who are making that much money, many won't consider themselves as "having enough."

Please take a moment to figure out the median household income of your area and determine what the "enough" income in your area is.

What I want to tell you is that when you have two and a half times the median household income in your area, you should be financially free. Let me rephrase that: you *should* have the opportunity to be financially free. Whether or not you're actually free is entirely up to you. Your income level supports a financially free life-style. You just have to make it happen.

If your expenses continue to rise with your income, you can never be free. My rule of thumb is to set your lifestyle according to two times the median household income and stay there. By definition, the median household income should be able to support a decent lifestyle. Doubling that should make for a very comfortable lifestyle. From there, as you make more money, you'll be free.

This general rule works for the U.S. and most OECD countries where the Gini Index is below 0.5. The Gini Index indicates the income inequality of an area. Zero in the Gini Index indicates perfect equality while one indicates perfect inequality. The Gini Index for the entire U.S. in 2019 was 0.48. This is the highest among OECD countries. Still, the two and a half times rule works even for San Francisco. For economies where the Gini Index is beyond 0.5, this general rule may not apply.

This way of thinking does not make you appear rich. However, it's going to allow you to be free much sooner. Many people around me make more money than I do. However, they aren't free. They continue to trap themselves in different types of bonds like buying bigger houses or moving to more expensive areas. I'd rather be free than appear rich.

We all look at billionaires like Jeff Bezos and think, *If I had billions, I'd do something cool and solve real problems.* The truth is, being able to be financially free is much more attainable than one believes. If you make the choice to be financially free, you can move to the top of the entrepreneurship hierarchy much quicker.

A New Way to Approach Entrepreneurship

Using the first principles way of thinking can reduce distraction and allow us to approach entrepreneurship with a clear mind.

The entrepreneurship hierarchy describes how one approaches the journey of starting a business. At the bottom, one enters the hierarchy simply to get out of the rat race. People in this layer want to make more money and see entrepreneurship as an outlet.

At layer two, people aim to do what they enjoy while achieving financial freedom. People at this layer often start with side hustles. They begin by looking toward their hobby to find a path toward entrepreneurship.

First Principles Entrepreneurship Hierarchy

At the top, people enter the hierarchy when they have a good understanding of themselves and are ready to apply their skillsets to solve problems around them. Know yourself, solve problems.

Finally, the idea of making “enough” money is much more attainable than most people imagine. If you target making enough instead of being rich, you may find it much easier to achieve financial freedom, and with that, the ability to truly enjoy the fruits of entrepreneurship and solve problems that are truly worth your effort.

3

The Four Stages of a Startup

We all need roadmaps as we embark on new journeys, and the four stages of a startup is your roadmap to your entrepreneurship journey. I went through these four stages multiple times in various startups. Each of these stages requires you to have a different focus. The stages are:

Stage one: First dollar

Stage two: First profit

Stage three: First million in revenue

Stage four: First million in profit

Stage One: First Dollar

When you first decide to start, you're at stage zero. Your goal is to get to stage one, the first dollar. I coach entrepreneurs to focus on their first dollar because having customers validates your business idea. I disagree with seeking external funding too early. I'm against the pitch-first culture which equates receiving funding to early success. To me, having paying customers is the definition of early success. When you have someone who's willing to pay money for your product or service, you have a business. You're officially at stage one.

Stage Two: First Profit

The Four Stages of a Startup

Having your first dollar is great. Now you need to get to profit. Many entrepreneurs confuse revenue as profit. Especially if you offer services, it's very important to separate the concepts of revenue and profit. Profit is defined as revenue minus expenses. Expenses should include your own salary. Yes, business owners should take a salary, too. It's important to count your market salary as part of the expenses. If you have enough revenue to cover all expenses, including your own salary, you have a profit. You're at stage two.

Stage Three: First Million in Revenue

Moving past stage two is a major accomplishment. Most startups never surpass stage two. Once you're able to make a profit, it's time to grow. At this stage, you refine your offering and look for ways to expand. We'll dive into this in part two of the book.

One key way to think about growth is to consider how you can make money while you sleep. Figure that out, and you'll be on your way to a million dollars in revenue.

Stage Four: First Million in Profit

The startup world would like you to believe that you should grow to over \$100 million in revenue before thinking about profit. I beg to differ. I put profit at a very high place in the entrepreneurial mindset. Having profit gives you time. Having profit gives you options. Having profit gives you an unlimited runway.

Once you're able to make a million-dollar in revenue, you should switch gears and try to optimize your operation. Seek to create a million-dollar profit engine. You're now at stage four. Your business is now sustainable, profitable, and will run for a long time.

Now let's look at each of these stages in a little more detail.

Stage Zero: Worst-Case Scenario

When you start, you're at stage zero. Why is stage zero the worst-case scenario? I want to get this weird concept into your head. Right before you decided to start, that was your worst-case scenario. If all of your ventures were to collapse, you would go right back to just before you decided to start.

Some of you are reading this book right now and deciding whether you should start. In that case, you're currently in the worst-case scenario. You don't feel your current situation is that bad, right? Exactly. In this entire journey, the worst case is just getting back to your current situation. It's not that bad, and it's only going to get better. Remember that.

You may fear that if you fail, you will be worse off than you are right now. You fear that you may be out of a stable, full-time job. You fear that you may lose a lot of money. You fear that you may be sued. If you have any of these fears, this book is for you. What I am about to demonstrate to you is a clear-headed, slow approach to entrepreneurship.

Getting to Stage One: First Dollar

Starting is the most important step in any journey. Deciding you want to start your own business is perhaps the biggest decision one can make. I'll be talking about how you can find your path later in the book. For now, I want to focus on the mindset you should have when you're trying to get to stage one.

Let's say you're a photographer and you've decided to take on freelance projects. Maybe you're doing it on the side, but you have to start somewhere. You need to find your first customer.

Solve Specific Problems For Specific People

You want to *do* something, like being a photographer or being a consultant. If you want to have a successful business, you need to use your skillset to solve problems. Don't just practice your skill set. Whatever your skill is, you're

The Four Stages of a Startup

ultimately a problem solver. Figure out what problems you can solve and who has these problems. Those are your customers.

An offering mindset focuses on the offering, the product, or the service. If you are a photographer, what you are offering is your service, or your beautiful pictures. An offering mindset is focusing on trying to sell your pictures.

A problem-solving mindset focuses on the problems of your customers. If you are a photographer, your skillset helps to solve the problem of creating a great portrait for a wedding. You should focus on utilizing all your resources and skillset for your customers.

Switching your mindset from offering a product or service to solving problems is the key to your success. All your competitors are offering something. You, on the other hand, are here to use your skillset and solve problems.

Wealthfront

Wealthfront was founded in 2007 by Dan Carroll. Their mission was to disrupt the mutual fund industry by applying game theory and technology. They believed there were people who wanted to and could become skillful investors.

To do this, they started by creating an investment simulation game. They believed their game would train ordinary people to be as good as professional fund managers. Their plan was to find the top players and train them through the game.

They'd then offer a paid tier for these top-tier people to manage other people's money. When they launched their game, hundreds of thousands of users signed up to play and learn. Out of the hundreds of thousands of users, very few met their criteria as top-tier players. When they introduced the paid option, even fewer people converted. The plan didn't work as anticipated.

Had the Wealthfront team stuck with the offering mindset, they'd probably have continued to improve their game. Looking at the game as an offering, the logical solution would've been to attract more people to the platform. From there, the next step should have been to create better training so more

CRAFT Your WORLD

people could hit the top-tier. Maybe they could've offered a cheaper paid tier to attract more paid users.

Instead, they went back to the drawing board and looked at what problems they could solve.

The game that they created had a rating system. That was how they ranked the users. They eventually figured out their game was able to solve a big problem in the industry: ranking fund managers. So rather than offering the game to attract and acquire paid customers, they changed the game into a backend system and turned to investors who had money to invest. Rather than offering a game, they solved problems for investors.

Investors had to decide which fund manager to choose. In the past, one relied on brand recognition and past performance. Both of those aren't good indicators of future performance. With Wealthfront's backend game engine, they had an automated approach to ranking, which was a much more reliable way of ranking fund managers. Investors started to flock to the platform.

Do not get stuck in the offering mindset. Practice problem solving.

Want to offer a photography service? What problems are you actually solving? Perhaps you're solving a memory preservation problem; your customers want to preserve their memory of a special day or moment. What else can you do to enhance the memory preservation experience? Perhaps you can make the pictures easy to share, or create photo books or greeting cards for your customers to send to their relatives. By framing your business as problem solving, you can sometimes come up with new ways of serving your customers.

Pick the Right Dollar

Yes, we want to get our first dollar. But sometimes we need to be selective in what projects or customers to take on. If you're a photographer, are you a wedding photographer? Are you a food photographer? Do you do video editing as well? As you start marketing yourself, the marketplace tends to get

The Four Stages of a Startup

confused. This is the best opportunity you will have to refine what problems you're trying to solve.

When I first started as an IT consultant, I always had people who wanted help fixing computers. What that told me was that my message was confusing. My website had people fixing computers on the landing page. At that point, helping someone fix computers would've gotten me my first dollar, just not the right dollar. It would've pushed me in the wrong direction.

Pick a Direction and Go

At stage zero, you're trying to define what problems you're solving. This is the stage where experiments should be done far and wide. You're just starting and you have no baggage. Pick a direction and start testing.

Some people call this the “vision.” I chose to call this your direction. A vision sounds too scary. We’re just at stage zero. Let’s pick a direction and go. In fact, any direction that you feel will ultimately get you to your final destination will do.

Again, let’s say you’re skillful in photography—underwater photography, to be specific. You believe there must be people trying to get married underwater and you can help take their wedding pictures. That’s an excellent direction. Go and test it out. Start telling people that you do underwater wedding pictures. See if there is an underwater wedding discussion group. Join some groups for divers and see if they have such a need. You never know if something will work until you try.

Taking Risks

Entrepreneurs often feel scared when they first start. As a result, they pursue safe directions. Stage zero is actually the safest stage to take risks. You have nothing to lose. You’re at zero. If the test fails, pick a different direction and try again. Don’t wait until you have ten people working under you to try a different direction. It’s much more difficult at that point.

CRAFT Your WORLD

At stage zero, you have the best chance of unlocking a new market, solving problems that other people did not see, and opening up opportunities that other people are too lazy or too busy to go after.

Go make some bold assumptions and test out the market. What's the worst-case scenario? You were in the worst-case scenario yesterday when you were working in a job you didn't enjoy. Go make your first dollar.

Getting to Stage Two: First Profit

You've gotten your first dollar. The right dollar. At this stage, you need to truly define your business. The first dollar is just a first win. Is that repeatable? Can you make it a truly sustainable business?

At this stage, you need to focus on the following two things: figure out a repeatable business direction and build a capital efficiency culture.

First Failure

Hate to break it to you, but after the first dollar comes your first failure. What you did to get your first dollar will probably not be what you do when you get to stage two. During stage one, something will go wrong. You have to pick another direction and try again.

When I built my training school, the first class was a huge success. We had a lot of signups, to the point that there was standing room only. *I've struck gold,* I thought. All I needed to do was to create multiple sessions of the same class and get a bigger classroom. I was set.

The formula was simple. First, I'd advertise in the local newspaper (this was a while ago). The ad was about a free information session. People would come to the information session where I had a chance to show my teaching style. At the end of the session, I'd offer a discount if they signed up right away. In the first two months, about 30% of people attending the information session signed up. This was an extremely high conversion rate.

The Four Stages of a Startup

By the third month, both the attendance of the information session and the conversion rate started to drop. At that time, rather than admitting failure and testing another direction, I doubled down. I increased advertising spending and started to buy more ads in the newspaper. I also started to buy Google AdWords.

That venture never grew beyond stage one. My first two startups never grew beyond stage one.

Build a Business, Not a Job

What's the biggest difference between running a business and having a job? Know this and you'll have a better chance of reaching stage two. A job is what you do. You spend time, and in return you get money. A business, as an entity, solves specific problems for specific people. A business can, at least in theory, operate without you.

The exceptions to this rule are very high-paid consultants like lawyers, and celebrities or social media personalities. In my opinion, even if you're getting paid thousands of dollars per hour, it's still a good idea to think about repeatability.

Why Are You Stuck?

I often interview my students about why they feel stuck in stage one. There are two general trends.

The first is that they feel stuck in the operation details. As the business grows, they have to do everything. All the operating details, payroll, purchasing, paying rent, paying vendors, answering phone calls, and returning emails fall on the entrepreneur themselves. This weight can slow down the entrepreneur and sometimes even slows down the drive to grow.

The second most commonly cited problem is a lack of sales and marketing skills. Many entrepreneurs are skillful at their craft. Sales and marketing, on the other hand, not so much. I will devote Chapter Eight to discussing selling in detail.

I myself also don't like "sales and marketing."

CRAFT Your WORLD

I put sales and marketing in quotations because if you define sales and marketing in the wrong way, you won't enjoy it. Sales and marketing simply encompasses the drive to talk about what you love and get a fair monetary value in return. Marketing is about spreading the word and sharing things that excite you. Sales is about knowing how to get paid fairly. Neither should be hard, even for introverted people.

The key to liking sales and marketing goes back to picking the right problem to solve. If you're solving problems that you're passionate about, you should have no problem talking about them.

Capital Efficiency

I place profit very high on my list. The reason to look for profit early is to start a capital efficiency culture. When you have absolutely no money, it's easy to not spend. When you start to make money, however, it's tempting to start spending more. Deciding what to spend on is very critical to a young startup.

One of the key principles I coach my students on at this stage is to delay hiring. As your business grows, workload also increases, making it very tempting to hire people. My advice is only to hire if one plus one is greater than three.

Let's assume you already have one person booking appointments for you. This person is at their max capacity and is booking 100 appointments a week. You want to hire another person. My advice is, before hiring another person, figure out if there's a way for the two people to book 300 or more appointments a week. I'm not suggesting you force your new hire to work 12 hours a day. I am suggesting that you look for ways to improve efficiency.

The more boring the work, the more important it is to improve efficiency. We call these tasks monkey work. You don't want monkey work. Don't make humans do monkey work.

Know Your Worth

Many entrepreneurs often don't pay themselves. The line of thought is that since you're the owner, you don't get a paycheck. It's true that you often

The Four Stages of a Startup

don't get a paycheck in the early days of the business. However, you still need to know how much you should be paid.

The reason for this is to understand if your business is indeed making a profit. You need to understand your market value and factor that into your financial planning.

For example, if you're a photographer and your market value is \$50,000 a year, you should factor that into your business. With that information, you'll know if your business is truly making a profit.

Let's assume the business can only afford to pay you \$40,000 a year. In that case, your business didn't make a \$40,000 profit. It is losing \$10,000 a year.

Knowing your business is losing money creates the urgency to grow your business. Some entrepreneurs mistakenly believe that their businesses are making a profit when in reality they're losing money. Why is this important? Because if the business cannot afford to pay all its employees (including you) a fair wage, your business is not truly working yet. You need to continue fine tuning what problems you are trying to solve, find new directions, and keep on testing.

If you can get through your first failure (or second and third failures) and figure out repeatable business directions, you should see your business growing steadily. With financial discipline, it's only a matter of time before you break even and start making profits. You've arrived at stage two.

Getting to Stage Three: First Million in Annual Revenue

I picked one million dollars as the magic marker for stage three. Is one million such a magic number? How about \$900,000, or \$1,100,000? There's no inherent magic in this seven-digit number. It's just a nice, round number. I believe getting there represents a stable business. It's quite difficult to get to one million in annual revenue by accident, or by pure luck. If you don't like this particular number, go ahead and pick another big number as your marker.

CRAFT Your WORLD

To get to stage three, you need to grow. Scale and growth are key in this stage.

Scaling and growing are about multiplying. The idea is simple. If your product or service is sold for one dollar, you need to sell a million of them. If your product or service is sold for \$100,000, you need to sell ten of them. Don't think that the higher your unit price, the easier it is to get to a million. They're equally difficult.

I first reached the one million dollar mark in the staffing business. My unit price was between \$50,000 and \$80,000. To get to a million dollars in revenue, I needed to place around 15 resources.

Staffing is a recruiting-for-hire business. When businesses require resources, rather than going through the trouble of recruiting and interviewing, they hire staffing companies to do the recruiting for them. In return, they pay the staffing company a premium on the candidates' salary. Often, these candidates are officially employed by the staffing company instead of the hiring company. This reduces paperwork for the hiring company and also gives the hiring company extra flexibility in case the candidate doesn't match their needs.

In the beginning, I randomly called companies, announcing I was a staffing company and asked if they'd hire me. That, of course, didn't work.

I found my break (stage one) when staffing companies called *me* trying to place me. My resume has always been online and recruiters would frequently call me. This time, rather than trying to take the job as a resource, I told the recruiter I already had a group of Java developers working under me (I did not) that I could readily place. If they were willing to work with me, I should be able to make their jobs easier. Not every recruiter was open-minded, as there was essentially no compelling reason for them to work with me. Eventually, though, one let me try, and a business was born.

It should've been just a matter of repeating the formula 15 times to get to stage three. However, the formula that got me the first and the second win didn't continue to work. I kept trying and trying, but nothing came through.

The Four Stages of a Startup

I eventually had to take a job myself as money was getting tight. I gave in and signed up as a resource. Instead of finding resources to make money for me, I became the resource, making money for someone else. I ended up being placed in one of the biggest real estate companies in the country.

As I worked within that real estate company, I continued my pursuit. Being on the inside, I now could see new job openings before the staffing companies could. What was more, since I worked there, I gained additional respect from my managers. I started building relationships with my managers and told them I ran a staffing company on the side.

Soon, as my project expanded, I approached my manager to let me bring my own people in. For contractual reasons, all resources would still need to be placed by the same staffing company that had placed me originally. However, the situation was different this time. I had the upper hand. My manager demanded the staffing company to only take resources from my company. My project ballooned to over 50 people, 20 of whom were from my company. I was at stage three.

Here's the main takeaway: what got you through stages one and two may not be what will get you to stage three. As I learned from my failure in the training business, I didn't make the same mistake later. When the trick that got me the first customer did not work, I tried something else.

Spreading Too Thin

One mistake I see entrepreneurs make often is spreading themselves too thin. As they test different opportunities, they end up going in too many directions at the same time, and they cannot pick any direction to give up. The belief that one will eventually pan out keeps them going. To get to scale, however, you have to pick one direction, which may mean giving up on early success that didn't scale.

Picking the right direction is more of an art than a science, which is why we coach entrepreneurs to understand themselves better. The better defined your purpose is, the easier it is to sense when the right direction appears.

Changing Too Much

The opposite of spreading too thin is changing too much. Instead of believing all directions could work, these entrepreneurs have too little faith in any direction.

Running a business feels like being placed in the middle of the ocean. You know you have to swim, but you cannot see land anywhere. Which direction should you swim toward? You have no idea where the land is, but I can guarantee you'll drown if you keep changing directions.

Getting to stage three is about scaling. You need to test and try different directions, but eventually pick one to scale. Repeatability is the key. You can't brute force your way there.

How do you know your business is scaling correctly? When you can clearly define your target audience, when you can define your entire business without ten words, and when your customers seek you out.

One of the main reasons I created the four-stage system is so that you don't end up drowning before getting to stage three. I've seen so many promising entrepreneurs settling on profitable, yet not scalable businesses.

Having a stage two business gives you the illusion of success. When you hit roadblocks it's tempting to settle back into your comfort zone. If you fail to find a scalable direction, your business will eventually collapse. What's worse is that down the road you may feel your business is more like a job than a business.

Getting to Stage Four: First Million in Annual Profit

One million dollars in earnings before interest, taxes, depreciation, and amortization (or \$1MM EBITDA, as the business world calls it), is a major milestone. Your company should be making between five and fifteen million dollars in revenue and have sustainable profit. The business should run

The Four Stages of a Startup

mostly on its own and be sustainable and profitable. You can choose to keep it or let go of it. Either way, you've achieved financial freedom.

Profit Gives You Freedom

As you approach stage three, your company will continue to grow. At some point, you need to switch from growing while having profit to having profit while growing. Your business is working. It's now time to automate it.

Automating your business isn't about technology. It involves technology, but not only technology. It's a desire to one day allow your business to run on its own. To do it right, it's not about hiring a CEO or installing automation software. It involves culture.

I coach entrepreneurs to aim for profit at this stage as profit gives you freedom. When your business is generating substantial profit, you have a much wider array of options when formulating your exit strategy.

Capital Efficiency

My advice on capital efficiency for getting to stage two still applies. Hopefully, you didn't give up on them, and at this point, your company is still lean and efficient. Just as you did in stage one, avoid the temptation to hire too many people. Apply the "one plus one is greater than three" rule in all hiring decisions.

At this point, it's not just who you hired. You have hiring managers who want to hire their own teams. You have to make it clear that your company's goal is to get to one million dollars in annual profit. If you have a performance bonus plan, your bonus plan should now tie to profit, not revenue.

Hiring A Players

This rule applies at any stage, but if you want freedom, you need a team of A players. Hiring A players requires you to ditch the old "resume-interview-offer" process. I'll dive into this in more detail in Chapter Ten and discuss those who match with your company's culture.

CRAFT Your WORLD

You don't want people who are just looking for a paycheck. From hiring to orientation to promotion to training, the entire system should be designed so that eventually, your team can run the business for you. It's about choosing who you'll pick to go to war with, and they need to feel the same way toward you.

Keep a Safe Distance From Investors

As you move past stage three, word will get out. Investors will come to you. They'll want a piece of the action. My advice is to keep a safe distance from them and not engage with them until you reach stage four.

It isn't a bad idea to get on calls with certain investors once every six months or so. Just make sure you tell them you aren't ready for any transaction until you get past \$1MM EBITDA. When they ask why, just tell them you want more options. In fact, you want more money. Trust me, if you get this far, you're going to get your retirement check one way or another. There's no rush.

Hi Sze,

I hope all is well since I last reached out. XXX Ventures is working alongside a number of capital partners that are strategically positioned in the space. Given your focus, I thought Zerion would be a great fit. With a few data points and a brief intro call, we could have a valuation within two weeks.

Are you free next week? Happy to send a few times over.

I received on average one email similar to this from potential investors every business day. I filed them all in a folder and forgot about them.

Exit Strategy

As you get close to \$1MM EBITDA, you should start to formulate your exit strategy. You can keep it, sell it, or pass it along.

The Four Stages of a Startup

Keep Running It

Basecamp is valued at \$100 billion. Basecamp's founder Jason Fried famously said that he doesn't care how much Basecamp is valued at. "I have no clue,"¹⁴ Jason told a group of university students.

If you're having fun and making good money like Jason, you too can choose to keep running your business. Remember, we started this journey by trying to get into things that you actually enjoy. Are you still enjoying what you are doing?

Sell It

The most obvious exit strategy is to sell your business. If you're able to create a multi-million dollar business with sustainable profit, you can easily sell it to a bigger company or an equity bank. I myself came very close to signing on the dotted line at one point. At the last minute, however, I decided against it.

Selling your business is the right thing to do for most entrepreneurs. You've spent years building it and it feels great to let it go, take a break, and enjoy your success.

Passing It Along

Eventually, I passed the torch to my team. I still own the company, I still advise the leadership team, but I no longer manage the day-to-day business. I chose this option because I love my business and my team. I didn't sign off on selling the business because I finally realized what I was doing. I wasn't into building technology companies. I was in the people-building business. I want to build a business that builds businesses.

Getting to stage four isn't easy. Ninety-nine percent of startups fail within the first five years of their lives. Even fewer achieve stage four.

I hope this chapter gives you a general idea of what to focus on during each stage of the business. When I first started writing this book, I was looking for

¹⁴ <https://www.linkedin.com/pulse/how-much-we-worth-i-dont-know-care-jason-fried>

CRAFT Your WORLD

a roadmap. My hope is that this chapter gives you a roadmap you can follow during your entrepreneurship journey.

4

Choose Your Own Path

Larry

Sometimes the best path for you isn't the path that is most logical. Over the years, I've kept in touch with a few potential investors. One of them in particular has been following me closely, and we've kept in touch once a quarter for over the past five years.

When our company passed the million-dollar-per-quarter mark, they invited me to a CEO summit in New York City. The idea was to let me see all the success stories from their portfolio companies and paint a picture for my future. I was intrigued by the stories. However, I was still unsure about receiving external funding. So the investor introduced me to Larry, an entrepreneur who had just sold his company for over \$100 million. "Just have coffee with Larry," the investor said.

So, over coffee, I started to explain our business to Larry. I explained I felt bored, but that at the same time, I also felt nervous about getting external funding.

Larry walked me through his story and told me about his company being in financial trouble during the 2008 downturn, and how he worked with the investment firm to eventually make a huge exit. Larry said my company was in better shape than his when they first took funding. Larry was confident that he could lead me down the same path, with or without external funding. "It'll be fun when money starts flowing in," he said.

CRAFT Your WORLD

I couldn't contain my excitement after our initial meeting. An ultra-successful entrepreneur had offered to handhold me to a big exit. That kind of opportunity doesn't come up every day. I returned to the office telling my team about Larry. We scheduled a special management meeting that very weekend.

One December Saturday, which would be known as "Super Saturday" in our company's history, our management team sat down with Larry. In a single day, we laid out our plans for the following year. Over the next two weeks, we set up quarterly goals and completed our financial and staffing plans.

Larry and I met once a week from that point forward, and once a quarter, Larry led us through the quarterly business review (QBR). At that point I felt like I had set our path to success.

Over the next 12 months, our company was in major transformation mode. We hired more people than ever, from sales and marketing resources to engineers and HR staff. Every department expanded. We even expanded our office. That year, we closed with a 40% year-over-year growth—a great outcome.

Throughout this journey, however, I wasn't happy. Yes, I saw more business coming in, and I watched my company expand. However, I also witnessed many of my teammates grow frustrated.

My primary job transformed from system design to mainly looking at Excel spreadsheets. My task as the chief executive was to design a reward and punishment system that maximized employee output. The team would get nervous when they heard Larry's footsteps. To me, the biggest difficulty was that the company culture I was most proud of had eroded.

Everything Larry taught me was great. We did need to structure. We did need salespeople to carry quota. We did need to fire new hires if they didn't perform within 90 days. We did need to grade every department and team member quarterly. I did need to treat employees as employees. I did need to execute all of these things in order to have a big exit.

Choose Your Own Path

About 18 months into the journey, I met with Larry again for coffee. I told him I couldn't continue with his teaching. Afterward, I felt embarrassed and stupid. I kept thinking about how dumb I'd feel in the future when looking back on that moment.

As it turned out, I cared more about a small team having fun together than owning a big company. I cared more about building teams than building products. I thought I loved developing software, but I realized that I loved developing people even more.

I still feel stupid, but I'm no longer embarrassed. It was actually a defining moment for me. I chose my own path. I stood up to what I felt was right even though most people would disagree. You're reading from someone who was dumb enough to turn away money and choose his own path.

Are you dumb enough to choose *your* own path?

I didn't share this story to turn you away. There were many struggles that I didn't dive into. I've flip-flopped many times before coming to a conclusion about what I really wanted.

Many of my students have asked how to figure out which path they should take. I wish I could've said something like, "Listen to yourself. Ask your heart." But no, you can't. The very definition of struggle is that you don't know which way to go.

I've also heard advice to think hard and think deeply, but once a decision is made, not to change it. That also didn't work for me. I thought hard and deep, but until I actually lived the decision, I never actually understood who I was.

Are you also struggling to figure out which path to take? Just take it. Treat it as another experience. Once you have a taste of it, you're more likely to know what your "heart" is saying. Go ahead and flip-flop. Change your mind. That's ok, too. You'll know when to stop flip-flopping and make a choice.

Know Yourself

When thinking about starting your own business, most people think tactically. One tends to think about what kind of business to create, not what problems they are most equipped to solve. In order to understand what problems you are most equipped to solve, you must first know yourself.

From yourself, project outward and see what kind of problems you can solve. Then identify who has those problems. Finally, look at technology and trends.

Finding Purpose

Japanese has a term for finding life purpose: *Ikigai*. I want to present a simple way to find one's purpose:

1. What do you love?
2. What do you do best?
3. What creates value?

What you love may be a hobby or a passion. These are activities that you tend to do in your free time. Mountain climbers enjoy climbing as a hobby. They don't need to be paid to engage in the sport.

What you do best describe your expertise. Are you a good writer, graphics artist, or photographer? Are you a good salesperson? These usually describe your job. Something that someone would pay you to engage in.

What creates value are activates that are not just meaningful to you, but valuable others too. They create value to others, and as a result, people want you to perform the activities for them. In return, they will show appreciation and compensate you for engaging in such activities.

When these three areas overlap, you will feel extremely fulfilled. You will have found your purpose.

Find Your Crafts

Let's first focus on the intersection between what you love and what you do best. I call it one's "craft." I use the term craft because it describes something that one needs to master. It also describes more than pure skills. It requires practice. It requires dedication. It's something that you want to do better and better.

Start with your hobby. What do you enjoy doing in your spare time that's not pure entertainment? Do you like fishing? Painting? Writing? Gardening? Rock climbing? Does that hobby require skill and mastery? If so, congratulations, you've found your craft.

What if you're so busy working every day and lack the time to engage in a hobby? Do you then have something you used to enjoy doing? Consider your high school years, perhaps, before encountering the nine to five lifestyle.

Your craft is something you enjoy doing. It's something that requires dedication. Your craft is something you want to get better at. Sometimes you even enjoy suffering amidst the process.

You can have more than one craft. Your craft isn't a fixed entity; you can evolve and learn to enjoy new crafts.

Note: I'm not saying you can create a business based solely on your craft. That's a starting point, but a very important starting point.

When trying to start a company, most people look at opportunities. What's the current trend? What can make me money right now? Those are great questions to ask, but I want you to not ask them just yet. I want you to reorient your mindset back to yourself first.

One of my students, Pamela, was a bank teller. When I interviewed her for my class, I asked what she enjoyed doing in her free time. She said, "Watching movies." After thinking more, she said she used to enjoy writing deep mystery-type stories. When asked what subject she liked in high school, she said she used to enjoy drawing and making little random designs. The

conversation confused her. She asked, “How are any of these related to starting a company?”

The answer? They aren’t. Not yet.

Six months after taking my class, she founded a jewelry company specializing in custom bismuth designs. That possibility wasn’t in her mind before. She started from her crafts, and eventually found an opportunity that also created value for others. Starting from your crafts puts you in a completely different trajectory than looking at trends or other current business ventures.

Expanding Your Horizon

The next set of tools comes from the book *Designing Your Life* by Bill Burnett and Dave Evans, a book I always recommend. Below I’ll dig into three of the tools described in the book, along with how to use them to figure out your path for starting a business. The goal of using these tools is to expand your horizon. They allow you to come up with more ideas for what you can do in life, as well as in business.

The Good Time Journal

Burnett and Evans describe the good time journal as a tool to figure out what energizes you. Often we go about our days without reflecting on what we actually want to do. The good time journal is a simple tool to document your daily activities and allow for a quick reflection on what gives you a “good time.” The goal is to allow us to slow down and not just react to our busy world.

For each activity, you’re to rate your engagement and energy. First, how engaged are you when you are doing said activity? When “time flies,” you’re totally engaged. Second, how energized are you? Is this activity increasing or decreasing your overall energy level?

When I do this exercise with my students, many cannot distinguish between engagement and energy. They feel that when an activity is engaging, it is also

Choose Your Own Path

energy increasing, and vice versa. So to simplify, I often tell them to ignore energy in the beginning.

Below is a simplified version of the good time journal. List out the major activities you take part in for a day, then rate how engaged you were for each of them. Do this daily and spend no more than five minutes on it. Keep it simple. If you forget one day, that's okay. Make it up the next day. No big deal, just keep doing it. It's only five minutes per day.

As you work on the journal, you'll slowly realize what activities give you a "good time." Over time, even without actively working on it, you'll want to increase time spent doing the activities that give you a high level of engagement. You'll naturally want to stop doing activities that have a low level of engagement.

The goal of this exercise is to make you reflect on your daily routine. Are you mostly disengaged during weekdays and only engaged during weekends? Were you aware that you hate meetings so much, yet you spend so long in them? Do you enjoy group discussions, or do you enjoy focused work time?

Like exercising and eating healthy, journaling is a lifestyle change. I'd like you to develop this as a new lifestyle. Remember, you aren't doing this to complete an assignment; you're doing this for yourself.

I subscribe to the practice of microsteps—made popular by Arianna Huffington—for achieving life-changing habits. The five-minute rule is a microstep. The idea of the microstep is to remove any reason for excuses. If something takes "just five minutes," it's easy; you may as well get it done. By making the task easy, it dynamically increases your chances of forming a new habit.

This is how I've been able to exercise every day for years now. I didn't set out to exercise one hour a day. When I started, I told myself I'd just move a little bit. Sometimes for ten minutes, sometimes for 15 minutes. I started with a pink, three-pound dumbbell. I skipped a few days at first. But over time, I started to see results. I gradually increased the weight of the dumbbells. I started exercising longer. At some point, exercising became a routine. It

CRAFT Your WORLD

became something I looked forward to doing. And it all started with a pink dumbbell.

There's something else I want to cover before we move on. It's about flow. According to psychologist Csikszentmihalyi, during flow, one experiences deep enjoyment, creativity, and a total involvement with life.¹⁵ In other words, you're in heaven. One of the tricks to achieving enjoyment at work is to create an environment where the chance of getting into flow increases.

Flow is when you're so involved in a particular activity that the sense of time and even the environment cease to be relevant. Some people are so drawn into a book or a movie that they don't realize how much time has passed.

I often experienced flow when solving a hard coding problem. One time I was so focused on coding in Starbucks that I didn't realize I'd been there for hours. When I suddenly realized the time that had lapsed, I began hearing all the noise inside the coffee house. However in the moments prior to that, I felt total silence. No noise-canceling headsets were required.

Today, I blocked out one hour of focus time to try to get into flow. Each morning I prepare myself for what I want to work on during focus time. As I finish most of my daily tasks and meetings, I start exercising. During exercise, I start to think about what I am about to work on. It's like pre-loading a program into memory.

During focus time, I put on a particular noise-canceling headset and listen to a special playlist that I only use during this time. I do this to condition myself to get into flow quickly and to have a better chance of doing so. Regardless of whether I actually get into flow, having dedicated focus time allows me to get a lot done. In the past year, I have mostly used my focus time to work on this book.

I developed this routine because of my good time journal. I used to exercise at the end of the day, right before dinner time. Oftentimes, my mind started racing with ideas and I found myself scrambling to write them down before

¹⁵ Mihaly Csikszentmihalyi, 1990 Flow

Choose Your Own Path

dinner. After reflecting on it, I switched to exercising earlier in the day, leaving an hour between exercising and dinner time. I'm loving this routine because now, most of my deep focus work is done in the afternoon and all my meetings are scheduled in the morning.

Mind Map

The next tool I want you to use is a mind map. The mind map was made popular by British psychology author and television personality Tony Buzan. It's a simple yet effective tool to unlock one's creativity.

To create a mind map, you start with a central idea, a keyword, or an image. From there, your job is to let your brain run wild. Radiating from the central idea, write down whatever word comes to mind. There's no rule. Actually, Tony had a single-word rule, but I'd encourage you to just write down what you come up with in the moment. The goal is spontaneous reaction.

Write down words or images that come to mind around the central idea. Once you complete a circle, usually with five to ten ideas, you move to layer two. For layer two, look at the word or image from layer one and simply write down whatever comes to mind.

Below is one of my own mind maps from years ago. The central idea was "solving hard problems."

CRAFT Your WORLD



Find at least three central ideas from your good time journal and create a few mind maps for each.

The key to this exercise is to let go of self-imposing limitations. When an idea pops into your head, do not think about if it will work. Whatever comes up in the moment is what you will put down. Don't worry about if it makes sense or not. There's no judgment. Try this a few times to get comfortable with it.

For example, let's say from your good time journal you realize you love traveling. You can use "travel" as your central idea. Your first level words may be: "relax," "airplane," "driving," or "freedom."

Many of my students have trouble doing mind maps. They often create "rules" in their heads when they think about an idea. Some of them start writing a to do list on achieving the central idea. You'll need a lot of support when learning how to make the most of the mind maps. Start creating your map, and share your findings with a friend, a local support group, or join our class.

Choose Your Own Path

Odyssey Planning

The last tool I want to introduce you to, also from the *Designing Your Life* book, is odyssey planning. Odyssey planning forces you to imagine parallel universes and to plan three different lives.

Imagine you have three lives. Life one is your current life. For example, you may be a teacher.

Life two is the life you'd have if life one disappeared. If you're a teacher, what would you do if teaching no longer existed? It's not a backup plan, but more so a parallel universe. There's no more teaching. No part-time teaching. What would you do? That's life two.

Life three is the life you'd want to live if money and image didn't matter. A lot of people say if money didn't matter, they'd do nothing. I want you to think deeper than that.

Life one: Your current life.

Life two: The life you would lead if life one disappeared.

Life three: The life you would lead if money and image did not matter.

When thinking about life, we often look at it from a career perspective. Are you a teacher? A consultant? A financial planner? What would happen if that career disappeared? No more financial planning: the world is done with it. What would you do? Force yourself to come up with a genuine answer here. If you truly cannot come up with anything, go back and do more mind maps. Sleep on it for a few days. In a parallel universe where there is no financial planning, who would you become?

Carol, a beauty salon owner, could not come up with a life two. During class, she said if life one vanished, she could only imagine doing the most basic tasks, like being an Uber driver or working as a cashier at McDonald's.

Carol's experience is why this exercise is important. Carol used to be an executive of a publicly-traded company. There's zero chance that her only option would mean working at a fast-food chain. The problem is that she had

CRAFT Your WORLD

never explored any of the other options before. This made it challenging for her to think of her real passions.

Carmen's life two and life three are both training related, indicating she ought to tap into the training industry. So why was she currently not in the training industry? Well, because she'd never explored her options before.

The goal of odyssey planning is to force you to let go of any current constraints. Your present situation creates a strong gravitational force, one that you need to remove yourself from sometimes. Free yourself from the gravitational pull of your current situation. Life has many possibilities.

Odyssey Planning, Business-Edition

From life planning, we'll now pivot to business planning. What business would you like to launch? Following the odyssey planning method, let's plan for three different businesses.

Business one: The business that you want to start.

Business two: The business that you would start if business one disappeared.

Business three: The business that you would start if money and image did not matter.

This business-version of odyssey planning is very similar to the previous exercise, except with an entrepreneurship hat on.

Avia runs an angelic spiritual workshop. She turned a hobby into a career by guiding people through their spiritual energy journey. When thinking about business two, she turned to child meditation. It would still be a workshop, but focused on children instead of adults. "In today's world," she said, "growing up is difficult." She wanted to reduce children's stress by teaching them meditation techniques from a young age. She'd actually tried it before yet didn't find success. If business one disappeared, she wanted to try again.

For business three, Avia wanted to create a spiritually-based K-12 education system. The current education system, in her opinion, is too factually based. Kids growing up in such a system don't know how to care for their internal

Choose Your Own Path

wellbeing; they lack empathy and are emotionally weak. If money and image weren't an issue, she wanted to go all-in. She envisioned an entirely new way of educating children, one that incorporated spiritual thinking, alternate medicine, and mindfulness into education's core.

Pamela, who we met a little earlier, wanted to create a unique lifestyle business as her business three. She believed urban people were too busy and might want to live off-grid for an extended period of time. Her idea was to find an island where people could successfully accomplish this. The island would allow them to live in a more self-sustaining way. The goal would be to slow down and to heal.

With odyssey business planning, a theme might emerge—you may favor a few particular topics. In Avia's case, they were spiritual and educational. She wanted to make the world a better place through those avenues. Pamela wanted to fix people's "being too busy" problem. She wanted to help people by slowing them down.

Business threes are meant to be impractical. However, a lot of times, after digging into students' business threes, I find that they are not entirely impractical. Once we discover what we truly want to do, we can ask ourselves what stops us from pursuing business three.

There are often aspects of business three that we can incorporate into business one. In Pamela's case, building an island for people to escape to into sounds impractical. However, at the core, Pamela wanted to heal. She wanted to help people slow down. Why not incorporate healing into her jewelry business and create jewelry that promotes mindfulness, thereby slowing people down.

Do you have an underlying purpose or vision that you want to fulfill? Why not incorporate it into your business one?

Chapter Summary

I want to close this chapter with my own exploration.

CRAFT Your WORLD

As of right now, I'm making about three dollars per month on Medium. The idea that I can make money through writing is extremely foreign to me and amazingly exciting. It's my own exploration.

A few months ago, I wouldn't have dreamed about publishing my articles on a public forum like Medium, let alone making any money from it. Prior to this year, I'd only published technical tutorials—never long-form articles. I'm not a writer, however, the pandemic and a special experience compelled me to write my first thousand-word article. That article showed me my writing skills shouldn't get in the way of my ability to share information.

This has been a great experience through which I have learned and improved my writing skills. I love sharing and coaching, and the fact that people will read my insights is extremely energizing. Writing is something that I now enjoy doing. I also enjoy being better at providing value to some people, as shown by my Medium payment. Three bucks a month is nothing. Some may think I should be embarrassed by it. But I'm not embarrassed; I'm loving it.

5

Find Your Market

When interviewing entrepreneurs, one of the frequently asked questions is, “How did you come up with the idea to...?” Interviewers expect dramatic backstories, and entrepreneurs deliver stories that match the expectation.

In reality, the killer idea is often found after many iterations and failures. We can always look back and stitch together a coherent story. However, when looking forward, things aren’t always as clear.

The starting point when formulating a business idea is to find out what problems you can solve. In the last chapter, we discussed the process of knowing yourself. Now we need to apply ourselves. We want to find problems around us that are worth solving—problems that other people have overlooked or are too lazy to solve.

Mundane Business Problems

Mundane business problems are boring business problems that exist everywhere. If you look hard enough, you can find them in any industry. They are not as flashy as artificial intelligence or blockchain, and as a result, many young entrepreneurs don’t notice them. My companies made millions of dollars solving mundane problems. These mundane problems are my first stop when trying to come up with a new business idea.

CRAFT Your WORLD

One of my favorite mundane problems is reporting. A staff member of one of our clients explained her job as reporting. At the beginning of each month, she collects information from each department. She then spends the next couple of weeks summarizing and tabulating all the data into a comprehensive report. Toward the end of the month, she sends the report to management for review. When the next month comes around, the process is repeated. When asked what kind of processing she needed to do, she mentioned, "Not much, it's very time-consuming and mostly repeating."

As we observed, we noticed her tasks involve a lot of data copying. As each department sends information to her in different formats, she painstakingly reformats them so all data can then be summarized together.

The corporate world is littered with these types of tasks. These are jobs that even the staff who are paid to do them would love to avoid.

It's easy to find mundane business problems. All you have to do is have a conversation with any business owner or manager, and ask: "Are there any tasks you'd rather not have to do?"

You then follow up by asking for more details relating to what they're describing. From my experience, there is never an end to this. People always have more to tell you. Collect all you can from a particular problem and see if there's anything you can do to improve the situation.

The flipside of this question also works: "Are there any tasks you want to do more often?"

Here, you're not asking isn't about mundane business problems, but business opportunities. You want to give your audience more of what they want and less of what they don't want.

Practice asking these questions to the people around you. Then figure out if there's anything you can do to help the situation. Do you have any particular skills that align you with some of these problems? Do you gravitate towards certain kinds of problems?

At their core, many mega-companies solve mundane business problems. QuickBooks from Intuit helps millions of small businesses solve the one problem that all businesses face: accounting. Accounting is a necessary part of any business. When starting a brand new business, however, few are eager to put together their books. QuickBooks solves this by providing simple-to-use templates for most businesses. Intuit takes this mundane business problem away from entrepreneurs.

When Jason Fried founded Basecamp back in 2004, he wasn't trying to create an ultra-profitable company—he was just trying to solve their own mundane business problems. At that point, they were a web agency. They needed a simple project management tool to manage the many client projects that they were working on. There was a standard project management tool that most projects were using back then, but to Jason, that was just a reporting tool and not a communication tool. He wanted something which has the simplicity of email but was more organized. So they built their own tool. Today, Basecamp has more than three million accounts. With only 50 employees, Basecamp is an extremely profitable business¹⁶.

The Deadly Sins

The next concept I want to introduce is the deadly sins. In Catholic teaching, there are seven deadly sins: pride, greed, wrath, envy, lust, gluttony, and sloth.¹⁷ One can categorize businesses in terms of which sins they serve. I'd like to focus on two of these sins in our ideation process.

Sloth (Laziness)

Almost all businesses serve laziness. You can examine your monthly spending and figure out if you pay to serve your own laziness. Chances are you do. In fact, we all do. I paid for housekeeping because I was too lazy to clean my

¹⁶ <https://basecamp.com/about/story>

¹⁷ <https://www.cambridge.org/core/journals/harvard-theological-review/article/abs/origin-of-the-concept-of-the-seven-cardinal-sins/83A6EF217B4F9FCBDC1A120C291CE4A3>

CRAFT Your WORLD

house. I ordered dinner through delivery because I was too lazy to cook or even pick up the carryout myself. The fast food industry serves laziness.

In formulating your business idea, you want to allow your customers to be as lazy as possible. Are you a photographer? What do your customers need to think about when using your services? Can you provide those services so they can be lazier?

Netflix solved the rental-return problem by allowing its customers to be super lazy. They sent the DVDs directly to the customers' homes, even providing return envelopes with postage already paid for. When customers were done watching the movie, they just put the DVD into the envelope and dropped it in the mailbox. There was no need to drive to the rental store. They also removed the late fee so if the customers were too lazy to even drop the DVD in the mail, they could just pay to keep the DVDs.

When I achieved stage three (my first million) for the first time, I was in the staffing business. At its core, we were serving laziness. I made money from businesses who were too busy (or too lazy) to recruit. Their willingness to outsource this part of the work created the staffing industry, thus allowing me to have a successful business.

To be successful in the staffing business was relatively easy, at least in my experience. We outworked our competitors and allowed our clients to be as lazy as possible. We anticipated their next need and served that need before they even asked for it.

Interviews tended to be rescheduled frequently. So when scheduling interviews with the candidate, I'd ask the candidate to commit to two or three time slots across multiple weeks. When the client had a last-minute change, I quickly ran the other available slots by the client. This saved unnecessary back-and-forth between the client and the candidate.

This may sound small, but these simple gestures are often enough to give the client a great impression and ultimately win their business.

Find Your Market

Examine your own spending, and you'll discover a lot of it is actually spent on serving laziness. In other words, laziness is costly.

Flipping the concept around, serving laziness is good business. People will pay to be lazy. Are there any aspects of your industry where customers are tired? Any status quo that most customers hate? I'm telling you to serve laziness.

You yourself, however, cannot be lazy. In fact, one easy business idea is to outdo people around you. Are people too tired to do data entry? Can you put together a service that helps people with that? Are people too lazy to send out invoices and then follow up on payment? Are there opportunities for you to offer something to automate the accounts' payable process?

When others are lazy, look into it. Work extra hard. That's what great businesses do.

Pride (Ego)

Another sin that many businesses serve is pride, or ego. People who purchase Gucci bags may tell you that they're functionally better. However, we all know the main reason people purchase luxury goods is because they're status symbols.

When I was fresh out of college, I learned that IBM gave their high-paying IT consultants Tumi laptop bags. At that point, I wanted one, too. Not because they were any more functional as laptop bags, but because I wanted to look like an IBM consultant. The Tumi laptop bag served my ego.

When I first started to travel for business, I based my accommodation decision solely on price, or the decision made by my company. One time, as I checked into a hotel, the clerk looked up at me and said, "Ah, Mr. Wong. Welcome back."

I was shocked. I was just a young IT consultant traveling with no status. Being called "Mr." stroked my ego to no end. Nevermind the fact that I'd just handed my driver's license to the clerk, so of course he knew my name. From that point on, I've stuck with that particular hotel chain as they continue to serve my ego.

CRAFT Your WORLD

I can go on and on about how I spend money irrationally because of ego. Perhaps I'm more receptive to this tactic, but I'm not the only one. If you look around, serving ego is good business.

I used to train people to become certified Java developers. I built a training school solely around the many certifications that Java offered. One may argue that getting certified is also partly due to pride. I remember when I first received my certification, I immediately asked to put the certification logo on my business cards. Having that title on my business card made me feel more confident when talking to clients. It earned me immediate credibility.

How do you turn around and serve pride in your business? You don't have to be a luxury brand or a certification agency to do so. A simple way to serve pride is to simply appreciate and recognize people. When talking to potential customers, try not to focus on selling. Focus on understanding instead. Be curious. Ask questions. By focusing your energy on trying to understand your customers, they'll feel validated, important, and proud.

In the book *Tribe*, Seth Godin said the basic form of tribalism is the mindset of "people like us do things like this."¹⁸ Being included is a source of pride. Being part of a group that you admire is a source of pride.

Can you make your customers feel like they belong? Can you make your target audience feel special? Are you selling environmentally friendly goods? Is belonging to the tribe of the environmentally conscious a source of pride? Can you package your products or services in a way that reflects the buyer's identity?

Try to think about *why* you offer what you offer. Identify your target audience and what's special about that particular group of people. The more special you make your target audience feel, the more pride they will have, and the more likely they are to stick with your services or products.

¹⁸ <https://seths.blog/wp-content/uploads/2013/07/2017-people-like-us.pdf>

Painkillers, Not Vitamins

Vitamins are essential to the human body. We can't function without them. We usually receive our vitamins through a balanced diet. The vitamin supplements that can be bought in drug stores are just "nice to have." Taking vitamin supplements probably makes you healthier, but they aren't necessary. When one is in pain, vitamin supplements aren't going to help. When you're sick, you can't expect to get better by taking vitamins. When you feel pain, painkillers are what provide relief. The effect is almost immediate. People seek out painkillers when they're in pain. In contrast, many people, including myself, have to be pushed to take vitamins.

When designing your products, make them more like painkillers. It's important to ensure that you design your products and services as painkillers from the beginning. To do so, you need to fully understand the pain points of your customers and offer effective and immediate pain relief.

Let's say you're a wedding photographer. How can you become the painkiller in wedding photography? What are the pain points all couples go through when taking wedding pictures?

When my wife and I took our wedding pictures, we hated the fact that they tried to upsell us after the pictures had been taken. They showed us all the pictures and had us choose a few. If we wanted all of them, there was a big price tag. It's been many years since then, but I still vividly remember the pain. To alleviate that pain, an upfront price would've been nice.

Another pain point may be unpredictable weather on the day of the shoot. Can you perhaps guarantee up to three weather-related rescheduling changes?

Don't just be a wedding photographer. Be the wedding photographer that takes all the pain out of wedding pictures.

Like our discussion earlier about finding mundane business problems, to understand pain points, you have to ask. Talk to more potential customers.

CRAFT Your WORLD

Talk to non-customers. Talk to customers who've decided against you. The more you ask, the more pain points you'll discover.

Sometimes the customers themselves don't realize they're in pain. In the early days of building iFormBuilder, I once observed a staff member building a digital form for a client. She was updating a long form that contained hundreds of fields. The task was to add five new fields toward the top of the form. She clicked the button to create a new field, then she dragged that field all the way from the bottom of the screen toward the top. Since it was a long form, the dragging took quite a long time.

Although it was just five fields, I felt the pain while observing. I asked if that was painful to her. She shrugged and told me that since she had to do this all the time, she was sort of used to it. Of course, I immediately turned to the engineering team and added a feature to insert new fields in the middle of the form.

To uncover hidden pain points, you have to observe. We have a process called "day in the life of..." It's a process where we shadow a customer and observe how they work for a day or two. In order for us to digitize their business, we have to first understand them. Asking questions will allow you to see the most pressing pains that the customers are experiencing. To get to deep and sometimes the most transformative pain points, you have to observe and discuss with your customers.

Practice your questioning and observation skills. To uncover the most transformational pain points, you first have to think like your customers. You need to understand why they do what they do. Some of these practices may seem painful and unnecessary to an outsider. Try your best to understand why they keep following the same practice. Is it just a habit or are there deeper reasons?

When observing customers, be appreciative. They, too, are professionals. They've been practicing their profession for a long time. The last thing they need is an outsider coming in and starting to challenge everything they do. Although you're trying to observe and offer alternatives, you need to start

from their point of view. If you ask questions assuming there is a good reason for everything they do, your customers will be much more likely to open up and discuss deeper issues and desires.

Transformational pain points rarely come from insight. They come from deep desire, from bouncing ideas back-and-forth. Having a relationship where they can openly discuss deep issues and desires is key to discovering transformational pain points.

Find Your People (Your Tribe)

In finding which market to go after, it's also important to identify who you're serving. In other words, who is in your tribe.

Tribalism is one of the most basic attributes of human beings. Neanderthals, our recent cousins, went extinct some 30,000 years ago.¹⁹ Many scientists have long believed that Neanderthals were strong but lacked intelligence. They were outsmarted by homo sapiens who migrated from Africa.

However, recent studies suggest that Neanderthals may not be entirely dumb after all.²⁰ On average, Neanderthals endocranial volume (which suggests the size of the brain) is 1410 cm³ compared to 1350 cm³ in recent humans.²¹ These recent studies show that Neanderthals have a larger brain volume than our ancestors, which means they should have similar or better intelligence compared to early homo sapiens.

A 2018 study by Dirk Hoffmann of the Max Planck Institute of Evolutionary Anthropology in Leipzig, Germany also came to a similar conclusion.²² Planck and team found cave paintings by Neanderthals that were sophisticated and

¹⁹ <https://www.nature.com/articles/s41598-021-84410-7>

²⁰ <https://www.wiley.com/en-us/The+Human+Fossil+Record%2C+Volume+3%2C+Brain+Endocasts+The+Paleoneurological+Evidence-p-9780471663577>

²¹ <https://www.wiley.com/en-us/The+Human+Fossil+Record%2C+Volume+3%2C+Brain+Endocasts+The+Paleoneurological+Evidence-p-9780471663577>

²² <https://www.mpg.de/11948095/neandertals-cave-art>

CRAFT Your WORLD

suggested that Neanderthals had culture and perhaps even religions. Studies have also shown that Neanderthals were making complex stone tools dating back to 115,000 years ago.²³

If Neanderthals are as smart as our ancestors, why did homo sapiens live on while Neanderthals went extinct?

A team led by Svante Pääbo suggested it had to do with the size of the tribes. Pääbo's team found that 500,000 years ago, Neanderthals mostly lived in small tribes²⁴²⁵, with some as small as ten to thirty individuals, while homo sapiens continued to expand the size of their tribes to hundreds and thousands. The larger tribe size may have allowed early homo sapiens to gather more resources and learn faster.

Pääbo's team also suggested that homo sapiens were much more aggressive in fighting individuals outside of their tribes, whether Neanderthals or homo sapiens. This external aggression created a strong bond between members of the tribe. The larger tribal size eventually gave homo sapiens the edge against the Neanderthal.

Strong tribalism has helped us as a species, and it's also going to help your business.

The best way to find your tribe is to look inward. Which tribes do you already belong to? Look at your age group, your profession, your hobby, your beliefs, your political affiliation, your sexual orientation, your neighborhood, your college alumni group, your birth city, etc. Each one of us belongs to many different tribes. Some are stronger than others, but we all belong to some groups.

Look into these groups. Do you know your tribe? Can you serve members of your tribe? Can your expertise be useful? Do you understand the unique pain points of your tribe?

²³ <https://www.archaeology.wiki/blog/2021/09/13/late-neanderthals-used-complex-tool-making-techniques/>

²⁴ <https://www.pnas.org/doi/10.1073/pnas.1405138111>

²⁵ <https://www.nationalgeographic.com/culture/article/140421-neanderthal-dna-genes-human-ancestry-science>

Find Your Market

Eiko Onishi knows her tribe. She's a vegan and she wants to help fellow vegans to find better vegan restaurants as well as inspire more people to become vegans. When she decided to become a vegan, she found it hard to find high-quality restaurants to dine at.

To solve this pain, she founded Pay-a-Vegan, a social-networking platform that connects people with restaurants. Pay-a-vegan creates a point-base system where every time you dine at a vegan restaurant, you can earn rewards as well as cash. Her network helps people find high-quality vegan restaurants while simultaneously helping restaurants connect to more people.

Most people who open up vegan restaurants aren't simply there to make money. They, too, want more people to become vegan, and to strengthen the tribe. In a strong tribe, all parties work together toward a common goal.

In Cantonese, we have a term called *Fat-Siu-Yau* (發燒友), meaning "feverish fans." *Fat-Siu-Yaus* are more than enthusiasts, but less than obsessives. *Fat-Siu-Yau* creates strong tribes. Products that serve *Fat-Siu-Yaus* don't need to be marketed—the tribe markets it for you. If you have what the *Fat-Siu-Yau* needs, people travel across town to find you.

I introduced Kenji in Chapter 2. He serves *Fat-Siu-Yau* by selling scale models. Not just any models, but model robots. Not just any robots, but mechas. Mechas are mega robots in Japanese animation series which started in the post-war era. Kenji doesn't sell all mechas. He sells one particular kind of mecha from a single animation series called *Gundam*. Kenji's entire business is around scaled models of a single Japanese animation series. Even within the *Gundam* world, Kenji's store is known for carrying the hard-to-find versions. What he doesn't have in scale, he makes up with in specialty.

Like Eiko, Kenji serves his own tribe. He, being a *Gundam Fat-Siu-Yau* himself, knows what *Gundam Fat-Siu-Yaus* want and need. He has insider knowledge that you and I may not understand.

CRAFT Your WORLD

I've visited Kenji's store a few times. Although I know a little bit about the *Gundam* world, I won't call myself a *Fat-Siu-Yau*. Sometimes I question why a particular model costs hundreds of dollars.

Every time, a shopper nearby quickly jumps in and explains to me the reason. "What you're looking at is a special unit that was sold in Tokyo only once in 2018."

These *Fat-Siu-Yaus* admire each model and its value. Kenji doesn't need many customers, as long as he continues to serve their needs by finding new *Gundam* model kits and providing a place for them to gather and share information.

In addition to looking inward, sometimes you can look at adjacent tribes to find your audience.

Let's say you're a yoga teacher. Where's your tribe? How do you find your audience? You can try to find adjacent tribes that may serve a similar audience. Would people who are interested in mindfulness also be interested in yoga? Would people who are environmentally friendly also be interested in yoga? You can try to join mindfulness groups or environmentally friendly groups to find your audience. If your tribe isn't as strong or not as obvious, go to adjacent tribes to find your audience.

Finally, how do you build a strong tribe?

The key is to create an environment where people feel a strong sense of belonging. You need a purpose and a set of clear, core values.

Think about why your customers would buy from you and why your staff would want to work for you. You may say your customers buy from you because you have a great product and your staff work for you because you pay them. However, chances are you aren't the only person who's offering this kind of product in the market. You're definitely not the only company who offers a paycheck. Why would an employee join your company? The key is to offer a sense of belonging. A sense of a tribe.

Find Your Market

Start by creating a set of core values, or the fundamental rules that your tribe believes in. Below are the core beliefs of MontessoriPod, a new school system that I'm working on:

- We believe school is not a building.
- We believe in letting teachers have a high degree of autonomy.
- We believe education should be highly personalized.

There shouldn't be too many core values or beliefs. Try to keep it under ten. When you have too many, some of them may not actually be "core." Go through your list and pick the ones that are most important. Having fewer core values makes it easier for your team to relate.

Create your own set of core values. Repeatedly ask yourself what makes you and your company different from the competitors. When your core values are clear, your tribe follows.

Serve the Underserved Community

Another market that's often overlooked is the underserved community. In every industry and every market, there are groups of people who are underserved. They're the minority. To the leaders of the industry, they're "too small." However, to us, even the tiniest community may be big enough.

Apple won't care to make a phone that's less than \$100. The margin isn't big enough for Apple. However, the sub-hundred dollar phone market is actually worth billions. Many companies have become very successful through selling super low-end phones.

My son has a peanut allergy. As a result, we don't allow peanuts in the house, even though I love peanut butter. I'm in the super minority of people who want peanut butter yet cannot have it. I'm definitely underserved. One day, I discovered a product called **WOWBUTTER**. It's soy-based but tastes just like real peanut butter. I was ecstatic when I first tasted it. From that point on, we always have a jar in our refrigerator. I don't care about the cost—there's no alternative.

CRAFT Your WORLD

In addition to being in a nut-free family, I'm in at least one other underserved community—I'm colorblind. In particular, I have a red-green deficiency called deutan. Every time I tell people about my colorblindness, they try to test me with various brightly-colored objects.

I do see color. It's just that I'm not sensitive to the differences between certain colors. To me, turquoise is light blue. Purple is also just blue. Tilt is green. Burgundy is dark red. The best way to experience the world I see is through a TV. If you go to your TV's color settings and turn red way down to about 10%, that's my world. It's a lot less "colorful" than most of your worlds.

Growing up, I always knew I had this condition. I couldn't play Mastermind under dim, yellowish lights. If the light isn't bright enough, I can't distinguish the brown pieces from the red ones.

About ten years ago, I came across a research paper saying that a particular kind of red-filter, one that was used in the medical field for surgeons to see blood vessels better, can be used for deutan patients to help them "see" better.

I jumped at the report and immediately ordered a pair of \$300 goggles intended for surgeons. It worked. I stared at the trees and could see the different shades of green. I could distinguish between different colors of grass. The world looked a lot more vibrant. That pair of goggles wasn't practical for every day, however. They were intended for surgeons to use inside the operating room, so they were bulky.

That's why when I found out that a company called EnChroma actually uses the same types of filter to make glasses for daily use, I jumped at the opportunity. They still haven't made normal glasses for indoor use, but they can make sunglasses with those filters. These sunglasses are more expensive than regular sunglasses, but to a deutan patient, being able to "see" color is worth every penny. I continue to get updates from EnChroma. When they start making indoor glasses for my condition, I'll order from them. All other eyewear companies will lose my business forever.

Find Your Market

Can you serve an underserved market? In your industry, are there groups of people who are ignored by the mainstream? They're out there waiting to be served, and happy to pay a premium for your service.

Finding Your Blue Ocean

One cannot talk about market finding without talking about the blue ocean strategy, the all-time classic by W. Chan Kim and Renne Mauborgne. Blue Oceans, according to Kim and Mauborgne, are markets where there are large growth opportunities with relatively little competition. Through their research, Kim and Mauborgne summarized many techniques by which companies can create new market space and render the competition irrelevant.

I'm not going to summarize the entire book, but I am going to go through a few examples and techniques that I found most useful to myself and my students.

Blue Oceans Are Everywhere

Blue oceans are everywhere. They're often hidden and sometimes hard to find, but they're in every industry and every market. It's your job, as an entrepreneur, to discover them. When you're in search of a market to go after, don't believe you have to follow the status quo. Don't believe your market is old and standardized. There's always room to create new blue oceans.

When Steve Jobs announced the iPhone in January of 2007, many industry experts declared that the product would fail. They saw a red ocean with no room for newcomers. See an article from TechCrunch published in 2007²⁶:

"That virtual keyboard will be about as useful for tapping out emails and text messages as a rotary phone. Don't be surprised if a sizable contingent of iPhone buyers express some remorse at ditching their

²⁶ <https://techcrunch.com/2007/06/07/the-futurist-we-predict-the-iphone-will-bomb/>

BlackBerry when they spend an extra hour each day pumping out emails on the road.”

“Worst software idea ever. Expect there to be absolutely zero demand for a “Bootcamp Mobile,” which would let insane iPhone users load up Windows Mobile on their iPhone. Please don’t do it, Apple.”

TechCrunch was not alone. At the time, Nokia and Blackberry dominated the business phone market. Windows mobile (Windows CE) had been on the market for over ten years, and very few people in the industry thought Apple could challenge the existing leaders.

After launching the iPhone, Apple launched the App Store in September of 2008. By 2009, it was clear that a new blue ocean had emerged. The entire mobile phone market had been transformed.

Nokia went from the biggest mobile phone manufacturer in the world to being on the verge of bankruptcy.²⁷ Microsoft purchased Nokia in 2014²⁸, and subsequently sold it to Foxconn and HMD Global five years later.²⁹ Blackberry continued to create phones with keyboards, believing that customers loved the physical keyboards. By the time they changed course and embraced full touchscreen phones, though, it was too late.³⁰

Tesla has a very similar story to that of the iPhone from Apple. Tesla was an automobile startup founded in 2003. Up until the introduction of Model 3 in 2016, most industry experts waved Tesla off as a hobby.

Many insiders declared there couldn’t be a new automobile startup. The leaders in the industry had been in business for over a century. Mercedes-Benz pioneered the use of internal combustion engines in automobiles in 1886³¹, and Ford Motor launched the Model T in 1908, bringing automobiles

²⁷ <https://seekingalpha.com/article/709681-nokia-is-finnished-prepare-for-bankruptcy>

²⁸ <https://news.microsoft.com/2013/09/03/microsoft-to-acquire-nokias-devices-services-business-license-nokias-patents-and-mapping-services/>

²⁹ <https://news.microsoft.com/2016/05/18/microsoft-selling-feature-phone-business-to-fih-mobile-ltd-and-hmd-global-oy/>

³⁰ <https://www.washingtonpost.com/business/2022/01/03/rip-blackberry-phones-technology/>

³¹ <https://group.mercedes-benz.com/company/tradition/company-history/1885-1886.html>

into the mainstream. In the 1920s³², Toyota Motor introduced the manufacturing principle of *Jidoka* (a.k.a. Toyota Production System), which stopped the entire assembly line when problems occurred.³³ This system led Toyota to create highly reliable automobiles. These giants continued to dominate the industry into the 21st century.

The automobile industry is a classic red ocean, with strong and powerful incumbency and extremely high barrier of entry. Again, industry experts saw no room for new players in such a red ocean. Despite all odds, by 2020, Tesla's market cap was \$386 billion—more than GM, Ford, Daimler, and Toyota combined.³⁴

When thinking about blue oceans, most people tend to think that they are usually in sexy, new industries. As we've seen with Tesla and the iPhone, the blue ocean doesn't seem sexy and exciting until much later.

Blue oceans can even be found in something as simple as selling shoes and T-shirts. When Nick Swinmurn and Tony Hsieh founded Zappos—which sells shoes online—skeptics questioned whether shoes could ever be sold online. Zappos found its success by implementing an efficient, no-hassle 60-day return policy.³⁵ This was later turned into a 365-day return policy.³⁶ Skeptics questioned how that could ever work economically, but Zappos continued to prove them wrong with strong growth numbers. The over generous return policy was beneficial in retaining customers and bringing in new ones.³⁷

In addition to creating the most aggressive return policy in the industry, Zappos' other secret weapon was its focus on corporate culture. Starting with their hiring process, they gave all new hires a bonus to leave the company after two months at the job. Tony explained that the policy was to ensure

³² <https://corporate.ford.com/articles/history/the-model-t.html>

³³ <https://global.toyota/en/company/vision-and-philosophy/production-system/#:~:text=For%20Toyota%2C%20jidoka%20means%20that,they%20are%20reliable%20and%20safe.>

³⁴ <https://www.reuters.com/article/us-usa-stocks-tesla/teslas-market-value-zooms-past-that-of-gm-and-ford-combined-idUSKBN1Z72MU>

³⁵ Tony Hsieh, *The Pursuit of Happiness*

³⁶ <https://www.zappos.com/c/shipping-and-returns>

³⁷ <https://archive.chrisguillebeau.com/selling-service-and-shoes-interview-with-tony-hsieh-of-zapposcom/>

“only those who wanted to stay, stayed.”³⁸ They focused on hiring people who were eager to help customers, and gave their customer support team a lot of freedom.

One of the now-famous examples is a customer support agent who ordered pizza for a customer.³⁹ During a regular support call, the customer support staff overheard some children asking for pizza in the background. While still on the call with the customer, the staff quietly ordered pizza to their address. You can imagine the surprise that came from the customer when they received the pizza. You can also imagine how this turned the customer into a loyal one.

The fact that we’re still talking about this story years later speaks to the power of Zappos’ customer-wowing culture. Zappos was sold to Amazon for over a billion dollars in 2009 and continues to thrive today.⁴⁰

Custom Ink is another blue ocean success story. Custom Ink sells T-shirts. One cannot get more boring than selling T-shirts. I first heard about Custom Ink around 2010. At the time, one of our staff members wanted to try to print T-shirts from this local firm. We’d been printing T-shirts from China, and although their quality wasn’t the best, the price was great.

I thought there was no way that a U.S.-based company could out-price T-shirts printed from China. I was right in the beginning. They were able to print in smaller quantities, but at a higher unit price. So we continued to order from China for the next couple of batches.

In the meantime, Custom Ink continued to improve. Soon, they not only could print in small batches, but their price started to match the shops from China. They had higher quality products, smaller batch requirements, and cheaper prices. We started to order from Custom Ink and never looked back.

³⁸ <https://www.businessinsider.com/zappos-tony-hsieh-paid-new-workers-to-quit-the-offer-2020-11>

³⁹ <https://hbr.org/2010/07/how-i-did-it-zappos-ceo-on-going-to-extremes-for-customers>

⁴⁰ <https://www.sec.gov/Archives/edgar/data/1018724/000119312509153130/dex991.htm>

Find Your Market

Zappos and Custom Ink show that one can find their blue ocean in even some of the older, more established industries.

In the book *Blue Ocean Strategy*, Kim and Mauborgne explain six paths to reconstructing market boundaries. By reconstructing market boundaries, one can create blue oceans.

In going through these paths with my students, I found the two that were easiest to follow. I encourage you to read the book and learn all the details about these six paths. Here I'll go into the two that, through experience from my own and my students, I believe are the easiest to understand and to implement.

Look Across Strategic Groups Within the Industries

One of the strategies that many of my students have found success in is looking across strategic groups within the industry. In practice, this can be implemented by simply going up-market or down-market from your competitors.

For example, if most of your competitors sell a similar product or service as a commodity, can you go up-market by creating a high-end, white-glove service? On the contrary, if the norm in your industry is high-touch, high-end services, can you then go down-market and offer a cheaper alternative?

Chris, owner of InfinityAGrade, is in the used mobile phone market. The classic used phone market is one that's commoditized. Since the products are standardized, shoppers spend based solely on price.

To create a blue ocean, Chris and team targeted small business owners who wanted to save money while giving their team high quality devices. They created warranty and buy-back programs that rivaled those for new devices. Business owners like the peace of mind gained from the warranty program and the price advantage of used devices. As a result, they don't have to compete on price at a per-device basis. By focusing on higher-end customers, Chris created a blue ocean.

CRAFT Your WORLD

Going up-market is a wise strategic approach for new startups, especially ones that lack large upfront capital. New startups can't compete on scale. However, they can compete on personal touch. While the big companies are too busy and cannot serve their customers, smaller companies can choose to spend more time and energy with their customers.

One way to do this is to look for disgruntled customers of large companies. For example, Salesforce's annual revenue is \$17.1 billion. Less than one percent of that is 17 million dollars. If you can target 0.01% of Salesforce, you have a million dollar company. What this means is that if you can find something that 0.01% of Salesforce customers aren't happy with and do that well, you already have a viable company.

In your industry, are there giants who dominate the market? Don't try to replace them. All you have to do is to serve one percent or even 0.1% of their customers better. Giants can't take on everything. Your job is to find those cracks and expand them. By doing that, you can create blue oceans.

The contrary is also true. Being small means your overhead is also small. You can potentially afford to charge less while your bigger competitors can't.

When we launched iFormBuilder, the average per seat price was \$25 per month. We priced iFormBuilder at \$10 per month, undercutting competitors by 60%. We could do that because we maintained a lean and efficient operation. At the same time, we also kept our target market small. By having a relatively focused market, we gave our customers a lot more attention. The result was a blue ocean where we charged less and provided more.

Look Across Functional or Emotional Appeal to Buyers

The other path I love talking about is to look across functional or emotional appeal to buyers. Some industries are functional in nature while others are emotional in nature. If you try to do the opposite, you have the potential to create a blue ocean.

Classic functional industries include computers or electronics, groceries, and most lower-end merchandise. Classic emotional industries are luxury goods, beauty products, and fashion-based merchandise.

Can you sell computers emotionally? Apple did. In 1997, Apple launched the “Think Different” campaign. It’s an ad for a computer company. Yet it didn’t even mention a single computer. It didn’t try to tell you why Apple’s computer is better than other computers. It flashed pictures of successful people—people who were different, people who have changed the world.

When explaining the campaign to internal Apple staff members, Steve Jobs said:

“We have to get back to the basics. Our core value ... We believe people with passion can change the world for the better. That is what Apple believes in. That’s who we are.”⁴¹

The “Think Different” campaign was one of the most successful and memorable marketing campaigns in the world. It also beautifully demonstrated how to reach the emotional appeal of buyers. In a world flooded by speed, memory size, and functions, Apple hit the world with an emotional message.

On the other hand, if you’re in an emotionally driven industry, can you sell functionally? Fashion brand Uniqlo did. The Japanese based brand embraces *Shun* (旬) and *Kino-bi* (機能美). *Shun* means “timing, best timing, but also at the same time it’s a trend.” *Kino-bi* literally means function and beauty.

In practice, these two core design principles mean that Uniqlo focuses on the practical benefit of the clothing. Their clothing is basic, but current. In delivering beauty, they also look at functions. In an emotionally driven fashion industry, they focus on timeliness, simplicity, and functionality. Uniqlo created a blue ocean by crossing into functionally appealing to buyers.⁴²

⁴¹ https://youtu.be/FDD5G2_6hdA

⁴² Mohamad Mirza et al. The Key Success Factors: A Case Study of UNIQLO
<http://www.ejournal.aibpm.org/index.php/JCDA/article/download/805/770>

CRAFT Your WORLD

Avia was in the spiritual health and healing industry. From time to time, she would sell crystal decorations from other designers. Even though she was in the spiritual space, when selling these decorations, most competitors tended to focus on the functional aspect of them. They talked about the healing ability of these crystals, and the spiritual energy that one can receive from them.

Against the norm, Avia tried to add emotional elements to her marketing messages. She emphasized that each one of these decorations was different, and that there was only one of each. Instead of trying to sell them, she talked about finding the “rightful owner to connect with.” At the same time, she raised the price by 30% to show the value behind the decor.

That batch ended up selling out in just three days and she subsequently created two other batches that also sold out within days.

Chapter Summary

Starting a business is about finding the right problems to solve. You can look around and find mundane business problems around you. These tend to be simple problems that most people overlook.

Practice asking questions to discover pain points from people around you. A straightforward and open-ended question like, “What would you like to do more/less of?” can often lead to insights on people’s business issues.

You can also get help from two of the seven deadly sins to find new directions. By exploring laziness and pride, you can come up with new business ideas and approaches. Let your customers be as lazy as possible. Think one step further than other competitors. In addition, serve your customers’ pride. Make them feel special. Make them feel like they are your most important customers. Use their logo and color scheme during your presentation. Learn their terminologies.

Find Your Market

When addressing pain points, we want to build painkillers and not vitamin supplements. Painkillers are needed and they work immediately while vitamins are “nice to haves.” In general, the closer your business is to your customer’s bottom-line, the more valuable you are. A product that allow your customers to make more money is immediately valuable.

Look for Fat-Siu-Yau (發燒友) in your area of expertise. They are the feverish fans who love the brand, the product, or the services. Can you serve the Fat-Siu-Yaus? Can you create Fat-Siu-Yau? If you can create brand recognition to the point that there are Fat-Siu-Yaus for your brand, you are all set.

You can look at tribes that are adjacent to your direct area. Vegetarians are often yoga lovers. So perhaps you can go to yoga groups to find customers for your vegetarian restaurants.

Look for tribes that are generally underserved. Maybe they are a small group, or maybe they don’t have the spending power of other tribes. Focusing on underserved communities can do wonders to your business.

Finally, there are blue oceans in any industry. No matter how old or how saturated an industry may seem, if you dig deep and hard enough, there are always ways to create blue oceans. If others in your industry are selling transactional based, low-price commodities, can you then package your product into a service-oriented, high-touch, tailored experience?

Problems are all around us. Find the right one around you and outperform everyone else. Your world is waiting for you.

6

The World's Simplest Business Model

"An idea without a plan is just a wish."

– Antoine de Saint-Exupéry

It's time to put your ideas to work. Now that you've embarked on your entrepreneurial journey, you need a few simple tools to help execute your plan.

Business Model For Farmers

Over the years, I've had the privilege of working with many non-governmental organizations (NGOs). One of the most memorable projects was one that introduced the concept of business modeling to farmers in third-world countries.

In certain parts of the world, farmers lack the information and knowledge needed to decide when to grow what kind of crops. Some choose to grow the same kind of crops all year round, while some follow the trend and try to grow the crops that are in high demand without understanding whether the demand or their own land will sustain such crops. Therefore, even though many farmers have land they can utilize, they remain on the verge of poverty.

The World's Simplest Business Model

To help the farmers understand basic supply and demand, we were tasked with creating an app that teaches farmers how to apply business model thinking to their farms. The NGO we worked with chose the Business Model Canvas as the template.

The Business Model Canvas was created by Alexander Osterwalder and Yves Pigneur and has long been regarded as one of the best tools to introduce business models to non-MBAs. The Business Model Canvas is simple, visual, and easy to apply in various business situations.

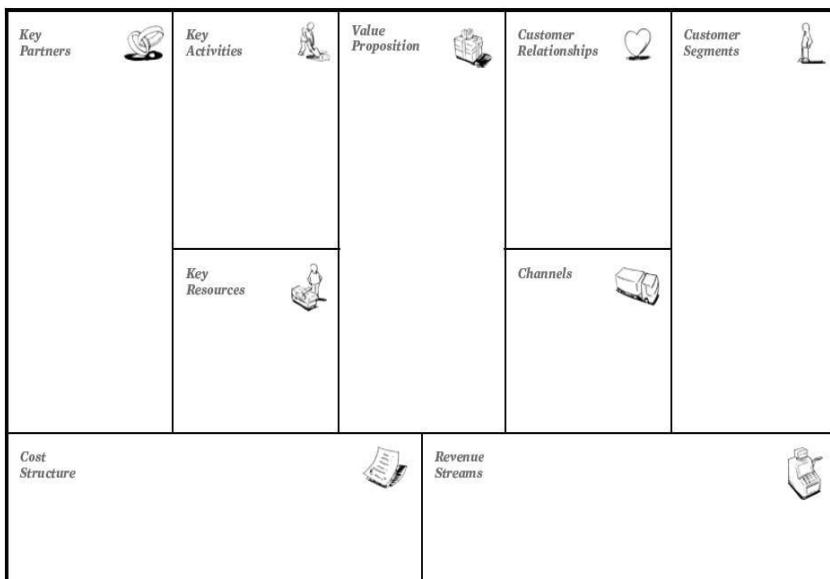
While the classic business model takes the form of a long business whitepaper and could span ten to fifty pages, the Business Model Canvas can be expressed in a single page. The simplicity of the Business Model Canvas made it an ideal learning tool for the farmers.

In December of 2014, a colleague and I went to Bangladesh to train the first set of farmers. It was an eye-opening experience. We toured farmland, talked to farmers, and participated in panel discussions with local leaders. Knowing our work had the potential to change the lives of people was a humbling experience.



CRAFT Your WORLD

I encourage you to check out the Business Model Canvas on your own. It has nine building blocks (customer relationship, customer segments, value propositions, channels, revenue streams, key activities, key partners, key resources, and cost structure) and walks through the fundamentals of building a business.



The Business Model Canvas

While I won't walk through these nine blocks in great detail (you can check out the book *Business Model Generation* for this), I do want to explain *why* you might want to put a business model together.

Many entrepreneurs believe that a business model is only necessary when you apply for business loans. As we embark on this journey, we need a tool that'll ground us and remind us of the different aspects within the business. Starting a business requires us to juggle many tasks simultaneously. You have to deal with suppliers, employees, and customers all at the same time, which makes it very easy to get lost in the day-to-day. A simple tool like the Business Model Canvas is a great way to give us a birds-eye view of the business.

The World's Simplest Business Model

Before you spend a single dollar or engage with your first customer, I recommend you fill out the Business Model Canvas. It doesn't need to be super detailed, but it's important to go through each block to make sure you aren't missing something important. Online tools such as Trello⁴³ or Miro⁴⁴ have templates to help you put together digital versions. You should collaborate with your business partners to make sure everyone is on the same page.

Don't spend too much time creating the perfect business model. You won't get there. In fact, I'd argue nobody ever gets there. Spend no more than a day or two when creating your first version. When you start executing, you'll find many of your assumptions to be wrong. When that happens, go back to the canvas and update it. It's an iterative process.

When we first launched iFormBuilder, we planned a low-cost-high-volume business model. When we hit our first Christmas and had only signed ten accounts, we knew we were in trouble. We were able to attract customers, but not at a sustainable rate. So we reiterated on the customer-relationship block.

Originally, with the low-cost-high-volume model, the customer- relationship block was based on a low-touch model, which meant we didn't need to work with customers frequently. Instead, they'd be able to solve problems on their own through support articles and occasional emails.

When this model did not work, we changed the customer-relationship block to a high-touch-low-volume model. With a high-touch customer-relationship block, we started reaching out to customers. We also launched a new Account Kickstart training program to help new customers get the most out of our platform.

These changes, and many others, led us down a multi-year up-market process. We started signing bigger and bigger accounts. We charged more per account. As a result, we did not need many customers to be profitable.

⁴³ <https://trello.com/>

⁴⁴ <https://miro.com/>

We found our place in the industry by adjusting the business model gradually. With these changes, we broke even by year two.

Value Proposition

You can tell the importance of this block when you learn that Osterwalder and Pigneur devoted an entire book talking about the value proposition block (See *Value Proposition Design*). Most entrepreneurs rush into execution without spending enough energy contemplating their value proposition. Here I want to give you a simplified overview on how best to think about your value proposition.

At the most basic level, value proposition is the reason your target customers do business with you. Value proposition is what you offer.

More importantly, however, we want to extend the value proposition beyond just a definition of our offerings. We want to incorporate the *why* into it. Why do your customers buy from you? (Assuming you've found your perfect customer.) They have the problem, they're looking for a solution which you provide, and they're willing to spend the money that you're planning to charge. They should buy from you. Right? Is that true? If not, why? Are there other underlaying reasons why they would or would not buy from you?

Jetta wanted to provide training services for professionals. He saw a need in professionals who want to get into training either as a second income source, or as a second career after retirement. Many professionals have a lot of talent and insight they can offer to society at large. Training is a good way to deliver those values. He wanted to teach professionals how to be effective trainers.

The value proposition of his offer was:

- A personal training coaching service.
- Comprehensive "train the trainer" program covering training, business, and marketing skills.

The World's Simplest Business Model

It clearly states what Jetta intends to offer. While this is a good start, we can improve it by adding *why* into the definition. The same value proposition with *why* incorporated may look like the following:

- Transforming professionals into trainers.
- Creating a second income stream for professionals.
- Enhancing professionals' abilities to impact more people by becoming trainers.

This definition encompasses more than just the offering. It states the reason behind those offerings. Why offer coaching services? Because Jetta wanted to transform professionals into trainers. Why would professionals join those coaching sessions? Because they either want a secondary income, to impact society, or both.

Let's look at another example. Carmen runs a marketing event management company. She wanted to expand into a new market. Here is her value proposition based on *what*:

Organize social impact, public awareness, and sustainable development events for organizations.

Again, this definition is clear and precise.

What are the reasons behind the offerings? Why do organizations want to organize social impact, public awareness, and sustainable development events? Are they looking for marketing channels? If so, the most logical way of achieving good results should be traditional promotional events.

Why social impact, then? One of the reasons is that, according to Carmen, many large corporations are starting to form corporate social responsibility (CSR) groups. Being socially responsible is a corporate goal. Carmen wants people in these groups to know about her group's ability for delivering their CSR goals.

Carmen incorporated this understanding into a new value proposition:

Be the trusted channel for the CSR departments within organizations to organize and deliver social impact, public awareness, and sustainable development events.

When creating your value proposition, start with your offerings. Once your offering is clear and precise, solidify the reasoning. A value proposition with *why* defined speaks to customers. It also allows partners and staff to understand your value proposition at a deeper level.

I encourage you to work on your Business Model Canvas and check that you aren't missing any important aspects of your business. Spend a day or two with your team or business partners to think through each building block within the canvas. It not only helps you clear your heads, but also helps communication flourish among team members.

The Shortest Path to Money

The next tool I want to introduce you to is called "the shortest path to money." Let's think about how to make your first dollar. It sounds amazingly simple, but many entrepreneurs I worked with didn't practice this simple act. When you first get started, it's easy to fall into the over-planning trap. If you do that, it's easy to lose focus and traction, and ultimately fail. I want you to avoid that trap.

My college graduation project was on artificial intelligent (AI) planning—in particular, route planning. When we trained an AI agent to move from point A to point B, it calculated all possible routes leading to point B and took the best route. In a static environment, nothing changes, so the first plan is typically the best plan.

However, in a multi-agent environment, an agent can't simply calculate once and execute blindly. With multiple agents, each will try to calculate the best route to get to their own destinations. Routes that used to be open may now be blocked by another agent. Since each agent plans on their own, one cannot predict what other agents will do.

The World's Simplest Business Model

In such an environment, the agent needs to reevaluate with each step taken. A plan-do-check-act iterative cycle is created. You see this play out every day on our GPS navigation apps. When traffic changes, the app recalculates the best route and takes you through neighborhood side streets rather than, say, the interstate highway.

Starting your business is even more complex. Not only are you in a multi-agent environment, but sometimes even the destination needs to change. That's why I want you to take getting to your first dollar as your constant first milestone. Find a quiet ten minutes every day, and ask yourself: *What is the shortest path to money? How do I get to my first dollar?*

I want to go through a particular example where the shortest path to money mindset played a pivotal role in planning.

I've discussed this case before. One of my students wanted to start a bookstore where the environment was comfortable for readers to truly enjoy a good book and have great experience while reading. Had she planned like an AI agent in a single-agent environment, she'd simply find a bookstore location. In addition, she'd need books to fill the store. If opening a bookstore was the destination, these actions would make perfect sense. In fact, that was the plan.

Soon, though, she was faced with a blocking condition, namely funding. None of the locations she was looking at were within her limited budget. Reality started to set in. Lacking funding, should she look for business loans? Investors?

Had the destination and plan not changed, funding would become the next big task. When thinking through the shortest path to money, however, new possibilities opened up. When the first plan (finding a location) was blocked from lack of funding, the answer to, "What is the shortest path to money?" took an unexpected turn.

She realized that building a bookstore was but a means to an end. To get to money, she needed to find customers, ones who were willing to pay. The bookstore was just an encapsulation of a few key concepts, one of which was

book selections, and the other a comfortable atmosphere. Was there a different route, or even a different destination, that could help her reach these customers?

She decided to test out a book club concept. With the book club as the new destination, finding a location was no longer necessary. She was no longer blocked by funding. There wasn't even a need for inventory.

The plan now focused on her target audience. What kind of book club would her target audience want to join? Soon she started her first book club meeting and charged a minimum fee for participants to join.

By thinking through the lens of the shortest path to money, she could pivot. While this wasn't her original dream, I strongly believe that one day she will open her own bookstore. At that point, she'll have already been running book clubs for a while. She'll have a sizable audience and a very clear direction on what kind of books should be in her store.

Experiment With Short PDCA Cycles

The plan-do-check-act cycle is what AI agents use to continuously evaluate the best route to take.⁴⁵ When you start to execute on your business, expect very short PDCA cycles. The plan-do-check-act cycle may be as short as a few days or a week, and that's okay. Adjusting your plan every few days doesn't make you a failure, it makes you an agile entrepreneur.

When you first start, test everything. Conduct experiments. Fail fast. By framing everything as a test, you avoid the feeling of failure. Your goal is to do lots and lots of experiments, with each experiment teaching you something. The shorter the cycle, the faster you learn.

I recently experienced the power of a short PDCA cycle. When building a new software product, we were undecided on the name. Were we building a

⁴⁵ <https://dl.acm.org/doi/10.1145/3292522.3326044>

The World's Simplest Business Model

dashboard? A portal? A data viewer? Data visualization? Each of these names were aspects of the product, but the name was important in contextualizing it to prospective customers. How would customers perceive the product if we called it a dashboard versus a portal? Did it even matter?

We started with a one-week keyword research. We learned the search volume of “dashboard” is five to ten times higher than that of “portal.” In addition, we found many people didn’t understand what a portal was. While some products in the market were named portals, they all had to explain how they were different from dashboards. From that experiment, we decided to label our product as a dashboard.

While we started to acquire dashboard-related domain names and brainstormed how to make a unique dashboard name, we ran another experiment. In a two-week timeframe, we put a small budget together and ran two advertisements. Each ad pointed to a corresponding landing page. The content of the advertisements as well as the landing pages were the exact same, except for one saying “dashboard,” and the other “portal.”

One week into the two-week cycle, the “dashboard” advertisement outplaced the “portal” advertisement by almost tenfold. As expected, more people searched for “dashboard” compared to “portal.” As a result, the “dashboard” ad was shown to a lot more people. However, the click-through rate was similar, meaning although more people searched for and saw the “dashboard” ad, many didn’t actually click on the ad, which surprised us.

By the end of the two weeks, the result was clear. Although more people searched for “dashboard,” more people clicked on the “portal” ad. Our “portal” ad ended up performing five times better than the industry average, and in the end brought in more clicks than the “dashboard” ad. This meant that our target audience was possibly more interested in “portal” than “dashboard.”

We’re currently calling this new product the Actionable Portal. Will that change once we run more experiments? Maybe. What I want to show you is

that having short PDCA cycles makes you more informed about your decisions.

Keep experimenting. Keep testing.

Survivorship Bias

In the most basic form, survivorship bias is the tendency to focus entirely on successful cases. The term “survivorship bias” originated in World War II, when U.S. bombers were being shot down at an alarming ratio.⁴⁶

When looking at where to put stronger armor on the bombers, the Air Force looked at bullet holes on surviving bombers. The bullet holes were concentrated at the wings and down the center of the body. Very few bullet holes, if any, were in the cockpit or near the engines.

The natural tendency was to reinforce where bullet holes were present. However, statistician Abraham Wald suggested that the Air Force should instead reinforce areas where very few bullet holes were found.⁴⁷ The logic was simple: when the cockpit and engines were hit, the bombers would most likely crash and not be able to come back. As a result, when looking at the survivors, you never saw the real problem.

This is true in the business world. We tend to look at successful businesses and want to learn from them. However, doing so may lead us down the path of survivorship bias. Problems that a successful business faced may not be real problems at all, as those who faced the real problems didn’t survive to tell their stories.

At the very least, don’t only look at extreme outliers for your inspiration. Your entrepreneurship journey most likely won’t resemble the journey of Steve Jobs or Mark Zuckerberg. There are certainly things that we can learn from them—just be wary of survivorship bias.

⁴⁶ <https://mcdreeamiemusings.com/blog/2019/4/1/survivorship-bias-how-lessons-from-world-war-two-affect-clinical-research-today>

⁴⁷ <https://www.wearethemighty.com/popular/abraham-wald-survivor-bias-ww2/>

The World's Simplest Business Model

In addition to reading about successful business stories, you should also read about failed businesses. They're hard to find as the media rarely interviews business owners who've failed. There are very little first-hand accounts as a result. Still, if you search for them, you can find blog posts and articles about why businesses fail or startup failure in general. Failory.com compiled a list of failed startups and frequently publishes reports on why startups fail.⁴⁸

Typical reasons for failure include lack of product/market fit, lack of funding, and general management issues. I've addressed product/market fit (get customers first) and funding (you don't need it) in the previous chapters. With a simple and sound business model, you have a better chance of avoiding the typical problems most businesses face.

Chapter Summary

The Business Model Canvas is a simple template that you should use to make sure you are thinking about all the basic building blocks of a business. In particular, you should focus on the value proposition block. You need to have a clear understanding of the value you are providing to your customers, and why your customers buy from you.

When creating your value proposition block, start by clearly defining what your offerings are. Then update it with the reasoning behind why your customers would buy from you.

When starting, make sure your eyes are on the "shortest path to money." It's easy to get into the over-planning trap. Find five minutes every day to ask if you are still going down the shortest path to money. Getting to paying customers is the single most important goal of any new business.

Don't be afraid to pivot. You should learn to have short plan-do-check-act (PDCA) cycles. Question all business decisions and back them up with short

⁴⁸ <https://www.failory.com/>

CRAFT Your WORLD

experiments. Test and validate decisions with simple exercises, by running focus groups, and through external A/B testing.

Your entrepreneurship journey will most likely not resemble Mark Zuckerberg's. He is one in a million. You should try to learn from businesses similar to yours. Ones that are far more typical.

Be wary about survivorship bias. Try to talk to other entrepreneurs and ask about their failures. Learning how people pivot from failure is a great way to inform your own future.

7

Growing Less Busy

When I was learning how to pilot a plane, the instructor constantly reminded me to scan the sky while flying. The training manual even recommends dividing an entire view into seven segments and scanning each segment for about a second before moving on to the next. When I first learned this, I waved off this technique as silly. Scanning at the sky, I said to myself, “Nothing. Nothing. Nothing.” Yes, the sky is pretty much empty all the time!

Of course, this silly technique exists for a reason. This technique, along with many others, is there so we have situational awareness—a key term in aviation.

While in the sky, the pilot must pay attention to their surroundings. They have to consider speed, direction, checkpoints, terrain, etc. It’s extremely hard for the pilot to stay aware of everything all the time—that’s why, in aviation, there are many checklists and techniques to help.

Like flying, running a business also requires situational awareness. The problem is, busyness gets in the way of this, creating tunnel vision. It makes us feel forgetful and stressful. We worship being busy in the business world, as there’s a common misconception of busyness equating to success.

In order to truly craft your world, one must learn to grow less busy. Here are six rules that can help you master the art of growing a business without becoming enslaved to it.

Rule One: Stop Trading Time For Money

Entrepreneurs often trade time for money. Any consultancy and many service-based businesses operate this way. You charge for the time spent on a project. The concept of charging by the hour is easy to understand for you and your clients.

The problem is that this model isn't scalable, nor does it truly reflect your real worth. You can charge more for your time as you become more successful, however, this still means money stops flowing when you stop working.

You need to learn to charge by value instead of by time. This isn't easy as value is hard to define. A few pointers below may help you start on this journey:

Understand the True Cost Of Your Customers' Problems

Many of us start to offer solutions to a customer's problem without fully understanding the true cost of the problem. For example, if you offer tax filing services for your customers, you may start by charging hourly. That sounds fair and logical to you and your customers. Simple cases take less time while complex cases are much lengthier. Logically, you should charge less for simple cases and more for complex cases.

However, if you understand the true cost of not filing taxes for different customers, you'll find out that people who have complicated tax cases value your service much more than the time it takes.

For somebody who has a single, stable job, the cost may be a few hundred dollars. At the end of the day, most of the tax has already been withheld. A simple tax filing form is all that's needed. The cost is the time that this person would have to spend to file the form on their own.

However, for somebody who runs multiple companies and has many investment assets, the cost of not filing taxes is very different. For this person, not filing taxes on time may result in a much bigger penalty. In addition, knowledge of the latest international tax laws may result in a multi-million

Growing Less Busy

dollar difference in taxable income. For this person, the true value is in your knowledge, not in the time it takes to file.

If you understand the true cost of the problem, you may be able to charge much more than the time spent. Plus, by charging based on a customer's true cost, you're rewarded for being more efficient. As you learn more about the details, you become an expert. As you gain experience and expertise, you can work less and be paid more.

I love efficiency. I often spend hours making my work more efficient. If your work is purely paid by the hour, you have no reason to improve the process and be more efficient. The more efficient you are, the less you make.

When I was working as a government contractor, we often joked about the fact that we were paid to "create mistakes" and then got paid again to fix those mistakes. Charging by time breeds inefficiency.

Instead, dig deep into the true cost of your customers' problems and be as efficient as possible at solving costly problems. In the case of a tax filer, rather than being a tax filer, become an expert in a certain niche market. Becoming an expert in offshore tax laws will allow you to better solve your customers' most costly problems.

Standardize Your Offerings

As you gain experience, specialize and standardize your offerings. You're no longer a general tax filer—you now only work on the most complex offshore tax situations. Your offering isn't by the hour, but by task. How much time it takes you to work on the task is irrelevant. Your customers aren't buying your time; they're buying your expertise.

When standardizing your offering, avoid the temptation of pseudo-hourly pricing. Pseudo-hourly pricing is the practice of packaging your offering as task-based when it is actually based on time spent.

For example, you may have a standard tax filing service fee of \$300. If you're concerned about not spending more than three hours on each job, you're

CRAFT Your WORLD

charging \$100.00 per hour. What's worse is that you want to charge your customers extra if a case goes over three hours of work.

Instead of looking at how much time it takes you to finish the task, look at how much your customers value such a task. For some tasks, the customers are willing to pay much more than the time it takes to complete. For other tasks, the customers may not see the value. This information should guide you on which tasks to specialize in.

Stop thinking about your hourly rate altogether.

Find Better Customers

Learning to charge by value also means you should learn how to find better customers. After you've standardized your offering, you'll inevitably come across customers who don't appreciate your talent or your product. As long as you continue to find customers who value your service, stop worrying about those who don't. Spend more energy and time on those who appreciate your service and enhance your offering to fulfill their needs.

There will always be people who disagree with you or believe that you're overcharging. You need to learn to politely say no to them.

Remember, if nobody disagrees with you, you're probably doing something wrong. Stop spending energy on the naysayers. Develop your *Fat-Siu-Yau* community (see Chapter Five).

Create Repeatable Products

In addition to learning how to charge by value, you also should figure out how to "make money while you sleep." The idea is to turn your service into repeatable products. Customers buying and using your products shouldn't directly involve your time. A classic example of this is putting your knowledge into a book. Your book can be sold and make money for you while you sleep.

In today's world, there are many ways to do this. You can create online courses, write articles, and develop mobile apps. The goal is to allow your customers to use your services asynchronously.

Growing Less Busy

The more you align your offering on value, the easier it is to turn it into a product.

Continuing with the earlier example, if you start standardizing on offshore tax laws, you can begin turning your expertise and experience into an online course discussing various tax laws. Having such a course not only allows you to make passive income, but you can also use it as a marketing tool for potential clients who may want to sign up for your services.

Let's take a look at two specific examples of how you can turn your experience into repeatable products:

Writing a Book (or an eBook)

First, you can put your expertise into writing by blogging on sites like Medium or LinkedIn. Alternatively, you can choose to publish on your own website. The benefit of publishing on Medium or LinkedIn is that they tend to do a better job at SEO (search engine optimization), so new readers can discover your content faster.

You can also put your thoughts into a book. If writing a blog post feels like running a 5K, then writing a book is like running a marathon. It takes a different mindset than writing blog posts, but the basic skills are the same. It just requires a long-term commitment.

Many people don't consider themselves writers. The thought of writing articles or even books is completely foreign, and perhaps uncomfortable. I myself was in that boat once upon a time.

Believe it or not, we're all writers. Most of us write on a daily basis. From email to text messages, today's business world relies heavily on written material. To turn email and text into articles and books, you just have to start.

I started with my own blog many years ago. In my original blog, I didn't have an agenda, a schedule, or any real expectations. Some days I'd write a lot, while other times I'd write a little. That was before social media. I treated my blog as one would post on social media today—with no particular schedule and for no particular reason.

CRAFT Your WORLD

From there, I moved to LinkedIn articles. I'd start writing posts—about a page long—on LinkedIn once a month. I didn't force myself to write, but slowly, I learned I could write short articles.

From LinkedIn, I moved to Medium. There was actually no particular reason for the move, except I felt like I had more control when publishing through Medium. Over time, I noticed people were paying attention to my writings, so I joined the Medium partnership program, which allowed me to make money. Even though the money I made was insignificant, the fact that I was paid proved that I had an audience.

From my Medium articles, I started entertaining the thought of writing a book. Two years ago, I started the journey of writing this book. I started with a general outline. I try to treat each chapter as a long Medium article. That gave me a comfortable mental model about the entire project. It wasn't easy, but word by word, chapter by chapter, I was able to publish my first book.

Creating an Online Course

Just like writing, you can put your expertise into creating video content. In today's world, it's extremely easy to get started. You can begin with minute-long video posts and put them on various social media sites like Facebook and Twitter. After you have a good following, you can migrate to a more complete format.

By organizing your thoughts into structured self-learn material, you can create an online training course. Like writing, the key is to start.

On the topic of video content, I'll advise against using a YouTube channel to start. The current environment on YouTube is way too crowded for someone to start there. YouTube's algorithm creates a winner-takes-most environment and it's extremely competitive to stay above the noise. As a result, getting noticed on YouTube is incredibly difficult.

My advice is to gain a following through your written content on Medium or your own website. Create an email list and utilize a messaging service such as

Growing Less Busy

Telegram to communicate with your audience. The key is to have a direct relationship with your audience, not just to have subscribers or followers.

Instead of going for a YouTube channel, craft an online course. Like a book, an online course is a collection of your expertise packaged in digestible chunks.

Today's world is flooded with information, so your course isn't about the delivering more information, but rather the packaging. The goal is to allow your audience to learn faster (See Chapter Five, where we talk about being lazy). With this in mind, your course doesn't have to be about new information. Even if your audience has heard the same information a hundred times, you can deliver in such a way that is easy to understand, or easy to learn.

If you know drawing or animation, try packaging your course in a graphical format. Try teaching with examples that relate to your audience. Try to provide a clear learning outline and step-by-step exercises. You will find an audience.

Creating a Personal Brand

This may sound like I am talking about a social media personality, but having a personal brand doesn't mean having a strong social media following. It means having a good and loyal audience base.

The audience who will buy your products is usually wider than your customer list who would buy your services. It's important to start and refine your target customer persona. Having a personal brand means you know exactly who you are serving, and who is naturally attracted to your messages.

Creating a personal brand and growing your audience is often a slow and sometimes frustrating process. We see overnight successes all over the internet. The web is flooded with "how to grow one million followers in six months" type of cases. Most of this advice is correct in nature, but many of them make the entire process sound like a piece of cake. If you follow

everything they teach and aren't able to gain a sizable following, you risk feeling like a failure.

The best way to grow an audience is by aligning with your target audience. Focus your energy on fine-tuning your value to your target group. If you already have some followers, align with them. Talk to them. Offer services to them and have them guide you. Your following will grow as a result of the value provided to your audience.

Don't try to "growth hack" your following. Building a following requires compound interest. Like long-term investing, it takes time and it grows slowly.

Just like investing, it's not healthy to check your balance on a daily basis. Don't worry about how many people follow you. Worry about your engagement with your existing audience. You can't work to gain followers. You can only work to engage with your audience. The growth will follow.

A great personal brand is a repeatable product of its own. If your brand is strong, you are no longer "just" a photographer, you are a trusted partner.

There are plenty of other ways to turn your services into repeatable products. Making products pays off in the long run as they can make money for you while you sleep. Your ultimate goal is to create passive income so you are not bound to your job.

Rule Two: No Monkey Work

Running a business is no easy task. We start our businesses to solve problems around us. Once the business starts to run, however, other tasks start to pop up. Things like payroll, insurance, and licenses are necessary to keep the business running. Despite these being necessary, we don't always enjoy doing them, which poses the risk for monkey work.

Growing Less Busy

For the record, monkey work is not work that you simply don't like to do. Some of us don't like sales and marketing, but sales and marketing fall under the umbrella of skilled work and not monkey work.

You will know monkey work when you see it. Monkey work is defined as any task that's boring, tedious, repetitive, and requires very little cognitive functions to do. Organizations big and small are littered with monkey work that drives people crazy. If you want your company to be efficient and your time be freed, work hard to eliminate monkey work.

My favorite monkey work story came from one of my customers. This person's entire job centered around creating a single report. At the beginning of each month, she gathered reports from different departments. This process took up to two weeks as many department heads often put off sending the reports. She'd then spend a week reformatting the reports. She mentioned that each department sent in the roughly same information with all slightly different formats. She spent much of her time changing column headings, transforming data, and rearranging data. Toward the end of the month, she compiled all of the information together in a summary report, which was sent out to her boss. The process started all over again each month.

When asked what was most difficult about the task, she said, "There's nothing difficult at all—it's just extremely tedious, time consuming, and error-prone."

Why does this job exist? This job exists because the organization did not spend time standardizing the department's reporting format. Imagine if all reports came in from each department with the same format. It wouldn't be hard for anyone to automate the summary process through Excel Macro or another reporting tool. By allowing each department to report in their own way, a human being had to sort through the differences.

When a group fails to prioritize system and process improvements, monkey work shows up.

CRAFT Your WORLD

I hold this rule very strongly in my companies: any monkey work must be removed or automated. No human being should engage in monkey work. This rule forces your organization to stay lean and efficient and encourages putting system and process improvements front and center.

One big reason that entrepreneurs feel stuck in their own business is that they find themselves doing more monkey work than human work. Some people solve this by hiring people to do the monkey work for them. I strongly advise against this.

If you hire someone to do some particular monkey work, that person soon gets used to the work. Once that happens, there is very little incentive to improve efficiency. What is worse is that any push to improve efficiency down the road will be viewed as headcount reduction.

Take the monthly report case that I described above. When asked if the person loved her job, her answer was no. However, since she was being paid to do so, and the work was not particularly difficult, she tolerated it. Guess what her reaction would be if she found out that her boss was shopping for a reporting system to streamline the workflow. She would not see it as an improvement in efficiency. She would see it as an attack on her livelihood.

As a company—in fact, as a society—we should never pay people to do monkey work in the first place.

The solution is to set the “no monkey work” rule early. Never pay anybody to do it. When monkey work arises, label it as monkey work. When somebody (you) is stuck with monkey work, the solution is to find a way to eliminate it. Never solve monkey work by hiring.

Have a monkey work review regularly. Encourage your team to bring it to the table for discussion. Some monkey work is unavoidable. The key is to not allow it to become normal. We can tolerate it short-term, but in the long run, all monkey work must be eliminated through automation or process improvement.

Growing Less Busy

We have a tendency to tolerate tedious work. This rule is to make sure we don't tolerate it. Instead, we create processes and systems that work to eliminate it.

Rule Three: Scale With Systems, Not People

In addition to never hiring people to do monkey work, this rule is also about focusing on growing with systems.

Hiring should *not* be the first solution to any problem.

Let's say someone in your company handles appointments. When your company starts to grow, this person gets overwhelmed. The simple solution is to hire another person to handle the growth.

My advice is not to hire if the result is a linear growth in productivity. If you hire one more person and you are now able to handle two times the number of appointments, that is not efficient. You should think about how to handle between three and five times the original number of appointments and work toward that. One plus one must be bigger than two.

When you try to think in a "one plus one is bigger than two" manner, you will be forced to think in terms of system improvement. This way you will continue to increase efficiency rather than creating monkey work.

Rule Four: Profitable Growth (Become a Zebra)

Unicorns are mythical creatures. They are rare, they are magical, and they are unique. Zebras, compared to unicorns, are common. Zebras are seen in large schools while unicorns are always seen alone. In business, unicorns describe those who achieve one billion dollars in valuation. They are rare, they are magical, and they are unique. While zebras describe normal businesses; they are common.

CRAFT Your WORLD

Silicon Valley culture talks about burn rate and runway. The higher your burn rate, the shorter your runway. There's a school of thought in the Silicon Valley culture which says, "Grow big fast" and "grow at all costs."

In that mindset, growing is the only objective, even if your company is running at a loss. In a potential world-dominating startup, you're competing amidst a winner-takes-all market. In such a market, "grow big fast" makes sense.

These winner-takes-all markets require unicorns. They're companies valued at over one billion dollars. These are the companies you see on the cover of the business magazines. Facebook, Uber, and Airbnb are all examples of unicorns.

However, not all businesses require world domination in order to be successful. A well-ran business can easily grow to between five and ten million dollars in revenue without ever getting on the front page of Forbes magazine or becoming a Harvard Business Review case study.

They aren't unicorns; they are zebras.

There are millions of zebra companies in the world which don't operate in winner-takes-all markets. Zebra companies can coexist, even in the same field. The world is a big place. Founders in zebra companies tend to fare much better than those in pursuit of unicorns. They have more freedom and are usually able to create much more impact in areas they care about.

I'm not saying chasing becoming a unicorn is wrong. I just want to offer an alternative, one that does not assume a winner-takes-all environment. Zebra companies play the long game and have infinite runway. Most importantly, they have a far higher success rate than unicorns. Starting and running any company is difficult. If you chase unicorns, your success rate is a million to one.

Instead of growing at all costs, in a zebra company, you create a sustainable, long-term growth engine. You do that by ensuring you grow with profit. The above rules enable you to run a capital efficient company. With such efficiency, you can run a profitable business. Profit gives you time. Profit gives

Growing Less Busy

you freedom. With profit, you have more freedom to grow the way you want. With profit, you have the freedom to get out of the daily grind.

I myself am proud to say that my company, Zerion Software, is a zebra company. We've been profitable and have even featured on the INC 5000 fastest growing company list for five years in a row.⁴⁹

Rather than chasing market share, we focus on serving our customers better. There's no pressure to grow fast, yet we grow year after year. In bad times, we don't have the pressure to let people go, and in good times, we have the freedom to create programs that benefit our employees. We're free to offer unlimited vacation days to our team. We're free to let employees pursue their dreams and side hustles.

In a zebra company, you have the freedom to care about your employees as well as your customers. In a zebra company, you feel more like a family than a cut-throat business.

Choosing to become a zebra company allows you to create margin. Slow, yet constant improvement is prioritized rather than chasing that impossible goal year after year. You know you're playing the long game. As long as you continue to improve, you can learn to become less busy and spend time thinking about the big picture.

Rule Five: Plan in Weeks and Years, Not Months

Public companies have to report their financials quarterly. Naturally, big corporations have quarterly and annual plans. These quarterly plans are broken down into monthly plans. Big companies conduct very detailed planning because they're mature. They usually have a lot of control over their operating environment.

When running your own business, you deal with a lot of uncertainty. This is especially true in your starting years. What you think you'll do six months

⁴⁹ <https://www.inc.com/profile/zerion-software>

CRAFT Your WORLD

down the road may turn out to be completely different. Things move and change at a fast pace. The operating environment is also largely out of your control. Sometimes you have no choice but to adapt. If you plan like a big corporation, you'll create undue stress. To solve this, plan in weeks and years.

When I first started my consulting business, I put together a very detailed plan. At that point, I knew I wanted to get into government contracting. So my monthly plan detailed which agency I'd reach out to, and at around the six-month mark, I'd sign my first contract. From there, I'd hire a team to fulfill the contract and start bidding out the next one.

However, I wasn't able to close any government contracts, even after reaching out to several agencies, attending matchmaking events, and taking a course on the subject. I ended up finding two small business contracts to get me started.

A year later, I had the opportunity work with Fannie Mae, one of only two government-sponsored enterprises (GSE) in the mortgage industry. With that contract, my consulting business took off.

None of the monthly plans in the beginning were meaningful. I was planning as an AI agent in a single-agent environment. What I should've done was set a high-level vision and march toward that via short-term projects.

At that point, I had my vision set to create a sustainable consulting firm utilizing the software development skills that we had. Looking back, I should not have created a plan as detailed as I did. Instead, once the vision was set, I should have moved toward that direction one step at a time.

Each step should be framed as a project. Projects are counted in weeks. Our vision was as simple as becoming a sustainable consulting firm. Looking at this north star, what's the most appropriate next step you can take? The immediate next step should be your next project. Plan and execute the projects in four- to six-week intervals, giving that particular project your undivided attention. Once you finish the current project, look at the north star again and plan your next project.

Growing Less Busy

The beauty of this way of thinking is that it affords you the flexibility to finetune your strategy as you go from project to project. You also gain a sense of accomplishment with each completed project.

This strategy isn't just for the beginning years. Some organizations continue using this strategy way into their journey. BaseCamp continues to map out six-week projects into their second decade as a business.

By planning in years and weeks, you gain a clear direction to march toward, while allowing for the flexibility and agility our fast-changing business world requires.

Rule Six: Promote Yourself

Perhaps the most important rule behind being less busy is to promote yourself. Yes, even as a business owner, you can and should promote yourself.

Promotion in this sense is not about getting a bigger title or climbing the corporate ladder. Instead, it's about the ability to work on bigger tasks, and seeing farther into the future. Promoting yourself is having the mindset of continuous improvement.

In order to promote yourself, you must master your skill set, systemize it, and pass it along. By delegating your work, you will grow less busy and have time to work on more important tasks.

Promoting yourself is the act and art of delegation. By thinking about a promotion, we're less likely to cling to tasks that feel comfortable. Once we master a skill, we delegate said skill for a promotion. We should always think of ways to delegate. At the same time, we should absorb new knowledge and work on more valuable tasks.

At the heart of this rule is the learn-master-teach cycle. For example, as a business owner, you have to learn how to sell. After a while, you learn what kind of sales techniques work and which ones don't. In order to promote

yourself, you will want to teach your sales techniques to your team. To do that, you need to systemize your techniques, organizing and documenting your knowledge. Once you've done that, teaching others becomes easy. When you can duplicate your sales approach to multiple people, you have been promoted.

When you no longer have to sit in sales calls and close each and every account, your job may become pipeline management. You no longer have to worry about if your company will meet its goal this month. You can trust that the monthly goals will be met. You plan further ahead. You want to manage how deals are coming in from marketing and ensure your entire sales team is functioning effectively. You are now working to make sure future months' goals are met. As you get into a higher frame of mind, you master new skillsets. You learn it, you master it, and then you teach it.

Apply this rule to your entire company. As you delegate tasks to your employees, they too should try to promote themselves. With this rule, your entire company grows as each member continues to learn, master, and teach.

You should encourage your team to constantly think about how to promote themselves. This rule makes growing and learning part of your company's DNA. When you do that, you create constant upward momentum. When everyone in your company grows, your company grows. When everyone in the company continues to grow, you do not have to pressure everyone. The improvement comes from within each and every employee of the company.

Chapter Summary

The business world often equates being busy and working hard. When you are busy, people somehow view you as being more successful. That could not be further from the truth. Instead, you should work hard to stay not busy. When you are too busy, you lack the time to think. You lack the ability to plan for the long term. You lack the ability to see further into the future.

In order to learn how to be less busy, try to employ the following rules:

Growing Less Busy

Stop Trading Time for Money

Create scalable products out of your service. Repeatable products could be in the form of a book, an online course, or software applications. When your offerings are encapsulated within scalable products, they can make money independent to your time, and allow you to make money while you sleep.

No Monkey Work

Monkey work is any task that is boring, tedious, repetitive, and requires very little cognitive functions to do. Recognize the monkey work that starts to pile up within your business and systematically remove it. While it is unavoidable, do everything you can to minimize it.

Scale With Systems, Not People

Hiring people should not be the first answer to every problem that pops up in your business. When you are too busy and monkey work is piling up, do not start by hiring more people. Start looking for ways to optimize your system. A bad system slows down as more people are added, a scalable system gets more efficient with more resources. Only hire when one plus one is bigger than two.

Profitable Growth (Become a Zebra)

Most businesses are not in a zero-sum game environment. You should strive for profitability and grow while creating a profit. Profit gives you time and freedom. Unicorns focus on world domination and being the biggest company left in an industry. Zebras, on the other hand, can coexist with other zebras. You can be successful and free while running a profitable zebra company.

Plan in Weeks and Years, Not Months

Agility is the key when running small businesses. While planning, try to have a long-term plan (in years) and a short-term plan (in weeks). Every four to six weeks, re-evaluate where you are in reference to your long-term plan, and execute your next four to six week cycle.

CRAFT Your WORLD

Promote Yourself

Have a growth mindset and continue to improve yourself. When you can become more productive, you are “promoted.” Encourage your entire team to do the same. When everyone within the company continues to grow, the entire company will grow.

8

The Art of Selling

I live in a suburb of Washington D.C. where door-to-door salespeople are a frequent occurrence. There are three different groups of door-to-door salespeople that meander through our neighborhood.

First, there are the professional salespeople who sell anything from tree services to meat packages. We usually turn them away without much hesitation. Even when we need the service, we'd rather do our own research than buy from someone knocking on our door.

The second group are technically not "salespeople." They're children asking for donations or selling cookies for charity. For them, we gladly support our local schools or charities.

The third group only shows up during summer. These are college or high school students working their summer jobs. They knock on doors in hopes of earning a few dollars during summer break.

I'll typically buy from one group in particular any time they show up in my neighborhood: the ones selling children's books. They often sell sets of children's books, usually costing between \$50 and \$100 dollars. I've acquired many, many sets of these books, from encyclopedias to dictionaries, to world maps.

The reason I buy from these students isn't only because I love children's books (I do), but I particularly want to encourage students to work on sales-related jobs in their youth. I often spend time chatting with them and asking

about the kind of training they receive when starting. I also ask them how often they make a sale. Many times, I am the first deal they have closed on that particular day. I tell them what they're doing is valuable, that selling is a critical skill, no matter which direction they go in the future.

As an entrepreneur, selling and negotiating are two critical skills to have. Whatever your business is, you, as the business owner, will have to sell. You'll also have to negotiate with your customers, partners, vendors, and even employees. Even though I never formally learned how to sell and negotiate, over the years—with a “fake it till you make it” attitude—I was able to perform the tasks and grow comfortable in selling.

Selling as an Introvert

My son, Zach, is an extreme extrovert. He can make friends anywhere. When he was a toddler, every time we went out to eat, he would walk around the restaurant to say hello to everyone. As an introvert, I'd awkwardly follow behind him.

At ten years old, Zach grew interested in 3D printing. I asked him to think about how he could make money with his new tool. He decided that he could sell custom 3D printed name tags to people. So every Saturday morning, we headed over to a local farmer's market and promoted his 3D printed goods. Being an approachable ten year old, people adored his creations and wound up becoming customers. I was amazed by his social skills.

I'm an introvert. I do not like crowds, nor do I like to talk to strangers. Selling doesn't come naturally to me. But while I cannot do what Zach can do, I've learned that being an effective salesperson has nothing to do with whether you're an introvert or extrovert.

Extroverts usually have good social skills, which is why many tap into selling. Extroverted people often approach strangers with ease. However, while many extroverts are great at “opening,” what they have to improve on is the art of “closing.” That's why most selling-related books out there focus on how

to close. Extroverts often need to learn how to stay focused and close the deal.

On the other hand, many introverts have difficulty “opening.” They lack the skill sets and natural ability to approach strangers and capture their attention. Once attention is given, however, introverted people can often explain the benefits of their products and stay on topic better than extroverts, leading to a sale.

While I don’t have my son’s ability to naturally grab attention from people around him, I’ve learned to use my environment to overcome the nervousness of talking and selling to strangers. Despite having trouble talking to people at parties, I actually have no problem talking to people, including strangers, if I am the host of the party. When I’m the host of the party, I feel the obligation to take care of people, making conversation much easier.

Realizing this allows me to mentally prepare myself in any situations where I need to strike up conversation with strangers. I need to feel like I’m in control of the process to ease the nerves. I design my selling situation and mentally make myself the “host.” The simple act of believing and acting as if I’m the host changes my attitude from passively being nervous to actively seeking conversations.

When I went to trade shows to promote my company, I’d set up the environment to give myself the best chance of catching people’s attention. In addition, I’d prepare my mind on what to do as a host.

For example, I never sat behind a table. (Trade shows that give you a table and two chairs are setting you up for failure.) Instead of using the normal long table, I’d set up one or two standing round tables. I stood outside the booth’s boundary and greeted people as they walked by. Most people would smile or say a quick “hello” back while continuing to walk past. When some of them slowed down, though, I’d quickly deliver my one-liner and invite them into the booth.

Inside the booth, I’d give a short description of our product—no more than two sentences—and wait for their feedback. If they weren’t interested, I

wouldn't continue. I'd wrap up by asking if they wanted to leave their contact information, and then moved on. If they did show interest, I'd ask more questions about their situation and proceed to show a demo or schedule a follow-up conversation with the sales team.

My mindset throughout the entire process wasn't about making a sale, but about acting as a great host to ensure my guests were treated nicely. Many of my colleagues have commented that I was talkative.

I also noticed that if I was the photographer of an event, I had no problem talking to people and asking if they wanted their pictures taken. Carrying a camera gave me a reason to talk to people. Knowing that about myself allowed me to create yet another method to overcome my nerves.

It's all about creating a reason to start a conversation. Rather than trying to talk about our product, I'd make up a reason to ask people about their problems.

"Hi, I'm working on a report about how people solve their business problems. Can I ask you a few questions?" This simple line works like magic. I wasn't selling; I was just working on a report about the very problems our product addressed.

Introverted people often have trouble starting conversations. That's why it's important for them to create a process or shift their mindset to start conversations. Whereas I imagine myself being the host of my own event, you can use any tactics that suit yourself. Let your focus be on finding ways to approach people with confidence and ease.

For extroverts, your focus is to learn to close the conversation. Having conversations is the easy part for you. What you have to learn is to drive the discussion toward a close.

Selling Comfortably

Asking for money is uncomfortable for many entrepreneurs, even when they strongly believe their work is valuable.

I have always felt comfortable asking for a higher salary when applying for new jobs. I've also never had a problem asking for a promotion in previous roles. For some reason, though, asking for money as an entrepreneur felt different.

I remember trying to price a consulting project in my early days as an entrepreneur. We tried coming up with a price to propose to the customer, first estimating how long it'd take to complete the project, then calculating the price of the project based on a reasonable hourly rate. But we started to second-guess ourselves. We felt we were asking too much. So we cut the price to what we believed the customer would be comfortable paying. What we ended up doing was cutting the project price to one fifth of the original estimate.

The customer agreed to the price. However, as the project became more complex and took longer to complete, we felt the price we asked for up front was too low. When the project was finished, we felt we had charged way too little. The experience wasn't good.

Many sales experts suggest a variable pricing strategy to maximize the price, meaning the same product or service may be priced differently based on the customer. I personally do not like this approach.

When buying, I hate haggling on prices. I like to be able to understand the price so I can do my research and determine if that's a fair amount. I hate to decide how much to pay for a product based on my haggling ability. Some people enjoy the thrill of haggling. Not me. I like setting standard pricing.

In order to do so, you need a standard pricing strategy that you feel comfortable offering. You need to believe the price is fair to both yourself as well as the customers. With that, you can sell comfortably.

CRAFT Your WORLD

You have to believe that the price you charge is 100% justified. A lot of the time we want to ask for a better price but hesitate when we talk to customers.

I use the 1:50 ratio to justify my pricing. For every dollar that I charge, I want to make sure my customers are getting \$50 worth of value. For example, you likely spent \$30 to \$40 on this book. I'm confident that the tools that I give you can create more than a few thousand dollars of value. In this case, I have no problem charging for the book.

Once you master the mindset of 1:50 value creation, you'll find yourself much more comfortable and confident when selling.

The question then becomes, can you truly create 50 times the value?

Any rejection from a potential customer becomes a question of the right target audience group. If you're able to create 50 times the value and customers still reject your offering, that must be because they're the wrong target group. Or you're wrong about the value creation toward this target audience group.

For iFormBuilder, we were often told by our customers that our software could generate them between \$50 and \$100 per submission. Some customers submitted hundreds of thousands of records per month. That was millions of dollars they were making because of our software! With that level of value creation, why would we feel bad about our price?

Yet, each month, potential customers would sign up for our trial and say the price was too high. Why? Because they weren't our target audience. They couldn't see the value creation. Instead of feeling bad in a situation like this, we need to strengthen our marketing reach to target the right audience.

This also means that it's not your job to convince everyone. We know that our offering is creating 50 times the value for *someone*, but not everyone. While iFormBuilder creates millions of dollars in profit for our target audience, if someone tries to compare our software with Google Form, they'll likely feel we are too expensive. It's like justifying why a truck uses so much gas for someone who's searching for a motorcycle.

The Art of Selling

Be extremely sure about your target audience and focus only on the pain points of that group.

The key to selling comfortably is to believe in yourself, in your offering, and in your pricing. Be confident in your value creation and you will be able to sell comfortably.

Sell by Passion

I love Krispy Kreme donuts. I first came across Krispy Kreme almost 20 years ago. While my wife took her CPA exam in a small town about two hours from our home, I drove around the town aimlessly and stumbled upon Krispy Kreme for the first time. Prior to that, my definition of donuts were from grocery stores, gas stations, and Dunkin' Donuts. I went through the drive-through and bought a single donut.

Wow.

To this day, I still remember the sensation. The freshness, the fluffiness, and the perfect sweetness. It wasn't what I expected from a donut. Amazed, I parked and proceeded to purchase a dozen donuts from the store. I finished the entire box in my car, then purchased another dozen to share with my wife.

Since that day, visiting Krispy Kreme stores has become a destination. When friends and family visit me, I always make a point of taking them to the store to experience "true donuts."

By doing this to my friends and family, I am selling by passion. I'm not trying to trick them into buying donuts; I truly feel the donuts are unique and worth trying.

When my partner Chris sold iFormBuilder to our customers, he wasn't selling. He truly believed using our software could change customers' lives and help them make money. He sold by passion.

Do you believe in your products and services like I believe in Krispy Kreme donuts?

Harness the Purpose

Selling by passion only works when you truly believe in what you do. If you're working on something bigger than yourself, you'll have no problem selling by passion. When you believe in a cause, you have no problem talking about it, as well as asking for money. The key here is to find your purpose.

"I'm just a photographer, I'm not saving the world," you might say.

Most of us think of our offering as transactional. When thinking about our offering, we think of our skills and how to ask people for money. In order to harness the power of purpose, we have to think from the customer's perspective. Think about *why* your skills are needed, and what bigger problems you're solving. Whatever you do, dig deeper into the customers' perspective and see the reason behind your products or services.

If you're a photographer, you're creating and saving memory. Or maybe you're teaching a language. Why do your customers buy from you? If they want to learn another language to get a better job, you're creating financial freedom. If they want to learn another language to move to another country, you are helping them achieve their dreams and flourish in a foreign culture.

Try to internalize how important your purpose is and harness the passion. Behind every job is a higher calling. You just have to find it.

Be Authentic

Being authentic means being able to tell potential customers when your product doesn't fit their needs. It's the ability to elevate yourself from being a salesperson to a thought leader. It's having the courage to turn away potential customers if they are not the right fit.

The Art of Selling

Authenticity sells, and it's also extremely sticky.

My dad was in the jewelry industry for decades. He told me how people would travel to Hong Kong and specifically look to him for advice. Customers often told him that he was the only one they trusted.

"Turning away customers is my best sales tactic," he said. "Jewelry is extremely subjective. So rather than risking them regretting their purchases, I'd ask them to buy only when they were ready."

I suspect his boss didn't like his tactic in the beginning. However, over time, he built up a loyal customer base who would only buy from him.

This is also a lesson in playing the long game. Rather than focusing on the quick sale, we should work on building strong relationships with our customers. It's more important to build a long-term relationship than to close a single deal that's sitting in front of us.

Anytime you feel that you are trying to "push" the customer to buy from you, stop and try to be authentic. Why are you pushing? Is it because the customer is better off buying another solution? Is it because they aren't ready yet?

Back in 2009, in almost every sales call, we were asked if our solution was cross-platform. Prospects asked if our product worked on Windows CE and Blackberry, the two dominating mobile platforms for business applications at the time. Most of our competitors were cross-platform while we only ran on Apple's iOS, the then extremely new platform.

Rather than dancing around the cross-platform question, I answered the question authentically. "No, we aren't cross-platform. If you need to run on Blackberry, I suggest you call one of our competitors. However, if you're okay with experimenting with iOS, your search can stop here. We're one of very few companies across the world who focuses on iOS."

I knew we couldn't compete on being cross-platform, so rather than feeling bad about what we couldn't do, I focused on what we could do.

Chapter Summary

As an entrepreneur, selling is a critical skill. Like any other skill, selling can be mastered via practice. Understanding your own personality can help you customize your selling plan.

You can use the environment and a shift in mindset to overcome the nervousness that comes with selling. Try pretending to be the host at an event where you are helping guests along the way, rather than trying to make a sale. You can also come up with a reason for why you should talk to people. “I’m here to write a report on...” fits most situations.

Most sales are done through relationships, so the first thing you need to do is make sure people understand you as a person.

When it comes to pricing, make sure you can deliver 50 times the value to customers. If you are confident about it, you will have no problem asking for your fair share of compensation.

Only sell what you are truly passionate about. It should feel more like recommending something great to friends and families.

Authenticity and truthfulness are key components of selling well and creating long-lasting relationships with customers. At the end of the day, it isn’t about making some quick cash or persuading someone to buy something they don’t need. It is about creating long-term, mutually beneficial relationships with customers.

9

The Art of Negotiation

In the previous chapter, we talked about some tactics to enhance your sales game. In this chapter, we'll discuss another crucial skill: negotiation. As an entrepreneur, you'll inevitably run into negotiation. From your office lease to employee salaries to contracts with customers, negotiation happens during every business transaction. As important as negotiation is, there is relatively little accessible training about this topic.

Prospect Challenges Your Pricing

Let's face it. We're all going to face customers who challenge our pricing. This reality happens much more quickly than we think. When we priced our first project, we actually negotiated ourselves down. We thought the price we originally came up with was too high, so we lowered the price to a point where we believed the customer would find it acceptable. We feared negotiation, which resulted in us leaving money on the table. In that particular situation, the customer simply accepted the price that we offered, indicating the price was set way too low.

Pricing is a tricky business. I receive questions all the time from students asking how they should set their pricing. The typical thing to do is to look at industry norms and research how your competitors price their products and services.

CRAFT Your WORLD

That works to an extent, but norm-driven pricing is often too low, as more established players can price their offering lower to drive competition out of business. Start with researching your competitors on how they price their offerings to get an idea, but don't stop there. Your pricing doesn't have to fit the industry norm.

What's more important is how you value your offerings. Do you believe in yourself? Do you believe you can create value for your customer? What kind of value do you create?

As discussed in the last chapter, I like to make sure I'm delivering 50 times the value to my customers. This 50 times value principle allows me to price by value, solidifying higher prices than most competitors.

The 50 times value pricing principle helps with negotiation.

Let's say you're offering an online course on how to use Photoshop. When you look at the competitors, their prices span from being free to hundreds of dollars. Many tutorials are on YouTube for free and are advertisement-supported. Platforms like Udemy offer training videos at a very low price (usually around \$20). Subscription-based platforms like Skillshare offer a revenue-sharing scheme. The landscape is so vast that you get lost quickly.

While understanding the current competitive landscape is important, you should ask yourself how much value you're creating for your customers. If you're just a generic Photoshop tutor, there are probably many other people out there who can do the same thing better and for cheaper.

When thinking about value creation, focus on your customers. If your Photoshop tutorial is focused on how to make wedding photos look great, you're specifically targeting wedding photographers. In that case, the value you create may be very different from other competitors. From this point of view, charging \$100 for a course on retouching wedding pictures would be reasonable.

When your prospects challenge you on your pricing, you can simply explain the 50 times value that you have created for them.

Having a clear value proposition also solidifies who you're actually serving. In the above example, your target audience is wedding photographers. Someone who's not making money taking pictures at weddings may find your course too expensive, and that's okay.

If a prospective client challenges you on your pricing, start by explaining your pricing logic. Your goal is to create 50 times the value. From there, if they still aren't satisfied, reiterate who you're trying to serve.

Sending Multiple Options to a Customer

Another pricing negotiation tactic is to send multiple options to the customer. With options, you establish boundaries of negotiation and potentially guide the negotiation toward a particular direction. When designing such a pricing scheme, make sure you feel great about all the options.

Let's use my first project I talked about as an example and see how I'd coach myself if I was able to go back in time.

When we started, we based our project's price on a high-level estimate and simple hourly rate calculation, which came to a number around \$50,000. At the time, we said to ourselves, "Wow, that's a lot of money. The customers may not accept."

We felt customers would pay around \$10,000. So, we lowered the price to \$10,000 while keeping the scope of the project unchanged. Making us do the same amount of work at one fifth of the price.

That was a huge mistake.

What we should've done was keep the \$50,000 price tag and design two more packages, with the lowest package being priced at \$10,000.

How could we have come up with a package where the price was one fifth of the original? Simple: reduce the project scope to one fifth of the original, thereby justifying a price of \$10,000.

The options proposed to the customer may look like this:

Full scope: \$50,000

Half of the scope: \$25,000

One fifth of the scope: \$10,000

Of course, the customer would want us to deliver full scope at \$10,000. With such a proposal, however, the negotiation would likely move from a price discussion to a scope discussion. Rather than negotiating on price, we'd guide the customer to discuss what to cut (reducing scope) from the project in order to hit the desired price point.

In designing price packages, make sure you feel good about all the options. Don't try to push the customer toward a particular package. You should design them in such a way that when you lower the price, you're also reducing your work. So whichever package the customer ends up choosing, you win. You should feel equally happy whether the customer chose the \$10,000 option versus the \$50,000 option.

If You Want Guarantees, Call Your Insurance Agent

In the early days of our business, customers often worried that a young company would fold and cease to exist. They wanted the assurance that we wouldn't collapse or fall into bankruptcy all of a sudden. Other customers wanted to make sure our product could do exactly what they needed before committing to the product.

We always tried our best to explain to them that we intended to stay in business for the long run, and we even extended an industry best money-back guarantee. However, sometimes it still wasn't good enough. I could see them asking themselves: *How can I be sure that I'm not making a mistake by going with this company?*

In that case, I often said the following: "If you want guarantees, please call your insurance agent. I can't guarantee that our product will be 100% bug-free (or whatever they were concerned about). What I *can* guarantee is that

we will work harder than any other vendor you've worked with before. I can guarantee that when an issue arises, we'll be upfront and work hard to address the issue. For everything else, call your insurance agent."

This stopped customers in their tracks.

When they don't have confidence in you, they'll come up with endless ways to test and push you. They themselves often know that they're being unreasonable but are too nervous about potentially making a bad decision.

The answer is to skip to the bottom line and say that for everything that's under your control, you'll do your best. However, there are many things that are outside of your control. If they cannot trust you, then they shouldn't do business with you.

Every time I've delivered this line, the customer's reaction was similar. They'd pause for a little bit, unsure of how to respond. Then they'd often chuckle, and say, "I get it, of course I'm not asking for a guarantee."

This is when I would deliver the closing statement: "Look, I understand it's hard to put your trust in a young and small company like us. All I'm asking for is that you give us a chance to prove to you that we can be trustworthy. Give us a chance to earn your trust."

With that, the deal was usually closed.

When a B2B Partner Is Being Picky

This next scenario is more complicated. Imagine you're working with a business partner or a vendor on a project. In my line of work, as a software company, we often work with hardware companies on delivering the final product to a customer. A lot of details need to be negotiated before the project can start.

In these types of collaboration projects, a lot can go wrong in the relationship. Starting the relationship on the right foot is very important. Here's how you should approach such a negotiation:

Articulate Your “Why”

The first thing you need to do is clearly understand your *why*. What's important to you and your team? What are the lines you won't cross? Why do you want the other party in this project?

Both sides need to lay out the most important issue/why/gain they want from the project. Needless to say, this should go beyond just making money. Everyone wants to deliver successful projects to make money, but what else?

It's important that we maintain the primary relationship with the customer. We want the hardware partner to help deliver the project as we have no desire to get into the hardware business.

In coming up with the why, you sometimes have to ask yourself, *Why not?* *Why not go at it alone?* *Why not another firm?* *Why not let them use their branding?*

Go through a few rounds of “Why?” and “Why not?” to come up with your final answers.

Anything Else Is Fine, But...

An extension to the above point is that you need to clearly articulate a few firm lines. When negotiating with the partner, you need to make it clear that there are a few areas where you'll hold firm, and everything else is negotiable.

For example:

1. We need to maintain a primary relationship with the customer.
2. We do not handle any hardware support issues.

This makes negotiation easier.

A while back, we tried negotiating a partnership deal with another company. During the first meeting, we both laid out our top issue.

Them: It's important we own the software.

The Art of Negotiation

Us: It's important we maintain branding and ownership of the final product.

It became clear we clashed on our viewpoints. The meeting lasted only 15 minutes and we didn't waste each other's time.

A couple of months later, the partner company called back and said their view had changed. Owning the final product was no longer the top priority. Their top issue evolved from ownership of the software to time to market. They saw an opportunity and wanted to put a product on the market as soon as possible. With that, the discussion moved quickly, and for many years, we had a wonderful partnership.

Outside of these few lines, you should be flexible on everything else, which brings us to the next tactic.

Never Give Without Getting Something Back (Ballooning)

Being flexible doesn't mean compromising. While everything outside of a few issues is negotiable, you need to learn the art of ballooning.

If you squeeze one end of a balloon, the other end enlarges, but the amount of air inside the balloon remains the same. Applied to negotiation, when your partner squeezes you on one issue, you should expand on another issue. Never give without getting something back.

When your partner wants to shorten the timeline and have the product ready sooner, your response should be: "Great, of course we can get it done faster. Now let's discuss how much the total cost of the project should increase."

If the partner wants to reduce the cost, your response should be: "Great, of course we can reduce the cost. Now let's discuss which part of the project we should cut."

The key here is to come up with as many dimensions you can about what's being negotiated. The basic ones are timing, scope, and pricing. If they want it cheaper, it'll take longer. If they want it faster, it'll cost more. There are plenty of other dimensions you can come up with.

Here are a few ideas if the partner wants you to charge less:

- How about you buy more?
- Can you pay all up front?
- Can you commit to a three-year deal?
- Can I quote you on our website?
- Can you handle tier one support?

Trust or Walk

Sometimes, you have to be willing to walk away from it all. At the end of the day, doing business is about having trust. Legal contracts are necessary, but they never cover everything. If the partners don't trust each other, there's little chance the partnership will be fruitful.

If the negotiation takes too many rounds, it may be a sign that you don't trust the other party, or they don't trust you. Walking away is cheaper than getting into an unproductive relationship.

Other Tactics

Below are a few general tactics that can be used in different situations.

In Business Negotiations, There Are No Rules

I have heard of instances where someone has been sent a "standard" agreement and told they should just accept because "that's what everybody does."

When we first started contracting with large Fortune 100 enterprises, we too were given one of these standard agreements. At that time, we accepted the agreement without much debate. The thought was that if we wanted to do business with these firms, we had to accept. We didn't even have a law firm that represented us at the time. Negotiating on the terms didn't even cross our minds.

The Art of Negotiation

If you have read one of these “standard” agreements, you may recognize some of the following one-sided terms:

- They can change the fee structure at any time.
- They pay you in a term that they dictate (Net 60 or Net 90).
- You’re required to carry large business insurance, no matter the size of your company or the size of the deal.
- If you want to cancel the contract, it requires a 30-day notice. If they want to cancel the contract, however, they can do it at any time.
- If you walk away from the contract, you’re subjected to a penalty. If they want to walk away from the contract, they can do it without any penalty.
- If they are sued, you’ll accept all liability.
- If you get sued, they accept no liability.

These are just examples. These terms come in many different forms and are often lengthy and written in legal language that makes them hard to understand. These one-sided contracts are the norm in the industry. Most businesses are forced to accept these terms if they want to do business with these large enterprises.

When we built iFormBuilder, I told my lawyer that we needed to find a way out of these enterprise contracts. One of the key items I discussed with our lawyer was the liability clause.

Most standard contracts from big enterprises state that the vendor (us, in this case) is liable for any damage or legal issues that arise from using the software. Large enterprises are often sued simply because they’re big and powerful. They themselves are used to this and have the legal resources to fend off most malicious legal attacks. However, even a small legal issue could have sunk our entire business.

In order to limit our liability, the condition we came up with was that we were willing to accept liability for up to ten times the total amount of money that

CRAFT Your WORLD

the enterprise had paid us. For example, if a customer had used our software for three years and we charged them \$10,000 per year, then our total liability would be maxed out at ten times 30,000, or \$300,000.

We believed this was a fair relationship as we understood we should accept liability, but we just couldn't accept unlimited liability.

When we pushed this term onto the enterprise customers, we were often met with surprise. Most procurement departments of large enterprises who are tasked with working with small vendors are used to small companies simply accepting the terms when a contract is given. I pushed back and said that since we were charging such a small amount, it didn't make sense for us to accept unlimited liability.

Over the years, we had many large enterprises accept our liability terms. Sometimes we had to walk away from a deal when they wouldn't talk to us. To me, that was still better than accepting unlimited liability.

A few years ago, one of our customers (a Fortune 100 company) was sued by a patent troll. Patent trolls are companies who own patents and randomly sue companies for doing things remotely similar to the patents in their portfolio. They're called trolls because suing is all they do. They own the patents, yet don't actually produce anything.

In this case, the troll sued our customer for "collecting data in the field." We were the tool that they used for this function.

Now, we all understand that "collecting data in the field" is a generic function many companies and tools perform. Therefore, the case would stand zero chance of winning if brought to court. Even so, since our customer was a large enterprise, they tended to settle for large sums of money and avoid millions in legal fees in order to bring the case to the court. Luckily our contract with this customer had a limited liability clause. The customer settled with the troll and we paid out our limited liability.

While this still caused us financial harm, it could have been much worse. Had we accepted the simple unlimited liability contract, we may have had to bear

The Art of Negotiation

the cost of the entire lawsuit. In this case, even a tiny settlement in the eyes of our customer could have sunk our entire company.

When it comes to business negotiations, you don't have to accept the norm. Some may label you the "troubled kid on the block" or not want to do business with you, but you have the right to push back.

At the end of the day, it's *your* world. You should have a say in how its run.

Slow Down

Seasoned negotiators tend to be fast thinkers. Some love the thrill of bargaining. I don't. In order to level the playing field, I slow down the negotiation.

What I tend to do is to send over a proposal ahead of the discussion, outlining what I believe the terms of the partnership should be. This allows me to think through the *why* and acknowledge the firm lines that I don't want to cross (see above).

Many times after the initial proposal, the other party wants to schedule a meeting to try to settle the differences. In these meetings, the expectation is to go through a series of back-and-forth to reach a final agreement. You know it's one of these meetings if the other party brings in a group of people from different departments. What they're preparing for is to have different expertise jump in on the discussion.

What I do often frustrates the other party. Once I hear their disagreement to the proposal, all I do is make sure I understand the disagreement and move onto the next issue. I don't comment or make any counter proposals during the meeting. All I do is to collect the disagreements and say, "Great. I'll get back to you all in a day or two."

The art of slowing down is to not argue or counter propose during the meeting. If you have justification for an issue (like pricing, see above), reiterate your logic. Don't try to come up with new ways to defend your position. Simply listen, take notes, fully understand the counter arguments, and move on.

CRAFT Your WORLD

You should then take all the disagreements and come up with a new proposal. In addition, you should also move a few steps further and expect the other party to push back on certain issues and prepare answers for such pushback. Make sure you apply the principle of ballooning. When you aren't good at thinking fast on the spot, you can think ahead in time.

At the end of the day, it's your responsibility to control the pace of the negotiation. Don't feel obligated to give an answer or agree with something simply because the other party demands an answer. When you feel uncomfortable, slow down.

Be a Recorder

Some negotiating parties will relentlessly drive a particular point. For example, a customer may continue to haggle for a better discount. Sometimes we get impatient and simply agree with the other party. To avoid this situation, you can take the emotion out of the discussion by simply becoming a recorder.

Becoming a recorder means you just repeat your points. When the other party tries to argue and bring up new points, you don't argue. You just repeat your points.

One of my students, David, called me one day and said one of their partners kept calling and trying to drive them to make a decision faster. They were busy with another project, so they didn't have the time to decide. They told the partner that they didn't have the capacity to answer them until a month later. Yet, the party kept trying to drive them to make a call.

Partner: "We need to start manufacturing, can you decide which design you want to go with?"

David: "I stated very clearly when we started that you should not start manufacturing until next month. Please do not start manufacturing. We don't have time to review the design at this stage. Can you wait till next month?"

Partner: "No, we can't. We've ordered material and it's here..."

The Art of Negotiation

David: "Er... I don't know. Wait! You have ordered material already? Can you return it?"

Partner: "No, of course not. Can you review the design and decide now?"

David: "All right, all right, I'll look at it this week. I'll call you next week."

Partner: "I'll call you tomorrow."

David said the partner refused to listen and kept pushing for an unrealistic start time. He was annoyed but didn't know what to do.

This is when I told him to just become a recorder. Here's how being a recorder would've played out:

Partner: "We need to start manufacturing, can you decide which design you want to go with?"

David: "I stated very clearly when we started that you shouldn't start manufacturing until next month. Please do not start manufacturing. We don't have time to review the design at this stage. Can you wait till next month?"

Partner: "No, we can't. We've ordered material and it's here..."

David: [Pauses, sensing the other party is not being reasonable, and switches into recorder mode.] "Please don't start manufacturing. We don't have time to review the design at this stage. We'll have a decision next month."

Partner: "But the material is here! Plus, we have to start paying our employees. Also—"

David: [In a calm, slow voice.] "Please don't start manufacturing. We don't have time to review the design at this stage. We will have a decision next month."

Partner: [Starting to scream] "Did you hear me? We need you to decide right now!"

CRAFT Your WORLD

David: [Waits till the partner is finished, and in a calm, slow voice.]
“Please do not start manufacturing. We do not have time to review
the design at this stage. We’ll have a decision next month.”

Becoming a recorder isn’t about annoying the other party. It’s about removing emotion from the conversation and avoiding unproductive arguments. It’s about not making rushed decisions under stress. When you feel the other party isn’t being reasonable, you can switch to recorder mode and remove any emotion from the negotiation.

Walk

Sometimes the most profitable way to end a negotiation is to walk away. Not all partnerships are worth the effort, and not all money is worth making. Don’t get dragged into a bad deal only because you’ve spent a lot of time in negotiation.

This is also why you shouldn’t try to rush into an agreement. Slowing down allows you to reexamine your original *why*. When you feel emotionally attached and eager to close the negotiation, ask yourself: *Knowing what I know right now, should I still start this negotiation?*

If the answer is no, or even if you’re unsure, you should think deeply about walking away.

At one point we tried closing a deal with a large enterprise. They had a lot of potential for future expansion. Our discussion quickly evolved into the closing state but things stalled when we started communicating with their legal department. After reviewing our contract, they wanted us to carry a much bigger general liability insurance. Thinking this was a potentially important customer, we went ahead and increased our insurance.

After we fulfilled the requirement to increase our general liability insurance, the legal department went dark for a few weeks. After repeated follow-ups, they responded with needing us to carry a higher cybersecurity insurance. They want us to increase the coverage by ten times!

The Art of Negotiation

As a software company, our cybersecurity insurance was already reasonably big. Increasing tenfold would've been excessive. In any case, we started shopping. Since this was such an oversized coverage for the size of our business, the premium was so high that it exceeded the annual contract size. Carrying this insurance meant losing money on the deal.

The account manager at the time really wanted to close the deal. He argued that the account should expand in the coming years to cover the insurance premium.

After much internal discussion, we decided to push back on this. We asked the point person to help with this issue. We explained that since our deal size was so small, it didn't make sense for us to increase our insurance by such a large amount. We asked them to consider increasing their spend with us or to pay upfront for a few years to make the deal more balanced for us.

When they got back to us and told us they didn't want to increase their spend with us, I told the account manager to walk away from the deal, saying that if the customer truly liked our offering, they'd either help us push back to the legal department or be willing to increase their spend. Their unwillingness to do either indicated that this wouldn't be a good deal in the long run.

Not all money is worth making.

Let the Other Party Win

The final tactic that I want to leave with you is the best one. The best negotiators are ones that always leave the other party feeling like they've won the negotiation. Most entrepreneurs want to "win" a negotiation. But to truly win the negotiation, you must create a win-win situation. This way, they feel great, and will probably continue to do business with you.

The easiest way to let the other party win is to leave something that you're willing to give during the negotiation. Once you get most of the conditions you want, you concede the last piece to the other party.

Retailers do this all the time. They leave room in their pricing so that they can easily give you a ten percent discount and maintain their margin. If you start

bargaining, or if you need a better deal in order to buy, they'll let you win by giving you the ten percent discount. You end up feeling great, meanwhile, they made their margin. It's a win-win situation.

In many companies, the procurement department is required to cut the proposed price. Their job was to bargain. So if you know you'll need to go through the procurement department in a particular deal, make sure you leave room for them to negotiate you down. They need to win, so let them win by incorporating their winning into your negotiation.

Chapter Summary

Negotiation does not have to be dreadful. With a few tried and true tactics, you too can get into your next negotiation with confidence.

Price at 50 Times Value Creation

Pricing is such an important topic that it's worth repeating. Make sure you can deliver 50 times the value of what you are charging your customers. If you charge \$20 for your book, your book should deliver more than \$1000 of value.

This shifts your thinking from comparing to how others price their offering to value creation toward your customers. You need to be able to justify this value creation. Your ability to articulate this 50 times value creation makes you more confident when charging your customers.

Propose Multiple Options

Create easy-to-understand options for your customers to choose from. Having multiple options prevents customers from simply haggling on price. By creating multiple options, you are leading the customer to choose along different value creations.

Make sure you are happy with all the options. Even if the customer chooses the cheapest (smallest) option, you should be happy because you should be able to finish the project soon and get to the next customer.

The Art of Negotiation

If You Want Guarantees, Call Your Insurance Agent

Be square with your customers. There are many things you can offer, but guarantees are not one of them. If they want everything to be perfect, just tell them the truth. You and your team can work as hard as humanly possible, but there are still a chance that things could go wrong. The important issue is trust. If they lack the trust in you and your team, no amount of “guarantee” can fix the relationship.

Articulate Your Why

When working with business partners, be upfront about the reasoning behind the relationship. What do you/your company want to get out of the relationship? The clearer both parties are about their underlying *why*, the easier both parties can come up with a compromise and create an agreement.

Anything Is Fine, But...

Behind your *whys* are a set of conditions that you will hold firm. If both parties are upfront about what condition each side will hold firm, one can either quickly get to an agreeable outcome or quickly part ways to avoid wasting each other's time. Remember, spending time on the wrong negotiation is not a profitable transaction.

Never Give Without Getting Something Back (Ballooning)

Negotiate like you are a balloon. When the other party squeezes in one area, another area must expand.

In Business Negotiation, There Are No Rules

Negotiation is simply the process of getting to an agreement. So long as both sides agree, anything can be part of the deal. Never be made to feel like “this is just how business is done,” just because you are new to the process.

Slow Down

When you feel that you are new to the way business negotiations work, slow down. There is no rule on how long negotiations should last. You can set your

CRAFT Your WORLD

own rules as long as you communicate clearly what you are about to do. If you need a couple of days to decide what to do, just communicate this to the other party. Avoid rushing into decisions.

Be a Recorder

If you have articulated your final position and you have communicated that you are holding firm on this issue, just be a recorder. You are under no obligation to change your position because the other party insists. Simply turn yourself into a recorder and keep playing the same “song” over and over again.

Walk

Sometimes it’s cheaper and better to walk away than to get into a toxic relationship. When you feel like the negotiations are exhausting, chances are it will get more exhausting once you get into a business relationship with the other party. Consider leaving.

Let the Other Party Win

The best negotiators always make the other party feel they have won the negotiation. It’s not about winning. “Losing” a negotiation while getting everything you want is the best tactic.

10

Growing People

A business is nothing without the people inside of it. As we grow our business, we must also grow people. As we craft our worlds, we want to craft a world that other people enjoy living within as well. Do you have what it takes to motivate people?

Servant Leadership

Servant leadership is all about setting the vision, then letting the team decide how best to get there. Your role as the leader is to support the team when there are obstacles and jump into action when needed. A servant leader doesn't always have the answer. A servant leader is more like a coach than a manager—the role of the leader is never to dictate.

Dictating is easy. Leading is hard.

People look to the leader for guidance. People want to believe the leader has thought through all the possibilities and made a strategic decision on the best path to take moving forward. The servant leader, however, shouldn't be the one who comes up with a detailed plan. That should be left for the team to decide upon.

Years ago, in the early days of iFormBuilder, the support and sales teams weren't getting along. The sales team blamed the support team for losing

CRAFT Your WORLD

customers and the support team blamed the sales team for signing “bad” customers.

To address this issue, I merged the sales and support teams. Instead of handing off accounts from the sales team to the support team, the same group of people would handle customers from cradle to grave.

Instead of splitting the team from an account’s lifecycle perspective, we split the team from an account’s size perspective. We divided the group into three teams: small, medium, and large. The small team handled customers with less than 50 users. The medium team handled customers with less than 500 users, and the large team handled customers with more than 500 users.

Within each team were sales and support staff. Each team was responsible for finding, closing, and growing their respective customers. There would be no more distinction between sales and support.

After I announced the plan, most team members generally agreed on the direction. However, they soon start asking me for next steps. I told them my goal was for all three teams to be able to grow their customer base. How they got there was up to them.

Many team members started to create new initiatives on their own, but a few of them felt frustrated that there was no central leadership. I reiterated to the team that I’d much rather they figure out the details than me dictate a path.

I was trying to grow leaders, not followers. Followers love details, whereas leaders only need a general direction and support. By stepping back and creating room, you’ll see natural leaders emerge from the team.

Your job as the servant leader is to support the team, clarify the direction, and distinguish the *why*. A lot of times, your team will come to you and ask you to make a decision. Your answer should always reiterate where you want the team to go (direction), and the intention behind the direction (why).

For example, after we set up the three teams by dividing customers by size, edge cases started to appear. There were customers who started with 20

Growing People

users and grew to be 50 users, and there were also customers who started with 100 users and later reduced to 50 users. The team argued about whether we should hand off the customer to another team once they grew or reduced beyond the threshold.

My answer was that this whole process was designed so one team handled the customer from cradle to grave. Another important intention behind it was to reduce the fighting and arguments between the teams.

After a few times of me refusing to make a call, they eventually decided that 50 users was just an arbitrary number. “We should split the customers by their actual behavior,” the teams later decided. Some customers had 100 users, but they actually behaved like medium-size customers, so even though they had a lot of users, they remained under team two. On the contrary, some customers showed huge potential for growth, so even if they currently had 20 users, we put them in team three.

Being a servant leader sometimes feels like a slow and painful way to move forward. However, you’ll gain speed in the long run. After some initial confusion, the teams eventually found an equilibrium point and started to work efficiently. This way, you won’t become the bottleneck of the company.

Never Be the Bottleneck

Being a servant leader requires good delegation skills. Allowing your team to make operation decisions on their own requires the leader to set clear guidelines and expectations.

As an entrepreneur, it’s extremely easy to become the bottleneck—the center of all decisions. Over time, things start to wait on you. You are required in all meetings. The entire company is working around your schedule. When you get sick, the company stalls.

You must learn to never be the bottleneck, and instead to create clear decision-making protocol.

CRAFT Your WORLD

From your team's perspective, it's better for you to decide everything. It's a safer option for them. It is therefore your job to make it safe for them to make decisions on their own.

To do that, whenever your staff need you to make a decision, let them set a deadline and a projected decision. They need to communicate to you when they need to hear from you, hence a deadline. You also want them to tell you what they intend to do (the projected decision), in case you are too busy and cannot attend to them in a timely manner.

For example, your team has prepared a press release and is waiting for your approval. They should send the release to you for review, along with a deadline and a default decision.

Sze, please review the attached press release.

Deadline: 5 p.m. tomorrow.

Projected decision: Release at 9 a.m. the day after tomorrow.

With this information, you need to decide if you can review the press release by the deadline. If you can't, you need to ask yourself if it's worth slowing down the team to wait for you. If this press release is important, you should take it as a priority and review it first. Otherwise, you should be fine for your team to send out the press release without your explicit approval.

But what if the press release is super important and you are busy and cannot review it by 5 p.m. tomorrow?

From time to time, a decision is big enough for them to wait for you. However, you should try to minimize instances of this. Your goal is to let your team make as many decisions on their own as possible. You need to learn which decisions you can let go and how to set better guidelines for your team to make them.

Continuing with the press release example, there are certain press releases that you know you must review before going out, and there are certain press releases that you know your team can decide on their own.

However, there are always instances in between. They are not super critical, yet you still don't feel comfortable letting go completely. This decision-making protocol is trying to push you to learn to let go. Normally, when you are not sure if you can let go of a decision, you will ask your team to wait on your decision. This protocol creates a way for you, and your team, to learn. By having a deadline from your team, it creates a buffer. This buffer of time is for you to decide if you should drop what you are doing and attend to their matter first.

This is a learning process for both you and your team. You need to learn that not everything must pass through your hands. Your team needs to learn to make better decisions by setting the right deadline and the right projected decision.

Most importantly, you, as the leader, must promise to support the team on their decision if you fail to meet the deadline. If you didn't review the press release on time and something in it was not to your liking, you must not be upset. Yes, even if it deeply impacts the company. The reason is that you must make it safe for your team to go forward with the projected decision if they did not hear from you by the deadline.

This method creates trust between you and the team. Over time, your team will start to understand what's important to you when it comes to decision making, and what you tend to let them decide upon.

What Do You Think?

In addition to not being the bottleneck, try to add “*What do you think?*” to your vocabulary when communicating with your team. Make sure to add a pause and emphasis on the “you.”

Entrepreneurs tend to be quick at making decisions. To become an effective servant leader, we must learn to delegate and allow others to make decisions. Even if the decisions made by the team look different than ours or are slower than how we would normally make them.

CRAFT Your WORLD

Instead of making a decision immediately, tell your team to use their judgment. You can follow up by setting boundaries for what you expect or what they should consider when making decisions.

Recently, one of our partners sold their business and the new owner no longer wanted to continue our partnership. This created a problem for all the customers that we'd been serving together. We needed to make a decision on whether to take over those customers. On one hand, keeping those customers meant keeping revenue. On the other hand, those customers had been managed by the partner and there were other complexities to their projects that we may not have had the expertise to handle.

Our business manager asked me for guidance, and I offered my classic response of, "So, what do you think?"

He started to lay out the pros and cons of the situation.

I proceeded to say, "The most important thing we need to decide on is if these projects align with our goals for the next few years. If so, we can probably overcome the cons. Otherwise, none of the pros matter."

He processed the info for a few seconds, then he said, "Got it," and hung up our video call.

Doing this forces you to not focus too much on the *process* of making decisions, rather than actually making the decisions. This not only makes you a better leader, but also grows the people around you so they become better leaders, too.

Scream Respectfully (Open and Honest Communication)

We use a practice called "scream respectfully" to foster open and honest communication.

In the business world, speaking loudly is normally a taboo. Being professional and always speaking calmly is the accepted wisdom. This is generally good advice, especially when the team hasn't developed a strong bond yet.

However, being polite all the time means that people sometimes may not want to speak their minds.

Saying we want team members to “scream respectfully” doesn’t mean we want everyone to scream all the time. It means that when they have an issue, when they’re upset, frustrated, or concerned, I’d rather they express themselves than bottle it up and try to present it “professionally.” In other words, if you can’t find a better, more professional way of expressing the issue, just say it as is.

Screaming respectfully tries to decouple the relationship between speaking loudly (screaming) and being disrespectful. Screaming is about passion and urgency. Under this rule, when someone raises their voice, it’s not about being respectful or not—it’s about urgency. Something needs to be addressed and nobody seems to be listening. It urgently needs to be heard, therefore someone needs to scream to stop everyone. It’s like if everyone is running toward a cliff and nobody sees the cliff, someone must scream with urgency to alert everyone.

Having this rule in our culture encourages some of the quieter team members to speak up.

For example, my team was once having a discussion about hiring an outsourced contractor from India. During the meeting, the development manager said that there was a contractor already lined up and ready to start. The HR manager expressed concern about hiring a contractor from another country and wanted to put the process on hold. The development manager was furious and the two got into a heated exchange.

The HR manager mentioned a clause in a customer’s contract, which stated all services to the customer should be done within the United States. To her, hiring the contractor from India violated the contract. But from the HR manager’s perspective, it was easy to just “let it go” and avoid the confrontation. Since she wasn’t a legal expert, and since we needed a contractor immediately, just going along with it could have been an okay choice.

Screaming respectfully gives permission for any team member to raise concerns and sound an alarm when needed. It sets the norm that raising concerns is okay, even when it risks upsetting other people.

We put the hiring process on hold and consulted our lawyer. In the end, the lawyer determined that our assignment for this contractor was not covered under the “United States only” clause. However, it could’ve turned out differently. The HR manager’s actions may have saved us from a huge legal mess down the road.

Asking people to scream may be an odd way to foster open and honest communication. However, in practice, this actually reduces the amount of time team members scream at each other. Once people learn that expressing themselves is an expected behavior, they do so often and early. In the long run, it reduces conflict.

Be Human

To grow a team that works together effectively over long periods of time, the team has to see each other as human beings. It may sound ridiculous that we need to point out the fact that our colleagues are human, however, in many workplaces co-workers are becoming an abstract concept. As companies grow, team members will start to talk about their co-workers as collectives:

“The developers just never care about our customers.”

“Designers think everything is easy.”

“The sales team didn’t need to do a thing. The product sells itself!”

We have to remind everyone to not think of each other as abstract collectives, but as actual human beings. Anytime I hear a complaint about a collective, I’ll ask the person to talk to the counterpart face-to-face as humans. Never allow someone to hide behind abstract complaints. Force them to confront the situation as people. When people address each other as human beings, they’re much more likely to be empathetic.

Growing People

This goes for customers and partners, too. We instruct our support staff to treat customers and partners as human and expect the same in return. All too often, support staff are instructed to follow rules and aren't given freedom to work with customers. Companies want structure. As a result, when customers need help that's outside of the norm, the front line support staff often can't work around the system.

One time, on a flight to New York, I was upgraded to first class. As I checked in, the agent at the counter said there was no seat assignments yet. She said I should be able to get a seat at the gate, so I proceeded to the gate and tried to get a seat assignment. At that time, a few people were already in line trying to do the same thing. They were all being upgraded, waiting to receive seat assignments. After a long wait, the counter agent informed us that no first class seats were available as they had just been moved to a different plane.

A number of us looked at each other, shrugged our shoulders and said, "Oh well, that's too bad, just move us back to economy then."

This was when the agent told us that there were no seats available in economy class, either.

"What do you mean?" A number of us started to raise our voices.

"You're telling me that we went from first class to no seat at all?"

"Are you telling me I'm not going home today?"

"How can this even be possible?"

The agent frantically typed away at the terminal as she tried her best to avoid eye contact with us. As boarding started, seven of us were still waiting for our seats. After more than half an hour of chaos, all of us somehow got a seat on the plane. They were even able to give me a first class seat.

As the situation started to ease, I switched into curiosity mode. I asked the agent if this happened often. She said it didn't happen all the time, but often enough that it drove her crazy. After all, she hadn't created the chaos, but the front line agents were the ones who received the brunt of customers'

CRAFT Your WORLD

complaints. The reservation system should've been able to handle the situation more gracefully.

Why did this situation happen? This happened because the system designer never took the front line agents into consideration. The system did what it needed to do. Everyone who needed to be on the plane was able to get on, so from the system's perspective, it all worked fine. What it didn't account for, however, was the 40 or so minutes of uncertainty, during which time the front line agents sat there as punching bags with an inability to really help.

As your company grows, make sure you take the human factor into account. A system that is able to remedy plane seating chaos in 40 minutes is fine from a system perspective. If we take the human factor into account, though, we want to avoid the uncertainty that the front line agents faced. While uncertainty is unavoidable, there should be tools for the front line agents to use to ease the situation.

This has especially been true since the 2020 pandemic. During the first few months of the pandemic, the entire business world went through a shock. Many business activities came to a halt. Construction stalled, so field inspections stopped. As a result, our customers cut back on our services.

At the same time, unsure about the outlook, we halted all our marketing expenses. With all our employees going 100% virtual, we stopped ordering coffee and snacks. As a result, businesses in construction, inspection, services, marketing, and even food and beverages were all impacted.

During this time, we told all of our customers to let us know if they needed any flexibility with their accounts. We wanted to be as accommodating as possible and were lucky to have enough cash reserves when the pandemic hit. So we told our customers if they needed to delay payments, cut back users, or pause their accounts, that was okay. We wanted to acknowledge that we are all just humans going through tough times.

"Being human" creates a trusted relationship between all parties. When team members, partners, and customers can all address each other as human

beings, everyone's more understanding and able to navigate tough times better.

No Abuse

When we say “be human,” that also means we want to be treated as human. We have an unwritten policy that says no customers are allowed to abuse our team members. This also means that we do not honor the “customer is always right” mantra. We love our customers more than anyone else. However, that’s under the condition that our customers appreciate our efforts and treat us as humans.

I instruct my team to pass the case to me when they feel they’re being abused.

One time, our system had an issue which stopped the customer from being able to work. This was a big issue, so everybody pretty much stopped everything to address the situation, trying to get it resolved as soon as possible. A customer support staff member told me that the customer kept screaming at him, call after call.

I took the call from the support staff member. As I picked up the phone, I could already feel the heat coming through the headset: “We haven’t been able to work for two days now. That’s unacceptable. Your system is pretty much useless...” The person on the other side of the phone continued for over a minute in an agitated tone.

“Sir, you just said about five things that are not true,” I responded, matching his tone and speed. “I will counter-argue your points one by one if you want. As long as you continue to attack us, I will continue to counter-attack. Or we can go into problem-solving mode. Look, I understand we’ve disappointed you. That’s why we’ve been working non-stop for the last couple of nights. I can’t guarantee when the issue will be fixed, but I can assure you that no other vendor will give you the attention that we’re giving you right now. So

as soon as you want to problem-solve, let's work together and get you back to work."

After about ten seconds of silence, the customer softened his tone, and said, "Well, of course we want to problem-solve. Let me know how we should start."

"Great! Here are the things you can do on your side to help us move the situation forward. First..."

Just like that, we went into cooperation mode and nobody was screaming anymore.

What I did was force the customer to treat us as humans. We weren't punching bags, nor would we accept such treatment. Most importantly, we needed to convey the point that the fastest way to get things done was to work together respectfully.

Be Reasonable

An extension to "no abuse" is to be reasonable.

"Be reasonable to reasonable people. And be unreasonable to unreasonable people. Because being reasonable to unreasonable people is being unreasonable to reasonable people."

One time we fired a new hire three days after she had joined. Some team members questioned whether we were being unreasonable. My response was that if we tried to be reasonable with this person, we were actually being unreasonable to all other employees.

A lot of times, policies tend to be unreasonable to reasonable people.

I love flying drones, but our office is within a five-mile radius of a major airport, which means it's part of a no-fly zone. Even though our office is relatively close to the airport, I can theoretically still fly my drone and keep a safe distance from the airport. No reasonable person would fly their drones inside the airport and endanger other people.

Growing People

Except many did! In 2016, a drone flew in front of a descending Airbus A320 at London Heathrow Airport. It crashed in the front of the plane.⁵⁰ Luckily no one was hurt. This incident sparked major discussion around drone safety. Soon the FAA created guidelines and established no-fly zones.

There will always be unreasonable people. So it's essential that we create policies to guard against those unreasonable people. In our own world, however, can we create an environment where we don't have to do that? Can we assume our team members will be reasonable?

We have an unlimited vacation policy. When we first introduced this policy, the first reaction from the management team was, "What if people abuse it?"

My answer at that point was that if most people ended up abusing my trust, then I'd admit failure. However, if there was only a tiny minority of people who abused the policy, then the fix wasn't to change the policy, but to remove those who tended to abuse policies.

The intention behind such a policy is that when "life" happens, we don't have to feel guilty. Life does and will happen. From time to time, we need time off to take care of relatives. We need time to take care of newborns and our loved ones. In these situations, I want the team to feel extra comfortable in taking the necessary time they need off.

Many new hires question whether the policy is real and ask questions like, "Can I take the next ten years off?"

My answer is that if you're being unreasonable and unappreciative toward our trust in you, you shouldn't be part of the team. We've had this policy for over five years now and have never had an issue with the vacation policy.

⁵⁰ <https://www.911security.com/news/drone-flew-dangerously-close-to-airbus-a320-taking-off-from-gatwick-airport>

Family First

Another unwritten rule within my companies is “family first.” I try to create a working environment where “work” is not the number one issue—family is. My view has always been *family first, work second*. We all love our jobs, but at the end of the day, family should always be first.

Like the aforementioned unlimited vacation policy, it stems from the family-first mindset. When your family needs help, go help them first. Work will always be there.

In most companies, company parties are for employees only. Sometimes spouses are welcomed, but kids usually aren’t allowed. Not in my world. In my world, all company parties are family parties. We ensure all family members can have a great time with us. Our company parties are there to show appreciation to our family members, too. We all work extremely hard and we can all work on what we love thanks to the understanding of our family members. That’s why at least once a year, we put on a great feast so that our spouses and children can enjoy a great night together.

Ultimately, I’d like all team members to treat one another as family, too. When your brothers and sisters can’t get the job done, you don’t fire them and replace them with another brother or sister. When they can’t get the job done, get to the core issue and help them. Sometimes that may mean you take on a bigger share of the workload, which seem unfair at the time, but that’s what families do. When your brother is sick, you step in to do the dishes. When you are sick, you expect your brother to do the same.

Treating team members as family means we need to be slow in accepting people into the family. That’s why we tend to hire contractors before accepting them into the family. Over time, those who align with our culture will be accepted into the family.

Chapter Summary

As you continue to craft your world, you want other people to come along. Your world should be relatively small and made up of people who trust each other and can grow together.

Find team members who are leaders with a growth mindset rather than followers who want to be told what to do. As a leader, practice servant leadership, give your team a clear direction, and let them decide how best to get there.

Try never to be the bottleneck in the chain of decision making. Encourage your team to make a decision first, and then ask you for guidance.

Foster open and honest communication by allowing team members to fully express themselves, including expressing themselves loudly. Being loud should not automatically mean someone is being disrespectful. Rather it's an expression of passion and urgency. If someone has something important to say, you should listen.

Be human toward everyone around you. Customers are not just a business transaction. Employees are not just workers. Everyone is human. Humans have emotion. Humans make mistakes. Being human is to have a great sense of empathy. Expect the same in return from your team and your customers.

Do not allow your customers to abuse your team. The customer *is not* always right. We want to treat our customers better than anyone else, but that does not mean they can make unreasonable demands. Being human means mutual respect.

Don't try to be reasonable to unreasonable people, because being reasonable to unreasonable people is being unreasonable to reasonable people.

Everyone has a family behind them. People's family should be the most important part of their world. Including yours. As you craft your world, make sure your family is a big part of it. Craft a world that includes both family and business. Then do the same for your team.

11

People and Motivation

People Are Inherently Productive

What motivates people to work? Does money motivate people? The capitalist system is structured to motivate people with monetary incentives. On the other hand, there seem to be a group of people who love what they do and are not affected by money.

We see some examples of this behavior in education. Many teachers teach because they love to. I have met so many teachers who struggle to make ends meet, yet they would not think about doing anything else. They simply love their profession.

What separates people like teachers, who are motivated to work because they love their profession, from people who are only motivated by money?

In *The Human Side of Enterprise*, Professor Douglas McGregor defines Theory X and Theory Y. Theory X assumes people are inherently lazy and lack the motivation to work. Theory Y assumes people are inherently productive and work without requiring motivation. According to McGregor, if we believe in Theory X, we have to create external motivation to push people to work. Given the choice, people in Theory X will choose to do nothing.

I believe in Theory Y. I believe people are inherently productive. I believe people are intrinsically motivated. You see this in children around the world. When left alone, children will find things around them and create games to

People and Motivation

play. They build tree houses. They dig holes. They are productive. Most children behave more like passionate teachers rather than money seeking workers.

However, people learn to behave differently as they grow up. From the education system to the business world, we have created a system that systemically turns people from Theory Y to Theory X.

If we want to achieve ultimate happiness and be motivated to work, we need to undo the damage. We need to retrain ourselves and the people around us to believe in Theory Y again.

In 1918, Frederick Tylor published *Scientific Management*. Tylor proposed that in order to maximize efficiency, management needs to use a proper reward and punishment system to motivate workers. This was the origin of the carrot and stick management style, which uses carrots as rewards and sticks as punishment in order to manipulate workers' behavior. A hundred years later, most of the business world is still using some form of carrots and sticks system.

The carrot and stick management style is so common, we often use it without knowing it. We use it with our kids, our dogs, and in our schools. It's even how governments are run. So, that's how companies should run too, right?

In a 1973 study, psychologists Mark R. Lepper and David Greene tried to see how external rewards affected children.⁵¹ They selected a group of children between the ages of three and four who liked drawing. These children were divided into three groups and were led into a six-minute drawing session. Group one received no reward after the session, Group two was promised the Good Play Award (a certificate with gold star and red ribbon), and group three was given the Good Play Award as a surprise at the end of the six-minute session.

Group one: No reward

Group two: Expected reward

⁵¹ <https://www.jstor.org/stable/1128110>

Group three: Unexpected reward

After the six-minute drawing session, the children were observed for a few subsequent days. The researcher wanted to see if the difference in their reward had any effect on their interest in drawing.

How did the reward system affect the children? Based on our understanding of the carrot and stick system, one would expect having a reward motivates activity, right? Surprisingly, the group that was given an expected reward showed measurable reduction in their interest toward drawing.⁵² Both groups one and three continued to draw for roughly the same amount of time. This result indicates that an expected reward actually demotivated the children, whereas unexpected rewards didn't change the intrinsic motivation of the children.

To put it in the context of business, this study suggests an expected reward will make people who were originally interested in their work less enthusiastic. In other words, rewards—or carrots—make people lazy.

If you assume your employees are lazy and selfish (Theory X), you will employ the carrot and stick management style. If you employ the carrot and stick system, they will become lazier and more selfish. The more you use carrots and sticks, the more you need carrots and sticks. It's a negative cycle. You, as the manager, hate it, as you need to continue increasing the intensity of the carrots and sticks, and your employees also hate it. Nobody wins.

We all grew up in a carrot and stick environment. If you didn't finish your homework, you couldn't go outside and play. If you got an A, you got a new toy. We were told "Get good grades and you'll get into a good college." But if you got an F, your parents would punish you.

When I came to the U.S. for college, all of a sudden I had no pressure to study. My parents wouldn't even know if I went to school; they were thousands of miles away.

⁵² https://www.heartofcharacter.org/wp-content/uploads/Undermining_Childrens_Intrinsic_Interest_with_Ext-1.pdf

What did I do? I studied like crazy, practically living in the computer lab. Why? Because I loved it. It wasn't because I had to. When I was forced to study, I received bad grades. I was top of my class in college not because someone forced me to study, but because I loved the subject and I intrinsically enjoy learning.

Maybe I'm odd, but I love doing what I love to do, and I hate being told what to do. My guess is that you feel more or less the same way. No one loves to be told what to do.

If we assume people are inherently productive, we no longer need carrots and sticks. We no longer need to force people to do their jobs—we can just let them do their jobs instead. If we assume people are inherently productive, we don't need to manage them. Your job as a manager becomes much easier.

I choose to believe that people are inherently productive. People are intrinsically motivated if we know how to unlock that part of them.

Autotelic Activities

To understand intrinsic motivation, we first have to understand autotelic activities. At the simplest level, autotelic activities are activities that one engages in only for the sake of the activity itself. In other words, you're doing it "just because" and not because of any external reasons.

We usually associate autotelic activities with hobbies. You engage in your hobby because you want to, not because you have to. People who love mountain climbing will go climbing any chance they get.

Do you have a hobby? If so, that's a very good starting point in understanding intrinsic motivation. What do you feel when you engage with your hobby? Does your hobby involve activities that require mastery? Do you want to improve your skill? Do you set goals for yourself?

Many hobbies, such as mountain climbing, video gaming, drawing, dancing, crafting, and running involve skilled activities. If your hobby is one that

requires skills and one that you can learn to improve, you already understand intrinsic motivation.

Next time you engage in your hobby, slow down and process how you feel. You want to harness that feeling and learn to bring that feeling into your professional life. You want to make work feel like a hobby.

Some people try to turn their hobby into a business. Many people who love photography start taking pictures for others. After a while, they often describe something similar to, “Once it becomes a job, it’s no longer fun.” At the heart of this statement is that when you add external reward or requirements to an autotelic activity, it’s no longer autotelic—it’s no longer fun. Just like the experiment with the children, when external rewards are expected, the children’s motivation toward drawing is reduced.

For most people, therefore, their worlds are separated into two sides. One side is driven by external reward while the other is driven by intrinsic motivation. You work during the week to enjoy your hobby during the weekend. A job, in this context, is all about external rewards and would never be autotelic.

While this worldview isn’t wrong, I want to offer an alternative. You can craft your world in such a way that even your job, even your weekdays, are working on something that you believe in, something that you enjoy, and something that resembles a hobby.

Find Your Flow

One of the tricks for unlocking intrinsic motivation and making your job enjoyable is to understand the concept of flow. Flow is the state where one is operating at an optimal level.⁵³ When you’re in flow, you’re both productive and happy.

⁵³ Mihaly Csikszentmihalyi, 1990 Flow The psychology of optimal experience, pp3

People and Motivation

According to Mihaly Csikszentmihalyi⁵⁴, in order to get into flow, an activity must:

- Be challenging and require skills
- Need complete focus
- Have clear goals and feedback
- Allow one to have a sense of control

Does your day-to-day work match these requirements? If not, maybe you need to redesign your daily routine.

You may not need to change your career when seeking flow. Sometimes, all it takes is a little bit of awareness. As discussed in Chapter Four you can start with a good time journal and see if you have some flow-inducing activities in your daily routine. Oftentimes, you'll have one or two activities you enjoy most, but they aren't your major focus. In that case, try redesigning your daily routine so that more of your time is engaged in flow-inducing activities.

I love software development. Once I get into a rhythm, I can code for hours to solve a particular problem. Coding is my flow-inducing activity. However, as my business started to grow, I had less and less time for coding. My job slowly turned from coding to meetings. I found myself meeting and working on spreadsheets more than developing software. As a result, what used to be fun (running my own business) became boring.

Once I realized I was no longer as enthusiastic about my business, I started to dig into what I wanted out of it. I started to search for flow. After much reflection, I realized there are three things that allow me to get into flow. They are:

- Coding
- Solving business problems through product design
- Growing people

⁵⁴ Mihaly Csikszentmihalyi, 1990, Flow The psychology of optimal experience, pp48-pp67

From there, I started redesigning my work to put more emphasis on these activities and minimize everything else. I started to have one-on-one coaching focus meetings with my team where, rather than asking about work, I discussed their personal growth. My team and I started to forge new relationships. Seeing them grow was an extremely satisfying experience for me.

I reserved Wednesday as my focus day. I use Wednesday for coding, thinking, and writing.

Don't get me wrong: I'm not eliminating all the things that I don't want to do. No matter how much I hate it, I still need to be involved in annual budgeting. However, by allowing the majority of my time to be spent on activities that'll produce flow, I have much more reason to tolerate some of the other activities that I don't enjoy but that are necessary.

Can you write down why you're doing what you're doing? Why are you running your business? Why are you staying at your job? Are there any flow-inducing activities that you can find within your day-to-day activities? Can you increase the portion of time being spent in flow-inducing activities?

Design your work life around creating flow. You will start to enjoy work like you enjoy your hobby.

The Happy Line

This brings us to the *happy line*. The idea of drawing the happy line is to realize the fact that being happy is a choice. Being above this imaginary line means you're happy. If you're below the line, you're unhappy. If you're deep below the line, you're depressed.

By finding autotelic activities and flow-inducing activities, you're much more likely to be happy. However, there will always be things and situations that aren't idyllic. When you're faced with an undesirable situation, ask yourself, "Is this worth going below the happy line?" Understand that crossing the happy line is a choice. Draw the happy line and try your best to stay above it.

Here's a straightforward example: You're playing a video game and fail to advance to the next level. The game's over. It's an undesirable situation. You're upset. You may even want to throw the controller across the room. However, you aren't going to cross the happy line. After all, it's just a game. You can just restart, or you can turn off the game console and move on to something else. Failing in a video game doesn't affect your life. It's easy to stay above the line in this situation.

But what about a more difficult example? Imagine you're fired from a job you love. It's an undesirable situation. You're upset. You may even want to scream at your boss. Are you going to cross the happy line? Is it that bad? Maybe. Can you "restart the game"? Can you move on to do something else? It's a lot more difficult than restarting a video game, but perhaps you can find another job. It's certainly more difficult than simply turning off the game console, but perhaps you can take a break and travel abroad for a few months.

I'm not here to say that you should never be unhappy. I'm just trying to say that you have a choice. There are definitely situations where you'll cross the happy line. All I want you to do is to ask the question, "Is it worth going below the happy line?"

You can be upset without crossing the happy line. You can be frustrated without crossing the happy line.

The happy line helps you stay intrinsically motivated. Understanding that there will be undesirable situations gives you the power to choose not to be affected by them.

Loser Syndrome

Loser syndrome is an internal belief that one is a loser. People with loser syndrome believe they're going to lose. They believe they're behind, and as a result, they must work extremely hard to catch up. When they achieve a certain level of success, they continue to push themselves and feel like they have to work harder. When they see other people's success, pressure rises.

They feel that they aren't good enough, even if objectively they're very good in their field.

Many people with loser syndrome become quite successful in society. However, fear is actually the true driver of their success. They fear that if they stop, they are going to lose.

People with loser syndrome fail to discover intrinsic motivation. They believe in external reward and force themselves to chase the next goal, never fully enjoying the fruit of their success.

To cure loser syndrome is to understand the fact that life is not a competition. No one is going to rank us at the end of our lives. Much of the competitions we face in life are constructed by humans. We'll never be the best in the world, nor the worst in the world in any particular field. We're never the winner and we're never the loser. We're all somewhere in the middle.

Life is like a healthy family game night. You win sometimes, you lose sometimes. You may be competitive during the game and will do your best to win. However, at the end of the night, everybody has a good time.

Focus on playing rather than winning. Focus on improving rather than your ranking. Focus on learning rather than chasing. Find your craft, work hard to master it, and continue to learn and improve.

Have Big Dreams

To not slip into loser syndrome, you have to find both your flow and your autotelic activities. The best way to get there is to have big dreams. Find something bigger than yourself and work toward that.

Many of us had big dreams growing up—dreams that were crushed by reality as we grew older. If you can keep your dreams alive as you grow up, lucky for you! For the rest of us, we have to search for our dreams.

I believe having big dreams is important.

People and Motivation

When I was in elementary school, I dreamed of becoming an inventor. I wanted to invent big robots that would change people's lives. In college, my plan was to get into electrical engineering and focus on robotics. Oddly enough, I fell in love with software and ended up majoring in computer science. After college, I turned my sights to building a career in software. I fell in love with mobile in the early 2000s. When the iPhone came out in 2008, I knew it was my chance to catch my dream.

As I approach my 50th birthday, my dream is shifting toward education. I'm now determined to spend the rest of my life working in education. I created a non-profit organization in 2021 with the goal to spread the Montessori method of teaching. I will continue working on it for the rest of my life.

Regardless of what reality throws at us, it's important to keep our dreams alive. Our dreams may change, and that's okay. Just don't let them die.

Chapter Summary

People who are intrinsically motivated are more productive. If we assume people are lazy and selfish, we have to manage them with external rewards and punishment, thus pushing them toward laziness and selfishness. Unlocking people's intrinsic motivation starts by assuming people are inherently productive.

From a personal perspective, unlocking one's intrinsic motivation starts with understanding autotelic activities and flow-inducing activities. One should be naturally motivated to work on these activities. Do not fall victim to loser syndrome. When faced with undesirable circumstances, draw a happy line and become determined to not fall below it.

12

Craft Your World

Chi-wai is a successful pastry chef, and the owner of J'aime bien Patisserie. She was named one of the most successful alumni of the Le Cordon Bleu culinary academy.⁵⁵ For the majority of her professional life, however, the world that she found herself in was very different from where she is today. She did not grow up dreaming about being a pastry chef in a five star hotel. She never thought of running a pastry shop or being praised by the media. She had to craft a new world into existence.

Her story reminds us that consistent effort over time leads to big changes.

It all started when she questioned the status quo. After graduating with a degree in accounting, she joined a publicly listed company as an internal auditor. From there, she led a high-paid, professional life for about ten years. Work was sufficiently challenging. Financially, she was also secure. From the outside, her world looked stable and successful.

Yet, something was missing. Chi-wai recounted the story and said, “I didn’t want to just keep doing that.” At the time, she wasn’t really thinking about a second career. “I just wanted to explore and see what was out there,” she said.

With that, Chi-wai started her journey to craft her own world.

⁵⁵ <https://www.cordonbleu.edu/london/alumni-chi-wai-wong-suertong-success-story/en>

She started to travel. She started to get into different hobbies, including climbing and cooking. By going outside of her routine, she started to get to know herself better. In a nutrition class, Chi-wai met a young lady who had recently graduated from the Le Cordon Bleu culinary academy. Her story intrigued Chi-wai. She started to dream about all the possibilities that could arise from joining the Le Cordon Bleu culinary academy.

Chi-wai was reimagining her life. She was practicing odyssey planning. She left her life one (being an accountant) and started to explore what lives two and three might offer.

In your journey to craft your world, you start with knowing yourself. As you work on your good time journal, and odyssey planning, your goal is simply to start rather than to find answers.

Like Chi-wai, she wasn't trying to find an answer. She was exploring and giving herself the opportunity to discover. Her pivotal moment was during a nutrition class. It was not planned, but if she had never started to explore, the moment may not have come. As she researched Le Cordon Bleu culinary academy, she realized that she may have found her calling.

Talking to Chi-wai today, I am not sure if, at the time, she realized this would become her new identity. At that point, she just saw the opportunity as a change. "No change, no gain," she said multiple times. Sometimes, a little leap of faith is required. She decided to quit her job and face the exciting unknown. She decided she would focus on French dessert and join a one-year training program.

In London, life was challenging but enjoyable. After being a professional for so many years, going back to school and becoming a beginner again was not all that easy. Chi-wai recalls having to adjust her mindset. She was completely outside her comfort zone. She had to overcome challenges by working harder than anyone else. She got to school early and stayed late. She repeated the skills that she wasn't able to master over and over again.

Chi-wai has found her craft: something she enjoys doing and something she is good at. "Being able to pursue what you love is a wonderful experience.

CRAFT Your WORLD

Even when it's hard, it's worthwhile," Chi-wai said as she recalled some of the difficulties she faced during the one-year training.

The easiest way to discover your craft is to start with your hobby. You may already have something that you enjoy doing and want to get better at. It is important to find something that improving at feels challenging and exciting. Like Chi-wai, if you don't yet know where to start, go explore. Find new hobbies or dig up old ones.

When Chi-wai graduated from Le Cordon Bleu, she had already determined that she would never be known as an auditor again. She would be known as Chef Wai. She was already dreaming of owning her own pastry shop one day, but she realized this would take time.

Leaving London, Chi-wai started her journey into the entrepreneurship hierarchy. She entered the hierarchy at layer two: *doing what you love while achieving financial freedom* and working toward layer three: *know yourself, solve problems*. Chi-wai had skipped layer one: *escaping the rat race*. While she was not wealthy, her main goal of owning a pastry shop one day was not driven by money.

Chi-wai followed the classic way to enter entrepreneurship at layer two: starting with a side hustle. She made desserts at home and sold them online. She focused on making *gâteau au citron*, her signature lemon cake. At first, she sold it to friends and family. Through word of mouth, business started to grow.

Soon, someone approached her to start a boutique coffee shop together. She jumped at the opportunity and became a partner at the coffee shop. The other partners were in charge of making coffee while she produced cakes and bread. *Gâteau au citron* became one of the key attractions.

Through the coffee shop, Chi-wai started to gain media exposure. She also gained experience of working with staff in a retail setting. Most importantly, she learned that she enjoyed talking to customers and talking about desserts.

After a year working at the coffee shop, she decided to move on and started her very own pastry shop. “In the coffee shop, coffee comes first; the cakes are just supporting cast members. Now, I want all the spotlight on my desserts,” Chi-wai explained.

In addition, through the partnership, she learned that she would much prefer to be a solopreneur. “This is something I didn’t understand prior to the coffee shop experience,” she said. “I always thought I wanted to be in a partnership with others to support me. It turned out that is not true.”

Finding a storefront was her first target. In planning where the shop should be located, she knew that she was targeting people, especially ladies, in the upper middle class. Therefore, she decided the shop should be located in an upscale neighborhood.

She started looking at locations in Central, the business center of Hong Kong. However soon she realized that Central was completely out of her budget. Next, she looked at taking over existing bakeries to save on construction costs. That also turned out to be a dead end as the style she was aiming for was hard to find. Between location, size, and style, Chi-wai chose style first, then location, and she compromised on size.

Chi-wai was clear about her target audience: upper-middle-class ladies. *Do you have a clear and well defined target audience?*

How do you find your market? Perhaps you can look at solving mundane business problems around you. Or you can look at the two deadly sins—sloth and pride—as guidance. Or, like Chi-wai, you too can look toward serving your own tribe. Chi-wai herself loves dessert. She was part of the upper-middle-class ladies’ club.

Chi-wai ultimately picked a location called “the Backyard of Wan Chai,” an upscale residential neighborhood just blocks away from the busiest part of Hong Kong.

With a limited budget, Chi-wai set realistic goals. From equipment to store front, she tried to achieve her dream while conserving as much funding as

CRAFT Your WORLD

possible. The shop only had three small tables and six seats. It was noticeably smaller than the coffee shop that she came from.

“People don’t eat cakes every day. So, I started small. I’d rather have a sustainable business,” Chi-wai explained.

J’aime Bien Patisserie, a little, yet sweet, specialty dessert shop, was born. Chi-wai had successfully transformed from Auditor Wai to Chef Wai. Her new world was crafted into existence.

Things started slowly. The location was kind of obscure—one had to be specifically looking for it to get there. In the beginning, Chi-wai spent most of her time in the kitchen. When things were slow, she focused on her creations. She came up with desserts based on the season and reset the entire menu at least once a quarter.

When asked if she worried about making the wrong choice when opening her own shop, she said, “Of course I was worried. There were times that only one or two friends would show up in an entire day. I tried to tell myself to focus on whoever was there and to delight whoever showed up.”

Her perseverance eventually paid off. The shop started to make a profit after a year and a half.

What allowed Chi-wai to persevere through tough times was her love of pastry and her ability to transform worry into creative energy.

I asked if she had put together a business plan when she started. Chi-wai laughed and said, “Not the ones that you are talking about. I did have a rough idea of expenses and income, but not in any detailed format. What I focused on was lowering operating expenses as much as possible in order to survive for a longer period of time.”

Chi-wai did have a plan in mind, even though she did not actually write it down. She was clear about her value proposition: creating specialty desserts one couldn’t find in big chains. When the shop was not busy, she focused on creation. She continued to experiment with short PDCA cycles.

Could her story have turned out differently? Could she have run out of money and ended up closing her shop? Are we falling into survivorship bias by studying her case?

Within any success stories are tiny failures and pivots. When learning from others, we should always study how people make small decisions and how they overcome pitfalls.

In the case of Chi-wai, she chose a tiny shop to maximize her chances of survival. If J'aime bien Patisserie had failed, my guess is that she would have taken a step back. Maybe she would have gone back to work at the coffee shop, or maybe back to selling cakes online. Since she took small steps throughout her journey, she could always fall back, get back on her feet, and try again.

Over the years, Chi-wai's sweet creations attracted a group of loyal customers, including celebrities and high-ranking officials. One surprise outcome was that she got into wholesaling. She was approached by coffee shops and other businesses to be the supplier of desserts for them.

"The wholesaling business creates a stable income source for me," Chi-wai said.

In creating stable income sources, Chi-wai had another idea. Since she enjoyed discussing desserts with customers, she created a membership service called Fun Patisserie Club. The club convenes twice a month to talk about desserts, from the history of cakes, to how to make them, to how to enjoy them.

"There is a correct way to eat each cake," Chi-wai said, "My cakes are more art than food, so I want everyone to enjoy them correctly."

Chi-wai's Fun Patisserie Club is one of those ideas that sounded crazy before it was realized. She is creating her own tribe, her own group of *Fat-Siu-Yau* (發燒友). For the right people, this club is invaluable. Someone out there always wants to learn how to correctly enjoy little cakes, to know what's in each layer, and even the history in each layer. Chi-wai's Fun Patisserie Club

CRAFT Your WORLD

became the cornerstone of her business. It generated income, created loyal customers, and brought in new customers month to month.

A year ago, ten years after applying to the Le Cordon Bleu culinary academy, Chi-wai closed J'aime Bien Patisserie and permanently moved to London. Is she planning to start another shop in London? Is she moving her Fun Patisserie Club online? While we wait to find out, we know that she has found what she loved to do and will continue to craft her own world.

Are you still waiting for the right time to start?

During the early years of the internet, software companies had to have server rooms to house their own servers. I remember working in a small startup in 1999 and we had a server room with a raised floor and the temperature set to extremely low.

Fast forward to 2008, when I started to build iFormBuilder, I learned of a company called Slicehost. Through them, I was able to rent a slice of a server for \$20 a month. With the help of Slicehost, I was able to create my own server farm without ever touching hardware.

Those were the early days of cloud computing. Today, startup founders don't even need to understand how servers work.

The same is true for other aspects of running a business. From accounting, to legal, to human resources, what used to take a team to do now can all be done through various software as a service (SaaS) companies. You can form a business on LegalZoom with a few clicks online. Tasks like graphic design and website design can now be handled by the business owner themselves. Sites like Patreon and Medium allow content creators to monetize their creations. Fiverr and Freelancer connect independent contractors to their projects.

If you are willing to learn, you can handle every aspect of your business by yourself. If you are willing to try, there are more than enough ways for you to turn your skillset into a living.

There has never been a better time to start your own business.

According to the U.S. Census Bureau, business registration went up from around 300,000 cases per month in late 2019 to over 500,000 cases a month in June 2020, and they continue to stay above pre-pandemic levels.⁵⁶ The

⁵⁶ https://www.census.gov/econ/bfs/pdf/bfs_current.pdf

CRAFT Your WORLD

pandemic caused many people to rethink their current situation. Many decided it was time to start jumping into the entrepreneurship journey.⁵⁷

The world may seem upside down. With the pandemic, politics, and many external factors, you may feel the world is moving in the wrong direction. I want to tell you that you are in complete control of your own destiny. All you need to do is to put on a pair of shoes, open the door, and go.

You don't have to change the world. You just have to *change your world*.

⁵⁷ <https://www.weforum.org/agenda/2021/11/the-great-resignation-people-quitting-work-to-start-their-own-businesses>

