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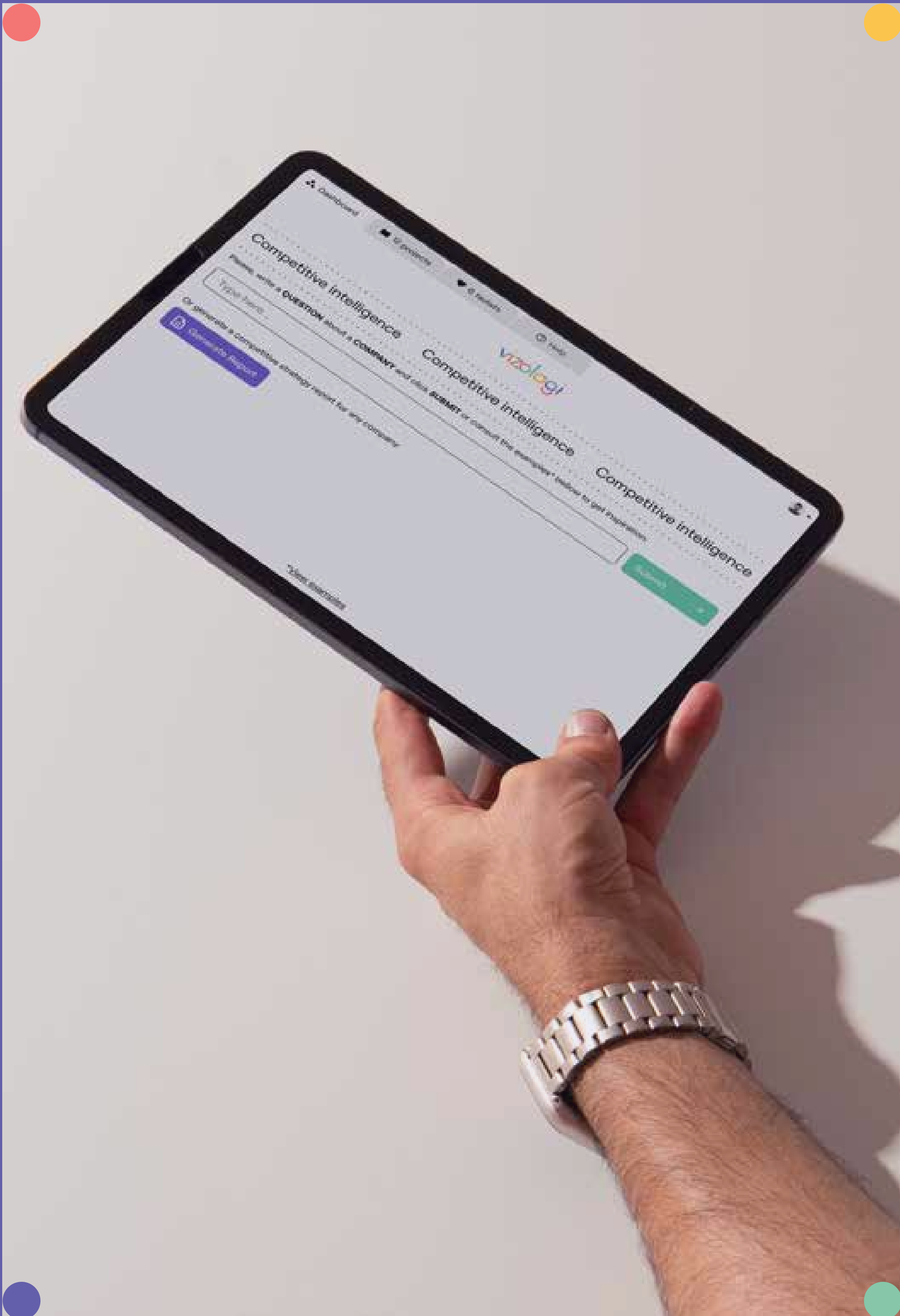

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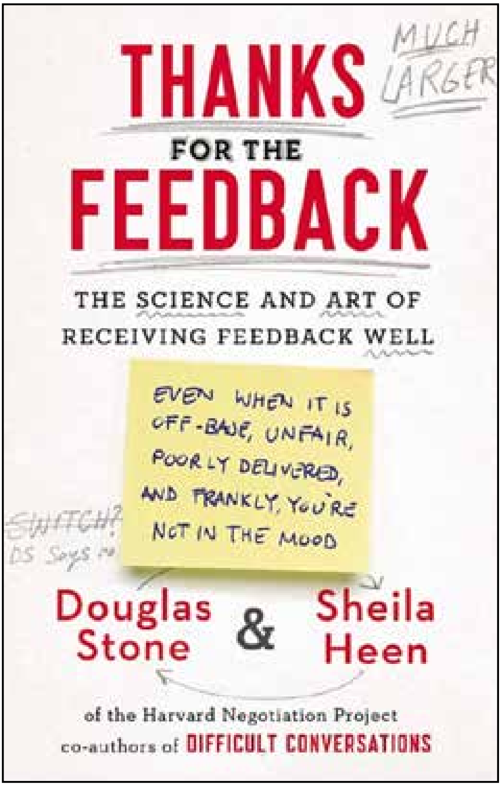
Thanks for the Feedback: The Science and Art of Receiving Feedback Well

By: **DOUGLAS STONE & SHEILA HEEN**

Many of us dread "feedback season". While some exit their reviews happily and even closer to their managers or mentors, others aren't always so lucky and leave theirs dejected and defeated. Regardless of the feedback you receive, however, there are research-backed steps you can take to come out on top, make the conversation productive and positive, and recover from any negative feedback. On the other hand, for those who conduct the reviews, also learn how to make your feedback delivery fruitful and mutually beneficial, rather than an awkward exercise. Catalyze the types of changes you look for in your employees this year with concepts such as feedback triggers and how to avoid them, why you should look beyond feedback labels, and how your body language and facial expressions can give you away.



TOP 20 INSIGHTS

- There are three main types of feedback: 1) appreciation (i.e. “thanks”), 2) coaching (i.e. “this is a better way”), and 3) evaluation (i.e. “you scored poorly”). Employees and company culture thrive the most when managers are capable to give feedback in all three areas.
- During feedback delivery, evaluation-type feedback should come first. Coaching-type feedback should then wait at least a few days. Evaluations are so psychologically striking that any coaching delivered immediately after will be lost.
- For appreciation-type feedback to resonate, three prerequisites must be present. The feedback must be 1) specific, 2) authentic, and 3) in a form valued by the recipient. Possible forms include gestures such as public recognition, monetary compensation, heartfelt private conversations, or promotions and titles.
- Feedback often comes via generic labels, such as “be more assertive” or “be more proactive.” Cut through vagueness and prove for specificity in two areas: 1) What was the actual observation of your behavior and the interpretation of it, and 2) What advice do they have as a result?
- To better receive feedback that you disagree with outright, try to understand what’s right about the reviewer’s vantage point or approach. You can salvage the relationship and glean some good from the feedback if you acknowledge the details you do agree with.
- A major blind spot for both the feedback deliverer and the recipient is facial expression and tone. Others can see how you really feel more accurately than you think due to evolutionary skills that promoted human cooperation and competition. Research has also shown that we can’t accurately judge the tone of our own voice while we are speaking.
- To identify your blind spots, simply monitor yourself for outsized reactions to the feedback you receive. When you say, “What could they be thinking” or “What’s their problem”, your blind spot red flag should also be waving.
- Go to your harshest critic to maximize your growth potential via feedback. Those with whom you always seem to have tension will be able to cut through to the spots where you need work. While challenging, this practice can be the most rewarding.
- Your reaction to feedback is a combination of three variables unique to each individual: 1) Your baseline level of happiness, 2) The depth of the swing your mood takes with the reception of feedback, and 3) Sustain and recovery, or how long it takes you to return to baseline.
- Be mindful of how these three feedback variables are at play in your own feedback experiences. For example, those who recover more quickly from negative feedback may bounce back more confidently. However, they may not take valuable feedback as much to heart and ignore opportunities to correct significant issues.
- When you deliver feedback, be sensitive to the recipient and understand that “baseline happiness,” “swing,” and “sustain and recovery” can vary as much as 3,000% from person to person. Your reaction to perceived minor feedback will not be how another person would process the same piece of information

emotionally.

- Research indicates that baseline happiness has a 50-40-10 split. 50% seems to be wired in, 40% is how we interpret and respond to what happens to us, and only 10% is based on circumstances. This breakdown allows a significant margin where intentional positive interpretations can make a difference.
- Don't attempt to hide one piece of negative feedback in a mountain of positive comments – you won't be successful. Psychologists explain how humans developed stronger emotional and physical responses to threats and danger versus positive experiences as a means of survival and will therefore always notice the negative.
- Prepare to receive potentially challenging feedback with a refusal to accept simple identity labels. Since feedback often threatens our sense of self, this mindset will put you on solid ground.
- Another mindset shift to embrace is a growth mindset rather than a fixed mindset. This allows you to see new possibilities alongside negative feedback rather than a poor picture of your skills or qualities.
- To motivate employees and encourage healthy risk-taking, praise effort rather than talent. Say, "I appreciate your dedication" instead of "You're really smart." Studies demonstrate that this approach motivates people for new challenges.
- If your manager points you towards a better way, don't assume he or she thinks poorly of you. Keep in mind that coaching-type and evaluation-type feedback are not the same.
- Research shows that humans are wired for empathy only if we deem the other person good or fair. This means that to internalize what the other person is saying, there must be mutual respect. At the very least, limit any offenses around the time of feedback.
- Can't stand the person who is going to give you feedback that you're sure you'll disagree with? If this is unavoidable and you expect conflict to occur, make it known that your primary goal is "understanding." Remind yourself that there is no obligation to agree with or change as a result of their claims.
- A powerful tactic for when you disagree with a piece of feedback and want to assert your viewpoint is not to prove the other person wrong. Instead, state what's been left out. When you express that they might not have all the information for a fairly constructed feedback.

SUMMARY

Before you start on the next review cycle, understand the latest research on the delivery and reception of feedback. From this book summary, learn about the three contexts that block feedback and the three different kinds of feedback: appreciation, coaching, and evaluation. Find out how to move beyond your blind spots and really see what people have been trying to tell you for years. Discover ways to increase resiliency and positivity while receiving feedback. Finally, learn how to stand up for yourself throughout this feedback process without being defensive or threatening.

THREE FEEDBACK "TRIGGERS"

We all know the heart-pounding, anxiety-inducing, tunnel-vision feelings that go along with negative feedback. Such reactions often mean we have been triggered, in other words, feel threatened by the feedback. There are three main types of triggers that can lead to someone reacting this way. If you trigger someone while sharing feedback, they will likely reject your feedback and block it out. Understanding these triggers can help you avoid upsetting others when giving feedback and be more aware of your reactions when receiving feedback. The three triggers are:

- Truth Triggers – Feedback you think is untrue
- Relationship Triggers – Feedback that comes from someone with whom you have a complex relationship
- Identity Triggers – Feedback that threatens your core identity

TRUTH TRIGGERS

"Managing truth triggers is...about recognizing that it's always more complicated than it appears and working hard to first understand."

Feedback has undoubtedly hit a "truth trigger" when the response is outright denial and offense. But there's a strong chance the recipient just hasn't truly understood what the deliverer is trying to say. Be alert to feelings of denial and be aware that it means you need to ask deeper-level questions to be sure you're getting under the surface of the feedback. You can't say it's wrong unless you understand what's being said.

RELATIONSHIP TRIGGERS

"Feedback in relationships is rarely the story of you or me. It's more often the story of you and me."

Feedback is blocked by a relationship trigger when we reject the information on account of the deliverer. You may have been receptive to the feedback from someone else, but it is a non-starter coming from this person. Maybe you don't think very highly of them, they're likely to have ulterior motives, or your personalities just don't jive. Whatever the reason, be sure not to let your relationship with them get in the way of benefiting from the core of the feedback they're sharing. Side-barring to the issues in your relationship can be a big distraction from insights they have about your performance, as much as you may hate to admit it.

IDENTITY TRIGGERS

When feedback strikes at the core of how we envision ourselves, we will instinctively block it out to ward off the threat. The feedback has hit too close to home, and our defenses go up. Being open to this kind of feedback invites a certain vulnerability, but the growth opportunities abound if you're willing to go there. Prepare yourself for this kind of feedback by taking the initiative to reflect on your own personal "wiring" and level of resiliency. Put the feedback in its place as just that – feedback – not a judgment on your entire person. Adopt a growth mentality and be open to shifting your viewpoint on what you could be capable of.

THREE KINDS OF FEEDBACK

APPRECIATIVE FEEDBACK

The greatest insights about performance and skills at work will fall on deaf ears if there isn't a basis of relationship between the two people. But you can create one by using appreciative feedback. The other two types of feedback – coaching and evaluation – are where the real "meat" of performance improvement occurs, but all three types are essential. You may think you're doing a good job at showing thanks to employees, but consider asking yourself a few questions to ensure the appreciative feedback is resonating.

First, be sure it's authentic. Saying "thanks everyone!" before going home early is not likely to have a positive effect, especially if everyone is hearing it at the same time. Take the time to think about a specific task someone did that took something off your plate or was proactive and helpful. Once you have that in mind, communicate your gratitude to them in a way that they are most likely to feel good about. For example, for the ladder-climber, mention their excellent work in front of another senior colleague. For an introverted staff member who prefers one-on-one conversations, stop by his office and share your praise. Authenticity, specificity, and format are all key to making the most out of the ways you express gratitude.

COACHING FEEDBACK

Coaching is aimed at trying to help someone learn, grow, or change. The focus is on helping the person improve.

Coaching will always include some level of evaluation. After all, when we're told to do things a different way, that feedback implies our current performance is at least somewhat inadequate. But if you find yourself receiving coaching feedback, consider yourself lucky, because this is the type of input that builds mentorship and helps you improve. Often, coaching feedback comes along with being assigned greater responsibility or additional tasks. This is a sign that others trust you to take on more, and their feedback is usually a good-natured attempt to help you meet those challenges. As discussed earlier, many people fail to deliver coaching feedback sensitively, and the feedback recipient could be triggered to block it out. However, keep in mind that most people are in it to help you improve to meet the expectations and demands head.

EVALUATIVE FEEDBACK

Evaluation tells you where you stand. It's a direct assessment, ranking, or rating.

Many people balk at evaluation out of fear of falling short, but everyone admits that it's something they think about. For this reason, evaluative feedback must come before coaching. If you provide coaching without evaluation, you can be sure the recipient's inner monologue is filling in the gaps. When evaluations are solid, they help calm fears and assure employees that they are in good standing. Don't fall into the trap of sharing coaching and evaluation in the same breath, however. Reactions to evaluations are so powerful that the receiver is momentarily distracted so much such that he or she is unable to fully process the coaching feedback that would follow.

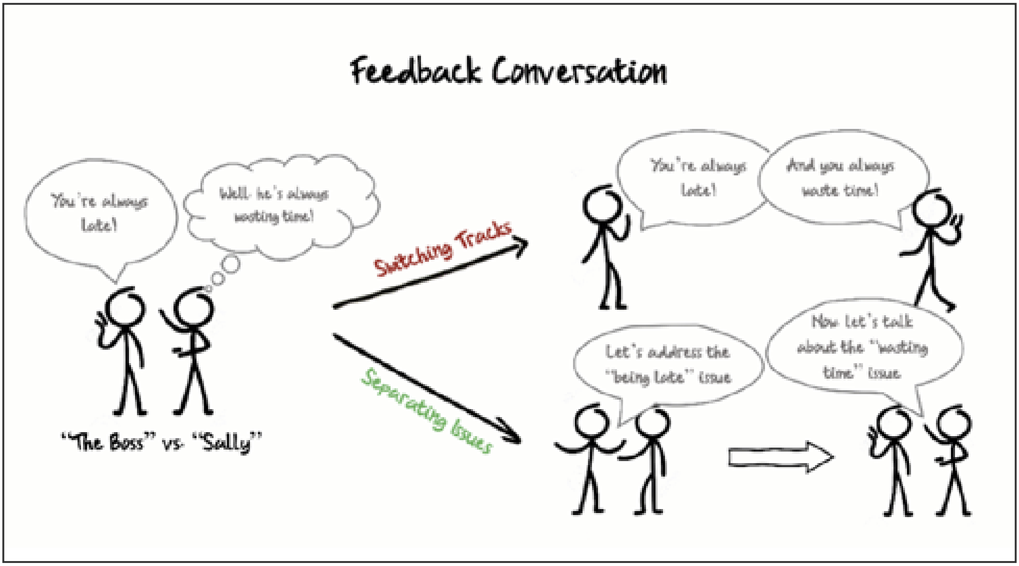
The best practice is to consistently express appreciation, regularly provide evaluations for employees, and then, after at least one day, give coaching feedback for areas to improve.

TACTICS TO BETTER RECEIVE FEEDBACK

We've covered the feedback basics. There are three types of feedback and three types of triggers that can cause you to block out what might otherwise be helpful information. You can use that knowledge to both be a better feedback deliverer as well as improving your preparation and awareness when receiving feedback. Here are some additional tactics you can employ to harness this information during your review cycle.

DON'T SWITCH TRACKS

"Switching tracks," or jumping between two issues, occurs when someone is experiencing a "relationship trigger." Maybe Sally's boss has pointed out that she's been ten minutes late every morning this week. She's irked because yes, she's been late, but she's also seen her boss surfing Facebook at work in the afternoons, and he takes extended lunches almost daily. How is wasting company time during the day any different than first thing in the morning? Sally thinks he's a hypocrite and is angered he would even bring it up given the way he spends his time. Sally needs to mentally acknowledge that there are two issues at play, as is usually the case with relationship triggers, and make every effort not to "switch tracks." The first issue



is Sally's tardiness. The second issue is the way she's witnessed her boss spending company time during the day. If Sally and her boss both fixate on what the other person is doing wrong and deny the other's claims about their behavior, they'll be talking past each other and not make any progress. Before the conversation spirals out of control, Sally should make a mental note of the dual issues at play and make every effort to focus on them individually rather than always "switching tracks."

ILLUMINATE YOUR BLIND SPOTS

Let's take the same example. What if I told you that Sally had been ten minutes late at least three out of five days a week for the last couple of months? Everyone has "blind spots" that relate to the macro patterns in their life and the way they do things. Others can readily identify these for you, but chances are they haven't, unless you've asked them to be honest, and you have a strong relationship. Think about people you know; Consider the friend who's always starting a new workout regimen, your sister who claims she'll be satisfied after just one more remodeling project, or your colleague who insists he'll give up his workaholic tendencies this year.

People tend to return to their habits and patterns on a macro level, and most of us are blind to how we do the same. Sally is committed to her job and being a good employee, she just chronically underestimates the time it takes to get out the door. She never does a good job of budgeting her time in the morning but has never identified her own actions as the problem. One day it's traffic, and the next day it's a broken elevator. She always has an excuse, and she doesn't realize how often it happens.

So how can Sally illuminate her blind spots, and how can you, too, for that matter? Sally may think she knows everything about what's going on, but consider that the list of what she actually knows and can tell is quite short. What her boss can perceive about the situation is substantial. Contrary to what most people think, others have a far better read on our behavior than we do of ourselves.

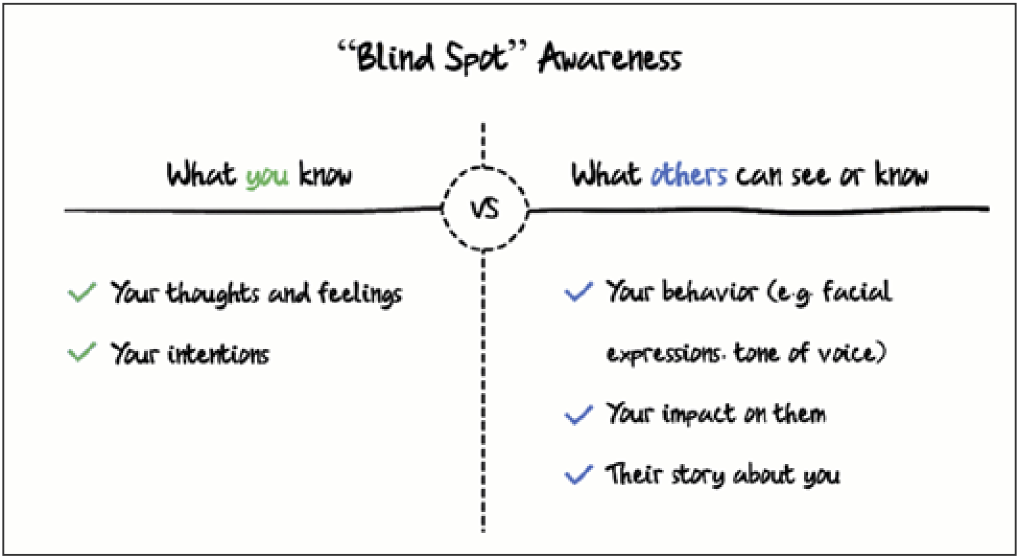
"Who can see your face? Everyone. Who can't see your face? You."

Humans have evolved to be excellent judges of one's emotions and intentions by reading faces. While you think you may be adequately disguising your feelings, it's already all over your face, and yet you have no idea.

By studying infant brain development, researchers have identified the part of the brain that activates when a human can accurately judge different voice tones and their implications. Ever wonder why your own voice sounds funny when you hear it recorded and played back? It's because researchers found that when you are talking, the "tone" part of the brain shuts off and you're unable to hear how you really come across. Your inability to hear how you sound or see what your face looks like when you communicate something means that others are much better judges of your behavior and expressions.

While you can't change some of these factors, you can take some steps to make your blind spots, especially your macro patterns, more visible to you. The first thing you can do is keep on high alert for your "truth trigger." When your first reaction is to say, "That's not true!" or "Where on earth did they get that?", consider that they may have identified a blind spot. In these cases, let your guard down and try to be receptive. When having a feedback conversation, ask, "How do you see me getting in my own way?" This question invites their specific assessment of your behavior and is much more effective at drawing out blind spot observations than a general, "How am I doing?"

Lastly, don't be afraid to go to the tough places for criticism. People with whom you've always had tension or disagreement probably have insight into your blind spots. Supporters may not be as honest or may have the same blind spots in common with you.



HOW TO PRODUCTIVELY DISAGREE

Listening and discussing feedback with someone doesn't mean that you must agree with them. In fact, many times the feedback is misguided or at the least missing crucial information. They haven't heard your side of the story. There's a way to communicate your viewpoint without being off-putting or saying "that's wrong" outright.

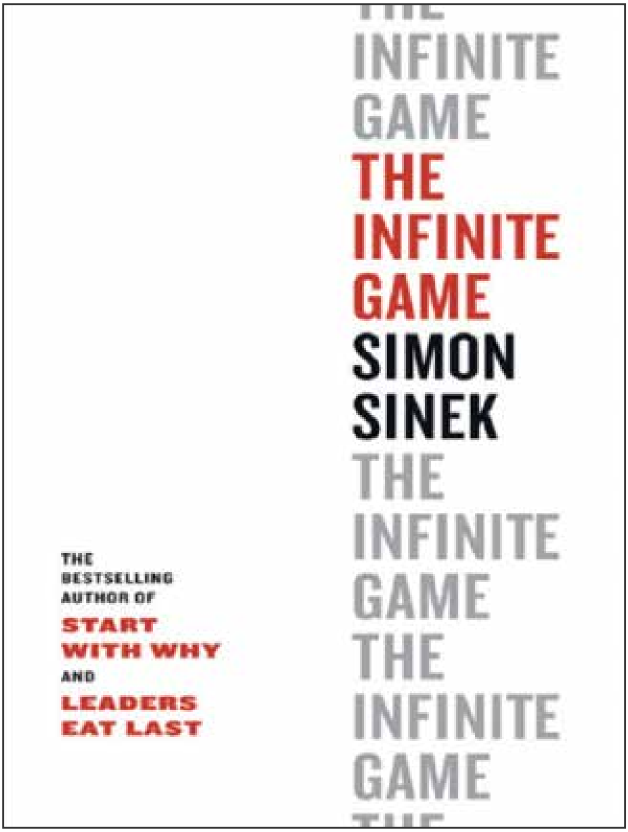
Instead of outright denying the feedback, position your comment as additional information. Use phrases like "You may not know that…" or "As context…" You know that this information nullifies their feedback, but they don't have to hear it that way. This tactic preserves the relationship while also ensuring your side of the story is heard and being considered.

The Infinite Game

By: **SIMON SINEK**

Most leaders are playing the wrong game. When you play with a finite mindset in the infinite game of business, you lose trust, cooperation, and innovation along the way. In contrast, infinite-minded leaders create much stronger and competitive organizations. They even shape our future and leave behind resilient organizations and legacy that last generations.

Read this summary to learn the five principles that make someone an infinite-minded leader who inspires loyalty and ultimately advances a greater cause.



TOP 20 INSIGHTS

- There are two types of games: finite and infinite games. Finite games have clear rules, well-defined beginnings and endings, and clear winners and losers. Infinite games have fuzzy rules, no clearly defined "win," and players can change the way they play anytime. The objective is to keep playing for as long as possible.
- Business is an infinite game where players have different strategies, and there is no end to the game. Companies define "winning" differently - Market Share, Revenue, or Customer metrics. Companies emerge, grow, and become bankrupt while the infinite game goes on. To succeed in this infinite game, shift the focus from "winning" every quarter to building resilient organizations that can last many decades.
- Long-term interests of the company can be threatened when you play with a finite mindset in the infinite game of business. An obsession with short-term metrics prioritizes urgency over importance, which leads to disastrous strategies and extreme measures to cut costs. This aggression not only sets the company up for eventual failure but also creates a culture of insecurity.
- Companies that operate with a finite mindset are designed for stability. While they might produce quarterly results, they are not prepared to handle disruptions. In contrast, companies that play the infinite game are designed to embrace unpredictable situations and adapt to them. Infinite minded organizations think in terms of generations, not quarters.
- The five essential principles for the infinite mindset are: 1) exist to further a just cause, 2) build trust in teams, 3) find worthy rivals, 4) display existential flexibility to make extreme strategic shifts, and 5) find the courage to lead with an infinite mindset.
- A Just Cause is a clear future vision that is bigger than the organization that it serves to further. The Just Cause provides the long-term motivation, direction, and purpose required to play the infinite game. It creates customer loyalty, brings out the best in employees, and gives the organization both strength and longevity.
- The core task of a CEO is not to manage operations. The CEO should be the Chief Vision Officer who communicates the Just Cause to the team and ensures that C-level executives direct their efforts to advance it. The best-run organizations have a CEO who focuses on the long-term and a COO who focuses on business plans and operations.
- High-speed growth is no indicator that a company is built to last. While a finite minded leader sees growth as an end in itself, an infinite-minded leader considers it to be an adjustable variable. Sometimes it is essential to slow down growth to ensure the long-term security of the organization and that it is actually equipped to handle rapid growth.
- Milton Friedman's theory that the sole purpose of a business is to make profits for shareholders has resulted in short-termist practices, such as annual layoffs, that harm the organization, its people, and the community. An infinite-minded leader must consider both shareholders and employees as contributors. While the former contributes resources, the latter invests time and energy. Both must be justly rewarded.

- Businesses that play the Infinite Game must have three pillars: 1) advance a higher cause, 2) protect employees, customers, and the environment, and 3) generate profits to continue its success for as long as possible.
- Organizations have two currencies in the Infinite Game: will and resources. While resources come from investors and customers, will is the motivation within the organization. During tough times, finite-minded leaders see people as a cost and prioritize resources over will. In contrast, infinite-minded leaders prioritize will and understand that motivation drives discretionary effort and creativity, the basis for long-term growth.
- Organizations that resort to perks and incentives to generate will create a mercenary culture with little employee loyalty. However, an organization that cares about its employees and offers them a Just Cause creates zealots who are highly motivated because they genuinely believe in the cause.
- Leaders have limited control over resources as they may vary due to market conditions. However, they can generate an endless supply of will that increases loyalty and drives long-term performance. Those who prioritize will over resources gain both in the long run.
- Trust is central to organizational will. Leaders should create Circles of Safety, where employees feel safe to admit mistakes and seek help. This leads to improved performance in the long run.
- The Navy SEALS, one of the top-performing teams globally, selects members based on both performance and trust. When forced to choose between a high-performance, low-trust individual and a low-performance, high-trust one, the SEALS prefer the latter. This is because high-performance, low-trust individuals tend to prioritize their achievements at the cost of the team and can contribute to a toxic culture.
- Ethical Fading happens when the organizational culture permits employees to perform ethically dubious acts and still feel they have not done anything wrong. Every small indiscretion can send a message to the entire team that the behavior is permissible. Over time, this leads to larger unethical acts with devastating long-term costs.
- In response to Ethical Fading, finite-minded leaders usually introduce more processes and rules. But Ethical Fading is a people problem that is best solved by a clear, inspiring Just Cause and trustworthy teams that always encourage accountability .
- In an infinite game, competitors are not opponents to be defeated but “worthy rivals” who continuously push the organization to do better. In an Infinite game, more than one organization can simultaneously do well.
- Infinite-minded leaders have the Existential Flexibility to risk extreme disruption in product or strategy even during good times. While this may seem risky to a finite-minded leader, the infinite-minded leader understands that it is a far more significant risk to stagnate and continue down the current safe path.
- Kodak got disrupted by the digital camera, ironically first invented by their own R&D teams. Obsessed with the finite game of short-term revenues, Kodak’s leadership did not have the Existential Flexibility to disrupt its profitable businesses to pioneer the digital camera. Finally, their competitors caught up, patents expired, and Kodak had to file for bankruptcy.

SUMMARY

Too often, leaders play with a finite mindset and obsession over quarterly figures. This leads to measures that can be extremely costly in the long run. Simon Sinek shows us how business is an infinite game and gives us five well-defined principles for success. Learn how to find a Just Cause that inspires employees and generates customer loyalty, build trusting teams that perform exceptionally well, find worthy rivals to learn from, be flexible enough to make drastic shifts, and discover the courage to lead in the infinite game. Read this summary to know what it takes to create and lead transformational organizations that create impact, loyalty, and last for generations.

FINITE VS. INFINITE GAMES

There are finite games and infinite games in life. Finite games have a clear beginning, middle, and end. There are known players, fixed rules enforced by referees, and agreed-upon objectives. Think of football, for example. Infinite games, by contrast, are played by known and unknown players. There are no clear agreed-upon rules, and each player can change the way they play any time. Infinite games have no end or clear definition of what it means to "win". The objective is to keep playing. There is no winning in infinite games like friendship, marriage, or business. These are continuous journeys and not just one-off occasions.

BUSINESS IS AN INFINITE GAME

Business is an infinite game in which we may not know all the players who each have their own strategies. While there are time frames like quarterly results to evaluate performance, there is no end to the game. For some companies, being number one is based on the number of customers served while another company might use revenue metrics. There is no single metric for "winning" business.

The finite game ends when the time is up, and the players live on. In contrast, in the Infinite game, the game lives on while players come and go. In business, this is called bankruptcy. To succeed in the infinite game of business, we need to shift focus from thinking about who wins to focus on building resilient organizations that last generations.

A finite-minded leader works to get something from employees, customers, and shareholders to meet targets. In contrast, an infinite-minded leader ensures that employees, customers, and shareholders continue to contribute to the organization beyond their tenure. He looks beyond what is best for the company and inspire teams to advance towards a vision of the future that benefits everyone. Metrics are only markers of progress towards that vision.

STABILITY VS. RESILIENCE

While companies playing the finite game are built for stability, those that play the infinite game are geared for resilience. Companies built for stability might weather some challenges, but they are not prepared for unpredictable disruptions. Resilient companies embrace surprises and adapt to them.

THINKING IN GENERATIONS

After 9/11, Victorinox Swiss Army knives were banned from carry-on luggage, presenting an existential challenge to a company where knives accounted for 95% of sales. Instead of extreme cost-cutting and layoffs, they doubled down on product development to inspire their team to leverage the brand in new markets. Today, knives account for only 35% of sales. The company has doubled its revenues by venturing into travel gear, watches, etc. As its CEO Carl Elsener says, "We do not think in quarters. We think in generations".

THE DANGER OF PLAYING WITH A FINITE MINDSET

When Apple launched the iPod, Microsoft responded by releasing the elegantly designed, feature-rich Zune to capture Apple's market share. While Microsoft was obsessed with Apple, Apple, under the infinite-minded Steve Jobs, was not competing with Microsoft. Apple was focused on outdoing itself. Within a year of the Zune's launch, Apple released the iPhone that redefined smartphones and made both the Zune and the iPod virtually obsolete. Infinite-mindedness opens novel paths to innovation. Playing with a finite-mindset in the infinite game of business will lead to decisions that sabotage the long-term interests of the company. When companies prioritize competition and winning, their corporate strategy, product strategy, and incentive structures will be designed to meet finite goals. This pushes the entire company to focus excessively on the urgent at the cost of the important. A finite-minded focus on near-term numbers can lead to problematic strategies like reducing R&D investment, extreme cost-cutting, layoffs, etc. These can be disastrous for the company culture and lead to insecurity, excessive caution, aggressive tactics, and a survival mentality.

FIVE ESSENTIAL PRACTICES

In adopting an infinite mindset, consistency is more important than intensity. The Infinite Mindset requires the following five essential practices:

- Further a Just Cause
- Build Trusting Teams
- Find Worthy Rivals
- Prepare for Existential Flexibility
- Find the Courage to Lead

FIND YOUR JUST CAUSE

To lead in an infinite game, a leader must have a clear vision of a future state that is bigger than the organization that inspires people to work. This Just Cause provides sustained motivation beyond immediate rewards and encourages us to keep playing the infinite game.

Most purpose or vision statements are finite, generic, or self-centered and would not qualify as a Just Cause. A clear Just Cause must have five qualities:

1. FOR SOMETHING

It should be something the organization stands for and not something it is opposed to. Being against something, like defeating Apple in market share, frames the Cause as a finite game with a definite end.

2. OPEN TO EVERYONE

A powerful just cause inspires people to offer their time and effort to advance it. Early adopters own up the Just Cause and come to contribute. Infinite minded leaders seek out employees, customers, and investors who believe in their Just Cause.

3. FOR THE PRIMARY BENEFIT OF OTHERS

The primary benefit of the Just Cause must go to people other than the contributors. A leader must invest his time, energy, and skills to benefit those he leads and keep the infinite game going. An infinite-minded investor looks to advance a higher cause, which, when successful, can be highly profitable. A finite-minded investor has a mindset similar to a gambler. This overall service orientation creates loyalty among both customers and employees, giving the organization both strength and longevity.

4. RESILIENT TO POLITICAL, CULTURAL, AND TECHNOLOGICAL CHANGES

The Just Cause must be higher than products or services because in the infinite game, markets will rise and fall, and technological disruptions could render entire product ranges obsolete. For the infinite game, the Just Cause must be durable, resilient, and timeless. Products are only steps to advance the Cause.

5. IDEALISTIC, BOLD, AND UNACHIEVABLE

A Just Cause is an Ideal, which no matter how much has been achieved, is still relevant to inspire future action. It must always lie ahead, not behind.

Founders who have the infinite vision of the Just Cause must write it down so that the vision is shared across generations and inspires decisions consistent with it after the founder is gone.

THE CHIEF VISION OFFICER

Due to the pressure to value skills over mindset, finite minded leaders are too often promoted as CEOs when the role actually demands a visionary, infinite-minded leader. The CEO plays the role of a Chief Vision Officer who protects the vision, communicates the Just Cause, and ensures that C-level executive actions align with it. The Chief Vision officer is the keeper who focuses on the infinite horizon while the COO & CFO's are Operators who focus on the business plan. The best-run organizations have a partnership between these two complementary skillsets. The very operational skills and finite focus that makes people excel as CFO's make them ill-suited to being CEO.

FOLLOW THE RIGHT DEFINITION OF A BUSINESS

For the past 40 years, we've had a definition of business that harms enterprises and the system of capitalism itself. In 1970, Milton Friedman gave the theory of Shareholder primacy that drives most companies today. Simply put, this theory holds that the sole purpose of business is to make money within legal and ethical limits and that money belongs to shareholders. As this idea took hold, pay packages became tied to stock prices leading to practices like closing factories, keeping wages down, and annual layoffs that do incredible damage to the organization, people, and the community.

High-speed growth is not a guarantee that a company is built to last. For a finite leader, growth is the goal, while for an infinite leader, growth is an adjustable variable. A leader may slow down growth to ensure long-term security or to prepare an organization for withstanding the additional pressures that come with rapid growth. For companies to last generations, executives must not work exclusively for shareholder benefit. Both shareholders and employees are contributors. While one contributes capital, the other contributes time and energy.

<u>THREE PILLARS OF BUSINESS</u>

Business must have three pillars:

- Further a larger purpose
- Protect people. This includes employees, customers and the environment
- Generate profit. To remain viable and advance the above two pillars

Everyone contributor must have the opportunity to feel protected at work, be fairly compensated, and contribute to a bigger cause.

CHOOSE WILL OVER RESOURCES

There are two currencies required to play the infinite game: will and resources. Resources are tangible material elements like money that come from outside sources like investors and customers. Will comes from inside sources and includes morale, motivation, commitment, and the desire to engage. In hard times, when the two currencies conflict, finite-minded leaders prioritize resources resorting to decisions like layoffs and extreme cost-cutting. Infinite-minded leaders resist financial pressure and prioritize people. While finite-minded organizations see investing in people as a cost, infinite-minded leaders understand that will drives discretionary effort, creativity, and teamwork that are essential to long-term performance.

Using external motivations, like bonuses and perks, to generate will creates a mercenary culture where employees have little loyalty for the organization. In contrast, an organization where people are well-treated and intrinsically motivated creates zealots who work because they genuinely believe in the Just Cause. Leaders have limited control over resources, but they can generate infinite goodwill. When hard times strike, employees rally together to protect each other, the organization, and their leaders. Even a small bias for will over resources will create a culture where both will and resources are in abundance in the long run.

BUILD TRUSTING TEAMS

Trust is at the heart of organizational performance. When there is a lack of trust, employees feel forced to lie, hide information, and avoid asking for help when they need it. This prevents the real problems from surfacing.

A Circle of Safety is an environment where people feel safe to be vulnerable, admit mistakes, and ask for help with the confidence that the team will support them. A leader must continuously and actively cultivate this Circle of Safety.

When choosing team members, the NAVY SEALS, one of the highest performing teams on earth, grade them on both performance and trust. The obvious choices are those with high performance and high trust, while the definite rejects are those who score low in both. But when asked to choose between a high-performance, low-trust person and a low-performance, high-trust person, the SEALS preferred the latter. High-performance, low-trust candidates are toxic because they care about their career growth over the team. This creates an environment that makes it difficult for everyone around them and organizational performance can suffer over time.

While we have many metrics to measure performance, we barely have any to measure trust. Leaders are not responsible for results. They are responsible for people, who in turn are accountable for results. The best way to ensure performance is to create a trusting environment where information flows freely, mistakes are confessed, and help is sought for and received.

ETHICAL FADING

Ethical Fading happens when an organization's culture allows people to commit unethical acts while falsely believing that they have not compromised any principles. Small, dubious actions to achieve targets, when unchecked, send a message to employees that goals matter more than ethics. Ethical fading grows with every such act. Over the long run, ethical fading will create a far higher cost to the organization and its customers than the seeming short-term benefit it offers. When finite-minded leaders see Ethical Fading, they attack it by bringing in more processes. However, Ethical Fading is a people problem, and the best antidote is to provide a genuine Just Cause to care for and a trusting team. When employees are committed to a cause and feel accountable to their team, they are less likely to commit ethical failings.

FIND A WORTHY RIVAL

While a finite game makes us see competitors as opponents to be defeated, an infinite game helps us understand them as Worthy Rivals, who help us become better players. Worthy rivals can be organizations that do something as well as or better than our organization. This could be a superior product, higher customer loyalty, or better leadership. In an infinite game, more than one player can do well simultaneously. New entrants can make incumbents lose sight of their original vision and begin to compete with the new player on product metrics. Seeing the new entrant as a competitor leads them into this finite quagmire while considering them to be a Worthy Rival enables companies to use the opportunity to recommit to their Just Cause.

DISPLAY EXISTENTIAL FLEXIBILITY

Existential flexibility is the capacity of an infinite-minded leader to create an extreme disruption in strategy or product to advance the Just Cause better. This happens when the company is already successful. Great leaders continuously scan the horizon for opportunities and ideas to better promote the Just Cause. While a finite-minded leader thinks the risk is not worth it, an infinite-minded leader sees that staying on the existing path is a more significant risk.

FINITE GAMES COME AT A COST

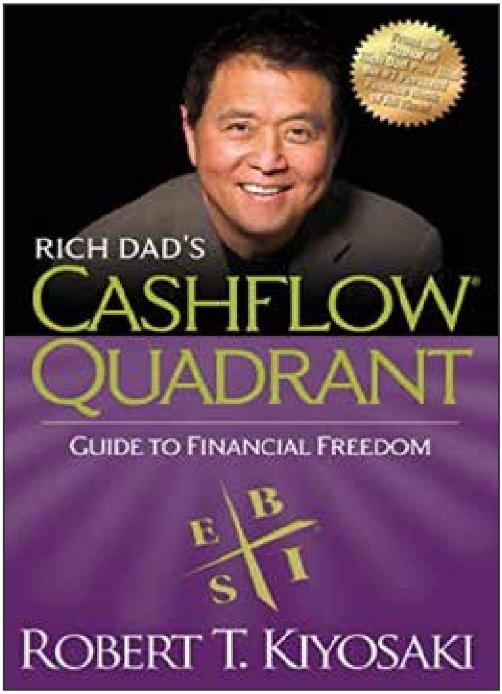
George Eastman built a company that pioneered personal photography and dominated the industry for decades. In 1975, their R&D department invented the digital camera. However, fearing disruption of their existing market dominance, they shelved it for decades, until their competitors began to develop digital cameras. Since Kodak owned many of the digital camera-related patents, their bottom lines still showed huge profits even as they fast lost market share. But when the patents expired in 2007, Kodak was soon forced to file bankruptcy protection. The leadership's inability for existential flexibility allowed Kodak to be disrupted by the very technology they invented.

Organizations can easily veer off course and focus on finite pursuits. It takes courageous leadership to play an infinite game. To do this well, we need the support of great teams who share our responsibility and our beliefs. Ultimately, the infinite game is a team play.

Rich Dad's Cashflow Quadrant: Rich Dad's Guide to Financial Freedom

By: **ROBERT KIYOSAKI**

Do you work increasingly long hours with nothing to show for it, or struggle to have enough left to save after all the bills? Robert Kiyosaki, author of the viral book Rich Dad Poor Dad, explains how anyone can move to the other side of the Cashflow Quadrant and flourish with financial independence as a business owner or investor.
Read this book summary to discover a new approach to wealth and risk management and apply your learnings in real life so you can start with small steps that can eventually lead to substantial assets.



TOP 20 INSIGHTS

- Everyone can be categorized according to how they get their money: Employee, Self-employed, Business owner, or Investor. Each of these four categories, or quadrants, has its strengths, weaknesses, and characteristics.
- Employee, or the E-quadrant, values security above all else and seeks the safety of a long-term contractual agreement. This person works within someone else's system to earn money.
- The Self-employed person, or the S-quadrant, does not want their income to be dependent on other people. They essentially own their job and is likely a hardcore perfectionist who values independence and expertise.
- Self-employed is the riskiest quadrant. Nationally, nine out of ten such businesses fail in the first five years, mostly due to a lack of experience and capital. The key to success in this S-quadrant is to know when to get out and move onto something new.
- The Business owner, or the B-quadrant, has a system where other people do the work— like Henry Ford, who surrounded himself with smart people who knew all the answers so that he could concentrate on new ideas.
- The Investor, or the I-quadrant, uses money to make money. The opportunity for real wealth lies in the I-quadrant.
- E- and S-quadrant stock market investors focus on diversification. But as Warren Buffett advises, diversification is a way not to lose money, rather than a way to make money. The better strategy is to focus on a few investments, not on diversification.
- To quote Buffett: "Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway." Don't hand over your investment decisions to an "expert."
- The right side of the quadrant is the safe side. With a secure system that produces money for you, you don't need to worry about unemployment.
- The secret to wealth is the same as the secret to win the game Monopoly: buy four green houses and then trade up for a large red hotel.
- Your mortgage is a liability and a debt that you have to service, not an asset. Even if you pay off your mortgage, your house is still a liability: it has to be maintained, and you have to pay taxes on it. Property is only an asset if it generates income through positive cash flow.
- Gold is not necessarily the ultimate asset: "Even gold is only an asset if you buy it for less than you sell it for."
- The ideal path to financial independence is to move from quadrant E or S into quadrant B, and from there into quadrant I. A financially successful Business owner will have the skills, time, and money to support the ups and downs of the Investor.
- You don't become rich when you work hard to make money that you then spend, you become tired. Kiyosaki lived modestly for years and worked hard not to pay bills but to acquire assets.
- People who fear loss buy a stock at $20, then sell it as it rises lest they lose what they gained. They also hold on when it slides down to $5 with hope that price will come back up. The Investor is neutral on wins and losses and only sell a stock when it has peaked or as soon as it starts to slide.
- To start on your path to financial

freedom, write down where you want to be financially one year from now and five years from now. Draw up personal income and balance sheet statements to show all your income, expenses, assets, and liabilities.

- To eliminate your consumer debt, put aside $150–$200 every month to pay down credit cards, then car payments, then your mortgage. Most people can be debt-free in five to seven years. Put what you used to spend to service your debts into assets that generate income.
- Educate yourself. Spend at least five hours a week to read the Wall Street Journal, listen to the financial news, read financial websites, magazines, and newsletters, or attend seminars on investment and financial education.
- Become an expert at one particular type of problem. Bill Gates is an expert who solved software-marketing problems. Warren Buffett is an expert who solved stock market problems. Kiyosaki became an expert who solved problems in apartment housing.
- Acquire assets that provide passive or long-term residual income. Start with small steps, the “green houses” of Monopoly, and gradually build up to larger investments.

SUMMARY

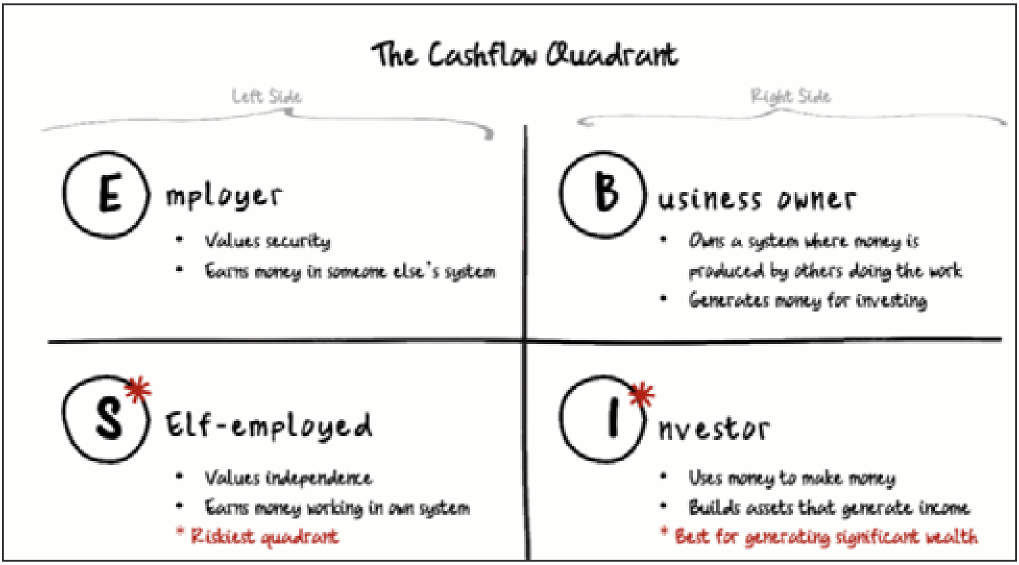
The Cashflow Quadrant categorizes people based on where their money comes from—Employee, Self-employed, Business owner, or Investor. The greatest freedom comes from owning a Business where other people do the work for you or being an Investor who uses money to make more money. You can move from being an Employee or Self-Employed to being a Business owner or Investor, if you change your ideas about money and risk. Map out a plan to get control of your spending habits and minimize your debts and liabilities. Live within your means and start saving a small amount each month. Get financially educated and become an expert at solving one particular business problem. Focus on building assets that generate passive or long-term income. Take baby steps toward your goal. Seek mentors, learn from your disappointments, and believe in yourself.

WHAT IS THE CASHFLOW QUADRANT?

Growing up, Kiyosaki's well-educated father recommended he aim for the E or S quadrants. But his father, who spent his life in these quadrants, was always relatively poor. On the other hand, Kiyosaki's best friend had a father who was a high school dropout but made it into the B and I quadrants and was wealthy. It was this "rich dad" who explained the Cashflow Quadrant.

At its simplest, the Cashflow Quadrant is a way to categorize people based on where their money comes from: **E, S, B, or I.**

E stands for an Employee, someone who earns money by holding a job. S is Self-employed, earning money for themselves. B stands for Business, meaning someone who owns a company or system that generates money for them. And I is an



Investor, someone who earns money from their various investments.

We all fall within at least one of these quadrants, and each quadrant's members share common characteristics and have different strengths and weaknesses. You can find financial freedom in any of the four quadrants, and you can be rich or poor in any of them, but the particular skills needed in quadrant B or I will help you reach financial freedom more quickly.

EMPLOYEE

The Employee values security above all else. They hate the feeling of fear that comes with economic uncertainty. The Employee could be a janitor or a CEO - it is not what they do that's defining, but the fact that they seek the security of a long-term contractual agreement. The Employee tends to focus on income, not on assets and works within someone else's system to earn that income.

SELF-EMPLOYED

The Self-employed person likes to be their own boss and does not want their income to be dependent on other people. They expect to be paid more if they work more and are fiercely independent about their money. Unlike the E, the S responds to fear not by seeking security, but by taking control and doing it themselves. The S is often a hardcore perfectionist who values independence and being respected as an expert in their field. An S essentially owns a job and is the system that makes money.

In many ways, this is the riskiest quadrant. Failure rates are high and success means working even harder and for longer. Nationally, nine out of ten such businesses fail in the first five years, mostly due to a lack of experience and capital. The wise S sells their business at its peak, before they run out of steam, to someone with energy and money, then takes the earnings and starts something new. The key to success in the S quadrant is knowing when to get out.

BUSINESS OWNER

Unlike the Self-employed person, the Business owner does not want to do it all themselves, but to surround themselves with others who do the work. Henry Ford is a prime example of a B quadrant. There is an often-told story of what happened when some intellectuals condemned Ford, saying he didn't know much. Ford challenged them to come and ask him anything they liked. The intellectuals lobbed several questions at him. When they were done, he called in his brightest assistants to give the answers. He told the intellectuals that he hired the smartest people to come up with answers so that his mind was clear to do more important tasks, like thinking.

The big difference between an S and a B is that a successful B can leave the business for a year and find it's still running profitably. The B owns or controls a system that makes money. For example, many people believe they can make a better burger than McDonald's. But McDonald's is not just about the burger, it's about the system that makes and serves the burger. Bill Gates didn't build a great product, he bought someone else's product and built a powerful global system around it.

INVESTOR

The Investor makes money with money. The I quadrant is the playground of the rich, where money is converted into wealth. In the I quadrant, money works for you.

TYPES OF INVESTORS

Some forms of investment, such as getting an education or saving money in a retirement plan, do not really belong in the I quadrant. Rather, the I quadrant is about investments that generate income on an ongoing basis during your working years. Ideally, everyone should put some money in the I quadrant, where it can make more money.

Many people are afraid to start investing because they are afraid of risk. They want to play it safe by keeping their money in a bank or handing over the decisions to a professional investment manager. But, most of these "experts" are themselves in the E-quadrant, working for a paycheck. As Warren Buffett said, "Wall Street is the only place that people ride to in a Rolls Royce, to get advice from those who take the subway."

"Investing" in a pension plan means you don't see your money for many years. Someone in the Investor quadrant doesn't park their money, they recoup it quickly and put it to work again. Many investors in today's stock market are E and S quadrant folks who are, by definition, security-oriented, buying into notions like diversification. But as Warren Buffett says, "diversification is a way not to lose money, rather than a way to make money." The better strategy, he says, is to focus on a few investments, not on diversification.

ASSETS AND LIABILITIES

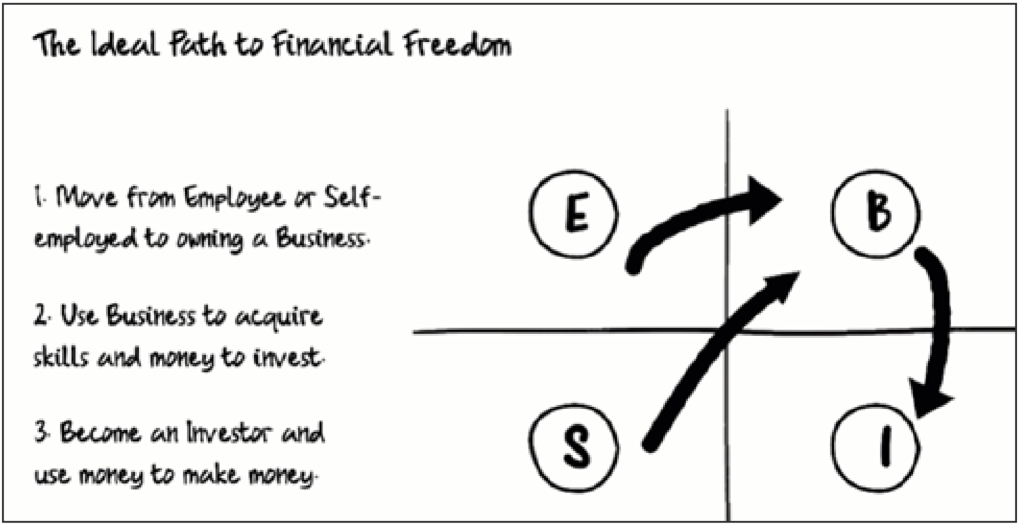
The key to being a successful Investor is learning how to manage risk. You have to get a financial education so that you can invest with your mind, not your eyes or your emotions. For example, being financially intelligent means recognizing that a mortgage is not an asset; it's a liability, a debt that has to be serviced. Your mortgage is an asset for the bank, not for you. Even if you pay off your mortgage, your house is still not an asset—it has to be maintained, and you have to pay property taxes on it. Property is only an asset if it generates income through positive cash flow.

Your savings are an asset, but any debt is a liability. Most people believe that gold is the ultimate asset, but as Kiyosaki's Rich Dad mentor put it, "Even gold is only an asset if you buy it for less than you sell it for."

THE BEST PATH

The ideal path to financial independence is to move from quadrant E or S into quadrant B, and from there into quadrant I. A financially successful B will have the skills, time, and money to support the ups and downs of the I.

The goal of quadrant B is to own a system and have people work that system for you. There are three main ways to do this. The first is the traditional C-corporation, where you develop your own system. The second is to buy an existing system in the form of a franchise—this can be tough for someone with an S-mentality who wants to do their own thing but is still a way to learn a lot about running a business. The third way is network marketing, or direct distribution marketing, where you become part of an existing system. This can be a good way to generate enough income to begin investing; just make sure you pick a network marketing organization that is focused on educating you and helping you to succeed, and that has a proven track record and a strong mentorship program.



CHANGING WHO YOU ARE

The hardest part about migrating from the left side of the quadrant, the E and S side, to the right side, the B and I side, is changing the way you view and get money.

<u>THE RISKY SIDE OF THE QUADRANT</u>

The left side of the quadrant is the risky side. As an E, you are dependent on someone else for your income. If you are not financially educated, you are dependent on someone else's opinion.

The right side is the safe side of the quadrant. With a secure system that produces money for you, you don't need to worry about losing your job; if you want more money, you expand the system and hire more people.

PLAY MONOPOLY

Whenever people ask Kiyosaki the secret to his getting rich, he replies that he played Monopoly as a kid. The game taught him that the way to win is to buy four green houses and then trade up for a large red hotel. The same rule worked in his life. When the real estate market was in bad shape, the author and his wife bought as many small houses as they could, with the limited money they had. When the market improved, they traded up—now, the cash flow from their large red hotel, apartment houses and mini-storage units, pays for their lifestyle.

To move from the left side of the Cashflow Quadrant to the right side, the thing that has to change is not what you do but rather how you think. Working hard to make money that you then spend on stuff doesn't make you rich; it makes you tired. Kiyosaki lived modestly for years, working hard not to pay bills but to acquire assets.

When anyone is thinking about moving from the left side of the quadrant to the B or I side, Kiyosaki tells them to start small, with the little green houses; take their time, and only move on to big red hotels after they've gained some confidence and experience.

THINK RATIONALLY

Money is emotional. Just take a look at the stock market, where greed and fear dominate. When it comes to money, stop thinking emotionally; don't focus on what you feel and especially not on what you fear. Remember, failure is inevitable. Eventually, you will stop worrying about failure because you will realize that you can always get up again.

People especially fear to lose—they will buy a stock at $20, then sell it at $30 because they are afraid of losing their gains; but if they'd held on for longer, the stock would have reached $100 or more. The same people will also hold onto a $20 stock as it slides down to $5, hoping the price will come back up.

A winner takes the opposite approach—as soon as a stock starts to go down, they sell and take their losses. When a stock is rising, they hold on until they know it has peaked. In other words, the key to being a great Investor is to act rationally and be neutral to winning and losing.

SEVEN STEPS TO FINANCIAL SUCCESS

Kiyosaki emphasizes the importance of starting your transition to financial success with baby steps: "You've got to walk before you can run." But it's equally important to bear in mind Nike's slogan, "Just do it." Sketch out your big goal, then start taking baby steps to get there, while educating yourself as much as you can.

STEP 1: MIND YOUR OWN BUSINESS

Start by figuring out your personal financial statement. Write down where you want to be, financially, in five years, and a smaller short-term goal of where you want to be in one year. Make sure your goals are realistic. For example, "In five years, I want to increase my monthly income from assets to $xx. In one year, I want to decrease my debts by $xx." Draw up an income statement for yourself, showing your current sources of income and your expenses; and a balance sheet that lists all of your assets (savings, investments, real estate, etc.) and liabilities (mortgage, loans, etc.).

STEP 2: CONTROL YOUR CASH FLOW

Look at your Step One financial statements. Which part of the Cashflow Quadrant does your income come from today? Which part do you want most of it to come from in five years? Now, draw up your two-part cash-flow management plan.

First, put aside a percentage of every paycheck into an investment savings account and don't take any of it out again until you are ready to invest it.

Next, focus on reducing your consumer debt. Use only one or two credit cards every month and always pay off new charges every month. Figure out how to generate an additional $150-$200 every month and apply this to paying down the balance on one of your credit cards. Once you have paid off the first card, move on to the next one. Once your consumer debt is all paid off, do the same with your car and house payments—most people can do this within five to seven years. Once you are debt-free, take the monthly amount you were spending on your last debt and put the money toward investments that build your asset column.

STEP 3: GET EDUCATED

Learn the difference between an asset and a liability. At its simplest, an asset is something that makes cash flow into your pocket; a liability makes cash flow out of your pocket.

Spend five hours a week doing one or more of these things: reading the business section of your newspaper and the Wall Street Journal, listening to the financial news on TV or the radio, reading financial websites, magazines, and newsletters, and attending seminars on investing and financial education.

STEP 4: LEARN TO SOLVE PROBLEMS

Financially uneducated investors look for "experts" to tell them what to invest in, whereas educated Investors become experts at solving one particular type of problem. For example, Bill Gates is an expert at solving software-marketing problems. Warren Buffett is an expert at solving business and stock market problems. Kiyosaki and his wife are experts at solving problems in apartment housing.

Continue getting educated. For example, if you're focused on apartment housing, look for For-Sale signs in your area. Call the agent and ask about the property's current rent and maintenance costs, and what types of financing are available. Practice calculating the monthly cash-flow statement for each property. Every week, go to financial seminars and classes and study investment newsletters.

Research companies recommended by stockbrokers and consider opening a trading account to make some small investments. Meet with business brokers in your area and learn what is for sale. Go to trade expos to see what franchises or network marketing companies are available in your area.

STEP 5: SEEK MENTORS

Kiyosaki's Rich Dad mentor taught him to focus on passive income and spend his time acquiring assets that provide passive or long-term residual income. Remember, most of the people giving financial advice are themselves stuck in the E or S quadrants, so choose your mentors carefully. Look for people in the investment and business quadrants.

STEP 6: GROW FROM DISAPPOINTMENT

Expect to be disappointed and have a mentor standing by to help when you have a financial emergency. Be kind to yourself—you won't learn anything new if you punish yourself for every disappointment.

Above all, take action! You cannot grow unless you start acting—make offers on real estate, join a network marketing company, or buy a stock you have researched. Just remember to start with baby steps and know that making mistakes is how you will learn.

STEP 7: BELIEVE IN YOURSELF

Listen to your doubts and fears, then dig down to find the real truth. You may say to yourself, "I'm too tired to learn something new." But the real truth is: "If I don't learn something new, I'll be even more tired." The even deeper truth is: "If I learn something new, I'll get excited about life again."

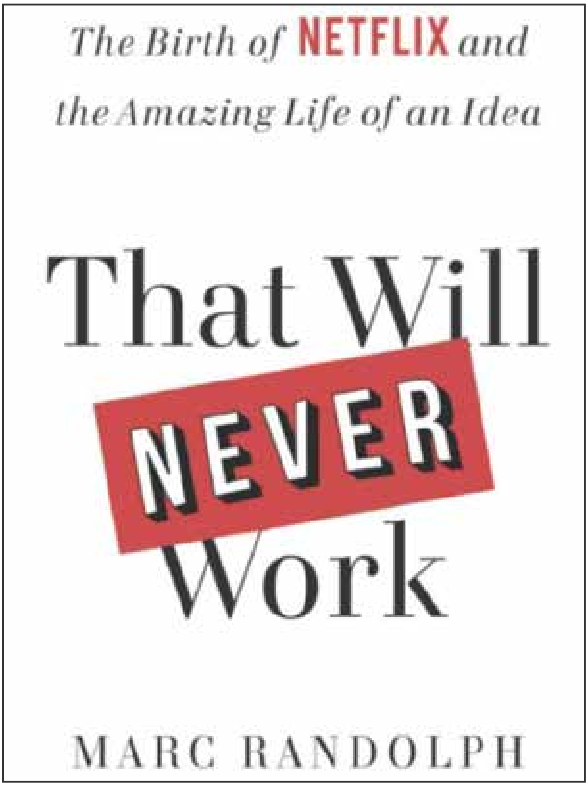
Photo by Omid Armin on Unsplash

That Will Never Work: The Birth of Netflix and the Amazing Life of an Idea

By: **MARK RANDOLPH**

Get the insider's take on how Netflix went from just one in a million ideas to one that revolutionized the entertainment industry.

For the first time, Co-founder and first CEO Marc Randolph shares the company's behind-the-scenes, beyond the popular story that Reed Hastings founded the company after a $40 late fee at Blockbuster. Read this book summary for first-hand insights on their entrepreneurial journey.



TOP 20 INSIGHTS

- When Marc Randolph realized the company he worked for was going to be acquired, he began to toy with ideas for a new e-commerce startup. These ideas ranged from personalized surfboards to custom-made baseball bats. But they were all shot down by Reed Hastings as infeasible.
- Randolph and Hastings agreed on the idea of DVD rentals by mail. Hastings invested $1.9 million while Randolph committed his time to build the company. Hastings would own 70% and Randolph 30% of the company.
- Randolph rented and furnished a small office on a tight budget. But this also happened to be when he purchased a hillside house for a million dollars. This created massive anxiety about the family's financial state and consequently made him even more determined to make Netflix happen.
- For Randolph, the best part about startups was the number of problems he could choose from to work on. An early-stage company is small enough to allow people to wear multiple hats, yet large enough so they aren't forced to do unsuitable work.
- The goal of Netflix was to have the most complete DVD collection in the world with multiple copies of every popular title. This was not expensive inventory; it was inexpensive advertising.
- Employees want to be treated like adults and collaborate with colleagues they respect. Randolph's approach to culture boiled down to this: hire great talent, give them tough problems, and the freedom to solve them. Years later, Netflix codified this as "Freedom and Responsibility".
- The task of the leader is to tell employees what the destination is, not to micromanage how to get there. Each employee will find out their own way to reach the goal. Netflix calls this "loosely coupled but tightly aligned".
- Though the work week was hectic, there was also flexibility. Randolph would work from 7 a.m. to 6 p.m., then tend to family duties and head back for a few more hours. Every Tuesday, he left the office at 5 p.m. sharp to spend the evening with his wife. He did not want to be a successful entrepreneur with a failed marriage.
- When Netflix went live in April 1998, orders flooded in and servers crashed within a matter of hours. There were thousands of issues to solve, but they were good problems to have.
- It is imperative to concentrate on a single idea in a startup. After two months, revenues crossed $94,000, but only $1,000 came from rental while the rest was DVD sales. This posed a problem as Netflix's core competency was rentals. Randolph and Hastings therefore decided to stop sales and focus entirely on rentals.
- When President Clinton's testimony was released, Netflix cashed in with an offer of next-day delivery of that video for 2 cents. However, some customers were shipped pornography instead of the testimonial. It was a big bet and a big miss, for which Netflix came clean and apologized for.
- Hastings expressed concern about Randolph's strategic judgment and financial instincts and proposed to take over as CEO while Randolph becomes the President. Randolph agreed that he had to let Hastings take the reins to do what's best for the company. This

partnership would significantly improve the chances for Netflix's success.

- Patty McCord, Netflix's Head of HR, designed processes that encouraged freedom and fostered Netflix's unique culture. She pioneered concepts – such as unlimited vacation days – that redefined the field of HR.
- Netflix cracked the rental problem with a monthly subscription model that allowed customers to rent discs for as long as they wanted. In a single stroke, this made Netflix a more accessible way to watch movies and site traffic went up 300%.
- Focus is the key weapon of an entrepreneur. Netflix shut down à la carte rental to focus on subscription. There must be unflinching willingness to abandon parts of the past to make way for the future.
- By September 2000, Netflix was worth $100 million and shipped over 800,000 discs a month. Then the Dot Com bubble burst. The company had a rapid burn rate in an environment where funds were difficult to come by, so it had to survive on its own strength.
- For many startups, the focus and creativity of the initial team get it off the ground, and growth brings more hiring. Then the team size contracts and skilled generalists are replaced by specialists. Netflix dropped nearly 40% of its workforce. Though painful, it retained top-notch employees to create competitive excellence.
- Randolph wanted to sell some of his Netflix stock when the company went public. To not create panic, he downgraded his role to Executive Producer and Hastings became the face of the company. When Netflix listed on the NASDAQ in May 2002, the share price was $16.19. The dream had come true, and Randolph's life was changed forever.
- The Netflix that Randolph loved to lead was a small startup with people who tackled a grand challenge. Randolph was able to identify core issues, inspire employees, and make his idea a reality. As the company grew and was no longer that same startup, Randolph knew it was time to leave. Today, he mentors startups as a CEO coach.
- The only way to know if an idea is good is to build it, test it, and sell it. As Nolan Bushnell, Co-founder of Atari, said, "Everyone who has taken a shower has had an idea. But it's the people who get out of the shower, towel off, and do something about it that makes the difference"

SUMMARY

Everyone loves a magical origin story. The popular story goes that Reed Hastings founded Netflix when he ran up a $40 late fee at Blockbuster. But the journeys of most great companies are more than just that. This book chronicles the behind-the-scenes story of how Netflix began -from Reed Hastings and Marc Randolph bouncing ideas to becoming one of the greatest companies in the entertainment industry.

COMPLICATED ORIGINS

By the age of 40, Marc Randolph had been fairly successful. After a stellar career in marketing, he had founded a startup that was acquired by Reed Hastings. Within six months, Hastings's company was about to undergo a merger that made Randolph's role as Vice President of Sales redundant. Randolph began toying with ideas for a new company based on e-commerce. The ideas ranged from personalized surfboards to custom-made baseball bats. Each idea would be discussed during the daily morning drive to work with Hastings, who would inevitably shoot it down as infeasible.

Eventually, they came upon the idea of video rentals through the internet. This was at a time when DVD was emerging as a smaller, slimmer medium that would replace bulky VHS tapes. A DVD could fit into a standard business envelope that costed only 32 cents to mail. If it arrived unscratched, renting DVDs through the mail could work. Randolph tested this by mailing Hastings a CD in an envelope, which was delivered unscratched the next day. Hastings and Randolph agreed to start a company that would allow customers to rent DVDs by mail. Hastings made a seed investment of $1.9 million, and Randolph decided to commit his time to build the company. Hastings would own 70% of the company and Randolph 30%.

A SANTA CRUZ COMPANY

With seed capital in place, work to make the idea a reality began in earnest. It was time to build a team and find an office. Mitch Lowe, who'd spent decades in the rental business, knew studios and understood customer preferences, was brought in for his industry knowledge. Randolph was clear from the beginning that the office must be located in Santa Cruz and not in the heart of Silicon Valley. He wanted a slightly more laid-back environment and a clear work-life balance for his team. Most importantly, Randolph wanted work to be close to his home and family.

With seed funding in place, Randolph found a small office near his home. The space was furnished with cheap catering tables and old dining chairs from his house. Money was spent lavishly on technology - dozens of Dells and miles of ethernet cables. Around the same time, Randolph invested in buying a fifty-acre home in the hills for a million dollars. This created massive anxiety about the family's financial state. The cure was to work even harder on making Netflix a reality.

For Randolph, one of the best things about leading a startup was the sheer number of problems he could work on. In the early stages, a company is small enough for everyone to wear multiple hats, but large enough so that one does not have to do something that didn't suit their temperament or skillset. Netflix's goal was to have the most complete DVD collection in the world with multiple copies of popular titles. This was not expensive inventory. It was inexpensive advertising. In the early days, there was no algorithm to decide how many copies of a title to buy. Mitch Lowe's extensive industry knowledge was the algorithm that powered Netflix.

NETFLIX CULTURE

Netflix's famous culture was not necessarily a product of premeditated planning. It arose organically from the values the team shared. Netflix was an opportunity for everyone to create the workspace they had dreamt of. Randolph's approach essentially boiled down to this: hire great talent, give them tough problems, and the freedom to solve them. People are not motivated only by perks and salary; what they truly want from companies was to be treated like adults, have a mission they believed in, good problems to solve, and the freedom to solve them. They want to work with colleagues whose skills they respect. Years later, Netflix codified this as "Freedom and Responsibility". People are hired because they were excellent at what they do so their judgment should be trusted. The role of the leader is to tell employees what the destination is, not how to get there. Each member would figure out their own way to reach the goal. Innovation does not come from top down diktats but emerges from empowering innovators by giving them the freedom to solve problems. Netflix calls this practice "being loosely coupled but tightly aligned".

Randolph believes that people are more productive when their personal life is not taken over by their work. Even though the workweek was killing, there was flexibility. Randolph would start work at 7 a.m. and work till 6 p.m. After dinner with his family and putting the kids to bed, he would head back to work for a few more hours. Randolph always made it a point to leave the office at 5 p.m. sharp every Tuesday, no matter what, to spend the evening with his wife. He did not want to be a successful entrepreneur with a failed marriage. By November 1997, Netflix had an office, a semi-functional website, an inventory, mailer prototypes, and most importantly, a team with a great culture. The launch was planned for April 1998.

LAUNCH DAY

Netflix went live at 9 in the morning. The orders came flooding in, but so did thousands of unanticipated issues. Unable to handle the influx, both servers crashed within a few hours. Eight new servers were set up, but they too crashed in 45 minutes. The team even ran out of boxes and ink. At the end of the day, despite all the problems, they were a good sign to have.

Two months after launch, Netflix had 24 servers, and monthly revenue crossed $94,000. But only $1000 was in rental and the rest was from DVD sales. This was a problem because Netflix's real competence laid in figuring out how to do DVD rentals online. To incentivize rentals and reach out to buyers of DVD players, Randolph finalized a deal with Toshiba wherein each customer who bought DVD players would get three free DVD rentals. It helped Netflix gain access to new DVD customers and enabled Toshiba to help customers find good content. A similar deal was later signed with industry giant Sony. Unfortunately, despite these excellent partnerships, rentals did not pick up.

Amazon made an offer to acquire Netflix but neither Hastings nor Randolph was ready to sell. They knew it was only a matter of time before Amazon began selling DVDs. They decided to focus entirely on the rental business, even though it was constituted less than 3% of Netflix's revenue. Concentrating on one thing is imperative in a startup and Netflix couldn't afford distractions.

THE CLINTON TESTIMONIAL

In 1998, America was gripped by President Bill Clinton's affair with Monika Lewinsky. The House Judiciary Committee had announced that they would be releasing Clinton's testimony video on broadcast networks. Randolph decided to cash in on this event by promising next-day delivery of the testimonial DVD for two cents. This move became a media sensation with coverage from the New York Times and the Wall Street Journal. Over 5,000 new customers were acquired by spending less than $5,000. However, comments on the site indicated that things had gone awry: some customers had been shipped pornography instead of the testimonial. It was a big bet and a big miss, for which Netflix came clean and apologized for, offering to take returns and send the Clinton testimonial back. Ironically, not a single DVD was returned.

HASTINGS TAKES THE REINS

Hastings expressed concerns regarding Randolph's strategic judgment, hiring, and financial instincts. Hastings felt that these errors would become more costly as the company grows. He proposed that he takes over as CEO and Randolph takes the role of President. What Hastings said was harsh, but Randolph knew he was brutally honest. Randolph realized that he had two dreams: one of Netflix becoming successful, and another of him being the CEO. To do the best for the company, Randolph had to let Hastings take the reins. Randolph knew that their partnership would significantly improve the chances for Netflix's success and create a company that they would both be proud of.

SCALING CULTURE

The early culture of Netflix was born from how Hastings and Randolph treated each other. Their principle of Radical Honesty meant raised voices and argumentations until the optimal solution was found. A culture of Freedom and Responsibility makes employees feel trusted and can give their utmost. Most companies hired people who lacked good judgment and spent effort defining everything from stationery to holidays through long processes just to protect themselves from such poor judgment. Netflix wanted to build a process for people with great judgment. Freedom and Responsibility, coupled with Radical Honesty, would be transformative in the long haul. But as the company grew, the question became how to scale it. This is where Patty McCord, the HR Head of Netflix, came in. She designed processes that encouraged freedom and fostered Netflix's unique culture. Patty McCord pioneered concepts such unlimited vacation days and trust-based expense reimbursement, which went on to eventually redefine the field of HR itself.

CRACKING DVD RENTALS

There was a larger change happening in Netflix. As the company grew, it was changing from being a team of passionate generalists to bringing in professional expertise. The decision to stop selling and focusing on rentals inflicted heavy financial loss on the company over months. If there were thousands of DVDs lying idly in a warehouse, the team thought, why not have them on customers' shelves? A monthly subscription model would allow customers to rent a few discs at a time for as long as they wanted. They could return a disc and have the next one mailed to them. In a single stroke, this made Netflix a more accessible way to watch movies than driving down to the nearest Blockbuster store. People loved the idea of a one month trial, and 90% of those who clicked on the subscription ad provided credit card information. Sign up rates improved dramatically. Randolph says that there was no way they would have arrived at this rental model while starting Netflix. No one could predict which ideas were going to succeed and which weren't. When no one knows anything for certain, one must have trust in oneself, test out the ideas, and be willing to fail. The subscription drove up site traffic by 300%.

Focus is the key weapon of an entrepreneur. The story of Netflix is one of unflinching willingness to abandon parts of the past to make way for the future. They called this the Canada Principle, which came from the idea that, while expanding into Canada could be a seemingly easy and profitable idea in the short term, could in fact be distracting to the business, dilute its focus, and endanger long term growth.

Netflix's goal was to help people find the movies they love. But finding movies on an online store was difficult. Randolph and Hastings worked with the team to find a way to recommend movies based on the user's viewing history. The problem was that there were endless factors that existed in establishing similarities between films. They initially established an algorithm that would make recommendations based on common renting patterns between users. Ultimately, they came up with a model by which users could review movies and the recommendation engine would make predictions on the basis of these qualitative reviews. The Cinematch algorithm was the beginning of Netflix's legendary recommendation system.

THE DOT COM BUBBLE BURSTS

By September 2000, Netflix was worth $100 million, had 200,000 paying customers, and shipped over 800,000 discs a month. That was when the Dot Com bubble burst, and technology stocks collapsed. The one-month free trial subscription meant that Netflix was burning cash upfront and recovering it later in monthly installments. A rapid burn rate in an environment where funding was difficult to come by was far from an ideal situation. Hastings and Randolph offered to sell Netflix to Blockbuster for a price of $50 million but were turned down. There were no sources of funding and no selling their way out either. If the company had to survive, it had to do so on its own strength.

Netflix was on track to acquiring 500,000 users by the end of 2001. But it desperately needed a pathway to become profitable. There was a relentless focus on streamlining the service using the Canada Principle and improving efficiency. Despite these efforts, it became clear that they had to make deep budget cuts without hampering growth. Nearly 40% of the company lost their jobs. Though the layoffs were painful, the company was leaner, more focused, and more creative. Retaining only top-notch employees created a culture of competitive excellence. This is a pattern usually seen in startups. The focus and creativity of the initial team gets it off the ground, and growth brings more hiring. Then there is a contraction of team size, and the mission is carried forward on the shoulders of new specialists who replaced skilled generalists of the past. In May 2002, Netflix hit 1 million subscribers.

RANDOLPH STEPS DOWN

Considering his financial situation, Randolph wanted to sell some of his Netflix stock when the company went public. To do this and not create panic, he gave up his previous title and his seat on the board. Randolph downgraded his role to Executive Producer, and Hastings emerged as the face of the company. Netflix was listed on the NASDAQ in May 2002, and the share price was $16.19. The dream was a reality. Randolph's life had changed forever.

In seven years, the company has managed to transform significantly. Randolph had gradually transitioned most of his role to other executives. He realized that what he truly loved to work on was leading small companies with smart people who tackled a huge challenge together. He could identify the core issues, inspire people to even take pay cuts, and make an idea a reality. While these were critical skills in a startup and he enjoyed the ride, Netflix was not like that anymore. It was time for Randolph to leave. Netflix rented out the Los Gatos theatre to give a thunderous farewell to its co-founder. True to Netflix's tradition, it was a celebration.

Today, Netflix has over 150 million subscribers worldwide and has redefined how people consume entertainment. Randolph now mentors startups as a CEO coach.

According to Randolph, the only way to find out if an idea is good is to build it, test it, and sell it. As Nolan Bushnell, the co-founder of Atari, said, "Everyone who has taken a shower has had an idea. But it's the people who get out of the shower, towel off, and do something about it that makes the difference".

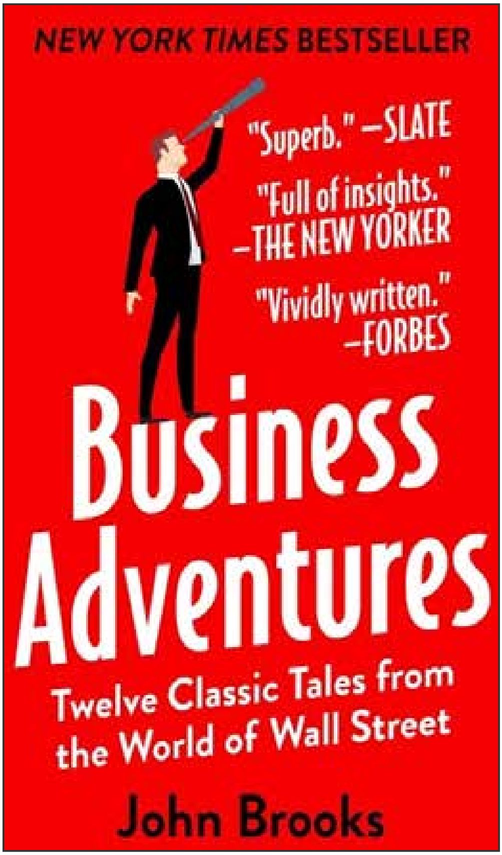
Photo by charlesdeluvio on Unsplash

Business Adventures: Twelve Classic Tales from the World of Wall Street

By: **JOHN BROOKS**

A favorite read recommended by both Bill Gates and Warren Buffett, Business Adventures – Twelve Classic Tales from the World of Wall Street moves beyond the flashy advice of business newbies and provide relevant insights that stand the test of time.

This book summary covers the gamut from marketing and sales, to stocks, to research and development departments, and so on. Read this summary to learn from decade-old stories that still resonate in the business world today.



TOP 20 INSIGHTS

- Proactive investments in new technology may not appear valuable until crisis hits, but they can mean the difference between success and failure. Merrill Lynch survived the mini-stock market crash of 1962 as the only firm to have a computer that tracked all their trades. Other firms literally lost their paper trades in the commotion.
- Beware of powerful heads who make dramatic gestures to influence. In the crash of 1929, Exchange boss Richard Whitney jauntily placed a trade in hopes to boost the market and failed. In 1969, fund manager John Cranley cleared out AT&T's stocks with a large order. This act significantly rallied the market but was unintentional.
- Major companies serve as bellwethers in the market, then and now. AT&T's stock at $100 a share was the tipping point where the crash of 1962 righted itself.
- Don't discount the impact of fixed and external influences. The crash of 1962 would have produced a significantly worse impact had it not reach its peak just before Memorial Day 1962. The timing of the holiday "cooled" frantic managers.
- Look beyond critical narratives that cast typical heroes and villains. The post-mortem of the 1962 crash revealed that an uptick in trading from rural, female, individual traders caused the spook. Mutual funds saved the day with large trades that stabilized the market in the aftermath.
- Decisions that are contrary to scientific market research is a death knell. Ford learned this the hard way with the massive flop of their much-anticipated Edsel car. Chief among their mistakes was the selection of the name "Edsel," as opposed to the more modern and catchier names that performed much better in market research.
- Assign a persona to competitors' products (and yours) to understand how to differentiate. Ford's market research compiled a personality for cars made by Chevrolet, Buick, and others. How old were their buyers? What gender? Where did they live and what did they do?
- Success in Marketing requires you to understand your customers' most profound dreams and desires. For example, in the automotive industry, "cars are the means to a sort of dream fulfillment…an irrational factor in people…that has nothing to do with the mechanism at all but with the car's personality, as the customer imagines it."
- Do a quick and dirty free association study on brand or product names you're considering before finalization. Some execs predicted the failure of the Edsel car due to its name alone. Edsel's free associations included "pretzel, diesel, and hard sell."
- Gain more customers or sales partners with suspense tactics. To get dealers to stock Edsels, Ford kept the Edsels in locked rooms with the shades drawn in key regional offices nationwide. Interested dealers were let into the studios to see the new model only after an hour-long sales pitch.
- Another way to leverage suspense is to employ a product "striptease." Reveal features slowly to garner interest along the way. Ford marketed the Edsel this way: they never commented on the car as a whole and instead unveiled exciting new features

gradually.

- Pay attention to what your products look like physically and the implications for your brand. Many found the Edsel to have a sinister look due to its rear features that resembled a smug grin.
- Don't launch until you've identified and resolved major bugs. The early Edsels were rife with issues like oil leaks, sticking hoods, trunks that wouldn't open, and push buttons that couldn't be budged. These mishaps angered early adopters.
- "The consumer is the dictator without peer," said the Wall Street Journal regarding Ford's discontinuance of the Edsel for want of buyers. Ford did market research to guide its marketing but not the design of the car itself. Consumers can't be fooled: know and give them what they want or be prepared to fold.
- Xerox became the leader in copy due to its 10x competitive advantage. It grew the number of copies nationwide from 20 million in the mid-1950s to 9.5 billion in 1964. A 10x creation in value for consumers is still a prerequisite for success today.
- Use licensing (with a catch) to grow revenue. Xerox licensed out their copier technology but refused to license out the proprietary piece that enabled the machines to be used with regular paper. As a result, they made money off competitors as they maintained their biggest competitive advantage.
- Consider civic engagement as a marketing tactic. Companies like Starbucks, P&G, and Apple do this today. Xerox made political statements and used them as part of marketing when they supported President Wilson's creation of the United Nations. Xerox was criticized, but executives stated the tactic made them "many more friends than enemies."
- A communication breakdown and hefty price-fixing fines at General Electric in the 1950s showed that simple corporate communications and routine memos can be a recipe for disaster when important messages are involved. A company head said what was needed was "a complete breakdown of barriers between people." Consider face-to-face communication (or video conferencing) for the best results.
- Many annual stockholder meetings are held in unexpected locations. Why? This practice originated in the 1960s when executives hoped to prevent disruption from noisy, belligerent stockholders concentrated in urban areas. U.S. Steel held its meeting in Cleveland, GE in Georgia, and AT&T in Detroit.
- Observe annual stockholder meetings and their aftermaths for a glimpse into chief executives' personalities in the face of hostility. This information can inform investment decisions.

SUMMARY

Business Adventures was initially written in 1959, so how could it possibly offer value today? This book offers time-tested lessons from the world's largest corporations, many of which are still around and flourishing today. This summary extracts and outlines the richest case studies from the book. Uncover the drivers of demise through the tale of Ford and its infamous "Edsel" flop. Then, hear how Xerox leveraged both proprietary technology and civic engagement to become one of the most successful businesses of the 1960s.

FORD'S EDSEL: DREAMS DESIGNED BUT SALES SINKING

A CAR FOR THE CAREER-CLIMBING MASSES

This case study illuminates the dangers of placing too much hope and investment on a singular product, especially when managers and designers are left to develop the product in a vacuum. It offers lessons on just how far the consumer can be led along before labeling something over-hyped. Ford executives designed the Edsel car with the goal of breaking through the ho-hum clutter of cars for the middle class with a design that offered something new and exciting and evoked the essence of the American dream. They envisioned it as a vehicle that would appeal to the swath of career-climbing families entering the middle class and eager to show off their newfound status. They invested top dollar in design, marketing, and distribution, only to be left flat-footed when customers balked. Here are some of the main fault lines that led to the Edsel's massive failure.

MARKET RESEARCH GONE WRONG

"The total amount spent on the Edsel before the first specimen went on sale was announced at a quarter of a billion dollars; its launching...was more costly than that of any other consumer product in history."

1955 was dubbed "Year of the Automobile," and business was booming for car manufacturers. This environment of positivity and forward progress led Ford to confidently undertake the design and development of a new car for the middle class. Launched in September 1957, it was ultimately removed from the market in November 1959 after a short run of only two difficult years in dealerships. Today, the name "Edsel" is synonymous to an embarrassing product flop. Its case study has been called "a modern American anti success story." So why did it fail?

Some claim that the Edsel's failure is inexplicable. They point to the amount of in-depth market research and multiple studies done to inform the strategy behind its launch. However, a closer look reveals that the timing and intent of this research meant it educated the marketing and branding approach but not the design itself.

"As for the design, it was arrived at without even a pretense of consulting the polls, and by the method that has been standard for years in the designing of automobiles – that of simply pooling the hunches of sundry company committees."

To be clear, Ford was well-supported by data in its targeting of the middle class. The company was frustrated by its customers trading up their entry-level Fords for more medium-priced cars made by its competitors. Ford's middle of the road offering, the Mercury, was an unpopular selection. Company heads issued studies to confirm the attractiveness of a new offering in this space in 1948. The nine-year launch delay was mostly due to the occurrence of the Korean War in 1950, which shifted raw materials away from consumer industries and towards war efforts. Some point to this time lag as a key factor working against the Edsel. While consumers may have had an appetite in the late 1940s for this sort of vehicle, come the late 1950s, these opinions have gotten stale.

"It was easy to see a few years later, when smaller and less powerful cars, euphemistically called 'compacts,' had become so popular as to turn the old automobile status-ladder upside down, that the Edsel was a giant step in the wrong direction."

While intensely marketed as an innovative car, the Edsel failed to deliver in the areas that mattered. Consumer Reports railed against the handling and the driving experience it offered and heavily criticized its so-called upscale features, saying it would "certainly please anyone who confuses gadgetry with true luxury."

NAMING MATTERS

The naming of the Edsel was another missed opportunity to improve its fortune. Edsel Ford was the only son of the original Henry Ford. Family members were not initially in favor of Edsel's name being used and never championed it throughout the development of the car. As a result, executives dove deep into consumer research. They had staffers canvas the streets of New York, Chicago, among other major cities, to test potential names and gauge reactions. They met time and again to review names flashed on cardboard signs in front of them, and even enlisted the consultation of a successful poet but were similarly dissatisfied with her ideas. Finally, they called in ad agency Foote, Cone, & Belding. The agency drummed up 18,000 names in a competition among employees in their global offices. None were ultimately to Ford's liking, though the "final four" weren't far off and were eventually used to indicate distinct trim levels: Corsair, Citation, Pacer, and Ranger.

So why did executives ultimately fall back on "Edsel"? Research found that free associations with the name were neutral to unfavorable. Additionally, many expressed worries that it had dynastic connotations with it being the name of a former president of the company. In the end, the chairman of the board made the executive decision to go with "Edsel."

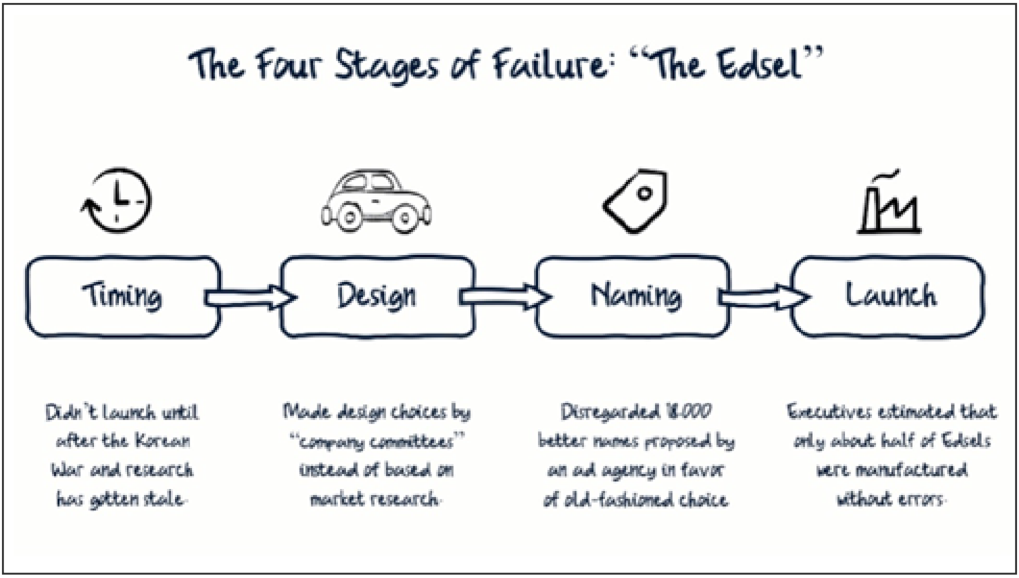
The flop of the car named as such can be partially attributed to this blatant disregard for research and opinion. The four preferred names were chosen systematically. Thousands of names had been carefully parsed and examined until only the four with the most potential remained. All that work was cast to the wind in a brief meeting of senior leaders at the company. They felt their general opinion was superior to strict market testing. As a result, the name "Edsel" is now synonymous with commercial failure.

FAILURES AMONG THE FIRST EDSELS

"...Many of the very first Edsels – those obviously destined for the most glaring public limelight – were dramatically imperfect."

Stories of Edsels breaking down or having significant hiccups in their drives off the lot abounded. These failures only contributed to the negative press that was accumulating. All of the marketing dollars spent and the hype generated by advertising campaigns just made these early failures worse. Issues ranged from oil leaks to front hoods bursting into flames.

Far from being one-off mistakes in production, an Edsel executive admitted that he would estimate only about half of the cars performed properly. It's no surprise that an error-ridden model was delivered to the Consumers Union. Taken together with its ill-timed launch, the multitude of Edsels misfiring on the roads compounded negative opinions both among individual buyers and in the widely-read press.



XEROX: COPIED TODAY

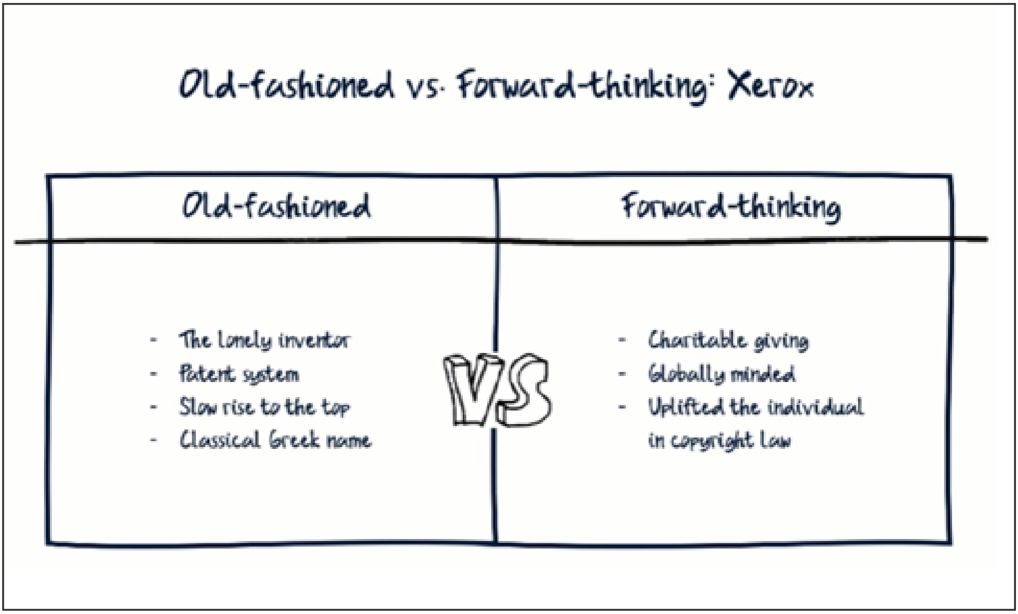
CREATING VALUE THROUGH COPIES

Through the early 1900s, the word "copy" had a decidedly negative connotation in the public's impression. Copies were seen as fake, fraudulent, cheap, and generally unfavorable. Business owners worried that copies might present opportunities for the theft of sensitive information or simply cause clutter and confusion in general. As industry and modern business came along, these ideas changed. Xerox was part of that shift. From 1900-1950, copying technology crept along, and by 1950 the best way to create a copy was still to use carbon paper.

1950 marked the beginning of intense competition among companies offering more efficient and effective office copying, until Xerox entered in 1960 and completely changed the game. Xerox's competitors all required special paper and typically had major inconvenience associated with using the machine. These issues ranged from being difficulty in operation to the production of damp or heat-sensitive copies.

Xerox, on the other hand, was able to make dry, good-quality, permanent copies on ordinary paper with minimal trouble. Making duplicates was now deemed "a revolution comparable in importance to the invention of the wheel." Copies soared from twenty million in the 1950s to the tens of billions in the 1960s, all due to the Xerox Corporation.

Xerox is a prime example of the need to create dramatic value for customers. While other companies were desperately meeting a need, Xerox changed the game. Xerox offered such a tremendously better copying experience that its competitors could hardly be considered as such. Xerox's case also illustrates how they served as both a classic 19th-century business but also a business that pioneered best practices for the 20th century and beyond.



OLD-FASHIONED BUSINESS

Xerox's development from a "small, family-oriented" company to an eventual behemoth of industry has been called reminiscent of classic 19th-century business. A young man named Chester F. Carlson lived in New York, worked in a manufacturer's patent office by day and tirelessly designed a copy machine in his small apartment kitchen by night. Eventually, Carlson came up with a satisfactory design, secured a web of patents, and pursued a partnership with the non-profit industrial research firm Battelle Memorial Institute, and later The Haloid Company. The Haloid Company and Battelle invested millions of dollars to improve the device's processes and effectiveness. The Haloid Company changed its name to Haloid Xerox and later just Xerox. The rest is history.

The story reflects the American dream – a lonely inventor who doggedly pursued his invention against all odds, the reliance on the patent system that paid off in the long run, even the use of a classical Greek name ("Xerox" means "dry-writing" in Greek). Together, these features might lead you to believe that Xerox embodied old-fashioned business principles. On the contrary, Xerox was on the leading edge of how to develop corporate values and operate as a forward-thinking enterprise.

A FORWARD-THINKING ENTERPRISE

"In the matter of demonstrating a sense of responsibility to society as a whole, rather than just to its stockholders, employees, and customers, it has shown itself to be the reverse of most nineteenth-century companies."

Today, it is nearly the norm to expect large corporations to have a conscience and to act out of it. It is expected that companies consider their impact on society and the planet and attempt to make it a positive one. It's not well-known that Xerox was a pioneer in this regard. Here are just a few of the initiatives they made to set this example for business in the 21st century and beyond:

- The "One-per-cent" Program

In its successful inaugural decade of the 1960s, Xerox was already giving back generously to its local community. Xerox subscribed to the "one-per-cent" program, a system in which local businesses contribute one percent of their income (pre-tax) to universities, schools, and other local educational institutions as a means to raise the bar for all in the local area. This method, originally established in Cleveland, was pursued by others but not with the same vigor as Xerox. For example, their 1965 and 1966 donations equaled 1.5% of gross income, whereas these figures were much lower for peer organizations. Consider RCA with 0.7% and AT&T with less than 0.1%.

- Support of the United Nations

Despite substantial negative feedback and even an engineered letter-writing campaign, Xerox spoke out in support of President Woodrow Wilson and his creation of the United Nations. They spent a year's worth of advertising dollars on a television campaign in promotion of the UN.

- Support of scholars and authors in copyright law

One of the hot-button topics that came out as a result of Xerox's success was the issue of copyright law, particularly as it related to the rights of academic scholars and authors. These individuals were worried about others' newfound ability to easily copy their work without legal purchases. While general industry spokespeople stood by idly or refused to take a stand one way or the other, Xerox spoke out in support of these individuals. Even though they stood to profit in these situations, they took the high road and refused to support copying exemptions to copyright law.

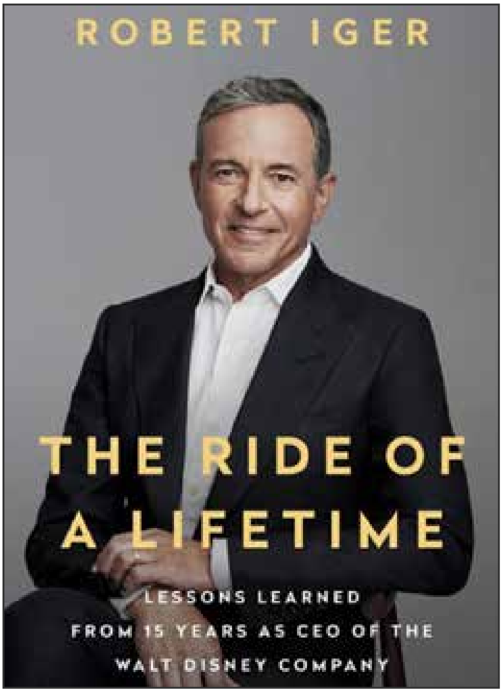
The Ride of a Lifetime: Lessons Learned from 15 Years as CEO of the Walt Disney Company

By: **ROBERT IGER**

For nearly a century, the Walt Disney Company has experienced seismic shifts and maintained its status as the world's most successful media company.

Robert Iger, Chairman and CEO of this legendary brand and a 45-year veteran in the entertainment industry, now tells his story and lays out the principles that nurture the good and manage the bad.

Read this book summary to learn how to simultaneously embrace change and operate with integrity, and foster a culture of trust, creativity, and pragmatic risk-taking.



TOP 20 INSIGHTS

- Tom Murphy and Dan Burke, who bought ABC in 1985, taught Robert Iger that true integrity – being guided by your clear sense of right and wrong – can be a secret weapon in a competitive business. In Iger's words: "The way you do anything is the way you do everything."
- Iger still has a note that Dan Burke handed him early in his career: "Avoid getting into the business of manufacturing trombone oil...the world only consumes a few quarts of trombone oil a year!" In other words, only invest in building things that people need.
- When Disney's board was considering Iger to be the new CEO, they questioned how he could be trusted when he'd been Michael Eisner's number two throughout several poor business decisions. Iger refused to rehash the past and determined to focus on the future: "You want to know where I'm going to take this company, not where it's been. Here's my plan."
- Relationships at the top matter. Former CEO Michael Eisner and company President Michael Ovitz constantly clashed. This undermined the trust and morale of their employees.
- Neither Eisner nor Ovitz ever stopped to ask how Ovitz's introduction into the team would work on the day-to-day basis. A leader must look past the short-term problem and question, "What am I really trying to solve, and does this solution make sense?"
- When Roseanne Barr tweeted an offensive comment about a former administration official in 2018, Iger immediately canceled her show and announced to the board: "We have to do what's right. Not what's politically correct, and not what's commercially correct. Just what's right."
- The successful acquisitions of Pixar and Marvel hinged on the realization that the value of the companies lay in their people. The deals were structured to ensure that Disney protect their unique corporate cultures.
- When Disney acquired Marvel in 2009, they put together a dossier of thousands of Marvel characters that it could mine. This included Black Panther, which became the fourth highest grossing superhero movie of all time.
- The acquisition of Lucasfilm required months of careful discussion with George Lucas. Disney was negotiating to be the keeper of the Star Wars legacy, with the very person who had creative control over the saga.
- Iger's three strategic priorities once he took over as the CEO were: 1) devote time and capital to the creation of high-quality branded content, 2) embrace technology to the fullest and treat it as an opportunity instead of a threat, and 3) become a truly global company.
- When Roy Disney publicly opposed Iger's ascension as CEO, Iger had to put his ego aside and stop the disruptive attacks to figure out what Roy was upset about and how to appease him. He concluded that Roy just needed to feel validated.
- Embrace the Japanese concept of shokunin—the endless pursuit of perfection for some greater good. For Iger, this means to take immense pride in

the work you create, have the instinct to push for perfection, and the work ethic to follow through on the goal.

- Always make it great. When the first Star Wars movie made by Disney struggled to meet its May 2015 release date, Iger pushed it to December. He believed the financial cost of a delay was better than a movie that misses its potential.
- In regard to innovation and bureaucracy, Iger comments: “Companies fail to innovate because of tradition; it generates so much friction, every step of the way.”
- In 2016, Iger backed away from a deal to acquire Twitter. He believed that issues like hate speech, fake accounts, and political messaging could be corrosive to the Disney brand. As Tom Murphy had said years earlier, “If something doesn’t feel right to you, then it’s probably not right for you.”
- Trust your people. For example, the people on the job in Hong Kong are best placed to decide issues such as pricing on the local level, not the suits back at corporate HQ.
- By 2017, it was clear that Disney needed to reinvent itself yet again. This culminated in the bold step to launch Disney+, a direct-to-consumer streaming service.
- Although the introduction of Disney+ inflicted short-term damage on the bottom line as the company effectively competed with itself in its traditional businesses, it was necessary to take on short-term losses to win long-term growth.
- Former CEO Michael Eisner used to say: “Micromanaging is under-rated.” But he could take it to the extreme and ultimately came across as petty and small-minded.
- Those who stay in power too long can easily become over-confident and dismiss other people’s opinions. Iger cautions that when you start to believe too much in your power and importance, you lose your way.

SUMMARY

Throughout his long and often tumultuous career, Robert Iger has developed a set of guiding principles for leadership. One of the most important is the relentless pursuit of perfection, but this must be balanced with fairness so that employees aren't afraid to make mistakes. Alongside this is his focus on integrity, the secret weapon in a competitive business. Through the acquisitions of Pixar and Marvel, Iger learned that long shots are not so long if you do your homework, and that acquisitions are really about the people rather than the product. When times get tough, focus on the future and the abilities of your people, and always be willing to curb your ego as a leader. Ultimately, be ready to innovate or die. And during that process, be prepared to suffer now in order to win later.

PURSUIT OF PERFECTION

Robert Iger joined ABC as a studio television supervisor in 1974 and soon transferred to ABC Sports, then led by Roone Arledge. Arledge had a simple mantra, but one that had a profound impact on Iger: Do what you need to do to make it better. This mantra became the basis of what Iger identifies as one of the key qualities of leadership—the relentless pursuit of perfection.

SHOKUNIN

The pursuit of perfection is less a set of rules and more a mindset. Rather than striving for perfectionism at all costs, Iger sees the pursuit of perfection as creating an environment in which you refuse to accept mediocrity and never make excuses for something being "good enough." Never say, "I don't have the time or the energy to do X." If you are in the business of making things, then make things great.

In 2013, while in Tokyo, Iger met master sushi chef Jiro Ono. Even in his 80s, Ono said he was still working on perfecting his art. The master chef embodied the Japanese concept of shokunin—the endless pursuit of perfection for some greater good. For Iger, this means taking immense pride in the work you create, having the instinct to push to make it better, and the work ethic to follow through on the goal.

ALLOW FAILURE

However, there can be a downside to the pursuit of perfection. Those working for Arledge strove to meet his exacting standards, but he had no patience for excuses and would quickly turn on people he felt were falling short. Iger believes there is a delicate balance between demanding your people to perform their best versus paralyzing them by the constant fear of failure.

One step toward this balance is to recognize that everyone messes up sometimes, and to own up to your own mistakes. By setting the example that it's okay to get things wrong if you learn from your mistakes, you instill trust and encouragement in others. Excellence and fairness don't have to be mutually exclusive.

MAKE IT GREAT

To this day, Iger holds to the pursuit of perfection, even when the stakes are high. Movie studios can get locked into release dates and let that have an impact on creative decisions. Disney acquired Lucasfilm in late 2012 and was planning to release the first of its Star Wars movies in May 2015. But early script delays and other production problems meant shooting didn't even begin until spring 2014.

Rather than compromise on the quality of the movie, Iger pushed the release date back to December, even though the delay represented a hit to the studio's bottom line.

INTEGRITY—ALWAYS

In 1985, ABC was sold to Capital Cities Communications. Its owners, Tom Murphy and Dan Burke, had created a culture of decency. Under their tutelage, Iger learned that true integrity, which means being guided by your clear sense of right and wrong, can be a secret weapon in a competitive business.

For Iger, success depends on setting a high ethical standard for everything: "The way you do anything is the way you do everything." This standard goes beyond treating people well to include hiring for good. This means hiring people with the same strong ethical compass, not just those who are good at what they do professionally.

NO SECOND CHANCES

Integrity must seep into every part of the business, and sometimes this means making tough decisions quickly and decisively. In 2017, ABC brought the show Roseanne back to prime-time TV and it promptly received very high ratings. The show's outspoken star, Roseanne Barr, had began to make certain controversial remarks. In late May 2018, she tweeted an offensive comment regarding a former administration official. Iger's reaction was swift: "We have to do what's right. Not what's politically correct, and not what's commercially correct. Just what's right." He immediately demanded Roseanne to apologize and informed her that ABC would be making an announcement canceling the show.

Iger was undeterred by what the financial repercussions would be. In his email to the Disney board the same morning, Iger stated: "Demanding quality and integrity from all of our people and of all of our products is paramount, and there is no room for second chances, or for tolerance when it comes to an overt transgression that discredits the company in any way."

FIRE FAIRLY

This focus on fairness must carry over even into firing people—one of the hardest things to do as a boss. There's no good playbook for how to fire someone, but Iger has developed an internal set of rules, based on the notion of integrity.

Always do it in person, not over the phone or by email, and don't push the task off onto someone else. You must have the honesty to look someone in the eye and tell them the reasons why you are making this decision about them. Explain clearly and concisely what isn't working and why you don't think it will change. There is no way to avoid the conversation being painful, but the best you can do is to make it honest.

"DON'T MANUFACTURE TROMBONE OIL"

In 1988, Murphy and Burke made Iger the president of ABC Entertainment. To Iger, this felt like taking a big leap without a parachute. He recognized that you can't fake what you don't know, especially in a creative industry, and decided to be honest with those who reported to him. It paid off: in the ensuing months, he swiftly climbed up a steep learning curve.

Early on, Burke handed Iger a note that read, "Avoid getting into the business of manufacturing trombone oil....the world only consumes a few quarts of trombone oil a year!" In other words, don't put a lot of energy and time into projects that won't give much back. Iger still has that piece of paper.

Having the trust of bosses like Murphy and Burke soon gave Iger the courage to take risks. He learned that if you do your homework, long shots aren't usually as long as they seem.

NOT THE CRAZIEST IDEA

In the mid-1990s, Disney had a co-production and distribution deal with Pixar, but the tension between then-Disney CEO Michael Eisner and Steve Jobs at Pixar led to the two companies acrimoniously parting ways in 2004. Once it was announced in early 2005 that Iger would be taking over as the next CEO of Disney, he decided that one of his first tasks was to repair the relationship with Pixar, which meant building a new relationship with Steve Jobs.

Iger had the idea that technological change meant that, sooner or later, people would want to watch TV on their computers. He therefore took a risk and pitched the idea to Jobs, who turned out to have been tinkering with the same idea. Five months later, Iger stood on stage with Jobs at Apple's launch of its video iPod, announcing that five Disney shows would be available to download on iTunes. The speed with which this happened helped to convince Jobs that Disney was becoming a forward-looking company.

After he formally became CEO, Iger told the board that Disney Animation—the heart of the Disney brand—was in trouble. They had three choices: try to turn it around under its current management, or bring in new talent to turn it around, or buy Pixar. Many board members deeply opposed to the idea of buying Pixar, but Iger won enough backing to explore the idea. When he broached it with the head of Pixar, Jobs said: "You know, that's not the craziest idea in the world."

They sealed the deal in 2006. Iger had done his homework. Not only did her recognize how both brands would benefit, but he also built a relationship with Jobs and convinced him that Disney could protect Pixar's culture.

MAINTAIN THE VALUE

The Pixar acquisition was the first step in rebuilding Disney. The entertainment business continued to transform rapidly, and it was essential to keep taking risks and keep up with the times. Disney's next target was Marvel, a much "edgier" company whose fans might be horrified by a link with Disney. Iger recognized that preserving the Marvel culture would be paramount to its success and brand loyalty.

The same awareness came into play when Iger approached George Lucas to buy Lucasfilm. Disney was negotiating to be the keeper of the Star Wars legacy, with the very person who had creative control over the saga. They finally signed the deal in October 2012 after many months of careful negotiation.

FINDING *WAKANDA*

At the time of the Marvel purchase, other studios owned the rights to characters like Spiderman. However, the Disney team had done its research and put together a dossier of thousands of Marvel characters that it could mine—including Black Panther, which went on to be the fourth highest grossing superhero movie of all time.

THE DEMANDS OF LEADERSHIP

There are many aspects to strong and effective leadership. One of the most important is to realize that relationships at the top matter. In 1995, then-CEO Michael Eisner brought in Michael Ovitz to be President of the Walt Disney Company, and it quickly became apparent that this was a mistake. Ovitz still acted like an independent agent, not someone who operated a diverse collection of businesses within a large corporation.

The two men constantly clashed, undermining the trust and morale of those working for them. They never stopped to ask the hard questions about how this set-up would work to begin with. A leader has to look past the near-term problem and ask, "What am I really trying to solve, and does this solution make sense?"

FORWARD FOCUS

Effective leadership also means not giving in to pessimism, which is ruinous to morale. Fearing calamity is not a good way to motivate people. It is much better to embrace optimism—not saying all is well when it is not, but rather making it clear that you believe your team is capable of steering toward the best outcome. Optimism is a kind of pragmatic enthusiasm for what people can achieve.

One manifestation of this is to focus on the future. When Iger was being considered to take over from Eisner, the board repeatedly asked why they should trust him when he'd been Eisner's number two through several poor business decisions. Iger told the board he couldn't do anything about the past; "You want to know where I'm going to take this company, not where it's been. Here's my plan."

CURB THE EGO

As a leader, you cannot let your ego get in the way of making the best possible decisions. Board member Roy Disney, Walt Disney's nephew, had very publicly and vehemently opposed Iger's taking over as CEO. Once appointed, Iger had to put his ego aside and figure out what was making Roy so angry and how to appease him, or else the disruptive attacks would continue. He concluded that Roy needed to feel validated, so he made him an emeritus board member with special event privileges.

KNOW WHEN TO GO

The final key to effective leadership is not holding on for too long. When one person has a lot of power, it becomes harder to keep how they wield that power in check. Over-confidence becomes a liability as you start to be dismissive of others' opinions. When you start to entrust too much in your own power and importance, you lose your way.

VALUE PEOPLE

Effective management starts by recognizing that the true value of a business, especially one in the creative industry, is its people.

NO GUESSWORK

Company culture is made up of a lot of aspects, but it can be shaped most effectively by leadership that conveys priorities clearly and repeatedly. A great manager takes the guesswork out of people's day-to-day by being clear about priorities: this is where we want to be, and this is how we get there.

Iger's three strategic priorities once he took over as CEO were: 1) to devote time and capital to the creation of high-quality branded content, 2) to embrace technology to the fullest, seeing it as an opportunity, not a threat, and 3) to become a truly global company.

DON'T BE PETTY

It is OK to sweat the details to some extent. Eisner used to say, "Micromanaging is under-rated." It can show how much you care, and excellence is often a collection of small things. But when taken to extremes—as when Eisner proudly pointed out that he had chosen the types of lamps used in a hotel lobby—it can come across as petty and small-minded.

HONG KONG CAN FIGURE IT OUT

A good manager also trusts his/her people. Early in his tenure as CEO, Iger was asked to join a meeting about ticket pricing at the soon-to-be-opened theme park in Hong Kong. He canceled the meeting, saying that the people actually on the job in Hong Kong didn't need HQ to tell them how to price things, they should be able to figure it out for themselves. And if they couldn't, then they shouldn't be on this job.

INNOVATE OR DIE

By the turn of the century, the entertainment industry was changing at lightning speed, and every traditional media company was operating out of fear rather than courage and trying to build walls to protect the old ways of doing things. Disney made a series of bold acquisitions, but by 2017, it was clear that the company needed to reinvent itself yet again. It was a case of innovating for survival. Could high-quality, branded products still be valuable in a changing marketplace? Could Disney adapt to the new habits of entertainment consumption and use new technology as a tool for growth?

In mid-2017, the heads of each of the company businesses made presentations to the board describing the level of disruption they were facing, culminating in a recommendation to buy a controlling stake in the streaming technology company BAMTech, and use it to launch Disney+. This was a huge step, as Disney would become a distributor of its own content, direct to consumers without intermediaries.

SUFFER NOW, WIN LATER

Launching a new streaming service like Disney+ was major risk. Iger had to explain to Wall Street this was an expensive project upfront, with more than 25 new series and 10 original films were slated to come out in the first year alone. But it would also inflict short-term damage on the bottom line as Disney effectively competed with itself in its traditional businesses.

Intentionally taking on short-term losses in the hope of attaining long-term growth is a big risk and one that takes a lot of courage. To create original content for Disney+, Iger decided not to create a whole new studio but rather to task the existing studios—including Pixar, Marvel, and Star Wars—with creating new products on top of their current business demands. Everything gets disrupted, including existing business models and practices, routines and priorities, jobs and responsibilities. Iger even tied executive compensation to whether people were stepping up to make the new initiative successful.

DOES IT FEEL RIGHT?

Sometimes, courage can also mean turning away from an idea. In summer 2016, Disney expressed an interest in acquiring Twitter, and by October, both boards had approved a deal. The platform could work as a way to deliver content directly to consumers. Still, Iger was concerned about the management of hate speech, which included making difficult decisions about freedom of speech, fake accounts, and political messaging. Tackling such issues could be corrosive to the Disney brand. As a result, Iger decided to listen to his instincts and called off the deal.

As Tom Murphy had said years earlier, “If something doesn’t feel right to you, then it’s probably not right for you.”

Photo by Kin Li on Unsplash

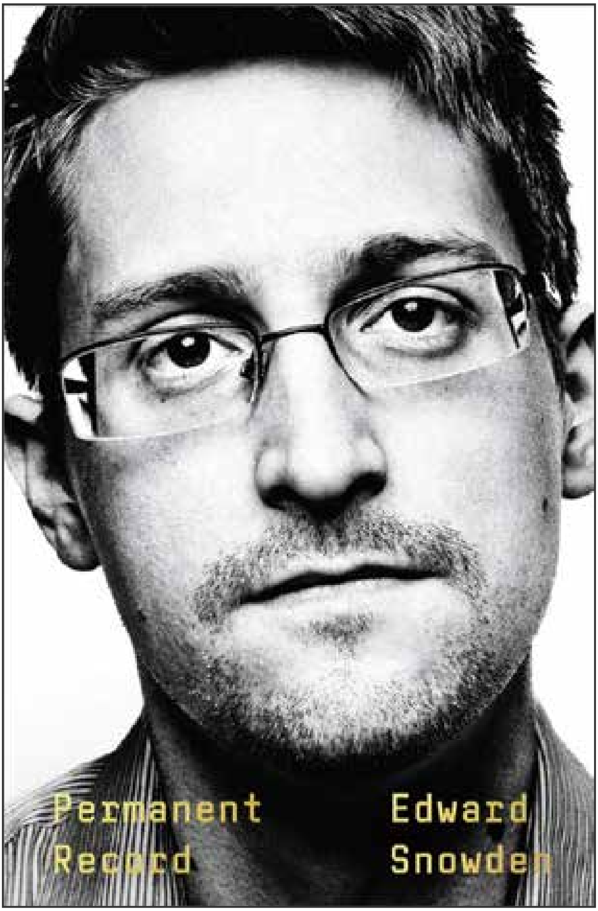
(S07)

Permanent Record

By: **EDWARD SNOWDEN**

What would you do if your government could look at every message, photo, and conversation you have ever had? How should citizens respond to mass technological surveillance by a democratically elected government?

Edward Snowden exposed one of American government's greatest secrets: a massive surveillance system that wiretaps all communications across the Internet and stores them forever. For the first time, Snowden writes about his journey, the ideals that inspired him to reveal these secrets, and what they mean to every one of us today.



TOP 20 INSIGHTS

- Snowden was born in a family that had served in every war in American history. His love of gadgets was fueled by his father, an electronic engineer who introduced him to computers. Snowden's father worked at the Aeronautical Engineering Department of the Coast Guard while his mother worked for the National Security Agency.
- Snowden would spend entire nights on the Internet, lost in an endless world of information and possibilities. The anonymity of the Internet allowed young Snowden to freely express himself and gave him the intellectual freedom to change opinions instead of being forced to defend them.
- To spend more time on the Internet, Snowden found ingenious ways to hack school. He knew the rules better than anyone else and exploited the vulnerabilities. He analyzed his course syllabus and found smart ways to achieve decent grades without homework.
- When Snowden's parents got a divorce during his Freshman year, he was sick for four months with infectious mononucleosis. When it looked like he had to repeat that year in school, Snowden did a clever workaround to enroll in the local community college.
- Snowden was at Fort Meade during 9/11 and witnessed the uproar when the NSA and CIA were ordered to evacuate the offices. This left a lasting imprint on him. After 9/11, the heads of agencies petitioned and got approval for extraordinary security measures.
- 9/11 marked a fundamental shift in Snowden's life. His anti-establishment ethos gave way to a burning desire to serve the country in uniform. He cleared the army entrance to qualify as a Special Forces Sergeant, an elite track usually reserved for existing army soldiers. But an accident during training led to severe stress fractures and he was discharged.
- During recovery, Snowden felt that he could best serve America through his computing skills and started to work for the intelligence community. Since most open government positions were contract-based, Snowden took employment with the company COMSO on paper, but his real work was to maintain CIA servers from the CIA Headquarters.
- Snowden then shifted jobs to work directly for the CIA as a Telecommunication Information Security Officer, responsible for the maintenance of everything from servers to solar panels at secret intelligence stations inside the American embassies abroad. After training, Snowden worked in Geneva and put his digital spying skills to help CIA agents track suspects.
- Snowden shifted to a contract job with the NSA in Japan, as a Dell employee on paper. While the NSA was superior to the CIA in terms of cyber intelligence, it lacked the most basic security and backup mechanisms. Snowden was tasked to build EPICSHELTER, a comprehensive disaster recovery system that could restore all systems to normal even if Fort Meade went down.
- A chance encounter revealed the existence of NSA's program STELLARWIND, which was designed for mass surveillance of all internet communication across the globe. This data was to be stored for perpetuity to be searched at whim. Snowden realized that his work protected only the NSA and not his country.
- Before this, the two countries that had attempted mass surveillance were Nazi Germany and Stalin's Soviet

Union. A single smartphone today has more processing power than the computers of the Reich and the Soviet Union combined. Continuous collection and permanent storage of all data meant that anyone could be scapegoated at any time.

- When Snowden returned home from abroad, Americans were willingly hosting private photos and files on cloud services, ceding data ownership, and inviting corporate surveillance. This created tremendous revenue for corporations, while the government poached this data either through secret warrants or surveilled the companies themselves.
- The stress to keep this knowledge secret led to an epileptic seizure. Snowden was forced to take a short-term disability leave. After months of recovery, he took up a job at the Office of Information Sharing in Hawaii. The role would give him the leisure to recover and access to NSA files to confirm the existence of a mass surveillance system.
- Snowden discovered three programs that put the entire Internet under surveillance. PRISM collected all email, audio, video, and chat data from corporations like Microsoft and Google. Upstream Collection collected all internet traffic by directly tapping Internet Service Providers. Finally, XKEYSCORE was a search engine that could search for any person and read all of their emails, search history, social media, and even live video.
- NSA's mass surveillance was a stunning violation of the Fourth Amendment, abetted by all three branches of the government. Snowden realized that the only way to restore the balance of power between citizens and government would be responsible whistleblowing through the media.
- Snowden smuggled documents in tiny SD cards and saved them on an encrypted hard disc. The encryption ensured a long enough secret key, so that all of the world's computing power combined could not break it open. Encryption is the only reliable protection against surveillance.
- Snowden met with documentarian Lauren Poitras and Glenn Greenwald of the Guardian in Hong Kong. On June 5, 2013, the Guardian published the first story on NSA's collection of every call record from Verizon. On June 6, Washington Post ran a story on the PRISM program. On June 9, Snowden released a video on the Guardian to own up responsibility for whistleblowing.
- Faced with extradition request from the US government, Snowden flew to Ecuador for asylum. During a layover in Russia, he realized that the US State Department had revoked his passport, and was consequently stranded in the airport for 40 days while 27 countries refused him asylum. Finally, the Russian government granted him temporary asylum and brought an end to this ordeal.
- Snowden's revelations forced the US Congress to launch multiple investigations that revealed how NSA had systematically lied about the surveillance programs. The NSA's program was held to be unconstitutional by federal courts. The USA Freedom Act explicitly prohibited the bulk collection of American's phone records. Apple and Google adopted secure encryption on their devices.
- Snowden now heads the Freedom of Press Foundation, dedicated to the empowerment of public interest journalism through better encryption technologies. He spends his time to raise global awareness on civil liberties in the digital age.

SUMMARY

THE LAST UNDIGITIZED GENERATION

Born in North Carolina in 1983, Edward Snowden was a part of the last undigitized generation whose activities were captured in diaries, Polaroids, and VHS tapes, and not on networked devices connected to the cloud. His family had fought in every war in America's history from the Revolution to the Second World War. Snowden's love of gadgets began quite early, fueled by his father, who was an electronic engineer in the Coast Guard and would bring home new devices every other week. Snowden's early years were filled with Nintendo video games and visiting his father's electronics lab, where he saw a computer for the first time. This encounter was the beginning of a life-long fascination with computers and programming.

ONLINE LIVES

The move from North Carolina to Crofton, Maryland, was a social and economic step-up for the family. Snowden's father worked at the Aeronautical Engineering Department of the Coast Guard while his mother worked for the NSA. Their neighbors worked for the FBI, the Defense Department, and the Department of Commerce. The entire Beltway around Fort Meade was filled with families working with a branch or agency related to the government. It was at this time that Snowden got his first desktop computer with 8-bit color display and 200 MB of RAM. He would spend every possible minute he was allowed to on the computer. Snowden was 12 when the family got an Internet connection for the first time, thus opening an entire world of information and possibilities that occupied all his time. Whole nights would be spent on the Internet lost in endless learning about arcane topics and sleeping was reserved for the daytime. Snowden became paler and more sedentary and his grades fell. At a time when the Internet was wilder and more unregulated, the ability to be anonymous gave the possibility of freely expressing oneself. One could pick a new digital persona, start over, and not be judged. This ability to reinvent gave teenage Snowden the intellectual freedom to change opinions instead of being forced to defend them. His passion for building his own computer led him to forums and chatrooms where experts and tenured professors would patiently answer the 12-year old's questions and curiosities.

HACKING SCHOOL

The adolescent was fed up with the arbitrary tyranny of rules that teachers imposed in school. Filled with a rebellious spirit and inspired by the digital world, Snowden decided to hack the rules at school. Hacking the system doesn't necessarily means breaking the rules. One has to know the rules better than anyone else to exploit the vulnerabilities that exist. This is true not only for computers but for any rule-based system. To minimize school hours, Snowden analyzed the syllabus sheet and found a way to get a decent grade without doing any homework. This time was used to hone his computer skills. As with many in the hacking community, Snowden did not do this for power or wealth, but merely the desire to test the limits of his talent. These experiments included reporting a security vulnerability in the Los Alamos National Laboratory, which hosted America's nuclear program.

SEPARATION

Snowden's life came crashing down during his Freshman year when his parents divorced. While Snowden's sister reacted by throwing herself into college applications, he responded by turning further inwards and distancing himself from his parents. The problematic situation was further complicated by a debilitating attack of infectious mononucleosis that left him bedridden for four months. When he realized that he had to repeat the school year, he managed to find a clever workaround and enrolled himself in a local community college to bypass the remaining years in school. Snowden put his tech skills to use as a freelancer building websites and used that to pay his tuition. Recognizing the importance of professional certifications in the IT industry, he studied and became qualified as a Microsoft Certified Systems Engineer.

9/11 AT FORT MEADE

When 9/11 happened, Snowden was at the residential quarters of Fort Meade. It was pandemonium all around with the NSA and CIA headquarters being evacuated. Special police, barbed wires, and Humvees with machine guns filled the streets, eventually becoming a permanent part of Fort Meade. America would never be the same again. Over a hundred thousand employees of the Intelligence Community returned to work the next day, knowing that they had failed to keep America safe. The heads of agencies petitioned and got approval for extraordinary security measures. Personally, Snowden's anti-establishment hacker ethos was entirely overwhelmed by a sense of patriotic duty. He signed up for the army, with top-grade scores in the entrance exams to be qualified as a Special Forces Sergeant, an elite track that was usually for existing army soldiers. However, a grievous accident during training left him with severe stress fractures that forced him off the training program. Eventually, he was given a discharge via "administrative separation" from the Army.

A DIGITAL SPYMASTER

Throughout his recovery, Snowden realized that the best way to serve his country would be through his computing skills. He applied for the TS/SCI, the highest level of security clearance. After a thorough background check and a polygraph test, Snowden was deemed fit to work in the highest echelons of the intelligence community. Around the same time, he met 19-year-old Lindsay, his future life partner, through a casual interaction on HotorNot.com that quickly blossomed into a relationship.

BUILDING CIA'S CLOUD

By the time Snowden joined, the intelligence community had increasingly taken to hiring temporary contract workers from the private sector. Most open positions were through private companies. For example, the company COMSO employed Snowden on paper, but his real work was at the CIA headquarters. Snowden was responsible for maintaining CIA servers, including top-secret cryptography servers in the United States. He soon shifted to working for the CIA directly as a Telecommunication Information Security Officer. These officers were responsible for maintaining every part of the CIA's technical infrastructure hidden inside American embassies abroad, from computers to solar panels. At the end of his training, Snowden was posted to Geneva, which had sophisticated targets like UN Agencies and International Organizations, including the World Trade Organization. Most of this spy work was technological. During the 2008 global recession, Snowden saw how Geneva flourished with money flooding Swiss Banks while the world suffered. What was painful for the public benefitted the elites.

Snowden took up a new contract job with the NSA in Japan, as a Dell employee on paper. This center was responsible for maintaining the NSA infrastructure across the Pacific and spying on most countries in that region. The NSA was far more advanced than the CIA in terms of Cyber-intelligence. However, it lacked the most elementary security features, including encryption and global backups. Snowden was tasked with building EPICSHELTER, a comprehensive backup and disaster recovery system for the entire NSA. EPICSHELTER could restore all the data collected back to normal, even if Fort Meade went down.

SURVEILLANCE STATE

When he joined the NSA, Snowden had little idea of its surveillance practices beyond the President's Surveillance Program (PSP), a Bush-era executive order that permitted the NSA to collect phone and Internet communications between the US and the world without a warrant. However, a file left on a server managed by Snowden had explosive revelations: the NSA's program STELLARWIND was designed for mass surveillance of all internet communication across the globe. This data was to be stored for perpetuity to be searched at whim. The NSA justified this by making a futile and pedantic distinction between data and metadata, arguing that metadata collection was not prohibited by US law. Effectively metadata can tell someone everything they want to know about a person ranging from their current location to who they have called. Snowden felt cheated, realizing that he had been protecting the state and not the country. The only two countries that had previously employed mass surveillance were Nazi Germany and Stalin's Soviet Union. Today, a single smartphone has more processing power than the computers of the Reich and the Soviet Union combined. The law had not kept pace with technology. With continuous collection and permanent storage of all data, anyone could be scapegoated at any time.

BACK IN AMERICA

Snowden moved back to America to work with Dell as a Solutions Consultant for the CIA. The job was to design and build systems for the CIA. The America he returned to had changed significantly. Users were willingly hosting private photos and files on cloud services, ceding data ownership, and inviting corporate surveillance. This created tremendous revenue for corporates, and the government in turn poached this data either through secret warrants or surveilling the companies themselves. Snowden felt the immense stress of this knowledge yet not being able to share it with anyone. One day on an official call, he collapsed with what was later diagnosed as an epileptic seizure. He was forced to take a short-term disability leave.

HACKING THE CONSTITUTION

After months of recovery, Snowden and Lindsay moved to Hawaii, as the doctors felt it would help him recover better. He took up a Dell contract job with NSA at the Office of Information Sharing. Although, this role was a step down the career ladder, it gave him the leisure for recovery and, more importantly the access to read the files needed to confirm the extent of NSA's surveillance. To do this, Snowden built a system called Heartbeat, which pulled documents from all CIA internal sites to deliver tailored newsfeeds for each NSA officer. The documents collected by Heartbeat were the source of all the documents later leaked to the Press by Snowden.

Snowden discovered PRISM, an NSA program to collect all email, audio, video, and chat data from Microsoft, Apple, Google, Facebook, and Skype, among others. Over 90% of Internet traffic flows through infrastructure owned by the US government or US companies. Upstream collection was a mechanism by which the NSA collected this internet traffic by directly Internet Service Providers across the world. Between these two programs, the entire Internet was under total surveillance. XKEYSCORE was a Google-like search engine that allowed you to search for a person and read all of their emails, search history, social media, and even live video.

NSA's mass surveillance was a flagrant violation of the Fourth Amendment actively aided by the failure of both the legislature and judiciary. The legislature abandoned its supervisory role until only a few select committees knew what the NSA was doing. The branch expanded the mandate of secret courts that heard only from the government, to authorize mass surveillance without any public scrutiny or challenge. The US Supreme Court denied the right to even challenge NSA's surveillance in open courts. The executive branch authorized the policy of mass surveillance. The three branches of government failed deliberately with coordination. As Snowden puts it, the intelligence community had hacked the Constitution.

GOING PUBLIC

This degree of complicity made Snowden realize that a full public disclosure of this mass surveillance through the media with documentary evidence was the only way to restore a balance of power between citizens and government. Going public through the media would ensure responsible sharing without endangering national security. Snowden began preparations for this with the full knowledge that leaking even a single document could land him in prison for years. Snowden made contact with documentarian Lauren Poitras and Glenn Greenwald of the Guardian, who were already targeted for reporting on NSA's surveillance.

Snowden painstakingly smuggled out the documents from Heartbeat in tiny SD cards without arousing suspicion. These were then transferred to a hard disc and protected with multiple layers of encryption. The math behind encryption ensured that, with a long enough secret key, all of the world's computing power together could not break open a locked document. Encryption is the only reliable protection against surveillance.

TURNING WHISTLEBLOWER

Snowden knew that the intelligence community would come after him if he chose to stay in the US. He emptied his accounts and flew to Hong Kong to meet the two journalists. As he left, he had a sinking feeling that he would never see his family again. Snowden waited for ten days, holed up in a hotel room for Poitras and Greenwald to arrive. He made copious notes and organized his material to best explain to the journalists the extent of NSA's surveillance. Greenwald and Snowden discussed the details of the NSA's activities, which Poitras recorded on video. On June 5, 2013, the Guardian broke Greenwald's first story on the NSA collecting every call record from Verizon. Poitras ran a story on Washington post about the PRISM program. On June 9, Snowden released a video on the Guardian owning up responsibility for whistleblowing in public interest.

STRANDED IN RUSSIA

The US Government immediately filed an extradition request on Snowden. When the UN turned Snowden's application for asylum, he decided to fly to Ecuador, the country that had given asylum to Julian Assange, hoping for a similar treatment. Assange offered to help Snowden, and Sarah Harrison of Wikileaks flew down to assist him. She procured an emergency refugee travel permit from the Ecuador Embassy and accompanied him on a flight to Ecuador via Russia.

But the 20-hour layover at Russia turned into nearly six years of exile. On landing, Snowden learned that his passport had been revoked by the US State Department when the flight was still mid-air. When he refused to become a Russian informer, he was made to languish in the airport for nearly 40 days. During these days, 27 countries rejected Snowden's appeal for asylum. Finally, the Russian government granted him temporary asylum to bring an end to this ordeal.

GLOBAL IMPACT

Snowden's whistleblowing incited a tremendous public uproar and forced Congress to launch multiple investigations into NSA's abuses. The investigations found that the NSA had consistently lied to Congress on the nature and scope of its surveillance programs. In 2015, the federal court ruled that NSA's program was unconstitutional.

The USA Freedom Act was passed to prohibit the bulk collection of American's phone records explicitly. Apple and Google responded by adopting secure encryption on their devices. Websites moved from the insecure HTTP protocol to the encrypted HTTPS standard. The European Union passed the General Data Protection Regulation that provides whistleblower and data privacy protections.

LIFE AND WORK TODAY

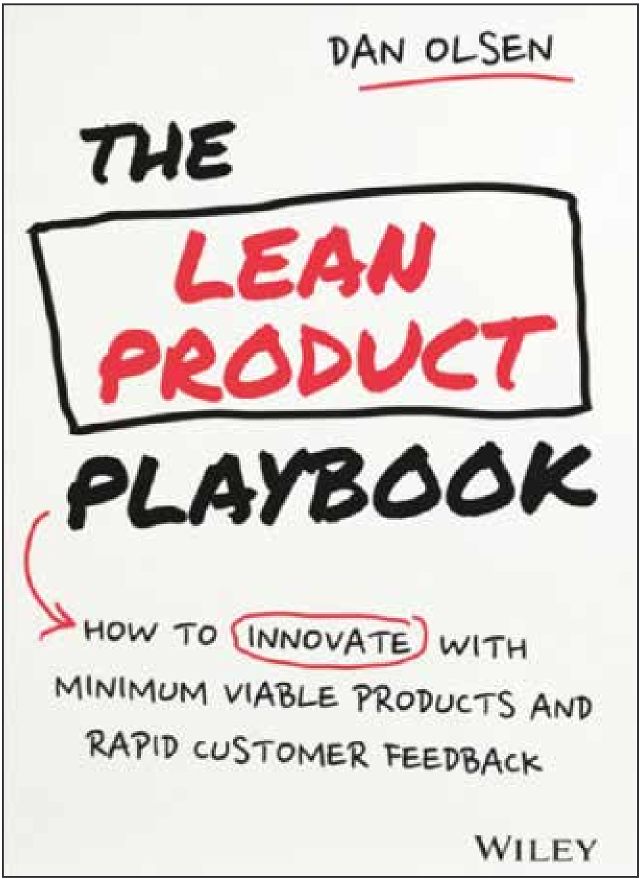
Lindsay came to visit Snowden in 2014. A few years later, she moved to Russia, and they got married. Today, Snowden heads the Freedom of Press Foundation, dedicated to empowering public interest journalism through better encryption technologies. The foundation supports Signal, an encrypted text and calling platform, and SecureDrop, a platform for whistleblowers to share files with media houses. Changing the law to adapt to technological shifts takes time. Until then, institutions will try to abuse this gap for their interests. Independent software developers can close this gap by building technologies that support civil liberties. While a legal reform might help only citizens, an encrypted smartphone can help people across the world. Today, Snowden spends his time speaking on civil liberties in the digital age to lawmakers, scholars, students, and technologists worldwide.

The Lean Product Playbook

By: **DAN OLSEN**

Why do so many products fail? Most products fail not because they are built or marketed poorly, but because they don't delight customers. The most important thing is to achieve product-market fit.

The Lean Startup Movement is known to help teams stay true to customer needs and rapidly build game-changing products. Read this book summary for a step-by-step process to identify target customers, measure feedback on your MVP, and ultimately create products that delight.



TOP 20 INSIGHTS

- Most products fail due to poor product-market fit. Product-market fit can be achieved when a product meets customer needs in better ways than existing alternatives, and as a result creates significant customer value.
- The Lean Product Process is an actionable framework to achieve this product-market fit. It breaks the process down into six steps: identify target customers, select underserved needs, define Product Value Proposition, shortlist Minimum Viable Product feature set, build a prototype, and test with customers. This process minimizes rework as it facilitates rigorous step-by-step product thinking.
- To achieve product-market fit, keep the problem space separate from the solution space. The problem space identifies essential customer needs while the solution space focuses on product design. Multiple solutions can solve each problem in the product space.
- The first step in the Lean Product process is to identify the customer segment. Target customers are defined with key attributes such as needs, demographics, psychographics, and behaviors. In the case of B2B models, firmographics is used.
- In some cases, the person who makes the purchase decision is different from the end-user. Therefore, it is important to distinguish both and identify their distinct needs.
- The Technology Adoption Lifecycle segments the market into five categories based on how fast customers adapt to new technology. Early adopters enthusiastically adopt new products even if they have bugs. However, it is more challenging to convert more conservative customers as they expect reliability, ease of use, and market leadership.
- Customer personas are single-page archetypes of user demographics, their needs, and what they seek to achieve. Team members make product decisions with the Customer Persona in mind. Add a photo and a quote that conveys what they care about most makes the team empathize with the target customer.
- Customer wants are documented with User Stories. A User Story generally follows this template: "As a [customer type], I want to [desired action] so that I can [expected benefit]." The needs in the user story are written from a customer perspective. User stories can be validated and improved through one-on-one interviews with customers.
- The Importance Satisfaction Framework helps us identify underserved customer needs. Importance is the value customers place on a particular need, while satisfaction is a measure of customer satisfaction with existing solutions. Customer value is created when you target market needs that are of high Importance but have poor satisfaction ratings.
- The Kano Model divides needs into Must-Have Needs that create dissatisfaction if not met, Performance Needs that create satisfaction proportional to being met, and Delighters that exceed customer expectations. The Must-Have Needs must be met first, followed by Performance Needs and finally Delighters. This model helps distill a clear set of requirements to be addressed by the product.
- To create a Product Value Proposition, select the needs to be

addressed in a manner that creates product differentiation. Must-have Features are essential for the product. The core product differentiators are the Performance Features that the team chooses to compete in and the Delighters that are selected.

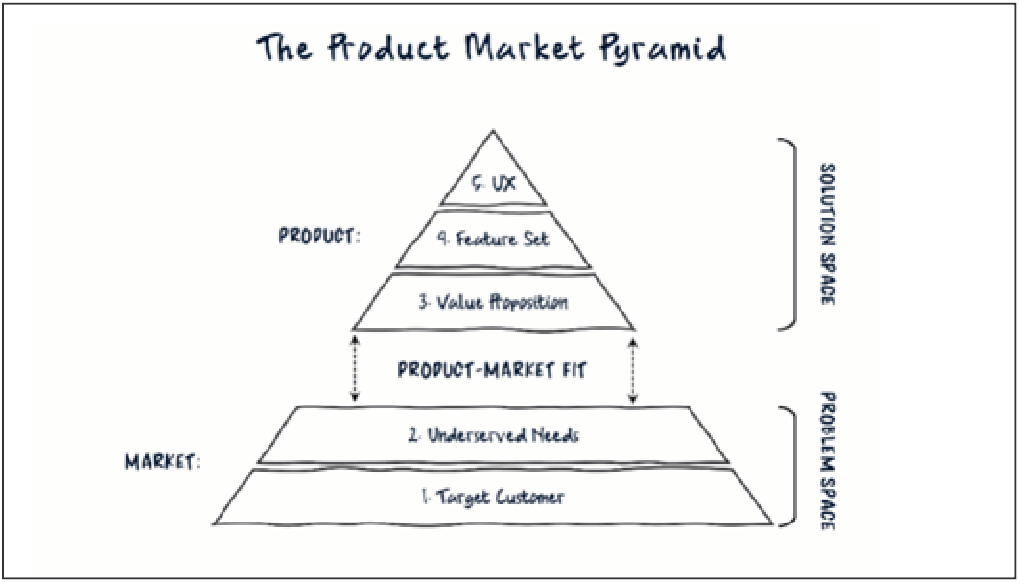
- To create a Minimum Viable Product (MVP), the team must select the minimum functionality required to validate the product design. For each benefit in the Product Value Proposition, the team identifies and shortlists features. These features are broken into chunks. The team then shortlists the chunks that satisfy Must-have Needs, chosen Performance Needs, and one essential Delighter Need.
- MVPs can be tested qualitatively by direct customer interaction, or quantitatively by aggregate results at scale. Quantitative tests are good answers to "what" and "how many." Qualitative tests are crucial to understand the "why".
- Qualitative tests are ideal to test and improve Product-Market Fit. Product design artifacts like mockups can be tested with customers to validate the design. Tests can be done after developing an MVP to get accurate feedback.
- Fidelity and Interactivity determine customer feedback in product tests. Fidelity is how closely the artifact resembles the final product. Interactivity is the extent to which a customer can interact with a live, working product. The higher the fidelity and Interactivity, the more accurate the customer feedback will be.
- Fake Doors are an excellent way to validate customer needs for a particular feature. Before the feature is built, teams create mock landing pages to measure what percentage of customers click on it. If there is sufficient volume, the feature is commissioned.
- Quantitative marketing tests can be used to statistically verify the effectiveness of product marketing. An excellent quantitative marketing technique is a landing page that describes the planned product features, pricing plans, and has a sign-up button. Traffic is directed to the page, and the critical metric measured is the conversion rate.
- Teams can become blind to key product issues as they work so closely with the product. User tests are an excellent way to uncover these blind spots. User Tests are ideally done one-on-one with five to eight customers.
- The Hypothesis-Design-Test-Learn loop enables rapid iterative product development. The Hypothesis step tries to identify the issue in the problem space. The Design step finds the best way to test the hypothesis. The Test step allows the team to verify their assumptions through customer testing. Finally, the Learn step analyzes the results to understand the changes needed leading to a better hypothesis.
- If product-market fit is not achieved after multiple iterations, teams must step back and brainstorm on the core issue. If this leads to a significant change in direction, it is considered to be a pivot. While care must be taken not to pivot too early or too often, it is essential to recognize when product-market fit is not achieved and change direction.

SUMMARY

Most products fail because they don't meet customer needs better than the alternatives available. Therefore, achieving product-market fit is the key to creating a successful product. product-market fit means building a product that creates significant customer value and meets needs better than every alternative. The Product Market Pyramid is an actionable framework to achieve such product-market fit.

PRODUCT MARKET PYRAMID

The pyramid has five layers grouped into a market section at the bottom and a product section on the top. Each layer of the pyramid depends on the layer below it. The Product Market Pyramid applies to both products and services.



MARKET

The market for a product is the set of all existing and potential customers that share a set of related needs. Market size is measured in terms of the number of customers or total revenue generated. The Product Market Pyramid maps the market into an underlying Target Customer segment and followed by an Underserved Needs segment. This is because needs that aren't met can be identified only after selecting the Target Customers.

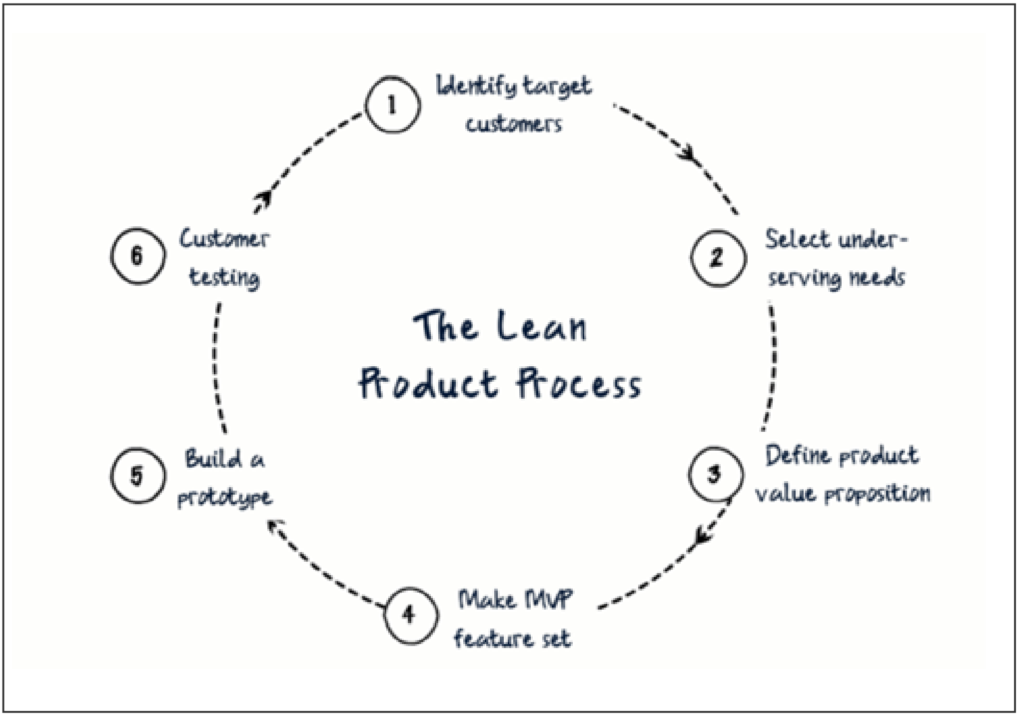
PRODUCT

The third segment in the Product Market pyramid is Value Proposition. This is the set of specific customer needs that the product aims to address in ways better than the existing alternatives. This naturally leads to the fourth layer, the Feature Set. The Feature Set is the product features that are chosen to meet these customer needs. The topmost layer is the UX layer, which is the real-world product interface that customers will see and use.

THE LEAN STARTUP PROCESS

The Lean Product Process helps to create a product-market fit by systematically working through each layer of the pyramid from top to bottom. This step-by-step process minimizes rework and creates rigor in product thinking. The Lean Startup Process consists of six steps:

I. Identify target customers
II. Shortlist underserved customer needs
III. Define the product's Value Proposition
IV. Select the Minimum Viable Product (MVP) Feature Set
V. Build an MVP Prototype
VI. Test the MVP with customers



PROBLEM SPACE AND SOLUTION SPACE

While designing products, it is crucial to separate Problem Space and Solution Space. The Problem Space answers the question of what are the customer needs to be met. The Solution Space answers the question of how customer needs are met, including the design of the product and technology used. Poor Problem Space understanding gives rise to inside-out product development, where product ideas are based on what employees think is valuable. In contrast, an outside-in approach to product development begins with talking to customers to get a clear understanding of the Problem Space. In the Product Market Pyramid, the bottom three layers of Target Customer, Underserved Needs, and Value Proposition deal with the Problem Space, while Feature Set and User Experience deal with the Solution Space.

STEP 1: IDENTIFY THE TARGET CUSTOMER

The first step of the Lean Product Process is identifying the right customer segment. Companies define their target customers by capturing key attributes, including needs, demographics, psychographics, and behaviors. Demographics include group statistics like age, gender, income and education. In the case of B2B, firmographics is used instead. Psychographics classify people according to attitudes, values, opinions, and interests. Behavioral data segments based on the occurrence and frequency of behaviors. In some cases, the person who makes the purchase decision is different from the end-user. Therefore, it is useful to distinguish the two and identify their distinct needs.

Markets can be segmented on how quickly customers adapt to new technology. Tech enthusiasts passionate about innovation, and those who seek to gain an edge over others may adopt cutting-edge products even though they may not have usability issues. However, it is difficult to convince more conservative users who demand ease of use, simplicity, reliability, and reasonable pricing.

CREATE CUSTOMER PERSONAS

Customer Personas are archetypes of users, their needs, and what they seek to achieve. They help the team align on a standard customer definition. A good Persona is a single-pager that is easy to understand and has relevant demographic, behavioral, and need-based attributes. Adding a photo and a quote that conveys what the customer cares about most makes the team empathize with the target customer in making decisions. Personas must be continually updated through one-on-one conversations with customers on an ongoing basis.

STEP 2: SHORTLIST UNDERSERVED NEEDS

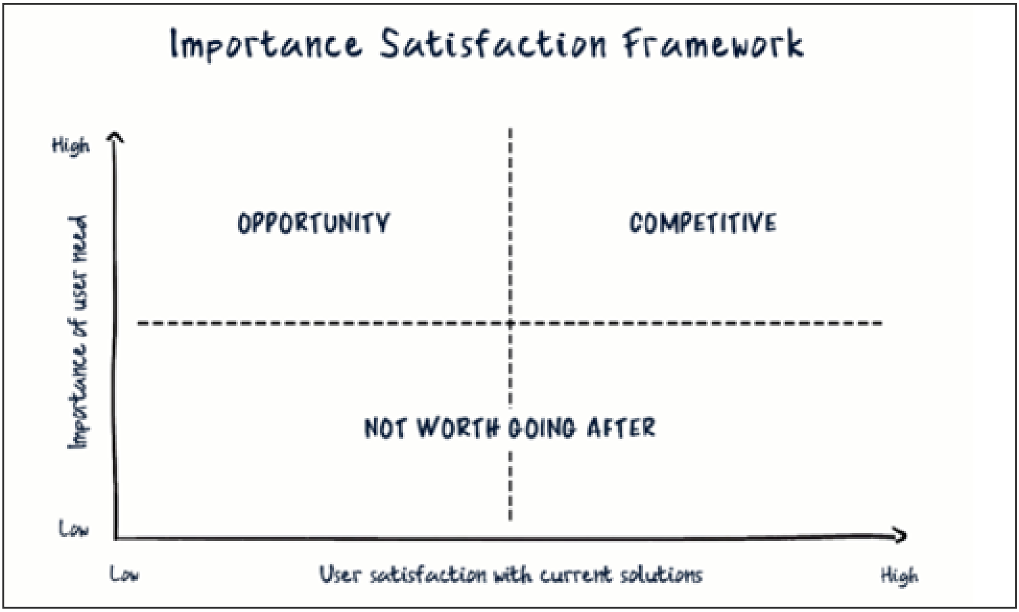
User Stories are an excellent way to capture customer needs. A good template for creating user stories is: “As a [customer type], I want to [desired action] so that I can [expected benefit].” The needs that the product will address are always written from the end-user perspective.

Customer needs begin as hypotheses that can be validated through one-one-one customer discovery interviews. In these interviews, each need is shared with the user, and they are asked to estimate how much value they perceive. Asking follow-up questions on why benefit matters can open up a deeper understanding of a core need beyond the superficial needs. A template for doing this is Toyota's model of asking "Five Whys."

THE IMPORTANCE SATISFACTION FRAMEWORK FOR PRIORITIZING NEEDS

Importance is a problem space concept that measures how valuable a need is to a customer. Satisfaction is a solution-space concept that measures how happy a customer is with a particular solution.

- **Low importance Needs** are not worth pursuing as they won't create enough customer value.
- **High Importance and High Satisfaction Needs** are cases where users are satisfied with the existing solutions in the market. A good example is Microsoft Excel, which has a stable feature set and no significant competition.
- **High Importance Low Satisfaction Needs** are an excellent opportunity to create customer value. This is because the need for them is high, and current products don't meet customer expectations. Disruptive innovations usually emerge from this segment. Uber is an excellent example of capitalizing on highly relevant but poorly served needs of customers to have reliable drivers, predictable fares, and easy payment mechanisms.



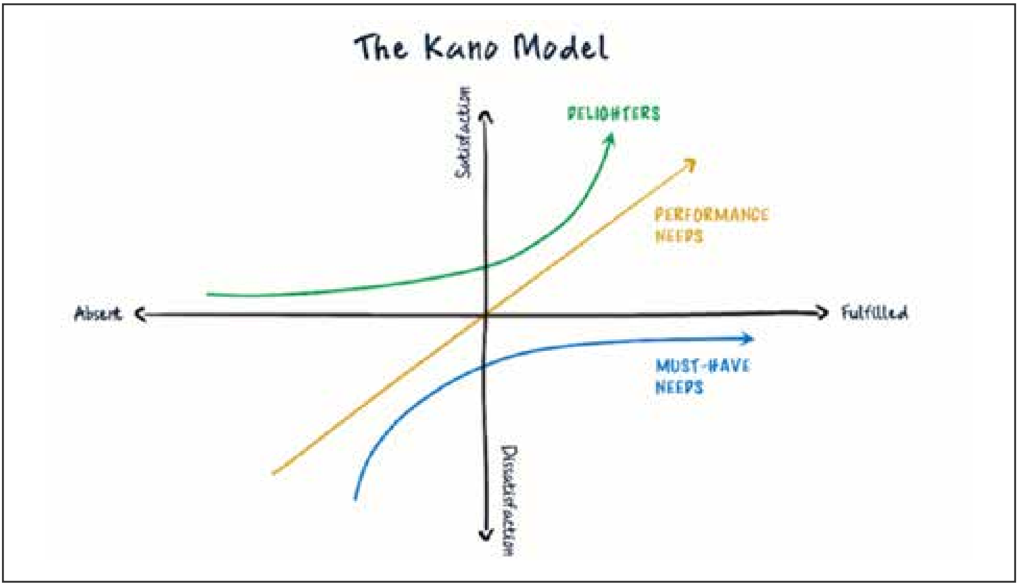
The Sony Walkman was a disruptive innovation that allowed users to listen to music on the go for the first time. It shifted the satisfaction scale by redefining the customer experience. Apple repeated the same by launching the iPod. In contrast, the customer's Importance for listening to music on the go has remained constant. Therefore, when forced to choose between Satisfaction and Importance, it is better to prioritize Importance. The Importance and Satisfaction of each feature can be estimated by asking customers to rate them through questionnaires. Features with the least Satisfaction and the highest Importance values must be prioritized.

THE KANO MODEL

The Kano model divides customer needs into three categories: Must-have needs, Performance Needs and Delighters.

- **Must-have Needs:** Not having these needs met creates dissatisfaction while meeting them is seen as expected. Seat belts in cars are an example.
- **Performance Needs:** As these needs are more fully met the customer satisfaction increases. Speed or mileage in cars is a good example.
- **Delighters:** These features exceed customer expectations, create surprise and high satisfaction.

With time and growing competition, needs migrate from being Delighters to Performance needs to become Must-haves finally. The needs in the Kano model are hierarchical: The Must-have needs must be met first. Performance needs come later, and Delighters come last. This model helps us better prioritize needs and create a differentiated product.



STEP 3: DEFINE VALUE PROPOSITION

Focusing on a specific set of related needs is crucial to creating a great product. The Product Value Proposition helps select the needs to address and why it is better than the market alternatives. The Must-have features are necessary for the product. Therefore, the core differentiators are the performance features to compete in and the delighters that are added.

A tool to create a Product Value Proposition is to make a table with the first column listing the must-haves, performance benefits, and delighters. There must be columns for each competitor and one for the product. Must-haves and delighters are filled with a simple yes, while each performance feature is rated high, medium, or low. This table helps us clearly articulate the value proposition along with how it is differentiated from competitors. To be prepared for future market shifts, we can add a near-future column to each competitor and the company's product to estimate future value.

STEP 4: SELECT YOUR MVP FEATURE SET

To create a Minimum Viable Product (MVP), we need to select the minimum functionality required to validate the product design. This step marks a transition from the problem space to the solution space. For each benefit in the Product Value Proposition, the team creatively brainstorms to come up with as many feature ideas as possible. This needs divergent thinking that allows for idea generation without judgments. For each benefit, the top five features are identified. Features can be captured as User Stories to retain the connection with the corresponding customer benefit. Good user stories must be independent, valuable, small, and testable. Each user story is further broken into smaller pieces of functionality called Chunks to reduce the scope and build the most valuable parts of each feature. Smaller Chunks lead to faster turnaround and quicker feedback. After User Stories are made and chunked, developers assign points based on the amount of effort required. A Chunk that requires high points is broken into smaller pieces. Chunks that have high value and low development time are prioritized.

Finally, the team creates a list that maps each feature in the product value proposition with its corresponding Chunks organized by priority. First, Chunks must be selected to satisfy each Must-have Feature fully. Then, chunks must be chosen to achieve key Performance Features that have been chosen for outperforming the competition. Finally, the top Delighter Feature must also be present in the MVP for customers to see why the product is superior to competitors. The chunks that are not shortlisted are added to the tentative feature roadmap for the next version. This roadmap may be changed based on customer feedback on the MVP.

STEP 5: CREATE AN MVP PROTOTYPE

Minimum in MVP is not an excuse to produce a poor user experience. While the MVP might be minimal in terms of feature scope, it must be high quality to create customer value and test for improvement. MVP tests can be qualitative with direct customer interaction or quantitative to measure aggregate results at scale. While quantitative tests are good at answering "what" and "how many," qualitative tests are crucial to understanding the "why" behind customer responses. Therefore, its best to begin with qualitative tests in the initial stages.

QUALITATIVE MARKETING TESTS

Qualitative marketing tests involve showing customer marketing materials, including landing pages, brochures, and advertisements, and inviting feedback. An excellent way to see if the marketing material works as intended is the five-second test. Customers are shown the content for 5 seconds and then asked to share what they remembered and what they liked.

QUANTITATIVE MARKETING TESTS

These are usually large-scale tests that can be used to improve the rate of reaching prospects and converting prospects into customers.

- **Landing Page Test:** This technique involves creating a landing page or explainer video that describes the planned product features, pricing plans, and has a sign-up button. Traffic is directed to the page and the critical metric measured is the conversion rate
- **Ad Campaign:** This method uses online advertising tools like Google AdWords to place ads targeting your customer demographic and measuring which words and taglines they find compelling.
- **A/B Testing:** Two alternative designs are tested simultaneously to see how they perform on a critical metric. This is done by having different versions of the test running in parallel with web traffic equally distributed to both.
- **Crowdfunding:** Crowdfunding platforms are an excellent way to understand if the customer will pay for the product being developed. This is a particularly useful tool for entrepreneurs to reduce risk as customers pay before the product is developed.

QUALITATIVE PRODUCT TESTS

Qualitative tests are ideal for testing and improving Product-market fit. The quality of feedback in a product test depends on fidelity and Interactivity. Fidelity is how closely the artifact resembles the final product, and Interactivity is the extent to which a customer can interact with a live, working product.

- **Wireframes:** These are low to medium fidelity designs that give an overall picture of how different components are arranged. They are devoid of details like images, colours and fonts.
- **Manual Hack MVPs:** These give the feel and experience of the original product

but are driven by manual workarounds.

- **Live Product:** It's a good idea to test the finished product with the customer as it has the highest fidelity and Interactivity. Testing can be done with developers present with the customer or by the customer alone.

QUANTITATIVE PRODUCT TESTS

Quantitative tests can help the team measure how customers use their products.

- **Fake Door:** Fake doors involve creating a button or page for an unbuilt feature to measure what percentage of customers click on it. If there is sufficient interest, the feature can be built.
- **Product Analytics:** Product analytics are useful to understand where customers spend their time and what features most used.

STEP 6: TEST THE MVP WITH CUSTOMERS

Working closely with a product can make the team impervious to critical issues in the product. User Tests can uncover these blind spots within minutes. User Tests are best-done one-on-one with five to eight customers focusing on deep interaction. After making changes, another round of User Tests can be done.

Before conducting a test, scripts must be prepared that detail which parts of the product are shown, the tasks the user must accomplish, and the questions to be asked. User tests typically run for an hour with fifteen minutes of warm-up and user discovery, forty minutes of feedback on the product, and five minutes to wrap-up. It is essential to differentiate between feedback on how easy it was to use(usability) and how valuable the product is (product-market fit). User Testing must be done by carefully choosing customers from your target market. Otherwise, the data will be misleading.

ITERATE AND PIVOT

The essence of lean development lies in quick iteration.

HYPOTHESIZE DESIGN TEST LEARN LOOP

In the Hypothesis step, the Problem Space hypothesis is formulated. Design Step is about finding the best way to test the hypothesis. After creating a design artifact, the Test step allows the team to verify their assumptions through customer testing. The Learn Step studies the results to understand the changes required leading to a better hypothesis. At every point, the team should identify which part of the Product-Market Fit Pyramid the new insight falls in. Changes in the lower layers will require reworking in all subsequent layers.

TO PIVOT OR NOT TO PIVOT

If the product does not work as expected after multiple iterations, it is essential to take a step back and brainstorm on what the core issue is. It could be the case that a deeper problem is being solved on a more superficial level. If the brainstorming leads to a change in product direction, it is considered to be a pivot. If, after several rounds of iterations, Product-market fit is not achieved, then teams must consider pivoting.

Product teams must employ a ruthless focus on their core priorities. Deliberately keeping a narrow focus and rapid iteration based on customer feedback is key to designing products that create customer delight.

Photo by Marian Mirea on Unsplash

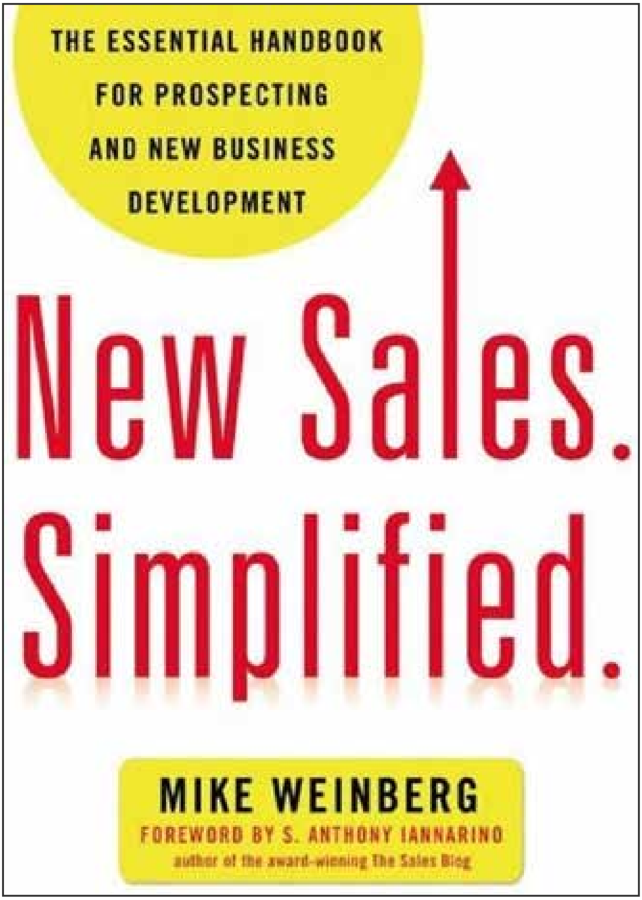
(S09)

New Sales. Simplified.

By: **MIKE WEINBERG**

Do you or your salespeople find that most of your sales efforts go to waste? Most sales divisions rely on existing clients instead of new business. When you understand the top reasons why people fail to generate new sales, you will no longer only babysit your current accounts and can then become a true sales hunter.

This book presents practical and hands-on tips and simple and structured approaches that can increase your sales revenue. Read this book summary to learn how to sharpen your sales weapons, the magic words to use during a cold call, and the most effective structure for your sales story.



TOP 20 INSIGHTS

- Limit the time and effort you spend to respond to RFPs, or requests for proposals. Sales experts warn that although it can be exciting to get these requests, the rate of success with RFPs is low because you are probably responding to a request that your competitor helped the prospect write.
- The number one pitfall in a sales pitch is self-focus. Identify whether this is a problem in your organization by this test: Ask your sales leaders what they can tell you about your company. If they respond with product or company attributes rather than customer issues, you have a problem.
- Companies with premium priced products must be prepared to invest in the development of sales capabilities. A common excuse in these organizations is that salespeople lose out to competitors based on price. If this is a recurring excuse, coach your salespeople to tell a premium sales story to match the premium pricing.
- Sales experts use this tactic to sharpen their language: As you prepare for a sales call, ask yourself “so what?” for each statement or bullet point on the agenda. Each statement you make must be clearly relevant to your customers’ issues.
- This formula to craft a sales story has been proven effective at over fifty leading companies. First, list the client issues that your business can address. Next, detail exactly what you offer. Lastly, outline your key differentiators.
- “Let me steal a minute” are the best words to use in the opening of a cold call. It is relaxed, somewhat informal, not overused, and openly acknowledges the fact that you are taking someone’s time unexpectedly.
- “I head up” is another phrase that successful sales consultants recommend using. For example, “I head up our northeast division.” It communicates leadership, authority, a sense of ownership, and imbues confidence in those who use it.
- Countless successful sales leaders attest that you should expect to ask three separate times in the same conversation before your prospect might agree to an in-person meeting. Asking three times for the meeting should not be viewed amongst your salespeople as overly pushy but rather the right degree of assertiveness.
- There are three magic words to use when you ask for an in-person meeting over the phone: visit, fit, and value. Use “visit” instead of “meeting” because it sounds less serious. Discuss whether you might be a good “fit” for the customer. And, use phrases such as “perhaps we could add ‘value’ to your business.”
- Before you invest time and resources to compile a proposal, clarify who has the decision authority in the organization, the timeline to make a decision, the available budget, and the degree of willingness to make a change. Such information greatly clarifies whether the proposal is worth your time.
- Work backward to translate your sales goals into the amount of activity needed earlier in the sales process. Track your activity for a quarter to obtain these numbers for yourself and see where improvement is needed.
- Next, translate your quarterly goals for closed deals into the number of initial proactive conversations you need

to have to get there.

- To strategically find new business, seek out potential customers that closely resemble your best current customers. It is more likely that you'll bring a clear value proposition in those situations. Make sure that these target accounts are finite, focused, written, and workable.
- Be aware of the "prisoner of hope" complex. That is, you are always holding out for one of those promising new proposals to hit. You become a prisoner of hope to a precious few deals and neglect the process to create new opportunities. This is one of the most common reasons salespeople fail.
- When you spend too much time to be a good corporate citizen, you are likely trapped in another common pitfall. People who have a difficult time saying "no" tend to push new business development efforts to the bottom of the list.
- Only 10-15% of the sales team in a typical organization can be classified as true A-player hunters when it comes to new business. Far too often, managers overload their sales team with tedious account management work. Unleash your A-players to find new business and experience growth instead.
- To incentivize salespeople to find new customers, consider a compensation model that decreases the commission payout on existing business over time, with exceptionally high payouts in year one. Also dole out an extra bonus for closing a deal.
- There are three organizational prerequisites for the sales division can do its job well. The business must have a clear strategy and market demand, the compensation structure must incentivize new sales, and the sales talent must at least be average.
- If you struggle to hit your sales targets, consider the counterintuitive approach to sell to one level higher up in your customer's hierarchy. These senior leaders may be more likely to see you as a problem-solver and business partner rather than yet another salesperson who tries to know down their doors.
- To find your priority accounts, order your customers among the dimensions of 1) most revenue spent with you, 2) likelihood of growth, and 3) most likely to be at-risk. The customers that are at the top of multiple of these lists should garner more of your attention.

SUMMARY

Salespeople who are responsible to generate new business are struggling. Some buy into the myth that search engine optimization and digital marketing have made their jobs obsolete. They also lack seasoned mentors to coach them. Most important of all, many have lost focus on how simple it is to go after new business. Sales veteran, expert, consultant, and coach Mike Weinberg outlines a simple and effective strategy to find new sales: identify your target accounts, sharpen your sales weapons, and attack your targets. Learn practical tips, tricks, frameworks, and tactics for succeeding at each of those steps in this book summary.

THE THREE-STEP APPROACH TO GENERATING NEW SALES

Finding new customers can be uncomfortable, and it is easy to default to "babysitter" mode in servicing existing accounts. This can put your business at risk in the long term. Generating new sales does not have to be complicated. Sales expert Mike Weinberg outlines a simple three-step process. Even if you aren't in sales yourself, this approach can be helpful for individuals at any level of a company, including those running small businesses. The insights shared here can also be applied to those hunting for a new job or potential investors, anyone putting together a communications or marketing plan, or a human resources manager searching for a new way to reinvigorate and incentivize employees. Here are the three steps for generating new sales.

Step 1: Select Your Target Accounts
Step 2: Sharpen Your Sales Weapons
Step 3: Attack Your Targets

STEP 1: SELECT YOUR TARGET ACCOUNTS

HOW TO STRATEGICALLY SELECT YOUR TARGET ACCOUNTS

Most sales activities are repetitive and tactical. Selecting which accounts to target is a strategic and exciting exercise. It is also an opportunity to engage senior leadership in decision-making and participate in moving the vision of your company forward. The accounts that you spend the most time and resources pursuing should be the ones that "look, smell, and feel" like your best existing customers. Your best customers may have one or more of the following qualities: they spend a lot of money with you, the relationship is a true partnership that produces value for both parties, they have been giving you business for a long time, they provide you with referrals, or their spend with you has been increasing over time. Once you've identified your best customers, profile those customers by answering these questions about them: Why did they initially become customers? Where are they located? Are they a particular size? Are they in certain vertical markets or niches where we have a higher rate of success? Where can we find potential customers with similar profiles?

This exercise initiates the process of creating a target account list. Some other sources to consider when searching for companies to pursue include local business journals published by American Cities Business Journals. These local business journals often put out a "Book of Lists" annually with business and contact information and are a great source of information for profiling potential targets. Hoovers is also a go-to database for online, up-to-date company information. Also, don't discount old-fashioned trade shows or industry associations as part of your search for finding new business and staying up to date.

THE QUALITIES OF YOUR TARGET ACCOUNT LIST: FINITE, FOCUSED, WRITTEN, AND WORKABLE

Finite

To gain traction and close deals, your list of the strategic targets you are pursuing needs to be finite. That is, it must have an end. The most successful salespeople relentlessly go after their finite lists and do not give up and start fresh once they've exhausted the list. Instead, they keep working their finite list and, after eventually getting noticed, get deals to go through. It is a mistake to continually look for new contacts to pursue after having already identified your strategic targets for good reasons.

Focused

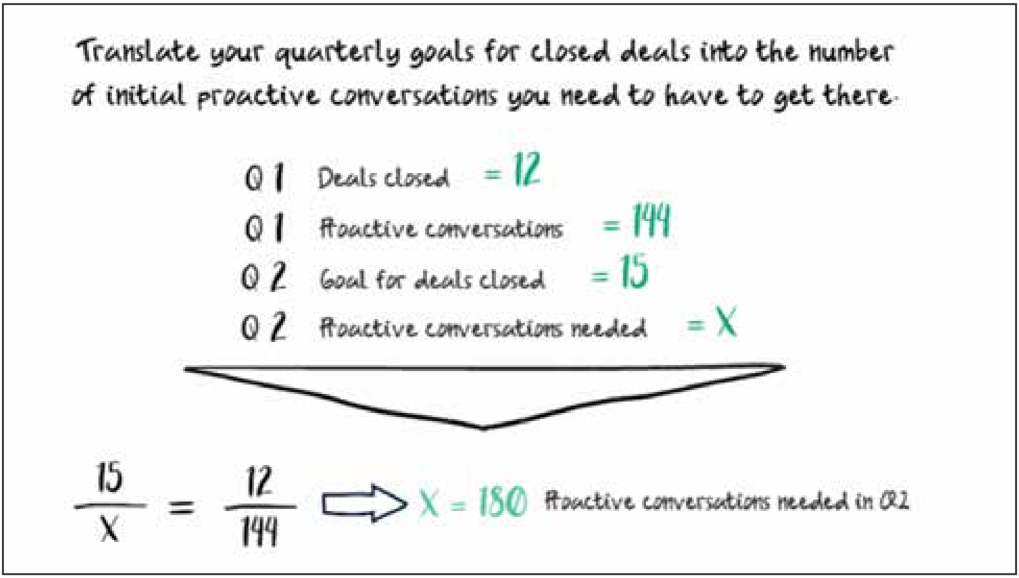
Sales experts share that periods of high yield and success in pursuing new business often occur as a result of an intensive, focused effort. Focused in this case means honed in on a specific vertical market or type of company. Once the product or service resonates within a given niche, it is smart to begin focused efforts on other companies similar areas.

Written

It may sound crazy in the age of iPads, smartphones, and comprehensive CRM systems to ask salespeople to carry around or post a written target account list. But in reality, it is still effective. Scrolling through screen after screen of the CRM is no substitute for handwriting your one-page list of target accounts, or printing it off and posting it by your desk.

Workable

There is no right answer to the exact number of accounts a salesperson should be working at any given moment. Key factors include: type of sale, the sales role, and the sales cycle. Depending on each of these, the number of accounts assigned per salesperson could flex up or down. The right balance allows the sales team to reach each of their accounts in a reasonable time frame.



STEP 2: SHARPEN YOUR SALES WEAPONS

WHY YOU NEED SALES WEAPONS

Working in sales becomes less intimidating when you understand that it is an exercise in deploying sales weapons to reach your targets and ultimately help solve their problems. To maximize effectiveness, you must have a variety of sales weapons at your disposal, they must be high-quality, and you must be adept at using them. The ultimate weapon is the sales story because it can be altered to fit most any of the other sales tools. Other sales weapons include email, social media, the proactive telephone call, voicemail, traditional printed marketing materials, digital marketing tools (blogs, podcasts, webinars), white papers, case studies, samples, and trade shows, just to name a few.

THE SALES STORY

Stop talking about yourself and your company and begin leading with the issues, pains, problems, opportunities, and results that are important to your prospect.

Being able to tell your story as a company is among the most valuable assets you can have. Most salespeople, not to mention business executives, have not yet mastered this. It becomes apparent that the company lacks a compelling story through the report-backs of salespeople. They are on the frontlines and can identify most accurately if the elevator pitch they've been trained to deliver is resonating with customers. The number one most common mistake in the sales story is self-focus – making the pitch all about you, your company, what you offer, how great you are, etc. The customer is concerned primarily with themselves and their bottom line. How can you help? Here is a quick tutorial on creating your own sales story: Think of your sales story as the foundation of all your sales and marketing tools. Once the sales story is set, the rest falls into place easily. There are three parts to the sales story that you'll need to assemble: 1) Client issues, 2) Offerings, and 3) Differentiators.

Client or customer issues always come first. This begins your sales story in a customer-focused, not self-focused way. Starting with their issues grabs their attention and positions you as a problem-solver and partner. To identify these for your company, ask yourself the following questions. Why did your best customers initially come to you? What business problems were they facing? What results were they looking to achieve? To dig deeper, consider additional questions such as: What problems do you see prospects experiencing from trying to do for themselves what you should be handling for them? List all the answers to these questions that come to mind. If you have several distinct customer segments, consider the questions from their separate perspectives.

The next part of the sales story is simply stating and identifying what you sell. This section should be straightforward. What are your products or services, and how do they address the customer pain points you've identified?

The last section is your differentiators. Like the customer issues section, it is helpful here to brainstorm with a couple of questions in mind. What are all the reasons that you believe your company, product, service, or solution is better and different? Consider multiple dimensions, including aspects like the level of service you provide or the unique culture of your company.

Now that the three component parts of your sales story are in place, it's possible to tailor any number of sales weapons and be prepared for a variety of situations. You are ready to attack your target. The next section provides pointers about how best to do this.

STEP 3: ATTACK YOUR TARGETS

THE COLD CALL

After making hundreds of cold calls in his lifetime, sales expert Mike Weinberg has a couple of tips. It is easy to detect someone's mindset over the phone. Begin with a positive mindset and your voice and the appropriate tone will follow. Although a strict script isn't recommended, call outlines and talking points can help structure the call. Of course, now would be a good time to share some snippets from your sales story. Make sure you are clear on the objective of your call. In most cases, this is to get an in-person meeting. As mentioned earlier, expect persistence. You likely need to ask for an in-person meeting three times before your prospect agrees to it. Regarding voicemail, take this in stride and anticipate it as a regular part of the cold-calling process. Plan to leave more than one voicemail over time, and strategically drop elements of your sales story within each one. Lastly, be human. Prospects may finally give you the call back if you weave a bit of humor or light-hearted guilt into the voicemail.

MEETING IN PERSON

If you get an in-person meeting, own the agenda so that you can own the sales process as well. A couple of tactical tips include ditching the projector in favor of a pad and pen. Treating the meeting like a dialogue rather than a presentation will work in your favor. On that note, be sure to listen much more than you talk. Consider sitting on the same side of the table as the prospect to dial down the formality as well. The core parts of your agenda will be delivering your sales story in three minutes or less, asking probing questions to understand fit and identify any specific roadblocks, and doing the actual selling.

HOW TO GET IT DONE

It's highly unlikely that, given options with how to spend their working hours, anyone would default to prospecting mode, making cold call after cold call and experiencing rejection. To reap the benefits of the tactics outlined in this book, you'll need to follow a few guidelines to ensure you make the time for the right activities. First, practice time blocking. Proactively place a hold on your calendar for the regular days and times when you'll be making these proactive telephone calls, preferably in ninety to three-hour time frames. Second, do the math to understand how frequently you need to be making these phone calls to close one deal. Third, put your goals on paper in an individual business plan. Include your goals, strategies, actions, potential obstacles, and personal development.

Goals

List things like your revenue targets, the number of new accounts you plan to acquire, or the total compensation you hope to earn for the year as a result.

Strategies

Include ideas like specific accounts you will aim at, new geographies or verticals that are growing, or new modes of connecting with prospects.

Actions

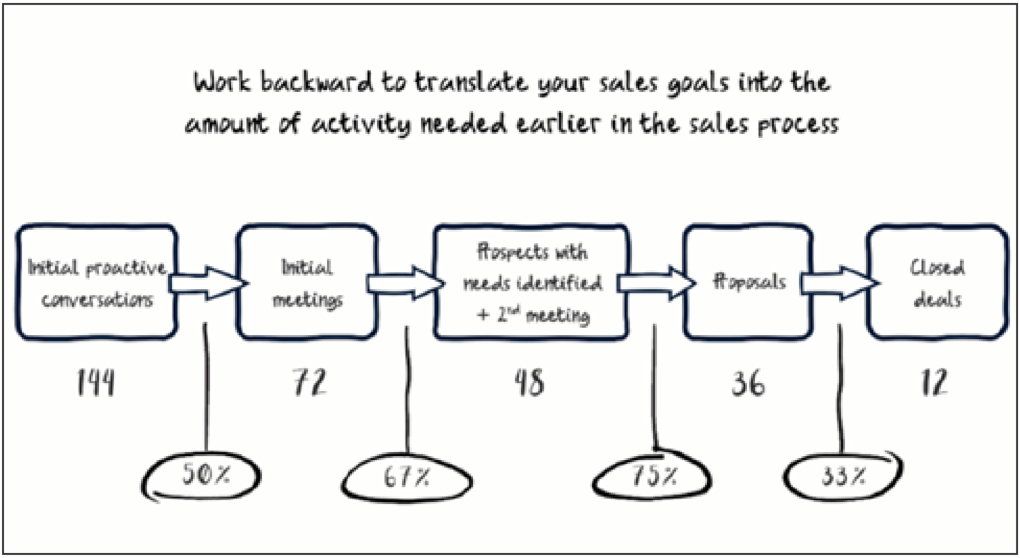
What specifically will you do? This could be a dedication to time-blocking, a goal for the number of calls made per day, or a set number of visits you will make to a particular market.

Obstacles

Proactively plan for the challenges you will encounter. You probably know what they are, so it's better to list them and problem-solve for ways to mitigate them.

Personal Development

Part of staying at the top of your game is investing in your personal development, such as through conferences, training, or reading. Planning for this not only re-energizes you personally but also sharpens your skills and increases your success.



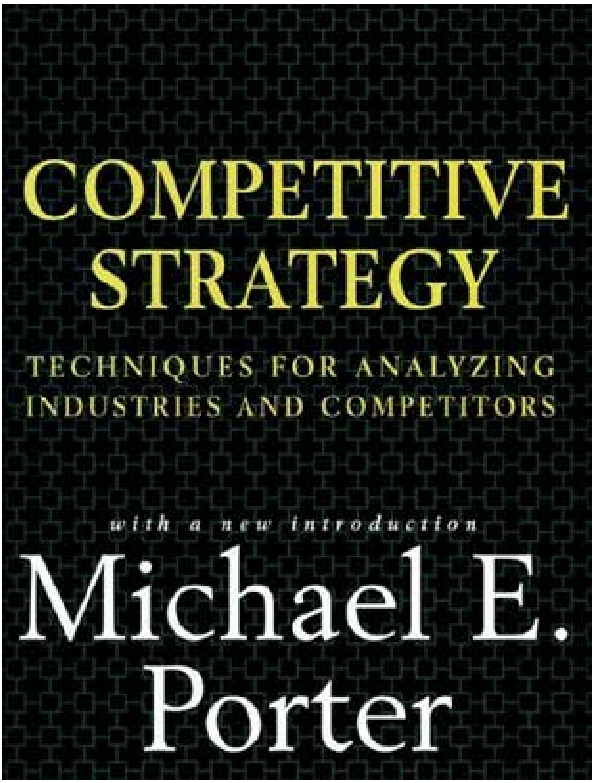
Competitive Strategy: Techniques for Analyzing Industries and Competitors

By: **MICHAEL E. PORTER**

How do you out-perform competitors and acquire a better understanding of key profitability drivers in your industry?

This book, by the legendary Michael Porter, has redefined how Fortune 500 companies formulate strategy and has become essential reading in top MBA programs worldwide.

Read this summary to unlock the analytical tools that govern competition and profitability, predict competitor moves, and create game-changing strategy.



TOP 20 INSIGHTS

- The competition in an industry and the ultimate profitability of a firm depend on five fundamental competitive forces: ease of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among competitors. Competitive strategy aims to create a defensible position for the firm against the five competitive forces with offensive or defensive tactics.
- The threat of new entrants in an industry can be analyzed with Entry Deterring Price. The Entry Deterring Price is the price at which the rewards of entry are equal to the expected costs of overcoming barriers. New firms will enter if the existing or projected future price is higher than the Entry Deterring Price. Incumbent firms can prevent entry by driving prices below the Entry Deterring Price.
- Advantages like proprietary technology and favorable locations are hard to replicate for a new entrant regardless of size or economy of scale. In some industries, unit costs decline with experience as worker effectiveness improves, and better product designs are evolved. Therefore, newer firms will incur higher costs than established firms and must spend more to be competitive.
- High exit barriers increase competition in an industry as companies that lose the competitive battle do not give up. High exit barriers can be due to assets that cannot be readily liquidated, labor agreements, or even management's emotional commitment to the industry.
- Profitability is high when entry barriers are high, which make entry difficult and lower exit barriers to allow unsuccessful competitors make quick exits.
- Products that perform the same function can become substitutes to an industry's products. This increases competition and threatens profitability. The risk is greater when substitutes offer a higher price-performance tradeoff.
- The bargaining power of buyers can reduce profitability. Therefore, choice of target segment is a critical strategic decision. A company's strategic position improves when you sell to buyers or segments who have the least bargaining power.
- The role of government as a buyer, supplier, or determiner of policy can be significant in many industries. Structural Analysis considers its impact on competition by seeing how it influences competition through the five competitive forces.
- Structural Analysis can be used to predict the future structure and profitability of industry-enabling firms to plan strategic maneuvers ahead of the curve. To do this, forecast the magnitude of each competitive force based on underlying causes and construct a composite picture.
- The three major competitive strategies are: 1) establish cost leadership, 2) create product differentiation, and 3) focus on a specific market segment. When a firm falls in the middle and doesn't have strong focus on any of these three directions, it suffers low profitability.
- The competitor response profile enables firms to find the best strategic position in the market. This is based on an understanding of the competitors' goals and assumptions to make effective

moves and avoid retaliation.

- Firms have an understanding of themselves and their competitors that guide the way the firm responds to events. When these assumptions are examined, the firm can uncover blind spots to be strategically leveraged with little or no retaliation.
- Market signals are competitor actions that reveal their motivation, strategic direction, or internal situations. These can be indicators of commitment to a course of action or bluffs to mislead other firms. When you ignore market signals, you also ignore competition.
- A firm makes a cross-parry when it responds to a competitor's move in one area by countermoves in another area. If the moves are directed at core markets, it is a strong warning signal. A variant is the Fighting Brand, usually a clone of the competitor product, which is introduced as a threat or retaliation.
- Brute force approaches to gain dominance are inadequate as they demand clear superiority, excessive resources, and a war of attrition. Skillful competitive moves structure the field in such a manner that it maximizes the firm's outcomes but also avoid a costly war of attrition.
- When a firm consistently reacts with firmness to a competitor move, it sets the expectation that aggressive moves will be met with retaliation. This disciplining action is effective when it is specific and explicit.
- Communications of commitment makes the firm's intentions clear to its competitors and is a way to prevent aggressive moves. The credibility of a commitment depends on the resources to carry out the commitment effectively, a history of credible commitments, and ability to demonstrate compliance with the commitment through metrics.
- A Strategic Group is a set of firms that follow similar strategies, have similar market shares, and respond similarly to strategic events. This is a level of analysis between the industry-wide view and individual competitor analysis. The five competitive forces will have unequal impacts on different strategic groups.
- The timing of a firm's entry into a strategic group has an impact on its profitability. In some industries, it is difficult for late entrants into strategic groups to establish themselves. In others, technological leapfrogging may give latecomers extraordinary advantages.
- A key element of competitive strategy is to choose the strategic group to compete in, strengthen the existing group, or create an entirely new strategic group.

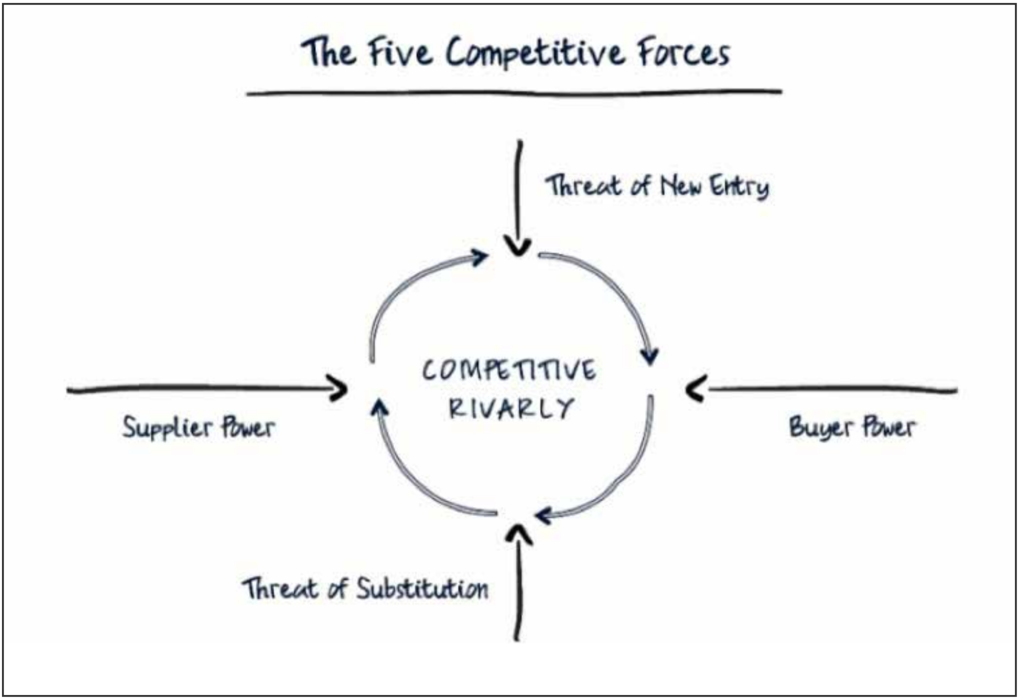
SUMMARY

The industry in which a firm operates determines the rules of the game and the strategic options available to it. The profitability and degree of competition in an industry depend on five fundamental competitive forces:

I. Entry
II. Threat of substitution
III. Bargaining power of buyers
IV. Bargaining power of suppliers
V. Rivalry among competitors

Structural Analysis based on these five forces gives a clear understanding of strategic opportunities, threats, and the ultimate profit potential in an industry. This is necessary for formulating effective competitive strategy.

THE FIVE COMPETITIVE FORCES



THREAT OF ENTRY

New entrant s can shake-up an industry, gain market share, and drive down profitability. The risk of entry depends on the barriers to entry and the reaction of existing firms. The significant barriers to entry are:

- **Economies of scale:** High economies of scale make entry difficult. The newcomer has to enter at scale or suffer a price disadvantage.
- **Product differentiation:** New entrants must spend heavily to overcome established brand loyalties. This is seen in industries like baby care products and investment banking.
- **Capital requirements:** The need for large high-risk investments upfront can be a strong entry barrier.
- **Switching costs:** Switching costs are one-time costs like training and buying new equipment that buyers face while switching to a new product. If there are high switching costs, buyers will not shift to a new supplier unless there is a significant improvement in cost or quality.
- **Access to distribution channels:** New firms must persuade distribution channels to take up its product through measures like discounts and intense promotions. Limited channels and exclusive channel partnerships can further increase entry barriers, sometimes even force entrants to create new distribution channels.
- **Cost disadvantages independent of scale:** Some advantages of incumbent firms like proprietary technology, favorable locations, and government subsidies cannot be replicated irrespective of size or economies of scale.
- **Government policy:** Policies like licensing requirements, limited access to raw materials, and even pollution control requirements can increase the capital and technological sophistication required for entry.
- **Expected retaliation:** The entry barrier increases if existing competitors have a history of forceful retaliation using substantial resources.
- **The entry deterring price:** balances the rewards from the entry with expected costs of overcoming barriers. If the existing or projected future price is higher than the entry deterring price, the entry will occur. Incumbents can prevent entry by driving prices below the entry deterring price.

INTENSITY OF RIVALRY

Some forms of competitive rivalry, like competitive price cuts, can make the entire industry less profitable. Others like advertising for expanding demand can benefit all firms. Intense competition occurs due to structural factors. They include:

- **Many or equally balanced competitors:** Large number of firms increases the possibility of a firm's erratic behavior triggering competitive warfare. In an industry dominated by a few firms, the leaders can impose discipline and create coordination.
- **Slow industry growth:** Slow growth can set off intense competition for market share.
- **High fixed or storage costs:** High fixed costs create intense competition.
- **Lack of differentiation:** When the products are seen as undifferentiated

commodities, it creates severe price and service competition. Product differentiation reduces competition as buyers have brand preferences.

- **Diversity of competitors:** Diverse firms have different strategic goals and tactics, making it hard to arrive at standard "rules of the game" for the industry.
- **High strategic stakes:** Some firms may consider achieving success in an industry to be strategically important, even at the cost of profitability. This can fuel intense competition.
- **High exit barriers:** High exit barriers, including assets that can't be readily liquidated and management's emotional commitment to the industry, increases competition as companies that lose the competitive battle do not quit.

Companies can make strategic shifts to improve conditions. Examples include raising switching costs by providing custom products and creating product differentiation through branding or service.

THREAT OF SUBSTITUTION

Substitutes to an industry's products can be identified by looking for other products that perform the same function, not necessarily from the same industry. The highest risk comes from substitute products that have higher price-performance tradeoff than the industry's products or those produced by highly profitable industries.

BARGAINING POWER OF BUYERS

Buyers can bargain for higher quality, more services, or play competitors against each other to reduce profitability. The power of buyers increases under the following conditions:

- There are large volume purchases
- Other products can easily substitute the product
- Lower switching costs
- Low-profit buyers tend to lower purchasing costs
- Buyers threaten backward integration as a bargaining lever
- The product does not affect the quality of the buyer's products
- The buyer has complete information about demand, market prices, and supplier costs

Choosing whom to sell to is a strategic decision for a company. Selling to buyers or segments who have the least bargaining power improves a company's strategic position. For example, the replacement market has lesser power than the OEM market.

BARGAINING POWER OF SUPPLIERS

Suppliers can reduce profitability by threatening price rises or reducing the quality of goods. Supplier groups become powerful when:

- A few players dominate
- When they do not have to compete with substitutes
- The industry is not an important customer group
- The product is essential to the buyer's business
- The products are differentiated, or switching costs are high
- When suppliers pose a credible threat of forward integration

THREE EFFECTIVE COMPETITIVE STRATEGIES

An effective competitive strategy aims to create a defendable position against the five competitive forces through offensive or defensive tactics. This can be done by positioning the firm in a way that makes it defensible against the five forces and creating strategic moves that balance forces and anticipate shifts in forces. There are three broad strategic approaches to outperform competition: 1) overall cost leadership, 2) differentiation, and 3) focus.

1. OVERALL COST LEADERSHIP

Having a lower cost than competitors gives higher than average returns, even when there are strong competitive forces. It defends against rivals, as the firm earns profits even after other opponents competitively lower prices. Buyers cannot drive down costs further. The flexibility to handle cost increases defends it against suppliers. The scale and cost advantages from cost leadership create high entry barriers. Low cost also gives advantages against substitutes.

Implementing this strategy may require high upfront capital investment in quality equipment, aggressive pricing and startup losses. This strategy generates surplus capital which can be reinvested to maintain cost leadership. Cost leadership can be used to disrupt industries where price competition is low, and leaders are unprepared for cost minimization.

However, cost leadership runs the following risks: a new technology that nullifies cost advantages, inability to see market shifts due to sole cost focus, and cost inflation that narrows cost leadership and makes differentiated competitors more attractive.

2. DIFFERENTIATION

Product differentiation creates brand loyalty that protects against competitive rivalry and creates high entry barriers. It reduces the power of buyers and protects against substitutes, as there are no apparent alternatives. Finally, it gives high margins that help cope with the power of suppliers. Differentiation may require preserving a perception of exclusivity that may prevent gaining a high market share. Further creating differentiation may involve high costs like extensive research, product design, and high-quality materials.

This strategy involves risks such as:

- The cost differential between the firm and low-cost competitors becomes too high, offsetting brand loyalty
- Buyer demand for differentiation reduces
- Imitation goods reduce perceived differentiation

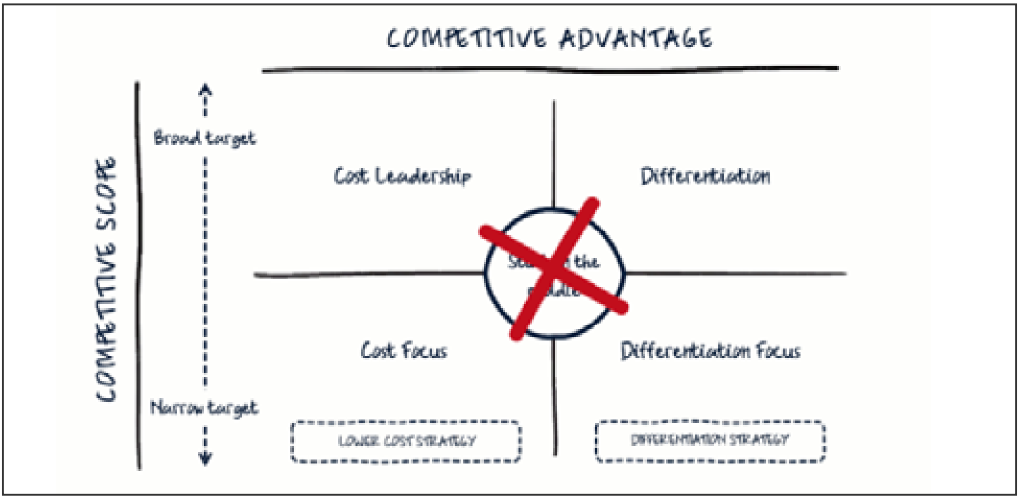
3. FOCUS

This strategy is built around serving a particular buyer group, segment, or geography more effectively than generic competitors. This can help the firm achieve differentiation or cost leadership within its narrow market. However, this strategy can limit market share achievable.

The potential downfalls include:

- The product difference between the target market and the overall market narrows
- Competitors find submarkets within the target market to out-focus the firm

Each of these strategies requires sustained commitment, along with specific resources, organizational arrangements, and skills. A firm that falls in the middle without orienting in any of these three directions will suffer from low profitability. It loses high volume customers who demand low costs while losing out on top margin customers who require niche products or differentiation. The firm must clearly orient itself towards one of these approaches based on analysis of the industry and its own strengths.



A FRAMEWORK FOR COMPETITOR ANALYSIS

Understanding the strategic goals, moves, and potential responses of existing and potential competitors is essential to strategy formulation. There are four components to creating a competitor's response profile. Based on these four components, a competitor response profile can be created to detail possible offensive moves and defensive capability.

1. UNDERSTAND FUTURE GOALS

This can help a firm predict the competitor's strategic moves and response to industry changes. This includes understanding financial goals and other qualitative factors like an aspiration for market leadership and technological position. When competitors goals are understood, it may be possible to create situations where everyone is reasonably satisfied. It also helps firms avoid strategic moves that create intense rivalry by upsetting the critical goals of competitors.

2. ASSUMPTIONS

Firms have an understanding of themselves and their competitors to guide the way the firm responds to events. Examples include seeing itself as an industry leader, a socially conscious firm, and a low-cost producer. Examining these assumptions can help uncover blind spots which can be strategically leveraged with little or no retaliation. Studying the past record of the firm provides valuable insights on how it perceives itself, its goals, and how it responds to change.

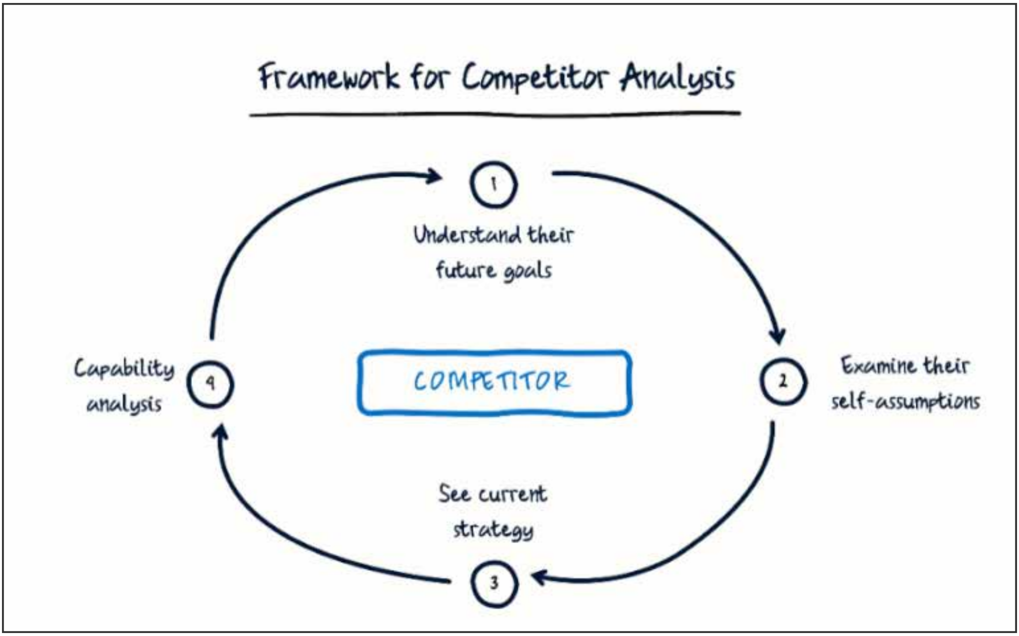
3. CURRENT STRATEGY

It's essential to develop a statement of each competitor's strategy in terms of key operating policies in each functional area and their interrelations.

4. CAPABILITIES

The competitor's strengths and weaknesses concerning the five competitive forces will determine the competitor's ability to respond to strategic moves. It is crucial to understand core capabilities, ability to react rapidly to offensives, ability to adapt to change, and staying power along with understanding strengths in each business area.

The firm must select the best strategic position based on the vulnerabilities and weaknesses of the competitors. This involves taking advantage of the competitor's goals and assumptions to use one's advantages and avoid retaliation. Another approach could be to create conflict between the two goals of a competitor.



READING MARKET SIGNALS

Market signals are actions by competitors that indicate their intentions, motives, or internal situations. They can either be indicators of motives or bluffs designed to mislead other firms. These signals can be deciphered based on the competitor profile created through competitor analysis. Ignoring market signals equals to ignoring competition. Key types of market signals are:

1. PRIOR ANNOUNCEMENT OF MOVES

A firm formally announces a course of action that it may or may not follow through with action. This can be used to preempt competitors from taking a course of action, threaten retaliation to a planned move and as a way to test reactions to planned steps.

2. AFTER-THE-FACT ANNOUNCEMENTS

These announcements share data and updates about actions or sales figures. Such announcements can be signals to other firms.

3. COMMENTS ON INDUSTRY

Comments made by the firm about the state of the market and future growth can reveal their assumptions and expectations. There are also comments about a competitor's moves that could signal pleasure or displeasure.

4. EXPLANATIONS OF MOVES

Firms publicly explain their moves to make the industry not see them as provocations or communicate commitment to a strategic direction.

5. CROSS PARRY

This happens when a competitor indirectly counters a firm's move with moves in another area. If it is directed at a peripheral market, it can be read as a minor warning, whereas if it is directed at the firm's core market, it must be construed as a more severe warning. Maintaining a small position in cross-markets is a useful way to send signals through cross-parrying.

6. THE FIGHTING BRAND

A fighting brand is usually a product clone that is introduced to threaten or punish a competitor. A classic example is when Coca-Cola introduced Mr.Pibb to counter Dr. Pepper in the 1970s.

COMPETITIVE MOVES

The principal objective of a competitive move is to maximize outcomes while avoiding a costly war of attrition. A brute force approach is inadequate as it demands clear superiority, excessive resources, and a war of attrition.

COOPERATIVE OR NON-THREATENING MOVES

Firms can improve position without threatening competitor goals. These could be:

- Moves that will enhance positions of both the firm and its competitors even if they do not follow suit. These are rare.
- Moves that improve the position of the firm and its competitors if a significant number follow suit. An example could be calling for a price adjustment.
- Moves that improve position because competitors won't match them. This can be because the market or strategy is perceived as unimportant to their strategic goals. Swiss luxury watchmakers did not respond to Timex's entry into the low-price watch segment as they did not see it as competition.

All three categories can possibly be misinterpreted as aggression. Therefore, active market signaling through public announcements is required.

THREATENING MOVES

The key to managing threatening moves is to be able to anticipate and influence retaliation. Competitor analysis helps predict the likelihood, speed, and magnitude of the reaction. The firm will choose to make moves that give it maximum time before a competitor responds. Response lags can happen due to the following reasons:

- A low-profile move can buy time before it is seen as a threat
- Retaliation to certain kinds of moves may require time. An R&D breakthrough might take years for competitors to replicate
- Retaliation may be delayed because responding might conflict with other goals of the competitor. When the Swiss Watch companies began to see Timex as a threat, they could not react as competing with a budget brand would undermine their image as a premium product.

DEFENSIVE MOVES

The best defense is to make competitors realize that there will definitely be a costly and effective retaliation. Types of defensive moves are:

- **Disciplining:** If a firm reacts firmly and specifically to a competitor move, this disciplining action sets the expectation that retaliation will always occur. The discipling action is effective when the retaliation is specific, and the signaling of being a response to competitor aggression is explicit. Generalized reactions are costly, ineffective, and run the risk of starting wars of attrition.
- **Denying a base:** Moves like price cuts and aggressive marketing campaigns ensure that competitors don't meet their targets set for the aggressive move. While this may involve substantial short-term costs, it can cause the competitor to de-escalate.
- **Communicating commitment:** This is a method of deterrence by making a firm's intentions clear to its competitors. Rivals will take that into consideration before executing it. The credibility of a commitment depends on the resources to carry out the commitment effectively, a history of credible commitments, and ability to demonstrate compliance with the commitment through metrics.

Structural Analysis can also explain why some firms consistently out-perform others within an industry and provide a framework for guiding competitive strategy. A Strategic Group is a set of firms that follow similar strategies, have similar market shares, and respond similarly to strategic events form a strategic group. The five competitive forces will have unequal impacts on different Strategic Groups. Formulation of competitive strategy boils down to choosing which Strategic Group to compete in or creating an entirely new strategic group.

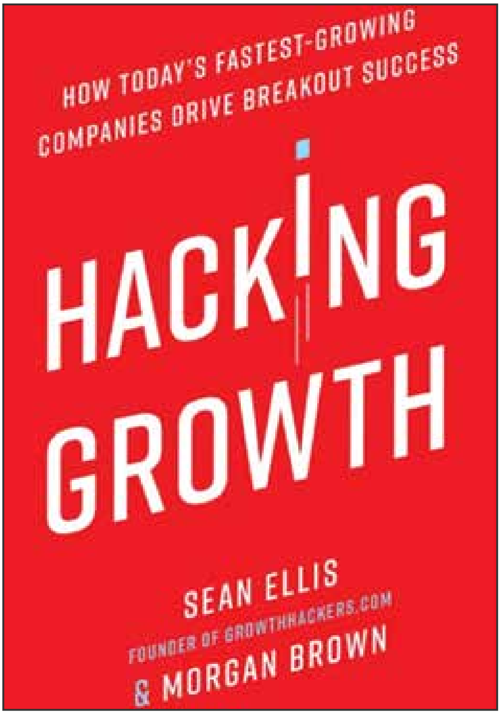
Photo by Marissa Grootes on Unsplash

Hacking Growth: How Today's Fastest-Growing Companies Drive Breakout Success

By: **SEAN ELLIS and MORGAN BROWN**

How can you reach new customers, keep them active, and grow your revenue with a dash of programming smarts and a shoestring budget? Traditional marketing methods cost millions of dollars for uncertain payoffs. Growth hacking, on the other hand, uses an analytical approach to build marketing into products themselves and stimulate organic growth.

This book uncovers case studies that explain why your competitors are doing what they're doing, and why you should be growth hacking, too. Read this summary to learn how to turn growth on autopilot with high-tempo testing and experimentations.



TOP 20 INSIGHTS

- PayPal grew from being eBay sellers' preferred mode of payment. Once PayPal knew that sellers liked their product, they created AutoLink, a tool that would automatically embed the PayPal logo and sign-up link into all of those sellers' active listings.
- Hotmail was a pioneer in growth hacking. Introduced at a time when free email was practically nonexistent, Hotmail included a hyperlinked line that reads "p.s. Get your free email at Hotmail" at the end of every email.
- Growth hacking experts found that phrasing customer survey question using the word "disappointment" is much more helpful than asking customers about their level of satisfaction. When over 40% of customers surveyed would be "very disappointed" if they could no longer use the product, the product has very strong potential to benefit from growth hacking.
- In just 14 months and with absolutely no traditional marketing spend, Dropbox grew its users from 100,000 to 4 million. This was done by offering 250 megabytes of free storage to each user who referred a friend to try Dropbox.
- Facebook spurred its tremendous international growth through an ingenious growth hack. Rather than hiring dozens of people to promote the platform in various countries or translators to translate the entire site, Facebook software engineers built a best-in-class "translation engine." This method crowdsourced translations and led to countless new users who were now able to access the site in their language.
- Airbnb had a very slow start, struggling to make ends meet until a software engineer discovered a way to get more traffic to their listings by cross-publishing on Craigslist. Airbnb staffers engineered the posts such that searches for short-term vacation rentals displayed Airbnb listings and redirected them to the Airbnb booking website.
- Growth should be a priority for all firms, large or small. A Harvard Business Review article stated that "on average, companies lose 74% of their market capitalization…in the decade surrounding a growth stall."
- LinkedIn has over 120 employees solely focused on growth. These staffers are spread across five units: network growth, search engine optimization operations, onboarding, international growth, and user engagement.
- Renowned economist and business strategist Michael Porter writes that, to drive future growth, businesses will need to maximize the lifetime value of customers rather than sell to new customers. Tesla Motors is best-in-class at keeping connected with customers in this way. Rather than putting model years on cars, it continually sends software updates and makes upgrades available.
- While a traditional marketing budget certainly has its place in some contexts, a McKinsey study showed no direct correlation between marketing spending and growth rates.
- BitTorrent was surprised to find the #1 reason customers weren't upgrading to the paid version. The simple fix of highlighting the "upgrade" button

on the home page led to a 92% increase in revenue.

- Zillow CEO Spencer Rascoff began an annual growth effort called "Zillow Play". Knowing that its competitor Trulia had mastered SEO, Rascoff made SEO improvement Zillow's growth "Play" for the year, thus allowing the company to grow tremendously and ultimately acquiring Trulia.
- Etsy's runaway success with independent artisans and crafters was due to a combination of "boots on the ground" research and smart customization of Etsy's online capabilities. After discovering that many talented crafters were members of tight-knit crafting social circles, Etsy built online community forums to drive communications among the sellers.
- Business intelligence company RJ Metrics discovered that free trial users who used the software to edit a chart were twice as likely to convert to paying customers than those who didn't. They then crafted their new user orientation to include editing a chart.
- Pinterest began as a more traditional commerce app called Tote. After analyzing user data and behavior, they realized that users were stockpiling massive collections of things they coveted instead of making the purchases. So Pinterest shifted to a business model that facilitated browsing and pinning instead of buying.
- Every company has a fundamental growth equation that it must identify before growth hacking can begin. These are the key data points and levers that increase revenue. For example, for Facebook, these metrics were the number of items users are sharing and the time spent looking through their News Feed.
- Sean Parker, founder of Napster and former president of Facebook, wrote the "virality equation", which is: virality = payload x conversion rate x frequency. The payload is the number of people to whom each user will likely send the promotion or link. Conversion rate is the percentage of those people who will sign up, and frequency refers to how often people will be exposed to these referral invites.
- It's best to survey users in two circumstances: 1) When their activity on the app signals "confusion," such as staying too long on one page, or 2) When they take an action that others are not taking, like signing up.
- Adobe designed game-like missions instead of forcing users to go through lengthy and unengaging tutorials. This lead to a 400% increase in users who upgraded to paid version.
- 44% of all reviews on Yelp are written by members from a group known as the "Yelp Elite Squad." Yelp consciously identifies and rewards these reviewers based on their level of activity in the app and others' evaluation of their reviews'

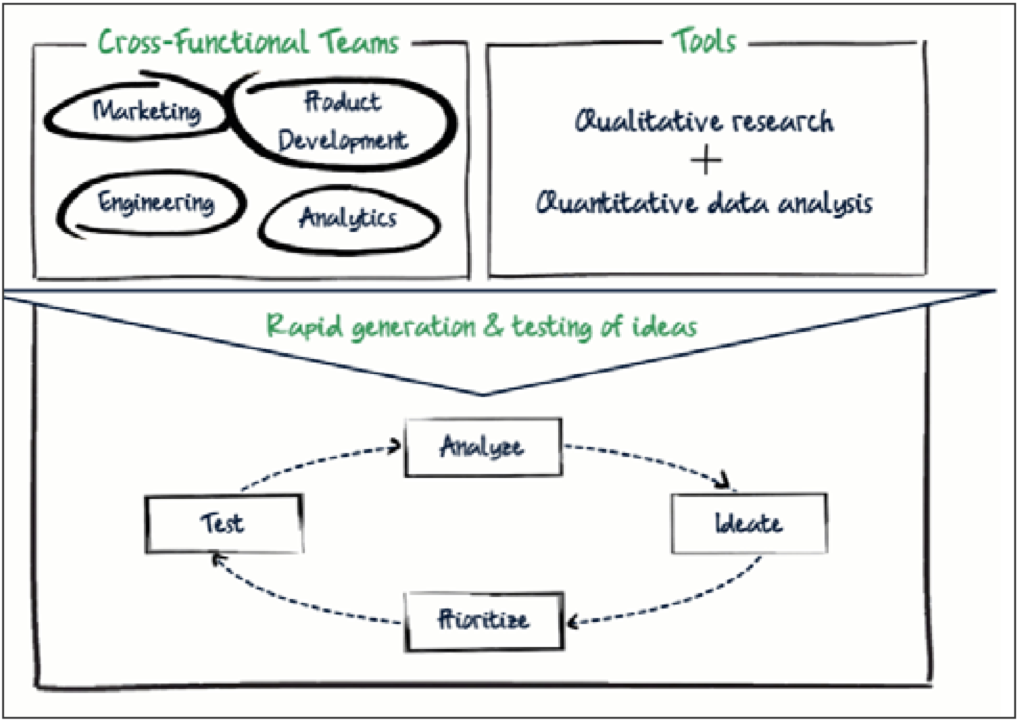
SUMMARY

Growth hacking is an iterative process of analyzing, ideating, prioritizing, and testing to discover ways to drive viral growth through acquiring, activating, retaining, and monetizing users. Rather than employing blunt force marketing, leading firms such as Facebook, Airbnb, Tesla, BitTorrent, Zillow, Adobe, Yelp, and many others have discovered the incredible effectiveness of growth hacking. By embedding marketing in the product itself to gain new users, employing high-tempo testing to understand what customers want out of a product, and using big data to better retain and monetize customers, these companies have hacked their way to market leadership.

WHAT IS GROWTH HACKING?

AN OVERVIEW

Growth hacking is a novel way to build your user base, make users more active, and ultimately convert them into paying customers. It was originally pioneered at Dropbox, among other companies, in the mid-to-late 2000s, as a way of leveraging technology to help their products go viral. Growth hacking relies on high-tempo testing and data analysis rather than costly traditional marketing approaches. We've condensed the "core elements" of growth hacking into this chart:



Growth hacking relies on cross-functional teams. Functions such as marketing and engineering must work together to analyze user data and behavior, conduct interviews and surveys, facilitate a "rapid generation and testing of ideas," and ultimately analyze the key metrics and levers to see which interventions have made the greatest impact.

THE PRE-REQUISITES

1. Having a must-have product

The product needs to deliver an "aha moment" to customers. Two examples of products that were "growth hacked" but did not take off due to the value proposition of the product falling flat are Microsoft Zune and Amazon's Fire Phone. What exactly is an "aha" moment? "An aha experience…is one that is simply too remarkable not to value, to return to often, and to share." In other words, the product is very good and meets a glaring unmet need. A myth in the start-up world is that an incredible product is sufficient to achieve unicorn status. This is false. Team members must put significant time and effort behind a product, through either growth hacking or some degree of intentional branding and marketing.

2. Growth Levers Identified

Growth hacking is not merely running an endless number of small experiments (like where the "sign up" button is placed on your home page) and meticulously analyzing the results. To be effective, one must identify the key metrics that will increase revenue. Attempting to improve other metrics will be a waste of time and money. One case example is Everpix, an online photo storage company that ultimately failed. Everpix used a freemium model, meaning that their growth lever was paid subscribers. But instead of focusing on how to get more users to subscribe, the founders focused on new product features to add. This ultimately led to their demise.

3. Team Members

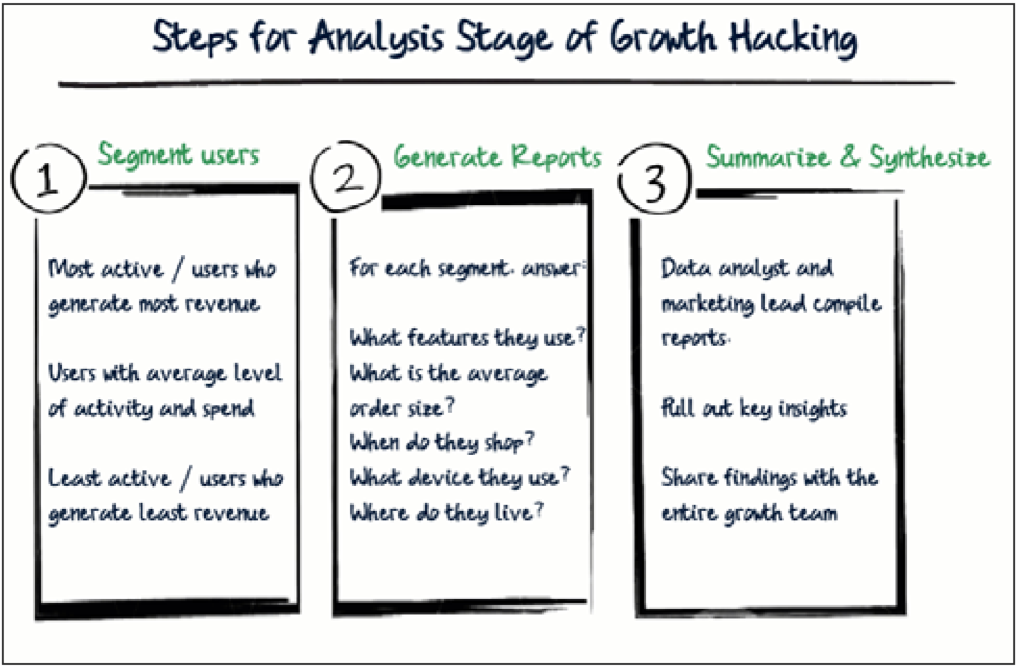
Executives might be tempted to tap their smartest engineers and coders to be on the growth team. While technical expertise is certainly needed, so too are skills for qualitative analysis, surveying, marketing, and design. At BitTorrent, a star marketer was given the leeway to collaborate with the product development team. She surveyed customers and found that upgrades to the paid version of the product were lagging because most customers didn't even know that upgrading was possible. Product development took orders from her on key design changes to the website, and BitTorrent saw a 92% increase in revenue as a result. Marketing and engineering must collaborate for success in growth hacking.

HIGH TEMPO TESTING

Once the pre-requisites are in place, you can begin the actual growth-hacking process. The four steps of growth hacking are: 1) analyze, 2) ideate, 3) prioritize, and 4) test.

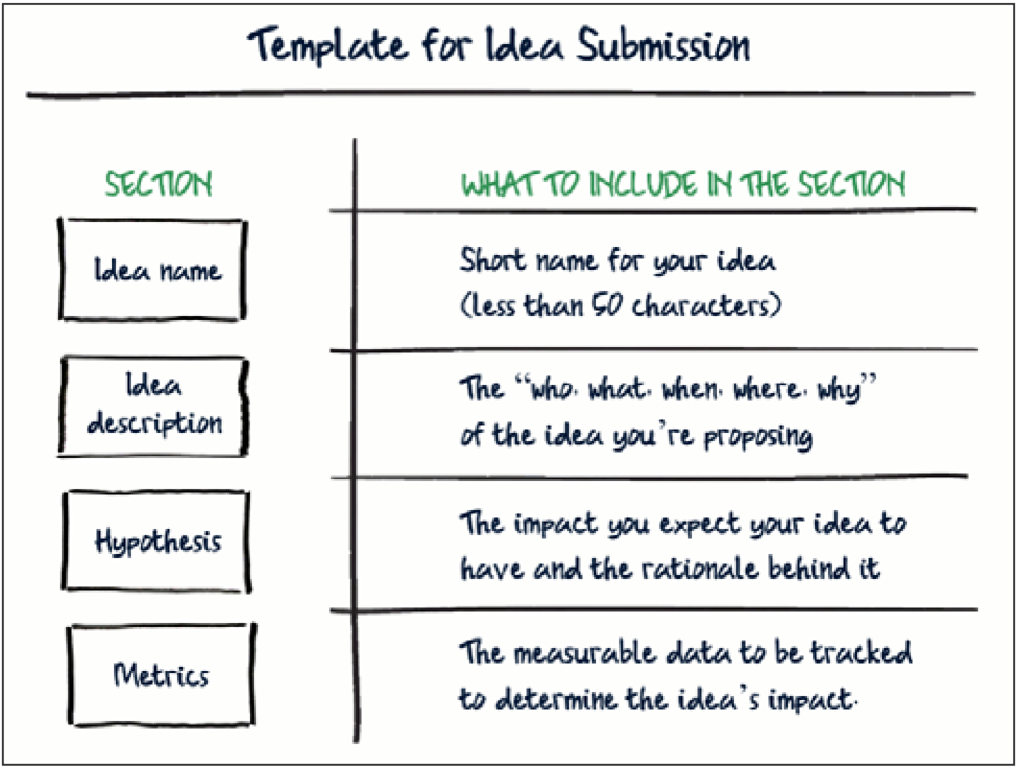
1. Analyze

This requires a deep dive into customer data to unearth insights. Consider segmenting customer data into cohorts. For example: customers who spend the most money on your products, versus those who spend the least. Then, ask questions about those customers and answer with data, as well as with qualitative interviews.



2. Ideate

After reviewing the data reports as a team, the next step is to generate as many ideas as possible, limiting self-censorship or criticism of others' ideas. Expert growth hackers recommend allotting at least four days for all members of the growth team, and ideally others from around the company, to submit as many ideas as possible into an idea pipeline. Use a project management system and identify clear fields to be populated by such ideas. A template for idea submission is below.



3. Prioritize

Now it's time to sort through the ream of ideas your team has generated. Expert growth hackers recommend using a method for prioritization called ICE. ICE stands for Impact, Confidence, and Ease. Give every idea scores based on each of these three dimensions, then take the average of the three-dimensional scores into a single score for that one idea.

The Impact dimension is the level of change you expect your idea to affect the growth areas you have identified. The Confidence dimension is a judgment (ideally data-backed) as to how likely you believe change will occur. And finally, the Ease dimension is the time and resources that will be required to execute the idea.

4. Test

With the prioritized list of ideas, the team has aligned on which ideas should be tested. The cross-functional nature of the team makes this step much easier than it would be otherwise. Each growth team member can return to his or her respective function (e.g., marketing), and inform other colleagues about the next steps. The actual testing of ideas will likely require effort from all functions. An example test might be redesigning the "shopping cart" experience on the mobile version of the company's website.

As high-tempo testing is cyclical, the growth team should then begin again, analyze whether the tests generated the hypothesized outcomes, ideate the adjacent or additional tests to run, prioritize, and once again assess the outcomes.

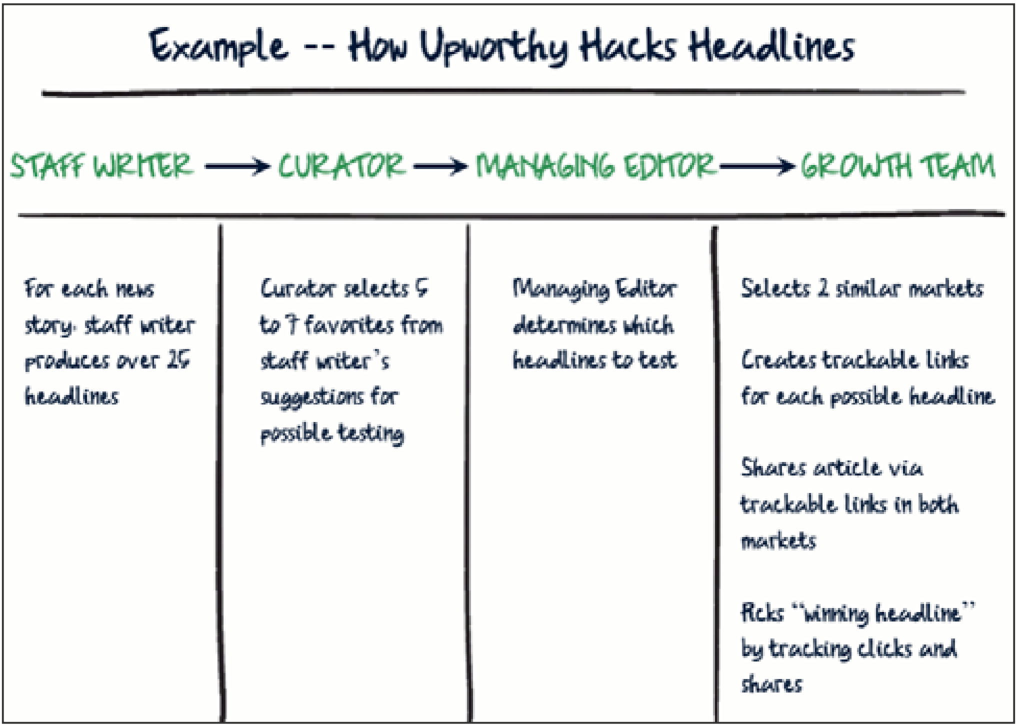
GROWTH HACKING AT EACH STAGE OF THE CUSTOMER FUNNEL

HACKING TO ACQUIRE USERS

There are three categories of growth hacking possibilities to increase the number of users that are exposed to and begin using your product. They are: 1) honing your language and brand to fit your market, 2) find the right channel for your product, and 3) create customer loops.

1. Language & Market Fit

Your language and market fit is how well the way you describe the benefits of your product to resonate with your target audience. Choosing the right language to describe the product and its function is more difficult today due to the proliferation of mediums through which potential customers may encounter your product. The good news is that growth hacking can be put to work to carefully refine the language such that, at the end of experimentation, it is sure to resonate with users. Growth



hacking is designed to bring the rigor of scientific experimentation to the creative process.

Upworthy is an online news source that has mastered the art of language and market fit. For each news story, the responsible Staff Writer produces more than 25 different headlines. The Curator then selects 5-7 favorites from these 25+ suggestions for possible testing. The Managing Editor then makes the final decision on which headlines to test. Ultimately, the Growth Team selects two similar markets, creates trackable links for each possible headlines, shares article via trackable links in both markets, and determines the winning headline from its tracking of clicks and shares. Upworthy's story illustrates how hacking for language and fit can be done very cheaply while still achieving results comparable to companies with much larger budgets.

Another method of hacking language and market fit besides A/B testing is leveraging the language that customers themselves are using to describe the value of the product. This language can be found in social media posts, customer reviews, emails, surveys, or other feedback customers give.

2. Channel Fit

Growth hacking can also be used to find which channel is the best fit for marketing your product. Take care in identifying channels, as PayPal founder Peter Thiel cautions that success through more than one channel is exceedingly rare. "Most businesses actually get zero distribution channels to work. Poor distribution – not product – is the number one cause of failure. If you can get even a single distribution channel to work, you have a great business. If you try for several but don't nail one, you're finished."

Possible channels include users discovering your products through social media, platform integrations, friend referral programs, public relations and speaking engagements, search engine optimization, sponsorship, or native content ads, to name a few. Growth hacking principles can be used to test various channels and determine which may be the most successful. Specific tactics include analyzing customer data to determine where else your most active users spend time online, surveying customers to learn more about when they use the product, and doing the initial planning to rank possible channels. Some dimensions to consider when ranking channels include: cost, possible degree of targeting to the intended audience, the time needed to develop the channel experiment, the time to realize the results of the channel experiment, and breadth of exposure the experiment will provide.

3. Customer Loops

Lastly, one of the "older" or "traditional" versions of growth hacking is what is known as customer loops or customer referral programs. Customer referral programs incentivize existing users to convince others in their network to use the product by offering the existing user (and sometimes the new user as well) something in exchange. When using customer loops, growth hacking experts share two pieces of advice: First, the incentive and language must be on-brand. Second, marketers should increase the perceived value of the incentive as much as possible. Incentives that aren't easily quantifiable, such as Dropbox's incentive of 250 megabytes of free storage for referring a friend, are great options. Although Airbnb uses a quantifiable incentive - $25 towards their next stay – Airbnb's description reinforces the brand. They use language suggesting that customers share the great experience of living like a local that Airbnb delivers, rather than just blatantly offering the cash.

HACKING TO INCREASE USER ACTIVITY

Improving activation about increasing the rate at which you get new users to your "Aha" moment.

As a foundation before beginning high tempo testing, one must first do two things to identify the highest impact activation experiments. First, you must map the route to the "Aha" moment. This "Aha" moment is the core value proposition the product offers – something too good not to share. Users won't share the product or use it actively themselves if they've haven't experienced what makes the product so special. If there are stumbling blocks or a poor experience along the way, then users might never reach the "Aha" moment. So first, trace this route as a way to identify the moments that should be analyzed closely. Second, create a user activity funnel as another way of identifying the places where your users are falling off. Analyze the data and find the percentage of users that move from each step, beginning at 1) visited site, to 2) signed up, to 3) active in the application, and finally 4) customer billed. Be sure to create a funnel for each of the most frequently used channels, such as users that arrived through Google search versus those that found you via Facebook.

Be open to out-of-the-box ideas when designing experiments for this stage. For example, HubSpot developed Sidekick, a product that tracked the effectiveness of email marketing. Through growth hacking, they discovered that users who signed up with their work emails were much more active than those who provided a generic personal account. Therefore, they asked for a user's work email at the sign-up stage. This change, among other experiments, dramatically increased user activation.

HACKING TO RETAIN USERS

Acquiring customers costs time and money, so keeping the same customers means more revenue and fewer costs. Also, the longer that customers are loyal to your product, the more you learn about them and their desires, and the better you can make your product as a result. Growth hacking to retain users follows the same process of analyzing, ideating, prioritizing, and testing, but it's helpful to think about retention in three ways: initial, medium, and long-term retention.

In the initial term, growth hacking looks like user activation to some extent. The goal here is to keep users engaged for the short term. The exact time frame will depend on your product. In the medium term, to retain customers, you will need to make your product a habit for users, or part of their daily routine. In the long term, retaining users requires ongoing improvement to the product and renewed appreciation by the customers for what it offers them.

Initial retention hacks include experiments that accelerate the time to the "Aha" moment or trigger initiatives such as mobile notifications or emails that prompt the user to action. Medium-term retention hacks that create habits may follow the "engagement loop" as defined by customer behavior expert Nir Eyal. A "trigger" leads to an "action," followed by a "reward," which leads to greater "investment." Designing and reinforcing this loop for your product leads to medium-term retention. Lastly, long-term retention hacks should focus on improving both existing product features while also slowly introducing new product improvements.

HACKING TO MONETIZE USERS

HotelTonight is a mobile app where customers can book last-minute hotels at steep discounts. After digging into their user data, they found that customers who were using the app on 3G or 4G networks on their phones were much more likely to book with the app than those users who were surfing over WiFi. After realizing that this was because loading competitor apps over 3G or 4G took longer and were more difficult than it would be over WiFi, they decided to target customers not on WiFi proactively. This led to more bookings and therefore increased revenue and growth.

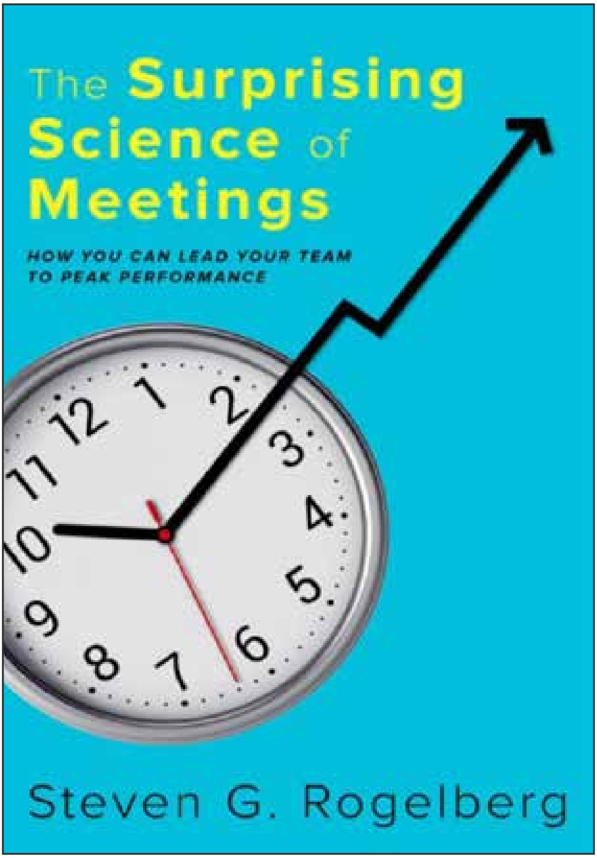
You can increase the customer lifetime revenue through mapping the "purchase funnel" and running experiments that identify new opportunities for revenue generation or pain points that are decreasing the likelihood of purchase along the funnel. Some typical key points include screens displaying items for sale, the shopping cart, and the payment page. Making these experiences as smooth, delightful, and clear as possible can greatly improve monetization. An additional lens of analysis is to once again segment your customers by cohorts or demographics and experiment with different ways to increase revenue from lower revenue-generating groups.

The Surprising Science of Meetings

By: **STEVEN G. ROGELBERG**

How can you lead highly engaging meetings that unlock creativity, effectiveness, and dynamism? While meetings are often tiresome and unproductive, they are a huge part of everyday corporate life. Managers attend 12 meetings every week. Over 55 million meetings take place every day in the United States and they cost an incredible $1.4 trillion annually.

This book draws on extensive cutting-edge research to give you proven tactics to lead highly productive and engaging meetings. With these meeting leadership skills, you can create better team wins, ensure career growth, and create organizational value.



TOP 20 INSIGHTS

- In less than forty years, the number of meetings that take place in a day has jumped from 11 million to a stunning 55 million in the United States. These meetings cost an incredible $1.4 trillion, or 8.2% of US GDP annually.
- The number of meetings increases as one moves up the corporate ladder. On average, non-managers attend 8 meetings per week, while managers attend 12 meetings. Senior management spends most of their time in back-to-back meetings.
- In a global survey by Microsoft, 69% of respondents felt that meetings were not productive. A recent study found meetings to be the single most significant cause of workplace time-drains. Bad meetings are estimated to cost $250 billion a year in wasted time. No other corporate investment of this scale is treated so casually.
- Meetings cannot be eliminated. Time spent in meetings is the "Cultural Tax" an organization pays for creating inclusion, participation, teamwork, communication, and cohesion in the organization. What must be reduced is time wasted in unnecessary or poorly organized meetings.
- Organizational focus on meeting effectiveness can unlock significant performance gains. As Andy Grove, the former CEO of Intel said: "Just as you would not permit a fellow employee to steal a piece of office equipment worth $2000, you shouldn't let anyone walk away with the time of his fellow managers".
- Cognitive biases make leaders prone to thinking more favorably about their meetings than other attendees do. A Verizon survey found respondents rating meetings initiated by them as extremely or very productive 79% of the time, as opposed to just 56% for meetings initiated by others. Organizations must provide training in meeting facilitation best practices and include quality of meeting parameters in their 360-degree feedback surveys.
- Collecting attendee feedback on meetings can be valuable in evaluating meeting quality and measure the effectiveness of interventions. Weight Watchers did this by installing a simple touchscreen outside conference rooms where participants could rate meetings on a five-point scale.
- Research shows that meetings start late 50% of the time leading to employee frustration and poor outcomes. Use Google's 50/25 rule to shorten hour-long meetings to 50 minutes and 30-minute meetings to 25 minutes. This gives employees transition time to avoid being late to future meetings.
- Huddles are quick ten-minute, stand up meetings that happen every day in the morning. They are used to discuss work done the previous day, establish tasks for the day, and take stock of progress on key goals. The time spent can avoid hours of rework.
- Meetings can cost between $1000 and $3000 in attendee time and salaries. Leaders must prepare for meetings the same way they do for a client meeting or a workshop. Meeting agenda items must be carefully ranked

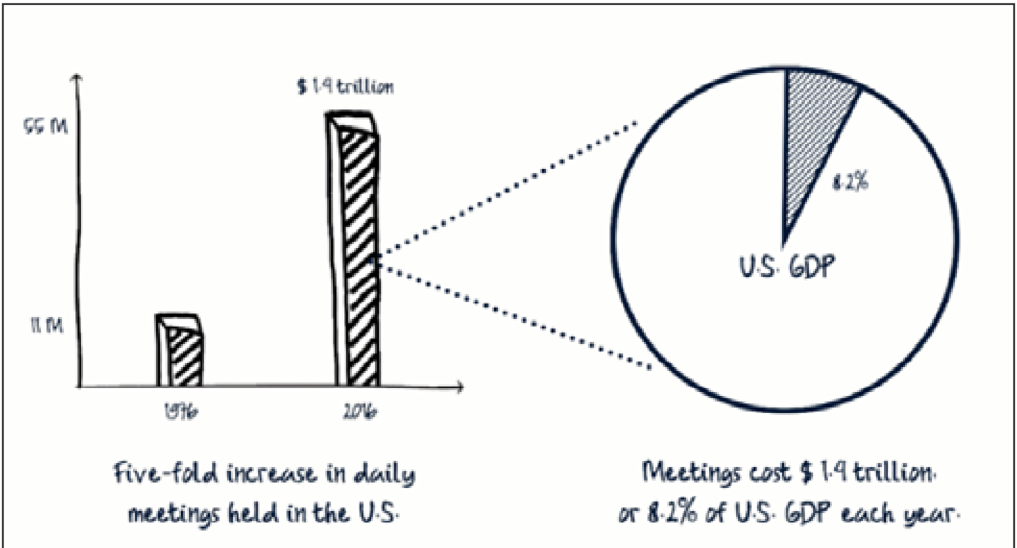
based on strategic importance. Research shows that early agenda items receive far more attention in meetings.

- It is a great idea to seek potential agenda items from attendees. It creates greater feelings of inclusivity, engagement, and participation. An excellent way to do this is to send an email a few days before the meeting. If an item does not fit, the leader must address this personally with the attendee or move it to a future meeting.
- Keep meetings small. Research shows that over 50% of meetings have two or more extra attendees than required for the meeting agenda. Larger meetings have poorer group experiences, more passivity, and higher instances of negative behaviors. Data from Bain and Company shows that for every person added beyond seven members, decision making effectiveness is reduced by 10%.
- Before calling a meeting, the leader must carefully choose a particular meeting technique. The typical method of group discussion on each agenda item is one of many possible ways. Meeting success depends on selecting the mode best suited for the agenda.
- Design of meeting rooms matters. Amazon uses an empty chair in meetings to represent the customer. This serves as a physical cue to make attendees be customer-centric in their decisions. The empty chair can be used to represent other absent stakeholders as well.
- Walking meetings are great for short discussions with less than four attendees. They break barriers, enhance communication, and improve creative thinking. An Inc. magazine survey shows that 90 days of walking meetings can lead to higher energy levels, improved focus, and greater engagement. Stanford's research showed an 80% jump in creativity when participants were walking than when seated.
- Consider creating technology-free meetings where attendees deposit their phones outside. This improves focus and prevents multitasking. Longer meetings can include quick technology breaks.
- Brainwriting uses the power of silence to generate creative ideas. Participants silently write ideas on sheets of paper. The ideas are then organized into buckets, and the important ones are further discussed vocally or by writing comments. The process takes one-third the time of traditional brainstorming meetings while generating nearly 41% more original ideas.
- Amazon replaces the presentation of ideas with silent reading. The first part of the meeting is reserved for silently reading a detailed proposal. A vigorous discussion then follows. This approach removes the need for pre-work, brings everyone on the same page, and results in more in-depth discussions.
- Avoid call-in meetings as they create significant communication and engagement challenges. When unavoidable, they must be kept short and focused on outlining key challenges. This can be followed by offline activities like small group discussions or brainstorming on platforms like Google Docs. Finally, another short meeting can be called to determine the way forward.
- Research shows that breaking meetings into two parts prevents attendees from seeking premature consensus. This leads to better quality outcomes. Companies like Boeing and Cadbury have made this a part of their culture.

SUMMARY

Attending meetings can often be a frustrating experience. In a recent survey, 3164 workers rated meetings as the single most significant cause of workplace time-drains. Bad meetings are estimated to cost $250 billion a year in wasted time. There are also psychological costs in terms of employee frustration and time spent winding down after a poor meeting. But the amount of time spent in meetings is only rising. In the United States, over 55 million meetings take place every day.

Meetings cannot be eliminated. They are the “Cultural Tax” an organization pays for creating inclusion, participation, teamwork, communication, and cohesion. Organizations can avoid the pitfalls of poor meetings can be avoided by applying insights from cutting-edge research.



KNOW YOURSELF

Evidence suggests that leaders consistently perceived their meetings more favorably than other attendees did. A telephone survey by Verizon found that 79% of respondents rated the meetings initiated by them as being extremely or very productive as opposed to a mere 56% for meetings started by peers.

<u>WHAT ORGANIZATIONS CAN DO</u>

To help overcome these biases, organizations should provide leaders with quality training in meeting facilitation. The annual employee engagement surveys and 360-degree feedback surveys must include parameters on the quality of meetings. This is rarely done even in Fortune 500 companies. Some companies do take meeting quality seriously. Weight Watchers installed touchscreen tablets outside conference rooms where employees could rate meeting on a simple five-point scale. This helped them assess the quality of meetings, design appropriate interventions, and measure the effectiveness of interventions in improving meeting quality.

SEEK FEEDBACK

Leaders must keep an eye out for informal cues like attendees multitasking on phones and side conversations to sense that the meeting dynamics are not ideal. It's best to do a periodic assessment of meeting quality every three months using an anonymous short survey. One simple set of questions could be:

- What should one stop doing as a meeting leader?
- What should one start doing that is not currently being done?
- What is working well and should be continued?

The survey instructions must clearly communicate the intent of the leader to improve meeting quality. The results of the survey must be shared along with specific actions to address these issues. This serves to make meeting excellence a part of organizational culture.

ADOPT SERVANT LEADERSHIP

Servant Leadership is a powerful way to create a conducive meeting environment where the knowledge, talent, and skills of all attendees comes forth. A Servant Leader values the time of others and recognizes this as central to personal and organizational success. This requires careful planning and design of the agenda, goals, sequence of topics, and meeting strategies.

Ideal meeting facilitation behaviors include:

- Keeping track of time and pacing the meeting effectively.
- Consistently summarizing the discussion to ensure everyone is on the same page
- Surfacing underlying concerns through attentive listening
- Encouraging debates and managing conflict around key ideas to drive better decision-making
- Periodically checking for consensus without pressuring the attendees
- Remaining impartial without privileging one's own viewpoint in the discussion

TIME MEETINGS DIFFERENTLY

A meeting leader must plan the duration based on the meeting goals. Shortening meetings is an excellent way to create positive pressure and retain attendee focus. Research shows that meetings start late 50% of the time leading to employee frustration and lower-quality meeting outcomes. Reducing meeting lengths by 5-10 minutes creates time for breaks and avoids lateness in future meetings. Google follows the 50/25 rule: hour-long meetings are shortened to 50 minutes, and thirty-minute meetings are shortened to 25 minutes.

DAILY HUDDLES

Huddles are short ten-minute, full-team meetings that happen at the same time in the morning every day. This mandates perfect attendance and is usually done standing up. Huddles are used to quickly catch up on critical wins and work done the previous day, establish priorities for the day, and take stock of progress on essential goals and address obstacles. They improve communication across silos, enable quick problem-solving, promote accountability, and improve coordination among team members. This short time investment can save hours of work in solving miscommunication and avoiding rework.

Here are two essential things to remember while facilitating huddles:

- Huddles should enable the team to eliminate some longer meetings. Otherwise, it becomes yet another meeting.
- Huddles must be kept tight and end on time. If it ends late, it will disrupt post-meeting activities and lead to employee frustration.

Leaders should end a meeting early when meeting goals have been met or when employees are not productive.

AGENDA

A meeting costs between $1000 and $3000 in attendee time and salaries. This must be handled as an event that requires careful planning. Leaders must prepare for meetings the same way they do for a client meeting or a workshop. Meetings should only include topics that require discussions and engagement. Good examples of these are identifying key risks and opportunities, evaluating progress, and identifying new opportunities. Topics that do not need this can be communicated over memos and emails. It is a good idea to get agenda items from the attendees to create engagement. This can be done by sending an email three days before calling for topics. If an item is not included, it must be addressed with the employee or a small group outside the meeting or moved to a future meeting.

DESIGN THE MEETING FLOW

Therefore, the order of agenda items clearly matters. Research found that the first items on the agenda receive disproportionate time and attention. Meeting goals must be ranked based on strategic importance. Agenda items should include not only immediate problems, but also long-term goals. Leaders can consider beginning meetings with the most compelling and contentious issues to create genuine debate and engagement. Meetings must always end with a few minutes to cover takeaways, follow-ups, and even a quick Q&A.

USE A TIMED AGENDA

Allocating time for each item in the agenda can be a useful tool when leaders find discussion going into tangents. It can also ensure that key items get the attention they require.

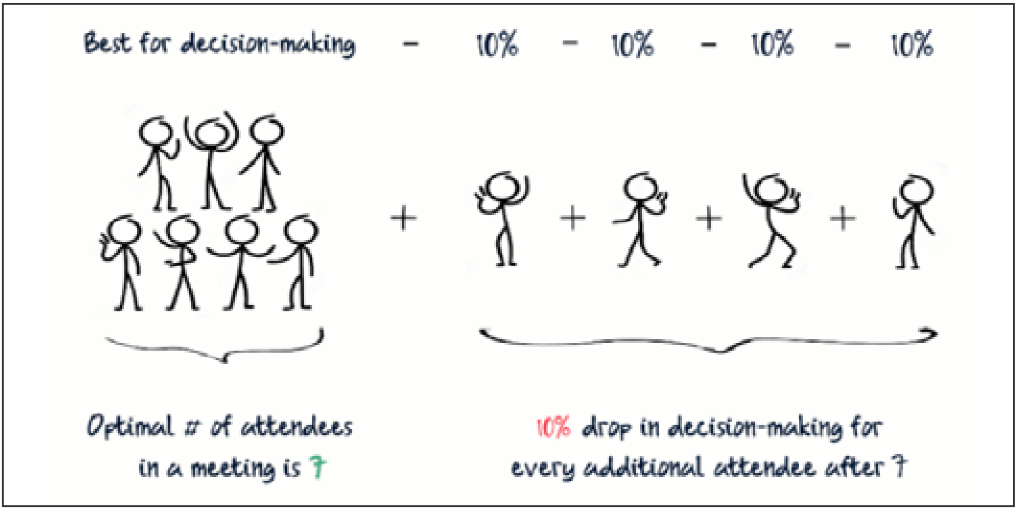
ASSIGN DIRECTLY RESPONSIBLE INDIVIDUALS

Leaders can share leadership by assigning each meeting task to an attendee. Apple designates a Directly Responsible Individual (DRI) to all agenda items. The DRI is responsible for facilitating the discussion and handling post-meeting follow-ups. This makes meetings more engaging, fosters skill development in leading meetings, and increases accountability.

It's best to circulate an agenda a few days before the meeting. If there are no compelling issues to discuss, cancel the meeting.

MAKE MEETINGS LEAN

Studies show that over 50% of meetings have more than two extra attendees beyond what the agenda required. While this is done with the intent to be inclusive, bloated meetings can be suboptimal. Data from Bain and Company shows that for every person added beyond seven members, decision making effectiveness reduced by 10%. Further, employee engagement reduces when they attend meetings that are not relevant to their job.



Meeting leaders must attempt to make a meeting as lean as possible. For Google, the maximum number of attendees is 10. Amazon uses the "two-pizza rule" - two pizzas should be enough to feed all attendees. For decision-making and problem-solving, the ideal meeting size is 7 or 8 people. With outstanding facilitation skills, a leader can manage up to 12 attendees. Having less than 15 attendees is perfect for huddles, brainstorming, and agenda-setting.

CHOOSE THE RIGHT ATTENDEES

Here are some questions for each meeting goal that can help leaders choose the right attendees:

- Who has subject knowledge for the goal?
- Who are the key stakeholders and decision-makers?
- Who needs this information?
- Who will implement the decisions taken?

MITIGATING HURT FEELINGS

Employees see meeting invitations as a sign of being valued. Therefore, excluding individuals from meetings could lead to feelings of rejection and burnt bridges. Here are five ways to handle this:

I. Split your agenda into two smaller meetings with different attendees:
II. A timed agenda can enable different attendees to attend only relevant parts.
III. Seek ideas and inputs from non-attendees and discuss them in the meeting. This can be done by a simple mail seeking feedback before the meeting and a subsequent mail sharing key takeaways.
IV. Share detailed meeting notes with other stakeholders to seek inputs and expertise.
V. Ask some attendees to represent stakeholders who are not present. The representative will get in touch with these stakeholders, keep them in the loop on discussions, and ask for future inputs.

These techniques reduce meeting size while promoting feelings of inclusivity among a larger group of non-attendees.

CREATE NEW RHYTHMS

Meetings can become repetitive due to starting and ending at the same time, meeting in the same room and usually with the same agenda. Breaking these patterns can create fresh dynamics and make for more engaged meetings.

LEVERAGE SEATING DESIGN

Research indicates that seating positions influence effectiveness, communication flow, decision-making, and creativity. People seated at the head or foot of the table are likely to speak more and be listened to. The meeting leader must actively design seating to create the right social dynamics. This can be done by making people change seating positions every meeting or even shifting rooms. Amazon uses an empty chair in meetings to represent the customer. This serves as a physical cue to make attendees customer-centric in their decisions. The empty chair can be used to represent other absent stakeholders as well.

WALKING MEETINGS

Walking meetings can help break barriers and improve communication. It also makes multitasking difficult, resulting in increased focus. Stanford University's research shows that 80% of participants were more creative while walking than when seated and at their creative best when walking outdoors. These meetings are ideal for small gatherings of up to four attendees. These work best when the agenda does not require technological tools or supporting material.

STANDUP MEETINGS

Stand up meetings improve collaboration and increase engagement with others' ideas. Research shows that standing meetings generally take 34% less time than sitting meetings. While they can work for larger groups, it is essential to keep these meetings short.

SET THE RIGHT MOOD

Research shows that groups in a positive mood outperform those in a neutral mood in creative tasks, team engagement, and constructive conversations. Since meetings are usually perceived as an interruption in the workflow of an attendee, attendees may come with negative baggage. To create positivity, the leader must greet attendees warmly, make eye contact, and facilitate introductions. The mood state of the leader strongly influences the mood of attendees and is a predictor of group performance.

Here are some ways to improve the mood in the meeting:

- Playing music before the meeting can set the right mood
- Serving snacks can build camaraderie and influence mood
- Creating technology-free meeting zones to prevent multitasking and ensure focus. More and more companies are asking attendees to deposit phones at the door. If meetings are long, consider adding technology breaks.
- Using clicker quizzes to do quick surveys on key questions. The results can be instantly summarized, visualized, and displayed on the screen. This brings in a bit of fun, along with increased engagement.
- Making attendees discuss key issues in pairs for a few minutes before the meeting starts. This makes everyone involved, brings new ideas to the table, and makes it easier to overcome inhibitions.

STOP TALKING

Group thinking can dominate meetings, while unique insights remain buried. Therefore, it's important to create ways to bring diverse and contrary perspectives on the table. Approaches based on silence can be surprisingly effective in accomplishing this.

USE BRAINWRITING

Brainwriting leverages the power of silence to generate diverse ideas. Attendees silently write down their responses to a meeting goal on paper without adding their names. The papers are then placed face-down in the center of the table. The facilitator groups similar ideas, and the attendees vote on the key ideas to be discussed. This discussion is done in writing with participants adding comments to each ideas sheet. The entire process takes one-third the time of traditional brainstorming meetings while being inclusive and engaging. Studies show that brainwriting groups produced 20 % more ideas and 42% more original ideas than traditional brainstorming.

SILENT READING

Amazon uses silent reading to improve meeting effectiveness. The presenter has to write the proposal thoroughly in a standard format. The first part of the meeting is given to the silent reading of the proposal. This ensures that no meeting pre-work is needed and everyone is on the same page. Since attendees can read faster than a presenter can speak, the same time is used to study the idea more extensively. This leads to much more in-depth discussions.

AVOID CALL-IN MEETINGS

Call-ins encourages multitasking, a lack of engagement, and poor communication due to missing nonverbal cues. Whenever possible, it is best to make attendees join via video. If this is not possible, here are some ways to steer the meeting:

- Ban the mute button from preventing multitasking
- Carefully choose lighter agenda items given the challenges of call-ins
- Ask call-in participants to dial in a few minutes early
- Actively manage conversation flow by ensuring that remote attendees pitch in

LEVERAGE OFFLINE ACTIVITY

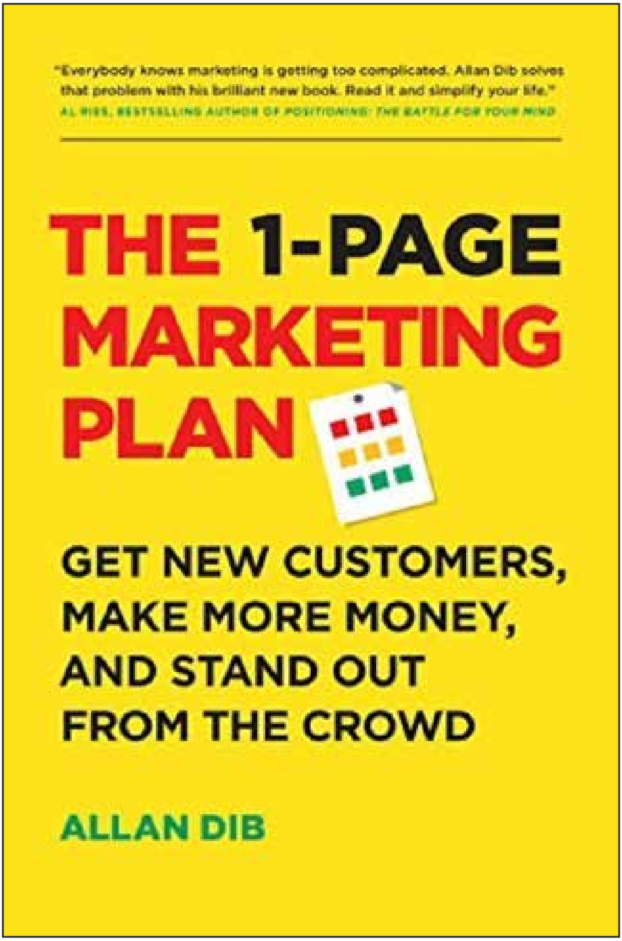
When meetings involve more than five people, they must be supplemented with offline activities. After a quick initial meeting, each challenge is allocated to a sub-team to be discussed offline. Later, sub-team representatives meet with the meeting leader to discuss and make decisions. This approach shifts a lot of work offline and keeps meetings focused and minimal.

Employing some of these meeting techniques in your organization can fix the current broken state of meetings. Your attendees will thank you for valuing their time. This will bring in fresh energy, break communication barriers, and unleash higher productivity. Ultimately, successful meetings can inspire others and become a part of the organizational culture.

The 1-Page Marketing Plan

By: **ALLAN DIB**

Need a marketing strategy that can get results fast? Here is a practical and uncomplicated 1-page marketing plan that you can complete today and increase your return on investment. This book provides the framework that clearly defines your marketing strategy and how to get, keep, and realize value from customers. Discover why you need to pursue an even-tighter market niche, how to get inside prospects' heads, and why you should raise prices. Learn how to be perceived as a welcomed guest rather than a marketing pest. Finally, create your tribe of loyal customers and receive successful referrals.



TOP 20 INSIGHTS

- Accelerate growth with a focus on what generates the most value for your company. A 10% improvement in marketing will pay off exponentially in the near term.
- Take the 80/20 rule one step further. The 64/4 rule demonstrates that 64% of effects come from 4% of causes. When applied to business, this means to eliminate or drastically decrease 94% of your business activities.
- The quickest way to marketing failure is to imitate the mass marketing tactics of major corporations. Anyone other than Nike, Coca-Cola, and the like should use direct response marketing instead.
- A narrower niche allows price to be irrelevant and positions you as a specialist rather than a generalist. This will not only increase your perceived value but also lower your competitions.
- Use the "PVP" framework to easily identify your ideal customer: Personal Fulfillment, Value to the Marketplace, and Profitability. Think about what type of work gives you the most personal fulfillment, is most appreciated and needed among potential customers, and leads to the highest profits?
- One of the most frequent mistakes to differentiate a company is to highlight its superior quality or service, because such qualities are expected and foundational, and not something to brag about.
- Your largest competitor is not another company but "inertia." The prospect's option to do nothing is often the key factor in lost businesses. You can overcome this with a marketing copy that sends the right message. It should first and foremost convince that there is a need to buy, and then that you have the best offer.
- Confusion is the enemy of conversion. "When you confuse them, you lose them" because the vast majority of customers will walk away rather than seek clarification. This means that all marketing copies should be extremely clear, from the name of the company and website language to paid advertisements and offer descriptions.
- Use this tried and tested formula for your elevator sales pitch: "You know [problem]? Well, what we do is [solution]. In fact, [proof]." This sounds natural, approachable, and far from pushy.
- Avoid marketing copy that is overly professional and stuffy. Instead, your copy should be like a "car accident" – no matter how much you don't want to, you can't help but look.
- Research shows that people buy based on emotion and justify purchases with logic. One of the most significant emotions is fear, particularly the fear of loss. Use this in your marketing and sales strategy with a clear definition of what your customers might lose out on if they don't buy from you.
- Consider "snail mail" as a core part of your marketing strategy. In recent years, marketing via physical mail has become less cluttered as compared to email marketing. Additionally, people are wired to have more of an emotional response to physical objects than to digital media.
- To convert leads into customers,

follow-up three times at a minimum. 50% of salespeople throw in the towel after the initial interaction, 65% after two communications, and a full 79.8% after three unsuccessful attempts. Persist and be the last one standing to make the sale.

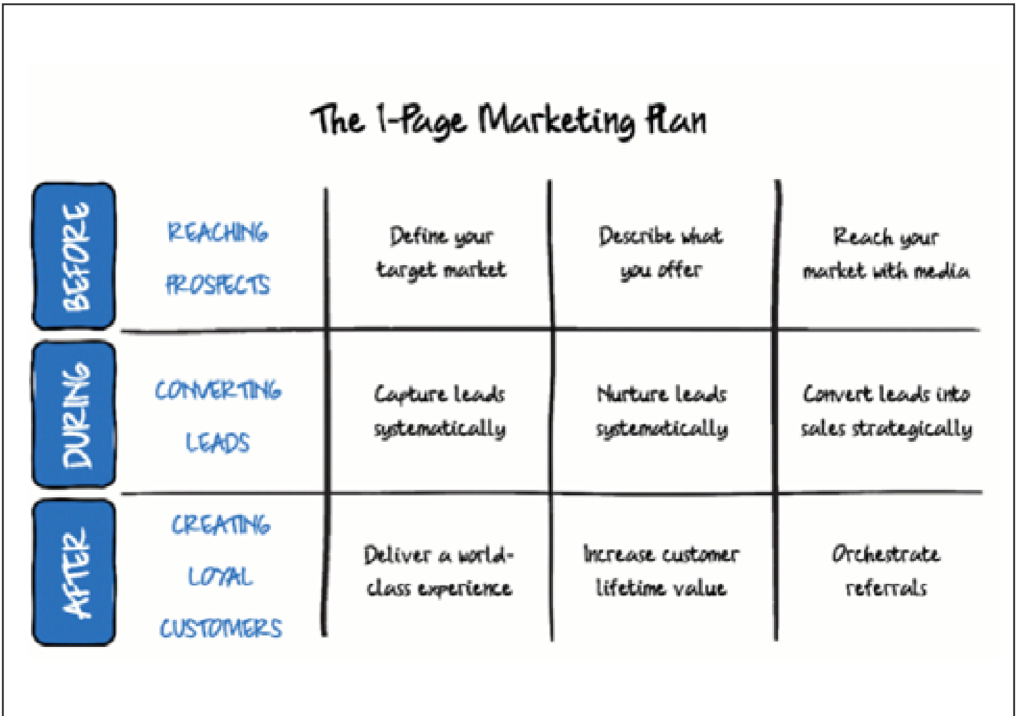
- Human nature programs us to be interested in unique, unexpected objects. Use this to your advantage. Follow-up with leads with a “lumpy package” – a piece of mail with a small 3D object like a magnet or stickers along with a handwritten note. This will make an impression in a market that’s now saturated with email marketing.
- Processes that automate marketing activity after “trigger events” lead to effortless conversions. For example, if someone contacts you for a quote or more information, you should follow a series of preordained steps: enter their contact information into your system, send a “lumpy package,” and then follow up by phone within two days.
- Don’t think “sales”, think “education.” When you educate your potential customers, you build trust, ease the fear of risk, and position yourself as a knowledgeable thought leader, rather than a salesperson, in your field.
- Understand that 10% of your customer base would pay 10x as much as they do now for your product or service. In addition, 1% of your customers would even pay 100x more for a related offering. Make an ultra-high-ticket item available for such customers, or you’ll leave money on the table.
- Always consider your exit strategy, even if it’s in the distant future. Make sure you have a business instead of be the business. No one will pay you top dollar for a company that implodes once you leave. Set up systems and processes so it can run without you.
- Never overlook former customers for future sales. They are 21x more likely to make a purchase from you than from someone they’ve never worked with before.
- Don’t try to sell directly from an ad. Only 3% of your target market is ever highly motivated and ready to buy immediately. There is another 37% of those who see your ad and may be interested now or in the future, so it’s better not to turn them off with an overt pitch.

SUMMARY

This summary will help you create a simple marketing strategy for any small or medium-sized business. Learn the three main phases of marketing and why you shouldn't imitate large companies using brand awareness tactics. Identify your target market, develop the message you'll use in ads and offers, and select your advertising medium. Then, understand the best way to convert leads into paying customers, including why snail mail can be a good approach. Finally, consider tactics to keep past customers close at hand to maximize the lifetime value of these relationships and get endless referrals.

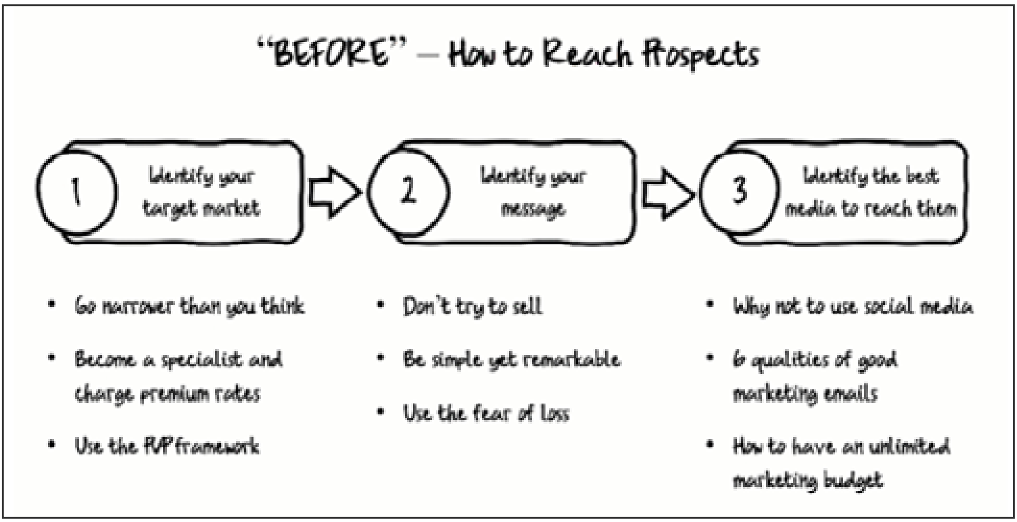
THREE PHASES OF MARKETING

There are three major phases in marketing: Before, During, and After. "Before" consists of all the activities to make your potential customers aware of your offering. "During" is what happens once someone makes contact with your business and becomes interested in buying. "After" is the period post-purchase, but also when the work to realize a customer's full lifetime value is far from being over. This summary will outline the main activities at each stage and pull out the best tips and tricks for a small business owner or marketer. Here's the one-page plan this summary will help you complete:



The first thing to know about marketing for smaller businesses is that you will fail if you try to imitate major brands that use awareness marketing. Large companies have massive marketing budgets that allow them to saturate the market with brand awareness efforts. Smaller businesses typically don't have the monetary resource for that, nor will it be successful. It is therefore more effective to resort direct response marketing. Here are eight attributes of direct response marketing that small or medium companies should strive for when designing a marketing strategy:

- **Trackable** – Each lead or purchase should be related directly back to a specific ad or marketing effort.
- **Measurable** – Measuring the effectiveness of each effort allows you to maximize the investments that generate the most leads.
- **Interesting** – The message must include much more than your logo, contact information, and generic offers. It should include compelling amcopy that grabs the attention of your prospects.
- **Targeted** – Marketing to a broad audience in direct response marketing is a mistake. Your ad should be addressed to a specific demographic, aka. your target market.
- **Buyer-Focused** – Your direct response marketing should include an offer, but not one focused on making a sale. It should provide value to the buyer based on their needs or fears (like a free report) and not focused on what you have to sell.
- **Facilitates the Next Step** – As part of the delivery of the initial valuable offer, include a follow-up irresistible offer that compels the prospect to take the next step towards purchasing.
- **Continually Follows-Up** – Automate your outreach to keep in touch with prospects who may not have been ready to buy immediately.



FIRST – IDENTIFY YOUR MARKET, MESSAGE, AND MEDIUM

IDENTIFY YOUR MARKET

One of the biggest mistakes new businesses make is trying to be everything to everyone. They are strapped for cash and wouldn't think of turning down a customer, regardless of whether or not that customer is a good fit. The business doesn't want to exclude anyone in marketing materials, so the messages become so broad that they fall flat for everyone. Avoid this common mistake and go much narrower than you might expect. For example, rather than broadly targeting Millenials in the Midwest, go after young female professionals earning more than $80,000 who live in Chicago and Columbus.

You'll see that targeting a narrow niche market allows you to tailor your message and really resonate with prospects. It also allows you to charge much higher prices. Think of a medical specialist. They are sought after, respected, and well-compensated. So too can you become a specialist in your field by positioning yourself as such, assuming you have the necessary knowledge and experience. Small businesses go wrong when they are already specialists but position themselves as generalists because they fear missing out on customers who don't fall within that narrow band.

The best way to identify your target market is to use the "PVP" framework – "Personal Fulfillment, Value to the Marketplace, and Profitability." Ask yourself which kinds of customers you truly enjoy working with. Who are the most pleasant, the most satisfied with what you offer them, and present the types of problems you most enjoy solving with your business? Which types of customers greatly value what you offer and have the willingness and ability to pay? And lastly, which customers generate the highest profits for you because of related costs associated with working with them? Thinking about each market segment along these dimensions can help you determine what's the best for your business.

IDENTIFY YOUR MESSAGE

Never try to sell directly from an advertisement. Instead, design your ads to generate leads by capturing contact information or sharing helpful information. This is because only 3% of people are highly motivated and ready to make an immediate purchase. Still, another 37% are either open to or interested in making a purchase now or in the future. Making a hard sell in your ad can turn away those who may just be looking for more information and not yet ready to buy. It is therefore more important to make your message a lead-generating tool rather than an aggressive offer or sales proposition.

In writing the actual words used in your marketing materials, position your product or service as simple yet remarkable. Confused and bored customers will walk away or keep scrolling. Even if your industry is somewhat commoditized, you can use words and descriptions to stand out. ASOS, a clothing mass retailer, does this in the way it describes the care instructions for its clothing. Instead of including the same old boring instructions in online product descriptions, it uses witty language like "Just here for the care instructions? We thought so. Check the label before washing." or "Avoid post-wash regrets. Clothes have needs, too. Always check the label." Warby Parker also takes a similar approach with the language on the boxes customers receive as part of a home try-on. They say things like "Good things await you" and "Get Excited". Most markets are already saturated, and true innovation is hard to find. Making these small changes to make your marketing remarkable can make a major difference in a crowded market. And these changes are easy to make if you allow an authentic, personality-infused voice into your copy.

The third aspect to keep in mind when crafting your message is the emotion of your prospect. Purchasing is done with emotions and justified with logic after the fact. What does your target market most desire or fear, and how does your product or service fit into that inner dialogue? One of the strongest emotions is fear, especially fear of loss. You can capitalize on your prospects' "FOMO" to motivate them to take your offer. For example, a coffee shop should say, "Don't spend your life drinking crappy coffee and miss out on life's everyday luxuries" instead of displaying a laundry list of the reasons why their coffee is superior. While leveraging this emotion may be considered unethical by some, if your product or service truly delivers value to the customer, guiding them towards a purchase could be doing them a great service.

IDENTIFY YOUR MEDIUM

Now that you've identified your target market and the kinds of messages you plan to share with them, you need to select the best way to reach them. There are a few solid reasons why you should think twice about putting all your efforts into social media.

The real-life comparative of social media is mingling at a party. Just as you wouldn't go into sales mode to your family or friends at a social event, you should also hesitate before blasting your social media networks with your marketing efforts. This is why so many people are put off by self-promotions from their "friends" on social media.

In the author's words: "Overt selling and constant pitching of offers are generally considered poor behavior on social networks and can result in repelling people from your business rather than attracting them to it."

Focus on building up media that you can completely own and control, and that allows you to capture contact information from leads and then target those who have expressed interest. Websites and email marketing is a great approach to this. The six rules to keep in mind when developing your email marketing approach are the following:

- **Don't spam** – Only email those who have legitimately requested to receive them.
- **Be human** – Lose the professional-speak.
- **Use a commercial email marketing system** – Spend the few dollars a month so

that you don't have an email address ending in "@gmail.com."

- **Email regularly** – If your communications dry up, your customers will too.
- **Give them value** – Don't just write fluff, provide value in each email.
- **Automate** – Email marketing systems can take the burden of follow-up off you.

NEXT – CONVERT YOUR LEADS INTO CUSTOMERS

If you've implemented the steps in the first section, you should be ready to start capturing the contact information for your leads. What's the best way to do this? Become a marketing farmer. The first and obvious step for this is using a Customer Relationship Management (CRM) system. Working from this system means you're cultivating seeds that have been planted rather than hunting for new customers that may or may not be easy prey.

How do you find people who might be interested? Some tactics include offering a free resource, an in-person event where sign-up is required, or a discount code for visitors to your website. Once you have their information, what are the cultivation tactics? Apart from keeping in regular contact and providing valuable information such as through a blog related to your product or service or other informational email series, you can use one tactic that many overlook…

Consider the appeal of the "lumpy mail and the shock and awe package". Traditional mail is overlooked today because of the ease of email. As a result, there can be advantages in physical mail. But don't just send any old flyer. By taking the time to send leads interesting small items that relate to your business, you'll be memorable and stay on top of their mind.

Going the final mile from nurturing to converting leads into paying customers is a matter of gaining trust and easing their fear of risk. In addition to providing valuable information and thought leadership in your field, some of the simplest and highest-impact things you can do to highlight the trustworthiness of your company include providing a real phone number and physical address, including a privacy policy, and taking the time to implement quality website design.

Some tactics to ease customers' fear of risk with purchase is by providing an "outrageous guarantee," such as offering a try-before-you-buy. Outrageous guarantees go beyond just saying satisfaction guaranteed. An outrageous guarantee goes to great lengths to describe exactly how a customer should feel after purchasing and how they can expect their lives to improve.

People's fear in making the wrong decision is also reflected by a well-known study at Columbia. When people were offered 24 options of gourmet jams at a farmer's market, only 3% of customers who stopped by the jam stand made a purchase. When only six flavor options were offered, a whopping 30% of stand visitors made a purchase. Limiting your options can therefore also be an effective conversion tactic.

LAST – CREATE LOYAL CUSTOMERS

Much effort goes into reaching prospects and converting leads into customers, but the job is far from finished there. You must also create a buying experience for your customers that far surpasses that of your competitors to maximize their lifetime purchases and ensure they sing your praises to their networks. Why is this so important? Studies indicate that previous buyers are 21 times more likely to buy from you than a competitor. Once you convert a customer for the first time, the remaining sales become easier wins.

Creating a world-class experience can look like much more than just delivering exceptional service and being prompt and courteous in resolving customer issues. Much in the same way that businesses can stand out by imbuing authenticity in their ad copy, so too can they easily improve their customers' experiences by using personality. Think of this stage of marketing much as you would a relationship. As a business, you should be "fun and easy" to work with. You should treat customers as more than a source of short-term cash, and instead stay in touch with them to nurture a long-lasting relationship. Never let customers down and always keep your word. These small mindset shifts will help both you and your customers see beyond a monetary transaction and towards a lifetime of shared value. As you provide value over time to these customers, some specific ways to increase it include raising prices with inflation to maintain your perceived value, capitalizing on earned trust through upselling related offerings, and making it easy for customers to come back by offering reminders, subscriptions, or discounts that expire.

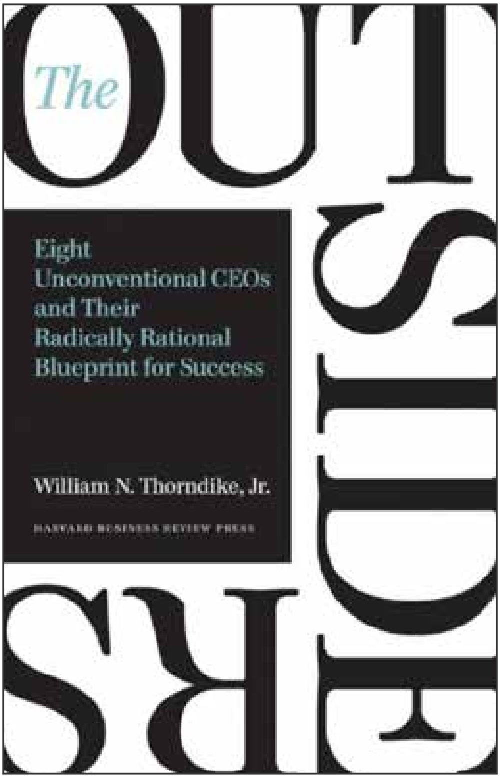
The value you provide to customers can come back to you in the form of referrals. But don't just sit and wait for these to come to you. There a few things you can do to maximize these. First, simply ask. Second, be specific. What types of people are most likely to need your offering? What stage of life are they in? What decisions are they making or issues are they dealing with? Ask customers if they know those types of people who may need your product or service. Then, provide value right away. Offer to send your customers some free resource materials they could pass along. That way, you're not just reaching out cold. This can ultimately serve everyone's needs and create a win-win situation.

The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success

By: **WILLIAM THORNDIKE, JR.**

A book that received high praise from Warren Buffett, The Outsiders chronicles the unconventional techniques that led eight CEOs to outperform the S&P 500 by an astounding twenty times.

The best CEOs are not managers, but capital allocators. They were not charismatic visionaries who actively managed operations. On the contrary, they decentralized operations and centralized capital allocation. They rarely paid dividends and emphasized cash flows over net revenue. Learn how their approach generated exceptional returns across industries and market conditions.



TOP 20 INSIGHTS

- The best way to measure a CEO's performance is to measure the increase in per-share value during their tenure. Jack Welch of General Motors, widely considered to be an all-time great, outperformed the S&P 500 by a factor of three. However, the Outsider CEOs profiled in this book outperformed the S&P 500 twenty times over.
- The two core tasks CEOs have are management of operations and deployment of capital. Most CEOS tend to focus more on operations. However, two equally well-managed companies with different capital allocation strategies will have widely divergent long-term results. Despite its importance, most business schools don't have courses on capital allocation.
- The Outsider CEOs share a worldview, which includes attention to capital allocation and per-share value, as well as emphasis on cash flows over reported earnings, and focus on highly decentralized operations, highly centralized capital allocation, investment in their stock, and discipline and patience when it comes to acquisitions.
- The Outsiders shared personal traits like frugality, humility, independence, and an analytical approach. They avoided the media spotlight and interacted little with Wall Street. These CEOs waited for years to identify the right investment opportunity. To increase per-share value, they were even ready to shrink company size and share base.
- In the case of Capital Cities, Tom Murphy managed strategy, acquisitions, and capital allocation, while Dan Burke managed operations. Burke's job was to create the free cash flow, and Murphy's was to spend it.
- Murphy was very acquisitive and made the largest deal in the history of the broadcast industry thrice. Murphy used leverage to fund acquisitions. Burke, with his operations and integration expertise, would quickly improve margins and profitability. Murphy used this cash flow to pay loans ahead of schedule and leveraged these assets again to buy new assets.
- Murphy made the largest non-oil and gas transaction in business history when Capital Cities bought the ABC Network for an astounding $3.5 billion in 1986. The deal was worth more than 100% of Capital Cities' enterprise value. Burke immediately stepped in to improve operations, reduce perks, and sell off excess real estate. Stunningly, most of the ABC debt was paid within three years of acquisition.
- Over nearly 40 years and across different market conditions, Singleton of Teledyne outperformed the S&P twelvefold. Teledyne was founded at a time when conglomerates enjoyed high price-to-earnings (P/E) ratios, and the cost of acquisitions was far cheaper. He therefore acquired 130 companies in 9 years and issued stock to raise cheap capital.
- Singleton enhanced free cash flow. These cash flows were used to buy back 90% of Teledyne's outstanding shares. Singleton spent an incredible $2.5 billion on buybacks. From 1971 to 1984, Teledyne witnessed a forty-fold increase in earnings per share.
- From 1984 to 1996, Singleton pioneered spinoffs to manage succession and unlock the full value of the company's insurance operations.

He believed it was "time to de-conglomerate." He successfully spun off Uniturn at a time when it accounted for a majority of Teledyne's value.

- Singleton did not take any day-to-day responsibilities. Teledyne emphasized extreme decentralization and drove managerial accountability to the lowest levels. For a company of 40,000 people, Teledyne's headquarters had less than 50 people with no Human Resource, Business Development, or Investor Relations departments.
- When Bill Anders took over as CEO of General Dynamics, the company was at a historic low. It was valued at $1 billion when revenues were $10 billion. Over 17 years from Anders's tenure, the company generated a phenomenal 23.3% compound annual return compared to the 8.9% for the S&P 500.
- In 3 years, Anders generated a remarkable $5 billion in cash. General Dynamics got $2.5 billion by reduction of its over-investment in inventory, capital equipment, and R&D and decreased headcount by 60%. In an industry first, Anders sold a majority of General Dynamics's businesses, including its F16 division, to raise the remaining amount. Most of this was returned to shareholders.
- The F16 sale happened when Anders offered to buy Lockheed's fighter plane division. Lockheed's CEO made a counter-offer of $1.5 billion for the F16 division. Anders agreed to sell the business on the spot, even though it shrank the company to half its former size and left it with only its tank and submarine units.
- In 1995, General Dynamics acquired Bath Iron Works, one of the largest navy shipbuilders, for $400 million. This decision had high symbolic value as it signaled to the Pentagon that the company was ready to grow again.
- When Nick Chabraja became CEO, he wanted to quadruple stock price in ten years. Two-thirds would come from market growth and one-third from acquisitions. Chabraja's defining move was the purchase of Gulfstream for $5 billion, a deal that was 56% of General Dynamics's value. The move was widely criticized, but Gulfstream's revenues have insulated General Dynamics from uncertainties in defense spending.
- During Warren Buffett's tenure of 40 years, Berkshire's returns outperformed the S&P by over a hundredfold. Buffett's insurance operations focused on float generation over growth in premiums. This float was deployed to purchase other cash-generating businesses that fund subsequent investments. Berkshire's float grew from $237 million in 1970 to over $70 billion in 2011.
- Berkshire had a highly concentrated portfolio, and investments were held for very long periods. The top five positions accounted for about 60% to 80% of the company's portfolio and have been held for over 20 years on average. Buffett called this low level of activity as "inactivity bordering on sloth."
- It's lucrative for companies to sell to Berkshire because it gives freedom from Wall Street scrutiny and near unlimited access to capital. Buffett spent little time on traditional due diligence and handled all deals personally.
- Buffett structured Berkshire in such a way that he spent very little time on operations. He kept a blank calendar, did not use a computer at the office, and utilized most of his time to read and think.

SUMMARY

The best metric to measure a CEO's performance is the increase in a company's per-share value. By this measure, the legendary Jack Welch of General Motors outperformed the S&P by a factor of three. However, the CEOs profiled in this book exceeded the S&P twenty times over. CEOs have two core tasks: operations management and capital allocation. It's common to see Business Schools and Wall Street emphasize an obsessive focus on operational efficiency. But what makes the real difference over the long-term is the firm's capital allocation strategy.

THE OUTSIDER'S WORLDVIEW

The iconoclast CEOs profiled in this book share an outsider's worldview. The key elements are:

- The CEO's main job is capital allocation
- What matters in the long term is the increase in per-share value
- Long term value is determined by cash flows not reported earnings
- Organizational decentralization improves efficiency and reduces costs
- Rely on independent thinking over expert opinion
- One of the best investment opportunities is the company's stock
- Patience, with occasional swiftness in deal-making, is the strategy for acquisitions

The outsiders also shared some personal characteristics, including frugality, humility, independence, and an analytical, understated approach. Almost all of them were first time CEOs. They avoided corporate perks and media spotlight. These CEOs were more investors than managers with high confidence in their analytical skills. They bought their stock when it was cheap and leveraged it to raise cheap capital when it was expensive. They were willing to wait long periods to identify compelling investment or acquisition opportunities. In pursuing per-share value, they were ready even to shrink their company size and share base.

MINNOW SWALLOWS WHALE

"Tom Murphy and Dan Burke were probably the greatest two-person combination in management that the world has ever seen or maybe ever will see." -- Warren Buffett

When Tom Murphy joined Capital Cities in 1966, its market cap was sixteen times smaller than that of CBS. Thirty years later, it was three times more valuable. Murphy's strategy was to acquire Radio and TV stations, improve operations, pay down debt, and acquire again. It was a rare combination of both operational excellence and capital allocation. In contrast, CBS bought into notions of "diversification" and "synergy," expanding into unknown new domains and creating highly centralized management structures.

A CLEAR DIVISION OF LABOR

Murphy and Burke had a clear division of labor at Capital Cities: Murphy as CEO, managed strategy, acquisitions, and capital allocation, while Burke as President and COO, managed operations. In his 29-year term, Murphy made the largest deal in the history of the broadcast industry thrice. To do this, he relied on Burke's operations and integration expertise. Murphy bought KTRK, an ABC affiliate, for $22 million in 1967. In 1970, he purchased broadcaster Triangle Communication for an astounding $120 million. In the '70s and early '80s, Murphy entered the newspaper and cable industries by buying the Forth Worth Telegram and the Kansas City Star and Cablecom, respectively.

THE DEAL OF A LIFETIME

The deal of his life came when Murphy bought the ABC Network for an astounding $3.5 billion in 1986, with financing from Warren Buffett. It was then the largest non-oil and gas transaction in business history, worth more than 100% of Capital Cities enterprise value. Wall Street Journal headlined it "Minnow Swallows Whale." Within two years, Burke improved ABC's margins from around 30% to over 50% by implementing a frugal, decentralized approach. Unnecessary perks like private dining rooms were cut, and more than 1500 workers were laid off. Surplus real estate, including the Manhattan headquarters, was sold.

In 1995, Murphy sold Capital Cities to Disney for an extraordinary $19 billion, representing 28 times its net income. During his 29 years, Murphy outperformed the S&P by 16.7 times and his peers by four times.

HIRE THE BEST AND LEAVE THEM ALONE

Capital Cities was famously decentralized, with extraordinary managerial autonomy and minimal headquarters staff. Murphy's HR philosophy was to "hire the best people you can and leave them alone." Burke had a razor-sharp focus on frugality and economic efficiency. He would do a line-by-line analysis of annual budgets that every manager presented. Apart from these individual annual meetings, managers were left alone.

LEVERAGE, PURCHASE, REPEAT

Murphy avoided diversification, paid very minimal dividends, and rarely issued stock. He used debt to fund acquisitions and used free cash flow to pay loans ahead of schedule. These assets were again leveraged to buy newer assets. Stunningly, the majority of the ABC debt was paid within three years of the acquisition. Though prolific, Murphy was careful in deal-making, waiting years to find the right acquisition. His rule for transactions was a double-digit after-tax return over ten years without leverage.

Murphy aggressively repurchased shares, buying close to 50% of shares at over $1.8billion in his career. This was a large bet that generated a compound return of 22.4% over 19 years.

CONGLOMERATE AND DE-CONGLOMERATE

Henry Singleton, an MIT Ph.D. in Electrical Engineering, founded Teledyne in 1960. This was the era of conglomerates, who enjoyed high price-to-earnings(P/E) ratios at a time when the cost of acquiring companies was far lesser in P/E ratio terms. Singleton took advantage of this to buy 130 companies between 1961 and 1969, ranging from aviation electronics to insurance. In 1967, Singleton made George Roberts the President of Teledyne and removed himself from operations to focus on capital allocation.

FOCUS ON CASH FLOW AND REPURCHASE STOCK

In 1969, Teledyne abruptly stopped acquiring and fired its entire acquisition team. Singleton instead focused on improving operations. Rather than optimizing for Wall Street's preferred benchmark of reported earnings, Singleton took the unconventional approach of improving free cash flow. This cash flow was used to fund the acquisition of new companies. Across the '70s and '80s, the company was consistently profitable in a variety of market conditions.

From being an issuer of stock in the '60s, Singleton went on a massive stock repurchasing spree in the '70s and '80s, buying back an astonishing 90% of Teledyne's outstanding shares. This was done at a time when repurchases were highly controversial. Teledyne spent an incredible $2.5 billion on buybacks. From 1971 to 1984, Teledyne witnessed a forty-fold increase in earnings per share.

A TIME TO DE-CONGLOMERATE

From 1984 to 1996, Singleton focused on management succession. He pioneered spinoff's to manage succession and unlock the full value of the company's insurance operations. Singleton believed that there was "a time to conglomerate and a time to de-conglomerate." He successfully spun off Argonaut and Uniturn at a time when the later company accounted for a majority of Teledyne's value.

Singleton retired in 1991 with an extraordinary record. From 1963 to 1990, he delivered a 20.4% compound annual interest rate to shareholders, thus outperforming the S&P twelvefold.

SINGLETON'S TENETS OF MANAGEMENT

Singleton did not reserve any day-to-day responsibilities for himself. He emphasized extreme decentralization, driving managerial accountability to the lowest levels. For a company of 40,000 people, Teledyne's headquarters had less than 50 people with no human resources, business development, or investor relations departments. Singleton considered investor relations to be a waste of time, famously avoiding Wall Street and not declaring quarterly earnings guidance.

AN IMPROBABLE TURNAROUND AT GENERAL DYNAMICS

When the Berlin Wall came down in 1989, defense stocks crashed. General Dynamics, a company with a stellar history of selling aircraft, ships, and tanks to the Pentagon, had a market cap of just $1 billion when revenues were around $10 billion. Until Anders took over.

THE ANDERS APPROACH

Anders's turnaround strategy was highly unusual. The defense industry's excess capacity meant that companies had to either shrink businesses or grow through acquisitions. He wanted General Dynamics to remain in business only where it was number 1 or number 2 by market position. Anders transformed the company's mindset from building faster, more lethal weapons to emphasizing shareholder value and return on equity.

GENERATING A TSUNAMI OF CASH

In the three years Anders led the company, it generated a remarkable $5 billion in cash. This was from two sources: a sharp tightening of operations and selling off non-core businesses. Anders insisted that the company bid only on projects they had a good chance of winning, and the returns were compelling. The number of bids fell drastically, while the success rate shot up. The overall headcount was cut by 60%. As a result of this, $2.5 billion was freed up.

SHRINKING THE COMPANY

In a first for the industry, Anders sold a majority of General Dynamics's businesses, including its F16 and the missiles and electronics division. The F16 sale happened unexpectedly. Anders offered to buy Lockheed's smaller fighter plane division, to which Lockheed's CEO responded with a counter-offer of $1.5 billion for the F16 division. Anders agreed to sell the business on the spot, even though it shrank his company to half its former size. These moves generated another $2.5 billion in cash and left the company with only its tank and submarine units.

Instead of investing the cash, Anders chose to return most of it to shareholders through innovative tax-efficient techniques. This stunned Wall Street and General Dynamics's stock price rose rapidly. It attracted Warren Buffett's attention. He bought 16% of the company and gave Anders the proxy to vote Berkshire's shares.

READY TO GROW AGAIN

Anders retired after naming Mellor as chairman. As CEO, Mellor continued to focus on operations. In 1995, he acquired Bath Iron Works for $400 million. This decision had high symbolic value as it signaled to the Pentagon that the company was ready to grow again. In 1997, Mellor handed the baton to Nick Chabraja, who aimed to quadruple the company stock price within ten years. Two thirds would come from market growth and improving margins. The remaining one-third would have to come from acquisitions. In his first year, Chabraja bought 12 companies. These led General Dynamics into the military information technology market, which became its largest business in 2008. Chabraja's defining move was the purchase of Gulfstream for $5 billion, a deal that represented 56% of General Dynamics's enterprise value. The move was widely criticized then, but Gulfstream's revenues have insulated General Dynamics from the uncertainties in defense spending.

Over seventeen and a half years, General Dynamics generated a phenomenal 23.3% compound annual return compared to the 8.9% for the S&P 500. In a defense industry with highly centralized, bureaucratic organizations the trio made an active push for decentralization. When Chabraja left, the company had more employees than during Anders's time, but only a quarter as many at the headquarters. All three CEOs were committed to stock buybacks, including Anders's tender in 1992, where 30% of the stock was repurchased.

THE ORACLE OF OMAHA

Warren Buffett bought his first share at Berkshire Hathaway for $7. Today, a stock is worth over $300,000. Buffett's story best exemplifies the idea of the CEO as an investor.

VALUE INVESTING

Buffett was inspired by Benjamin Graham's Value Investing approach. Value Investing emphasized buying companies that were trading at significant discounts to net working capital. After two years of working under Graham, Buffett returned to his hometown Omaha and raised an investing partnership of $105,000. Over the next 13 years, he beat the S&P every year without employing leverage. In 1965, he bought Berkshire Hathaway, then a small textile company. Three years of cost-cutting yielded $14 million in cash, which Buffett used to buy National Indemnity, a niche insurance company. This company generated vast amounts of floats, premium income in advance of losses, that Buffett effectively invested in securities and purchasing companies like the Omaha Sun. This acquisition laid the foundation for Berkshire's extraordinary run.

A SHIFT IN APPROACH

In the '70s, when fear of inflation was high, Buffett defied the conventional wisdom of investing in hard assets. He instead bought shares of consumer brands and media companies with dominant market positions and franchises and held them for long periods. This was a definite shift in investment strategy from his previous balance-sheet & investment-focused approach to one that emphasized income, brand name, and market share. By the end of the '80s, Buffett had significant positions in the Washington Post, GEICO, and General Foods. In 1986, he made a massive $500 million investment to help Tom Murphy of Capital Cities acquire ABC. Berkshire now owned 18% of Capital Cities.

BE GREEDY WHEN OTHERS ARE FEARFUL

Anticipating the stock crash of 1987, Buffett sold all stocks in his insurance company portfolios except the three "permanent holdings," namely Capital Cities, GEICO, and Washington Post. Towards the end of the decade, he made large insurance transactions, buying the remaining half of GEICO for $2.3 billion and purchasing the reinsurer GeneralRe for $22 billion in Berkshire stock. This was the largest transaction in Berkshire's history. After the Lehman Brothers collapse, when all of corporate America was fearful, Buffett invested a massive $15 billion within 25 days.

CREATING A CAPITAL FLYWHEEL

During his tenure of over 40 years, Berkshire's returns outperformed the S&P by over a hundredfold. What made this possible? According to Charlie Munger, Berkshire's long-term success was due to its ability to "generate funds at 3$ and invest them at 13%". Almost all of Berkshire's investment capital was generated internally, avoiding debt and leverage.

The primary source of capital was float from insurance business complemented by cash from wholly-owned subsidiaries. Buffett's insurance operations focused on float generation over growth in premium revenue. This float is deployed to purchase other cash-generating businesses that fund subsequent investments. Float from Berkshire's insurance businesses grew from $237 million in 1970 to over $70 billion in 2011.

INACTIVITY BORDERING ON SLOTH

Berkshire's investments were highly concentrated and had very long holding periods. The top five positions accounted for about 60% to 80% of the company's portfolio. Buffett's top stock positions have been held for over 20 years on average. Buffett calls this low level of activity as "inactivity bordering on sloth." A sale to Berkshire gives companies freedom from Wall Street scrutiny and near unlimited access to capital. Buffett spends little time on traditional due diligence, including meeting management and inspecting operating facilities. The Capital Cities deal was finalized in less than 15 minutes.

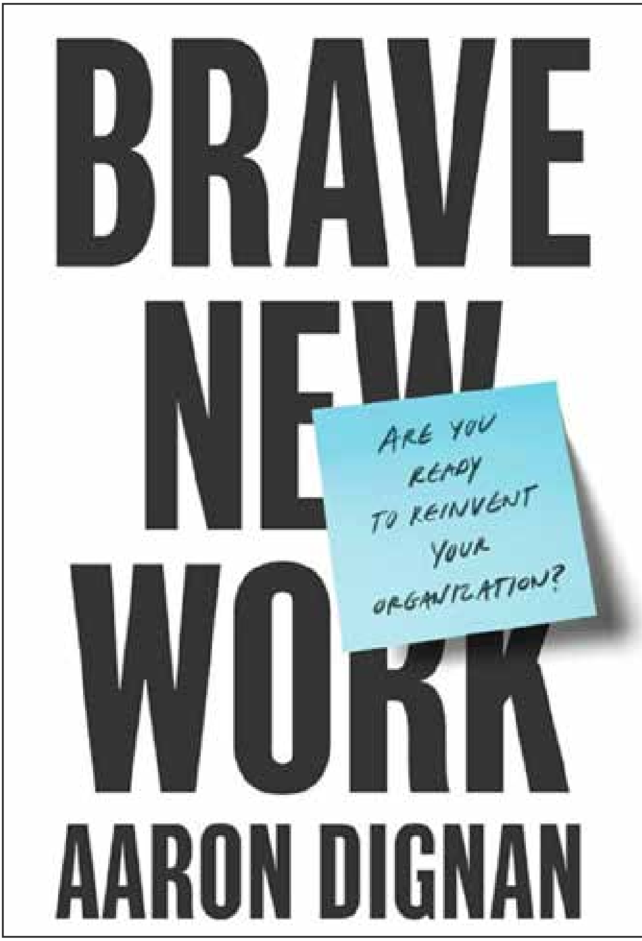
CEOs who run the businesses usually don't hear from Buffett. Buffett consciously designed the company in such a way that he spends as little time on operations as possible. He keeps a blank calendar, does not use a computer at the office, and utilizes most of his time in reading and thinking. Buffett is the ideal example of a CEO as an investor, whose zen-like vision focuses on long-term investments and avoiding the unnecessary financial and human costs of churn. All the outsider CEOs had the approach of a long-term investor, not a highly paid employee. Their edge was because of this temperament, not intellect.

Brave New Work

By: **AARON DIGNAN**

What is stopping you from doing your best work? Are you constantly frustrated by silo-ed functions, meeting overload, and slow decision-making? It's not your strategy or your business model that's the problem—it's your Operating System.

Your legacy organization can become a smarter, healthier, and more dynamic evolutionary organization when you improve or even overhaul your current Operating System. Read this book summary to find out how to focus on self-sufficient teams that experiment, innovate, and ultimately allow your organization to run itself.



TOP 20 INSIGHTS

- Workers in the U.S. spend 16% of their working lives on internal compliance activities such as planning and budgeting. The Taylor Principles developed 100 years ago have morphed into a stifling bureaucracy, leaving us with the burden of organizational debt, that is, structures and policies that no longer serve the organization.
- The most widely used systems don't necessarily have the best quality. For example, in the U.S. there is only one roundabout for every 1,118 signal intersections. But roundabouts are actually safer, move traffic more quickly, cheaper to build and maintain, and still function when the power goes out.
- Many firms are trying to be agile by doing agile, adopting the methods but not the theory behind them. Certifying project managers in Scrum does not upend bureaucracy. Agile is a mindset, not a toolset.
- The organization's activities may be complicated—like a car engine, something that can be controlled, and its problems solved. However, the organization itself is complex—like traffic, we can only make informed guesses about its behavior based on the relationships between its components, not the components themselves.
- Mergers and acquisitions are creating "too big to fail" mega-firms even as research from McKinsey has shown that almost 70% of mergers fail to produce the promised revenue synergies. In response, firms are cutting R&D costs, outsourcing, and laying off workers.
- The 100-year-old Swedish bank Svenska Handelsbanken deploys its various resources around the notion that "The branch is the bank." Each of the 800+ branches is free to make their own decisions about resource allocations, including lending decisions, marketing, and services.
- Psychologists Maslow and Rogers showed that people are naturally motivated and capable of self-direction. Similarly, Deci and Ryan's Self Determination Theory found that people have an innate psychological need for autonomy, competence, and relatedness.
- Email is a context-free information sinkhole. The average employee checks their email 36 times an hour and receives 304 emails a week. Ban internal email in favor of a messaging app like Slack.
- Spotify ensures that teams are "loosely coupled but tightly aligned." The company's approach to workflow looks like a regatta of speedboats heading in the same general direction rather than one massive ocean liner trying to wend its way through a series of functions.
- Ensure the organization gets more interesting over time. A recent McKinsey study found that companies in the top quartile for gender and ethnic diversity are, respectively, 15% and 35% more likely to outperform those in the bottom quartile.
- The average employee attends 62 meetings a month and thinks that more than half of them are a waste of time. For U.S. businesses, that adds up to $37 billion in salary costs spent on unnecessary meetings. Cancel all meetings for two weeks, so you can find out which ones you really need.

- Ditch time-wasting status update meetings in favor of a monthly governance meeting where everyone voices concerns and proposes changes. Hold periodic retrospective meetings for people to share perspectives on what happened and what they learned.
- The average manager spends up to 210 hours preparing for and doing annual appraisals, a process that makes employees spectators in their development. Instead, let them solicit and guide their own feedback, with periodic updates and input from team members.
- Get away from the traditional budgeting process, which is unresponsive to changing conditions. Ditch fixed targets in favor of relative ones, company to company, and team to team.
- Higher pay decreases job dissatisfaction but doesn't meaningfully increase satisfaction. Compensation should be fair and generous enough to not matter. Use profit sharing to connect everyone to the organization's success. Eliminate bonuses and instead pay above market for the best talent you can find.
- Innovation often happens unintentionally. Play-Doh was supposed to be a cleaning product for wallpaper until kids started misusing it. Let innovation happen across the organization. People are inherently creative, so trust them to sense and pursue opportunities.
- Culture cannot be designed; it has to emerge. You cannot change hearts and minds with a haiku. Instead, we have to focus on changing the system, and we have to recognize that change is not a finite journey.
- Six patterns set the conditions for change: the commitment of leaders; setting boundaries; priming a catalyst team; practicing looping; recognizing criticality; and allowing and protecting continuity.
- Looping is the continual three-stage process where change is decentralized, and self-management begins: identify tensions; propose practices; and conduct experiments.
- The most significant barrier to change is the leader. Leadership has to recognize the importance of creating the space for change and then stepping out of the way.

SUMMARY

Legacy organizations carry a burden of organizational debt that does not serve the needs of a complex organization trying to navigate through a rapidly changing world. Shifting to an evolutionary organization requires us to question and reinvent our approach across the twelve domains that make up the organization's operating system.

The organization needs a strong sense of collective purpose, decentralized authority, and a dynamic network of small, self-sufficient teams whose members are free to organize around projects and programs. Each team should be able to learn and change course, have control over its resources, and innovate using local methods and tools. Minimize meetings and make sure all information is readily available to all participants. Allow teams to reinvent themselves continually and to learn from each other. Start with a small group and give them the space to practice looping: identify tensions, propose practices, and conduct experiments. Start with smaller, shorter experiments and gradually expand to the wider organization. Eventually, the change reaches a tipping point where you can focus on sustaining a more autonomous and evolutionary organization.

THE LEGACY ORGANIZATION

Everywhere, leaders and teams are frustrated. The scale and bureaucracy of our organizations are liabilities in the contemporary era of constant change. People insist on doing everything through channels, refer everything to committees, or haggle over the precise wording of communications and minutes. Faced with rapid changes, they ask for caution, hold conferences, and add more procedures and clearances. All this happens because within our organizations, there is a hidden set of inherited assumptions, essentially an operating system running unnoticed in the background.

TRAFFIC SIGNALS VS. ROUNDABOUTS

Consider two ways to control traffic where two roads cross: a signal-controlled intersection and a roundabout. In the U.S. there is only one roundabout for every 1,118 signal intersections. While signal-controlled intersections are overwhelmingly popular, roundabouts are actually safer, move traffic more quickly, cheaper to build and maintain, and still function when the power goes out. This goes to show that just because one system is more widely used does not mean it is of better quality.

Legacy organizations are like the signal-controlled intersections, the default setting that everyone uses because everyone else has been using it. Roundabouts are akin to evolutionary organizations, a better way of doing things that requires adopting a shift in mindset and a new operating system.

Widely Used ≠ Best Practice

	SAFTEY	EFFICIENCY	COST	EASE OF USE
Signal controlled intersection (311,000 in U.S.)	Drivers comply but don't think → Frequent collisions	Complicated system. Not always able to optimize traffic flow	Expensive to install and maintain	Needs extensive tech support
Roundabout (300 in U.S.)	Drivers must pay attention → reduces collision by 75%	Delays reduced by 89%	Annual cost reduced by up to $10,000	Works during power outages

HOW WE GOT HERE

The operating system of legacy organization started on the factory floors of the Industrial Revolution over 100 years ago, when F. W. Taylor broke the work down into its smallest possible components and found the one best way to complete each step. His 1911 book Principles of Scientific Management separated thinking from doing and became the foundational text for the factory operating system. Around the same time, Henry Gantt produced the Gannt chart that illustrates dependencies within complicated processes and projects. Over time, meeting the steps of the plan became the goal, instead of being a means to an end.

Today, the legacy organization separates thinking from doing, demands detailed plans before every initiative, focuses on a chain of command, and works around an ironclad budget. U.S. workers spend 16% of their working lives on internal compliance activities like planning and budgeting. The Taylor Principles have morphed into a stifling bureaucracy, leaving us with a burden of organizational debt—structures and policies that no longer serve the organization.

LEGACY LIMITATIONS

Corporate longevity has plummeted—the half-life of all firms is now just 10.5 years—and the average stock holding time has fallen from 8 years to 5 days. Corporations are getting bigger but their return on assets, the ratio of their profits to what they own and owe, is trending steadily downward. Mergers and acquisitions are creating "too big to fail" megafirms even as research from McKinsey has shown that almost 70% of mergers fail to produce the promised revenue synergies. In response, firms are cutting R&D costs, outsourcing, and laying off workers. Labor productivity growth has turned negative in recent years, while the pay ratio between CEOs and workers has jumped from 22: 3.1 in 1973 to 271:1 in 2016. Meanwhile, innovation is coming from elsewhere; small businesses, for example, now produce 16 times more patents than big ones.

The legacy organization views its workers mechanistically, seeing them as motivated by rewards and punishments and in need of precise instructions. However, the work of psychologists Maslow and Rogers has shown that people are naturally motivated and capable of self-direction. Similarly, Deci and Ryan's work found that people have an innate psychological need for autonomy, competence, and relatedness.

COMPLEXITY VS. COMPLICATED

We assume that complexity and complicated are the same things, when in fact they are not. A complicated system is something like a car engine: it is subject to cause and effect, any problems have solutions and can be fixed, and it can be controlled. A complex system, on the other hand, is more like traffic: it is dispositional, meaning we can only make informed guesses about how it will behave, it is made up of a large number of components whose interactions can surprise you, and it is based around the relationships between its components, not the components themselves.

While the activities of an organization might be complicated, the organization itself is complex. Faced with this complexity, the legacy organization sees performance as a function of compliance: get everyone to do what we say, and we will surely achieve our goals. The evolutionary organization recognizes that performance is the result of collective intelligence and self-regulation: if we create the right conditions, everyone will continually find ways to achieve the goals.

The next section describes the principles and practices of the evolutionary organization.

THE EVOLUTIONARY ORGANIZATION

An organization's Operating System is made up of 12 domains. We need to question and reinvent our approach in each domain to become a people positive and complexity conscious organization.

1. PURPOSE

Any organization or team needs a purpose. A mission statement that defines success as making a profit lacks an inspiring purpose. Wholefoods' "Nourish people and the planet" is much more socially positive.

The organization's purpose has to show up at every level, and any metrics should be guidelines for steering toward that purpose. Every team or unit should have a strong sense of their collective purpose.

2. AUTHORITY

Legacy organizations assume you have to be given permission to do something; evolutionary organizations ensure everyone has the autonomy to do anything that serves the organization's purpose unless it is specifically prohibited. People should have the freedom to fail so that teams and individuals can learn and grow.

Centralized authority is too slow to respond in a rapidly changing world. Push authority to the edge of the organization, to where the information is.

3. STRUCTURE

Evolutionary organizations should be dynamic networks where members have the freedom to organize around projects and programs. Create self-sufficient units or cells of 10-150 people. Create simple rules for how teams are formed or changed, then let people go where their skills and energy take them.

Ensure that the organization is driven by the teams that touch the market, not the ones at the center.

4. STRATEGY

Exercise discretion when using metrics such as Objectives and Key Results as a form of top-down control, where people focus on hitting the OKRs and not on figuring out what is best for the organization. Use scenario planning to think about what might happen, not what must happen.

Every 90 days or so, gather the team to generate a few strategy statements and figure out what to prioritize. In areas of rapid change, your strategy is only as good as your ability to learn and adjust course.

5. RESOURCES

People can direct their own time and attention to where they add the most value. The 100-year-old Swedish bank Svenska Handelsbanken deploys its various resources—capital, energy, space, etc.—around the notion that "The branch is the bank." Each of the 800+ branches is free to make their own decisions about resource allocation, include lending decisions, marketing, services, and so on.

Get away from the traditional budgeting process, which is unresponsive to changing conditions. Ditch fixed targets in favor of relative ones, company to company, and team to team. You cannot predict the future so, where appropriate, minimize long-term spending commitments in favor of discretionary funds. Allocate resources based on real-time information, not annual budget cycles.

6. INNOVATION

Innovation usually happens when things are used in ways we didn't intend. Play-Doh was supposed to be a cleaning product for wallpaper until kids started "misusing" it. Instead of having R&D spending as a separate line item in the accounts, let innovation happen across the organization. People are inherently creative, so trust them to sense and pursue opportunities.

Avoid standards that say "You have to use this tool, this way" in favor of defaults that say, "If you don't know how, then try this, but if you see a better way, do that!"

7. WORKFLOW

Spotify's approach to workflow ensures that teams are "loosely coupled but tightly aligned," maximizing strategic alignment while minimizing dependencies and red tape between teams. Its workflow looks like a regatta of speedboats heading in the same general direction rather than one massive ocean liner trying to wend its way through a series of functions.

Treat everything as a project, starting, stopping, or evolving activities with intention. Consider running every project as a series of one- or two-week sprints. Let local methods and tools flourish. Ensure every team has the capacity to do the work and to improve how they do it.

8. MEETINGS

The average employee attends 62 meetings a month and thinks that more than half of them are a waste of time. For U.S. businesses, that adds up to $37 billion in salary costs spent on unnecessary meetings. But shared consciousness and vibrant networks mean we do have to meet sometimes.

Avoid status updates. They become time-wasting theatrical productions that don't move anything forward. Instead, encourage every team to have a monthly governance meeting where everyone can voice concerns and propose changes. Hold periodic retrospective meetings for people to share perspectives on what happened and what they learned. Try canceling all meetings for two weeks, so that you can discover which ones you really need.

9. INFORMATION

In legacy organizations, information is power, hoarded to elevate one's status, and shared on a need-to-know basis. Evolutionary organizations value and practice transparency, making all information available to all participants, because no one knows what information will prove to be critical. Instead of pushing information out to all members, which quickly becomes overwhelming, let them find the information when they need it, in a way that is accessible and searchable by everyone, any time. Work in public and share work in development together, instead of only selectively releasing "perfect" information.

Email is a context-free information sinkhole. The average employee checks their email 36 times an hour and receives 304 emails a week. Try banning internal email in favor of a messaging app like Slack, the fastest-growing workplace software in history, with tools that organize conversations into channels by topic.

10. MEMBERSHIP

In a complex system, the interactions matter more than the parts. Everyone needs to feel a sense of belonging within their teams and the wider organization, but don't build walls between teams and consequently create silos. The boundaries need to be porous enough for teams to renew themselves continually.

Hiring for culture fit makes sense early in a firm's history, but later on, it can lead to overwhelming homogeneity and actually cause firms to underperform. Organizations should get more interesting and diverse over time. A recent McKinsey study found that companies in the top quartile for gender and ethnic diversity were, respectively, 15% and 35% more likely to outperform those in the bottom quartile.

11. MASTERY

Taylorism views work as a place to perform, whereas the evolutionary organization sees it as a place to learn. Welcome the conditions for continuous growth, with members of different levels of knowledge and skills working together and learning from each other.

The average manager spends up to 210 hours preparing for and doing annual appraisals, a process that makes employees spectators in their development. Instead, let them solicit and guide their feedback, with periodic updates and input from team members.

12. COMPENSATION

Higher pay can decrease job dissatisfaction, but it won't meaningfully increase or sustain job satisfaction. Compensation should be fair and generous enough to not matter and to support motivation, keep the focus on autonomy, mastery, and purpose. Use profit sharing to connect everyone to the organization's success. Eliminate bonuses and instead pay above market for the best talents you can find.

There is no formula or series of job titles that will magically capture the complexity of the modern workplace. It takes transparency, dialogue, and judgment to find what is fair. Compensation cannot be solved, it has to be tuned.

HOW TO CHANGE

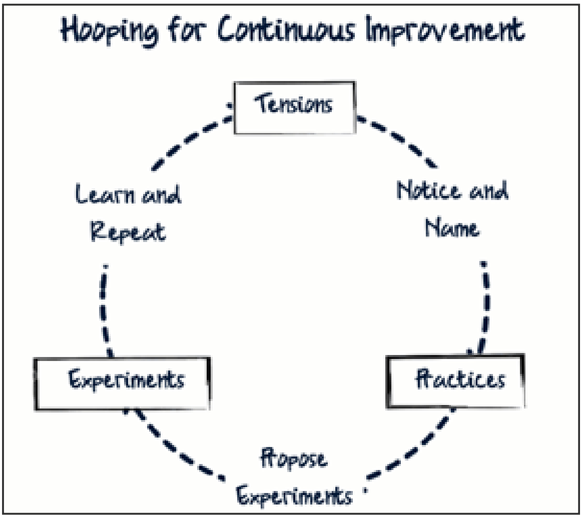
How do you unleash change in a culture that is addicted to planning and control? How can you turn tension and frustration into experiments that move the team forward? A recent McKinsey study found that only 26% of transformation efforts succeed in the eyes of the people involved, with that number dropping to 6% among frontline employees.

The first step is to recognize that culture cannot be designed, it has to emerge. You cannot change hearts and minds with a haiku. Instead, we have to focus on changing the system and on recognizing that change is not a finite journey.

HAPPY ACCIDENTS

Change plans can become a dogma wielded from the top with little room for adapting as we go: you can't blow up bureaucracy with a bureaucratic change process. Human innovation is often the result of happy accidents. So in place of set plans and goals, be willing to try new things, to notice and amplify positive patterns and minimize what isn't working. Six patterns help to set the conditions for change.

- **Commitment:** Those with power or influence must be committed to moving beyond bureaucracy. Next, create a team of "wayfinders", a group willing to be the first to try new things.
- **Boundaries:** Create a space where things will be done differently—a team, a meeting, a room. Then, gradually extend the boundary to include more teams or areas.
- **Priming:** Prime your team of catalysts by pulling them out of their patterns and into a learning space, where a few hours of games and exercises can open their hearts and minds and unleash epiphanies.
- **Looping:** Looping is the continual three-stage process where change is decentralized and self-management begins. The three stages are: identify tensions, propose practices, and conduct experiments. When people acknowledge that some system or process is not working well, they have identified a tension, a gap between how things are and how they could be. Tensions include things like decision-making bottlenecks, too many meetings, not taking risks, too many silos, unclear priorities, and so on. Once a team names its tensions, it can explore practices that might change things and then set up experiments to see what works. Start with smaller, shorter experiments that can be run over a week, eventually getting to ones that require some onboarding time and a few weeks to see them through.
- **Criticality:** Criticality is the tipping point where enough people are committed to the ideals of self-management that it is impractical to go back to the way things were. You'll know you're at this point when people start to adopt a new language for ways of working and culture, and when the practices being introduced are traveling beyond the boundary that you set.
- **Continuity:** When continuous participatory change is a way of life.



CONTINUOUS PARTICIPATORY CHANGE

A successful evolutionary organization has to make it safe for people to fail. Psychological safety must play a major role in the Operating System transformation.

The most significant barrier to change is the leader—leadership has to recognize the importance of creating the space for change and then stepping out of the way. Don't try to control the change.

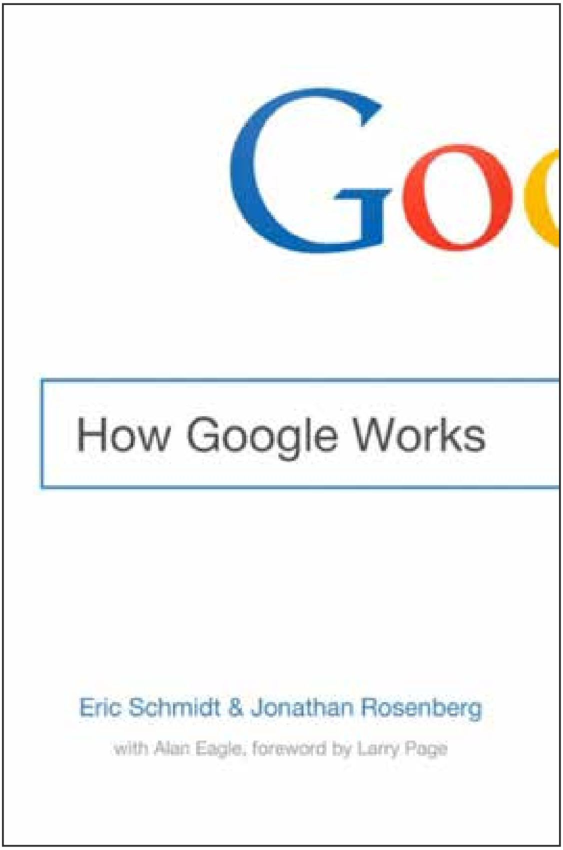
Once teams have created a space for change, including making sure everyone agrees and has the time to try, you also have to hold onto that space. Let the teams figure things out for themselves and make sure everyone can speak up if they see something unsafe to try. People will change when it makes sense to them—so if you meet resistance, find out what people are trying to tell you. Learn by doing, you can't improve your swing by reading Golf Digest, you have to get out on the course and practice.

How Google Works

By: **ERIC SCHMIDT & JONATHAN ROSENBERG**

What management tactics should you follow to not only survive but thrive like Google? Infinite information, connectivity, and computing power have fundamentally disrupted the business landscape, and old rules no longer work in the Internet Century.

In this book, Google Executive Chairman and ex-CEO Eric Schmidt and former Senior Vice-President Jonathan Rosenberg reveal the management principles that powered the rise of Google from a dorm room startup to a tech giant. Read this book summary to learn proven ways that Smart Creatives and help you build a circle of innovation and achieve 10X growth.



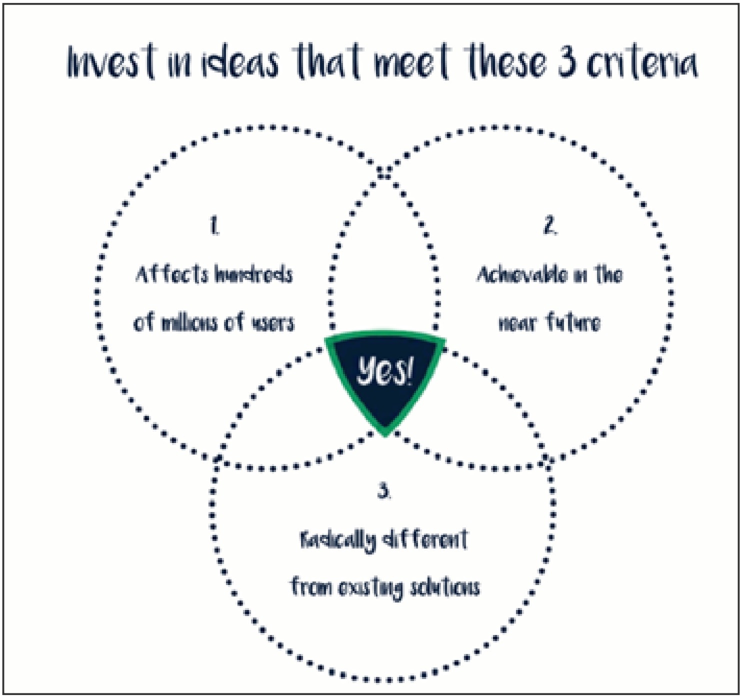
TOP 20 INSIGHTS

- With vast information and infinite consumer choices, selling a mediocre product has become nearly impossible. Product excellence is the only pathway to success. As Jeff Bezos says, "In the old world, you devoted 30% of your time to building a great service and 70% of your time to shouting about it. In the new world, that inverts."
- Traditional command-and-control management structures were designed for the 20th century when information was scarce and mistakes were costly. At a time of fast-paced acceleration, however, this architecture actually works against businesses. The primary focus of businesses today must be accelerating the speed and quality of product development.
- Business plans can't help you achieve continuous product excellence. Companies must attract top-notch talent and give them the freedom to create. This is the era of self-driven Smart Creatives who have technical knowledge, creativity, business savviness, and a hands-on approach. Management has to create an environment where they want to work, but not to tell them how to think.
- With the democratization of information, computing, connectivity, and manufacturing, global scale is within everyone's reach. To stand out in the Internet Century, leaders have to create and grow platforms that connect users and create multi-sided markets.
- While conventional management thinking values competitive advantage, the Internet Century rewards open sharing of intellectual property, using open standards, and giving customers the freedom to exit. Openness can be a powerful way to dislodge entrenched incumbents as it drives innovation and reduces the costs of complementary products.
- Hire for intelligence and learnability rather than specialized knowledge. In a world of rapid change, today's skills will become obsolete tomorrow. Once you hire, consistently create new opportunities for learning new skills, even those not directly related to work. Those who don't respond well to this are probably not good hires.
- Recruiters merely manage the process and can therefore be tempted to hire average talent just to meet targets. It is then the company that bears the consequences. Finding talents should be everyone's job and one way to encourage this is to make recruitment part of the performance appraisals.
- Google's internal research found that after four interviews, the cost of an additional interview outweighs the extra value created. Limit interviews to 30 minutes to enhance focus. No-hire calls can be easily made within that duration. If a candidate is good, you can always schedule another interview.
- Hiring decisions must be based on data and left to committees, not managers. The manager only has veto power. Five-member committees with diversity across seniority, skills, strengths, and background is a suggested composition. Similarly, promotion decisions are decided by committees, while the manager can only make recommendations.

- The right decision is the best one, not the lowest common denominator that everyone agrees with. Encourage Smart Creatives to voice strong opinions through solution-oriented open debates.
- CEO's should make very few decisions. These should center on core issues like product launches, acquisitions, and public policy issues. On other matters allow leaders to arrive at decisions and intervene only when it's a very poor call. For critical issues, leaders can use their convening power to hold regular meetings, even daily ones if necessary.
- Spend 80% of time on the products that generate 80% of the revenue. While it's tempting to focus on innovations, an organization can take a fatal hit if the core business is neglected.
- The business should always outrun the processes. So when things look smooth and organized, it means that processes have overtaken the business. Since the steady state of the Internet Century is chaos, leaders must understand their employees and earn their trust.
- To create platforms, companies will have to work with partners who may be competing with them in certain markets. These relationships should be managed pragmatically by clearly acknowledging differences. For key partnerships, create roles that can keep both the external partner satisfied and your company interests furthered.
- 500 incremental improvements to Google search in a year can be just as radical as a team that works on a self-driving car. This inclusive outlook on innovation gives the entire organization – not just the R&D department – the possibility to innovate.
- Google uses three criteria to decide whether to pursue an idea or not. First, it must address a challenge affecting hundreds of millions. Second, it must be radically different from existing market solutions. Finally, the technologies required have to be achievable in the near future.
- Innovation resists traditional management as it cannot be owned, mandated, or scheduled. It has to evolve organically. The company should therefore create a favorable environment that encourages risk-taking innovators and also the risk-averse employees to participate.
- Allocate 70% of resources to the core business, 20% to emerging products, and 10% to completely new initiatives. This ratio retains focus on the core business while protecting promising new initiatives from budget cuts. Overinvesting can be problematic as million-dollar bets are harder to kill than smaller initiatives.
- The job of management is not to reduce risks or prevent failures, but to create an environment resilient enough to take these risks and handle the missteps.
- Studies show that extrinsic rewards, such as extra money, do not improve creativity. In fact, they inhibit it by making people see an inherently rewarding endeavor as a money-earning chore. This is why that while Google engineers can spend 20% of their time working on anything they choose, they're not explicitly rewarded when these projects succeed.

SUMMARY

With a plethora of information and infinite consumer choices, continuous product excellence focusing on the user is the only path to industry disruption. Traditional management structures were designed for the 20th century when information was scarce and mistakes costly. At a time of fast-paced acceleration, this architecture actually works against businesses. Management needs to be reimagined ground-up for the Internet Century.



THE ERA OF SMART CREATIVES

In a world of abundant data and computing power, cheap failures and effortless collaboration, individual employees can have an outsized impact. This is the era of Smart Creatives who have technical knowledge, creativity, business savviness, and a hands-on approach. Here are some qualities of Smart Creatives:

- In-depth, hands-on technical knowledge to be able to both design and prototype
- Understands the complete process from technology to business success
- Competitive and willing to go beyond 9-to-5 in pursuit of excellence
- A power user who understands the industry from the consumer perspective

- Questioning status-quo, seeking new problems to solve and willing to risk failure to address them
- Self-driven and takes action based on their initiative. Does not wait to be told what to do.
- Openly collaborates and analyses ideas on merit, not status

CULTURE

The right culture encourages high-performing Smart Creatives to work with your organization. Therefore, it's essential to think of what culture you wish to create right from the start.

- **Be Authentic:** Many companies focus on being successful and then seek to formalize their culture. This usually leads to a set of bland corporate sayings that mean very little to the employees. The mission statement has to be authentic and reflect what matters most to the company. The ideal way to do that is to ask the Smart Creatives working for you about what they think the organization stands for, cares about, and seeks to achieve. Their responses contain the founder's values along with their own practical insights.
- **Keep Desks Crowded:** Smart Creatives thrive on interactions. Office spaces must maximize interactions by keeping desks crowded, interactive, and brimming with energy. There should also be some options for quiet spaces to do focused work.
- **Live and work with Smart Creatives:** Teams must be functionally integrated. Product managers must work with teams to design, engineer, and develop great products. They must work and live with their Smart Creatives to understand technical insights, user behavior, and technology trends of the future.
- **Be messy:** Messiness is usually the by-product of creative expression. Curtailing it can have a powerful negative effect.
- **Be generous:** Be generous with the resources that Smart Creatives need to do their work. In Google's case, this means access to near-infinite computing power. However, it is equally important to be frugal with things that do not matter like upscale office spaces.
- **An obligation to dissent:** Creating a meritocracy requires effort from the senior executives not to force their opinions on others and give Smart Creatives the space and freedom to disagree. There must be an "obligation to dissent" if employees feel that an idea is mediocre. Meritocracy creates an environment where the best ideas win, biases are removed, and employees feel valued.
- **Keep it flat:** Google managers must have a minimum of seven direct reports. This creates a flatter organization with greater employee freedom as managers have no time to micromanage. Organizations must be built on small teams as they are tightly knit and get more work done. Jeff Bezos advocates a "Two Pizza Rule" that states that teams must be small enough to be fed by two pizzas.
- **Bad Apples and Divas:** The character of a company is the sum of the character of its people. Managers should reduce the responsibility of bad apples or even fire them if required. However, exceptional performers may have unusual quirks. As long

as others can find a way to work with these Divas and their performance outweighs the damage caused, defend them.

- **Encourage vacations:** If employees try to make themselves indispensable, make sure they take a nice vacation and ensure that their next-in-line fills their role in the meanwhile. They will come back refreshed, and the next-in-line grows in confidence too.
- **Avoid procedure overkill:** Excessive procedures can dampen the spirit of Smart Creatives who thrive in startup-like environments. Avoid introducing a new process unless when absolutely necessary.

STRATEGY

- **Bet on Technical Insights, not Market Research:** Technical insights apply technology or design to reduce costs or significantly increase functionality and usability. Unlike products based on market research, the result is a far superior product compared to existing competition.
- **Platforms not Products:** With the democratization of information, computing, connectivity, and manufacturing, global scale is within everyone's reach. To succeed in the Internet Century, leaders have to create and grow platforms that connect users and create multi-sided markets.
- **Default to Open:** While conventional management thinking privileges competitive advantage, the Internet Century rewards open sharing of intellectual property, using open standards and giving customers the freedom to exit. Openness gives your organization scale and innovation. It can become a powerful way to dislodge entrenched incumbents as it drives innovation and reduces the costs of complementary products.
- **Don't Follow Competition:** Obsession with competition leads to a siege mentality and a focus on mere incremental innovation. The job of a disruptive organization is to create things that don't even exist yet.
- **Preparing for Disruption:** It's crucial to ask what would be true five years ahead based on disruptive trends and opportunities. During disruption, incumbents can acquire competitors or build the same products in-house. To do either of these, it is vital to have a deep understanding of the technical insights that the competitor is leveraging. Challengers need to invent products, build businesses, and understand the obstacles incumbents will create including regulations and lawsuits. Your strategy must have ways for outsiders with aligned incentives to collaborate with your organization.

HIRING

- **Set the bar high:** A workplace with Smart Creatives attracts more Smart Creatives creating an environment of innovation and creativity. The bar has to be set high from the very beginning.
- **Hire for intelligence and learnability:** In a world of rapid change, today's skills will become obsolete tomorrow. Once you hire, consistently create new opportunities

for learning new skills, even those not directly related to their work.

- **Hire for talent:** Hire great talent who may not match your ideal qualifications, titles, and experience, and challenge them to do new things. They will join you as you are willing to bet on them. This applies in the case of hiring senior candidates as well.
- **Recruiting is everyone's job:** Recruiters can be tempted to hire average talent to meet targets. It's the company that bears the consequences. An excellent way to make recruiting everyone's job is to measure their performance in recruiting and include it in performance appraisals.
- **Keep interviews short:** Limit interviews to 30 minutes to enhance focus. Interviewers can easily make no-hire decisions within that duration. If a candidate is good, you can always schedule another interview . Google's internal research found that after four interviews, the cost of an additional interview outweighs the extra value created.
- **Use hiring committees:** Hiring decisions must be made by committees, not managers. To hire someone, the committee needs to approve based on data. The manager only has veto power. Similarly, promotion decisions are decided by committees with the manager having only the ability to recommend.
- **Disproportionately reward excellence:** Exceptional people possess rare skills that can create exponential impact. Their work needs to be recognized and rewarded disproportionately.
- **Individuals over constraints:** Prioritize the interests of highly capable individuals over organizational constraints. Enable job shifts within the organization and provide newer opportunities to retain your best Smart Creatives.
- **Elevator pitches:** When people want to quit to start their own venture, don't discourage them. Instead, ask for their elevator pitch. If they aren't clear, then request them to continue with their jobs until their venture is genuinely ready to launch. This has helped Google retain numerous people.

DECISION MAKING

The decision-making process, the timing, and its implementation are crucial as they can set precedents.

- **Use data to drive decisions:** Slides should just contain data required to run the meeting. Data is best understood by those working with the issue, so trust the insights of Smart Creatives who are working on that issue.
- **Consensus is not unanimous agreement:** Consensus is about rallying people around the best idea for the company. Encourage Smart Creatives to voice strong opinions through solution-oriented open debates. The right decision is the best one, not the lowest common denominator everyone agrees on.
- **Manage the conflict:** This conflict-based approach must be managed by a decision-maker who sets a deadline, runs the process, and breaks ties. End debates when they are no longer valuable and shift towards building a consensus over the decision.
- **Make fewer decisions:** CEO's must make very few decisions. These should

focus on core issues like product launches, acquisitions, and public policy issues. On other matters allow leaders to arrive at conclusions and intervene only when it's a very bad call.

- **Use convening power:** For critical decisions, leaders can use their convening power to hold regular meetings, even daily ones if necessary. This signals the importance of the issues and makes decisions happen.
- **80% time on 80% revenue:** While it is tempting to focus on new innovations, making mistakes in the core business can be fatal to an organization. Spend 80% of time focusing on products that generate 80% of the revenue.

COMMUNICATIONS

Effective leaders in the Internet Century do not hoard information. They share it. Leadership should optimize the flow of information across the company every day.

- Default to open: At Google, the quarterly board report is again presented to employees in a company-wide meeting. The company intranet has upcoming product information and the Objectives and Key Results (OKR) of each employee. This makes it easy for employees to find out what others are working on.
- Ask Hard Questions: It must be safe to ask hard questions. This requires a culture of open, transparent, and honest communication. Google encourages this by following up product launches with "postmortem" sessions to discuss what went right and what went wrong. The findings are shared publicly.
- Conversations Still Matter: Conversation remains the most valuable form of communication in the Internet Century. As a leader, it is vital to break the ice and begin conversations.
- Chant your Organizational Mantras: Leaders must learn to over-communicate habitually. Here are some guidelines to do this well:

    I. Communication must reinforce a few core themes that everyone must understand. If something is repeated multiple times and people don't get it, the problem is with the theme and not communication.
    II. Repetition must be done in a fresh way periodically to not induce fatigue.
    III. You cannot fully outsource communication. To sound authentic, it has to be based on your thoughts, ideas, and experiences.
    IV. Set a tone of honesty and humility in your communication. Create goodwill by acknowledging mistakes openly.

- Create Your Playbooks: Create effective communication playbooks for key stakeholders.

    I. Board Meetings: Google Executive Chairman and ex-CEO Eric Schmidt would start quarterly board meetings with an overview of both Google's highlights and lowlights. This usually led to an animated board discussion. Board meetings must focus primarily on strategy and products, and the discussion must generate valuable insights. The legal and governance issues can be handled in subcommittees and summarized to the board.

II. Partners: Partnerships should be managed pragmatically by clearly acknowledging differences. For key partnerships, roles must be created with the objective of keeping both the external partner satisfied and furthering company interests.

III. Press Interviews: Don't use press interviews for bland, scripted marketing speeches. These are unimpressive. Instead, focus on having an engaged conversation by answering questions with insights and stories.

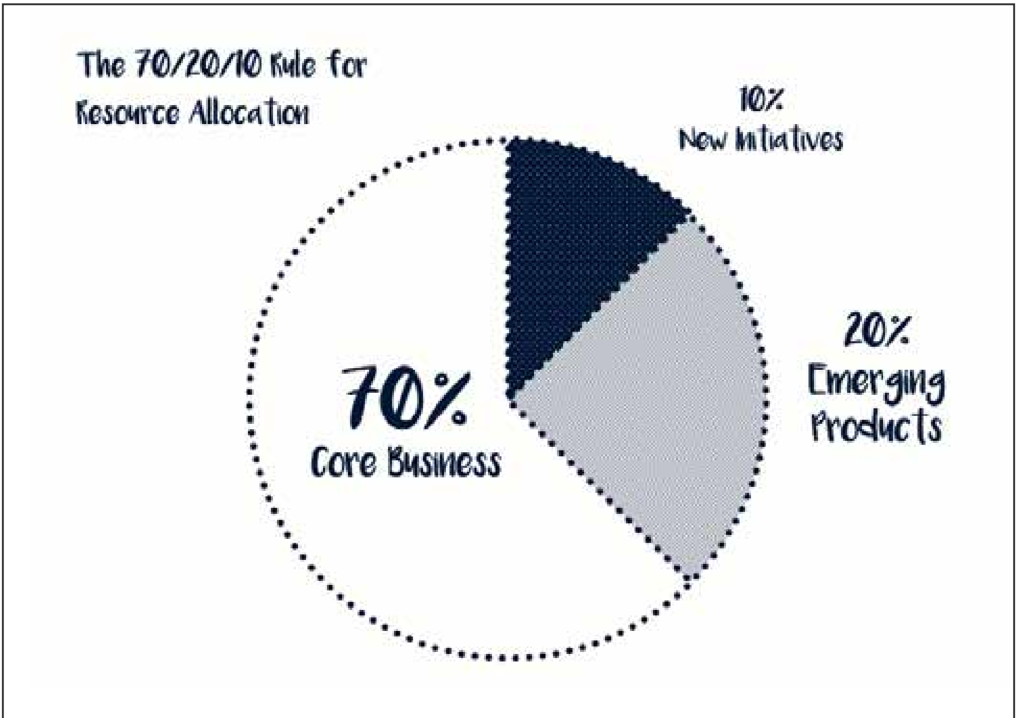
INNOVATION

Innovation is characterized by being new, surprising, and radically useful. 500 small increments in a year to the Google search engine makes for a radical improvement as much as a team working on a self-driving car.

- Three criteria: Google uses three criteria to decide whether to pursue an idea or not. First, it must address a challenge affecting hundreds of millions. Second, it must be radically different from existing market solutions. Finally, the technologies required have to be achievable in the near future.
- Innovation resists management: Innovation resists MBA-style management as it cannot be owned, mandated, or scheduled. It has to evolve organically. The company can only create a favorable environment for the creative churn of ideas, give these the time and freedom to grow or in some cases, die.
- Think 10X, not 10%: Thinking Big gives Smart Creatives more freedom by removing constraints and empowering creativity. Further, it leads to a higher likelihood of success as the company cannot afford to fail. Big challenges can attract and retain the best talent. Finally, thinking and doing big inspires a culture of excellence across the entire organization.
- Use the 70/20/10 Rule: Allocate 70% resources to the core business, 20% to emerging products, and 10% to completely new initiatives. This ratio retains focus on the core business while ensuring that promising new initiatives are protected from budget cuts. Overinvesting is as problematic as underinvesting as million-dollar bets are harder to kill than smaller initiatives.
- 20% time: Google engineers can spend 20% of their time working on anything they choose. This has led to a host of innovations ranging from Google News to transit information in Google Maps. However, the value of 20% time comes more from skills people learn and the collaboration across teams that happens while doing their projects than the projects themselves.
- Real artists ship: Don't wait to perfect your new idea. Create a product, ship it, learn from data, and improve through iterations. Management must be ruthless in feeding the projects that gather momentum and starving the ones that don't.
- Fail well: If projects are ambitious enough, they will yield valuable technical and user insights even when they fail. Give good jobs to teams that fail. Failure should be a badge of honor to encourage future efforts. The role of management is not to

reduce risks or prevent failures, but to create an environment resilient enough to take these risks and handle the missteps.

- Success is the reward: Google doesn't reward people for successful 20% projects. Studies show that extrinsic rewards like extra money do not improve creativity. They inhibit it by turning an inherently rewarding endeavor into a money-earning chore.



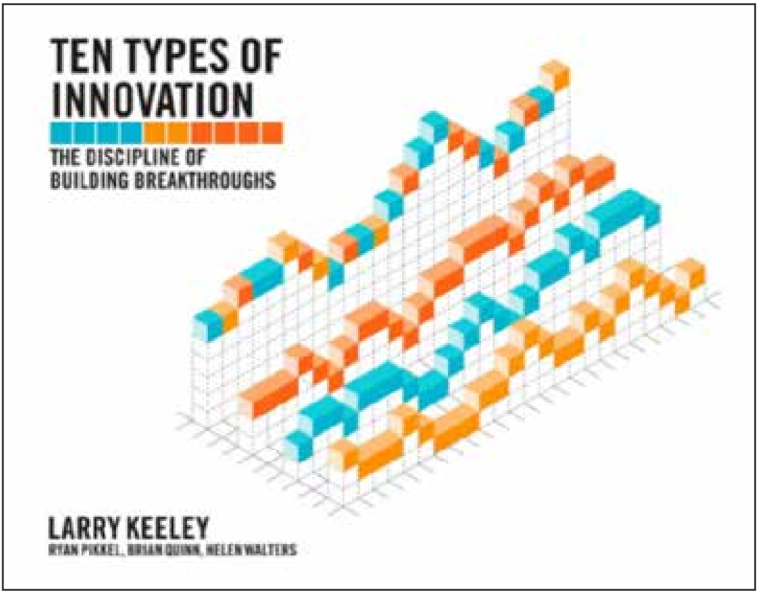
In the Internet Century, incumbent businesses can either use technology as a tool of radical transformation and exponential growth, or continue thinking of it as a mere means to improve efficiency. Those who choose the latter will be rendered irrelevant by the upcoming waves of disruption.

Photo by Alex Dudar on Unsplash

Ten Types of Innovation: The Discipline of Building Breakthroughs

By: **LARRY KEELEY, RYAN PIKKEL, BRIAN QUINN, HELEN WALTERS**

Tired of wasting your time on brainstorming sessions that only improve upon existing offerings marginally? Invention does not always lead to innovation. Based on exhaustive case studies and research on industry trends and innovation, researchers have found ten distinct types of innovation that substantially drive progress. Rather than continuing to spin your wheels, use the ten types of innovation as a framework to turn your company's next big thing into a successful reality.



TOP 20 INSIGHTS

- On average, the world's most innovative companies use 3.6 different types of innovation in a single new product or service, whereas average innovators only use 1.8 types of innovation altogether. Combining the types makes moves harder to replicate by competitors.
- Hyatt uses "lab hotels" to find innovative solutions to recurring problems. A select number of its 488 global hotels have between 7 and 9 experiments running at the same time. Successful experiments then get implemented.
- Chicago restaurant Next makes money on customers' tabs paid in advance. To reserve a table, customers pay for their entire meal in advance. Next makes interest on those funds and dramatically decreases "no shows." Pricing also changes based on the time of the reservation rather than the quantity of food eaten, therefore maximizing margins.
- Natura, a Brazilian cosmetics company, has a modest R&D team but continually launches products on the cutting edge of "skin science" to the tune of $3.4 billion annually. This was done by relying heavily on "open innovation" partners – 25 universities around the world that come up with 50% of Natura's products.
- In the 1990s, Dell hand-picked its customers to maximize revenue and profitability. It researched corporate customers to see which had the most predictable purchasing patterns and low service costs, including which were second-time computer buyers and are therefore more likely to have fewer service calls.
- Gillette completely altered its profit model after customers got hooked on its products. Gillette started with selling cheap blades to train the customer to throw them away instead of sharpening them to reuse. Later on, it switched to a higher margin on the blades.
- At $147 billion in revenues, growing 5% annually means that General Electric must create a new Fortune 500 company each year. Former CEO Jeff Immelt created the "Imagination Breakthroughs" program to meet this need. Each business unit presents its best new idea every year, and winners get support and funding for their ideas.
- Henry Ford's success with the Model T was due to more than just the assembly line innovation. Investing in his employees led to a decrease in turnover costs and an increase in employee satisfaction. Ford paid twice the minimum wage so his workers could afford to buy the cars they were building and reduced the workday from nine to eight hours.
- Ford also sold modification kits that made the vehicle a multi-use machine. Now known as the product system innovation, owners could use their Model Ts to make cider, pump water, saw wood, or blow snow, among other uses.
- To sell diapers in China, Procter & Gamble used network and profit model innovations. Chinese parents were not convinced that diapers were healthy for

babies, so P&G partnered with Beijing Children's Hospital to prove they were safe and helped baby sleep longer. P&G also made the diapers at three different price points to increase their affordability.

- Combine innovation "tactics" to produce innovations that can be replicated across industries. Zipcar and Chegg are both examples of companies that combined metered use and switchboard innovations. Zipcar provides easy-to-use and always available car rental by the hour. Chegg lends textbooks in a similar fashion.
- By asking potential customers to vote on its website, fashion company Threadless figured out which designs customers would purchase before going through the trouble to produce them. Threadless has hosted over 42,000 designers pitching their designs, with over 80 million people voting for them.
- Turn a successful innovation into even more money. Equipment manufacturer Caterpillar optimized its own supply chain and proceeded to capitalize on that knowledge and experience by forming CAT Logistics, a successful consultancy that helps others do the same. CAT Logistics garnered a revenue of $3.1 billion in 2010 and was spun into a separate company in 2012.
- Harley-Davidson innovates in service and support systems, cultivating user communities among minority motorbike groups such as women and Latinos. Harley-Davidson was the top brand for minority riders with over $4.5 billion in sales in 2011.
- Hyundai radically innovated its service just after the Great Recession. In 2009, customers gravitated towards the brand because of its guarantee that anyone who lost their job within a year of buying or leasing a Hyundai could walk away from the payments and the vehicle.
- Almost 40% of the companies on 1999's Fortune 500 list were no longer in existence ten years later. This fact underscores the importance of continuous evolution and innovation.
- Take company values one step more than needed, like cleaning brand Method. Method steers clear from any ingredient that has the slightest chance to make a cleaning product unsafe.
- Starbucks may be coming out with a new drink every season, but the average caffeine addict doesn't realize that Starbucks's core innovation was providing a "third place between work and home". By cultivating this sense of space and belonging, they built a regular customer base who connected with the brand and formed a habit.
- Indian "smart basics" hotel chain Ginger operates with a room to staff ratio of 1 to 0.36, as compared to the industry average of 1:3. They do this through a combination of tactics such as outsourcing tasks such as laundry and food service, promoting a self-service mentality, and eliminating under-appreciated luxuries that caused extra work and expense.
- The Mayo Clinic achieves medical breakthroughs with a five-phase process that prevents risks in potential investments and innovations. As ideas move through these checkpoints, they are improved and gain access to more funding.

SUMMARY

Innovation is so much more than just inventing a new product or designing the next version of an existing offering. Innovation can be anything from re-thinking your profit model, to improving your delivery channel, to revamping your customer engagement strategies. There are ten major types of innovation. Within each type, there are also dozens of proven tactics to pull from. The ten types of innovation are:

TYPE 1 – PROFIT MODEL

Profit model innovations are new tactics and strategies for setting prices. Great profit models reflect a deep understanding of what customers and users actually value and where new revenue and pricing opportunities might lie.

PROFIT MODEL INNOVATION EXAMPLES

- Ad-Supported – Charge companies to place advertisements on your product.
- Flexible Pricing – Pricing changes based on market demand.
- Membership – Offer additional benefits in exchange for a membership fee.
- Metered Use – Users pay by the quantity of use instead of a flat fee.
- Switchboard – Create a new marketplace by connecting multiple sellers to multiple buyers.

GILLETTE

Known for its ever-evolving line of razors and razor blades, Gillette is the quintessential example of a profit model that takes advantage of an installed base, charging high margins on a consumable product.

Back in the 1920s, Gillette enjoyed healthy profits from its patent on disposable razor blades. Gillette sold blades quite inexpensively and used a savvy profit model that trained its customers to throw away dulled blades and purchase more. Customers became hooked on Gillette's cheap disposable blades and their convenience.

Once Gillette's patent ran out, however, it was time for a change. Gillette took advantage of its customers' user habits and strategically began to charge more and more for the once inexpensive blades. Without thinking twice, customers began to pay a lot for a razor that would soon dull and be tossed aside. Gillette enjoyed substantial profit boosts as a result of its timely shift in profit model.

TYPE 2 – NETWORK

Network innovations provide a way for firms to take advantage of other's processes, technologies, offerings, channels, and brands. A network innovation is anything a company does to partner with others to be more competitive in its market.

NETWORK INNOVATION EXAMPLES

- Alliances – Share the risks and benefits of a partnership with a common goal, such as greater purchasing power.
- Open Innovation – Outsource research and development by making R&D needs known widely.
- Supply Chain Integration – Acquire or create a relationship with a supplier to lower costs.
- Secondary Markets – Find customers for "by-products" not initially seen as products.

TARGET

Amid the clutter of the big box stores and the looming threat of Amazon, Target succeeds by leveraging its unique partnerships with high-end designers to elevate its brand from just inexpensive wares. When Target launched its first of many major design partnerships, this innovation distinguished them from competitors.

To date, Target has worked with over 75 major designers, from clothing to houseware. Standouts include renowned architect Michael Graves's line of kitchen appliances, Liberty of London pop-up shops, and a five-year collaboration with Isaac Mizrahi that created $300 million in annual profits. By looking outside the ordinary and stretching its network in product design and development, Target has achieved a network innovation.

TYPE 3 – STRUCTURE

Structure innovations are focused on organizing company assets – hard, human, or intangible – in unique ways that create value. Structure innovations can provide an excellent competitive advantage because they are inherently hard to copy. Structure innovations often require major organizational change in addition to investment and sponsorship from senior leaders. Although they may be hard to pull off, structure innovations can make workplaces more efficient, employees more satisfied, and the organization much healthier when done right.

STRUCTURE INNOVATION EXAMPLES

- Competency Center – Create hubs of people and resources that specialize in a given skill and support an entire organization in that particular area.
- Corporate University – Invest in large-scale training for employees with a dedicated space and methodology.
- Knowledge Management – Codify information and insights for internal dissemination so multiple business units can all benefit.
- Outsourcing – Use external firms rather than internal staff to handle discrete tasks and projects.

WHOLE FOODS

Decentralization and transparency are at the core of Whole Food's management philosophy. These conscious structural decisions by founder John Mackey led to a culture of healthy competition and growth. Rather than making decisions at the corporate level and issuing edicts to individual stores, each department within a given store has a wide berth for decision making. For example, management gives individual departments the responsibility to determine which products to stock and who to hire.

This structural innovation has created a culture wherein departments compete for profitability, and employees strive to outperform one another. The success of decentralization was made possible by an equal commitment to transparency. Whole Foods reveals data such as sales, profitability, and performance to employees. Overall, decentralization and transparency improved profitability of both individual departments and stores.

TYPE 4 – PROCESS

Process innovations involve activities and operations that produce an enterprise's primary offerings. Process innovations enable a company to produce its product or service in a more time or cost-efficient way than competitors, or in a manner more accessible or pleasing to the customers. Process innovations are usually proprietary technologies or represent the essence of how a company does business, day in and day out.

PROCESS INNOVATION EXAMPLES

- Crowdsourcing – Outsource given tasks and cast a wide call for others to complete them.
- Flexible Manufacturing – Set up a manufacturing process that can be easily changed, customized, or redirected.
- Lean Production – Dramatically eliminate the waste and associated costs through everyday processes.
- On-Demand Production – Set up purchasing and fulfillment systems such that products are only produced when ordered.

ZIPCAR

Long lines, high rates, and high employee oversight indicated a car rental industry that was in dire need of innovation. Zipcar's answered with cars that could be rented for short periods of time and were hassle-free.

Rather than building a complex infrastructure, Zipcar focused on cars and parking spots. This streamlined design lead to an exceedingly smooth rental experience for customers. Customers simply walked up to the car and unlocked it with their pre-approved "Zipcard". No long longs, unnecessary paperwork, or add-on fees. Since the process was automated, management could easily focus on statistics such as which cars were rented the most, which might be having issues, or ways to fill inventory gaps.

TYPE 5 – PRODUCT PERFORMANCE

Product Performance innovations address the value, features, and quality of a company's offering. While perhaps the most visible to customers, product performance innovations typically provide a competitive advantage only for a limited amount of time because they can be easily copied by competitors.

PRODUCT PERFORMANCE INNOVATION EXAMPLES

- Added Functionality – Upgrade an existing product with new features or uses.
- Conservation – Highlight how a given product conserves environmental resources.
- Feature Aggregation – Combine the functions of multiple products into one.
- Performance Simplification – Dumb down a product to only its core and most useful function.

OXO GOOD GRIPS

OXO Good Grips Founder Sam Farber saw an opportunity to dramatically increase the ease of use of everyday tools and has built a behemoth brand from it as a result. OXO Good Grips was initially focused on enabling those with relatively minor motor disabilities (e.g., trouble gripping or bending over) to maintain their independence while cooking. From observing his arthritic wife, Farber saw someone whose life could be significantly improved by cooking tools that were easier to grasp and maneuver and more ergonomically designed.

Farber priced his Good Grips tools at roughly three times the cost of the existing kitchen devices. This price point was made possible because his tools did take away the pain and discomfort that many experienced. Today, OXO Good Grips has over 850 products available, and the brand is synonymous to smart and functional design.

TYPE 6 – PRODUCT SYSTEM

Product System innovations make the customers think that they need extra or additional components to perfectly complement what they are already enjoying. This type of innovations is rooted in how individual products and services connect or bundle together to create a robust and scalable system. It is a way to create valuable connections between otherwise distinct and disparate offerings.

PRODUCT SYSTEM INNOVATION EXAMPLES

- Complements – Put forth new products that are related to older products.
- Extensions/Plugins – Offer products, often from other manufacturers, that “go with” or “plug in” to a product you sell.
- Modular Systems – Design products that are functional separately but increase in functionality when used together.
- Product/Service Platforms – Sell products and services that work in conjunction with one another.

SCION

Scion ingeniously leveraged the concepts of a product system in each of its car sales. As a brand of Toyota, Scion was an effort to capture sales from younger generations that preferred customization and choice in their purchases. Whereas competitors sold new pre-designed vehicles, Scion took the approach of allowing buyers to customize each detail of their new car. Each add-on was part of the greater product system and offered the potential for higher margins. After selecting their “base” type of car from one of five options, drivers could choose from multiple options for everything from the type of lights, special engines, audio, to apps.

TYPE 7 – SERVICE

Service innovations make a product easier to try, use, and enjoy. They reveal features and functionality customers might otherwise overlook, and they fix problems and smooth rough patches in the customer journey. Service innovations can be powerful because when a company provides innovative service, it transforms its products from a mere product to an experience. Innovative service makes customers feel a certain way and associate these positive experiences with a given product.

SERVICE INNOVATION EXAMPLES

- Concierge – Offer indirectly related and unexpected services at customer’s request.
- Guarantee – Assure that products or services will be refunded if they fail to meet expectations.
- Loyalty Programs – Establish a system wherein customers are incentivized to buy even more due to special perks, rewards, and points.
- Personalized Service – Harness an individual’s specific preferences to provide tailored service.

ZAPPOS

Zappos, acquired in 2009 by Amazon, pioneered innovation in service as an e-commerce company. Zappos had ten core values, the first of which is “Deliver

WOW through service." Key to this value is the fact that management empowered customer service representatives to take extraordinary actions on behalf of customers. These representatives have been known to send shoppers flowers, troubleshoot with customers on the phone for hours to find just the right pair of shoes, and actually buy from competitors and put the overnight shipping on Zappos's tab if a certain product was out of stock. These features not only made Zappos an attractive acquisition for Amazon, but they also enabled Zappos to spin off a consultancy, Zappos Insights, that helps other companies transform their approach to service.

TYPE 8 – CHANNEL

A channel is the way that customers access products or services. Channel innovations are new ways to connect with customers that more effectively drive sales, enhance margins, or increase exposure and positive associations with the brand. Channel innovations ensure that users can buy what they want, when and how they want it, with minimal friction and cost and maximum delight. A channel innovation can also alleviate wasted time or effort via outsourcing sales through methods such as indirect distribution.

CHANNEL INNOVATION EXAMPLES

- Flagship Store – Invest in heavily branded, experience-rich retail stores where customers can experience your brand fully.
- Go Direct – Sell to customers directly online.
- Multi-Level Marketing – Utilize a third-party, unaffiliated sales force to sell the products they buy from you in bulk.
- Pop-Up Presence – Create temporary, low budget but high impact experiences for customers via these pop-up "shops" with more than a kiosk feel.

NESPRESSO

Nespresso's channel innovations ensured that customers never have to search hard to find the capsules for their pint-sized espresso machines. While Nespresso's multitude of channels did add some complexity to the business, it allowed customers a variety of buying preferences that ultimately made it more attractive to customers. It has over 270 unique retails stores and coffee shops of its own worldwide, but also runs kiosks within dozens of department stores frequented by older buyers. To appeal to younger, tech-savvy generations who prefers to buy online, Nespresso has an online Nespresso Club that sends automatic email reminders when it's time to re-order. Lastly, Nespresso finds even more channels via B2B sales to hotels and airlines.

TYPE 9 – BRAND

Brand innovations can transform commodities into prized products, and confer meaning, intent, and value to your offerings and your enterprise. When achieved, brand innovations can be a strategic differentiator.

BRAND INNOVATION EXAMPLES

- Certification – Create a unique designation named after your brand that can be applied to products or services made by others.
- Component Branding – Elevate the overall value of new products by using branded components.
- Private Label – Establish your brand for goods manufactured by others.
- Value Alignment – State and bring into line company values and brand identity.

TRADER JOE'S

Traditional groceries rely on the power of individual product brands to drive sales within their stores. Trader Joe's, however, has famously taken the opposite approach. With its private label Trader Joe's brand, the store seeks out unique, seasonal, and quality products. Customers are more likely to pop in to see what is new or make an out-of-ordinary purchase to try a seasonal item. By sourcing directly from individual suppliers, it locates lesser-known products and often appeals to customers' fancies for buying local.

TYPE 10 – CUSTOMER ENGAGEMENT

Customer Engagement innovations are all about understanding the deep-seated aspirations of customers and users, and using those insights to develop meaningful connections between them and your company. Customer Engagement innovations are occurring more and more digitally, especially via social media. These innovations enhance the overall customer experience and often make a complex task simple, a mundane experience magical, or an everyday obligation fulfilling.

CUSTOMER ENGAGEMENT INNOVATION EXAMPLES

- Community and Belonging – Create opportunities where your customers can foster connections with one another.
- Experience Automation – Remove a repetitive task from a customer's plate, freeing up their time for more enjoyable activities.
- Experience Simplification – Transform a complex experience into something simple, delighting customers.
- Mastery – Help customers deepen their skills or knowledge in a given subject through experiences or products you enable.

MINT.COM

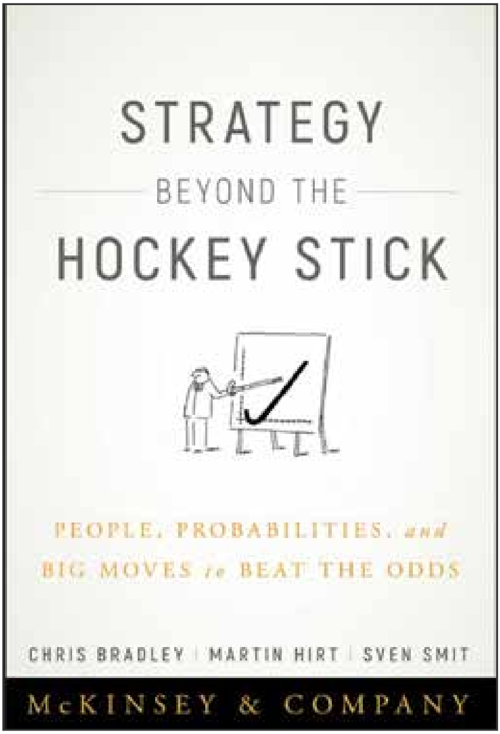
Few would claim to enjoy personal financial management and budgeting. Mint.com understood this deeply and transformed the experience of managing one's own money. For many, checking up on one's spending, savings, or investments is no longer a begrudged responsibility but instead a calming exercise. By making it possible to see the full picture of one's financial status in one place, Mint.com substantially simplified the challenge of keeping tabs on personal finances. Examples of how Mint.com engages users in new ways with their finances include automatically update information based on recent transactions, automatically tag and categorize purchases, and suggestions for ways to save or budget.

Strategy Beyond the Hockey Stick: People, Probabilities, and Big Moves to Beat the Odds

By: **CHRIS BRADLEY, MARTIN HIRT, SVEN SMIT**

Have you experienced strategy meetings that promise a breakout growth that rarely materializes? Do you feel that the social dynamics in the strategy room might have reduced breakthrough ideas to safe bets? And even when strategies succeed, the results are often just modest. What happened?

Based on in-depth empirical research on thousands of companies, McKinsey Partners Chris Bradley, Martin Hirt, and Sven Smit provide a data-driven "outside view" to overcome social dynamics and create effective strategies. This book offers ten performance levers that dramatically increase your chances to outperform competitors and create breakout growth.



TOP 20 INSIGHTS

- Survey shows that 70% of executives say they don't like the strategy process, and 70% of board members don't trust the results.
- Strategy is challenging because it deals with low-frequency, high-uncertainty problems that are prone to cognitive biases. These biases typically reinforce favorable narratives. A study found that 80% of executives believe that their product stands out against the competition, while only 8% of the customers agreed.
- The economic profit graph of companies follows a power law with a long flat middle and tails that rise and fall at exponential rates. Companies in the top quintile capture nearly 90% of all economic profits. Their average economic profit is $1.4 billion a year as compared to a mere $47 million for companies in the middle.
- This Power Curve is growing steeper with time. The companies in the top quintile collectively made $684 billion in economic profit from 2010 to 2014, while the bottom quintile made a collective loss of $321 billion. From 2000 to 2004, the corresponding figures were much lower at $186 billion and $61 billion respectively.
- Companies compete not only in their industries and their market segments. As far as capital is concerned, they also compete against every other player in the world. Companies that started in the top quintile in 2004 garnered nearly 50 cents of every new dollar invested. Moving up the Power Curve is therefore imperative.
- Nearly 50% of a company's position in the Power Curve is determined by its industry. It's much better to be an average company in a great industry than to be a great company in an average industry. For example, the median pharmaceutical or technology company would be in the top 10% of food product companies.
- Success is defined as moving up the Power Curve. Companies that jump from the middle to the top quintile gain an average increase of $640 million in annual economic profit. This requires big moves that outperform competitors.
- A recent survey found that CEO's attribute only 50% of target-setting decisions to facts and analytics. The remaining 50% is due to the dynamics in the strategy-making process.
- The Power Curve is sticky. The general odds of a company moving from the middle to the top quintile over ten years is just 8%. 78% of firms in the middle quintiles, 59% of those in the top quintile, and 43% of firms in the bottom quintile remained at the same position ten years later.
- Among 101 companies that moved up a quintile, two-thirds of the time it was due to just one business unit creating the breakout. Correctly identifying that business unit and feeding it the resources it needs for breakout growth can determine your organization's progress on the Power Curve.
- The probabilities for individual companies moving up the power curve can vary from 0 to 80%. Ten performance levers grouped into endowments, trends, and moves can predict the probability

of success. Roughly, endowments determine 30%, trends 25%, and moves 45% of the probability of moving up the curve. This provides an outside view to analyze the quality of strategy.

- Of the 117 organizations that moved up a quintile, 85 moved with their industry. If an organization faces an unfavorable trend, then there are two difficult options ahead: transform the industry to change its growth prospects and gain competitive advantage or shift industries. Neither option is easy, and the social dimensions make it much harder.
- Big moves can help an organization get ahead of trends and shift odds in its favor. However, these need to be big enough in comparison to the rest of the industry to move up the Power Curve. The impact of big moves compounds. Each additional move nearly doubles the odds of moving up the Power Curve.
- Four of the five big moves are asymmetrical one-sided bets. They increase the odds of going up the Power Curve and decrease the odds of sliding down.
- M&A's improve chances of moving up the Power Curve. This means executing at least one M&A per year that amounts to 30% of market cap in ten years with no deal being more than 30% of market cap. M&A requires skills that are built over time and practice. Infrequent and large moves affect value creation.
- Reallocating at least 50% of capital expenditure across industries, operating segments, business units, customer groups, and geographies over ten years can create breakout growth. This necessarily means deallocating resources from other segments.
- When an organization's capital expenditure to sales ratio crosses 1.7 times the industry median for ten years, it creates breakout growth. Successful capital expenditure requires managing a pipeline of low-risk near-term options, medium-risk medium-term options, and some high-risk long-term options. This is the only big move that can increase the odds going down the curve as well.
- Strategic issues do not lend themselves to instant decision-making. It's best to trim the annual strategy process and have regular monthly strategy conversations around an active list of issues.
- Use the analysis of endowments, trends, and moves to calibrate strategic decisions against the Power Curve. This will bring the focus to moves that can realistically get the company ahead of the competition.
- Have conversations on growth and improvement plans to get bold ideas before discussing risks. Knowing the growth prospects, improvement, and risks for each initiative allows decision makers to prioritize strategic incentives based on a risk-return assessment. Incentives and performance targets must be adjusted to reflect risk.

SUMMARY

Strategies tend to focus on incremental improvements and not on big moves. Breakthrough ideas are reduced into safe bets, and resources are spread thin across all verticals irrespective of growth potential. Why does this happen?

THE SOCIAL SIDE OF STRATEGY

Social dimensions — including individual bias and group dynamics — can overpower the best of strategic intent. A key reason for this is the fact that strategy rooms are excessively focused on the "insider view" - data about your organization, key competitors, and your own industry. The "insider view" creates distortions in strategic planning. The picture presented is mostly overly optimistic. Ultimately, the presentation shows a Hockey Stick Curve with an initial dip and a subsequent exponential breakout. This is used to bargain for resources or create sandbags to make sure targets are achieved. Either way, the predicted growth rarely materializes.

Social games are played because of people's egos, status, and the resources they get; and careers depend on how they present their growth strategy. Strategy is challenging because it deals with low-frequency, high-uncertainty problems that are prone to cognitive biases. Further, there are agency problems that arise due to misalignment between management and other stakeholders. Some of them are:

- **Sandbagging:** Individual managers create excessively safe plans that they are sure to achieve.
- **Short-Termism:** The tendency to milk gains in the short run which may have long term consequences.
- **My Way or Your Problem:** Managers may use not getting the resources they demanded as an excuse not to deliver.
- **The Numbers Game:** Managers may spend their time optimizing for the metrics by which they are evaluated, ignoring other equally important factors.
- **Incentive mismatch:** While CEO's optimize for the overall success of the organization, managers tend to look out for their business units and their employees. Managers also know that they have to over-project to get the resources they actually need.

The social side of strategy ultimately leads to the "Peanut Butter Approach", where resources are evenly spread across all units, even though some have far greater growth opportunities. What is needed is an "outside view" - data from thousands of organizations to objectively benchmark strategy.

THE POWER CURVE

Economic Profit — the total profit after subtracting the cost of capital — is a good indicator to measure by how much a company has beaten the market. When the authors graphed the economic profit of 2,393 of the largest non-financial companies between 2010 to 2014 from highest to lowest, they found that these companies follow a power law with a long flat line in the middle and tails that rise and fall at exponential rates.

This is divided into three regions: the bottom of the curve is represented by the first quintile of companies, the middle of the curve covers the second, third, and fourth quintiles, while the top of the curve covers the top quintile in economic profit. The average profit in the top of the curve is 30 times more than the middle of the curve. As the vast majority of the profits are in the top quintile, the goal of strategy must be to escape the broad middle and move into the top.

SHIFT TO THE OUTSIDE VIEW

The Power Curve brings a fundamental shift in strategic thinking. The comparison is with companies across the world for capital and economic profit. Success is now defined as moving up the Power Curve. Companies that jump from the middle to the top quintile gain an average increase of $640 million in annual economic profit.

KNOW YOUR ODDS

The Power Curve is sticky. The odds of a company moving from the middle to the top quintile over ten years is just 8% percent. 78% of firms in the middle quintiles, 59% of those in the top quintile, and 43% of firms in the bottom quintile remained at the same position ten years later. Among 101 companies that moved up a quintile, two-thirds of the time it was due to just one business unit creating the breakout. Correctly identifying that business unit and feeding it the resources it needs for breakout growth can determine your organization's progress on the Power Curve. Bringing probabilities to the table can lead to a more realistic evaluation of risks and better decision-making.

TEN LEVERS THAT MATTER

While the general odds of moving up the Power Curve is 8%, the probabilities for individual companies can vary between 0% and 80%. Using data from 2,393 companies from 127 industry sectors over 15 years, the authors have identified ten performance levers that can predict the quality of a company's strategy. These variables have been grouped into endowments, trends, and moves.

Endowments are where the organization is today; trends are current environmental factors that might assist or hinder growth; moves are actions by the organization. Roughly, endowments determine 30%, trends 25%, and moves 45% of the probability of moving up the curve. Endowments, trends, and moves provide a true outside view by giving an objective benchmark to analyze the quality of strategy beyond subjective opinions.

ENDOWMENTS

Endowments are based on history and determine the starting point for an organization. Below are aspects to consider:

- **Starting Revenue:** The larger the organization, the better the chances to move up the Power Curve. To become a significant advantage, the organization must be in the top quintile in total revenue.
- **Debt Level:** The lesser the debt, the greater the chances of moving up the Power Curve. To have an advantage, the debt-to-equity ratio must be in the top 40% of that industry.
- **Past Investment in R&D:** To gain a significant improvement in the Power Curve, the ratio of R&D to Sales must be in the top 50% of that industry.

TRENDS

Success in riding trends means accurately understanding shifts in the industry, channeling resources towards opportunities, and doing it faster than competitors. This requires analytics ranging from broad industry macro-trends to granular data about growth prospects. Two major trends are:

I. **Industry Trends:** Of the 117 organizations that moved up a quintile, 85 moved with their industry. If an organization faces an unfavorable trend, then there are two difficult options ahead: 1) transform the industry to change its growth prospects and gain competitive advantage, or 2) shift industries. Neither option is easy and the social dimensions make it much harder.

II. **Geographic Trends:** Exposure to high-growth geographies can propel organizational growth. Organizations headquartered in developing countries not only benefited from stronger growth in these markets but also performed better in developed markets.

FOUR STAGES OF DISRUPTION

Identifying new trends may be difficult as they begin in a slow, quiet, and unimpressive manner that does not catch the attention of industry leaders. Avoiding being disrupted requires foresight and a willingness to navigate the four stages of a disruptive trend:

STAGE 1: DETECTABLE

There are only faint signals and barely any impact on the core business. Further, it is difficult to figure which trends to ignore and which to respond to. Diagnosing shifts accurately requires challenging governing beliefs about value creation in the industry. Changing mindsets is difficult, and status quo arguments will appear more sensible.

STAGE 2: CHANGE TAKES HOLD

The technological and economic dimensions of the trend are clear but there is still no impact on earnings. Companies must nurture initiatives to gain a foothold in the new space. These ventures must have autonomy from core business even if there is a conflict of interest. However, this is difficult because there are existing revenue channels to protect and boards and investors to answer to. The long term threat doesn't seem as painful as the immediate difficulty.

STAGE 3: INEVITABLE TRANSFORMATION

The new model is proven to be superior and has gained acceptance among early adopters. To gain acceleration at this stage, companies must single-mindedly shift resources from the old to the new model. This is the hardest stage to navigate. As revenues suffer, the tendency to become conservative and focus on the core legacy business increases. Boards may be unwilling to accept reduced performance to achieve long-term goals. Where there is a lack of in-house capabilities, acquisitions must be explored.

STEP 4: THE NEW NORMAL

The industry has fundamentally changed. Incumbents will find their earnings dwindle. Some might adapt and survive, but many will go through waves of restructuring and consolidation. Sometimes an exit may be the best way to preserve value.

FIVE BIG MOVES

Big moves can help an organization get ahead of trends and shift odds in its favor. However, these need to be big enough in comparison to the rest of the industry to move up the Power Curve. Three big moves boost the odds of moving up the Power Curve from 8% to 47%.

I. **Programmatic M&A:** The most effective style is executing at least one M&A per year that amounts to 30% of market cap in ten years with no deal being more than 30% of market cap. M&A requires skills that are built over time and practice. Infrequent, large moves affect value creation.
II. **Active Resource Reallocation:** This move requires reallocating capital across industries, operating segments, business units, customer groups, and geographies. Plan ahead by handing out cuts to create space in the budget for reallocation. Dynamic reallocation of shifting over 50% capital expenditure across business units over ten years can create 50% more value.
III. **Strong Capital Programs:** Capital investment becomes a lever when an organization's capital expenditure to sales ratio crosses 1.7 times the industry median for ten years. Successful capital expenditure requires managing a pipeline of near term low-risk options, medium-risk medium term options and some high-risk long term options. This requires discipline

and a tested investment process. Of the five big moves, this is the only one that can increase the odds of going down the power curve as well.

IV. **Productivity Improvement:** This is favored by managements as it is under their control. To be effective, however, they have to deliver a 25% productivity improvement over the industry median over a ten-year period. This requires extraordinary effort to build an organizational culture that focuses on driving productivity. Sometimes gains in productivity are lost in sales or absorbed by units.

V. **Improving Differentiation:** This includes innovations in products, services, and business models. A good metric to measure differentiation is to compare the gross margin of the company with the rest of the industry. Exceeding the industry by 30% over a decade increases the chances of moving up the curve.

Overall, big moves can cancel a poor inheritance and increase the odds of moving up the Power Curve. The move has to be big enough to cross the thresholds mentioned to make an impact on the Power Curve. The impact of big moves compounds - each additional move nearly doubles the odds of moving up the Power Curve. All moves except Capital Expenditure are one-sided bets. They increase the odds of going up the Power Curve and decrease the odds of sliding down.

EIGHT SHIFTS IN THE STRATEGY ROOM

What do these insights mean for you in the strategy room? There are eight key shifts to leverage these insights and address the social side of strategy.

I. **From annual planning to strategy as a journey:** A regular annual strategy cycle is ill-suited to today's dynamic business environment. Therefore it's best to trim the annual process and have regular monthly strategy conversations around a live list of issues. Dynamically track the portfolio of initiatives and suitably update strategy.

II. **From getting consensus to debating alternatives:** Strategic discussions must focus on discussing options instead of getting consensus on a plan. It's important to use the analysis of endowments, trends, and moves to calibrate strategic decisions against the Power Curve. Techniques like pre-mortem where the team assumes that strategy has failed and analyses the possible causes can de-bias decision-making.

III. **From "peanut butter" to picking breakouts:** Identify winning business units and feed them the resources they need. Incentives have to be structured to encourage resource reallocation. Picking breakouts must be applied granularly at every level of the company. Measure reallocation relative to competitors to get an outside view.

IV. **From budget approval to big moves:** Building a momentum case that forecasts the future trajectory at current performance levels can give a better baseline to evaluating strategic choices. Perform a "tear-down" of past results to identify what came from moves and what can be put down to trends. Shift the conversations from budget allocations to big moves that each business unit can pull off to move ahead of the competition. Budgets should be tied to these big moves.

V. **From budget inertia to liquid resources:** Resources must be freed months before to invest in new opportunities during budget allocation time. 10-20% of the budget must be freed every year for reallocation. Create a suitable opportunity cost for resources so that managers have the incentive to free them.

VI. **From sandbagging to open risk portfolios:** A good way to avoid sandbagging is to hold conversations on growth and improvement plans to get bold ideas before beginning the conversation on risk. A picture of the growth, improvement, and risks for each initiative allows decision makers to prioritize strategic incentives based on a risk-return assessment. Incentives and performance targets must be adjusted to reflect risk.

VII. **From a number focus to holistic performance reviews:** Probabilities of success must be a prominent part of strategic discussions and use them in incentives and performance review. This creates a sense of shared ownership. To encourage long term-tasks with uncertain outcomes, incentives can be based on team performance.

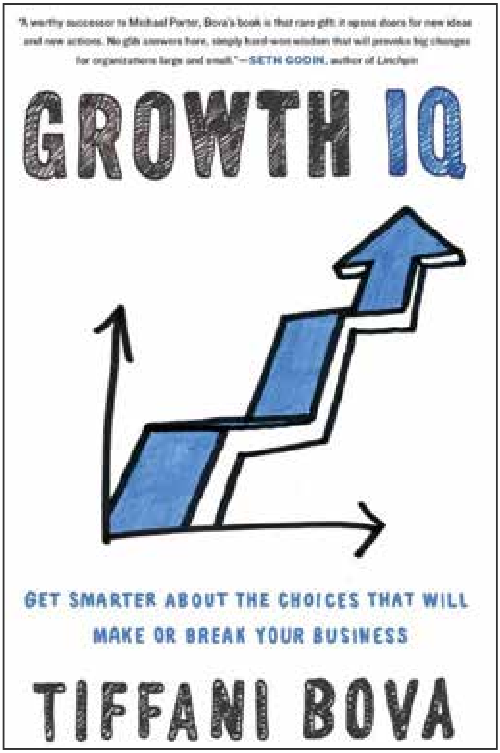
VIII. **From long-range planning to forcing the first step:** Big moves must be broken down into realistic, achievable time-bound goals. To do this, it's best to create six-month targets with clear operational metrics. It's important to allocate resources and people to back strategic goals.

These eight shifts work together to transform your strategy. Strategy is still part science and part art, but this approach of understanding the odds and focusing on the outside view can help you better overcome the social side of strategy and create breakout growth.

Growth IQ: Get Smarter About the Choices that Will Make or Break Your Business

By: **TIFFANI BOVA**

Finding the right strategy to grow your organization can seem challenging in a rapidly changing business environment. However, growth is not as complex as it seems. Tiffani Bova, Growth and Innovation Evangelist at Salesforce distills decades of tested strategies and consulting expertise to outline ten clear pathways to growth.



Read this book to learn from the growth paths of hugely successful companies and craft your next winning growth strategy for top-line growth and bottom-line profitability.

TOP 20 INSIGHTS

- 87% of companies go through a growth stall and very few actually recover. A Bain and Company study shows that 94% of executives running companies with over $5 billion in revenue considered internal factors as key impediments to profitable growth.
- 86% of customers are willing to spend more for a better customer experience. 70% of customers use customer reviews as the top source to make purchase decisions. A survey of 3000 B2B companies showed that over 75% consider customer experience to be a major factor in choosing suppliers.
- Acquiring a new customer costs between 5 to 25 times more than retaining one. Further, loyal customers are 5 times more likely to purchase again, 5 times more likely to forgive and 7 times as likely to try new products. Customer Base Penetration can provide growth at a reduced cost while improving customer loyalty.
- In a connected world where 70% of customers use reviews as the key source to choose among brands, focusing on customer experience can be a powerful growth strategy. For this, customer experience must guide every business unit and every decision. Leverage big data analytics to create deeper engagement with loyal customers through educational content, messaging and personalized promotions.
- Customer and Product Diversification creates top line growth by selling new products to new customers. It is risky as it requires entirely new organizational capabilities like fresh distribution channels, new retailers and servicing for new products. The reward is reduced long term risk as a diversified portfolio is better equipped to withstand market shifts.
- Market Acceleration takes your company's products into new markets to create top-line growth and increase customer base. It can extend market share in new high-growth segments, offset growth stalls in the home market, and give your organization the ability to fund other growth paths. However, a company can overextend itself, leading to poor customer experience.
- There is enormous growth potential in optimizing sales. 64% of customers are willing to pay for a simpler buying experience. However, only 54% of sales organizations align their sales process to the journeys taken by customers.
- Training sales teams on ethical best practices is crucial. Mintel's research suggests that 56% of US customers stop buying from companies they think are unethical. 35% stop buying from unethical companies even if there is no substitute available.
- The boundaries between online and offline retail is blurring. Showrooming allows customers to trial products in a physical store and complete the order online eliminating expensive real estate, overstock and inventory control. While Amazon bought Whole Foods to expand its physical presence, Walmart has created a "click and collect" model to optimize sales experience.
- In a subscription economy it is possible to acquire new customers while

rapidly losing them to churn resulting in a growth stall. Therefore it is crucial to measure Customer Lifetime Value (CLV) and not only top-line growth.

- Retaining customers and reducing customer churn can be crucial for revenue. A 5% increase in customer retention can increase profitability by 75%. 67% of customers cite bad experiences as the reason for churn. Smooth resolution of customer issues and proactive support using technology can help organizations get ahead of churn.
- Partnerships can leverage differing expertise to avoid costs and reduce risks while entering new markets, acquiring new customers or even in product development. 85% of business owners consider strategic partnerships to be important or extremely important for their business. However, they feel less than 60% of the partnerships are successful.
- Co-opetition is based on the idea that even competitors can find ways to create mutual benefits that cannot be achieved individually. Co-opetition revolts against the idea that the market is a zero-sum game. In contrast, competitors leverage synergies to grow the pie.
- Co-opetition can be highly risky. It works best when strategic goals converge and competitive goals diverge. When organizations are small, the market share to be captured is vast and each can learn from the other while safeguarding their proprietary skills, co-opetition can accelerate growth.
- There is increasing customer demand for responsible businesses. 79% of customers prefer to purchase from a company with a social purpose. 61% of customers are willing to spend more for products from sustainable brands. Sustainable business can be your next growth strategy.
- 75% of millennials were willing to take a pay cut to work for a responsible company. 83% would be more loyal to a company that helps them contribute to social and environmental issues. 64% would not take a job from a company without strong Corporate Social Responsibility (CSR) practices.
- Companies are experimenting with different forms of "conscious capitalism" ranging from matching employee donations, donating fixed percentage of profits to supporting a shift to social entrepreneurship. Unlike nonprofits, they do this while being disciplined by customers, shareholders and the market.
- Timing the jump is critical. Shifting too early means losing potential revenue from the earlier path while shifting too late may mean losing the opportunity entirely. Shifting paths depends on monitoring, preparation and execution.
- Monitoring requires putting systems in place to track the company's health and growth path data. Company health metrics include orders, returns, market share, employee turnover and profit margins. Each growth path has its own specific metrics. It is important to monitor metrics for both the current and future growth paths to time the jump.
- Ultimately, growth must be countercyclical. The best time to create the next big opportunity is when business is doing well, not when the company is struggling with a slowdown.

SUMMARY

"How do you stay ahead of ever-rising customer expectations? There's no single way to do it-it's a combination of many things" - Jeff Bezos

Organizational growth strategies can be classified into one of ten growth paths. The right growth strategy for your organization depends on first understanding the business context, then choosing the appropriate combination of paths, and finally executing them in the right sequence to create a multiplier effect.

PATH 1: CUSTOMER EXPERIENCE

In a connected world where 70% of customers use reviews as the key source to choose among brands, focusing on customer experience (CX) can be a powerful source of competitive advantage. To do this, CX must inform every business unit and every decision. It can take years to build customer relationships and there is no way to fake this path through spending or advertising more. However, the rewards are loyal customers who are repeatedly willing to spend more for your brand. A good way to track your CX is to monitor your Net Promoter Score (NPS), Customer Satisfaction Scores (CSAT) and Voice of the Customer (VOC) research. This path is a prerequisite to the success of every other growth path.

Starbucks, renowned for its artisanal coffee experience, embarked on rapid Market Acceleration (Path 3) expanding from 2800 stores in 2002 to 13000 stores in 2007. They also embarked upon Customer and Product Diversification (Path 5) adding snacks and merchandise to further monetize their customers. The rapid expansion resulted in a loss of CX focus alienating customers and creating a growth stall. When Howard Schultz became CEO again, he brought the focus back to the coffee experience. In February 2008, seven thousand stores across America were closed for three hours to train baristas in the "art of espresso". The company lost over $6 million but established its commitment to quality and customer experience. From 2007 to April 2017, the stock's total return was 551%.

PATH 2: CUSTOMER BASE PENETRATION

In the rush to acquire new customers, organizations can ignore the Customer Lifetime Value (CLV) of their existing customers. Acquiring a new customer costs between five to twenty-five times more than retaining a current customer. Further, loyal customers are five times more likely to purchase again, five times more likely to forgive and seven times as likely to try new products. Focusing on Customer Base Penetration can provide untapped growth opportunities with reduced acquisition cost while improving customer loyalty. This is among the safest of the ten paths with a high probability of success. However, this path can be executed only when there is a strong customer base to penetrate and sufficient customer data to create accurate VOC profiles with customer attitudes and interests. Customer Penetration includes capturing market share of rival brands.

When McDonalds hit a growth stall in 2006, it responded by pursuing Customer and Product Diversification (Path 5) expanding its menu by 75% in ten years. However, the chaotic menu confused customers slowed down service and led to an overall decline in customer satisfaction. Recognizing this, McDonalds focused on Customer Base Penetration (Path 2) and Customer Experience (Path 1) once again. It responded to a long-standing customer demand to make its breakfast menu all-day. To ensure success, it shrank its menu options and reorganized operator kitchens for faster delivery. US sales grew by 5.7% in 2015. Customer Base Penetration need not mean stocking more products. For McDonalds it meant reducing the number of products to focus on their bestselling breakfast menu.

PATH 3: MARKET ACCELERATION

This is the path of taking your company's products into newer markets to create top-line growth and increase customer base. It requires finding similar new customers in a different market segment, customer size or geographical area. This path is risky as it may be difficult to understand market context and varying customer demands. While entering a new market it's easier to sell products similar to what customers are already familiar buying. Introducing unfamiliar products demands significant marketing spend on brand awareness and product education.

Done right, the path extends market share in new product and customer segments, offsets growth stalls in home markets and taps into high-growth markets giving your organization the ability to fund other growth paths. However, a company can overextend itself leading to poor customer experience. A failed launch makes it extremely difficult to reenter the same market. Finally, not understanding local customs and norms can alienate customers and dent your brand image.

Identifying suitable strategic Partnerships (Path 8), relationships and channels can minimize risk and reduce time to market. Optimizing Sales (Path6) to create repeat sales and eventually a loyal customer base is a powerful way to cement your position in the new market.

PATH 4: PRODUCT EXPANSION

The motivation for product expansion must stem from providing customer value by solving a felt need. It's important to create products that are adjacent to your existing product base and aligned to your core value proposition, in order not to confuse your customers. The current market context demands a shift from being "product led" to being "customer led". This path requires a proactive market intelligence department that is on the lookout for market opportunities for new products, enhancements to existing products and even partnerships.

A new product requires a support ecosystem of sales, service and marketing to succeed. This can be achieved by Partnering (Path8) with organizations that can fill gaps in your go-to-market strategy. This can extend even to Co-opetition (Path 9) with your competitors to attain common interests.

Kylie Cosmetics, Kylie Jenner's brand, grew to $600 million in revenue in two years. Kylie created a niche brand within the family, focusing on beauty through endorsements and partnerships. Riding on their success with her fans, she launched Kylie Cosmetics leveraging strategic partnerships (Path 8) with established companies for manufacturing and distribution. Kylie Cosmetics embarked on an aggressive Product Expansion strategy in two directions: new cosmetic categories and thematic bundling of products into editions and collections. Through a solid understanding of its young customers, strategic product expansion and smart use of social media, Kylie Cosmetics has grown to $600 million in revenue within two years with zero paid advertising campaigns.

PATH 5: CUSTOMER AND PRODUCT DIVERSIFICATION

This path creates top line growth by selling new products to new customers. It is one of the riskiest growth paths requiring entirely new organizational capabilities like fresh distribution channels, new retailers and servicing for new products. The reward is reduced long term risk as a diversified portfolio is better equipped to withstand market shifts. Before embarking upon this path, it's imperative to be confident about the company's ability to launch a new product and penetrate a new market without damaging existing operations. This is to be chosen only after exhausting all other growth paths. Its best pursued during periods of prosperity with surplus revenue and high shareholder confidence. Attempting this path during times of crisis could be fatal. Even a big multinational diversifying into a new product and a new market is an unproven underdog in the new market. Therefore Partnerships (Path 8) across Product Design to Sales and even strategic Co-opetition (Path 9) are crucial for the success of this path.

Marvel experienced a decade-long growth stall from 1993 declaring a loss of $105 million in 2000. When Iron Man released in 2008, Marvel had captured leadership in character-based entertainment segment. It achieved this by adopting a Customer and Product Diversification strategy. It realized that it core value proposition was not comics but its iconic characters and diversified into making movies. Badly struck licensing deals ensured that Marvel made little money even when movies like Spiderman became blockbusters. Desperate, Marvel formed Marvel Studios to retain 100% profits. In 2008, Iron Man was released beginning an incredible run of blockbusters. In 2009 Walt Disney acquired Marvel for a $4 billion.

PATH 6: OPTIMIZE SALES

Sales optimization is a powerful way to create growth with existing resources and enhance the effectiveness of other growth paths. Like Customer Experience (Path 1) this must be a constant organizational focus. Today customers demand to be served where and when they want to buy in a seamless manner. Therefore, companies must increase productivity of existing resources and leverage AI, Customer Relationship Management (CRM) and marketing automation for smarter selling. However, unrealistic sales targets and pressure tactics may produce initially performance but are bound to backfire as employees begin to game the system. This was clearly seen in the 2016 Wells Fargo investigations that found that over 3.5 million accounts were opened without customer permissions. The detailed customer profiles generated from this path can be used to significantly improve Customer Experience (Path 1) and deepen Customer Base Penetration (Path 2).

The threat from Amazon forced Walmart to rethink its sales strategy. It responded by opening its ecommerce platform in 2016 and acquiring Bonobos, a retailer that had successfully blended ecommerce with retail stores through showrooming. Showrooming allows customers to trial products in a physical store and complete the order online eliminating expensive real estate, overstock and inventory control. Soon, Walmart announced its "click and collect" model to optimize sales experience. It followed this up with further innovations including automated pickup towers that allow customers to pick up their order in minutes. This is stunning Sales Optimization for a organization of this scale.

PATH 7: CHURN

The shift from product to subscription-based models makes retaining customers extremely important. Customer Churn rate is the percentage of customers who end their relationship with the organization in a time period. It is possible to grow the top line by acquiring new customers while rapidly losing them to churn resulting in a growth stall. Therefore, it's crucial to measure Customer Lifetime Value (CLV) not only top-line growth. Reducing churn takes lesser cost and guarantees higher returns than acquiring new customers. Smooth resolution of customer issues and proactive support using technology can help organizations get ahead of churn. Ultimately, customer retention depends on having a great product and offering quality service.

Spotify grew to 140 million active users and 70 million subscribers in less than ten years while simultaneously reducing churn to just 5.1% in 2017.It offered an excellent Customer Experience (Path1) through curated playlists and personalized recommendations to make customers stay. Interestingly, Spotify offers customers the ability to "downgrade" to a cheaper plan. While this may sound counterintuitive, it's an effective strategy to prevent churn by getting ahead of customers who might leave because they wish to pay less. The company has an extraordinary focus on scaling its excellent customer support along with its growing customer base. Spotify allows Artists to sell merchandise without taking a fee to increase artist and customer loyalty to the platform.

PATH 8: PARTNERSHIPS

Partnerships are important to revenue growth offering possibilities that a company cannot create on its own. Partnerships can leverage differing expertise to avoid costs and reduce risks while entering new markets, acquiring new customers or even in product development. Partnerships should be proactive and well-thought out with clear measurable deliverables. They continue to evolve with time as newer opportunities come up. The right partnership can be valuable in Market Acceleration

(Path 3) by opening new market opportunities without the associated risks and uncertainties. In the Product Expansion Path (Path 4), Partnerships can reduce expenditure in product development and leverage another organization's market understanding and intellectual capital.

PATH 9: CO-OPETITION

Co-opetition is based on the idea that even competitors can find ways to create mutual benefits that cannot be achieved individually. Co-opetition revolts against the idea that the market is a zero-sum game. In contrast, competitors leverage synergies to grow the pie. Companies can work together in basic product research and even platforms to open a market, while simultaneously competing for market share. A recent example is Tesla which open-sourced all its patents in order to grow the electric car market. Besides increasing the demand for its own cars, it would increase the usage of Tesla's batteries and charging technologies.

This is an extremely dangerous growth path which could lead to a competitor gaining access to proprietary knowledge and competitive advantage. It's important to proceed with caution. Co-opetition works best when strategic goals converge, and competitive goals diverge. Ideal conditions are when organizations are small, the market share to be captured is vast and each can learn from the other while safeguarding their proprietary skills. Sometimes it is safer to first engage with a competitor is through a Partnership (Path 8) before proceeding further. Strategic partnerships can be used for Customer and Product Diversification (Path 5) through sharing R&D costs and IP. Expect significant internal pushback particularly from sales and legal departments as these teams have competed for decades.

In 2016 BMW, Intel and Mobileye teamed up to develop autonomous vehicles. They needed a mass market manufacturer, even if it was BMW's competitor. In a move unprecedented in the competitive automobile industry, they partnered with Fiat Chrysler. The rise of autonomous driving technology and the massive investments by Google, Apple and Tesla made co-opetition imperative for BMW and Fiat's survival. For Intel, it was its chance to dominate the next big chip market. The partnership aims to develop a common vehicle architecture that could be used by multiple automakers while maintaining their unique capabilities.

PATH 10: UNCONVENTIONAL GROWTH STRATEGIES

The line between for-profit and nonprofit organizations is blurring. Increasingly, executives are concerned about leveraging their products, employees and partners to create social transformation. Unconventional strategies demand embarking into the unknown making up rules on the way to build organizations with social purpose. Done right, it can lead to breakout growth or even pioneer new markets. This path can significantly boost employee morale and improve customer loyalty, making them both feel part of something meaningful.

Lemonade Insurance was started by two technology entrepreneurs with no previous insurance experience. Along with a simplified Customer Experience, Lemonade pioneered a Giveback Program, promising to donate up to 40% of premiums to a customer chosen cause. Customers select a charity when they sign up. The choice of charities is used to group customer premiums into common pools and purchase reinsurance. Whatever is left after payouts goes to charity. This is possible because Lemonade operates on a flat 20% fee on the customer's premium. The Giveback program enhanced Lemonade's reputation and reinforced honest customer dealings. In less than two years, Lemonade became the largest insurer of first-time renter's insurance buyers.

KNOW WHEN TO JUMP PATHS

Timing the jump is critical. Shifting too early means losing potential revenue from the earlier path while shifting too late may mean losing the opportunity entirely. Shifting paths depends on monitoring, preparation and execution.

Monitoring requires putting in place systems to measure the company's health and growth path data to provide real time insights. Company health metrics include orders, returns, market share, employee turnover and profit margins. It is important to monitor specific metrics for current and future growth paths to time the jump.

Preparation requires a clear understanding of the marketplace and creating detailed plans of what needs to be done in each department with clear deadlines for the same. Employees must be oriented for their new role and teams must be ready to hire needed fresh talent.

Execution depends on the orientation of the employees. Therefore, it's important to clearly communicate the new growth strategy. A good way to enable transition is to create two teams, one focused on maintaining the existing business strategy and the other tasked with planning and executing the new growth path.

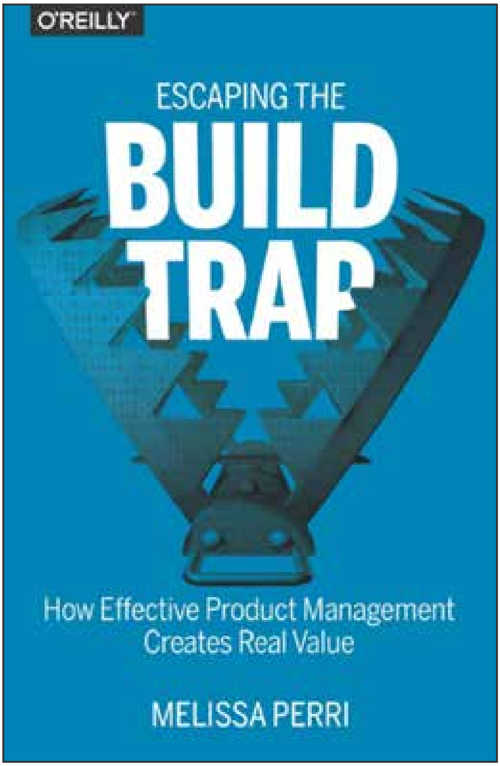
Ultimately, growth must be countercyclical. The best time to create the next big opportunity is when business is doing well, not when the company is struggling with a slowdown.

Escaping the Build Trap: How Effective Product Management Creates Real Value

By: **MELISSA PERRI**

Is your company falling behind competitors, no matter how many new product iterations you launch? Do you find yourself thinking, “This new feature is useless, but I have to deliver it to get a bonus”? If so, you may be stuck in the build trap by focusing on shipping features and developing ideas instead of on the actual value you can produce for customers.

Escaping the Build Trap shows you how to shift a reactive project factory at risk of disruption into a successful product-focused organization creating products that customers love.



TOP 20 INSIGHTS

- Companies stuck in the build trap measure their success in terms of outputs rather than outcomes. They stop producing real value for their users, lose market share, and are vulnerable to disruption. This happened to Kodak, which responded to the challenge of digital photography by doubling down on how it had always done things.
- A product-led organization must: create a product manager role with the right responsibilities and structure; have a strategy that enables product managers to make good decisions; develop a process of experimentation to determine what product to build; and build organizational policies, culture, and rewards that support the approach.
- Products and services are not inherently valuable—it's what they do for the customer that has value. Companies end up in the build trap when they associate value with the number of things they produce—outputs like products, features, and releases—instead of the outcomes they want to create for their customers.
- Don't confuse projects with being product-led. A project is a discrete piece of work, with a deadline and specific outputs to be delivered. Projects are an essential part of product development but thinking only in terms of projects leads to the build trap.
- A product manager is not a mini-CEO issuing orders, nor a waiter taking orders without having a real goal or decision-making. Rather, the product manager is a strategic thinker who is responsible for the why: why are we building this? How does it help solve the customer's problem? How does it help meet the goals of the company?
- One sure way of getting stuck in a build trap is to tie rewards and incentives to shipping product. Instead, incentives should focus on solving problems for customers and trying out new ideas even if they fail.
- Communication is the first step to creating a product-led culture. Issues must be discussed regularly, with the focus and timing depending on each group—quarterly review meetings for senior leadership that focus on strategic intents; product reviews for VPs that adjust strategy as needed; and monthly release reviews for the teams.
- An effective product manager has to wear a lot of hats in understanding the market, how the business works, the vision of the company, and the needs of the customers. He or she takes input from customer and market research, experiment results, and data analysis, and uses all that information to create a comprehensive product vision
- A good strategy is not a plan—it is a framework that helps everyone to make decisions, focusing on higher-level goals and vision. Product strategy connects the vision and outcomes of the company back to the product portfolio and to individual product initiatives.
- In 2007 Netflix killed a two-year project to build an internet-connected device, realizing that moving into hardware production was not part of its core vision to provide movies and TV shows in the most convenient and easy way for customers. "Executing better on

the core strategy is the way to win," said CEO Reed Hastings.

- A good company strategy has two parts: 1) the operational framework that keeps the day-to-day activities moving, and 2) the strategic framework that guides how the company realizes its vision in the market.
- Spotify embraces the concept of experimentation. Instead of mandating what to build from on high, the company has set up an environment where it is safe to try new things and to fail. Embracing experimentation and innovation allows Spotify to course-correct quickly, when needed.
- To create the strategic framework, start with the company vision—where is it you want to go? Then, identify the obstacles standing in the way of getting there, and experiment around ways of tackling them.
- As part of its vision to become the best global entertainment distribution service, Netflix had a clear strategic intent—lead the streaming market. Once that intent was met, the company maintained its position by shifting to a new strategic intent—creating its own content.
- Learning must be at the core of a product-led organization. It is better to fail early, in small ways, and so learn what is needed to succeed. When you experiment early you can prevent bigger and more expensive failures later on.
- Companies like Netflix, Amazon, and Google don't reactively build whatever customer request they get. They develop products with the intent to deliver value to customers before their request would be made.
- Create success metrics to determine whether you are getting closer to meeting the product initiative. One of the first things any company should do is implement a metrics platform (such as Amplitude, Mixpanel, or Google Analytics), something that has the tools to give you enough data to act.
- Data analysis doesn't tell the whole story; you have to talk to your customers to really understand their problems. This means generative research—observations, surveys, customer feedback—that identifies the source and context of the problem. Otherwise, any solution you come up with is just a guess.
- Once the direction is set for the product vision, use story mapping to make sure everyone understands the context and the work that needs to be done.
- Use a framework to help prioritize work; one of the best is Cost of Delay. What is the trade-off between the value you can capture with the scope of the product release and the time it takes to produce?

SUMMARY

Companies stuck in the build trap measure their success in terms of outputs rather than outcomes. They stop producing real value for their users, lose market share, and are vulnerable to disruption. To get out of the build trap and become a product-led organization requires four key components. First, develop an effective product manager role that understands the market, how the business works, the vision of the company, and the needs of the customers. Next, develop a corporate strategy that enables product managers to make good decisions. Step three is to develop a process of experimentation to determine what product to build. Finally, build a product-led culture that organizes around outcomes over outputs, one where learning and achieving goals is rewarded and getting close to customers is encouraged.

WHAT IS THE BUILD TRAP?

Companies get stuck in the build trap when they are so focused on shipping features and developing cool ideas that they don't think about the outcome of those features and the actual value that they produce. The build trap causes companies to measure their success in terms of outputs rather than outcomes. They stop producing real value for their users, lose market share, and are vulnerable to disruption. A prime example of this is Kodak, which doubled down on how it had always done things, instead of responding to the challenge of digital photography.

But any company can get out of the build trap by developing intentional and robust product management practices, shifting the corporate culture from delivering outputs to achieving outcomes.

There are four key components to being a product-led organization: creating a product manager role with the right responsibilities and structure; a strategy that enables product managers to make good decisions; developing a process of experimentation and optimization to determine what product to build; and building the organizational policies, culture, and rewards that support the approach.

MISUNDERSTANDING VALUE

Companies end up in the build trap when they associate value with the number of things they produce—outputs like products, features, and releases—instead of the outcomes they want to create for their customers. For the customer, value is only realized when a problem is solved, or needs are fulfilled. The organization has to recognize that products and services are not inherently valuable—it's what they do for the customer that has value.

PRODUCTS VS PROJECTS

Project-based development cycles dominate at many companies, leading many to assume that having a project-management framework is the same thing as having a product-management framework. But a project is a discrete piece of work, with a deadline and specific outputs to be delivered. Projects are an essential part of product development but thinking only in terms of projects leads to the build trap.

A sales-lead company can end up shipping 30 features that no-one wants. A visionary-led company can be a powerful organization, but innovation needs to be part of its DNA or the vision becomes dependent on just one individual. A technology-led company is likely to lack a market-facing, value-led strategy.

Product-led companies, however, optimize for outcomes, align their product strategy to specific goals, and prioritize the projects that will develop those products.

THE PRODUCT MANAGER'S ROLE

Product managers identify the features and products that will solve customer problems, while achieving business goals. They must deeply understand both the business and the customer, in order to identify which products will produce value.

THE WRONG ARCHETYPES

Many product managers see themselves as mini-CEOs, but the reality is that the product manager has to involve the team and listen to the customers. Others operate as waiters, taking orders without having a real goal or vision and without any real decision-making. But the waiter is reactive, when he or she should be a strategic thinker who really understands the customer's problems.

A product manager is not the same as a project manager. The latter is responsible for when: when will it be done? When will it ship? The product manager is responsible for the why: why are we building this? How does it help solve the customer's problem? How does it help meet the goals of the company? Answering the why involves a strategic mindset.

MANY HATS

Many product managers operate in a Waterfall environment, talking to internal stakeholders such as marketing managers and sales teams, then turning their requirements into detailed specs that are handed on to the designers. However, the real role of the product manager is to connect the dots in a meaningful way—working with the team to create the right product, and balancing meeting business needs with solving customer problems.

An effective product manager has to wear a lot of hats, understanding the market, how the business works, the vision of the company, and the needs of the customers. He or she takes input from customer and market research, experiment results, and data analysis, and uses all that information to create a product vision.

CAREER PATH

As an organization scales so responsibilities, including those of product manager, must be more defined. The balance of work—shorter-term tactical, longer-term strategic, and operational work that ties the strategic to the tactical—will also shift as the scale increases.

The starting point in a typical product management career is the associate product manager. This is a role not found in many companies outside of Microsoft and Google but creating such a role is the best way to start growing product managers in your company.

The next step is product manager—someone who works with a development team and UX designers to build customer solutions. The trick at this level is to resist becoming 100% operational, focused solely on the process of shipping products. A senior product manager oversees more scope, or perhaps a more complex product.

A director of product is essential at larger companies, overseeing a group of product managers. The VP of product is more strategic, delegating tactical and operational components to others. Finally, the chief product officer (CPO) oversees the company's entire product portfolio. A company should think about adding a CPO once it starts developing a second product, expands into a new geography, or merges with another company. The CPO is a still-emerging role but is a critical one for a company aiming to be product-led.

Whatever the size of the organization, product managers need the space to manage toward an outcome-oriented goal. This means organizing teams around a product strategy that prioritizes a few key goals.

ABOUT STRATEGY

A good strategy is not a plan—rather, it is a framework that helps everyone to make decisions. It transcends iterations and focuses on higher-level goals and vision. Product strategy connects the vision and outcomes of the company back to the product portfolio and to individual product initiatives.

NETFLIX

In 2005 Netflix had a clear vision: to provide movies and TV shows in the most convenient and easy way for customers. In an interview with Inc. magazine that year, founder and CEO Reed Hastings said, "We want to be ready when video-on-demand happens." The company started dabbling in the on-demand space and decided to build its own internet-connected device that plugged into TVs. This was Project Griffin; but after two years of development Hastings killed the project. He recognized that it would move Netflix into the business of hardware, which was not part of the core vision. Project Griffin was spun off as a separate company (today known as Roku). As Hastings told The New York Times in 2013, the company recognized that, "Executing better on the core strategy is the way to win."

The company's vision has evolved as the market has evolved. Today, the core vision starts with, "Becoming the best global entertainment distribution service." Netflix is organized around key outcomes and strategies to help reach its goals—this helps it to make decisions about its products, including killing something that is near completion.

STRATEGIC FRAMEWORK

A good company strategy has two parts: the operational framework that keeps the day-to-day activities moving; and the strategic framework that guides how the company realizes its vision in the market. Part of this framework has to be a continual evaluation of where the company is and where it needs to take action.

Spotify exemplifies this approach—instead of mandating what to build from on high, the company has set up an environment where it is safe to try new things and to fail. And, embracing experimentation and innovation allows Spotify to course-correct quickly, when needed.

Part of building the strategic framework is strategy deployment—communicating and aligning stories throughout the organization that explain the objective and outcomes. For executives, the story will be focused on a five-year time frame; for middle management it might be a yearly story that guides teams that, in turn, make decisions on a weekly basis.

To create the strategic framework, start with the company vision—where is it you want to go? Then, identify the obstacles standing in the way of getting there, and experiment around ways of tackling them. Keep doing this until the vision is reached. A mission explains why the company exists; a vision explains where the company is going, based on that mission.

Although the vision should be stable over a long period, the way you reach that vision will change as the company matures. Strategic intents communicate the current areas of focus that help to realize the vision. For example, as part of its vision to become the best global entertainment distribution service, Netflix had a clear strategic intent—lead the streaming market. Once that intent was met, the company maintained its position by shifting to a new strategic intent, creating its own content.

ABOUT PROCESS

Product managers use a process to identify which user problems the team can solve to further the business and achieve the strategy. Start with the strategic intent and ask what problem you can solve to further that intent. This becomes your product initiative. Create success metrics that can be measured on a short timescale, to determine whether you are getting closer to meeting the product initiative. These metrics should give feedback that the option is working as intended.

PRODUCT METRICS

Product metrics tell you how healthy your product is—but it's easy to focus only on vanity metrics that look impressive but don't actually help the product teams to make decisions. Also, avoid having only one metric—it's too easy to game a singular focus.

One of the first things any company should do is implement a metrics platform, like Amplitude, Mixpanel, or Google Analytics, something that has the tools to give you enough data to act.

UNDERSTAND THE PROBLEM

Data analysis is important, but it doesn't tell the whole story. To really understand your customer's problems, you have to talk to them. This means user research, observations, surveys, and customer feedback. This is not the same as usability testing; rather, it is generative research—going to the source of the customer's problem and understanding the context around it. Until you understand that context and the root causes of the problem, any solution you come up with is just a guess.

One key tactic is experimentation—building solution experiments to learn. Explain to a limited number of customers why you are testing something, how the experiment will end, and what you plan to do next. This could be a new process that you test manually with a few customers; a prototype; a concept test; etc. Start with a small, representative population, learn from them, and then expand to more people.

STORY MAPPING

Once the product vision's direction is set, use story mapping to make sure everyone understands the context and the work that needs to be done. This could be in the form of a North Star document, something distributed to everyone in the team or company, that explains the problem being solved, the proposed solution, the factors that matter for success, and the outcomes that will result.

This document is not an action plan; there is no "how to do it" included. For that, we need story mapping: the team thinks about all the factors needed to deliver a successful solution, breaks down their work, and aligns it around the goals.

There are many frameworks that can help you prioritize work; one of the best is Cost of Delay. What is the impact of time on the outcomes you hope to achieve? Consider the trade-offs between the amount of value you can capture with the scope of the product release and the time it takes to get it out the door. If a feature or component is high urgency, every moment you do not ship is a lost opportunity to reach your goal; if the feature or component is high value, it's a particularly strong problem or desire for the customer.

THE PRODUCT-LED ORGANIZATION

The culture of a product-led company organizes around outcomes over outputs. Learning and achieving goals is rewarded and getting close to customers is encouraged.

COMMUNICATION

Creating a product-led culture starts with communication up and down the company, tailored to each specific audience. Quarterly business review meetings of the senior leadership team should be used to discuss progress toward the strategic intents and financial outcomes. Alternating with these, quarterly product initiative reviews for the CPO, VPs of product, and design leaders should review the progress of options against initiatives, including the results of experiments and research; introduce new product initiatives; and adjust the strategy accordingly. Monthly release reviews give teams the opportunity to show what they have done and to discuss success metrics.

INCENTIVES AND LEARNING

One sure way of getting stuck in a build trap is to tie rewards and incentives to shipping product. Instead, incentives should focus on solving problems for customers and trying out new ideas even if they fail.

Learning must be at the core of a product-led organization. It is better to fail early, in small ways, and so learn what is needed to succeed. When you experiment early you can prevent a bigger and more expensive failure later on.

Tied in to this is the budgeting process. Most companies have a rigid annual funding cycle, but a product-led company should approach the funding of product development like a venture capitalist: invest in and budget for work based on portfolio distribution and the stage of the work. Allocate funds across product lines for things that are ready to be built; set aside money for discovering new opportunities; and allocate more funds to grow those opportunities as they are validated.

CUSTOMER FOCUS

The product-led company must have a strong customer focus, always asking, “What would make the customer happy and move the business forward?” Companies like Netflix, Amazon, and Google don’t reactively build whatever customer request they get. They develop products with the intent to deliver value to their customers.

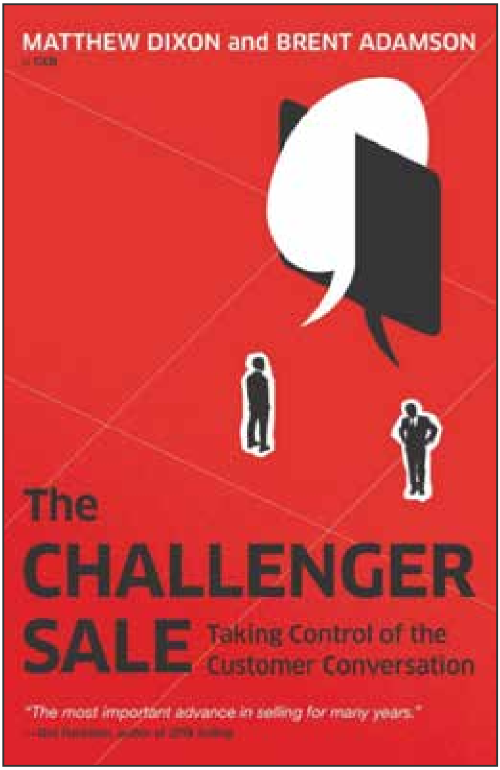
The Challenger Sale: Taking Control of the Customer Conversation

By: **MATTHEW DIXON, BRENT ADAMSON**

How do you make your voice heard in a world of complex deals and risk-averse customers? How can you maintain control to ultimately win customer loyalty and drive sales growth?

Contrary to traditional wisdom that places emphasis on nurturing relationships, Adamson and Dixon reveal the winning skills and behaviors behind the Challenger Sale.

Read this book to unlock the clear-cut strategies that build Challenger behaviors across the entire sales force and make them a part of your organizational DNA.



TOP 20 INSIGHTS

- Solution Selling is the shift from transactional sales of single products to creating bundled-offerings based on consulting. This model was driven by suppliers seeking to escape the pressure of being commodified by making it harder for competitors to replicate their offerings.
- Solution Selling has led to increased complexity and risk for the customers who increasingly seek consensus-based sales, demand customization, hire third-party consultants and shift a part of the risk to the supplier. This has made selling much more challenging than before.
- Top performers are incredibly valuable in Solutions Selling. In transactional-selling, the performance gap between average and star performers is 59%. In solutions selling, the gap widens dramatically to nearly 200%. The value in narrowing the performance gap halfway from good to great results in a 100% performance jump.
- Rep fall into five distinctive profiles - the Hard Worker, the Relationship Builder, the Lone Wolf, the Reactive Problem Solver, and the Challenger. In complex sale scenarios, the dominance of Challengers is 50% of star performers while the share of Relationship Builders drops to nearly zero. This makes Challengers crucial to the success of a sales force.
- Challengers are defined by their ability to use constructive tension to do three things - teach customers to compete more effectively, tailor for resonance for every stakeholder, and taking control of the overall sale process.
- A CEB survey of 5000 individuals at client customer organizations showed that brand, product, and service accounted for only 38% of customer loyalty. Better value for money accounted for a mere 9%. A massive 53% depended on the overall sales experience. Customers place the greatest value on actionable insights given by suppliers that help them save or make money differently.
- The key to effective teaching is to identify the supplier's unique value proposition. A CEB survey of B2B customers showed that only 35% of companies are able to establish themselves as preferred over their competitors. Only 14% of the apparently unique benefits offered by the company were perceived to be unique by customers.
- The heart of the Commercial Teaching pitch is the answer to the question "What's currently costing our customers more money than they realize, that only we can help fix?" Identifying the supplier's unique capabilities lies at the core of the Challenger model.
- In Commercial Teaching, the supplier organization supports Challenger reps by prescoping customer requirements by relying on market segmentation and customer analysis. The conversation outline is prescripted from the hypotheses to the solution. The actual solution to be proposed is predefined, by creating a set of solutions that are tailored to common needs of customers.

- CEB's research shows that the top concern for decision makers was consensus across their organization on the sale. Closing a deal requires nurturing stakeholders across the organization. Challenger reps cultivate loyalty across the organization by tailoring the teaching to individual stakeholders based on their value drivers and economic drivers.
- Taking control of the sale boils down to two things: the ability to maintain momentum across the sales process and comfort with discussing money. Challengers take control from the beginning of the sale by teaching the customer the process of buying a complex solution and coaching the customer on who needs to be involved.
- Reps tend to avoid taking control in a sale because of a perceived imbalance of power between the rep and customer. Study shows, however, that 75% reps believe procurement has more power, while 75% procurement officers believe reps have more power.
- While sales managers are supposed to be crucial in successfully implemented the Challenger model, 63% of reports responded that their managers don't have the skills needed to adapt to the evolving sales model.
- Three high-level factors mattered most in managerial excellence: Selling Skills (25%), Coaching (28%) and Sales Innovation (29%), the single biggest contributor to manager performance.
- While coaching is improving performance on known behaviors, innovation is the ability to drive performance in unforeseen contexts. Data shows that coaching and sales innovation skills usually occur independently of each other in managers.
- Coaching does not have a significant impact on both the weakest and strongest performers. However, good coaching can boost the performance of the median by almost 19%. It makes sense to focus coaching efforts away from the low and star performers towards the core group.
- Sales innovation is driven by three key activities: 1) Investigate what prevents a deal from advancing, 2) Create innovative mapping solutions of suppliers' capabilities to meet customers challenges, and 3) Share innovation efforts to enable replication.
- The world of sales has shifted from coaching for a known, predictable sales world to innovating for the unknown in a world of solution selling. Most supplier organizations are still designed for efficiency in a world where effectiveness is in fact far more valuable.
- As opposed to Narrowing Thinking, Opening Thinking focuses on generating as many options as possible. A key requirement for deal innovation is helping managers overcome their inclination for Narrowing Thinking and embrace Opening Thinking.
- Most companies aim for 80% adoption, rather than the complete adoption, of the Challenger model. This is actually enough to shift organizational behavior and the final 20% is just a matter of time.

SUMMARY

In 2009, when business-to-business sales leaders were facing the harshest sales environment in decades, some sales reps were closing near-impossible deals. To understand what was happening, CEB Inc launched an extensive study surveying sales managers from 90 companies and over 6000 sales reps across geographies and industries. The research insights that emerged on what sets the best-performing sales reps apart were completely counterintuitive, shattering existing industry wisdom. This book documents the key insights and strategies necessary to succeed in today's complex sales environment.

A BRAVE NEW WORLD OF SOLUTION SELLING

Solution Selling is the shift from single product transactions to creating bundled-offerings based on consulting. This was driven by suppliers seeking to escape being commoditized by making it harder for competitors to replicate their offerings. However, to reduce complexity and risk, customers increasingly seek consensus across the team, shift risk to suppliers, demand greater customizations and hire consultants to navigate complex deals.

This means three things for Suppliers:

I. Top performers are incredibly valuable in Solutions Selling. In a transactional-selling environment, the performance gap between average and star performers is 59%. In solutions selling, the gap widens dramatically to almost 200%.

II. There is huge value in narrowing the performance gap between the core and the top performers. Getting someone halfway from good to great results in a 100% performance improvement.

III. If the core is left unattended, they will fall behind to a point where they can't execute solutions sales at all.

FIVE DISTINCTIVE SALES PERSONAS

The results from the CES study showed that certain rep characteristics tend to occur together in five distinctive groups. These describe the five most common sales rep profiles found in the real world.

I. The Hard Worker: These are self-motivated sales reps who consistently put in effort, care about process and believe that making enough calls and visits will translate into good conversions.

II. The Relationship Builder: The Relationship Builders primarily focus on being readily available to customers and providing top-notch service to build strong relationships across the organization.

III. The Lone Wolf: These self-confident reps rely primarily on their gut feel instead of rules. They have little compliance to organizational processes but excel in meeting targets.

IV. The Reactive Problem Solver: These are detail-oriented individuals who focus on ensuring that every promise is delivered. This focus on customer delight can come at the cost of new business.

V. The Challenger: Challengers have a deep understanding of their customer's business and are assertive in sharing their views and teaching customers to compete better. They also challenge leaders in their organization with new insights, making them to think differently about complex issues.

CEB's research showed that while core performers were evenly distributed, challengers dominated among star performers accounting for nearly 40%. In complex sales, challengers account for nearly 50% of star performers. In the world of Solution Selling, which demands that reps execute complex sales, Challengers is crucial to the success of a sales force.

CREATING CHALLENGERS

Challengers are defined by their ability to use constructive tension to do three things - teach customers to compete more effectively, tailor for resonance for every stakeholder and take control of the overall sale process. With the right tools, coaching, and incentives, most reps can be trained to act more like Challengers. However, creating Challengers is as much about organizational capability as it is about equipping reps to behave differently.

SKILL 1: TEACH FOR DIFFERENTIATION

A CEB survey of 5000 client stakeholders shows that a massive 53% of customer loyalty depends on the sales experience. Customers place the greatest value on actionable insights given by suppliers that help them identify new ways to penetrate markets, reduce risks and increase revenue. Challengers fit perfectly as they understand customer challenges better than customers themselves and teach them new approaches to key business needs.

Four Rules of Commercial Teaching

Commercial Teaching is teaching customers something valuable about their business in a way that reliably leads to wins for the supplier organization. There are four rules to commercial teaching:

I. Lead to Your Unique Strengths: Commercial teaching must ultimately connect back to a unique supplier capability that differentiates them from competition to translate into sales.

II. Challenge Customer Assumptions: Challengers must know their part of the customer business well to fundamentally "reframe" the way customers think about their business.

III. Catalyze Action: A good teaching conversation builds a compelling commercial argument for why taking action matters.
IV. Scale Across Customers: For teaching to be effective, organizations must provide reps with well-scripted insights and diagnostic questions to map insights to customers.

Six Steps to World-class Commercial Teaching

Commercial teaching relies strongly on building a powerful narrative using both the rational and emotional dimensions to nudge customers into making decisions.

- Step 1 – The Warmer: The objective is to build credibility by showing that you understand the customer's world through well-researched speculations of the customer's challenges.
- Step 2 - The Reframe: It's an insight designed to give a new perspective to the challenges discussed and makes the customer see it as a growth opportunity.
- Step 3 - Rational Drowning: The true magnitude of the challenge is brought out through data, charts and graphs to convince the customer why it's important to solving this challenge.
- Step 4 - Emotional Impact: Creates a personal connection with the narrative by narrating cases of costs similar companies paid by indulging in behavior similar to the customer's organization.
- Step 5 - A New Way: This is the time to detail the solution point-by-point and draw a picture of the improvements that can happen if the customer behaves differently. This focus is still the solution not the supplier.
- Step 6 - Your Solution: This is the step where the rep connects the solution outlined to the supplier's unique capabilities, making the teaching commercial.

Create Your Organization's Teaching Script

The heart of the Commercial Teaching pitch is "What's currently costing our customers more money than they realize, that only we can help fix?". A Commercial Teaching message can only be developed from Step 6 - building consensus across the organization on the unique value proposition the supplier offers. From this, a core insight that creates customer value has to be identified to form The Reframe in Step 2. Then it's a matter of creating connections between Steps 2 and 6.

The organization prescopes the customer requirements by relying on market segmentation and customer analysis. The conversation is prescripted from the hypotheses to the solution. The actual solution to be proposed is predefined, by creating a set of solutions that are tailored to common needs of customers.

The Art of Consensus Building

CEB's research shows that the top concern for decision makers was consensus across their organization. The route to closing a deal is by nurturing stakeholders across the organization. Data shows the support necessary to build consensus can be achieved by teaching insights about their business to end users.

The New Sales Flow

In the traditional model, reps pull information from stakeholders to pitch to senior management. The focus is on the connection between the rep and the decision maker. In the challenger model, the link between stakeholders and the rep is strong, with the rep teaching stakeholders. The relationship between stakeholders and the decision maker is used to build consensus and close the deal.

Tailoring to Stakeholders

This model means that reps have to talk to more stakeholders than before. An ideal way to tailor messages is to begin at the industry level and drill down to the company and the individual person's role. Challenger reps tailor to individual stakeholders based on customer outcomes - their value drivers, economic drivers and how they fit into the larger business. These customer outcomes are predictable, finite, stable and scalable.

What Good Looks Like: The Solae Story

Solae, a manufacturer of soy-based food ingredients aimed to sell complex solutions to expand beyond its traditional applications. This dramatically increased the number of stakeholders involved making life difficult for reps. To address this, Solae documented what each stakeholder cared about in the form of Customer Outcomes Cards. These contained demographic information, high level decision criteria, metrics monitored, key concerns and potential value areas. The tool shows reps the stakeholders important for a solution and their most important high-level outcomes. It also offers suggestions on connecting Solae's solution to each stakeholder's goals. With this a rep can talk to a stakeholder in their language about the outcomes they care about.

During the sale Solae uses a template to document customer buy-in. This documents the specific outcome the solution offers to each stakeholder, their objections and measures to handle the same. This information is determined through conversations and mapped with the tool. Most reps get stakeholders to sign off on the template. Finally, during the discussion with a decision-maker, the document is presented as proof of consensus across the entire organization. Solae's approach treats every stakeholder as the customer.

SKILL 3: TAKE CONTROL OF THE SALE

Taking control of the sale boils down to two things: the ability to maintain momentum across the sales process and comfort with discussing money. The ability to push back on discounts comes from the confidence based on having created value by teaching the customer something they did not know before. Challengers take control by teaching the customer the process of buying a complex solution and coaching the customer on who needs to be involved.

They push the customer to look at new ideas about their commercial challenges. Even when there is customer pushback, the challenger holds firm with insights and data. This is important because the solutions to be sold depend on the customer accepting the insights. The Challenger pushes the customer, but with respect and firmness not aggression.

The Misplaced Fear of Aggression

The fear that encouraging reps to be assertive will make them aggressive is misplaced. The reps usually tend to be passive because they believe that power rests with the customer. A survey by BayGroup International shows that 75% reps believe procurement has more power, while 75% procurement officers believe reps have more power. Challengers know that there is always more room for negotiation. Another reason for passivity is because they underestimate the value of their company's technical and implementation expertise and overestimate customer objections. Taking control means recognizing the value brought to the customer, particularly in teaching them new insights. Finally, the increased managerial emphasis on being "customer-centric" makes reps think of giving them what they want.

Take Control the DuPont Way

DuPont provides products and services sold across industries. To help reps take control during negotiations, DuPont gives them a template for prenegotiation planning. The template documents the "power positions" of the supplier including brand, pricing, product and relationships documenting relative areas of strength and weaknesses. This gives the rep a clear picture of the value provided by the supplier to approach the negotiation with confidence. It prepares them for questions they might face from customers, recognize supplier needs and understand where concessions can be made.

Master Keys to a Successful Negotiation

DuPont uses a four step framework for maintaining constructive tension in a negotiation.

I. Acknowledge and Defer: When customers push for a discount, the rep agrees on the importance of addressing it but seeks permission to understand their needs better to create more value. The rep has bought time and also created creative tension.

II. Deepen and Broaden: The rep makes the customer share their underlying needs that are served by the supplier's solution. This makes the customer see the value across multiple drivers.

III. Explore and Compare: The different trade-offs are analyzed to find options that don't affect margins much while offering customer value.

IV. Concede According to Plan: Determining what to concede and how and when to do it is critical in a negotiation. Each sends a different message to the customer. These sequences are pre-planned.

THE NEW SALES MANAGER

Sales managers are the crucial to the actual success in implementing the Challenger model. However, 63% of CEB members reported that their managers don't have the skills needed for the evolving sales model. Three high level factors mattered most in manager excellence: Selling Skills - 25%, Coaching - 28% and Sales Innovation – 29%. Sales innovation is the single biggest contributor to manager performance.

COACHING FOR THE KNOWN

Coaching has three key dimensions: 1) it's ongoing, 2) it's customized to the individual rep, and 3) the focus is on behaviors not only knowledge. It works best when its formal and highly structured. CES studies show good coaching can boost the performance of the median by almost 19%. Therefore, it makes more sense to focus coaching efforts towards the core group.

BEFORE YOU COACH, PAUSE

Hypothesis Based Coaching is designed to help managers make the "double jump" from product-selling to solution-selling and become experts in coaching others in these sales interactions. This uses a framework called PAUSE which stands for:

- (P)repare for the Coaching Conversation: Preparing in advance provides continuity between coaching sessions.
- (A)ffirm the Relationship: Managers need to emphasize on personal development by separating performance management discussions from coaching.
- (U)nderstand Expected (Observed) Behavior: Managers must be taught what to observe and what to look out for to better handle coaching conversations.
- (S)pecify Behavior Change: Managers must be given a set of important behaviors and standards to judge the same to provide objective feedback.
- (E)mbed New Behaviors: Coaching must be institutionalized.

DRIVE SALES INNOVATION

Sales innovation is driven by three key activities: investigation, creation, and sharing. Investigating is working closely with the rep to identify what is preventing a deal from advancing. Creating solutions includes innovative mapping of supplier capabilities to meet customer challenges and creating cross-sale opportunities. Great managers share their innovation efforts to enable replication elsewhere.

While coaching is improving performance on known behaviors, innovation is the ability to drive performance in unforeseen contexts. Data shows that coaching and sales innovation skills occur independently of each other. Supplier organizations are designed for efficiency in a world where effectiveness through innovation is far more valuable than efficiency.

IMPLEMENT THE CHALLENGER MODEL

INSIGHTS FOR SALES LEADERS:

- Not every high-performer is a challenger. Therefore, it becomes important to correctly identify challengers to observe their sales behavior.
- It's important to be wary of letting lone wolves dominate the organization.
- While its necessary to train reps on the Challenger model, it is equally critical to hire for challengers.
- To get the best out of the Challenger model, individual skills and organizational ability have to be developed in parallel. They create mutually-reinforcing synergies.
- Sales training alone is not enough. It's important to focus on the creating the right receptivity before a sales training and design a structured approach to reinforce the training through ongoing certifications.

INSIGHTS FOR MARKETING LEADERS:

- To be truly customer-centric its important to become insight centric, generating unique insights that teach customers to act differently.
- The single most important thing to identify the unique value proposition of the supplier. Without it there can be no Challenger model.
- To differentiate yourself from competitors, build your presentation over a challenging insight. The content must focus more on the customer problem than on the supplier's solution.

INSIGHTS FOR SENIOR MANAGEMENT:

- Most companies aim for 80% adoption of the Challenger model rather than focus on complete adoption. This is enough to shift organizational behavior.
- Be prepared for the fact that 20% to 30% of your sales force may not make the transition to the Challenger Model
- Resist the temptation to change terminology to make it sound familiar. The

power of the terminology is in reinforcing that it is a different way of behaving that is expected.

- While the principles of the Challenger Model hold across cultures, it's important to customize the execution to meet expected norms of behavior.

The Challenger Model does not stop with sales alone. Internal business customers are increasingly going beyond efficiency to demand insights on how to compete more effectively. Delivering compelling insights help expand influence and earn "a seat at the table" in critical strategy meetings. The Challenger model gives a way for internal teams to stand up and be taken seriously.

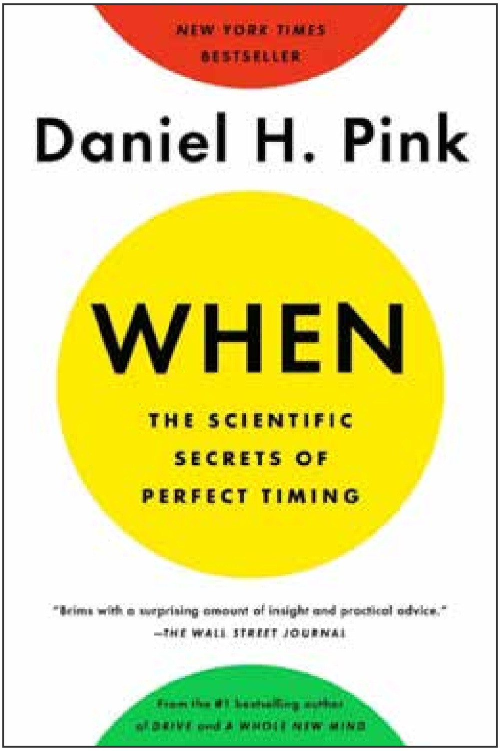
When: The Scientific Secrets of Perfect Timing

By: **DANIEL H. PINK**

Why is it so hard to concentrate in an afternoon meeting? Why do some people do their best work in the middle of the night? Are there ways to counter the post-lunch dip?

We tend to focus on what: what could we do better, what should be improved or replaced? But often, the most important factor to consider is when.

Timing is not an art, it's a science—and the science shows that our biological clocks, personal circadian rhythms, and even the time of year, have a profound impact on every aspect of our lives, most noticeably our productivity.



TOP 20 INSIGHTS

- Numerous studies have shown that, across all cultures and countries, there is a "temporal affective pattern" that causes people to be more energized and positive in the morning, plummet into a trough in the afternoon, then rebound in the evening.
- Time-of-day has wide implications: earnings calls held in the morning tend to be more upbeat and positive, with negativity deepening in afternoon calls and only recovering after the closing bell. The time of the call, and the mood it engenders in participants, even influences the companies' stock prices.
- For analytic tasks, humans perform better in the morning—a University of Chicago study found that scheduling math classes in the first two periods of the day rather than the last two significantly boosted students' math GPA.
- Innovation and creativity are actually higher in the afternoon, when our energy levels and focus drop; we are less constrained during the afternoon "trough" and more likely to make leaps of insight.
- About 21% of us are owls—like Thomas Edison, who was more likely to be found in his laboratory at midnight than at midday. Another 14% are larks who function best in the early morning hours. The rest of us fall somewhere in between the two extremes.
- One of the worst afflictions impacting middle- and high-school age students is classes that start before 9:00 am. Younger students score higher on standardized tests scheduled in the morning, but teenagers are owls who score better later in the day.
- The late-afternoon trough is the most perilous time of day; surgical errors and traffic accidents are more likely in the late afternoon. Some hospitals have reduced afternoon errors by scheduling vigilance breaks that force teams to take a time out to check the specifics of the surgery before beginning.
- A study of Danish schoolchildren found that those taking a test in the afternoon scored significantly worse than those taking it earlier in the day. However, taking the afternoon test after a 20- to 30-minute break led to scores that were the equivalent of the students spending three additional weeks in the classroom.
- A series of five-minute micro-bursts of activity improves concentration and motivation. Social breaks with others are more effective than time alone, outside is better than inside, and totally detaching from the work is key.
- A large study in Greece found that people who napped were 37% less likely to die from heart disease, while a British study found that just anticipating a nap lowers blood pressure.
- The optimal nap-time is 10-20 minutes. Any longer and we wake up feeling sluggish and disoriented. Take a "nappuccino," a cup of coffee right before sleeping—the caffeine will kick in and wake you up after about 20 minutes, leaving you refreshed and ready to tackle the rest of the afternoon.
- If you need to have better mornings, hydrate with a glass of water and wait 90 minutes before grabbing

a coffee—cortisol levels are higher first thing in the morning, so the caffeine will not have much of an impact until after the cortisol levels start to dip.

- Yale Economist Lisa Kahn discovered that people who enter the job market in weak economies earn less than those who started in strong economies—not just in the early stages of their careers but for as long as twenty years afterward.
- Humans navigate time using "temporal landmarks" like the first day of the year, the month, or the week; or, anniversaries of important events like marriages and births. If you get off to a rough start in a new venture, use a temporal landmark to start over.
- Across socioeconomic and demographic circumstances, happiness climbs in early adulthood; begins to slide in the late thirties; reaches a trough in the early fifties; then recovers quickly so that most of us are happier over the age of 70 than we were at 18.
- Mid-points can galvanize us to take action. A study of NBA games over a 15-year period that focused on half-time scores found, not surprisingly, that teams that were ahead at half-time tended to win more games; but teams that were behind by just one point were more likely to win.
- Endings help us to encode an experience. Several studies have shown that we tend to evaluate the quality of a meal, a movie, or a vacation not by the full experience, but by certain moments, particularly the end.
- The three principles of group timing in any setting are synchronizing to the boss, to the tribe, and to the heart.
- A study at the University of Oxford found that children who played a synchronized clapping game were more likely to help their peers later on, than children playing a non-synchronized game.
- Coordinating in a group engenders positive feelings, and in some cases can have a profound physiological impact. Choral singing calms heart rates, boosts endorphin levels and lung function, and even increases the production of infection-fighting immunoglobulin.

SUMMARY

All living things have a biological clock that affects how we function at different times of day. The impacts are much more wide ranging than we realize, with the afternoon trough a potentially dangerous time to schedule surgery or drive. Map out your own chronotype to figure out if you are an owl or a lark, at what time of day you are at your most analytical and productive, and when you are more likely to be creative and open to ideas. Use "temporal landmarks" to start new projects or restart ones that are flagging. Recognize that the mid-point of anything can bring a slump or a renewed sense of purpose. Endings help us to encode our experiences; focus on creating happy endings. Working together as part of a group—singing in a choir, or rowing—can be profoundly physically and psychologically beneficial. With a clear leader, and a sense of belonging and commitment, a synchronized group activity not only makes you feel good, it makes you want to do good for others.

GETTING THROUGH THE DAY

What we think of as natural units of time were really invented by our ancestors; and the one universal time unit is the day. Numerous studies have shown that there is a rhythm to the day that holds across all cultures and countries—a "temporal affective pattern" where people are more energized and positive in the morning, plummet into a trough in the afternoon, then rebound in the evening.

START THE DAY

Nearly all living things have a biological clock—in humans, it resides in a cluster of cells in the hypothalamus that control the rise and fall of our body temperature, regulate our hormones, and help us fall asleep at night and wake up in the morning. Our built-in clock also uses social cues like schedules and timetables, as well as environmental cues like sunrise and sunset, to bring our personal and external cycles into synch.

The rhythm of the day has wider effects than just tending to feel happier in the morning and less so in the mid-afternoon. Three American business school professors analyzed earnings calls from over 26,000 public companies and found that calls held first thing in the morning tended to be more upbeat and positive. Negativity deepened in the afternoon calls and only recovered after the closing bell. The time of the call, and the mood it engendered in participants, even influenced the companies' stock prices. Another study found that the same pattern affects juries judging legal cases—people are more likely to judge someone to be guilty and are more likely to revert to stereotypes in making their judgement, later in the day.

For analytic tasks, humans perform better in the morning—a University of Chicago study found that scheduling math classes in the first two periods of the day rather than the last two significantly boosted students' math GPA.

On the other hand, when our energy levels and focus drop in the afternoon, we are less constrained and are more likely to make leaps of insight. Innovation and creativity are actually higher when we are not at our best.

LARKS AND OWLS

Each of us has a “chronotype”, a personal pattern of circadian rhythms that affects our physiology and psychology. About 21% of us are owls—like Thomas Edison, who was more likely to be found in his laboratory at midnight than at mid-day. Another 14% are larks who function best in the early morning hours. The rest of us fall somewhere in between the two extremes. Research indicates that owl-tendency people are more open and extroverted than larks, with higher levels of creativity and better performance on intelligence tests. Larks are more likely to be pleasant, productive, and conscientious.

While genetics is a big contributor to your personal chronotype, so is the time of year when you are born—people born in the fall and winter are more likely to be larks while those born in the spring and summer are more likely to be owls.

Your chronotype also shifts according to your age: young children are generally larks, morphing into owls around puberty. One of the worst afflictions impacting middle- and high-school age students is classes that start before 9:00am. Younger students score higher on standardized tests scheduled in the morning, but teenagers score better later in the day. This “owl-ness” peaks around the age of 20 and in subsequent years shifts back toward lark-ness.

These chronotype differences also impact when in the day your biological clock is at its peak or trough. Most of us, including larks, have a morning peak, an afternoon trough, and an evening recovery. However, owls experience a recovery in the morning, when they are less productive but also less constrained and more insightful, followed by a trough in the afternoon, and a peak in the evening.

SURVIVING THE TROUGH

The late-afternoon trough is the most perilous time of day. Researchers have found that surgical errors in hospitals are more likely to occur in the late afternoon, and traffic accidents peak between 2:00pm and 4:00pm. One way to survive the trough is by scheduling vigilance breaks—some hospitals have reduced afternoon errors by making teams take a time out to check the specifics of the surgery before beginning.

In other cases, restorative breaks can make all the difference. A study of Danish schoolchildren found that those taking a test in the afternoon scored significantly worse than those taking it earlier in the day. However, taking the afternoon test after a 20- to 30-minute break led to scores that were the equivalent of the students spending three additional weeks in the classroom.

For adults, short breaks from any task can make us more effective, and frequent breaks are the most effective. Moving, rather than sitting, is important—a series of five-minute micro-bursts of activity improves concentration and motivation. Social breaks with others are more effective than time alone, outside is better than inside, and totally detaching from the work is key.

DON'T SKIP LUNCH

Most people believe that "breakfast is the most important meal of the day," but there's little scientific evidence to back this up. Much more important is the meal we often skimp—lunch. If you want to minimize the afternoon trough, do not eat lunch at your desk. Walk away, preferably outside, and eat lunch with others.

NAP

Naps are like Zambonis for our brains, smoothing the rough edges and boosting our memory and vigilance. A large study in Greece found that people who napped were 37% less likely to die from heart disease, while a British study found that just anticipating a nap lowers blood pressure. The optimal nap-time is 10-20 minutes. Any longer and we wake up feeling sluggish and disoriented.

To really excel at napping, take a "nappuccino," a cup of coffee right before sleeping—the caffeine will kick in and wake you up after about 20 minutes, leaving you refreshed and ready to tackle the rest of the afternoon.

LIVING WITH YOUR CHRONOTYPE

Think about your behavior on "free" days, when you don't have to wake up at a specific time. What time do you go to sleep and wake up, and what is the mid-point of those two times? For most of us, the sleep mid-point falls between 3:00am and 5:00am. If it falls between midnight and 3:00am, you're a lark; if it falls at 6:00am or later, you're an owl. To be even more granular, track your behavior every 90 minutes for a week; make a note of what you are doing, and how mentally alert and physically energetic you feel.

Most of us should schedule analytic tasks and tough decisions in the early- to mid-morning, but owls should wait until late afternoon or evening. For tasks involving insight, owls perform best in the morning and everyone else in the late afternoon to early evening.

If you don't have control over your time (and most of us do not), being aware of your sub-optimal time of day can at least allow you to compensate. If you need to have better mornings, hydrate with a glass of water and wait 90 minutes before grabbing a coffee—cortisol levels are higher first thing in the morning, so the caffeine will not have much of an impact until an hour or two after you wake up when the cortisol levels start to dip.

STARTING, ENDING, AND IN BETWEEN

In all areas of life, we tend to focus on what: what could they do better, what should be improved or replaced? But often, the most important factor to consider is when. When we begin something—the school day, a career—can have a huge impact on the outcome. Midpoints can be confusing, becoming either a period of sloth or of renewed energy. Endings can affect how we view an entire event, for better or for worse.

Yale Economist Lisa Kahn discovered that people who enter the job market in weak economies earn less than those who started in strong economies—not just in the early stages of their careers but for as long as twenty years afterward. Unfortunately, there's not a lot we can do about this as individuals—policy changes like forgiving student loans for an age cohort that enters the job market during a recession could go a long way to alleviate the effects of this poor start.

STARTING RIGHT

Humans navigate time using "temporal landmarks" like the first day of the year, the month, or the week, or anniversaries of important events such as marriages and births. If you get off to a rough start in a new venture, use a temporal landmark to start over.

One way to avoid a false start is to conduct a "pre-mortem" before beginning a new project or venture. Imagine it's 18 months from now and the project was a disaster—what went wrong? By imagining the problems in advance, you can avoid them once the project actually gets underway.

MID-POINT MALAISE

Sometimes, hitting the midpoint of a project, a career, or a semester causes us to stall. Other times, it stirs us into action. Interestingly, scientific studies have found no concrete evidence for what we tend to think of as the quintessential mid-point slump, the midlife crisis. What they have found is that, across socioeconomic and demographic circumstances, happiness climbs in early adulthood; begins to slide in the late thirties; reaches a trough in the early fifties; then recovers quickly so that most of us are happier over the age of 70 than we were at 18. A lot of this mid-life dip seems to be the result of the unrealistic expectations we tend to harbor in our youth.

Conversely, the mid-point can also galvanize us to take action: "We're running out of time!" A study of NBA games over a 15-year period that focused on half-time scores found, not surprisingly, that teams that were ahead at half-time tended to win more games; but teams that were behind by just one point were more likely to win.

The best way to turn a mid-point slump into an energizing spark is to be aware that it exists. Use the midpoint as a wake-up call—imagine that you are behind but only by a little. Set interim goals, to help maintain motivation during a lengthy project, and commit to them publicly.

POWERFUL ENDINGS

Endings shape our behavior. Approaching the end of a temporal landmark can energize us to focus on something significant. For example, first-time marathon runners are most likely to be in the last year of a life-decade, i.e., aged 29, 39, or 49.

Endings also help us to encode an experience, that is, to evaluate and record it. Several studies have shown that we tend to evaluate the quality of a meal, a movie, or a vacation not by the full experience, but by certain moments, particularly the end. On the downside, endings can also twist our memory and cloud our perception, overweighting the ending and ignoring the whole.

We also seem to have an innate preference for happy endings: whether a patient getting test results or a student awaiting a mid-semester evaluation, people invariably want to hear the bad news first, and the good news at the end.

SUCCESSFUL ENDINGS

Many "when" decisions are about endings—when to leave a job, for example. If you answer yes to two or more of the following, it might be time to quit:

- Do you want to be in this job on your next work anniversary?
- Is your job both demanding and in your control?
- Does your boss allow you to do your best work?
- Does your daily work align with your long-time goals?

It is possible to create more meaningful and memorable endings in many aspects of our lives. For example, instead rushing home at the end of the work day, take five minutes to write down what you accomplished since the morning and your plan for tomorrow. This will give a sense of positive completion and reenergize you for the next day.

On a vacation, schedule something particularly memorable for the final day, to leave you with a positive and elevating experience.

SECRETS OF GROUP TIMING

Our ability to survive depends on coordinating with others in and across time. Managing our own individual timing—the beginnings, midpoints, and endings—is crucial, but so is group timing. The first step is synchronizing our actions with others using tools like the clock. But beyond that there are three principles of group timing, whether we're talking about a choir singing in harmony or the famous dabbawalas of Mumbai, who collect and deliver thousands of home-cooked meals to workers across the city every day: synchronizing to the boss, to the tribe, and to the heart.

THE BOSS

The first principle in successful group timing is having an external standard to set the pace—a boss such as a choirmaster or a coxswain. The choirmaster doesn't sing, and the coxswain doesn't row—rather, they are above and apart from the group, maintaining standards and focusing the collective mind.

THE TRIBE

Belonging to a group conferred an evolutionary advantage back when humans were roaming the open savannah. Today, this desire to belong helps to cement groups. However, getting social cohesion to emerge can take some work. One way to encourage tribal connection is the use of codes, a shared language and heritage. Another is the use of clothing—a hat, a chef's jacket, a uniform. Touch also helps to bolster a feeling of belonging; researchers have found that NBA teams that touch each other a lot (fist bumps, high fives, huddles, etc.) perform better as individuals and as a team.

THE HEART

Coordinating in a group engenders positive feelings, and in some cases can have a profound physiological impact. Choral singing calms heart rates, boosts endorphin levels and lung function, and even increases the production of infection-fighting immunoglobulin. It becomes a virtuous cycle: feeling good promotes social cohesion which in turn makes it easier to synchronize, making us feel even more positive. It also makes us more likely to treat others in an open and positive manner. A study at the University of Oxford found that children who played a synchronized clapping game were more likely to help their peers later on, than children playing a non-synchronized game.

Coordinating and synchronizing with others is a powerful way to lift your physical and psychological well-being. Some ways to do this include signing in a chorus; running in a group; rowing crew; dancing; and cooking with others.

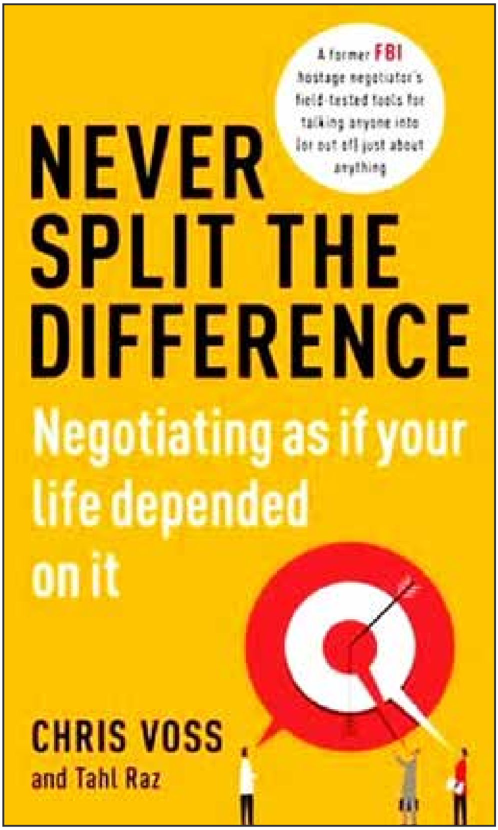
Never Split the Difference

By: **CHRIS VOSS**

Do you dread negotiations for fear of the conflict involved?

The fact is that every aspect of our lives involves some form of negotiation—from a salary discussion to a child's bedtime, a business deal to a high-stakes hostage crisis.

In these situations, the only way to get what you think is right is to ask for it. In Never Split the Difference, former expert FBI hostage negotiator Chris Voss details that the best way to do this is to use a set of tools that allows you to better connect with others, influence them, and negotiate for what you want.



TOP 20 INSIGHTS

- Never split the difference—it leads to dreadful outcomes. If you want to wear your black shoes, but your spouse wants you to wear the brown ones, splitting the difference means you end up wearing one black shoe and one brown. Compromising is a cop-out, a way to feel safe.
- Start any negotiation by listening; it's the only way to create enough trust and safety for a real conversation, to identify what your counterpart actually needs and to get them to feel safe enough to talk about what they really want.
- Practice good listening—it will help you develop emotional empathy. Researchers at Princeton University used an fMRI brain-scan to discover that people who paid the most attention, i.e., really good listeners, could actually anticipate what a speaker was about to say.
- In her daily TV show, Oprah was a master listener. She was able to get the person she was interviewing to talk about their deepest secrets, using a smile to ease the tension, signaling empathy with subtle verbal and nonverbal signals, and speaking slowly.
- Use tactical empathy to encourage your counterpart to expand on their situation. You don't have to agree with them, just acknowledge their situation. Once the other person realizes that you are listening, they are more likely to tell you something that you can use.
- Mirror what your counterpart says. People are drawn to what is similar and fear what is different. Mirroring encourages the other person to keep talking, and ultimately to reveal their strategy.
- Label your counterpart's fears; it disrupts the power of a negative thought or emotion. Labeling essentially short-circuits the amygdala, the part of the brain that reacts to real or imaginary threats.
- Pushing for "yes" makes people defensive; you have to get past the counterfeit and confirmation yesses in order to get to the real commitment.
- As Mark Cuban, billionaire owner of the Dallas Mavericks, remarks: "Every 'No' gets me closer to a 'Yes.'" Often, the word "no" just means "wait" or "I'm not comfortable with that." Once you hear that first "no," the real negotiation begins.
- If you're trying to work with someone and they keep ignoring your messages, provoke a "no" response with a simple one-sentence email: "Have you given up on this project?" Odds are, the other person will respond with something like, "No, it's just that other issues have cropped up and..."
- Bend your counterpart's reality. Psychologists Kahneman and Tversky discovered that people will take more risks to avoid a loss than to realize a gain. Use your counterpart's loss aversion to persuade them that they will lose something if the deal falls through.
- Get your counterpart to say, "That's right!" Once they say this, you've reached a breakthrough moment—they are acknowledging that you understand where they are coming from.
- Columbia Business School psychologists found that job applicants who named a range received significantly higher salaries than those who offered

a single number. If your goal is $60,000, give the range of $60,000-$80,000 and they'll likely come back with $60,000—or higher. Give the number $60,000, however, and they'll likely offer you less.

- The person who is really in control in a conversation is the one who is listening—the talker is revealing information while the listener can direct the conversation toward his own goals.
- The first step to dealing with any counterpart is to identify their negotiating style. Are they an Accommodator, an Assertive, or an Analyst?
- Psychologist Kevin Dutton coined the phrase "unbelief"—active resistance to what the other side is saying. As a negotiator, your role is to stop the other side from unbelieving; give them the illusion of control through asking for help with calibrated questions.
- Calibrated questions such as, "How can I do that?" gently push your counterpart to search for other solutions. The negotiation becomes an information-gathering process where your counterpart is vested in creating the outcome that you want.
- Approaching deadlines—whether real or merely an arbitrary line in the sand—make people do impulsive things. Research by UC Berkeley professor Don A. Moore found that when negotiators tell their counterparts about their deadline, they get better deals.
- When someone seems irrational, they most likely are not—they're just being driven by a constraint or hidden desire that you haven't uncovered yet, or they're operating on bad information.
- Any negotiation requires preparation, an outline of your tools. This is the "one sheet" that summarizes your approach.

SUMMARY

Negotiation is not about creating a win-win situation, finding a compromise, or getting to yes—it's about connecting with your counterpart so that you can figure out what they really want and using that to get what you want. The key is to practice active listening and tactical empathy: make counterparts feel safe enough to reveal themselves. Frame the negotiation using tools like mirroring (repeating your counterpart's key words), labeling your counterpart's fears, and asking calibrated questions that start with "How...?" or "What...?" The first "no" is not the end of the negotiation, but the beginning. Once you get your counterpart to say, "That's right!" you've reached a turning point. Figure out your counterpart's negotiation style: are they an Analyst, an Accommodator, or an Assertive? Prepare for any negotiation by drawing up a one-sheet list of five key points that summarize your approach.

ACTIVE LISTENING AND TACTICAL EMPATHY

Not every negotiation is as high stakes as a hostage situation where lives are on the line; but in any negotiation emotions can run high and you can be blindsided by surprises. Whatever you are trying to achieve, remember that every negotiation is a process of discovery. Your aim is to uncover as much information as possible.

ACTIVE LISTENING

Your first goal is to identify what your counterpart actually needs and to get them to feel safe enough to talk about what they really want. Make the other person and what they have to say your sole focus—not your position or argument, but theirs. Start by listening; it's the only way to create enough trust and safety for a real conversation.

As you speak, slow things down, otherwise you risk undermining the trust and rapport you are trying to build. And smile, as it creates a feeling of collaboration and problem solving instead of fight and resist.

Use a positive, easy-going, even playful voice, to get your counterpart to relax and open up. You can also try the "late-night FM DJ" voice—inflected downward, calm, and slow. Occasionally there may be times to use an assertive voice, but most of the time this will just create pushback so use it sparingly.

Mirror what the other person is saying: repeat their last three words (or most important one-to-three words). People are drawn to what is similar and fear what is different. By mirroring what someone says, you encourage them to bond with you, to keep talking, and ultimately to reveal their strategy. Mirroring even works on the most forceful type-A personality, the person who looks for consent rather than collaboration: use the soothing "late night FM DJ" voice, start with "I'm sorry...", mirror their words, leave a long pause of four or more seconds so that the mirror works its magic, and repeat. This tactic is a way of saying "help me understand" without triggering your counterpart's defensiveness.

TACTICAL EMPATHY

In any negotiation, aim to create an empathic relationship that encourages your counterpart to expand on their situation. Imagine yourself in their shoes—you don't have to agree with them, just acknowledge their situation. Once the other person realizes that you are listening, they are more likely to tell you something that you can use.

Focus first on clearing away any barriers to reaching an agreement. Denying that the barriers exist just gives them power; get them out into the open. Similarly, label your counterpart's fears—this disrupts the power of a negative thought or emotion, essentially short-circuiting the amygdala, the part of the brain that reacts to real or imaginary threats. Labeling reinforces and encourages positive feelings, so you can get more quickly to a place of trust. Use phrases such as "It sounds like..." or "It looks like..." Avoid saying "I'm hearing..." If you start with the word "I" it will raise your counterpart's guard. Keep the labeling neutral.

After you label a barrier, or mirror a statement, pause to let it sink in. Your counterpart will inevitably fill the silence.

Researchers at Princeton University used an fMRI brain-scan to discover that people who paid the most attention, i.e., really good listeners, could actually anticipate what a speaker was about to say. Practice good listening—it will help you to develop emotional empathy. This is not the same as being nice or agreeing with everything someone says, it's about understanding where they are coming from.

OPRAH

In her daily TV show, Oprah was a master practitioner of these skills. She was able to get the person she was interviewing to talk about their deepest secrets, using a smile to ease the tension, signaling empathy with subtle verbal and nonverbal signals, and speaking slowly.

THE IMPORTANCE OF NO

Most people assume that the goal of a negotiation is to get the other side to say "yes." But in fact, pushing for a "yes" makes people defensive. Often, the word "yes" is a counterfeit ("I don't really mean it, I just want you to go away"), or a confirmation (a simple affirmation with no promise of action), not an actual commitment. As a negotiator, you have to get past the counterfeit and confirmation yesses in order to get to the real commitment.

"NO" VS. "YES"

Although the end goal of any negotiation is to get your counterpart to say "yes," don't try to get there too quickly. Instead, start with getting to "no"—often, the word "no" just means "wait" or "I'm not comfortable with that." Once you hear that first "no," the real negotiation begins.

Mark Cuban, billionaire owner of the Dallas Mavericks, says, "Every 'No' gets me closer to a 'Yes.'" You can start by purposely mislabeling your counterpart's emotion, prompting them to say, "No, that's not it at all, it's really this…" Or, ask the other party what they don't want—it leaves them much more open to saying what they really do want.

When someone says "no" they feel more comfortable and in control. By getting them to say what they don't want, you're allowing them to define their space and be confident enough to listen to you. You have to train yourself not to hear "no" as a rejection but as a substitute for something like, "I'm not ready to agree yet," or "I don't understand." Once you hear that no, pause, and ask a solution-based question or simply label the effect: "What about this doesn't work for you?" or "It seems like there's something here that bothers you."

This approach even works in an email. If you're trying to work with someone and they keep ignoring your messages, provoke a "no" response with a simple one-sentence email: "Have you given up on this project?" Odds are, the other person will respond with something like, "No, it's just that other issues have cropped up and…"

DON'T COMPROMISE

Never split the difference—it leads to dreadful outcomes. Imagine, you want to wear your black shoes, but your spouse wants you to wear the brown ones. If you split the difference, you end up wearing one black shoe and one brown! Compromising is just an easy cop-out, a way to feel safe.

THAT'S RIGHT!

In any conversation we are trained to throw out nice phrases like "yes" and "you're right"—but in a negotiation, when someone says these things, they are really trying to get you to go away or back down. It's a polite way to say, "I'm not really interested in what you have to say." If you tell someone "you're right" they may go away happy, but you haven't really agreed to do anything. Instead, you want to get your counterpart to say, "That's right!" Once they say this, you've reached a breakthrough moment—they are acknowledging that you understand where they are coming from.

The best way to trigger "that's right!" is by giving a summary, something that identifies, rearticulates, and emotionally affirms their world. For example, ask "How will we know we're on track?" When your counterpart answers, summarize what they say until you get to "That's right." Now you know they've bought in.

ANCHOR THE STARTING POINT

People are emotional and irrational animals—as a negotiator, your task is to see below the surface, understand what is really motivating your counterpart, and bend their reality by anchoring their starting point. The person who is really in control in a conversation is the one who is listening—the talker is revealing information while the listener can direct the conversation toward his own goals.

DEADLINES

Approaching deadlines—whether real or merely an arbitrary line in the sand—make people do impulsive things. Research by UC Berkeley professor Don A. Moore found that when negotiators tell their counterparts about their deadline, they get better deals.

Similarly, your counterpart's deadline can work to your advantage—car dealers are more likely to give you the best price near the end of the month, when their transactions are being assessed. Corporate salespeople are more vulnerable when the quarter is coming to a close.

Don't think that a deadline means you have to reach an agreement no matter what: no deal is better than a bad deal.

BEND THEIR REALITY

People will take more risks to avoid a loss than to realize a gain. Called Loss Aversion, this reaction was discovered by psychologists Kahneman and Tversky in 1979 in their work on how people choose between options that involve risk. For the negotiator, this means that you have to persuade your counterpart that they will lose something if the deal falls through.

Start by anchoring their emotions: "I have a lousy proposition for you ... still, I wanted to bring you this before I take it to anyone else." Suddenly, your counterpart is more focused on not losing out to the next guy than on whether they love the proposition.

Another tactic is to avoid mentioning a number or price—let your counterpart be the first to do so. Alternatively, you can allude to a range, but one with an extreme anchor. This can work really well in salary negotiations. Columbia Business School psychologists found that job applicants who named a range received significantly higher overall salaries than those who offered a single number. If your goal is $60,000, give the range of $60,000-$80,000 and they'll likely come back with $60,000—or higher. Give the number $60,000, however, and they'll likely offer you less than that.

CALIBRATED QUESTIONS

Psychologist Kevin Dutton coined the phrase 'unbelief'—active resistance to what the other side is saying. As a negotiator, your role is to stop the other side from unbelieving; you do this by giving them the illusion of control through asking for help with calibrated questions.

Open-ended or calibrated questions remove aggression from the conversation by acknowledging the other side. A calibrated question starts with the words "how..." or "what..." By implicitly asking your counterpart for help, you give them the illusion of control while eliciting important information. For example, if your counterpart is getting ready to leave, instead of saying, "You can't leave" ask, "What do you hope to achieve by leaving?"

Similarly, repeatedly asking, "How can I do that?" gently pushes your counterpart to search for other solutions. Often, it will actually get them to bid against themselves. In essence, the negotiation becomes an information-gathering process where your counterpart is vested in creating the outcome that you want.

This is a standard tactic in hostage negotiations. When kidnappers make demands the negotiator will open with something like, "How do I know the person is OK?" Invariably, the kidnapper offers to put the person on the phone.

Avoid just asking "Why...?" In any language, that can come off with an accusatory undertone to the listener.

When you do hear a "yes," how do you know it's not counterfeit or a mere confirmation? Use the Rule of Three: with a combination of calibrated questions, summaries, and labels get your counterpart to reaffirm their agreement at least three times.

SPOT THE LIAR

Pay close attention to tone of voice and body language—when the words and the nonverbal signals don't match, you know your counterpart is lying or is uncomfortable with the deal.

Liars tend to use more words than truthful people; they also use far more third-person pronouns (him, her, it, they) rather than the first-person I, as if to distance themselves from the lie.

BLACK SWANS

Every so often, you'll encounter a situation that seems to make no sense and hard to conquer under conventional methods. The following steps can help you to navigate through these situations.

FIND THEIR STYLE

The first step to dealing with any negotiator is to identify their negotiating style. Are they an Accommodator, an Assertive, or an Analyst?

THE ANALYST

This is a person who is methodical and diligent. They rarely deviate from their goals and they hate surprises. They also tend to be skeptical. If you're facing an Analyst, be prepared; use clear data to drive your reason. When they go silent, it means they want to think.

If you are an Analyst, recognize that your most essential source of data is your counterpart. Smile when you speak; it will get them to open up more.

THE ACCOMMODATOR

This is a person who relishes the relationship and is most happy when they are communicating. They are likely to build rapport without actually agreeing to anything. Use calibrated questions to nudge them along and to uncover their true objectives. If an Accommodator goes silent, it probably means they are angry.

If you are an Accommodator, rein in your desire to chit-chat, otherwise you'll give too much away and risk not reaching any conclusions.

THE ASSERTIVE

This person believes time is money and their self-image is connected to how much they get done in a set period of time. They love to win, and they demand respect above all else. Focus carefully on what an Assertive counterpart has to say; they will only listen to you once they are convinced that you understand their point of view. They love to talk so use mirrors, along with calibrated questions, labels, and summaries, to draw them out.
If you are an Assertive, beware your tone as you can come across as harsh.

Whoever your counterpart is, but particularly if they are a bare-knuckles negotiator who relishes getting down to 'brass tacks' and arguing, prepare thoroughly. Design an ambitious but attainable goal, then game out all the labels, calibrated questions, and responses you can use, so that you don't have to wing it in the actual negotiation. A bare-knuckles negotiator will try to knock you off your game early on; prepare some dodging tactics and set some boundaries. Remember, the person on the other side of the table is never the problem—the unsolved issue is. Focus on the issue.

LOOK FOR THE BLACK SWAN

The notion of the Black Swan was popularized by risk analyst Nassim Nicholas Taleb—they are the unknown unknowns that can crop up in any situation. In a negotiation aim to flush them out. Start with what you do know but be flexible. Dig into the other side's worldview, their 'religion,' and review everything you know about them. Use this to exploit the similarity principle by showing what you have in common.

Remember that when someone seems irrational, they most likely are not—they're just being driven by a constraint or hidden desire that you haven't uncovered yet, or they're operating on bad information. Try to get face time—you can learn more in a ten-minute face-to-face meeting than in days of research.

NEGOTIATION ONE SHEET

Any negotiation requires preparation—not a detailed script, which can hinder your ability to be flexible, but an outline of your tools. Call it the "one sheet" that summarizes your approach (the phrase comes from the entertainment industry, where one sheet summarizes a product for publicity and sales). Your negotiation one sheet will have five short sections:

GOAL

Think through the best- and worst-case scenarios and home in on a specific goal that represents the best case. Write it down.

SUMMARY

In a couple of sentences, summarize the known facts that have led up to this negotiation. You should be able to summarize the situation in a way that gets your counterpart to say, “That’s right!”

LABELS

Prepare three to five labels that can get information out of your counterpart, things like, “It seems like … is valuable to you,” “It seems like you’re reluctant to…,” and so on.

CALIBRATED QUESTIONS

Next, prepare three to five “what” and “how” calibrated questions to identify and overcome potential deal killers, such as:

“What are we trying to accomplish?”
“How does that affect things?”
“What happens if you do nothing?”

Be ready to use some follow-up labels to their answers: “It seems like you are worried that…”

NONCASH OFFERS

Prepare a list of noncash items that your counterpart possesses that would also be valuable; e.g., if a counterpart is unlikely to pay the full price for your work, what else will you accept that will also advance your interests.

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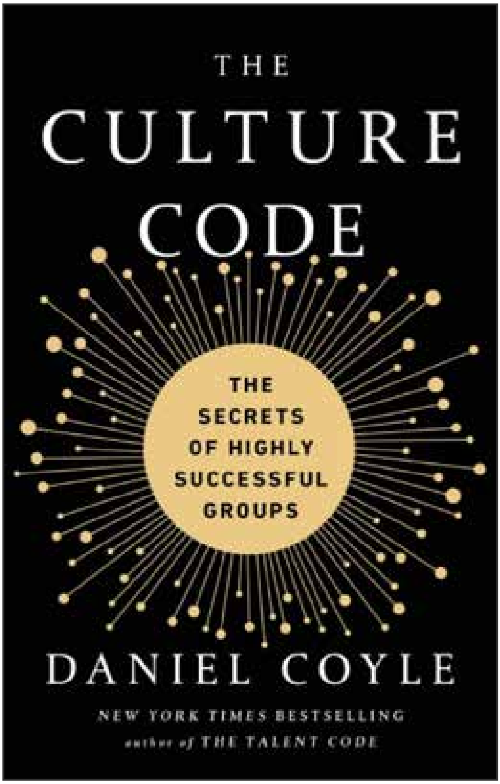
The Culture Code

By: **DANIEL COYLE**

Why do some teams deliver performances exponentially better than the sum of their counterparts, while other teams add up to be much less? How can one build teams that seamlessly collaborate and act like a single hive-mind? The answer lies in group culture.

New York Times bestselling author Danny Coyle unlocks the secrets of highly effective group cultures by studying the finest teams across various industries in the world, including the Navy SEAL's, Pixar Studios, and the San Antonio Spurs.

The Culture Code presents the three most important master skills required to transform your organizational culture.



TOP 20 INSIGHTS

- Group cultures are extremely powerful. A Harvard study of over two hundred companies shows that strong culture increases net income 765 percent over ten years. Cultures are not predestined. They are a set of living relationships oriented towards a common goal. Group culture has more to do with what teams do than what they are.
- The collective feeling of safety is the foundation on which strong cultures are built. Belonging cues are non-verbal signals that humans use to create safe connections in groups. The three basic qualities of belonging cues are 1) the energy invested in the exchange, 2) valuing individuals, and 3) signaling that the relationship will sustain in the future.
- Evolution has conditioned our unconscious brain to be obsessed with sensing danger and craving social approval. Belonging cues, when repeated, create psychological safety and help the brain shift into connection mode. Psychological safety is easy to destroy and hard to build.
- "Magical Feedback" enables leaders to give uncomfortable feedback without creating resentment. It creates strong belonging cues by doing three things: 1) It tells the person that they are a part of the group, 2) it reminds them that group has high standards, and 3) it assures them that they can reach these standards.
- Collisions are serendipitous personal encounters that form community and encourage creativity and cohesion. Designing for physical proximity and collisions creates a whole set of effects including increased connections and a feeling of safety.
- When someone joins a group, their brains are deciding whether to connect or not. Successful cultures capitalize on these threshold moments to send powerful belonging cues and bring a sense of ongoing togetherness and collaborative harmony to existing and incoming team members alike.
- The key to building trusting cooperation in groups is sharing vulnerability. The best teams intentionally create awkward, painful interactions to discuss hard problems and face uncomfortable questions. It is these interactions that produce the cohesion and trust necessary for fluid, organic cooperation.
- Navy SEALs do After Action Reviews(AAR) where each mission in discussed excruciating detail to share vulnerability and model future behavior. When given orders to use helicopters to eliminate Bin Laden, they repeatedly simulated crashes and did AAR's. When a helicopter crash-landed during the actual mission the teams adapted instantly. The mission was over in 38 minutes.
- Vulnerability does not come after trust is established. Instead, exchanges of vulnerability are the pathway through which trust is built. Group cooperation is built by repeated patterns of sharing such moments. In other words, "Being vulnerable together is the only way a team can become invulnerable".
- Moments of concordance happen when a person responds authentically to the emotion projected in the room. This empathetic response establishes a connection. The key moments of concordance happen when a person is actively listening.

- "I screwed that up" is among the most important things a leader can say. Sharing of vulnerability as exemplified by a leader makes the team feel it's safe to be honest in this group.
- The two most critical moments in group formation are the first vulnerability and the first disagreement. The way these moments are handled sets a clear template that prefaces either divisive competition or constructive collaboration in the future.
- Candor-generating practices where the team sits down together to exchange candid feedback help them share vulnerability and understand what works. These practices create a shared mental model for the groups to navigate future challenges.
- High-purpose environments create strong narratives that connect the present to a meaningful future. In 1998, Harvard researchers found that the inexperienced team from Mountain Medical Centre learnt a surgical technique much faster than an experienced team from Chelsea Hospital. This Mountain Medical Centre team's narrative constantly reinforced how this technique would help serve patients better.
- The value of narratives and signals is not in their information but in their ability to orient the team towards the larger goal. They are less about inspiration and more about being consistent.
- High Proficiency Environments have clear tasks that require consistent and effective performance. High Creativity Environments, on the other hand, focus on innovation. These require different types of beacon signals to building purpose.
- Leaders of high proficiency groups focus on ordering priorities and creating a clear, simple set of practices that function as a lighthouse aligning everyday behavior with the core organizational purpose.
- Pixar's President Ed Catmull says that every creative project starts as a disaster. Building purpose in High Creativity Environments requires systems that consistently churn out ideas. Every Pixar movie is put through multiple BrainTrust meetings where senior producers and directors give frank feedback. This generates fresh ideas while maintaining the creative team's project ownership.
- An employee survey across 600 companies by Inc. magazine revealed that less than 2 percent of employees could name the company's top three priorities. Leaders of high-performance groups consistently over-communicate priorities painting them on walls, inserting them into speeches and making them a part of everyday language.
- Bar-setting behaviors are simple tasks that define group identity and set high standards for the group. They help organizations translate abstract values into concrete everyday tasks that embody and celebrate the purpose of the group.

SUMMARY

When we think of culture we usually think of groups as the sum of individual skills. In reality, however, nothing could be more wrong. A cohesive group culture enables teams to create performance far beyond the sum of individual capabilities. Strong cultures are created by a specific set of skills that can be learnt and practiced. In this book, Danny Coyle boils it down to three specific skills: Build Safety, Share Vulnerability, and Establish Purpose.

SKILL 1: BUILD SAFETY

Safety is the foundation on which cultures are built. Humans use a series of subtle gestures called belonging cues to create safe connection in groups. Examples of belonging cues include eye contact, body language, and vocal pitch. There are three basic qualities of belonging cues: 1) energy invested in the exchange, 2) treating individuals as unique and valuable, and 3) signaling that the relationship will sustain in the future.

SWITCHING FROM FEAR TO BELONGING

Our unconscious brain is obsessed with sensing danger and craving social approval from superiors. Belonging cues, when repeated, create psychological safety and help the brain shift from fear to connection. On receiving belonging cues, it switches roles and focuses on creating deeper social bonds with the group. This means that belonging happens from outside in, when the brain receives constant signals that signal closeness, safety, and a shared future.

A SURREAL CHRISTMAS ON THE BATTLEFIELD

On Christmas Eve, something surreal happened at Flanders, one of the bloodiest battlefields in World War 1. Tens of thousands of soldiers across the battlefield spontaneously erupted into Christmas carols. Soldiers even began eating and drinking together. This seemingly magical incident becomes intelligible when we analyze the steady stream of belonging cues exchanged by both sides for weeks before Christmas Eve. The close physical proximity created belonging cues as soldiers could hear the conversations and songs from the others side. The British and the Germans would deliver rations to the trenches at the same time. During this time the firing would stop. Slowly these micro-truces expanded to include ceasefire during resupplying, latrines, and gathering of casualties. By the time the “spontaneous” ceasefire happened, thousands of belonging cues had been exchanged to create a sense of connection, safety, and trust.

WHY CULTURES FAIL

To understand what makes cultures tick, it's important to see why cultures fail. The Minuteman missileers are nuclear missile launch officers who handle weapons that are twenty times more powerful than Hiroshima. In recent years, however, they have seen a high rate of failure and accidents including missiles lying unattended on a runway for hours. The Air Force treated this as a disciplinary problem and cracked down. Yet, the failures kept happening.

It's easy to think of the missileers as lazy and selfish. But belonging cues give us a different picture. The missileers spend twenty-four hour shifts inside cramped missile silos with no scope for physical, social or emotional connections. After the Cold War, there is no real mission and few career options. They are expected to conform to near-impossible standards and small failures are severely punished. This creates a perfect cocktail of anti-belonging cues. The missileers fail because they see no safety, no connection, and no shared future.

TECHNIQUES TO BUILD SAFETY

Building safety requires you to recognize small cues, respond quickly, and deliver a targeted signal. This comes with a learning curve and below are some techniques that help:

- **Show Vulnerability:** Instead of hiding weakness to appear competent, leaders must expose fallibility and actively invite feedback. This evokes a connection in the listener who feels "how can I help"?
- **Embrace the Messenger:** Embrace and encourage members who deliver tough feedback or bad news that matters to the team. This creates safety and encourages people to speak the truth fearlessly.
- **Preview Future Connections:** This involves showing the team where they are headed by making a connection between now and the future.
- **Overdo Thank-Yous:** Research shows that a thank-you from one person makes people behave far more generously to others in the group. Thank You's are belonging cues that create safety, connection and motivation.
- **Hire Meticulously and Eliminate Bad Apples:** Who is in and who is out is one of the most powerful signals a group can send. On completing training Zappos offers $2000 to any trainee who seeks to quit. Successful groups display zero tolerance to poor behavior.
- **Create Collison-Rich Spaces:** Collisions, serendipitous personal encounters, are the life of any organization driving community, creativity and cohesion. Design of spaces should be optimized to create more collisions. Designing for physical proximity creates a whole set of effects including increased connections and a feeling of safety. At a distance below 8 meters the frequency of communication increases exponentially.
- **Ensure Everyone has a Voice:** Leaders must actively seek out connections and make sure everyone is heard. For example, some do this by making a rule that

meetings don't end until everyone speaks. Others do this by holding regular open-reviews where anyone can pitch in.

- **Capitalize on Threshold Moments:** When someone joins a group their brains are deciding whether to connect or not. Successful cultures capitalize on these moments to send powerful belonging cues.An OKR culture is an accountable culture, transparent and vision-based. The rulebook tells people what they can or can't do, but the culture of the organization can tell people what they should do. Or, as business philosopher Dov Seidman puts it, "What we choose to measure is a window into our values, and into what we value."

SKILL 2: SHARE VULNERABILITY

Teams succeed because they are able to combine the skills to form a collective intelligence. The key to doing this is sharing vulnerability. This creates the cohesion and trust necessary for fluid, organic cooperation.

<u>CREATING VULNERABILITY LOOPS</u>

A vulnerability loop is established when a person responds positively to a group member's signal of vulnerability. This behavior becomes a model for others who leave their insecurities and begin to trust and collaborate with each other. Group cooperation is built by repeated patterns of sharing vulnerability together.

<u>CREATING COOPERATION IN GROUPS</u>

Navy SEALs training gives teams the remarkable ability to navigate complex and uncertain landscapes in complete silence. The training philosophy can be seen in an exercise called Log PT where teams perform a series of maneuvers with a wooden log. Log PT delivers strong doses of pure agony for extended durations and demands highly coordinated maneuvers. This interplay of vulnerability and interconnectedness is seen throughout the training program generating thousands of microevents that build cooperation and trust.

Dave Cooper carries a reputation for building SEAL teams that collaborate seamlessly. For Cooper the central challenge of creating a hive mind is to develop ways to challenge each other and ask the right questions. To do this, he continually gives signals that nudge them towards active cooperation, use his first name and question his authority. Over time, Cooper has developed tools to improve team cohesion. One of the most effective ones is the After Action Review(AAR) that follows every mission. Cooper creates a safe space for everyone to talk by having "Ranks switched off, humility switched on". The team puts their guns down and the start discussing the mission in excruciating detail, questioning every single decision. AAR's enable the team to have a shared mental model of what happened and model future behavior.

Cooper's methods were tested when his team was asked to fly into Pakistan on stealth helicopters to take down Osama Bin Laden. For the next few weeks, Cooper repeatedly simulated crashed-helicopter scenarios where teams would scramble to figure out how to crash-land and storm the mock compound. This was followed by AAR's. On May 1, when the actual mission took place, both helicopters faced difficulties and one crash landed. Despite this the mission was over in just 38 minutes. The teams knew exactly what to do.

CREATING COOPERATION WITH INDIVIDUALS

At the award-winning design firm IDEO, Roshi Givechi plays a crucial role making things flow when teams are stuck and opening new possibilities. Roshi is not the center of the room. She quietly listens to understand the design and team-dynamics issues that the team is facing. Then she asks questions that bring out the tensions and help teams gain clarity on both project goals and team dynamics. She calls this surfacing. This isn't always pleasing. Sometimes it's a nudge to work harder or try a different approach. Moments of concordance happen when a person responds authentically to the emotion projected in the room. This empathetic response establishes a connection. The key moments of concordance happen when a person is actively listening.

TECHNIQUES TO SHARE VULNERABILITY

Building group vulnerability takes time and systematic, repeated effort. These are some techniques that successful teams follow.

- **The Leader is Vulnerable First and Often** "I screwed that up" is among the most important things a leader can say. Sharing of vulnerability makes the team feel it's safe to be honest in this group.
- **Deliver Clear Signals:** The best teams send repeated signals that set expectations for sharing vulnerability and align language and roles to achieve this.
- **Deliver the smallest of negative feedback in-person:** This avoids misunderstandings and reinforces clarity and connection.
- **Focus on Two Critical Moments:** The two most critical moments in group formation are the first vulnerability and the first disagreement. The way these moments are handled sets a clear template that privileges either competition or collaboration.
- **Practice Engaged Listening:** The best listeners add energy to the conversation by responding actively and asking questions from multiple angles. They avoid the temptation to jump in with suggestions until "a scaffold of thoughtfulness" is established.
- **Create Candor-generating Practices:** Practices like the AAR's help the team share vulnerability and understand what works. These practices create a shared mental model for the groups to navigate future challenges.
- **Use Flash Mentoring:** Members pick a person they wish to learn from and shadow them for a few hours. This breaks down barriers and builds relationships.
- **Make Leaders Disappear:** The best leaders occasionally leave their team alone

at crucial moments to enable them to make key decisions themselves.

SKILL 3: ESTABLISH PURPOSE

Purpose does not stem from a mystical inspiration but from creating simple ways to focus attention on the shared goal. High-purpose environments provide clear signals that connect the present moment to a meaningful future goal. Stories are the most powerful tool to deliver mental models that drive behavior and remind the group about the organization's purpose.

CREATING BEACONS OF MEANING

In 1998, Harvard researchers studied the learning velocity of 16 hospitals who went through a three-day training program to learn a new heart surgery technique. At the outset it looked like the team from Chelsea Hospital, an elite institution with a strong organizational commitment to the procedure would win the race. However, the team from Mountain Medical Centre, a small institution with an inexperienced team, overtook Chelsea by the fifth surgery.

The difference lay in a set of small, repeated signals that focused attention on the shared goal. The Mountain Medical Centre team were constantly reminded that the technique is an important learning opportunity that would benefit patients. This created a narrative that linked the current action with the larger goal.

These beacon signals depend on the nature of the tasks the groups perform. High Proficiency Environments have clear tasks that require consistent and effective performance. High Creativity Environments on the other hand focus on innovation. These require different approaches to building purposes.

LEAD FOR HIGH PROFICIENCY: THE LIGHTHOUSE METHOD

Four out of five restaurants in New York vanish within five years. Against these seemingly impossible odds Danny Meyer has successfully built twenty-four unique restaurants ranging from an Italian Cafe to a Barbeque Joint. Every restaurant creates an ambience of warmth and connection.

When Meyer started his first restaurant, he trained the staff himself and created a language that radiated warmth. How the team treated each other became top priority Meyer created catchphrases for favorable behaviors and interactions. For example, Making the Charitable Assumption meant giving the benefit of the doubt when someone behaves poorly.

Creating engagement around a clear, simple set of behaviors can function as a lighthouse aligning behaviors with the core organizational purpose. As the author puts it: Leaders of high proficiency groups focus on creating priorities, naming keystone behaviors and flooding the environment with heuristics that link the two.

LEAD FOR HIGH CREATIVITY

Ed Catmull, President and cofounder of Pixar, is one of the most successful creative leaders of all time. For Catmull, every creative project necessarily starts as a disaster. Teams never get the right set of ideas right away. Building purpose has more to do with building systems that consistently churning out ideas. Creative leadership is getting the team working together, helping them navigate hard choices and see what they are doing right and where they make mistakes.

To do this Catmull created a set of organizational habits. Every movie is put through at least six BrainTrust meetings during development. These meetings are frank and candid, harnessing the ideas of the entire team while maintaining the creative team's project ownership. As Catmull puts it "All our movies suck at first. The BrainTrust is where we figure out why they suck, and it's also where they start not to suck."

These methods are not limited to Pixar alone. When Catmull was asked to lead Walt Disney Animation, a studio several times bigger than Pixar, he was able to recreate the magic. With zero staff turnover, the studio began to generate a string of hits.

TECHNIQUES TO ESTABLISH PURPOSE

High-purpose teams are built through navigating challenges together and reaffirming their common purpose.

- Define, Rank and Overcommunicate Priorities: Successful teams have few priorities with group relationship right at the top of the list. An employee survey across 600 companies by Inc. magazine revealed that less than 2 percent of employees could name the company's top three priorities. Leaders of high-performance groups overcommunicate priorities painting them on walls, inserting them into speeches and making them a part of everyday language.
- Identify if you aim for Proficiency or Creativity: Building purpose in high proficiency environments with clearly defined goals requires spotlighting the goal and providing clear checkpoints including repetitive high-feedback training and memorable rules of thumb. Building purpose in creative environments involves providing tools, protecting creative autonomy and make it safe to give feedback. In groups that have a combination of both, it's important to clearly identify the areas to provide effective leadership.
- Embrace Catchphrases: Design catchphrases with action-based clarity that serve as clear reminders of the overarching goal.
- Reinforce Purpose with Artefacts: Successful cultures flood their environments with artefacts that reinforce what the core organizational purpose.
- Create Bar-setting Behaviors: A bar-setting behavior is one simple task that defines group identity and sets high standards for the group. They help organizations translate abstract values into concrete everyday tasks that embody and celebrate the purpose of the group.

Building a cohesive organizational culture focused on core purpose is like building a muscle. It takes time and repeated, focused effort. Ultimately, "Culture is a set of living relationships working toward a shared goal. It's not something you are. It's something you do."

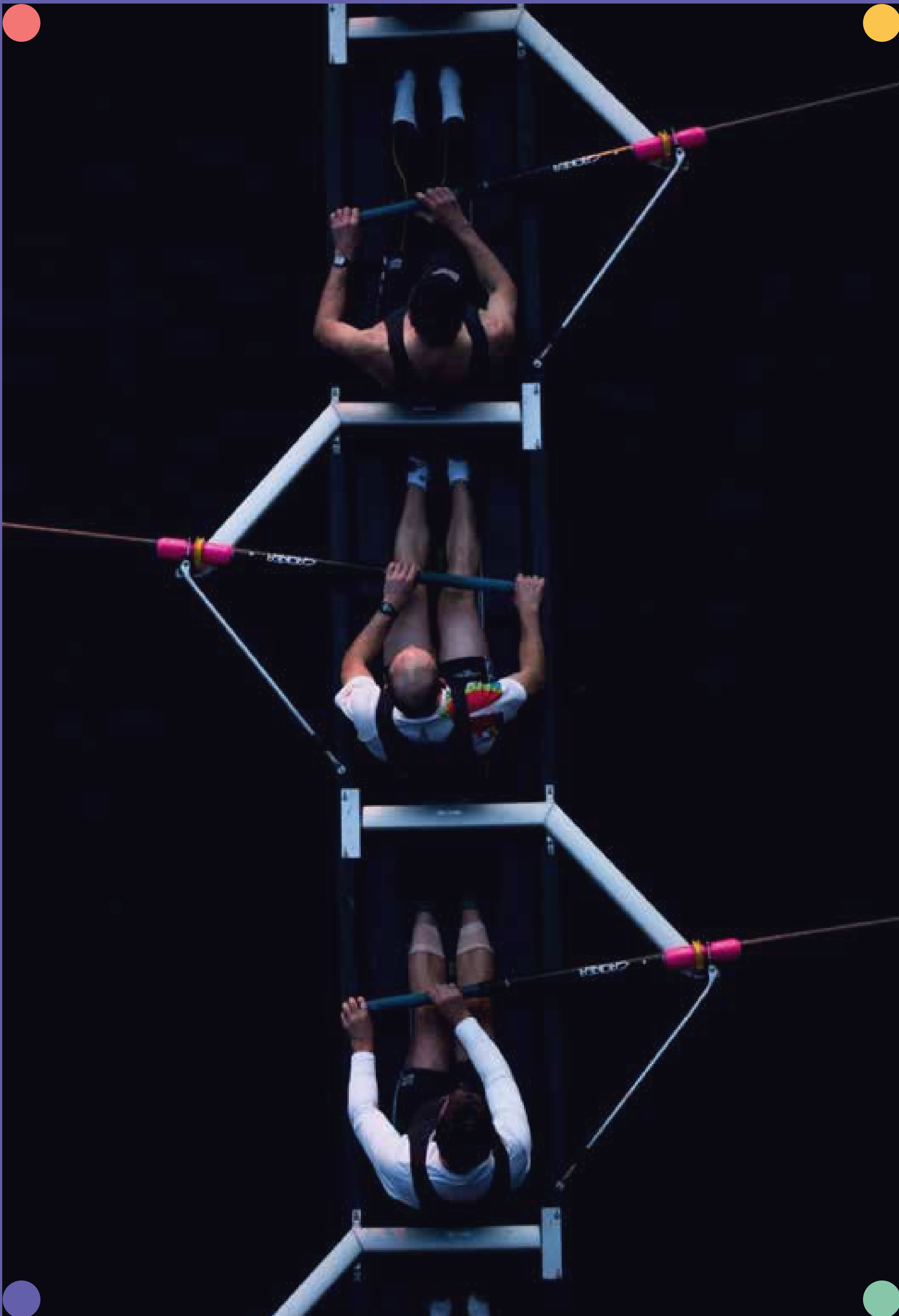


Photo by Josh Calabrese on Unsplash

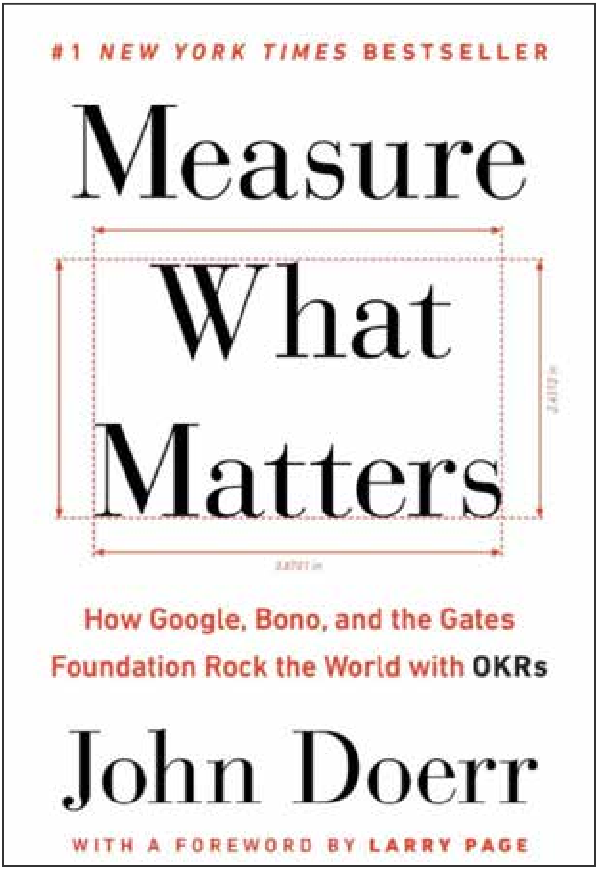
Measure What Matters

By: **JOHN DOERR**

How can your business make the tough choices that will ensure its survival? How do you keep your teams on track while encouraging employees to be fully engaged, even in times of stress and challenge?

The Objectives and Key Results system, pioneered at Intel and perfected at Google, gives an organization timely and highly relevant data to track their progress.

OKRs surface any organization's most important work, focusing effort, fostering communication, and building employee performance and retention.



TOP 20 INSIGHTS

- Google co-founder Larry Page calls Objectives and Key Results “a simple process that helps drive organizations forward,” and says that “OKRs have helped lead us to 10x growth, many times over.”
- An Objective is WHAT is to be achieved: something significant and action oriented, the stuff of inspiration and far horizons. Key Results benchmark and monitor HOW to get to the said Objective: they are specific, time-bound, and metric-driven; measurable and verifiable. Once these Key Results are all accomplished, the objective is achieved.
- A two-year study by Deloitte found that the biggest impact on employee engagement comes from “clearly defined goals that are written down and shared freely.” Most effective is when those goals are linked to the team’s broader mission.
- Peter Drucker, the Father of Modern Management, coined the term “Management by Objectives (MBOs)” in 1954 . While productivity rose markedly at companies where MBOs were embraced, MBOs also have limitations: centrally-planned goals can become stagnant and slow to trickle down through the hierarchy. The OKR system builds on Drucker’s work to create meaningful connections across the organization.
- When Intel was facing an existential threat to its microprocessor business from Motorola, it used the OKR system to reboot the company’s priorities in just four weeks. Dubbed Operation Crush, Intel’s battle plan to “crush” Motorola was clear, precise, and fast, allowing a near-billion-dollar company to turn on a dime.
- The OKRs system is built on four superpowers: 1) Focus and commit to priorities, 2) Align and connect for teamwork, 3) Track for accountability, and 4) Stretch for amazing results.
- Focusing on the handful of initiatives that can make a real difference and deferring the less important ones allows leaders to commit to those choices and makes for a successful organization. High-performance organizations focus on the work that is important and are just as clear on what doesn’t matter.
- Flawed goal-setting can lead to disastrous consequences: Wells Fargo’s ruthless one-dimensional focus on sales targets led to branch managers feeling pressured to open millions of fraudulent accounts. The subsequent consumer banking scandal may have damaged the Wells Fargo brand beyond repair.
- Jini Kim, CEO of healthcare data platform and analytics company Nuna, emphasizes the importance of senior executives embodying the OKR system: “Until your executives are fully on board, you can’t expect contributors to follow suit.”
- Research shows that public goals are more likely to be attained than ones that are held private. In a recent survey of 1,000 workers in the U.S., 92% said they would be more motivated to reach their goals if colleagues could see their progress.
- According to Harvard Business Review, companies will highly aligned employees—where their everyday activities are tied to the organization’s vision—are more than twice as likely to be top performers. But alignment is rare:

studies suggest only 7% of employees fully understand the company's business strategy.

- Healthy organizations encourage some goals to emerge from the bottom up. Google has "20% time" which frees engineers to work on side projects for the equivalent of one day a week.
- Intuit Chief Information Officer Atticus Tysen says the key for Intuit to succeed was for all OKRs to be visible throughout the company. For those working outside headquarters, OKRs ended the mystery of what was happening back at HQ, making the company more cohesive.
- Tracking is a key part of the OKR system. Robust, cloud-based OKR management software packages allow users to navigate a digital dashboard to create, track, edit, and score their OKRs. Such platforms promote internal networking, drive engagement, and make everyone's goals more visible.
- Reflecting on successful completion of an objective is critical: a Harvard Business School study found that learning from direct experience is more effective when coupled with reflection.
- Studies found that people who recorded their goals and sent weekly progress reports to a friend attained 43% more of their objectives than those who merely thought about their goals.
- Bill Gates notes that people in philanthropy often confuse the mission, which is directional, with the objective, which is the set of concrete steps you're actually engaged in. "Having a good mission is not enough. You need a concrete objective, and you need to know how you're going to get there."
- At Google, Larry Page expects team members to create products and services that are ten times better than the competition, not just improving on existing systems but reinventing them. Aspirational OKRs are set at 60-70% attainment, meaning that performance is expected to fall short at least 30% of the time. Team members are encouraged to try and fail.
- Ten percent of Fortune 500 companies have ditched the annual review. Adobe discovered that annual reviews were costing the company 80,000 manager hours a year and in 2012 dropped them in favor of continuous performance management—this combines the quarterly goals and tracking of OKRs with conversations, feedback, and recognition to lift everyone's achievement.
- The rulebook tells people what they can or can't do, but the culture of the organization can tell people what they should do. Or, as business philosopher Dov Seidman puts it, "What we choose to measure is a window into our values, and into what we value."

SUMMARY

Measure What Matters shows how to implement the OKR system—Objectives and Key Results—for any team or organization. An Objective is a concrete, action-oriented thing that needs to be achieved; Key Results are the specific, measurable and verifiable steps that will meet the objective. The OKRs system is built on four superpowers. The first is focusing on the handful of initiatives that can make a real difference and deferring the less important ones; this allows leaders to commit to those choices and makes for a successful organization. The second is the ability to align and connect. OKR transparency means that not only are everyone's goals openly shared, but individuals also link their objectives to the company's overall game plan, and coordinate with other teams. The third OKR superpower is that they can be tracked; they are driven by data, with periodic check-ins, objective grading, and continuous reassessment. The final OKR superpower is the system's ability to motivate people to excel by doing more than they had thought possible. Setting conservative goals stymies innovation; setting ambitious 'stretch' goals encourages people to go outside their comfort zones.

THE OKR SYSTEM

Google co-founder Larry Page calls OKRs "a simple process that helps drive organizations forward," and says that "OKRs have helped lead us to 10x growth, many times over." Objectives and Key Results—OKRs—is a collaborative goal-setting protocol for companies, teams, and individuals; it is a way to surface primary goals, channel efforts, and coordinate.

The OKR system has been adopted most widely in the tech industry, where agility and team work are imperative, but is also found at household names such as Disney and Exxon; at smaller start-ups where having everyone pulling in the same direction is a survival tool; at rapidly-scaling organizations that need a shared language for execution; and in larger enterprises where they function as neon-lit road signs.

An Objective is WHAT is to be achieved: something significant, concrete, action oriented, and (ideally) aspirational. An objective can be long-lived, rolled over for a year or even longer.

Key Results benchmark and monitor HOW we get to the objective: they are specific, time-bound, aggressive yet realistic, and most of all, measurable and verifiable. At the end of a designated time period, typically a quarter, the Key Result is declared fulfilled or not. Key Results can evolve as the work progresses, but once they are all completed, the objective is achieved (and if not, then the OKR was poorly designed).

To put it another way, Objectives are the stuff of inspiration and far horizons. Key Results are metric-driven and earth bound; they are the levers you pull and the marks you hit, to achieve the Objective.

Among experiments in the field of management theory, 90% confirm that productivity is enhanced by well-defined, challenging goals. Alienation saps the bottom line; engaged work groups generate more profit and less attrition. A two-year study by Deloitte found that, to build engagement, the biggest impact comes from "clearly defined goals that are written down and shared freely." Most effective is when those goals are linked to the team's broader mission.

GOOGLE

In 1999 Google was the 18th search engine to arrive on the web. The company needed to make tough choices, keep its team on track, and measure what mattered; OKRs became the tool that institutionalized the founders' "think big" ethos, the scaffolding on which Google built seven products with a billion or more users each—Search, Chrome, Android, Maps, YouTube, GooglePlay, and Gmail.

In 2017, for the sixth year in a row, Google topped Fortune magazine's list of Best Companies to Work For. It is a company rooted in strong and stable leadership, massive technical resources, and a values-based culture of teamwork, transparency, and relentless innovation.

PETER DRUCKER

In his landmark 1954 book The Practice of Management Peter Drucker noted that people are more likely to complete a course of action when they helped to choose it. We can see the genesis of OKRs in Drucker's principle of "management by objectives" or MBOs.

The results were impressive: in companies such as HP, where MBOs were embraced, productivity rose by as much as 56%. But, MBOs also had limitations: centrally-planned goals were slow to trickle down through the hierarchy; they became stagnant without frequent updating; or, they were tied to salaries, so that risk taking ended up being penalized.

INTEL AND OPERATION CRUSH

At Intel, head of operations and eventual-CEO Andy Grove asked, how do we define and measure output by knowledge workers, and how can we increase it? Applying manufacturing production principles to professional and managerial ranks, Grove went beyond MBOs to develop the OKR system.

Grove emphasized that less is more: a few well-chosen objectives, a limit of 3-5 per cycle, imparts a clear message. He emphasized setting goals from the bottom up; to promote engagement, teams and individuals should create about half of their own OKRs. Do not dictate—collective agreement is essential to goal achievement—and stay flexible: key results can be modified, even discarded, mid-cycle if an objective no longer seems practical or relevant as written. He also emphasized the importance of daring to fail: stretch goals push organizations to new heights. OKRs are a tool, not a weapon or a contract; keep them separate from bonuses to encourage risk taking. Finally, be patient and resolute: it can take four or five cycles to really embrace the OKR system and longer to build 'goal muscle.'

In late 1979 Intel was facing an existential threat: having successfully led the initial microprocessor revolution, the company was getting beaten by Motorola's new 68000 chip. Led by Andy Grove, Intel used the OKR system to reboot the company's priorities in just four weeks. Dubbed Operation Crush, Intel's battle plan to "crush" Motorola was clear, precise, and fast. Days of brain-storming by senior management culminated in a plan to mobilize the company. The sales force was brought into the loop and eagerly embraced the new strategy. OKRs gave management a tool for rapid implementation, allowing a near-billion-dollar company to turn on a dime. By 1986 Intel's 8086 microprocessor had captured 85% of the 16-bit market.

The OKRs system is built on four superpowers: focus and commit to priorities; align and connect for teamwork; track for accountability; and stretch for amazing results.

FOCUS AND COMMIT

To measure what matters, start with the question: "What is most important for the next three (or six, or twelve) months?" Focusing on the handful of initiatives that can make a real difference and deferring the less important ones allows leaders to commit to those choices and makes for a successful organization. High-performance organizations focus on the work that is important and are just as clear on what doesn't matter. OKRs are precision tools that dispel confusion and give the focus needed to win for departments, teams, and individuals.

Leaders must commit, publicly, to OKRs; and must get across the "why" as well as the "what." Otherwise, flawed goal-setting can lead to disastrous consequences, like Wells Fargo's drive to open accounts—the ruthless one-dimensional focus on sales targets led to branch managers feeling pressured to open millions of fraudulent accounts. The subsequent consumer banking scandal may have damaged the Wells Fargo brand beyond repair.

In most cases, the ideal number of quarterly OKRs will be between three and five. Too many blurs the focus on what counts. Above all, the objectives must be something significant, something that moves people forward in the here and now. Key results should be succinct, specific, and measurable. A mix of outputs and inputs can also be helpful. Clear-cut time frames intensify focus and commitment; and nothing motives us more than a deadline.

THE STORY OF NUNA

Nuna is a health care data platform and analytics company whose founders used OKRs to clarify priorities for the entire organization. Initially, the OKR process didn't take very well—until the founders realized that they themselves had to show a sustained commitment to their own OKRs, to help their teams to do the same. CEO Jini Kim says. "Until your executives are fully on board, you can't expect contributors to follow suit."

Using OKRs to act purposefully on quarterly plans, rather than just reacting to external events, allowed Nuna to expand in just four years from self-insured employers to the massive Medicaid database to a suite of new health plan products. It was able to leap from state-level computing silos to the first system-wide view across the entire Medicaid program. Today, the company is looking to leverage its platform of data to drive analytics and to inform policymakers.

ALIGN AND CONNECT

The second OKR system superpower is the ability to align and connect. OKR transparency means that not only are everyone's goals openly shared, but individuals also link their objectives to the company's overall game plan, and coordinate with other teams. Connecting each individual to the organization's success brings meaning to work; deepening people's sense of ownership fosters engagement and innovation. Research shows that public goals are more likely to be attained than ones that are held private. In a recent survey of 1,000 workers in the U.S., 92% said they would be more motivated to reach their goals if colleagues could see their progress.

In an OKR system, even the most junior staff can see everyone's OKR goals, all the way up to the CEO. This transparency seeds collaboration and cuts the toxic power of suspicion and politicking.

ALIGNMENT

According to the Harvard Business Review, companies will highly aligned employees are more than twice as likely to be top performers. Alignment occurs when managers and employees alike tie their everyday activities to the organization's vision. But alignment is rare—studies suggest only 7% of employees fully understand the company's business strategy and what is expected of them to reach the common goals. Global CEOs cite a lack of alignment as the number one obstacle between strategy and execution. Transparent OKRs can deliver that alignment.

At larger organizations in particular, goal-setting tends to cascade downwards from the executives to the rest of the staff. This can lead to a loss of agility, as each level waits for the waterfall to trickle down from above; and a loss of flexibility, as those downstream scramble to keep up with changes coming from on high. Cascading can block input from frontline employees, and it prevents horizontal connections across departmental lines.

To avoid soul-killing 'over-alignment,' healthy organizations encourage some goals to emerge from the bottom up. Google has "20% time," which frees engineers to work on side projects for the equivalent of one day a week. By freeing people to set at least some of their own objectives and almost all of their own key results, this approach encourages innovation. It also helps to bring the perspectives of people in the trenches into the center of the organization.

Connected companies are also quicker companies—when goals are public, a 'team of teams' can attack trouble wherever it surfaces.

THE STORY OF INTUIT

Intuit has made Fortune's list of the world's most admired companies for 14 years in a row. Over its history, the company has survived a series of competitive threats by staying one step ahead. The company's culture of transparency has enabled it to be more openly connected.

A few years ago, Intuit was busy pivoting in several directions at once as it moved to the cloud, which was both exciting and stressful. The chief information officer, Atticus Tysen, introduced OKRs to his direct reports to help the IT department to adapt. The following quarter he rolled out the system to the director level; and the quarter after that, to all 600 IT employees.

Tysen says the key for Intuit to succeed was for all OKRs to be visible throughout the company. For those working outside headquarters, OKRs ended the mystery of what was happening back at HQ, making the company more cohesive. When a new project comes up for discussion, everyone asks how it fits into the OKR template. "OKRs have consolidated our far-flung department," opening it horizontally across teams.

In the cloud era, OKRs can be particularly effective as horizontal alignment comes naturally. With transparent OKRs, Tysen says, "the data and analytics team could see from the start what our financial systems team had in mind ... The teams linked up their objectives in real time, rather than after the fact—a sea change from our historical way of doing things."

TRACK

The third OKR system superpower is that they can be tracked. OKRs are driven by data, with periodic check-ins, objective grading, and continuous reassessment. They can be revised as circumstances dictate.

OKR LIFECYCLE

There are three phases to the OKR lifecycle, starting with setting up. Here, the most important thing is to make sure that everyone's OKRs can be easily found and shared—the system is not truly transparent if nobody sees the goal you shared. There are now a number of robust, cloud-based OKR management software packages available, that allow users to navigate a digital dashboard to create, track, edit, and score their OKRs. Such platforms promote internal networking, drive engagement, and make everyone's goals more visible. It is also important to make sure that the team deploying it adopts OKRs universally. This may mean appointing one or two OKR 'shepherds' to get everyone on board.

The second phase is holding regular mid-cycle check-ins. Writing down a goal increases your odds of attaining it; and monitoring your progress with colleagues increases the odds even more—two integral features of the OKR system. A study in California found that people who recorded their goals and sent weekly progress reports to a friend attained 43% more of their objectives than those who merely thought about their goals.

At each check-in, you have one of four options: continue; update (i.e., modify a Key Result or Objective to respond to changed circumstances); start (i.e., launch a new OKR when the need arises); or stop. When an OKR has outlived its usefulness, drop it—but also reflect on it, asking what you learned that can be applied in the future. An OKR dashboard is a real time means of flagging what needs attention. At Google, the benchmark check-in cycle is monthly, but frequency varies with the business needs of the moment. The most physically dispersed teams check in the most frequently.

The final phase is the wrap-up, which comprises objective scoring, subjective self-assessment, and reflection. A low score begs the question, is the objective still worth pursuing? If so, what can we change to achieve it? On the other hand, if a team or department approaches 100% in its OKR scoring, it probably its sights too low! The key is to set aggressive goals; achieve most of them; accept that there will be some that were not met and reflect thoughtfully on why that may be the case; reflect on what was achieved; and then repeat the cycle. A Harvard Business School study found that learning from direct experience is more effective when coupled with reflection.

THE GATES FOUNDATION

The Gates Foundation at its launch in 2000 was something wholly new—a $20 billion startup. Within two years it had scaled to the point that it needed a more structured form of goal-setting. The Foundation embraced OKRs to deliver the real-time data needed to wage war against malaria, polio, and HIV. Bill Gates says using the OKR approach with grant reviews allows the team to judge whether a proposal has clear goals and fits the Foundations objectives. People in philanthropy often confuse the mission, which is directional, with the objective, which is the set of concrete steps you're actually engaged in. "Having a good mission is not enough. You need a concrete objective, and you need to know how you're going to get there."

Using OKRs, the Foundation can set an ambitious top-line goal, like eliminating Guinea worm disease, then set quarterly and annual beats for key results, to know whether the resources being used are making progress against the goal. (After a series of grants from the Foundation, programs have reduced the incidence of Guinea worm disease from 75,000 in 2000 to just 22 in 2015.)

STRETCH

The final OKR superpower is the system's ability to motivate people to excel by doing more than they had thought possible. Setting conservative goals stymies innovation; setting ambitious 'stretch' goals encourages people to go outside their comfort zones. It allows people to embrace what Jim Collins calls BHAGs—Big Hairy Audacious Goals. People with hard goals may reach them less often, but they also consistently perform at a higher level than people with easy goals. Stretched workers are more productive and more engaged.

Google divides its OKRs into two categories: committed goals, which are tied to the company's metrics around product releases, hiring, and customer, and are to be met 100% within a set time frame; and aspirational goals, which are bigger-picture, higher-risk ideas where an average 40% failure rate is to be expected. Aspirational goals draw on all four OKR superpowers—they can only be met by a transparent and connected organization that has focus and commitment, and that tracks progress toward the objective.

Intel's Operation Crush set the ambitious goal of 2,000 design wins in one year—which required one win per sales person per month, effectively tripling their numbers. At the end of the year, the team had won over 2,300 new accounts and Intel's future was secured.

At Google, Page expects team members to create products and services that are ten times better than the competition, not just improving on existing systems but reinventing them. Aspirational OKRs are set at 60-70% attainment, meaning that performance is expected to fall short at least 30% of the time. Team members are encouraged to try and fail.

CONTINUOUS PERFORMANCE MANAGEMENT

Continuous performance management is slowly taking the place of the annual review in HR systems. Ten percent of Fortune 500 companies have ditched the annual review. Adobe discovered that annual reviews were costing the company 80,000 manager hours a year and in 2012 dropped them in favor of continuous performance management. This is the younger sibling of OKRs; combined with the quarterly goals and built-in tracking of OKRs it uses conversations, feedback, and recognition to lift everyone's achievement.

At Google, OKRs amount to a third or less of performance ratings. More important is feedback from cross-functional teams and most of all context. One-on-one meetings with managers allow for goal setting and reflection; ongoing progress updates; two-way coaching; and light-touch performance reviews.

To reap the full benefit of OKRs, feedback becomes a critical component of continuous performance management, along with continuous recognition from managers and peers that is tied to company goals and strategies.

At Adobe managers, employees, and peers join in multiple check-in conversations a year. These focus on quarterly OKRs, feedback, and career development. The result is more engaged employees who want to stay with the company.

An OKR culture is an accountable culture, transparent and vision-based. The rulebook tells people what they can or can't do, but the culture of the organization can tell people what they should do. Or, as business philosopher Dov Seidman puts it, "What we choose to measure is a window into our values, and into what we value

Photo by Marissa Grootes on Unsplash

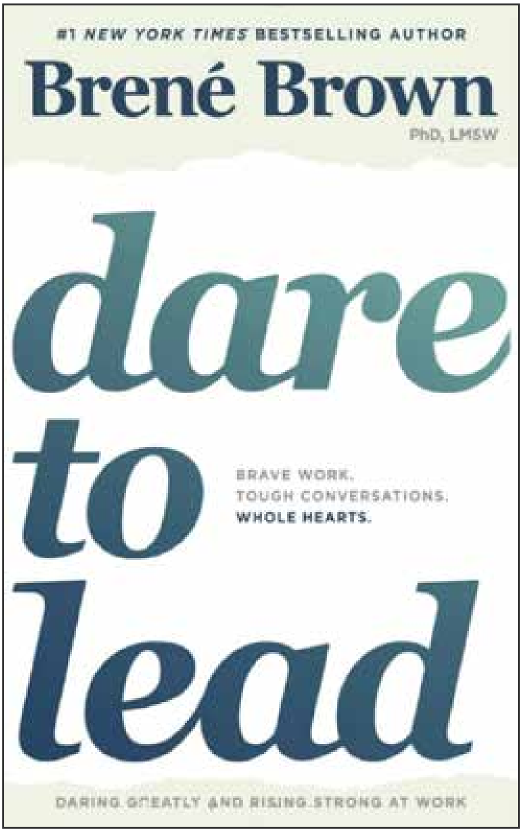
Dare to Lead

By: **BRENÉ BROWN**

What does it take to be a brave and courageous leader? How can emotional responses be channeled effectively in the workplace?

Based on interviews with hundreds of global leaders, research professor Brené Brown – whose TED talk is one of the five most watched – summarizes the learnable skills that underpin daring leadership, and shows how embracing vulnerability helps you to lead even when you aren't sure of the outcome.

Once you embrace the power of vulnerability, you can stop avoiding difficult conversations and being afraid to accept new ideas and start trusting and building resilience.



TOP 20 INSIGHTS

- Research professor Brené Brown interviewed hundreds of global C-level leaders over a twenty-year period. Her research shows that there are four learnable skills that underpin daring leadership: embracing vulnerability, living core values, braving trust, and developing resilience.
- A daring leader is someone who takes up the responsibility to find the potential in people, and who is committed to develop that potential.
- Brown's TED talk, "The Power of Vulnerability," is one of the top five most-viewed TED talks in the world. She defines embracing vulnerability as having the courage to show up when you can't be sure of the outcome.
- In the words of Minouche Shafik, Director of the London School of Economics: "In the past, jobs were about muscles, now they're about brains, but in the future they'll be about the heart."
- Trust holds teams and organizations together. Companies with high levels of trust beat the average annualized returns of the S&P500 by a factor of three.
- Doug R. Conant says that inspiring trust was his priority in his ten-year turnaround of Campbell Soup Company: "[T]rust is the one thing that changes everything. It's not a nice-to-have, it's a must-have. Without it, every part of your organization can fall, literally, into disrepair."
- There are seven behaviors that build trust over time: boundaries, reliability, accountability, vault, integrity, nonjudgement, and generosity, i.e., braving.
- Learning resilience must come first. Leaders invariably try to teach resilience skills to their teams after there's been a setback or failure. But that's like trying to teach a skydiver how to land after they've hit the ground or even as they're in freefall.
- Brown's team asked a thousand leaders to list behaviors that earn team-members positive recognition. The most common answer: asking for help.
- Google's five-year study of highly productive teams found that the most important dynamic that set successful teams apart was psychological safety—team members feeling safe to take risks and be vulnerable in front of each other.
- Research shows that leaders must either invest time attending to fears and feelings, or spend more time trying to manage unproductive and ineffective behavior. If a manager is addressing the same problematic behaviors over and over, s/he may need to dig deeper into the thinking and feeling driving those behaviors.
- One way to cultivate commitment and a shared organizational purpose is to adopt the TASC approach to projects and strategies: Task, Authority, Success, Checklist.
- Shame is a universal emotion that we all try to avoid. In the workplace shame manifests as favoritism, gossiping, harassment, perfectionism, and cover-ups. The opposite of shame is empathy, connecting to the emotions that underpin someone's experience.
- Curiosity about different views and how they may come into conflict—

asking questions and reaching out for more information—is essential for building daring leadership. A study in Neuron suggests that brain chemistry changes when we become curious, helping us to better learn and retain information.

- Daring leadership needs clear values that the leader lives by every day. Melinda Gates says that tying tactics to core values and then explaining them to others makes a leader better able to question their own assumptions.
- The key to operationalizing core values across the company or workplace is to be very clear on the skills that undergird those values. Set clear expectations for everyone to create a shared language and a well-defined culture.
- Brown's research shows that leaders who are trained in resilience are more likely to embrace courageous behaviors, because they know how to get back up after a fall. People who don't have the skills to get back up are less likely to risk falling.
- Teaching how to embrace failure as a learning opportunity is especially important today, when millennials make up 35% of the American workforce.
- The most effective strategy for recognizing an emotion is to practice what soldiers call Tactical Breathing.
- As a leader, it's important to recognize that people will make up their own stories during a time of upheaval or stress, and without data they will start with their own fears and insecurities. The daring leader gives people as much data and facts as possible so that their stories are more complete.

SUMMARY

To be a daring leader, one who is not afraid of change and new challenges, you must embrace vulnerability, recognizing it not as a form of weakness but as a willingness to acknowledge when you don't know all the answers. Instead of protecting the ego by avoiding difficult situations, embrace vulnerability by encouraging empathy, curiosity, and shared purpose. Operationalize the organization's core values; and, build trust by setting clear boundaries and being reliable and generous. Build resilience by recognizing when a situation or emotion has a hold over you; learn how to recognize and accept the emotion and create a story that you can control.

EMBRACE VULNERABILITY

Research professor Brené Brown and her team have amassed twenty years of interview data with global C-level leaders on the future of leadership, asking what it takes to be a daring leader. These senior leaders identified a common set of problems that get in the way of developing their organizations: avoiding difficult conversations, being afraid to accept new ideas, and not enough trust or accountability. The issue is not who people are, but how they behave in difficult situations; in particular, how they respond to fear.

Based on all this interview data, the author concludes that courage is a collection of four skill sets, which are all teachable and observable: embracing vulnerability, living into our values, braving trust, and developing resilience. Brown's team has tested this approach to daring leadership in more than 50 organizations from the Gates Foundation to Shell. They concluded that the core skill needed for daring leadership is the willingness and ability to embrace vulnerability—without this, the other three skills are impossible to practice.

Brown's TED talk, "The Power of Vulnerability," is one of the top five most-viewed TED talks in the world. Brown says that embracing vulnerability means having the courage to show up when you can't be sure of the outcome. No-one can get to courage without dealing with vulnerability.

WHAT IS VULNERABILITY?

Brown defines vulnerability as the emotion we experience during times of risk, uncertainty, and exposure. It is not a question of winning or losing but of showing up when you don't know the outcome. Vulnerability does not mean weakness and it isn't something we can avoid—as a species, we are hardwired to want to connect. Trust and vulnerability grow together, over time. Marriage expert John Gottman PhD has found that trust is "built in very small moments." If we avoid connection with others and shield ourselves from feedback, we stop growing. And, if we define ourselves by what others think of us, it's hard to be brave. But, if we stop caring about what anyone thinks, we're too locked away in our armor to make authentic connections.

Google conducted a five-year study of highly productive teams, Project

Aristotle, and found that the most important dynamic that set successful teams apart was psychological safety—team members feeling safe to take risks and be vulnerable in front of each other. Harvard Business School professor Amy Edmondson coined the term "Psychological Safety": it is not a cozy situation where everyone is close friends, but rather an environment where people believe that if they make a mistake they won't be judged or punished for it.

An important component of vulnerability is setting boundaries, defining what is and is not OK. A leader who shares without understanding their role and its professional boundaries is just venting, purging, or making a play for sympathy. Similarly, we can set boundaries on tough conversations: "It's OK to be angry right now, it's not OK to yell" or, "It's OK to be passionate about this, it's not OK to interrupt or put people down."

Research shows that leaders must either invest time attending to fears and feelings, or spend even more time trying to manage unproductive and ineffective behavior. If a manager is addressing the same problematic behaviors over and over, s/he may need to dig deeper to the thinking and feeling driving those behaviors. A leader cannot, and should not, avoid the difficult conversations.

DARING VS ARMORED LEADERSHIP

Minouche Shafik, Director of the London School of Economics, says: "In the past, jobs were about muscles, now they're about brains, but in the future they'll be about the heart."

Many organization and leaders still believe that if the connection between the heart (vulnerability and other emotions) and work is cut, then people will be more productive and easier to manage. But, imprisoning the heart kills courage. And, when people are cut off from their emotions, they lose control over their decision making and behavior.

People reach for the emotional armor when they think there's a risk they may not be liked or respected because they are wrong or don't have all the answers. It's a way to protect the ego. Armored leadership drives perfectionism and fosters fear of failure; it emphasizes being right, using power over others, and control. It tolerates discrimination and a "fitting in" culture, uses criticism as self-protection, and is all about collecting gold stars. Armored leaders try to fill a gap in their self-worth by using their power.

Daring leadership encourages and models healthy striving, empathy, and self-compassion; it emphasizes being a learner, using power with others, and cultivating shared purpose. It cultivates a culture of belonging and inclusivity, of making contributions and taking risks, and is all about giving gold stars. Daring leaders are curious about their own blind spots and are committed to helping others find their own blind spots in supportive ways.

One way to cultivate commitment and a shared purpose is to adopt the TASC approach to projects and strategies:

T: Who owns the Task?

A: Do they have the Authority to be held accountable?

S: Are they set up for Success (time, clarity, resources)?
C: Is there a Checklist of what needs to happen to accomplish the task?

EMPATHY VS SHAME

Building emotional armor around our ego does not protect us from feeling unworthy, disconnected, or isolated—It in fact guarantees all of those feelings. One emotion we all try to avoid is shame. Yet it is also a universal experience, the awful feeling that we are flawed and unworthy of love and connection. Shame says, "You are bad." It is not the same as guilt, which says "You did something bad;" or humiliation, which says "They deserve to suffer;" or embarrassment, which is fleeting and even, eventually, funny.

In Brown's interviews a surprisingly large 85% of respondents recalled a childhood incident so shaming that it changed how they thought about themselves. As adults, one of the most common scenarios was the shame people felt when they were fired. In the workplace shame shows up as favoritism, gossiping, harassment, perfectionism, and cover-ups.

The opposite of experiencing shame is experiencing empathy. We cannot resist shame, but we can build resilience to it by cultivating empathy. Whereas sympathy is feeling for someone, empathy is feeling with someone, connecting to the emotions that underpin their experience. Empathy is choosing to connect with others by seeing the world as they see it, being nonjudgmental, and making it clear that you understand the other person's feelings. It starts with being able to name and talk about our own feelings.

Empathy is something we can get better at, with practice. It starts with recognizing what shame feels like and what triggers it; followed by reaching out to others rather than hiding away. It also means picking up on the ways people encourage shame in others: using phrases like, "You're so sensitive," or "It's all in your head."

CURIOSITY AND COURAGE

Curiosity is correlated with creativity, improved learning, and problem solving. A study in the October 22, 2014 issue of the journal Neuron suggests that brain chemistry changes when we become curious, helping us to better learn and retain information. Curiosity is also essential for building daring leadership—being curious about different views and how they may come into conflict, asking questions, and reaching out for more information.

VALUES

Daring leadership means having the courage to check our ego-armor at the door and being curious enough to engage in tough conversations. It also means having clear values, not just sound bites but values that the leader actually lives with every day.

Living into our values means making sure our intentions, words, and behaviors align with those beliefs. Step one in learning how to do this is to name the two values that you hold most important both at work and at home—things like accountability, belonging, diversity, fairness, joy, patience, service, or truth. Come up with a list of values and hone it down to the two that really resonate. Then, define the three or four behaviors that support those core values, and the three or four that don't.

FEEDBACK

One of the hardest things to do in the workplace is to stay aligned with our values when giving or receiving feedback. Being in the right frame of mind to give someone feedback requires: being willing to sit next to them, not across from them; accepting the need to listen and ask questions; and acknowledging their strengths and thanking them for their efforts, not just listing their mistakes. Giving feedback means holding accountable without shaming or blaming and talking about how resolving challenges will lead to growth.

Receiving feedback is tough because we cannot control the skill of the person giving it or know what their intentions really are. Tactics that can help include reminding yourself that you are brave enough to listen; that you can take what is valuable here and leave the rest; and that this is the path to mastery. Your ultimate aim is to listen, to integrate the feedback, and to reflect it back with accountability.

OPERATIONALIZED VALUES

When values are operationalized across the whole company, they drive productive decision-making; without those values, either paralysis or impulsive decision-making can set in. The key to operationalizing core values across the company or workplace is to be very clear on the skills that undergird those values. Setting clear expectations for everyone will help to create a shared language and a well-defined culture.

Melinda Gates notes that people can get attached to specific tactics but "when you're forced to tie those tactics to core values and then explain them to others, you are better able to question your own assumptions and help others question theirs."

THE IMPORTANCE OF TRUST

Trust is the glue that holds teams and organizations together. Doug R. Conant wrote a *Harvard Business Review* article describing how inspiring trust was his number one mission in his ten-year turnaround of Campbell Soup Company. He noted that companies with high levels of trust beat the average annualized returns of the S&P500 by a factor of three. "[T]rust is the one thing that changes everything. It's not a nice-to-have, it's a must-have. Without it, every part of your organization can fall, literally, into disrepair."

Trust is essential in any organization, and we all want to be thought trustworthy. But because talking about trust can be tough, most leaders shy away from having conversations about it.

<u>"BRAVING"</u>

There are seven behaviors that make up trust, summarized by the acronym BRAVING. Each of these behaviors leads to small moments that, stacked up over time, build trust.

Boundaries: Respect them and ask if it's not clear what they are.

Reliability: Do what you say you will do and don't over-promise.

Accountability: Own your mistakes.

Vault: Don't share information or confidences that are not yours to share.

Integrity: Choose courage over comfort; choose what's right over what's easy, fun, or fast.

Nonjudgement: Ask for help without judgement.

Generosity: Extend the most generous interpretation possible to the intentions, words, and actions of others.

RESILIENCE

Leaders invariably try to teach resilience skills to their teams after there's been a setback or failure. That's like trying to teach a skydiver how to land after they've hit the ground or even as they're in freefall. Brown's research shows that leaders who are trained in resilience are more likely to embrace courageous behaviors, because they know how to get back up after a fall. People who don't have the skills to get back up are less likely to risk falling. Teaching how to embrace failure as a learning opportunity is especially important today, when millennials make up 35% of the American workforce.

In her work, Brown has found that leaders who demonstrate the highest level of resilience use sentences such as, "The story I'm telling myself…" or "I make up that …" It's a way of walking into our story and owning it. When you own your story like this, you get to write the ending.

<u>RECKONING</u>

To learn resilience, start by recognizing when a situation or emotion has its hooks in you. A lot of the time, we end up offloading our emotions onto others, getting angry instead of acknowledging hurt, pretending everything is fine when it really isn't, or hiding away the pain instead of facing it.

The most effective strategy for recognizing an emotion is something that soldiers call Tactical Breathing: inhale deeply through the nose for a count of four; hold the breath for another count of four; exhale slowly through the mouth for a count of four; and hold the empty breath for a final count of four. Tracing a square on your desk while doing each of the four stages can also help to calm you down and re-center when in the grip of a strong emotion.

FIRST STORY

In the absence of data, we always make up stories. And, when it comes to our emotions, the first story we make up, the one that's based on very little real data, is filled with all of our fears and insecurities.

At a personal level, start by writing down a first story—"She looked at me like that in the meeting because she doesn't trust me and I'm going to get kicked off this project"—then ask if this story actually makes sense. What else do you need to know about the situation, the people in it, and your own role in the story. Now you can pinpoint what you are really feeling and why and figure out how to deal with it.

As a leader, it's important to recognize this; during a time of upheaval or stress, give people as much data and facts as possible so that their stories are more complete. Clear is kind and helps to damp down the conspiracy theories.

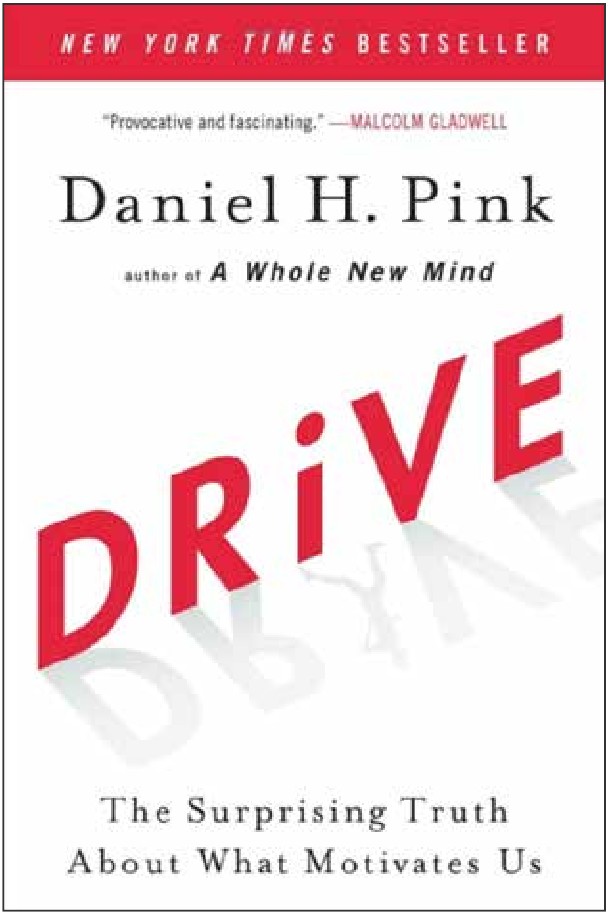
Drive

By: **DANIEL PINK**

How can you succeed in the contemporary economy where creativity and conceptual work are increasingly valued? How do you motivate your employees to contribute their best to the company's goals?

The answer to both questions is to recognize that traditional notions of management—using carrots and sticks to motivate workers—are outdated. People do their best creative work when their intrinsic motivation is awakened.

Drive explains the new insights into human motivation uncovered by behavioral scientists and shows how you can tap into the human desire for autonomy and purpose to transform how you live and work.



TOP 20 INSIGHTS

- Over the past few decades behavioral scientists have uncovered new insights into human motivation—insights that the business world has yet to discover.
- Motivation 1.0 was the drive to survive; Motivation 2.0 was based on external rewards and punishments for work done. It was an operating system that saw workers as parts in a complicated machine, needing rewards and punishments to perform routine, algorithmic tasks.
- Today's economies depend more and more on creative, heuristic work. Neither Motivation 1.0 nor Motivation 2.0 can explain the success of Wikipedia; nor are they effective for the kinds of work called for in the twenty-first century economy.
- The enthusiasm and creativity that are increasingly needed in the modern workplace are actually dampened by the external rewards-and-punishments approach of traditional business.
- For artists, scientists, students, in fact everyone, intrinsic motivation—the drive to do something because it is interesting and absorbing—is essential for creativity. External rewards crush this intrinsic motivation.
- Motivation 3.0 calls for a new type of behavior: Type I, or intrinsic motivation. This is based on the innate inner drive of all humans to be autonomous, self-determined, and connected to one another.
- Outdated notions of management encourage Type X behavior that cares more about the external rewards that a task can bring and less about the inherent satisfaction of a task.
- Type X behavior is learned, whereas Type I is inherent to being human; traditional management approaches change our human default setting from Type I into Type X.
- With a focus on personal fulfillment, Type I almost always outperforms Type X in the long run; encouraging Type I behavior is better for people's physical and mental well-being.
- Humans are designed to be active and engaged. We are at our best when we are doing something that involves autonomy, mastery, and purpose.
- Autonomy is not the same as independence; it means acting with choice. Autonomous motivation brings greater conceptual understanding, higher productivity, and less burn-out.
- People need autonomy over what they do (task); when they do it (time); who they do it with (team); and how they do it (technique). Best Buy has boosted productivity by embracing these concepts of autonomy.
- Motivation 3.0 assumes that people want to be accountable, and that giving them autonomy will encourage this.
- Mastery, the urge to make progress and get better at what we do, is essential to making one's way in today's economy. The modern workplace tends to disregard mastery and engagement, and instead emphasizes compliance.
- The only way to attain mastery is through engagement, prizing learning goals over performance goals and

recognizing the intrinsic value of effort as a way to improve at something that matters.

- There are three rules of mastery: it is a mindset; it is a pain; and it is an asymptote (something that can be approached but is never attained).
- Traditional businesses see purpose as ornamental and something that should not get in the way of more important pursuits. Motivation 3.0 realizes that purpose is an essential part of the human condition.
- Forward-thinking organizations and corporations such as TOMS Shoes recognize purpose maximization alongside profit maximization as an aspiration and guiding principle. They embrace the "purpose motive"—using profit to reach a purpose.
- You can awaken your Motivation 3.0 by looking for patterns in your daily tasks and asking yourself what are the tasks that produce feelings of flow, that moment of optimal experience when the challenge you face is perfectly matched with your abilities. Make a "to don't" list of the tasks and behaviors you want to avoid.
- To unleash Motivation 3.0 in your company or group, carve out time for non-commissioned work. As a boss, encourage Type I behavior by relinquishing control.

SUMMARY

Most businesses have yet to catch up on the insights into human motivation that have been uncovered by behavioral scientists in recent years. The traditional business view focuses on Type X behavior, using external rewards and punishments to motivate workers. But today's economy increasingly calls for creative and heuristic forms of work that require Type I behavior that is focused on active and engaged employees with autonomy and a sense of purpose. This is Motivation 3.0, appealing to our intrinsic self-motivation. The most forward-thinking companies recognize the need to embrace this human drive and pursue profit as a catalyst toward a higher purpose.

MOTIVATION 3.0

Thousands of years ago, the human drive was focused on survival. We can call this drive, or operating system, Motivation 1.0. As society became more complex, so did our operating system. We came to realize that humans are more than just the sum of our biological urges; we developed a second operating system, Motivation 2.0, which was focused on external rewards and punishments. Harnessing this drive became essential to economic progress, especially during the last two centuries, as business saw workers as parts in a complicated machine. The bedrock assumption of Motivation 2.0, which is now deeply ingrained in our organizations and daily lives, is that the way to improve performance, increase productivity, and encourage excellence is to reward the good and punish the bad.

This operating system worked for routine tasks, but it's incompatible with how we work in the twenty-first century.

Consider: the largest and most popular encyclopedia in the world was created by tens of thousands of people who write and edit the articles for fun. They have no special qualifications and they are not paid a dime for their work. The conventional view of human motivation has a very hard time explaining Wikipedia.

INTRINSIC MOTIVATION

Behavioral scientists divide what we do on the job into algorithmic tasks—those with set instructions and processes that can be outsourced or automated—and heuristic tasks—those that require you to experiment and create. In the twentieth century, most work was algorithmic; today more and more work is heuristic. And while extrinsic or external rewards and punishments can motivate someone doing routine work, they actually dampen the enthusiasm and creativity of someone doing the kind of creative, heuristic work on which modern economies depend.

Motivation 3.0 is the upgrade necessary for the smooth functioning of twenty-first century business.

NO MORE CARROTS AND STICKS

The traditional reward-and-punishment system works fine in some settings but it's a deeply unreliable predictor of human behavior. We need a new way to think about motivation.

If you want to motivate a child to learn math, you might think it a good idea to encourage her with a payment for every workbook page she completes—but social science research has shown that while this may encourage her in the short-term, it will actually turn the task of doing math into a chore, and she'll lose interest in the long-term. Tangible "if-then" rewards can wipe out intrinsic motivation, diminish performance, crush creativity, and crowd out good behavior.

For artists, scientists, inventors, students, in fact everyone, intrinsic motivation—the drive to do something because it is interesting and absorbing—is essential for creativity. The economy is moving towards creative and conceptual forms of work, yet business is still clinging to the old "if-then" reward structures of extrinsic motivation. These external carrots not only crush creativity and encourage short-term thinking, they can become addictive: pay your son to take out the trash one day, and he'll never want to do it again without getting paid.

Sometimes carrots and sticks work just fine: they are great for rules-based routine tasks with little intrinsic motivation or creativity but beware using rewards of any kind for non-routine conceptual tasks. In such cases, use rewards in a way that gives useful information about performance.

TYPE I

There is a body of work in the social sciences based around the concept of self-determination theory, the idea that humans have an innate inner drive to be autonomous, self-determined, and connected to one another. This approach lays the foundation for a new human operating system, Motivation 3.0, based on a new type of behavior: Type I.

Motivation 2.0 used and encouraged Type X behavior that was fueled by extrinsic desires, not intrinsic ones. Type X behavior cared less about the inherent satisfaction of a task and more about the external rewards that the task can bring.

Motivation 3.0 depends on and fosters Type I behavior, that is less concerned with external rewards and more with the inherent satisfaction of the activity itself. Type I behavior doesn't disdain money or recognition, they are just not the most important considerations. Type I almost always outperforms Type X in the long run; and encouraging this behavior is better for people's physical and mental well-being.

For professional success and personal fulfilment, we need to move ourselves and our colleagues from Type X to Type I.

REDISCOVER YOUR DEFAULT SETTING

Our default setting is to be autonomous and self-directed, but outdated notions of 'management' change that default setting and turn us from Type I into Type X. In other words, Type X behavior is learned, whereas Type I is inherent to being human.

Science shows that the secret to high performance isn't our biological drive or our reward-and-punishment drive, it's our desire to direct our own lives, to expand our abilities, and to make a contribution. Anyone who spends time around young children knows that humans are designed to be active and engaged. We are at our best when we are doing something that matters, doing it well, and doing it in the service of a cause larger than ourselves.

There are three elements needed to encourage Type I behavior: autonomy, mastery, and purpose.

AUTONOMY

The traditional idea of management is based on the assumption that people need to be pushed to take action or move forward, when in fact we are wired to be active and engaged. Autonomy—our desire to be self-directed—is a basic human need.

Autonomy is not the same as independence; it means acting with choice. Recent behavioral science research shows that autonomous motivation promotes greater conceptual understanding, higher productivity, more persistence at school and in sports, less burnout, and higher levels of psychological well-being.

People need autonomy over what they do (task); when they do it (time); who they do it with (team); and how they do it (technique). Far from discouraging accountability, Motivation 3.0 assumes that people want to be accountable, and that giving them autonomy will encourage this.

Organizations that have found inventive, even radical, ways to boost autonomy are outperforming their competitors. At Best Buy's corporate headquarters, most of the employees have abandoned a regular work schedule and instead operate in a ROWE—Results Oriented Work Environment. Salaried people put in as much time as it takes to do their work; hourly employees get to choose when they work. Productivity has increased by 35% and turnover is significantly lower. Similarly, the call-center employees at online shoe retailer Zappos don't follow scripts, and their calls are not monitored or timed. Their job is to serve the customer, whether it takes a minute or an hour. Unlike most call centers, which have high annual turnover rates, turnover at Zappos is minimal.

MASTERY

Mastery is our urge to make progress and get better at what we do; it is essential to making one's way in today's economy. The modern workplace, however, tends to disregard mastery. It emphasizes compliance—a Motivation 2.0 behavior that may be essential for physical survival but is a lousy way to attain personal fulfillment. Motivation 3.0 requires engagement, which is the only way to produce mastery.

Mastery begins with "flow"—that moment of optimal experience when the challenge you face is perfectly matched with your abilities. Type I behavior prizes learning goals over performance goals and welcomes effort as a way to improve at something that matters.

There are three rules of mastery. First, recognize that mastery is a mindset that requires seeing your abilities as infinitely improvable. Second, realize that mastery is a pain; it demands effort, grit, and practice over a long period of time. Finally, acknowledge that mastery is an asymptote: this is a concept from algebra, meaning something that can be approached but never quite reached. Mastery is impossible to fully realize, making it both frustrating and alluring—the joy is in the pursuit.

PURPOSE

Humans seek purpose; it's part of our very nature. We yearn to contribute and be part of something bigger than ourselves. Motivation 2.0 doesn't recognize purpose as a motivator; traditional businesses see purpose as ornamental and something that should not get in the way of more important pursuits. Motivation 3.0 realizes that purpose is an essential part of the human condition.

Attitudes toward the importance of purpose are changing, thanks in part to the tide of aging baby boomers—the largest demographic cohort in most western societies—who are becoming aware of their own mortality. As they reach the age of 60 and beyond, they are asking the big questions: What will I do in the last 25 years of my life? Am I going to do something that matters, that makes a difference in the world?

Motivation 3.0 sees purpose maximization alongside profit maximization as an aspiration and guiding principle. Forward-thinking organizations and corporations recognize the importance of the "purpose motive," expressing it as goals that use profit to reach a purpose. For example, every time TOMS Shoes sells a pair of shoes to anyone, they give away a new pair of shoes to a child in a developing country. TOMS is both a charity that finances its operations with sales and a business that sacrifices its earnings to do good—and it's also neither of these things. It's a company with a new business model, one that "transforms our customers into benefactors." TOMS exemplifies the new breed of businessperson that seeks purpose with a fervor that traditional economic theory reserves for entrepreneurs seeking profit. They use profit as the catalyst, rather than the objective.

The purpose-driven organization uses words that emphasize more than self-interest—words like greater good and sustainable—and they embrace policies that allow people to pursue purpose on their own terms.

In 2009 students in Harvard Business School's MBA program created the "MBA Oath," a code of conduct in which students pledge fealty to causes above and beyond the bottom line. Today, more than 300 educational institutions around the globe have embraced the MBA Oath. They recognize that purpose maximization has the potential to reinvigorate our businesses and remake our world.

ENCOURAGING TYPE I BEHAVIOR

There are a number of ways to create the setting in which Type I behavior can flourish, both in yourself and in an organization.

AWAKEN YOUR MOTIVATION

Start by giving yourself a “flow” test—at random times during the week take note of what you are doing, how you feel, and whether you are in the flow. Look for patterns and ask yourself, “What are the tasks that produce feelings of flow?” Can you restructure your day to increase these activities? What did this exercise tell you about your career and your true source of intrinsic motivation?

To keep yourself motivated, at the end of every day ask yourself whether you were better today than yesterday. Did you do more of what motivates you?

Make a list of the tasks and behaviors you want to avoid—management guru Tom Peters calls this the “to don’t” list, the unnecessary obligations and time-wasting distractions that stand in your way.

Practice mastery: remember that deliberate practice is focused on improving performance. Seek constant, critical feedback and focus ruthlessly on where you need help. Prepare yourself for a process that will be mentally and physically exhausting but remember that this is the only way to truly master something.

IMPROVING YOUR COMPANY, OFFICE, OR GROUP

Carve out time for non-commissioned work. Encourage employees to spend 20% of their hours working on any project they want. If these seem like too daunting of a cultural shift, start with 10% for a set period, say 3-6 months. See what people come up with when they are encouraged to spend one afternoon a week on non-commissioned work.

Make the next one-day offsite a day for non-commissioned work, where employees can work on anything they choose, however they want—just make sure they have the tools and resources they need. Impose one rule: people must deliver something the following day, a new idea, product prototype, or process.

Conduct do-it-yourself performance reviews, individually or with the aid of a small group of colleagues, where you self-evaluate every month based on a set of goals you set for yourself.

As a boss, encourage Type I behavior by relinquishing control. Involve people in goal-setting; use non-controlling language (“think about” instead of “must”); and hold regular office hours when any employee can come talk to you about anything. Create diverse teams focused on collaboration, not competition. Animate with purpose, not with rewards. Encourage self-organizing teams. Build projects around motivated individuals.

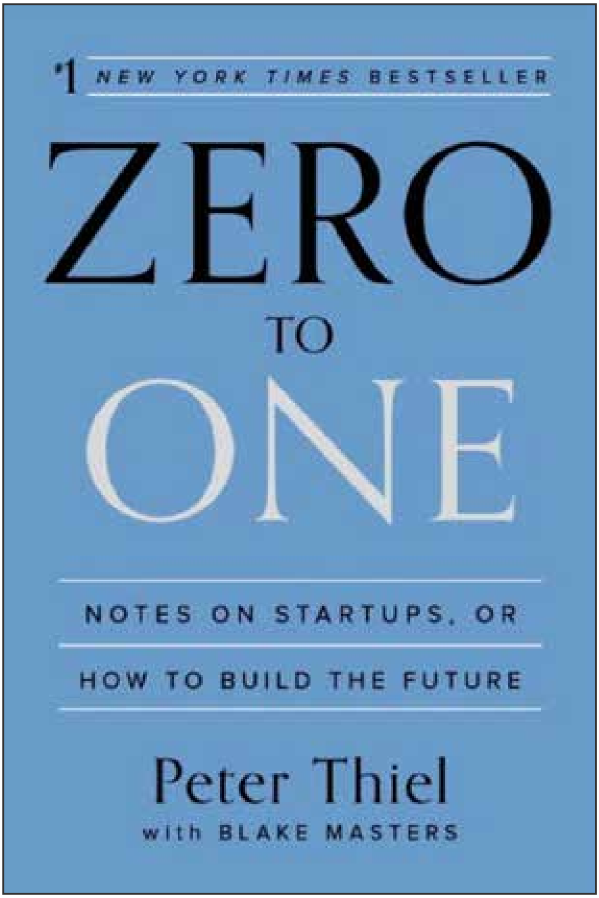
Get compensation right: ensure internal and external fairness; pay people a little more than the market average; and make sure any performance metrics are varied, relevant to the company as a whole, and hard to cheat.

Photo by Clique Images on Unsplash

Zero to One

By: **PETER THIEL** w. **BLAKE MASTERS**

Tap into a new way of thinking about business and ambition by reading this book summary. *Zero to One* will challenge you to think for yourself on topics such as technology verus globalization, business monopolies versus competitive markets, and the mindset you really need to make a difference in the world. Learn from tech superstar Peter Thiel (PayPal, Palantir) and his protégé Blake Masters why the only opportunities really worth pursuing are those that create something truly unique – that go from "zero to one" rather than from "one to n." And, learn the seven questions you should be asking yourself to find out if what you're working on passes that test.



TOP 20 INSIGHTS

- Creating truly innovative technology requires progressing from "zero to one" rather than from "one to n." This means creating something entirely new rather than incrementally adding to what already exists.
- One way to move from "one to n" is globalization, or enabling new markets to access something that has already been created. But, because resources are not infinite, globalization needs to be accompanied by new technologies to make the consumption of goods more efficient and sustainable, or else global ills will result.
- The world needs startups as an engine to both envision and create the future. Though there has been new technology lately, there are still many aspects of everyday life that are begging for improvement, given the right vision and strategy.
- The dot-com crash of the 1990s taught entrepreneurs lessons about how to build a business that, when followed today, hinder the development of real technological innovations and sustainable growth. These "rules" should be ignored.
- Monopolies generate good for the world. If a business has achieved a monopoly, it indicates that the business has truly gone from "zero to one," and created something for society that did not exist before or improved upon an existing technology to such a degree that it has made the old technology obsolete.
- To create this sort of change it is helpful to be a "definite optimist" – someone who believes that "the future will be better than the present if he plans and works to make it better." This kind of worldview enables the vision, gumption, and persistence to go from zero to one.
- Monopolies also generate good for the world because of the privilege that major profits allot. "Since [Google] doesn't have to worry about competing with anyone, it has wider latitude to care about its workers, its products, and its impact on the wider world."
- Monopolies are more ubiquitous than we're led to believe and shape their stories to avoid scrutiny and regulation. For example, if Google is seen primarily as a search engine company, they own 68% of that market. In contrast, if they're described as playing in the global advertising market, they only own 3.4%.
- Monopolies are only bad when a business lingers in that position unchallenged for too long. Ideally, new monopolies take over, "adding entirely new categories of abundance to the world." (Think of how Apple's "mobile computing" replaced Microsoft's hold on the PC market, who itself supplanted IBM's "hardware monopoly" of the 1960s and 1970s.)
- The key to creating a monopoly is to resist copying others' business models and instead to think for yourself. Prioritize four aspects of your business over a hyper-focus on growth: proprietary technology, network effects, economies of scale, and branding.
- Rather than initially painting a grandiose vision of global market dominance, the best way to build a monopoly is to start small. Capture a

small, specific market with the tentacles to easily branch to related markets over time.

- Know that venture capital firms typically make their money by finding the one single startup that will outperform all their other investments. The bar really is that high for your pitch.
- The one single startup that will outperform all the others in a VC's firm's portfolio has solved a previously unaddressed problem or need in the world. In other words, they have unearthed and solved a "secret." The good news is that, despite common knowledge, there are many secrets left to find and solve.
- The foundation you set for your startup is disproportionally important to the success of your company. The most crucial aspects to get right are related to personnel – selecting your co-founder and board.
- Offering equity as a form of compensation can be a good way to weed out those who lack the long-term commitment to and passion for the vision of your venture.
- The CEO of a startup should either receive the lowest salary at the company (and set an example of frugality) or the highest salary at the company (setting a maximum compensation), though if high it should be modest. If not, he or she risks getting too comfortable.
- While the fundamental innovation your business offers is crucial, sales and distribution tactics are necessary too. Sales acumen is a key distinguisher between success and failure. "Whatever the career, sales ability distinguishes superstars from also-rans."
- Humans have nothing to fear from technology's increasing presence in the marketplace. Instead, technology will create more opportunities for humans to do what they are uniquely good at, while the machine fills in the gaps by doing what is difficult for humans.
- Because it requires a distinctive vision to go from zero to one, successful founders are often eccentric individuals not afraid to pursue a seemingly eccentric vision. This explains both why founders are so successful and also why they can become scapegoats for corporate dysfunction.
- You don't have to be the founder of a brilliant company to benefit from this knowledge. As an employee, search for these qualities in the companies and leaders you work for to ensure you have the right support to develop and to keep exploring new ideas.

SUMMARY

Zero to One is about the value of true innovation made accessible to the masses through startups. It outlines several tenets that keen-minded business people should hold dear, including why technology trumps globalization, why we should be supporting monopolies instead of "healthy competition," why successful innovators have the worldview of a "definite optimist," and why no one should be afraid of losing their job to a robot. Zero to One also delivers unique business insights, such as the four most important things to pay attention to about your product (hint: they're not quantitative) and the seven questions every business must answer for itself.

MINDSETS AND VALUES

Zero to One's underlying thesis is that societal good and monetary value are created by ventures that go from "zero to one" rather than from "one to n." Going from "one to n" implies that you only incrementally improve upon or bring to new markets an existing technology. More valuable, however, are the businesses that can identify an unmet need in the world and create a solution through new technology to address it. These companies are worthy of every dollar they earn. And, we need not fear those so-called monopolies. They deliver real value to consumers and can always be challenged by new companies that in turn improve upon them.

<u>TECHNOLOGY VS. GLOBALIZATION</u>

As a result of the dot-com boom and crash of the 1990s, the world of startups was shocked into believing that the big bucks of the future could be found in globalization, not new technology. This led to four unwritten rules in the startup world, rules that have now misguided entrepreneurs for years. Here they are:

- Make incremental advances – Don't try to "change the world." Take one step at a time and don't get too caught up in a "grand vision."
- Stay lean and flexible – Eschew the formal planning. Focus instead on "iterating" on your business model and learn as you go.
- Improve on the competition – Inventing something new is risky at best. Play it safe and build off a technology that has already proved itself.
- Focus on product, not sales – The right product should speak for itself, no wasteful spending on sales and marketing needed.

"These lessons have become dogma in the startup world; those who would ignore them are presumed to invite the justified doom visited upon technology in the great crash of 2000."

However, *Zero to One* challenges these beliefs by re-writing the rules to more accurately reflect what it takes to truly create something capable of becoming the next major monopoly.

- It is better to risk boldness than triviality.
- A bad plan is better than no plan.
- Competitive markets destroy profits.
- Sales matter just as much as product.

The first four rules came about as an over-blown reaction to the dot-com crash. It requires boldness, planning, market dominance, and sales tactics to change the world through a startup. Those who espoused the first set of rules were setting their sights on globalization as the future. By taking baby steps, the best they could hope for was opening new, related markets. Those who play by the second set of rules, however, have the best chance of becoming a monopoly. Next, we'll debunk why monopoly isn't a bad word and why competition shouldn't be revered in all forms.

MONOPOLIES VS. COMPETITION

The concept of a business monopoly has a negative association attached to it. Notions of big, bad corporate giants with a stranglehold on the market come to mind. In actuality, monopolies are largely forces for good in society. That is, of course, unless a monopoly comes about due to artificially constrained markets. Monopolies enjoy such strong profits and market dominance because they have discovered a genuinely valuable product or service for consumers, one that no one else has yet developed. In America, the concept of healthy competition in business is all but revered. But, when one takes a step back to ponder the notion, competitive markets are more often than not areas where every product offering is just about the same, none of which is too special. In a capitalist society, monopolies are never permanent. Instead, a healthy market might be described as one in which there are serial monopolies, each of which develop innovative products so compelling that the new company ends up making the old one obsolete in some respect.

Let's consider the world of information technology. In the 1960's and 70's, IBM was the leading player. Their hardware was ubiquitous. Jump forward to the 80's and 90's. Microsoft enters the picture with their operating system, infiltrating enterprise and private consumers alike and eroding IBM's market share. Of late, Apple could be considered the new monopoly in this space with the advent of "mobile computing." They didn't just try to copy what Microsoft developed and improve it, but instead Steve Jobs and his team had an entirely new vision for how humans and computers would interact. Each of these companies could be seen as a monopoly due to having flipped the market on its head and therefore established market dominance, each in their own time. We don't bemoan these monopolies because they brought us something no one had before. And, as we can see, we have nothing to fear as consumers as they each (excluding Apple as of present) were replaced in due course.

Interestingly, Microsoft can also be used as a case example to illustrate how competition may not be all it's made out to be. In the 2000s, we can trace a battle between Microsoft and Google, as Google expanded into the application space and Microsoft into internet products. It's not surprising that this rivalry took place just prior to Apple overtaking Google in the early 2010s. The problem was that both companies, engaged in competitive pursuit of the other company, slowly diminished their ability to truly innovate. Consider "Windows vs. Chrome OS," "Bing vs. Google Search," "Explorer vs. Chrome," "Office vs. Docs," and the list goes on. One might argue this competition was good, but most would agree that what came next – Apple – was even better. In all the distraction of competing against one another, Microsoft and Google had both lost out to Apple. The next time someone warns against monopolies and expounds the benefits of competition, consider these examples.

DEFINITE OPTIMISM

The next belief of importance is one called "definite optimism." People who are definite optimists believe that all of us have the ability to shape the future for the better. They believe that the future will be better because of human action, including their own. Let's contrast this with several other world views.

While every country is made up of countless personality types and outlooks on life, some generalizations can be made. Today, America could be typified as a country full of indefinite optimists. It's no coincidence that some of the most lucrative fields are jobs that don't make anything necessarily. "Bankers…rearrange the capital structures of already existing companies." "Lawyers…help other people structure their affairs." "Private equity investors and management consultants…squeeze extra efficiency from old [businesses]." Entering these fields usually ensures a comfortable salary, challenging work, upward trajectory, and external admiration and approval. What it doesn't do is require one to put everything on the line in pursuit of bringing a product to market that they believe can change the world for the better and make them a fortune. Those with the ability to do this will most likely be definite optimists, people who believe that the future is in their hands.

PROVEN PRACTICES

Through founding two incredibly successful startups, PayPal and Palantir, and since then serving as a mentor and fixture in the startup world, Peter Thiel has learned much about what's important in conceiving and building a company. Apart from the foundational worldviews he espouses (outlined above), there are several proven practices and lessons learned that have been codified here. First we'll cover the four most important aspects to consider regarding your product. You may be surprised that they have nothing to do with quantitative targets or growth metrics.

THE FOUR MOST IMPORTANT ASPECTS OF A STARTUP'S CORE PRODUCT

- **Proprietary technology**

Monopolies in many ways exist because they have some sort of proprietary technology. It is a necessary factor in ensuring one's current and future profits are protected. If not, no matter how genius your product, you will soon enter the realm of competition rather than monopoly. And, your proprietary technology should be "at least 10 times better than its closest substitute in some important dimension." A few examples can be found in Amazon and Apple. Amazon's distinctive advantage was offering more than ten times as many books as any given bookstore. This product selection was their advantage. In the same way, Apple's iPad could be considered to be better designed than its Microsoft and Nokia competitor tablets by a factor of ten.

- **Network effects**

Another factor that can make all the difference in bringing your business to the status of monopoly is its ability to capitalize on network effects. The network effect occurs when engagement with your product requires that others participate as well. For example, PayPal enabled people to send money electronically. But the money had to have a recipient. That person in turn might later become a sender of money via PayPal. Facebook is the quintessential example. For one person to use Facebook, others have to use it as well. People have an incentive to persuade their friends to join, as it improves their own experience. Startups that take advantage of network effects have an inherent advantage.

- **Economies of scale**

Well-designed startups are built such that costs don't scale on par with growth. For example, a brick and mortar retail operation requires additional real estate, inventory, and salespeople to make money. In contrast, Twitter's exponential growth requires almost no additional investment other than the basic infrastructure and corporate team that already exists. This is what is meant by economies of scale – companies where growth means primarily greater profits, not greater cost and complexity.

- **Branding**

The last element to consider when evaluating the strength of a startup is brand. By definition, this will be all your own and unable to be copied. The question to ask is how distinctive and integrated is into your product and company culture. Here we can contrast Apple and Yahoo. Apple's brand is unforgettable for many reasons, including their timeless minimalist design and the user-friendly, intuitive nature of their products. Behind the beauty are the guts to back it up- the superior technology and engineering, marketing and sales, and unwavering commitment to excellence. The cautionary tale here comes from Yahoo, who tried to be "brand-forward" without first developing the substance. CEO Marissa Mayer's charge was to turn around the struggling company, but instead of creating new, lucrative products, she began by re-doing the company logo and "acquiring hot startups like Tumblr." A distinctive brand is not an asset if it doesn't reflect what's behind it.

In the early 2000s, much hope was put behind the potential of “green” technology, or “cleantech,” to revolutionize the use of and replenishment of natural resources. Slowly but surely, however, over the next decade or so, momentum began to slow and then to crawl, as countless cleantech startups folded. For some, this was the failure of cleantech. It seemed that the market was impenetrable. Big business and big government were blamed as too strong, consumers too, entrenched in their habits, were faulted. To some it seemed that perhaps the technology to overcome these challenges was too confounding.

Upon further examination, however, it seems that the cleantech companies themselves were to blame. In sum, the insights shared by Thiel in Zero to One can be compiled into the seven questions that each startup must answer before it can be confident in its potential for future revenues and growth. Taken in turn, we will outline these seven areas and highlight how the otherwise high-potential industry of green technology was put at bay as a result of poor business planning and execution.

- **The engineering question**

“Can you create breakthrough technology instead of incremental improvements?”

Many cleantech companies failed because they were naïve in thinking that consumers would choose their technology despite it not being a substantively better alternative than what currently existed. Consumers weren’t given a compelling enough reason to change their behaviors. As mentioned earlier, in any industry, a new entrant can only hope to erode market share from incumbents by offering a product that is at least ten times better than what currently exists. This is no different in cleantech.

Solyndra was a cleantech startup that created solar panels using a new type of cell – a cylindrical solar cell. The problem, however, was that the cylindrical design was inefficient. It was actually a worse conductor of sunlight than the flat cells. Rather than being ten times better, Solyndra had created a product that was actually worse than the current state.

- **The timing question**

“Is now the right time to start your particular business?”

Regardless of how genius a new technology may be, if the timing isn’t primed for whatever reason, the business may be doomed to fail. In the case of cleantech, capitalizing on technology to improve the environment became somewhat of a fad, and many people were persuaded that almost any foray into the industry would be successful due to the momentum behind it.

SpectraWatt was another cleantech startup involved in the silicon solar cell space. SpectraWatt’s CEO was convinced that the field was on the brink of taking off and compared the solar industry at present time to the "microprocessor industry in the late 1970s." In the 1970s, microprocessor technology was indeed beginning to boom. Over the coming decade, the technology would become exponentially more efficient. SpectraWatt's CEO was kidding himself if he believed that solar was in the same realm. While the first microprocessor in 1970 was followed by exponential improvements to it over the coming decade, the first silicon solar cell had been discovered by Bell Labs in the mid 1950's, and since then had seen "slow" and "linear" efficiency improvements. There was no reason to believe that this would pick up in the 2000s. SpectraWatt's timing was off.

- **The monopoly question**

"Are you starting with a big share of a small market?"

The failure of cleantech companies can also be traced back to their lack of strategic entry into small, niche markets. Because the energy market is so large, many startups simply flung themselves into the market. What they failed to anticipate was that there were countless other companies doing the same due to the large dollars at stake. And, in this crowded competitive market, no one ultimately won out because no single company had a compelling factor that differentiated it from the others. For example, the CEO of a company called MiaSolé, who manufactured thin-film solar cells, "admitted to a congressional panel that his company was just one of several 'very strong' startups working [in that space]." But, irrationally, he also claimed that "MiaSolé would become 'the largest producer of thin-film solar cells in the world." He had not lucidly taken into account the other very similar competitors who were out to do just the same thing. And, in reality, MiaSolé shouldn't have viewed themselves as able to dominate the "thin-film solar cell market." There wasn't such a thing, because consumers didn't have that level of esoteric knowledge. MiaSolé was up against all solar cell manufacturers globally, and the competition was fierce.

- **The people question**

"Do you have the right team?"

Part of Thiel's post-mortem from failed cleantech companies reveals that you should "never invest in a tech CEO that wears a suit." Because the space was so competitive, it required leadership that were "real technologists." If the problem these startups were trying to solve were solely dependent on sales, marketing, or operations, a polished and season business executive might have done the trick. Instead, "these salesman-executives were good at raising capital and securing government subsidies, but they were less good at building products that customers wanted to buy."

- **The distribution question**

"Do you have a way to not just create but deliver your product?"

Because of the complex nature of clean technology, many startups got too caught up in the product development side of things and neglected to fully consider how their product would reach customers. Because many pioneers in the space were scientists, they were naïve when it came to these questions. "They learned the hard way that the world is not a laboratory." An example comes from a startup that made electric cars based out of Israel, called Better Place. Their customer's journey was so convoluted that it could have required its own guide. Potential customers had to "prove [they] lived close enough to a Better Place battery swapping station and promise to follow predictable routes," "sign up for a fueling subscription," and commit to regularly swapping out battery packs while driving in order for the car to function. Better Place falsely assumed that customers wouldn't mind these hurdles because the cars' technology was so superior, not to mention good for the environment. Better Place ultimately filed for bankruptcy, largely due to having not effectively solved the distribution question.

- **The durability question**

"Will your market position be defensible 10 and 20 years into the future?"

Competition from cheap manufacturers in China was the refrain that countless cleantech companies sung upon closing their doors. But, was this a valid excuse, or merely a failure of foresight from those companies' leaders? Any serious player should expect serious global competition, especially a globally lucrative market like clean technology. This is part of the durability question – have you considered the host of factors that will be at play over the long term in your desired market and adequately planned to defend against them? In addition to competition from China, aspiring players in the cleantech industry failed to adequately anticipate challenges like an increase in the use of fracking and shale gas in the U.S. and a decline in gas prices. All of these long-term factors helped persuade consumers to continue with their current behavior.

- **The secret question**

"Have you identified a unique opportunity that others don't see?"

Entrepreneurs in the clean technology space were all in agreement about one thing – there was a huge societal need for new, green, technologies. Major figures of American political life and pop culture also agreed that this was a problem needing to be solved. What they didn't consider, however, was how hard of a problem it would be to solve, given that everyone agreed it need solving, but yet none had come up with a solution. That is what is mean by "secret" – "a unique opportunity that others don't see." The best business opportunities come about through a unique insight that is not yet widely agreed upon – taking a risk that, if successful, will change the world for many. If others don't yet see it, it could mean you're crazy. Or, on the other hand, it could mean that you just might be on to something great.

WHAT'S YOUR *ZERO TO ONE* STRATEGY?

Even if your set of goals does not include founding a company or creating a new product, Zero to One can help you think about your life and aspirations in a new way. Consider if you've tended to follow the career path most readily presented to you, or if you've taken the time to reflect on what you can uniquely offer to the world and how to make that come to fruition. What are your assumptions about the future? Do you anticipate that your own actions can contribute to an improved society, or have you effectively surrendered to forces outside your control?

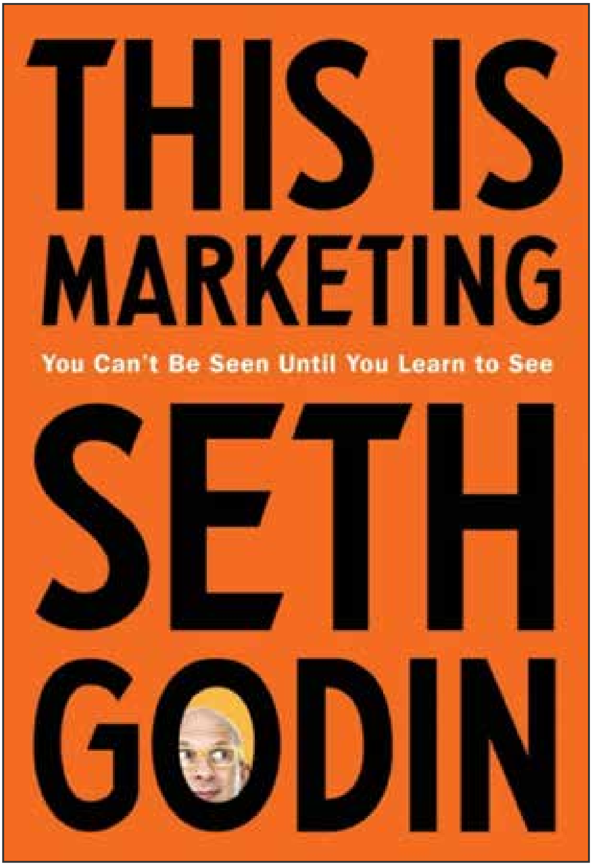
In your workplace, consider if the people in power are thinking strategically about the business, per Thiel's "four most important factors of a startup" and the "seven questions to answer." If not, start doing some diligence on competitors or in new industries to explore new opportunities. The goal is to position yourself within an industry and company that is positioned to win in the long-term, and in an environment that supports risk-taking and ongoing professional growth and development. This will ensure your life's work will make a contribution from "zero to one," not from "one to n."

This is Marketing

By: **SETH GODIN**

How can you use marketing to spread your ideas and make the impact you seek? The fact is that marketing has changed—it has more reach and more speed than ever before. And, it is no longer synonymous with advertising, something that was done to the customer, rather than for them.

This is Marketing shows how, in today's world, effective marketing must rely on empathy and service. You have to understand your customers' worldview and desires, build tensions, and create ideas that spread. Above all, you must target the smallest viable audience for your message and craft a story that resonates with the listener.



TOP 20 INSIGHTS

- Marketing has changed: it is no longer the same thing as advertising, something that was done to the customer, rather than for them. Effective marketing now relies on empathy and service.
- There are five steps to marketing: invent, build, story, spread the word, and show up.
- Your goal is the change you seek to make in the world. Your strategy is the long-lasting way you're investing in reaching that goal. Your tactics are the many, many steps you take on behalf of your strategy.
- Your story has to resonate with the listener—tell them something they are waiting to hear and are open to believing.
- Your brand is the promise you are making to your customer. Your logo is the Post-it reminder of the brand promise.
- You can't be seen until you learn to see. This includes being aware of the worldview of the customer—is it the horizontal view of affiliation or the vertical view of dominion?
- Look for the smallest viable number of people you need to influence to make it worth the effort. These are the people who want what you're offering and are open to hearing your message. Focus on what they believe and what they want.
- Claim your corner of the map, the far edge where people really want what you have to offer. Don't aim for the popular center of the map; it's already too crowded. Instead, build a true story where you are the clear and obvious choice.
- You are not selling stuff, you are selling connections, feelings, and status. This means you have to figure out what people want.
- Who is the exclusive cohort you are trying to reach? Think like the Grateful Dead: appeal to a relatively small audience, rely on fans to spread the word, and stake out your one corner of the map.
- Marketing is the act of making change happen.
- You can't change everyone, so ask, "Who is it for?" to focus your actions.
- The internet is a key part of marketing today. It feels like a vast, free playground; in reality, it's both the largest medium and the smallest one, made up of a billion tiny whispers.
- Use the three-step narrative for action developed by Marshall Ganz to lead your tribe: the story of self, the story of us, and the story of now.
- The best way to earn trust is through action. You need to be trusted by your smallest viable market, to be famous to them, and to show up for them.
- Market to an individual such as your boss the same way as you market to the world: see the status roles; decode dominion versus affiliation and use trust to earn enrollment.
- "Cheap" is another way to say "scared." If you're the cheapest, you're not promising change, you're just promising the same but for less. Low price is the last refuge of the marketer who has run out of ideas.

- You will serve many people, but you will profit from only a few so seek out and delight the few; start by focusing on the neophiliacs, those who embrace change and who have a problem you can solve right now.
- Use the right symbol for your audience—this is especially important today, when people scan instead of study—and if you need to, have the guts to invent new ones.
- People don't want the thing you have made—they want what it will do for them and how it will make them feel.

SUMMARY

To market effectively in today's world you must target the smallest viable number of people and tell a story that matches their dreams and narrative. Realize that you are not really selling stuff or a service, you are selling dreams, connections, and status. Some people want to change their status, others to protect it; some are motivated by the horizontal view of affiliation and others by the vertical view of dominion. Use the right symbols for your audience. Don't sell yourself cheap; set your price bearing in mind the promise you are making and the expectations of your smallest viable market. Build trust and show up consistently as you organize your tribe.

MARKETING TODAY

Marketing is all around us; we take it for granted. At the same time, marketing has more reach, with more speed, than it has ever had before. So, what are you going to do with that impact?

The fact is that even your best, most generous and insightful work will need help to find the people it is meant to serve. How can you spread your ideas, make the impact you seek, and improve the culture?

Marketing has changed, but our understanding of how we are supposed to do it has not kept up. It is no longer the same thing as advertising; something that was done to the customer, rather than for them. Rather, effective marketing now relies on empathy and service. It involves very little in the way of shouting, hustling, or coercion; which means you now have to understand your customers' worldview and desires, build tensions, and create ideas that spread.

Your story has to resonate with the listener—tell them something they are waiting to hear and are open to believing. To tell your story, you need to see how humans dream, decide, and act; and you have to help them to become better versions of themselves. Ultimately, you're trying to connect—not transform someone, but dance with them.

FIVE STEPS

Here are the five steps to marketing effectively in today's world:

- **Invent**

Invent a thing worth making, with a story worth telling, and a contribution worth talking about.

- **Build**

Design and build your invention in such a way that a few people—your smallest viable market—will really benefit from it.

- **Story**
  Tell a story that matches the dreams and narrative of that small market of people.

- **Spread the word**
  This is the step where people get excited about your invention.

- **Show up**
  Day after day, year after year, show up—regularly and consistently organize and build confidence in the change you seek to make.

<u>DON'T SELL THE DRILL BIT</u>

Theodore Levitt, a Harvard marketing professor, famously said, "People don't want to buy a quarter-inch drill bit. They want a quarter-inch hole." But we can take this further: someone wants the hole so they can put a shelf on the wall; which lets them keep their stuff tidy and on display; and, they want to feel good about doing it themselves.

In other words: "People don't want to buy a quarter-inch drill bit. They want to feel safe and respected." They don't want the thing you have made, they want what it will do for them and how it will make them feel.

THE SMALLEST VIABLE MARKET

Start your marketing by asking yourself what change you are trying to make happen. Focus on something specific and attainable. You can't change everyone, so think about changing a specific group of people. Choose your group based on their worldviews, what they dream of, believe, and want (psychographics), and not based on what they look like (demographics).

Now, consider what is the smallest viable number of people you would need to influence to make it worth the effort. These are the people who want what you're offering and are open to hearing your message. What do they believe? What do they want? Claim your corner of the map, the far edge where people really want what you have to offer. Don't aim for the popular center of the map; it's already too crowded. Instead, build a true story where you are the clear and obvious choice.

You are not selling stuff, you are selling connections, feelings, and status. So, you have to figure out what people want—this is not that simple, as everyone wants different things. Start with the core basket of dreams and desires, the shared vocabulary of all humans—things like affection, community, health, reliability, respect, and peace of mind. Somewhere in this core basket are the feelings you want to evoke in your smallest viable market.

<u>THE GRATEFUL DEAD</u>

The Grateful Dead grossed millions in revenues yet only had one top 40 Billboard hit. How? They appealed to a relatively small audience, they relied on fans to spread the word, and they staked out one corner of the map—live concerts with long jams for the fans, rather than polished records with short hits for the radio. They gave the fans plenty to talk about, creating a family of insiders.

They did all this thanks to three things: talent, patience, and the guts to be quirky.

PEOPLE LIKE US

Marketers recognize the importance of the phrase, "People like us do things like this." Marketers also recognize that to make change, they need to normalize new behaviors. To figure out how to do this, the marketer's first job is to define who is "us." Who is the exclusive cohort of people, the group of fans, you are trying to reach?

TENSION AND AFFILIATION

Effective marketers have the courage to create tension. This is not the same thing as creating fear; tension is something that leads to change. It means interrupting a pattern, getting people to think about something new or different, to embrace a new educational experience.

STATUS

The desire to change our status, or to protect it, drives almost everything we do. For the smart marketer, this means recognizing that some people are hungry for a change in status while others are desperate to maintain the status that they have.

Status is not the same thing as wealth. It is relative, always in the eye of the beholder, and it is learned. As a marketer you have to be very careful about evoking status. How are the people you seek to serve perceived by their chosen community and what do they see when they look in the mirror? How do they maintain, or try to change, that status?

AFFILIATION AND DOMINION

Affiliation and dominion are different ways to think about status. Someone who cares about affiliation focuses on who knows them, who trusts them, and where they stand within the tribe. Someone who cares about dominion focuses on what is theirs (not yours), who has more power, and what they themselves do. Modern, urban society—the world of the internet, arts, and innovation—is built primarily on affiliation. It admires the network effect.

The effective marketer must be aware of the worldview of the customer—is it the horizontal view of affiliation or the vertical view of dominion?

REACHING THE RIGHT PEOPLE

While you will serve many people, you will profit from only a few. This means that you need to seek out and delight the few.

SYMBOLS

Not everyone sees a symbol the same way; the smart marketer has to use the right symbol for the audience and has to have the guts to invent new ones. This is especially important today, when people scan instead of study. Semiotics—the flags, symbols, and shorthand that you use to tell your story—really matter. And, when you're targeting the smallest viable market, you can pick the symbol that will really work for those people.

Remember that it's OK to hire a professional, someone who can design a website, logo, or brand image that other people will like. No-one cares who created the symbol, only that it works.

Remember, too, that your brand is not your logo. Rather, "brand" is a shorthand for the customer's expectations—what promise do they think you're making? That promise is your brand. The logo is the Post-it reminder of the brand promise.

Finally, remember that it's OK to treat different people differently. Some people want the thrill of the new; others just want to fit in and make the boss happy. Some want a chance to make things better; others just want to win.

Most people like what they have; but there's a small percentage who actively seek out the new and the different—the neophiliacs—and another small percentage who will defend the status quo no matter what. This last group are not your target; forget them. And, you don't have the time or money to target the majority, who are mostly satisfied. Instead, start by focusing on the neophiliacs, the people with a problem that you can solve right now.

STRATEGY AND TACTICS

Your goal is the change you seek to make in the world. Your strategy is the long-lasting way you're investing in reaching that goal. Your tactics are the many, many steps you take on behalf of your strategy. Change your tactics the minute you decide they are not helping you to achieve your strategy.

Finding the right advertising strategy can be difficult. This doesn't mean you shouldn't try, just be aware of what you are doing and why. Brand marketing—like putting a billboard at the side of the road for Absolut vodka—has been used for generations. It has its place, but you need to be patient as you can't really measure its effectiveness. Direct marketing, like creating a Facebook ad, is different. It's easy to get the word out online—you can reach people quickly, you can target those people more precisely than with any other medium, and you can measure everything. The internet is a key part of marketing today. It feels like a vast, free playground, and it's certainly the largest medium; but it's also the smallest one, made up of a billion tiny whispers.

HOW MUCH?

Marketing changes your pricing and pricing changes your marketing. The price is both a signal and the engine for your project's growth. So, how do you set the 'right' price?

"Cheap" is another way to say "scared." If you're the cheapest, you're not promising change, you're just promising the same but for less. Low price is the last refuge of the marketer who has run out of ideas. Similarly, cutting your price will make you seem less trustworthy, and the smart marketer knows that he or she needs to be trusted. However, "free" is worth considering as a way to spread an idea quickly, to share your vision and ideas, to build connections.

Above all, set your price bearing in mind the promise you are making and the expectations of your smallest viable market.

PERMISSION AND TRUST

Permission marketing treats people with respect in order to get their attention. It requires humility and patience on the part of the marketer. Winning the permission of your customers doesn't have to be formal, but it does have to be obvious. Subscriptions are an overt act of permission. Once you have permission, you can educate; take your time and tell a story.

How do you get permission in the first place? Intentionally create a product or service that people decide is worth talking about. Don't resort to the shortcut of stunts—those come from a place of selfishness.

BUILDING TRUST

The trusted marketer earns enrollment. And, in a world that scans and gossips instead of reads and researches, the best way to earn trust is through action. We remember what you did long after we forget what you said.

Remember your smallest viable market? You need to be trusted by them, to be famous to them, and to show up for them. Use public relations to tell your story to the right people, in the right way, and build that trust.

Visualize a funnel: on their way through, people change from strangers to friends to customers to loyal customers. The smart marketer puts the effort into improving that funnel. Prime the pump with ads aimed at neophiliacs, the people who are looking to find you. Build trust with frequency and generate word of mouth. Give them a reason to want to tell their friends about you.

A powerful example of this funnel at work is the story of Facebook. Some people signed up because "this looks interesting;" more joined because "this can help me;" and finally almost everyone joined because "I'm the last person on earth who's not doing this!" You don't have to set out to create something global, however, just an effective and trusted funnel for your particular 'local' market.

ORGANIZE YOUR TRIBE

If you're lucky, there's a tribe out there that will listen to you; you don't own them, and they would probably survive if you went away, but you can still organize and lead them so that they would miss you if you left. The best marketers are farmers, not hunters. They plant, tend, plow, fertilize, weed—and repeat.

Harvard professor Marshall Ganz has a simple three-step narrative for action for leading your tribe: the story of self, the story of us, and the story of now.

- **The story of self**

  This is the story that gives you standing, you chance to explain that you are people like us.

- **The story of us**

  This is the story of the tribe; it explains why your story of self is relevant to us and how we will benefit when we are part of the tribe.

- **The story of now**

  This is the pivotal point, when you enlist the tribe on your journey.

GET THE BOSS TO SAY YES

Marketing to a person is in many ways the same as marketing to the world. If you go in with what you want and a false sense of urgency, or if you go in asking for authority without offering responsibility, you will probably not be able to change her mind.

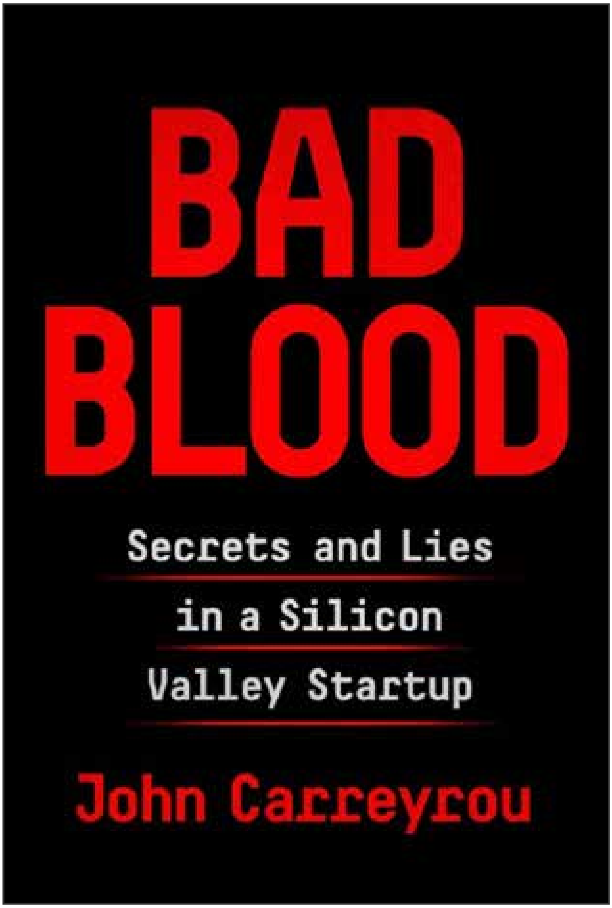
Instead, change the process by seeing the status roles; decoding dominion versus affiliation; and using trust to earn enrollment.

Bad Blood

By: **JOHN CARREYROU**

The story of Theranos is the Silicon Valley equivalent of the Enron scandal replete with bold claims, high valuations, defrauding of investors and terrible corporate governance. Theranos promised to revolutionize healthcare by painlessly performing hundreds of tests on a single drop of blood.

In 2015, Theranos was a unicorn valued at $9 billion. By 2018, the company shut down and Elizabeth faced a ten-year ban from serving as an officer of a public company. Theranos serves as a cautionary tale of what can go wrong with a 'fake it till you make it' approach to building a company.



TOP 20 INSIGHTS

- At the age of ten, Elizabeth Holmes was determined to become a billionaire entrepreneur, an ambition her parents strongly encouraged. To achieve this, she dreamt of designing technology that changed the lives of people.
- Elizabeth dropped out of Stanford to start Theranos. The vision was to build a portable device that would painlessly perform hundreds of tests on a few drops of blood.
- Steve Jobs was a huge inspiration for Elizabeth who called Theranos "the iPod of healthcare." She began to imitate Jobs in her management style and even in wearing black turtlenecks every day to work. "Like her idol Steve Jobs, she emitted a reality distortion field that forced people to momentarily suspend disbelief."
- Avie Tevanian, a board member, grew suspicious about Theranos. Revenue projections never materialized, documents for deals with pharma giants were not shown and there were consistent product delays. When Avie raised this with the board, Theranos threatened him with lawsuits and forced him to quit.
- When the board again received similar complaints, Elizabeth was asked to step down. However, she managed to win the board back, a difficult feat even for seasoned CEO's. "When you strike at the king, you must kill him." In this case, the queen survived and the complainant was fired next week.
- Toxic Culture: Elizabeth indulged in nepotism by hiring her romantic partner Sunny Balwani as the Executive Vice Chairman, a vaguely defined role with sweeping powers. The Board was not informed about their relationship and the vast scope of Sunny's role. Elizabeth also hired her brother Christian and his friends, none of whom had any relevant background.
- Toxic Culture: Theranos blocked online communication and spied on employee conversations and social media posts. Sunny used a fear and intimidation-based approach harassing employees he disliked. Employees suspected of not being 'loyal enough' were fired on some pretense.
- Red Flag: Elizabeth managed to convince Pfizer to use Theranos devices in a patient trial. However, the collaboration soon came to an end as the devices had frequent mechanical failures, wireless transmission errors and poor temperature tolerance. There were issues with test results as well.
- Turning Point: Theranos landed mega-deals with Walgreens, a massive pharmacy store chain and Safeway, one of America's largest supermarket chains. Both companies bet big on this collaboration. However, the partnership was marked by Theranos missing deadline after deadline.
- Red Flag: Theranos promised its devices could perform 192 different tests while they could barely do a dozen. To meet the Walgreens deadline, Theranos hacked commercially available blood testing devices and used them for testing. The test results had dangerously high error rates.
- Turning point: Theranos's stellar board, the Walgreens and Safeway

deals, a potential defense contract and highly inflated revenue projections raised investor expectations. A new fundraising round made Theranos a unicorn, valued at an astonishing $9 billion. Elizabeth, now worth $5 billion, became Silicon Valley royalty.

- John Carreyrou, Wall Street Journal journalist and the book's author, discovered that Theranos's performed its tests on hacked commercial machines. Doctors shared horror stories of faulty test results creating health scares and needless suffering for many patients. "The way Theranos is operating is like trying to build a bus while you're driving the bus. Someone is going to get killed."
- Theranos tried to scuttle John's investigation by sending legal notices and threatening emails to his sources and Wall Street Journal. Elizabeth convinced Rupert Murdoch, the owner of Wall Street Journal, to invest $125 million in Theranos. Using this, she tried to get him to kill John's story, but Murdoch refused.
- John wanted to publish quickly. But the paper's editor advised patience. He likened investigative journalism to la mattanza, a Sicilian ritual where fishermen with spears would stand in the water for hours. When the fish grew comfortable and carelessly swam close, they would swiftly go for the kill.
- Turning Point: The Wall Street Journal carried John's articles exposing how Theranos ran tests on hacked devices. Subsequent pieces revealed that Walgreens and Safeway had terminated their partnership with Theranos. Throughout all this, Elizabeth played the wronged visionary, claiming false allegations were the price she had to pay for being a pioneer.
- An investigation by Centers for Medicare & Medicaid Services (CMS) confirmed that Theranos used hacked devices and test results were highly unreliable. Theranos was forced to void over a million test results paying $4.65 million in reimbursements. What is unimaginable, however, is the damage that could have been caused had Theranos rolled out nationwide.
- Investors sued Theranos, Elizabeth and Sunny for deceit. Walgreens filed a lawsuit for violation of basic quality standards and legal requirements. The Securities Exchange Commission charged Theranos with fraud and barred Elizabeth from holding office in public companies for ten years. She was forced to give up voting control and most of her shares in Theranos.
- Red Flag: "Hyping your product to get funding while concealing your true progress and hoping that reality will eventually catch up to the hype continues to be tolerated in the tech industry." However, in healthcare the costs were far higher. Millions of lives were at risk as treatment decisions are made based on lab results.
- Culture Alert: Elizabeth knew exactly what she was doing and systematically manipulated people. Her ambition would not admit setbacks. She made disastrous decisions that cost Theranos, the investors and the general public dearly.
- The story of Theranos is a cautionary tale. Watch out for similar warning signs in your organization and the companies you work with. Your career or business might be at stake.

SUMMARY

At the age of ten, Elizabeth Holmes was determined to become a billionaire entrepreneur, an ambition her parents strongly encouraged. To achieve this, she was convinced she had to create technology that changed the lives of people. Stanford became an obvious choice for a bright student with entrepreneurial dreams. With her track record of academic excellence, Elizabeth was admitted to Stanford as a President's Scholar. At Stanford, she took a special interest in Channing Robertson's courses in Chemical Engineering and controlled drug-delivery devices. She also started working at his lab under Shaunak Roy, a Ph.D student of Robertson's.

STARTING UP

Elizabeth spent the summer of 2003 interning at the Genomics Institute of Singapore. While using syringes and nasal swabs to test patients for the SARS epidemic, she was convinced there had to be a better way. On her return, she worked non-stop for five days to come up with a patent application for an arm patch that could detect medical conditions and administer suitable drug dosages. When Channing Robertson saw it, he was impressed with her drive and inventiveness in synthesizing different pieces of science and engineering. He encouraged her to drop out and start a new venture. Elizabeth incorporated her startup as Real-Time Cures, which she later changed to Theranos. Channing Robertson joined the board and Shaunak Roy became the first employee. Tim Draper, the famous venture capitalist, invested $1 million. To investors, she pitched the idea of a Therapatch, a sort of a band-aid that would draw blood painlessly, analyze it and deliver a suitable drug dosage. The readings would be instantly sent to the doctor. By 2004, Theranos had raised $6 million.

THERANOS 1.0

Shaunak quickly realized that making such a patch was nearly impossible due to the engineering challenges it presented. They abandoned the idea for a cartridge and reader system. The blood sample would be drawn in a card-shaped cartridge and placed in a reader would analyze the blood and produce test results. Test results would be beamed to doctors who could prescribe modified dosages. This would sharply reduce the time needed to make changes to drug doses. Elizabeth dreamed of putting them in the houses of patients. However, engineering this pared-down version was still extremely difficult. After 18 months, Shaunak managed to make a prototype which was named Theranos 1.0.

Edmond Ku was hired to engineer the Theranos 1.0 prototype into commercializable product. Elizabeth insisted on using only a drop of patient blood to perform tests and wanted the cartridge to fit in the patient's palm. This emphasis on miniaturization caused serious technical challenges. Ed's problems were complicated by the fact that Theranos's culture of information secrecy discouraged the engineering team and the chemistry team from communicating. He was never sure if the errors were caused by faulty chemistry work or faulty device design.

As months went by, Elizabeth grew frustrated with the slow pace and wanted to run the engineering teams twenty hours and seven days a week. Ed felt this would overburden his already stressed team and refused to comply. Over the next few months, he saw new engineers being hired who did not report to him. A parallel engineering team was being formed to make both teams compete with each other.

Elizabeth successfully convinced Pfizer to use the Theranos system in one of their patient trials at Tennessee. Patients would have the Theranos 1.0 device in their homes and take blood tests daily. The results would be shared with Pfizer. The day before Elizabeth was to train the patients and doctors, the cartridges and readers were not working properly. Ed spent the night fixing them. When he came to know the study involved patients suffering from terminal cancer, he felt that the device was too unreliable to be used in a serious study.

THE EDISON

At Theranos, the competition between engineering teams increased. The other team headed by Tony Nugent decided to abandon the existing approach in favor of a robotic mechanical arm which mimicked the steps a chemist would perform. Instead of building it from scratch, Tony re-engineered a commercially available glue-dispensing robot. The new device was the size of a desktop computer, but could still be installed at patient homes. Elizabeth christened this the Edison and this became the new direction for Theranos. Immediately, she started giving demos with the new system. This made Tony uneasy as the system had hardly been tested. Ed Ku and his entire team were fired. Shaunak Roy grew disillusioned with the new direction which was a far cry from the initial vision. He decided to move on.

TOXIC WORK CULTURE

Steve Jobs was a huge inspiration for Elizabeth who called Theranos “the iPod of healthcare”. In 2007, she recruited some Apple employees including Ana Arriola, who had worked on the iPhone’s design. Elizabeth wanted the Edison to have Apple design elements including a touchscreen similar to the iPhone and an outer case resembling the iMac. Ana soon began to have problems with the suffocating culture at Theranos. Elizabeth’s paranoia about information secrecy made Theranos block online communication across teams leading to huge productivity losses. Employees suspected that Theranos spied on their conversations and social media posts. Arrival and departure timings were strictly monitored. When board meetings were convened, employees were told to avoid eye contact with Board members. Elizabeth demanded unconditional loyalty from her employees and fired those she felt were not loyal enough. Within two years, over thirty people were fired not counting the twenty odd members of Ed Ku’s engineering team.

BOARDROOM MANOEUVRES

When Ana heard about the Pfizer trials, she asked Elizabeth to pause the trials until the problems in the Theranos system were fixed. Elizabeth refused. Anna shared her concerns with Avie Tevanian, who was on the board of Theranos. Avie by then had begun harboring concerns of his own about Theranos. The optimistic revenue projections Elizabeth shared at board meetings never materialized. Every time he asked for details about pharmaceutical deals, he was told they were under legal review. There were consistent delays in making the devices production-ready. When Elizabeth wanted to set up a foundation for tax purposes and sought board approval for a special grant of stock, Avie felt this was not good corporate governance. Elizabeth would control the foundation, increasing her voting share. Upset with Avie's criticisms, Elizabeth wanted him to resign from the board.

This incident shocked Avie and he began to review the Theranos documents he had. He found glaring inconsistencies and constant staff turnover. When Avie took it up with Don, the board Chairman, Don told him to consider resigning. Shaunak Roy was planning to sell his founder's shares back to Elizabeth. Avie realized that the shares were being sold at an 82 percent discount compared to the last fundraising round. He decided to buy them. Soon, Theranos threatened Avie with a lawsuit. On second thought, Avie decided he did not want to own more of the company given what he knew about it. He wrote one last letter to Don urging him to tell the other board members about the issues with Theranos and resigned.

Todd Surdey, a Theranos sales executive, realized that the company's revenue projections were wildly optimistic. Each contract with a pharmaceutical company was contingent on Theranos proving that its blood analysis system worked. Worse, the devices often malfunctioned. During a demo for Novartis, all three Edison readers displayed error messages. He took his concerns to Don Lucas saying that the revenue projections were vastly exaggerated given the unreliable state of the Theranos product. This time Don took the complaint seriously. He convened an emergency meeting and Elizabeth was asked to wait outside. The board decided that Elizabeth was too inexperienced to head the company and decided to make her step down. When Elizabeth was called in to be informed, she agreed that there were shortcomings and promised to correct them. In the course of the next two hours, she managed to win back the confidence of the board, in a manner that even experienced CEOs would have found hard to pull off. One of the board members was reminded of the saying that "When you strike at the king, you must kill him". In this case, the queen survived. Todd was fired next week.

NEPOTISM AT WORK

In 2009, Ramesh "Sunny" Balwani joined Theranos as Executive Vice Chairman, a vaguely defined role with sweeping powers. Sunny made his fortune when CommerceBid.com, the startup he worked with, was acquired by a competitor for $232 million. As the Chief Technology Officer, Sunny had made $40 million. When Elizabeth had met Sunny during her impressionable Stanford days, she saw in him a successful entrepreneur. Soon they had become romantically involved and Elizabeth moved into his house in 2005. Sunny had a habit of flaunting his wealth by driving Porsches and wearing expensive clothes.

While Elizabeth had informed the board of hiring him, she had hidden their relationship and underplayed the scope of his role. Sunny used a fear and intimidation-based approach to management. Employees found him arrogant, rude and condescending. Often he would remind people that he was doing a favor to them by working at Theranos when he did not need the money. Employees he disliked faced frequent harassment and yelling. Eventually, he would "disappear them", a phrase that employees coined for Sunny's frequent firings.

Elizabeth took nepotism one step further by hiring her brother Christian, an analyst with no background in medical diagnostics. Christian, in turn, recruited four of his former fraternity mates, who soon became known as the "Frat Pack". None of them had previous experience in medical devices. However, they won Elizabeth and Sunny's confidence by spending long hours in the office and willingly doing everything that was asked of them. Sunny saw these as indicators of hard work and "loyalty". Soon, they were called into meetings that other senior employees were not invited to.

PREDICTING EPIDEMIC OUTBREAKS

The Pfizer collaboration came to an end as the company was unimpressed with the results from the validation study. Theranos devices had frequent mechanical failures, wireless transmission errors and poor temperature tolerance. Further, there were issues with test results as well.

The outbreak of Swine flu at Mexico was seen by Elizabeth and Sunny as the perfect opportunity to demonstrate Edison's usefulness. The Chief Scientific Officer at Theranos proposed creating mathematical models from blood-test results of recently infected patients to predict where the virus would spread next. Elizabeth used her Stanford batch connections in Mexico to ship two dozen Edison readers to Mexico City hospital. Sunny and another colleague flew down to Mexico to test patients for Swine Flu. The Edisons functioned unreliably and produced frequent error messages and wrong results. Sunny also traveled to Thailand, which had a massive Swine Flu outbreak, to set up Edisons for testing. There were rumors this was not done by the book. As the epidemic came under control, both the Mexico and Thailand projects slowly lost momentum. Theranos pivoted yet again, this time from predictive modeling to consumer testing i.e performing doctor prescribed blood tests for patients

MEGADEALS: WALGREENS AND SAFEWAY

In 2010 Theranos started courting Walgreens, one of America's largest pharmacy store chains, promising to run blood tests within minutes from a few drops of patient blood. The Walgreens innovation team immediately saw huge potential in a partnership. Both companies agreed to run a pilot project where Theranos readers would be placed in 30 to 90 Walgreens stores within a year. Walgreens committed to purchase $50 million worth of Theranos Cartridges and loaned $25 million to Theranos. This was unusually fast deal-making for the conservative company.

Hunter, an expert in clinical laboratories, was hired by Walgreens to evaluate the partnership. Theranos claimed to have a commercially ready lab that could perform 192 different blood tests on their devices. In reality, the company had only a research lab and the Edison could do only a limited set of tests called immunoassays. When Hunter asked to see the lab and do a live test on Theranos devices, he was politely refused. To verify the reliability of Theranos technology, Hunter asked for a patient study where Theranos results would be compared to results from Stanford Hospital. This was again swiftly rejected by Elizabeth. Theranos claimed that its technology had been reviewed by Johns Hopkins University's medical school. When Hunter asked for the documents, he was shocked to see a generic 2-page letter with an explicit disclaimer saying the letter was not an endorsement of the technology by Johns Hopkins Medicine. Frustrated by Hunter's probing, Elizabeth and Sunny ensured Walgreens removed him from further meetings. Walgreens ignored the red flags raised by Hunter and continued with the partnership. A key reason for this was fear that its competitor CVS would court Theranos and they would lose out on groundbreaking innovation.

Theranos also made headway with Safeway, one of America's largest supermarket chains. Steve Burd, who led the company for seventeen years had a stellar reputation. Theranos gelled well with his passion for healthcare and promised a new revenue stream for Safeway. A deal was signed wherein Safeway would loan $30 million to Theranos and build new clinics inside its stores where customers could get their blood tested. Safeway would be exclusive Theranos partners in the Supermarket segment while Walgreens would have an exclusive partnership for drugstores.

THE MINILAB

With two massive deals on the table, Theranos had a new problem. Both companies were promised that Theranos devices could perform hundreds of blood tests. In reality, the Edison could only perform a limited group of tests. Theranos hired engineers to build a new device, the miniLab, which would be capable of doing multiple types of tests. To do this, the miniLab would need far more components than the Edison. While most components were commercially available, the engineering challenges came from Elizabeth's focus on miniaturization. As soon as a barely-working prototype was ready, Sunny began placing component orders for a hundred minilabs based on the prototype. A manufacturing facility was leased for production. The engineering teams were shocked at how a barely tested prototype was assumed to be a finished product. This could have dangerous consequences.

SAFEWAY TURNS A BLIND EYE

Safeway's wellness centers, which looked more like spas, were being built in eight hundred stores at a massive cost of 350 million dollars. However, there were significant delays from Theranos's end. Finally, a beta run was launched where Theranos handled blood testing at the Safeway employee health clinic. However, no devices were put there. Samples were couriered to Theranos's office for testing. Blood was drawn using both finger sticks and hypodermic needles, raising suspicions among Safeway medical staff. Results, which were supposed to be instantaneous, took over two weeks and many employees received erroneous results. Safeway turned a blind eye to these concerns.

At Theranos, the miniLabs were not ready to be used to test Safeway's blood samples. So they began to use commercial blood analyzers to handle tests. Even then problems cropped up. Manufacturer instructions were ignored and expired blood drawing tubes were used, compromising results. Safeway, unaware of these problems, began hiring staff for the wellness centers. The company had forecasted that the wellness centers would bring in $250 million in revenue for 2012. Delays meant that it did not materialize. The wellness centers were taking up precious real estate space that could be put to other uses.

A MILITARY FORAY

Theranos was attempting to get the military to use its technology. When Elizabeth met James Mattis, the head of US Central Command, she spoke of how Theranos's instant testing could save lives on the battlefield. Intrigued, he asked his staff to consider a field trial for Theranos devices. However, the military realized that it could not deploy Theranos devices as they had not been approved by the FDA. A compromise was worked out. Theranos's tests would not be used for wounded soldiers. Instead, the devices are used to confirm the results produced by regular testing methods. However, by the time General Mattis retired in 2013, Theranos had not even begun the study.

FALSE CLAIMS

To prepare a marketing campaign for the launch of Theranos's testing services at Walgreens and Safeway stores, Elizabeth hired the advertising agency Chiat\Day. The agency was chosen because they had represented Apple for years. From the fall of 2012 to the spring of 2013, the agency worked on everything from creating a brand identity to making a new website for Theranos. They decided that the best visual for Theranos would be the 'nanotainer', a miniature vial Theranos designed to collect blood from fingertips. To complement the visual, the team came up with the slogan "One tiny drop changes everything".

Soon agency employees began to encounter problems with Theranos. There was the familiar obsession with secrecy. Materials provided by Theranos had to be kept in a locked room accessible only to people who signed confidentiality agreements. Elizabeth wanted the promotional material to carry bold claims. One such claim was that 800 tests could be run on a drop of blood. Another claim was that Theranos's tests were approved by FDA, which was not true. Chiat\Day executives grew concerned about these dubious claims as they were liable to legal penalties in case of misleading advertising. A day before the website launch in September 2013, Elizabeth called an emergency meeting and proceeded to systematically water down all previous claims to the extent where agency employees wondered if Theranos had any novel technology at all.

BUILDING A RELIGION

As Theranos was readying for launch, the problems with the miniLab continued. It would take years to turn this barely functioning prototype into a viable product. But Elizabeth wanted to meet the September 2013 deadline for launching at Walgreens no matter what. Since the miniLab was nowhere close to ready, they decided to revert to using the Edison. But the Edison could only perform a very limited range of tests. This led to the decision to cheat. Theranos employees hacked into a Siemens blood testing device to make it compatible with the finger-sticks Theranos used for drawing blood. The machines were being used in a way that neither the manufacturer nor the FDA approved of. Employees from the chemistry team tried to convince Elizabeth that the Edison had a very high error rate and was not ready for commercial use. Regular patients would rely on these results to make medical decisions. When Elizabeth seemed indifferent to their concerns, some even resigned. Furious with the resignations, Elizabeth called an all-employee meeting and said that she was building a religion. Those who did not believe should leave.

THIS CEO IS OUT FOR BLOOD

On the day of Theranos's commercial launch, a highly favorable interview of Elizabeth appeared in the front pages of the Wall Street Journal. Elizabeth had carefully engineered this piece by leveraging her connections. She used the Walgreens launch and the article to start a new fundraising campaign. At investor presentations, Elizabeth and Sunny claimed that their device could perform 300 different medical tests and that all their tests were submitted to the FDA for approval. Theranos had a stellar board that included the former Secretary of State George Schultz, retired general James Mattis, and Henry Kissinger. The sterling reputation of these men and their military background made Theranos's claims about the military using its devices seem credible. The Walgreens and Safeway deals along with a potential Department of Defense contract raised investor expectations. Sunny gave ambitious revenue projections - Theranos would make gross profits of $1.08 billion on revenues of $1.68 billion by 2015. These numbers were fabricated and multiple times higher than the company's internal projections. After a new round of fundraising, Theranos was valued at an astonishing $9 billion. It had become a unicorn, a startup worth over a billion dollars. Elizabeth, who owned over half the shares, was now worth nearly $5 billion.

In June 2014, Elizabeth featured on the cover of Fortune, with the headline "This CEO is out for blood." In the interview which made her a star, Elizabeth disclosed Theranos's valuation at $9 billion and claimed that 70 tests could be done from just one finger stick draw. Soon she featured in Forbes, USA Today, Fox Business and NPR. Elizabeth was named as one of the hundred most influential people in the world by Time magazine and joined the board of fellows at Harvard. Her security team grew to twenty people, her food was cooked by a personal chef and she traveled in a private jet. The people who handled publicity made Elizabeth the face of Theranos and raised her public profile.

THE FAIRY TALE UNRAVELS

In December 2014, The New Yorker published a piece on Elizabeth which attracted the attention of Adam Clapper, a pathologist who ran an industry blog named Pathology Blawg. Adam was skeptical about Theranos's claims to run so many tests on a drop of blood. He spoke to Alan Beam, a former laboratory director at Theranos, who confirmed his suspicions about the unreliable and haphazard blood testing practices that Theranos employed. Adam passed the tip to John Carreyrou, a journalist with the Wall Street Journal. This is how John, the author of this book, began to investigate Theranos.

The tip from Clapper reinforced John's previous suspicions about Theranos. There was no peer-reviewed data to back Theranos's claims. Further, cutting-edge medical advances took decades of formal training and research. Unlike in computer science, college dropouts pioneering groundbreaking medical technology was unheard of. John got in contact with Alan who confirmed that the Edisons were highly error-prone and repeatedly failed quality control. Out of the 240 tests Theranos offered, only 80 could be done on finger sticks. Of these hardly a dozen were analyzed on Theranos's devices. The rest were performed on hacked commercial analyzers. Results of these tests were unreliable. Theranos would dress up lab data. A syphilis test that gave accurate results only 65 percent of the time. Yet data was fudged to show an accuracy of 95 percent. Vitamin D tests, which were approved for use on patient samples, consistently failed quality control checks. As the former director of the lab, he was worried about being held liable for Theranos's malpractices. Alan was even more concerned that faulty test results could lead to wrong diagnoses which put patients at risk. Others John spoke to at Theranos confirmed Alan's claims. As one of them said "The way Theranos is operating is like trying to build a bus while you're driving the bus. Someone is going to get killed."

John began contacting doctors whose patients had their blood tested with Theranos. Dr. Nicole Sundene shared multiple instances where faulty test results from Theranos had caused health scares for her patients. A patient's lab reports indicated a stroke and she was immediately sent to the emergency room. It was only after multiple scans and tests that she was found to be completely normal and discharged. Other doctors John met shared horror stories of Theranos's faulty test results creating needless suffering for patients.

SCUTTLING THE STORY

When Theranos came to know that John was investigating the company, John's sources received threatening legal notices asking them to refrain from divulging confidential information about Theranos. The Wall Street Journal also received an email demanding that the paper destroy confidential information about Theranos in its possession. The company also pressurized Dr. Sundene and other doctors to retract their statements.

Theranos continued its efforts to scuttle John's story. On July 28, an op-ed by Elizabeth Holmes appeared in the Wall Street Journal. Elizabeth courted Rupert Murdoch, the media mogul, to convince him to invest in Theranos. Murdoch, who owned Wall Street Journal, was impressed by Elizabeth's charisma and rosy revenue forecasts of 2 billion dollars in revenue by 2016. He invested 125 million dollars in Theranos, making it his single largest non-media investment. During a visit, Elizabeth raised the issue of John's story hoping he would ensure it would be killed. Murdoch chose not to intervene, despite his investment in Theranos.

LA MATTANZA

John was worried that the more the delay in publishing, the more time Theranos had to kill the story. However, his editor felt that a story with such an impact must be made watertight before being published. He illustrated this by giving the example of the Sicilian ritual la mattanza. Fishermen would wade into the sea with spears and stand absolutely still for hours. When the fish no longer noticed them and swam close, they would swiftly kill the unsuspecting prey. The same principle applied in investigative journalism. John's only concern was that the story had to be published before D.live, the Wall Street Journal's annual tech conference in October where Elizabeth had been invited. After her appearance at the event, it would be difficult for the paper to publish an expose on Theranos.

THE EXPOSÉ

The first story was published on the Journal's front page on October 15, 2015. It revealed how Theranos ran only a small part of the tests on their devices. It also exposed Theranos's lack of accuracy and its issues with proficiency testing. This created a media furor with Forbes, New Yorker, NPR and other news outlets picking up the story. In Silicon Valley, skeptics felt their suspicions were reaffirmed while others were unsure what to believe. Theranos issued strong denials.

John's sources at the FDA revealed that the agency had conducted a surprise inspection of Theranos's labs. The key reason was the poor test data submitted to the FDA. The nanotainer, Theranos's blood collection device, was banned from further use and declared an "unapproved medical device". Elizabeth tried to cover this up as a voluntary decision. The next day, the Wall Street Journal ran a front-page story on the FDA inspection and nanotainer ban.

Much to everyone's surprise, Elizabeth appeared at the Journal's D. Live tech conference. In her interview with the paper's technology editor, Elizabeth insisted that the withdrawal was voluntary. She also lied that Theranos did not use any commercial lab equipment for finger tests. Over the next few weeks, John published four more articles exposing how Walgreens and Safeway had walked away from their partnership with Theranos. Throughout this entire period, Elizabeth played the wronged visionary, claiming that false allegations were the price she had to pay for being a pioneer.

Sources tipped off John that Centers for Medicare & Medicaid Services (CMS) had done an inspection of Theranos's lab recently and it had not gone well. The agency declared that Theranos posed "immediate jeopardy to patient health and safety". The contents of the report were devastating for Theranos. The federal agency said that Edisons were used in the lab for only 12 of the 250 tests Theranos performed. The rest were run on commercial analyzers. The test results were highly unreliable including a test that failed quality control 87 percent of the time. Unsafe laboratory practices were followed with blood stored at wrong temperatures and expired chemicals used. In a follow-up action, the CMS threatened to ban Holmes from the blood -testing industry for two years. This was a damning indictment of Theranos. John published this story along with the report on the Wall Street Journal website. A week later yet another story broke that Theranos had voided tens of thousands of blood-test results, saying they were unreliable. When Walgreens came to know about this, they terminated the partnership.

Amidst the mounting calamities, Elizabeth felt she had one last chance to reverse all this. She had been invited to the annual conference of the American Association of Clinical Chemistry. At the conference, she unveiled the miniLab and explained how the device could be deployed at the homes of patients to deliver much faster test results. Watching her presentation, John realized what made so many people blindly believe in Elizabeth. She was an amazing saleswoman. "Like her idol Steve Jobs, she emitted a reality distortion field that forced people to momentarily suspend disbelief." This changed, however, when the audience began asking sharp questions about the novelty of the technology and the lack of data in the presentation. A wave of critical articles followed.

MELTDOWN

This was the last straw for Theranos's investors. Partner Fund which had invested almost $100 million sued Theranos, Elizabeth and Sunny for deceit. Another set of investors filed a separate lawsuit alleging securities fraud. Most investors, however, settled for an extra grant of shares in exchange for promising not to sue. Rupert Murdoch sold his shares back to Theranos for one dollar to claim a tax write-off. The law firm Boies and Schiller stopped its work for Theranos. Walgreens filed a lawsuit alleging that Theranos breached the "most basic quality standards and legal requirements". The firm agreed to pay $ 4.65 million to reimburse 76,217 people who had taken blood tests. The number of tests Theranos voided reached 1 million. What cannot be measured, however, is the damage that could have been caused had Theranos gone ahead with its nationwide rollout.

Theranos settled the case with Partner Fund for $43 million. Costly litigations meant that Theranos began to run out of money. Repeated layoffs reduced the workforce from 800 in 2015 to around 130 employees. In March 2018, the Securities

Exchange Commission charged Theranos with fraud. Elizabeth was barred from being a director or officer in public companies for ten years. She had to relinquish voting control at Theranos, return a large portion of her stock and pay $500,000 in penalties.

EPILOGUE

“Hyping your product to get funding while concealing your true progress and hoping that reality will eventually catch up to the hype continues to be tolerated in the tech industry”. Elizabeth embodied this and went to extreme lengths to hide the problems at Theranos. However, unlike tech companies, Theranos was in healthcare and the costs were far higher than releasing buggy software. Patient lives were at risk as treatment decisions are decided based on lab results. Some believe that Elizabeth did all this under the toxic influence of Sunny. However, a closer look reveals that Elizabeth knew exactly what she was doing. Elizabeth systematically manipulated people to do what she wanted. From Channing Robertson to Don Lucas to George Schultz, everyone was under the influence of Elizabeth’s reality-distortion field. While she did start out with the vision to change the world, her ambition would not admit any setbacks. This forced her to make disastrous decisions that cost Theranos, the investors and the general public dearly.

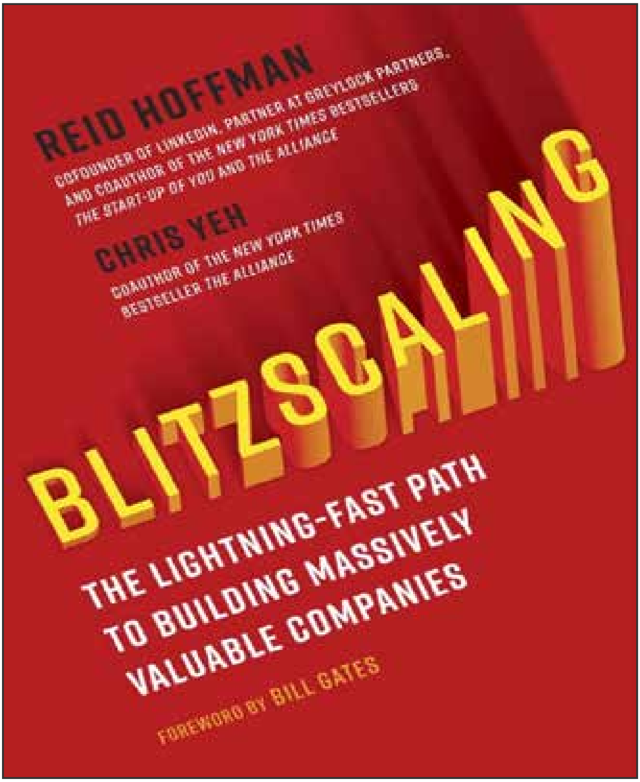
Photo by Michaela on Unsplash

Blitzscaling

By: **REID HOFFMAN** and **CHRIS YEH**

Blitzscaling is all about rapidly growing and scaling a business or product. Learn the techniques that digital companies like Google, Linkedin and Facebook use to scale and double in size in a short period of time.

Read case studies on how entrepreneurs have applied these techniques to build massive companies in short time frames. Blitzscaling is a process that must be understood by managers, executives and venture capitalists who want to invest or develop such companies.



TOP 20 INSIGHTS

- Blitzscaling is an aggressive growth program that prioritizes speed over efficiency. It is both a general framework and a set of specific strategies and tactics.
- While Blitzscaling is credited as a Silicon Valley creation, many of the tactics and benefits can be used and enjoyed by just about any industry.
- Blitzscaling uses 3 Techniques, the most important of which is design an innovative business model that can truly grow—ideally, before starting the company.
- Within the innovative business model are 4 Growth Factors: Market Size, Growth Size, High Distribution Margin, and Network Effects. The most important is Market Size: Eliminate ideas that serve too small of a market.
- 2 Obstacles that can limit the company's growth: lack of product/market fit and operational scalability. Are you able to scale without major failures, such as overloaded servers or routinely malfunctioning products?
- Next, the 7 Business Model Patterns. If you want to scale at warp speed, consider about a digital business. Think software as a service, or a social network, or some other kind of digital good.
- There are 4 Principles that power the technological and business innovation: Moore's Law, Automation, Adaptation, and Contrarianism. Of these, Contrarianism is perhaps the most difficult.
- The only time to blitzscale is when you have determined that speed is THE critical strategy to achieve massive outcomes. This means tolerating greater uncertainty or less efficiency than competing companies do.
- If your market stops growing or reaches its upper limit, it's time to stop blitzscaling.
- As you Blitzscale, you will encounter 5 Stages: Family, Tribe, Village, City, and Nation. At the Family stage, the founder pulls all the levers of growth.
- At the Tribe and Village levels, the founder manages the people who are pulling the levers. The founder also designs an organization that pulls the levers.
- At the City stage, the founder makes high-level decisions about goals and strategies. And at the National stage, the founder pulls he organization back from blitzscaling and starts growing new product lines and business units.
- There are 8 Transitions through blitzscaling. The most important are transitioning from Small to Large teams, from Inspiration to Data, and Single-focus to Multithreading.
- Next come 9 Counterintuitive Rules. Of these, we think the most interesting are Let Fires Burn and Ignore the Customer.
- "Let Fires Burn" means to focus on the really big fires that, if left unchecked, could destroy the company. If anything can wait, let it wait.
- "Ignore the Customer" means "Provide whatever customer service you can as long as it doesn't slow you down."
- Established companies can also blitzscale, even when slowed by caution and processes. They can overcome these

barriers by leveraging the people and businesses that have prior blitzscaling experience.

- China may become an even better landscape for blitzscaling than Silicon Valley. It has an entrepreneurial culture that encourages risk taking, a highly developed financial sector that is willing to fund aggressive growth.
- If competitors are trying to out-blitzscale your business, you can either beat them, join them, or avoid them.
- The speed of technological change is increasing the speed of change for every business. All of this means that speed and uncertainty are the new stability. To thrive, you need to be an infinite learner and a first responder.

SUMMARY

Blitzscaling is a strategy of prioritizing speed over efficiency in the face of uncertainty. It is an offensive strategy that thrives on positive feedback loops. It is based on three key techniques. First, design an innovative business model that can truly grow—ideally, before starting the company. Second, implement an innovative strategy—build growth factors into the model through network effects and implement a financial strategy that supports aggressive spending. Third, use an innovative approach to management, recognizing that the rapid growth of blitzscaling brings significant human resources challenges. This means acknowledging key transitions and following some counterintuitive rules. Although blitzscaling was developed in Silicon Valley it can—and, increasingly, does—apply to industries and regions throughout the world. It is the key business development approach to use in a rapidly-changing world.

DEFINITION OF BLITZSCALING

Blitzscaling is an aggressive, all-out program of growth that prioritizes speed over efficiency, even in an environment of uncertainty. It is both a general framework and a set of specific strategies and tactics to use in any business where scale really matters and getting in early and fast can make all the difference. Classic business strategy emphasizes correctness and efficiency over speed, but when a market is up for grabs the risk isn't inefficiency, it's playing it too safe.

For startups, there comes a point where the company has the opportunity to scale-up; and the fastest and most direct way to do it is through blitzscaling. Amazon's phenomenal growth in the late 1990s is a prime example: in 1996 Amazon Books had 151 employees and $5.1 million in revenues; by 1999 the company had jumped to 7,600 employees and $1.64 billion in revenues, renaming itself Amazon.com along the way.

Most of the prominent examples of successful blitzscaling come from Silicon Valley—not just because of its concentration of talent, capital, and entrepreneurs, but because this was where the secret of blitzscaling was first put into practice. However, blitzscaling can actually be done anywhere.

NOT JUST GROWTH

A classic start-up prioritizes controlled, efficient growth as it tries to establish certainty. Classic scale-up growth means growing efficiently as the company tries to maximize returns in an established market. Fast-scaling happens when a company sacrifices efficiency for the sake of growth, but is doing so in an environment of certainty, for example where a company is trying to gain market share.

Blitzscaling is different. It's not just about rapid growth, but rather is a strategy of prioritizing speed over efficiency in the face of uncertainty. Blitzscaling means waiting to achieve certainty on whether the sacrifice will pay off. It combines the frightening uncertainty of start-up growth with the potential for an even bigger failure. It means convincing investors to give you money for a calculated gamble rather than a sure thing.

THE BASICS

Blitzscaling is an offensive strategy: you take the market by surprise; build a long-term competitive advantage before anyone else; and get the attention of investors as the new market leader. It is also a defensive strategy in that you set a pace that leaves competitors gasping to keep up.

Blitzscaling thrives on positive feedback loops. Once a company occupies the high ground, the networks around it recognize its leadership, and talent and capital flood in. It also comes with massive risks.

A company will employ different types of scaling at different stages in its lifecycle. What works for a Family-size company (1-9 employees) will not work for a Tribe (10-90 employees), a Village (hundreds of employees), a City (thousands of employees), or a Nation (tens of thousands).

Blitzscaling is based on three key techniques. The first is to design an innovative business model that can truly grow—ideally, before starting the company. Uber and Airbnb are examples of companies that grew rapidly based on novel business models. The second key technique is strategy innovation—build the growth factors into the model through network effects and implement a financial strategy that supports aggressive spending. Third is management innovation; bearing in mind that the rapid growth of blitzscaling brings significant human resources challenges.

INNOVATIVE BUSINESS MODEL

The first core technique of blitzscaling is to design an innovative business model that is capable of exponential growth. There are plenty of start-ups that relied on technology innovation without any real business model innovation, and most of them went bust—Netscape's IPO kicked off the dotcom boom, but the company followed a tried-and-true business model and was soon beaten by Microsoft, an established company that knew how to use its economic might.

GROWTH FACTORS

No one model will work for every business, but to blitzscale successfully your model should maximize four key growth factors.

- **Market size**

Eliminate ideas that serve too small of a market. A large market has more potential customers and a variety of channels for reaching those customers. Amazon began as Amazon Books, but Jeff Bezos saw bookselling as a beachhead from which Amazon could expand to "the everything store."

- **Distribution**

  Find creative ways to tap into existing networks to distribute your products. Think, too, in terms of 'virality,' getting users of the product to bring in more users, who in turn bring in more, and so on. Virality usually starts with something that is free or freemium—i.e., free up to a certain point, after which the user has to pay to upgrade, like Dropbox.

- **High gross margins**

  Gross margins represent sales minus the cost of goods sold. Successful blitzscalers tend to have gross margins over 60%. However, for a company such as Amazon, which deliberately prices its products to maximize market share, the gross margin is potential rather than realized.

- **Network effects**

  This factor plays the key role in sustaining growth long enough to build a valuable and lasting franchise; and, thanks to the rise of the internet, network effects can reach levels never before seen. Network effects generate a positive feedback loop that generates superlative growth and value creation.

  There are direct network effects, where increases in usage lead to direct increases in value (e.g., Facebook and WhatsApp); and indirect effects, where increases in usage prompt consumption of complementary products that in turn increase the value of the original product (e.g., iOS encouraging third-party app developers whose products boost the value of the operating system). Marketplaces such as eBay are two-sided networks where increased use by one set of users boosts the value to a complementary set.

  You cannot start small and hope to grow slowly; the network effect won't kick in until your product is widely adopted in a particular market.

GROWTH LIMITERS

In addition to the four growth factors, there are two obstacles that can limit the company's growth. The first is a lack of product/market fit; have you really discovered a nonobvious market opportunity where you have a unique advantage or approach? The second is operational scalability. For example, Friendster was the first online social network that grew to millions of users within months; but its servers couldn't handle the volume and it was soon over-taken by MySpace (which in turn lost out to Facebook). Tesla Motors' growth has been held back by infrastructure limitations.

SEVEN BUSINESS MODEL PATTERNS

The following are good patterns for an innovative business model:

- **Bits not atoms**

  Bits-based businesses like Google and Facebook have an easier time serving a global market. Bits are easier to move around than atoms and can iterate more quickly.

- **Platforms**
A software-based platform like Amazon or iOS can achieve global distribution almost-immediately.

- **Free or fremium**
At LinkedIn, the free basic account is a tool for discovery and gaining a critical mass of users. It encourages distribution and virality, with a percentage of users upgrading to a paid version.

- **Marketplaces**
Think eBay, Google, and Airbnb—even local marketplaces have long been a valuable business model, but the internet age allows online marketplaces to go global.

- **Subscriptions**
Software-as-a-service (SaaS) has become the dominant model for enterprise software and for streaming entertainment such as Netflix or Spotify. Once a subscription business achieves scale it can be more aggressive with long-term investments.

- **Digital goods**
These are intangible products that have no intrinsic value but sit at the intersection of bits and atoms—such as in-app purchases, or the messaging service LINE that gets revenue from selling "stickers" (images incorporated into smartphone messages).

- **Feeds**
A news feed with sponsored updates is the most effective way to monetize internet 'eyeballs.'

UNDERLYING BUSINESS MODEL PRINCIPLES

There are four underlying principles that power the technological innovation that enables business model innovation. The first is Moore's Law, which predicts that computing power tends to double every eighteen months. The second is automation, the principle that increases the productivity of Amazon's warehouses and keeps Google's server farms running 24/7. The third principle is adaptation, not optimization, with companies that practice continuous improvement. Finally, being contrarian is often critical to the process of creating a massively valuable technology company—Amazon pursued e-commerce when most people believed that consumers would never feel comfortable using credit cards online.

INNOVATIVE STRATEGY

Once you have a business model that can support massive growth and value creation, the next step is to decide your strategy; and the first strategic choice is whether or not to blitzscale.

WHEN TO BLITZSCALE

The only time when it makes sense to blitzscale is when you have determined that speed into the market is THE critical strategy to achieve massive outcomes.

Perhaps a big new opportunity has arisen because a technological innovation has created a new market or scrambled an existing one. The most frequent offensive reason for blitzscaling is to achieve a critical mass that confers a lasting competitive advantage. This is not the same as first-mover advantage—unless you are first to scale, being first to launch will not leave you as the dominant player.

Blitzscaling can also be used to create a lasting competitive advantage if you are the first to climb a steep learning curve. Netflix climbed a series of steep curves, first by developing a subscription video service, then by building out a massive streaming infrastructure and refining its consumer recommendation engine, and now by developing original content. The most common driver of blitzscaling is the threat of competition; the more intense it is, the faster you should try to move.

Once you decide to blitzscale, the key question to answer is, "How can we move faster?" This means tolerating greater uncertainty or less efficiency than competing companies do.

Just because you can blitzscale doesn't mean you should. If taking on additional cost and uncertainty doesn't confer an advantage, follow the traditional rules of business—at least, for now. Don't blitzscale if you're pursuing a relatively-low margin business model, like a fine dining restaurant.

WHEN TO STOP

If your market stops growing or reaches its upper limit, it's time to stop blitzscaling. Blitzscaling is, by definition, an inefficient use of capital, so it only makes sense to do it when speed and momentum are important.

Pay attention to early-warning signs like a declining rate of growth relative to the competition; worsening unit economics; decreasing per-employee productivity; and increasing management overhead. These are all signs that your current strategy won't scale further.

THE FIVE STAGES

Blitzscaling is an exercise in serial problem solving; and, what helps you to move onto the next stage, say from Family to Tribe, won't help you to move on from Tribe to Village.

At the Family stage, the founder pulls all the levers of growth. Moving faster than the speed of the average startup is a challenge, requiring high levels of competence and/or a brilliant growth strategy. At the Tribe level, the founder manages the people who are pulling the levers. At the Village level, the founder designs an organization that pulls the levers. At this stage, blitzscaling is less about raw aggression and more about pursuing a differentiated (but still aggressive) strategy.

At the City stage, the founder makes high-level decisions about goals and strategies. At the National stage, when there are tens of thousands of employees, the strategy shifts again; as the company becomes mature and mainstream, the founder has to pull the organization back from blitzscaling and start incubating and growing new product lines and business units.

INNOVATIVE MANAGEMENT

EIGHT KEY TRANSITIONS

Successful global giants like Amazon and PayPal are companies that were able to evolve and optimize their management practices at each stage of growth. There are eight key transitions involved in guiding a company through the stages of blitzscaling.

SMALL TEAMS TO LARGE

Common at the Family and Tribe stages, small teams can operate spontaneously and informally, which makes it easier to execute hard pivots as needed. At the Village stage and beyond teams are larger and coordinating everyone's efforts requires planning and formal processes. For a blitzscaling organization, this transition can have a major psychological effect on early employees and founders, who are no longer involved in every decision. The key is to create systems to help them feel connected to the company's mission.

Career expectations also shift at this point, so it's important that people understand that not everyone can be a VP. Focus on responsibility instead of the specific title; encourage employees to focus on how their experiences prepare them for greater responsibilities in the future.

GENERALISTS TO SPECIALISTS

In the early stages of blitzscaling, smart generalists are needed for speed and adaptability; they are the stem cells of the organization. As the company grows, hiring shifts to specialists—just be sure not to make this shift too soon. And, work to retain the generalists; they have cultural and institutional knowledge and are able to tackle new problems.

Hire only generalists at the Family stage; at the Tribe stage have employees with flexible skill sets who can pivot with the company. At the City or Nation stage, most executive hires should be specialists.

CONTRIBUTORS TO MANAGERS TO EXECUTIVES

Managers are the frontline leaders who worry about day-to-day tactics. Executives lead managers. Both are necessary for successful blitzscaling, but they play different roles at different stages. At the Family stage, formal managers may not be needed; but, once the company grows to the Tribe stage, they will need to run the various functional departments. At the Village stage, the company needs executives.

Very few can transition from manager to executive without a hitch; so, hiring outside executives can make sense. Ideally, hire someone with past experience at a blitzscaling start-up.

DIALOGUE TO BROADCASTING

The internal communication process shifts dramatically during blitzscaling, from informal and in-person to formal electronic “push” broadcasting and online “pull” resources. You also have to shift from sharing everything to deciding what is shareable. As early as the Tribe stage you will need processes to supplement one-on-one dialogues, like a weekly company meeting.

At the Village stage holding a weekly company meeting is logistically more difficult. Shift to monthly or quarterly meetings and use videoconferencing to connect offices. This can work even as you scale through the City and Nation stages. At these later stages the founder/CEO needs to make a conscious effort to develop broadcast channels that reach every employee. Regular emails or short videos are one way to do this.

INSPIRATION TO DATA

At the Family and Tribe stage, organizations have very little in the way of analytics, relying more on inspiration or improvisation. As the company scales, data becomes crucial. Start by tracking a few key stats like users, downloads, buyers, etc. Make sure the information is easy to access and provide clear context. Avoid ‘vanity metrics’—numbers that paint a rosy picture but don’t reflect the key drivers of growth.

At the Village stage have a dashboard that allows you to see how the various threads interlock and to coordinate the work of different groups. At the City and Nation stage you will need a dedicated team to ensure that the necessary data is getting to the people who need it.

SINGLE FOCUS TO MULTITHREADING

Early stage start-ups are usually single-product companies that focus on doing one thing very well; that focus is necessary to beat larger competitors. As the company scales it needs to manage multiple product lines or even business units but being able to focus is still important.

The shift to multithreading usually occurs at the City stage. With over 1,000 employees the organization can support the creation of multiple divisions or units. This decentralized organization can be harder to coordinate, but the shift allows each group to focus on its particular thread and also allows the company to tackle problems that may not respond to a single-thread approach.

Be careful about making this shift; don't do it too soon. Only add threads when it's strategically necessary and be fully aware of the negative impact on organizational focus. Consider the magnitude of the opportunity as well as its potential for gain. Think of each thread as a different company with a leadership team and an incentive structure—the equivalent of apps running on the main thread's platform.

PIRATE TO NAVY

This is the shift from playing offense to playing offense and defense at the same time. It requires an evolution in strategy and in company culture. Many start-ups are like pirates, willing to break the rules and waging guerrilla warfare against bigger competitors. Once you get to the Village stage or larger, you need to trade in the chaos of the pirate for the discipline of the navy. Early employees and founders often resist this shift, but it is critical to the survival of the company. A navy needs established techniques and a unified executive team.

At the Village stage, start thinking about playing defense; at the City stage, defense becomes the primary focus. At the Nation stage, the shift to navy should be complete. The biggest offensive and defensive plays in the Nation playbook are acquisitions.

FOUNDER TO LEADER

Founders need to take bold risks and learn quickly. They also need to scale along with the company, and speed has to take precedence over ego. In a blitzscaling company the founder must delegate to talented people. S/he must become a learning machine, talking often to other smart people, and having a personal 'board of directors' to offer advice and fill in knowledge gaps.

NINE COUNTERINTUITIVE RULES

In order to cope with the frenzied pace of blitzscaling, there are nine counterintuitive rules to follow that turn the conventional wisdom of traditional management on its head.

EMBRACE CHAOS

Explicitly choose speed over efficiency. Don't passively accept chaos but, rather, embrace it. Accept uncertainty and take steps to manage it.

HIRE MS. RIGHT NOW

Look for executives who are just right for the current stage of growth. Someone who can stretch to the next stage, too, would be ideal but in the fierce competition of blitzscaling that is a secondary concern. Hiring "Ms. Right Now" also means being willing to let someone go when the moment passes.

TOLERATE "BAD" MANAGEMENT

Blitzscaling may mean reorganizing the company three times in one year, or repeatedly churning through members of the management team. You don't have time to wait for things to work out. This chaotic management leaves everyone with undefined roles that are in flux, allowing for pivots and fast transitions without being derailed by titles.

TOLERATE IMPERFECT

If you need to choose between getting to market quickly with an imperfect product and getting there slowly with a perfect one, choose the imperfect product nearly every time. Getting to market fast gets you the valuable feedback you need to make improvements. This is not an excuse to cut dangerous corners—you don't want to be ashamed or indicted, but embarrassed is O.K. Just make sure you learn the right lessons from the market feedback.

LET FIRES BURN

Every stage of blitzscaling will bring more problems than you can address. Focus on the really big fires that, if left unchecked, could destroy the company. Let some fires burn, recognizing that they may eventually require attention but not right now.

ACCEPT THROWAWAY WORK

The code or process that works at one stage of blitzscaling may break down at the next one. Accept that inefficiency is the rule and that many things will be thrown away at later stages.

IGNORE THE CUSTOMER

For many blitzscaling companies the rule is not "The customer is always right," but "Provide whatever customer service you can as long as it doesn't slow you down." Note that this is a temporary solution—you can't ignore them forever.

RAISE TOO MUCH MONEY

Excess cash allows you to deal with the unexpected—and the only sure thing in blitzscaling is that the unexpected will happen. It's like jumping off a cliff and assembling the airplane on the way down—don't run out of money for the fuel and parts you need to get airborne. Blitzscaling start-ups burn cash in order to grow, but it is important to make this investment with long-term profitability in mind. It is tempting to fix every problem that arises with money, but you should only spend the cash on fixing things that are crucial to reach the next stage as you scale.

EVOLVE THE CULTURE

You can ignore inefficiencies and some fires, but don't ignore your culture; it influences how people act in the absence of specific directives and rules. Most of the Silicon Valley companies that have defined the tech industry—HP, Intel, Apple, Google, Facebook—are known for their distinctive cultures. The company's primary culture likely originates in whichever area is most critical to its success, and its development is intimately intertwined with branding. Culture is the story we tell ourselves and others about who we are.

In blitzscaling companies culture is increasingly important, and increasingly difficult to maintain, as the organization grows. During the Family and Tribe stages it is transmitted personally, but this won't work at the Village stage; now, the culture has to be deliberately transmitted through communications and people management. One way to do this is to hire for cultural fit but be aware that a strong culture can be narrowing. Hiring teams of young, Caucasian men who went to a handful of elite schools will hinder the organization's ability to innovate or serve a wider market. A successful organization needs a combination of conformity and diversity. Too much sameness leads to bias and stagnation.

Build an inclusive culture right from the beginning. Make diversity a priority in hiring the first ten employees and put this commitment in writing. At the Village stage have a systematic approach to diversity.

BEYOND HIGH TECH

The principles of blitzscaling can apply far beyond Silicon Valley. Take the example of Spanish clothing retailer Zara, which uses the techniques of blitzscaling to run its business. Its focus is fast fashion—get customers what they want, quicker than anyone else. Zara takes only two weeks to develop a new product and get it into stores, compared with the industry average of six months. It fulfills apparel orders from its stores in less than 48 hours, even as it still manufacturers most of its clothing in Spain.

Zara gets daily feedback from its store managers; this is analyzed by sales specialists who present to designers, who then send the designs to the factories for manufacturing. The business model focuses on responsiveness over efficiency. Products are shipped in small batches, which costs more logistically but allows Zara to get its clothes into stores in less than 24 hours in Europe and America, less than 48 in Asia and Latin America. Despite its inefficiencies Zara's gross margins exceed those of its competitors.

WITHIN A LARGER ORGANIZATION

The lessons of blitzscaling can help you to achieve rapid growth and first-scaler advantage in any organization. An established company can take advantage of its scale, and its ability to be patient, in order to make multiple, iterative blitzscaling attempts. It can also use acquisitions to drive blitzscaling.

On the other hand, the incentives at work within established players tend to favor caution over aggression; the potential rewards have to be significant to make the risk worthwhile. Public market pressure can also make it harder to blitzscale, given the impact of sacrificing short-term efficiency on quarterly financial results.

One way to overcome these barriers within an established company is to leverage the people and businesses that have prior blitzscaling experience. Another is to treat the new initiative as a company within a company.

BEYOND THE WORLD OF BUSINESS

In the non-profit world it only makes sense to blitzscale when there is a large market—for example, the Gates Foundation's decision to tackle malaria prevention and treatment, which is an enormous 'market.' It's also important for the non-profit to have an effective distribution strategy. Consider, too, the impact of the 'product.' Sometimes there are network effects that can be tapped into, such as the Khan Academy's ability to leverage the YouTube platform.

As in the world of business, product/market fit is also important for successful blitzscaling for non-profits; in this case, the better an organization serves its clients, the better it will be able to raise money from its customers (i.e., donors). Operational scalability is likely to be a big challenge, but not an insurmountable one.

BEYOND SILICON VALLEY

Stockholm actually produces the second highest number of billion-dollar 'unicorn' start-ups after Silicon Valley—Spotify is a prime example. Blitzscaling in an emerging economy, however, presents a different set of challenges and opportunities. Payment platforms, shipping vendors, and professional service providers are unlikely to be as well established. On the other hand, building your own platforms makes for a significant competitive advantage.

China may actually become an even better landscape for blitzscaling than Silicon Valley. It has an entrepreneurial culture that encourages risk taking, a highly developed financial sector that is willing to fund aggressive growth, and plenty of high-tech talent. Its economy, one of the world's fastest-growing for decades, is both massive and open to disruption. China's recent rise as an industrial power also means that more of its industries are nascent and up for grabs.

Companies in China grow, break apart, and recombine with incredible speed. Smartphone maker Xiaomi is a prime example. It was founded in 2010; by 2015 it was the third-largest smartphone maker in the world; but in 2016 its sales dropped 40% year-over-year. The company responded by attacking its distribution problems with a rapid, massive effort to build up its off-line sales channel—in 2017 its sales had rebounded 59% from the previous year.

On the other hand, Silicon Valley's pace is less-frenetic than China's, allowing the Valley to pursue deeper tech and longer time horizons. The culture encourages more collaboration and it is several decades ahead of China in terms of concentrated experience and institutional knowledge. China also suffers from more insular management and hiring practices with a strong tendency to hire from within.

DEFENDING AGAINST BLITZSCALING

If competitors are trying to blitzscale your existing business out of existence you can either beat them, join them, or avoid them. Beat them by not over-reacting but sticking to your traditional game—wait for your opponent to exhaust himself, then counter-attack. Alternatively, join them and launch your own blitzscaling effort.

The most successful option is to avoid them—cede the current market to the blitzscalers and use your current assets to migrate to a new, less vulnerable market. This was essentially IBM's response. Having been one of the original computer blitzscalers, when faced with competition from the likes of Dell IBM repositioned itself as a system integrator and technology consultant.

BLITZSCALING RESPONSIBLY

Blitzscaling companies can try to get fast by any means necessary; it is important to blitzscale responsibly. A big company can create enormous value, but it can also be tempted to abuse its power. Rather than campaign to break up large companies, however, we should focus on responsible behavior and be aware of how the actions of the business impact the larger society.

Blitzscaling involves risk, but all risks are not equal. When deciding what constitutes responsible behavior, it is important to differentiate between localized non-systemic risk and systemic risk, which can impact or even destroy the entire system. For example, some people fear that social media is a uniquely dangerous technology—but the arguments used to support this view are the same as the ones that were used in the time of Socrates to protest the use of the written word rather than memory; or at the time of the development of the printing press and the rise of newspapers. On the other hand, there are technologies emerging from blitzscaling companies, such as biotechnology techniques driven by CRISPR-Cas9 targeted genome editing, that may raise new and potentially-systemic risks to society.

A truly systemic risk at the corporate or societal level requires an immediate response; a potentially systemic risk can be tackled with a near-term response and a commitment to later action. A non-systemic risk may be a small fire that you can just let burn.

At the Family and Tribe stages, responsible blitzscaling means clearly defining the company's mission and laying the foundation for a culture that values being a responsible part of a larger society. At the Village level it is time to ask, what things, if you don't fix them now, will be functionally impossible to fix at scale. Once you get to the City or Nation stage, it is time to take on the responsibilities of an incumbent—which means everything you put off earlier must now be fixed.

THE BLITZSCALING ERA

Although blitzscaling is concentrated in software and the internet, it is likely to shape our physical world in the future. New technologies are emerging rapidly and promise to change everything—again. Markets and investors are increasingly willing to fund blitzscaling bets. The speed of technological change is increasing the speed of change for every business.

All of this means that speed and uncertainty are the new stability. To thrive, you need to be an infinite learner and a first responder.

Photo by Kevin Matos on Unsplash

Side Hustle

By: **CHRIS GUILLEBEAU**

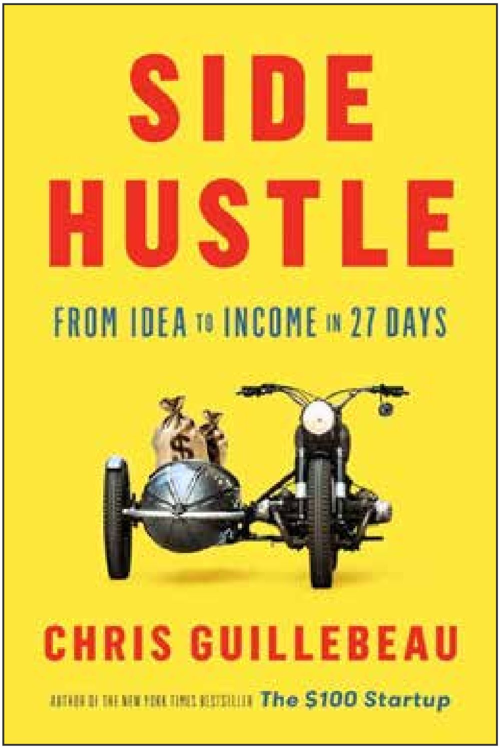
Everyone should have a side hustle; even if you love your current job, more income means more options.

Perhaps you want to make some extra cash on the side, while working on a project that you really enjoy and boosting your self-confidence. Perhaps you need some additional financial security in today's uncertain world. More and more people are developing side hustles, projects launched with minimal time and effort that turn into steady money-earners.

This book gives you a detailed roadmap to create your own side hustle in just 27 days—how to brainstorm and select the best idea, gather the tools you will need, launch and sell your offering, and evaluate its progress.

A side hustle can be a stepping stone toward a new, full-time career as an entrepreneur; a temporary solution to a near-term financial problem; or, a steady money earner that supplements your day job. A side hustle is not a hobby, it's a way to make some extra cash; but, it is also much more than that. Building something for yourself can really change your life, giving you more confidence along with more financial security.

Whatever the reason, anyone can create a side hustle that increases their income and brings a new level of financial freedom. Best of all, anyone can learn to do this without having to commit a lot of time, money, or effort.



SUMMARY

You can learn to build a side hustle in just five weeks. In the first week you learn how to build an arsenal of ideas. In the second week you compare ideas, study what others are doing, create an image of your ideal customer, and transform your idea into an offer with a compelling origins story. Week three is for preparing for the launch, assembling the tools you will need, figuring out pricing and how to get paid, and creating workflows. In week four you launch your idea, learn how to sell and test your offering, and how to ask for help. In the final week, you learn how to track your progress, grow what works, systematize your processes—and, finally, decide what comes next.

FIRST WEEK

A side hustle is a small project, launched on a weekend, that ends up making you hundreds, even thousands, of dollars. It's something you start on the side, usually while still working a day job, as a way to get additional income without taking the plunge into working fulltime for yourself. Even if you love your job, you should still have a side hustle; more income means more options.

Launching a side hustle is not hard—you don't need a lot of money or time, and you certainly don't need a business degree or a special education. You work on a side hustle on your own schedule. All you need is the right frame of mind and the willingness to act.

The first week will be spent generating ideas for your hustle.

DAY ONE: WHERE WILL YOU GO

A side hustle is not a hobby, it's a way to make some extra cash; but, it is also much more than that. Building something for yourself can really change your life, giving you more confidence along with more financial security.

So, the first step in building your side hustle is to ask yourself: what will my life look like, 27 days from now? Imagine where your hustle will take you. Will you have the money to make a big purchase, pay off a loan, or go on the trip of a lifetime? Will you have a sustainable source of income that will really make a difference to your daily life? Or, will you be able to replace, even exceed, the income from your daily job? Decide what your goal is.

DAY TWO: GENERATE IDEAS

The next step is discovering what makes for a good side hustle: a great idea. The three essential qualities for a great idea are that it be feasible; that it be profitable; and, that it be persuasive.

A feasible idea is one that you feel excited about, that can make you money, and that you can set up in a short period of time. You should be able to turn your idea into reality using the skills and resources that you already have—no major investments, no extra classes, no months of planning. You must also be able to envisage how this idea will make you money; if you can't, think of something else. To be persuasive, your idea must be something that people will find hard to refuse.

Stay away from a grand vision that's hard to explain in simple terms; something requiring skills you don't have; or something that takes a lot of time. Look for something high potential, that is: that you can easily turn into reality; that you already know how to do (or, can figure out very easily); that is low maintenance to set up and run; and that will bring in recurring income. Your idea should also be something that solves a problem or makes a person's life easier in some way.

<u>DAY THREE: BRAINSTORM</u>

Day three is for brainstorming. Imagine driving down the street; pay attention to everyone you see and what they are doing. Think about what they might need. Do the same thought experiment wherever you go. Are there opportunities here that someone can profit from?

There are three general types of side hustle: selling a product, which can be an object like gourmet coffee or something intangible like traffic information; providing a service, like coaching people or filling out tax returns; or, being a middleman, improving an existing process without actually creating a product or directly serving customers, like being a reseller.

There are starter ideas, which are perfectly fine if you're just starting out, or you just need to make some near-term cash. But, these will quickly run into limitations. Eventually you may want a next-level idea, something with long-term potential. A starter idea is being a driver for Lyft or Uber; a next-level idea is coaching other Lyft drivers and being an expert commentator on the rideshare industry. You could sell your arts or crafts on etsy.com; offer online tutoring or create a course in your field of expertise; or start a podcast and sell sponsorship. You could resell things you find in yard sales; publish a blog; or become a home- or life-organizer.

Brainstorm a list of ideas that sound promising and narrow your list to three high-potential ideas that are feasible, profitable, and persuasive.

<u>DAY FOUR: EVALUATE</u>

The next step is to evaluate your three high-potential ideas and decide which one has the fewest barriers to getting started and the most potential for making money. Ask yourself what would be uniquely good, and uniquely challenging, about each idea (you should be able to figure this out using your own intuition and just a small amount of research). What will you need to get started, what are the potential obstacles, and how hard will it be to make your first sale? Has anyone else done something like this before? What are the best- and worst-case scenarios if you do this?

For example: helping wedding photographers to process their photos requires expertise and manual effort but is a recurring market. Coordinating a network of neighborhood dog sitters is constrained by the number of dogs in the area but you don't actually have to do any of the walking.

DAY FIVE: FIND THE PROFITS

Round out your first week by investigating the profit potential in each of your three high-potential ideas. This is a key step: your side hustle must have a clear plan for making money. The formula for this is very simple:

expected income – expected expenses = expected profit

However, to fill in the formula for your three ideas you'll have to make some estimates. Use your best guess for monthly expenses and what people are likely to pay for what you are offering. If there's a lot you don't know—for example, how many people will really be willing to sign up for your class on bird-watching—then make an optimistic projection, say a full class of 20, and a conservative one. Jot down what the return would be for five students, each paying just $20, versus five students paying $50; and 20 students at each rate. Think about the minimum number of students and the minimum fee that will make it worthwhile to offer the class.

Compare the profit potential for each idea to decide which is the most feasible one.

SECOND WEEK

In the second week you will learn how to identify your best side hustle, figure out who is your ideal customer, and create your origins story.

DAY SIX: RANK YOUR IDEAS

The next step is to rank and compare your three high-potential ideas. Rank each one on the three qualities of feasibility, persuasion, and profit potential, along with two additional qualities: efficiency (how fast can this idea be executed) and motivation (how excited are you about it). The easiest way to do this is to give each quality a score of high, medium, or low, then compare the scores for your three ideas.

If you want to get more detailed, weigh the qualities based on what is most important to you right now—say, making money or getting started quickly. You could also add more categories of scoring, perhaps a scale of 1-5 or even 1-10.

The important thing at this point is to remember that you're not making a life-time choice, you're just looking for the best idea right now. Just make sure you can explain it in simple language; it is feasible, profitable, and persuasive; it is clear how it will make you money; and, the idea makes you excited. You can always come back to the other ideas at a later date.

DAY SEVEN: EVALUATE THE COMPETITION

On day seven you're going to play detective by doing some reconnaissance of the landscape to figure out the competition. This stage is like studying a neighborhood before opening a coffee shop there—you don't want to be the fourth coffee shop on the block, but you also may not want to be the first one if there are no customers in the area. On day seven, learn who else is offering the same thing (or something similar) and figure out how your idea will be better. Your idea doesn't have to be better in every way, just in a few ways that the competition doesn't offer.

Check out the competition's websites and social media postings; check any customer reviews. Try to find out how much it cost the competition to get launched and how much money they are making. Figure out how you can take their strategy and make it better.

If your side hustle is something that's entirely new, this is the time to make sure you can explain it in a way that is crystal clear and compelling.

DAY EIGHT: THE IDEAL CUSTOMER

Now it's time to create a profile of your target customer. The better you understand your customers, the better you'll be able to serve them. Make notes on the one person you imagine really, desperately needs what you have to offer. Write this person a letter, making it clear you understand their pain and proposing a clear solution.

Your product or service may be intended for people from a variety of backgrounds; still, having an imaginary conversation with this one, ideal customer will help you to hone the idea for your side hustle.

DAY NINE: CREATE THE OFFER

The next step is to transform your idea into an offer—something that has a promise, a pitch, and a price.

The promise focuses on the benefit someone will get from whatever you are selling. Make it clear how your idea will change someone's life, in one short, snappy sentence. The pitch is all the basics someone needs to know; the information on why they should purchase now. The price is just that; what it costs and also exactly how to get it.

Write your offer to your ideal customer from day eight. Use words like "now" and "today" to create a sense of urgency. Keep the whole thing fun and lively. Where possible, use numbers—they grab attention faster than words. Finally, keep it pithy—every word should serve a purpose.

DAY TEN: TELL THE STORY

Now it's time to create your origin story. As in the world of comic books, having a good origins story shows the moment of transformation when the character evolves in an essential way. Think about how you got into this, what inspired you. Use some personal anecdote to forge an emotional connection with your customer:

"I've always been interested in … so I decided to try …"

"I was frustrated by … and knew there had to be a better way. So, I made …"

Inspire your potential customers to root for you and your mission; it will turn them into paying customers.

THIRD WEEK

In week three, you'll pull together everything you need to get your offer up and running.

DAY ELEVEN: THE TOOLKIT

Assemble your toolkit—all the details you'll need to figure out to launch your idea. These may feel like obstacles, but really, they're just the details you need to solve. Consider how you'll deal with some or all of the following:

- **Bank account and credit card**

  Have separate ones that are just for the side hustle, one to hold the money you make, the other to cover any expenses you have. (Just be sure to pay for everything you can up front; that way, you won't be tempted to "invest" too much in the hustle.)

- **Taxes**

  Set aside at least 25% of your hustle income for paying taxes.

- **Invoicing**

  Have a system that is fast and easy.

- **Agreement/contract for service work**

  This doesn't have to be long and complicated but where possible have some form of written document or customizable email. You can send an email after you get off the phone that states: this is what we agreed I will do, this is how much we agreed you will pay me, and this is when we agreed payments will be made.

- **Legal structure**

  Operating as a sole proprietor is the easiest way to go for most side hustles. If you decide you need to incorporate, do it yourself online (it's much cheaper than using an attorney).

- **Accounting**

  This is another key system that doesn't have to be complicated, just some way to track income and expenses.

- **Workspace**

Set up a space in your home, even a small one, and create a routine for working on the hustle ("one hour first thing every morning I will sit at this desk and do xx").

- **Pay yourself**
  Transfer profits from the hustle account to your personal account on a regular basis.

DAY TWELVE: THE PRICE

Now, how to price your offer? If you know (from your day seven detective work) what others charge for a similar product, then pricing your own offering is easy. But, if you're offering something new, how do you know what it's worth? You have to price low enough that you don't lose potential customers, but high enough that you make money. Profit must be built into this hustle right from the start—if you break even you're really losing money!

If you're selling a product, start with cost-plus pricing—the cost of making the product plus a dollar or percentage markup as your profit. Think about the time it takes you to create the product. If it's a high-volume product, the markup can be slightly above the cost; for a low-volume product, the markup needs to be higher.

If you're selling a service, price in terms of your time, including any 'prep' time that doesn't go on an invoice. One rule of thumb is to set a minimum hourly income that is slightly higher than what you make in your day job.

Try to design your hustle so that it generates recurring income. Consider offering price tiers, where people pay more to get more. And, don't stray too far from the market price.

DAY THIRTEEN: THE SHOPPING LIST

The next step is to create a side hustle shopping list, the things you either need to source, acquire, or prepare to launch your offer. Remember, the aim is to go from idea to implementation as quickly as possible. Think of this step as gathering the ingredients for a baking project and think about your customers—what will they experience after buying your offer and what needs to happen for you to get that experience to them?

The specifics will depend on your particular hustle, but your ingredients will likely include a website. Don't pay too much; you can get a good basic site for $5 a month. You will probably need social media profiles, too—pick one or two networks to focus on and register your name (even if you won't be using it right away).

A scheduling tool is important for consultants, coaches, and anyone making time-based commitments.

DAY FOURTEEN: GETTING PAID

Make sure you have a way to get paid. If you're selling a product, a simple payment system like PayPal, Shopify, or Stripe will likely meet your needs.

For a service hustle, you'll also need a way to invoice customers. Keep it simple and do whatever is common in your industry. You can ask for payment in full before beginning work; half up front and half on completion; or, payment in full on completion. Decide on the payment options you will accept—credit card, check, transfer, etc. Decide on how you will prepare and submit invoices, and the time frame and process for clients to pay.

DAY FIFTEEN: WORKFLOW

Write out your workflow steps in an orderly way. A workflow is the list of steps that must happen for a process to be completed. For your side hustle, this means noting down everything that needs to happen for customers to make a purchase and receive what they paid for. You can write it from the customer's perspective, to help you pinpoint where things might go wrong. Create a master list of tasks, actions, and next steps.

For example, let's say you have a website where you post particular types of recipes, and you want to sell an ebook of the most popular ones. You start by creating an email list of customers. The email signup workflow would look like this: decide on an email list service and set up an account; add the code provided by the list service to at least one page on the website; write an interesting call-to-action to get readers to join the list; and, write a welcome message that goes out to people who join, letting them know what they can expect in future mailings.

DAY SIXTEEN: FOCUS

As you wrap up week three and get ready to launch, remember to keep your focus on two important things: providing more value and making more money. This means under-promise and over-deliver to your customers, respond to unspoken needs, and highlight positive results. For you, it means commit to a regular schedule of price increases, pursue incremental revenue, and spend some time every day thinking of ways to grow your hustle.

FOURTH WEEK

It's time to launch! Week four is about learning how to market and test, and how to show up for the battle.

DAY SEVENTEEN: LAUNCH!

The time to launch is now, even if you don't feel ready. There are plenty of ways to procrastinate—it's not quite perfect, what if it doesn't work, maybe I should ease into this—but the only way to know how your customers will respond is by actually making your offering. It's your proof of concept. And, if you wait for perfection, your hustle will never launch.

One way to push yourself to launch is to take ten minutes to create a Facebook page for your hustle. It's easy to do and you'll quickly be able to see how people respond. You can also say you're launching "in beta mode" if it makes you feel more comfortable. Gmail was in beta mode for five years after it launched!

DAY EIGHTEEN: SALES STRATEGY

Hone your sales strategy. Lead with the benefits of your product; how does it help people and make their lives better? Make your sales pitch clear and specific:

"At the end of this course, users will ..."
"By buying this thing, customers will..."

The best benefits have some form of emotional angle, something that makes the user feel better.

After listing the benefits, show the specific features of the product:

"In just four easy lessons, you will learn ..."
"The tool does these three things ..."

Establish the value to the customer before you mention the price and use stories to show how wonderful the product is. Don't be pushy, but don't be afraid to make the ask.

DAY NINETEEN: GET HELP

Enlist ten people to help get the word out. Ideally, these should be a mix of people who can help in different ways—supporters, mentors, influencers, and ideal customers. Don't ask too many people for help; rather, come up with a short list of who can really spread the word.

Ask each person for one specific thing; explain why you are doing this hustle and how it will help people; and follow up only once, and gently. Not everyone will say yes—be gracious in your response.

DAY TWENTY: TEST

You probably don't know yet which approach will be the most effective for your side hustle—so, try out different things and keep a record of the results. The simplest test is an A/B test, where you try two different versions of your product and see which one people tend to select. For example, if you're offering a class in bird-watching, set up two separate registration pages, one with the class priced at $49 and the other at $79, and send half of your visitors to one or the other. Now you can see how much difference price makes to the conversion rate, that is, how many people actually click to sign up.

Don't get sidetracked into constantly testing every detail of your offering;

stick to the big things like the product being offered, how you present it, and the price. Only run one A/B test at a time, but don't stop at just one. For example, start by comparing a 10% discount and free shipping; next, test free shipping against a bulk order discount; and so on. The aim is to gather information about what your ideal customer wants and what they are willing to pay.

DAY TWENTY-ONE: USE SECRET WEAPONS

Deals, special offers, and sales are your secret weapons. Everyone likes to think they are getting a deal, and no-one wants to miss out on something that won't be offered for long. You don't have to give the product away (remember, the aim here is to make money), but you do want to create a sense that this deal is something special that won't be around forever.

Some secret weapons to consider are a discount; a fire sale; buy one, get one free; or a rebate available after purchase. You can offer a refer-a-friend reward, some form of frequent shopper program, or contests with the promise of a big win. Free samples or trial offers—"get it while you can"—can also bring in customers.

Make sure you announce the deal in advance and make it easy for customers to take advantage of it. Make the deal something customers will feel excited about. Be sure to test that the systems you have set up really do reflect the right information about the deal at every stage (order form, shopping cart, invoice, etc.). And, end the deal when you say you will, so that customers will pay attention the next time you offer a sale.

DAY TWENTY-TWO: CELEBRATE!

Frame your first dollar, go out for a nice meal, buy yourself a little treat. Don't plough every cent back into the hustle right away; do something to reward yourself for launching your side hustle.

FIFTH WEEK

You did it! Your side hustle is out there in the world. Now, it's time to regroup, refine, and raise your game.

DAY TWENTY-THREE: METRICS

You need to be able to answer the question, "Is it working?" And, the answer should be something other than, "It's fine." If you're succeeding wildly right away, keep doing what you're doing. If your side hustle has crashed and burned, cut your losses and try something else. Most likely, your idea sort-of works—now is the time to make it even better.

Keep track of your three key metrics: profit, growth (in customers), and time (how many hours a week you are spending on this). If your hustle isn't making enough profit, now is the time to figure out whether you improve it or whether you should pull the plug. If it's reached maximum output, consider whether you should add something new or start to build a second side hustle.

DAY TWENTY-FOUR: GROW WHAT WORKS

Now that you've reviewed your metrics, you need to decide what you will adjust and how you will improve your hustle. If you offer three things for sale, and one of them is doing much better than the others, your instinct might be to try to improve the weakest item—but really, you should focus on further increasing the sales of the bestselling item.

Using the power of iteration, gradually improve your offering. If it works well, do more of it; if it doesn't work, abandon it and move on. Every month or two, take a step back and ask yourself: what is working; is there anything I could outsource or automate; can I make more money without spending a lot more time; and, can I increase the price of the offer? Even if your side hustle is doing really well, set yourself the goal to do one thing that will further increase the income from the hustle.

DAY TWENTY-FIVE: ADD MORE

The side hustle mindset is always looking for more opportunity—not just trying to sell more to existing customers but looking for ways to remix the offer to acquire new customers. This might mean adding a premium level or "next version" of what you are already doing. Think of it as turning over a rock to find the money hiding under there.

DAY TWENTY-SIX: SYSTEMATIZE

For a side hustle, "systems" does not mean expensive software, it means all the procedures that allow you to serve your customers. It is important to document those procedures as soon as possible, so that you focus less on repeating the details. One of the best ways to document your repeat processes is to create workflows—something touched on in day fifteen when you learned how to list out every step needed to develop an idea.

Now, create workflows that document two important processes, sales and service. List, in order, everything that has to happen for you to make a sale, and everything that has to happen for the customer to receive what they purchase. You can also create an on-boarding workflow, that lists the steps to welcome and orient new customers, such as the email sequence they receive on signing up. Creating these workflows will help you to pinpoint ways to improve the processes.

There are a number of tools that can help to systematize your side hustle. For contact management, try HubSpot, Salesforce, or Microsoft Dynamics. For project management, take a look at Trello, Asana, or Basecamp. Bookkeeping tools include Wave Accounting, FreshBooks, and QuickBooks. It's also a good idea to register with a password recorder, such as LastPass, RoboForm, or Dashlane.

DAY TWENTY-SEVEN: WHAT'S NEXT?

Do you want to continue building on this idea, or go all in and pursue it full-time? Maybe your side hustle is just something temporary to get you through a financial rough patch. Maybe it's something that you keep doing on the side to bring a sense of greater fulfillment to your life. Or, maybe this side hustle will totally transform your life and become the basis of a multi-million-dollar company. The beauty of the side hustle is that it's entirely up to you—you can decide based on what you want to get out of this.

One thing is for certain—the side hustle economy is here to stay.

SUCCESSFUL SIDE HUSTLES

HOMEMADE GIN KITS

Joe and Jack are Philadelphia-based friends who like to unwind with a good cocktail. They enjoy the "cocktail culture" so much that they collaborated on their own homemade gin recipe. They thought it would be a fun idea to open their own distillery and sell their gin to the world. But, once they looked into all the rules and regulations involved in operating even a small distillery, they realized this would be a huge challenge and take a lot of money and time.

So, the two friends decided instead to create a side hustle selling people the tools they would need to make their own gin in their own kitchens. This took a lot less capital and, because no actual alcohol sales were involved, far fewer regulatory hoops to jump through. They put together 750 Homemade Gin Kits and spread the word to friends and family.

As word got out and sales picked up, they continued working on the project evenings and weekends, improving their website, reaching out to other websites, and steadily increasing their contacts. Within four years they had sold 75,000 kits; their product was being ordered by large kitchen stores; and they got a favorable review in the New York Times. They still have their day jobs, but they also have a side hustle that makes real money and lets them work on something they enjoy.

CARICATURE ARTIST

Julia was a San Diego-based graphic designer who wanted to make some extra cash after graduating college, so she took a part-time summer gig as a caricature artist at a local amusement park. The job only paid minimum wage, but Julia quickly found she loved the work. She also discovered that she could cope with the park rule that artists had to work solely in permanent marker—no preliminary pencil sketches were allowed.

When the summer was over Julia decided to keep drawing portraits but to make more money by selling her service herself. She wrote to every school in the area, asking if they would hire her for their next event. Her pitch worked, and soon she was charging $100 an hour for corporate events. But, Julia had one more step she could add to her hustle: she learned how to draw digital caricatures on a tablet computer, something that could be printed out and emailed to the customer. This gave her a significant competitive edge over other artists in the area, allowing her to focus on large corporate events where she could charge $250 an hour.

Julia used her contract employment at the park as an apprenticeship that allowed her to launch her own side hustle; then, she incorporated a new skill to take her hustle to the next level. Eventually Julia was able to quit her day job and live off her side hustle income.

APP DEVELOPER

Steve was a Bay Area web developer and like many of his neighbors he spent a lot of time commuting to and from work. Everyone shared tips and strategies for shortening their commute times, but there was no one comprehensive source of information for area travelers. In 2008 Apple launched its first iPhone and the App Store where users could access additional programs for their devices. One week before the close of the deadline to submit an app for the new Store, Steve was home sick from work. He used the time to hack together an app that pulled in public transit and traffic data in an easy-to-use app that he called Routesy.

To his surprise, Apple accepted his proposal and his app launched with the App Store. At first there were a lot of bugs he had to iron out; but Steve persevered, not because he needed the extra cash but because he really enjoyed creating something that he knew could help a lot of people. The first month that the App Store was live, Steve made $2,700 in sales.

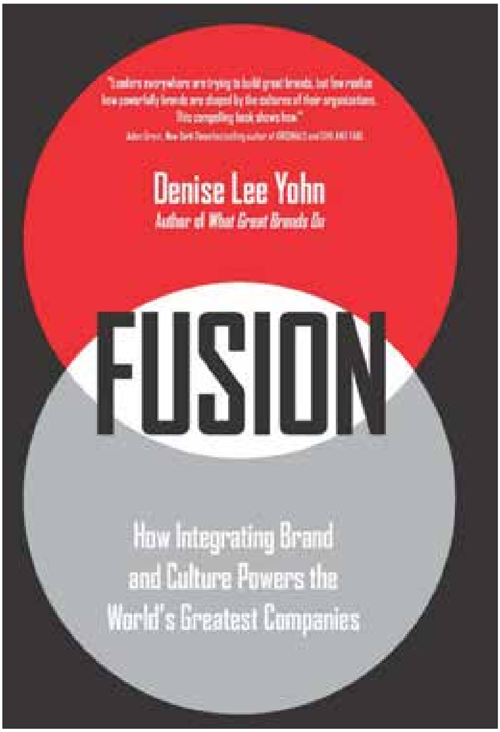
Steve saw a need in his community and used his existing skills to create something that served a large and active market.

Fusion

By: **DENISE LEE YOHN**

Have you ever wondered what's behind the success of some of the world's most iconic brands? How they manage to resonate so deeply with consumers, maintain market dominance, and top the "best places to work" lists? Fusion reveals some of the magic behind these organizations by detailing the unique ways that they marry their brand and their corporate culture. This is "fusion" – tying your external brand and internal culture together so tightly that they cannot be unwound. This is crucial for anyone who desires relevance in today's competitive landscape. Data shows that companies that have fused their brand and culture perform better than those that have not, enjoying better financial results, higher customer approvals, and improved employee satisfaction.

We'll show you case studies from Nike, Netflix, FedEx, LinkedIn, Amazon, Ford, Volkswagen, and many others. Learn how they leverage the foundations of brand and culture fusion – finding an overarching purpose and core values – to achieve competitive advantage. Get insight into the causes and effects of their incredible turnarounds and fantastic downfalls, all rooted in their success or failure to fuse brand and culture. We'll reveal the concrete ways they achieved this, from re-thinking core operations and organizational design, to intentional design of employee experience, corporate rituals, routines, and more.



SUMMARY

This book summary details a multitude of case studies that demonstrate the power of brand-culture fusion. Nike's strong sense of purpose permeates their culture and brand and serves as the foundation for their success and market dominance in the sports apparel arena. Netflix experienced a dramatic turnaround due to returning to their core values and aligning their actions with their mission. FedEx, Amazon, and LinkedIn all have strong values that help unify complex corporations amid merger and acquisition activity. Case studies from Ford and Volkswagen reveal the outsize of impact of CEO leadership on internal culture. And, stories from Adobe, Airbnb, Salesforce, MGM Resorts, and Patagonia all demonstrate the various tactical efforts that can lead organizations closer to both brand-culture fusion and bottom line success at the same time.

FUSING BRAND AND CULTURE

"Today, many leaders are starting to recognize what astute ones have known *all along: culture and brand are...the biggest drivers of the hard results they must produce every day."*

WHY IT MATTERS

When brand and culture are in sync with one another, the organization creates a seamless picture for both customers and employees. The company's external image is in harmony with the experience of working for and working with that company. As a result, everything runs more smoothly and successfully.

Global business leaders such as GE's former CEO Jack Welch, founder of Virgin Group Richard Branson, and Southwest Airline's Herb Kelleher all expound the virtues of fusing brand and culture. A short list of the benefits include the following: "stronger financial performance," higher margins, less employee "turnover," more talented and engaged employees, and happier customers who stick with you for the long term due to the value and "authenticity" of your brand. In addition, once brand and culture are successfully fused, it becomes an incredible asset and "competitive advantage" for a company. In building their brand and culture, they have created something of "intangible value," something that sets them apart from competitors who can't copy or offer their distinct brand and culture.

One example of a company that ignored the alignment of brand and culture to their detriment was Uber. Uber was the epitome of startup success until a former employee, a female engineer, detailed her experiences at the company in a public blog post. While Uber's brand stood for a "populist ethos" and "progressive character," the woman whose claims of sexual harassment were repeatedly ignored and minimized by Uber's HR department revealed the true "discriminatory, primitive, and predatory behavior" that was a large part of Uber's internal culture.

HOW TO ACHIEVE BRAND AND CULTURE FUSION

The excuses are endless for deprioritizing culture change efforts. However, there is no "right" culture to pursue, so if you think your particular corporate culture is an outlier that can't be "fixed," think again. Take Amazon, for example. Their innovative, fast-paced, competitive brand is reflected internally in a corporate culture that cause burnout for the average "9 to 5-er." Rather than modifying the culture to make employees more comfortable, however, Amazon's leadership supports the culture because it aligns with their brand and therefore makes sense to the customer. Another "culture fallacy" is that human resources executives are the only ones responsible for internal culture. If changes are to be successful, however, they must live and breathe in the C-suite and resonate on a much deeper level than changes to HR policies.

The remainder of this book summary will detail the specific steps that organizations have taken to reach brand-culture fusion. The first step is defining what some of the core elements mean for your organization: purpose, values, brand, and culture. Writing the "overarching purpose" and naming the "core values" can help point the way to the most appropriate brand category for the organization.

Then, there are five main types of activities to pursue to align brand with culture, and we'll detail an actual case study for each: 1) operations and organizational change, 2) employee experience, 3) rituals and artifacts, and 4) employee brand engagement, and 5) brand-building from the inside out.

LAYING THE GROUNDWORK

"To make brand-culture fusion happen, you must articulate a single overarching purpose and one set of core values to drive, align, and guide everything your company does internally and externally."

OVERARCHING PURPOSE

- **Nike – Inspiration and innovation for every athlete**

The story of Nike's success as chronicled in Shoe Dog begins with one man, founder Phil Knight, and his obsession with a purpose he felt so passionate about that he would not give up his dream, no matter the cost. He says "I believed that if people got out and ran a few miles every day, the world would be a better place, and I believed these shoes were better to run in." Eventually, this deep faith in his company's purpose led Nike to be one of the world's most iconic and popular sports brands. And today, Nike's purpose remains the same, though articulated slightly differently: "Bring inspiration and innovation to every athlete in the world." This "mission" or purpose ties closely to their external slogan "Just Do It." Nike's purpose runs deeply in the organization and is a case example that reveals how, once you accurately pinpoint your organization's purpose, it can unlock incredible value.

As their purpose is so widely accepted and adopted within the organization, it can serve as a unifying touchpoint in a variety of scenarios. Prominent Nike shoe designer Tinker Hatfield describes how the purpose of inspiration and innovation impacts his work, "...We're asking ourselves all the time: What can we do to improve what we've done in the past?" The purpose permeates other, more mundane business operations at Nike as well. Knight explained once how they pursue innovation in all areas of the business such as advertising: "We need a way of making sure people hear our message through all the clutter...that means innovative advertising." Nike chief learning officer Andre Martin also articulates how he embodies the mission in his work of bringing education and learning opportunities to Nike employees, saying he strives to, "unleash human potential...so everyone in the organization can do more work that matters." Lastly, Nike's purpose is leveraged in more creative ways as well. Amidst the 2016 crises of race and concerns of police violence, Nike CEO Mark Parker spoke out about the issues in a letter to employees. "To serve every athlete individually and completely, across hundreds of countries where we do business, we need teams that reflect the diversity of our consumers and a culture of inclusivity that respects the communities in which we live and work." An overarching purpose, accurately identified and clearly articulated, can grow, sustain, and propel your organization forward, as it has done for Nike.

- **Putting the purpose into words**

Some best in class examples of "purpose" or "mission" statements reveal that although these statements may be referred to as a company's "higher" purpose, they don't have to be socially minded to be effective. Let's take a few examples.

- Amazon – "To become Earth's most customer-centric company."
- Facebook – "To make the world more open and connected."
- Ford – "Build a car for the great multitude."
- Johnson & Johnson – "Caring for the world, one person at a time."
- Squarespace – "Giving voice to ideas."
- Starbucks – "To inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time."
- Zappos – "To deliver happiness to the world."

So how does one go about defining the purpose for their organization? A couple quick tactics for putting yours into words are the following:

- Pretend that tomorrow, someone will flip a switch and your organization will be gone. What will be missed? What does your company offer to the world that will no longer exist?
- Ask the "Five Whys," as described in the book Built to Last. Start with a general statement about what your company does or makes and begin asking "why." Do this five times, or until you feel you've articulated your greater purpose.
- Use storytelling. Describe to a friend how a customer's life is different, now that he or she has begun using your products or services.

You'll know you've hit the mark when your statement is both "focused" and "flexible." It should both direct employees towards a specific vision while also allowing flexibility for adaptation as they see fit. This is crucial, as "The real opportunity doesn't lie in articulating what is allowed…but what is possible."

CORE VALUES

If the purpose is the "why," then the core values of an organization is the "how." Core values are "the essential and enduring principles and priorities that prescribe the desired mindset and behavior of everyone who works at your company." These can easily become bland and prosaic. For example, 90% of company value statements "reference ethical behavior or use the word 'integrity.'" 88% include "commitment to customers," and 76% say "teamwork" and "trust" are important. So how does one articulate values in words that are unique and memorable? First, it's important to distinguish between "core values" and "category values." Category values are values that any company in a given industry would logically have. For example, "all fast food restaurants must embody the values of speed and convenience." Instead, think more deeply about how it is you hope for your employees to go about their work, and "use a style of voice that uniquely represents your organization." Examples include:

- WD-40 Company – "We value creating positive lasting memories in all of our relationships" and "We value making it better than it is today."
- Google – "Focus on the user and all else will follow," "You can be serious without a suit," and "Great just isn't good enough."
- Illumina – "We are open – physically and philosophically."

- **Netflix – "Reed Hastings stopped listening"**

To underscore the importance of remaining true to one's core values, it is helpful to analyze the case of Netflix, and how they bounced back after a 2011 slump that came as a result of making decisions out of step with their values.

In 2010, Netflix shares were booming. The next year, however, they lost nearly a million customers and their stock price fell 77% over a four month time period. Netflix CEO Reed Hastings had recently decided to eliminate the offering that allowed customers to both stream videos and rent physical DVDs from Netflix. Instead, he wanted to offer those subscriptions independent of one another, and raise the price for both. Customers could not contain their anger, especially in light of the fact that Netflix had recently published a "manifesto" as a testament to Netflix's culture. Among their core values outlined in the manifesto, Netflix underscored the importance of "communications" and "listening" – "'You listen well, instead of reacting fast, so you can better understand.'"

Hastings was lambasted for failing to listen and making a rash decision without fully understanding his customers' opinions on the topic. A CNET article on the topic made this perfectly clear, beginning by saying that, "Reed Hastings stopped listening, and that's when the trouble started," going on to describe how Hastings had ignored both customers and colleagues who came to him with their misgivings about the decision. The decision was ultimately reversed and since then, Netflix has obviously rebounded. But, nevertheless, this period in their company's history reveals just how important it is, financially and otherwise, to remain true to one's core values.

- **Leveraging core values – FedEx, LinkedIn, and Amazon**

Stories from FedEx, LinkedIn, and Amazon also reveal the power of core values. In the 2000s, FedEx made several major acquisitions that changed the face of their company, acquiring Kinko's office services centers and RPS, a "freight transportation company." While many employees struggled with the company's identity during this time period, vice president of corporate communications Eric Jackson saw this as an opportunity to unify the new firm with a set of redefined values. The headline of his effort was "Operate independently. Compete collectively. Manage collaboratively." This initiative helped FedEx unify the new organization and empower each business to continue doing what made them successful in the past, while identifying with a larger FedEx operating model as well.

Similarly, Nicole Leverich, senior director of corporate communications at LinkedIn, credits the company's values for the successful integration of nineteen acquisitions between 2010 and 2017. She says, "If values are not accepted, understood, and embraced, it's easy in an acquisition for them to disappear." However, as Leverich describes, LinkedIn's purpose and values never wavered during this time period, and she says, "When you keep all those things the same, it's easier for acquisitions to be successful."

Lastly, Amazon vice president of people operations Ardine Williams describes how a set of strong core values at Amazon has enabled employees to be successful in internal moves and transitions. Amazon has a variety of business models under one roof, from cloud computing service Amazon Web Services to its online retail presence. Williams says, "Every business is different, but how we measure, innovate, evaluate, and interact is consistent." This enables employees interested in taking positions in other business units to successfully make those transitions.

CLARIFYING YOUR BRAND

After identifying the purpose and core values of your organization, one should examine the type of brand one wishes to put forth. Reviewing the main "brand types" can be helpful to understand where your organization might fit.

In analyzing diagram 1, take note that companies can have incredibly different business models, products, and services and still remain in the same brand category. It is more about finding "what characterizes" the company and its "tone and manner" than about patterns in industry or product. In addition, it's possible to discover your brand type by analyzing your values, as most brand types have a consistent set of accompanying values.

This chart can be helpful in understanding the degree to which your core values are in alignment with your brand. To fully understand the current values of the company (and not just those you've articulated as an ideal end state), it's necessary to undertake a "culture audit." Usually it's best to engage a third party in this exercise. Some quick and dirty ways to do this include "observing how people interact with their environment and with each other," "walking around their offices and taking note of what you see and hear," and "collecting materials" such as non-confidential presentations, memos, employee handbooks, information on benefits and retirement, and other communications materials. Undertaking a cultural audit can reveal the extent to which core values and brand are in alignment.

WHAT IT TAKES TO LEAD THE CHANGE

- **"One Ford"**

While car manufacturers General Motors and Chrysler were bailed out after the 2008 Great Recession, Ford Motor Company refused the bailout, and astounded the markets and Americans with "one of the greatest corporate turnarounds in U.S. history." In 2008, Ford shares fell to a meager $1 a share, and they lost $14.6 billion in one year. So, how were they back to a profit of $6.6 billion three years later? A closer look at the story reveals the fascinating leadership of Alan Mulally, the ex-Boeing executive who had been tapped to lead the turnaround. Key to his leadership during this tumultuous period was "a brand-inspired cultural revolution inside the organization."

Ford's culture had spiraled into dysfunction. Infighting abounded, and meetings turned into opportunities to hijack one's colleagues. There was a "lack of transparency" and "fractious business units." All of this internal conflict had contributed to Ford's downfall. Employees were too busy fighting to focus on remaining competitive in the market. Mullaly knew he had to get at the root cause to truly restore the company to health. His vision for the company was titled "One Ford." Step one was to reinvigorate "the critical ingredients that made a Ford a Ford." Step two was "working as one team to create great products on a global scale using those ingredients." As a unifying image for the company, he brought attention to an eighty-eight year old painting that had been originally commissioned by Henry Ford. It pictured "a young family at the top of a grassy hill overlooking a road filled with automobiles and the shadows of a Ford factory in the distance." By re-igniting Henry Ford's original vision, he inspired Ford employees in the 21st century to continue carrying it out. "One Ford conveyed that Ford was back in the business of 'serving all around the world a complete family of cars that are best-in-class.'"

Mulally instituted operational changes that underscored this new vision as well. Key to these changes was an overall enhanced level of transparency and accountability in the organization. These changes at first did not sit well with the current employees, but they were converted to "One Ford" and the new standards when they realized that "the commitment [Mulally] expected was not in service to himself but to the 'phenomenally powerful' Ford brand." As for the "critical ingredients that make a Ford a Ford" – at the end of the day, Ford leadership was able to identify 300 of these product attributes. And, with Mulally at the helm instituting higher standards and leading them to work as "One Ford," they were able to harness those distinct "Ford" attributes and restore their company, and their brand, to success.

- **Volkswagen – "An organization full of hubris"**

Just as the distinct leadership at Ford was the key to their successful turnaround, the failure of leaders at Volkswagen was the cause of their downfall in the lead-up to and aftermath of the emissions crisis. This case example makes clear the consequences when culture is ignored, or steered in an unhealthy direction, and therefore comes unglued and disconnected from what customers perceive as the brand.

Volkswagen was found guilty of deceiving U.S. government emission tests, designing vehicles that exceeded the emissions standards but were undetectable in doing so. At the end of the day, VW was required to recall hundreds of thousands of cars and pay $14.7 billion to the U.S. government. Less well known is the fact that the scandal brought to light "an organizational culture completely out of line with its brand." The deception was especially hurtful to VW customers in the U.S., known for their deep loyalty to the brand since the 1960's due to its "uniqueness" and "countercultural spirit." VW's actions felt so incredibly out of sync with their perception of the brand.

As is true with many corporate scandals, VW insiders identify CEOs that stretch back to the mid-1990s through the beginning of the crisis as the root cause of these cultural issues. "Critics charge [the CEOs] with cultivating a culture of arrogance and superiority." One former employee recalls, "VW was an organization full of hubris, you know, dominate the world and walk-on-water type of thinking." This attitude was especially directed towards Americans, former employees say. This was "a contradiction to the relationship the brand had built with [Americans] on the outside." Volkswagen's rupture of "brand" and "culture" was on display for all to see during the scandal. The lesson to takeaway here is the importance of leadership. Ford's epic turnaround was due to a leader who committed to and revived the brand, bringing employees along in a dramatic culture change. On the other hand, Volkswagen faced a major scandal as a result of leadership who boasted of the brand while creating a culture of arrogance and cheating.

CREATING BRAND-CULTURE FUSION

The foundation of brand-culture fusion starts with leadership with a strong knowledge of and commitment to an organization's overarching purpose, core values, and brand. So, how does the last piece of the puzzle – culture – come into focus? There are five main ways that leaders can transform culture so that it is in alignment with brand. Rather than describing them in detail and providing a blueprint for implementing and achieving them in your organization, we'll outline real case studies that demonstrate where these tactics have worked elsewhere in the past, bringing other organizations to brand-culture fusion.

ORGANIZATION AND OPERATIONS – ADOBE

Recently, Adobe (of Adobe Photoshop) made a shift in their business model, selling software subscriptions rather than software as a one-time product. Among other changes, this meant that customers were more closely tied to Adobe as a company. Before, products were primarily sold through stores like Best Buy or other retailers. Those retailers ended up being the first line of contact for customer issues. Now, Adobe began to sell directly to customers. This called for the need to develop a new capability – superior customer service. "To transform their brand, they had to inject more customer-focused thinking into every one of their employees, regardless of role." In short, as their brand evolved, their culture had to evolve as well in order to stay in sync. Adobe made several key changes to their organizational structure and their operations in order to drive this change.

First, they created one customer support department from the previously two separate departments that had supported "personal" products and "enterprise" products. In doing so, there was only one organization responsible for making decisions about customers and customer service, rather than two. Next, they formed a brand new department that was responsible for "ensuring[ing] everyone – employees and customers – has a positive experience with Adobe." This department brought together the HR staff who supported employees with the staff who supported customers under one senior vice president. Since Adobe was already known for creating great experiences for their employees internally, they wanted to build on that strength to bring the same value to customers. The final major operational change Adobe made to shift towards a more customer-service oriented culture was to reduce their work locations by 15%. With their new subscription-based model and other changes, leadership found that working together became even more important. "They found that having so many offices had added complexity to the way Adobe employees worked and hindered its desired culture." These changes to Adobe's organization and operation show how minor alterations that support the desired culture can have dramatic effects.

EMPLOYEE EXPERIENCE – AIRBNB

Intentional design of employee experience is also a powerful way to harness and support culture change to align with one's brand. Airbnb is a perfect example of this, and how it has led to success – currently Airbnb is valued at $31 billion. From end to end, they have designed every aspect of the employee experience at Airbnb to resonate with their brand – "to help create a world where you can belong anywhere."

In 2016 they began their "Belong Anywhere" campaign, applying it both as a brand identity and as a vision for the culture of the company. They named a global head of employee experience responsible for driving this internally. One of the key changes they made was creating an employee experience group under him, combining what were previously three departments covering HR, recruiting, and company events and internal communications independently. In addition, they added to this group the previously disparate or nonexistent functions of "facilities, safety, security, food, global citizenship/social impact, diversity, belonging, total rewards, learning, talent design, and talent systems." This move effectively united all areas relating to the Airbnb employee experience under one head, in one department. This governance design was crucial to ensuring that Airbnb could see and control all decisions related to the employee experience.

Airbnb has several other policies and practices that support a robust employee experience that reflects their brand of hospitality. For example, all employees go through several interviews, one of which is solely focused on whether or not they are a good fit with Airbnb's values. Most powerful of all is that this interviewer is one of the people with final say as to whether or not the person gets the job. New employees participate in a weeklong onboarding experience as well, which includes shadowing a customer support specialist to really get insight as to the variety of challenges that their hosts and guests encounter. Airbnb "celebrates" their hosts throughout the office, rotating the food in their café to correspond to travel destinations, decorating the conference rooms to "match an actual host property," and including "giant portraits" of hosts down the hallways. Employees at Airbnb receive the benefits of good hospitality at work, with the corporate offices including a "kitchen, library, places to meditate, practice yoga, or write on the walls." Clearly, Airbnb has intentionally designed their employee experience, from organizational design, recruiting, onboarding, and the day-to-day, and in doing so infused their culture with their distinctive brand.

RITUALS AND ARTIFACTS – SALESFORCE

Minding the small details – the "rituals and artifacts" that both make up the everyday and mark the milestones in a corporation – is another way that companies can bring their culture in line with their brand. Salesforce, under the leadership of founder and CEO Marc Benioff, has adopted this practice widely. "Salesforce's culture is built around the spirit of ohana, the Hawaiian concept of family and the strong, supportive bonds that form within families," and it is in the everyday details that they continually reinforce this culture.

Salesforce's annual customer conference is titled "Dreamforce," and is the "annual ritual through which Salesforce shares its organizational culture with external customers and third parties. Attended by and featuring meditation sessions from monks and nuns, it commences with a traditional Hawaiian blessing. Employees, when sending and receiving emails, often greeting one another and sign off with aloha or mahalo. Fridays are "Hawaiian shirt Fridays" for many in the office as a reminder of Salesforce's humble roots and culture of ohana. They even have a "Koa Club" for those who celebrate their ten-year work anniversary with Salesforce. New inductees to the club are invited to a traditional Hawaiian meal and presented with "glass surfboard awards" as recognition. Lest employees forget that ohana is important at Salesforce, they'll be reminded every time they enter a conference room, whose names are Hawaiian and include Maka Launa and Hala Kahiki. All of these details – these "rituals" and "artifacts" are important to Salesforce's culture.

EMPLOYEE BRAND ENGAGEMENT – MGM RESORTS

Employee brand engagement is the extent to which employees are exposed to, inspired by, and adopt the company's brand. MGM resorts was undergoing a massive re-branding in 2010 when they realized the importance of bringing their culture along and set out to do so with their 77,000 employees. MGM was associated primarily with casinos, but their goal was to elevate the brand and be perceived as a "worldwide resort and entertainment company." They realized that, "its employees must be engaged in a culture that is aligned and integrated with the company's brand so they are equipped and empowered to constantly provide excellent customer service that delivers on the brand promise."

Alongside other senior MGM leaders, chief experience and marketing officer Lilian Tomovich led the way in instituting the new culture with an initiative titled "We Are the Show." As they transitioned to a company that strived to be known for the experiences they provided to customers, they wanted to emphasize to employees that "they played a role in delivering a 'show' to guests." Their main effort with employee brand engagement was a huge "summit" for the top 7,000 executives at MGM, where they introduced the new branding and what it meant for the company. Those top managers were also trained on specific modules and materials to bring this messaging and new way of operating back to their individual locations, thereby ensuring that the rest of MGM's 77,000 employees also got a good feel for the new brand.

Internal communications were also heavily involved in the change effort, creating posters, "regular news updates" and emails so that the branding would be emphasized and remembered on an ongoing basis. Key to this strategy of "cascading the brand" was both the kickoff summit, where managers were given special training and exposure to the brand, and also the tactical materials they were provided with to bring the messaging home with them. These included "skillbuilder" templates for training their employees on new skills, a "leadership playbook" to set expectations for their own leadership of the culture change, an "engagement calendar" to guide them throughout, frequently asked question resources, and other training aids. Chief experience and marketing officer Tomovich says that it was "the company's 'remarkable passion and interest in changing the focus of employees'" that led to the successful culture change. As a result, MGM Resorts saw an increase in revenue and net income, and a bump in their REVPAR score (a "key metric" in the hospitality industry) in 2016.

BUILDING YOUR BRAND FROM A STRONG CULTURE – PATAGONIA

The last case study reveals how one of today's strongest brands went about brand-culture fusion in an atypical way. Rather than transforming their internal culture to match their external brand, they were able to build their brand from an already-strong and distinct internal culture. Patagonia was founded in the early 1970s by Yvon Chouinard as a result of his passion for "clean climbing" and other environmental issues.

Today, Patagonia is widely associated with the green movement and other efforts to promote sustainable business and environmentally-friendly manufacturing processes. But vice president of global marketing Joy Howard explained that this wasn't always the case. "In the past, it would have taken them awhile to learn about the company's environmental consciousness… 'As a marketing team, the task is very simple, and that's to make it easy for people to discover what the company is all about, and make sure it's not hidden and tough to access.'" Patagonia's employees have always taken pride in the culture and the company's practices such as using 100% organic cotton, making their clothes from recycled materials, and offering a recycling programs for customers to return old products and buy used products as well. To better unite their external brand with the already-strong culture, the marketing team has taken a number of approaches.

"As the brand has grown to appeal to a more mainstream consumer, the company has intentionally leveraged its core values and purpose to define its brand identity." The catalog and website are primary channels for these messages, featuring "stories from the outdoors, seeding its environmental agenda amid the colorful, high-end fleece." They also created a "thirty-minute documentary extolling the virtues of long-lasting and used clothing" as well as another film called DamNation that criticizes the presence of "deadbeat dams" in the U.S. Other organizations whose employees share a strong sense of mission and similar values might consider taking a similar approach as Patagonia. This might include places like faith-based organizations, nonprofits, or public-sector entities.

Whether you build your brand from your culture or undertake efforts to bring internal culture in line with the external brand, it is worth the effort to do so when considering the financial and market successes that result. The case studies and examples in Fusion show the exciting possibilities when brand-culture fusion is achieved.


Photo by Efe Kurnaz on Unsplash

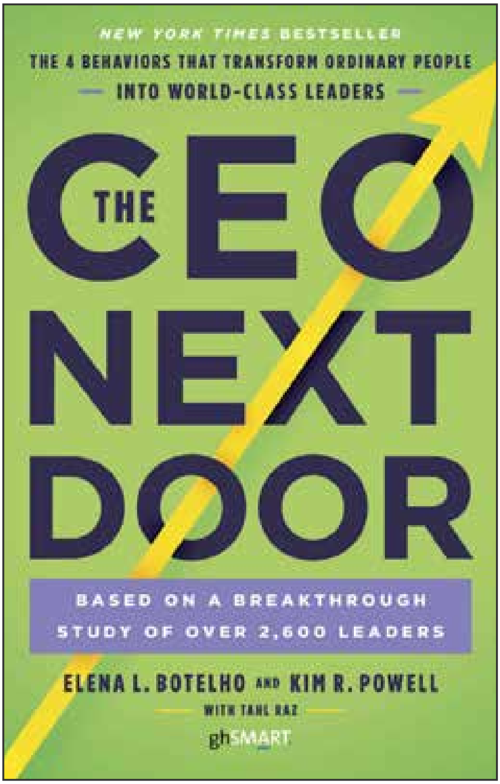
The CEO Next Door

By: **ELENA L. BOTELHO** and **KIM R. POWELL**

Do you want to increase the odds of becoming a CEO? Do you want to raise your game by learning from successful CEOs? Are you a new CEO anxious to avoid the pitfalls of the role? This book gives a clear road map on how to get to the top, which skills and behaviors to develop, and how to position yourself as a future CEO.

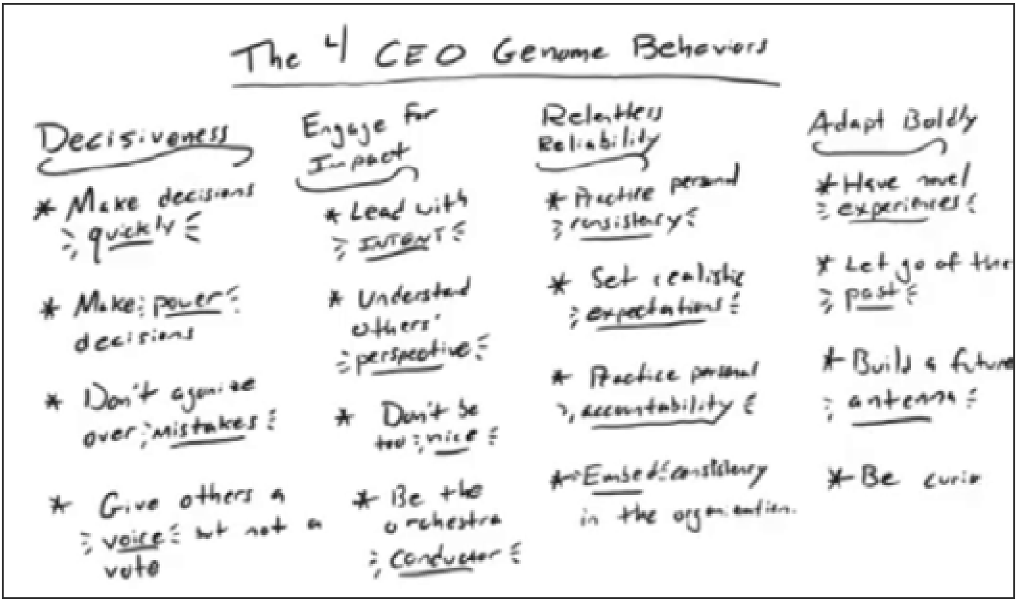
The book describes the four behaviors that are statistically associated with success— decisiveness, engaging for impact, relentless reliability, and adapting boldly—and how to nurture these behaviors throughout your career. The key is to get results in the right roles and to get noticed for those results. Don't look at your career as a succession of jobs, but as a portfolio of experiences that show expertise, leadership, and specific skills. The book includes tips on the best way to interview for the position of CEO, what to do in your first six months in the role, and how to manage the board of directors.

Above all, the book emphasizes that successful CEOs are made, not born, and anyone can succeed in the role with the right experiences and training.



SUMMARY

There are four behaviors associated with success as a CEO: making decisions with speed and conviction; engaging with others in a way that drives results; relentless reliability; and adapting boldly to new challenges and scenarios. These behaviors are shaped by practice and experience and can be developed at any stage of your career. To get hired as a CEO your career trajectory should give you a wide range of experiences, real leadership opportunities, and in-depth knowledge about your chosen industry. Make sure you are noticed for the results you achieve. Once hired, you have two years to establish yourself as CEO. Move quickly to find any skeletons in the closet and to put the right team in place. Pay attention to the values and style you portray in your inaugural address and be sure to keep your calendar commitments focused on the important long-term issues. Finally, be prepared to spend 20% of your time managing the relationship with your board of directors and get to know them individually in the first six months.



THE FOUR CEO GENOME BEHAVIORS

Most people assume that CEOs are born, not made—a bold and brilliant strategist with a flawless resumé and business superpowers. The reality is very different: CEOs come from a range of backgrounds and experiences. To gain insights into today's CEOs the authors analyzed data from the leadership-advisory firm ghSMART and made a number of surprising discoveries. The most important: becoming a CEO isn't about background or good fortune, it's about performance and the kinds of behaviors that can be learned.

Only 7% of the thousands of CEOs in the dataset graduated from an Ivy League school; most did not plan early in life to become a CEO; and, far from being excessively egotistical, the most successful CEOs came from a background that emphasized teamwork and mentoring. Over a third described themselves as introverted and 45% had at least one major career catastrophe. Gender made no difference to whether someone would be a successful CEO although only about 4-6% of the largest companies are led by women. The most successful CEOs pick the right job and surround themselves with the right team. And finally, first-time CEOs are just as likely to succeed—or not—as someone with prior experience.

The authors' research revealed four CEO Genome Behaviors that are statistically associated with success: decisiveness, engaging for impact, relentless reliability, and adapting boldly. These are all behaviors and habits that are shaped by practice and experience, and that can be developed at any stage of your career. These four behaviors are interconnected; and, which one is the most important at any given time depends on the industry, the company, and the challenge at hand. However, a basic proficiency in all four along with a particular strength in one or two, is essential to be a successful CEO.

DECISIVENESS

Successful CEOs stand out for their decisiveness—being able to make decisions with speed and conviction. Take Greyhound CEO Steve Gorman. When he took over at Greyhound in 2003 it had lost $140 million over the previous two years. The parent company was coming out of bankruptcy and creditors were severely curtailing investment. Gorman knew that Greyhound risked liquidation; the stakes couldn't be higher. After spending some time getting to know the business, Gorman realized that Greyhound had too many unprofitable routes in areas with low population density. He decided, "We cannot have miles where there are no lights." He made the decision to reshape the company's routes around high-yield regional networks and committed totally to this vision. Gorman knew that a bad decision was better than no decision at all. When he left Greyhound in 2007 the company reported $30 million in earnings and went on to be sold for more than four times its 2003 value.

To build up your decision-making muscles focus on making faster and fewer decisions, and practice getting better each time.

FASTER DECISIONS

Successful CEOs make decisions quickly, and they do so by following two key principles. First, they make the complex simple by focusing on what drives value in the business, job, or team. Second, they actively involve a lot of people in the decision-making process, to improve the quality of the decision and to build buy-in by the relevant stakeholders. But, they know that while everyone has a voice not everyone has a vote! Get input as part of the process but don't wait for consensus before making a decision.

FEWER DECISIONS

Successful CEOs recognize that they should step back from the vast majority of decisions that can be made by employees—which is easier to do if everyone understands the business framework. For example, as CEO of the Children's Hospital of Philadelphia (CHOP), Madeline Bell was drawn into the contentious issue of whether it would be better to use gel or foam in the hospital's hundreds of soap dispensers. The issue had the potential to polarize the staff and set a precedent for top-down decision-making. Bell decided that she didn't have the experience to make this decision, so she told the leaders of the debate to look down the chain of command, not up—look to the people closest to the day-to-day operations to make the decision. Bell knew that she shouldn't get mired in an issue like this, when others in the organization had the expertise needed.

Ask a series of questions to triage the decision-making. Can this wait a week or a month without causing harm? Not everything needs an immediate decision. Will waiting bring more information that will help to make the decision? Or, will the delay bring no new insights? And, could the issue actually resolve itself?

PRACTICE

A decisive leader recognizes that there is no point in striving for perfection. It is better to move forward and continually improve, rather than agonize over every decision. Successful CEOs learn to take mistakes in stride, take ownership, and move on. They don't talk about "failure" but about inevitable mistakes that are the necessary scars of battle. They also realize that some emotional distance is necessary to be able to learn from those mistakes.

One side effect of making mistakes is learning how to apologize. An effective apology should be personal, focused, and genuine. Don't make excuses and be sure to act quickly. Get all the facts out, admit what went wrong, and clearly articulate what needs to be done, including a plan to make sure the mistake doesn't happen again. Finally, reach out to diverse sources of information, to ensure you aren't acting on personal bias in making decisions.

ENGAGE FOR IMPACT

Being decisive is the first step, but you also have to get the organization to act on your decision. This means being able to engage with others in a way that drives results.

CEOs have to engage with a vast range of stakeholders, often with divergent views and needs—customers, employees, shareholders, retirees, the media. Being likeable is an important quality for getting hired as a CEO, but it's not enough to be an effective CEO. Being too nice can backfire if you hesitate to make the tough calls. Rather, the key is to engage with others for impact, rather than affinity. This means understanding others' needs without pandering to them.

Engaging for impact is like being an orchestra conductor. Like a CEO, the conductor is totally dependent on others to deliver results. S/he sets the musical vision, gets the players to accept that vision, and establishes the pulse for the group to perform the vision.

LEAD WITH INTENT

A great CEO can get everyone behind the vision, from the janitor to the largest customer, explaining to each individual why their role is critical to success. People need to know where you're taking them and why. This means you have to be able to articulate the vision clearly to yourself; then carry out the intent of that vision in even the smallest action, decision, or interaction.

Recall the overbook United Airlines flight in April 2017, when a doctor was physically dragged off the plane by a security officer? It was a nightmare scenario for United, captured in numerous cell phone videos that quickly went viral. The attendant just wanted to avoid further delays; the security officer just wanted to respond to the call for help from the attendant; the company's management just wanted to support the employees and save face. Everyone was reacting under transactional pressure—but none of these reactions served the aspirational intent of the company's professed commitment to customer service.

When transactional intent fails to meet aspirational intent, the result is always costly.

UNDERSTAND THE PLAYERS

The CEO has to be able to understand the stakeholders to get them to rally behind her decisions—going back to the orchestra metaphor, the conductor has to translate the score effectively for both the percussionist and the violinist. This means understanding exactly who the stakeholders are and what they want. The best way to do this is to develop the technique of 'perspective getting,' finding out what people think and feel.

Scott Cook, founder of Intuit, used the power of perspective getting to build a $5 billion business. Intuit teams regularly spend a day watching their customers work, in order to understand the pains and problems that they encounter.

Perspective getting is critical, whether you are bringing a new product to market, winning over a board, or motivating a team to complete a project. Mentoring others is one good way to learn perspective getting—you have to understand the other person's needs to be able to mentor successfully.

BUILD ROUTINES

Regular rehearsals are the groundwork for an orchestral performance—similarly, leading effectively across the entire organization requires everyday habits and routines that build relationships with the stakeholders and translate those relationships into results.

Repeat the message, frequently, in numerous ways. Encourage people to open up and share critical information. Get out of your office and meet key stakeholders on their own turf. Former Starbucks CEO Jim Donald says he spent up to half of his time in the field, which meant he often heard about issues before his executives did.

RELENTLESS RELIABILITY

The key attribute to develop as a CEO is reliability. CEOs known for their reliability are fifteen times more likely to be high performing; and, candidates who are reliable are twice as likely to be hired for the job. Customers, board members, and staff all assume that a reliable leader will get things done. The trademarks of reliability are personal consistency, setting realistic expectations, practicing personal accountability, and embedding consistency into the organization.

Personal consistency means not waiting until the last minute to get things done; not keeping people guessing about what your next project will be; and not over-reacting to every situation. It means creating clear expectations, so that your team can anticipate what your questions are likely to be. It means being on time for meetings, phone calls, and planes. It means making individual commitments clear in meetings; making lists and putting them into action; and being aware of your mood and how it affects your interactions with your teams.

Reliable leaders not only actively shape expectations for themselves and their teams, they also watch for signs of implicit expectations coming into play. This is something that can apply throughout your career. When handed a project don't just say, "OK, I'll start on that;" instead say, "Here's what I'm going to deliver by when" (and make sure you follow through).

Practicing personal accountability—holding yourself to the highest standards—gives you the right to hold others accountable.

RELIABLE ORGANIZATIONS

Finally, to embed consistency across your organization, take some insights from the kinds of organizations where reliability is literally a matter of life and death. In high risk workplaces like oil rigs, aircraft carriers, and nuclear reactors it is critical to recognize that a minor slip-up is an opportunity to prevent a major accident. Madeline Bell recognized this at CHOP: instead of criticizing staff who reported near misses, such as almost giving a patient the wrong dosage of medication, Bell destigmatized mistakes by calling them good catches. The hospital even offers an annual Good Catch of the Year Award. Three years after implementing this program, serious safety events had decreased by 80%.

Create the expectations that everyone in the organization is responsible for calling out problems and identifying solutions. A great CEO is someone who empowers all employees to raise their voices, and who stays close enough to the field to listen. A shared vocabulary, where everyone describes particular terms the same way and acts accordingly, is also important, along with consistent processes. Indeed, successful CEOs tend to have excellent organization and planning skills. A clear checklist can ensure that the routine stuff is always handled, freeing people to spend more time thinking about more complex issues.

ADAPTING BOLDLY

Adaptation is the key to corporate survival. Firms like Blockbuster and Kodak, that failed to adapt, paid the price. To be a successful CEO you have to learn how to navigate the uncharted, to turn the endless uncertainty the organization will face into opportunity and growth. This means letting go of the past—acknowledging that you are not going to win every time—and building your antenna for the future.

To build your adaptable and resilient mindset, start by taking on novelty, something that is outside your usual experience and that makes you uncomfortable. This could be a big commitment, like spending a year backpacking through China; or a small step, like learning to play an instrument or developing a new hobby. Developing an adaptable mindset also means being willing to make lateral, unconventional, and even risky career moves to broaden your experience or leadership skills.

Being adaptable also means being willing to let go of approaches that may have been successful in the past—past company strategies, prior business models, or your own personal habits. This last one, the personal habits, can be the hardest to let go, but also potentially the most productive.

Building an antenna for the future means spending a lot more time thinking about the long-term implications of everything you do today. Imagine yourself ten years from now: what might you wish you had done differently? It's not enough to study the market data, you have to look outside your own business, even outside your industry, to see signs of shifts in the wider landscape. Build a diverse network of bright, engaged people outside your field, an 'Inspiration Cabinet' that inspires you to see things from new angles.

Be curious—it's a hallmark of an adaptive CEO. Gene Wade, co-founder and CEO of OneUni, keeps his antenna tuned with regular "premortem" exercises. He asks his team to imagine that it's 18 months in the future and they've failed—what are all the plausible reasons? Once they've developed a list of failure scenarios, the team then develops a signal list for each issue, the data, news, or trends that need to be tracked to stay on top of it.

Finally, successful CEOs spend about 20% of their time with customers and stay in contact with the market to help spot future trends.

HOW TO WIN THE TOP JOB

Most CEOs had no idea they wanted to be a CEO until later in their career. They got there thanks to a combination of getting results in the right roles and getting noticed for those results. Their actual paths to the top vary widely, but there is a general pattern that spans an average of 24 years:

(1) Spend the first eight years being a generalist, taking a range of roles that maximize the breadth and pace of your learning;

(2) Spend the next eight years building leadership ability, depth of industry experience, and a track record of results;

(3) Spend the final eight years differentiating yourself as an enterprise leader, demonstrating initiative that impacts the entire organization and building a brand within the industry.

The key takeaway from this is to not look at your career as a succession of jobs, but as a portfolio of experiences that show industry expertise, leadership, success, operational and financial skills, and (where relevant) international experience.

CAREER CATAPULTS

There are some CEOs who made it to the top in less than the average 24 years. In most cases these ‘sprinters’ undertook career catapults—an inflection point that accelerated them to the top. You can actively seek out career catapults if you want to rise faster. It is a risky approach, but a catapult will work if you align your supporters in advance, make senior management aware of the risks involved, make sure you have the budget and the talent to succeed, and stay actively engaged with your network throughout.

Career catapults can be risky; but even overseeing what turns out to be a financially disastrous new product or getting fired from another firm has no negative impact on the likelihood of someone being hired eventually as a CEO and being a success in that role—as long as you don’t repeatedly have the same type of blow-up. Portray any such mistakes as learning opportunities, not failures, and do not hesitate to take ownership for a blow-up.

BIG LEAP

The big leap means accepting the challenge of a role that is a big stretch from where you are now. Over a third of ‘sprinters’ made a big leap and sought out opportunities to take on new challenges before they felt fully ready. Krista Endsley, former CEO of Abila, made a series of big leaps—from marketing to leading product management to running a division within the company. When that division was spun off, she was the natural choice to be its CEO.

You can make your own big leaps by seeking out cross-functional projects at your company to learn about other departments and functions; getting involved in the integration of a merger; or volunteering to lead or take part in a top-priority business initiative. Ask your boss for additional responsibilities; solve problems before you are asked; say yes to new opportunities even if you don’t feel ready; and take on new roles in your personal life, such as civic leadership or volunteering.

BIG MESS

About a third of ‘sprinter’ CEOs catapulted their careers by leading the way through a big mess. This could be an underperforming business unit, a recalled problem, or a failed implementation—the key is to figure out what went wrong, decide how to fix it, rally others to deliver results, and reliably deliver. Fixing a big mess is a great way to showcase all four of the CEO genome behaviors.

You don't have to wait for a mess to solve—go out and find one. Alternatively, take the job no-one wants and make it a success.

GO SMALL TO GO BIG

Almost 60% of 'sprinters' had, at some point, taken on a smaller role—either running a small company, or taking on a small unit within a larger company. Building a product, division, or company from the ground up is a transformative experience. Damien McDonald was a rising star at Johnson & Johnson, but he left the big company to take over a struggling division within a much smaller firm that gave him the opportunity to learn how to be a general manager—a move that paid off and led to him being appointed CEO of another company.

BECOME KNOWN

Getting to the top requires getting results in the right roles and getting noticed for those results—in other words, being visible to the right people. This does not mean aggressively bragging about your accomplishments or having thousands of LinkedIn connections, it means building relationships for the good of the company.

One way to get visibility with the right people is by having a positive relationship with your boss. Understand her goals, ask what her expectations are, let her help you, and keep her updated on the things that matter. If your boss is not aligned with the goals of the enterprise, make a move to a different role.

It is also important to build your tribe. Have a network of powerful sponsors throughout your career, people who can introduce you to valuable opportunities. Share your aspirations with potential sponsors and ask for advice on topics relevant to them. Ask for help that is easy for a sponsor to fulfill and make sure to give recognition and gratitude when they do.

Get noticed by building a bonfire—not a series of small fires that can be overlooked, but one big fire that cannot be missed. Make sure that you are positioned at an intersection where your contribution to a project or a department is visible in a lot of areas.

Take the initiative and ask for the next level of responsibility—just make sure you've earned the right to ask by delivering a strong performance in your current role. Portray the ask as a request, not a complaint, and align it with the wider goals of the organization. Don't be afraid to rock the boat, just make sure your actions will be seen as a brave contribution to the collective good and not reckless self-promotion.

Finally, always look and speak the part; be in permanent public speaking mode. This means avoid being rude to assistants (they will tell their friends); don't act like a sycophant to those in power; and never be disrespectful to others. Don't lose your temper in front of others. And, assume that anything you post anywhere on social media will one day be seen by a potential employer.

CLOSING THE DEAL

You've made it to the interview round for the coveted top job. To ace the interview and close the deal, don't ask what the interviewer can do for you but what you can do for the interviewer.

Start by portraying yourself as a safe pair of hands—time and again, that is the one factor that decision makers focus upon, making sure they entrust this role to someone safe and reliable. This may not be the best way to proceed once you have the job, but boards hire on perception not on results. As noted earlier, being too nice does not get things done, but it does get you hired. Boards, and interviewers in general, consistently overemphasize soft skills such as likeability and confidence when making hiring decisions.

You also have to speak the part—which means downplaying a foreign accent, avoiding esoteric or 'ivory tower' language, and staying away from management platitudes and consulting jargon. Avoid too much use of "I" and share stories of others' successes that were enabled by you.

Do your homework before the interview. Find out who you will be meeting with and what problems they need you to solve. To make yourself memorable, quantify your achievements, use vivid stories to illustrate your skills, and address any blow-ups in your past with a clear picture of what you learned. Practice the stories you want to use, particularly the ones for the opening and closing minutes of your interview—those are what people will remember.

Set the interview agenda as much as you can. Enter the room knowing what you want the interviewer(s) to take away from the conversation. Have a list of talking points that will achieve those goals. Interview the way you will lead, by setting expectations.

Finally, don't take the job if: your gut tells you no; there's no credible validation that the business is sound or can be fixed; you don't have the decision right to hire and fire; you have no clear sense of why your predecessor left; you don't have complete visibility into the financial picture; or, you would have to change who you are in order to succeed.

CEO ARCHETYPES

Most of the time, when a CEO gets fired its because s/he was a poor fit for the job needed. There are four general CEO archetypes; figuring out which one is you will save you from saying yes to the wrong challenge.

- **The sky is the limit**

This CEO is relentlessly creative and aggressively pursues growth. She scores highly on adapting and decisiveness, less so on reliability. She excels in rapidly changing industries and small companies.

- **The operational machine**

This CEO is a paragon of efficiency who will reengineer processes to cut costs and maximize value. He excels where cost is a key competitive advantage.

- **The ER surgeon**

This CEO is the turnaround star. She has very strong decisiveness skills and is focused on turning things around. She likely moves from one troubled company to the next.

- **The safe pair of hands**

This CEO scores highly on reliability and on engaging for impact. He builds buy-in, listens to ideas, and is usually found in slow-growth industries and mission-driven institutions like nonprofits.

NAVIGATING THE CHALLENGING ROLE

How do you succeed once you make it to the top? This is not just a more difficult version of the jobs you've held before, it's a whole new role, with new habits, assumptions, and relationships. A typical CEO takes two years to feel comfortable in the role; and a typical board takes two years to fire a flawed CEO.

<u>HAZARDS</u>

There are five common hazards that CEOs—and other first-time senior leaders—must navigate in this new role.

- **Skeletons in the closet**

In your first year make sure you grasp the shape of the business and get any skeletons out of the closet. Listen to your key stakeholders, get out into the field, and talk to the customers. You might find a critical gap between the board's expectations and the reality of the business; a hidden financial or operational bomb; a cultural blind spot that will stymie necessary changes; or, signs that one or two critical people are not up to the job or are planning to leave.

The best way to deal with these skeletons is to fling open the doors and let the light in. Anything you reveal in the first six months will be seen as part of what you walked into, rather than your problem.

- **Too many demands**

Everyone wants the CEO's attention—board members, shareholders, regulators, partners, customers, the media, the wider industry—which means you'll have even less time to run the enterprise. The key to managing all these demands for your time is to look forward: one or two years from now, is this going to matter? It's also very important to have a great administrative assistant, one who understands that the demands on a CEO are different from any other role.

Give your calendar a thorough review at least twice in your first year and annually after that, checking to make sure that time and attention reflects the priority and complexity of an issue. Don't be afraid to say no; act as if you are a seasoned veteran, not the new kid on the block, when deciding which event to attend or commitment to make.

- **Amplification**

Everything you do as CEO is amplified. Smile often. Employ body language that conveys confidence and a positive outlook. Do not lose your temper, except on purpose! Recognize that you can use the amplification effect in positive ways, putting an optimistic spin on issues.

- **Not using all the tools**

A CEO must set the strategy and vision for the enterprise, but too many fall back on old strengths and skills to get this done, not realizing that as CEO they have access to a whole new toolbox. An effective CEO should shape the organizational culture, by consistently articulating and modelling the behavior she seeks, by focusing her time and attention on what is important, and by the people she hires and fires. The CEO must also be comfortable with all aspects of financial engineering and investor relations. You can find someone to help you learn, but this is a tool you should master quickly.

And, a CEO must understand the world of corporate diplomacy, the wider context within which the company operates. To be successful in this you need access to information and strong formal and informal networks.

- **The psychological maelstrom**

To deal with the onslaught of life as a CEO you have to bring your best game. Create winning routines for yourself, the rituals that keep you grounded, such as taking the time to go for a run every morning. Be true to who you are, whether that means continuing to pursue a favorite hobby or taking time to spend with family and friends. Have a small network of trusted advisors outside of your business who understand the pressures you are under and can give you advice.

BUILDING YOUR TEAM

A new CEO must figure out how to turn the team into my team as quickly as possible. The single biggest setback for new CEOs, bigger than the five hazards just described, and even for those with plenty of management experience, is challenges building the team.

Start from the first minute of the first day—you never get a second chance to make a first impression. In your inaugural address give your assessment of today, your vision for tomorrow, and your values for the organization. Describe the broader view of what you see happening in the world that will affect the organization, outline your call to action, and clarify your leadership style. You will be giving versions of this inaugural address many times and to many audiences in your first three-to-six months. Make sure your daily actions constantly reinforce the message.

Avoid what seem to be "safe" people bets. You will be drawn to the image of safety, but it is better to act decisively from the start; problems will only get worse as time passes. Do not be tempted to maintain the status quo, to favor pedigree over track record, or to rely on the people who helped you land the top job. Avoid acquiescing to the board. Do not hire people who are just like you in terms of skills and background, but at the same time do not avoid talented people for fear they will be your competition.

Develop your people plan and put it in writing, including a timeline and milestones. You need a team that has vision, that aligns with your goals and values, and that fills out the portfolio. Build your team with an eye to the future. Put stars in starring roles; critical people need to be able to deliver from day one, so don't waste time propping up underperformers.

Have a consistent set of signals to communicate with your team. Actions matter as much as words. Drop by someone's office or factory floor just to say hello ("I'm paying attention"). Go to a meeting just to listen ("I know you've got this"). Thank the bearer of bad news ("It's ok, I want the truth").

DEALING WITH THE BOARD

How well you work with your board of directors can make the difference between success and failure. The board is supposed to bring wisdom and sound advice, to act as a sounding board while keeping the CEO accountable. The reality is often quite different.

Successful CEOs spend 10-20% of their time working with the board and over 30% during critical times such as a merger. It is a mistake to assume that as long as the business is doing well the board will take care of itself. It's also a mistake to focus only on positive news and avoid the tough discussions; to keep the board at arm's length; or to overshare every little decision and thought.

The first step to managing your board is to figure out who are the powerful members—which may not be the same as what is written on paper—and the roles played by the other members. Figure out who are the engaged partners, the ones who have good judgement and provide candid and useful feedback; ideally, such partners will be three-quarters of your board so seek them out and encourage them. The quiet expert is someone who has good ideas but doesn't speak up unless specifically asked; go out of your way to seek his advice in his areas of expertise. The rubber stamper just follows the lead of the CEO and the most powerful members; don't ignore her as a rubber stamper can be a liability in times of disagreement.

The micromanager can undermine you as he is intent to prove his own worth; set clear parameters and if he is consistently disruptive work with the governance committee to remove him from the board. The CEO in waiting is a board member who might bring value, in which case work with her; but if she is disruptive this is another member you should try to remove as soon as possible. Finally, look for the activist, someone placed on the board by a hedge fund or private equity fund; you can't win her over, just be aware of her agenda and look for common ground.

Communicate regularly so that there are no surprises at board meetings. Make sure you and the board agree on strategy and goals. Don't be afraid to assign homework; they are there to help you! Treat your chairperson or lead director as a partner. Above all, get to know your board members one-on-one, to build trust and familiarity. In your first six months sit down with each member and ask them about their experiences on this board, their past focus, and what they see as the priorities going forward.

If you have to deliver bad news, be sure to communicate early and often, and be as transparent as possible. Don't be defensive; if you have to apologize, do so and move on. Discuss forward-looking metrics, not just the bad news in the rear view mirror, and come up with a plan to identify what is happening.

Finally, face every day with the conviction that you are in this role to achieve better outcomes for others. Keep that in mind and you will become not just a CEO but a successful one.

Photo by Keenan Beasley on Unsplash

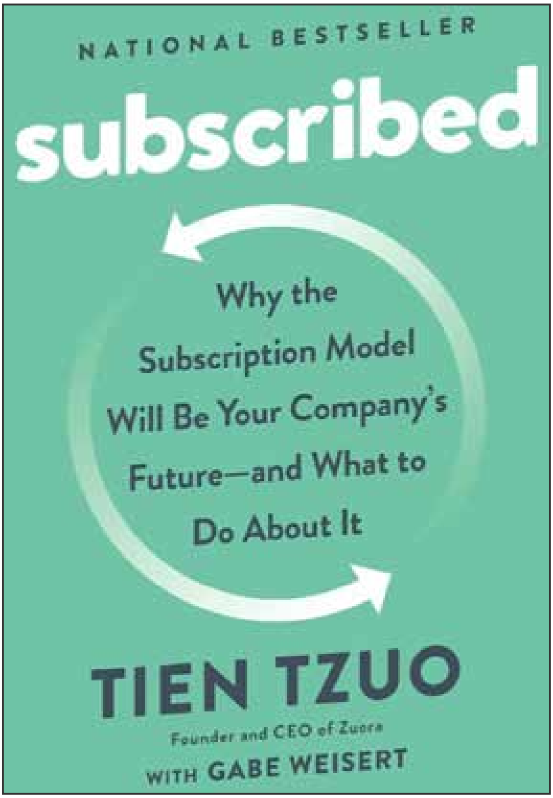
Subscribed

By: **TIEN TZUI**

How can your company take advantage of the subscription-based model, the most dynamic growth sector of the economy? This book describes how companies from software-as-a-service to auto manufacturers, music providers to construction equipment manufacturers, are turning customers into subscribers by teasing out the service-level agreement that sits behind the product.

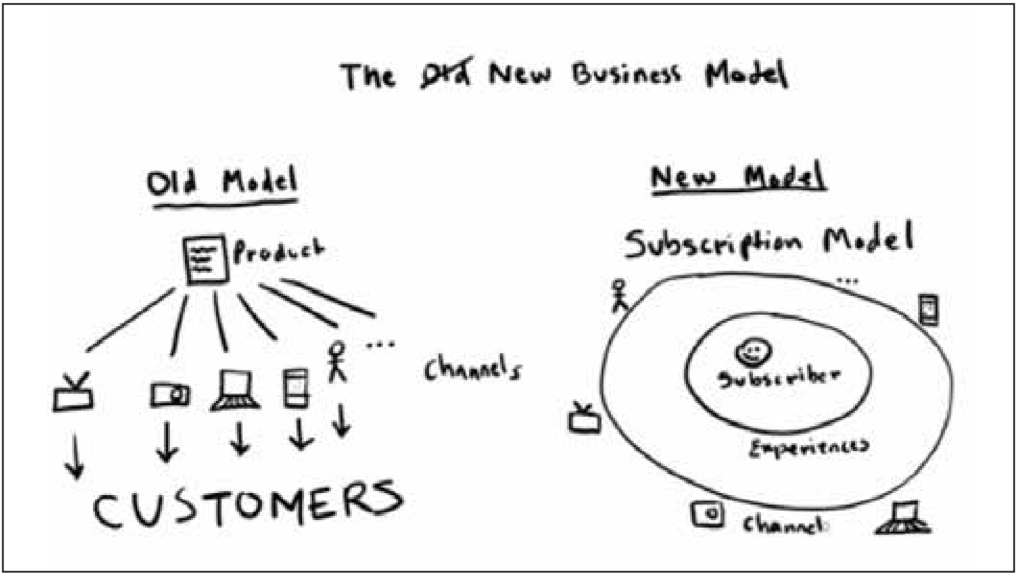
With consumers increasingly focused on access over ownership, the key is to start with the wants and needs of your particular customer base, then create a service that delivers ongoing value. This will require a new organizational structure; a shift in the focus of the sales, marketing, and finance teams; and, a new approach from IT. But, the initial drop in revenue and rise in expenses will be more than worth it.

Whether for an established company like GE, a streaming service like Netflix, or a new service provider like Box, accessing customer data to create a subscription-based offering is the growth path of the future: companies running on subscription models grow their revenue more than nine times faster than the S&P 500.



SUMMARY

In today's digital world the focus is on the individual customer not on the product, and those customers prefer outcomes over ownership. Brick-and-mortar retail is transforming, focusing on customers' online experience and using the data gleaned there to inform the stocking of physical stores. The news industry is enjoying a renaissance thanks to online subscriptions; media is in a new golden age of on-demand streaming; and car subscriptions give access to a range of vehicles from the same company. Adobe led the way in cloud-based subscription software services, overcoming the initial drop in revenue and rise in expenses to reach a position of steady growth. With the Internet of Things even heavy equipment like construction supplies can move to a subscription model by teasing out the service-level agreement that sits behind the product. The subscription access model is being used in healthcare, government, utilities, and more. The customer-focused subscription company has to break down the old production silos and use customer data for perpetual innovation. It needs an IT system focused on the customer's entire subscription life-cycle. Pricing becomes the key metric and annual recurring revenue the cornerstone of the financial statement.



HOW SUBSCRIPTIONS ARE TRANSFORMING INDUSTRIES

We are at a pivotal moment in business history, one where the world is moving from a focus on products to a focus on services, and where consumers are increasingly favoring access over ownership. Subscription-based companies are transforming business across a range of different industries. To turn your customers into subscribers, start with the wants and needs of your particular customer base, then create a service that delivers ongoing value. This is the growth path of the future: companies running on subscription models grow their revenue more than nine times faster than the S&P 500.

THE DIGITAL TRANSFORMATION

GE was #4 on the Fortune 500 list in 1955; as of fall 2017 it was still on the list, at #13. During the 2017 Oscars GE ran commercials with the tagline, "The digital company that's also an industrial company." This transformation is what has allowed GE to remain so high on the Fortune 500 list. Companies like GE and IBM no longer talk about refrigerators and mainframes, they talk about "providing digital solutions." Most of the companies that have stayed on the list for 60+ years have similarly transformed.

Alongside these transformed companies are the 'new establishment' companies like Amazon, Apple, and Netflix—companies that were focused on building direct digital relationships with their customers right from the start. And then there's the up-and-coming new disruptors, like Uber, Spotify, and Box, who have not only gone beyond selling products but have actually invented new markets, services, and technology platforms.

These types of companies—GE, Amazon, and Uber—have all recognized that we now live in a digital world, where customers prefer outcomes over ownership and the one-size-fits-all approach just doesn't work anymore.

THE NEW BUSINESS MODEL

For the past 120 years or so, the dominant business model was focused on products: inventory, shelving, and cost-plus pricing. Companies were organized into product divisions, something that was exacerbated by the emergence of enterprise resource planning (ERP). The margin and supply chain economics ruled, with the goal of matching supply and demand with the least inventory possible.

Today, that model has transformed. Customers are more informed than ever, and they don't want the burdens of ownership. Forrester Research says this is the beginning of a new 20-year business cycle that it calls The Age of the Customer. People want the ride, not the car; the music, not the physical record; and they want it now.

Today's successful companies don't start with the product, they start with the customer. This means that the more information they can learn about the customer, the better they will be able to serve the customer's needs. This shift to a customer-centric organizational mindset is a defining characteristic of the Subscription Economy. And it's happening right now because the advent of the digital age means that those subscriptions can now be delivered digitally. As a result, the subscription model is transforming every sector of the modern economy.

THE RETAIL TRANSFORMATION

On the surface, the data says that brick-and-mortar retail is dying. About a quarter of the 1,000 or so enclosed malls in the United States are expected to close within five years, and Silicon Valley is convinced that Ecommerce is the future. However, over 85% of all US retail sales still happen in physical stores. Amazon now owns 460 Wholefoods stores and breaks out revenues from physical stores in its quarterly reports.

It's not that brick-and-mortar retail is dying—it just needs to flip the script. For example, most Americans shopped at Walmart at some point in the past year, but unlike Amazon Walmart can't tell you what you last bought there. Once you pass the cash register, you fall out of Walmart's sight. The issue is not so much Ecommerce vs. traditional retail, it's that the likes of Amazon always put the customer first.

Successful subscription companies—like Birchbox (cosmetics), Freshly (meals), and Fabletics (active wear)—have taken a customer-first approach to retail. They create fun, compelling experiences that get smarter over time. It's an approach that can work even with an expensive product.

Take the example of Fender, maker of amazing electric guitars for over 70 years. Sales of electric guitars are falling, and most new guitarists quit playing the instrument within a year. Fender needed to keep people playing, and to keep them as customers. So, the company came up with Fender Play, a subscription-based online video teaching service that encourages customers to keep playing.

Studies show that most people research online first, then head to the stores to try out a product before buying. So, another key to today's retail brand experience is to prioritize the online experience. A smart company like Birchbox knows this and uses rankings and reviews from its website to inform the layout and stock in its New York store.

THE 329-YEAR-OLD START-UP

Husqvarna is a national institution in Sweden; founded in 1689, it manufactures equipment for forestry, lawn, and garden maintenance. And, it's embraced the subscription model with a service called the Husqvarna Battery Box. Subscribers in Stockholm pay a flat monthly fee to get access to all kinds of heavy-duty equipment, like hedge trimmers, chain saws, and leaf blowers, which are dispensed from a storage shed in a shopping center parking lot. When the subscriber is done, they just return the tool—freeing the customer from the hassles of storage and maintenance.

MEDIA'S NEW GOLDEN AGE

The Golden Age of Hollywood ran from the late 1920s to the early 1960s, when the big five movie studios churned out dozens of films every week. The internet challenged this model of the entertainment industry—but some smart companies have made it easier to consume media through online subscription services. Netflix started streaming movies in 2007 and today has over 100 million subscribers. Spotify now has 50 million subscribers and is responsible for more than 20% of global music industry revenues. With algorithms and playlists, Spotify has added a whole new discovery layer of music.

Roughly two-thirds of all Americans now subscribe to a streaming video service. Streaming video on demand (SVOD) subscriptions now generate more than $14 billion in annual revenue, compared with nothing ten years ago. Freed from the blockbuster movie mindset of the old studios, today's entertainment industry is enjoying a new golden age, where streaming services can take a chance on smarter and edgier projects, like Stranger Things or Orange is the New Black. Netflix invests $8 billion a year on new content that both attracts new subscribers and extends the lifetime of current subscribers, regardless of whether a particular show is successful or not. This short-term spending boosts the company's profitability in the long run.

The one genre missing from the universe of SVOD is sports. The UK-based company DAZN ("Da Zone") is positioning itself to be the Netflix of sports. It is currently hosting over 8,000 sporting events a year for a monthly subscription of $20 and is starting to win sports-rights away from major cable networks like Sky Sports.

TRANSPORTATION

Vehicle subscription has arrived. This is not the same as leasing, which ties you to a particular vehicle. With a car subscription, you get access to a range of vehicles from the same company; plus, you don't have to deal with annoying things like registration, insurance, and maintenance. You can get a subscription to Hyundai's new hybrid car, Ioniq, for $275 a month; Porsche's new Passport service gives you access to half a dozen car models; and Cadillac, Ford, and Volvo are starting subscription services.

Car companies are reacting not just to the sea change in customer preferences for services, but also to the challenge of Uber. In many ways Uber is already like a subscription service—it has your ID, payment information, and a history of your preferences—and in some cities it is testing a flat-rate monthly subscription service that includes bundles of reduced-rate trips with no surge pricing.

America's big automakers have some definite advantages when it comes to the next stage of personal transportation, and they already understand that in the future they'll be doing less individual vehicle sales and more fleet management. They have the distribution, with vast dealer networks; they already have a huge scale of operations, which will be hard for anyone else to beat; and, they have massive financial resources.

Similar changes are happening in the airline industry. Surf Air gives members access to limitless flights for a flat monthly fee of $2,000. The subscription model gives the company predictive revenue, something that no commercial airline enjoys.

This new competition in the transportation industry is not just vertical—airlines competing with airlines, car companies with car companies—it's increasingly horizontal—light rail competing with rideshares and with budget airlines. France's state-owned railway, SNCF, realized it needed to compete with all these other modes of transportation to stay viable, so it launched a subscription service targeted at young adults, giving them unlimited rides for a flat monthly fee and using new software services to make sign-up easy. The result was astonishing—the company hit its annual growth target within a couple of months.

SPREADING THE NEWS

In 2008 The New Yorker declared that "newspapers are dying." But, the news industry is not dying, it's transforming. More than 169 million US adults read newspapers every month, in either print, mobile, or phone-format—that's almost-70% of the adult population.

Readers and publishers are embracing the paid subscription model for news, rather than the old ad-based business model. People don't like advertising in general; digital ads don't make sense from a business point of view; and ads risk turning content providers into clickbait factories. With an increasing number of customers comfortable with the subscription model thanks to services like Netflix and Spotify, people are also more likely to pay for online news content.

Take Motor Trend magazine, which first appeared in 1949. In 2016 the company launched a subscription streaming platform called Motor Trend on Demand, which gives access to hundreds of hours of exclusive content. Today, less than half of Motor Trend's revenues come from its print edition and the company anticipates that recurring subscription revenues will soon account for 20% of its overall revenue.

The Financial Times newspaper knew they would see a surge of traffic the weekend after the Brexit referendum, so they dropped their paywall and made sure the flood of new readers saw plenty of subscription offers—resulting in a 600% surge in the number of subscription sales compared with an average weekend. Today, the FT has more than 900,000 subscribers and over 75% of their revenues comes from digital subscriptions. The company also uses a simple framework to gauge reader engagement, scoring every reader on the recency, frequency, and volume of their visits, allowing the promotions group to target churn risks with discount offers.

Today, more than 60% of The New York Times's revenue comes directly from its readers. It has reached the crossover point where a dwindling proportion of its revenue comes from advertisers: in the second quarter of 2017, for the first time, digital-only subscription revenue exceeded print advertising revenue. And, it now has subscribers in 195 countries.

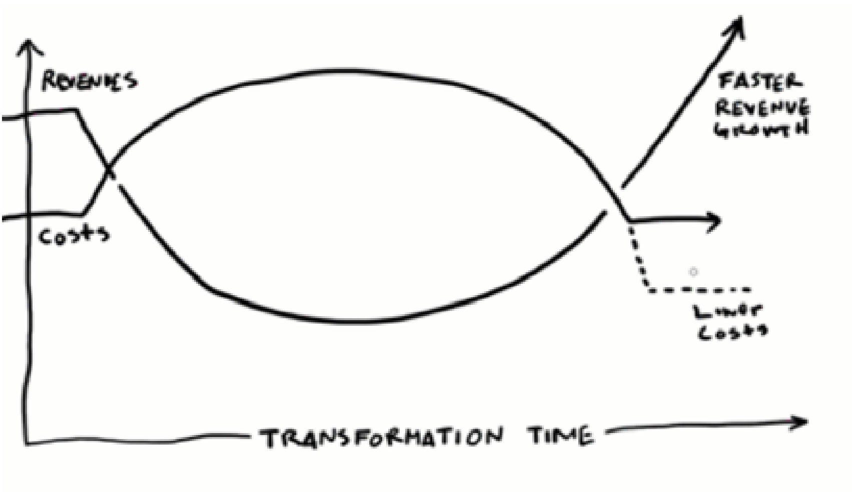
LESSONS FROM ADOBE

In November 2011 Adobe CFO Mark Garrett announced that the company was going to stop selling its profitable Creative Suite software in boxes and would move to a subscription model. The company saw that its business was mostly growing thanks to price increases and not to a larger user base. Historically, Adobe had delivered product updates every 18-24 months, but it realized that users' content creation needs changed more frequently than that. By shifting to a cloud-based subscription service, Adobe could offer continuous innovation, digital services, lower monthly costs, and organically increase its user base.

Today, subscription services have become the tech industry's dominant business model after initially facing a steep uphill climb. Author's Thomas Lah and J. B. Wood call the transition period into a subscription model "swallowing the fish." Initially, the revenue line drops downward and the expense line curves upward; eventually, expenses drop and revenues curve back up again.

This was the challenge that Adobe faced in 2011. The company tackled it with a strong commitment to communication, starting with its employees. The finance and product divisions had to get comfortable with a different way of doing things. They had to get Wall Street analysts to look at the company a different way, throwing out the old unit sale approach in favor of one based on subscription revenue.

In three years, Adobe Creative Cloud grew from nothing to a near-100% subscription model. Its transition inspired Microsoft, Intuit, and others. Even hardware companies are looking at subscriptions. Cisco sells the routers and switches that forward data packets between networks. A few years ago, it realized that, thanks to cloud computing, its clients didn't need as much of its hardware. So, Cisco decided to go all-in on services, focusing on the data inside all the hardware. Its latest hardware comes embedded with machine learning and an analytics software platform, offering ongoing value to clients. Today almost a third of its revenue is recurring.



THE INTERNET OF THINGS

Thanks to IoT—the Internet of Things—even heavy equipment like buildings and construction supplies can move to a subscription model by teasing out the service-level agreement that sits behind the product. IoT lets you learn what your customers really want; and, that relationship with your customers becomes your real competitive advantage.

Take construction: surveying a site is an inefficient process that can take weeks. Komatsu, one of the world's oldest construction and mining equipment manufacturers, can now survey a site in 30 minutes thanks to its Smart Construction service. A Komatsu team uses a fleet of drones to create a 3D-rendered topographical model of the site. The company then uses this model and runs thousands of AI-enabled simulations to generate the best project plan, including equipment and labor scheduling. That plan can then be fed into a fleet of semiautonomous excavators, bulldozers, and backhoes—giant robots that take care of the project. Instead of asking, "How many trucks can I sell you," companies like Komatsu ask their clients, "How much dirt do you need to move?"

Today, we are on the verge of a manufacturing revolution, with a shift from products to services made possible by the advent of IoT. Manufacturing businesses around the world are investing heavily in sensors and connectivity, tools that will allow them to collect and transmit data. In this first stage of the revolution, IoT is focused on diagnostic systems that improve efficiency and productivity. Pretty soon, we'll be moving into a wider realm of possibilities.

Take the company General Electric, maker of everything from kitchen appliances to oil rigs. GE now has a thriving data services business, operating its own social network for industrial machinery that includes data on fuel consumption, usage hours, and decay rates. Thanks to this network, GE doesn't have to rely on expensive and labor-intensive mass maintenance procedures to catch problems—its network sends the relevant signals from individual assets, allowing GE to fix problems much faster.

With this level of connectivity, companies can view their products as whole systems, not individual units sold to strangers. They can give their customers what they really want—an outcome, not a product. Companies can also sell the same information to different types of customers. For example, Swedish company Ngenic sells a smart thermostat and offers three basic purchase plans: buy the unit outright; buy it for less with a small monthly subscription; or, buy it as part of a discounted bundle with an energy provider. By partnering with suppliers, it helps its customers to save energy and it conducts arbitrage with wholesalers to buy more electricity when it is cheaper. Ngenic's real value is not the device but the usage data from its customers that allows it to trade information across multiple suppliers.

NO MORE OWNERSHIP

Ownership is no longer the imperative; access is. Subscription companies are growing eight times faster than the S&P 500 and five times faster than US retail sales. And, the model can be used everywhere.

- **Healthcare**

The industry is transitioning—pharmacy chain CVS is buying insurance giant Aetna in reaction to the competition it faces from Amazon. New subscription-based primary care groups like One Medical offer same-day appointments. Magellan Health connects behavioral, physical, pharmaceutical, and social needs.

- **Government**
  In Estonia, people don't just pay their taxes online, they use a one-click system that authorizes an online tax statement that's been fed real-time financial data over the previous year. Residents of New South Wales, Australia, can log onto Service NSW for access to more than 800 different government transactions.

- **Education**
  Many colleges and universities are experimenting with MOOCs—Massive Open Online Courses. Professional learning platforms like Lynda.com, Kaplan, and Udemy are enjoying explosive growth. Textbook publishers, from established firms like Houghton Mifflin Harcourt to newcomers like Chegg, are offering online rentals.

- **Insurance**
  Metromile offers pay-per-mile insurance via a simple connected device that fits in your car's OBD II port.

- **Pet care**
  Retail pet food companies are becoming digital pet health services, sending you the right food and products for your pet based on age, breed, and so on.

- **Utilities**
  Consumption-based digital services like SolarCity enable solar-powered homes to sell electricity back to the grid.

APPLYING THE SUBSCRIPTION MODEL

You can apply the subscription model across every aspect of your company; the following sections describe how. It all starts with a moment of shock.

NO MORE SILOS

The video game industry is following the wider media industry, with falling sales of physical discs and rising online streaming subscriptions. Creating a new game costs billions of dollars, with studios typically taking two years to produce a new title, and marketing it can cost billions more. Imagine you're a developer and you tell your company: we can charge $5 a month for a subscription and offer lots of downloadable new content, giving us stable and recurring revenue. Win, win, right?

Odds are, management will hate the idea. Marketing doesn't want to give up its big-media-blitz launch days; development has to come up with a whole new fluid-production schedule; finance doesn't know how to make the numbers work. The shock is all too much.

The twentieth-century product-based company was divided into silos, but in the new customer-focused company those silos have to come down and employees have to think in new ways. For finance, that means stop focusing on unit sales and start looking at pricing, packaging, and analytics. Sales and marketing have to shift from selling a transaction to selling a relationship. And, the people at the heart of the organization—the designers and inventors—have to turn a great product into a great service.

PERPETUAL INNOVATION

Innovation is iterative; and the best way to innovate is to enlist your customers as your partners, making a living, breathing experience instead of a static product. The idea is to create an environment that supports sustainable development.

The UK snack box company Graze exemplifies this approach. Every couple of weeks they send subscribers a box of four different snacks and ask for feedback in a simple online form. When they launched recently in the US, Graze didn't bother with a lot of market research, they just used their existing model—because it's a system that adjusts itself. The Graze team just watched the numbers come in on the review dashboard and adjusted their product distribution accordingly. They designed their service in conjunction with their subscribers—no more focus groups or phone surveys—and had their US distribution all figured out in under four months.

Netflix also uses a form of perpetual innovation. It never orders pilots. For a show like House of Cards it knows there's an audience for political drama with popular actors, so it orders the whole show. Thanks to its fabulous user data, it has all the insights into what is going to be popular right at its fingertips.

Companies like Amazon, Facebook, and Apple (or, in China, Baidu, Alibaba, and Tencent) have dashboards that let them see what their customers are doing, allowing them to make smarter decisions about allocating resources and spinning up new services. Starbucks has the Starbucks ID—it includes things like payment information, purchase activity, and some demographic details. Today, more than 13 million people have a Starbucks ID, representing more than a third of US company-operated sales, and one in every ten transactions in a US store is handled with its mobile app.

MARKETING AND PRICING

In the Mad Men days of marketing the focus was on the four Ps: product, price, promotion, and place. Advertising was all about pushing the product through channels and creating customer pull—driving customers to the channels to ask for your product. In the subscription model, however, the focus is on the customer, so this approach changes.

Instead of placing your product in specific locations, the focus must be on managing a one-on-one relationship with the customer over time. With commercial transactions increasingly mediated through social experiences, the focus shifts to telling a story rather than trying to promote the product through ads. This means telling the story of your service and your users within a broader social narrative: first, articulate the context of your company; then, the value to the customer; and finally, the specifics of the product itself.

Pricing is one of the most powerful growth levers for subscription services; in fact, it is the most important of the four Ps. It's also the trickiest, as you have to price an outcome rather than the cost of making a product for a profit. Give too much away for free and you'll spend years chasing down miniscule conversion rates. Make things too complicated and people won't sign up. A flat rate is simple, but you may have a few people being very heavy users of the service.

The sweet spot is when customers are happy to add more services for more money. If 70% of your subscribers are in your basic package, then you have a respectable entry-level service—but one that is not sustainable. You need a growth path. This means picking the right unit that ties consumption to value. Similarly, the right packaging allows subscribers to add more features as their needs expand. The good news is, all the information you need to figure this out is already available, in your customer data.

SALES AND GROWTH STRATEGIES

In the subscription economy customers have plenty of information about your company—but they also have so much information that it can be hard for them to make choices. How can you get the right information to the people at the right time? There are eight essential growth strategies for a subscription company; you have to be willing and able embrace many of them at any given time.

- **The right customers**

  Your future customers will look closely at your first set of customers, so make sure your sales team acquires the right set of quality customers from the start.

- **Reduce churn rate**

  Keep customers happily surprised on a regular basis (the specifics of how you do this will vary by company and industry). Ask yourself if there are customers you should not pursue. Think about the features and usage patterns that give customers ongoing value.

- **Expand the sales team**

  After finding the right initial customers and reducing the churn rate, it's time to expand the sales team. Set up a hybrid sales model—one that mixes self-service and hands-on assistance—and invest in automation for the paperwork and menial tasks.

- **Upsell and cross-sell**

  A strong customer relationship is one that allows you to upsell more feature-rich (and expensive) services; and, to cross-sell additional services that give a more comprehensive solution. To cross-sell you have to be willing to continually add more services, features, and functionality.

- **New segment**

A good subscription service can go anywhere. Box started as a cloud-storage company that targeted individuals; now, almost-all of its revenue comes from businesses.

- **Go international**

Today's business world is based on language, not location. A British newspaper like the Daily Mail gets 40% of its subscribers from the US. There are some operational challenges—regulatory stuff like licenses and taxes and figuring out payment gateways—but if you sell in one English-speaking country, you can sell in all of them.

- **Acquisitions**

Past a certain size there are no new customers to get. Growth now depends on increasing your value per customer, making acquisition strategies really important. Between 2010 and 2015 SurveyMonkey acquired six companies, making them the world's leading online survey platform.

- **Optimize pricing and packaging**

Spend a lot more time thinking about pricing—it will impact your bottom line far more than acquisition or retention. The best subscription companies update their pricing at least annually—which means they are thinking about pricing continually. Pricing is the one strategy that is the key growth lever behind the other seven strategies listed here.

FINANCE: THE NEW INCOME STATEMENT

Double-entry bookkeeping was formalized in the late 1400s by a Franciscan friar named Luca Pacioli. The basis is simple: for every financial transaction, the debt and credit columns have to match. A typical income statement starts with net sales, deducts costs of goods sold, and costs of things like sales, development, and administration, and ends with net income.

But, the standard income statement does not differentiate between recurring and non-recurring revenue—which is a problem when recurring revenue is the cornerstone of the subscription company. Also, it treats sales and marketing as a 'sunk' cost, rather than the key to driving the business forward. Finally, it is a backward-looking picture of what has already been earned and spent, not a forward-looking view of the company.

For a subscription company the key financial metric is Annual Recurring Revenue or ARR—the amount that subscribers will pay you every year. Every quarter the subscription company looks at how much their ARR has grown. Start the period with a specific annual recurring revenue number. Assume a certain churn rate (which you try to keep as low as possible). Then, deduct recurring costs; what you need to spend to service that ARR. The difference between your recurring revenues and your recurring costs is your recurring profit margin.

The biggest accounting difference is that in a subscription business sales and marketing expenses are matched to future revenue—because the sales and marketing spend this quarter adds to the ARR, but the revenue from the ARR growth will come in future quarters. It is perfectly rational for a subscription business to spend all of its profits on growth, i.e., sales and marketing, as long as it can grow ARR faster than recurring expenses.

In a traditional business the CFO spends most of her/his time telling people what happened, and only a small percentage coming up with forecasts and strategy; in a subscription company that time focus is flipped.

IT FOR SUBSCRIBERS

The IT systems of most traditional businesses are focused on stock keeping units, not on subscribers. In a subscription company the system has to be able to tell you who your subscribers are, so that you can monetize customer relationships over time. It has to be able to conduct rapid price testing when trying to gauge the appetite for a new offering. It has to be easy for customers to sign up, upgrade, and renew. It has to be able to handle sales to both individuals and large enterprises; and be able to cope with high-volume recurring payments. And, it has to be able to measure recurring revenue.

Legacy enterprise resource planning or ERP systems are designed to track pallets; they can't cope with the dynamic world of subscriptions where customers are constantly upgrading, downgrading, suspending, renewing, or adding services. The subscription company needs at IT system that can change the subscriber experience; change the pricing quickly; and give a single view of the customer's entire subscriber life cycle. In other words, it should be circular, not linear.

Netflix knows it can spend $8 billion on original content next year because it can quickly report on its key business metrics: recurring costs, recurring profits, and the margin available to spend. In sum, IT is where the subscription company competes.

SUBSCRIPTION CULTURE

Being a customer-focused company requires engineers who continually experiment; marketing people who focus on subscribers; a sales force with a clear path to growth; a finance team that drives the business model transformation; and an IT team that is launching new services and iterating. But beyond all this, being a customer-focused company requires a cultural change.

At Zuora we call this culture PADRE: which stands for Pipeline, Acquire, Deploy, Run, and Expand. It's a way to visualize the company as an integrated organization of subsystems, all tied to the customer, supported by three core back-of-the-house subsystems: people, product, and money. Pipeline is building market awareness of your story to get an interested potential base of subscribers. The Acquire subsystem encompasses the buyer's journey—how does the potential subscriber make decisions? What are their alternative solutions? Deploy is all about getting customers up and running as quickly and efficiently as possible.

A subscription company's success depends on how well and how long your subscribers take advantage of the service; this is what we call Run. Finally, Expand: how do you retain and grow your subscribers.

These individual subsystems succeed thanks to cross-functional coordination. When there's a problem, such as an overly-slow process in getting people signed up to your service, people across all the subsystems have to be involved in finding the solution. Perhaps the sales group needs a clearer expectation-setting process for customers; while engineering can eliminate some of the onboarding steps; and customer support can develop new metrics for client feedback.

The subscription model is the only one built entirely on the happiness of the customer—and, happy customers mean happy companies.

THE SUBSCRIPTION ECONOMY INDEX

The Subscription Economy Index (SEI) is based on data drawn from Zuora's finance platform for subscription businesses. The following are some of the interesting insights it reveals.

- Between January 2012 and September 2017 subscription businesses grew revenues eight times faster than S&P 500 company revenues and five times faster than US retail sales
- In the year ending March 2017 B2B companies in the SEI had 23% growth rates; B2C companies had 18% growth rates
- Growth rates were fastest in SaaS (software as a service) companies, at 23%; followed by telecommunications (14%), Media (9%), and corporate services (4.4%)
- Average annual growth rates are higher in larger subscription-based companies (they have more resources, networks, and distribution channels)
- Average annual churn rates for companies in the SEI are 20-30%

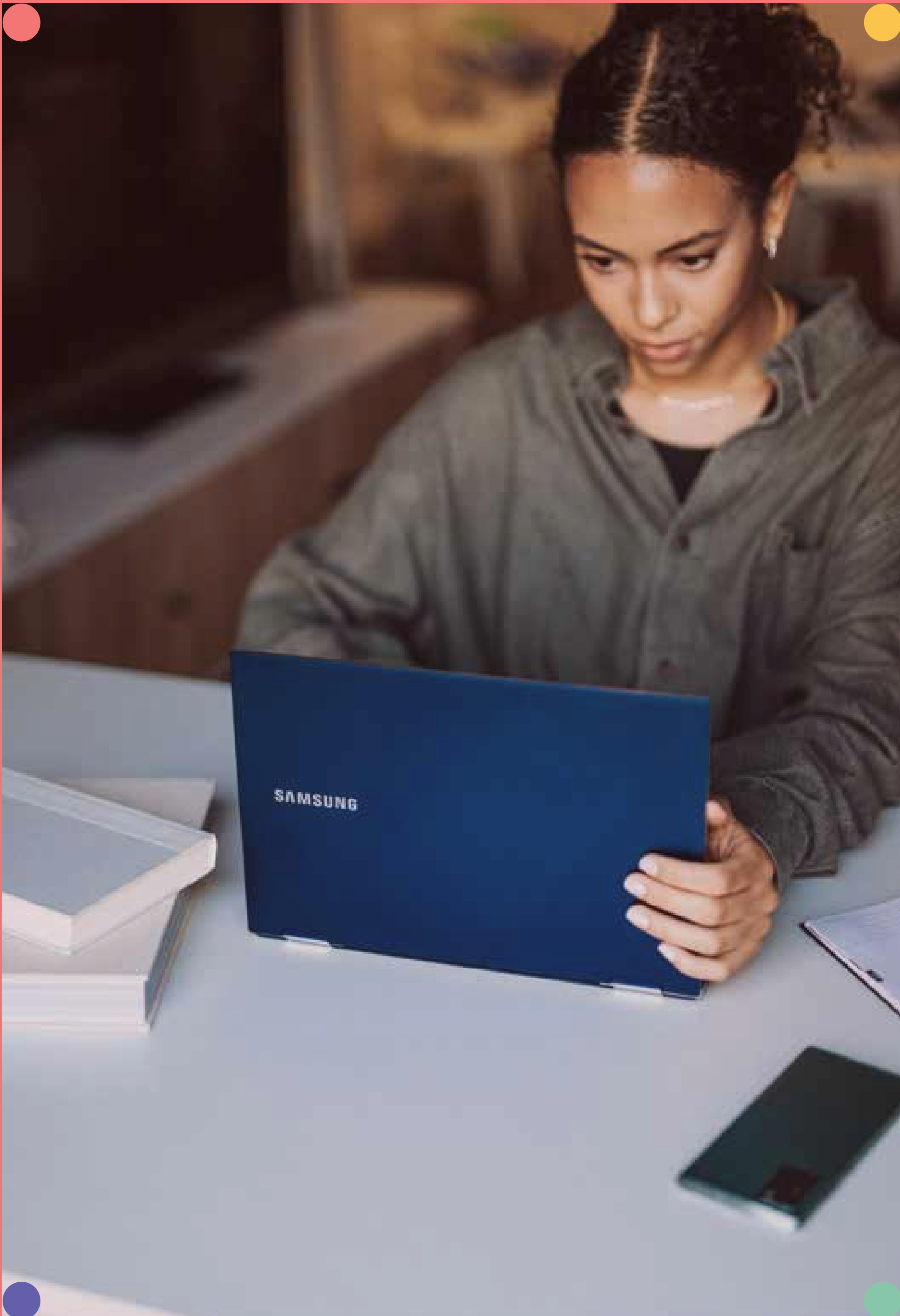


Photo by Windows on Unsplash

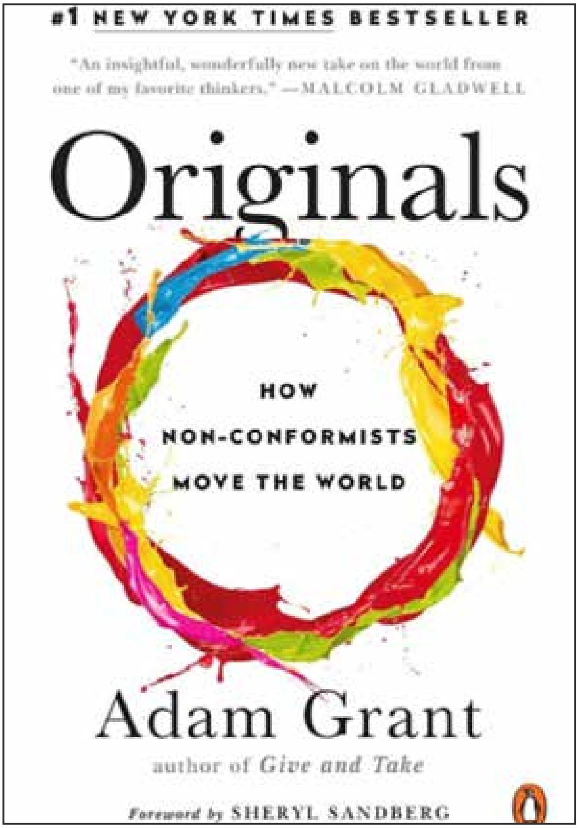
Originals

By: **ADAM GRANT**

Originals—the non-conformists who change the world—are not just bold risk-takers who leap into the unknown. In fact, everyone can make an impact and challenge the status quo—in their workplace, their communities, or the wider world. The key is learning how to recognize and develop new ideas; how to persuade others; and how to manage the risks.

You don't have to be born creative to be an original; in fact, you're more likely to be someone who produces a lot of projects and ideas and takes the time to spot the one worth championing. Procrastination, caution, and balancing risks actually help to unleash originality.

And once you have a great idea, there are steps you can follow to make sure that you pitch your idea to the right people, at the right time. You can unleash and sustain originality at home and at work, learn the best ways to encourage originality in your children, and discover how to create a culture of originality in your company.



SUMMARY

Originals are the ones who reject the default option, produce a lot of work, and take the time to recognize the original idea. They take a balanced approach to risk that leaves them free to think outside the box. They are open to new ideas, probably nurturing this with an involvement in the arts. Originals take the time to build their status so that they can persuade others; and they don't shy from laying out the negatives of their idea up front. In some situations, it can be beneficial to be the pioneer, the first in a new market or territory; but often, it is better in the long run to be a settler, learning from others' mistakes to create something even better. Procrastination can unleash the truly original idea, and experimental innovators get better with time. Originals learn to temper their radicalism to build coalitions of allies. As children, originals were likely later born, with parents who used reason to disciple. It is possible to build an organizational culture that encourages original thinking. And, when the going gets tough, defensive pessimism and deep acting can keep us moving forward.

GOING AGAINST THE GRAIN

There are two routes to achievement—conformity and originality. Of course, nothing is completely original; we are all constantly borrowing ideas and thoughts, intentionally or not. Originals are people who take the initiative to make their visions a reality.

REJECT THE DEFAULT OPTION

Why do some customer service agents stay in their jobs longer than others? Economist Michael Housman tried to find out by looking at data from over 30,000 employees who handled customer service phone calls across a range of industries. The one surprising correlation he found was that employees who used Firefox or Chrome as their internet browser remained in their jobs 15% longer than those who used Explorer or Safari. Further digging revealed the reason why: Explorer is the default browser for Windows, and Safari is the default for Mac users. Employees who accept the default browser treat their jobs the same way, accepting the job descriptions as fixed. When they are unhappy at work, they quit. But, employees who use Firefox or Chrome have taken the initiative to download a different browser. They tend to be more resourceful at work, looking for ways to do things better; and as a result, they stay in the job longer.

The hallmark of originality is this: don't accept the default option. Explore whether something better exists. The starting point for this exploration is curiosity—why does the default exist? All of the rules and systems in our world were created by people. Which means that people can change them.

CHILD PRODIGIES AND RISK TAKERS

We tend to assume that the people who change the world were either child prodigies from an early age, or bold risk takers who were not afraid to pursue their dreams. Both assumptions are wrong.

Child prodigies are rarely the ones who go on to change the world. They don't learn to be original and only a fraction of them go on to become revolutionary adult creators. They are hindered by achievement motivation—a phenomenal drive to succeed that ends up crowding out originality. Their fear of failure is so great that it prevents them from pursuing new ideas.

Nor does originality require extreme risk taking. Studies of entrepreneurs show that those who were more cautious, staying in their day jobs while pursuing their new idea on the side, had 33% LOWER odds of failure than those who quit their day jobs to focus on the new venture full time. If you have some doubts about what you are doing, you are more likely to build a business venture that will last. Phil Knight, founder of Nike, started selling shoes out of the trunk of his car in 1964 but kept his day job as an accountant until 1969.

The key here is having a balanced risk portfolio: having a sense of security in one realm gives us the freedom to be original in another. When we cover our bases, we are freed from the pressure to pursue a half-baked idea or launch an untested business. This does not mean always aiming for the safe middle ground—it means taking extreme risks in one arena and offsetting them with extreme caution in another. When Sara Blakely came up with the idea of footless pantyhose, she invested her entire savings and worked nights and weekends to build the prototype; but she kept her full-time day-job for two years while she worked to found her company—Spanx eventually made her the world's youngest self-made billionaire.

The most successful originals don't leap off a cliff without looking—they tiptoe to the edge, triple-check their parachutes, and make sure there's a safety net at the bottom, just in case.

RECOGNIZING ORIGINAL IDEAS

The biggest barrier to originality is not idea generation, it's idea selection. Our companies, communities, and countries are full of novel ideas—the problem is a lack of people who excel at choosing the right novel ideas. So, what are the hurdles and best practices in idea selection?

REPEAT

When we've come up with a new idea, we're too close to it to be able to evaluate it accurately. On the one hand, we tend to be over-confident when we evaluate ourselves. On the other hand, even geniuses have trouble recognizing when they have a hit on their hands.

So, if originals can't judge their own work, how do they maximize the odds of creating a masterpiece? Repetition! By producing a greater volume of work, the creative genius ends up with more variation and a higher chance of originality. Consider: Mozart composed more than 600 pieces of music before he died at the age of 35; Beethoven produced 650 over his lifetime; and Bach over a thousand. Each of these musicians created hundreds of pieces to generate a handful of masterworks. Einstein had 248 publications, only a handful of which (on general and special relativity) transformed physics.

For many of us, our first ideas are often the most conventional, the closest to the default setting. It's only after we've ruled out the obvious choices that we have the freedom to think about more remote possibilities.

THE STORY OF SEINFELD

The first Seinfeld script was almost rejected by the studio executives. It was too unconventional. Focus groups didn't know what to make of it, focusing on what it didn't have: no sense of community like Cheers, no family dynamics like The Cosby Show, no relatability like ALF. Managers and test audiences are poor judges of creative ideas. They focus on reasons to reject something and stick close to the default setting. The best judges are our peers and colleagues—people with no particular investment in our ideas who are more open to seeing the potential in something unusual.

The one man who made Seinfeld happen, Rick Ludwin, didn't even work in NBC's comedy department—which may have been his greatest advantage. He had a background in producing segments for variety shows and comedies, so he had plenty of expertise in humor, but he wasn't locked into the comedy-show default mindset. Once the show was accepted, he bet on writers who had the same insider-outsider status. Most came from late-night TV, so they had no problem with offbeat ideas.

Rick backed Seinfeld in particular because he watched Jerry Seinfeld and Larry David revise their concept and saw how they worked to get the execution right.

CREATIVITY

Researchers at Michigan State University found that Nobel prize winning scientists have a much higher engagement with the arts than ordinary scientists. A scientist who plays a musical instrument is twice as likely to win a Nobel relative to other scientists; someone who draws or paints is seven times as likely to win; a creative writer is 12 times more likely to win; and an amateur actor or dancer is an astonishing 22 times more likely to win a Nobel than other scientists.

Those interested in the arts—entrepreneurs, inventors, eminent scientists—have greater curiosity and aptitude. They have a personality trait called 'openness,' a tendency to seek out novelty and variety. It's the trait that allowed Galileo to recognize that the patterns of light and dark that he could see on the surface of the moon through his telescope were actually mountains. Other astronomers using the weak telescopes in those days lacked Galileo's background in painting, particularly his training in chiaroscuro, which focuses on representations of light and shade.

SPEAKING THE TRUTH

How can we reduce the risks of speaking up, and gain the potential benefits of doing so?

CHALLENGING THE CIA

In the early 1990s a young CIA analyst came back from a three-year assignment in Europe with a radical idea: instead of taking days or even weeks to produce paper reports, why not publish findings instantly and share them over the intelligence community's classified internet? Carmen Medina's ground-breaking idea was quickly shot down, slammed for being a security risk. Less than a decade after her initial failure, Medina was central to the creation of Intellipedia, an internal Wikipedia that has become a key resource for intelligence agencies. How did she do it?

After years overseas Medina has little status back in the U.S. She had not been able to prove herself to her colleagues, so they did not give her ideas any credence. If you want to influence others, you first have to earn their respect. Medina was trying to exercise power—getting a new idea accepted—without having the status to back it up.

Frustrated by her initial failure, Medina moved into a staff position and gradually worked her way into a more senior role in the area of security. When she presented her idea again, she was able to do so from a position of respect that she had earned by working within the system. She was able to present herself as being for something, as part of her mission to protect security, rather than just against the old ways of doing things.

We are more comfortable with things that we are familiar with—ideas, sounds, faces, brands, etc. Medina realized this; so, when she became the deputy director of intelligence at the CIA she got analysts familiar with the idea of sharing information online by starting a blog on the classified intranet. Gradually, she added presentations and other items that got intelligence analysts used to the idea of sharing information openly.

SPEAK UP OR LEAVE?

When a situation isn't working out for you, you have four choices in how to respond: exit, meaning remove yourself from the situation; voice, or actively try to change the situation; persistence, meaning stick with it; or, neglect, which entails staying put but reducing your effort.

If you feel like you're stuck with the status quo, with no control over the situation, you may opt for neglect, because you're not really committed to trying to effect change; but, if you believe it is worth trying to make a difference, you'll opt for persistence. If you are convinced you can make a difference, but you're not really committed to the organization, you'll leave. The only time when you can and should speak up is when you believe your actions matter and you care deeply about trying to make a change.

When you do choose to speak up, your audience and your timing are both critical. It's tempting to go for a supportive audience that you know will smile and nod, but a critical one can push you to do better. Medina ended up with a manager who was tough, but his priority was strengthening the CIA. This gave her the impetus to promote her ideas on information sharing.

The top levels of any hierarchy are expected to be different; the bottom levels tend to feel they have nothing to lose if they embrace originality. The hardest level to convince of the need for change are the middle-management levels, where there are strong incentives to choose the tried-and-true default option over the untested new idea. Medina learned to voice her ideas upward, to the top, and downward, to the lower ranks, rather than focus on pitching her ideas to middle managers.

And, of course, speaking out is harder for women and minorities. A woman who speaks up can be labelled as aggressive, not innovative. For women and minorities—and especially for women who are minorities—it is particularly important to earn status before exercising power.

As for exiting, it doesn't change the status at the organization you leave, but it may empower you personally to move forward. Exit was not an option for Medina; she believed passionately in the purpose of her organization and in the importance of her idea. For others, however, exit may be the only path to originality.

THE SARICK EFFECT

Named after social scientist Leslie Sarick, this is the approach of selling your idea by emphasizing all the things that are wrong with it. This sounds counter-intuitive: shouldn't you emphasize the strengths and minimize the weaknesses? In fact, when you are trying to persuade people who have more power than you, like managers and investors, there are four good reasons to accentuate the flaws in your ideas.

- **Disarm the audience**

Instead of saying, "You need to do this!" Medina had greater success in her second attempt to pitch her idea by saying, "Maybe I'm wrong, but perhaps we should try…"

- **You look smart**

By pointing out what you know the problems are, you show that you are not overly-confident in your ideas; you are able to shrewdly judge the negatives as well as the positives.

- **You look trustworthy**

Describing the problems makes you come across as honest and modest. Investors are already skeptical; telling them up front what the negatives might be makes them more inclined to trust you when you go on to describe the positives.

- **Favorable assessment**

When you lay out the negative issues up front, your manager or investor is less inclined to try to think up their own ideas about what is wrong.

RUSH AHEAD—OR WAIT?

When is the best time to take original action? We assume that the early bird catches the worm, but research suggests that procrastination may be your most effective tool. Procrastination may be the enemy of productivity, particularly if someone isn't all that motivated to get something done; but it is certainly a resource for creativity.

Leonardo da Vinci was a classic creative procrastinator. He started the Mona Lisa in 1503, but didn't finish it until 1519, working on it on and off while also doing other projects. These other distractions were vital to his originality.

I HAVE A DREAM

In August 1963 Reverend Martin Luther King, Jr. delivered one of the most memorable speeches of the modern era at the March for Jobs and Freedom in Washington, D.C. He had been asked to speak at the event months earlier—yet he did not begin to write out his speech until after 10:00 P.M. the night before and worked on it through the night. King had been thinking about his speech for weeks, getting input from close advisors about tone and content, but waited until the last hours before finalizing what he would say.

And, by procrastinating on the final product, King was also open to improvisation. The famous "I have a dream" section was not actually part of the written speech—he improvised the whole thing, in front of a live crowd of 250,000 and with millions more watching on TV, after gospel singer Mahalia Jackson shouted out, during his speech, "Tell 'em about the dream, Martin!"

If we plan something too far in advance, we tend to stick to the structure we've created. And, once we decide that a thing is completed, we tend to stop thinking about it. By mulling over his speech without finalizing it, King left himself open to responding in the moment, ad-libbing parts of his speech.

King also had a wealth of material to draw upon: he had been delivering variations on this speech and its themes for over a year. Come the day, he had plenty of passages, ideas, and oratorical fragments to draw upon.

PIONEERS AND SETTLERS

American culture believes strongly in the advantages of being a first mover, a pioneer who is the first to move into a new territory or market. However, pioneers often end up with a lower chance of survival—they tend to overstep and scale too fast. Settlers, on the other hand, bide their time until they're ready to introduce something new. They focus on providing superior quality rather than trying to figure out what to offer in the first place.

The kinds of people who are late movers—settlers—may also be better suited to succeed. They are more risk averse, waiting for the right opportunity and balancing their risk portfolios. Pioneers are more likely to make impulsive decisions.

Settlers are also more likely to improve upon competitors' technology and make something better. Pioneers tend to get stuck in their early offerings whereas settlers can observe market changes and adjust. Sometimes, being first pays off—when patented technology is involved or there are strong network effects. But in an unknown or uncertain market, there are usually disadvantages to being a pioneer.

There are parallels here with Carmen Medina's story at the CIA. When she first voiced her idea in the early 1990s, the agency was not ready. But after a few years, electronic communication had become more secure and more familiar. The terrorist attacks of September 11, 2001 were the final push needed to convince people that the costs of failing to share information were too high to ignore.

YOUTH VS. AGE

For every young genius who peaks early, there are plenty of old masters who peaked later in life. Orson Welles made Citizen Kane when he was just 25; Alfred Hitchcock's most popular movies came decades into his career (he was 61 when he made Psycho). The age difference comes down to conceptual innovators versus experimental innovators.

Conceptual innovators formulate a big idea and set out to execute. They are sprinters who do their best work when they are young. But, conceptual innovators can also become less original once they get entrenched in a certain way of solving problems.

Experimental innovators solve problems through trial and error, learning as they go. They are marathoners who do their best work when they are older. Experimental innovators accumulate knowledge and skills, creating a more sustainable source of originality. Leonardo da Vinci was in his early fifties when he started work on the Mona Lisa. While Martin Luther King, Jr. was only 34 when he gave his "I have a dream" speech, he had been speaking publicly about civil rights for two decades, effectively gaining the insight and wisdom of an 'old master' in the process.

CREATING COALITIONS

Originals form alliances to advance their goals, and work to overcome the barriers that prevent coalitions from succeeding. Most efforts to change the status quo involve a minority challenging a majority. Coalitions are a powerful part of this effort; but they are also inherently unstable and depend on relationships among individual members.

STONE, ANTHONY, AND STANTON

Lucy Stone was an early and influential leader in the women's rights movement, organizing a convention in 1851 that called for women to have the right to vote and own property. Her speeches inspired Susan B. Anthony and Elizabeth Cady Stanton, and for years the three collaborated on the cause of women's suffrage. However, they had begun to differ on tactics and in 1866 Anthony and Stanton partnered with a known racist, George Francis Train, who supported white women's suffrage as a way to curb the influence of African Americans. Anthony and Stanton then opposed the Fifteenth Amendment that proposed giving African American men the right to vote.

Stone was a supporter of the abolitionist cause and spoke in favor of a continued alliance with black activists. This prompted Anthony and Stanton to split with Stone in 1869, forming a rival suffrage organization.

Ultimately, the two major wings of the suffrage movement did reunite—but only after the three dominant women had stepped away from leadership positions. The lesson here is that to build coalitions across conflict lines you don't send in the hawks to negotiate, you send the doves.

Both organizations also needed new allies, which they found in the form of the Woman's Christian Temperance Union (WCTU), a group focused on curbing alcoholism. Rising WCTU leader Frances Willard became a strong voice in favor of women's suffrage, casting the vote as a way for women to protect their families from "the tyranny of drink." She used a lot of Biblical references in her speeches, which made audiences comfortable with the radical idea of votes for women. She was the quintessential tempered radical, presenting her values (the vote) as a way for an audience to pursue their own values (temperance).

TEMPERED RADICALS

In 2011 college senior Meredith Perry came up with the idea of wirelessly charging devices using ultrasound. Her professors and various ultrasonic engineers all said it couldn't be done. This is the classic case of an original trying to overcome the skepticism of potential key stakeholders.

Eventually Perry stopped telling the experts what she was trying to create—a transducer to send power over the air— and instead asked for interim steps. She persuaded acoustics experts to design a transmitter, others to design a receiver, and an electrical engineer to build the electronics. She tempered the radicalism of her idea by obscuring its most extreme feature.

THE POWER OF FAMILIARITY

In the early 1990s a group of writers at Disney were trying to create something new, an animated movie based on an original concept (rather than well-known fairy tales such as Cinderella or Snow White). They were struggling with the idea of Bambi but in Africa with lions—Disney executives didn't understand the idea until producer Maureen Donley said, "This is Hamlet!" Suddenly everyone in the room understood where the movie was coming from. The Lion King went on to be the highest grossing film of 1994, winning two Oscars and a Golden Globe. Had the writers started with Hamlet they would have ended up with an animated Shakespeare knockoff. Instead, they started with a novel template then came up with a familiar concept that gave everyone a single point of reference.

NURTURING ORIGINALS

Why do some baseball players steal more bases than others? One study revealed a surprising fact: birth order is a big determining factor. Younger brothers are 10.6 times more likely to attempt to steal base than their older siblings. It comes down to a propensity to take risks.

FIRSTBORNS VS. LATERBORNS

In the realm of sports there are marked differences between firstborns and those born later in the family hierarchy. Laterborns are more likely to take part in risky, high-injury sports like rugby, ice hockey, and gymnastics; firstborns tend to go for safer options like golf, track, and crew. The same pattern holds in science and politics. Laterborns are readier to embrace radical new ideas, even later in their own lives.

Experts have long touted the advantage of being the firstborn—they are more likely to win Nobel prizes, get elected to Congress, or become CEO of a major corporation. On the other hand, laterborns are more likely to switch jobs sooner and more often and so rise faster in the salary rankings. Hundreds of studies have reached the same conclusion: firstborns tend to be more dominant, conscientious, and ambitious; laterborns tend to be more open to taking risks and embracing original ideas.

Laterborns quickly learn to stand out by being different; they also tend to face less strict discipline from their parents than firstborns. As a result, they are more apt to take risks.

THE ROLE OF REASON

Aside from birth order, there is also a notable difference in the way highly creative people report having been disciplined as a child. Parents who emphasize moral values, rather than absolute rules, and who explain the reason for a particular rule, are actually encouraging their children to comply voluntarily. They also tend to encourage their children to consider the impact of their actions on others.

Another key parenting tactic that encourages creative children is to praise their character: saying, “you are a very helpful person,” rather than “that was a nice thing to do;” or, “please don’t be a cheater,” rather than “please don’t cheat.” Children internalize these comments and make them a part of their self-identity.

STRONG CULTURES

What really causes groupthink, and what can we do to prevent it?

THE PROBLEM WITH POLAROID

Edwin Land, the founder of Polaroid, was an original who is remembered for inventing the instant camera. Unfortunately, he did not instill those original attributes in his company; Polaroid pioneered the digital camera, but ultimately went bankrupt because of it. Land and his senior managers made the fatal assumption that customers would always want hard copies of their pictures; in a classic case of groupthink, no-one questioned this assumption. Company founders tend to follow one of three organizational models or blueprints:

- **Professional**
  They hire candidates with specific skills.

- **Star**
  They look for future potential rather than current skills, hiring the brightest people.

- **Commitment**
  They focus on cultural fit before all else, looking for people who match the company's values and norms. Companies with commitment blueprints work to build strong emotional bonds among employees and to the organization.

Sociologist James Barron studied firms across the three blueprint types and found that those with a commitment blueprint had the highest success rate. Failure rates were much higher for star blueprint firms and highest of all for professional ones.

In its early days, Polaroid embodied the commitment blueprint, with core values of intensity, originality, and quality, and hiring a diverse workforce. Over time, however, commitment cultures become too insular. In a more competitive marketplace they are less likely to recognize the need for change. As the digital revolution began, Polaroid's dominant culture had made it overly-confident in its analysis. The company was unable to recognize the need to change.

BRIDGEWATER ASSOCIATES

One of the strongest corporate cultures around is that of investment firm Bridgewater Associates. Its philosophy is outlined in a set of over 200 principles written by the founder, Ray Dalio. New employees are hired based on how well they fit with the way of operating described in the principles.

Despite being a part of the volatile financial services industry, Bridgewater has thrived; it is consistently praised for its innovative strategies. Its secret is promoting the expression of original ideas. The company avoids the stagnation of groupthink by inviting dissenting opinions. Every employee is expected to voice concerns and critiques directly to each other; they are evaluated on whether they speak up. They are even expected to challenge the core principles. Dalio wants people who think independently and so enrich the culture. Decisions are not based on seniority, as at Polaroid, but on quality.

This is not the same as assigning a devil's advocate, someone who's role is to voice dissent on an idea. Managers tend to pay only lip service to assigned devil's advocates—genuine dissenters are much more valuable. Bridgewater goes out of its way to find dissenters and encourages people to sit down and thrash out their disagreements. Dalio says the resulting cacophony is the best way for people to learn; the transparency avoids groupthink. Rather than espouse the standard management line of “don’t bring me problems, bring me solutions,” Bridgewater encourages employees to raise problems. Then, everyone can figure out what the best solution is.

Not everyone’s opinion is rated equally—Bridgewater is not a democracy. Instead, every employee has a believability score on a range of dimensions of values, skills, and abilities. When you express an opinion, it’s weighted by whether you’ve established yourself as believable on that dimension.

Dalio’s number one principle is, “you must think for yourself.” The Bridgewater culture helps to unleash originality in others.

HOW TO KEEP GOING

Going against the grain involves a lot of emotional drama. How do we recognize that, and make it work for us?

DEFENSIVE PESSIMISM

Faced with challenges, people take one of two approaches. A strategic optimist will stay calm, anticipate the best, and set high expectations. A defensive pessimist will feel anxious, expect the worst, and imagine everything that might go wrong. Interestingly, pessimism can help to manage fear and anxiety—by imagining the worst, the defensive pessimist is motivated to avoid it. The fear turns into commitment. The anxiety peaks before the event, leaving them ready to succeed.

One of the universal fears is public speaking—and the usual advice to someone about to speak on stage is, “try to relax and stay calm.” The best advice, however, is to get the speaker to reframe the fear as excitement. Fear is an intense emotion; rather than try to suppress it, convert it into another intense emotion.

INSPIRING OTHERS

If you want to inspire people to go out on a limb, you need to show them that they are not alone. This was a tactic developed by Srdja Popovic, one of the masterminds behind Otpor!, the grassroots youth nonviolence movement that overthrew the dictator Slobodan Milosevic in Serbia. Popovic realized that true revolution is not a sudden explosion but a long, controlled burn. The movement focused on accumulating small wins that people could look back on and get a sense of progress, which helped to build their commitment.

When they launched Otpor!, the young activists knew they needed to outsource inspiration, creating a symbol—a black clenched fist—that they spray painted across the capital, Belgrade. Seeing the symbol let those who opposed the regime know that they were not alone. They also used humor to attract allies and subvert enemies, such as sending Milosevic birthday presents like a one-way ticket to the Hague to be tried for war crimes. Humor is a great way to defuse the fear of speaking up.

When people think a challenge is particularly risky, they are not going to be motivated to act if you highlight the benefits of change. In this case, the best way to motivate them is to destabilize the status quo and emphasize all the bad things that will happen if they don't act. Remember Martin Luther King, Jr.'s speech? He spent the first 11 minutes stressing all the negative things about the status quo, before delivering the hope for change. He laid out the fierce urgency of now then turned to what could be. His audience needed to see the nightmare of today before they could be moved by his dream of tomorrow.

DEEP ACTING

Anger can help to motivate us but taken too far it can make us less effective. Venting might make us feel better in the near-term, but it also stokes the anger and makes us more aggressive—toward everyone. A central theme of the civil rights movement was to stop venting and to channel anger into reflecting on the victims of the injustice. It's a way of staying both hot and cold—hot to fuel the change, and simultaneously cool to figure out how to shape the action.

If you're feeling an intense emotion like anger, you can put on a mask and pretend you're not upset, but this is surface acting. Much more effective is to employ deep acting—changing your inner feelings to actually become the character you want to be. It is what actors call method acting. You have to dissolve the divide between your true self and the role you are playing. Martin Luther King, Jr. did this by calling attention to the victims of violence and injustice, channeling the emotion into anger for others, rather than against the oppressor. Being angry for others makes us want to help, to seek justice, to create a better system rather than just punish and destroy.

Originals embrace this uphill battle for change, striving to make the world what it could be.

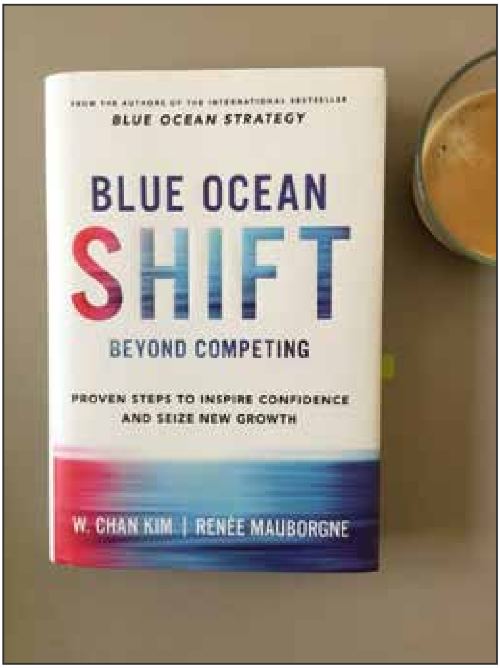
Blue Ocean Shift

By: **W. CHAN KIM** and **RENÉE MAUBORGNE**

Any company can move out of a "red ocean" of intense competition and into a new value-cost market space – a wide-open "blue ocean." Doing so requires completing five steps, each of which yields valuable insights into the structure of the industry and the company's particular vulnerabilities. The shift of a company's culture, product portfolio, and strategy from a red ocean to a blue ocean is the transformation process introduced in "Blue Ocean Shift."

A shift starts with a Pioneer-Migrator-Settler map, to get a good view of your current offerings, followed by creating a picture of the state-of-play in the industry with a Strategy Map. Next, delve into the actual experience of your customers and what they really want with a Buyer Utility Map, and identify how the total demand landscape for your offering could be expanded. With this information, the team can dive into systematic field research, using six paths that will enable them to decide what to eliminate, reduce, raise or create and so reconstruct the boundaries of the industry. Finally, after holding a Blue Ocean Fair and drawing up a new business model, the company will be ready to roll out its Blue Ocean Shift. Established bureaucratic companies, companies in regulated industries, or even government agencies surrounded in red-tape, can open up and create new blue oceans.

Blue Ocean Shift not only provides a recipe to identify and transition companies into blue oceans, but also focuses on the human-side (or "humanness") of a transition. It does this by introducing many strategies and tactics that help shift the culture of an organization from its current state to one will allow any organization to welcome a shift.



SUMMARY

WHAT IS A BLUE OCEAN SHIFT?

In 2005, the book Blue Ocean Strategy described how some organizations across many industries have successfully made the leap from a "red ocean," where competitors are trapped in a blood-red fight for customers, into a wide-open "blue ocean" of uncontested market space. Building on that work, a Blue Ocean Shift is a five-step process that allows any organization to make the transition from an existing, crowded market into a clear new market space. In other words, Blue Ocean Shift is the recipe book to help organizations shift from red oceans to blue oceans.

Whether the head of a large bureaucratic corporation, a small non-profit, or a government department, organization leaders tend to assume that the conditions of their industry are a given, a set of constraints that form the boundaries of the red ocean in which they must compete. Focused on competing over customers, leaders assume that there is always a trade-off between value and differentiation. But that assumption is wrong. Organizations can break out of red oceans and move into a blue ocean with a Blue Ocean Shift. Breaking out of the red ocean starts by swapping market-competing moves in favor of market-creating moves. There are three overall components to a successful Blue Ocean Shift.

I. Adopting a blue ocean perspective: looking to the far horizon, recognizing that different questions have to be asked, and pondering what could be;

II. Having practical tools that guide the process: these will translate a blue ocean perspective into a whole new offering;

III. Embracing the concept of humanness: inspire people and build their confidence, so that they drive the process forward and can successfully implement the shift to a blue ocean.

Based on the three components above, we will look at three key notions that underpin a successful Blue Ocean Shift: (1) understanding the concept of market creation, (2) developing a Blue Ocean mindset, and (3) developing "humanness."

SETTING THE STAGE

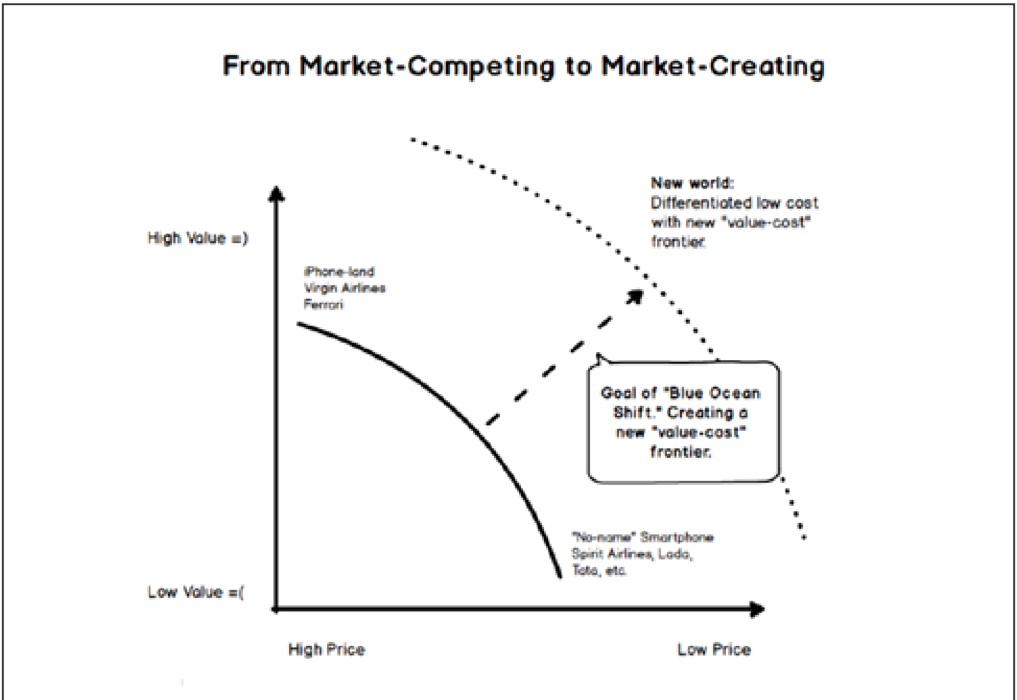
1. UNDERSTANDING MARKET CREATION

Many people assume that market creation must involve some form of destruction or disruption. It is true that in some cases a new technology can destroy a market and create others – think Uber vs. taxis, or e-mail vs. snail-mail. However, focusing only on disruption gives a misleadingly incomplete picture of market creation.

For example, the children's show Sesame Street created a new market for preschool edutainment, without destroying or disrupting any other aspect of early childhood education. This is an example of non-disruptive creation. In reality, market-creating strategies take one of three forms:

- A breakthrough answer to an existing problem, which usually takes the form of disruptive creation. For example, boats and airplanes allowed for a new marketplace of transportation that did not exist beforehand.
- Identifying an entirely new opportunity or solving a new problem, a wholly non-disruptive form of growth and creation. For example, Cirque Du Soleil created a new form of circus for both adults and children; they extended the market for circus goers.
- Redefining the problem and offering a new solution, which has elements of both disruptive and non-disruptive market creation. For example the smartphone disrupted less sophisticated cellular phones, but also expanded the market by enabling new mobile experiences.

Many also assume that the key to unlocking a new market is innovation, or that entrepreneurship automatically leads to market creation. The creators of new technologies do create extraordinary things, but they are rarely the ones who convert the new technology into something that creates new value. And, a business rarely succeeds or fails purely on the quality of its technology. It is important to understand that a Blue Ocean Shift does not merely mean “innovation.” A blue ocean is created when a new value-cost frontier is opened, and a Blue Ocean Shift occurs when an organization successfully “shifts” into the newly created frontier.



2. THE BLUE OCEAN MINDSET

Seeing new opportunities instead of nothing but competitive red oceans requires adopting a different mindset, one based on four fundamental principles.

- Do not take the conditions and boundaries in your industry as a given: instead, think in terms of changing those boundaries to work in your favor. Unleash your imagination.
- Make the competition irrelevant: do not focus on gaining an advantage over the competition; that is backward looking and keeps you focused on what the organization has achieved to date. Instead, unleash your forward-looking creativity.
- Rather than fighting over existing customers, focus on how to create and capture new ones: in most industries, existing customers are just a tiny sliver of the world of non-customers waiting out there. Create new demand by finding these non-customers.
- Go beyond the value-cost trade-off: instead of choosing between differentiation and low cost, actively pursue both at the same time.

3. HUMANNESS

Adopting a blue ocean mindset also includes embracing the concept of "humanness." Building this concept into the process of a blue ocean shift inspires your people, gives them confidence, and allows them to drive the process of change. Humanness brings out people's emotional engagement so that they have the confidence to act. Once they have that confidence, they can then start to use the tools and processes that will unleash a blue ocean shift. There are three elements to the blue ocean process that build the attitude of humanness.

ATOMIZATION

The whole process of a blue ocean shift is daunting to contemplate. Instead, break the challenge into small, concrete steps that can be easily grasped, acted on, and 'won.'

FIRSTHAND DISCOVERY

When people are told that change must happen, they do not commit to the process and will be resistant and even resentful. Instead, create the conditions that allow people to make discoveries for themselves. Not only will this prevent people from feeling manipulated, the very act of discovery helps people to develop a more open and forward-looking mindset. They will see things they had never thought of before.

FAIR PROCESS

This requires three fundamentals: engagement, so that people are actively involved in driving the process; explanation, so that people are reassured that they understand the thinking behind each stage; and clear expectations, so that no-one is surprised. This contributes to an atmosphere of trust, helping to ensure everyone's voluntary cooperation.

Taken together, these three elements make it possible for people not only to buy into the whole process of a Blue Ocean Shift, but also to be willing to actually implement the changes required to make it happen. For example, in many industries innovation creates added risk, which might not be welcomed by some individuals if their objectives or Key Performance Indicators are aligned only with lowering risks. This is typical of regulated industries. During the Fair Process implementation, objectives and KPIs might need to be re-written such that the organizational culture can shift.

THE FIVE STEPS OF A BLUE OCEAN SHIFT

Not all organizations are willing or able to execute a complete Blue Ocean Shift right now; but this is not an all-or-nothing process. Each of the five steps and its related tools has value in and of itself. Perhaps the organization just needs a wake-up call in the form of a systematic review of the industry as it stands (Step Two), or perhaps it could benefit from some insights into where to find new customers (Step Three). The only mistake is to do nothing and hope that things will change.

STEP ONE: GETTING STARTED

The first step is to map out exactly what industry or product offering you are going to tackle. The best way to do this is to start with the Pioneer-Migrator-Settler Map. Traditional organizational assessments focus on market share and industry attractiveness; but, market share is a lagging indicator that shows where the industry has been, and attractiveness only gives a snapshot of where the industry stands right now. Instead, the first step should be based around the concepts of value and innovation. This lets you look beyond today's performance data and gives you an aerial view of the landscape.

To see how vulnerable or healthy your portfolio really is, use the concepts of Pioneer, Settler, and Migrator to assess how much value the product or service offers.

- Pioneers: products that break away from the competition. Pioneers are value innovations, the key to renewing the portfolio and opening up new frontiers.
- Settlers: the other end of the spectrum, Settlers offer only value imitation, converging with the rest of the industry and offering little prospect of growth. Think of Microsoft's two main products, Office and Windows; they are the source of most of the company's profits, but they are decades-old Settlers. This fact is reflected in the company's stalled stock price.
- Migrators: somewhere between the two, migrators offer some improvement over the competition, but they do not represent innovative value.

To plot the Pioneer-Settler-Migrator map, first identify your key businesses, products or services. Choose the heads of each of your organization's main units to participate and have each manager identify where the products fall on the map. It is important to have individuals complete this first, to ensure they feel invested in the whole process – see "Humanness." Then, bring the whole group together to plot their collective assessment. Working as a group both ensures a sense of fair process and gives everyone a perspective on what others in the company are thinking. The "whole group" includes all decision makers. For example, in a regulated industry not only invite the product owners, but the legal team, finance team, and compliance officers – among others – responsible for the portfolio of products.

With the map completed everyone can see where the organization is vulnerable. If there is a healthy balance between Settlers, Migrators, and Pioneers -- congratulations! The organization is on a great path and can hold off on launching a full Blue Ocean Shift. If, however, there are a lot of Settlers, a few Migrators, and at best one or two Pioneers, then everyone can now see that a shift is needed.

To define the scope of your Blue Ocean Shift, look for a business, product or offering that has most or all of the following characteristics:

- a Settler or low Migrator;
- is headed by a manager who is eager to break into a blue ocean;
- has no other major initiatives underway;
- clearly has very limited options for growth.

The final part of Step One is constructing the right team to drive the Blue Ocean Shift. With a total of 10-15 people, the team should include the functions and organizational levels that will bring forth a new offering. This probably means senior representatives of human resources, IT, marketing, finances, manufacturing, research and development, sales, and the front line. Job title is less important that character; look for people who are well respected, with a reputation for listening, asking questions, and getting things done. They should also know their areas intimately and be willing to spend about 10% of their time on the project.

STEP TWO: THE STATE OF PLAY

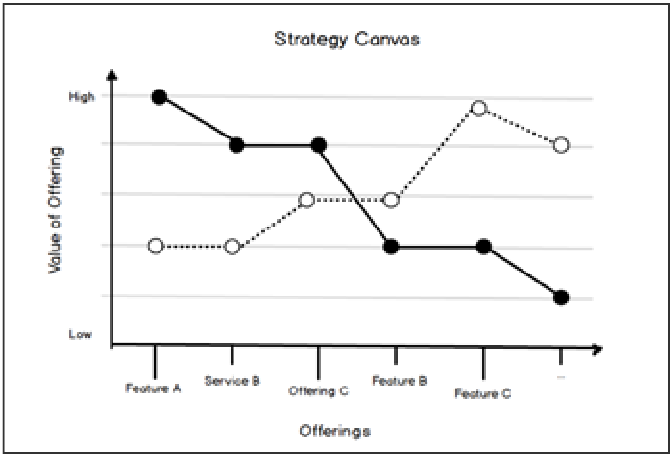
The next step is to build a clear, shared picture of the current strategic landscape by creating a Strategy Canvas. This not only helps to build your strategy, it also makes sure that everyone is working from the same overall picture.

The Strategy Canvas is a one-page visual that tells a story in the form of a graph. The horizontal axis shows the key factors that the industry competes on, while the vertical shows the offering level that buyers receive or experience for each of these factors. The blue ocean team first identifies between five and twelve key competing factors for the "as-is" Strategy Canvas. Factors can relate to an offering's product, service, or delivery platforms, but all should describe a key aspect of the offering from the buyer's point of view. For example, a charity's list of factors for the fund-raising industry might include pity pleas, soliciting grants, year-round events, recognition of donors, and so on.

Once again, start with the individual team members drawing up their own lists, then reconvene as a group and decide together on the key factors list.

Once the team has decided on the key factors list, pick a best player against which to plot the offering as a reference; either the industry leader or your strongest competitor. Then, using a five-point scale from very low to average to very high, have the team rate the offering level of each factor for your product and then for the reference company.

This step will yield a visual map of the current state of play, showing where the shape of your current offering diverges with the industry leader, if at all; the assumptions that the industry tends to act upon; and the extent to which competition in the industry is converging.



STEP THREE: WHAT COULD BE

Now that the team has a strategic overview of the current state of play, the next step is to help them envisage how they might shift from the current red ocean into a new blue ocean. This means charting the hidden constraints in the industry and identifying the new demand that could be unlocked.

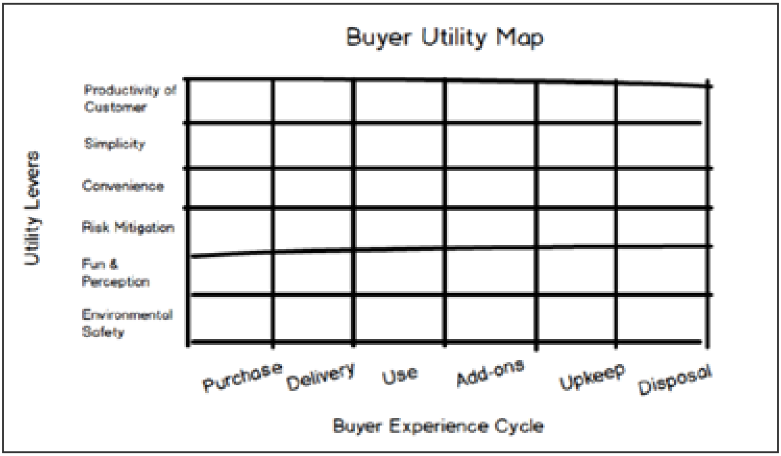
1. DRAW UP A BUYER UTILITY MAP

Develop an overview of all the underlying assumptions and boundaries that make up the 'pain points' that limit the industry. These are not just constraints, they are opportunities to change the picture. The Buyer Utility Map will help the team members to see not only that every industry has pain points, but also that these are problems that can be solved. The Map lists the six stages of the buyer experience, and the six utility levers that the organi zation can 'pull' to affect that experience.

Starting with the buyer experience cycle, the team members should put themselves in the place of a buyer and imagine the total experience offering, from purchase through to disposal, identifying the specific activities that fall within each stage of the cycle. Next, add the six utility levers: productivity, simplicity, convenience, risk reduction, fun and image, and environmental friendliness. The team now has a chart with 36 spaces.

To fill in these spaces, the team works its way methodically through each of the stages of the buyer cycle, and for each level asks, "what is the biggest block to this lever at this stage" and "what are the reasons for this block?" Each time a pain point is revealed, put an X in that space in the chart. And, for each point that the industry tends to focus upon, put an O. A retail furniture seller, for example, may think only in terms of delivering to a buyer's apartment building. After working through the Buyer Utility Map, however, the company may discover that a key pain point for buyers is figuring out how to get a bulky furniture delivery from the building lobby up to their actual apartment.

To really garner good insights into the buyer experience, it may be necessary at this stage to send the team into the field to really experience first hand what an ordinary buyer or user of the service encounters across the full product cycle, not just at the point of sale.

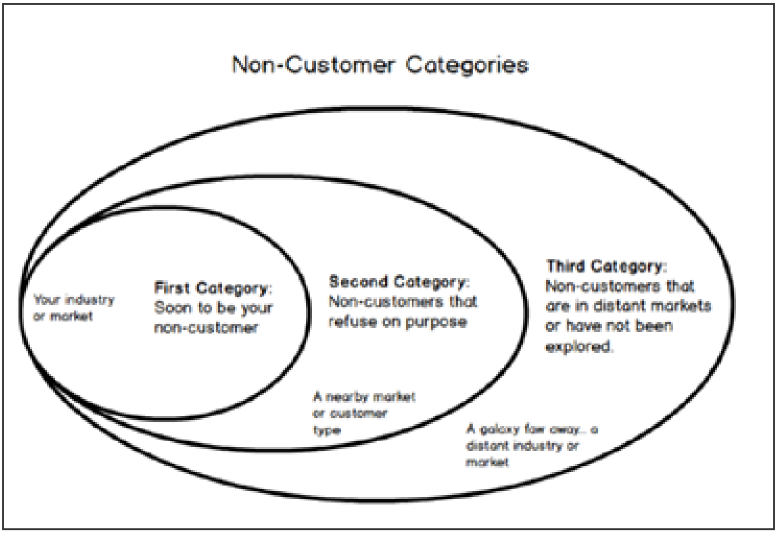


2. IDENTIFY THE TOTAL DEMAND LANDSCAPE

A Blue Ocean Shift means creating new demand and growing the industry. To do that, the team has to understand who the non-customers are and why they are not buying your product or service.

There are three tiers of non-customers. In the First Tier are those who patronize the industry because they have to, not because they want to; if they find a better alternative they will quickly move to it. The Second Tier are the refusing non-customers, people who have consciously rejected the industry offering perhaps in favor of an alternative or because it is too expensive. The Third Tier are all those who could benefit from your offering, but have never considered themselves as potential customers. For example, in 2009 Square Inc. realized that there was an ocean of non-customers of the credit and debit card industry, small businesses like food trucks and farmers' market vendors, and people who could not use a credit card to pay the plumber or the ice cream vendor at the beach. By shrinking the credit card reader and using a smart phone's compute power and networking capabilities, Square created a blue ocean of point of sale devices.

To identify the various tiers of non-customers, the team should start by



considering who typically buys or uses the industry's offering, thinking in big picture terms. Then, have each team member think about who might be in the three tiers of non-customers, and share their thoughts with the group. As these ideas are debated, the team will develop an understanding of the untapped demand that is out there. Next, break the team into subgroups to do some quick research on the parameters of each of these non-customer segments, to get a rough idea of the potential that each represents. By the end of this step, the team will have a strong sense of the possibilities that could result from a Blue Ocean Shift, and will have developed the confidence to tackle the final two steps.

STEP FOUR: A STRUCTURE FOR BLUE OCEAN CREATION

The next step in a Blue Ocean Shift involves systematically reconstructing market boundaries. This requires team members to really delve into on-the-ground research, so that they can generate insights that can be acted upon. In order to identify new opportunities where others see only red oceans, the team will systematically work through the Six Paths Framework, with each Path revealing key insights into the existing constraints and hidden opportunities in the industry. This is the most time-consuming step in the Blue Ocean Shift, but ultimately is the most rewarding.

Start by dividing the team into two sub-teams, each of which will work on three of the Paths. Make sure the sub-teams thoroughly understand the process they will work through and the questions they will ask, with clear work plans for each stage. For each Path, the individual team members will interview 10-12 people, a mix of both customers and non-customers, seeking answers to a set of questions. They will get out into the field, ask questions, and take pictures and video. Members will record all of the key insights they gained for each Path. The individual members will then re-group as a team to share their insights and schedule any follow-up interviews.

PATH ONE: THE INDUSTRY

A red ocean lens focuses on rivals within the industry. A blue ocean lens looks across alternative industries.

What major problem or need does your industry's offering solve or address? What alternative industries solve the same need, or a similar one? Among these alternatives, which captures the greatest proportion of customers?

In the field, ask buyers why they traded across your industry, what they saw as the negatives in the industry they rejected, and what they saw as the positives in the alternative industry that they chose. For example, why did they choose to take a train instead of an airplane to get to their destination, what were the negatives that caused them to reject the airline industry, and what were the positives that attracted them to the rail industry.

PATH TWO: THE STRATEGIC GROUP

A red ocean lens focuses on competitive position with a strategic group. A blue ocean lens looks across strategic groups within the industry.

A "strategic group" is a set of companies with similar business models or service offerings across an industry. For example, in the restaurant services industry: fast food, fine dining, to-go meal replacements, among others, all fit in the same strategic group. The members of these sub-groups have different competitive qualities in: preparation time, price, freshness, presentation, flavor, etc. These differing qualities cause the industry to have more rapid innovation and competition.

Choose the two largest strategic groups within your industry, preferably the one that captures the largest share of customers and the one that has the greatest profitable growth.

In the field, ask buyers from each group why they traded up (or down) for one group over the other. Ask them to focus on the major factors that led to their choice. A company in the health management industry, for example, may ask customers why they decided to use a telephone counseling service to make non-urgent health decisions, rather than a web-based service.

PATH THREE: THE BUYER GROUP

A red ocean lens focuses on providing better service to an existing buyer group within the industry. A blue ocean lens looks across the chain of buyers and redefines the group.

A purchasing decision usually involves a chain of buyers, not just one target customer. There are the users of the product; the purchasers who pay for it; and sometimes the influencers whose opinions can make a difference. Looking beyond the traditional target customer to this longer chain of buyers can open up new market space.

Identify the chain of buyers for the product or service, then focus on those parts of the chain that the industry usually ignores. For example, a maker of fluorescent light bulbs may look beyond the usual target customer, a corporate purchaser, and instead target the financial officers who are aware that there are additional (disposal) costs associated with fluorescent lighting. In the field, ask these untargeted groups about their definition of value, the blocks they face, and the burdens the current industry focus places on them.

PATH FOUR: THE SCOPE OF THE OFFERING

A red ocean lens focuses on maximizing the value of the product as defined by the industry. A blue ocean lens looks across complementary offerings to understand the full picture that enhances or detracts from the offering.

Look at the total context in which your product or service is offered, paying attention to what happens before, during, and after its use.

In the field, watch buyers as they actually use your offering, noting where there are blocks. In this way, a manufacturer of teakettles may discover that a key problem for kettle users is having to clean out the lime scale that builds up after extended use.

PATH FIVE: THE OFFERING'S APPEAL

A red ocean lens focuses on improving performance within the industry's orientation along the emotional-functional axis. A blue ocean lens rethinks the industry's orientation.

Some industries compete largely on functional factors such as price and usage. Others are based more on an appeal to emotion. Shifting the offering from one basis to the other can open up a new ocean of value.

In the field, listen to your customers and non-customers, and determine whether they characterize your industry more by function or by emotion. Explore what the offering might look like if you flipped that orientation. For example, legal services are usually seen in functional terms; what could happen if a legal service focused instead on providing a positive emotional experience?

PATH SIX: TRENDS OVER TIME

The red ocean lens focuses on adapting to outside trends as they happen. The blue ocean lens actively shapes the trends that impact the industry.

Projecting trends rarely gives any insight into opening up new frontiers. More important is looking across time to see how a developing trend might change what customers value and how this might impact the business model.

Start by identifying three to five trends that are believed will have a decisive impact on the industry over a three- to five-year horizon. These should be trends that are irreversible and that have a clear trajectory. Then consider what would happen if each trend were taken to its logical conclusion; list what the implications would be for buyers, for the industry, and for the organization. Netflix is a great example of a company anticipating a new trend – the rise of broadband internet

– and creating the new blue ocean of on-demand viewing.

FOUR ACTIONS FRAMEWORK

With all of this field work in hand, the team now has an abundance of new insights into the offering and how it could be unlocked in innovative ways. To complete Step Four of the Blue Ocean Shift, these field insights must be turned into opportunities that achieve both differentiation and low cost. The tool to do this is the Four Actions Framework.

The Framework considers the factors that the industry currently takes for granted, and asks:

- which can be Eliminated?
- which should be significantly Reduced?
- which should be Raised up?
- which should be Created?

The first two questions will give insights into ways to reduce your cost structure compared with competitors; the second two give insights into new offerings. Taken together, the four factors will allow the team to consider how to open up a new value-cost frontier.

For each of the six Paths investigated earlier, the team now identifies the common factors that were revealed. These need to be precise and concrete factors, not vague concepts; something specific that can be acted upon. Each factor is then listed under one of the four actions: Eliminate, Reduce, Raise, or Create.

The team now uses the Four Actions Framework to fill in a "to-be" Strategy Canvas, based on the Strategy Canvas created in Step Two. As in the earlier Canvas, each of the factors will be scored, with a 0 for anything that should be eliminated, and a one-to-five point score for the remaining factors. Overlay the result on the earlier state-of-play canvas, and you have a visual strategy profile.

At this point it is likely that two or three of the six Paths have yielded compelling cases for a new value-cost frontier. The other Paths may not have yielded enough for a new offering, but likely will still have provided some key insights. Develop a tagline that succinctly describes how each proposed offering creates a leap in value for customers. Finally, the team should outline the preliminary economics of each proposed blue ocean offering, preparatory to moving onto Step Five.

STEP FIVE: MAKING THE MOVE

The final step in launching the Blue Ocean Shift involves holding a Blue Ocean Fair and creating the Business Model.

THE BLUE OCEAN FAIR

To decide which strategic offering to pursue, hold a Blue Ocean Fair that brings all of the team members together with the organization's key decision makers, along with some customers and non-customers, over the course of a few hours.

The Fair should be structured as follows:

- Give an overview of the current red ocean reality in the industry and make the case for a Blue Ocean Shift.
- The team presents each of the strategic options they created, summarizing the benefits for buyers or users and outlining the economic benefits to the organization.
- Attendees move around the room, visiting a display station for each option with poster-sized versions of the to-be Canvas from Step Four and the Eliminate-Reduce-Raise-Create grid.
- The attendees vote for the options they consider most compelling. One this is complete, ask attendees for the rationale behind their votes.
- The executive team decides which Blue Ocean option to pursue.

FORMALIZE THE BUSINESS MODEL

Once the decision has been made, the team should quickly market-test a prototype of the new offering, in order to capitalize on the momentum that has built up with the Blue Ocean Fair. With any last-minute problems ironed out in the wake of the testing, the team can now move on to formalizing the Business Model. This is a big picture that shows how the value and the cost sides of the business can join together to generate profitable growth at the set strategic price.

At this stage, the team will need to be expanded to bring in people with expertise in operations and team members will shift to working full time on executing the launch. Most of the legwork for the Business Model has already been done. The key focus now is determining the target profit margin for the offering. The more aggressive the target profit margin is, the more aggressive the target costing will be. Setting aggressive targets challenges people to think in innovate ways across the whole operation.

One way to meet an aggressive cost target is to figure out who the organization can partner with. Another is to consider ways to streamline and innovate operations. Boosting people's positive energy and contributions is another important possibility; empowering and trusting customer-facing staff boosts productivity.

Finally, it is time to roll out your Blue Ocean Shift. For the smartest Rollout Strategy, start small – to iron out any last-minute bugs and hiccups – then go fast and wide.

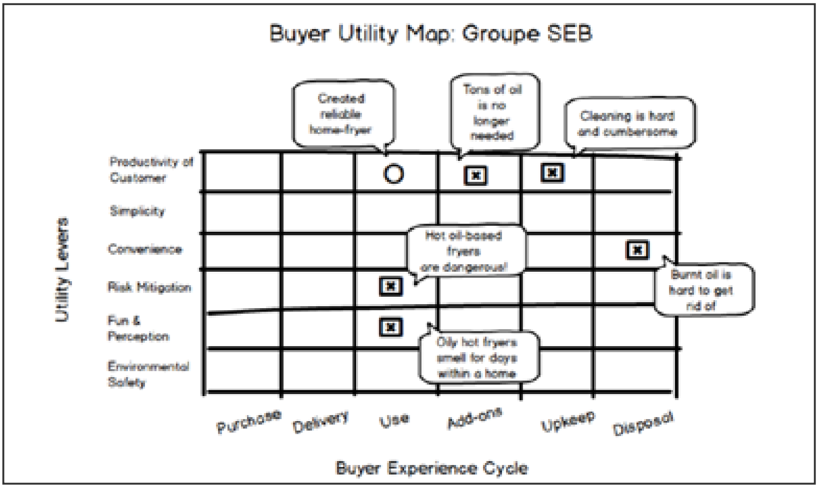
CASE STUDIES

<u>GROUPE SEB</u>

A French multinational founded in 1857, Group SEB was a large and well-established company facing increasing competitive pressure. Its electronic french fry makers were particularly vulnerable, struggling to stand out in a shrinking market – a classic red ocean dilemma.

After delving into the details of a Buyer Utility Map and considering the total demand landscape, the company team realized that two facts that the industry considered a given were actually significant pain points for customers: that the best tasting fries had to be fried, and that this had to entail lots of oil. Field work with customers revealed significant concerns: the process of frying is inherently risky; lots of oil is expensive to buy and store; cleaning the machines is aggravating; and disposing of the used oil is a problem.

This led the team to create ActiFry. First launched in 2006, it requires no frying and has no safety issues, uses only a tablespoon of oil, is easy to clean, and has no oil disposal problem. By creating a tasty, healthier french fry Groupe E captured a new segment of customers, people who had never before considered using a home french fry maker because of all the pain points. The company redefined the problem from how to make the best electric french fry maker, to how to make tasty and healthy fries without traditional frying. This opened up a new value-cost frontier for the company, creating a new market space in what had been a vulnerable commodity industry.



CITIZENM HOTELS

The hotel industry is also a quintessentially red ocean with everyone competing on providing more or less of the same factors. In 2007 a new company, citizenM, set out to create a new hotel chain for frequent travelers. They focused on the two strategic groups of three star and luxury hotels, and asked travelers why they traded up (or down) for one offering over the other. They discovered that travelers valued location, a luxurious feeling room, and free Wi-Fi in choosing a luxury hotel; and they favored price and a more casual atmosphere in choosing a three-star.

The team realized that frequent travelers don't need a formal lobby with a front desk and concierge, so they could eliminate these and replace them with self-check-in kiosks and a communal living space. Room size is not as important as details such as high-quality sheets and strong water pressure in the shower. Room service was also not a high priority, allowing the team to replace the high overhead of a full

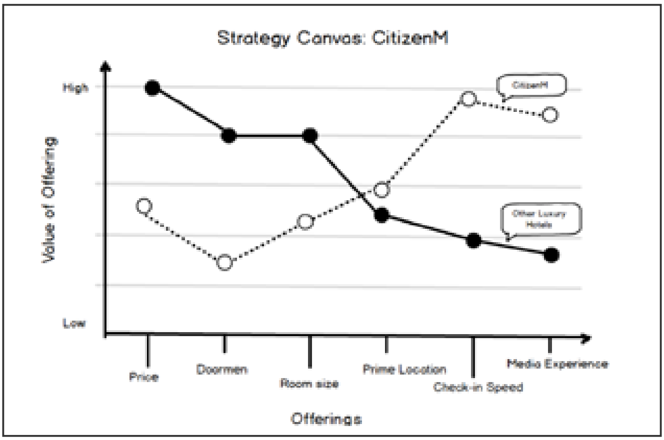
Eliminate-Reduce-Raise-Create (ERRC) Grid: CitizenM

Eliminate	Raise
• Lobby experience • Doorman, bellhops, others • On-site restaurant • Daily room service	• Bed size, high-quality sheets and linens, water pressure for showers • Quietness • Media experiences: free movies, international calling, free high-speed internet, etc.
Reduce	**Create**
• Different room types • Size of room • Lower price relative to lux hotels	• Self-serve check in/out • 24/7 bar with shared community room • Social experiences and experience managers

kitchen with partnerships with boutique caterers located near the hotels. The team came up with an Eliminate-Reduce-Raise-Create grid that laid out these choices.

By reducing or eliminating costly factors that travelers do not really value, and raising or creating other factors, CitizenM significantly lowered its cost structure and enhanced buyer value, creating a new market space of affordable luxury hotels in prime locations. The company also recognized the importance of empowering their staff, giving all customer-facing positions the title of ambassador. The company hires people based on their attitudes and values, and trains for competence.

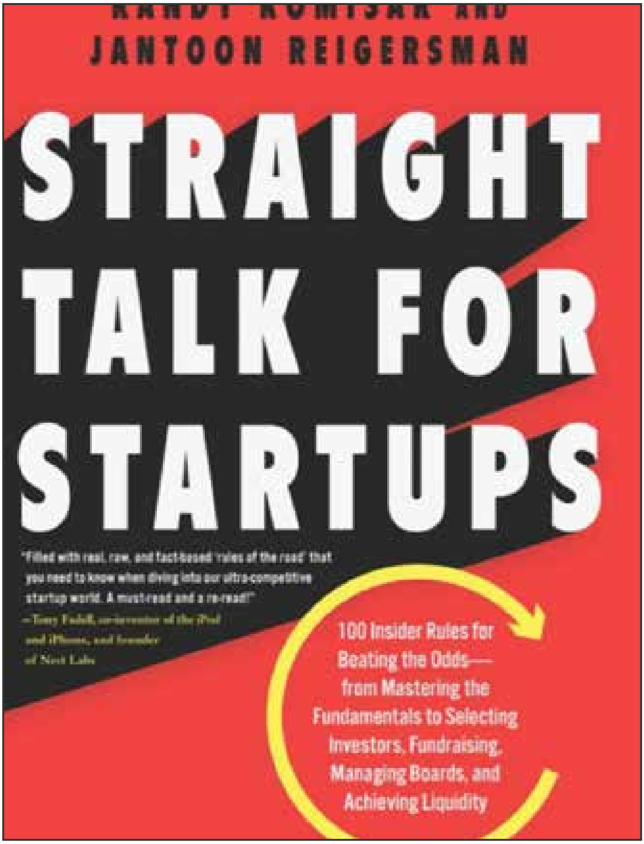
The first hotel was rolled out in 2008 at Amsterdam's Schiphol Airport, before expanding across the country and the globe. CitizenM now enjoys one of the highest customer satisfaction ratings in the hospitality industry along with the lowest costs.



Straight Talk For Startups

By: **RANDY KOMISAR** and **JANTOON REIGERSMAN**

Are you interested in adopting a "startup mindset" in your corporate role? By understanding the approaches that Silicon Valley's veterans have used to build and grow their companies, you can apply them for yourself, whatever your position. As you learn the ways that entrepreneurs successfully navigate topics such as finding the right investors, managing the board of directors, and pursuing liquidity, you too can glean valuable insights. Why is having two business plans a smart idea? How can you gain the most value from top talent without hiring full time? What does a healthy team dynamic look like, and how can a manager achieve it? Straight Talk for Startups details these tactics, and we show how they can be applied to your life and your role, whatever that may be.



SUMMARY

"But entrepreneurship is more than mere invention; it is the best practice for creating market value from innovation, with limited resources."

This book details 100 rules meant as guidance for aspiring entrepreneurs who'd like to bring their startups from conception to cash, outlined by two Silicon Valley and venture-capital veterans. However, it is also a helpful resource for anyone interested in shaking up their mindsets and methods at work. By applying these concepts to their day to day, anyone can learn how to innovatively create value with limited resources.

The 100 rules are categorized into five categories: 1. Mastering the Fundamentals, 2. Selecting Investors, 3. Fundraising, 4. Managing Boards, and 5. Achieving Liquidity. Of the 100 rules, we found 25 that are also applicable for those outside the world of startups and venture capital. Each rule is summarized here, and if it can be easily applied to other professional contexts, we'll lay out the corresponding tactic as well.

1. STARTING A VENTURE HAS NEVER BEEN EASIER; SUCCEEDING HAS NEVER BEEN HARDER.

It's easier to start a venture today because investment dollars are plentiful. This makes it harder to succeed, however, because these increased funds bring more competitors to the market and breeds less loyal employees.

2. TRY TO ACT NORMAL.

Functioning as a successful entrepreneur takes a large dose of irrationality to believe that you and your company will survive and thrive in a hostile environment. If you have that in you, it's best not to appear too wacky to potential investors, so try to act normal.

3. AIM FOR AN ORDER-OF-MAGNITUDE IMPROVEMENT

Your business shouldn't just be slightly better or a little bit different than an existing product or service. Instead, it should be at least ten times better, or better yet, a one-hundred fold improvement on the current offering.

THE TACTIC FOR RULE #3

This rule is meant to evoke common sense in those who have become just a little too attached to their idea or invention. From a consumer's perspective, it's not hard to understand the logic of something needing to be A LOT better than an existing product to get a consumer to change. But, when it's our "baby" that we've worked hard to develop, it's much easier to fall into the trap of believing everyone else will love it too. Though a marketer who's spent hours creating a landing page might expect visitors to read every word, there are technologies that show that most people just land, scroll to the bottom, and leave. But, it's hard to be this realistic about our own work. That's why marketing testing to ensure that customers perceive an order-of-magnitude improvement is important.

Apply this rule in your current role by thinking about the realistic hurdles you must surpass when launching something new, whether that be new workflows for your team, a new product offering, a department re-organization, or something else. Will this change bring about a marginal improvement? Twice as better? Ten times? By shooting for a least a ten-times improvement, you won't waste valuable time, energy, and resources chasing something that is only slightly likely to be a success. And, get someone you trust to validate your perceptions of the opportunity.

4. START SMALL, BUT BE AMBITIOUS.

Yes, the master plan for your venture should envision the ways your company will achieve market dominance. But, it's crucial to "stage" your success, proving out the foundational business assumptions before moving on to the next step.

THE TACTIC FOR RULE #4

"Even entrepreneurs fortunate enough to command the resources necessary to chase the big idea directly need to pace themselves, testing fundamental assumptions and removing risk methodically."

When launching any new go-to-market strategy or approach, rather than begin with all pistons firing, think critically to identify the series of assumptions you are making about your market, product or service. What needs to be true to ensure your success? Then, set up your activities logically to prove out these assumptions in the correct order. This can significantly decrease the risk over time and ensure the most effective use of capital.

5. MOST FAILURES RESULT FROM POOR EXECUTION, NOT UNSUCCESSFUL INNOVATION.

Many aspiring entrepreneurs do indeed have an incredible innovative idea, but most fail to realize that bringing a product to market is an effort that requires more skill in execution rather than invention.

THE TACTIC FOR RULE #5

"The creative process is essentially an execution process, not a eureka moment."

There are six stages of growth. First, a compelling idea is conceived. Second, the required technology behind the product is developed. Third, the product is tangibly realized through the success of the technology. Fourth, demand for the product in the market is verified. Fifth, the financials of the product are proven to be profitable. Sixth, the business expands and scales. This can be a helpful framework for anyone bringing a new product to market in their particular industry or responsible for analyzing product performance. By organizing work in this sequence, it makes for the most efficient use of resources. Time and money exploring new markets is not spent before there is a clear demonstration that the technology is sound.

This rule can also be applied as a "filter" for understanding why a particular product may be performing poorly, working backwards from step 6. Is the product adequately supported in its growth, or does it lack the capital and distribution networks to maximize its potential? How do the unit economics (the cost to produce the good versus its sale price) look? If that is healthy, what does the market look like? Is it crowded, with competitors closing in? By analyzing each step individually, it's possible to drill deeper into what may be hindering growth.

6. THE BEST IDEAS ORIGINATE WITH FOUNDERS WHO ARE USERS.

It's difficult to understand the precise needs and desires of customers unless you are one yourself.

7. DON'T SCALE YOUR TECHNOLOGY UNTIL IT WORKS.

It's easy to charge forward with the assumption that the supporting technology will be built. But that's dangerous – prove the technology before scaling.

8. MANAGE WITH MANIACAL FOCUS.

To really get something right, it's not a team effort but rather a single person with a laser focus on what's important.

THE TACTIC FOR RULE #8

"There is no democracy in product development"

It is not enough to set a plan into motion and allow a team of good-natured and well-meaning individuals to execute it. If you are the owner (of an initiative, a process, an event, etc.) assume that no one else will care as deeply as you do about the details. If you want to create something as beautiful and functional as Steve Job's PowerBook (or the equivalent level of success in your organization), then you must be prepared to "manage with maniacal focus" to ensure that what you are developing meets the standards you've envisioned.

9. TARGET FAST-GROWING, DYNAMIC MARKETS.

A common mistake is to pursue large markets. Yes, there is likely a lot of money there, but they are also probably quite crowded and competitive. Instead, shift focus to small, high-margin markets where you can become a leader.

THE TACTIC FOR RULE #9

"Focus on becoming the leader within a market segment poised for fast growth, and expand from there."

This tactic can be applied to your own personal career trajectory. It may be tempting to "join the pack" and align yourself with a specific business unit, practice, or function that is large, well-resourced, and provides reasonable career stability. However, the upside may be limited and the competition fierce to become a superstar in that particular area, littering your path to promotion with unnecessary hurdles. Instead, consider establishing relationships and pursuing a path that is more specialized, with fewer slots for your peers to move alongside you. Just as an entrepreneur focuses on the most streamlined path to success, so too can this approach put you on the fast track to a more senior role professionally.

10. NEVER HIRE THE SECOND BEST.

If you bring on sub-par talent, especially early on, those sins will multiply as those weaker performers in turn hire even weaker employees down the road.

THE TACTIC FOR RULE #10

"It is said that A players are confident enough to identify and hire A players, while B players hire C players."

The logic is clear here for anyone working in an organizational environment. This is especially important if you are building a new team. Instead of focusing on filling roles, concentrate on obtaining the highest quality talent possible. Early employees contribute greatly to the culture of an organization, as their preferences in hiring will become exponentially effective, as their hires bring on similar-minded staff, and so on.

11. CONDUCT YOUR HIRING INTERVIEWS AS IF YOU WERE AN AIRLINE PILOT.

Rather than having a loose "behavioral"-style conversation, ensure a rigorous approach is in place for interviews. We all fall prey into thinking we are better at sizing people up than we really are.

THE TACTIC FOR RULE #11

"Having many conversations with candidates is wise, but a hodgepodge of random opinions and inconsistent filtering mechanisms won't serve the organization well."

The rush to quickly find someone to fill a hole in your organization can lead to an interview process that lacks rigor and is subject to personal biases. This is true whether you work in a 100-year-old company or are making your first hire. That's why it's important to systematize the process. Just as airlines realized that airplane accidents were happening due to "overlooking routine precautions," so too can hiring managers and interviewers create a checklist to avoid these accidents.

12. A PART-TIME GAME CHANGER IS PREFERABLE TO A FULL-TIME SEAT FILLER.

Just because someone isn't available to come work for you full-time doesn't mean you should give up on them. That person might be available on a part-time basis and still add incredible value.

THE TACTIC FOR RULE #12

"The game changers are those people who can single-handedly reduce your white-hot risks."

The best talent are those people who can create extraordinary impact with very little direction, time, or resources. These people are effective because of who they are and how they operate, not because of a formal role or title. Accordingly, if you find someone who could be a "game-changer" for your organization, it's a no-brainer to get that person involved in any way possible. A part-time role could be a perfect fit. They may need or want to stay heavily involved in other commitments. Even if you only have them for a handful of hours a week, this may be enough to achieve what you need.

13. MANAGE YOUR TEAM LIKE A JAZZ BAND.

The best team dynamic is one where players are individual stars who can perform spectacularly as soloists, but also harmonize beautifully with the rest of the group. This will maximize creativity and collaboration and minimize management and administration.

THE TACTIC FOR RULE #13

"With its emphasis on individual virtuosity, improvisation, and dynamism, a jazz ensemble depends on every member's ability to embrace risk…"

When considering the dynamic of a team, compare it to a jazz band. In a jazz band, there is no clear "boss" responsible for holding everyone accountable for playing each note accurately. Instead, the expectation is that each member will listen, collaborate, and support one another, "pulling their own weight as individuals while taking cues from the other members about new opportunities to contribute." This sets the conditions such that team members feel they can take healthy risks and exercise creativity freely without sanction. Consider this not just for permanent hiring decisions, but also for short-term groups like committees or task forces.

Of utmost importance here is management style. The best group of individuals will not flourish together unless the "leader" sets the conditions accurately. "The leader…is responsible for establishing a coherent strategy and set of priorities while empowering each member of the team…" Rather than dictators or micro-managers, ensure that your own working style and that of your managers is in line with that of a "jazz band leader."

14. INSTEAD OF A FREE LUNCH, PROVIDE MEANINGFUL WORK.

Creating a positive environment where individuals can chase personal and collective success by developing to the best of their abilities is far superior to adding on costly perks like free lunches. Plus, if the going gets tough and those perks go away, it does horrible things for morale.

THE TACTIC FOR RULE #14

"The people you want will trade free lunches for meaningful work and career growth…"

It will become a self-defeating practice to lure people into working with you or your organization through selling a cushy lifestyle or excellent perks. When assembling a team of existing employees or finding your next hire, be frank about the benefits of the work, but keep your ears open for those who seem more interested in the peripheral benefits rather than the work itself.

Likewise, when you yourself are job-searching or considering new opportunities at work, be laser-focused on what's most important. How will this experience contribute to your growth and development? Will it expand your network and breadth of knowledge? Will it open new opportunities in the future that would otherwise be closed? A free lunch only lasts for as long as it takes to get hungry again. Meaningful work on your resumé is permanent.

15. TEAMS OF PROFESSIONALS WITH A COMMON MISSION MAKE THE MOST ATTRACTIVE INVESTMENTS.

Successful entrepreneurs are not one-man or one-woman shows. To exude legitimacy, it's crucial to have a strong, cohesive team of professionals on your side.

THE TACTIC FOR RULE #15

"It's a red flag when you show up with a B team or with no one at all, suggesting that you are either too ignorant or too arrogant to realize you need more professionals on board."

Avoiding over-hiring or over-compensating those you hire is important, but even more important is ensuring that whatever your position, you surround yourself with complementary and competent individuals. Don't shy away from what you struggle with, but instead embrace it head on. If you are weak on writing or e-mail communication, ensure your junior associate or executive assistant can cover you in that arena. If you aren't great with numbers, work with people who excel in that regard and ride their wave, while using your strengths to bolster the team as well. Doing anything else is "ignorant" or "arrogant." While operating leanly is key, don't skimp on hiring those who can do the job and make you and the whole organization look better.

16. USE YOUR FINANCIALS TO TELL YOUR STORY.

When in doubt, analyze the numbers. Rather than just a list of facts and figures, the financials can be used to understand and illustrate countless facets of the organization.

17. CREATE TWO BUSINESS PLANS: AN EXECUTION PLAN AND AN ASPIRATIONAL PLAN.

To remain focused on running the day-to-day of your business, you must have an execution plan that will take you from point A to point B. However, when setting the larger vision and looking into the future, keep an aspirational plan in your back pocket.

THE TACTIC FOR RULE #17

"This is not a fantasy plan, but rather one that, if some favorable events beyond your control come to pass, you can accomplish with hard work and diligent execution."

Rule #17 can be applied in several different ways. First, in personal career planning, consider taking this approach to setting goals. Make two plans. Your execution plan should include ways to succeed and grow your career in your current position, regardless of your desire to remain in your current company or job for an extended period of time. It should detail the objectives and specific actions you will take in your current situation to expand your skill set, experiences, or network and set yourself up for success in the future. Your aspirational plan, however, is where you get to dream. If you want to switch industries, go back to school, or start your own firm, this is where you lay out the roadmap to take you there. Having two plans ensures that you don't get stuck in the trap of 1) thinking your current job has nothing valuable to offer, or 2) that your dreams are just dreams, with no chance of becoming achievable.

18. KNOW YOUR FINANCIAL NUMBERS AND THEIR INTERDEPENDENCIES BY HEART.

In business, the different financial spokes (e.g., income statement, cash flow statement) are all intertwined with one another. Understanding how they all fit together can be the key to course-correcting a crucial issue.

19. NET INCOME IS AN OPINION, BUT CASH FLOW IS A FACT.

What your income statement says you've made and the cash on hand can be different because of the timing lag to receive payment for the product or service you've provided. When vendors need to be paid sooner than your customers pay you, this can leave a business seriously strapped for cash, so beware.

20. UNIT ECONOMICS TELL YOU WHETHER YOU HAVE A BUSINESS.

Whether or not you make money on an individual sale is the crux of your success. Growing your customer base for the sake of growth while not making money on the sales is a recipe for disaster.

THE TACTIC FOR RULE #20

"Bleeding capital on every sale is no joke."

With so many meetings, metrics, demands, and distractions in the workplace, it can be easy to lose sight of what will ensure sustainability of your organization. Yes, crisp marketing is important. Yes, your net promoter score is key. And of course, employee satisfaction and morale are crucial indicators of organizational health. However, none of these items alone will ensure that your business will be around tomorrow. Instead, ask yourself whether an individual sale of your product or service is making money for your company. If not, perhaps it is time to adjust organizational priorities. Whatever your position or level of seniority, focusing on unit economics can be a powerful way to add value.

21. MANAGE WORKING CAPITAL AS IF IT WERE YOUR ONLY SOURCE OF FUNDS.

Some ventures can grow through freeing up their own existing cash by moving products more quickly out the door. If possible, pursue this route towards growth, as it's the most cost effective and efficient.

22. EXERCISE THE STRICTEST FINANCIAL DISCIPLINE.

Focus on extracting the most value out of every penny you receive or earn.

23. ALWAYS BE FRUGAL.

Similarly, make it a part of your company culture to meticulously review all spending.

THE TACTIC FOR RULE #23

"Every contract…should be reviewed, sharpened, and challenged, and each party should be held accountable for the work."

Keep your team on their toes by showing you will watch how money is spent. This is especially important when dealing with outside contractors or consultants. As the speed of work accelerates, don't let your agreements get away from you.

It’s tempting to sign a contract and have faith that the work will be done to your specifications and that the expenses will be allotted as agreed. If you do this, you’ll expose yourself to being taken advantage of along the way. Spend frugally, and ensure you and your team get your money’s worth with each dollar spent. If needed, delegate this oversight to a competent subordinate.

24. TO GET WHERE YOU ARE GOING, YOU NEED TO KNOW WHERE YOU ARE GOING.

Employ measurement as a powerful tool for driving organizational and individual behavior and performance.

25. MEASUREMENT COMES WITH PITFALLS.

Keep your metrics and measurements loose until you know they will drive the results you are looking for.

THE TACTIC FOR RULE #25

“Key performance indicators…that are too rigid can effectively become a straitjacket for your venture.”

Metrics and other means of determining whether you’ve been successful should only become standard and regimented after it’s been proven that you’re marching down the right path. Because metrics incentivize people to accelerate down a specific avenue, it’s extremely important that there is collective agreement that you’ve picked the right ones. When working with your team or other colleagues to set objectives and metrics, first establish them temporarily to prove out whether you’re on the right path. Play around with a variety of metrics and analyze the types of behaviors they promote and discourage. And don’t rush to lay any in stone too quickly.

26. OPERATIONAL SETBACKS REQUIRE SWIFT AND DEEP CUTBACKS.

At the first sign of financial difficulty, do not hesitate to reduce staffing or other spending to stabilize your company. Not making these decisions quickly or as extensively as needed will be a steep regret.

27. SAVE SURPRISES FOR BIRTHDAYS, NOT FOR YOUR STAKEHOLDERS.

Do not save bad news for big meetings or share it in groups. As soon as unfortunate information comes to your attention, share it in one-on-one meetings or phone calls so you can gauge reactions and get input on how to respond from each individual.

28. STRATEGIC PIVOTS OFFER SILVER LININGS.

When leadership identifies that a shift in strategy needs to happen and plans accordingly, it is usually appreciated rather than criticized. Rather than spiral into panic mode, realize that this is merely another problem-solving exercise.

29. DON'T ACCEPT MONEY FROM STRANGERS.

Easy cash is just what it sounds like – too good to be true. Be wary of people who are too quick to offer funding. Instead, appreciate that investors will be your business partners, and treat them as such, with the according due diligence.

30. INCUBATORS ARE GOOD FOR FINDING INVESTORS, NOT FOR DEVELOPING BUSINESSES.

Incubators can primarily hone your skills in pitching your startup and connecting you with funders. You'll need to come in with your value proposition and business plan largely fully formed.

31. AVOID VENTURE CAPITAL UNLESS YOU ABSOLUTELY NEED IT.

Understand that venture capital firms repay their funders by ensuring the investments become liquid at some point. If you accept venture capital, be sure this aligns with your priorities for your business.

32. IF YOU CHOOSE VENTURE CAPITAL, PICK THE RIGHT TYPE OF INVESTOR.

Know that there are different types of venture capital firms, and don't waste your time pursuing those that are not a good fit for you.

33. CONDUCT DETAILED DUE DILIGENCE ON YOUR INVESTORS.

Get to know your investors as people, and be sure to ask questions – lots of them. Talk to as many people as possible who have partnered with them in the past, in both failed and successful relationships.

34. PERSONAL WEALTH DOES NOT EQUAL GOOD INVESTING.

There are many people who have lots of money but without the experience or skills to help you grow your business. Avoid those types of investors.

35. CHOOSE INVESTORS WHO THINK LIKE OPERATORS.

Your investors should not only be good at investing, but also have the track record of being an operator. There is significant risk that your priorities will not align if not.

36. DEAL DIRECTLY WITH THE DECISION MAKERS.

When being pursued by an investment firm or seeking funding yourself, insist on speaking with the people who make the decisions, not their junior associates.

THE TACTIC FOR RULE #36

"If you are going to make a first impression, make it with a decision maker."

Recognize that your time is valuable and that it is OK to pass up a meeting or networking conversation. Go with your gut in these circumstances. While expanding your network and cultivating potential suppliers, customers, partners, and others is important, so too is ensuring that the time you spend is productive. When arranging meetings with others, be diligent about who specifically you will be meeting. Know that significant time can be spent on "gatekeepers" that may not come to a positive result for you. Be choosy and speak up if you'd like someone else to be present.

37. FIND STABLE INVESTORS.

Many investors are fickle and unreliable. Do your homework to explore which have that reputation and which do not.

38. SELECT INVESTORS WHO CAN HELP FUTURE FINANCINGS.

Understand that each round of investment seems all-consuming, but that there will likely be more. Plan for that and choose investors who can help you secure additional funding in the future.

39. INVESTOR SYNDICATES NEED TO BE MANAGED.

Make sure that among your investors, there is a single lead investor and that he or she does their job in providing the appropriate level of counsel and support.

40. CAPITAL-INTENSIVE VENTURES REQUIRE DEEP FINANCIAL POCKETS.

Your particular industry or sector may require different levels of funding. Make sure the investor you pick is set up to meet your financial needs, should they be large.

41. STRATEGIC INVESTORS POSE UNIQUE CHALLENGES.

A strategic investor will fund a startup because they see it is as serving their own business needs. Be careful in these situations and know that their evolving strategy and your evolving strategy may not always align.

42. RAISE CAPITAL IN STAGES AS YOU REMOVE RISK.

Your startup becomes a more attractive and less risky investment opportunity as you remove risk. Trying to raise all the funds at once does not maximize your valuation.

43. MINIMIZING DILUTION IS NOT YOUR FUNDRAISING OBJECTIVE.

Each round of funding will value your company at a certain amount. Rather than trying to maximize the valuation of your startup in any given round, think about ensuring that your valuation does not decrease from round to round.

44. DON'T LET A TEMPORARY FIX BECOME A PERMANENT MISTAKE.

This rule applies to the terms signed for a funding agreement. As it is common practice for future rounds of funding to adopt at least the terms of the previous rounds, shoot for "simple, plan, vanilla structures" rather than complex agreements.

45. PURSUE THE LOWEST-COST CAPITAL IN LIGHT OF YOUR CIRCUMSTANCES.

For startups, the cheapest capital is likely equity, not debt. So, avoid debt and pursue equity arrangements instead.

46. ESCAPE THE TRAPS OF VENTURE DEBT.

Venture debt is a "specialty loan" that comes with lots of conditions unfavorable to those receiving it. Avoid venture debt where possible.

47. CHOOSE ONE OF FOUR APPROACHES TO DETERMINE HOW MUCH MONEY TO RAISE.

There are four approaches for calculating how much funding you are seeking – milestone, burn-based, runway, and dilution – choose one and be able to defend and explain it.

48. ALWAYS HAVE YOUR ASPIRATIONAL PLAN READY.

Some investors will take to your business plan and want to invest more than you ask. Present your aspirational plan and discuss options for funding those avenues.

49. MORE VENTURES FAIL FROM INDIGESTION THAN FROM STARVATION.

The temptations of having too much money can lead to irrational and unwise spending. More startups fail because they lost focus rather than because they ran out of cash.

THE TACTIC FOR RULE #49

"Raising too much money can be a curse."

The reason raising too much money can be a curse is because it leads to distraction and in some cases, complacency. This can be true of business units or departments too. Beware of your unit becoming flooded with resources and losing focus. If this is your situation, consider analyzing your budget to determine if there are expenses you can isolate out of your regular operations. You'll still have those funds at your discretion, but you'll have clearer focus on what absolutely needs to be funded with less money to work with.

50. NEVER STOP FUNDRAISING.

Any of your contacts could be an investor or connection to an investor, whether now or in the future. Treat them that way.

51. VENTURE CAPITAL MOVES IN CYCLES.

While a startup may have preferred timing to bring on new funding, understand that venture capital also has a natural cycle, and don't pass it up just because your timing may not be right.

52. FUNDRAISING TAKES MORE TIME THAN YOU THINK.

Take the lead in actively moving the fundraising agreements along from milestone to milestone, as you are the only one who will have a "sense of urgency" to close the agreement.

53. THE PITCH MUST ANSWER THE FUNDAMENTAL QUESTIONS ABOUT YOUR VENTURE.

In a handful of slides, you should answer a structured set of questions investors may have. Ultimately, you must show that "you are going to win, and your investors are going to make a lot of money."

54. MAKE IT PERSONAL.

The "people" side of things is always interesting, and most people like to be flattered. In your pitch, detail the "people" side of your business – "you, your customer, and the investor."

55. WHEN PITCHING, CAREFULLY READ THE ROOM.

Treat this interaction like the first impression it is, not just an exchange to solicit money. Adjust your communication accordingly.

56. USE WHITE PAPERS FOR DEEP-DIVE FOLLOW-UPS.

Don't bore your audience with the technical details, but rather prepare detailed white papers to have at the ready should questions arise.

THE TACTIC FOR RULE #56

"Whatever you do, don't bore the rest of the room with arcane explanations."
While many know that a crisp presentation sticks to the main points and ignores the details, few take into account that these details are hyper-important for many, and can become "roadblocks" to their support. Rather than ignoring the details, when giving a presentation or asking for support at work, show that you've done your homework by preparing and keeping in your back pocket the supporting details. This will quell fears and help you gain supporters.

57. PREPARE YOUR FINANCING DOCUMENTS AHEAD OF TIME.

Assembling your documents in advance and facilitating a "data room" where parties can safely and securely review important documents is important for streamlining the process.

58. OBSESSIVELY DRIVE TO THE CLOSE.

Keep close tabs on your interactions with potential investors. Consider cutting your losses if you are getting signals that they are not truly interested, but merely garnering "market intelligence."

59. CONSISTENT COMMUNICATION IS IMPORTANT IN CONVINCING INVESTORS.

Your story can change from round to round of investment but be sure to keep your strategy and messages consistent within a given round of funding, or investors may be spooked.

60. MILESTONES CAN SOLVE IRRECONCILABLE VALUATION DIFFERENCES.

If funding is being stalled due to different views of the company's valuation, consider tying payments to reaching certain milestones.

61. LIQUIDATION PREFERENCES WILL CHANGE YOUR OUTCOME.

Know that sometimes investors can get first rights to cash, before the founder or employees.

62. DO NOT TAKE REJECTION PERSONALLY.

Don't let rejections set you back or bring you down. It's a business decision, not a personal evaluation.

63. BOARDS ARE DELIBERATE BODIES, NOT COLLECTIONS OF INDIVIDUALS.

Your board should function as a cohesive unit. While they may disagree amongst each other, they should have a team mentality and not undermine one another or foster competing factions.

THE TACTIC FOR RULE #63

"If you treat them like your judge and confessors, they will be your judge and confessors. If you treat them like partners, they will be your partners."

Many circumstances call for advisory bodies even though the official title may not be a "board." Anytime there is a group like this at play, the members must first be carefully selected, and then later carefully managed. When selecting someone to fill this type of role, consider both what they will bring as an individual, and then also how they might interact with the rest of the group. Lastly, prevent this group from becoming a frustrating time-sink by setting the tone for the interaction. Be transparent, professional, and efficient in your interactions, and they'll return the favor.

64. CONFLICTS OF INTEREST AND COMPETING INTERESTS ARE ELEPHANTS IN THE ROOM.

When conflicts of interest come up, put all the issues on the table and discuss them as "business issues" not "ethical issues." They become more manageable and less taboo that way.

65. YOUR BOARD SHOULD BE OPERATIONAL RATHER THAN ADMINISTRATIVE.

Your board should be actively engaged and emotionally invested in the same issues that are keeping you up at night. Anything else is selling yourself and your venture short.

66. SMALL BOARDS ARE BETTER THAN BIG ONES.

Five or six board members are all you need to have effective input and oversight. Invite observers or experts sparingly as needed.

67. LEAD INVESTORS ASK FOR BOARD SEATS; QUALIFY THEM FIRST.

It's worth it to say "no" to money from an investor who demands a board seat but would not be a good fit for your board.

68. YOU NEED A LEAD DIRECTOR.

It takes a special person to lead a board. but it is 100% necessary. They must be well-respected, collaborative, experienced, attentive, and have extra time to boot.

69. ADD INDEPENDENT BOARD MEMBERS FOR EXPERTISE AND OBJECTIVITY.

Independent board members (those without a financial relationship to your company) add new flavors and variety to your board, giving you a competitive edge.

70. TRUE BOARD DIVERSITY IS A COMPETITIVE ADVANTAGE.

Diversity prevents "groupthink" – consider aspects like "socioeconomic background," "international perspectives," or age.

71. EACH DIRECTOR MUST COMMIT TO SPENDING MEANINGFUL TIME.

Extract appropriate value from your board by ensuring they don't just show up to meetings, but engage in the interim, wrestle deeply with your questions, and see their role as more than just a "networking event."

72. REVIEW DIRECTOR PERFORMANCE REGULARLY.

Make reviews as formal or informal as you like – the only ingredients are laying out the expectations beforehand and discussing them in the aftermath. Your board will stay fresh and more effective this way.

73. YOUR CHIEF FINANCIAL OFFICER HAS A SPECIAL RELATIONSHIP WITH YOUR BOARD.

Don't restrict your CFO's access to your board or take it personally if they have one-on-one interactions without you. The CFO is actually a "fiduciary to the board," not just a member of the C-suite.

74. THE FOUNDER SHOULD CHOOSE THE BEST CEO AVAILABLE.

The company deserves the best CEO, even if that person isn't the founder. Though risky, replacing a founder in a CEO role can make or break a venture.

75. FIND A COACH.

Distinct from a mentor (someone who is a broader "life teacher"), a coach develops and "trains" you to succeed in your role. Find someone who can challenge you in this way.

THE TACTIC FOR RULE #75

"You are on a steep learning curve."

Many talented people step into shoes too big for their feet with little support available. If this happens to you, don't panic and reject an opportunity, or take it and flounder helplessly. Even the most successful people need coaches to help them build the skills and capabilities needed to thrive in a particular situation, time, and place. Also, don't confuse a coach with a mentor or advisor. Mentors are there for you both personally and professionally, and advisors provide expert information in niche areas from time to time.

76. IT IS THE CEO'S JOB TO RUN EFFICIENT, PRODUCTIVE MEETINGS.

Make the best use of everyone's time by focusing the board meetings on meaty issues and leaving the details for a pre-read or covering them last.

77. DON'T "OVERSELL" YOUR BOARD.

Pulling a veil over company struggles can lead to confusion, distrust, and most importantly, lack of productive discussion with your board. Don't hide issues, but rather engage on them openly.

THE TACTIC FOR RULE #77

"They want the straight scoop."

There is a time and place for managing appearances – know when to fuss over them, and when to let your guard down. It is crucial that you build up this level of trust with at least a few people you work with, preferably someone who serves in a supervisory role for you. Being frank when problems and issues arise can be a ripe opportunity for growth. And, putting the issues on the table immediately can often mitigate any damage and bring about a solution more quickly. Hiding things that cast you in a bad light does nothing but delay the ugly inevitable.

78. BOARD AGENDAS SHOULD LOOK LIKE THIS.

Consider a standardized agenda, so people know what to expect and you make the most of the time.

Sample Board Agenda

I. Introduction and Overview (15 min)
II. Performance Status Update (25 min)
III. Forward-Looking Business Update (25 min)
IV. Break (15 min)
V. In-Depth Discussions (60 min)
VI. Conclusions (15 min)
VII. Closed-Door Session - Board and CEO only (15 min)
VIII. Private Session - Board only (10 min)

79. PREPARE THOROUGHLY FOR BOARD MEETINGS.

If you are well-prepared, the meeting will run much smoother and everyone will be pleased.

80. USE YOUR DAILY MANAGEMENT MATERIALS FOR BOARD MEETINGS.

Time is precious, so re-use reports and other templates that have already been prepared. This will ensure your daily operations are in sync and your reports are valuable as well.

81. TOO MANY UNANIMOUS BOARD DECISIONS IS A SIGN OF TROUBLE.

If this happens, your board is either disengaged or not willingly sharing their concerns with the CEO, which means his or her job may be at stake.

THE TACTIC FOR RULE #81

"They were 'getting along' rather than challenging one another."

Being cautious of unanimity is a best practice for anywhere you go. If you have committees, boards, or advisory bodies you engage with, be sure you are facilitating the voicing of a broad spectrum of opinions. In addition, among your personal friends and mentors, be sure you are hearing each of them out when you seek advice. Don't stifle differing viewpoints on major professional decisions, but instead candidly seek input and truly listen.

82. USE WORKING SESSIONS AND COMMITTEES TO REINFORCE YOUR PRIORITIES.

Establish a cadence of activity between board meetings to keep your board active and engaged in the interim.

83. YOUR BOARD SHOULD SPEND TIME WITH YOUR TEAM.

Arrange for your team to interact with the board. This is both effective from a business perspective and improves attitudes and motivation among your team.

84. BUILD COMPANIES TO LAST, PROVIDING LIQUIDITY ALONG THE WAY.

It is the rarity that startups gain liquidity before having gone through the painful yet rewarding stage of sustaining themselves through paid customers. Focus on building a solid, profitable, business first and foremost.

85. LIQUIDITY IS NOT LIMITED TO INITIAL PUBLIC OFFERINGS AND ACQUISITIONS.

Though flashy, IPOs and "being bought" are not the only ways to get cash for your business. Explore all options and choose accordingly.

86. IF YOU GO PUBLIC, DON'T SLIP AND FALL.

Time an IPO such that you maximize value for the future. The best financial years should be ahead.

87. INVESTORS' AND MANAGEMENT'S INTERESTS IN LIQUIDITY OFTEN CONFLICT.

Investors may want to wait for more money, while management may be content with a seemingly large payday. Know that it is probably a good time to sell if the buyer is offering more than the current valuation.

88. INDIVIDUALS NEED LIQUIDITY, TOO.

Consider options for interim payouts that increase the likelihood of retaining key team members.

89. YOUR VALUATION WILL HAVE A LOCAL MAXIMUM.

It's likely smart to sell if you're being offered at least your local maximum – "the highest value during a specific period of time or stage of the business."

90. VENTURES AREN'T JUST BOUGHT, THEY CAN ALSO BE SOLD.

Don't just wait around for an acquirer to come knocking. Pursue a distinct process for preparing and putting yourself on their radar.

THE TACTIC FOR RULE #90

"Achieving an attractive sale…entails a methodical process to land the ideal, motivated buyer."

While there is a steady buzz of head hunters and recruiters circling successful talent, if you are one of those people, don't wait for your competitors to come calling before preparing for your next role. Continually maintain and update a list of potential employers in your industry or functional area, doing the legwork to "identify the influencers and decision makers" in those companies. Analyze what they look for in employees based on their recent hires and ensure your resumé and professional references are at the ready. Reach out and be prepared to connect.

91. CHOOSE AN ACQUIRER, DON'T WAIT TO BE CHOSEN.

Don't jump at the first to bite, but be strategic and thoughtful about the best fit for you and your company.

THE TACTIC FOR RULE #91

"What you want is a bidding war."

If and when you are ready to make a move professionally, know that there is more you can do to ensure you land at a place that's a good fit than just sitting back and watching the cards fall where that may. Do your homework to understand the market landscape of these firms and how well they are positioned for success in their industry. If you are looking for more independence and a long leash in your role, consider a company that is clawing its way back and rebuilding. If you are looking for strong mentorship and leadership, consider an industry leader known for its regimented approach to developing talent and promoting internally. Consider all your options, and know where they stand relative to one another.

92. IF YOU WANT TO SELL YOUR BUSINESS, YOU NEED TO KNOW THE DECISION MAKERS.

Meet with people who have been there, done that, with this potential acquirer. Understand how the company makes these decisions, who reports to whom, and whom to impress.

93. DETERMINE WHETHER YOU ARE A GOOD FIT FOR AN ACQUIRER BEFORE CONTACTING THEM.

Closely analyzing communications, press releases, marketing, and other materials will reveal a potential acquirer's strategic goals and help you determine if it's a match worth pursuing.

94. KNOW YOUR ACQUIRER'S ACQUISITION HISTORY IN DETAIL.

Scour public information and gather private sources to understand how the potential acquirer behaves during and after these transactions.

95. MAKE YOURSELF VISIBLE.

Know your industry and be strategic about engaging thought leaders and analysts to "build buzz" about your business.

96. BUILD A RELATIONSHIP WITH POTENTIAL ACQUIRERS; DON'T COLD-CALL.

Practice subtlety when engaging with potential acquirers. Approach them from a broad, industry networking basis, making a good first impression and planting the seed.

97. BE READY WHEN THEY ARE.

Do your due diligence ahead of time, so your potential acquirer is the one debating in the final hour and you are ready with your 'yes.'

98. SUCCESS IS NOT LINEAR.

Steady yourself through the ups and downs along the road of success, knowing that everyone has been there.

99. PREPARE FOR YOUR LUCKY BREAK.

It's delusion if we think that we've created for ourselves every opportunity we've received. Appreciate the fact that luck is a fickle yet crucial component, and be ready when the time comes.

THE TACTIC FOR RULE #99

"A prepared mind will not succeed without a little good fortune."

The tales of Silicon Valley's greatest founders reveal that even brilliant, dogged, men and women cannot create success out of thin air. Luck and timing are major components of success both in life and in business. Know that if you are meeting some dead ends professionally, the issue may not be you but rather your luck. Likewise, if you're knocking it out of the park, appreciate that you may have also been graced with a little good fortune somewhere along the road. But, keep in mind that you'll never reap any benefits unless you put in the hard work regardless and then pray for the rain.

100. LEARN THE RULES BY HEART SO YOU KNOW WHEN TO BREAK THEM.

It's only after long hours of study and experience that your intuition will be right. But when that moment comes, trust it.

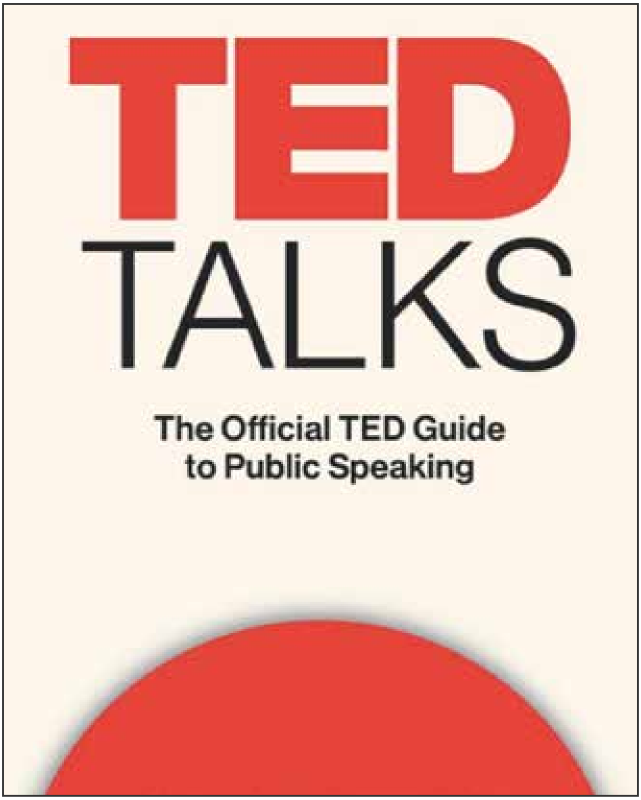
Photo by Priscilla Du Preez on Unsplash

TED Talks: The Official TED Guide to Public Speaking

By: **CHRIS ANDERSON**

The best way to make an impression in today's world is to stand up and say something. The written word is important, but the spoken word is infinitely more powerful. For today's leaders and advocates public speaking is a core skill, a way to inspire, explain, inform, or persuade—whether in business, in education, or on a public stage.

TED Talks explains how to achieve the miracle of a powerful public speech. It offers a set of tools to choose from to craft the speech that will work for you: how to share an idea, build a throughline, and connect with your audience; the best ways to practice a speech, craft a powerful opening statement, and bring it to a close; how to use visuals, what to do about nerves, and the traps to avoid. This set of tools will give you the presentation literacy you need to succeed in the internet age.



SUMMARY

There is no one way to give a great speech; it all depends on what works best for you. The key is to have an idea you are passionate about sharing. Spend time crafting a talk with a defined throughline, a powerful opening, and a clear ending. Avoid sales pitches or unstructured rambling; use visuals to boost your talk; and find ways to connect with the audience. Whether you use a script or a set of notes, rehearse your talk until you can give the whole thing comfortably, speaking in a natural conversational style. Thanks to the power of the internet, you can share your idea with others around the world; it's a revolution in public speaking that is open to everyone.

PRESENTATION LITERACY

The most intense form of human-to-human communication takes place on the public stage. It is an ancient art, hard-wired deep in ourselves from the time when sharing tales around the campfire was a key step in human survival.

The best way to make an impression is to stand up and say something. Today, the internet has become a campfire for the whole world; and thanks to its power we are seeing a resurgence of the ancient skill of rhetoric, the art of speaking effectively. A talk takes the power of the written word and amplifies it with new tools, making for an even more compelling message; a talk that is shared online can reach millions of people.

TED began as an annual conference for the fields of Technology, Entertainment, and Design (hence the acronym); and it became the perfect format for online public speaking. As of 2016 over 1.5 billion TED Talks were being viewed annually.

There is no one way to give a great talk because everyone is different. Rather, what is needed is a set of tools that can allow anyone to develop the presentation literacy needed today. Anyone can use these tools to design the speech that will work for them.

THE BASICS

Everyone has experienced the fear of speaking in public. We're social animals, we want to connect with others, and we also know there's a lot at stake when we do speak—our reputation, in fact! But, with the right set of skills, you can overcome this fear and deliver a successful talk.

1. BUILD THE SKILL

Use your fear of public speaking as a powerful asset; let it be the driver that persuades you to prepare properly for your talk.

There are plenty of stories of people who overcame their fear of public speaking and ended up being really good at it—like Eleanor Roosevelt, Warren Buffet, and Monica Lewinsky. It's not a gift granted from on high, it's a skill that can be learned.

Consider the story of Richard Turere, a twelve-year-old boy in Kenya who had invented a way to keep the lions away from the village's cattle at night: a system of lights that would turn on and off in sequence. His idea was spreading quickly to surrounding villages and we wanted him to give a TED talk to spread his invention more widely. Could this painfully shy boy with limited English skills get on a plane for the first time in his life, fly to California, and deliver a compelling talk to 1,400 people?

We worked with Richard for months to figure out the best way to frame and deliver his talk, including practicing in front of his classmates at school. He was obviously nervous when he walked out on the TED stage but thanks to his preparation those nerves only made him more endearing to the audience. When he finished, the entire auditorium stood and cheered.

You don't have to be Winston Churchill or a famous actor to deliver a great talk—like Richard, you can just be yourself as long as you prepare thoroughly.

2. BUILD THE IDEA

Talk about something that matters deeply to you and rebuild it in the minds of your listeners. Give them an idea: something they can value, hold on to, and take away with them. Anyone who has an idea worth sharing can give a powerful talk.

The secret to giving a great talk is simple: have something worth saying. An idea. It could be a simple how-to or a description of a new invention; it could be a reminder of what is important in life; or it could be a discussion about a beautiful image with meaning. It could be an experience that is unique to you. Think about the one thing you'd love to be able to share with everyone—just make sure it is something that offers real insight to the audience (style without substance is awful!).

Being able to talk about your idea in public could be just the push you need to really delve deep into a subject. At TED headquarters everyone gets an extra day off every two weeks to study something; they just have to commit to give a talk about what they have learned.

Words matter

Human language is an astonishing and powerful tool. We can conjure up incredible images in the minds of our listeners with just a single sentence—as long as the words used are ones that are shared by both the speaker and the listener. There are some speaking coaches who claim that most of communication comes from tone of voice and body language; but in reality, tone and body language communicate emotion, not ideas. The whole substance of a talk comes down to one key ingredient—the words you use to tell your story and guide your audience along their journey.

3. AVOID THE TRAPS

Stay away from the four worst talk styles: the sales pitch, the ramble, the organization bore, and the stylish performance that lacks substance.

Some talk styles are just plain ugly; avoid them at all costs.

The sales pitch: the speaker's job is to give to the audience. But, a sales pitch does the opposite; it tries to take something from the audience. It's not just greedy, it's boring to the listeners and it will undermine your reputation.

The ramble: an unfocused list of thoughts isn't just dull to listen to, it's insulting to your audience. Clearly, you don't care enough about them to have prepared your talk properly. They're giving you 15 minutes of their time; the least you can do is make it worthwhile.

The org bore: organizations are only interesting to the people in them—to everyone else, they are incredibly boring. Instead of focusing on your organization, talk about the work itself and the power of the ideas that infuse it.

The empty style: at its best, a great talk inspires others—but the power to inspire must be handled with care. A speaker who obviously craves the audience's approval will end up focusing on style over substance, delivering a talk that tries to manipulate the audience's emotions without delivering anything really worthwhile.

4. BUILD THE THROUGHLINE

Every talk needs a throughline—a connecting theme that ties the various narrative elements together. Try to capture your throughline in fifteen words or less; this is the rope onto which you will attach the parts of your talk.

Your talk has to say something meaningful. The best way to ensure this is to have a clear throughline—a concept from movies and novels, the throughline is the core theme that ties the whole thing together. A talk with no throughline might start with, "I want to share some experiences from my recent trip." Compare that with a talk that starts, "On my recent trip I learned when it is OK to trust strangers." Now you have a rope—trusting strangers—on which to hang each of the parts of the narrative.

The throughline should have an intriguing angle or unexpected twist to it. It doesn't necessarily have to be stated right at the start of your talk, but it should at least be hinted at, so the audience gets a sense of where you are headed. Note, too, that a throughline is not the same as a topic.

To develop your throughline, start by finding out as much as you can about your audience: what do they care about? How knowledgeable are they? What are they expecting? Next, think about how you will say what you want to say in 18 minutes or less. This does not mean briefly covering everything you think you want to say: there's a limit to how many things you can hang on your throughline before it feels overstuffed. To make your talk interesting you need to take the time to (a) show why it matters and (b) flesh out each point you make with real examples.

Cut back the range of topics you want to cover so that there is a single, clear thread that can be developed. Instead of asking yourself, "How much can I say in 18 minutes?" ask instead, "What can I unpack in a meaningful way in 18 minutes?" Your throughline will help you decide what to leave out.

Structure: once you have your throughline, build the structure of your talk so that every element connects to that line. There are a lot of different ways to structure a talk. It could be like a tree, with each idea branching off the central throughline trunk; or it could be a series of sequential ideas where the throughline is like a loop connecting the beginning to the end.

Tough topics: how to tackle something really tough, like the refugee crisis or a major health problem without your audience collapsing from compassion fatigue? Try to frame your talk not around an issue but around an idea. An issue says, “Isn’t this awful?” whereas an idea says, “Isn’t this interesting?” Frame the talk as an attempt to solve a puzzle rather than a demand to care.

THE TOOLS

Prepare your talk as if you will be giving it to someone you really like, a person who is not in your field but who is intelligent and worldly. Imagine talking just to that one person, about a topic that is close to your heart. Now, use some or all of the following five techniques to craft your talk. Most talks contain elements of many of these techniques; think of them as tools you can mix-and-match to construct your own talk.

5. CONNECT

Find a way to disarm your audience’s caution and build a bond with them, so that they will be willing to open their minds to you. Eye contact and a smile can go a long way.

Knowledge has to be pulled in by the listener, not pushed at them; which means there has to be a human connection between speaker and listener. Start by walking confidently onto the stage and make eye contact with a few people in the audience. Smile. If you’re nervous, admit it; vulnerability goes a long way in building audience trust.

Humor is another great tactic to build a connection, but not everyone can do it; bad humor is worse than none at all. Above all, avoid anything off-color or offensive, and stay away from limericks, puns, or sarcasm.

Don’t try to be someone you’re not; an audience can quickly spot a faker. Avoid name-dropping, boasting, or making the talk all about you. Tell a story, either as a way to open or a way to illustrate the middle part of your talk. Finally, to connect with your audience stay away from tribal thinking—the kinds of political or religious references that can turn off swathes of your audience.

6. NARRATE

Everyone can relate to a story. They are an inherent part of human evolution, helping to shape the way our minds receive information. Many of the best talks are anchored *in storytelling.*

A story is a powerful tool; it lets you take the audience with you on your journey. You could build the entire talk around one story; just make sure it's a story worth telling, and not just a personal anecdote with no powerful idea behind it. Above all, the story has to be true. However you use a story, remember these four things:

Character: base it on a character the audience can empathize with.

Tension: use curiosity, intrigue, or actual danger to build a sense of tension.

Just enough detail: too much detail bogs down the story; too little, and the story won't be vivid.

Resolution: it can be funny, moving, or revealing, but the resolution must be satisfying.

7. EXPLAIN

A combination of metaphors and stories can spark your audience's curiosity, allowing you to explain complex ideas without baffling your listeners.

Explaining complex and difficult ideas can be done if you bear five points in mind. First, start with where the audience is; don't assume any advanced knowledge. Next, spark their curiosity; then, introduce your ideas one at a time. Use metaphors to make it clear what you're talking about; and, finally, use examples, little stories that lock the explanation in place.

Practice your explanatory talk on friends and colleagues. Does what you are saying make sense to them? Does one point flow clearly into the next? Remember your throughline and make sure the audience knows where each point connects to the central rope. Consider telling your audience what the idea isn't before launching into what it is—this builds curiosity.

8. PERSUADE

To persuade your audience, you first have to convince them that the way they see the world now isn't quite right. Use the power of reason, accompanied with some good stories, to replace their worldview with something better.

Where explanation means building a new idea in someone's head, persuasion means tearing down an old idea and putting something different in its place. You have to take your audience on this journey one step at a time, priming them first before getting to your main argument. Alternatively, you can try reductio ad absurdum or reduction to absurdity—take the counter position to what you are arguing and show how it leads to a contradiction.

One effective approach to persuasion is to make the audience into detectives—start with a mystery then travel the world of ideas looking for a solution, ruling them out until only one logical answer is left.

Just realize that reason alone may not be enough to take the audience on this journey with you—be prepared to also use some humor, an anecdote or two, vivid examples, third-party validation ("Every mother of a toddler knows this to be true"), and powerful visuals.

9. REVEAL

The most direct way to gift an idea to an audience is to show it to them: a series of images, a demo of a new product, a description of your vision.

There are a wide variety of revelation talks; it all depends on what is being revealed.

The wonder walk: this is a talk based on a succession of images or wonder moments; it is most often used by artists and designers but can also be used by scientists. "If you liked that just wait 'til you see what comes next!" Just make sure there's a clear, linking theme, a throughline that pulls it all together.

The dynamic demo: for this one, make sure you have something truly compelling to showcase, like a new invention or design. Start with a tease ("Wouldn't it be great if we could do X?"); add some background or context; then reveal the thing itself; and end with the implications of this new idea.

The dreamscape: communicating a dream can yield a powerful talk—Martin Luther King Jr.'s famous August 1963 talk comes to mind. The key is to paint a bold picture of the future you desire; and to do it in such a compelling way that others will also want that future.

PREPARATION

There are four key elements in any talk that will determine whether or not it is a success.

10. VISUALS

There is a stunning array of visual techniques that you can use in your talk; but first ask yourself, do you really need any of them? One third of TED talks have no slides or visuals at all. But in some cases, good visuals are the difference between success and failure.

Photographs, infographics, animation, video, big data simulations—all of these can be used to augment your talk, but should you use them? Slides can actually get in the way of building a connection with your audience and having none is better than having bad ones. So, how to decide if your talk needs visuals? There are three categories of strong visuals: to reveal, by showing something that is hard to describe; to explain, where a picture can be worth a thousand words, but make sure there is a compelling fit between what you say and what you show and avoid overload; and to delight, which can work well for visual artists.

Presentation

The four main presentation tools are PowerPoint, Keynote, Google Slides, and Prezi. Whichever software you use, make sure its display is set to 16:9, the dimension of most projectors and screens. Avoid the built-in templates, or you'll end up with something that looks like everyone else's presentation. Photographs should cover the entire screen—if that's not possible, put the picture on a black slide—and use the highest resolution possible.

Stick to one typeface—preferably something like Helvetica or Arial—and use a 24-point font or larger so your audience can read it. But, only use three sizes of font altogether: one for the titles, one for the main text, and one for supporting ideas. Color wise, go for simple and contrasting, black or a dark color on white.

- Avoid bullets, dashes, underlining, and italics. They all make the slide harder to read.
- Videos can be great but keep them to 30 seconds or less and don't show more than four in an 18-minute talk unless it's absolutely essential to your work.
- Make sure you have the rights to any photos, videos, or music that you use, and give credits where appropriate.
- Test your slides on family or friends who are not in your field. And never, ever give a talk with slides without first running through the whole thing on the actual equipment you will be using at the talk.
- Send your presentation to your hosts and bring a USB stick with you that has the whole thing on it. Better to be safe than sorry.

11. SCRIPTING

You can write out your entire talk and memorize the script; or, you can clearly lay out the structure and speak in the moment on your main points. Either way works fine; many talks are some combination of the two.

Some speakers are adamant that the only way to deliver an effective talk is to memorize a complete script; others are equally adamant that it is better to have a clear structure and speak to your main points. Which approach you use depends entirely on what is most comfortable for you. The important thing is to prepare thoroughly.

Scripted

The advantage of a scripted talk is that you know it will fit the time allotted; the disadvantage is that it can sound impersonal. To overcome this either make sure you know the script so well that it can sound natural; or, look up after each sentence to make eye contact with your audience; or, condense the script into bullet points and plan to express each one in your own language (which is essentially the unscripted route). The only time you can maybe get away with actually reading a script is if you have some stunning visuals to showcase or you are a truly exceptional writer.

Most of the time an audience can tell when you're reading a script, so you will have to prepare so thoroughly that you can deliver the thing without it sounding like a read-through. Memorize it until you can deliver the talk at the same time as doing something else (like filing all the papers on your desk). Above all, don't think of the delivery as reciting the talk but as living something that you know inside-out. It takes a lot of time to get to this point, but for some people it's the best way to go.

Unscripted

This is not the same as unprepared. You'll likely have a set of notes somewhere nearby to guide you through your talk, but you'll still have to practice it repeatedly in advance. Make sure you know the transitions from one point to the next, so you don't inadvertently leave anything out. Prepare your talk to fill about 90% of the time allotted, so you don't run over the limit.

It's OK to pause occasionally and check your notes, the audience will understand. The key is to be relaxed about it.

Many speakers write out a script but are prepared to speak off-the-cuff on the day. The majority actually do memorize the whole talk and do their best to make it sound natural.

12. REHEARSING

The best way to improve your talk is to rehearse it. Repeatedly. Musicians and actors always do this; so too should public speakers. Aim to know your talk so well that you can focus on your passion.

Truly successful TED talks happen because the presenter spent hours on preparation. Even if you're using the unscripted approach, rehearsal is imperative. It not only helps you to memorize the material, it makes you more confident and less stressed. The best memorized talks are known so well that the speaker can focus on their passion for the subject; the best unscripted talks have been so well practiced that the speaker already knows the best and most powerful words to use.

Practice, time yourself, cut out all the unnecessary stuff, then practice again. Repeat. Have someone record the rehearsal on a smartphone, so you can see how it comes across. If the talk sounds rehearsed it's because you still haven't practiced enough for it to sound natural.

13. STARTING AND ENDING

Take a minute at the start of your talk to intrigue people with what you'll be saying. Make sure you end in the way that you want your talk to be remembered.

OPENINGS

Even if you're going the unscripted route, take some time to memorize your opening lines. You want to grab people from the start. Here are four examples:

Drama: "I am not drunk . . . but the doctor who delivered me was." This was the dramatic way that comic Maysoon Zayid opened her talk on her cerebral palsy. The entire audience was instantly riveted.

CURIOSITY

"A herd of wildebeests, a shoal of fish, a flock of birds. … Why do these groups form?” This is how science writer Ed Yong started his talk on parasites.

Visual: “Let me show you something.” “What you are about to see changed my life.” “Can you figure out what this thing is?” A gorgeous, impactful, or intriguing picture or video can be a great talk opener.

Tease: “Over the next few minutes I will reveal what I believe is the key to success as an entrepreneur.” You haven’t given away very much, but you have stoked your audience’s interest. Just be sure you really do fulfill the promise of the tease.

CLOSINGS

Do not close with something like, “OK, I’m out of time so I’ll end there” or “Finally, thank you to my team.” Avoid clichés, don’t end with a video, don’t ask for support or money, and don’t spin out the thank you. Plan an elegant closing paragraph, followed by a simple “thank you.” End on a powerful note, like one of the following:

Pull-back: like a camera pulling back at the end of a movie, show us the bigger picture, the broader possibilities implied by your work.

Call to action: you’ve given your audience a powerful idea; now nudge them to act on it.

Personal commitment

“I would like to close here by putting a stake in the sand at TED. I intend to lead that expedition.” This is how Bill Stone ended his talk on humans returning to the moon.

Vision: turn what you’ve discussed into an inspiring or hopeful vision of what might be.

Encapsulate: reframe the case you’ve been making in a new or surprising way.

Symmetry: if your talk has a clear throughline, close by linking back to the opening. Steven Johnson began his talk on where ideas come from by talking about the importance of coffeehouses in industrial Britain. He wrapped up with a discussion of how the GPS was invented and ended by pointing out that everyone in the audience had likely used a GPS that week to do things like . . . find the nearest coffeehouse.

Lyrics: if your talk has really opened people up, you can end with an inspiring lyric, some poetry that might really move the audience. But, only use this approach when the rest of the talk has prepared the groundwork.

ON STAGE

There are a few simple rules to follow, to make sure you are as effective as possible when speaking on stage.

14. CLOTHING

Wear something reasonably casual; avoid jangly jewelry; and remember that both the audience and the camera love bold, vibrant colors.

As you plan your wardrobe for your talk, start with your audience; how will they be dressed? Aim for something similar but a little smarter. If the talk is being filmed, avoid brilliant white or jet black, or anything with a small, tight pattern. Wear something bright that can be seen in the back row.

Leave off the jangly jewelry that can clank in the microphone and have a belt or defined waistline to attach the microphone battery pack. Make sure your clothes are neat and pressed. Practice giving your talk in these clothes, to catch any unexpected wardrobe problems that might arise.

15. CONTROLLING NERVES

Nerves need not be a curse; turn them around and make them work for you!

There are a number of tricks you can use to calm the nerves and make them work for you, not against you. Use your fear as a motivation to really commit to practicing. Breathe deeply, meditation-style, before going on stage. About five minutes before going on drink a glass of water, to help stop your mouth from getting dry. An hour or so before your talk, eat something healthy, even if it's just a protein bar.

Remember, there is power in being vulnerable in front of your audience. Find a friendly face or two and speak to them. If you're afraid of things going wrong, have a backup plan—notes or script within easy reach.

Most important, focus on what you are talking about. Remind yourself that this idea matters; you're passionate about this topic and you're here to share it as a gift to your audience.

16. STAGE SETUP

Minimize distractions like lecterns or teleprompters, but feel free to have a set of note cards in your hand or use the most minimal lectern possible—whatever you need to feel comfortable.

The physical setup of your talk really matters. Try to avoid using a lectern; if you need the feel of having a backup, place your notes on a lectern to the side or back of the stage. You can also have a series of small note cards in your hand, just make sure they are on a ring clip to keep them in order. Avoid using a tablet or smartphone—there's too much distracting scrolling involved.

If the venue uses confidence monitors, use them only to display your slides, not your complete notes. Teleprompters should also be avoided; the audience can tell that you're reading at them, not talking to them.

If there's no way you can talk without a lectern in front of you, make it the most unobtrusive one possible. Monica Lewinsky propped her notes on a music stand.

17. VOICE

Talks offer more than just the printed word; the human voice can turn information into inspiration. Speak with meaning; communicate your passion. Above all, give your talk in your own, authentic way.

Your voice can connect, engage, motivate, and excite your audience more powerfully than just the printed word. Speak meaningfully—practice using different tones and pitches, pacing and volume, throughout your talk. The aim is to inject variety into your talk so that you communicate your passion for the subject.

Speak at your natural, conversational pace. Slow down when you introduce new or important ideas; speed up in the lighter moments. Modern amplification technology means you don't have to orate slowly to the back of the crowd; the microphone will pick up every word and nuance just as clearly as if you were speaking to someone standing right in front of you.

Stand tall, weight equally distributed on both feet, and use your hands and arms to naturally amplify whatever you are saying. If it helps you to relax and focus, by all means walk the stage, but beware of pacing like a caged animal; stop periodically to emphasize a key point. Some speakers sit down—that can work, too. Just do whatever feels most natural for you.

18. INNOVATIVE IDEAS

Innovative ideas can deliver powerful performances; but nothing beats the human-to-human connection of just speaking. Ultimately, the substance matters more than the presentation style.

There is both promise and peril in making use of new, innovative ideas in your talk. Dramatic props can be great, as can ultra-wide panoramic screens. Some speakers have used aromas in their talks. Design guru Roman Marks delivered his entire talk as if it were a live-mixed podcast, complete with audio clips and images—most of us lack the skill to do this but employed effectively it makes for a memorable presentation.

At TED we have seen live interviews, presentations by spoken word artists, dual presenters, and the use of musical soundtracks. Law professor Lawrence Lessig has pioneered the PowerPoint on steroids—where every sentence, even every significant word, is accompanied by a new visual. We've had surprise special guests, and virtual presenters who were not actually on the stage. And, thanks to the power of the internet, we have talks that were not delivered in front of a live audience.

Just make sure that these innovative ideas aren't over-used. It's the idea that matters.

19. THE KNOWLEDGE

Public speaking skills are going to matter even more in the future than they already do today. We're entering an era when we're all going to need to spend a lot more time learning from each other.

Learning to present your ideas live to other humans is an essential skill. The TED short talk format exposes people to new ideas. It both connects and invigorates. It shows us that all knowledge is connected, in a giant web. At TED there is truly something for everyone, and we will never run out of things to talk about.

The old, industrial economy required people to develop expertise in specific subjects. In the new, knowledge-based economy, computers can take over the repetitive, specialist tasks, leaving humans free to explore more system-level strategic thinking, more innovation, and more creativity. This means we're going to need knowledge that is contextual and creative, and that deepens our understanding of our own humanity.

20. THE PEOPLE

Technological change has given all of us the power to connect with each other. It's a revolution in public speaking that is open to everyone.

In 2005 a quirky little online site called YouTube was launched. In 2006 we debuted a handful of TED talks on our website. Today, TED Talks has mushroomed into a global enterprise, with 125 million views every month. More than 1,000 of our speakers have each ended up reaching an audience of over one million people, with just one talk.

Today, it is possible for anyone on the planet who has access to the internet to call up talks by the world's greatest teachers and inspirers; an interactive ecosystem in which we can all learn from each other. This is a recipe for an upward spiral of learning and innovation.

There are TEDx events that are independently organized under license from TED; more than 3,000 are held every year in over 150 countries. TED-Ed clubs allow kids the chance to give their own TED talks. And, OpenTED allows anyone to upload their own TED-like talk onto our site. The revolution in public speaking is for everyone.

21. THE SECRET

"The future is not yet written. We are all, collectively, in the process of writing it."
Chris Anderson

Pursue an idea that is bigger than you—that is how you discover something worth saying. Step outside the comfort zone of what you know for sure, or what others have already said, and give the world inspiration that sparks a thousand conversations.

Yes, public speaking can be used for harm, whipping up anger and division. But, when we are more closely connected, and people actually listen to each other, we start to see the world from a broader perspective. Martin Luther King Jr. said it best: “The arc of the moral universe is long, but it bends towards justice.”

We are physically connected one to another as never before; which means that we can share our best ideas with each other as never before.

As philosopher Dan Dennett put it in an early TED talk,

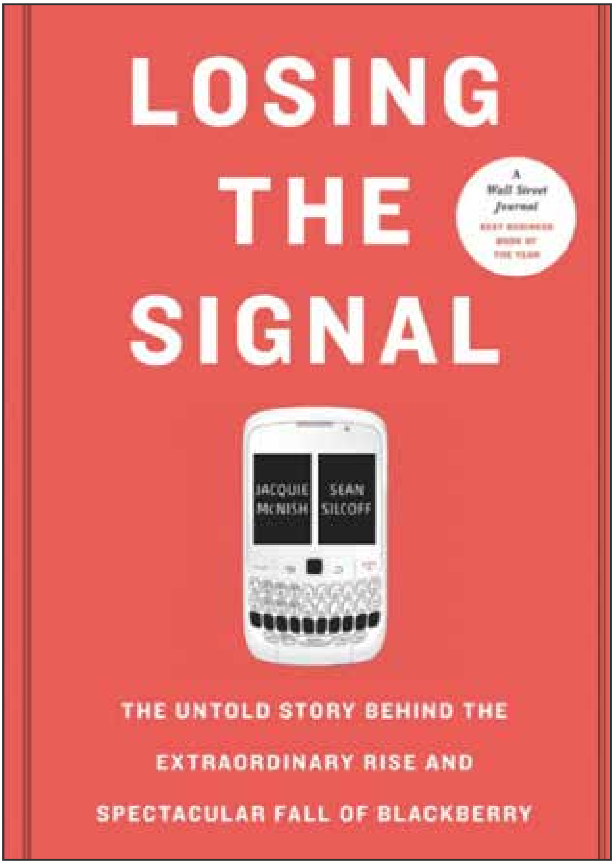
“The secret of happiness is: find something more important than you are and dedicate your life to it.”

Photo by Melyna Valle on Unsplash

Losing The Signal

By: **JACQUIE MCNISH, SEAN SILCOFF**

Would you like to know how the company that created one of the world's most addictive products and pioneered a market spiraled into holding only 1% of its market after losing its way? This book summary provides insight into what propelled the rapid growth and precipitous downfall of Research in Motion, the Canadian technology company that created the BlackBerry smartphone. Losing the Signal provides unique access to many of the key players inside RIM. It covers the backstories of founder Mike Lazaridis and his co-CEO Jim Balsillie, and the impact of their unique "business marriage" and dual leadership on the company. It charts the course of RIM's ascent and descent, highlighting key business choices, market dynamics, and corporate scandals that led to RIM's organizational unraveling, strategic confusion, and ultimate defeat in the smartphone race.



SUMMARY

As partners and co-CEOs of Research in Motion, Mike Lazaridis and Jim Balsillie together achieved much more than they could have individually. The success of their partnership was largely due to their complementary skills and talents and the ambition they shared for the company they led. After spending several of RIM's early years struggling to pay the bills and searching for customers, they knew they had encountered a big breakthrough when they entered into a service contract to help Canadian wireless carrier Rogers Cantel, Inc assemble a mobile network. Several failed product attempts later, the BlackBerry would come to life and solve the "mobile e-mail riddle" for high-powered customers the world over. The first of its kind, BlackBerry stood out in a sea of clunky two-way pagers and mobile contact and calendar devices. Lazaridis and Balsillie rode the wave of success for several years, until competitors like Apple and Google changed the game. Scandals, a protracted patent war, and strategic confusion also pounded RIM, in the end leaving the company without focus, direction, or leadership.

PARTNERS IN THE MAKING

THE UNDERDOG – JIM BALSILLIE

"The smart-ass, as it turns out, really was smart"

Jim Balsillie was born in Seaforth, Ontario, Canada, near Lake Huron. Jim proved himself as a fledgling salesman from a young age, hawking Christmas cards door to door and succeeding at other entrepreneurial jobs as a kid. Though his father worked as an electrical repairman to put food on the table, the Balsillie's had a storied and colorful past. The family was descended from aboriginal Canadians and could trace relatives back to dealings in the Canadian fur trade. Jim also had an aunt who made a name for herself managing exotic dancers. Sales, whatever the mode, was in his roots.

Balsillie's mother used to tell him, "Jim, you always fall in shit and come up smelling like roses." Even as a child, and certainly later charging forward as a CEO, Balsillie always found a way to come out on top of a situation not in his favor. As a twelve-year-old in grade 7 in Peterborough, Ontario, Balsillie was prohibited from math class after mouthing off to the teacher. After pursuing self-study, Jim scored first on the annual math exam, not only among his classmates at school, but among all children in the entire province.

As he grew into an adolescent, he became enamored with Peter C. Newman's tale of the Canadian wealthy upper-class, The Canadian Establishment. "What Balsillie really wanted was to be someone." Ever ambitious and dogged, he created a three-part plan for himself. First, he would enter an elite undergraduate institution. Second, he would land a good job in accounting at the firm Clarkson Gordon, and third, he would graduate from Harvard Business School. Though lofty, Balsillie succeeded on all three fronts. Through his pursuit, however, Balsillie was never truly able to hide what he believed was his "underdog" status. "In Balsillie, (college classmate) Wright saw someone who was determined to change a world he believed was stacked against people who shared his working-class background and lack of connections."

After attending Harvard Business School, he could not resist the opportunity to prove himself in his home country of Canada while also gaining a position of real authority. Rather than pursue top-tier jobs in banking or consulting, Balsillie took an alternative route after meeting fellow Canadian Rick Brock at an event. Brock was the head of Sutherland-Schultz, a mid-sized Canadian electronic equipment maker headquartered near Waterloo. After further discussions with Brock, Balsillie was excited about the possibility of working in the fast-paced technology firm. After graduation, he joined Sutherland-Schultz with the title of executive vice president.

THE BOY ELECTRICIAN – MIKE LAZARIDIS

"In a sense (my parents) were entrepreneurs; they were explorers. To me, [change] was an opportunity."

Mike Lazaridis, originally named Mihal Lazaridis, was born in Istanbul, Turkey. Mike moved with his family to Canada as a child for his father to pursue employment at a Chrysler assembly plant in Windsor. The immigrant family worked hard and over time achieved their "Canadian" dream. The Lazaridis's bought a house, complete with a basement that would become known as "Mike's laboratory."

Just as Jim Balsillie was enamored with the book The Canadian Establishment, Mike Lazaridis fed off The Boy Electrician, "a chatty how-to guide for understanding and building electrical machines, radios, and other equipment." Lazaridis was scrappy, always finding a way to create something new and exciting in his workshop. If he was missing materials, he would make them or find them somehow. Among other inventions, he created his own solar panel, oscilloscope, and computer in his basement.

In his 8th grade yearbook, his classmates depicted Lazaridis as a mad scientist with thunderbolts coming out of his head. Lazaridis was not only book-smart, he was savvy in all related "hands-on" technical topics. The first floor of his school housed the "shop" classrooms – an electrical classroom, a machinery one, etc. On the second floor were the advanced science, math, and business classes. Lazaridis was unique among his peers in that he was a star in both realms.

It was no surprise when he chose to major in electrical engineering at the University of Waterloo. In college, he secured a work-study position at the competitive Control Data Corporation. Assigned to the night shift doing computer diagnostics, he quickly outsmarted the system by writing an automatic program to do his job for him. When it came time for graduation and Lazaridis was considering different full-time jobs, Control Data Corporation was not an option as it had recently encountered severe financial setbacks. From this, Mike learned an invaluable lesson. After witnessing Control Data Corporation's struggles, he concluded that, "Innovation could not thrive without corporate support and effective commercial strategies."

Unaverred, Lazaridis decided to set up his own consulting and technology services firm. The first product he developed with close friend and business partner Doug Fregin was a system they called "Budgie." Budgie was a customizable advertising device that could display whatever the user typed on the keypad onto a TV screen. Though the device did not gain traction with potential customers, it inspired the pair to license their business. It was March 1984, and they had officially started "Research in Motion."

RESEARCH IN MOTION – CLIMBING UP

"The innovations were promising, but buyers were scarce."

COMING TOGETHER

"I want this guy to work with me… It was like meeting your future wife. You just know."

Mike Lazaridis and Doug Fregin spent Research in Motion's, or RIM's, early days pursuing modest ventures such as designing computer solutions for local technology companies and creating other devices like Budgie. Though Lazaridis in particular had ambitious goals, still five years into the venture the pair were still struggling to pay the bills, working above a Waterloo bagel store designing electrical components.

Engaging with their next client, however, would change everything. Rogers Cantel, Inc. was owned by Canadian cable businessman Ted Rogers. Rogers Cantel had an arm specifically focused on experimenting with messaging on radio waves, and they had a problem they couldn't solve. They enlisted RIM's services to help them understand and activate a mess of wires and parts they had acquired from the Swedish company Ericsson. The mess was called Mobitex, and it was supposed to enable a wireless data network for whomever controlled it. Rogers intended to use the network to communicate with its service trucks.

When Mike Lazaridis heard the assignment, he knew it was big. The Mobitex network would activate a "radio-based system that enabled communications on a network of computer and mobile devices." While corporations had systems and networks at their physical locations, there was not a solution to enable data or messages to easily reach employees who were traveling. Though RIM went to work on activating the Mobitex network, the commercial side faltered. There were few believers and fewer buyers, in the mobile data that Rogers was selling.

As RIM and Rogers struggled with commercialization and financing, Jim Balsillie was reaching the end of his time at the Waterloo firm Sutherland-Schultz. It was being acquired, and the bureaucratic, by-the-rules takeover firm immediately saw that Balsillie would not be a good fit with the new management team. This departure reaffirmed Balsillie's adherence to the beliefs of Sun Tzu, outlined in The Art of War. "It's not a friendly world out there…you can't panic. You have to stay focused. You got into a state. Emotionally you become formidable. You go into a warrior state."

Balsillie got a healthy severance package, and intended to put it to good use investing in a new venture. His current boss recommended RIM, a supplier of theirs. Balsillie and Lazaridis first met in RIM's offices above the bagel shop. Lazaridis was wearing sweatpants. Though Balsillie recollects that Lazaridis and his staff were clearly "geeks," he also recalls that Lazaridis was "mesmerizing" when talking about technology. From Lazaridis's perspective, he perceived a "confident executive who understood banking, finance, deal-making, and best of all how to sell a product. In other words, he had everything Lazaridis didn't." A partnership was born, with Lazaridis retaining a 40% stake in the company, Balsillie 33%, and other partners Fregin and Barnstijn the remainder. It was 1992, and eight-year-old RIM was finally positioned to begin making good on its ambitious goals.

THE EARLY DAYS

"In a jungle of technology predators, the small company had to be as ruthless as the giants."

In the years immediately after Balsillie joined, RIM continued to focus efforts on the Mobitex network – getting it off the ground, programming tools for users to write applications for it, and creating software for Mobitex users already connected to it. Soon, however, it was clear that the big money was in hardware, not software. While other players began charting the territory with devices like Motorola's Tango (a two-way pager), Nokia's 9000 Communicator (an expensive cell phone with a keyboard, the size of a book), and U.S. Robotics's Palm Pilot 1000 (a sleek device with calendar, contacts, and other information), RIM was slowly and quietly building a wealth of experience and knowledge in the sector by operating the proprietary Mobitex network and experimenting with associated hardware. Lazaridis's vision was a future where the most "logical device" would send and receive email.

RIM first responded by launching the Inter@active 900, also known as the "Bullfrog" internally due to its clunky and poor design. Early users, however, were taken with the device despite its aesthetics, after experiencing its convenience and utility. If design could be improved, they were convinced the product would become a game-changer. Lazaridis made the crucial decision to bring the design of the next generation "Bullfrog" in-house, whereas previously it had been contracted outside of RIM.

In addition to design, the success of the product depended on the expansion of the Mobitex network. If RIM could convince Mobitex owner, now Bell South, to expand it nationally, they were convinced that the product would take off. It was 1997, and, with the design of the new device underway, Bell South "bet the ranch" on the expansion of Mobitex. What would become known as the major innovative device BlackBerry was underway.

BLACKBERRY BOOMS

"No one else had solved the mobile e-mail riddle."

AN INTENTIONAL PRODUCT DESIGN

After moving design in house for RIM's next-generation device, Mike Lazaridis played a heavy role in monitoring all elements of hardware and software design. One of his mantras was to remove "think points." He insisted that using the device should be seamless and pleasurable, not a headache. Rather than show any of the "back end" to users like the technical coding or headers on emails, he wanted to hide all of that. Rather than have the device "buzz" when the device received an email from the server, he instructed his team to program it so that it would alert the user when the email had been received, decoded, and was waiting in their inbox. Here are some other key aspects of design that would make the device a darling with its users and wireless carriers:

- Efficient keyboard layout – Designers got rid of all extra keys and used a trackball for navigation instead. The keyboard was curved for thumbs to move ergonomically.
- Satisfying "typing" feel – Lazaridis demanded that a metal base reside under the keys versus the plastic industry standard, leading to a satisfying "click."
- Shortcuts – Technology taken for granted today was pioneered by RIM, such as two spaces leading to a period and new sentence capitalization, auto-completing an email address using just a few letters, and holding down a letter to enable capitalization.
- Good battery life – Lazaridis ensured that despite the device's capabilities, it did not drain the battery quickly.
- Low bandwidth usage – Similarly, the device did not hog network data, but instead was efficient when sending and receiving messages.
- High degree of security – Government and corporate clients loved the fact that RIM's Mobitex network encrypted all emails traveling across the network, making them much less susceptible to hackers.

GOING TO MARKET

Though these aspects of the BlackBerry would come to be greatly appreciated by users, early on there was confusion and disagreement as to how the device should be marketed. Engineers who had worked tirelessly on the innovative email technology that the device offered were set on names like PocketLink, EasyMail, MegaMail, or Blade. Market research, however, showed that marketing that focused on the ability to easily respond to urgent emails was an "anxiety trigger" for users. Instead, they responded to the notion of "convenience." The image of being able to be at the beach, at the ballpark, or at home, all the while efficiently reducing one's email inbox, resonated much better.

Ultimately, it would be the Sausalito, CA firm Lexicon Branding to coin the name "BlackBerry." They had commissioned a linguistics study on "sound symbolism" which showed that the quick succession of the hard "b" sound connoted speed and efficiency. The name was unexpected, catchy, and somewhat logical, when considering the fact that the tiny three-dimensional keys resembled the fruit sacs of the fruit.

Now all that was left was to take the BlackBerry to market. Balsillie and team coined a nickname for their approach – the "puppy" test, as in, "Take this puppy home and see if you like it." Very few returned it, as it brought major improvements against rivals such as the Palm VII (whose email was clunky) and the Motorola PageWriter 2000 with its poor network. Although the BlackBerry was a technical marvel, it was not "techies" who were early adopters. Rather, it was professionals with demanding jobs who found the most value in the Blackberry – legal, banking, and corporate clients. Once the "BlackBerry virus" infiltrated a corporation, there was no going back. Balsillie and his sales team began by taking a guerilla approach. They would start by offering a BlackBerry to a CEO. Soon, the executive would become so addicted to the productivity gains and speed of responsiveness, that he or she would demand BlackBerrys for all their direct reports. And it would spread throughout. It did not take long for Chief Information Officers to catch on, however, and put the brakes on the tactic somewhat. They demanded to be at the forefront of all major information technology decisions. Therefore, Balsillie altered his approach. Instead of sending experienced, glib sales people to hawk the BlackBerry, he instead hired experienced IT managers, who could speak the same language as the dubious CIOs, convincing them of the value, security, and durability of the new technology.

Though RIM had previously gone public on the Toronto Stock Exchange, it was clear there was a bias towards "homegrown success" that was hindering the stock price's growth. After a major conference in the States where the BlackBerry (and Balsillie) were a hit with major Wall Street financiers, Balsillie recommended they move towards the NASDAQ. Sure enough, RIM took off on Wall Street. Come May of 1999 the partners were very rich, at least on paper, with RIM being valued at $11 billion on the NASDAQ and pulling in annual revenues of $85 million.

THE PARTNERSHIP

"It was absolutely incredible to watch them work in that kind of an environment, sitting right beside each other, where you think they're almost connected in their brains."

Close colleagues would share that Balsillie and Lazaridis had little in common other than their unwavering commitment to RIM and their unification against its competitors and other opponents. Together, they balanced "profit and invention," forming a solid front to lead the company with their distinct abilities. At one point, they were so in sync that they shared unspoken secret signals in meetings. While Lazaridis was the "chief innovator," Balsillie was the "in-house financier." Lazaridis was an intellectual, fascinated by quantum physics, religious studies, and spirituality.

Balsillie was outgoing and social, an avid sports fan who relaxed by getting out of the house and seeking the next adventure. "Work was the only language the two shared."

As users skyrocketed and RIM's workforce doubled, RIM struggled to keep up organizationally. Without a fully functional back office, staff slowly discovered hundreds of BlackBerry users were not being billed for monthly fees. The network was also becoming overloaded by all the new activity. Lazaridis and Balsillie brought in seasoned executives, co-Chief Operating Officers Larry Conlee and Don Morrison to help keep the ship sailing. Conlee was a massive Texan, towering 6 feet 6 inches, brought on to help Lazaridis manage the engineering teams in the "technically advanced company made vulnerable by poor discipline and coordination." Don Morrison, on the other hand, was a grandfatherly figured nicknamed "Father Time" for his amiable and wise demeanor. He supported Balsillie on the sales and marketing front. The new co-COOs added much in bringing RIM from a place of "unfettered free-form innovation" to the "steely commercial discipline required to foster sustainable growth." Still at the core, however, stood the unwavering partnership of Mike Lazaridis, the brilliant engineer and innovator, and Jim Balsillie, the savvy business "shark."

RIM continued its growth through the early 2000s due in many ways to the distinctive partnership the two men shared, and the order and discipline brought by the new co-COOs. But, the company was not without its struggles as its growth expanded. The partners led much-needed improvements to the Mobitex network to accommodate more traffic, and ultimately ceded back office functions to network partner Bell South. This enabled the team to focus more heavily on next generation BlackBerrys. The smartphone race to the top was in full force.

Early warning signs began to surface about RIM's ability to navigate a newly competitive market. RIM was slow to fully embrace key market shifts. For example, Lazaridis strongly opposed, at least initially, improvements to the BlackBerry such as voice call capability, video, and a color screen, claiming that RIM made functional devices, not toys. Soon, however, there was consensus that the BlackBerry should in fact be a phone. The initial design was incredibly poor, however, "The form factor was weird. It was a calculator, a piece of toast," said Jason Griffin, RIM's chief of product design. Ever-aware of the importance of design and removing "think points," Lazaridis pioneered a redesign, calling it "Charm." 20% thinner and longer, Charm was much more reminiscent of a telephone. BlackBerry sales grew accordingly, doubling from 1 million users in February 2004 to 2 million users in October 2004, and then again to 3 million in March 2005.

RIM proved the BlackBerry's reliability and value even further, when on September 11, 2001, amidst countless failed voice calls and other communications, BlackBerrys carried important messages to loved ones and government officials as news of the attacks spread nationally. Soon after, BlackBerrys took off with government clients. In the aftermath of the tragedy, the U.S. government issued each member of the House their own BlackBerry.

The device and the constant communication it rendered changed the face of corporate life across the world. As a distinct shift towards a 24/7 work culture took hold, users became addicted to their BlackBerrys. Intel chair Andy Grove joked that RIM should be reported to the Drug Enforcement Administration for the device's addictive quality. Salesforce CEO called it the "heroin of mobile computing." Celebrities, royals, politicians, and world leaders were all seen hovered over their BlackBerrys. The BlackBerry was indeed booming.

RESEARCH IN MOTION – FALLING DOWN

"RIM was as a one-product company struggling with a damaged brand image and an outdated product. Years of strategic confusion and poor product execution had caught up to the BlackBerry maker."

PATENT WARS

"For the first time in his life, Balsillie was confronted with a problem he could not fix."

RIM's precipitous rise through BlackBerry would be nearly matched by its incredible descent in subsequent years. Rather than one event in particular, there were several that led to RIM's demise and ultimately the departure of Mike Lazaridis and Jim Balsillie.

One of the first signs of trouble came as early as 2001, when a small firm known as NTP Inc initiated lawsuits against RIM, claiming that RIM was infringing on several patents owned by NTP. NTP was headed up by a man named Thomas Campana and his friend and former corporate lawyer Donald Stout. Both men had worked at the company Telefind, which was supported by AT&T for a time. But, after AT&T pulled out, Telefind went broke and Campana was left with nothing but some patents to his name. Through NTP, Campana and Stout began efforts to monetize the patents by writing dozens of letters to corporations seeking licensing fees and suggesting infringement on the patents. Letters to RIM were sent and initially largely ignored by both parties, until a Wall Street Journal article on RIM's successful patents was released, effectively "putting a target on their backs" for NTP. Campana and Stout pounced, and in November 2001 filed a case in the Eastern District Court of Virginia against RIM.

The trial was particularly hard on Lazaridis, the brilliant engineer whose intellectual property was at the heart of RIM's success. NTP's lawyers were particularly aggressive with Lazaridis on the stand, and it was clear he was shaken. As told by Larry Conlee, "What I sensed from Mike was a lot of pain. Here's the founder of the company being told he's cheating these people and his technology is wrong. He was personally hurt by it." The jury deliberated for less than five hours, concluding that RIM did in fact infringe on five of NTP's patents. They demanded that RIM pay NTP a lump sum of $53.7 million and royalty fees of 8.55%, summing to more than $250 million annually. It was an unthinkable requirement for RIM. They pushed back against the ruling, seeking further litigation to explore the matter. With Lazaridis sidelined, Balsillie handled the issue in the interim, but was similarly rattled, requiring anonymous retreats and employing a personal life coach to handle the stress. The judge ruling against them was threatening to bar RIM from the U.S. market if a settlement was not reached. This wasn't a risk they could take. Finally, in 2004, the case came to close, with RIM paying NTP a one-time sum of $612.5 million. Apart from the funds, however, the cost to RIM was much deeper. Patrick Spence, a senior sales and marketing executive under Balsillie recalls the ordeal, "We lost some of who we were through that. That's ultimately the cost to the company. It's not the $612 million. It's what that cost us in terms of taking focus away from where we needed to go."

ILLEGAL OPTIONS

"Sitting next to the man he blamed for the regulatory nightmare, he [Lazaridis] had the look of a defeated general."

It seemed that the patent litigation had just concluded when RIM was rocked with another nightmare. It was 2006, and RIM had been named among a list of companies that had illegally backdated options for company executives. A form of compensation, options are more valuable when originally acquired at a point in time when they were traded at lower prices, increasing in value as a company enhances its financial position. After investigation by regulators, they concluded that RIM suffered from "sloppy administration." The investigation called for Balsillie to step down as chairman of the board, among other requirements. In Spring 2007, the Securities & Exchange Commission and the U.S. Justice Department "grilled" Balsillie, Lazaridis, and other executives about e-mail records that proved their knowledge, participation, and leadership in requesting options backdating for dozens of employees, inflating their compensation illegally.

Once again, Lazaridis took it hard. He was "completely humiliated" and, according to Larry Conlee, "I think Mike felt betrayed [by Balsillie]." Lazaridis says, "It was painful. I was frightened. I didn't understand it." Jim, for his part, was also deeply hurt. Unbeknownst to him, Lazaridis's lawyers had sought leniency for their client, claiming that Lazaridis did not fully understood the legal requirements or processes around the options compensations. Balsillie felt thrown under the bus and betrayed as well, and the rift between the partners that began with the NTP scandal grew deeper. While RIM was forced to pay $90 million as a penalty, the major fallout was not the smeared name of the firm from a governance standpoint or the financial cost, but the havoc it wreaked on Balsillie and Lazaridis's relationship. "The 15-year business marriage was coming unglued."

COMPETITION AND DISTRACTION

"Dressed in his signature black mock turtleneck and faded jeans on the morning of January 9, 2007, Apple's founder announced he would 'change everything.'"

As RIM fought off scandals, another player was not wasting any time in the smartphone race. As of 2007, Apple announced the iPhone and its partnership with

AT&T. At first, RIM wasn't threatened. The iPhone went against most everything Lazaridis had intentionally designed the BlackBerry to be and to do. For one, he was not convinced that the future was in "touch." He loved the BlackBerry's satisfying "click click" and tactile keyboard too much. In addition, he predicted that iPhone users would start clogging the networks with all the data usage, and that the batteries would drain quickly. He was right about the latter two items, but not right about carrier and user reactions. The increased traffic, dropped calls, and poor service on AT&T's network was not a deal breaker for many. "Bandwidth conservation was yesterday's priority." And, iPhone users didn't care about battery life. They simply carried chargers or an extra battery stick with them.

As the iPhone took off with consumers, RIM was still reluctant to pay attention. This was in part due to RIM's continued exponential growth in emerging markets and the multiple scandals competing for attention. RIM did, however, learn one thing. "Beauty matters," said David Yach, RIM's Chief Technology Officer. Though enterprise customers valued security and reliability above all, the average consumer was different, and RIM needed to start listening up.

It was August 2007, and wireless carrier Verizon was up against a wall. It needed an answer to the iPhone. Since AT&T still had exclusivity on iPhone sales, Verizon had approached RIM. They were eager to hear what Lazaridis was dreaming up next. Lazaridis introduced them to his vision for the iPhone challenger. It would be called the "Storm." The concept for the BlackBerry Storm was a hit – one giant touchscreen that was still able to "click." It would marry the alluring glass touchscreen so popular with the iPhone with the BlackBerry's signature keyboard approach. When Lazaridis shared his vision with his engineering team, however, he was not met with the same enthusiasm. He had given them a deadline of 9 months, and many of the members of his senior team said it wasn't possible.

After an intense several months, the result was as many of the senior engineers had predicted – "The device was dead on arrival." It was torn to shreds in reviews, blogs, and the press. One reviewer wrote that typing an email on the Storm was like "an antelope trying to open a packet of cigarettes." Besides the slow, clunky, imprecise keyboard, there was the "high infant mortality" rate of the device. Brand new devices were liable to just turn off and not be able to be re-started. Reviews characterized it as a "wannabe." The early Storms were hand assembled and the keyboards precisely calibrated. Once mass production kicked into gear, however, the quality took a nosedive.

Despite the poor reviews and unreliability, Storm was initially a sales hit, as Verizon subsidized the price for customers were eager to try the new device, especially given RIM's strong reputation. Later, however, after Storm users began returning their devices in droves, Verizon had had enough. They demanded $500 million from RIM in compensation for the faulty phones and staff time spent handling angry subscribers. Since Verizon had signed a contract accepting the phones, they had little bargaining power. The negotiation ended with Verizon accepting RIM's concession of providing free repairs for Storms and funding device upgrades for unhappy customers. The more lasting damage, however was to RIM's overall relationship with Verizon. Verizon would soon start backing away from the partnership, seeking their answer to the iPhone elsewhere.

Around the same time, Google began entering the smartphone playing field as well. After abandoning their own efforts to develop an all-touch smartphone (still in the research and design phase), they took a different approach. They placed their bets on playing in the operating system world, making the Android system available to any hardware manufacturer who so desired. This changed the game almost as drastically as the iPhone had, in effect adding a near-limitless number of competitor phones. When Verizon announced a partnership with Motorola and their Android phones in 2009, RIM saw the writing on the wall.

As RIM battled scandals and a whole host of new competitors, its leaders began to engage in activities outside of the company that sent the wrong message to investors, employees, and other stakeholders. Balsillie began to pursue his dream of owning an NHL franchise. He was determined to bring a team to Canadian soil. This did not sit well with NHL executives. He had two failed attempts at acquiring teams – first the Pittsburg Penguins in 2006, and then the Nashville Predators in 2007, but it was the $212.5 million deal for the Phoenix Coyotes that ultimately sealed the coffin on his NFL dreams. "He had lots of money and celebrity, but he tried to strong-arm the league as if he was outfoxing the likes of Nokia and Palm."

From Balsillie's perspective, "the [NHL] commissioner played the 'Let's get you in and then we'll see [if you can move the team to Canada]' card to me many times..." Balsillie wanted confirmation that he could move the team to Canada, whereas the NHL was repeatedly embarrassed by the multiple deals not going through. The NHL ended up rejecting Balsillie's bid due to a statute that owners needed to be "of good character and integrity." Balsillie perceived this as absurd, as multiple current or past owners had been jailed due to bribery or tax evasion, and at least one was an ex-mobster. This fiasco did little but distract Balsillie from re-defining RIM's strategy in an increasingly crowded smartphone marketplace. Outsiders began to question his commitment and focus at a very important time for the company.

Lazaridis, too was pursuing "extracurricular" efforts in the wake of RIM's initial success, and in doing so taking his eye off the moving target that was RIM's strategic future. Just as AT&T's Bell Labs had seeded funding that grew into Silicon Valley, he intended to found a "Quantum Valley" in Waterloo, Canada, giving $200 million and more to establish the Perimeter Institute. The Institute, situated at the University of Waterloo, would conduct research to "harness microscopic subatomic particles," one of Lazaridis's dreams.

The combination of damaging scandals, fast-rising competitors, and shiny "side-projects" left RIM flat-footed as the second decade of the 21st century dawned. In RIM's early days, Lazaridis liked to claim that there would "always be another life raft," whether it be a new investor, his next big innovation, or a promising customer. As the next chapter came into view, however, what he did not appreciate was that he would not be able to survive on the life raft without his partner, Balsillie. And that relationship, severely stressed due to all the issues RIM had faced and the personal betrayals they both had felt, was in no position to save them.

RESEARCH IN MOTION – TAILSPIN

"The two organizations reporting up to each CEO became increasingly dysfunctional silos and breeding grounds for distrust, politics, and factionalism, as layers of ambiguity and uncertainty consumed the company's top executives."

ORGANIZATIONAL UNRAVELING

The corporate culture at RIM had gone sour. RIM began with an engineer-driven, entrepreneurial culture that rewarded the brightest minds. Later, as Balsillie, Conlee, and other business executives came on, it morphed into an iconic brand at the forefront of technology. Now, as its reputation faltered and competitors nipped at its heels, working at RIM was becoming less and less of an ideal situation.

At the highest levels, there was a sense of disorganization. As a result of the options scandal, the consulting firm Protiviti was called in to assess boardroom and management practices. They encountered resistance among RIM employees, who refused to meet with the consultants, removed key passages from requested documents, prohibited them from making copies, and canceled interviews altogether. Protiviti's report detailed a long list of issues with organizational health. Since Balsillie was ordered to step down from the board, there had been no new chairman appointed. In addition, the Chief Financial Officer position had remained vacant since the departure of RIM's CFO during the scandal. There was no succession plan for future leaders beyond Lazaridis and Balsillie, no accountability for meeting objectives among employees, and "excessive deference" to the co-CEO's. Most alarmingly, there was still some malpractice in issuing options to employees.

The organization was further destabilized with the departure of Larry Conlee, who had kept the engineering teams on track. Without his presence, the decision-making channels were unclear. Without someone to help resolve issues on a day-to-day basis, major problems surfaced too late, and Lazaridis and Balsillie argued openly in meetings about things like product quality and deadlines.

STRATEGIC CONFUSION

Adding to the stressors was the failure of the PlayBook, RIM's attempt to answer to the iPad. The PlayBook's customer segment, value proposition, and overall branding was incredibly unclear. Rushed to market, it lacked many of the features (like applications and email) that users typically valued in BlackBerrys, or that market research showed they valued in a tablet. Financially, RIM could no longer mask its over-arching downward trends with its growth in emerging markets. In 2011, RIM announced that it expected a weaker outlook for the year than had been predicted. In a period of two years, Verizon had gone from buying more than 95% of its smartphones from RIM, to buying 5% from RIM.

If Balsillie and Lazaridis could agree on one thing at that point in time, it was that RIM needed a major life raft. The problem was, however, that they couldn't agree on what that looked like. Lazaridis was convinced that the future lay with

BlackBerry 10. He had faith in a new company that RIM had acquired who he hoped would revamp the operating system for the device. Balsillie, however, was sure that RIM's path forward was in becoming a software and services business. "Lazaridis and Balsillie pulled the company in different directions with opposing strategic ambitions." In the end, time effectively ran out for the pair of iconoclasts who had together pioneered the smartphone market.

THE END OF AN ERA

2011 was coming to a close, and things were looking continually darker for RIM. There had recently been a 72-hour network blackout and RIM had been forced to write down $485 million on PlayBook inventory. Balsillie had blown up at the board and at consulting group Monitor, who had been brought on at the board's recommendation to help provide strategic clarity. It was becoming more and more clear that the CEOs' relationships with one another had all but ended, and that their chances of extricating RIM from its current situation were slim to none. Two members of the board visited Balsillie and Lazaridis separately, suggesting they begin searching for replacements. The CEOs, however, had been meeting for weeks with the realization that their time at RIM was ending. They agreed they would step down, and that Thornsten Heins, the current leader of RIM's hardware division, would become CEO. The change, announced on January 22, 2012, would not bring shareholders and employees the relief and clarity they craved. Announced as handpicked by Balsillie and Lazaridis in the official press release, from the beginning Heins was unfavorably viewed by those who were eagerly calling for change at the top. Heins took the reins and placed his bets on BlackBerry 10, which would fail to distinguish itself in a now incredibly crowded market of touchscreen smartphones. Heins did not last two years as CEO.

Though both Balsillie and Lazaridis initially agreed to remain on the board and play significant advisory roles, both resigned altogether soon after stepping out of their CEO roles. Seeing RIM being carried in different directions than they had envisioned was too painful to endure from the sidelines. What they had built no longer existed, and the two visionaries retreated to their private lives and passions. Sadly, the men who were once so close have only spoken on one occasion since leaving their positions at RIM.

Turnaround expert John Chen is the current CEO of "RIM," which was renamed "BlackBerry" under Heins. BlackBerry, no longer a major player and in the process of continuing to reinvent itself, currently holds less than 1% market share of the global smartphone market.

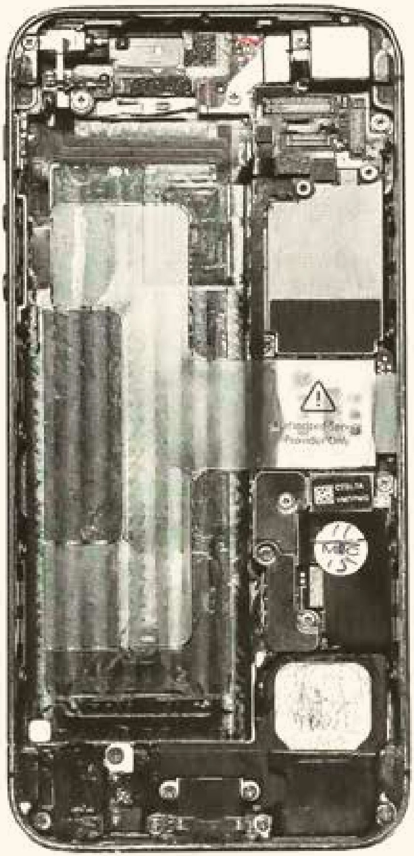


Photo by Jonny Caspari on Unsplash

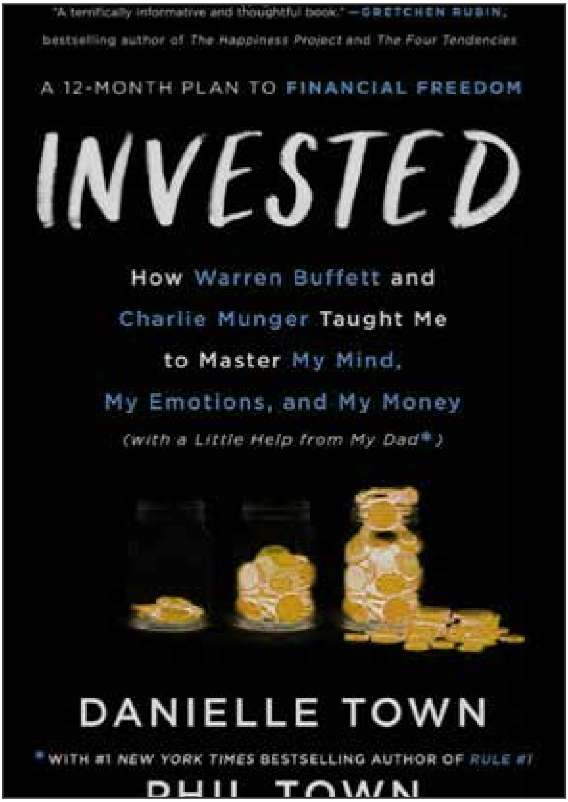
Invested

By: **DANIELLE TOWN, PHIL TOWN**

Do you long for the day when you can work less and travel more? Do you fear that you'll never have enough money to be able to retire? By following Warren Buffett's approach to value investing, you can learn how to build an investment portfolio that will give you the financial freedom you need.

The key to Buffett's approach is to look for companies that you can understand, that have an intrinsic and durable competitive advantage, and that have talented management. Then, calculate a good price at which to buy that company's shares.

Value investing does involve diving into the sometimes-complex world of financial statements, but with practice you can figure out which are the most important numbers on any company's Income Statement, Balance Sheet, and Cash Flow Statement, and use them to decide whether a company meets your investment criteria.



Once you have calculated the right price for your target companies, wait until the share price falls to that level and then buy, confident in the knowledge that you have an anti-fragile portfolio that will not just give you a great rate of return but will also be able to survive the next – inevitable – market downturn.

SUMMARY

Fear keeps most of us from controlling our own investment decisions but following Warren Buffett's value investing approach can give you financial freedom. The key is to look for a handful of companies that will give you great investment returns over the long term. There are four simple rules to follow: pick a business you are capable of understanding; one with a durable competitive advantage; whose management has integrity and talent; and that you can buy for a price that makes sense. This way, you can build an anti-fragile portfolio that will not only survive the inevitable next market downturn but will thrive in the long term.

1. GETTING STARTED

Most of us yearn for some level of financial freedom, but are busy juggling work-life stress, paying off student loans, servicing a mortgage, and perhaps raising kids while pursuing a career. In the middle of all of this it's tough to take the plunge and create your own investment portfolio. Many of us are too afraid of the risks involved in anything to do with the financial markets. However, with some education and practice it is possible to follow in the footsteps of Warren Buffett and his 'value investing' strategy.

In 1956 Warren started the Buffett Partnership in Omaha, Nebraska, investing his money and that of friends and family. Over the next fourteen years his investments averaged annual returns of 31.5%. In 1969 Buffett closed that partnership and put all his money in Berkshire Hathaway, a public company controlled by Buffett and his investment partner Charlie Munger. Berkshire buys the shares of publicly traded companies like Coca-Cola as well as entire companies like Geico. Now known as the Oracle of Omaha and the elder statesman of the value investing world Buffett's strategy is simple: buy a wonderful company when it is a bargain and only when you are certain that it will be worth more in ten years than it is today; and hold onto it even if the price goes down.

THE PROBLEM WITH INFLATION

Recessions have taught us that the stock market is a fickle partner. For many of us, it is tempting to become a financial hoarder and put everything in the financial equivalent of 'under the mattress,' i.e., buy U.S. Treasury Department bills or T-bills, which are guaranteed by the federal government and considered as close to risk-free as it's possible to get. Unfortunately, inflation happens. Inflation is a good thing in that relatively low and steady price increases lead to what economists call a virtuous cycle of rising production and demand, leading to higher wages and more consumption. Of course, a high rate of inflation is a bad thing – it devalues money so quickly that wages and jobs can't keep up. However, even moderate inflation is bad for savers as it erodes the purchasing power of your money. The $100 you have today won't buy you as much ten years down the road, when prices have gone up an average of 3.0% every year.

In fact, you have to earn at least a 3.0% return on your money every year just to stop its value from eroding. Stock markets typically rise with inflation as company revenue and earnings also rise. So, the only way to grow your savings is through investment.

FEAR OF THE MARKET

The problem with the stock market, of course, is that it goes down as well as up – and a lot of things can cause a stock price to fall. Women investors in particular tend to have a low risk tolerance, making many of them unwilling to invest in the market. It seems safer to pay a professional to manage your money for you – but, that money manager has to be paid whether or not they actually make money for you. If you learn how to practice value investing, you can manage your own money with confidence.

As you go through these steps you will progress from Unconscious Incompetence (you don't realize how little you know), through Conscious Incompetence (you know what you need to do but don't know how), to Conscious Competence (you know how to do this!), and finally to Unconscious Competence (you're so good at this you don't even have to think about it anymore). The key thing to bear in mind right now is that you won't actually be buying anything until you've worked your way through all these steps and arrived at a level of Conscious Competence.

So, how much do you really need to invest? To figure this out, you need to understand how the market works, and what your investment number really is.

THE MARKET

'The market' is short-hand for the many stock exchanges around the world. In the U.S., the best known is the New York Stock Exchange or NYSE. The concept of trading shares on the market has been around since the Dutch invented the idea in the 1600s, dividing up a corporation into fractions that can be owned. When you buy or sell a share on a stock exchange you are buying it from, or selling it to, another investor, not to the corporation itself. Today, a lot of the actual buying and selling is done electronically rather than in a Dutch coffee house, but the principle is the same.

MARKET ASYMMETRY

A few hundred years after the Dutch created the first stock exchange, the British came up with the idea of the limited liability company – exactly what it sounds like, this is a corporate structure that limits the liability of corporate owners to the assets of the company, keeping their private assets safe. This is great for encouraging the kind of risk-taking needed for entrepreneurialism but can also lead to corporations with no sense of responsibility for their actions.

Another aspect of the stock market to bear in mind is that management has a lot more information about the company than do shareholders. Theoretically, the shareholders indirectly run the company by electing a board of directors; but in reality, this is at best arms-length control, with the board overseeing the major decisions and appointing executive officers to actually run the company.

ABDICATING CONTROL

About 85% of the money in the stock market actually comes from individual investors, ordinary people trying to build their nest eggs through 401k plans, IRAs, and insurance policies. However, most of this investment is done through proxies:

Mutual funds: A collection of stocks and bonds, chosen by a financial advisor who charges a fee whether or not they grow your money.

Market index funds: A market index is a group of stocks that tell us how the market is doing overall, e.g., the S&P 500 – five hundred stocks that indicate how the overall 6,000 or so stocks on the market are performing. Market index funds buy the stocks in the index to passively follow the market, charging a lower fee than an actively managed mutual fund. Buffett says this is the best option if you're not willing to do your own value investing, but it also means you will only average a return of about 7.0% a year.

Exchange traded funds (ETFs): Another index tracking idea, but a fund that you buy and sell direct from a broker like an individual stock, the fees tend to be higher than for market index funds but lower than for mutual funds.

Robo-advisors: A computer program that offers the same kind of investment options as a human advisor, but at a lower fee.

All of these money managers charge you a fee to invest your money, whether or not they actually grow your savings; and, at best, most barely manage to beat the market average. If the market rises an average of 7.0% a year, but your money manager charges you 2.0%, the actual earning on your savings is only 5.0%. In other words, it gets even harder to beat the rate of inflation and build up your money enough to gain financial freedom.

On the other hand, studies have shown that Buffett-style value investing returns over 20% a year.

CALCULATE YOUR NUMBER

The first step to building your own investment practice is to write down what financial freedom means to you – perhaps the ability to work less, pay off your debts, travel, or just feel less stressed?

To figure out what you need to attain your own financial freedom, you just need to know four things: how much you actually need to spend every year; how many years you have left to build your investment total; how much you can afford to put into investments; and, based on these first three things, your required rate of return.

WHAT IS YOUR MISSION?

Given this asymmetry of information and the sheer number of publicly traded companies, how do you start to narrow your choices? Find your mission – what you really care about, the values that you want to bring to your investing practice. Take some time to come up with the list that defines your mission. Perhaps your focus is on treating employees well, not exploiting animals, supporting local communities, and so on.

The mission is the first step you will use in creating the story of a company you are considering investing in.

2. VALUE INVESTING

Charlie Munger laid out the basics of the value investing strategy in four simple principles, the things that must apply before putting money into a company:

- It must be a business you are capable of understanding
- It must have a durable competitive advantage
- It has management with integrity and talent
- You can buy it for a price that makes sense and gives a margin of safety

Before looking at each of these principles in more depth, we need to consider the way the market really works.

EMH

The Efficient Market Hypothesis or EMH assumes that people are rational actors who buy and sell a stock based on what it is worth, and that a stock's price therefore reflects all available information at any given moment. EMH says that the reason professionals rarely 'beat the market' is because the price always adjusts as soon as new information is available.

And yet, the original Buffett Partnership had average annual returns of over 30%. One academic proponent of the EMH claimed Buffett was just lucky, like a monkey flipping coins. In 1984 Warren published his response, an article in the Columbia Business School magazine in which he pointed out that if you found a bunch of lucky monkeys that all came from the same zoo in Omaha, you'd be pretty sure you were onto something!

In fact, said Buffett, the market is far from efficient because investors can exploit gaps between price and value. What's more, fund managers often buy and sell based on greed or fear, not on rational and fully informed decisions. In 1999 Yale economics professor Robert Shiller published the book Irrational Exuberance in which he showed that the market regularly behaves irrationally. Nassim Nicholas Taleb then weighed in with his book, The Black Swan, arguing that the market is neither random nor unbeatable; supposedly impossible Black Swan events actually happen quite regularly.

Additional academic research has shown that people tend to make decisions based on biases and emotions, not on rational pursuit of self-interest. In other words, EMH is wrong and value investing really does work.

STUFF HAPPENS

Events happen – things that are unexpected, that affect the company or the whole market, but that are temporary and rectifiable. Thanks to the nature of their industry, fund managers react to Events – they cannot wait for months or even years for a company to recover. The key to value investing is that, thanks to your research into the company and the industry, you will know when something is a temporary Event rather than a terminal problem in a badly run company.

Bubbles and crashes happen in the market, and they can seem random and unpredictable. However, there are two good sources for market-pricing information that help the value investor to tell when the market is mis-priced.

SHILLER P/E

Robert Shiller won a Nobel Prize for creating this indicator that shows how over- or under-priced the market is. Shiller calculates the cyclically- and inflation-adjusted earnings of the S&P 500 over the past ten years and divides that number into the total market price of the S&P 500. Over the past 140 years the average Shiller P/E is 16.4, so when the indicator goes much above (or below) this level it's a sign that the market is badly mispriced. It's only risen above this level three times: in 1929 it rose to 32, then the market crashed down 90%; in 2000 it reached 44, then the market dropped 50%; and by late 2017 the Shiller P/E had risen to 31, suggesting that it's getting ready for another sharp fall.

WILSHIRE GDP

Buffett says that the best measure of where valuations stand at any given moment is the ratio between the market as a whole and national revenue. The Federal Reserve Bank of St. Louis calculates one such ratio, colloquially known as the Wilshire GDP, which takes the capitalization of the Wilshire 5000 stock market index (i.e., how much the 5,000 companies in the index are worth) and divides it by the U.S. GDP. If the ratio is well below 100% then the market as a whole is underpriced; if it's well over 100% then the market is overpriced. The index went over 100% in 2000 and again in 2008, and each time the market subsequently crashed. As of late 2017 the Wilshire GDP stood at an historic high of 155%.

Taken together these two indicators say a correction is coming.

BE CAPABLE OF UNDERSTANDING THE BUSINESS

To reiterate, Charlie Munger's first principle is to put your money into a business that you are capable of understanding. Note, this is not the same as saying you have to understand it right now, just that it is something you are capable of understanding in the future after putting in some work. That means, pick an industry that is easy for you to understand: what are you passionate about (like healthy eating, cars, snowboarding, etc.); where do you actually spend your money (which stores and services do you use on a regular basis); and where do you make your money (which industry are you involved in). Where these three things overlap is where you will find the industries that are the easiest for you to understand.

You can also get a sense of which companies to start researching by checking out what investment gurus such as Buffett, Munger, and others are buying. These investors only make their purchases public knowledge once a quarter, however, so you cannot just follow their investments without doing your own research to see if this is still a good buy for you. Warren Buffett's annual letter to Berkshire Hathaway's shareholders is also a great source of information about his thoughts and value investing. It's also a good idea to start reading the Wall Street Journal business section on a regular basis.

3. THE MOAT AND MANAGEMENT

Charlie Munger's second principle of value investing is to pick a company with an intrinsic, durable competitive advantage. Buffett calls this concept the moat: the competitive advantage that makes the castle/company near-untouchable by competitors. This is not the same as the company doing a good job in solving a particular problem or filling a particular need; it has to be something that is intrinsic to the business, and durable – so difficult or expensive to overcome that no competitor is going to try.

TYPES OF MOAT

There are a number of types of moat. A brand moat is something like Coke or Kleenex, where people think in terms of the brand name rather than the product. A switching moat is one where it is very complicated or expensive for a customer to switch away, like switching from Apple to Microsoft for all your operating systems; similarly, a network moat is something like Facebook, where the act of switching is not difficult but if you do so, you lose access to an entire network.

A toll bridge is when a company has a near or actual monopoly in its industry – this can be a moat created by government regulation or by geographic location. Proprietary secrets, such as patents or other intellectual property, are an effective moat. And finally, price can be a moat – when a company is the low-cost provider because it can make its product or service more cheaply than anyone else.

COCA-COLA'S MOAT

Take the case of Coca-Cola: it doesn't really have a secrets moat any more, just a very strong origin story that perpetuates the idea of a secret recipe; it doesn't have a switching moat or any kind of toll bridge; and it certainly isn't the cheapest producer.

What it does have, however, is a very strong brand moat. That brand moat may not be durable, given that sugary sodas are becoming unpopular in the U.S. and Europe; however, a little research reveals that Coca-Cola is busy buying brands associated with health and nutrition, like Honest Tea and Odwalla. That suggests a company that is preparing for the future – which may explain why Buffett owns Coca-Cola shares.

MOAT BY NUMBERS

Coca-Cola's story gives a sense of what its moat is like, but the best way to really judge a company's moat is by looking at some key numbers on its financial statements. All public companies have to file these statements according to a set of accounting principles (although there may be some variation in the precise terminology used).

The Income Statement shows the company's revenue (how much it is making) and expenses; revenue minus expenses gives the company's profit. The Balance Sheet shows what the company owns (assets), what it owes (liabilities), and what is left. The Cash Flow Statement shows what cash has been spent, on what aspects of the business, and what is actually in the bank account.

There are four key numbers in these statements that roughly predict how strong and durable the company's moat might be:

Net Income: Also called Net Profit or Net Savings, this is on the Income Statement. It shows the company's profit after all costs have been deducted.

Book Value + Dividends: Book Value (also called Equity) is on the Balance Sheet and Dividends (if there are any) are on the Cash Flow Statement. Added together, these two numbers show the value of the business if it were closed down, after all of its assets have been sold and before any dividends have been paid.

Sales: Found on the Income Statement, this number shows the amount the company earns from selling, i.e., its revenue.

Operating Cash: Part of the Cash Flow Statement, this shows the actual cash that the company receives from its business operations.

For a strong and durable moat, each of these four numbers should be growing at 10% or more every year. Periodic ups and downs are not a problem, as long as the trend over time is for steady growth. When there is a down year in any of the four numbers, check to see what the reason was and how quickly the company got back on track.

FIND THE WINDAGE RATE

Those four key numbers show how well the company did in the past; the next step is to figure out what you, the investor, think is a good overall growth rate for the company going forward. This is a judgement call based on your own research, akin to taking 'windage' into account when shooting a gun.

Most financial statements have three to five years of data in them; if you find the most recent 10-K (the annual company financial report, available on the company website) and the one from five years ago, you can figure out average growth rates for the four key numbers over, say, three- five- and ten-year periods. Combined with analyst predictions of how the company is expected to grow going forward and your own best guess, you can now come up with an overall growth rate for the company.

RESEARCH MANAGEMENT

Charlie Munger's third investing principle is to find a company whose management has integrity and talent. For most of us, this is something we have to glean through secondary sources. Look for articles on the CEO's biography and management style and the story of the company founder. Look, too, for information about the board of directors and how they may have handled problems; and see if company founders or executives have large ownership stakes, i.e., are literally invested in the company's long-term future. Parse the public letters to shareholders and any other public statements. Are they straightforward or do they seem to carefully conceal any real information?

In addition to these secondary sources, there are three key numbers that give insight into the quality of the company's management.

RETURN ON EQUITY

This is calculated from the data in the financial statements: Net Income (from the Income Statement) divided by Equity (from the Balance Sheet). ROE shows how many dollars of profit a company generates with each dollar of shareholder equity. However, the ROE can be artificially inflated if the company borrows a lot of money; so, it has to be looked at alongside the other two key management numbers.

RETURN ON INVESTED CAPITAL

This is Net Income again, but this time divided by Equity-plus-Debt. As a value investor, look for a company with an ROE and ROIC at 15% or better every year for the past decade. Anything less than ten years and there isn't enough history to show that the company is durable for the long haul.

DEBT

Finally, look at the company's level of debt; a quick way to determine this is to compare the ROE and ROIC; if the two numbers are the same, the company has zero debt. If the company does carry long-term debt, they should be able to pay it off with at most two years of earnings.

With all of this information, you are ready for the next step: starting to build a wishlist of companies.

BUILDING A WISHLIST

The only way to build the wishlist of companies you're interested in, is to start diving in to corporate annual reports. They make for boring reading, but it's the only way to start getting an in depth feel for their financial status and what makes them tick. Odds are, you'll be able to tell within a few minutes of reading whether or not you are capable of understanding this company – if it's too hard or just too plain boring, toss them on your reject pile.

Companies that have potential but just don't seem exciting you can put in your 'watching' pile – get back to them later after you're more adept at being a value investor. Very few companies will make it onto your wishlist, but that's OK. Remember: you're looking for a handful of companies that you are capable of understanding; that have durable moats; and that have management with integrity and talent.

Now, it's time to tackle Charlie Munger's final principle of value investing: finding the right price.

4. THREE WAYS TO CALCULATE PRICE

The short version of Charlie's fourth principle is: figure out a reasonable price for this company's shares, then wait until the price falls below that level. This is the point at which first-time investors may start to panic, thinking, "But this involves math! I can't do math!" Yes, numbers are involved here but there's little real "math," it's mostly a case of logical thinking.

In his 2014 letter to his shareholders, Buffett laid out the simplest way to put a price on a business: think about it like a real estate purchase. You know what the condo costs, what the neighborhood is like, and what the maintenance and yearly fees will be; and you know how much mortgage you can afford. With those numbers, you can figure out if this particular condo is the one you should buy. Pricing a company is no more complicated, once you know where to find the numbers and what to do with them.

Phil Town uses three different ways to price and value companies. By using all three, you can understand the company better and be confident that you have determined a good price to pay.

TEN CAP PRICE

The ten cap price is based on owner earnings; cap is short for capitalization. In his 2014 letter, Buffett describes using this method to pay for a farm in Nebraska and a building in New York City. A cap rate is the rate of return the property owner gets each year on the purchase price of the property. If you buy a farm for $500,000 and at the end of the year you have $50,000 in your pocket, then your cap rate was 10% – a ten cap. Buffett and Munger require a ten cap on their investments.

The formula is simple: owner earnings times ten. In his 1986 letter to shareholders, Buffett is characteristically blunt, calling owner earnings, "the relevant item for valuation purposes—both for investors in buying stocks and for managers in buying entire businesses." Buffett notes in his 2014 letter that while real estate deals with a ten cap are pretty rare, they are much more common in the stock market, where traders react to short-term emotions like fear and greed and drive prices down.

Owner earnings is not a line on standard financial statements, but it is easy to calculate from those statements. Buffett's formula is very simple:

Owner earnings = net income + depreciation/amortization – average annual capital expenditure

To calculate owner earnings, add together six numbers (even though some may be negative, add them; it's an accounting thing). Net income is usually the very first line on the Cash Flow Statement. Right underneath is the entry for depreciation and amortization (a non-cash expense that takes account of the declining value of certain assets). Still in the same part of the Cash Flow Statement there will be lines citing net change in accounts receivable and accounts payable from the previous year – add those two numbers into the calculation, too. Next, add income tax paid, which can be found on the Income Statement. Finally, add maintenance capital expenditures – this number (which will be a negative one) may not be listed separately from total capital expenditures, so you'll have to estimate the average annual maintenance cost, based on what you know about the business. Add these six numbers together and multiply by ten; now you have the company's ten cap price.

However, this is a static picture of the company; it doesn't take growth into account.

PAYBACK TIME PRICE

This calculation is based on the company's free cash flow and it does take growth into account. It calculates how many years it will take to get your whole purchase price back: free cash flow, grown by the compounded 'windage growth rate' for eight years. To calculate free cash flow, go to the Cash Flow Statement and add together the lines called 'net cash provided by operating activities,' 'purchase of property and equipment' (again, a negative number but you add it), and any 'other capital expenditures for maintenance and growth' (also a negative number).

Remember, you came up with the windage growth rate when you were researching the company's moat and financial outlook. Now, compound that free cash flow every year by your windage growth rate, for a period of eight years. For example, say you have a lemonade stand with a free cash flow of $1,500 and you've decided it's windage growth rate is 16%. Multiply $1,500 by 16% and you get $240; now carry the calculation forward, cumulatively for eight years. The result is a payback time price for the lemonade stand of $24,778 – if you pay that amount for the company today, in eight years you will have your whole purchase price back.

MARGIN OF SAFETY VALUATION

This is based on earnings and is how you calculate the value of the company. You should only buy when the price gives you a margin of safety; the ten cap pricing method requires a high return so it requires a low buying price (a nice big margin of safety), while the payback time pricing method gets you your money back in eight years. Finally, you have to calculate a valuation method that has a margin of safety built in. This is a variation on what accountants call Discounted Cash Flow Analysis.

First, figure out what rate of return you need to get on your money every year, to make the investment risk worthwhile. A good rule of thumb minimum acceptable rate of return for stocks is 15%.

Decide what the price of the company should reasonably be in ten years: take the earnings per share (from the Income Statement) and multiply it by (1 + your windage rate), and do this ten times. The result is your future ten-year earnings per share.

Next, take your windage growth number and double it; compare the result with the company's historically-highest price/earnings ratio (which you can easily find online). Pick whichever of these two numbers is the lowest and multiply your future ten-year earnings per share by this number. Now you know what the future price of one share should be, ten years from now.

Now, work backwards to find out what the price should be today, assuming a 15% rate of return every year. Take your future ten-year share price and divide it by 4; the result is today's reasonable price for that company. Finally, take that sticker price and cut it in half: that's your margin of safety.

After running these three pricing models, you may end up with three very different results. At this point, you make a judgement call on what you think is a reasonable price to pay, based on everything you now know about the company.

5. WRITE – AND INVERT – THE STORY

The final stage in preparing to take the investment plunge is to tell the story of why you should buy this company – and then invert it and tell the story of why you should not. Go back over all the work you have done up to this point and write up your investment story.

Do you understand this company and does it meet your mission-to-invest criteria? Does it have an intrinsic, durable, solid moat and are its big four numbers growing? What is your opinion of the management team? And, what is a good price at which to buy?

Next, list three great reasons to buy this company. Now, describe the Event (whatever it may be) that has led to this company being on sale. Are you confident that the company can recover from the Event in three years or less?

Now, invert the story. Come up with three good reasons not to buy this company and see if you can rebut each reason not to own. If you can't, or you're undecided, then this company gets taken off your wishlist. That may seem harsh after spending all this time building up your company profile and running all those numbers, but the intent here is to avoid an expensive mistake. Odds are you can use a lot of your background research on another company in the same industry; no investment research is ever a waste of time.

However, if after all this you still really like this company, then it goes on your wishlist. Now, you just wait for the price to be right.

SETTING UP A BROKERAGE ACCOUNT

While you are waiting for the right time to buy into one of your handful of wishlist companies, set up a brokerage account at one of the online companies like TD Ameritrade or Schwab. This is no more complicated than deciding where to open a bank account.

When you are ready to make a purchase, you go to your account, type in the symbol for the company you want to buy and specify how many shares. The broker will likely ask for confirmation that this is a limit order – meaning the seller will sell it to you at the price you specify, or less. Investor guru Mohnish Pabrai has said that he never puts in a buy order when the market is actually open, because he doesn't want to be focused on the day's price fluctuations.

Whenever you do decide to buy, remember you have picked your buy price based on solid research; you will almost certainly not be able to predict the bottom of the stock price; and, you're in this investment for the long term.

6. YOUR ANTIFRAGILE PORTFOLIO

The key to building a portfolio that will withstand the regular fluctuations of the market and one-off Events – an antifragile portfolio, to use Nassim Nicholas Taleb's teminology – is patience. Think of yourself as a hunter stalking its prey, waiting for the price to be right on your handful of wishlist companies. Your companies all have durable moats, meaning they can not only withstand, but likely actually benefit from, Events. The companies are antifragile because they will come back stronger than ever. So, until the price comes down, wait in cash and be ready to take action when the chaos hits. Just don't hesitate and think, "Maybe I should wait even longer for the price to fall even lower."

So, how much to invest in each company? A good rule of thumb is to put 10% of your investment portfolio in each company, but that's just a guideline. Either way, have a plan for what order you will buy your wishlist in if the whole market goes down at once. And, when it comes to deciding where to start, Buffett would say, "Buy your favorite," because that's the company you have spent the most time thinking about.

One of Buffett's biggest secrets to lowering risk and raising overall return is buying companies that, over time, reduce the amount he has invested in them by sending him some of their free cash flow – in other words, dividends. Ideally, you will get all of your money back through dividends. However, companies are under a great deal of pressure to keep the dividends paying out, no matter what; and sometimes that is not the best use of their funds. Don't buy based on whether a company pays a regular dividend, but rather on whether management is using its free cash wisely.

One tactic to use is to buy in tranches or slices. When your target company price hits your buying level, buy 25% of what your total purchase aim is for the company; when the price goes down more, buy the next 25%, and so on. This helps to alleviate your fear of what happens if the price keeps falling after you buy. Just remember that the aim is to buy and hold for the long term.

WHEN TO SELL

Do not plan on selling your company unless its story changes – perhaps its moat is breached by a fundamental shift in the industry, a major new technological invention, or management turning into traitors to the stakeholders (debt rises, ROIC starts dropping, etc.). The story inversion exercise that you went through before putting the company on your wishlist will give you clues as to what might wreck the company and cause you to sell.

Keep track of the company's story through its annual report and shareholders meeting; regular reading of the business news; and periodic checks on what your favorite investment gurus are doing. Keep an eye on the overall market by checking the Shiller P/E and the Wilshire GDP. And finally, keep doing the research to find potential new wishlist companies.

As you start to build your investing practice, you will get more adept at doing the research, finding the information, running the numbers, and making decisions. You'll start to see the world around you through the eyes of an investor, not just a passive consumer. You will gain new insights into your thoughts about money and new confidence in your ability to ride out the inevitable next market crash.

Photo by Annie Spratt on Unsplash

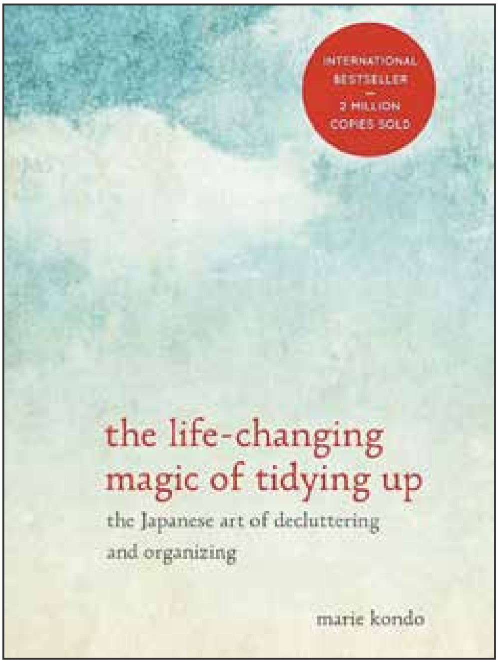
The Life-Changing Magic of Tidying: The Japanese Art of Decluttering and Organizing

By: **MARIE KONDO**

You get home from a long day, but somehow home does not make you feel relaxed. Just looking at the messy living room or crammed closets makes you feel even more tired, and the need to tidy up feels like an exhausting and endless chore. Or, perhaps it's your office that makes you anxious, piles of papers and clutter that make it hard to focus or to find what you need to get things done.

A tidy and organized home will make you more productive and energized at work. Marie Kondo's approach, the KonMari Method, shows you how to literally put your life in order. Forget doing a little every day or one room at a time; forget buying the latest fancy storage system or pushing everything into boxes that just keep piling up. This summary will show you how to tackle everything in one go, systematically working through your possessions and deciding for each item whether to throw it away or keep it, based on whether it brings you joy. Once you have purged yourself of the excess, then decide where to put the things you keep.

At the end of this process you will have discovered how to free yourself of being overly-attached to the past and how to face the future without fear.



SUMMARY

Tidying up should not be a daily chore. By systematically sorting through all of your possessions at once and choosing to keep only that which brings you joy, you can declutter your home or office, lighten the burden of your possessions, and bring clarity to your living space and your whole life. The key is to tackle your possessions one category at a time and to first decide what to throw away. Start with your clothes, then move on to books and papers, followed by household items; tackle sentimental items and keepsakes last of all. Once you have reduced your possessions to only those things that you speak to your heart, you can then find a place for everything. The result: you will have put your house in order and with it your own self and your career.

LEARNING HOW TO TIDY

We all spend time tidying our homes, even though no-one has ever taught us how. And, we all find that, a short time after tidying up, our space has become messy and disorganized again. You may assume it's because you are an inherently lazy or messy person – but the truth is, we are none of us really aware of how we deal with our possessions or of the right way to tidy effectively.

Getting in the right frame of mind about tidying won't just give you a neat and clean home; as you go through the process, you will put your own affairs and your past in order, too. The KonMari Method is about developing the right mindset to create order in your life.

A LITTLE A DAY DOESN'T WORK

Most people's approach to tidying their home is to do a little a day – tidy up a particular corner, a table, a closet. But, in a very short time, the clutter has rebounded. It seems that tidying is a never-ending process; you're always exhausted from the effort, but you never have a truly tidy home.

A room gets cluttered because you, the person living or working in it, have allowed it to get that way. And, maybe you've allowed the clutter to build up because it's a distraction from whatever is really bothering you in life. A clean and uncluttered room leaves you with no choice but to examine your inner state of mind. Once you start tidying – really tidying – you can reset your life.

There is plenty of advice that says to start off slowly, tidy just a little at a time, throw away one item a day, don't aim for perfection. But, for many of us who like to do assignments on the last day, right before the deadline, this just does not work. You'll end up acquiring new things faster than you can discard and organize the old things. If you only clean up half-heartedly it will never get done.

In fact, you should aim for perfection right away – which is not as daunting as it sounds. There are really only two steps involved: decide whether or not to throw something away, and then decide where to put it. These are really quite simple steps, and if you implement them you will get to perfection. Put your house in order quickly and methodically, so you can get on with establishing the lifestyle you really want.

THE STORAGE MYTH

Magazines are full of articles and advertisements touting the latest and best storage solution. But, no storage method is going to really solve the problem of how to get rid of the clutter. They are only a superficial answer. You end up spending enormous amounts of time and energy putting things away, but very quickly the shelves and bins and boxes are full to overflowing. So, you go out and get the next must-have storage solution and start all over again, moving the piles of stuff from one set of boxes to another.

In fact, the storage 'solution' is a myth. No amount of storage will help if you don't start the process by first throwing things away.

TIDY BY CATEGORY

Most people tidy up by location – first the bedroom, then the living room, and so on. This is a fatal mistake! You'll start cleaning out a shelf in the living room and find yourself tackling the same kind of items as you saw two days ago in the drawer in the bedroom. The fact is, we often store the same type of item in more than one place.

The only effective way to tidy is to do it by category – clothes today, books tomorrow, and so on. This is the only way you can truly grasp just how much stuff you have. Once you have everything in the category gathered together at once, then you can actually start to discard what you no longer need.

ONE SIMPLE APPROACH

Discard first, then put away. That's the whole secret to the KonMari Method, and it's an approach that works for everyone. There is a whole section of the de-cluttering industry that says people should tidy according to their personality type, using different approaches depending on whether you are a lazy person, a very picky person, a very busy person, and so on. Are you a 'can't throw it away' person or a 'can't put it back' person?

Really however, we are all a combination of personality types and whatever the reason for the clutter in your home, the way to tackle it is the same for everyone. Throw away, then decide where to put away.

TIDYING AS A SPECIAL EVENT

Make tidying a special event, not something you do every day. Using something and putting it back in its place will always be a part of your everyday life; here, we're talking about a special event, the once-in-a-lifetime task of putting your home, and so your life, in order. You only have to decide where to put things once. After that, it will be easy to always put things back where they belong, on a daily basis.

THROW IT AWAY!

Start by visualizing your destination, what you want to achieve by tidying – not general ideas like 'I want to be able to put things away,' but a really concrete visualization of the lifestyle you are aiming for. Make notes, if it helps. Once you have a clear sense of this ideal lifestyle, identify why you want to live this way. For example, if your lifestyle aim includes 'being able to do yoga before bedtime' ask yourself why – is it to relax? To lose weight? Keep asking yourself 'why' as you build up your image of where it is you want to be. Soon, you will realize that what you are aiming for is to be happy.

Once you have answered all these questions and have this visualization clear in your mind, then it is time to start.

DOES IT SPARK JOY?

The first step in tidying up is to throw things away. But, how do you decide what to discard and what to keep? You could start with throwing away anything broken; or, anything that is out of date; or, anything you haven't used for one year. The problem with these approaches is that you end up focusing on how to choose what to throw away, not on the objects themselves. What you should really focus on is choosing what to keep.

The best way to choose what to keep and what to discard is to take each item in your hand and ask, 'Does this spark joy?' If it does, keep it. If not, throw it out. Try it: when you hold something that sparks joy, your whole body reacts in a positive way. You don't want to wear clothes you don't like, or to surround yourself at home with objects that don't bring you happiness.

Using what sparks joy as your yardstick for choosing, you can now tackle your belongings by category.

CATEGORIES

As we've already noted, tidying up by location does not work; you have to go by category. Start with the easiest category to make decisions about, which is clothes. Gradually work through categories such as books, papers, household items, and so on. Leave the toughest categories – sentimental items and keepsakes – until last.

Gather every single item in the category into one place. Take the time to really scour every room, closet, and corner in your home and lay everything out in one spot. If needs be, work through subcategories – if you have too many clothes for one big heap, start with tops, then bottoms, then accessories, and so on.

Don't forget the dormant things, the items that have been pushed away into the back of a drawer or stored out of sight in boxes. Only by exposing them all to the light of day will you be able to feel if they spark joy and should be kept.

TACKLE YOUR OWN STUFF

If you live with other people, don't throw their things away! This is just common sense and courtesy. But, it is also important to realize that your family members will never be able to get their own lives in order if you try to do it for them. Everyone needs to deal with their own stuff. Even if you are frustrated by living with messy people, ignore their stuff and focus on your own. As you work through the process of gathering, choosing, and discarding, you will likely influence the people you live with to start doing the same.

Do not let your family see what you are deciding to throw away – they don't need to be burdened with your clutter, they have their own to deal with! This is not to say that you shouldn't pass along anything that someone else can genuinely use, just don't burden your family with things you feel uncomfortable throwing away.

TIDYING AS MEDITATION

You are tackling an important once-in-a-lifetime task. It is essential to create a quiet space in which to evaluate the things in your life. Turn off the TV. If you need background noise to relax, pick some ambient music with no lyrics or strong melodies, so you can really listen to your inner dialogue about these possessions. And, start early in the day, when your mind is clear.

Sometimes, you will come across items that you can't bring yourself to discard, even when they don't inspire joy. Your rational mind gets in the way and you start to worry about being wasteful. This is why it is important to consider each item with care. Think about this object's true purpose in your life. Has it already fulfilled its role? Throwing away something that has outlived its purpose is not wasteful.

The process of assessing how you feel about all the things in your life, expressing gratitude to the ones that have fulfilled their purpose and bidding them farewell, is really about examining your own inner life. It is a rite of passage to a new life.

TIDY BY CATEGORY

To make this rite of passage as fun and effective as possible, arm yourself with lots of trash bags and work through everything in order, starting with the easiest category, clothes.

CLOTHES FIRST

Gather absolutely every item of your clothing from every corner and cupboard of your home. You probably have far more clothes that you realize! So, to tackle this first category in the most efficient way, work through these subcategories, in order:

- Tops (shirts, sweaters, etc.)
- Bottoms (trousers, skirts, etc.)

- Clothes that should be hung (jackets, coats, suits)
- Socks
- Underwear
- Handbags
- Accessories (scarves, belts, hats, etc.)
- Specific event clothes (swimsuits, uniforms, etc.)
- Shoes

Remember to decide what to keep based on whether it sparks joy; pick them as if you were identifying items you love from a display in your favorite store. Don't fall into the trap of saying, "Well, I can keep it to just wear around the house." If it does not make you happy, it gets thrown out.

You will probably find you have reduced your clothing pile by at least half. Now, you get to decide where and how to put it all away. The temptation is to hang as many things as possible, assuming that is easier than folding things and putting them in a drawer. Not so! Hanging clothes takes up more space than folding. More to the point, when you fold clothes you have to handle each piece. This process of handling is a mini-meditation all of its own, transferring positive energy from your hands to each item. It's an act of caring that also allows you to smooth out wrinkles.

HOW TO FOLD

Start by visualizing what the drawer will look like when you are done. The key is to store things standing up, not lying flat, folding each item into a compact rectangle, so you can see every item at a glance. This may sound like it will make the clothes more wrinkled but in fact, stacking clothes one atop another in a pile is what causes the wrinkles.

Fold each lengthwise side of the garment towards the center and tuck the sleeves in, to make a rectangular shape. Next, fold one end of the rectangle toward the other. Then fold again, in halves or thirds depending on the size of the garment. You may have to make multiple folds to get something that will stand upright. You are aiming for something that, when standing on edge, fits the height of the drawer. Thin, soft material can be folded tightly into something very small; fluffy material takes less folding.

ORGANIZING HANGERS

Some clothes should not be folded, of course, but hung up: coats, suits, jackets, skirts, and dresses. You can also hang anything highly tailored or made from flimsy fabrics that protest at being folded.

Hang clothes in the same category side-by-side – suits with suits, jackets with jackets, and so on.

Arrange your hanging clothes so that they 'rise to the right,' meaning dark, long, and/or heavy items to the left, rising to shorter, thinner, lighter colored items to the right. By category this would mean the darkest coats on the far left, then dresses, jackets, trousers, skirts, and the lightest blouses on the far right.

ABOUT TIGHTS AND SOCKS

To fold your tights or pantyhose, lay the toes on top of each other and fold the tights in half lengthwise; then fold into thirds, making sure the toes are tucked inside; finally, roll up toward the waistband. You'll end up with something like a sushi roll than can be stored on end, with the swirl visible.

Socks follow the same principle: one on top of the other, with the number of folds dependent on the length of the socks, until you have a simple rectangle that can be stored on edge.

NO SEASONAL STORAGE!

In Japan, in June, people traditionally pack away all their winter clothes into storage and pull out all their summer clothes; reversing the process every October when the summer clothes are packed away. The process is called koromagae; but, with the advent of air conditioning and indoor heat, it's a waste of time to do this every year. Tidy and arrange everything, all at once, so you can always see where everything is, and don't suddenly find yourself wanting a t-shirt on an unusually warm day in early November!

BOOKS

The next category to tackle is books, and as with clothes it's important to start by gathering them all in one place. Yes, all of them! You can't decide what you really want to keep if you're looking at the spines of books on bookcases. They each need to be picked up, handled, and decided upon. If you really have too many books to put them all in one big heap then, as with clothes, divide them into four broad categories:

- General (the ones you read for pleasure)
- Practical (cookbooks, references, etc.)
- Visual (photograph collections, etc.)
- Magazines

UNREAD BOOKS

We often hold onto books saying, "I'll read it eventually," or, "I might want to read it again." But, how many books have you actually read more than once? As with clothes, stop and think about each book and what purpose it serves in your life. If there's a book you've been meaning to read for a long time, chances are you never will – let it go.

HALL OF FAME BOOKS

There will be some books that you absolutely feel the need to keep, your own personal hall of fame. You will know these books as soon as you pick them up; you will likely never get rid of them. There are others that may not quite be in your all-time hall of fame, but right now, they come close. Hang onto them, too, at least for now.

The hardest category is the books that gave you moderate pleasure and that think you might want to read again – but ask yourself if you really will. The moment to read a book is when you first encounter it. After that, it's time to move on.

PAPERS

Next up is papers. Not the sentimental kind like old letters, but the annoying kind that tends to gather all over the house or office in drifts and piles, folders and drawers. The general rule of thumb is to throw out all of them, except for three categories:

- Currently in use
- Needed for a limited period of time
- Must be kept indefinitely

Divide your papers into those to be saved and those to be dealt with. The ones to be dealt with must all go into one spot – never let them spread all over the house or office – and aim to keep that spot empty. If there are papers building up in your to-be-dealt-with box, that means there are things left undone in your life that need attention.

At home, put all of the papers that must be saved indefinitely but are rarely actually used, like insurance policies, guarantees, and leases, into one clear plastic folder. In your office, you may need a drawer for such things, but be sure to keep them all in one location.

Put all of the papers that must be looked at more frequently at home into the book-like pages of another clear, plastic folder. Don't bother with any more sub-categorizing than this; the trick is to store them in a way that is easy to access and read. The same is true in the office; keep frequently-used papers in clear folders in an easily-accessible spot, so you don't waste time trying to find things.

PROBLEM PAPERS

What about the difficult papers that are hard to categorize? Odds are, whether at home or at work, you don't need them.

Study guides and course materials: The temptation is to keep them, but if you got what you needed from the course, you no longer need the materials. Discard!

Credit card statements, used check books, and pay slips: Once you've checked them and used them for any accounting purposes, throw them away. Their purpose is done.

Warranties and manuals: Throw out the manuals – if you ever really need to know something about your appliance, you'll be able to find the solution on line. As for the warranties, store them all together in one clear folder, and if you ever need to flip through to find one you can use that as an opportunity to toss all the ones that have expired since the last time you looked in there.

Greeting cards: Keep only the ones that spark joy. Otherwise, their purpose is done; throw them away.

<u>KOMONO</u>

The Japanese term for 'miscellaneous items' is komono. Every home is full of them – odds and ends, large and small, that you hang onto 'just because.' Discarding and tidying komono can be daunting because there is just so much of it; the best way to tackle it all is in order of subcategories, as follows:

- CDs and DVDs
- Skincare products
- Make-up
- Accessories
- Valuables (like passports and credit cards)
- Electrical equipment (including cords)
- Household items (stationary, writing materials, sewing kits, etc.)
- Household supplies that are expendable (medicine, detergent, tissues, etc.)
- Kitchen goods and food supplies
- Other

This order works best, as you start with more personal items and clearly defined content. Work your way up to 'other.'

Small change: Don't put it into a piggy bank or bag; put it straight into your wallet or purse so it actually gets spent.

Gifts: Don't feel obliged to keep anything that does not bring you joy. The purpose of a present is to be received; its purpose is done, you can discard.

Unidentified cords: Only keep the ones you can identify and know you will use. It's easier and quicker to buy a new one if needed that to spend time digging through a tangle of unidentified cords.

Appliance boxes: You may think you'll use them again; you won't. If you need boxes for moving, you can find them elsewhere when the time comes. Discard these empty boxes that are taking up space; including all the packaging your mobile phone came in.

Broken appliances: If you haven't fixed it yet, you're not going to. Throw it away.

Spare bedding: Unless you have regular guests, keeping all that bedding 'just in case' is a waste of space.

KEEPSAKES AND PHOTOS

These are the hardest things to discard; but precious memories won't vanish if you discard the objects associated with them. It's important to live in the present, to feel the joy and excitement of living in the here-and-now. And, don't send boxes 'home' to your parents; they'll never be opened again and now your parents are burdened with your clutter.

As you handle each sentimental item and decide what to keep, you're really processing your past. If you leave everything stuffed away in a box, your past becomes a burden taking up space and weighing you down.

The very last item you should tackle is photographs. After working through all the other categories, this one will be easier, but it will take some time. Take all of your photos out of their albums and their boxes and look at them one by one. It's the only way to tell which ones touch your heart. Unexciting pictures of scenery or multiple pictures of the same event can be thrown away. It's more meaningful to keep a small number of photos that you will actually look at from time to time, than many photos that will just get shut away in a box or album and forgotten.

Children's mementoes are also hard to discard. If there are things that truly bring you joy – a picture, a note, something they made – then by all means keep them. But, your grown children's feelings won't be hurt if you discard all the things that no longer bring you joy. Don't treasure the objects; treasure the memories that have made you the person you have become.

REDUCE UNTIL IT CLICKS

When it comes to discarding, how much is enough? The point is different for everyone, but eventually you will reach a place where you suddenly know this is what is right for you, an aha! moment where it feels like everything just clicked into place. Once you get to this spot, you will find that the amount you own will not start to increase again.

Forget numerical goals ('I will keep only ten blouses') or precise targets ('throw way anything you haven't used in two years') and follow your intuition. Only you can know what brings you joy – which is why it is so important to identify how you feel about every item you own.

A PLACE FOR EVERYTHING

The final step in this process is to designate a specific spot for everything you own. Without it, things will start to multiply, and your space will become cluttered again. This may seem difficult, but it's actually much easier than deciding what to keep and what to discard. By now, you've reduced your belongings to maybe a third of what you had to begin with; finding a place for what is left will be easy if you keep things simple.

KEEP IT TOGETHER

The KonMari Method has two simple storage rules: store all items of the same type in the same place, and don't scatter storage space. If you live with other people, make sure everyone has their own separate storage space, so that items don't end up scattered all over the house.

Start by storing your own things before you move onto communal items for the household. Don't focus on where it's easiest to retrieve items from, but rather on where it is easiest to put them away. If it's too much effort to put things away, clutter will quickly build up again. It is also best to keep all storage in one spot – that makes it easier for lazy people (which is most of us) to put things away.

It is more important to know what you have than to worry about things like flow or frequency of use. It should be easy to tell at a glance what is in every cupboard, box, or drawer. Store everything similar in the same place or in proximity. This is applicable in your office space, too.

THINK VERTICAL AND KEEP IT SIMPLE

Don't pile things one atop another: you'll end up constantly adding stuff to the top of the pile; it becomes more and more difficult to get at things on the bottom of the pile; and eventually you'll forget what is down there. Always try standing things vertically – clothes, papers, books, even the items in the fridge.

The most useful storage items are just drawers and boxes – clear plastic ones (so you know what's inside) or simple cardboard ones – and some baskets. Instead of buying fancy drawer and shelf dividers, use empty shoe boxes (the lids make useful trays, too) or, for smaller items, the boxes that many Apple products come in.

STORING BAGS

Handbags, totes, and other bags take up a lot of space when they're empty, so store them inside each other. Put the same type of bags together in a set, make sure the straps dangle outside so you know which bag is where, then line them up in a cupboard or closet where you can see them.

It's a good idea to unpack your handbag or briefcase every day, and make sure there is a specific place for the things you take out. This way, you don't lose track of important items and clutter doesn't build up inside.

USE THE CUPBOARDS

Wherever possible, store things in cupboards, not on the floor. Put the rarely-used and seasonal items in the hardest-to-reach spot. Keep clothes in drawers rather than boxes, so that you can find them easily.

Keep the bath and the kitchen sink clear. Putting the shampoo away after a quick wipe dry with the towel makes it easier to clean the tub and helps prevent slime build-up. Keep the kitchen counter clear for food preparation; put the salt and pepper away in a cupboard.

UNPACK IMMEDIATELY

When you buy something new, especially clothes, take it out of the packaging immediately and throw the excess away. And, avoid the temptation to 'stock up' on certain items; buy only what you need.

A cupboard full of items still in the packaging is not only full of excess stuff it also assaults you with excess information from all the words printed on the boxes and bags, every time you open the door. Keep your storage spaces clear and comfortable, too.

By giving your possessions a place where they belong, you are appreciating them properly, creating an atmosphere of calm and purpose in your home.

TRANSFORMATIONS

The things we truly care about tend not to change over time. By putting your home in order, you are really taking stock and discovering what is most important to you, something that will translate into all aspects of your life. If you surround yourself only with the possessions that you love, they will give you the confidence that you will be alright. Ultimately, you will discover that letting go is far more important than adding.

There are two reasons for not being able to let something go: attachment to the past or fear of the future. If you come across something that doesn't bring you joy, but you just can't bear the thought of throwing it away, stop and ask yourself why. Soon you will realize that you are either overly attached to the past, afraid of the future, or some combination of the two.

You can keep putting off facing your fears, perhaps forever, or you can face them now. Take an honest look at your possessions, identify what is important to you, let go of what burdens you, and you can move forward with confidence and enthusiasm. The sooner you put your house in order, the better, for your peace of mind and for your career.

When you learn how to identify and discard what you don't need, you stop abdicating responsibility for decision making to other people. Your mindset has changed; you can decide for yourself what is the best way forward.

HONOR YOUR HOME

When you return home at the end of the day, greet your house! Be aware of the space you inhabit, not just the possessions that are in it. Tidying is really about restoring balance among people, their possessions, and the place where they live.

The process of tidying has a detoxifying effect on the house, which carries over to the people who live in that space. The air in a tidied house feels fresher; there is less dust accumulating; it is easier to keep the place clean.

When your living environment is organized in a way that feels comfortable and welcoming, you will feel more energized and happy. There is no greater happiness than to be surrounded by things than bring you joy; it is the simplest way to contentment.

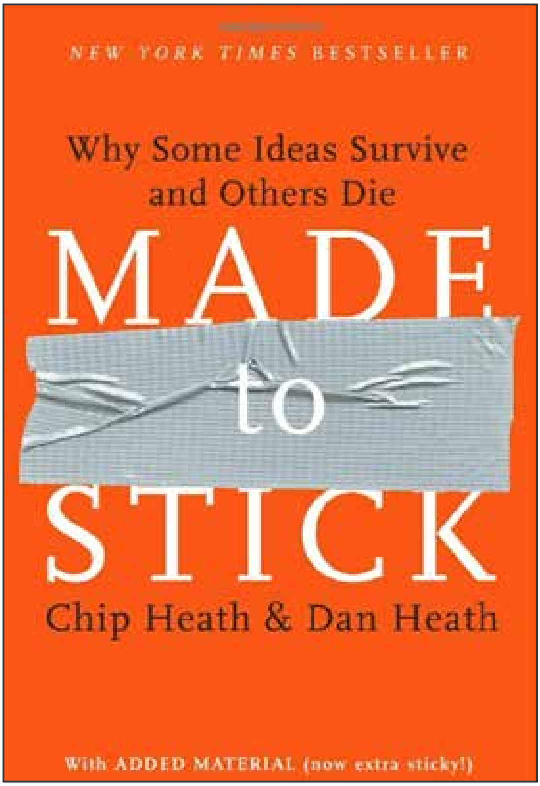
Once you have undertaken this one-off process of tidying, all you will need to do going forward is to choose what to keep and what to discard and to care for the things you do keep.

Humans can only truly cherish a limited number of things at once. Pour your own energy into what brings you the most joy, your mission in life.

Made to Stick Why Some Ideas Survive and Others Die

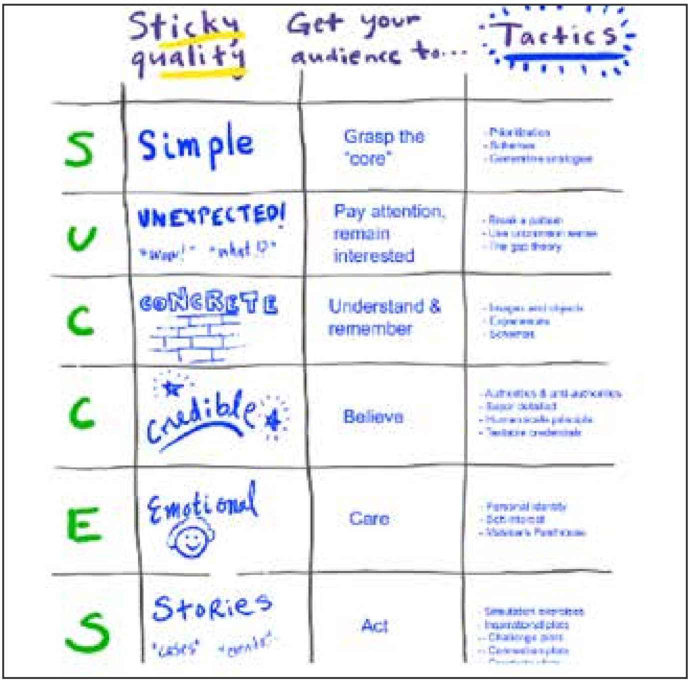
By: **CHIP HEATH, DAN HEATH**

Do you feel that your ideas lose momentum quickly? You can use the tactics in this book to make your ideas "sticky." Sticky ideas are those that "are understood and remembered, and have a lasting impact – they change your audience's opinion or behavior." Sticky ideas have six traits. They are simple, unexpected, concrete, credible, emotional, and told as stories, and this summary covers the counterintuitive and well-researched tactics for transforming your ideas so that they stick. Learn why simple does not mean "dumbed down." Understand how unexpected is more than a gimmicky surprise and the ways to not just capture but hold your audience's interest. Hear about how making ideas concrete can help others collaborate on them rather than disengage. Find out how to load your messages with credibility without expert endorsement. Get others to care about your ideas by making them emotional, even for an audience that is far from sappy. And finally, get insight into the best way to tell a story so that others will be inspired to act.



SUMMARY

The six qualities of sticky ideas are simple, unexpected, concrete, credible, emotional, and story-like. A simple message design is core and compact, like a proverb. It communicates profound insights in few words. Tactics for making your messages simple include using prioritization, taking advantage of schemas, and putting generative analogies into play. Ideas are unexpected when they introduce the element of surprise, yet keep one's interest. Ways to make your ideas unexpected include breaking a pattern, pushing to uncommon sense, and using the gap theory. The gap theory relies on the premise that people want to know more about something when they realize they are lacking in knowledge. Communicating concretely helps people understand and collaborate on your ideas. Using images, language, and objects, creating experiences, and taking advantage of schemas can be helpful here. All the prior qualities don't matter if people don't believe your message, so credibility is important. Credibility can come from authorities or anti-authorities. It can also be conveyed through using details, the human scale principle, or testable credentials. By making your ideas emotional, you can get people to care about them. The best ways to do this are to appeal to self-interest and personal identity. Last, telling stories supplies simulation and inspiration, and greatly increases the likelihood that people will act.



SIMPLE

"People are tempted to tell you everything, with perfect accuracy, right up front, when they should be giving you just enough info to be useful, then a little more, then a little more."

The foundation of a sticky idea is a concept that has been made simple. This does not mean merely "dumbing something down" by using easier or fewer words. Saying less is important, but in addition to making your ideas "compact," they should also be profound, or focused on the "core." Sticky messages that meet the "simple" criteria share an insightful perspective or truth in as few words as possible. This helps others understand and latch on to what you are trying to say. If you're not able to communicate the essence of the idea in plain words, then the idea probably still falls short of the "simple" criteria.

WHERE "SIMPLE" HAS WORKED

Let's look at a few ways that simple, sticky, ideas have been used to great success.

COMMANDER'S INTENT

The U.S. military has a history and reputation of a regimented chain-of-command. The meticulously outlined plans dictate the fate of thousands. But there's a reason the term "fog of war" also exists. Sure, a plan sounds good at the outset, but it is impossible to build in contingencies to account for real life: weather, unexpected maneuvers, damage to equipment or transportation. More importantly, who could recall those contingencies during a dangerous and chaotic war zone?

How has the U.S. military solved this issue? By creating simple, sticky messages. In addition to creating detailed plans, they also craft a message that communicates the core objectives of the detailed planning. This is called the "Commander's Intent." The Commander's Intent, or the "CI," shares the core objective of the plan so that individuals can still move forward with attempting to accomplish the overall goal even when they are inevitably deterred from the original plan due to unforeseeable circumstances.

"Commander's Intent manages to align the behavior of soldiers at all levels without requiring play-by-play instructions from their leaders. When people know the desired destination, they're free to improvise, as needed, in arriving there."

Take this example of a CI: "Break the will of the enemy in the Southeast region." There are many ways to break the will of the enemy in the Southeast region, ways that are likely laid out initially in a detailed action plan by the Commander and his team. But, as the efforts begin, it is impossible to know what might occur. The Commander's Intent is a perfect example of "simple," because it is core and compact. It is short, but it says a lot. It can be used by many throughout the chain-of-command to know what to do when the plan becomes irrelevant. The Commander's Intent holds its power because it is simple. And simple is sticky.

THE LOW-FARE AIRLINE

Southwest Airlines has a reputation for creating a fun, light-hearted work environment and atmosphere for travelers. But when asked what the "secret to running the company" is, Herb Kelleher, the long-tenured CEO, replied, "We are THE low-fare airline. Once you understand that fact, you can make any decision about this company's future as well as I can." This simple message - "We are THE low-fare airline," is perhaps not what the outsider would have expected as Southwest Airline's guiding principle. Yet, it is effective because it is not coupled with vision-speak about creating a jolly work culture and experience for flyers. Yes, that aspect of the company's vision is important, but not as important as relentlessly cutting costs and using a "budget" mentality, at least according to Herb Kelleher. What is perhaps less well known about Southwest is that, while competitors in the airline industry struggle to retain slim margins, Southwest has managed to be profitable for over thirty years. Herb Kelleher enabled profitability by defining success not as an experience that feels good for employees and passengers, but instead as making money. Southwest Airlines has created a "Commander's Intent" for the organization.

As a result, employees throughout the company have clear direction to guide and prioritize their decision-making. Made to Stick shares the specific example of a marketing staffer who surveyed customers on how to improve the flight experience. She shares the results with senior management: They want a light Caesar salad in place of the peanuts currently served. Kelleher provides the response:

"Will adding that chicken Caesar salad make us THE low-far airline...Because if it doesn't help us become the unchallenged low-fare airline, we're not serving any d*** chicken salad."

The Southwest example of Commander's Intent is memorable because it is clearly the result of relentless prioritization on behalf of senior executives. Rather than weighing multiple directions simultaneously (i.e., "fun experience" and "low-fare airline"), senior leadership has made it clear which they should choose. And the resulting financial success speaks for itself.

HOW TO MAKE YOUR IDEAS SIMPLE

Making your ideas simple and sticky is not as easy as it seems, but it's worth the effort because of the way it beautifully applies to any corporate, professional or organizational context. In explaining why Commander's Intent is used in the military, Colonel Tom Kolditz says:

"No plan survives contact with the enemy."

This is not just applicable for those with military aspirations. Likewise, "No sales plan survives contact with the customer." "No lesson plan survives contact with teenagers." We don't have to be in the fog of war to need messages that are simple in order to stick. Here are some ways to do that.

APPLY THE COMMANDER'S INTENT

One way that the military reaches its Commander's Intent for a mission after much detailed planning is asking the question, "If we do nothing else during tomorrow's mission, we must ______," or "The single, most important thing that we must do tomorrow is ______." Let's translate this prioritization exercise to a few business situations as a thought exercise.

The single, most important function of this product is ____________.

The single, most important feeling our customers should leave our stores with is ____________.

If we do nothing else during tomorrow's meeting, we must ____________.

If we do nothing else on a customer service call, we must ____________.

Using the Commander's Intent approach can help organizations get the results they want from employees, customers, suppliers, or other stakeholders by focusing efforts and ensuring simplicity.

LEVERAGE SCHEMAS

A lesser known approach to making something simple is leveraging schemas. Schemas are a compilation of associations or memories we make with something.

Do you know what a pomelo is? Here's a description:

"A pomelo is the largest citrus fruit. The rind is very thick but soft and easy to peel away. The resulting fruit has a light yellow to coral pink flesh and can vary from juicy to slightly dry and from seductively spicy-sweet to tangy and tart." Now let's use a schema.

"A pomelo is basically a super-sized grapefruit with a very thick and soft rind."

See what happened? Schemas "...substitute something easy to think about for something difficult." Most of us already have a schema for a grapefruit. Schemas are useful because we don't live in a simple world. We live in a world of complex ideas and work environments, where distilling complicated topics and plans is very difficult. So, instead of spinning for hours and hours, trying to prioritize and mince words, think of a comparison or a metaphor (in other words, a schema) that might be able to replace a lengthy topic or passage.

CREATE GENERATIVE ANALOGIES

A third tactic to make ideas meet the "simple" criteria is using generative analogies. This is basically a twist on using schemas. The perfect example here is how Disney calls their theme park employees not "employees" but "cast members." Disney employees as cast members is a simple and sticky idea because it is core (strikes at the center of the concept), and compact (communicated succinctly). Furthermore, it is a generative analogy because it inspires numerous actions when the analogy is applied. Cast members wouldn't go on a smoke break onstage, or be seen mouthing off to the director. Likewise, all of Disneys's cast members, even those such as street sweepers, have an internal "code" for behavior throughout their day to day work. If a cast member wouldn't do something or act a certain way, neither should they.

The next chapter of Made to Stick covers the second quality of sticky ideas – they are unexpected.

UNEXPECTED

"We can't succeed if our messages don't break through the clutter to get people's attention. Furthermore, our messages are usually complex enough that we won't succeed if we can't keep people's attention."

The second quality of a sticky idea is one that is unexpected. Two distinct challenges are part of this trait. First, it is important to get the audience's attention with an unexpected surprise, but taking care not to have the surprise be too hokey or in poor taste. Second, we must hold one's attention by sustaining their interest in the topic.

WHERE "UNEXPECTED" HAS WORKED

Creating the element of surprise calls for walking a fine line between pleasantly clever and distasteful. The main tactics to do this are "breaking a pattern" and pushing through common sense to "uncommon sense." While capturing attention through surprise is important, perhaps more difficult is retaining the audience's attention through generating interest. You can generate interest by creating a sense of mystery and leveraging the "gap theory." That is, teasing your audience with information that they do not yet know so that they'll want to learn more. Let's first look at some best in class examples of utilizing the "surprise" component of "unexpected."

<u>SURPRISE</u>

The Enclave minivan

This case study highlights a television commercial for an Enclave minivan. The viewer sees the minivan transporting a family in a typical neighborhood. Three siblings and their parents are on the way home from what looks like football practice. Suddenly, the car enters an intersection and is violently hit by another car running a light. It is a dramatic and catastrophic collision and scene.

There actually is no Enclave minivan. The commercial was sponsored by the Ad Council and the U.S. Department of Transportation and is meant to promote the use of seatbelts. The commercial uses the tactic of breaking a pattern in order to incorporate the element of surprise and unexpectedness. Our schemas expect a minivan commercial to progress in a specific way. Instead, we are jarringly shocked at the unexpected event of the tragic collision. It is not something one is soon to forget. This is one of the most basic ways to surprise someone. Instead of what usually comes next, break the pattern and introduce an unexpected event.

Super Bowl wolves

When architecting the unexpected element of our message, we should be sure not to make them too weird. A “jack in the box” vision for your surprise is not the best approach. During the Super Bowl in 2000, there was a commercial which showed a high school marching band entering a football field in preparation for a performance. Shortly thereafter, the commercial shows hungry wolves tearing on to the field and attacking the band members. This was in poor taste, because the product the commercial was intending to sell had absolutely no connection to the wolves and the terrifying scene. The only purpose the hungry wolves played was to serve as an unexpected surprise to jolt the viewer to attention.

Instead, the surprise should be directly connected to the simple (core and compact) message. The “Enclave” commercial works because the surprise of the traffic accident is in relation to the need to buckle up. The Super Bowl wolves likely just left a lot of people scratching their heads. Avoiding “gimmickry” and “out-there” methods of surprise that have no connection to the main point is best.

Push to uncommon sense – Names, names, names

How else should one think about creating surprise? One way is to challenge yourself to go beyond common sense to uncommon sense. In other words, if the core message on its face appears straightforward or expected, take it just one step further to illustrate the extent of what you mean. This is pushing common sense to uncommon sense.

The Daily Record in Dunn, North Carolina has the highest “rate of penetration” of any local newspaper in the United States. It’s actually at 112%, which means that some households get more than one paper! The secret to the Daily Record’s success is the publisher’s unceasing mantra- “Names, names, names.” While also being an outstanding example of a simple message, the publisher, Hoover Adams, also employs the “push to uncommon sense” tactic with this core message.

Many people understand “names, names, names” to mean that the newspaper’s primary focus should be on local news and local people, a mission not unheard of for a local publication. What is unexpected about Adams’ message, however, is that he means much more than that. He truly means that the paper should publish as many names of individual people as possible. “Names, names, names” isn’t just a memorable way of saying “focus on local news.” It literally means what it says. Hoover explains, “If I could, I’d publish pages from the phone book to get names. In fact, if I could gather up enough names I’d hire more typesetters to lay out more pages so they’d fit.” It is when Adams took the message down an unexpected path of implications that his message was truly surprising.

<u>INTEREST</u>

Saturn’s rings

The next challenge in making ideas and messages unexpected is keeping them interesting. Just as using schemas to make complicated topics simple was necessary due to the complex nature of the topics, so too is this tactic crucial because of the need to explain multiple components of multi-layered ideas and concepts. The field of science is a good example to use in this case.

Robert Cialdini, a university professor and social psychologist, was on a quest to make his scientific lectures and the overall way he spoke about science and research more interesting. He analyzed volumes of scientific articles that were all specifically written for non-scientific audiences. The main consistency he found among them was that they introduced their respective topics in the context of a mystery. He says, "…the most successful of these pieces all began with a mystery story. The authors described a state of affairs that seemed to make no sense and then invited the reader into the material.

Cialdini recalls that one of the more striking and interesting pieces was written by an astronomer telling the tale of the "puzzle" of Saturn's rings. The predicament was that three independent scientists, all reputable and at elite institutions, claimed that they knew what Saturn's rings were made of. The problem was that they all said different things – one gas, one dust, and one ice crystals. It turns out the answer was actually dust covered in ice. But that is beside the point. The point is that, by making this densely scientific topic into a mystery, "…that writer had me turning pages like a speed-reader," says Cialdini. By structuring any piece of information or communication in a similar way, it's possible to keep the attention of your audiences as well.

NBC Sports

The final way to keep your audience rapt and make what you have to say "stickier" is by applying the "gap theory." The theory here is that people don't care to hear more about what they don't understand. If it's altogether new or foreign, it's hard to get people invested in what you have to say. The "gap theory" builds on the research of George Loewenstein, a behavioral economist, who claimed that people want to know more about something when they realize they are lacking in knowledge.

"Our tendency is to tell people the facts. First, though, they must realize that they need these facts. The trick to convincing people that they need our message, according to Loewenstein, is to first highlight some specific knowledge that they're missing."

A key nuance to Loewenstein's research is that the more we know, the more we become aware of what we don't know, and therefore the more curious we become at resolving that gap. A young, twenty-nine year old staffer at ABC Sports in the 1960s was operating in this vein when he wrote a three page memo for senior executives, pitching ways to improve coverage of college football. The staffer, Roone Arledge, would go on to become the head of ABC Sports and ABC News and found the Wide World of Sports, Monday Night Football, 20/20, and Nightline. Though his successes came prior to Loewenstein's research, Arledge's thesis of how to engage viewers in sports games they may not otherwise care about is in line with the gap theory.

Whereas before coverage focused on the narrow lens of the game itself, Arledge's approach was to "bring the viewer to the game," not the "game to the viewer." He prioritized broadcasting things like the history of team rivals, fans tailgating, the hype of the game within the college town, and the overall feel of game day. In summary, he theorized that providing the context around the game would draw viewers into the game itself and make them aware of a "gap" in their knowledge. His approach was clearly a success.

HOW TO MAKE YOUR IDEAS UNEXPECTED

Several tactics for the trait of "unexpected" can be applied to our own lives. If we want to get someone's surprise, break a pattern in a way that is unexpected, yet clever at the same time. Also, be sure to push from common sense to uncommon sense. When explaining that all printed materials should be formatted according to the company's brand standards, use an unexpected example that will stick. "We take brand standards seriously here, and we mean it. If a toilet goes down, even that "Out of Order" sign better be in the right font and colors." Lastly, use the "gap theory" and the concept of a mystery story to keep your audience interested to fully hear you out. Say you work in supply chain and are pitching to a supervisor the reasons for switching to a more costly supplier for a specific component of the product due to repeated failures of the mechanism. Instead of starting with the economics of why this would result in fewer products returned and replaced, introduce it as a mystery – "Why were customers returning our product so frequently?"

Breaking a pattern, pushing through to uncommon sense, and applying the gap theory can all help your ideas become more unexpected, and therefore more sticky.

CONCRETE

"Concreteness creates a shared 'turf' on which people can collaborate. Everybody in the room feels comfortable that they're tackling the same challenge."

Making things concrete implies that we should stop talking and writing in the abstract, and start using words that reflect real life, in the concrete. If someone is attempting to share a topic with others, it's most likely that he or she is very knowledgeable about the topic. With extensive knowledge often comes the use of abstract, technical language, or buzz words. This makes it much harder for concepts to be understood and remembered, and even harder for two or more people to engage together on the topic due to a lack of shared understanding. So, making ideas more concrete both improves others' recall and also fosters a sense of teamwork and collaboration due to enabling a common language around the concrete image.

WHERE "CONCRETE" HAS WORKED

UNDERSTAND AND REMEMBER

Sour grapes

This chapter in Made to Stick begins with the re-telling of one of Aesop's fables "The Fox and the Grapes." (The fox assumes the grapes are sour because he cannot reach them and is disappointed). This is a story that has withstood the test of time not only because it relates a truth that resonates, but also because of its use of simple imagery – a fox, an orchard, grapes, a hot summer day. Anyone can picture it. Contrast that with the dense lingo, jargon, and – even worse – acronyms that abound in today's corporate world, and it is clear to see how we can get through a presentation and be staring at blank faces without a clue what was just said. We'll see a few modern-day examples of how others made their ideas concrete and sticky, and then offer a few pointers of how to apply it yourself.

The Nature Conservatory's landscape celebrities

The Nature Conservatory is a non-profit organization that raises money to protect vulnerable environments. In 2002, it began facing a challenge of how to make donors really understand what their money was going to and feel compelled to give. Their previous approach – "bucks and acres" – literally allowed donors to purchase acres of land outright, and therefore guarantee its preservation. As the Nature Conservatory struggled to protect more land, they realized that they couldn't buy it all and instead needed to fund certain protections against it. This was much less tangible for donors.

So, they took a creative approach of making these quantities of land more concrete. They invented "landscapes," not the word, but the way that it applied to their goals. Instead of setting goals in terms of "number of acres protected," they set out to protect fifty "landscapes." It was much easier to have a conversation with a donor about the "Mount Hamilton Wilderness" (a set of brown hills to the east of Silicon Valley) than "those brown hills." By inventing these names and calling them landscapes, they made this concept much more concrete for donors and inspired more giving. Making something concrete when it otherwise wouldn't be is one way to help others understand and remember your ideas.

COLLABORATION

The Ferraris go to Disney

As mentioned previously, making ideas concrete can also increase the odds that others will have an easier time collaborating on them or discussing them together. This is important for stickiness, because a message can't travel if others can't discuss it with one another.

HP wanted to establish a venture with Disney wherein Disney would use their technology as part of the user experience in the parks. In order to impress the Disney executives and get them to sign, HP hired an independent consulting firm to help them get their message across. The firm took their pitch to the next level, and made it concrete.

Instead of a PowerPoint presentation or something similar, the consultants created a life-size, interactive exhibit about a fictional family called the "Ferraris." The exhibit was set in the Ferraris's home, and displayed actual technology throughout that featured how their Disney experience had been enhanced by HP's technology. Because of the concreteness of the exhibit, it was a hit. Those at both HP and Disney could not stop talking about it. Because there was something so tangible between them, it made it much easier to have a discussion about and collaborate on the possibilities. News of the display spread like wildfire and it remained up much longer than originally planned due to the excitement.

HOW TO MAKE YOUR IDEAS CONCRETE

THE MAROON PORTFOLIO

Making ideas more concrete and tangible is something anyone can do. Made to Stick shares the example of a young man pitching his idea for a notebook computer to a prestigious venture capital firm. The firm ended up investing millions of dollars in his idea. But the young man, Jerry Kaplan, began the meeting convinced it was going to be a train wreck.

While waiting for his turn in the board room, Kaplan saw every other entrepreneur begin their presentation in a crisp suit, prepared with their extensive business plan in hand. He realized that he, in contrast, had come ostensibly unprepared, with only his maroon leather portfolio and a pad of paper in hand. He began his presentation by sharing the gist of his idea – a personal, portable computer that could store information and perform tasks on the go. In the midst of an awkward silence, he risked a theatrical approach that ended up being the key to his success, due to its ability to make his idea concrete and an object of collaboration. Kaplan recounts, "I tossed my maroon leather case in the air. It sailed to the center of the table where it landed with a loud clap. 'Gentlemen, here is a model of the next step in the computer revolution.'"

Kaplan describes the interactions that followed this gesture as, "It had been magically transformed from a stationary-store accessory into a symbol of the future of technology." He describes the senior partners and experts beginning a collaborative thought exercise with his portfolio as the centerpiece. They debated how much information a computer of that size could store, its possible functions and capabilities. It was by taking his abstract, futuristic idea, and making it concrete that Kaplan was able to capture the attention of the venture capital partners in a way that the previous entrepreneurs with their slick presentations hadn't. "It changed their attitude from reactive and critical to active and creative." Providing something concrete opens peoples' attitudes and minds in a way that keeping ideas in the abstract keeps closed.

This is a tactic to consider employing when we are trying to help our ideas and strategies go the extra mile. What about selecting an object or item that embodies the qualities you wish to inspire among your team for a period of time? Major world religions use this ubiquitously (e.g., a crucifix or statue of Buddha). Perhaps your motivational speech about the need to untangle foreign market regulation in the next quarter would be better remembered if it were accompanied by a globe on display. Making something tangible can make all the difference between something people are excited to talk about and work together on, and something people avoid or ignore.

SADDLEBACK SAM

Rick Warren's megachurch, Saddleback Church, in California, is a bustling operation. It has countless ministries and no doubt a very large budget to support its many activities in the community and beyond. However, it is at its core a church, and is always looking to bring on new members and help serve their spiritual needs.

Saddleback Church is not just any church, however. It has over 50,000 members. What enabled this success? Of course there are many pieces to the puzzle, but undoubtedly one of the components is Saddleback's ability to be clear-eyed and concrete about its target "audience." "Over the years, the church's leaders have created a detailed picture of the kind of person they're trying to reach. They call him 'Saddleback Sam.'" Saddleback Sam isn't just a nice nickname. It is an entire fictional person, fleshed out to the very last detail. "His age is late thirties or early forties. He has a college degree and may have an advanced degree…Surveys show that Sam likes his job, he likes where he lives, and he thinks he's enjoying life more now than he was five years ago." The description goes on. Saddleback Church has learned how to harness the power of concreteness to help them grow their church and offer relevant ministries. Now, instead of every idea being subject to anyone and everyone's opinions, it is put in front of only one: Saddleback Sam. By describing him in the concrete, it is possible to extrapolate what "Saddleback Sam" would think of any given event or decision. Just as we have seen with the previous qualities of sticky ideas described, something concrete has the power to be digested by and influence the decisions of many varied decision-makers.

One clear application for those wishing to make their ideas more concrete and stickier could be to do this same exercise for your customer base. Perhaps you have a few segments you are trying to reach and not just one "Saddleback Sam." Go ahead and create a persona for that customer. You might be surprised at how much more easily and intuitively it is to make decisions when you have your customer in the conference room with you, at least in the fictional sense.

CREDIBLE

"We can't route our memos through people's mothers to add credibility."

Credibility is another key to creating or spotting sticky ideas. The idea has to be believable to be remembered and shared with others, or else it is easy to dismiss. For those who aren't experts or who don't have expert endorsement, there are a few creative ways to enhance the credibility of ideas.

WHERE "CREDIBILITY" HAS WORKED

PAM LAFFIN, THE ANTI-AUTHORITY

A powerful way to appear credible is to invoke authorities. This is also one of the more straightforward approaches. Made to Stick relates the example of an urban legend that took off under the claim that bananas from Costa Rica were spreading flesh-eating bacteria. The emails claimed stamps of approval from the FDA, the Manheim Research Institute, the Center for Disease Control, and other institutions. Though that email was a ruse and lie, it still stands that the more you can tie prestigious brands and institutions to your idea, it is more likely that others will find you credible. What about the concept of "anti-authority," or, someone who would on the face of it have no apparent value in supporting the cause?

Pam Laffin was hired to be the face of the anti-smoking campaigns of the mid-1990s. She is the perfect example of the anti-authority because she is at the same time both an average person and someone who couldn't be in a more perfect position to convince others to give up cigarette smoking. At the time that she began speaking on behalf of the campaign, she was a twenty-nine year old mother who had begun smoking at age ten. Ultimately, she would pass away at age thirty-one as a result of her smoking, but not before becoming an extremely effective spokespersons about the dangers of smoking. Ms. Laffin is an anti-authority because she does not come with any fancy credentials or research studies to her name. Instead, she brings real-life experience with the topic at hand. She is relatable and people will believe her because, unlike the authorities, she is like me and you – an anti-authority.

THE DANCING 73-YEAR-OLD

A lesser-known tactic for enhancing credibility is to use lots of convincing details. There are studies that have shown that providing more detail, even where irrelevant to your argument at hand, makes others more likely to believe your case.

The Liz Lerman Dance Exchange (LLDE) was participating in a conference designed to help certain non-profits hone in on their core mission and values. When it was LLDE's chance to share their draft mission statement, they claimed "diversity" as a core value, but was met with much skepticism from other participants in the conference. The others thought LLDE was just saying nice words and under-appreciating their value.

LLDE managed to silence its critics by using a convincing detail. They shared the identity of one of their longest members. Thomas Dwyer "is a seventy-three year old man…he came to the LLDE after a full career working for the U.S. government…

and had no previous dance experience." Being able to quickly and fluently highlight the small but robust detail was a huge point of credibility for LLDE among its fellow organizations. They were persuaded that LLDE did indeed have diversity as a core value

NUCLEAR WARHEAD BB'S

Credibility can also be easily gained through a basic awareness of the human scale principle. The basic premise is that things can be much more easily intuited if they are illustrated in terms that a human can relate to. The goal of the 1980s organization Beyond War was to raise awareness and the public outcry against nuclear weapons. They would go door to door with their case, hoping to spread awareness and gain support. One of their key challenges was helping people believe and make sense of the important detail of the number of nuclear weapons currently in existence. The number – 5,000 – was one that people certainly understood to be large, but was not on a scale that was easily internalized.

So, they brainstormed ways to make this credible statistic more accessible. They brought along a few props to their house calls, specifically a metal bucket and some BBs. First, they dropped one BB into the bucket and asked people to visualize that single BB as the Hiroshima bomb, describing the utter destruction that single bomb wrought. One BB representing a single nuclear bomb is a scale that people could visually and audibly sense. Then, they proceeded to pour 5,000 BBs into the metal bucket. "'This is the world's current arsenal of nuclear weapons'…The noise was startling, even terrifying…'The roar of the BBs went on and on.'"

This demonstration helps drive home the point that, "Statistics are rarely meaningful in and of themselves. Statistics will, and should, almost always be used to illustrate a relationship. It's more important for people to remember the relationship than the number." When enhancing the credibility of our arguments or messages by weaving in important statistics, it's important not to lose sight of this fact, and make an effort to highlight the relationships the statistics give color to.

NBA ROOKIE ORIENTATION

The last tactic for making your ideas more credible is to create experiences where people who are skeptical of your claim actually try out and are themselves convinced through "testing" your claim. This is called "testable credentials."

In the 1980 presidential debate, Ronald Reagan employed this tactic when seeking to prove the need for a new candidate (himself) instead of re-electing Jimmy Carter for a second term. "Are you better off now than you were four years ago?" Rather than trying to convince his audience with the statistics of the country's supposed deterioration under Carter, Reagan asked the audience to ask themselves whether the statistics were true, given their personal experience.

Another striking example of this in action was the NBA's effort to teach rookies about the dangers of sexual transmitted diseases, especially given the attention they would receive as new basketball stars. They essentially planted actresses in the hotel bar where the rookie orientation was being held. Unknowingly, the rookies exchanged contact information and plans with the attractive women at the bar. The next day, it was revealed that the women were plants, and that they were in fact HIV positive. We can imagine how much more the NBA's message about avoiding STDs rung true for those who had been duped by the experience. They are probably much more likely to agree that the NBA has a credible case in warning them against the dangers they will face in their new career.

HOW TO MAKE YOUR IDEAS CREDIBLE

In addition to invoking authorities or "anti-authorities" (those who have no formal credentials, but are believable due to their deep experiences), there are several other tactics you can employ when trying to enhance the credibility of your ideas. Of course, if possible it is usually beneficial to cite a trusted authority or thought leader. But, giving a platform to those who speak from experience might resonate just as deeply. In addition, adding specific details that support the most vulnerable areas of your argument can also be an effective way of deflecting skepticism. And, speaking or illustrating things on a "human scale" is also important in getting others to believe you, especially if part of your case relates to numbers or statistics. And lastly, maybe one of the most effective ways at getting people to believe you is for them to see for themselves. There is no teacher quite like experience.

EMOTIONAL

"Belief counts for a lot, but belief isn't enough. For people to take action, they have to care."

Even if someone is presented with a simple idea, is unexpected by it, can understand it because it's concrete and believe it because it's credible, there is no guarantee that the idea will be "sticky," because there are no guarantees that your audiences cares at all. That is why making your ideas emotional is so important. Getting people to care through emotion is the key to helping sticky ideas spread.

WHERE "EMOTIONAL" HAS WORKED

<u>THE GREATEST COPYWRITER OF ALL TIME</u>

One way of getting people to care about what you have to say is quite frank – tell them what's in it for them. One of the most successful copywriters of all time was a man by the name of John Caples. His job was to write leads for mail-order advertising, a method of advertising that could track which specific ad had generated a sale. In this way, he could perfect his language and know exactly what would get people to care. The overwhelming trend was towards messages that highlighted self-interest. Caples explains, "The most frequent reason for unsuccessful advertising is advertisers who are so full of their own accomplishments (the world's best seed!)

that they forget to tell us why we should buy (the world's best lawn!)." Consider a few of Caple's storied leads: You Can Laugh at Money Worries if You Follow This Simple Plan; The Secret of How to Be Taller; Retire at 55

What is interesting is that it may not necessarily be the benefit itself that is drawing us in. Made to Stick details several studies that illustrate that people were more likely to buy a product when they could imagine themselves enjoying it. It wasn't necessarily a gigantic benefit, or one they had always dreamed of. "This finding suggests that it may be the tangibility, rather than the magnitude, of the benefits that makes people care." So, helping people through exercises where they can imagine themselves receiving a benefit may help them to care more than trying to meet their every exact need.

Maslow's Pyramid is a framework for understanding different needs and wants that are part of the human experience. For example, "self-actualization – realizing our own potential, self-fulfillment, peak experiences" is near the top, while "security – protection, safety, and stability" is near the bottom. Again, studies showed a surprising finding. When asked to identify benefits that appeal to themselves, people chose benefits that met the needs on relatively high levels of the pyramid. For example, saying that a $1,000 bonus mattered to them because of its signal that the company valued their contributions to the company. On the contrary, when asked why they thought the bonus would be appealing to others, they largely chose reasons like its ability to be used towards home improvements, or providing security for emergency cases. "In other words, a lot of us think everyone else is living in Maslow's basement – we may have the penthouse apartment, but everyone else is living below."

Therefore, appealing to self-interest can take a more straightforward form (e.g., using "you") or a more thoughtful approach – appealing to someone's sense of self and personal and professional goals.

TEXAN TRUCK DRIVERS

A second way to get people to care is to tap into their sense of identity and exert a "peer pressure" tactic of sorts. Some interesting research on voting behavior shows that people, contrary to common sense, do not vote in their self-interest. They don't vote for policies that would benefit their particular tax bracket or move forward legislation that would enhance their personal situation. Instead, studies have shown that people vote based on identity – how they think someone "like themselves" should vote. "In forming [political] opinions, people seem to ask not 'What's in it for me?' but rather, 'What's in it for my group?"

In the 1980s, the state of Texas hired outside consultants to help them figure out how to decrease litter on the highways. It was becoming a costly and unsightly problem, and was perpetrated by many, a large portion of whom were truck drivers. The state knew that a traditional anti-litter campaign would not work for this demographic. Appealing to sympathetic emotions by persuading the truck drivers to care for the environment was not going to work.

It may be helpful to remind ourselves of the goal of making our ideas "emotional" – to get others to care. It is not just for emotion's sake, and we cannot forget the wide swath of emotions that others experience. In this case, the campaign was designed to play on the identity of the many littering truck drivers. The consultants designed a campaign that leveraged a cadre of famous Texan men who also met the loose criteria of those whom a truck driver would identify with. This included primarily athletes and country music stars, all of whom were from Texas. These men appeared in short adds whose gist was to come down hard on litterers using the catchphrase "Don't mess with Texas." The result was a 72% decrease in visible roadside litter in Texas in the five years after the campaign.

HOW TO MAKE YOUR IDEAS EMOTIONAL

It will work in your favor to make your ideas appeal to others' emotions, because if they emotionally connect with an idea, they are more likely to care about it, which motivates action.

Try to weave self-interest in your communications. Tell them what's in it for them, not what you hope they will be impressed about in your idea or yourself. One trick is to more frequently use the word "you." This can create the subtle difference between an abstract claim and something that hits home. And, tell them what's in it for them in a way that helps them visualize the benefit tangibly. Remember, it's not necessarily how impressive the benefit is, it's how well the audience can imagine themselves experiencing it.

And, as you are enumerating the benefits to appeal to the audience's self-interest, keep in mind that everyone else isn't at the bottom of Maslow's Pyramid. Many people may be more likely to be motivated by higher-order rewards such as professional development or mentorship opportunities rather than that weekend trip to an exotic destination or a cash prize.

STORIES

"The story's power, then, is twofold: It provides simulation (knowledge about how to act) and inspiration (motivation to act)."

The last trait to consider when planning to deliver messages that stick is the concept of "stories." When ideas are conveyed in story format, it is more likely that others will act as a result of the tale due to two reasons. First, while listening to stories being told, our mind and body automatically go through a mental rehearsal. When we feel even the slightest that we too have experienced something (due to this simulation), it's more likely that the story will stick with us. The second reason stories are an effective method of communication is because of their potential to provide inspiration to the listener. When someone is inspired, they are more likely to act as a result. And by getting people to act on our idea, we are inherently helping it to spread and to "stick."

WHERE "STORIES" HAVE WORKED

XEROX REPAIRMEN

Take the scene of a group of Xerox copier repairmen eating lunch together. One of them has recently encountered a complex problem in a printer. He engages in "shop talk" at the lunch table. And, apart from being interesting to his fellow repairmen, it is also a way for them to learn and rehearse how they would have responded if it had been them who encountered the issue. After sharing all the dead ends he went down and the misleading signals he followed, the repairman shares that the issue was finally resolved. Whether they realize it or not, his fellow repairmen listeners are probably much more likely to be able to solve a similar issue themselves than if a corporate memo had been issued with the directive of how to resolve the issue.

Since they had listened in to the series of steps as a story, they themselves had mentally gone through the motions and it was engrained in their memory more tightly. Mental stimulation is effective because, when we hear someone detail an experience or walk us through the steps they took, scientific studies have shown that the same location in the brain is stimulated as it would be if we were actually participating in the physical activity itself.

PLOTS TO INSPIRE

The second way that stories are helpful in the sense of stickiness is that they have the power to be incredibly inspirational. After analyzing scores of inspirational stories, three main plots emerged for stories that are meant to inspire. Any of them can be employed to draw a little inspiration from your reader or listener.

Challenge Plots

The Challenge plot can be summarized in the prototypical David and Goliath tale. A smaller, apparently weaker protagonist is faced with a seemingly insurmountable obstacle. But somehow, he or she ends up heroic, mustering enough bravery and fortitude to outsmart, outlast, or overpower the opponent. We are inspired by Challenge plots because we see a little bit of ourselves in the underdog. We listen to the story and want to be better ourselves. We have more strength and energy to conquer our own challenges. Using Challenge plots in telling stories can help them stick, because it can inspire people to act as a result of your tale.

Connection Plots

Connection plots are used in stories that have relationships as their focus. They detail the arc of the meaningful connections humans make with one another, especially when the connection is unlikely. This human connection can take the form of goodwill and kindness (the Good Samaritan), romance (Romeo and Juliet), or friendship. Just as we are inspired with challenge plots to face the setbacks in our own life with grit and determination, connection plots motivate us to be better social beings and citizens. “They make us want to help others, be more tolerant of others, work with others, love others.” If you are trying to inspire your audience to take an altruistic or loving action, consider going with a Connection plot.

Creativity Plots

The last of the three inspirational plots is the Creativity plot. This is similar to the “Challenge plot,” but more directly focuses on “someone making a mental breakthrough, solving a long-standing puzzle, or attacking a problem in an innovative way.” The Creativity plot is the backbone behind the MacGyver series.

A short example comes from employees at the corporation Ingersoll-Rand. One day, frustrated with the long time span required to get a new product approved, the company launched a new group whose goal was to create a new product in under a year, a quarter of the time it typically took. For this new product, they needed to know whether a new product material was as durable as the existing material. Instead of waiting months and months for the lab testing, they solved the problem in a creative and scrappy way. They tied samples of each of the materials to the bumper of a car and drove around an empty parking lot, dragging the materials behind them until authorities asked them to leave. The materials held up similarly, and the decision had been made.

Creativity plots propel us forward with new energy around our own ability to be innovative. It is particularly motivating for those facing mental challenges or for those who feel trapped in the same old method of doing things. Creativity plots give a light at the end of the tunnel, illuminating new ways of doing things accomplished by everyday individuals.

HOW TO USE STORIES

So how can these insights about stories being “simulations” and inspirational be applied to our lives and goals? Just a few of the scenarios where stories could be leveraged include the following. When conducting employee training or introducing a new effort that will require large scale behavioral change, trying using a story because of its value as a simulation. Perhaps when forming a new team or in a merger situation where employees are coming together, weave in Connection plots to inspire them to remember the value of unity rather than division. If kicking off a creative or strategic effort to answer a deep-rooted organizational issue, consider telling a Creativity plot to inspire the team to persevere despite the past history.

Along with the five other qualities of a sticky idea or message, stories can be used in any situation where the goal is for the audience to understand, remember, believe, care about, and act on what you are trying to communicate.

Antifragile: Things That Gain from Disorder

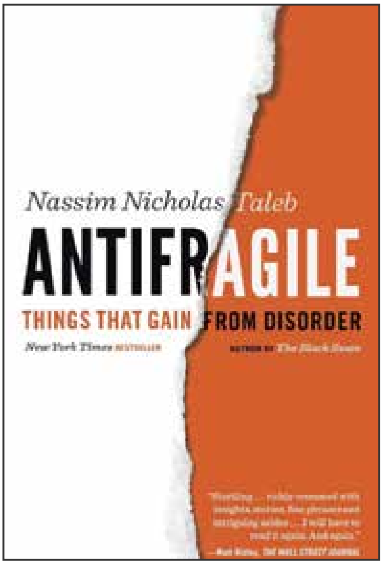
By: **NASSIM NICHOLAS TALEB**

Have you seen great ideas or apparently-solid organizations fail because of some random event or unexpected shock? Does your organization spend significant resources on trying to avoid volatility or uncertainty? What if shocks, volatility, and uncertainty were actually what your ideas or organization need in order to really take off? This summary shows how the key to thriving is not avoiding stress but embracing the concept of 'antifragility.'

The antifragile is the opposite of fragile; it is something that loves randomness and uncertainty and is strengthened by a shock. Antifragility is inherent in all the natural and complex systems that survived over time. Our modern civilization is intent on damping down volatility and randomness and avoiding stressors; but once we grasp the importance of antifragility, we realize that our modern approach actually causes harm.

Suppressing volatility and randomness in our economy, our health, our education, or our political life makes those systems more fragile. Without stressors, complex systems become weak and even die.

Black Swans—large, irregular, and unpredictable events—are what makes history. We cannot predict them, but we can determine which object or system is more fragile to Black Swans than another. The fragile systems are the ones that do not like volatility, randomness, errors or stressors.



Modern society assumes that anything can be 'fixed,' but most of the time it is better to leave well alone. Socioeconomic life and the human body can actually be harmed by intervention, leaving the whole more fragile to shocks and uncertainty. Often, the best course of action is to ignore the noise from too much data, and let time take care of the problem.

One of the worst aspects of modern society is the way that fragility and antifragility get transferred from one group to another, usually with one side getting all the benefits and the other getting all the harm.

SUMMARY

1. INTRODUCING ANTIFRAGILITY

Most people assume that the opposite of "fragile" is "robust," or some similar word implying resilient; but resilient items do not change or improve. In fact, there is no word for the opposite of fragile—the best we can come up with is something like "unharmed." Instead, let's use the word "antifragile." The resilient resists shocks but stays essentially the same, while the antifragile gets better after a shock; it loves randomness and uncertainty. Anything that has more upside than downside from a random event or certain type of shock is antifragile; fragile is the opposite.

Consider the Hydra, a monster in Greek mythology with numerous heads. Whenever one head was chopped off, two would grow back. That is the essence of antifragility: something that likes a certain type of harm and even thrives because of it. Another example that gets us part of the way to this notion of antifragile is the ancient king Mithridates, who protected himself from assassination by ingesting ever-stronger doses of poison. It's the principle that underlies vaccination. The idea is that sometimes systems need stressors in order to grow and thrive.

Antifragility is an inherent aspect of all those natural and complex systems that have survived; so, if we deprive such systems of volatility, randomness, and stressors, we will actually harm them. Suppressing volatility and randomness in our economy, our health, our education, or our political life makes those systems more fragile. Without stressors, complex systems become weak and even die.

<u>THE TRIAD</u>

The fragile craves tranquility, the robust doesn't care too much, while the antifragile grows from disorder.

<u>GET INTO TROUBLE</u>

To innovate, first get into trouble. The excess energy released when you overreact to a setback, the over-compensation, is precisely what triggers innovation. It's like encouraging a horse to run faster by pitting him against a strong rival. In any system, this over-compensation builds extra capacity that helps the system to survive. Unlike the risk analysts who figure out how to survive the kind of bad experience that happened in the past, overcompensation is nature's way of helping a system to cope with the worst that could possibly happen—not just the bad thing that has happened.

Information is antifragile. It feeds on attempts to harm it. Consider a large corporation or government attempting to "re-instill confidence" after a crisis. When you hear that phrase, you know they are fragile, hence doomed. The information is out there and it is merciless.

Life is antifragile—up to a certain point, all living things are strengthened by stressors. (But only up to a point, too much stress can kill.) Non-living, inanimate things, however, will break when stressed. Humans seem to do best with acute stressors that act as messengers, particularly if given time to recover. They do not do well with chronic stressors like a burdensome boss, tax problems, or long daily commute—i.e., the pressures brought on by civilization. Complex systems also benefit from a certain level of stress—it's how information is communicated to the system's component parts.

Yet, our modern life tries to eradicate stressors as much as possible, thinking it will strengthen us or strengthen society. But people and societies are not washing machines that can be tinkered with and made better. In fact, the opposite is the case: without periodic acute stressors, we will be weaker, not stronger. Living things need a certain measure of randomness and disorder in order to thrive.

EVOLUTION AND ANTIFRAGILITY

Evolution can be thought of as getting stronger under harm—it loves stressors, randomness, and uncertainty. One individual may be relatively fragile, but its suffering strengthens the gene pool. If nature ran the economy and its institutions, it would not waste effort constantly bailing out every individual to help it to live forever. For evolution, the more noise and disturbances in the system, the more that reproduction of the fittest and random mutations will help to define the next generation. Of course, this is true only up to a point: a calamity that wiped out all life on earth wouldn't help the fittest to survive. Nevertheless, evolution happens when harm to an individual organism helps the species as a whole to survive.

The downside of this is that the mistakes or disasters suffered by some individuals may help the rest of us, but certainly don't help them. The sinking of the Titanic was catastrophic for its passengers, but without that disaster we would have kept building ever-larger ships and the next sinking would have been even more tragic.

Nature works in layers: smaller organisms contribute to evolution; our bodies' cells compete to survive; each cell contains proteins that compete; and so on. There is a similar kind of layering in the economy, with individuals, small firms, departments within large corporations, industries, regional economies, and the global economy. For the economy to be antifragile and evolve, individual businesses must be fragile and exposed to breaking. We can mitigate the harm that may ensue for the very weak, shielding individuals from starvation, providing social protection and above all respect. But, the fact is that government bailouts are the opposite of healthy risk-taking, by protecting the unfit. The better solution is to have a system where no one company's failure can drag others down.

RESISTING BLACK SWANS

Most of history comes from Black Swans—large-scale, irregular and unpredictable events that have huge consequences. Such events are necessary for history, technology, and knowledge. We may think, with hindsight, that we almost predicted these Black Swans, as we try to make history appear more linear, but in doing so we underestimate the role of randomness. In our modern world, with all its technological complexity, the role of Black Swans is actually increasing, even as we insist that we are better at predicting and even avoiding such events. Understanding antifragility will make us less fearful of Black Swans.

We cannot say for certain that a particular shock or event will happen, but we can determine which object or structure is more fragile than another, if the event were to occur. Instead of talking about risks, we should be talking about this notion of fragility: that which does not like volatility, randomness, errors or stressors.

We must also talk about 'fragilistas,' that category of people who mistake the unknown for the nonexistent, who overestimate the reach of scientific knowledge, and who pride themselves on being 'rational.' A medical fragilista is someone who underestimates the body's ability to heal itself; a policy fragilista thinks the economy is a machine that can be tinkered with and 'fixed'; and a financial fragilista is someone who forces onto the banking system risk models that end up destroying that system.

2. DENIAL AND MODERNITY

Artisans, taxi drivers, and dentists have volatility in their income but are relatively robust to the kind of Black Swan that would stop all of their income. Employees, on the other hand, have no such volatility but their income can disappear after one phone call from HR. A small mistake gives a self-employed person valuable information that helps her to adapt; an employee's small mistake becomes part of her permanent employment record.

The word "volatility" comes from the Latin volare, meaning "to fly." When we deprive political and other systems of volatility, through some misguided attempt at intervention, we harm them and prevent them from really taking off.

THE LEVANT AND THE NATION STATE

The northern Levant, roughly the area that today comprises northern Syria and Lebanon, was for thousands of years a prosperous region, dominated by traders. Then came the two World Wars, which split the region between two nation sates, Syria and Lebanon. A few decades later the Baath Party arose in Syria, embarking on a 'modernization' program that meant centralization and statist laws, replacing the ancient trading hubs or souks with modern office buildings. The trading families left (for places like New York or California) and cities like Aleppo plunged into decline. Meanwhile, Lebanon spiraled into civil war as rival factions armed themselves and the state did nothing.

Nation states are not new (there was a brief example in ancient Egypt) but for much of history empires such as the Roman or the Ottoman dominated. Empires thrive by allowing local elites to prosper and to conserve some effective local autonomy. Even Europe, before the creations of the states of Germany and Italy, was in a constant state of tension, with shifting alliances and conflicts between small states and city-states. The nineteenth century creation of nation states led directly to the two wars of the twentieth century. The modern system of nation states may mean fewer acts of violent conflict, but when wars do erupt they are far more destructive. In the long run, a messy locally-led confederation will be more stable than a centralized system.

RANDOMNESS (UP TO A POINT) RULES

Variation can act as a purge: periodic small forest fires help to cleanse the system of flammable material. Similarly, the longer a financial market goes without any trauma, the worst it will be once one finally hits. A bit of confusion now and then helps to make the overall system stronger.

When volatility and randomness are artificially suppressed, not only does the system become more fragile, it exhibits no visible risks—so when the inevitable happens, the shock is even worse. Think about the government of Egypt before the riots of 2011: it had been supported for four decades by the United States "to avoid chaos." Preventing the noise made the problem worse in the long run.

THE PROBLEM WITH MODERNITY

At the core of our notion of modernity is the idea that more intervention is a good thing, that anything can and should be "fixed." Instead, consider the notion of iatrogenics, literally that which is "caused by the healer" (iatros being healer in Greek). A classic example is the old practice of bloodletting as a way of healing people, something that certainly caused more harm than good in most cases. Whenever we have unnecessary intervention, we have iatrogenics—causing harm while trying to help.

In the modern world, this happens most often in socioeconomic life and in the human body. State intervention ends up causing fragility and a deeper crisis once it happens. Think of Alan Greenspan and his pre-2007 interventionist attempts to "smooth out the boom-bust cycle," which hid problems under the carpet and caused a bigger economic shock.

Sometimes, intervention is necessary and desirable: the problem is with naïve interventionism that thinks it is making things better and does not recognize the harm it is causing. It's usually good to intervene to control things like size or speed. But often, the best course is not to intervene at all. Unfortunately, the modern world does not recognize this. Managers don't get rewarded for all the times they did not unnecessarily intervene.

The modern world introduces a lot of noisy data into our lives—which can cause too much intervention in a classic case of iatrogenics. Often, the best course of action is to ignore the noise and let time take care of the problem.

PREDICTION, SCHMEDICTION

We assume that more data will help us predict events—but large events, particularly major political upheavals, cannot be predicted. Prediction and forecasting are modern phenomena, and they are not neutral. In fact, forecasting can be downright injurious, as bad as bleeding people who are ill. We can predict the movement of the planets, but we cannot accurately predict revolutions, crises, or the size of budget deficits.

Social, economic, and cultural life all lie in the Black Swan domain, where there is a limit to knowledge that can never be reached.

3. A DIFFERENT WORLD VIEW

Consider the case of Tony DiBenedetto, or "Fat Tony," who grew up in Brooklyn, moved to New Jersey, and is a smeller of fragility. He believes that nerds, administrators, and especially bankers, are suckers. Before 2007 he knew that some kind of crisis was coming, and he bet against it. As a result, he made a bundle. He did not believe in predictions, but he made big bucks predicting that some people—the professional predictors—would go bust. Fat Tony identifies fragilities, makes a bet on the collapse of that fragile system, collects big, then has lunch.

SENECA AND THE STOICS

The Stoic philosopher Seneca lived a couple thousand years before Fat Tony. The Stoics advocated a certain indifference to fate. After a setback of any kind, Seneca would say, "I lost nothing." He was not fragile to decisions made by fate. Seneca knew that success increases fragility; having possessions make you worry about losing them. So, he would go through a mental exercise where he would write off all his possessions, so that if he did lose them, he would not feel it. He still preferred wealth; he just sought to make himself antifragile to its loss.

The first step to increasing antifragility is to decrease your exposure to negative Black Swans and to let natural antifragility work by itself. This brings us to the notion of the barbell, something with two extremes that are kept separate, with avoidance of the middle. In other words, aim for a combination of maximally safe at one end and maximally speculative at the other, while avoiding the fragile middle. A good illustration of this is the tradition in French literature of writers looking for a not-very-challenging sinecure to pay the bills, while freeing up time to pursue their creative calling. Einstein working at the Patent Office while developing his theories is another.

4. EDUCATION VS. INNOVATION

One of our greatest errors as humans is thinking we know exactly where we are going, and assuming that others know this, too. In fact, from architecture to medicine to engineering, it is trial and error that leads to innovation. America's great asset is that it engages in trial and error; in Japan, by contrast, to fail is shameful, so people hide their errors.

NATURAL SELECTION

Nature knows how to select; about half of all embryos undergo spontaneous abortion. Nature knows it is easier to try and fail, than to aim for always creating something perfect. Silicon Valley gets this, with its mantra of "fail early." Keep what is good, ditch what is bad, and know when to take the profits. The antifragile takes the best option; the fragile has no option.

A lot of the time, outcomes that we assign to skill were really the result of exercising an option. We do need some intelligence to recognize that an option exists; that's how trial and error works, using intelligence to recognize what to keep and what to discard.

THE LIMITS OF ACADEMIA

Academics like to downplay the role of trial and error in human society and knowledge. They like to push the idea that universities generate wealth and the growth of useful knowledge. But, just because rich countries are educated does not mean that education causes wealth. It's certainly useful for the individual, and it does play some role at the national level, but educating people is not an automatic path to national wealth as many assume.

There is a big difference between doing and thinking. Thinkers hate uncertainty; become trapped in the story; and always try to understand the logic of things. Antifragile doers embrace uncertainty; use narrative for motivation but are not trapped by the story; and know that the rational thing to do is to compare two outcomes and choose the better option.

Practitioners don't write, they do. We don't put theories into practice, we create theories out of practice. That's not to say that academic science is not behind some practical technologies, but we don't have to be suckers about what academia can and cannot do.

The Industrial Revolution was not triggered by science. Rather, the main sources of knowledge and technical innovation in Britain in the nineteenth century were the hobbyist and the rector, in other words, enlightened amateurs. The Revolution was the result of technologists building technology, like John Kay inventing the flying shuttle in 1733; an empirical development based on the trial, error, and experimentation of a skilled craftsman.

All of this implies that the role of government should be to fund tinkerers and innovators, and to encourage collaboration; because who knows where the unpredictability of collaboration might lead?

5. DETECTING FRAGILITY

For something that is fragile, the more intense the shock, the more harm it delivers. If you drive your car into a wall at 50mph, it will cause more harm than if you drive it into the same wall at 5mph ten times. The cumulative effect of small shocks on something fragile is not as bad as the effect of a single, large shock. And, the more fragile something is, the more harm it will get from that single, large shock.

Small is less fragile, particularly in the world of business. Being large during difficult times is a real problem. The bigger a project, the poorer the final outcome; the bigger the project, the higher the cost of a delay as a proportion of the final budget. However, some projects can be divided into smaller pieces, such that the size of the segment matters more than the size of the overall project.

In our complex, interdependent, globalized world, Black Swan effects are increasing. A problem at one point can derail an entire venture; projects are as weak as the weakest link in their chain. The world is getting less predictable even as we rely more and more on technologies that have hard-to-estimate errors. We may think our economy is getting more efficient, but fragility means the cost of errors is much higher. On the stock exchanges, we swapped traders for computers, thinking this made for a (very small) increase in efficiency. But, when a trader makes a mistake the result is confined and distributed; when a computer makes a mistake, the impact can be wild. Remember the August 2010 "flash crash?" The whole thing was triggered by one small computer error. And, thanks to globalization, the effect of contagion is planet wide.

WHO WILL GO BUST?

Fannie Mae was a giant government-sponsored lending facility that collapsed, sticking US taxpayers with hundreds of billions of dollars in losses. Back in 2003, a journalist showed me a secret report from a Fannie Mae employee that revealed how the corporation calculated risk: a move upward in an economic variable would lead to massive losses, while a move in the opposite direction would lead to small profits. Further upward moves meant even larger additional losses, while further downward moves meant ever-smaller increments of profit. This was a clear case of acceleration of harm, on a massive scale.

I told anyone who would listen that Fannie Mae was "sitting on a barrel of dynamite"—and, by inference, so were many other institutions, such as banks.

The lesson from Fannie Mae here is to look for acceleration of harm. When every deviation from an assumed norm makes the harm significantly worse, e.g., when every increase in the unemployment rate boosts the fiscal deficit, or a firm has to borrow more and more money to stay afloat, then the situation is inherently fragile.

We can use this approach to test whether the math in an economic model is bogus: make a small change in the model's assumptions and see how big the effect is and whether it accelerates. If it does, then whoever is relying on this model is going to blow up from a Black Swan effect Fannie Mae-style.

6. SOME STUFF SHOULD BE LEFT OUT

Sometimes it is easier to describe something by saying what it is NOT rather than what it IS. Similarly, sometimes it is better to leave things out. As Steve Jobs said, "People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the 100 other good things that there are…I'm actually as proud of the things we haven't done as the things I have done. Innovation is saying no to 1,000 things."

We constantly look for more data to solve problems, but the reality is that in the social sciences, and especially in economics, tons of statistics can be instantly invalidated by one Black Swan event—an event that cannot be predicted.

THE ROLE OF TIME

Something that has survived for a long time probably serves a good purpose that our eyes and our logic may not see. (Even something antifragile will eventually break, but it should take far longer.) When we try to imagine what the future may look like we often speculate about new technologies and products but forget that we should start with the past and respect for the historical record. The notion of heuristics is important: the rules of thumb (often unwritten) that really determine survival.

There are things that perish, like humans and most objects, and there are things that are nonperishable and potentially perennial. These usually have an informational component. Technology is great, particularly when it displaces something fragile, but it is at its best when it is invisible. The most invisible technologies are usually those that have been around for the longest—and every year that passes without them being eliminated increases the likelihood that such technologies will continue to endure.

Unfortunately, information hides failures. We notice change but not things that are static. We are far more dependent on water than on cell phones, but we assume cell phones are critical because of how often they change. So, how to tell if a new idea or invention is really important? Time. Time is the one factor that will turn unnecessary noise into dust and will preserve that which is really worth preserving. A book that has been around for a decade will likely last another decade; a book that has been around for 2,000 years will continue to have staying power. Mathematics is perhaps the exception here; in math, it is immediately obvious if results have meaning. For everything else, especially in the fields of literature, finance, and economics, time is the surefire way to get rid of the overhype of the new.

FRAGILITY AND HEALTHCARE

Denying antifragility obscures the hidden costs of modern healthcare. We shouldn't need evidence of harm to assert that a particular drug or procedure is harmful. Take trans fat, a human creation: at its invention, everyone assumed that this scientifically created fat was superior to its natural counterparts: it stayed soft in the fridge, it was cheap to make, and it was assumed to be healthier than butter or lard. We were suckers: turns out, the stuff actually kills people.

Trans fat is a classic case of iatrogenics at work, causing harm while trying to help. In such a situation the benefits are usually small but visible, while the damage is large, delayed, and hidden. Every so often science comes up with a drug that "enhances performance," only to find out what any market trader can tell you: there is no such thing as a free lunch. If there were a drug that could make us feel better without any negative long-term effects, nature would probably have figured it out already.

Above all, iatrogenics leads to the conclusion that medicine and the pharma industry should focus on the really severe, high-symptom conditions and diseases. For everything else, where the patient is more-or-less healthy, pharma should leave Mother Nature to be the doctor.

Evolution proceeds thanks to undirected tinkering. Top-down science, however, does the opposite. There is often a logic to natural things that we just may not understand. After all, whatever Nature does, it has been tested over time and is rigorous until proven otherwise. Even so, we are suckers for theories and information, forgetting that human explanations change all the time. We often mistake random variability for information and act on it, intervening when we should leave well alone.

Human life expectancy has increased thanks to a combination of many factors: sanitation, antibiotics, medical intervention in life-threatening situations, and so on. On the other hand, there are a lot of diseases that have been caused by civilization: dental cavities, the impact of smoking, and most cardiovascular disease. We can add to this second list unnecessary medical interventions. We have a tendency to intervene, especially when we think we have a lot of information that we should act upon.

However, a lot of the time people would benefit more from having things taken away than from adding yet more products and procedures: if we take away sugar and refined carbohydrates, sodas, food supplements, etc., many people would benefit. Over-the-counter painkillers are another product where many would benefit from its absence: relying on these painkillers can stop someone from addressing, say, the cause of their headaches.

Interestingly, periodic food deprivation or fasting can also have a positive impact on the human body. We assume that because there is such a thing as a balanced diet, then one should always eat this balance at every meal, and that frequent meals are a good thing. But, in more primitive societies, the food supply was both varied and vulnerable. We know that the periodic stress of exercise is good for the body; why do we not realize that periodic fasting can have the same effect? There are plenty of religions that incorporate ritual fasts; maybe they're onto something.

7. FRAGILITY AND ETHICS

The worst thing about modern society is the way that fragility and antifragility get transferred from one party to another, with one side getting all the benefits and the other side unwittingly getting all the harm. In traditional societies, a person's worth depended on how much they were willing to sacrifice for others. In our society, power accrues to those who have no skin in the game. It's the difference between saints, knights, innovators, dissidents, and artists, all people with skin in the game for the sake of others; and bureaucrats, corporate suits, politicians, and businesses, who have zero skin in the game yet exercise a great deal of power. The antifragility of society depends firmly on the first set of individuals (although it must be said, they may not always be right, and some may have had a messianic fervor that ended up causing huge amounts of harm).

NO SKIN IN THE GAME

Some people have options in our society at the expense of others. Every so-called opinion-maker should have skin in the game; every forecaster and analyst should stand to lose out if people rely on their forecasts and those forecasts turn out to be wrong. It is profoundly unethical to talk without doing; if you express an opinion that may harm others, you should incur some liability for your words. In traditional societies, it is better to try and fail, with some skin in the game, than to never be exposed to the consequences of your own words or actions.

Don't ask someone for their opinion or recommendation; just ask them what they actually do or don't have in their own portfolio.

The stock market is the biggest transfer of antifragility in human history. Investments are packaged into shares, managers get to make big decisions that game the system, and they get more prestige than the entrepreneurs who are the real risk takers. The system leaves corporate managers like fund managers with plenty of incentives but no disincentives. Consider, the banking industry lost hundreds of billions of dollars, likely more than it ever made, yet individual managers till reaped billions in compensation with the bill footed by the taxpayer. Adam Smith, in his famous Wealth of Nations, understood this problem, warning that managers of other people's money cannot be expected to watch over it "with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own."

Perhaps the biggest tyranny of all, the one that really allows people to practice ethical optionality, is the large organization. Ethical optionality is where people are encouraged to fit their beliefs to actions, rather than their actions to their beliefs. There's nothing wrong with practicing a profession, but when that person goes on to try to influence others, then they are suspect; because, unlike in an ancient city state, we no longer have the penalty of shame, the ultimate punishment in ancient times for a violation of ethics. In large, complex organizations shame cannot exert discipline. The hallmark of organizational knowledge is that mistakes are made collectively, not individually; "everyone is doing it" becomes the mantra.

8. CONCLUDING THOUGHTS

To sum up this book in one phrase:

Everything gains or loses from volatility. Fragility is what loses from volatility and uncertainty.

Time is volatility. True education, the kind that forms character, likes disorder; label-driven education doesn't. Error causes some things to break, but not others;

some theories fall apart but others don't. We can detect which things like volatility and which do not.

Innovation gains from uncertainty. Distributed randomness is a necessity. Everything big or fast, the hallmarks of modernity, is short volatility. A glass is also short volatility. But, living things are long volatility.

You know you are alive because you like variation—hunger makes things taste good, effort gives meaning to results, sadness and uncertainty also come with joy and conviction. No life is ethical if it is stripped of personal risks.

Photo by Markus Spiske on Unsplash

Shoe Dog

By: **PHIL KNIGHT**

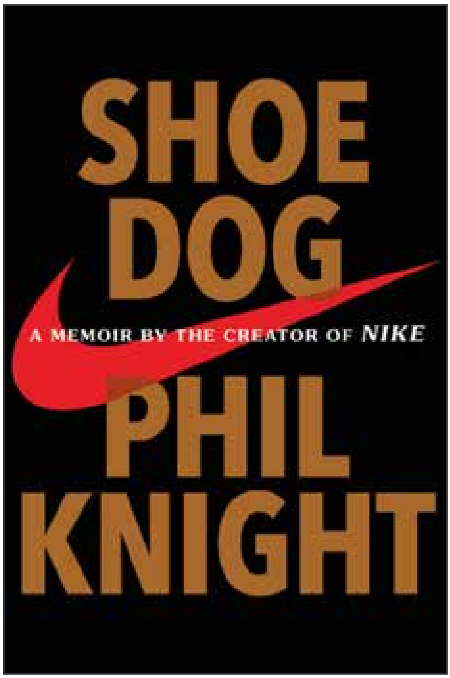
The iconic Nike sporting goods company started over 50 years ago as a 'crazy idea' in the mind of a young runner in Oregon. Shoe Dog is Phil Knight's personal memoir of the company that started with him selling running shoes he called Tigers out of the back of his car. Along the way, he learned the importance of assembling a team of brilliant, dedicated, like-minded individuals; of focusing on people before profit; and of not being afraid to stand up to challenges and face them on your own terms.

In the early days, the Nike management team, the Buttface team, identified strongly with each other and trusted each other. That spirit and ethos came to embody the entire company, where the focus has always been on the athletes and on building trust. The company's "us against the world" approach helped them to overcome some formidable challenges: losing their main Japanese supplier, solving the problem of uneven supply and excess inventory, and even taking on the government over import taxes.

Sponsoring the runner Steve Prefontaine when he was at a low point in his life gave the young company a formidable spokesman and ambassador for the brand. Deciding to maintain his memorial after his tragic death was emblematic of the people-oriented company Nike was becoming. That connection with its athletes continues to this day.

The inventions of two of Nike's iconic products—the waffle-sole running shoe and Nike Air—came from unexpected sources and went on to revolutionize the world of athletic shoes. There were disasters, too, like the much-hyped Tailwind shoe that literally tore itself to shreds. And there was controversy, particularly the allegations over the use of sweatshops in Asia.

Phil Knight and Nike turned each stumbling block into a challenge to do better, to achieve more, to keep winning the race.



SUMMARY

Today, the company that started as a 'crazy idea' in the head of a young running enthusiast in Oregon has become Nike, Inc., an iconic sporting goods company, selling shoes and clothes in thousands of stores worldwide and employing over 68,000 people. In its early days, the company was called Blue Ribbon, and comprised nothing more that Phil Knight trying to sell running shoes out of the back of his car. Called Tigers, the shoes were made at a factory in Japan, shipped out to Oregon in batches, and sold one pair at a time. The story of how Blue Ribbon became Nike, of the people Knight met along the way and the trials and tribulations they all faced, is both a personal tale of succeeding against the odds, and a case study in how to follow your dream to create something unique.

The following stories from Shoe Dog are presented from Knight's perspective.

THE BUTTFACE TEAM

In early 1964 I got my first batch of the running shoes I'd ordered from the factory in Japan: twelve pairs of beautiful, creamy white shoes with blue stripes down the sides. I sent two pairs to my old running coach at the University of Oregon, Bill Bowerman, because right then I knew that this dream of mine wasn't just about the shoes, it was about the people who were passionate about running. I needed to work with someone I could trust, someone who understood the importance of what runners put on their feet, and someone who knew me. Bowerman became my first partner, with a 49% stake in the fledgling company.

By 1976, that two-man operation had become a rapidly-growing company, and I had assembled a formidable, if eccentric, five-man management team. I think it was Jeff Johnson who coined our name: we were the Buttface team. As Johnson said, "How many multimillion dollar companies can you call out 'Hey, Buttface,' and the entire management team turns around?" We were certainly a motley crew: two morbidly obese guys, a chain-smoker, and a paralyzed guy in a wheelchair, and we sold athletic shoes? Yet we also had a great deal in common. We were mostly Oregon guys, we all had a deep-seated need to prove ourselves, and we also had a strong streak of self-loathing (which kept the egos in check). Any one of the team could claimed to be the smartest guy in the room but none of them believed it of himself or of the next guy. Years later a Harvard business professor concluded that we were lucky to have a team where more than half the members could think both tactically and strategically; in most businesses, you'd be lucky to have even one manager who could do both. I was lucky to have found four of them.

Buttface was also the name we gave to our periodic retreats in those early days—we'd reserve a bunch of cabins at an Oregon resort, and spend a couple of days shouting ourselves hoarse in a conference room. No idea was too sacred to be mocked, no person was too important to be ridiculed. I wasn't exempt: my nickname was Bucky the Bookkeeper.

It was always us against the world: the guy who had been too fat to make partner at his old firm; the one who couldn't cope in the 'normal' world of nine-to-five; the insurance lawyer who hated insurance and lawyers; and the guy who had lost the dreams of his youth in a freak accident. We were a bunch of born losers who identified with each other and who trusted each other. That was the spirit and the ethos, not just of the team but of the entire company.

This sense of "we're in it together" was the glue that kept us going through all the tough times. It also played out in a lot of other ways. For example, by 1979 we had 300 employees, and needed to move to a bigger space. But, to make sure we stayed true to who we were, the company moved the way we had always moved: all 300 employees came in on the weekend, packed up their stuff in their own cars and, with the help of beer, pizza, and some of the guys from the warehouse, caravanned down the road to the new space. We were a team and everyone pitched in.

MORE THAN JUST A BUSINESS

For some companies, it's all about pursuing profits; but for us the business was never about making money. I believe that if what you're doing ever becomes just a business, then it's a bad business. For us, it was about the athletes, and it was about trust. By 1972 Blue Ribbon had started developing a new line of shoes, called Nike, which we were trying to sell alongside the Tigers that we had been making. We had no idea how to get our customers to give these new shoes a chance; we weren't even sure they were all that good. The Tigers were a known quantity, but Nike? What was that? At a convention that year we stocked our booth with Tigers and with Nikes, and were surprised when people actually placed orders with us for the new shoes, big orders. I remember Jeff Johnson was baffled—why were buyers willing to put down money for a new, untested shoe? A representative from one of our biggest accounts laughed at Johnson and said, "You guys always shoot straight. So, if you say this new shoe, this Nike, is worth a shot, we believe." That trust was worth more than any ad campaign.

If a young person were to ask me for advice, I'd say, think about the next forty years and how you want to spend your time. Don't settle for a job or even a career, look for a calling. If you're following your calling, then the fatigue, the disappointments, and the lows will be easier to bear, and the highs will be like nothing you can imagine.

This ethos of being more than just a business informed everything we did. By 1977 we realized, people liked the look of our shoes, but they also liked our story: an Oregon firm founded by running geeks. They liked what wearing Nikes said about them. We weren't just a brand, we were a statement.

CHANGING THE STORY

Our us-against-the-world story gave us the strength not only to face many challenges over the years, but to take those challenges and turn them on their head. In 1972, we hit a major roadblock—our main Japanese supplier, Onitsuka, the company that had been manufacturing Tiger shoes for Blue Ribbon, declared us in breach of contract for bringing out our own Nike shoes. This was a potentially devastating blow. Could the company survive?

I gathered everyone in the conference room and delivered the bad news to about 30 people. Everyone was stunned; they started slumping forward, sinking. I had to do something to turn this around. So, I cleared my throat: "What I'm trying to say is, we've got them right where we want them." Everyone sat up straighter. "This is the moment we've been waiting for. Our moment. No more selling someone else's brand." It would be tough, it would be open warfare, but this was our chance to succeed on our own terms, with our own brand. I reminded everyone: we'd sold two million shoes the year before, and that was down to us, not to Onitsuka. I told them, this was our Independence Day. Later, Johnson told me that speech was my finest hour. But I knew what really mattered; I'd told the truth and I'd used it to change the story.

Another big challenge came in 1973: now, we were hitting major supply problems. Everyone wanted running shoes, but the supply was uneven. How could we significantly boost our supply without taking on huge inventory risks? The big guys, Adidas and Puma, they had the same problem; but for an upstart like us, getting the numbers wrong could tip us into bankruptcy. We struggled through the summer to come up with a solution. Then, in the fall, I had an idea: we'd solve our supply problems by changing the whole relationship with our stores. We told our biggest retailers that we were launching an innovative new program called Futures—if they signed firm commitments on large and non-refundable orders, six months in advance, we'd give them a hefty 7% discount. In one step, we'd have longer lead times, fewer shipments, and more certainty. The retailers resisted, but I kept telling them that they'd better get on board because this was the way of the future. Between my bold predictions and several eye-popping new shoes being rolled out, the Futures program slowly gained traction. Eventually, even the holdouts signed up.

Perhaps the scariest and most audacious example of changing the story started in 1977 with an envelope. It didn't look like much, that envelope, but inside was something that started me shaking: a bill from the U.S. government for $25 million. The government claimed we owed three years of customs duties because of some obscure old duty-assessing method called the American Selling Price. If this was for real, we were in trouble; no way we could pay a $25 million assessment. That was almost our entire sales number for the year; and even if we managed to find a way to pay the bill, we couldn't keep paying such hefty duties every year. Everything we had achieved would be destroyed. The ASP said that import duties on nylon shoes must be 20% of the manufacturing cost of the shoe; unless there's a similar shoe manufactured in the U.S., in which case the duty must be 20% of the competitors selling price. And that's what our competitors had done: make a few shoes in the U.S., get them declared "similar," then price them high to send our import duties soaring. We had to fight with everything we had. We put together a legal team, held endless meetings, went to Washington, DC to argue our case. The case dragged on and on.

Finally, in 1980, I told the team, we need to do something crazy: we need to 'American Selling Price' ourselves. We launched a cheap new running shoe, the One

Line, a knockoff with nylon uppers and a simple logo, manufactured at a plant in the U.S. We priced it low, just above cost. Now, customs officials would have to use this 'competitor' shoe as a new reference point in deciding our import duty. That was the opening move to get the feds' attention. Next, we launched a TV commercial telling the story of the little Oregon company fighting the big bad government: a runner on a lonely road, with a voiceover talking about patriotism, liberty, and the American way. Finally, the closing move—we filed a $25 million antitrust suit in the U.S. District Court for the Southern District of New York, alleging that our competitors were using underhanded practices to try to drive us out of business. At that point, the government initiated settlement talks. In spring 1980 the lawyers agreed on a final settlement; $9 million. I hated writing that check, but it was the best deal we would get. More important, we'd managed to take on our competitors and the government, and beat them at their own game.

RUN LIKE PRE

Back in 1970, I'd heard about the fastest middle-distance runner in the world, a young Oregonian brimming with self-confidence, called Steve Prefontaine. At that time, we were still a small, struggling company called Blue Ribbon; importing batches of running shoes from Japan, trying to figure out how to get them distributed and sold, with no budget for sponsoring athletes. But I kept my eye on the young guy from Oregon who was coached by my friend and partner Bill Bowerman. By 1972 we had started making Nike shoes and Steve, now known as Pre, was a track and field superstar. He was a fluid, poetic runner, an extrovert who pushed hard to win, and I really wanted him as a Nike athlete. But at the 1972 Olympics, haunted by the terrorist attacks that hit the games that year, Pre came in fourth. After that, he was despondent, adrift, and above all broke.

So, in 1973, to give him a sense of purpose and get him back on his feet, we hired Pre as our National Director of Public Affairs. He was our second celebrity athlete endorser. Our first was a fiery young Romanian tennis player who tore his way through the Rainier International Classic tournament in the fall of 1972 in a brand-new pair of Nike Match Points. His name was Ilie Nastase. After the tournament, I got ahold of his agent and negotiated a sponsorship deal for $10,000.

Pre-was a phenomenon; he spent 1973 on a cross-country road trip, going to track meets, colleges, and state fairs. Everywhere he went, people wanted to meet him, and everywhere he went he touted our new Nike shoes. He was our star ambassador, holding clinics, serving as a model for new shoe designs, and sending pairs of Nikes to fellow runners with a note saying, "Try these, you'll love them." By the end of 1974 he was back in top form, smashing American running records and doing it in Nikes. The last time I saw him run was at a meet in Eugene in May 1975. As usual, he was incredible; going up against some of the best runners in the world he went into the final laps of the 5,000 meters in second place, then did what Pre always did best. He dug deep and pulled out some new reserve of energy, powering onward to win the race. The next morning, I got the call: on his way home from the postrace party, he'd lost control of his car, hit a boulder, and died. He was 24.

At the time of his death, Pre held every American distance record, from 2,000 to 10,000 meters, from two miles to six. But, more than an athlete, he was a legend who fired our imagination. He didn't just want to be the best runner, he wanted to break all the rules holding back amateur athletes, and help them realize their full potential.

Within days, the spot where he had died became a makeshift shrine, with people leaving flowers, notes, gifts, even Nikes. We decided the rock site needed to be curated. We didn't know how we'd afford to do something like that, but we all agreed: as long as we were in business we'd find the money for things like that.

Pre always said, "Somebody may beat me—but they're going to have to bleed to do it." And that became my mantra. Some banker, creditor, or competitor may try to stop me, but they're going to have to bleed to do it.

THE ATHLETE CONNECTION

Right from the early days, we knew that the key to success first for Blue Ribbon and then for Nike was not just getting athletes to wear our shoes and clothes, but forging real relationships with them. It's one of the things about Nike that I am most proud of. There's something very special that passes between me and most of the athletes that I work with. It's usually brief, but it almost always happens; a connection, a camaraderie. It's what I was searching for back in 1962. I'd graduated from the University of Oregon and then earned a master's in business from Stanford, and was trying to figure out how to realize my crazy idea. In a paper for a class on entrepreneurship, I'd laid out a plan for a company that used the nascent Japanese manufacturing prowess to make running shoes. But, I had no idea how to bring that plan to life. So, I spent a year travelling the world, searching for what might come next, and trying to make connections.

Years later, those connections, that camaraderie, would pay off in surprising ways. I was at some event, in July 2005, when LeBron James asked for a private word. He said, when he first signed with Nike he didn't know much about the company, so he'd been reading up on our history. He'd realized that I was the founder and that Nike as a company was born in 1972. "So I went to my jeweler and had them find a Rolex watch from 1972." And he handed me a watch. It was engraved, "With thanks for taking a chance on me." We didn't take that much of a chance, of course; LeBron was pretty much a sure thing. But in one sense he was right—it's always been about taking a chance on people, about being willing to find the connection.

In 2000 my oldest son, Matthew, died in a freak scuba diving accident in El Salvador. Within hours, the news was everywhere; my wife Penny and I shut ourselves away and fell apart in grief. And every Nike athlete, every single one, got in touch. They wrote, emailed, and called. The first call, at 7:30am the day after the news broke, was from Tiger Woods. Our athletes are part of our family.

WAFFLES AND AIR

In 1971 my old coach and partner Bill Bowerman had started experimenting with a new sole for our running shoes, something that would grip the track but still be light and flexible. He was drawn to the grid pattern on his wife's waffle iron, and came up with a prototype that he thought could work. After a few more months of experimenting, in 1972 I filed patent application number 284,736 for a shoe with an "improved sole having integral polygon shaped studs...of square, rectangular or triangle cross section...[and] a plurality of flat sides which provide gripping edges that give greatly improved traction." We didn't know it at the time, but Bowerman had just revolutionized the athletic shoe.

By 1976, demand for Bowerman's waffle sole trainer was strong. With its pillowy midsole cushion, bright red upper, and fat white Nike swoosh, the shoe was drawing thousands of new customers to the Nike fold, and I wondered: what would it take to get people to wear this shoe everywhere, to class, to the grocery store, even to the office? Adidas had tried to do this with a couple of its shoes, but without much success. And that's when I had a moment of inspiration: make 'em in blue, to go better with jeans! It worked—the new blue waffle trainer was a huge hit, Nike became a household name, not just a brand, and finally we were seeing the kind of sales numbers that transformed our company. Later that year, we incorporated as Nike, Inc.

The following year brought the seed of another transformation from an inauspicious start. A former aerospace engineer, M. Frank Rudy, came into the office with his partner Bob Bogert, and pitched their Crazy Idea: injecting air into a running shoe. It sounded like something out of a comic book, but Rudy was persistent. Finally, I agreed to stuff one of his air soles into my own shoes and go for a run. Six miles later, I was convinced, and Rudy began working on prototypes for what became the Nike Air.

LEARNING FROM FAILURE

In late 1978, we launched the Tailwind—a shiny silver shoe stuffed full of a dozen innovations, including Rudy's patented air soles. We hyped this thing to the heavens, with a splashy ad campaign and dreams of something that would eclipse even the waffle trainer. In a matter of weeks, the dream turned to dust. The Tailwind was a disaster. Customers were returning the shoes to stores, complaining that they fell apart. A shoe autopsy revealed the problem: bits of metal in that silver paint acted like razor blades on the shoe's upper, shredding the fabric. Half of the first generation of Tailwinds ended up in the recycling bins.

We were devastated. But, we'd also learned a valuable lesson: don't put twelve innovations into one shoe. It's just too much for a shoe to carry, and too much for a design team to pull off, too. Ultimately, we were able to move on. Fear of failure could not be our downfall as a company. We always known we'd fail at some point; we just had to have faith that we'd do it fast, learn from it, and be better for it.

MOVING ON FROM CONTROVERSY

One of the worst periods for me, a time when I felt a deep sense of betrayal, was when Nike was attacked for conditions in our overseas factories. The media talked about sweatshops, but they never talked about how much better the factories were once we started running them, about all the improvements we made, not to mention the fact that we were only renters of those facilities, not owners.

Still, I handled the whole controversy badly—I was self-righteous, petulant, and angry, which was about the worst possible reaction. Eventually the company got past its emotional response and realized that whether or not we were being made a scapegoat was irrelevant. The fact was, we needed to do better. So, we decided to show the world just how much Nike could do, using the crisis of bad headlines to reinvent the way our products were made. We would go from being the target of factory reformers to a major player in the reform movement.

For example, the rubber room used to be the worst part of any shoe factory, full of the toxic fumes used to bond uppers and soles. Nike invented a water-based bonding agent that gives off no fumes, so eliminating most of the carcinogens in the air—and we gave the process freely to our competitors, too.

One key development that came out of the crisis was a major effort by Nike to help break the cycles of poverty in the poorest parts of the world. Partnering with the United Nations and other corporations, we created the Girl Effect — a massive global campaign to educate, connect, and lift up young girls. Why girls? Because the academics, and our own hearts, told us that helping the most vulnerable to thrive, i.e., young girls, would help everyone. The campaign creates safe spaces for girls to study, organizes against child marriage, and gives girls access to the resources that can change their lives.

There were so many things I could have done differently that would have prevented the whole sweatshop crisis; but it has led to something wonderful, both inside and outside the company.

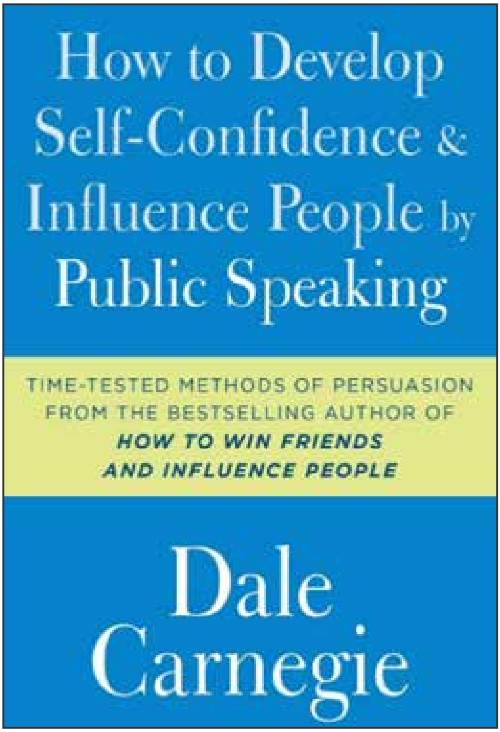
Photo by Tyrell James on Unsplash

How to Develop Self-Confidence & Influence People by Public Speaking

By: **DALE CARNEGIE**

Every well-known speaker has had to overcome fear and develop the self-confidence to speak in public. Being able to deliver a well-crafted and interesting speech is not the result of some innate talent that only a few possess; rather, it is a skill that anyone can learn.

The keys to becoming a good public speaker are thorough preparation, careful planning, and frequent practice. Start by speaking to small groups of friends on a topic you know well and care deeply about; the more you practice this, the easier it will become. Work on improving your memory so that you can speak naturally and in a conversational tone without having to refer to notes. Realize, too, that persistence is essential. Allow your personality to shine through when you speak, and make sure the setting is one where your audience can focus on you and not be distracted.



Start your speech by arousing your audience's curiosity, tell a story, or ask a question. Keep their interest by appealing to their interests, using human interest stories to get your points across, and giving colorful descriptions. Close your speech with a summary of your key points, an appeal for action, or a joke that leaves them laughing.

Finally, pay attention to your vocabulary. Boost your command of language by making use of the dictionary and Thesaurus, and getting acquainted with the great writers of literature. Following these tips and techniques will allow anyone to become a confident public speaker.

SUMMARY

Time and again people shy away from the challenge of giving a public speech, fearing that they cannot face such a challenge. The reality is that everyone initially is nervous about public speaking, but anyone can learn to overcome this fear and deliver well-crafted and exciting speeches with confidence.

DEVELOPING SELF-CONFIDENCE

Gaining the self-confidence and courage to be able to think clearly while talking to a group of people is not nearly as difficult as most people believe. It is not a gift enjoyed by only a few; it is a skill, like the ability to play golf. Anyone can develop that talent if they desire it. After all, there's no reason why you cannot think just as clearly standing in front of a group as you can while lying down. If anything, the presence of other people should spur you to function at a higher level. The key point to remember is that training and practice will wear away your stage fright and give you self-confidence.

It is also important to remember that even the most eloquent of speakers were often plagued with fear and self-doubt at the start of their speaking careers. Mark Twain himself has said that the first time he stood up to deliver a lecture, his mouth felt as if it were filled with cotton and his heart was racing. Former British Prime Minister Benjamin Disraeli, a noted speaker, said he would rather have led a cavalry charge than faced speaking in parliament for the first time. And, two thousand years ago the immortal Roman orator Cicero wrote that any public speaker worth listening to was afflicted with nervousness.

To learn how to be a successful public speaker, four things are essential:

I. Resolve: have a strong, persistent desire to achieve your goal; think about what it will mean to you, both personally and financially; imagine the satisfaction of learning this new skill.

II. Know what you will talk about: to quote Teddy Roosevelt in his Autobiography, "Don't speak until you are sure you have something to say, and know just what it is."

III. Act confident: the best way to develop courage in front of an audience is to act as if you already have it. It also helps to take a few deep breaths before you begin speaking, to get the oxygen flowing to your brain. Stand tall, look your audience in the eyes, and don't fidget.

IV. Practice: nothing eases the fear of public speaking like doing it repeatedly. Pick a topic that you know something about, put together a three-minute talk, practice it by yourself a few times, then practice it with a group of friends.

THE IMPORTANCE OF PREPARATION

The best way to overcome your fear of public speaking is to be thoroughly well prepared. This means assembling your thoughts, ideas, and convictions. The best talks happen when the speaker draws on his/her own feelings.

LINCOLN'S APPROACH

When he was working on an important speech, President Lincoln would think about the topic as he went about his daily work. He would stop to jot down notes on any scrap of paper he could find, until he was ready to sit down and study them all. He reportedly mulled over the text of his famous Gettysburg Address for days, then wrote out a rough draft and carried it around in the top of his tall hat. He kept thinking about the speech and tweaking the phrasing until the morning of its delivery.

Not all of President Lincoln's speeches were a great success, but those that resonate the most were the ones where he spoke with conviction about subjects that he cared about deeply—the abolition of slavery and the preservation of the Union. These were topics that he thought about constantly, and his passion and conviction carried through into his speeches.

PREPARATION TIPS

To practice speaking, pick any topic that interests you. Spend some days mulling it over; talk about the topic with your friends. The aim is not to bore everyone with an abstract lecture, but to engage them with a topic you genuinely find interesting. As you prepare your practice talk, think about your audience and want they may want.

Research your topic. Most of the material you gather won't be used in your talk; but, the more you know on the subject, the more confidence you will feel, and the more force you can bring to your speech. This extra material will become your 'reserve power.'

OUTLINES

Start with a plan. No-one would attempt to build a house without some sort of plan; a speech deserves the same. Think of the speech as a voyage that must be charted. There are a number of different ways to structure a speech. Here are three examples:

1. The action seeker

- State your facts
- Argue from them
- Appeal for action

2. Show that something is wrong

- Show problem
- Show how to remedy it
- Ask for involvement

3. The educator

- Gain the audience's interest and attention
- State facts and educate the audience about the merits of your proposition
- Appeal to the motives that will make the audience act

THINGS TO REMEMBER

There are no ironclad rules for how to arrange your ideas and construct your talk; it depends on the subject and the audience. But there are some general rules of thumb:

- Cover a point thoroughly then move on; do not refer to it again.
- Help the audience to visualize your facts; instead of saying, "This is a very large city," say "The city is the size of Boston, Paris, and Berlin combined."
- Build up to some kind of climax—touch the heart, make an emotional appeal, issue a call to action.
- Deliver your speech with enthusiasm and conviction.
- Hone your speech; keep polishing it until all the waste is gone and only the best points remain.
- Avoid using notes while you talk; if you absolutely have to, refer to your notes briefly but try not to make it obvious to your audience.
- Do not memorize your talk word-for-word; the delivery will be too dry. Instead, have your main points clearly in mind and fill in with examples and illustrations.
- Above all, practice!

IMPROVING YOUR MEMORY

There are only two ways to remember something: an external prompt or association. When it comes to memorizing the key points for your speech, you can use an external prompt in the form of referring to your notes; but as has already been pointed out, that will really detract from your presentation. The best way to remember your points it to memorize them.

There are three natural laws of remembering; every so-called 'memory system' is based on these three laws.

1. IMPRESSION

Start by getting a deep and vivid impression of the thing you want to remember. Concentrate and observe closely. Use as many of your senses as possible—this might mean taking note of a scent or the feel of something. It might mean reading a passage aloud so you hear the words as well as read them. Above all, form pictures in your mind to visualize the thing you are trying to remember.

2. REPETITION

Anything can be memorized if it is repeated often enough. The key is to go over the passage you want to memorize once or twice, then take a break and come back to it again later.

3. ASSOCIATION

The only way to remember something is to associate it with something else. Remember a person's name by associating it with his face or occupation; come up with a nonsense phrase that will trigger the association for you. Remember a date by associating it with something else that also happened at that time. To memorize a string of facts, like the order in which the original thirteen colonies joined the Union, tie them into a story that is easier to recall.

When it comes to preparing a speech, association will be your best tool. Arrange your points into a logical order, then use association to remember them. Any group of ideas can be linked together into a story or sequence of mental pictures; the more ridiculous, the easier they will be to remember.

PERSISTENCE IS KEY

One of the most important things to bear in mind as you study the art of public speaking is the necessity of persistence. As with learning any new skill, after swiftly conquering the lower slopes of the mountain there will come a time when you reach a plateau, a feeling that you have stalled and are not making any new progress. Don't give up!

You may always be somewhat nervous before speaking in public. With perseverance, however, you will learn to eliminate all but these initial moments of anxiety. Once you start speaking, this fear will evaporate.

A young man once asked President Lincoln for advice on becoming a lawyer. Lincoln replied: "Always bear in mind that your own resolution to succeed is more important than any other one thing." President Teddy Roosevelt took this advice to heart; he said that whenever he faced a difficult challenge or task and started to feel discouraged, he would look up at the portrait of Lincoln hanging in the President's office and try to imagine what Abe would have done in his place.

Thousands of men and women conquer their fears and learn how to be excellent public speakers. Most of them are not exceptionally brilliant; they are the kinds of ordinary people you will find in your own hometown. The one thing they do have in common is persistence: they did not get discouraged but pursued their goal with grit and determination.

Learning any new skill is never a process of gradual improvement. Whether you are learning to speak another language or to play golf, the learning comes in fits and starts. So, too, with becoming a successful speaker.

THE SECRETS OF GOOD DELIVERY

The secret to delivering a good speech is communication. The speaker should not sound like someone who has taken a training course in public talking. Rather, the audience must feel as though something important is being communicated right from the heart and mind of the speaker in the most natural way possible. In other words, the secret to a good speech is not just what you say, it's how you say it.

Training people to speak naturally is mostly about removing barriers, so that they can speak with the same ease as in any spontaneous social situation. The way to achieve this naturalness is to put your heart into your talks, and to practice speaking in a natural style. The essence of a good delivery is to use a conversational tone; talk to your audience as though you expect them to stand up and talk right back to you.

<u>FOUR PRINCIPLES OF NATURAL SPEAKING</u>

1. Stress important words

In conversation, we naturally stress one syllable in a word and skip over the rest fairly quickly: MassaCHUsetts, enVIRonment, etc. We do almost the same thing in uttering a sentence, placing emphasis on the major, important words: I have SUCCEEDED because I have been DETERMINED.

Different speakers or topics may call for a different emphasis; the key is to stress the important words in your sentences.

2. Vary your pitch

When we're having a conversation, the pitch of our voices naturally flows up and down. If you deliver a talk in a monotone you will sound wooden, rather than natural and human. You can make any word or phrase stand out in your talk by raising or lowering your pitch.

3. Vary your speed

This is another example of how we speak in ordinary conversation—we constantly and unselfconsciously vary our rate of speech. If you want to emphasize a word or idea, isolate it from the rest of your speech by drawing it out, saying it slowly and with feeling.

If you say the phrase "thirty million dollars" quickly, it sounds trivial; if you say it slowly, your audience will be impressed by what a big number this is.

4. Pause before and after important ideas

This is a trick that President Lincoln often used in his most effective speeches. He would stop and stand silent for a moment, gaze out at his audience, and then make his point. Invariably, the audience would be rapt with attention, waiting to hear what he had to say.

Similarly, he would pause after the phrases he wanted to emphasize, letting the meaning sink in for a moment and so adding force to his words.

Practice this natural way of speaking in your everyday conversations, and then carry this style over into your speeches.

PERSONALITY AND PRESENCE

Personality is perhaps the most important factor of all in delivering a good speech. Personality is a complicated thing; a combination of particular physical and mental traits, predilections, tendencies, experience, and background. Nevertheless, it is important to allow your own unique personality to shine through in your speeches. There are a number of ways to ensure this happens.

- Be well rested. No-one can be a magnetic or engaging speaker if s/he is exhausted.
- Avoid a heavy meal right before speaking; if you're full of steak, potatoes, and dessert your brain will be sluggish and so will your personality.
- Look well groomed. If you stand before your audience looking sloppy and disorganized, your audience will not take you or your words seriously.
- Smile! Let your audience know that you are glad to be there; they will warm to you and be more receptive to hearing what you have to say.
- In addition to these tips about your own personality, pay some attention to the physical location where you will be speaking.
- Crowd the audience together. No-one will be moved or engaged if the audience is scattered around in an open space. Better to have people packed in the aisles of a small room than sprinkled around a large one. If necessary, take a few minutes before you start speaking to encourage your audience to move to the front and be seated near you.
- Keep the air fresh. A stuffy room will send people to sleep no matter how dynamic your talk. Open a window if you have to.
- Light up your face. If you deliver your speech in a gloomy room, the audience will not be enthusiastic about what you have to say. Make sure the light is on you, so that the audience can see your features and react to your expressions.
- Don't fidget. An audience will look at any moving object, so resist the temptation to twiddle your thumbs, fuss with your clothes, or play with a pen and paper.
- Minimize clutter. Don't crowd out your space with a table, chairs, water pitcher, or other distractions. Use a podium if it helps you feel less nervous when you are first learning to give speeches, but it is better not to stand behind furniture when you talk. The best backdrop for your talk is something simple so that the audience's focus is on you.
- Avoid guests on the platform. Another person will distract your audience; they will be paying attention to his appearance or to her fidgeting, instead of to you.
- If possible, seat your audience so that they will not be distracted by any late

arrivals coming into the room.

Many of the previous tips can be summarized by one word: poise. Fussing with your clothes is not only distracting, it makes you look weak. Instead, face your audience with calm confidence. As you take your place to speak, pause for a moment to let both your audience and your own thoughts settle down. Stand tall with your arms hanging naturally at your sides.

Finally, avoid making unnatural gestures. Some guides to public speaking urge you to learn a set of gestures as part of your speech; but these invariably end up looking wooden and forced. Nevertheless, there are some things about gestures that you should bear in mind.

- Do not keep repeating the same gesture; it will become monotonous.
- Avoid short, jerky movements from the elbow; movements from the shoulder look better from a platform.
- Do not end your gestures too abruptly; that looks jarring to the audience.

Above all, a gesture is not something you put on like a jacket; it should be spontaneous and natural, something that arises from the flow of your words and the passion that you feel for your subject.

STARTING A SPEECH

For generations teachers of speech have encouraged their students to divide their presentations into three parts: introduction, body, and conclusion. Often the introduction became as long as the body of the speech, an opening salvo of entertainment and news. In our faster-paced world, however, we do not have the leisure to listen to long introductions; so, if you are going to use one in your talk, make it short and snappy.

PITFALLS TO AVOID

Many inexperienced speakers start with either a joke or a self-deprecating apology. Both are poor ways to begin a speech.

1. Avoid Jokes

Most speakers think they have to be funny for a speech to be a success, but the sad fact is that 99 out of 100 speakers will do a woefully poor job when it comes to telling a funny story. It is better to think of humor as the frosting on the cake or the filling between the layers, not as the cake itself.

2. Avoid Apologies

Do not open your speech by saying something like, “I am no speaker...” or “I’m really not prepared for this...” You may think you are buying the audience’s sympathy, but in fact you are telling them there is no point in paying attention to what you are about to say. The audience is there to be informed and interested, not to be told that you don't know what you are doing.

OPENING REMARKS

There are a number of different tactics that you can use in your opening remarks, ways to engage your audience from the very beginning of your speech.

1. Arouse their curiosity

There are many ways to do this. You could start with a surprising fact, or an opening sentence that begs for more information: "I was walking down Main Street this morning when I saw a man dressed like a king." Your audience is now wondering, who was he? Why was he dressed that way? Where was he going?

Similarly, start by describing an effect, so that the audience wonders what the cause might be: "A member recently stood up in the legislature and proposed a law that would prohibit tadpoles from turning into frogs within two miles of a school." The audience now wonders, is this true? Why would someone propose such a thing?

2. Begin with a story

This is particularly effective if you are drawing on something from your own experience. It also works well if the story has some form of action. The idea is to engage the audience from the outset and, again, to arouse their curiosity. "Three nights ago, a man was shot in the street outside my house." Now your audience is waiting with baited breath to hear what happened next.

3. Start with a specific illustration or use an exhibit

It's tough to follow abstract ideas for a prolonged period; any audience will get restless after a while. It is a lot easier to pay attention to an illustration. Similarly, you can begin by holding up something for the audience to look at. "Has anyone ever found a coin like this on the sidewalk?"

4. Ask a question

Opening with a question lets the audience think with the speaker; it gains their cooperation.

5. Target the audience's personal interests

Get their attention from the start with something the audience will care about deeply. "Do you know how long statistics say you are expected to live?" You could introduce a talk about the importance of preserving forest land by saying something like, "What I am about to discuss will affect your businesses, the price of the food you eat, the very quality of the air you breath."

6. Use shocking facts

Start with a surprising or shocking fact to get your audience's attention: "Slavery still exists in 17 countries in the world today."

7. The casual opening

Finally, there is the opening that starts on a very casual and personal note: "Yesterday, as the train passed through a city not far from here, I was reminded of a marriage that took place there a few years ago." This opening sounds natural and spontaneous, as if the speaker were telling a story to a friend.

ENDING A SPEECH

In many ways, the ending is the most strategically important part of a speech. It certainly needs to be as carefully planned and thought out as the opening. If you end with, "That's all I have to say so I'll stop now," or even worse just keep rambling on without knowing how to stop, you will leave the audience with a bad impression that ruins all the work you put into the rest of your talk.

Here are some ideas for how to plan your closing remarks.

I. Summarize your points. Even a short speech will likely have included a lot of information. Remind your audience of your key points with a succinct outline summary.

II. Make an appeal for action. "I urge you, ladies and gentlemen, to support this proposal."

III. End with a compliment, something that appeals to your audience's vanity. Just make sure that it is sincere and not a gross piece of flattery.

IV. Be humorous; leave them laughing if you can, without it seeming forced.

V. Close with a poetic quotation. The public library or Bartlett's Quotations are good sources.

VI. Build up to a climax. This isn't appropriate for every speaker or subject, but if it works this is a very effective way to wrap up a speech.

However you choose to close your speech, always aim for brevity. Leave the audience wanting more.

MAKE YOUR MEANING CLEAR

Every speech has one of four goals:

- To make something clear
- To convince the audience
- A call to action
- Entertainment

Aiming for clarity can be the most challenging goal. To help make your meaning clear to your audience, consider the following techniques:

I. Use comparisons: if you're talking about a very large building, say it is as large as two US Capitol buildings stacked atop each other.

II. Avoid technical terms: this is particularly important if you are a lawyer, doctor, engineer or from some other profession that tends to use a lot of jargon that is meaningless to the general public.

III. Make sure what you are trying to explain is very clear in your own mind.

IV. Use visual cues, such as illustrations or exhibits, if appropriate; if not, paint a mental picture of the scene or object you are trying to describe.

V. Restate your big ideas (but not repetitively, use different phrasing and examples).

VI. Use concrete examples: if you are describing how much money professional athletes can make, cite how much specific well-known individuals earn in a year.

VII. Don't try to cover too many points; your audience will get lost.

VIII. Close with a brief summary of your main points.

INTEREST THE AUDIENCE

Whatever your topic or the overall structure of your speech, you must be sure to keep the interest of the audience. There are a number of ways to do this.

The best way to win your audience's interest is to relate your speech to something they understand. An Illinois farmer may not care much for a description of the great cathedral at Bourges, but will likely play close attention to a description of farming techniques in the Netherlands.

The art of being a good conversationalist depends on getting the other person to talk about his interests or her business, his children or her success. Similarly, when giving a speech, talking in a way that appeals to people's own experiences will better engage your audience.

Talk about people. Rather than present a lot of dry facts in the style of a lecture, tell stories about specific people to illustrate your points. Human interest stories can enliven any topic. A story about someone beating the odds or battling against great adversity can be particularly appealing.

Be concrete. Rather than just describing someone as a troublemaker, say that as a child he invariably got a detention every day at school.

Scatter word pictures throughout your speech. Give the audience colorful images and impressions.

IMPROVE YOUR VOCABULARY

The final step in learning how to be an effective public speaker is to improve your vocabulary and diction. We are all judged and evaluated by what we do, how we look, what we say, and how we say it. The best prepared speech will not be a success if the speaker makes no attempt to polish his/her phrases or to speak spotless sentences.

The secret to boosting your vocabulary and improving your diction is simple: books! Read voraciously and widely; soak your mind in a constant flow of literature. Read Shakespeare aloud to improve your style. Copy written passages that exemplify good phraseology. Above all, cut back on reading newspapers and substitute the great works of literature. Be sure to read Tess of the D'Urbevilles by Thomas Hardy, one of the most beautiful tales ever written, and make the works of Ralph Waldo Emerson part of your daily diet.

The well-known writer Mark Twain developed his famous facility with words by carrying a dictionary with him on his travels and studying it regularly. In this way, you can learn not just the meaning of words, but their history and derivation. For example, the word salary comes from the Roman word for salt; Roman soldiers were given an allowance for salt, which became known as the salarium, a piece of Roman slang that became the modern word.

Breadth of vocabulary will also bring richness and interest to your speeches. A speaker who repeatedly uses the adjective “beautiful” will come across as dull and uninteresting. There are plenty of synonyms that could be used instead: handsome, comely, radiant, pretty, lovely, graceful, elegant, and many others. Roget’s Thesaurus is an excellent resource to use for expanding your vocabulary.

Finally, beware of using worn-out phrases that lack originality. Everyone says, “cool as cucumber,” a common-place phrase. Try saying something like “cold as clay” or “cool as the rain in fall” instead.

Photo by Will Kell on Unsplash

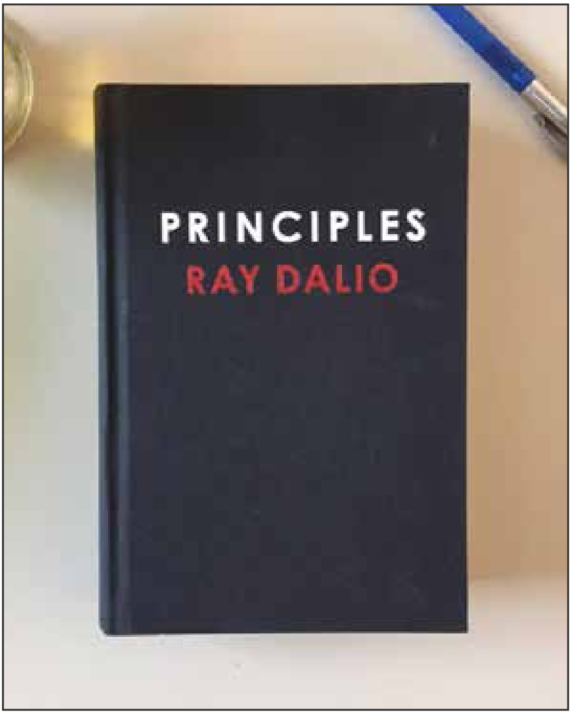
Principles

By: **RAY DALIO**

How did Ray Dalio, the child of an ordinary medium-class family create the world's largest, and most successful hedge fund, currently managing over $150 billion USD? In a word: principles.

Ray Dalio created a set of principles for personal and professional life that serves as an operating system for living based on radical honesty and radical transparency thriving within an idea meritocracy. An idea meritocracy is "a system that brings together smart, independent thinkers and has them productively disagree to come up with the best possible collective thinking and resolve their disagreements in a believability-weighted way." To "believability-weight" something means to determine an idea's legitimacy based on the track record and the ability of the idea's originator to clearly explain their concept. Dalio believes an idea meritocracy is the best decision-making system because it requires honesty and leads to continual improvement.

Dalio divided his principles into Life Principles and Work Principles. The life principles apply to individual success, and the work principles guide group success.



Dalio decided to share his principles to help others succeed. His goal is to inspire people to discover and write their principles and to refine them through experience and reflection. Dalio believes good, experience-tested principles can lead people to better decisions, more mutual understanding, and superior outcomes.

Part I: Where I'm Coming From

Ray Dalio, the founder of Bridgewater, the world's largest hedge fund by assets, attributes his success to a set of "principles" learned throughout his life. Principles are the essential learnings of life that are absolute truths that withstand the test of time. It is for this reason that Ray Dalio enjoys learning about neuroscience, human evolution, and how the mind works. The truths of these topics do not change with time.

Dalio's humble beginnings in an ordinary middle-class family required that he be quite practical and realistic if he wanted to succeed in life, especially in the financial sector. The financial industry is dominated by time series. A time series of ever-changing asset prices—as the price of stocks, bonds, commodities, and foreign currencies, among others change, it is very important to identify the cause-effect or the root cause that leads to the price change. Often the root cause may be hidden under layers of assumptions, mistakes, and human error. It is for this reason that Dalio created his "principles." These principles allowed him to manage his hedge fund in such a way to quickly identify the root cause of any mistakes and to implement parameters to prevent such errors from happening again.

Dalio considers his mistakes as some of his most important life experiences because they led him to discover the principles that now guide his decision-making. By reflecting on his mistakes and turning those lessons into principles, Dalio eventually reached and surpassed his goals. Dalio believes that every decision is within an individual's control, so with practice, careful reflection, and the application of certain principles, anyone can greatly improve their decision-making process.

BE A STUDENT OF HISTORY

Once, following an international currency devaluation, Dalio expected the stock market to plummet, and he took what he thought was an appropriate position. Instead, the stock market jumped significantly, causing him to nearly go bankrupt. To prevent such a mistake happening again, he set out to identify the principles he needed to put in place and studied past currency devaluations from the beginning of time to the present to see what lessons he could learn. He learned that what had just taken place had happened before many times in the past. Dalio calls these moments in history "another one of those" moments, meaning that most everything has happened many times before and will surely happen again. Perhaps the last time an event occurred was before our lifetime, despite it being the first time we have experienced it. Most events we experience have already happened multiple times in the past. As a consequence, if our human psychology has not changed in the last thousand years, then by studying the past we should be able to predict the future by finding "another one of those" earlier events.

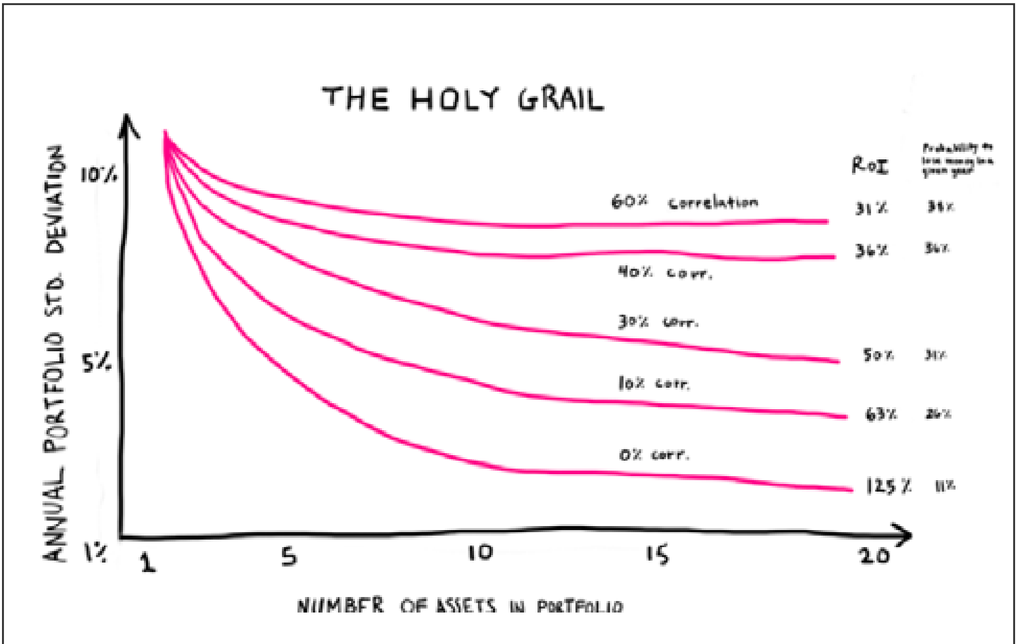
WRITE IT DOWN

Writing the principles down is important for reflecting on and refining them. Whenever Dalio makes an investment, he writes down the criteria used in making his decision. At the conclusion of the trade, he will reflect on how well the criteria worked. Similarly, for any given mistake, he will write about it, reflect on why it happened, and then determine how to take corrective action to avoid making the same mistake again. Taking this method to the next level, Bridgewater was one of the first hedge funds to use computer algorithms to trigger trades. The set of criteria Dalio uses today are algorithmic in nature.

ALPHA-OVERLAY INVESTING

Over time, Dalio created different investment instruments based on his principles. One of these is the "alpha overlay" form of investing, where "alpha" means the "active return on investment relative to the stock market" and "beta" is defined as the overall market performance. Bridgewater defined "alpha" to identify a truth— that being, how much better were they doing relative to the stock market in general.

The result was a way of investing independent of the underlying market performance. In creating alpha overlay as an investment management style, Dalio learned that part of being a successful investor involves only taking highly confident bets and then diversifying those bets well. Though alpha overlay is a common technique used today, it was his principles that allowed Bridgewater to invent the term and seek out a truth about their performance.



THE "HOLY GRAIL OF INVESTING" AND RISK PARITY

Dalio found a proven way to diversify by ensuring that investments are uncorrelated. As shown in the graph below (p. 57), fifteen to twenty good, uncorrelated return streams can significantly reduce risks without reducing expected returns. Though Bridgewater did not invent this technique, they turned to academic papers to identify how to mitigate their risks.

Later in his career, Dalio worked with colleagues to create the best asset allocation mix for preserving wealth over generations. Known as "risk parity" investing, it involves ensuring a mix of assets that are positioned to do well in all economic environments. When the "risk parity" method was created, Dalio invested his savings in the algorithm that defined the "risk parity" product—within a few years, his clients wanted to use the same tool, and in no time the product had over $3 billion USD. Dalio attributes the "risk parity" product he developed to his principles. On many occasions, Dalio has mentioned that it is solely due to his life and work principles that Bridgewater has become the success it is today.

SYSTEMIZING LEARNING FROM MISTAKES

It pays to learn from mistakes:

> "Having a process that ensures problems are brought to the surface, and their root causes diagnosed, assures that continual improvements occur."
> — Ray Dalio

Bridgewater actively uses an "Issues Log" to track mistakes and ensure employees learn from them. Anything that goes wrong is recorded in the issue log, including who is responsible for the problem. The issue log also allows for diagnosing problems and tracking performance. At Bridgewater, if a mistake happens or if there is an error, it is OK so long as it is documented in the issue log and research is carried out to identify its root cause. If the mistake or error is not logged, that's when people could get fired.

The success of this tool inspired Dalio to create other tools, many of which Bridgewater has since adopted, such as "Baseball Cards" of each employee. Here, Bridgewater collects data on employees through reviews, tests, and by tracking individual choices. The company uses an algorithm, the results of which are reviewed by people for objectivity and believability in order to create a profile or "baseball card" for each person.

The baseball cards were created because Dalio identified a work principle (see below) which dictated that the type of solution to a given problem type depends on the type of individual assigned to solve the problem. For example, if a scientific person is assigned to a scientific problem, the outcome of the solution can be more likely determined. However, if an artistic person is assigned to a scientific problem, the outcome will be different– perhaps more qualitative than quantitative. Given this principle, Bridgewater uses the baseball cards to determine the type of outcome they can expect from giving an employee a specific problem.

Dalio recognized how important tools could be in reinforcing Bridgewater's principles. Others could also learn from Bridgewater and identify common, recurring problems as opportunities to craft solutions for their organizations that can be systematized and implemented via truth-based principles and tools that reinforce and execute such principles.

Part II: Life Principles

"Principles are fundamental truths that serve as the foundations for behavior that gets you what you want out of life".
— Ray Dalio

HOW TO DEVELOP PRINCIPLES

All successful people operate on principles, but perhaps they do not realize it. Principles can be anything, as long as they are authentic, i.e., a reflection of a person's true character and values. Principles allow for proactive planning and decision-making. Dalio likens a good set of principles to a collection of recipes for success.

Dalio's Life Principles are the overarching principles that guide his approach to everything. They apply to any scenario, including personal life, nature, business, and policy. Learning effective principles requires studying cause–effect relationships and patterns, as well as understanding reality, embracing it, and, importantly, dealing with it. To create, use, and improve such principles, one should:

- Slow down and note the criteria being used to make a decision.
- Write the criteria down in the form of a principle.
- Think about those criteria the next time there is an outcome to assess, and refine them before "another one of those" moments comes along.

THINK FOR YOURSELF

Dalio's first principle is to self-evaluate. Each person should ask themselves:

- What do you want?
- What is true?
- What are you going to do about it?

To self-evaluate scenarios, Dalio practices transcendental meditation, also known as TM. While meditating, he replays past events, identifies the lessons he needs to gain truths from the experience, and implements actions that can guarantee that the next time the same scenario happens, he will perform better.

PRINCIPLES TO: EMBRACE REALITY

"There is nothing more important than understanding how reality works and how to deal with it".— Ray Dalio

1. BE A HYPERREALIST

A hyperrealist balances their dreams with reality and a determination to achieve success. It's good to be a hyperrealist.

Savoring life and making an impact are not necessarily mutually exclusive, but overall, one has to sacrifice a lot of time and thinking to identify new principles. Truths, which are the foundation of principles, are hidden all around us. To discover them, one needs a scientific approach by being a hyperrealist.

2. TRUTH IS THE ESSENTIAL FOUNDATION FOR ANY GOOD OUTCOME

Ignoring reality when it does not reflect what a person wants is foolish. It is important to understand and deal with bad situations, and it is impossible to benefit from other principles without first following this principle.

3. BE RADICALLY OPEN-MINDED AND RADICALLY TRANSPARENT

To be radically open-minded:

I. Appreciate the art of thoughtful disagreement.
II. Triangulate your view with believable people who are willing to disagree.

"Thoughtful disagreement" is when both parties are motivated by the genuine fear of missing important perspectives. The ability to have thoughtful disagreement depends on whether the individuals in the conversation are open- or closed-minded. Thoughtful disagreement can only exist when individuals are open-minded.

Individuals can become more open-minded by:

I. Regularly using pain as a guide toward quality reflection.
II. Making being open-minded a habit. For example, use feelings of anger/frustration as warning signs to calm or slow down.
III. Identifying blind spots, which are ways of thinking that prevent seeing things accurately and completely, and that typically lead to bad decisions.
IV. Learning to listen to believable people when they say something is wrong. This guards against personal bias and encourages more objective thinking.
V. Meditating. Dalio recommends transcendental meditation.
VI. Being evidence-based and encouraging others to be the same.

4. LEARN FROM NATURE, CONTINUE EVOLVING, AND BE A GOOD PERSON

Nature operates on a system of higher-level consequences. People tend to overemphasize first-order (short-term) consequences while underestimating or ignoring second-, third-, and subsequent-order (longer term) consequences. For example, in working to improve one's health and fitness, the first-order consequences of exercise are the pain and time spent working out. The second-order consequences are looking and feeling better as a result of the exercise, and are the desired goals that take longer to realize.

Evolution is a permanent, powerful force that drives everything. It can also be life's greatest reward. Given evolution's staying power, each person must continually evolve to stay ahead. Rapid trial and error, learning, and change through action are essential to evolving effectively.

Being a good person means operating consistently with the laws of reality while contributing to the evolution of the whole.

5. PAIN + REFLECTION = PROGRESS

"Bad times coupled with good reflections provide some of the best lessons."

Pain serves a valuable purpose: it keeps people alert and moving in the right direction. Many people try to avoid it, whether it is physical or emotional (e.g., frustration, sadness, shame). However, pain is unavoidable, especially in the pursuit of an ambitious goal. The presence of pain can even be positive; it is an indicator that a new solution is needed to move forward.

Developing the habit of reflecting on pain is essential to making progress. The ideal time to reflect and draw key lessons is while experiencing pain. This is difficult, so reflecting after the pain subsides is also helpful. Bridgewater addresses these conflicting benefits by using a "Pain Button". The Pain Button is an application designed for people to record emotions as they feel them, and then to return to them later to reflect on them through guided reflection questions. Users specify what they will do to address the situation. The tool tracks the frequency and cause of pain as well as whether action steps are taken, and their effectiveness.

6. OWN YOUR OUTCOMES

"Whatever circumstances life brings you, you will be more likely to succeed and find happiness if you take responsibility for making your decisions well instead of complaining about things beyond your control." Doing this is called having an "internal locus of control," and people who have such control outperform those who do not.

7. CONFRONT WEAKNESSES

Once weaknesses are identified, there are four choices to manage them:

I. Deny the weaknesses. Most people do this and it is the worst choice.

II. Accept the weaknesses and work to convert them into strengths. This is usually the best path, if it works! A good way to know whether this will work is to consider whether the steps necessary are consistent with your nature and natural abilities.
III. Accept the weaknesses and find ways around them. This is the easiest and often most viable path, but the one least followed.
IV. Change your goals. This is a good option for people willing to be flexible.

To confront weaknesses:

I. Do not confuse what you wish were true with what is really true.
II. Do not worry about looking good—worry instead about achieving your goals.
III. Do not overweight first-order consequences relative to second/third-order ones.
IV. Do not let pain stand in the way of progress.
V. Do not blame bad outcomes on anyone but yourself.

The "5-Step Process" to Get What You Want Out of Life

I. Have clear goals.
II. Identify problems standing in the way of achieving your goals. Don't tolerate them.
III. Accurately diagnose the problems to get at their root causes.
IV. Design plans to get around them.
V. Do what is necessary to push these designs through into results.

Weaknesses Don't Matter if You Find Solutions

First, having humility to get what's needed from others is essential. Next, look for patterns in any mistakes made and identify which steps in the above "5-Step Process" they belong to. Then, write down at least one big weakness and why it exists. Finally, fix it yourself or find help from others to fix it.

PRINCIPLES TO: BE RADICALLY OPEN-MINDED

1. RECOGNIZE YOUR TWO BARRIERS

The two barriers to making good decisions are your ego and blind spots. Ego is what makes it hard to accept weaknesses and mistakes because different parts of the brain fight to control how open-minded a person is, while blind spots are areas where a way of thinking precludes seeing a situation accurately.

The ways to adapt and overcome ego and blind spots are to:

- Teach the brain to work in ways that don't come naturally.
- Use compensation mechanisms, such as programmed reminders.
- Rely on others for help who are strong in areas where a personal weakness

exists.

2. PRACTICE RADICAL OPEN-MINDEDNESS

Radical open-mindedness is the ability to consider different points of view and to explore different possibilities without letting ego or blind spots get in the way. Having a genuine concern for not seeing choices optimally can motivate an active, regular practice of radical open-mindedness. Replace the need to always be right with the joy of learning what's true. With practice, anyone can acquire this ability.

To be radically open-minded:

- Sincerely believe that you might not have the best answers and recognize that the ability to deal well with not knowing the answer is more important than knowing the answer.
- Recognize that decision-making is a two-step process of (1) taking in all the relevant information, typically called "learning," and (2) deciding.
- Don't worry about looking good; instead, worry about achieving goals.
- Realize that you can't be productive or contribute effectively without first learning.
- Empathize by temporarily suspending judgment.
- Remember to look for the best answer, not just the best answer you come up with yourself.
- Know when to argue and when to seek to understand. Decide which is most appropriate based on the knowledge of each person involved.

PRINCIPLES TO: LEARN HOW TO MAKE DECISIONS EFFECTIVELY

The biggest threat to good decision-making is harmful emotions. Decision-making is a two-step process of learning, then deciding. To learn means to be able to accurately assess reality. Getting an accurate picture of reality requires an accurate synthesis, the process of converting a lot of data into an accurate picture, and knowing how to navigate different levels of reality.

1. SYNTHESIZE WELL

- Synthesize the situation at hand: Determine which facts are important and which ones are not. Find reliable and experienced individuals familiar in the space in question and ask them whatever information is needed. Take a step back from the situation to gain perspective. Sometimes, allowing some time to pass before making a decision helps. Avoid fixating too much on any one piece of information.
- Synthesize the situation through time: Collect, analyze, and sort different types of information, categorizing outcomes by type and quality. Graph the results over time, and patterns will emerge. Keep in mind the rates of change and the levels of improvement, and how the two are related. An acceptable rate of improvement depends on the rate of change, e.g., an improvement with too slow a rate of change

is not sufficient. Use the 80/20 Rule to avoid getting dragged into unnecessary detail: 80% of value comes from 20% of the effort or information.

- Navigate levels effectively: Reality exists at different levels and each gives a different but valuable perspective. Keep all levels in mind while synthesizing and deciding.

2. MAKE DECISIONS AS EXPECTED VALUE CALCULATIONS

Every decision can be thought of as a bet, with a probability and reward for being right, and a probability and penalty for being wrong. The expected value for the reward portion is the reward times the probability of it occurring. Likewise, the expected value for the risk component is the penalty times its probability of occurring. A good decision is one where the reward's expected value is greater than the penalty's. The best decision is the one with the highest expected value. Raising the probability of being right is valuable no matter how high that probability already is. Even the best choices have a few cons, so the existence of cons doesn't necessarily make a choice bad.

3. WEIGH THE VALUE OF ADDITIONAL INFORMATION AGAINST THE COST OF NOT DECIDING

Constantly evaluate the marginal benefit of having more information against the marginal cost of waiting to decide. Separate the "must-dos" from the "like-to-dos" and ensure that all the "must-dos" are above the bar and on track before addressing the "like-to-dos". Similarly, make time for the important things such that it becomes okay if you don't have time to deal with the unimportant. Keep everything in perspective and avoid mistaking possibilities for probabilities. Weight everything up in terms of its likelihood and prioritize accordingly.

4. WEIGH DECISIONS ACCORDING TO BELIEVABILITY

Triangulate decisions with "highly believable" people—those with an established track record who can clearly explain their point—willing to have a thoughtful disagreement to enhance the quality of the decisions being made. Avoid valuing one's own believability more than is logical. Practice distinguishing between who is more or less credible and how to tell the difference. When disagreements arise, start by trying to agree on the principles used to make the decision, and explore the merits of the reasoning behind each principle.

5. CONVERT PRINCIPLES INTO ALGORITHMS

Using computers to make decisions through algorithms powered by principles, in parallel with one's own thinking, will exponentially increase the power of the decisions made and compound one's own rate of learning. By using a computer, emotions, such as bias and panic, can be avoided.

Part III: Work Principles

Dalio's "Work Principles" are essentially the "Life Principles" applied to groups. Dalio believes that the work principles are even more important than the life principles because "the power of a group is so much greater than the power of an individual." The work principles' target audience is those who view work as a means of following a passion and achieving a mission.

MAKE WORK AND PASSION ONE AND THE SAME

Dalio's most fundamental work principle is to make work and passion one and the same and to do it with people one wants to be with.

AN ORGANIZATION IS A TWO-PART MACHINE

An organization is a machine with two major parts: people and culture. Each influences the other: the people determine an organization's culture, and the culture determines the kinds of people who will thrive there. Great organizations have both great people and great cultures. Getting both right is the most difficult yet most important task of a leader.

Great people have great character (they're truthful, transparent, and committed) and great capabilities (able to excel at their jobs). Great cultures address problems and disagreements directly and solve them well.

USE TOUGH LOVE

Tough love means pointing out mistakes and weaknesses. It is the hardest and most important type of love to give. People may prefer compliments, but accurate and fair criticism is more valuable to their growth and success.

AN IDEA MERITOCRACY IS THE BEST SYSTEM

An idea meritocracy consists of:

- Radical truth
- Radical transparency
- Believability-weighted decision-making.

Bridgewater operates as a principles-based idea meritocracy. The staying power of an idea meritocracy lies in its sheer effectiveness. Dalio credits his principle-driven approach to not only improved economic, investment, and management decisions, but also to better decisions in "every aspect" of life.

"Believability-weighted decision-making" is an essential part of the idea meritocracy, and is centered around a concept of "believability". "Believable people are those who have a strong track record with at least three successes—and have great explanations of their approach when probed." A central question to believability-weighting is to ask: how do I know I'm/they're right?

To guide the best decision-making, find the most believable people who disagrees with an idea and try to understand their thinking. Pay less attention to a person's conclusion and more to the reasoning that led to it. In addition to encouraging humility, believability-weighted decisions increase the chances of being right.

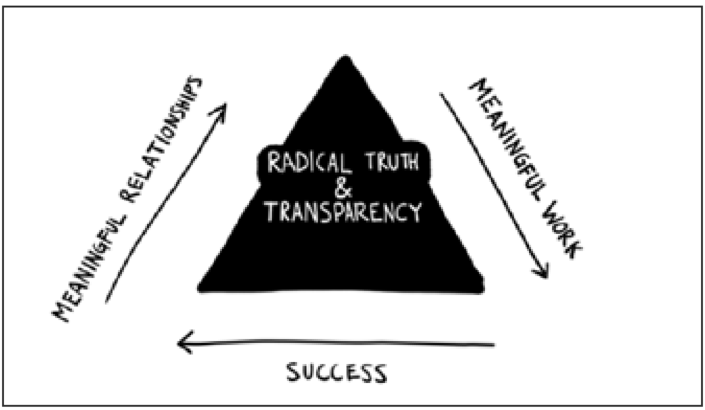
To enhance the power of an idea meritocracy, systemize the process of believability-weighted decision-making through the use of computer algorithms and back-testing.

TRUST IN RADICAL TRUTH AND RADICAL TRANSPARENCY

Radical truth and radical transparency are essential to creating a real idea meritocracy. However, adapting to radical truth and transparency takes time and is difficult. This is because each person has "two yous." There is the logical and conscious "you," and the emotional and subconscious "you." These "two yous" often work in conflict with each other. While the conscious, "upper-level" you understands the benefit of radical truth and radical transparency, the subconscious, "lower-level" you is skeptical, impatient, and easily frustrated. Adapting can take about eighteen months.

MEANINGFUL RELATIONSHIPS AND MEANINGFUL WORK ARE MUTUALLY REINFORCING

The most meaningful relationships are those where people can speak honestly about important matters, learn together, and be open to hold one another accountable to be excellent. Having this type of relationship with coworkers helps people get through challenging work. Meanwhile, the challenging work leads to closer and stronger relationships. This cycle is self-reinforcing and creates success, as shown in the triangle diagram below.



CULTIVATE MEANINGFUL WORK AND MEANINGFUL RELATIONSHIPS

After establishing a common mission, be loyal to it and watch out for those not operating in concert with it. Ensure everyone is on the same page about expectations and what things are non-negotiable. One non-negotiable item is that people must give more consideration to others than to themselves. To be considerate means to allow others to do what they want, as long as it's consistent with the company's principles and the law, and to be willing to put others ahead of oneself. Understanding the difference between fairness and generosity is important too. Not every generous act needs to be equal. On the management side, determine what is fair and be on the far (generous) side of it, including making sure that employees are well paid.

Be aware that the size of an organization can hurt or prevent meaningful relationships. As a company grows, it needs to carefully consider how to maintain a sense of community. For Bridgewater, having departments of 50–150 people helped maintain their sense of community even as they grew.

CREATE A CULTURE IN WHICH IT IS OKAY TO MAKE MISTAKES AND UNACCEPTABLE NOT TO LEARN FROM THEM

While everyone makes mistakes, the difference is successful people learn from their mistakes and unsuccessful people don't. Directly address mistakes. A work environment where it is okay to safely make mistakes that can be learned from leads to rapid progress and less mistakes over time.

Observe mistakes for patterns. Write down mistakes and infer connections between them. Then identify the biggest, most common weakness, known at Bridgewater as the "one big challenge."

No one can see themselves objectively, so everyone should help others learn what is true about themselves by providing honest feedback, by holding them accountable, and by working through disagreements in an open-minded way. The worst mistake someone can make is not owning up to their mistake. Penalize people who cover up mistakes, and foster a culture in which highlighting a mistake is normal.

PRINCIPLES TO: GET AND STAY IN SYNC

People need to be aligned in terms of their shared mission, treatment of one another, and shared understanding of their work responsibilities. Alignment is important to any idea meritocracy and must be conscious, continuous, and systematic.

1. CONFLICTS ARE ESSENTIAL FOR GREAT RELATIONSHIPS

Disagreements help determine whether the principles are aligned and lead to a more constructive resolution of differences. Getting in sync through productive conflict and discussion saves time in the long run.

2. KNOW HOW TO GET IN SYNC AND HOW TO DISAGREE WELL

The key is to know how to move from disagreement to making decisions. To do so, surface the areas of disagreement, either formally in writing or informally in discussion. Not all complaints are worth discussing, so focus on those that are constructive. Always try to see the other sides to a story.

3. BE OPEN-MINDED AND ASSERTIVE AT THE SAME TIME

Getting in sync involves two attributes: assertiveness and open-mindedness. To be open-minded is to see things through another's eyes. To be assertive is to clearly communicate how one sees things through one's own eyes. To encourage open-mindedness, use the two-minute rule in meetings: allow the speaker two minutes uninterrupted to explain their thinking. Anyone can become more open-minded and assertive with practice, training, and reinforcement.

PRINCIPLES TO: GET BEYOND DISAGREEMENTS

Sometimes people can't agree on what's true and what to do about it. In these instances, Bridgewater follows a set of procedures for believability-weighted voting that enforces the outcome. Below are ways to proactively manage disagreements.

1. PRINCIPLES CAN'T BE IGNORED

Treat principles like laws. Apply the same standard to everyone, i.e., the same levels of open-mindedness, consideration, and integrity. Hold everyone accountable to the principles.

2. DON'T CONFUSE THE RIGHT TO COMPLAIN, GIVE ADVICE, AND OPENLY DEBATE WITH THE RIGHT TO MAKE DECISIONS

Everyone has their role, responsibilities, and authority based on their demonstrated ability. Challenging and probing individuals and managers alike can improve thinking and provide alternative perspectives. Advice and debate move throughout the hierarchy, but the decision-making authority does not transfer.

3. DON'T LEAVE IMPORTANT CONFLICTS UNRESOLVED

The long-term consequence of avoiding confrontation is "massively destructive." Avoid the "narcissism of small differences", i.e., avoid allowing little differences to divide when in agreement on the big things. Don't get stuck in disagreement. Vote on it as a group or risk escalating the matter.

4. SUPPORT A DECISION ONCE IT IS MADE, REGARDLESS OF THE INDIVIDUAL DISAGREEMENT

When those in a group who don't get what they want continue to fight, the group fails. The cohesion of the group always supersedes individual desires.

PRINCIPLES TO: HIRE RIGHT

"Hiring is a high-risk gamble that needs to be approached deliberately".
— Ray Dalio

1. HIRE TO THE DESIGN

Avoid creating jobs to fit certain people. Instead, match people to the design of the company by listing a consistent set of criteria reflecting which values, abilities, and skills are needed. Hiring for values is most important. Values are deeply held beliefs that motivate behavior and influence how compatible a person is to working with others. Abilities are the second most important, and cover the ways of thinking and behaving. Skills are the least important, though obviously still important. They are learned tools (e.g., writing computer code, speaking a foreign language). Values and abilities rarely change, while skills can be acquired.

2. MAKE HIRING THE RIGHT PEOPLE SYSTEMATIC AND SCIENTIFIC

Hiring should be systematic and evidence-based. Capture data and keep track of interview questions and answers to build a record for future hiring efforts.

3. HIRE PEOPLE FOR THE LONG TERM

Hire the type of people that can share in the long-term mission. To identify these people, look for those who ask many thoughtful questions. Show them what the company is really like, especially the bad and the most challenging aspects. Find people who are compatible with and capable of challenging others. Be generous with them and expect generosity in return. Mutual generosity will lead to a quality relationship.

PRINCIPLES TO: CONSTANTLY TRAIN, TEST, EVALUATE, AND SORT PEOPLE

1. ALLOW YOUR HIREES TO EVOLVE

Excellence is best for everyone; achieving and maintaining excellence means ensuring the right people are in the right roles. It takes six to twelve months to get to know a new employee, and about eighteen months for them to adapt fully to the culture. During this time, provide mini-reviews and some major ones. After each assessment, give the employee new assignments that build on their likes/dislikes and strengths/weaknesses as well as on the training and feedback they've received. Emphasize hands-on learning, which is better than book learning. Make it an iterative process that either leads to either increasing responsibility or a parting of ways.

2. PROVIDE CONSTANT FEEDBACK AND EVALUATE ACCURATELY

Most training should consist of doing a task and then analyzing performance. The feedback should be a realistic reflection of what is working and what is not. There need not be a balance of criticisms and compliments. Accuracy is the best form of kindness, even when it feels like an attack.

Greatness comes from focusing on where improvements are needed. Therefore, accurate criticism is more valuable than compliments. While it is important to tell people where they are excelling, it is even more important to highlight their weaknesses and ask them to reflect on them.

The two biggest mistakes with assessing people are: (a) being overconfident in the assessment and (b) failing to get in sync about it. To avoid these pitfalls:

- Assess in nonhierarchical ways that encourage everyone to speak freely.
- Learn about each other through candid conversations about mistakes and their root causes.
- Help people work through the pain that comes from confronting weaknesses by communicating calmly, contextualizing the feedback, and giving the person time and space to process before having a follow-up conversation.
- Most importantly, to help people succeed do two things: allow them to see their failures so clearly that they are genuinely motivated to change, and then show them how they can change or work with others who are strong where they are not.

Conclusion

MANAGE AS IF OPERATING A MACHINE TO ACHIEVE A GOAL

For every case that emerges, a manager should have two purposes:

- To move closer to a goal, but not to fixate only on this part as many people mistakenly do.
- To train and test the machine (i.e., the people and designs). This second part is more important than the first because building a good, lasting organization that thrives in all cases depends on it.

"Probe deep and hard to learn what to expect from the machine".
— Ray Dalio

Daily updates are an effective tool for keeping up with what a manager's team is doing and thinking. As part of the probing, "probe to the level below the people who report to you." Observing a direct reporting team ensures an understanding of how the person who reports to a manager adds value to the machine. Furthermore, the individuals who report to the managers who report to you should feel comfortable escalating their problems to you. In some organizations, this is frowned upon, but at Bridgewater, this helps create upward accountability.

WHAT IS WORK?

People should view work as an opportunity to achieve a combination of three things:

- To accomplish a desired mission together in bigger and better ways than one could do alone.
- To develop quality relationships that together make for a great community.
- To earn money to buy what's wanted and needed for oneself and others.
- The above are mutually supportive. It's up to each person to decide how much of each they want.

(S48)

The Startup Way

By: **ERIC RIES**

To thrive in the coming century, every organization needs the ability to experiment rapidly with new products and new business models; to empower their most creative people; and to engage repeatedly in a process of innovation in order to unlock new sources of growth and productivity. A modern company must give every employee the opportunity to be an entrepreneur, recognizing entrepreneurship as a core discipline.

The lessons of the lean startup movement of Silicon Valley are the basis of The Startup Way, a series of tools and techniques that will unleash this entrepreneurial approach in any organization. The core of the approach is the small, internal startup team, a cross-functional group that is focused on testing leap-of-faith assumptions about potential new products with the use of minimum viable products. A repeated cycle of testing leads to an iterative process where failure becomes a key component in validated learning. Making use of growth boards and metered funding, the teams learn how to pivot or persevere on each project.

Embedding the entrepreneurial function in the organizational structure, creating career paths and assessment processes that value innovation, and making use of innovation accounting, ultimately leads to an organization that embodies the concept of continuous transformation.

The Five Principles

The principles of entrepreneurial management described in "The Lean Startup" (published in 2011) can be applied in any industry, size of company, or sector of the economy. Whether it is a large, established company like GE or a tech startup experiencing hyper-growth that wants to scale beyond their first, successful innovation, any organization can follow the same set of principles to find new sources of sustainable growth.

The "Startup Way" is a management system based on five principles:

I. Continuous innovation that repeatedly finds new breakthroughs.
II. The startup as an atomic unit of work.
III. Entrepreneurship as the missing function in the organization.
IV. Unleashing entrepreneurship as a kind of second founding.
V. Continuous transformation that rewrites the company's DNA.

Creating a Modern Company

To thrive in the coming century, every organization needs the ability to experiment rapidly with new products and new business models; to empower their most creative people; and to engage repeatedly in an innovation process in order to unlock new sources of growth and productivity.

1. OLD-FASHIONED VS. MODERN COMPANIES

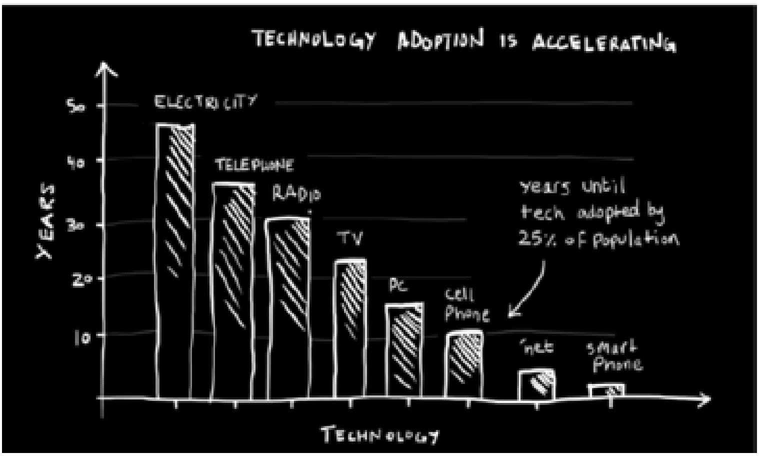
The world has become an incredibly unpredictable place and today all organizations operate in a marketplace of uncertainty. Time and again, business leaders and managers voice concerns about new global competition, the speed with which automation and information technology are rendering products and processes obsolete, and the onslaught of potential high-growth startups impacting every industry. In addition to these external sources of uncertainty, today's managers also face the pressure of having to constantly launch new products, seek new sources of growth, or enter new markets.

At the same time, most organizations are operating a system of accountability that was designed in a very different time and context, with the goal of producing high-quality products on time, on budget, and at scale. The buzzwords were things like "standardization," "mass production," and "lean manufacturing." In this old system, it was deemed important to meet a pre-decided forecast and failure was not an option. In fact, failure could be avoided with careful planning and proper execution.

A modern company, however, must have both the capacity to produce quality and reliable products and the ability to discover what new products to produce. It must give every employee the opportunity to be an entrepreneur.

An old-fashioned company is founded on steady growth, has experts in specialized functional silos, and operates huge programs. It uses internal functions like legal, IT, and finance to mitigate risk through compliance with detailed procedures. An old-fashioned company prioritizes all projects based on return on investment, traditional accounting, and market share. It is full of multitasking and meetings, with lots of middle managers, and a hierarchy of managers and subordinates. The company tends to pursue big projects, everyone is busy all the time, and "failure is not an option." Barriers to entry protect an old-fashioned company from competition.

A modern company is founded on sustained impact via continuous innovation, and operates rapid experiments. It uses internal functions like legal, IT, and finance to help its employees meet their goals of serving customers. A modern company tries to maximize the probability and scale of its future impact and uses innovation accounting. It uses the internal startup, where a small number of passionate believers are dedicated to one project at a time, and is organized around leaders and the entrepreneurs they empower. The company pursues a portfolio of smart experiments, where efficiency means figuring out the right thing to do for customers, and "productive failures" are rewarded. A modern company leaves competitors in the dust through continuous innovation.



2. THE ENTREPRENEURIAL FUNCTION

Established organizations usually lack the ability to act on new ideas, being encumbered with layers of bureaucracy that have built up over many years or even decades. No-one is explicitly in charge of grappling with uncertainty. Even hyper-growth startups can end up with big company structures. Instead, a modern company should recognize entrepreneurship as a core discipline.

ATOMIC UNIT OF WORK

Not everything faced by a modern company can be managed by an internal startup unit, but it is the best way to respond to uncertainty. These internal units blend elements of research and development, sales and marketing, and engineering; they have no logical home in a traditional org-chart. The responsibility of the entrepreneurial function is to oversee these internal startups.

The atomic startup unit is a dedicated team that relentlessly pursues new ideas, stays true to the experiment, and is flexible enough to pivot when needed.

A NEW STYLE OF LEADERSHIP

The entrepreneurial function also supports other functions in the organization in doing their work more effectively. Traditional management tools are focused on planning and forecasting. Identifying and managing entrepreneurs requires a new style of leadership. It is particularly important to realize that 'entrepreneurship' is not some special quality possessed only by a few people. In fact, you never know who the entrepreneurs are going to be; and even the non-entrepreneurs will benefit from this new way of working.

To take advantage of its latent pool of entrepreneurial talent, the organization has to make the entire employee base aware of the possibilities of entrepreneurship as a career path. This means meeting a series of challenges:

- Creating space for experiments but with liability constraints.
- Learning to make investments on the basis of evidence, experimentation, and vision, not just ROI forecasts.
- Creating milestones that can work even when there's no accurate forecast.
- Providing professional development and coaching to help people get better at being entrepreneurs.
- Provide internal and external networks so that people know what it means to say, "I'm and entrepreneur."
- Recognizing that high risk and uncertain projects need a separate and rational way to attract talent.
- Creating new incentive and advancement systems.

These are significant challenges. Fortunately, the structures and systems of Silicon Valley can provide the answers.

3. LESSONS FROM SILICON VALLEY

Silicon Valley can best be described as a state of mind – a shared set of beliefs and values that have taken hold in dozens of startups around the world. The startup movement's beliefs, systems, and structures can be replicated in other organizations.

THE IMPORTANCE OF THE TEAM

Silicon Valley investors make their decisions largely based on the quality of the team, looking first at the people and then at the idea. They see the team's ability to come up with a good plan as an indicator of future success, even if the plan itself changes. What counts is the team's ability to execute.

In addition, small teams are the most powerful, with members forming an intense bond and communicating easily. The team is adaptable; it's almost impossible for bureaucracy to take over when the team only has a handful of members. And, almost by definition, a small team means a paucity of resources, which forces everyone to focus.

Finally, the small teams that create startups are inherently cross-functional. Everyone has to pitch in and solve the problems that come up.

START WITH THE CUSTOMER

The team has to start with articulating the problem to be solved from the customer's point of view. Customers don't care about market-share, they just want something that makes their lives better. Silicon Valley knows that the key word here is "better." It's not enough to just give customers a solution to their problem; the goal is to delight customers with a dramatic improvement.

GIVE EMPLOYEES A STAKE

Startups are usually for-profit companies. Nevertheless, an important component of the Silicon Valley ethos is to give every employee a stake in the company by offering them equity ownership. This gives employees a direct incentive to learn; it's not a cash bonus, it's a measurement of what the startup has learned about its future profits.

FOCUS ON LEADING INDICATORS

Concepts like gross profit, ROI (return on investment), and market share are trailing indicators. In contrast, leading indicators predict future success and include customer engagement, unit economics, and repeat usage.

METERED FUNDING FROM INVESTORS

In Silicon Valley, whatever money the startup team raises is theirs to use as they see fit, with minimal oversight. But, without progress there won't be another round of funding. Knowing that a board or group of investors will at some point need a progress report. This report gives the team accountability while also allows them the freedom to pursue their goal. Linked to this is the role of the board, which expects a report not on a fixed schedule, but when there is something to share.

MERITOCRACY

One of the most widely-held Silicon Valley beliefs is that good ideas can come from anywhere, and that people should be given resources based on their talents, not on their pedigree. Related to this is the notion that, unlike in a traditional company, in a startup not everything has to be “figured out” before you can proceed.

EXPERIMENT

A small team, operating on a meritocratic basis and backed with metered funding, can create experiments to try things out, without causing financial ruin for the larger organization. A culture that tolerates failure allows the organization to pursue a diverse range of ideas. Many may be dreadful, but a few will be truly groundbreaking.

DRIVEN BY THE MISSION

Silicon Valley is full of great visionary founders; they are an essential element in any startup. It is the vision that gives the team its guiding light and purpose, providing a deep sense of motivation and energy. Crucially, it also allows the team to pivot – to change strategy without changing the overall vision.

ENTREPRENEURSHIP AS CAREER

The ‘founder mentality’ is lauded in Silicon Valley; early employees at successful startups are sought after at other organizations and are given the kinds of opportunity for rapid advancement not typically found elsewhere. The entrepreneur is recognized as someone who can make things happen in a range of situations.

These lessons from Silicon Valley give us a common language to talk about the management practices that are the basis of the modern company. With the language and vocabulary established, we can now talk about the methods that are the basis of the startup way of working.

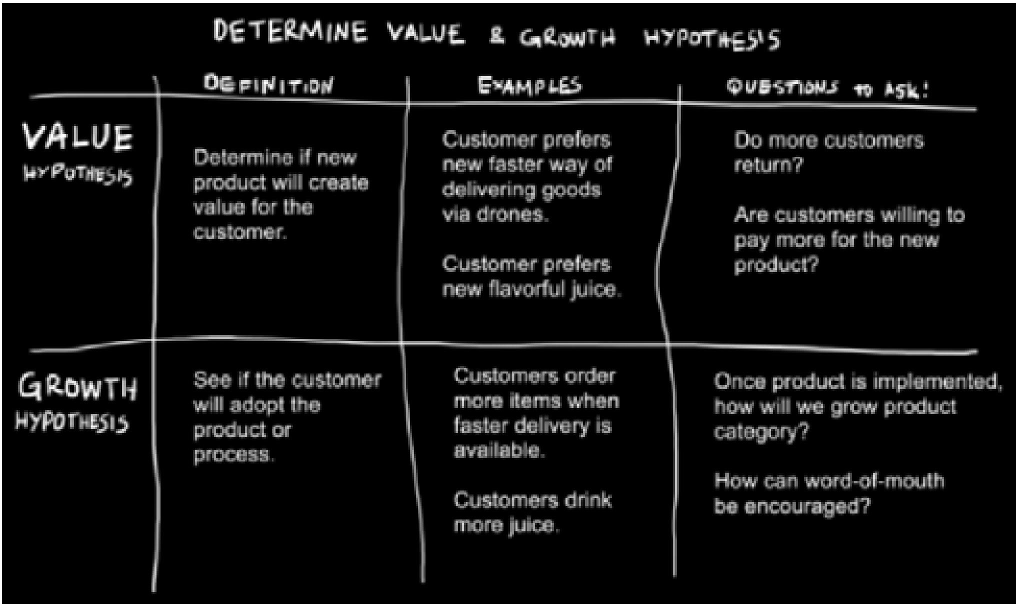
4. LEAN STARTUP TOOLS AND PROCESSES

What are the basics of the Lean Startup method?

LEAP OF FAITH ASSUMPTIONS

Identify the beliefs about what must be true in order for the startup to succeed. In a traditional business, these assumptions are the company’s guess as to how its strategy will deliver on its vision. In a startup, these assumptions need to be made explicit, but keep it simple; list only those leap of faith assumptions that will have the most impact on the success or failure of the business plan.

Any startup will have two particular leap of faith assumptions that need to be tested: the value hypothesis (whether a product or service really delights customers once they start using it;) and the growth hypotheses (once the product has some customers, will it be able to get more).



DETERMINE VALUE & GROWTH HYPOTHESIS

	DEFINITION	EXAMPLES	QUESTIONS TO ASK!
VALUE HYPOTHESIS	Determine if new product will create value for the customer.	Customer prefers new faster way of delivering goods via drones. Customer prefers new flavorful juice.	Do more customers return? Are customers willing to pay more for the new product?
GROWTH HYPOTHESIS	See if the customer will adopt the product or process.	Customers order more items when faster delivery is available. Customers drink more juice.	Once product is implemented, how will we grow product category? How can word-of-mouth be encouraged?

MINIMUM VIABLE PRODUCT

Create an experiment to test the leap of faith assumptions as quickly and cheaply as possible. This Minimum Viable Product or MVP needs to be a real-life product that creates the maximum opportunity to be surprised by customer behavior and so allows the team to collect validated learning. The goal is to quickly turn an idea into something real, even if it is imperfect, in order to learn. It is not a first step toward scaling.

MVPs can take many forms, depending on the idea you want to test. It could be as simple as an online landing page designed to elicit a customer response; this can test marketing messages or be used to test how customers would respond to potential new product features. A pop-up shop is another form of MVP; a physical store or booth that allows you to interact directly with potential customers. However, it is very important to brainstorm multiple MVPs for any given project.

VALIDATED LEARNING

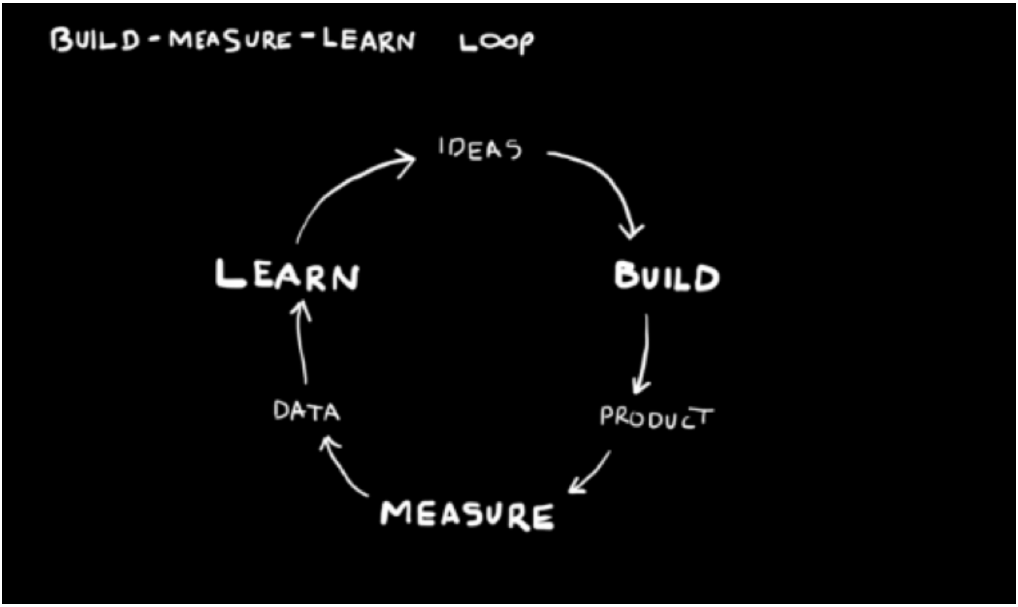
Think like a scientist. Treat each experiment as an opportunity to learn what is and is not working. The data gleaned from each MVP should lead to a report that has three components.

- It should be actionable: demonstrate a clear cause-and-effect that is related to changes in the product itself.

- It should be accessible: everyone involved in the project should have access to the report and be able to understand it.
- It should be auditable: in other words, the data should be credible.

BUILD-MEASURE-LEARN

Now, take what is learned from each experiment and start the loop over again. Building an MVP is not a one-off event. Once completed, the data will show where the idea has traction and where it doesn't. With this information in hand, build the next MVP and keep learning. In this way, instead of a quest for perfection the focus shifts to a willingness to experiment and adapt the original idea, which eventually will lead to a better product.



PIVOT OR PERSEVERE

Testing assumptions and learning from MVPs lay the groundwork for the key final step in the startup process. On a regular schedule, make a decision about whether to make a change in strategy – pivot – or stay the course – persevere. The decision to pivot may mean aiming at a different market for the product, or developing a different feature of the product, but it does not change the overall vision for the product. Each pivot creates a new set of assumptions to test, renewing the process all over again. It is important to schedule the pivot or persevere decision meeting in advance, say once every six weeks, so that everyone is focused on asking themselves, "Is our current strategy taking us closer to our vision?"

Nearly every successful startup has pivoted somewhere along the way, but not only startups can pivot. Netflix went from an established DVD mail rental service to streaming content. PayPal started life as a money transfer mechanism for palm pilots and is now a world-wide web-based payment system.

5. MANAGEMENT FOR INNOVATION

Entrepreneurial management does not replace traditional management; rather, it is a leadership framework designed for twenty-first century uncertainty. Although innovation is decentralized and unpredictable, it can still be managed. Doing so just requires different tools and safeguards than found in a traditional setting.

ACCOUNTABILITY, PROCESS, CULTURE, PEOPLE

The systems, rewards, and incentives that drive employees make up the organization's accountability; in other words, what are employees compensated for, rewarded for, and celebrated for? An entrepreneurial mindset must be recognized and rewarded.

Process means the tools and practices that employees use every day to get their work done. These habits and ways of working become the organization's culture, its institutional muscle-memory. And, that culture in turn attracts a particular kind of person.

TRANSFORMATION OUTCOMES

As these tools become used throughout the organization, a number of changes will occur. The existence of small startup teams creates more opportunities for leadership, and innovative people will be more likely to stay within the company. There is less waste of time and energy as management figures out in advance the best things to build, without spending significant resources on dead-end projects which can be killed off more quickly. Once failing with honor is seen as a skill, such 'failed' projects can be treated as the groundwork for future successes.

When the ability to experiment, learn, and pivot is embedded in the company culture, problems can be solved more quickly and efficiently, too. Ultimately, all of this will add up to more profit for the company.

How, exactly, to transform the paradigm of the traditional company into the entrepreneurial approach of the modern company is the focus of the next section.

How to Transform the Company

There are three phases to the company transformation: laying the foundation and creating the critical mass; rapid scaling and deployment; and dealing with the deep systems of the corporation. Each of these phases plays out across the different levels of the organization: the team, the division, and ultimately the enterprise as a whole.

PHASE ONE: CRITICAL MASS

In Phase One, the overall goal is to build enough critical mass to get senior leadership to buy into rolling the approach out company-wide. At the team level, this will mean figuring out what does and does not work for your particular organization. At the division level, it will mean enlisting a small team of senior management 'champions' to make exceptions to company policy as needed. At the enterprise level, building critical mass means getting agreement with the most senior leaders on what success looks like; focusing on leading indicators; and establishing the criteria to move to Phase Two.

Start with a limited number of projects and build from there. Create dedicated, cross-functional teams to undertake these pilot projects, and a growth board system to make quick, clear decisions about the projects presented to them. Teach these teams how to design startup experiments and how to measure the results. Finally, translate these new concepts into company-specific language and tools.

START SMALL

The scale of the program will depend on the size of the company, but it is important to start with a limited number of small teams, to create an iterative process that will gradually expand.

DEDICATED CROSS-FUNCTIONAL TEAMS

A cross-functional team will harness the energy from various disciplines within the organization. Allow this functional diversity to grow over time so that team members become 'functional ambassadors' who can explain their role in terms that other team members can understand.

THE GOLDEN SWORD

Wielding the Golden Sword is another way of describing the role of senior leaders in cutting through the bureaucracy in one stroke. It encourages the team members to ask for what they really need to move forward; usually, in the form of cover and clearing away obstacles.

A GOOD EXPERIMENT

Designing a good experiment is key. It should have:

- A clear, falsifiable hypothesis
- An obvious next action
- Strict risk containment
- A tie between what is measured and at least one leap of faith assumption

NEW MEASUREMENTS

For teams to know that they are succeeding, Phase One requires the development of new forms of measurement, using leading indicators that measure validated learning. Leading indicators come in many forms but their common purpose is to track signs that the process is working at the team level. This could include showing development of a faster cycle time, or increased customer satisfaction and engagement.

New metrics will be needed to measure these indicators; the key here is to keep the metrics simple and focused on validated learning. One example, taken from an IT division, might have just four metrics to measure the success of a new project:

- How fast can a team get a new task done?
- How many tasks can a team complete in the course of one work cycle?
- How long does it take a task pulled out of the production backlog to get back into production?
- How long does a task sit in the backlog?

SPONSORS

Every startup team needs a sponsor, someone in the company leadership who can resolve the tough problems the team will encounter and clear away obstacles. The sponsor can make exceptions to usual practice and policies, and make sure that progress isn't stymied by conflict and a clash of systems. Having a sponsor is also reassuring to team members and middle managers who may be nervous about the changes they are trying to implement.

OWN THE PROCESS

An outsider pushing an organization to change is doomed to failure. Instead, early in the transformation the company has to make the process its own. This means making sure that a person from within the organization leads the change. It also means finding ways to adapt the tools and techniques described here to fit the specific company, to translate the startup way of working into terms that make sense for the organization.

PHASE TWO: SCALING UP

The goal of Phase Two is to build organizational clout in order to tackle the difficult problems that will arise in Phase Three. At the team level, scale up the number of teams, build programs and accelerators as needed, and make sure to include all divisions, functions, and regions. At the division level train all senior leaders, event those not directly responsible for the entrepreneurial function, so that they are literate in the new approach. Scaling up at the enterprise level means developing coaches, a company-specific playbook, and new finance and accountability tools.

Scaling up looks different for each organization, but there are some common patterns and tasks that come with this Phase.

IDENTIFY THE CHALLENGES

Review and identify all the challenges faced by Phase One teams and projects. This includes listing all the exceptions that had to be made for the teams to kick off their projects, along with detailed information on why some projects failed.

WIDESPREAD ROLLOUT

In Phase Two, develop and implement a system for working in the new way. Roll out the system across the company. It is crucial to share information about the new methods throughout the organization.

EXECUTIVE LEVEL CHAMPIONS

Identify and use executive-level champions to reinforce the new methods. Different from a coach or an executive sponsor, the executive-level champion's primary function is to clear obstacles that crop up for teams as the startup way of working spreads through the organization, advocating publicly and effectively for this way of working. Clear executive authority and support will encourage middle managers who might otherwise fear what appears to be a breakdown in traditional processes and procedures.

TRAIN REPRESENTATIVES OF INTERNAL FUNCTIONS

Bring internal functions into the transformation process by training people in the new way of working. The reality is that there will be backlash; make sure that every internal function is involved in the training program, and include participation at the executive level, to minimize this backlash.

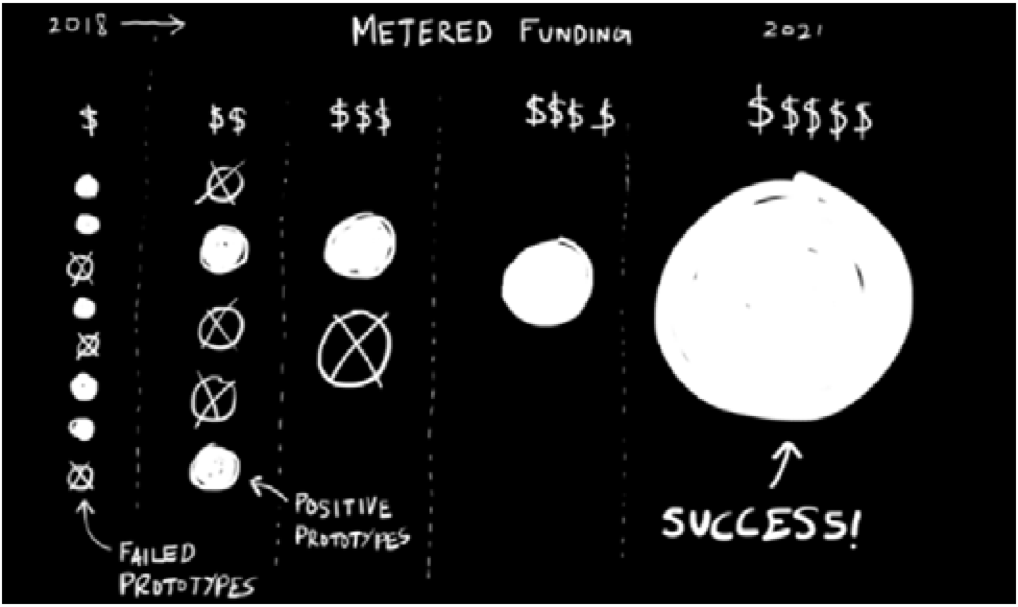
IN-HOUSE COACHING

Create an internal coaching program, a cadre of individuals who can help teams to make the mental shift to the new way of thinking. This is a great way to build internal support for the transformation. Whatever the specifics of your coaching program, make sure that the coaches are more than just occasional participants, that they receive rigorous training, and that coaching is elevated to a vital position within the company.

GROWTH BOARDS AND METERED FUNDING

The traditional way of funding projects is 'entitlement funding.' Once a project is approved the cash spigot is always turned on, with an assumption that projects will continue to be funded year after year. When teams feel entitled to funding, they are unlikely to operate with energy or focus; it becomes easier to delay the launch of a new product, to make sure there is no chance of failure.

In contrast, metered funding gives teams the freedom to spend the money, with strict criteria that must be met to unlock more, and an emphasis on validated learning. It enforces a scarcity mindset, is conducive to cross-functional collaboration, and reduces middle-management interference. To be most effective, metered funding should be paired with growth boards – groups of people to whom the teams are accountable and that sign off on the next round of funding. This creates a direct relationship between the financing of a project and its progress.



A growth board is the internal version of a startup board: a group that meets on a regular basis to hear from the team about its progress and to make funding decisions. It is a single point of accountability that pushes team members to think about their progress and question whether they have really achieved validated learning. It also acts as the clearinghouse for information about the startup for the rest of the corporation, and it provides the metered funding for the project.

The only way to give these changes staying power is to use early successes to tackle the deep institutional systems of the company. In Phase Three, the organization grapples with its incentive structure, how people are held accountable, and how resources are allocated.

PHASE THREE: DEEP SYSTEMS

In Phase Three, the overall goal is to build an organization capable of continuous transformation. At the team level, “this is how we do it” tools and training are made available throughout the organization, not just for those working on high-uncertainty projects. At the division level, creating deep systems for entrepreneurship means establishing growth boards, innovation accounting, and strict accountability for all senior leaders to allocate resources to the change. At the enterprise level, Phase Three means tackling the company's hardest deep systems: compensation and promotion; finance; resource allocation; supply chain; and legal.

Because every company and organization is unique, every deep system transformation is different and the patterns are not as common. The following stories illustrate what Phase Three may look like.

ALWAYS BUILDING: AIRBNB

Airbnb had a second founding with the launch of its Trips product; but the launch was not immediate. The company knew it had found its next big idea but the project languished until a small team of designers, product people, and engineers went to New York and ran a three-month internal incubator program. They tested numerous ideas and went back to San Francisco headquarters with a proposal. The company formed a cross-functional team to work on the project, with team members hanging out at Fisherman's Wharf to ask questions of their customers. The team spent two years growing the trips technology.

The approach was so successful that the company launched Samara, an in-house innovation and design studio made of up designers and engineers, that will help ensure the company's continued growth and evolution.

HUMAN RESOURCES: GE'S EMPLOYEE MANAGEMENT SYSTEM

A team at GE was making rapid progress in getting a new product to market but the project ran into a brick wall – the Employee Management System (EMS). Under the EMS every engineer had an annual goal to work toward that was evaluated in EMS based on a functional matrix for the particular position. The new project entailed increased rework, something that would be rated negatively in the EMS. Furthermore, EMS was based around an annual review cycle, something that was at odds with the new approach of experimentation and validated learning. The established human resources system wasn't designed for a method of working that entailed extreme uncertainty.

So, GE launched a new evaluation program, and it did so through testing MVPs and validating learning. The initial assumption was that employees would want to give feedback upward to managers and across to fellow colleagues. However, testing revealed that in practice they were uncomfortable with doing so. The team tasked with creating the new program pivoted and instead focused on the behaviors and culture that would need to be in place to make the new evaluation system work. In two years the team changed the performance management system from a prescriptive, formal, annual process to an approach that provide a framework within which teams can operate. The emphasis now is on learning, honesty, and outcomes as measures of success. They were able to get HR to function like a startup.

COMPANY-WIDE INNOVATION: INTUIT

Innovation projects in a large organization can have a high mortality rate; but, the projects that do survive can have a dramatic impact. In 2013 the CEO of Intuit was the host of the annual American Heart Association benefit. He put together a small team of two designers, an engineer, a product manager, and an innovation leader, and asked them to help him host the most successful fund-raising event that AHA had ever held.

The team came up with a mobile app that the volunteers at the event could use to keep track of all the ways that money was coming in. The app was connected to a screen projected in the main room that showed the total amount raised. Whenever anyone gave money, the numbers on the screen ticked up in real time. The goal for the event was to raise $1 million. When the total stood at $947,000 near the end of the event, the auctioneer was able to urge people to contribute more, to reach the goal – people could see their pledges making a difference. By the end of the night, the event had raised $1,170,000 – the most successful ever fundraiser for the AHA. The AHA went on to adopt the app for all of its regional benefits, and the Intuit team made the technology self-service, so that it could be used by any organization free of charge.

INNOVATION ACCOUNTING

Traditional companies ensure accountability by requiring managers to meet (or beat) a forecast. This does not work in a system based on testing, repeated failure, and validated learning. Instead, companies will have to adopt a system of innovation accounting – a way to evaluate progress when metrics like revenue, ROI, and market share are effectively zero.

Innovation accounting ties long-term growth and R&D into a system of three levels, providing a clear process of funding for innovation.

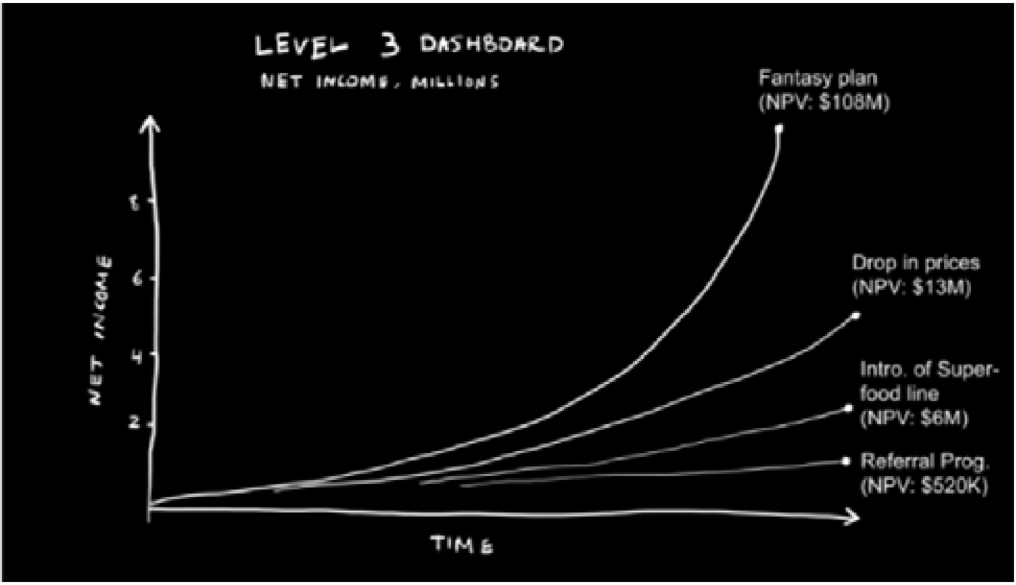
LEVEL ONE: SIMPLE DASHBOARD

The first level is the dashboard of metrics that teams agree are important. The dashboard should answer key questions, such as:

- Execution: did we do what we said we were going to do?
- Behavior change: are our people working differently?
- Customer impact: do customers (internal or external) notice an improvement?
- Financial impact: are we unlocking new sources of growth?
- The dashboard gives a basic sense of what's working and what isn't.

LEVEL TWO: BUSINESS CASE

Level Two of innovation accounting focuses on the business case and calls for building a more detailed dashboard that represents the complete interaction with the customer, from when they first hear about a product to when they actually use or purchase it. The Level Two dashboard must encompass the value hypothesis – what specific customer behavior indicates delight with the product? – and the growth hypothesis – what specific customer behavior will cause us to acquire more customers?



LEVEL THREE: NET PRESENT VALUE

The goal in the final level of innovation accounting is to translate learning into dollars, by rerunning the full business case after each new data point. Take the basic business model spreadsheet, something that shows how certain customer behaviors aggregate over time and result in a positive future impact. Then rerun that initial spreadsheet with new numbers learned from experiments and see how things change. Each new run of the spreadsheet yields a new graph and a new set of projections that can then be translated into net-present-value (NPV) terms using standard finance tools.

The Global View

The goal of all these tools and techniques is to move the organization from a state of continuous innovation to one of continuous transformation; an ongoing cycle of change that transforms not just a project or a team but the structure of the enterprise itself.

Every organization should have an active program of experimentation in new organizational forms and methods, peopled by those who will become the founders of the next company-wide transformation. These people will need a skill set similar to what is needed to build a new startup from scratch. They need career paths, accountability, and a rigorous training system. This engine of continuous transformation should be seen as a permanent organizational capability, one with responsibility for the entrepreneurship function.

ROLE OF PUBLIC POLICY

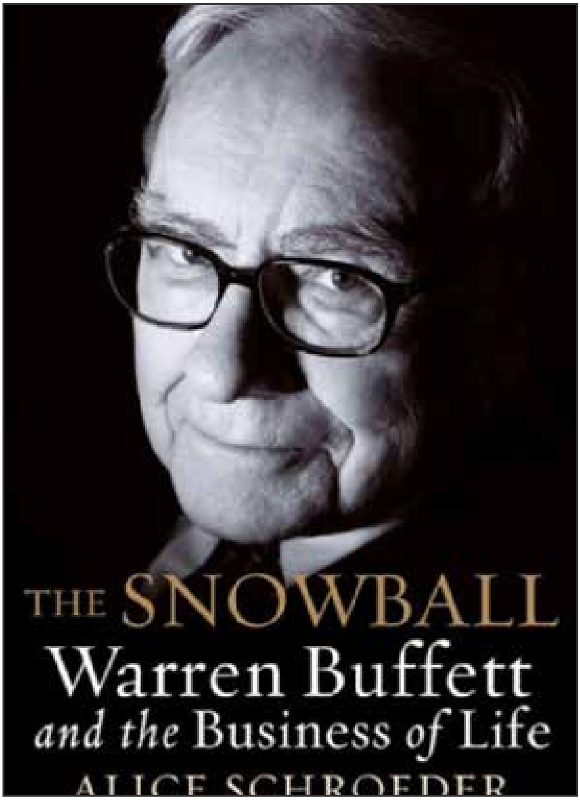
How can we run policy-making experiments that will help leaders to create the conditions in which the next generation of entrepreneurs can thrive? To foster startup-driven economic growth, we need the pro-business policies usually associated with conservative politics – less regulation, more competition, more public-private partnership – combined with the kinds of pro-worker policies usually associated with the political left – workplace protections, portable health insurance, and sensible immigration. Add into the mix non-partisan policies like patent reform, open data, and more responsive government, and you have a pro-entrepreneurship public policy stance.

Entrepreneurs are motivated by a desire to make the world a better place. Any policy that helps them to take the first steps toward their goals will reap returns. And, given that most experiments will fail, it is also important to cushion people from the worst consequences of that failure, so that the overall rate of entrepreneurship can increase. This might mean a more rational health insurance system that removes uncertainty about coverage; introducing entrepreneurial skills into the school curriculum; and encouraging the influx of global talent through immigration. It might mean trying to create a pro-productivity trades union structure; allowing people to convert unemployment insurance payments into a business loan to help launch a new company; or setting up a government-run microloan system. It may also involve creating a new stock exchange that is focused on the long term, in order to fund a company that will last for generations. In sum, a pro-entrepreneurship public policy should nurture human capital over the long term.

The Snowball: Warren Buffett and the Business Life

By: **ALICE SCHROEDER**

When a group of economists came up with the Efficient Market Hypothesis, to explain how it was impossible for multi-billionaire investor Warren Buffett to consistently outperform other investors, they didn't count on him even outperforming them. Debunking their theory, Buffett went on to become known for his simplistic lifestyle, running his life like a business, and thinking independently. Refusing to live his life caring about what others think of him, Buffett's life story gives us a glimpse into the mind of the man who couldn't win in his personal life, but who won in the financial arena.



SUMMARY

When looking at the lives of the most successful people in the world, there seems to be a common denominator among them; they started young and ran their lives with themselves as the brand. This is true of the infamous Warren Buffet, an investor worth $77 billion dollars, who was only six years old when he started his own business selling Coca Cola and gum to his neighbors and friends. At just 14 years old, he saved up one thousand dollars from his paper route, and filed his first tax return, deducting his bike and wristwatch as business expenses. By the age of 26, he had already banked $174,000 and formed an investment partnership for his family and friends. Today, he is known as the "Oracle of Omaha," and is CEO, President, and Chairman of the holding company, Berkshire Hathaway, with a market cap of over $400 billion dollars.

Born in 1930, Buffet grew up during the Great Depression with a stockbroker father and a verbally abusive mother. Idolizing one parent, and loathing another shaped Buffet's life. His mother Leila would often tongue-lash both Warren and his older sister until they were sobbing. As a result, Buffett grew up with undying need to feel loved, and to be with women who would never criticize him. When he married Susie, he finally found what was missing in his life, but Susie and their three children came second to his work.Unbeknownst to him, she secretly hoping that once he made enough money, he would spend more time at home. Fifty-two years later, Susie never got her wish, and moved out. In hindsight, his vanity plate THRIFTY, should have given her a clue.

Buffett was shattered by the separation, living alone and unable to clothe or feed himself. Susie kept in touch by phone, and eventually sent her friend Astrid Menks to check in on him. The restaurant hostess ended up moving in with the multi-billionaire and when Suzie died in 2004, the couple got married. Buffet sat by Susie's deathbd as she battled cancer, and was so broken after her death, that he wasn't able to attend her funeral. In his new marriage, Buffett was still unable to put anything but business first.

Other women played an integral part in Buffett's growth and trajectory to super wealth. It was bridge player Sharon Osberg who convinced him to learn how to use a computer, and a writer from Fortune Magazine, Carol Loomis who helped him write his annual letters to his shareholders. These women were each pegs that Buffett clung to as he ascended to the pinnacle of greatness.

Another notable female influence was Rose Blumkin, a Russian immigrant who came to the USA with nothing, but who became the founder of Norther America's biggest furniture store. Buffett eventually bought her out, but was knew her well enough to ask her to sign a non-compete, even though she was 103 years ole. One of his biggest role models, Blumkin was someone whom Buffett aspired to be like, and he wanted to live as long her, too.

It wasn't until Buffett invested in the Washington Post that he met its publisher Katharine Graham. She was his ticket to high society, where he was least comfortable. A man of simple tastes, Buffet would rather eat a burger, fries, and

Cherry Coke than sit down to a formal meal. He carried his own luggage when traveling, and was like a starstruck kid around celebrities, particularly when he met Princess Diana.

Buffett has lived his life avoiding those who would criticize him, and while he is a storied business mogul, he is not so cool, calm, and collected in his personal life. One of the only tycoons who never showed off his wealth, he even named is private jet "The Indefensible." In line with his simplistic personal lifestyle, he applied those same principles to his business life, with four simple rules of investment; don't invest in something you don't understand, distrust debt, be in there for the long term, and build in a margin of safety.

Aside from those four strategies, it all comes back to Buffett living his life by his inner scorecard. Not going with the flow has saved him millions of dollars, such as when he refused to get in on the dotcom boom. He was proven right, ten fold. In 2003, he warned of the "weapons of financial mass destruction," referring to the driving force behind the credit crunch. Again, he was proven right.

Despite his strategic rise, many people believe Buffett's success was a result of chance. In the mid-80's, a group of economists came up with the theory of "Efficient Market Hypothesis," to explain the reasons why it was impossible for someone like Buffett to consistently outperform his competitors. Buffett debunked their theory by naming eight peers who had the same type of performance, and who were mentored by David Dodd and Benjamin Graham.

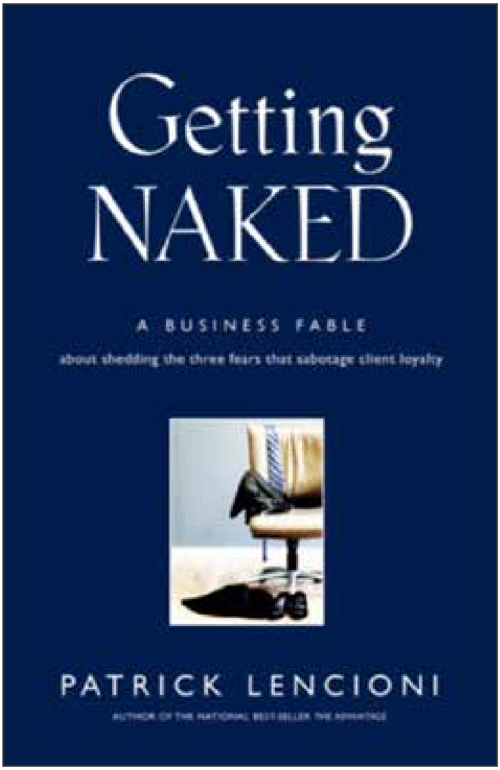
If Buffett cared about his outer scorecard, he would have realized many losses. His belief that inheritance tax should be increased, ruffled many feathers. Calling it the "Ovarian Lottery," he didn't believe that children should automatically win their family's wealth. Not only did he alienate the business world with this campaign, but he divided his family, applying the same principle to his own children and siblings. He shunned his adopted granddaughter in a letter saying that he had "not legally or emotionally adopted" her as a grandchild.

Gifted in so many ways, and a business genius, his inner scorecard is definitely a winner, and for him, that's all that matters.

Getting Naked: A Business Fable About Shedding The Three Fears That Sabotage Client Loyalty

By: **PATRICK M. LENCIONI**

When a small boutique consulting firm gets bought out by one of its biggest competitors, they teach the more senior consulting firm a lesson in how to win over clients. Using "the naked service" business model, they show how vulnerability and transparency are the keys to customer loyalty. In the fable, the fictional character of Jack Bauer learns how to shed the three big fears of any business, by "getting naked," and becoming more real to their potential clients, instilling trust that never existed in the past.



SUMMARY

Sometimes when a company gets too big they forget important elements that led to their success, namely their customers. This is why big companies often suffer from lack of customer loyalty. Take a look at the fable of a large consulting firm that was in the process of acquiring one of its biggest competitors, a smaller consulting firm. In the process, they learned an invaluable lesson.

Jack Bauer worked for a full-service management consulting firm with much prestige, however, every time they went up against a particular competitor they lost the job to them. Even though Lighthouse Partners was newer to the game and a lot smaller, they beat the more experienced firm of Kendrick and Black when it came to client acquisition. In a twist of fate, Kendrick and Black eventually acquired their tough competitor, assigning Bauer to manage the merge of the two companies.

Lighthouse Partners ran their boutique consulting firm based off their "naked service" model. It revolved around the concept of being vulnerable; being transparent, selfless, and showing humility. This is not an easy thing to do for most people, let alone an entire business, but when it can be achieved it inspires trust and client loyalty.

Bauer learned that to get naked and become vulnerable, the boutique firm conquered their three biggest fears that frighten most businesses.

The Three Fears

- Fear of losing the business
- Fear of being embarrassed
- Fear of feeling inferior

Getting naked doesn't allow a business to hide behind a facade, and for the client, that means there are no tricks up their sleeves. Let's talk about each fear in detail and then learn how the little boutique firm showed the larger firm how to shed those fears.

<u>1. FEAR OF LOSING THE BUSINESS</u>

Who doesn't have this fear? Even the most successful business owners have this fear at one time or another, and this goes for consultancy businesses. It can cause consultants to hide their weaknesses to grow revenue, but always having to attract new customers, due to their high customer churn rate. A churn rate which can leave a business looking and feeling desperate.

<u>How To Shed This Fear</u>

- Always Consult Instead Of Sell
- Naked consultants attract loyalty from clients who appreciate their

transparency. They provide a service to their clients as if they were already hired.

- They never sell, but instead consult, providing answers to questions and giving suggestions

Give Away The Business -- Charging a lower fee provides a welcome surprise to the client, showing that the consultant cares more about their relationship than making a quick buck. It also proves that the consultant is in it for the long term. An introductory low price earns the consultant business more revenue down the line, with repeated business.

Tell The Kind Truth -- When a consultant has to deliver a difficult message, it is best to be kind, using respect and empathy for the client versus being blunt and all business. In the case of having to inform a CEO that he should demote his son, a consultant doesn't want his client to shoot the messenger. Instead, they find that using tact goes a long way in preserving the relationship.

Enter The Danger -- Sometimes a consultant has to bite the bullet and deal with the elephant in the room. Those who can step in and tell senior management that their tirade is abusive to their team, in a kind and non-confrontational way, are the consultants who are kept around.

2. FEAR OF BEING EMBARRASSED

This fear prevents consultants from taking risks, asking questions, and making suggestions.Those who are so afraid to make a mistake, can become distanced from their clients instead of being more concerned about helping their customers. Letting go of the ego and admitting what they don't know is the quickest way to gain loyalty from clients.

How To Shed This Fear

Ask Dumb Questions -- To get past being embarrassed, ask the dumb questions first. Most often consultants will find that others had the same questions, but were too afraid to ask. Not understanding a particular company's acronyms or terminologies is normal and asking for clarity is humanizing.

Make Dumb Suggestions -- Clients appreciate feedback, even if its dumb or not useful. Knowing that the consultant is willing to put themselves out there is endearing and instills trust.

Celebrate Your Mistakes -- Everyone makes mistakes. Accepting them takes practice, but shows clients transparency and honesty, instead being obsessed with perfection

3. FEAR OF FEELING INFERIOR

Most consultant believe that they are in the superior position, and as thus, should always maintain that sense of self-importance. They are afraid to appear inferior in the eyes of their clients, so much so, that they lose the meaning of providing a service. A naked consultant realizes that putting the client above himself instills respect and trust from those that will come back for more.

How To Shed This Fear

Take A Bullet For A Client -- When a consultant made a presentation for a CEO, he took the blame for the contents being incorrect. Instead of throwing the CEO under the bus, he accepted the humiliation. Consultants who can do this are highly regarded and have a larger return customer base.

Make Everything About The Client -- Naked consultants downplay their own accomplishments and focus on the client, by understanding their journey and supporting them. When the client feels like number one, they make the consultant number one.

Honor The Client's Work -- Taking an honest interest in the client's work shows appreciation. If a consultant can't find a way to be passionate about a client's business, that client may not be a right fit.

Do The Dirty Work -- When a consultant goes above and beyond the call of duty, such as being the one to order or pick up lunch, that instills loyalty from the client for the long term.

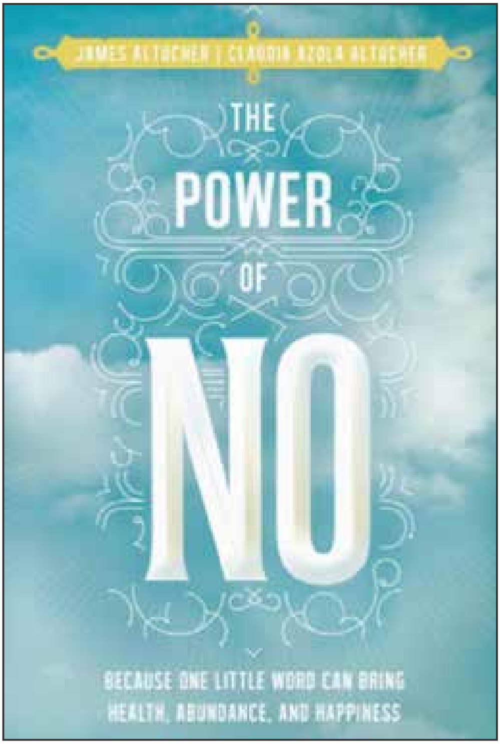
Jack Bauer took what he learned from Lighthouse Partners back to his superiors to implement at Kendrick and Black, making the firm stronger as a whole.

Photo by Austin Kehmeier on Unsplash

The Power of No: Because One Little Word Can Bring Health, Abundance, and Happiness

By: **JAMES ALTUCHER & CLAUDIA AZULA ALTUCHER**

Do you often say yes to the wrong things – bad relationships, inane requests, time-consuming tasks? Everyone makes countless decisions every day, and these decisions shape their lives. And for a happy and healthy life, we have to learn to say no to all the things that damage us. Do you struggle with saying "no"? Do you often wish you had to strength to just turn things down? Here you will find a practical guide on getting that strength and increasing the quality of your life through the power of no. So if you want happiness, abundance and health, this guide will teach you how to make your dreams come true.



SUMMARY

Lots of people find themselves in situations where someone asks them to do something, and they know they should decline, but for some reason they just can't. From helping a friend move to running unnecessary errands at work, these tasks can be extremely draining and unsatisfactory. And that is why learning how to say "no" is the best way to get a better quality of life. But the power of "no" doesn't just refer to particular situations – it is also about saying "no" to people, scarcity, needless noise, etc. By realizing the power of "no" and learning how to say "yes", a person can greatly enhance their overall happiness and quality of life.

There are three important lessons which can help a person use the power of no:

I. Saying no to the wrong people.
II. Saying no to things you don't like.
III. Saying no to scarcity and noise.

Choosing life, saying no to the wrong people

The way a person shapes their life comes down to their everyday choices. But when faced with these choices, many people will get sucked into situations they do not want to be a part of. This can cause them to neglect their well-being. But if they want to get the most out of their lives, choosing life is the way to go. Choosing life means avoiding things that might cause death, like smoking and eating bad foods, but it also means getting rid of negative and abusive people. Everyone has people in their lives who drain their energy and cause bad emotions like fear or guilt. Instead of wasting time on these relationships, this time and energy should be diverted towards the "inner circle".

What is the Inner Circle?

The inner circle is the people that a person spends most of their energy and time on. Remember, a person is the average of the 5 people they surround themselves with.

There is a handy exercise which helps in figuring out who belongs in the inner circle, thus making it better.

- Listing people that one engages with at least five times a week
- Rating the encounters with these people on a scale from one to ten (ten being the best)
- Focusing on people that rank higher than 8 (spending more time with them)
- Getting some distance from people that rank lower than five

This last step might be a huge challenge for some people because it requires overcoming destructive behavioral patterns. Claudia, one of the authors of the book, gives a good example of this – she always pursued unavailable men and was addicted to unattainable love. In an extreme case, she pursued a guy she only saw 4 times in 2 years. Eventually she decided to say no to this pattern of behavior by first saying no to this man, and then to her addiction. After she said no to the negative in her life, she found a relationship based on love and respect, and she is now happily married.

Following your dreams, saying no to the things you don't like

The key to a person having a happy life is doing things they want to do. When a person ignores what they want to do and keeps doing things they don't like, it can become a huge obstacle in making their dreams come true. One of the biggest problems here is that people tend to conform to other people's expectations instead of following their passions and forging their own path.

Learning how to say an assertive no is important, especially in situations where a reluctant yes will create a lose-lose situation. For example, Jack's friend Julie asked him to help her paint her kitchen. Jack really doesn't want to do it, but reluctantly accepts, because he feels it is expected of him. Julie, in turn, feels Jack's reluctance, which makes her feel bad. This creates a situation in which neither Jack nor Julie are happy with the outcome. An assertive no from Jack would have avoided that.

Attaining abundance and silence, saying no to scarcity and noise

Although in this day and age, resources are not scarce, people still seem to suffer from the scarcity complex. Saying no to scarcity means a person shifts their attention away from what they don't have and towards the abundance that surrounds them. A simple way to do that is to count the blessings in their lives and focus on the palpable lack of scarcity. Focusing on abundance enriches a person's life. Rather than seeing the glass half empty, or even half full, it is important to realize that there is plenty of water, that dying of thirst isn't an option, and that we should be thankful for the water.

Saying no to noise is also important, and replacing it with silence. Noise is anything that prevents a person from being at peace with themselves and the universe – the negative thoughts that bring fear or regret, outside information that causes bad emotions. For example, if that news report about the plane crash stirs up feelings of fear, just switch the TV off.

When a person reduces noise, it also allows them to see with an open heart and give their full attention to the people and things that surround them, that had previously maybe gone unnoticed.

Saying "Yes"

The conclusion of the three previous chapters is how saying no to the right things can drastically improve a person's life. The power of no is derived from three features:

- Health (saying no to harmful things)
- Discerning (perceiving the abundance)
- Compassion (listening with an open heart)

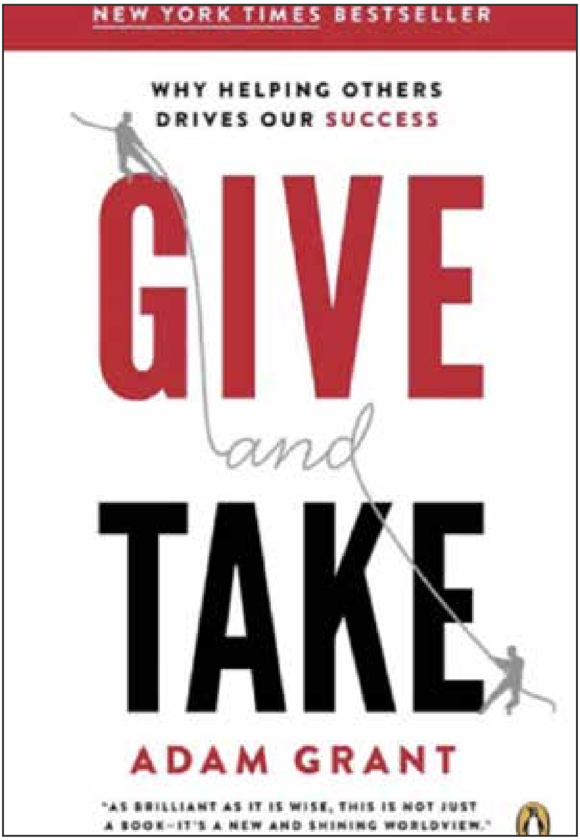
Implementing this can be difficult, but going on a gratitude diet can be of big help. Starting the day by thinking of 10 things that a person is thankful for can help them focus on the good in their life, and give them the will and strength to make a change – start saying no to bad things. And saying no to the bad quickly becomes saying yes to the good – health, abundance and happiness.

Photo by Meritt Thomas on Unsplash

Give and Take: Why Helping Others Drives Our Success

By: **ADAM GRANT**

According to old-school wisdom, the path to business success is looking out for yourself. But what if the key to thriving in the workplace isn't pushing others down but building others up? Through data-based research and a host of anecdotes, Adam Grant outlines the three different types of people in every organization and explains why "givers," those who habitually look out for the interests of others, are the key to both individual and corporate success.



SUMMARY

The average workplace is made up of takers, matchers and givers. Takers are those who almost exclusively act in ways that advance their own personal agendas. In their interactions with others, they are internally asking the question, "What can you do for me?" Matchers operate on a quid pro quo basis, giving in equal measure as others have given to them. Matchers' interactions are based on fairness, with interactions based on the idea that "If you do something for me, I'll do something for you." The third group, the givers, is made up of people who are characterized by serving those around them. The interaction of givers is based on the question, "What can I do for you?" Grant's research was based on interviews with 30,000 people across a variety of industries and cultures, and more than half of his respondents – 56 percent – identified themselves as matchers. Nineteen percent of the people in his survey pool called themselves takers, and 25 percent were givers.

Givers at the forefront

When Grant delved into the results of his study, he was surprised to discover that the traditional "shark tank" model of business success was turned on its head. While he found that the lowest performers in business and academic settings tended to be givers, the people at the top of the heap were givers as well. Additionally, even when givers had lower individual results, their presence contributed to greater corporate success and a more inviting workplace culture. Grant discovered that givers had a decided advantage over matchers and takers when it came to building networks, identifying and developing potential in others and communicating effectively.

Givers create more robust and extensive networks because they have established a history of giving to others without expecting anything in return. Consequently, when they do need to reconnect with someone in that network, the other person is more than willing to cooperate. Takers and matchers don't build similarly strong networks – takers often leave people with bad feelings, and matchers dampen future connections because earlier relationships were built on a debt-debtor dynamic.

Givers are also disproportionately successful in corporate settings because their generous natures equip them to nurture potential in others. People who aren't consumed with their own advancement are free to see the untapped excellence in the people around them. Givers also tend to excel in group collaboration, because the other members of the group trust that the givers will put the interest of the group ahead of their individual successes.

Another area that leads to organizational victories for givers is communication. Givers tend to be effective salespeople because they convey their interest in the other person in their interactions, they show vulnerability, and others find them easy to relate to. "Powerless communication," which is the style typically favored by givers, wins over its audiences because the communicator invites the opinions of others, inspires trust in those around him and seeks advice from those who might have something to offer.

Creating a giver-friendly work environment

If givers hold the key to both productivity and a healthy workplace culture, how can managers cultivate an environment in which givers can thrive? Grant offers several practical strategies to make sure the givers in an organization are encouraged in their giving spirit, resulting in an end to giver burnout and an improved culture in the workplace.

If organizational leadership doesn't support its givers, those givers can easily become discouraged and burn out, convinced that only the sharks in the company will rise to the top. Management can install a simple support system for givers by helping them set boundaries and rewarding the big and small favors employees are seen doing for others. In the same vein, it's up to managers to create a culture of giving and receiving – an environment in which idea-sharing is valued and team members aren't afraid to ask for help. The majority of giving starts with a request for help, Grant said, but in a "lone ranger" culture those requests are never made, and givers end up frustrated.

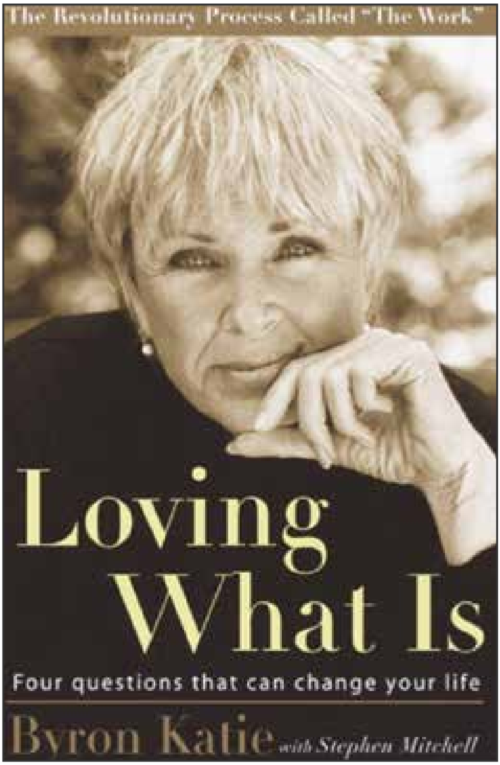
The final key to ensuring a giver-friendly culture is strategic hiring. It isn't necessary to hire only givers, but Grant has found that a mix of givers and matchers is an optimal environment for success. The most important element in hiring a team isn't multiplying the givers, but deleting the takers. "The negative impact of a taker in an organization is usually double to triple the positive impact of one giver," Grant said. Crafting interview questions to ferret out takers and watching the way candidates treat those who are powerless to help advance their careers are two steps companies can take to keep takers outside the gates and foster a culture of giving.

It may seem counter-intuitive, but Grant's extensive research has confirmed that nice guys and girls really can finish first. Not only are givers rewarded in the workplace with measurable results, they are also an integral part of creating a nurturing, creative, collaborative environment. Giving is contagious, often creating a dynamic in which matchers stop looking for an equal balance of giving and taking and instead start giving without expectation of a return. Even takers can sometimes be changed by the steady example of the givers in their midst. Managers and employees alike can help transform their workplace by sowing the spirit of generosity in their interactions with colleagues and customers alike.

Loving What Is: Four Questions That Can Change Your Life

By: **BYRON KATIE**

At the age of 43, Byron Katie was paralyzed by depression, rage, and paranoia, but that dark time gave rise to a transformative process she calls "The Work." The Work consists of four key questions that dissect the things we believe and hold them up to the light of reality. Through this course of inquiry, Katie believes that anyone can be released from the suffering that is holding him or her captive. "People who have been practicing inquiry for a while often say, 'The Work is no longer something I do. It is doing me,'" writes Stephen Mitchell in the introduction to Katie's book. "They describe how, without any conscious intention, the mind notices each stressful thought and undoes it before it can cause any suffering."



SUMMARY

Before people can truly undertake The Work, they must believe that the capacity for their happiness lies exclusively within themselves. Those who pin happiness and peace to other people or circumstances will struggle to resolve the chasm between their thoughts and reality. As Katie explains, everything in our lives can be defined as one of three kinds of business: mine, yours and God's. The only way to achieve harmony is to focus only on your business, leaving the things others can control in their court and surrendering the things that only God can change. When a person recognizes every stressful feeling is being propped up by an untrue thought, he or she can commit to exposing that untruth and replacing it with reality. That process lays the foundation for doing The Work.

Asking the Questions

Katie's four questions sound simple, but working through them honestly in the interest of dismantling the lies we believe can be hard work. Katie asserts that the more dedicated we become to regular inquiry when things cause us to suffer, the easier The Work will become. Just as we automatically pull our hand away from a hot stove, she says, those who practice the work will learn to quickly eliminate untrue thoughts by inquiry, returning to harmony and happiness. Katie strongly recommends doing The Work by writing out thoughts on paper, to encourage honest response. The four questions, with a brief explanation of each, are:

1. Is It True?

After writing down everything you feel about a painful situation, relationship or feeling in your life, the first question demands a reality check. This question asks for thorough investigation of what is true, as well as an accounting of whether this business belongs to you, someone else, or God. If you search your heart and conclude that the statement that is causing you pain is true, you answer question two. If you conclude that it is not true, you move to the third question.

2. Can you absolutely know that it's true?

This deeper level of searching asks the inquirer to find proof of the thing she believes, to dig below the surface to unearth the unseen factors that could have influenced the thought. If a thought is, in fact, true, it will be able to stand up to the scrutiny of further examination. This step also creates space to ask, "what does this truth tell me about myself?"

3. How do you react when you think that thought?

In response to this question, the inquirer is asked to make a specific and comprehensive list of how the thought makes him feel. What emotions arise? How do you treat the person, the other people involved with the situation when you think the thought? This question also asks if you can think of a reason to drop the thought, or a stress-free reason to keep it.

4. Who would you be without the thought?

The notion of releasing the thought leads seamlessly to this fourth question, which offers the prospect of freedom from a thought grounded in fear or falsehood. As Katie writes, "reality is always kinder than the stories we tell about it." In this final exercise, you are asked to imagine yourself in the presence of that situation or relationship, free from that stressful thought. It concludes in an invitation to decide if life feels more peaceful with or without the thought. Finally, The Work encourages you to craft one or more turnarounds to the original thought – an invitation to believe the opposite of what you once thought was true.

Doing the work in every part of life

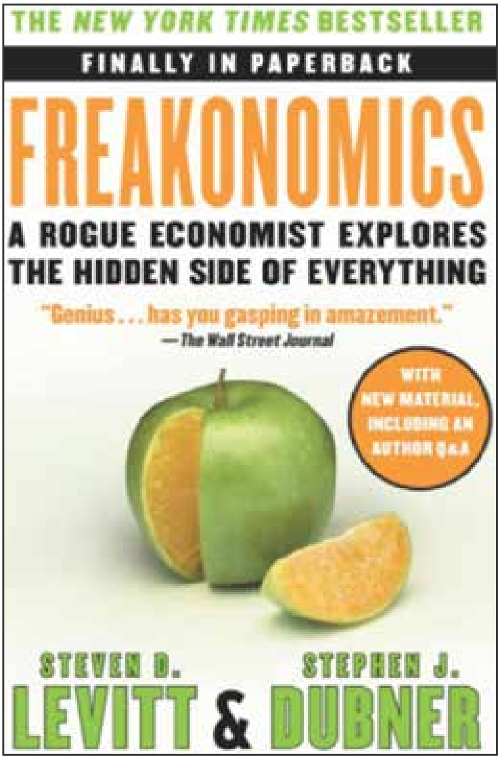
When a person becomes familiar with the four questions and is capable of placing negative thoughts under the scrutiny of The Work, the questions create a framework that can transform difficult situations in virtually any area. Katie details strategies for applying The Work to the negative thought patterns that develop in love, sex and relationships, health and death, parents and children, work, and money. She even includes guidelines to help children incorporate The Work into their lives when they are young, saving themselves from the baggage that could come from years of negative and unproductive thinking.

Like developing an exercise regimen, working through Katie's four questions is a difficult discipline when you start, but it becomes a natural part of your routine if you are committed to The Work. Like physical exercise, Katie believes firmly that The Work can transform a person mentally and emotionally – rewiring their brain to eliminate painful or deceptive thoughts. She writes: "I am a lover of what is, not because I'm a spiritual person, but because it hurts when I argue with reality. We can know that reality is good just as it is, because when we argue with it, we experience tension and frustration. We don't feel natural or balanced. When we stop opposing reality, action becomes simple, fluid, kind, and fearless."

Freakonomics: A Rogue Economist Explores the Hidden Side of Everything

By: **STEVEN D. LEVITT**

Author Steven Levitt, working with journalist Stephen Dubner, shows how economic theories can be used to analyze social issues. Each of the six essays explores a different theory or social issue, from cheating by sumo wrestlers to the economic organization of drug gangs. Along the way it addresses a series of questions such as "Why do some teachers cheat on test results?" and "Do parents really make a difference to a child's success in life?" Using a series of stories and case studies the author shows that, at its root, economics is the study of how people behave and how they get what they want.



SUMMARY

Humans often make decisions based on incentives, which are "a means of urging people to do more of a good thing or less of a bad thing." The author describes three kinds of incentives:

I. Economic: doing something to increase your wealth
II. Social: doing something to affect how others perceive you
III. Moral: doing something because of your sense of right and wrong

He concludes that many schemes combine different types of incentive to influence behavior. The author looks at examples of cheating to understand how incentives work.

In Chicago's public schools the results from annual standardized tests determine teacher pay and promotions, as well as the outlook for the whole school. Teachers have an obvious economic incentive to cheat on the test results, and in some years as many as five percent of them do so.

In the world of sumo wrestling, an individual wrestler's ranking determines every aspect of his life. Rankings are determined by the number of wins at bimonthly tournaments. Studies have found that, in a 15-round tournament, an unusually high number of wrestlers with a 7-7 record go on to win in their final bout, enabling them to advance. The author theorizes that economic incentives could be involved, as higher-ranked wrestlers are bribed to throw a fight in favor of a competitor who would otherwise not advance. However, in the tight-knit sumo community, where the stakes for winning or losing are high, there are also strong moral and social incentives for the higher-ranked wrestlers to assist those at risk of falling back in the rankings.

Information Asymmetry

A situation where one person or group has more information than another is a case of information asymmetry. The book explores this concept by looking at the Ku Klux Klan and at modern real estate agents. For over a century the KKK had been a powerful proponent of racist ideology. The group used information asymmetry such as passwords and secret handshakes to maintain an image of mystery and fear. In the 1940s a journalist called Stetson Kennedy infiltrated the group and revealed its secrets on a popular radio program. This helped to turn mystery into ridicule and KKK membership dropped dramatically.

Real estate agents profit from information asymmetry. They know a great deal about the housing market and also use code words to communicate with each other. They may hint that there is a problem in the market, to get owners to sell faster; or, they may use coded language in a listing to pass along information to other agents.

The drug business

The author examines the history of the crack epidemic in the United States using the example of one gang, the Black Gangster Disciple Nation, explaining its hierarchy and how profits are distributed. Contrary to popular belief, not everyone gets rich from selling drugs. Rather, the gangs are a lot like corporations such as McDonald's, with a strict hierarchy and close control of the distribution of profits. The top boss, a dealer named J.T., made over $100,000 a year. His 'employees,' the foot soldiers who risked their lives selling on the streets, made very little. However, the foot soldiers were willing to take this risk in the hope that they, too, might one day become rich and powerful. Levitt calls this a "winner-take-all" labor market.

Abortion and crime

The author looks at eight hypotheses that might explain the marked drop in crime in America in the 1990s, such as new policing strategies, new gun-control laws, and the role of capital punishment. However, none of these hypotheses can be proven with the data. Instead, the author concludes that the primary reasons for the drop in crime were an increased incarceration rate, more police officers, and the legalization of abortion.

After the 1973 Roe v. Wade case that legalized abortion in the United States, many women in poor communities terminated pregnancies that would otherwise have been unwanted children born into a life of poverty. Unwanted children have a high probability of becoming adult criminals. The impact of Roe v. Wade on crime statistics shows up in the mid-1990s, when such children would have been entering their twenties.

The impact of parents

Is nature or nurture more important to a child's development? The author analyzes 16 different factors that could play a role, using data on over 20,000 students from the Early Child Longitudinal Study. He concludes that the most important factors are the parents' socioeconomic status, education level, and the age at which they had the child. These are immutable or fixed factors that cannot be changed by behaviors such as reading to the child every night or programs such as Head Start.

The impact of names

Does the name given to a child impact its long term prospects? The author looks at how a racially distinct name may alter a child's success. In one study, a hypothetical candidate with the stereotypically black name DeShawn Williams was much less likely to get a job interview than someone called Jake Williams, even when their resumes were otherwise identical. This study suggests that choosing apparently white names over black ones reinforces stereotypes and perpetuates the black-white achievement gap.

Conclusion

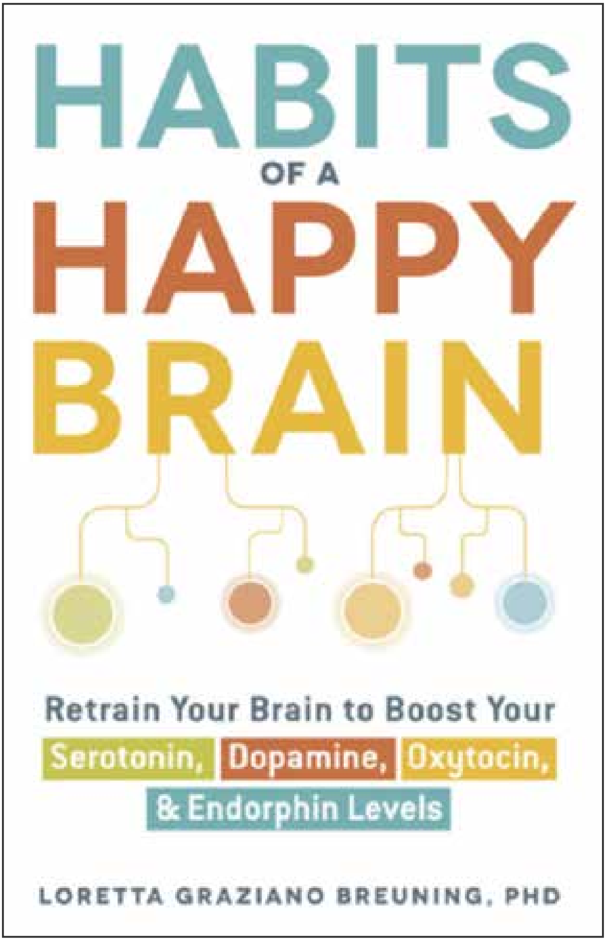
Freakonomics shows how incentives, information asymmetry, and other economic theories impact culture in ways beyond economics, including why people cheat and why names are important. However, at the end of the book, the author points out that statistical data does not always explain how people behave. He describes two children: the first grew up with an abusive father in a poor black community; the second grew up in a loving upper-class white community. Contrary to expectations based on the data, it was the first child who grew up to be very successful, becoming renowned Harvard economist Roland Fryer. The second child grew up to be Ted Kaczynski, the “Unabomber.”

Photo by LinkedIn Sales Solutions on Unsplash

Habits Of a Happy Brain

By: **LORETTA GRAZIANO BREUNING**

A person's brain produces four substances, or "happy chemicals," that dictate how experiences make that person feel. These happy chemicals – dopamine, endorphin, oxytocin and serotonin -- create good feelings that cause people to build neural pathways, but when they repeat those pathways over and over the good feelings diminish. The key to sustained happiness is learning to form new pathways that will stimulate happy chemicals and create new good feelings.



SUMMARY

Understanding the Human Brain

The human brain has a great deal in common with the brains of other mammals. In all mammalian brains, the four happy chemicals are controlled by the limbic system, which releases neurochemicals when something good happens. The other key happiness-inducing part of the brain, the cortex, is much larger in human brains than in those of other mammals, and that difference allows us to regulate our limbic systems and train ourselves to create new neural pathways. “Your big cortex makes you different from other animals,” Breuning writes. “You can keep building new neural pathways and thus keep fine-tuning your efforts to meet your needs. But man does not live by cortex alone. You need your limbic system to know what’s good for you.”

Each of the four happy chemicals has a “survival motive,” or a result that gives our brain good feelings from the release of that chemical. Dopamine is geared to seek rewards, endorphin is released by ignoring physical pain, oxytocin flows when we build social alliances and serotonin is triggered when we receive respect from others. Our brain is designed to store experiences, so when we repeat behaviors that stimulate happy chemicals those pathways, or neural trails, become well-worn, and we are less likely to develop new habits. Unfortunately, when we travel those brain pathways over and over the good feelings lessen. The secret to triggering happiness over a lifetime is developing the habit of creating new neural trails.

How To Create New Pathways

People are hardwired to fall back on the same old neural pathways, and if they give into this inertia they will find less and less happiness over time. With a proper understanding of brain chemistry and a commitment to building new habits, it is possible to continue to mine new sources of happiness with our own actions. For each happy chemical, Breuning recommends specific, practical behaviors that will stimulate the neurochemical to produce good feelings:

- *Dopamine* — Because dopamine is triggered by rewards, celebrating small victories is a simple strategy to stimulate more dopamine in the brain. Other dopamine tactics are taking small steps toward a larger goal, dividing an unpleasant task into small parts and working to raise or lower the bar of your expectations so that accomplishments are possible, but not too easy, to attain. With any new happy brain habits, Breuning encourages people to continue the practices even when it feels uncomfortable and unnatural, working through the resistance that tries to keep our brain from developing new pathways.

- *Endorphin* — Recommended strategies to boost endorphin sound simple, but making them a daily habit requires commitment and a willingness to think outside the box. To boost endorphins, people need to laugh more often, cry when it is necessary, vary their exercise routine, incorporate a daily stretching regimen and make exercise fun. Routine can be the enemy of endorphins, so mixing up the norm and looking for opportunities to air emotions can release the floodgates of this brain chemical.

- *Oxytocin* — Because oxytocin is linked to strong social alliances, strategies to produce more of the chemical must be linked to our relationships with others. Recommendations to stimulate oxytocin include building on "proxy" trust with animals, large crowds and digital friendships, setting up small stepping stones of trust in a relationship, working to be trustworthy yourself, creating a trust verification system and getting a massage.

- *Serotonin* — Like oxytocin, serotonin is connected to our relationships, but we experience the release of serotonin when we receive the respect of others. True respect must be earned, of course, but we can develop serotonin-friendly patterns by showing pride in accomplishments, embracing our social position in each moment, celebrating our influence on others and making peace with situations that are out of our control. An important part of relinquishing control is finding ways to lessen the grip of time by ignoring the clock for a while, or setting aside a day to unfold with no plans.

New Routes to Happiness in 45 Days

With such an extensive menu of potential new brain pathways, a person might be tempted to try several new activities or thought patterns right away. But Breuning encourages readers to start with one new habit that will stimulate one happy chemical and make a commitment to practice it for 45 days. Because the brain is resistant to new pathways and more comfortable traveling the well-worn trails, maintaining those new habits will probably be difficult at first. The key to creating new happy habits is to formulate a plan to stimulate one happy chemical, choose an activity and repeat that action every day, even when you don't feel like it. Breuning recommends going back to Day One if you miss a day, with the certainty that the inconvenience of reverting to Day One will reinforce your brain to stick with the 45-day regimen the next time.

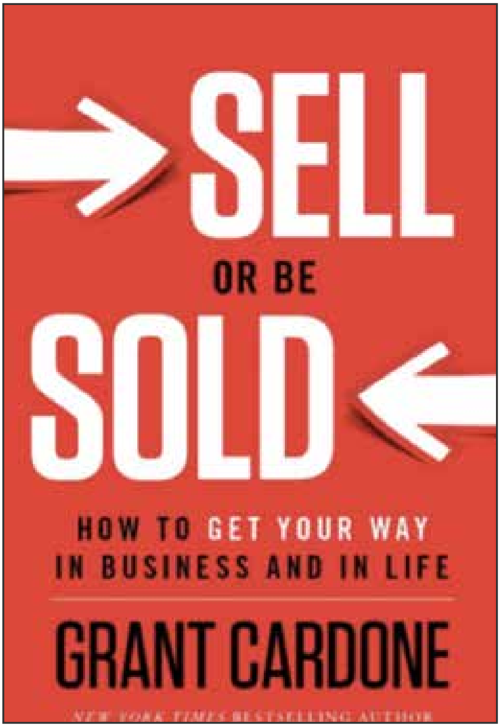
Those who understand their brain chemistry and commit themselves to developing new neural pathways to happiness learn that their emotions and their wellbeing are within their control. It isn't selfish to take charge of your own happiness and learn the practical habits of increasing the release of your happy chemicals. No one is happy all the time, and brain training can't necessarily change difficult circumstances, but a commitment to forging new neural trails can transform the way you think about moods and put you in the driver's seat in the quest for a happier life.

Sell or Be Sold: How to Get Your Way in Business and in Life

By: **GRANT CARDONE**

In this book, sales expert Grant Cardone starts from the premise that everything in life is a sale. Understanding the principles of selling is therefore vital for success in life, whether at work or in personal relationships. Cardone asserts that the primary reason that businesses fail is an inability to sell enough, whether that means selling ideas, products, or services. Combining the theory of a motivational book with the practical steps found in a how-to manual, the book lays out the steps needed to master the art of selling. This includes recognizing that selling is a way of life; that a successful sale is almost never about price; and that the customer is always right. The overarching theme throughout the book is that it is essential to take responsibility for the sale and for your own success in life. Ultimately, it is the job of the salesperson to identify the customer's need and to determine how best to fulfill that need.

"Everything in life is a sale; and everything you want is a commission."



SUMMARY

Selling is a Way of Life

To succeed, a person must be able to sell. Every person needs to be able to sell others on their ideas to advance their goals and their own life. Salespeople make the world go round and drive entire economies. Indeed, all professions rely to some extent on sales.

"...the only people that are getting promoted in life are those that are able to most successfully sell their ideas to others."

Sell Yourself

The greatest sale of all is to sell yourself. Conviction is the make-or-break point in any transaction. Without conviction, the sale will not happen.

"Customers do not stop sales. It is salespeople who stop sales from happening. You, not the customer, are the barrier to the closed deal."

Commitment is essential to making a firm decision; it allows the salesperson to stop wondering and to follow through with actions.

The Price Myth

Price is almost never the stumbling block to a sale. If a buyer hesitates over the price, they are not saying "this is too much money for me to spend," they are saying "this is too much money for this particular product." If the customer really wants the product, then money will be no object. In this situation, it is better to try to sell a more expensive product and judge the customer's response. In other words, always move up, rather than move down. Once a customer discovers a product that s/he loves, price will not be a barrier.

"When I can't close a sale, I'll always try to move the buyer up to a bigger or more expensive product as the first solution to price objection."

It is also important to bear in mind that Second Money is easier than First Money. In other words, once a customer has already committed to spending something, they are more likely to return to spend again on further products. It is likely, too, that at the end of the day the more they spend, the better they will feel.

Always Agree with the Customer

A salesperson is really in the people business, not the 'selling' business. As a result, it is essential to start any sale from a position of agreement. Disagreeing with the customer's viewpoint creates an adversarial relationship that is unlikely to lead to success. If a customer says "this product will not work for us," instead of responding "Yes, it will!" take a step back and try to find common ground. "I can see why you might think that, but here is some additional information."

To put it simply, the customer is always right! Similarly, never criticize the customer by bringing up unreturned phone calls or something they should have done differently. It is up to the salesperson to make the process work.

The Importance of Trust

In any sale, it is important to establish trust. An essential part of this is to show, rather than tell. People tend to trust and believe what they see, rather than what they hear. It is always better to show how the product will benefit the customer, rather than demand that they take your word for it.

"When you're documenting facts for your customer, it's preferable to use third-party materials that support what you're saying. Remember, people believe what they see, not what they hear."

Give, Give, Give

Always make the customer feel serviced, rather than sold.

"People will pay more for an agreeable, positive, and enjoyable experience than they will for a great product."

For the salesperson, this means giving energy, attention, and suggestions to the customer. It is also important to give the customer full information so that they feel in control of the process and the purchase. At the end of the day, providing a sense of service is more important than the act of selling.

"If someone asks me for a drink, I get it for them, open the bottle and bring them a glass, ice and a napkin."

CONCLUSION

Whatever the product or situation, the perfect sales process has five steps.

- Step one: greet and welcome.
- Step two: determine wants and needs.
- Step three: present the product as a solution to a need.
- Step four: make the proposal.
- Step five: close the deal or exit.

"More often than not, salespeople launch into their pitch without knowing anything about the customer [or their need], which is a surefire way to miss the sale. What is important to the buyers? What do they need? What is the ideal scene for them? What is it they are actually trying to accomplish with a purchase? What is it that really makes them feel good? If they could get everything they wanted, what would that be? These are the questions that will let you know how to sell them."

EXTRA: NOT IN AUDIO

Selling is a Way of Life In the People Business

To view the art of selling as a way of life to achieve success is the core of Cardone's sales philosophy. The natural give and take process depicted in sales transactions of all kinds across continents and cultures drives and enriches the lives of people on Earth. Business professionals, entrepreneurs, and individuals face situations every day that requires a sale or an act of persuasion, whether hard or soft. Selling is fundamental and necessary to survive and thrive in modern times, whether or not one is effective at it. Salespeople make the world go round by influencing how the masses buy products and services, and those transactions mobilize every economy on the planet.

The truth is that every business transaction is fundamentally an exchange between people. Working in any industry requires dealing with people on some level. For this reason, the first and most important sale is to sell oneself to others with confidence and skill. Doing so creates a foundation and sets the tone for all exchanges that require persuasion.

One's ability to relate to others convincingly, and get others to believe him is the essence of sales. Developing charismatic traits places one in a powerful position to use sales tactics to succeed in many endeavors. Cardone insists that most active salespersons in the game are in fact amateurs, and the reason why many customers hold a negative view of sellers is that so many lack sales aptitude, experience, and finesse.

Sales excellence comes from practicing sound strategies and developing persuasive skills over time to learn to flow in any environment. Those who strive to become more professionally trained, socially adept, and persistent are the ones who win at sales, and in life.

Once a sales relationship begins in the mind of the consumer, the salesperson must work on establishing trust and providing a useful product or service solution for the client. All preparations and presentations serve to warm up the client. Excellent salespeople are skilled at executing the sales process, relentless in closing, and believe in what they are promoting to score. Persuasive sellers know that customers buy to gain something or solve a problem, and those who truly want it will pay any amount to get it.

Learn The 10 Commandments of Sales

In Chapter 21 of the book, Cardone shares the top 10 rules of making sales happen. The 10 Commandments of Sales are:

1. Be Proud and Be Positive — One must be proud of what is being sold, understand the benefits and features to promote it, and generate positive feelings in others toward the offer to sell it. An uneasy sales pitch is a nightmare to listen to and poor on converting prospects into believers, but eagerness closes deals.
2. Dress for Sales Success — Not only does dressing for success aid in building personal branding and company reputation, but it is essential to provide a professional presence for clients to respect, trust, and engage in the sales process with.
3. See the Sale — Salespeople who can perceive the customer owning the product pitch a mental image to the client that makes them "see" themselves owning the product. Know what the end result and ideal terms of the sale are, visualize the outcome, and focus on achieving it.
4. Be Sold on Your Offer — A true seller believes that the product or service offered can fulfill or exceed both claims and client expectations. This stance gives an undeniable advantage to any salesperson looking to persuade buyers.
5. Know Your Value Proposition — Understanding what the customer values the most, the emotions that drive them, and ideal solutions empower the seller to be persuasive on a deeper level.
6. Always Agree With Your Client — Agreeing with the customer encourages the unity, trust, and balance needed to create fertile ground for every sale. Customers are to be treated as prized assets and the life force of any business because they are. Effective salespeople understand the power of using agreement to close more sales. Acknowledge the client, then guide the way to closing the sale by emphasizing value and what the customer may experience if they don't follow through.
7. Double Dollar Demonstration — Cardone affirms that giving customers far more in value than what they pay for is key, and every epic salesman uses the strategy. To initiate a close, offering twice as much in value or more encourages customers to be happy about accepting the offer.
8. Be Time Efficient — Sell as much as possible, in the quickest amount of time. Customers actually become weary and second-guess their decisions during lengthy sales cycles. Shortening the sales process and going in for the close is best.
9. Assume the Close — A smart salesperson continues to pitch the sale as if it will result in a "yes" without consent to avoid a "no" response later.
10. Always Persist in the Close — Persistence in sales is rewarded with a close. Cardone suggests that consumers must consider an offer multiple times before consenting to a sale, so cultivate a determined attitude.

Use Brilliant Sales Strategies to Forge Ahead

Without a doubt, enthusiasm coupled with strategy sells. Learn to work systematically toward the sale. By following The Perfect Sales Process Cardone shares, one can nurture the sale, from beginning to end.

Step One is to greet the customer. Give a socially warm introduction with confidence and class to start building a good relationship with the client. Step Two is to determine the wants and needs of the prospect. A salesperson who understands what the prospect seeks in a product or service can predict what the customer wants. Step Three is to select the right product and present or build value in the prospect's eyes. Determining which goods or solutions are most beneficial or desired drives the sale. Step Four is to make a mouthwatering proposal to the prospect that they would hate to refuse. The final step is to close the deal, by using product and client knowledge, and every sales skill in one's arsenal. If negotiations extend beyond a normal sales cycle, consider seeking a new prospect to conserve time, energy, and resources.

Cardone states that thinking massive and being bold is necessary for sales success. One has to be willing to improve and go the distance to close sales. Price is a myth, but understanding value and what drives others to buy opens a portal of thrilling, profitable opportunities. Realizing that clients will pay any price for a convincing solution or niche product is crucial to operate from the abundance mindset that lends one greater selling power. Erase objections to price by convincing them why it is worth every cent, and consider increasing price to raise value in the prospect's eyes.

Consider that any person who is not out selling himself is being sold to every moment. By adopting selling as a way of Life as Cardone suggests, one's persuasive ability can grow and enhance success. In any situation that requires persuasion, the best salesman will win.

Internalize wise sales advice to gain an edge in any industry. Educating oneself through sales conferences and programs, studying current consumer information and trends, and working closely with mentors and passionate salespeople works. Take the art of selling to heart, and build supreme persuasive skills to use for a lifetime.

Photo by Sangga Rima Roman Selia on Unsplash

How to Make People Like You in 90 Seconds or Less

By: **NICHOLAS BOOTHMAN**

This book teaches face-to-face communications skills to quickly bond people together. It explains how to make a good first impression, start a conversation with almost anyone, establish instant rapport, and build better business and personal connections. All personal interactions and business relationships are based on rapport. The key to establishing quick rapport is to synchronize conversational behaviors. This is accomplished by mimicking a conversation partner's facial expressions and other body language, as well as voice tone. The author teaches these steps for effective communication:

- Know the wants, needs, and goals
- Find out what is being delivered
- Change and improve practices to achieve the desired results

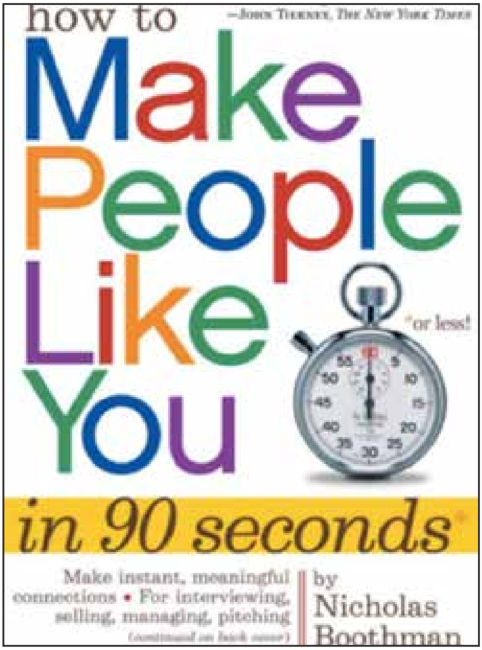
The book is divided into three parts discussing how to build rapport

- First contact
- Actions speak louder than words
- People like people like themselves

He also explains three secrets for good communication

- Use active listening
- Questions are the answer
- Choose the best sensory channel for each partner

The book also contains several role-playing exercises designed for two partners, plus self-assessments and sample dialogues.



SUMMARY

As suggested by its title, How to Make People Like You in 90 Seconds or Less builds on a self-help theme made popular by Dale Carnegie in his classic guide How to Win Friends and Influence People. It was first published in 2000 and has been updated several times since then.

Author Nicholas Boothman is a licensed Master Practitioner of Neuro-Linguistic Programming (NLP). He first developed these practices while working as a professional photographer, because he needed a way to quickly gain trust and bond with his clients.

The Steps to Effective Communication

- Know the wants, needs, and goals
- Find out what is being delivered
- Change and improve practices to achieve the desired results

Know the Wants, Needs, and Goals — The first step is to state a specific goal or need, and keep it positive. Beyond distinguishing between wants and needs, effective communication is focused on achieving specific goals. Goals may be either personal or business objectives, the communication methods remain the same for both.

To illustrate this principle, the author talks about Colonel Sanders, the famous icon of Kentucky Fried Chicken. The author explains how Colonel Sanders grew his restaurant chain into today's huge KFC Company based on knowing exactly what he wanted. The Colonel knew the right taste and presentation that would best market his chicken.

Find Out What is Being Delivered — The second step is to analyze the current situation to learn exactly what is being delivered, and how it compares with wants and needs. It is important to receive plenty of outside feedback and understand the differences between what is desired and what is delivered.

As the author points out, Colonel Sanders succeeded because he closely monitored what was being delivered. He controlled the quality of the product being delivered to his customers as well as the quality of the raw foods being supplied to his restaurants. That meant less room for errors.

Change and Improve Practices to Achieve the Desired Results — The next step is to change communication practices slowly but surely. Based on feedback, keep changing the practices until the desired results are achieved. Finally, follow through with a plan for constant improvement. Small-town Kentucky Fried Chicken has grown into global corporate giant KFC because of a culture of constant change and improvement through customer and employee feedback. To remember and reinforce this principle, the author recommends saying the acronym "KFC" aloud several times daily.

First Contact

The initial face-to-face encounter between two strangers is the pivotal moment for establishing rapport. Because of the "fight or flight" instinct, people make judgments about whether to trust someone – or not – within the first couple of minutes during any face-to-face encounter. The first 90 seconds are critically important, and a first impression is hard to overcome.

Actions Speak Louder Than Words

Body language speaks more loudly than words. It is important to ensure that the listener's body language supports the verbal message instead of contradicting it.

The author explains that "rapport by design" can be created by anyone, with practice. As an example, he tells the story of a young man who attended a dinner along with many other single people. He was bored, and was sitting alone when he overheard a beautiful woman telling someone that she was an avid online gamer.

Her original conversation partner wasn't interested in that topic, so the young man quickly greeted her and began to build rapport with skillful body language. He smiled often, kept his body leaning toward her, and mimicked each of her body movements. When she sipped her drink, within a couple of seconds he sipped his.

Since they shared mutual interests, the talking was easy. The author's point is that even when people are shy, they can become successful by practicing better body language.

People Like People Like Themselves

As an evolutionary survival trait, people tend to trust others who look and act like themselves. By combining appropriate body language and words, people can create instant rapport and strong connections with their conversation partners.

Three Secrets for Good Communication

Active Listening — As the Greek philosopher Epictetus said, "We have two ears and one mouth so that we can listen twice as much as we speak."

Active listening establishes a strong bond between conversation partners. An active listener uses tools such as effective body language and questioning techniques to create personal rapport. The listener must wait patiently while other people talk, observing body language, and listening carefully to what they say and how they say it. These practices give listeners plenty of time to think about why speakers have chosen specific words and tones.

Questions Are The Answer — Questions are powerful tools for connecting with people. Good questioning helps listeners learn quickly and form strong connections with conversation partners. A skilled questioner can lead people to explore uncharted territory and make unexpected commitments. The author describes how the right questions build rapport. He explains how to use the power of two types of questions: open-end and closed-end.

Open-end questions are those which cannot be answered by a simple "yes or no." Open-ended questions are sometimes called "leading questions" because they provoke thought. This type of question allows a conversation partner to disclose sensitive information. They can be used to start an initial conversation, or walk someone toward a clearer understanding of issues and possible solutions, without pressure. Examples of open-end questions:

- "What do you think about XYZ Company?
- "What are the priorities this week?"

Closed-end questions are those which can be answered by a simple "yes" or "no" without further explanation. This type of question helps refocus a conversation partner, and may be used to stop a conversation from going farther down a particular pathway.

The best time to interject a closed-end question is during a natural break or lull in the conversation, while the partner is reflecting or taking a breath. Avoid using them in a confrontational way. Examples of closed-end questions:

- "Do you work with XYZ Company?"
- "Is the client happy?"

A balanced mixture of open- and closed-end questions helps conversation partners build rapport while allowing plenty of breathing room and time for reflection.

Sensory Channels — In each face-to-face situation, it is important to communicate with conversation partners through their optimal communication channels. The author's neuro-linguistic programming concept is based on the idea that each person may be categorized into one of three distinct learning styles or sensory channels:

- Visual
- Kinesthetic
- Auditory

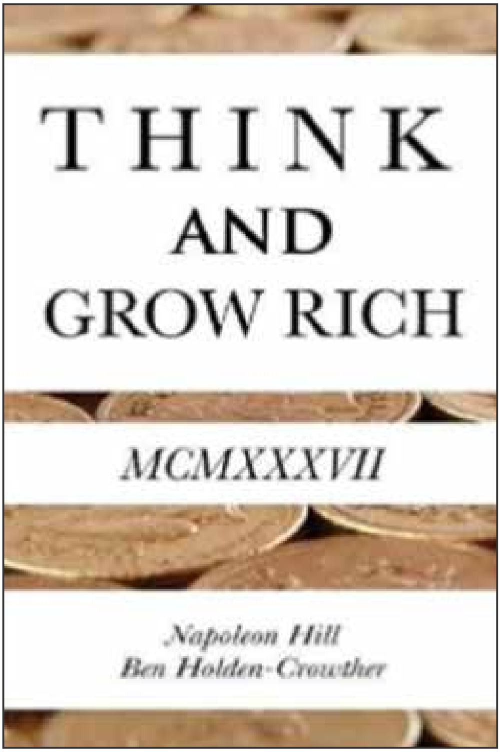
Most people can process visual input more easily than kinesthetic (or touch) data. A small minority respond best to auditory input. A good listener and observer can become skilled at determining a speaker's preferred sensory channel from words and eye movements. Once an observer can detect and connect with a conversation partner's optimal sensory channel, they can easily establish rapport.

Photo by Jason Goodman on Unsplash

Think and Grow Rich

By: **NAPOLEON HILL**

This book was originally written in 1937 and is a classic work on how to lead a successful life. It was written at the commission of Andrew Carnegie and is based on interviews with men such as Henry Ford, J.P. Morgan, and John D. Rockefeller, the business titans of the early 20th century. Some of the ideas are out-of-date for modern readers, particularly the author's view on the role of women and the mystical language used in certain concepts. Nevertheless, this is an all-time best-seller that lays out the steps needed to unleash one's potential, focusing on building individual self-confidence and a clear set of goals. Each chapter addresses one of the author's principles to leading a meaningful and productive life: desire, faith, autosuggestion, specialized knowledge, imagination, organized planning, decision, persistence, the master mind, sex transmutation, the subconscious, the brain, and the six sense. The author states that by focusing on a passionate desire, having faith in oneself, training the subconscious to believe in success, and developing a detailed plan, anyone can grow rich.



"When you begin to think and grow rich, you will observe that riches begin with a state of mind, with definiteness of purpose."

SUMMARY

1. Desire

The book starts with Hill's most important principle, desire. This does not mean wishing for something that is missing. Desire here means an intense passion, wanting something so fiercely that it motivates a person to action. The specific desire must be very precisely defined or it may fall back into wishful thinking. A desire must also have a timeline, as well as a specified good or service that will result from achieving the goal.

For example, if one desires to grow rich, start by deciding the exact amount of money desired and what can be given in exchange for this money. Set a firm date to achieve the money and create a plan. Write this out in a clear statement and read it aloud twice daily, in the morning and at night. This action plan should be revised often to imprint it in the mind.

2. Faith

"Whatever the mind can conceive and believe, it can achieve."

It is essential to have faith that this desire will come true. Believing anything negative will cause the subconscious to translate the negativity into reality, sabotaging the final goal. Rather, a person should act as if the desire has already been achieved and constantly visualize success. Repeat the stated goal often and it will start to sound true. Thoughts must be monitored to screen out anything self-limiting and to replace negative images with affirmative ones.

3. Auto-suggestion

Autosuggestion is Hill's technique for training the subconscious mind to believe that one deserves to be successful. State the action plan out loud twice a day and visualize it. If the desire is for a certain amount of money, picture the amount and state how this will be achieved. Read the plan often to memorize all the points. This is a form of meditation through constant repetition.

These first three steps are the core of Hill's approach: desire, faith (in oneself), and training the subconscious mind. The principles listed in the remainder of the book are essentially tools to apply these three steps.

"If you do not see great riches in your imagination, you will never see them in your bank balance."

4. Specialized Knowledge

Hill asserts that no-one grows rich on general knowledge. To become wealthy, one must focus on the specific knowledge that will lead to success. In modern parlance: develop a niche. Decide what kind of specialized knowledge is needed to attain the stated desire, and then set about finding that knowledge. This could be in the form of further education or experience. Or, it could mean surrounding oneself with knowledgeable individuals who can advise as needed. However, just gaining the knowledge is not enough. It is also important to apply the specialized knowledge in order to succeed.

5. Imagination

Hill emphasizes the importance of adding imagination to knowledge in order to grow rich. He distinguishes two types:

- Synthetic imagination takes existing ideas, plans, or concepts and rearranges them into new combinations.
- Creative imagination, however, creates something new from nothing.

"It has been said that man can create anything which he can imagine."

6. Organized Planning

Success requires a concrete plan and an alliance with others to carry out the plan. This planning must be continuous and persistent, and it should include an annual assessment of progress.

"You are engaged in an undertaking of major importance to you. To be sure of success, you must have plans which are faultless."

The author also distinguishes between the leader and the follower. To be successful, the plan must include becoming a leader, a person who has courage, self-control, and a strong sense of justice, and who makes firm decisions. A leader also has a habit of doing more than he has been paid for, and is willing to cooperate and to assume responsibility.

7. Decision

Without exception, all successful people make decisions quickly. This does not mean impulsive decision-making for the sake of leadership. Rather, the ability to decide quickly comes from knowing what it is you want, and it is that ability that defines leaders. The author also warns against involving too many people in the decision-making process, as they can exert too much influence and may not share the final vision.

Once made, a decision should be changed only slowly. A successful person believes strongly in his decisions, makes them concrete, and follows them through to the end.

"The world has the habit of making room for the man whose words and actions show that he knows where he is going."

8. Persistence

Hill says that in many of the cases he studied, persistence was a major factor differentiating between success and failure. Many people give up after encountering obstacles, but success requires being willing to persist for as long as it takes. The author describes persistence as a state of mind. It must be cultivated and applied to all of the principles in the book in order to grow rich.

9. Power of the Master Mind

This concept can seem archaic to modern readers, as the author describes the 'psychic' aspects of allying with others. He asserts that when two minds come together, a third intangible force is created which he calls the Master Mind. In sum, Hill is saying that when a group of like-minded individuals work together they create something more than the sum of their parts. Being surrounded by such people will motivate the individual to achieve more.

10. The Mystery of Sex Transmutation

Hill declares that sexual desire is the most powerful human desire. In order to be successful, it is essential to redirect this desire away from physical expression and toward a more productive purpose.

"When driven by this desire, men develop keenness of imagination, courage, will-power, persistence, and creative ability unknown to them at other times."

This is one of the author's most controversial principles not least for its focus on successful men, who Hill describes as often 'highly sexed.' They rarely become truly successful until later in life when they are less focused on women and instead direct their sexual energy toward creative pursuits.

11 and 12. The Subconscious Mind and The Brain

The subconscious mind is very powerful and always active. It is therefore important to fill it with positive images, thoughts, and emotions, and not negative ones. Fear is incompatible with the principle of faith and will undermine self-confidence.

Hill has a rather strange theory of the collective world mind, something that each individual can tap into and receive images from others. He also has a practical suggestion for a daily routine of envisaging success, particularly at waking up and before falling asleep, to train the subconscious mind to focus on the positives. Doing this allows the subconscious mind to deliver sparks of inspiration, essentially messages to the conscious mind.

13. The Sixth Sense

The author portrays the Sixth Sense as “that portion of the subconscious mind which has been referred to as the Creative Imagination.” While couched in somewhat mystical language about the ‘Universal Mind’ and ‘Infinite Intelligence’ Hill is talking about intuition or gut feeling. The way to unleash the power of the Sixth Sense is to develop a passionate desire, have faith in the outcome, fill the subconscious with positive thoughts, and maintain detailed plans for the path to success.

CONCLUSION

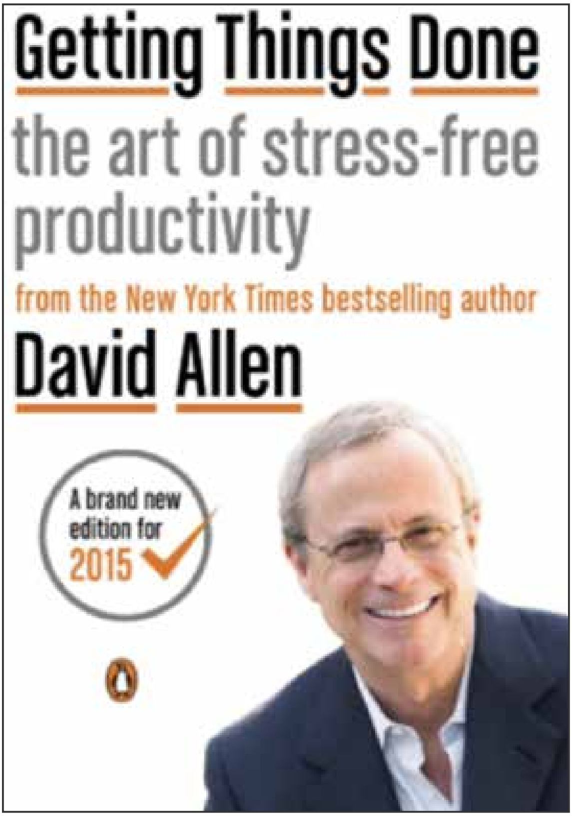
While some of the author’s concepts can seem outlandish to modern readers, his emphasis on the power of the subconscious mind was ahead of his time. There are many aphorisms in this book that are valuable pieces of advice on how to be successful:

- Success begins with a fellow’s will; it’s all in the state of mind
- You’ve got to be sure of yourself before you can ever win a prize
- The man who wins is the man who thinks he can!

Getting Things Done: The Art of Stress-Free Productivity

By: **DAVID ALLEN**

Is your workflow overwhelming? Do you want to increase your productivity and achieve your goals? We all struggle with being productive, but Getting Things Done: The Art of Stress-Free Productivity presents the reader with a simple yet detailed system for increasing productivity. Written by the world's leading expert in personal and professional organization, the methods in this book are used by millions of people across the world, as well as by companies like Microsoft and Lockheed. This system can help you reduce stress and become better at organizing all your work, both personal and professional, because it provides detailed instructions on how to simplify your life, master workflow, organize tasks and maintain perspective in your life. So if you're tired of being overwhelmed, this integrated system for heightened stress-free productivity can provide you with peace of mind, while enabling you to efficiently complete your tasks.



SUMMARY

Getting Things Done: The Art of Stress-Free Productivity presents the reader with a simple yet detailed system for increasing productivity. The system, which is often referred to as GTD, drives productivity through one simple question – "What is the next concrete step which will bring me closer to my goal?". GTD is a brilliant system because it keeps tasks simple enough so that postponing and procrastinating is lowered to a minimum. By pushing an individual to constantly find and do the next immediate action, GTD provides clarity and focus, which in turn boost productivity in a very concrete and visible manner.

Processing, Not Storage

In today's world, work environments and tasks have become increasingly complex. With the large amount of things to be done, it is easy for a person to simply get lost. To avoid drowning in this complexity, various tasks need to be kept in mind at all times. But that, in turn, causes the brain to become cluttered with data. So instead of the brain being used as a processor, it tends to be used as a storage device. Since our brains are inherently bad at multitasking, trying to keep it stuffed with pending tasks wastes precious resources and prevents it from focusing on actions – it keeps it from actually getting things done. In order to achieve maximum efficiency, the brain has to be able to focus 100% on the task at hand, without dwelling on pending projects or other unrelated things.

Mastering Workflow

To increase the focus of the brain, it has to become uncluttered. The way to do that is by recording everything so that the brain can focus on actions. The challenge here is knowing how to transfer this idea into a concrete act. Ambiguous tasks and projects are especially problematic. The simple way to deal with setting boundaries and defining tasks is by collecting the data you need, clarifying the next actionable task and reviewing everything. There are 5 simple steps which help in mastering workflow:

1. *Collecting* — Collecting means using baskets, notes, electronic methods, etc. to set down everything. 100% of all tasks, projects and various data should be collected and written down.
2. *Processing* – After writing down the data, process it. This means asking questions like "What is it?", "Is it ac—tionable?", "Is it vital?", etc.
3. *Organizing* — The processed data should then be written down on a next-action list, trashed, saved for later or otherwise organized.
4. *Reviewing* — The goal of reviewing is making sure the system is clean, current and complete.
5. *Doing* — When all the above steps are completed, it is time to begin doing the

various actions and steps.

Buckets

As we previously mentioned, preventing clutter in the brain is vital, and GTD offers a concrete solution – buckets. Buckets are used to store any information or ideas that are important enough to be a potential distraction. These buckets don't have to be physical boxes – they can be located in a notebook, app or laptop. The most important thing is that they are close enough so that they can be easily accessed. For example, if a bill needs to be paid, instead of keeping it in mind, it should be put down in a bucket. There are 7 main types of buckets which help keep the system clean and clear. They are:

- Next actions
- Projects
- Projects support
- Waiting-for
- Someday/maybes
- Calendar
- Reference materials

But, how should these buckets be used? Here are explanations for each category:

Next actions — This bucket is for concrete, actionable items. The advantage of having a next-actions list instead of a to-do list is that to-do lists are not optimal when it comes to tasks which can take up an unforeseeable amount of time. Next actions should be organized by context (home, work, meetings, etc.). If a task is bound to a certain date or hour, it should go into the calendar, not the next-actions bucket. If the task is complex, turn it into a project and transfer it into the projects bucket.

Projects — This bucket is for ongoing projects – complex tasks that require more than one step to accomplish. Examples of projects are planning an event or organizing a trip. To be effective in planning projects, it is important to be clear about the desired outcome of a project. For example "when this project is done, we will be able to go on the trip." What this kind of outcome-centered thinking does is make formulating concrete tasks easier, which makes the project more achievable.

There are 5 steps to successfully handle a project:

1. Defining the purpose – what is the project about
2. Envisioning an outcome – what is the desired outcome of the project
3. Brainstorming – what steps need to be taken in order to achieve that outcome
4. Organizing – categorizing and organizing the steps
5. Identifying next actions – selecting concrete actionable items and transferring

them into the next-actions bucket

With this natural project management, every project becomes a simple list of concrete steps to take.

Projects support — The projects support bucket is for various resources which are used to support a project's actions.

Waiting-for — The waiting-for bucket is for actions that are waiting for a trigger. The trigger can be anything from someone's input, a rate from a company, a payment, etc. If there is a known date for getting the trigger, use the calendar instead, but if there is no known date, the waiting-for list comes in handy.

Someday/maybes — The someday/maybes bucket is for items which do not have to be done right away, i.e. they don't have a specific deadline, but they should be done at some point. If there is a deadline, use the calendar bucket. This is also a bucket for things that haven't been condensed into a concrete idea or task yet.

Calendar — The calendar is useful for things that have a specific time and/or date tied to them. These can be events, meetings, deadlines, etc. Calendars are also used for items that aren't actions – they can be things that will need attention at a specific time.

Reference materials — This list is not for actions, but for various important information.

With items organized neatly into their respective buckets, every task becomes easier to complete. But there is one more step to efficiently use the GTD system.

Taking Out The Trash

The GTD bucket system is extremely efficient, but only while it contains useful, up-to-date information. This means that the buckets need to be cleaned on a regular basis – a minimum of once per week. The content of the buckets needs to be reviewed, reordered by priority, and any irrelevant or outdated items need to be discharged.

Structure In The Workplace

The final important thing to note is that structure in the workplace is extremely important for productivity. Other than regularly organizing buckets, the workspace itself needs to be organized. This means that all relevant materials are on hand and that the person working there is comfortable.

When this GTD system is followed, efficiency and productivity are maximized. If ideas are organized, finding concrete steps and accomplishing them becomes easier, which brings you closer to achieving your goal.

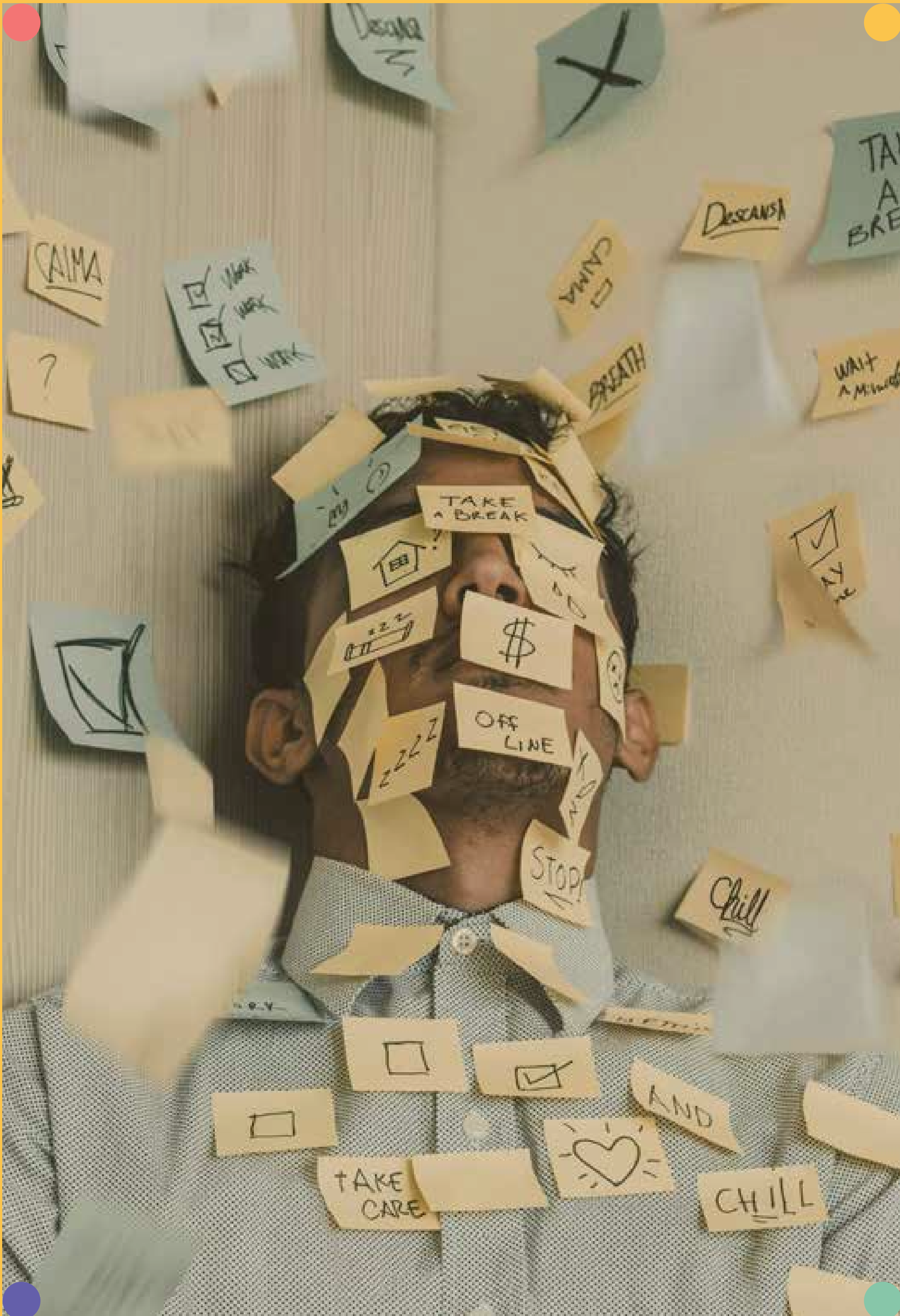
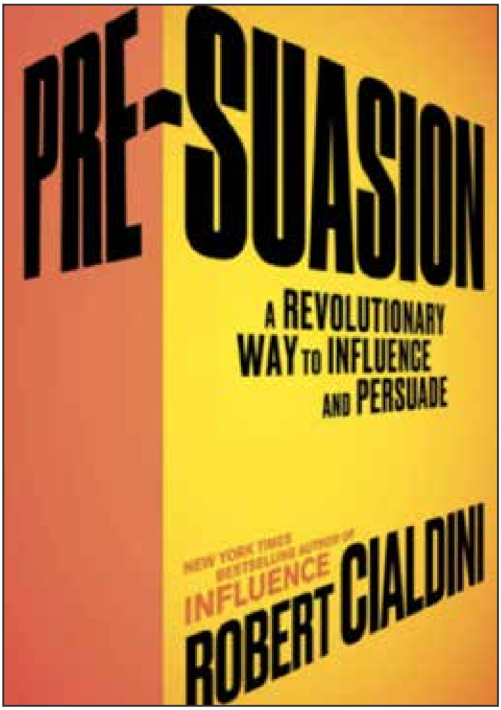


Photo by Luis Villasmil on Unsplash

Pre-suasion: A Revolutionary Way to Influence and Persuade

By: **ROBERT CIALDINI**

Pre-suasion focuses on the best way to direct the attention of the consumer towards a company. The author has created a model that can be adopted by smart and savvy business executives, no matter what industry they come from. Pre-suasion focuses on when to influence people, which, the author believes, is before people notice they are being influenced. Capture their attention in a casual manner, and then slowly direct their response to the goal of the campaign. Cialdini's insight in Pre-suasion is that simply asking a question in the right way can put customers in the right frame of mind to buy your product, even before they have realize they need said product.



SUMMARY

The average consumer is bombarded with hundreds of marketing messages a day, and the challenge has always been how to break through that cluttered landscape of information and be the answer to what they are looking for. Pre-suasion is best described as the way to capture and channel the consumer's attention to the end goal. In other words, find a way to climb inside of a person's mind and capture their attention like never before. The author has created a list of 6 attention-grabbing strategies that will help anyone meet that goal.

The list includes:

- How to use Sexual — Sex sells, but only when the product is related to sexuality (perfume, birth control products, lingerie, etc.). No doubt that sexual stimuli has a persuasive power to command the attention of the average person. But use the sexual approach carefully.
- How to use Threatening — These days it is hard to argue most consumers are concerned with their own safety and the safety of ones they care about. Research performed by the author concluded that even the perception of a threat opens the mind of a person and they can be persuaded to act in such a manner that they feel is good for their safety. For example, black label warnings in tobacco packaging has been shown to be pre-suasively effective.
- How to use The Different — Studies have shown that when something is different, or even just perceived as being different, it gathers attention. Channeled properly, using "The Different" attributes of a new product can create a pre-suasive appeal.. But being "different" is not as simple as it sounds. Each market sector must examine what works best in their industry, and when they find it, do not be afraid to use it.
- How to use the Self-Relevant — For the average consumer, their attention is most likely focused on information about them, or information that is relevant to them. For example, in personal health, a message that is self-relevant is more likely to capture someone's attention and interest. When that happens, people are more apt to act upon something and make a decision.
- How to use The Unfinished — Some years ago researchers concluded that a person's attention and memory shuts down once a problem has been solved, or an action has been completed. So the idea is to learn how to use "the unfinished" as a way to garner attention to the product or service that is being offered. People crave cognitive closure when presented with a dilemma, so learn how to use that as advantage over any competitors.
- How to use The Mysterious — For centuries, mysteries have intrigued and captivated audiences around the world. A good mystery writer learns how to craft a novel in such a way that keeps the reader turning the pages and wanting to read more. Create a mystery, and people will respond. The business world works the same way.

Case Study: Religious Cult Recruiters

The author also stresses the importance of asking a question in the proper manner which can ultimately influence customers to make a purchase. His example comes from a surprising group: religious cult recruiters. As they are taught to recruit new members, they will most likely ask someone "are you unhappy?" rather than "are you happy?" The cult recruiters do this because they understand that by "priming" the question with the issue of a person being "unhappy," they stand a higher chance of that person focusing on the negatives things in their life. In other words, what makes them feel bad, and how can the cult make them feel happier?

This information can have powerful implications on the way businesses conduct their surveys. For example, the same question posed to a consumer could result in two different answers, and can mean the difference between a sale and a rejection. If a software company asks the question, "Are you satisfied with your current computer software and solutions?" That may result in a "yes, I am" type of answer. However, when the question is rephrased as "Are you dissatisfied with your current computer software and solutions?" or "are there problems with the software in place?" the answers can be totally different.

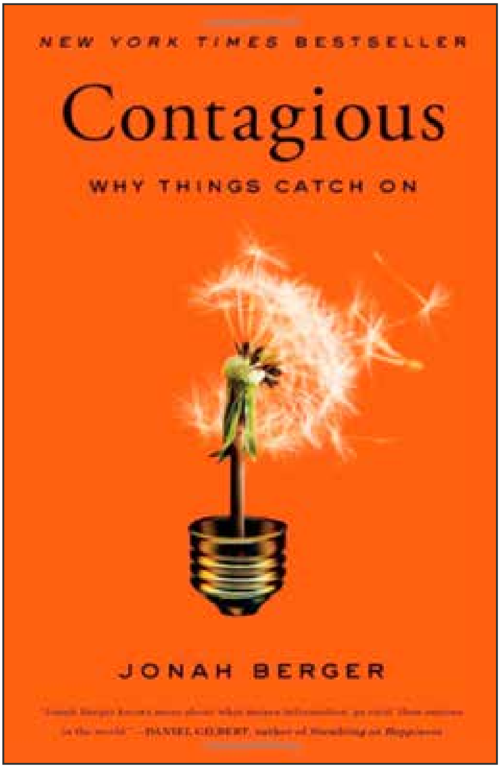
CONCLUSION

Pre-suasion offers the reader the tools and mindset to change the course of a company and steer it from just getting by, to thriving like never before. It takes discipline and being open to new ideas.

Contagious: Why Things Catch On

By: **JONAH BERGER**

Over the years business leaders from all sectors have wondered why some products and services have become popular with consumers, while others seem to fade along the sidelines. Three important factors play a role in whether or not something stands the chance of "making it." They include price, availability, and quality. But while together, and sometimes even separately, those elements make a difference, the number one reason behind a successful campaign is something known as "Social Transmission." Experts agree that nothing can ever beat the tried and true success of a "word of mouth" campaign. Also, since the introduction of social media to the mix and the excitement of millions of people who cannot wait to "like and share," good news travels fast. Through this book, the author shares his extensive research on the topic and teaches the reader how to launch their successful campaign.



SUMMARY

Over the past few decades there have been plenty of examples of new products and movements that were created and introduced to the consumer with results that surpassed any predictions or expectations. Consider these examples:

- Nonfat Greek Yogurt
- Smoking Bans
- Diet Fads, including Atkins, South Beach and the Low Carb ones
- Rubik's Cube
- Crowd sourcing
- Six Sigma Management Strategies
- Netflix

Moreover, it is not limited to just major products or movements that have gained worldwide attention. Consider what takes place on a smaller scale in a local community. A newspaper will run a feature article about a new gym that has just opened, or campaign to save a local nonprofit from closing their doors. Suddenly the gym becomes "the" place to work out, and donations start pouring in to keep the charity from going under. Those are great examples of social movements that quickly spread among a local community and population. Of course, it is easy to review examples of social campaigns that were successful. However, business leaders will no doubt agree that it is much harder to get something to start to "catch on." Sometimes it does not matter how much money managers spend on marketing and advertising; a campaign still might fail to gather interest and support from the consumer or community.

Why do some products, ideas, and behaviors succeed when others fail?

Quality — They are actually better. People tend to steer towards products, services, and movements that are easy to use, have great results and give them a good feeling. If a widget comes along that offers something better than what consumers were using in the past; people will be quick to switch and feel good about their decision. Consider the case of the old fashioned computer monitors and television sets. Remember how bulky and cumbersome they were? Once the newer flat screens were introduced, consumers realized just how easier (and lighter) they were, and they practically sold themselves.

Price — Pricing does matter. It is no big surprise that people would much rather pay a lower price than a higher one. So, in the case of two very similar products that offer the same benefits, odds are very good that the less expensive one will win out. Think about a supermarket that suddenly offers a major brand at half off. Those products quickly fly off the shelves.

Marketing — Advertising plays an important part. Research shows that the average consumer wants and needs to know about a product or service before they will spend their hard earned money to purchase it. However, many businesses think all they have to do is pour a boatload of money into an advertising campaign and it will be successful. Sometimes that is an uphill battle and does not work. For example, if you are trying to sell broccoli, don't just spend money advertising it. Instead, invest in a series of ads that will teach the consumer the benefits of eating more vegetables, and you stand a greater chance of success.

Case Study: The $100 Cheese Steak

With lots of hospitality experience under his belt, when Howard Wein moved to Philadelphia in the spring of 2004, he had his own successful resume that was the envy of many people. With his MBA in hotel management, he had created a successful campaign for Starwood Hotels and their W brand. And as their Corporate Director of Food and Beverage, Howard had managed billions of dollars in revenue. However, while he had enjoyed that time of his life, he was ready to downsize and find something on a smaller scale that would work just as well. With that in mind, he moved to Philadelphia and helped design Barclay Prime, a new luxury boutique steakhouse.

His idea was a simple one, and one that offered a unique dining experience for the customer. Wein set a goal of delivering the best steakhouse experience on the planet. Although the restaurant was in the smallest section of downtown Philadelphia, it did not take long before customers found it and were glad they did. When people entered the establishment, instead of the traditional tables and chairs, they found plush, comfortable sofas set around small marble tables. The menu included the finest Russian caviar, along with such delicacies like truffle-whipped potatoes and halibut that was shipped nightly from Alaska. But he also knew that just offering a different atmosphere and great food was not going to be enough to keep the business open and thriving. Wein knew that a quarter of new restaurants ended up closing their doors within a year of opening, and he did not want that to happen to him. While Philadelphia already had their share of fine-dining establishments and expensive steakhouses, he knew he had to do something different that would help him stand out from the crowd. Something that would be unique to his brand, something that would get people talking about it and help spread the word about their experience.

That is when he created the $100 cheese steak.

In a city that was known for their Philly brand cheese steak that normally sold for anywhere from four to seven dollars, the thought of offering a sandwich at that price was absurd. After all, if dozens of sandwich shops, pizzerias and other restaurants sold cheese steaks at such low prices, how could he possibly expect anyone to want to plunk down one hundred dollars for the same sandwich?

The answer was simple: instead of offering the standard steak chopped on a griddle with cheese and onions smothered on top of it, create the buzz by offering a much better brand of thinly sliced Kobe beef and upgrade the "fixings" that would convince people they were getting something worthy of that hundred dollar price tag. So, instead of the standard hoagie roll, customers received a house made brioche role slightly brushed with a special homemade mustard. Instead of the standard friend onions, customers received caramelized onions. Add some triple-cream Taleggio cheese, thinly shaved heirloom tomatoes and top it off with shaved hand-harvested black truffles, and you have a winning combination that will get customers to sit and take notice. While that alone was worthy of being called "different and newsworthy," Wein also included a butter-poached Maine lobster tail and some chilled Veuve Clicquot champagne.

The end result was astonishing. As soon as the first few dozen customers enjoyed their hundred dollar cheese steak, not only did they leave the restaurant with a full stomach and a smile on their face, they could not wait to tell their family and friends about the experience. That began the "buzz that changed the world" and put his hundred dollar cheese steak on the map. Wein had successfully taken a simple sandwich, added a few upgrades and made the dining experience a unique and different one. He did not just create another cheese steak. Instead, he created a conversation piece!

The hundred dollar cheese steak suddenly was a newsworthy story. Media outlets, including USA Today, The Wall Street Journal and dozens of others published articles about the sandwich and the restaurant. Even television joined in the media frenzy when The Discovery Channel decided to film a segment for their Best Food Ever show. When celebrities visited Philadelphia, many insisted they visit the restaurant and learn what the excitement was all about. Even late night TV got in on the action when David Letterman invited Barclay's executive chef to come on the show and cook him one right on the air. Against all odds, Wein was able to successfully launch a new restaurant and a new sandwich that created such a buzz and excitement and is now listed among the best steakhouses in Philadelphia.

CONCLUSION

When thinking about launching a new product, service or movement, think carefully about what it will take to create the buzz. What will it take to create the "contagious" factor that can lead to success? What will it take to get people talking and want to help spread the word? With some careful planning and brainstorming, it can happen.

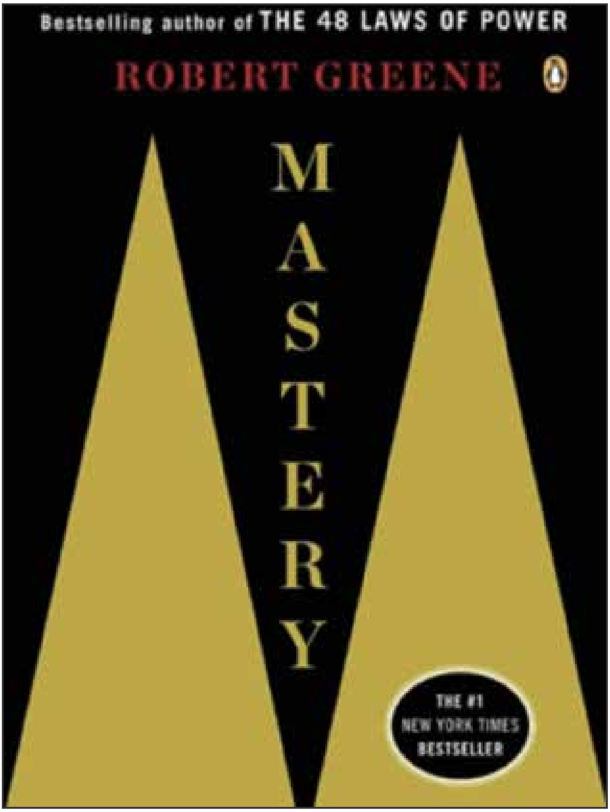
Photo by Ryoji Iwata on Unsplash

Mastery

By: **ROBERT GREENE**

"Only one who devotes himself to a cause with his whole strength and soul can be a true master. For this reason, mastery demands all of a person." - Albert Einstein

Do you ever feel that you have unfulfilled potential just waiting to be unleashed? The mastery of your existing skills and abilities can propel you towards success in your field if you're able to harness your potential. Everyone has the ability to reach proficiency in his or her field; the difficulty is finding the motivation, time, and commitment to the cause. A permanent commitment to personal growth is essential to sustainable professional development. Such is exemplified through the behavior of Albert Einstein, Charles Darwin, and Leonardo Da Vinci.



SUMMARY

Examining the habits and behavioral attributes of accomplished artists, scientists, and other remarkable human beings, Robert Green's "Mastery" highlights the innate potential within us all. There is a proven path to success, achieved by mastering the essential skills in any given profession. The key to mastery of any field can be attained by following his three arduous steps. Be passionate, find a mentor, then network. Mustering the motivation to fully commit to the process is the most difficult step of the journey, but the results are unparalleled.

1. Find a skill or field that is more than just a job

People who are passionate about their work go much further than those who don't. Genuinely caring about work on a personal level shows dedication and assertiveness that is generally unseen in most workplaces. This passion and enthusiasm for the task at hand sets the masters apart from the rest, allowing them to surge past their competition. Showing genuine interest in unexciting work is not meant to be easy, but this first step is the key to mastery in any profession.

It all starts by determining personal strengths and weaknesses and incorporating them into a professional strategy. To do this, Greene suggests revisiting childhood passions or aspirations to discover potential opportunities. The natural motivation born out of passion offers a unique approach to any career, while demonstrating a bold ambition. To express the sheer amount of work it takes to become a master, Greene revises Malcolm Gladwell's 10,000 rule. He instead insists that the mastery of any skill should take at least 20,000 hours of practice. For someone who loves what they do, 20,000 hours is merely an invitation to explore their craft on their employer's dime.

2. Apprenticeship – Seek out a mentor and follow every word they say

The best way to hone any ability is to follow in the footsteps of someone who has already mastered it. With an endless stockpile of resources within arms reach, the ability to connect with masters in any given field has never been easier. In order to truly understand and master a skill, the subject must absorb information from any medium they can get a hold of. Books, blogs, tutorials and podcasts are only a small piece of the puzzle. A true master is able to digest information from a variety of resources to supplement the experience gained from their mentor. Though these resources can provide irrefutable benefits to a career, the information is often far too broad, leaving out the nuances of a specific position.

A mentor will accelerate the process by tailoring their advice and knowledge to the situation, skills, and personality of their student. Many people have spent thousands of dollars and hundreds of hours of their valuable time to learn lessens that could be taught in seconds by an experienced mentor. Apprenticeship and mentors are an irreplaceable source of information, crucial to any pursuit of mastery.

3. Mastery of social intelligence

The last step in Greene's strategy involves the mastery of social intelligence. Without it, people and social situations are bound to stand in the way of success. To paint a picture, upon hearing the name Darwin, the first person that comes to mind is Charles, the father of evolution, right? Turns out he had a brother, who was a genius in social but lacking in his social abilities. What Charles lacked in his academic prowess, he made up for with social and political intelligence, which was a large determinant of his success. Darwin's social abilities allowed him to navigate the challenging religious and political waters surrounding his controversial theories and discoveries. Although the importance of networking in any successful career path is undeniable, it can be hard to visualize without a relevant example.

Greene goes on to cite a great case study from Gladwell's outliers to really drive his point home. Tracking thousands of high-IQ kids in the United States from childhood to adulthood, scientists noticed these children were winning awards left and right when they were young. However, when they reached adulthood, it was a completely different story. The gifted group did no better than a random control group, and while generally unhappier, many were working in jobs involving unskilled labor. Greene's point is that success requires much more than just book smarts. It is essential to master social intelligence to harness the full potential of any ability.

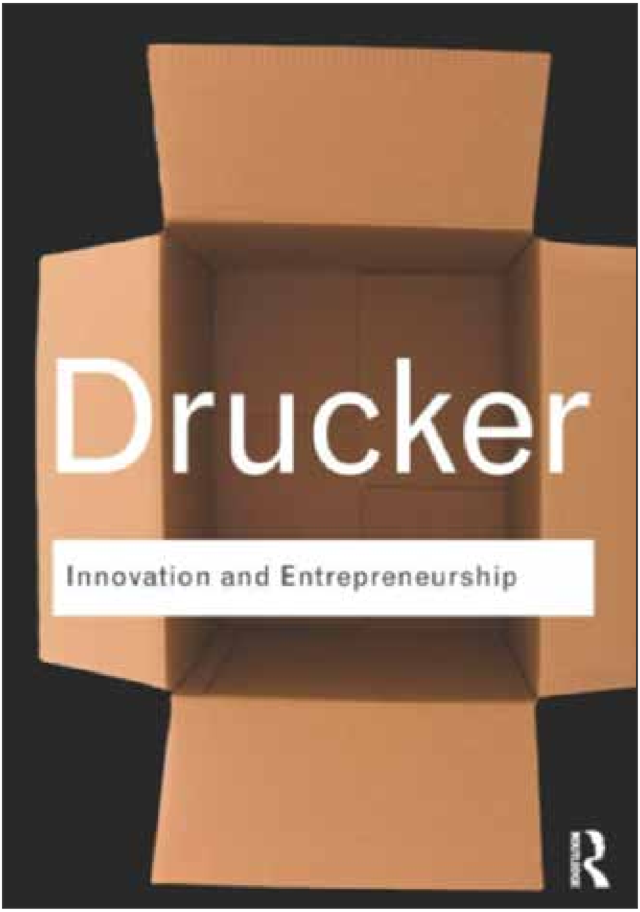
CONCLUSION

There are no shortcuts to the mastery of any skill, and it is a long and grueling journey. Greene's "Mastery" offers a clear cut path to success, but it requires persistence through thousands of hours of hard work to get there. However, those who are willing to commit to the cause can harness their inner potential, unlocking endless possibilities in their career path.

Innovation and Entrepreneurship

By: **PETER F. DRUCKER**

Take the mystery out of entrepreneurship and innovation with this book. The author provides a series of case studies to demonstrate that the best innovations are those that emanate from understanding the root cause of the changes that naturally occur around us. With case studies from McDonald's to Macy's, Peter Drucker drive home the point that adapting to our environment is one of the best ways to innovate.



SUMMARY

The successful collaboration of entrepreneurship and innovation is evident in the story of McDonald's. The great success of this fast food giant is the result of the company's desire to create a better customer experience. By identifying areas where processes could improve and provide better value for their clients, McDonald's revamped the entire concept of fast food. By changing the whole process, from the product itself to how it was marketed and sold, they were practicing innovation. There was no "aha" moment here, only the willingness to see things differently to find better and different opportunities to create new value.

Areas of Opportunity

Before jumping into areas of opportunity, it's important to understand some fundamentals. Great ideas are focused on doing one thing extremely well. Great ideas aren't necessarily cutting-edge or even game-changers. The best creations are often ones that simplify rather than create some technological wonder. It's not so much about creating some new, never-seen-before invention as it is about creating value with something incrementally better.

The Unexpected

Looking at the market place is the best way to identify opportunities. Does a particular product have higher demand than expected? How can an unexpectedly popular product be cultivated and the opportunity exploited? Consistently studying the market and product performance will often reveal some unanticipated results. Turning those results into successful offerings requires the humility to question the current status-quo.

"The unexpected success is a challenge to management's judgment."

Macy's tied their success to being a premier fashion store until their numbers began to fall. Appliance sales were increasing, and there was a positive impact on the bottom line that couldn't be ignored. The company's leadership saw these increased sales as an "embarrassing success." Macy's didn't want to be an appliance store, but when they finally accepted the impact of appliance sales, they began to regain some of their financial stability.

Incongruity

Incongruity is the gap between what is and what should be. This gap provides an opportunity to improve an established product or service. Customer feedback, mainly negative responses, is one of the best sources for finding incongruity. Fixing those areas of dissatisfaction is the first step to closing the gap.

Process Need

Process need focuses on the search for broken processes and fixing them. This kind of innovation isn't market-driven, it begins within an organization instead. Long lines and wait times are prime examples. Chic Filet is currently researching new ways to decrease those long lines with two critical efforts. The first effort is having teams of employees armed with tablets walk up to cars in the drive-thru to take orders and payments right there in line. The second approach is to have other team members deliver food to the cars in line before they get to the window. Nothing cutting-edge here, just the willingness to identify weaknesses and improve them.

Industry and Market Structure Change

Industries and markets are always changing, often because of external influences like changes in regulations or technology. Businesses must be ready to take advantage when industries inevitably expand or falter. The deregulation of Interstate banking changed the face of banking by removing many of the obstacles that prevented entry except for a select few. This deregulation increased entry rates and allowed smaller startups to get into the game. External forces can create opportunities and present new risks, so they must be monitored just like every other influence.

"Entrepreneurs, by definition, shift resources from areas of low productivity and yield to areas of higher productivity and yield. Of course, there is a risk they may not succeed. But if they are even moderately successful, the returns should be more than adequate to offset whatever risk there might be."

Demographics

Demographics regularly change and capitalizing on those changes requires awareness and flexibility. The demographic focus has to be more diverse and more creative to take advantage of the constant changes. Antonio Swad opened up a traditional pizzeria in Dallas, Texas and discovered early that the area had a large Hispanic population. He changed the restaurant's name to Pizza Patron and focused on marketing to the Latino community. He hired bilingual employees and even allowed customers to pay in pesos. Today, Pizza Patron has 95 stores in six states and is poised to open 13 more. By understanding specific demographics and being flexible enough to change his original concept, Swad built a successful, multi-unit enterprise.

Changes in Perception, Meaning, and Mood

Just like demographics, people's perceptions about what they need and want is in constant flux. This changing landscape is prime territory for innovation because products and services that were once considered "must-haves" eventually become obsolete. The changes in what matters to people create a demand for new and different offerings. Life expectancy has increased over time, and concepts like "50 is the new 40" reflect the changing attitudes on aging. The cosmetic and personal care industry has prospered by recognizing this new view on aging and tapping into customer's desire to look younger.

New Knowledge

Staying abreast of research and studies, whether it's from the scientific community or market observers, is one of best tools for discovering innovation opportunities. The technology that helped create the Internet came from new knowledge that was simply not available until someone discovered it and put it to use. New knowledge isn't just relevant in the technology industry; it reveals ways to improve processes, services, and most other aspects of business. Products like LCD TVs and electric powered vehicles, or the ability to market through social media wouldn't be possible without new knowledge.

"Still, entrepreneurial strategy remains the decision-making area of entrepreneurship and therefore the risk-taking one. It is by no means hunch or gamble. But it also is not precisely science. Rather, it is judgment."

Conclusion

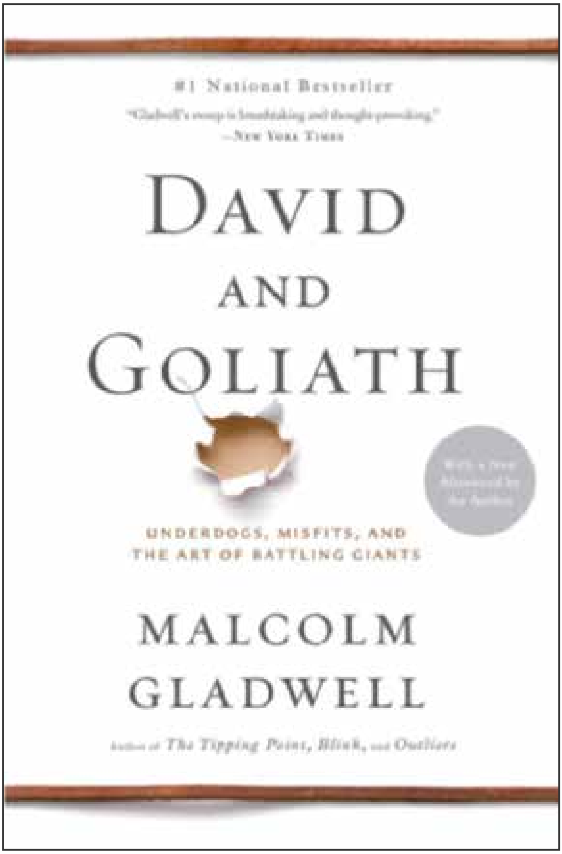
Innovation and entrepreneurship aren't elusive concepts reserved for "creatives;" they contain measurable and actionable steps that can be learned. When you take the time to understand how and where innovation can happen, you can find plenty of opportunities to create improvements. Nearly any product line, marketing campaign, or customer service process can be changed for the better if you know where to look. Great ideas are rarely isolated discoveries that just suddenly appear; they are the result of seeking out opportunities both inside and outside an organization.


Photo by Maximalfocus on Unsplash

David and Goliath: Underdogs, Misfits, and the Art of Battling Giants

By: **MALCOLM GLADWELL**

When people come to the realization that their weaknesses can be their biggest strengths, they realize that they can move mountains. If we've learned anything from the story of David and Goliath, it's that the underdog can slay the giant when he identifies his opponent's weaknesses, and when he plays by his own rules. The very weaknesses that cause someone to feel like they don't fit in or that they can't win, can be the driving force for taking their stronger opponent by surprise and winning the game. Remember that the underdog only loses when he plays by the giants rules!



SUMMARY

The prevailing tale of the underdog coming out on top, gives everyone hope, and proves that a person's weaknesses are often their biggest strengths. The story of David and Goliath shows how important it is to break the rules in the giant's game. When David fought Goliath, he found the giant's weakness; his eye sight. Using his speed and maneuverability, he was able to avoid the giant's sword and break the rules with the only weapon that would not be within the giant's reach. Most people can't seem to implement this lesson in real life because they view the giant as all powerful and they believe that the giant's playing field is the only turf where they can compete. When the underdog finally realizes his power and how to flip the script, he can be victorious.

Historical Cases of Underdogs Beating Giants

Redwood City's Girl's Basketball — Vivek Ranadive was the coach for the National Girls' Junior Basketball team. The team couldn't win a game, and he knew it was due to inexperience. Noticing that that every team only used 24 feet of the entire court, he spotted the weakness in the giant's game. When the coach trained his team to run a full court press, his team won. This move surprised the other coaches, giving his team the advantage.

The Salon — In 1874, every artist wanted to get their work seen at the Salon in Paris, France, known for showing the greatest art in the country. The Ministry of the Imperial House and Fine Arts shunned impressionist art in favor of accuracy, forcing artists to conform to their rules. When French impressionists, Renoir, Monet, and others, grew tired of playing by those rules, they created their own art gallery, where over 3,500 people showed up, marking the beginning of the impressionist era.

Measures of Success

Sociologist Samuel Stouffer said that people measure themselves compared to others versus any other measure. The "n" Curve and Little Fish in a Big Pond theories show that being bigger is not always better.

The "n" curve — The "n' curve theorizes that that too much can be just as bad as too little. This pertains to most anything, and surprisingly to wealth. Many believe that more money equals more happiness, but according to the "n" curve, an income of $75,000 sits at the very top of the "n." Either side, whether it be more money or less money, did not make someone happier.

This theory also applies to class size. It is often said that a smaller class size is better, giving each student more attention, but a class that is too small lacks peer interactivity and diversity. Therefore, a class size of 3 is just as bad as having a class size of 40, where diversity is abundant, but attention is lacking

Little fish, big pond — The comparison of a little fish in a big pond versus a big fish in a little pond is a dilemma many people have faced. The story of Caroline Sachs gives us insight into how this can play out. At the top of her class, Caroline was a big fish in her high school pond. When accepted to Brown University and the University of Maryland, she had a difficult choice. Like most students in her situation, Caroline chose Brown. She knew the power it would have on her resume. When she got there, she became a little fish in a big pond of over-achievers. She floundered with her major and found herself switching to something that was not her passion. This impacted her for the rest of her life.

Compensation Learning

A natural phenomenon happens when we lose one sense. Other senses become enhanced. A blind man has a better sense of hearing. A wheelchair bound person may extraordinary upper body strength. This is known as Compensation Learning. Richard Branson, the founder of Virgin Group, David Boies and Gary Cohn all suffered from dyslexia, but became tops in their fields using their weakness to their advantage, and overdeveloping other skills to propel them to the pinnacle of greatness.

David Boies — Attorney David Boies suffered from dyslexia causing him to listen extremely well and to memorize things. As an attorney he can now hear the weakness in other attorneys' voices, detecting the slightest difference in tonality which helps him to win cases.

Gary Cohn — The president of Goldman Sachs was also dyslexic. He was used to failing, which led him to take more risks. With nothing to lose, he got into a cab with a high end stock broker and was able to convince the man that he was a successful trader. He endedup with a job that led to his riches.

What Doesn't Kill Us Makes Us Stronger

Nietzche coined the phrase "That which does not kill use makes us stronger." People are broken into three groups when something bad happens, similar to the results of a bomb falling in wartime. There are those who are direct hits and perish, then there are those who are far enough away to not be affected, and last there are the near misses. It is the near misses who become empowered.

Most successful people have been through adversity:

- Twelve US Presidents lost a parent before they were 16 years old
- 25% of some of the most popular creatives, such as Wordsworth, Keats, etc., lost a parent by age ten.
- Emil "Jay" Freireich was used to rejection throughout his difficult childhood. As a doctor working with child leukemia patients, he challenged the current treatments and instead brought his patients close to death with a strong drug cocktail. With children who only had six weeks to live, he felt he had nothing to lose and as a results saved lives.

CONCLUSION

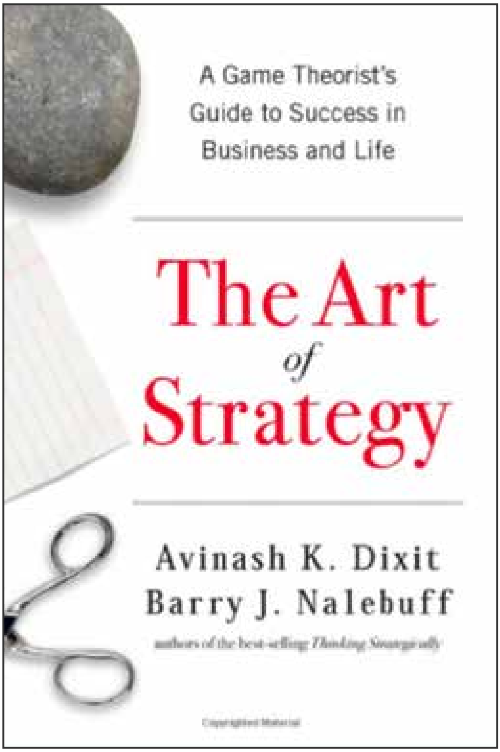
The moral of the story is that through adversity we build strength, through weakness we strengthen other skills, and when we dare to play by our own rules, we knock that giant on his proverbial a$$.

Photo by Kyle Glenn on Unsplash

The Art of Strategy: A Game Theorist's Guide to Success in Business and Life

By: **Avinash Dixit** and **Barry Nalebuff**

Have you ever had to dissect a complicated business scenario and were confused as to where to begin, or how to analyze the problem? Game theory is the science of predicting the outcome of a scenario or game by understanding the rewards and risks associate with each decision. Game theory can help anyone identify the best strategy or tactic given a goal or aspiration. This book is not only based on extensive research, but it includes real life examples and case studies to prove that game theory analysis works in different business settings. When game theory strategies are applied to everyday business situations, obstacles and challenges can be overcome and the end result can be a positive one. The book is filled with questions that will get the reader to think twice before they make their next decision, recipes to use game theory analysis in split-second situations, and case studies that demonstrate the power of using game theory.



SUMMARY

One of the strongest points in the book is known as the "Anticipation of Situation." The working theory is that there is always a mathematical formula that will predict the outcome of a game. The authors use an example from the television show, Survivor. Someone on the show decided they would "win by losing," and it actually worked. When the candidate on the show threw their chance to win, it set a series of events in motion that eliminated some of the competition, and allowed that candidate to eventually win the game in the end. According to the authors, by studying the competition and their reaction to any situation that is presented, it is possible to, at the very least, even the score, and at the very best, to come out on top as the winner in any contest.

The authors also use entertainment as a way to get their points across. These stories are presented in the form of "tales," and one of the most memorable ones is called "Pick a Number." Readers are challenged to guess a number between 1 and 100 for five straight times to find the correct number that was chosen by them. The illustration concludes that this strategy is a good one, because the number setter and the searcher both know and understand the concepts behind finding the perfect information in game theory. That simply means "I know what you are thinking, and you know what I am thinking."

There are three main game theories that need to be considered when making any important decisions. They include:

- *The Decision Theory* — In a nutshell, this theory requires someone to consider all possible outcomes before they reach a conclusion. It will force the person to think about all of the factors involved in a scenario and imagine how they will be played out in the end. In many cases, the person making the decision already has an idea of what they would like to do, but they need to be open to all ideas and possibilities. It takes patience and strategic thinking to succeed in the Decision Theory.
- *The General Equilibrium Theory* — While this particular theory is used extensively in economic policy issues to analyze stock markets and exchange rates, it can also prove useful when applied to other business ideas and concepts.
- *The Mechanism Design Theory* — In this type of theory, the person understands all of the rules of the game, but questions their usefulness as to whether or not they are actually helping or harming the outcome. By embracing this theory, the person often times will be forced to develop their own set of rules that will give them the results they are looking for.

In the business world, making split second decisions on a daily basis is commonplace. Often times a bad decision can set of events into motion that can destroy an entire product line or a department. By learning and applying game theories into those split second decisions, the odds of a successful outcome are greatly increased.

The three main reasons game theory works in the business world are:

I. It can help reduce the business risk – When applied correctly, game theory can assist when it comes time to creating the best pricing ideas and strategies, projected market shares and even income expectations. It will also help anyone better understand the customers and their decision making processes.

II. It can help to understand the competition – In the business world, knowing everything about the competition is very important. By using game theory, a manager will gain more insight into the competition than ever before. It will allow a peek into knowing their weaknesses and strengths, and how they operate. The more information that is assembled about the competition, the better the end result.

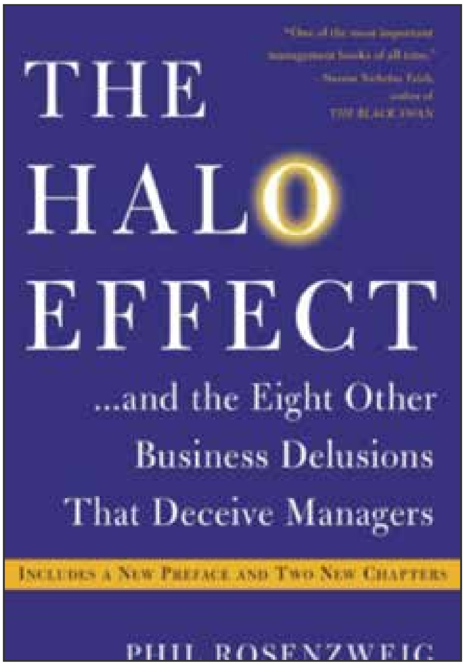
III. It can help with the decision making process – The best game players know and understand the importance of research when it comes time to making any decision. Smart business leaders will brainstorm every possible outcome before reaching any final conclusions.

Using game theories and strategies are important but the reader is cautioned that they are simply another set of tools used by management to accomplish goals. It is important to keep in mind that experience in business is also a major contributing factor to success. By combining game theory with experience, goals will be accomplished and obstacles will be overcome. No matter what industry the reader is involved in, game theory offers a new insight into the psychology of the thinking and decision making process. By taking the time to learn and understand game theory,

The Halo Effect: . . . and the Eight Other Business Delusions That Deceive Managers

By: **PHIL ROSENZWEIG**

We never stop learning, and that is a good thing. Each day brings a new set of learning experiences, some of which are good and others that are down right bad. But learning is the process of watching, listening, seeing and understanding so one can achieve greater successes and fewer failures. In The Halo Effect: . . . and the Eight Other Business Delusions That Deceive Managers, the author has written a book about business and management, success and failure, science and storytelling. It's written to help managers think for themselves, rather than listen to the parade of management experts and consultants and celebrity CEOs, each claiming to have the next new thing. Think of it as a guide for the reflective manager, a way to separate the nuggets from the nonsense. Of course, for those who want a quick-guide that promises to reveal the secret of success, or the formula to dominate their market, or the six steps to greatness... this books is not it.



SUMMARY

In the opening section of the book, the author writes:

Mark Twain once said: *"Always do right. This will gratify some people and astonish the rest." My purpose is a bit different. Rather than gratify and astonish, I hope this book will stimulate discussion and raise the level of business thinking.*

The author observed dozens of top level executives from a wide variety of industries and concluded that many managers tend to look for and embrace quick solutions that have been tried by others in the past…rather than take the time to question the rules and think for themselves.

The central idea in this book is that our thinking about business is shaped by a number of delusions. There are good precedents for investigating delusions in business and economics. Charles Mackay's 1841 classic, Extraordinary Popular Delusions and the Madness of Crowds, chronicled the follies of public judgment, from Dutch tulip mania to speculative bubbles and more. More recently, cognitive psychologists have identified biases that affect the way individuals make decisions under uncertainty. This book is about a different set of delusions, the ones that distort our understanding of company performance, that make it difficult to know why one company succeeds and another fails. These errors of thinking pervade much of what we read about business, whether in leading magazines, in scholarly journals or management bestsellers. They cloud our ability to think In other words, the delusions get in our way!

The Delusions include

- Delusion One: The Halo Effect — The tendency to look at a company's overall performance and make attributions about its culture, leadership, values, and more. In fact, many things we commonly claim drive company performance are simply attributions based on prior performance.
- Delusion Two: The Delusion of Correlation and Causality — Two things may be correlated, but we may not know which one causes which. Does employee satisfaction lead to high performance? The evidence suggests it's mainly the other way around—company success has a stronger impact on employee satisfaction.
- Delusion Three: The Delusion of Single Explanations — Many studies show that a particular factor—strong company culture or customer focus or great leadership—leads to improved performance. But since many of these factors are highly correlated, the effect of each one is usually less than suggested.
- Delusion Four: The Delusion of Connecting the Winning Dots — If we pick a number of successful companies and search for what they have in common, we'll never isolate the reasons for their success, because we have no way of comparing them with less successful companies.
- Delusion Five: The Delusion of Rigorous Research — If the data aren't of good quality, it doesn't matter how much we have gathered or how sophisticated our research methods appear to be. If data is not significant or representative, then

insights should not be extracted.

- Delusion Six: The Delusion of Lasting Success — Almost all high-performing companies regress over time. The promise of a blueprint for lasting success is attractive but not realistic.
- Delusion Seven: The Delusion of Absolute Performance — Company performance is relative, not absolute. A company can improve and fall further behind its rivals at the same time.
- Delusion Eight: The Delusion of the Wrong End of the Stick — It may be true that successful companies often pursued a highly focused strategy, but that doesn't mean highly focused strategies often lead to success.
- Delusion Nine: The Delusion of Organizational Physics Company — Performance doesn't obey immutable laws of nature and can't be predicted with the accuracy of science—despite our desire for certainty and order.

Overall

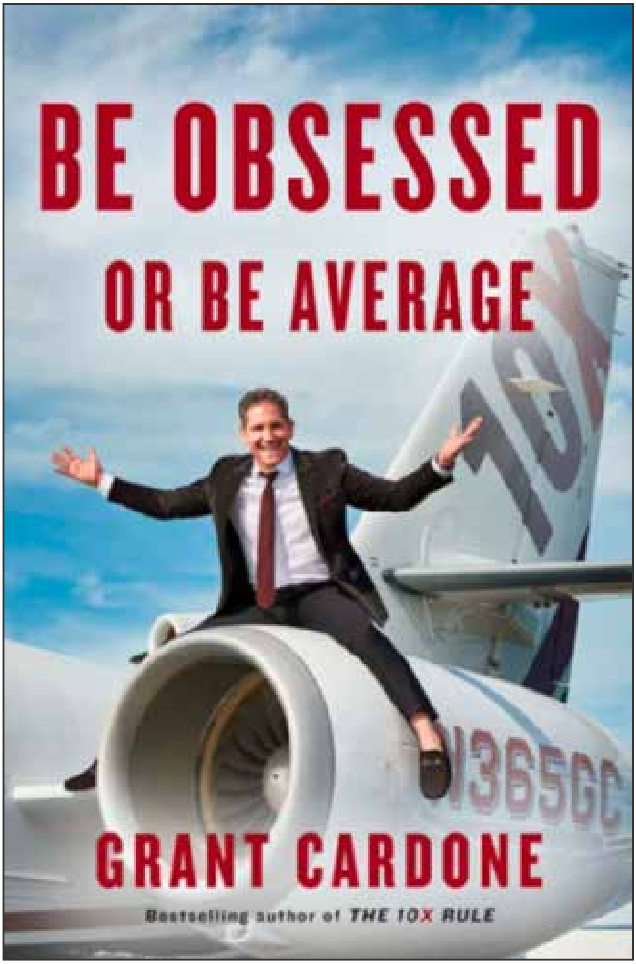
Leadership is not a natural trait, something that is inherited like the color of eyes and hair, it is a skill that can be studied, learned and perfected through practice. Good judgment comes from experience and that experience grows out of mistakes. An effective leader must from time to time be stubborn, and armed with the courage of their convictions, fight and struggle to defend them. An effective leader must know when to see through the Delusions that are steering his company down the wrong path.

The world of work is different today than it was even a few decades ago. But yet, leaders still find themselves struggling to overthrow the weight of the past. In the days of our fathers and grandfathers, rigid bureaucratic discipline dominated the lives and careers of every executive. The price of success was blind obedience. But these days it takes a new brand of leadership to make things happen. Clarity and understanding must now replace the foggy mindset of the years past. Still, achieving the results you desire as a leader in the 21st century may seem like an uphill battle, but you can go the distance. You can come out on top as a winner. In other words, you can be a leader of tomorrow in today's world!

Be Obsessed or Be Average

By: **GRANT CARDONE**

This book is about using obsessions to be successful. Obsessions can be valuable when they are controlled and focused. A positive obsession can lead to maximizing potential, and put an end to the "epidemic of average." Denying obsessions will result in ignoring dreams, and tolerating mediocrity. Being obsessed is a full-time job with no weekends, no vacations, and no breaks. The rewards, however, are limitless. Obsession is the single common factor that all hugely successful people share. Learning how to identify and nurture obsessions is the key to obtaining success regardless of education, capital, and abilities.



SUMMARY

Becoming Obsessed

Obsessions can be either positive or negative. Positive obsessions have purpose, and provide reasons for doing something, or even reasons to exist. Purpose is the foundation of obsession. Negative obsessions, on the other hand, are distractions, and produce no constructive outcomes. Identifying purpose can be difficult, but asking certain questions can help identify purpose:

- What are my personal interests right now?
- What amount of money is enough?
- What are my unique skills?
- What great ideas do I have for something that is needed?
- What do I want to be remembered for?
- What are people that I admire doing?
- What gives me energy?
- What if…?

The answers to these questions will identify many purposes, and provide the focus for positive obsessions. Obsessions will evolve as goals are met, and new purposes emerge. Keeping obsessions fresh requires updating and constant re-evaluation.

"The goals of the obsessed are always a bit out of reach."

Following Obsessions

Obsessions are like beasts; feeding the beasts are the only way to keep obsessions alive. That means staying focused, diligent, and never letting the beasts go hungry. The following suggestions will keep the beasts well fed:

- Stay focused on goals
- Stay in control of money matters
- Work with great people who are also obsessed

In addition to feeding the beasts, starve the beasts of doubt, blame, haters, and naysayers. Naysayers are particularly dangerous because they are not evil people. On the contrary, naysayers often are loving and caring. Unfortunately, naysayers can cause significant harm by giving advice like "Be careful," that will kill the beasts. These people justify their averageness by giving unsolicited and unwelcome advice. The biggest harm that naysayers can do is to be distracting, and allowing the beasts to die.

"The obsessed aren't committed to popularity, they're committed to success."

Dominating To Win

Obsessed people must have boundless energy, intensity, drive, and big dreams, but more importantly, obsessed use these qualities to dominate life. Dominating and controlling every area of life creates an overwhelming presence that other people respond to. Colleagues, customers, competitors will appreciate the confidence and ambition that results from obsession. Be in control of all areas of life, and be dominating. Ways to dominate life include:

- Thinking positive, and ignoring negative thoughts
- Prioritize and optimize time
- Be honest about money and the role it plays
- Become an expert on something
- Control your brand

In addition to dominating all areas of life, avoid taking risk and facing danger. Risks and danger are a part of life, and avoiding danger may be more harmful than the damage itself. In order to guarantee safety is to become obsessed with danger. Here are some ways to stay dangerous:

- Move to a new city
- Constantly connect with people
- Don't be afraid of being unpopular
- Take risks with investments
- Embrace new technology
- Be ready to strike at all times
- Never rest on your laurels
- Learn to love fear

"The obsessed life is about constantly moving in the direction of your fears and possibilities."

Obsessing About Business

Obsessed people are natural leaders, in business and in life. As a leader, be willing to exert control. Good leadership requires control, and by controlling the process, results will be controlled as well. Moreover, solid business skills are necessary to succeed. Therefore, leaders must be obsessed with: (1) sales, (2) customers, and (3) teamwork.

First, sales are the key to any business and affect every person, company, and industry. The following tips will improve sales:

- Be obsessed with your product

- Close the deal
- Demand accountability
- Quantify success
- Take stock of goals every day
- Sell by example

"Sales is not a department, a career, or someone's job. Sales is the god of any business."

Second, customers are key. Be ethical with customers, and always deliver. Don't be afraid to "overpromise," but make sure you not only deliver, but "overdeliver." Attract and keep customers by following these tips:

- Make giant claims
- Deliver onyour commitments
- Find solutions to ensure delivery of your promises
- Be confident
- Keep pitches fresh
- Take advantage of competitor's poor performances
- Treat customers as the winner.

"When you commit completely and have no other option than to deliver at that level, you will figure out how to get it done – regardless of how impossible it seems."

Third, build an obsessed team. Great organizations are never simply a one-man show. Great employees are vital to success. The key to building a great team is to find the best and create a culture that is obsessed. Invest in good employees in order to stay obsessed with your business. The following tips will lead to a strong team:

- Take the time to find the best
- Look outside the box
- Chase the talent
- Roll with turnover
- Reward handsomely
- Build a work quality culture

"If you want spectacular people, it starts with you being spectacular."

CONCLUSION

Obsessed people do not quit. The only failure is quitting. "The difference between success and failure is staying in the game when others throw in the towel." Stay obsessed and persist. Also, remember to always re-evaluate obsessions because obsessions will evolve. Each obsession should always have a purpose improves life and maximizes potential. Continue to seek new obsessions by making new friends, seeking mentors, investing in education, keeping a sharp mind and healthy body, and being charitable. Identify positive obsessions to reach maximum potential and achieve success.

EXTRA NOT IN AUDIO

Grant Cardone played it safe. Everyone told him that going for the long shot wasn't worth it, and that he should keep his hopes and dreams reasonable and achievable. That outlook on life lead him to become a broke, homeless drug addict. When in rehab, his therapist advised him more of the same, don't reach too high, don't strive too far, set reasonable goals, Grant said no. He set aside all conventional wisdom and, instead, he figured out what he wanted and put all of himself into getting it. He became obsessed with success, he got it, and he wrote a book to share how he did it: Be Obsessed or Be Average.

The Ten Tenants of Obsession

The early portion of the book is Cardone telling his own story, to contextualize everything that comes after. The true drive of Be Obsessed or Be Average is to impart Grant's personal approach to life, so that the readers can learn from his process and turn their individual obsessions into their own successes. Throughout the book, Grant elucidates ten core aspects of his philosophy:

- Figure Out Obsessions — Despite cultural condemnation, it is ok to be obsessed, Grant argues. It is vital to success, in fact. In order to figure out one's purpose in life, a person needs to examine their mind, their hobbies, and their lifestyle, to find their obsession. The aim is to identify whatever the obsession is, and then use that passion to push forward. Someone who is obsessed with television should work at a studio. Someone obsessed with numbers should become an accountant. Anyone who is working outside of their passion needs to find a new job.
- Do Not Create Others' Idea of Success — A life obsessed is one that can only ever be lived for the self. No one can be obsessed with a life that has been planned out for them by their parents, teachers, or peers. No two definitions of success are the same, and striving towards anyone else's idea of success can never truly kindle an obsession. In order to maintain obsession in the long-term, a person's goals must be entirely their own.
- Over-promise and Over-deliver — An old mantra in business is under-promise and over-deliver. It is a prudent way to conduct business and intuitive as well. Setting the bar low allows for potential mistakes while leaving room to clear the bar by a large margin. However, Cardone argues that under-promising is simply playing it safe, and that risk is the path to true success. Over-promising provides a clear incentive to achieve excellence. There is the danger of failure, but the obsessed mind is driven by the prospect of failure, not hindered by it.
- Everything Is Sales — Across every single career and industry, the most important skill a person can cultivate is sales. Everything in every business comes

down to sales. A job interviewee has to sell their skills, an executive presenting the board with an innovative new direction needs to sell the wisdom of such an option, and a long-time employee asking for a raise needs to sell their value to the company. No matter what position a person holds, every interaction they have is some kind of sale. Therefore, the truly obsessed needs to treat every prospective sale like that person is family; there is no unimportant sale.

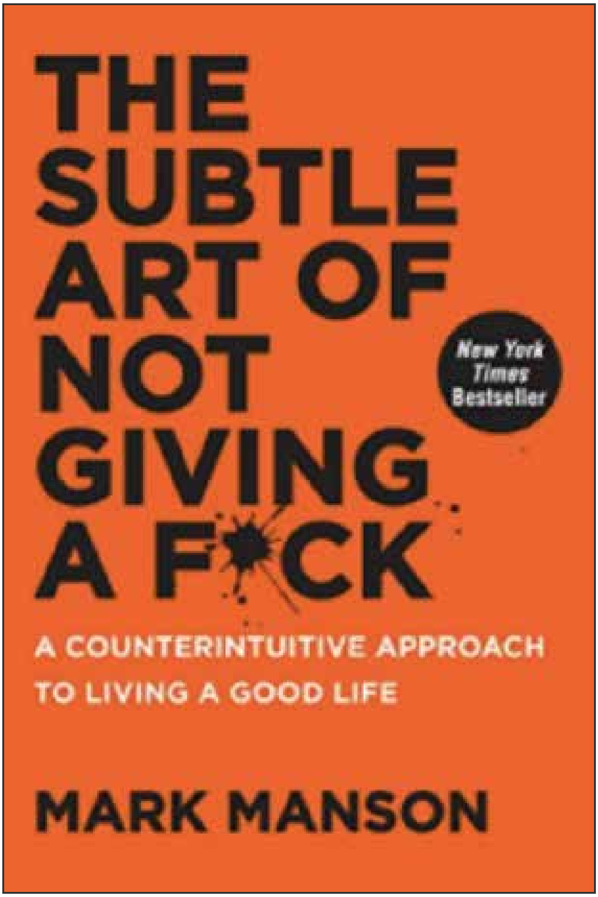
- Control Your Life — Obsession does not clock out at five. Obsession does not stay at the office. Obsession needs to extend to all aspects of life. The only way to be obsessed is to approach everything with the same amount of zeal. Obsession is about control, to dominate every aspect of life. Obsession is also about persistence and results; the obsessed never give in until they have achieved the goals they have set.
- Free Time is a Threat — If someone is obsessed, they should not have free time. Free time is a delusion, since there is always something that can be done to advance goals. The reliance many have on free time, on downtime to recharge, is really just weakness, and can be eliminated through discipline. Allowing free time even a little allows for the option of free time always, and the mind will be drawn more and more to relax and procrastinate. Because of this, free time should be avoided at all costs, and instead be directed towards more productive ends.
- Feed the Beast — Conventional wisdom claims that greed is a bad thing; Cardone would change the definition of greed. Greed in terms of hoarding money is bad, he would agree, since that money is doing nothing to drive towards success. But the desire for money itself is not inherently bad. The obsessed feed the beast, constantly striving to make more money, but also spending money just as quickly. Money is a resource, and the obsessed needs to acquire and utilize every resource on the pathway to success.
- Not Afflicted, Gifted — Many would say that the obsessed are afflicted; they are "control freaks," "Type A," or "neurotic." Cardone claims that such afflictions are really gifts. Being a control freak is not anything wrong, and it is good to try to control as much as you can. Only those who are in control can really get what they want out of life. Rather than mitigating their neurotic nature, the obsessed embrace it.
- Critics are Fuel — "If you don't have haters, you are not obsessed. If you don't collect haters, you are doing nothing," Cardone says. He argues that critics should not deter anyone from doing what they are doing. Instead, they should look to critics as confirmation that they are doing something right. The person who never upsets anyone is the person who has never gone against cultural wisdom, and will be relegated to a life of being average.
- Find Others Who Are Obsessed — It is important for those who are obsessed with success are surrounded by others who are the same. That is not the same as surrounded by yes-men; sycophants are not obsessed, they are simply passively trying to get ahead by agreeing with their betters. Those who really are obsessed will challenge each other and push back, thus helping each other achieve more than they would alone. Businesses should focus on hiring those who are obsessed as well, or those who show promise of being taught.

Everyone likes the idea of success, but just the idea of success cannot fuel obsession. Obsession is about the process, not just the endgame. Only by being obsessed with every aspect of life, and every aspect of business, can one achieve true greatness. Desiring success is not enough; being obsessed with every single step, up to and including success, is what’s needed.

The Subtle Art of Not Giving a F*ck

By: **MARK MANSON**

This book is all about finding what is truly important in life and discarding everything else. The language here is irreverent and abrasive, but it helps drive home the idea of just saying "f*ck it" to things that don't matter. The book may seem like another self-help program dressed up in gritty terms and scare tactics. But a closer look reveals that the lessons here are more about "wake-up" than they are about "self-help." Layer after layer, the book peels away those ineffective "feel good" tactics and replaces them with a good dose of reality.



SUMMARY

*"Look, this is how it works. You're going to die one day. I know that's kind of obvious, but I just wanted to remind you in case you'd forgotten. You and everyone you know are going to be dead soon. And in the short amount of time between here and there, you have a limited amount of f*cks to give. Very few, in fact. And if you go around giving a f*ck about everything and everyone without a conscious thought or choice - well, then you're going to get f*cked."*

Don't Try

The key to living the good life is to stop trying to get rid of all that pain, suffering, and disappointment. Everything worthwhile is achieved by overcoming some obstacle or solving some problem. Conventional self-improvement advice often focuses on what is lacking and avoiding negative experiences. But that advice just creates more agony and desperation because it doesn't address the real issues. Someone can spend a lifetime searching for their life purpose or some other prize and miss the simple, daily events that matter.

Happiness Is a Problem

The pursuit of happiness may be everyone's right, but happiness as a goal is overrated. Feeling unhappy is more of a call to action than it is a symptom of some flaw or void. When someone avoids feeling unhappy at all costs, they are missing some lessons for achieving the very happiness they want. Solving problems and using pain to create change can create happy outcomes. Suffering and struggling, and moving forward, is the path to finding happiness.

*"Our crisis is no longer material; it's existential, it's spiritual. We have so much f*cking stuff and so many opportunities that we don't even know what to give a f*ck about anymore."*

You Are Not Special

Everyone is unique in some ways, but many people have an unhealthy obsession with being "special." This feeling can come not just from some achievement or skill, but also from a sense of being a victim. It seems that being "average" has come to be associated with failure of some sort. Reality check: most people's lives will be unremarkable, not on one end of the "special" spectrum, but somewhere in the middle. Realizing that it's okay to be average opens up opportunities to appreciate the simple rewards of daily life.

The Value of Suffering

At the heart of all this suffering are values. Stop asking, "how can I avoid suffering?" and instead ask, "what is my suffering telling me to do?" People experience all kinds of self-induced suffering from comparing themselves with others to stressing over perceived needs. Suffering is a natural state that offers a chance to learn and progress, not something to avoid. Accept suffering and listen to it. It will reveal what values are the most important and put problems in perspective.

"The desire for more positive experience is itself a negative experience. And, paradoxically, the acceptance of one's negative experience is itself a positive experience."

You Are Always Choosing

Good choices come from good values. When someone chooses their problems by following their values, they feel in control. When they just react to problems that appear, they feel like a victim. No one can control what happens, but they can control how they see problems and how they respond. Sometimes the best choice is when someone chooses to ignore a situation or problem because it's not worth giving a f*ck about. These choices, based on worthwhile values, naturally minimize a lot of suffering and anxiety.

You're Wrong About Everything

When someone feels that they are always right, or knows more than everyone else, then they are living a life that has no room for growth. That stigma of admitting being wrong is so strong that some people would rather die than admit it! The mind relates to experiences in a way that aligns with previous experiences and beliefs. When someone finds a situation that doesn't align with their experiences, they tend to rationalize the inconsistency away instead of having the willingness to change their mind. The mind has the bad habit of jumping to conclusions to find patterns that fit, regardless of reality. All that rationalizing and making the world fit a certain view prevents any chance for change.

"If you want to change how you see your problems, you have to change what you value and/or how you measure failure/success."

Trust yourself less

Someone can make all the right moves, and things can still go wrong because of faulty values. Weak values equal weak results because people tend to trust those values without ever realizing what they mean. Racism, terrorism, and other horrible things occur because of people's belief in the wrong values. These types of people cause chaos and suffering because they have undying faith in those distorted values and are confident of their righteousness. When people aren't brave enough to challenge their beliefs, then they will find that their very identity will never feel secure.

Failure Is the Way Forward

There is no success without failure, yet most people will do anything to avoid it. This consuming fear usually comes from unexamined values and uncertainty. When someone avoids the pain of failure, they miss the opportunity to look at their values and see why they are failing. Failure isn't to blame, it's ignoring the pain and what it can teach that causes problems. When someone stops and listens, that pain will likely be telling them that their values are too goal-oriented rather than process-based. When values become more about the journey than the destination, it makes it easier to accept uncertainty and keep going.

*"F*ck positivity, Let's be honest; sometimes things are f*cked up and we have to live with it."*

The Importance of Saying No

It's easy to just say yes in most situations. But all those "yeses" can become a habit that prevents someone from saying no to the things that don't matter. A person who can't say no to faulty alternatives is living a life with no boundaries. People with solid boundaries aren't afraid of conflict or getting their feelings hurt. When someone can't say no, they often find themselves caught up in the habit of trying to say what someone else wants to hear. This desire to always go along doesn't help relationships; it weakens them because without conflict there is no real trust. Don't be a "yes man." Honesty is far more important than a brief moment of good feelings.

...And Then You Die

Death is the great equalizer. The thought of death has a way of putting everything in its place and clarifying what's important. That's because the fear of death is an underlying factor in everything a person does. Confronting and accepting the inevitability of death reveals all those superficial values and offers a chance to choose values more genuinely. People buy into some pretty flimsy dogmas in attempts to delay or somehow get around death, but that only prevents them from seeing alternatives that would be much more useful.

"Death scares us. And because it scares us, we avoid thinking about it, talking about it, sometimes even acknowledging it, even when it's happening to someone close to us. Yet, in a bizarre, backwards way, death is the light by which the shadow of all of life's meaning is measured. Without death, everything would feel inconsequential, all experience arbitrary, all metrics and values suddenly zero."

Conclusion

Wake up. Stop searching for that fairy-tale ending and accept that it's the struggle itself that helps create a fulfilling life. Success, no matter how it's measured, will always be the result of overcoming adversity. So slow down and figure out what it is that brings meaning to life, and stop giving a f*ck about all those things that don't matter. The result will be a life of purpose instead of a life consumed with elusive goals.

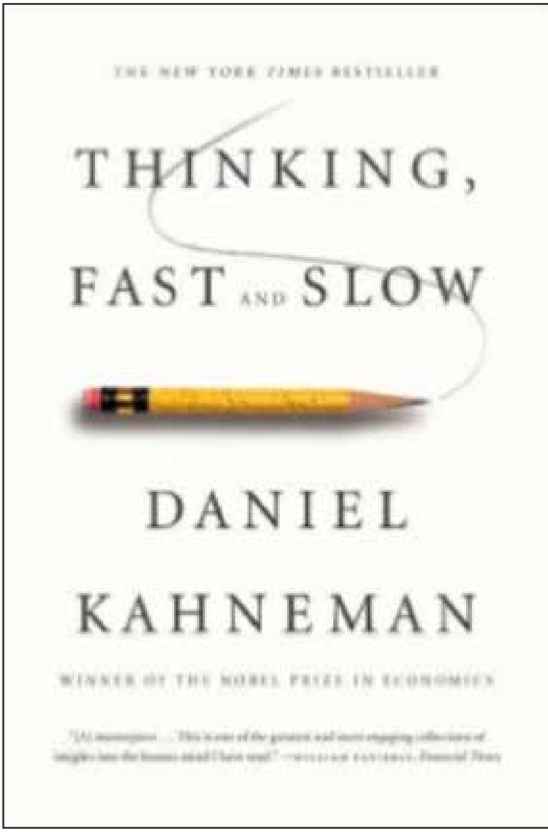
Thinking Fast and Slow

By: **DANIEL KAHNEMAN**

People often aren't able to come up with an answer that is logical and practical when faced with making a decision. This problem happens because we approach issues with a combination of viewpoints. Experience, biases, emotion, instinct, and, of course, logic all play a role in decision making. This book breaks down these viewpoints into two systems of thinking – the fast and slow systems.

System 1 is a mode of thinking based on emotion and subconscious reaction. This type of thinking happens quickly, typically called "gut instinct," and can be impractical and flawed. System Two is a mode of thinking based on slow, deliberate thought and a more logical approach. By understanding how and why the two systems affect decision-making and new experiences, it's possible to learn how to make better decisions and create new ways of thinking based on reasoning.

"Our comforting conviction that the world makes sense rests on a secure foundation: our almost unlimited ability to ignore our ignorance."



SUMMARY

System One: Fast thinking

Biases and personal experience are the foundations of System One thinking. When faced with a decision, the first instinct is usually to approach the problem by referencing past experiences and creating associations. The tendency is to try and find solutions quickly with as little effort as possible. This "knee-jerk" reaction is very subjective and often includes elements that turn out to be irrelevant and sometimes harmful. Jumping to conclusions, false assumptions, misinformation, and a host of other pitfalls come into play with this mode of thinking. For many, this type of thinking happens uncontrollably without any conscious effort.

One of the problems with System One thinking is that this approach to decision-making means trying to make a new experience fit the existing patterns of thought. When a new experience presents itself, new types of thought should be created to fit the experience, not the other way around. For example, a doctor who has only worked independently will typically approach working in a team atmosphere by referencing past experiences and thoughts. By responding to this new experience without learning about the dynamics of groups, the chances of that doctor "fitting in" will be slim.

"A reliable way to make people believe in falsehoods is frequent repetition because familiarity is not easily distinguished from truth."

The issues with System One thinking are compounded by the fact that this type of thinking is practiced so frequently as a first resort. Even with an understanding of the problems found in this way of thinking, it's hard to slow down and take a different approach. System One thinking is easy and familiar, and even though it's often impractical or ineffective, it's a hard habit to break. While the elements that contribute to this way of thinking have their merits, without using them in a deliberately logical manner, they will continue to produce less-than-optimal results when it comes to important decisions and unfamiliar situations.

System One Characteristics:

- Creates quick impressions, emotions, and feelings
- Occurs with little effort, often subconsciously
- Generates a feeling of accomplishment based on quick response
- Constructs patterns and associations for new experiences from past experiences
- Often occurs with little examination or attention to details

"Mood evidently affects the operation of System One: when we are uncomfortable and unhappy, we lose touch with our intuition."

System Two: Slow Thinking

Based on logic and evaluation, System Two thinking takes a practical, objective approach to making decisions and understanding new experiences. System Two thinking is infrequently used for several reasons, even though it provides better understanding and results in better decisions. This type of thinking requires conscious effort and a determined response. Better decisions and new patterns of thought are created by slowing down and taking the time to understand the unfamiliar. The ingrained habit of System One thinking is so prevalent for most people that it makes adopting the System Two approach seem difficult at best.

Slow thinking just seems to be a lot of work, and it's hard to justify the effort to slow down for the very reasons that System One is so attractive. The familiar experiences and thought patterns that are a part of System One thinking create a comfort zone that feels right. Regardless of the outcomes, the System One approach is simply too easy and automatic to give up easily. System Two thinking is often unfamiliar territory to most, so it's difficult to buy-in without understanding how this way of thinking can be more productive and effective.

"Intelligence is not only the ability to reason; it is also the ability to find relevant material in memory and to deploy attention when needed."

System Two thinking produces not only a better understanding of new experiences and better decisions, but it also creates opportunities to replace some of the irrelevant elements of System One thinking. By using System Two thinking, old thought patterns that may be based on false assumptions, misinformation, and lack of understanding begin to lose their appeal and can be replaced with objective, logical thought patterns instead. The result is a habit of thinking that becomes stronger and more consistent the more it's used. Slow, logical thinking only creates a growing ability to make better choices more frequently.

System Two Characteristics:

- Requires slow, deliberate thinking
- Creates a better understanding of new experiences and results in better decisions
- Constructs new patterns and associations for new experiences
- Includes reasoning, logic, and a conscious approach
- Develops the ability to evaluate and change old thought patterns objectively

"The world makes much less sense than you think. The coherence comes mostly from the way your mind works."

CONCLUSION

Although the System Two mode of thinking is superior to the System One model in many ways, they both have value. When used together, they create a whole new way of thinking. When System 1 thinking runs into a dead end, it usually turns to System Two for resolution out of necessity. But it's the ability to use System Two thinking along with System One that creates the most benefits. When applied to the subjective elements of subconscious thinking, the logic and conscious attention of System Two helps monitor, adjust, and verify old thought patterns.

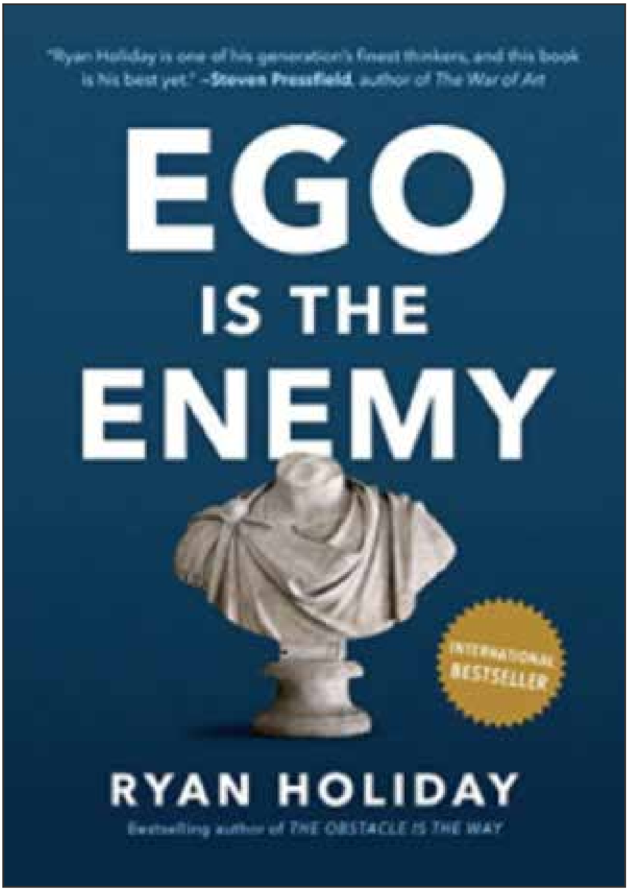
By evaluating System One thought processes using System Two thought processes, the two ways of thinking become a powerful combination. Ingrained thought patterns from past experiences are examined with a practical approach, and their validity is challenged. The result is more accurate "gut reactions" to everyday experiences and a better approach to new experiences. By slowing down and developing the skills to use these two modes of thinking together, it's possible to create an approach to experiences and decision making that uses logic and intuition effectively.


Photo by Melyna Valle on Unsplash

Ego is the Enemy

By: **RYAN HOLIDAY**

This book explains how people tend to think that the world revolves around them. The "it's all about me" approach comes from the ego, and this thinking distorts failures and successes because the ego is so subjective. When efforts fail, the ego blames everyone else and stresses out. When efforts are successful, the ego pats itself on the back, ignoring the contributions of others and blowing the win out of proportion. The ego is the enemy because it creates such a distorted view of results. By understanding how the ego gets in the way and learning how to reign it in, it's possible to create a more balanced view of efforts and results.



SUMMARY

Aspire

- *Talk, talk, talk* — Everyone loves to talk about their aspirations. They talk about doing great things or creating something new and different. The ego says that all that talk is necessary because it's about important ideas and worthy endeavors. Besides, it just feels good to be able to talk about things without having actually to do anything. But what the ego doesn't say is that talk is just that, talk. The problem here is that the ego doesn't like thinking about anything that may be uncomfortable, like work! No matter how great the idea or aspiration, there is no substitute for putting in the work. By understanding how all that talking is the ego's way of procrastinating or avoiding self-doubt, it makes it easier get back to work.

"All great men and women went through difficulties to get to where they are, all of them made mistakes. They found within those experiences some benefit, even if it was simply the realization that they were not infallible and that things would not always go their way. They found that self-awareness was the way out and through, if they hadn't, they wouldn't have gotten better and they wouldn't have been able to rise again."

- *Don't be passionate* — Self-help books usually have a lot of well-meaning advice about passion. Find your passion, and you will find your purpose. Follow your passion, and you will find work you love. It sounds deep and profound, and while passion can be a valuable driving force, it still doesn't get the job done. The ego tends to obsess over concepts like these and is willing to spend a lot of time thinking about all those wonderful possibilities. What the ego doesn't want to think about is that focused, deliberate work is what gets results. It's great to have a passion for the work, but that passion is secondary to putting in the effort.

Success

- *Always stay a student* — Success will give the ego what it longs for, but the achievements are often overestimated. This lack of perspective can lead to thoughts of finally "making it," or thinking that the hard work is over. What the ego often fails to recognize is that success is a product of learning and that it's a stepping stone for more achievements. The ego likes to think that once it finds success that it is finally the master and no longer the student.

Defensive by nature, the ego can prevent any further learning because it thinks "I've got this." But the first sign of being challenged or questioned will reveal how little the ego knows, leaving it damaged and resentful. By seeing how the ego is so defensive and prone to exaggerating its successes, it becomes easier to practice humility and focus on being a student again. Continue learning, stay humble, and keep that ego in check to achieve more success.

"Do you know how you can tell when someone is truly humble? I believe there's one simple test: because they consistently observe and listen, the humble improve. They don't assume, 'I know the way.'"

- *Entitlement, control, and paranoia* — When someone is feeling entitled, the need to always be in control, or paranoid, that's often the ego talking. The ego tries to convince someone that they should have something because it is rightfully theirs, that they've earned it, even when there is little evidence that it's true. The ego needs to be in control because it is afraid of any challenge to its "authority." And the ego gets paranoid because it thinks, "I can only trust myself, and anyone who questions me is out to get me."

All these ego-driven thoughts are just another way for the ego to hide the insecurity and weakness beneath the surface. See the ego for what it is: a finicky, often illogical part of the psyche that unwittingly undermines success. The ego isn't intentionally sabotaging efforts and causing chaos; it's just trying to protect itself. Remember that when these feelings appear, it's the ego that's behind them and that knowledge will help keep things in perspective.

Failure

- *Alive time or dead time?* — There's a great line in the movie, The Shawshank Redemption. One of the characters wisely says, "Get busy living or get busy dying." Those seven, simple words represent some of the best advice for avoiding failure and moving forward. Hitting a plateau, reeling from a failure, or finishing up a project creates a break in the action. Those moments where things come to a halt can be dead time or alive time. "Dead time" is when nothing is happening, when someone is being passive and waiting for inspiration or something else to get things going. "Alive time" is when someone uses this time for learning, planning, or otherwise keeping things moving.

These times aren't really "good" or "bad;" they can be dead times when someone just accepts them, or they can be alive times, providing opportunities to create or develop skills. How someone uses these moments will determine if they are getting busy living or getting busy dying.

"Every time you sit down to work, remind yourself: I am delaying gratification by doing this. I am passing the marshmallow test. I am earning what my ambition burns for. I am making an investment in myself instead of in my ego. Give yourself a little credit for this choice, but not so much, because you've got to get back to the task at hand: practicing, working, improving."

- *Maintain your own scorecard* — The ego is an obsessive scorekeeper. It keeps track of every "score," or type of feedback, and either gets overconfident because of the good ones or demoralized by the bad ones. These unchecked responses occur because most people get their scores from someone else. When people only tie their success to the opinions of others, they are always trying to perform up to someone else's standards. The flaw is that these rules are created by someone based on their idea of what's important and what determines a "good grade."

Only when a person creates their scorecard can they stop trying to live up to standards that may not even be relevant. Someone who sets their standards of what progress and productivity mean to them can be sure they are scoring their efforts accurately. It's hard for the ego to go overboard because there is no external standard to live up to. These voluntary standards create an atmosphere of continuous improvement instead of a constant scramble to keep those scores up.

Conclusion

The ego is unavoidable but it is manageable. By understanding how the ego behaves much like a child, it's possible to put the ego's influence in perspective. Remember, the ego overreacts to failure and success with a distorted view; it's selfish, unreasonable, and persistent. Gone unchecked, the ego will try to take control of any situation it can, but with awareness and practice, it gets easier to keep the ego in its place.

Photo by Bayu Anggoro on Unsplash

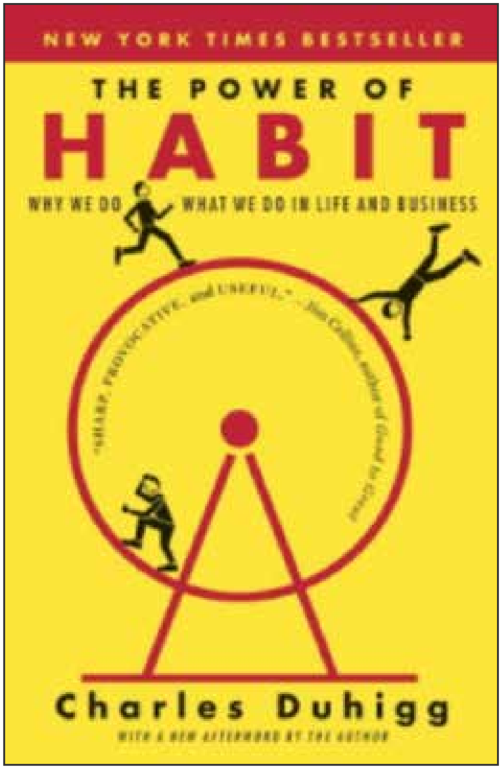
The Power of Habit

By: **CHARLES DUHIGG**

Using examples of how habits impact daily life and business, The Power of Habit explains why people do the things they do. With an understanding of how and why habits have so much influence, it's possible to change behaviors. The book explains how habits are formed, how they become a part of the subconscious, and how they often go unnoticed. It's the lack of awareness that makes some habits so damaging and understanding how habits are built is the first step in recognizing them.

"Change might not be fast and it isn't always easy. But with time and effort, almost any habit can be reshaped."

Full of practical advice and guidelines, the book provides ways to create and change habits. Free will, cravings, willpower, and other ingredients of habits are broken down into easy-to-understand concepts. Once current habits are dissected, they become more manageable and are easier to change. Using the tools outlined in the book, it's possible to create new, more desirable habits.



SUMMARY

How Habits Work

The brain likes to automate things as much as possible. This constant effort to turn routines into subconscious behaviors can be productive, but the brain doesn't distinguish between good and bad habits. Unchecked, these routines and habits just keep working themselves into the subconscious and often go unnoticed.

"Habits, scientists say, emerge because the brain is constantly looking for ways to save effort."

Driving to the store requires dozens of actions, but because it's the same store each time, getting there is like being on auto-pilot because it's a habit. The route doesn't have to be mapped out; there are no decisions to make. The subconscious does all the work behind the scenes without any real thinking.

The habit process consists of a three-step loop:

- Cue: Cues are what triggers the brain to access habits. Cues are usually related to specific emotions, people, locations, and times. To identify the cue, the associated rewards must be examined to see what reward the mind is after.
- Routine: The cue leads the brain to those automatic behaviors that make up the routine. By identifying the cue and the reward, the routine can be changed.
- Reward: The routine results in a consistent reward that strengthens the habit. Identifying the reward allows the routine to be changed, and achieve the same result.

"Rather, to change a habit, you must keep the old cue, and deliver the old reward, but insert a new routine."

Just knowing how habits are built and strengthened makes them easier to control. By learning to be aware of the cues and the rewards that follow, it's possible to change the routines. Simply understanding how habits work makes them much easier to deal with. By learning to observe the cues and rewards, we can change the routines.

How to Create New Habits

Here's a good example of how cravings build habits. Pepsodent toothpaste added citric acid and mint oil to their recipe, creating the tingling feeling that eventually became synonymous with most toothpaste. At a time when teeth brushing was not that common, Pepsodent unknowingly created a taste that just made people want to brush. That minty-fresh feeling became a powerful cue because people missed the sensation when they didn't brush. The result was a new habit that has become a part of daily life. It didn't make any difference that the minty taste and tingling did nothing for teeth; the sensation was enough to create a powerful cue.

"It is facile to imply that smoking, alcoholism, overeating, or other ingrained patters can be upended without real effort. Genuine change requires work and self-understanding of the cravings driving behaviours."

When Willpower Becomes Automatic

Willpower can become a habit just like anything else when it is consistently exercised. Studies have shown that when willpower is used in one area, it affects the ability to use it in other areas as well. The more it's used, the stronger and more automatic it becomes. Starbucks, the popular coffee retailer, uses this concept of turning willpower into a habit to their advantage.

Starbucks' employee development structure teaches employees to identify "pain points," like a vocal, angry customer, and choose predetermined actions that match the company's culture. By knowing how to respond ahead of time, employees will develop willpower into a habit and provide better service in a variety of situations.

When Companies Predict (and Manipulate) Habits

Target puts a lot of effort into collecting shopping data by using credit cards, frequent shopper cards, and their loyalty programs. The data they collect from these sources is combined with other data such as age, location, ethnicity, etc. This collective data creates a detailed and accurate portrait of customers. This portrait lets Target take advantage of habits.

"Someday soon, say predictive analytic experts, it will be possible for companies to know our tastes and predict our habits better than we know ourselves."

When someone buys diapers weekly, Target knows that the customer probably has young children. If that same customer doesn't buy formula, then the data will determine that the customer doesn't use formula or they are buying it somewhere else. Target takes the information about one habit, buying diapers, and tries to create a new habit, buying formula.

The result is that the customer will start receiving coupons for formula. As the retailer builds more and more associations with a customer's buying habits, they can pinpoint ways to create new habits and more sales.

The Neurology of Free Will

Gambling can be a fun and exciting activity, or it can be a destructive habit. The difference lies in a subtle difference discovered by researchers using an MRI machine. The study monitored responses from casual gamblers and compulsive gamblers to discover why such a destructive habit becomes so ingrained. Both types got excited when they watched a slot machine land on a winning match. But while the casual gamblers registered near misses as losses, the compulsive gamblers registered near misses as wins. This different view of near misses creates a habit loop of more gambling and destructive behavior.

Conclusion

Understanding how habits are created and how they can be changed leads to more control over behaviors. Whether it's the desire to stop smoking or target customers, habits can be created and manipulated by identifying cues, routines, and rewards that drive behaviors. By changing the routines of a bad habit, the loop breaks down and creates a spot for new and better habits.

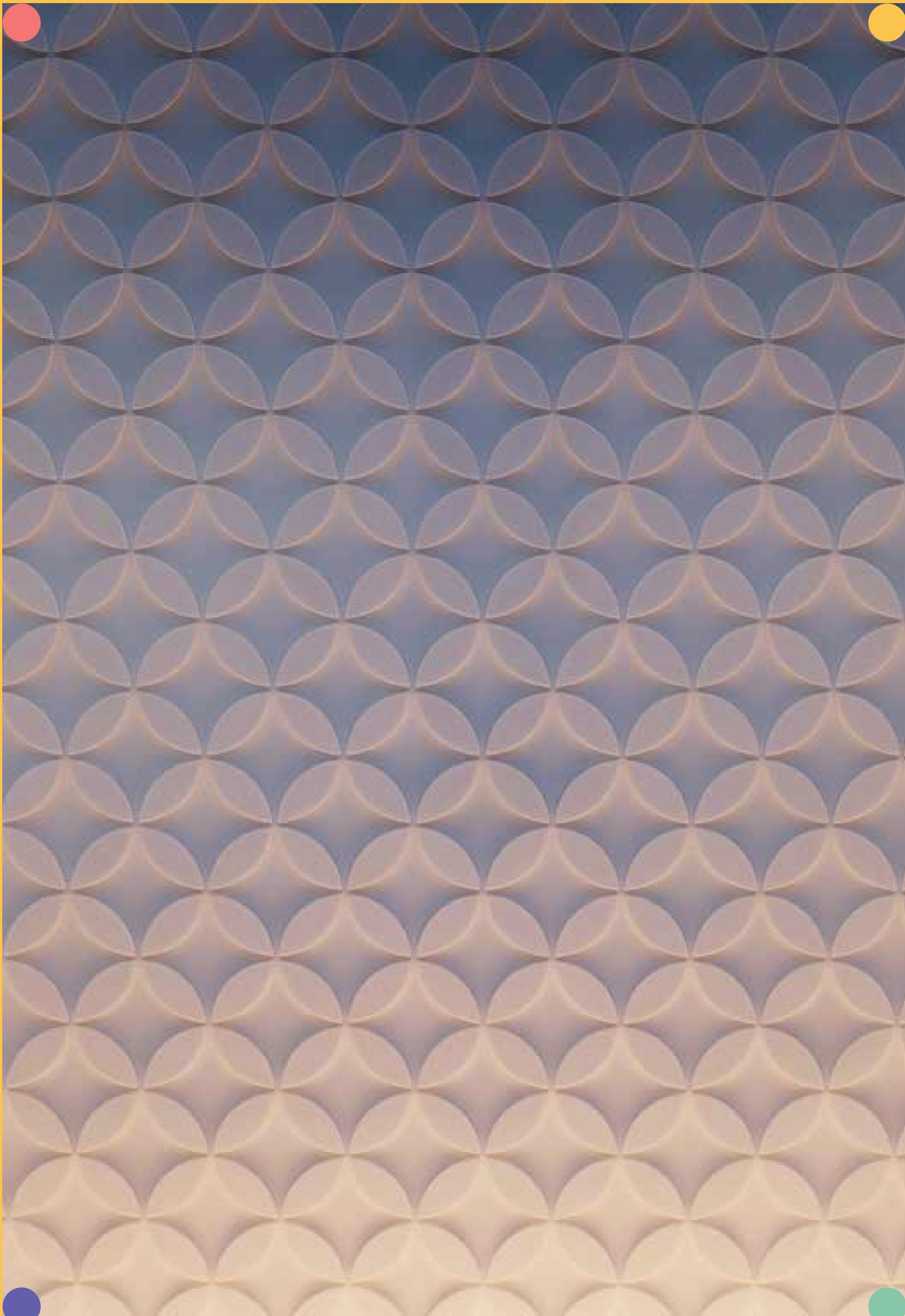


Photo by Jason Leung on Unsplash

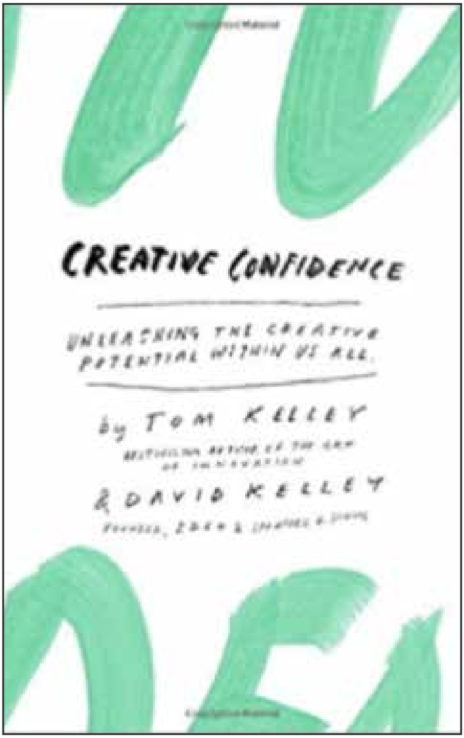
Creative Confidence

By: **TOM KELLEY & DAVID KELLEY**

Anyone can be creative. That's the message this book drives home by showing that creativity is an innate ability that requires courage to uncover. It's not so much a case of learning how to be creative, but rather learning how to release creativity by overcoming fears and doubts. The key to being creative is to learn how to take action. Everyone has good ideas at one time or another, but those creative ideas never see the light of day because most people don't have confidence in their creative abilities. They are afraid of failure or being judged.

"If you want more success, you have to be prepared to shrug off more failure."

Learning how to control all those doubts takes the willingness to forgive failure and learn from the lessons those failures hold. No great breakthrough or innovation succeeded without failures. Through tenacity and commitment, creative efforts can survive the uncertainty and setbacks that are always a part of innovation. By refusing to give in and following through, by taking action, confidence in creative abilities grows. With practice and repetition, the creative confidence to experiment and implement becomes a skill that can be learned by anyone.



SUMMARY

Ideas

The first step to putting a creative idea into action is to come up with one. Many people struggle with getting the creative juices flowing which leads to them thinking that they just aren't creative. But it's simply not true. Creative thinking requires learning how to reveal those ideas just waiting to get out. Like any other skill, there are certain steps or prompts that make creativity easier.

"Look for ways to grant yourself creative license, or give yourself the equivalent of a get-out-of-jail-free card."

- Choose creativity. It takes a conscious commitment to wanting to be creative to get things going. Don't second guess or question, just choose.
- Think like a tourist. Inspiration is not usually just hanging around waiting to show itself. It can often only be found in a different environment with new experiences and ideas. Get out of the office and find a different view, read something different, get exposure to something new.
- Take a break. Creativity seems to thrive during periods of relaxation. Stop focusing on the specific task and allow the mind to wander. This wandering will often uncover connections that can't be seen during focused work.
- Who is the end user and what do they want (or need)? Asking this question, whether about an idea, a problem or a product, creates empathy and the ability to focus on some of the more important points.
- Field work. Another reason to get out and about, field work involves simply observing. By observing with no set agenda, it's possible to find those "aha" moments of clarity and revelation.
- Why? This may be the most important question ever when it comes to understanding and creating. By asking "why?", over and over again, the big picture starts to break down into smaller pieces that can expose core elements or issues.
- Re-frame. By re-framing questions or views, a problem or idea can be seen from different angles providing different information. These questions can start with "I wonder what..." and "What if..." or a host of other similar approaches.

"What it means is there is no such thing as a flash of genius. What may appear as a flash of genius is a result of some new connection made by the discoverer's relaxed mind building upon years of study and hard work."

Action

Until someone learns how to put ideas into action, no amount of creativity is going to amount to anything. The action stage is where the ability to overcome fear and doubts is critical. It took courage to commit to creativity and to learn the steps for creative thinking. Now that same courage has to pick up speed and move things forward quickly. Instead of elaborate, detailed plans, the action stage requires moving fast and ignoring the fear of failure and judgments. By setting small goals and checkpoints, the process of taking action becomes less overwhelming and gets the ball rolling.

Here are some of the "action catalysts" suggested by the book to get rid of some of that fear.

- Ask for help — Two heads are better than one, especially in creative efforts. It doesn't have to be someone with particular expertise or even experience with creativity. Just bouncing ideas back and forth with someone who can be objective is often more than enough.
- Peer pressure — It worked in high school, and it works here. Publicly announce the decision to take action and see what happens. It will be nearly impossible to not follow through without at least a little shame!
- Take the stage — By gathering an audience, whether it's a formal focus group or coworkers around the copier, the goal is to have everyone chime in on those creative ideas. The results are often surprising and useful.
- Be bad — Perfectionism is the enemy of action. When someone gives themselves permission to produce something completely horrible, it takes the pressure off. The key is to get something, anything, out there and tweak it later. Besides, it's good practice.
- Lower the bar — Similar to the willingness to create something awful, lowering the bar means relieving some of the pressure by putting expectations in the right perspective. Very few activities are "life and death" issues. Not everything rides on a single decision, so it's OK to be less than perfect.

Overall

"Like a muscle, your creative abilities will grow and strengthen with practice."

The approach a pottery class took and the results illustrate why taking action is so important in creativity. Half of the students were told that they would be evaluated on the quality of a single clay pot to be completed by the end of the class. The other half were told they would be evaluated on the number of pots they made. It seemed to be a race between quantity and quality.

The students in the first group worked intensely and deliberately week after week to create the very best pot they could. The second group threw pot after pot as quickly as they could with little concern for quality. In the end, the most well-crafted pots came from the second group. The repetitive act of just putting something out there honed their abilities through trial and error, resulting in well-developed skills.

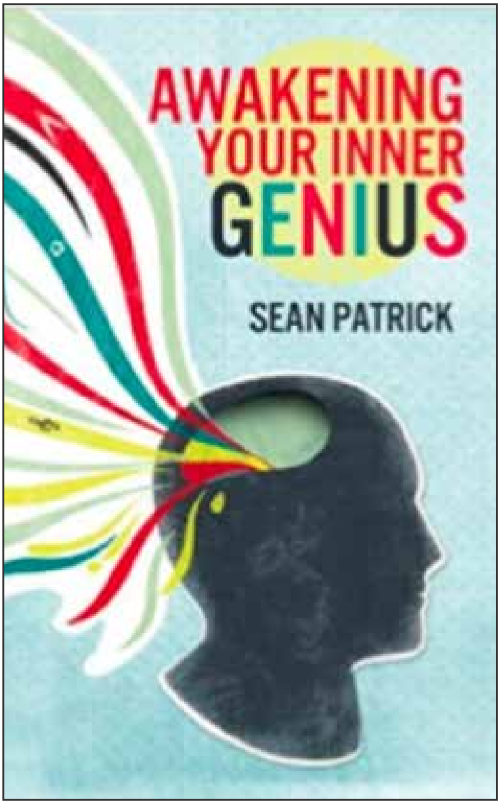
Creativity is not some mystical concept, reserved for those "special" people and their vivid imaginations. It's a skill that can be learned. By practicing ways to put fears and doubts in their place, it's possible to build confidence and skill.

Awakening our Inner Genius

By: **SEAN PATRICK**

"You see, genius is a path, not a gift. Studies of history's greatest geniuses have shown that there is a 'genius code,' if you will. A combination of very specific traits that we can develop in ourselves, and thus, operate at a genius level."

This book is based on research from a variety of sources and proposes that genius is not some mystical, elusive trait, but a combination of many personality characteristics. Genius is not innate; it is a goal that can be achieved by developing separate traits or behaviors to create the "genius code." Becoming a genius certainly isn't easy, but it is achievable.



The concepts are the results of attempts to discover the common traits of "geniuses" from all walks of life, throughout history. Initial research attempts provided few results and did not identify common genius traits. This lack of common ground among the likes of Edison, DaVinci, Socrates and even Ted Williams, uncovered the notion that genius may actually be an extensive combination of skills, traits, and behaviors.

"Thousands of geniuses live and die undiscovered—either by themselves or by others." — Mark Twain

SUMMARY

In the end, over two dozen traits were identified as separate elements of what came to be known as the "genius code." While many of these traits are based on specific attitudes and approaches, the more important ones are all about taking action, persevering, and honing skills through repetition and practice. It turns out that becoming a genius is as much about hard work as it is about thoughts and habits.

It's a common thread in the self-help and motivational publications that it takes 10,000 hours of practice to achieve mastery or genius. This widely-accepted concept illustrates the often unseen efforts that are behind becoming a genius. The willingness to invest large amounts of time and the ability to persevere are requisites for the development of skills needed to achieve a genius state.

"Swing batter, swing!"

Drive, courage, devotion to goals, enthusiasm, optimism, dynamic energy, patience, adaptability, and imagination are all key traits within the "genius code" and traits that Ted Williams developed to become a "genius" in the game of baseball. Williams is considered to be one of the most gifted hitters of all time. He has been described as having almost inhuman natural abilities like eagle-like vision, extraordinary hand-eye coordination, and uncanny instincts. While most people would revel in this sort of praise, Williams was actually offended by these accolades. He knew that his success was a combination of developing the above traits and a lot of hard work over a long period of time. He called such stories "a lot of bull."

"Genius is 1% inspiration and 99% perspiration." — Thomas Edison

Williams began his journey to greatness at the age of seven when he chose to dedicate his life to one singular task: hitting a baseball perfectly. Williams spent every free minute he had at San Diego's old North Park field hitting balls, every day, year after year. His childhood friends recall seeing him on that field smashing balls with the outer shells completely beaten off, using a splintered bat, held by blistered, bleeding hands. He would give his lunch money to other kids to shag his balls so he could hit as many as possible every day. When the field lights turned off, he would go home and swing a rolled-up newspaper in the mirror until he went to bed. This obsession continued throughout Williams' entire professional career, and the results are no surprise.

"Timing, perseverance, and ten years of trying will eventually make you look like an overnight success." — Biz Stone

The 24 Characteristics of Geniuses

From Mozart to Bill Gates, genius's diverse journeys toward excellence in their respective fields shared a common denominator: the accumulation of thousand hours of unwavering "exercise" of their crafts and the commitment to developing the "genius code."

Here are the characteristics that make up the "genius code." While many of these traits and habits may seem like common sense or simply familiar jargon, it's important to remember two things:

- It's the combination of multiple strengths or characteristics and how they play off one another that is the key to achieving genius status.
- All of these individual traits can be learned, practiced, and mastered.

1. DRIVE. Geniuses are driven to work long and hard. They're willing to give all they've got by focusing on their future success.
2. COURAGE. It takes courage to try something different or commit to a singular goal.
3. DEVOTION TO GOALS. Geniuses know what they want, and they go after it. Day after day, they keep the focus on the prize.
4. KNOWLEDGE. Developing a love of learning and making it a constant in daily life opens doors and creates insights.
5. HONESTY. Geniuses are honest with others and with themselves. They take responsibility for their success and their mistakes.
6. OPTIMISM. Developing the habit of looking at the good instead of the bad helps geniuses take those necessary "leaps of faith."
7. ABILITY TO JUDGE. A genius evaluates objectively and approaches obstacles and opportunities with an open mind
8. ENTHUSIASM. Constant attention to keeping themselves "up" is the hallmark of geniuses. They understand how enthusiasm builds upon itself.
9. WILLINGNESS TO TAKE CHANCES. Geniuses can learn to take chances by learning to master their fears. They learn from mistakes to minimize the risks of future endeavors.
10. DYNAMIC ENERGY. Success and genius won't come knocking. It takes action and energy to go out and find them. Keep the mind and the body sharp and healthy.
11. ENTERPRISE. Geniuses seek out opportunities in unlikely places. They learn to know a good idea when they see it.
12. PERSUASION. Geniuses know how to motivate people and turn them into resources.
13. OUTGOINGNESS. Developing the willingness to interact with others helps geniuses discover different points of view that can be invaluable for their journey.
14. ABILITY TO COMMUNICATE. Geniuses can effectively get their ideas across and thrive on feedback.
15. PATIENCE. Becoming a genius takes time and requires the patience to put in the work.
16. PERCEPTION. Geniuses learn to create clarity in their understanding of people, ideas, and concepts.
17. PERFECTIONISM. Striving for perfection is a worthy endeavor. But geniuses

know how to keep that perfectionism in check to keep it from holding them back.

18. SENSE OF HUMOR. Geniuses don't take themselves too seriously. They know that humor can often dilute stressful situations and setbacks.

19. VERSATILITY. A genius looks for variety and different ways of thinking. They know that there are many ways to reach a goal.

20.ADAPTABILITY. Being flexible keeps geniuses ready for opportunities and open to new ideas.

21. CURIOSITY. Geniuses develop the hunger for learning and the desire to understand how things work.

22.INDIVIDUALISM. At some point along their journey, all geniuses must veer away from the ideas of the masses and learn to trust themselves.

23.IDEALISM. Geniuses aren't afraid of the impossible. They know that many great successes began with a seemingly impossible dream.

24.IMAGINATION. Geniuses know how to see things from different viewpoints and understand the power of asking: "What if..."

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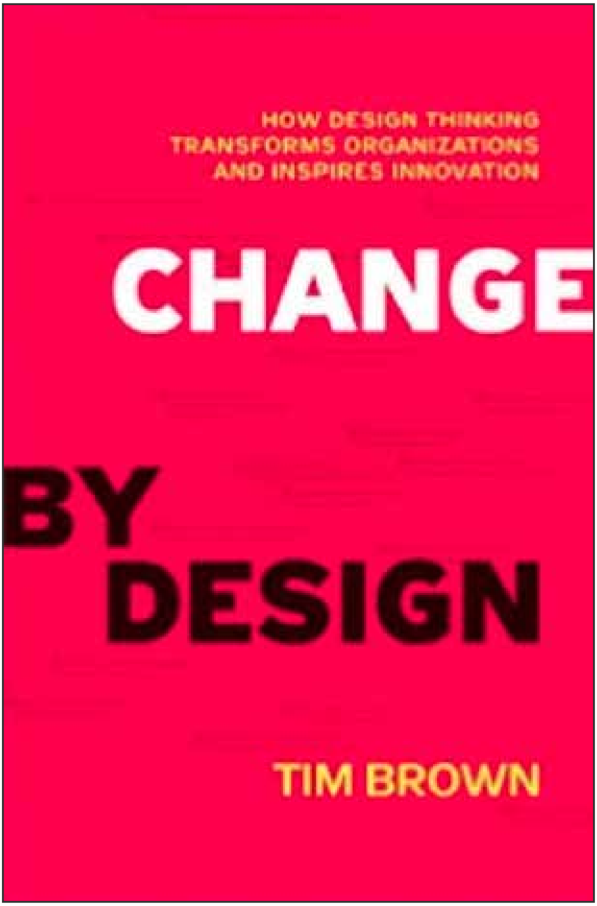
Change by Design

By: **TIM BROWN**

The leader of one of the most successful design companies, Tim Brown, CEO of IDEO, shares what he has learned about how to make "change by design." Tim draws from his years of experience to present the fundamental principles of the design process, from idea to realization. These principles apply not only to products, but to services, procedures, and virtually any other kind of problem. Change By Design isn't a "how-to" book, but rather an introduction and explanation of the methods used successfully by design thinkers. These methods aren't just for creatives and designers. The principles here are practical ways of thinking for anyone who needs solutions for problems.



SUMMARY

"Design thinking taps into capacities we all have but that are overlooked by more conventional problem-solving practices. It is not only human-centered; it is deeply human in and of itself."

Design Thinking

When most people think of "design," they think of creative types working feverishly in a studio working up sketches, drawings, and prototypes. These creatives seem to have some innate gift, or talent, for innovative ideas and for bringing those ideas to life. This book is designed to change that thinking by explaining how design is a process that applies to many areas in business and life. The design process is relevant to processes, social issues, and policy making, not just innovative products or services.

"Design thinking relies on our ability to be intuitive, to recognize patterns, to construct ideas that have emotional meaning as well as functionality, to express ourselves in media other than words or symbols."

By seeing design as the ability to understand the big picture, it takes some of the mystery out of the concept of design. This new understanding turns design thinking into a practical tool to help solve problems. Innovative design isn't reserved just for the most insightful and creative; it is a process that can be used by nearly anyone. From the mundane day-to-day issues that most people face in business to more complex issues, design thinking is a process that helps create effective solutions.

"The faster we make our ideas tangible, the sooner we will be able to evaluate them, refine them, and zero in on the best solution."

Innovation, whether it's used for solving global warming or finding a better distribution structure, can come from any environment. As long as people have the freedom to explore, experiment, and take risks, they can design effective solutions for nearly any problem. Through stories and examples, the book presents guidelines on how to create the right environment for design and innovation.

The story of Kristian Simsarian, IDEO designer, illustrates how design thinking works in real life. Simsarian was assigned the task of redesigning the hospital emergency room experience. His approach was to check in as a patient and videotape the experience. The results of his undercover operation provided insights from a unique, but practical, viewpoint. Simsarian recalls spending a lot of his time lying on his back on a gurney staring up at the ceiling. He describes the feelings of anxiety and uncertainty that made him feel out of control and helpless.

"Whether we find ourselves in the role of customer or client, patient or passenger, we are no longer content to be passive consumers at the far end of the industrial economy."

The insights from this experiment started a series of discussions that led to efforts to improve the overall emergency room experience. The result was a plan to focus on treating patients less like commodities and more like human beings in a vulnerable position. This unique approach helped redefine the ER logistics, creating a less stressful environment for patients. By putting himself in the position to experience what a typical patient encounters, Simsarian was able to help design solutions that had a positive impact on the patient experience.

Putting People First

"The evolution of design to design thinking is the story of the evolution from the creation of products to the analysis of the relationship between people and products, and from there to the relationship between people and people."

In the end, innovation and design are more about people than they are about ideas or things. The concept of putting people first is that solutions to any problem need to be designed with a focus on the human element. It's tough to figure out exactly what people need because they adapt to their situations so readily, often without understanding what they actually need. This natural adaptability prevents people from realizing a problem exists because they simply adapt and move on.

The book presents three keys to understanding these unrealized needs by focusing on the human elements in designing solutions: insight, observation, and empathy.

- **Insight**. Unique insights are discovered by learning from the real-life experiences of other people. When people just aren't able to realize their needs, watching their behaviors provides clues to what's really going on. While far from a scientific or data-based approach, "people watching" often reveals insights that aren't found with a typical analysis using hard data. Observing how people behave can be the best resource for truly understanding their problems.

"Good design thinkers observe. Great design thinkers observe the ordinary."

- **Observation**. Keen observation requires more than just watching how people behave. Sometimes, the deepest insights come from what people don't do. Things left unsaid can be just as important as the things people say. By playing detective, an observer can find valuable information in day-to-day activities and situations. When the simple question "why" is asked over and over again, the often hidden insights come to light for a deeper understanding.

- **Empathy**. Just like in the example of IDEO designer Kristian Simsarian, by experiencing firsthand what someone is feeling, a deeper understanding emerges. By empathizing with a customer or anyone else, the resulting solutions are shaped by the effects they have on people. When someone feels that a solution, product, or service was created with an obviously human element, the more likely they are to accept the idea.

"Empathy is the mental habit that moves us beyond thinking of people as laboratory rats or standard deviations."

Learning to think like a designer and how the human element plays such a large part in innovation are the foundation of designing change. The book goes into great detail on prototypes and other innovation elements to deepen the understanding. But it's the focus on how design thinking can actually make a difference not only in business but in people's lives that make these concepts so important. It's this underlying theme of creating a better future that is at the core of change by design.

Photo by Balázs Kétyi on Unsplash

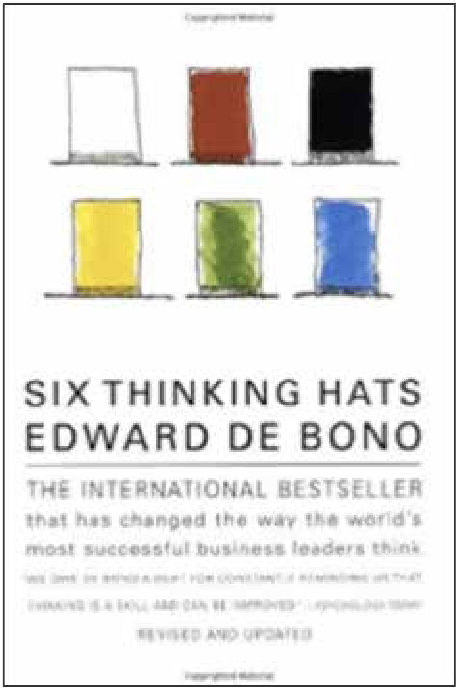
Six Thinking Hats

By: **EDWARD D. BONO**

Most leaders and managers are familiar with meetings that aren't as productive as they should be. By using "parallel thinking," where participants focus on one part of a discussion at a time, productivity is increased. This method uses the analogy of different colored hats to represent six modes of thinking. By having everyone wear the same color "hat" at the same time, it creates a group focus with a single point of view.

"A discussion should be a genuine attempt to explore a subject rather than a battle between competing egos."

By moving from hat to hat, the group is able to focus more specifically on each part of the issue individually. These switches from hat to hat are also effective in keeping things moving when roadblocks pop up. At times, individuals or individual groups may wear a particular hat, focusing on a specific point of view. This allows people to step into unfamiliar roles and helps them to look at things differently, understand other roles better, and gain insight.



SUMMARY

The Blue Hat

This hat is all about control, planning, and organizing. This hat should be worn by the leader of the meeting from the beginning to help define issues and maintain focus. The blue hat can be used individually for effective daily planning, scheduling, and other activities that depend on organized thinking. This hat is useful in analyzing the results that come from wearing other hats and helps tie things together.

The White Hat

When it's time to gather the facts objectively, it's time to put on the white hat. The thought processes here should be about what information is available and what additional information is needed. This provides an opportunity to make sure everyone involved is aware of the facts and how they impact the issue at hand. Individually, the white hat represents a mindset for research, intense reading, and other tasks that create better understanding.

The Red Hat

Wearing the red hat promotes the expression of feelings and intuition. No decision in business or life is purely logical. All decisions have an element of emotion that should always be taken into account. This way of thinking allows people to tell how they "feel" about an issue without judgment and can often lead to important ideas that may be missed with other ways of thinking. Thinking about how a decision will affect people's lives is an example of red hat thinking.

"The simple process of focusing on things that are normally taken for granted is a powerful source of creativity."

The Black Hat

Black is the color of critical thinking. Playing the devil's advocate is an important part of making decisions and requires objectivity. Wearing this hat enables people to view ideas and decisions with a focus on flaws and errors. Evaluating the decision making process as it is unfolding provides the chance to find inconsistencies, vague points, and anything else that prevents the final solution from being effective.

The Yellow Hat

The yellow hat is the "positive thinking" hat. This mode of thinking focuses on constructive, progressive points of view. Balanced thinking requires the ability to see best case scenarios and rewarding outcomes just as much as it depends on critical analysis. Wearing the yellow hat means keeping negatives in check and a willingness to take a leap of faith that things will come together and work out in the end.

The Green Hat

Green represents creativity. This is the brainstorming hat, where lots of thoughts and ideas are coming fast. The focus here is about "what ifs" and generating as many ideas as possible without judgment or criticism. This flow of ideas will create a lot of potentially irrelevant material, but it will also uncover some revelations that just couldn't be seen when wearing a different hat. Even the seemingly "bad" ideas may become useful when viewed with a different hat.

Overall

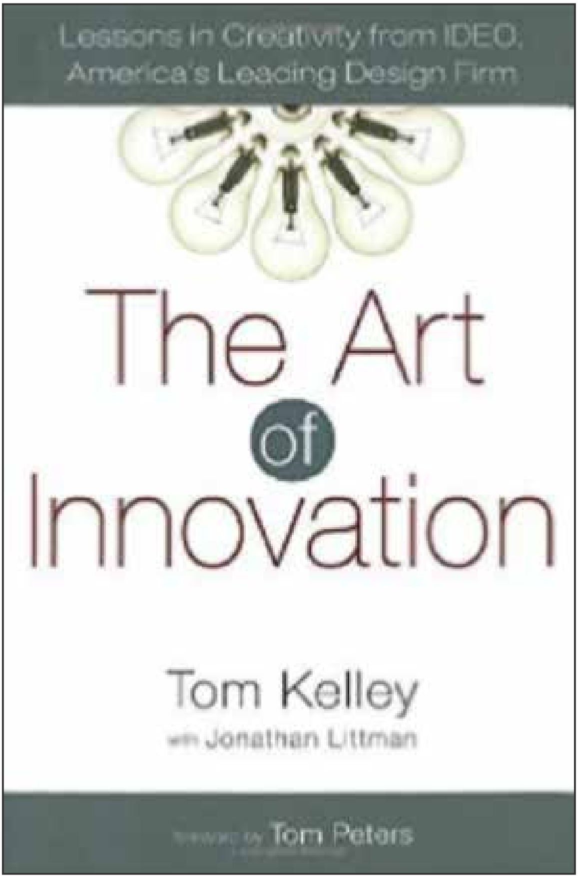
The idea of "thinking hats" may seem like something from grade school, but this separating and combining of thought processes can be very effective. It provides focus, versatile thinking, and a way for individuals to broaden their thinking skills and learn unfamiliar roles.

The Art of Innovation

By: **TOM KELLEY & JONATHAN LITTMAN**

"Good companies embrace a culture of mini-failures."

A tour through the systems used by design firm and idea factory IDEO provides an insider's view of how innovation works and why it's a necessity for any business. The sometimes vague concepts that are a part of innovation, like brainstorming and creativity, are broken down and explained clearly enough to make them more practical to use for start-ups and established companies alike. Real-life examples and applications help bring insight into how seeing things from a fresh point of view can result in better services and products that help companies stay competitive.



SUMMARY

"It's not about just coming up with the one genius idea that solves the problem, but trying and failing at a hundred other solutions before arriving at the best one."

Innovation at Work

LEGO was nominated in 2015 by Forbes as the most powerful brand in the world. But just over ten years earlier, in 2004, the toy company was on the edge of bankruptcy. Suffering losses of $300 million and facing the potential end of their once successful company, they realized that typical innovation efforts weren't going to save them. They didn't want a new product; they wanted to revive the popularity of their existing product and brand. Like many companies in similar situations, they hired a new CEO and restructured. But it was by embracing innovation that they were able to bring the company back to life.

The toy maker's first step was to tap into their loyal, and obviously creative, fan base. They hired adult fans of the LEGO brand for their design team and began using crowdsourcing for new toy kit ideas. When the crowdsourcing efforts began to produce useable results, they adopted an open innovation policy by opening up the LEGO Ideas portal. Through user feedback, their online platform began to generate hundreds of new product suggestions each year. They began to use a variety of innovate techniques, from social media to peer selection to encourage fans to contribute new designs.

This invaluable feedback and the willingness to take new and different approaches for their existing product and brand, LEGO found themselves back in business. They eventually implemented a process of rapid prototyping to keep the momentum going. David Gram, head of marketing at Lego's Future Lab, describes this new approach: "We only develop the few key features that are really needed. A typical engineering mistake is wanting to invent all the things the product might consist of in one go … we throw that into the market and get feedback from consumers."

Innovation in Motion

Just like LEGO discovered, companies must learn to innovate to compete, and the IDEO method identifies some basic steps to working with an innovative mindset. Innovation is all about asking questions that reveal opportunities and pitfalls.

Understand the market, client, technology, and constraints.

- Who is the end user and what do they want or need?
- What other companies offer similar products or services?
- What technology is available and is it enough to create the product effectively?
- What are the obstacles that must be overcome?

Observe people, products, and services in real-life situations.

- Data and analysis approaches can provide a lot of useful, necessary information but people's behavior can reveal critical, practical points that must be considered.
- How does the end user use similar products or services?
- Can the concept be designed in a way that makes it easy to use?
- Look for flaws or inconsistencies with a critical eye. These are the very things the end user will see all too quickly.

Evaluate and refine prototypes quickly and frequently.

- Even the crudest prototype reveals something useful.
- A rough sketch or basic outline is the beginning of understanding if the concept will have value.
- As a concept begins to take shape, it can be fine-tuned with more sophisticated methods to move it towards realization.

Implement new concepts and get them to market.

- Innovation is all about moving quickly and steadily forward.
- Time is the enemy of innovation. The first one to market has the advantage.
- It doesn't have to be perfect; it just has to be out there. The market will eventually provide the feedback needed to tweak and improve.

IDEO didn't wait till they had everything perfect to launch their innovation company; they forged ahead using the resources available. By getting their service to market quickly with a concept that was "good enough," they eventually landed key accounts with Silicon Valley staples like Apple. Had they waited until they had the "perfect" offering, they would have missed out on valuable feedback and collaboration.

"Noticing that something is broken is an essential prerequisite for coming up with a creative solution to fix it."

Prototyping is the Shorthand of Innovation

Prototypes should be created rapidly to get a project moving forward. Building something and getting it into people's hands is the best way to learn how to fine-tune a design. This lesson is well illustrated by using Amazon as an example. Jeff Bezos, the founder of Amazon, quit his job after learning about the explosive growth of internet commerce. He didn't wait until he had the perfect model to launch his own e-commerce business, he used trial and error by throwing out prototype after prototype. By using the feedback from users, he was able to improve upon each trial until he eventually created the world-wide phenomenon that is Amazon.

The Perfect Brainstorm

IDEO uses hour-long brainstorming sessions to create and improve upon ideas. These sessions are frequent and have a certain "wide-open" atmosphere where (just about!) anything goes. The result is a flurry of activity and conversations that are focused on quantity, not quality.

Sharpen the focus

- What is the goal? Is it a better mouse trap or a more economical mouse trap? Unless everyone understands the goal, those ideas flying around have no real relevance.
- Create a vision of customers and their needs. Who is the typical user and how will the concept benefit them?
- What does the end product or service look like? Even in the beginning stages, there has to be a somewhat defined picture of what it will look like when it's completed.

Use playful rules

- Creativity doesn't have to be fun, but it sure helps. If everyone takes themselves too seriously, it makes it hard to think outside the box.
- Just like in any other learning environment, games can often be the best teaching and learning.
- Playing the devil's advocate may not seem playful, but by doing rounds where ideas are dissected using a sort of mischievous give and take can keep things lively. Just make sure everyone gets their shot.

The space remembers

Using different methods for creating and recording ideas can lead to different views and more ideas. It's the variety and diversity that keeps the ideas flowing.

- Use the wall and fill it up with sticky notes. Move them around, organize them into categories.
- Write on windows, whiteboards, and other big spaces, so they are within view of the whole group. These diverse methods keep ongoing ideas front and center, creating a foundation for new ideas.
- Draw pictures and diagrams with different types and colors of markers.
- Physically act out scenarios presented from a manufacturer's or customer's point of view.

"Good brainstorms are extremely visual. They include sketching, mind mapping, diagrams, and stick figures. You don't have to be an artist to get your point across with a sketch or diagram."

IN SEARCH OF THE "WET NAP" INTERFACE

Even the most innovative and creative products or services can't succeed if they are difficult to use. Consumers want, and expect, a certain ease-of-use and tend to lose interest quickly at the first signs of difficulty. This "user interface" element is so critical, but it is often overlooked. Nearly everyone has experienced user interface issues at one time or another.

The website that doesn't provide clear directions or steps for using their service or buying their product is an all-too-common experience. The instructions for putting together an end table or swing set can often seem like they require some special knowledge to follow the directions. This confusing and frustrating lack of simplification sends many brands and products to the bottom of the customer's @#%& list!

A simple, but revealing, example of a useful interface can be found with the common Wet Nap. Their directions for their product are right there on the packaging and couldn't be any more clear:

"Tear open and use."

While it probably didn't take a lot of brainstorming, it serves its purpose beautifully. By making a product as easy to use as possible, this ease-of-use becomes a significant feature with clear benefits.

Sometimes, the bells and whistles that seem to be benefits are more harmful than useful. Innovation should be about simplifying without devaluing.

Creating Experiences for Fun and Profit

The customer experience has become as important as customer service and customer satisfaction. Consumers don't just buy things and services; they buy experiences. When the experience of using a product or service evolves into a genuine feature, that experience can become the major selling point. A good idea can outperform a great one if it provides a better or more entertaining experience.

- Experiences should be entertaining. Customers who are entertained stay longer, spend more, and come back more often. Think Disney. Disney understands entertainment obviously, but they also understand that by appealing to children, parents are certain to follow.
- Tell a story. The story of a brand or service must be clear and consistent. Most people know that their life won't be completely changed by buying a new car, but the commercials and other media sure make it seem that way.
- Fix it. Progressive companies look for flaws in the customer experience and fix them. The popularity of cell phones with large, easy-to-read buttons with seniors is a perfect example of how finding a problem and addressing it leads to more sales.
- Rethink services often. By focusing on making services easier and better, companies can often find ways to stand out from the competition and provide a

better experience. Staples understood this concept, and it led them to create the "Easy Button." While the "button" isn't really a tangible feature, it's extensive use in marketing helps promote their commitment to making their services "easy."

- Little experiences make a big difference. A great illustration is the JanSport warranty card. The card uses humor to change the traditionally dry topic of product warranties into something a little more personal. It reads: "Hi. Warranty Service Camp is really cool. They say they're sending me home soon...gotta run...we're doing zipper races today!" A little humor goes a long way.

ZERO TO SIXTY

A climate of innovation must have a sense of urgency. The world of business, entertainment, and especially the digital world are moving fast, and the only way to compete is to innovate faster. The quicker the innovation, the quicker the service or product goes to market. Just like with prototypes, the overall innovation efforts have to be put out there fast. Creating this atmosphere of speed not only fuels innovation, but it also creates an exciting and dynamic climate where innovation thrives. Remember, the first to market often wins in the end.

Coloring Outside the Lines

It's tough to break old habits and question the status quo. Innovation requires breaking away from traditional methods and ideas and getting outside that comfort zone. Pushing the limit requires a thick skin and a willingness to fail, sometimes miserably.

- Fail often to succeed sooner. There is no success without risk.
- Don't focus on what might be lost, but on what might be gained. Fear cripples creativity.
- Break the rules. Rules breakers are traditionally the people who have positively changed the way things are done or made.
- Don't go too far! At least color on the same page.

Live the Future

Knowing what the future holds just isn't possible, but that uncertainty is at the heart of innovation. There's just no way to know, but there are plenty of ways to make an educated guess. Learn what products or services are currently state-of-the-art by doing research and seeking out other innovators.

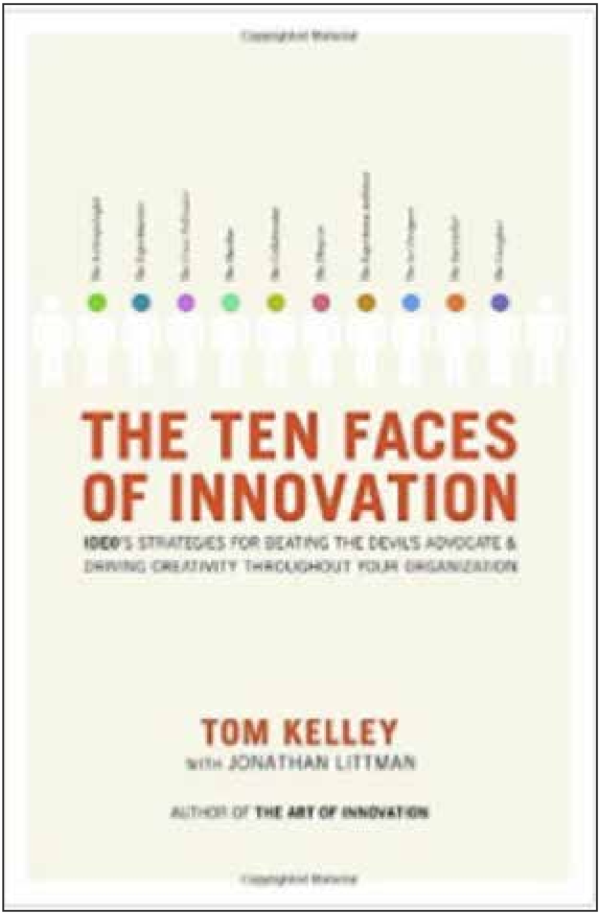
Seek out empowerment products that make people more effective, smarter, prettier, popular, etc., and build ideas off of them. Find the hotspots for an industry, from physical locations to publications and observe to learn.

Photo by Jonas Denil on Unsplash

The Ten Faces of Innovation

By: **TOM KELLEY & JONATHAN LITTMAN**

Design firm and idea factory IDEO has developed ten personas for innovation. These talents, or roles, help teams focus from different points of view to create more useful solutions. These ten “faces” are not just theories on the advantage of seeing things from different viewpoints. They are practical, tested methods that help create better solutions, more insightful team members, and a culture of innovation. Each persona represents a unique approach to looking at innovation and solving problems. The ten “faces” are categorized into three categories: learning, organizing, and building. These three categories are the basic building blocks of the innovation process, and the personas fine-tune the approach to take with each phase.



SUMMARY

The Learning Personas

The first three personas are learning roles focused on the continuous need for new information. Each of these roles is designed to avoid the stagnation that plagues many organizations. Their focus is typically external because they understand how fast the world is changing and how important it is to keep up. These personas aren't afraid to question accepted views, even when they are their own, and are open to new ideas and new insights. The learning personas are responsible for laying the foundation for the rest of the innovation process with solid information and progressive ideas.

The Anthropologist

This persona focuses on the human factor to discover new knowledge and insights that affect different areas of an organization. How people interact and connect with services, products, and spaces develops a deeper understanding of the customer experience. These cultural observers fulfill their role by putting themselves in a variety of real-life situations.

The Experimenter

Experimenters take a curiosity or "what if" approach. This persona develops new prototypes using "experimentation as implementation," learning by trial and error. They take calculated risks and aren't afraid to take on established practices. BMW reaped the benefits when they took the experimenter view with their successful short films. The car company turned away from their usual advertising channels and created theater-quality films to promote their brand. They had no guarantee that the approach would work, but the risk paid off when the films became a huge success.

The Cross-Pollinator

By exploring other business cultures and industries, cross-pollinators can bring revelations that can only be found in a different environment. Being able to connect and combine ideas and objects is essential for innovation. Organizations can only learn so much within the confines of their own routines and structures. Innovation requires seeing possibilities that couldn't exist without combining familiar and unfamiliar ideas or products.

The Organizing Personas

The next three personas are all about organizing. These personas understand how organizations move through the innovation process and their job is to pull things together. The roles here require the ability to create strategies that keep the focus on the product or idea throughout the process. They understand that even the best ideas compete for attention, resources, and time. Organizing roles use the information from the learning process to create a strong plan for the building phase.

The Hurdler

The hurdler understands that innovation requires the ability to overcome obstacles. Roadblocks and unexpected delays are just part of the process, and this persona focuses on getting past those obstacles. The 3M worker who invented masking tape had the idea rejected in the beginning, but he stuck with it and kept the idea alive. Since his budget was $100, he used a series of $99 purchase orders to buy the equipment he needed to produce the first run. By bending the rules, he created a product that made the company millions.

The Collaborator

This persona focuses on bringing groups together, serving as a sort of hub for the whole project. The collaborator creates new combinations of personas to create a variety of solutions. Kraft Foods collaborated with Safeway to redesign the transfer of goods from supplier to retailer. By combining different viewpoints, they were able to decrease labor and carrying costs which resulted in greater sales. Capri Sun juice drink sales increased by 167% as a direct result of this collaboration.

The Director

Just like in the movies, the director puts together a talented cast and crew and focuses on bringing out their creativity. This persona knows how to pull together a team with diverse skills and point them in the right direction. A Mattel executive used the director persona to build a team of project leaders and designers. After three months of hard work, a new $100 million toy platform was created resulting in significant profits and recurring revenue.

The Building Personas

The last four personas are building roles that combine the insights and knowledge from the learning phase and the road map from the organizing phase. These personas are responsible for taking the results of the first two phases and setting the innovation process into action. Building personas understand the relationship between customers and a product or service. Their emphasis is always on the customer and how to innovate in ways that benefit the customer. This focus on the customer combined with the skills of design, psychology, and intuition give builders the tools they need to turn ideas into products.

The Experience Architect

This role focuses on the connection between customers and products. Experience architects understand the importance of the entire customer experience and how it can make or break a product or service. Cold Stone Creamery uses showmanship to prepare their frozen desserts, turning a common task into an elaborate and fun performance. This well-designed customer experience creates attention in marketing and allows the company to charge premium prices.

The Set Designer

The set designer creates a stage for innovating teams that inspires and motivates them. They see the physical environment as a tool for influencing behaviors and creativity. Google is one of the best at using the set designer persona. They create work spaces that are very different from traditional spaces.
The spaces at Google range from quiet, solitary corners for deep contemplation to fun, boisterous common areas for building excitement and camaraderie. The company understands how creatives work and builds the very best stage for displaying their talents.

The Caregiver

This persona typically focuses on services by anticipating customer needs and dissecting current services. Caregivers naturally take the customer viewpoint to identify opportunities and areas that need to be improved. Wine retailer Best Cellars uses the caregiver persona to increase sales and profits by taking the typical snobbery out of wine shopping by making the process simple and fun. By appealing to a different type of consumer, they increased their market share and profits.

The Storyteller

The storyteller persona creates internal and external narratives that strengthen a brand or product. Using the power of basic human values and reinforcing specific aspects, they create a personal connection between customers and products. Starbucks uses stories about their history and innovative corporate legends to enhance their brand and build strong connections within their teams. Medtronic, a leader in product innovation that consistently experiences high growth, uses firsthand narratives from patients to tell their stories about how their products benefit consumers.

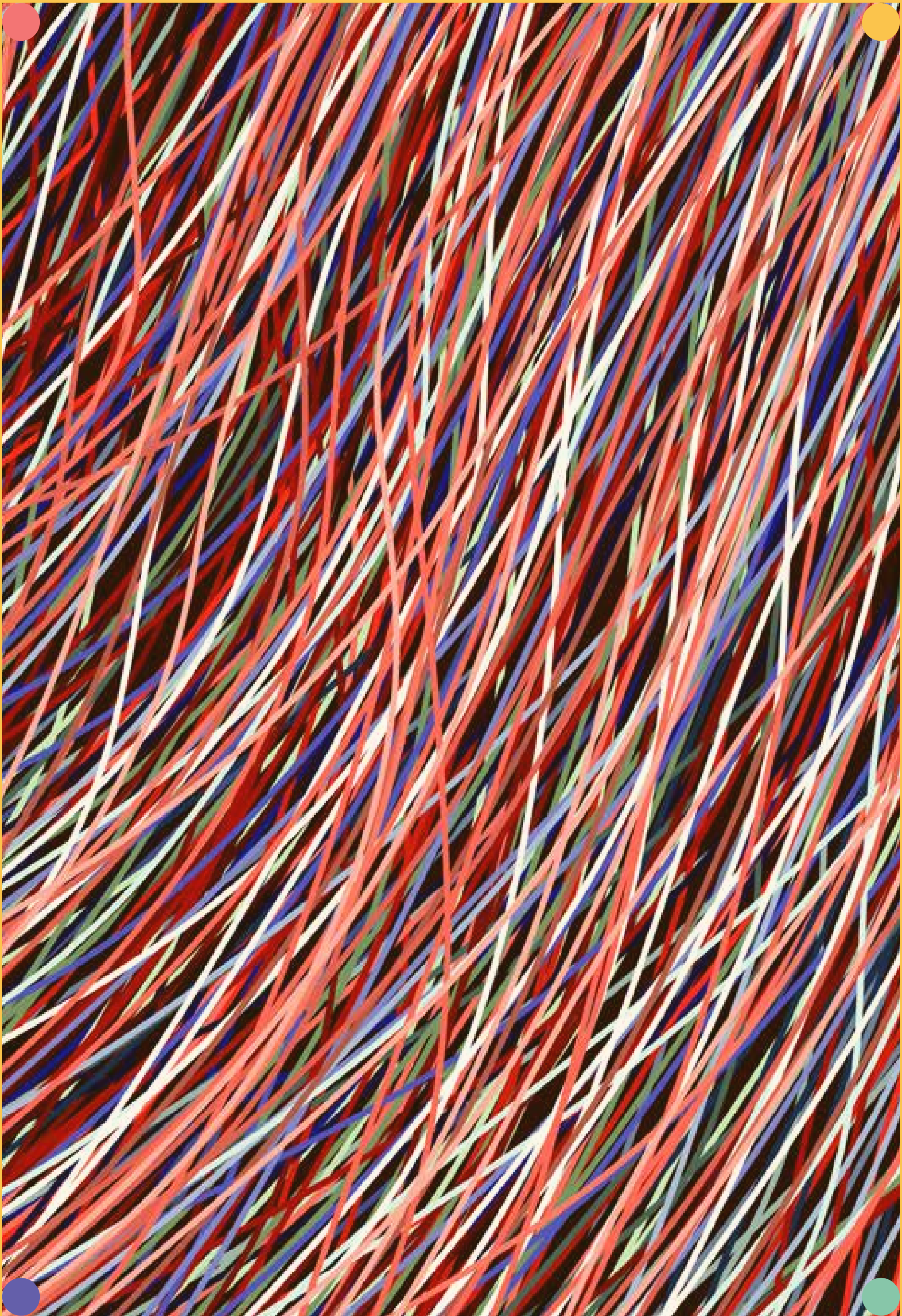


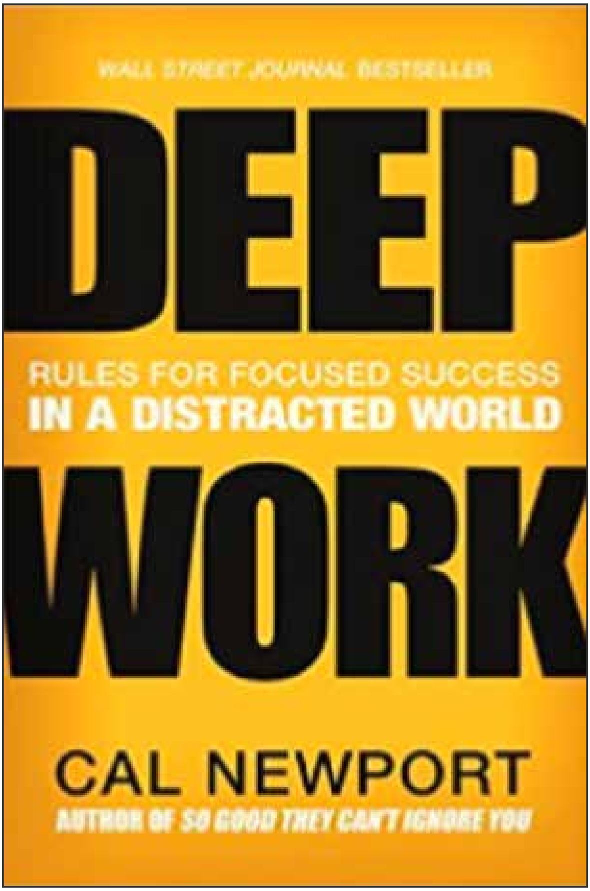
Photo by Visax on Unsplash

Deep Work

By: **CAL NEWPORT**

This book divides work into two categories: 'Deep Work' and 'Shallow Work.' Shallow work is meetings, emails, phone calls, and the all those other daily tasks. The internet and social media have added even more distractions, creating more problems in time management. Getting these constant interruptions under control allows more time for deep work. Deep work is the tasks that need undivided attention and a distraction-free place. The book offers a simple formula for understanding how it works: High-quality work produced = (Time spent) x (Intensity of focus).

"Professional activities performed in a state of distraction-free concentration that push your cognitive capabilities to their limit. These efforts create new value, improve your skill, and are hard to replicate."



SUMMARY

The need for uninterrupted concentration has become more important than ever because of the amount of information and the never-ending digital distractions. While social media and other digital distractions are notorious time killers, they also provide networking opportunities that can only happen online. The key is to strike a balance with sufficient attention to the important work that needs to be done.

The digital world provides opportunities to develop skills, promote services or products, and interact, but using these powerful tools requires discipline. Developing the ability to know what's important and what isn't is the key to taming shallow work. To understand the concept of deep work, it helps to take a look at the revered concept of multitasking.

Long thought to be a desired trait for any successful person, multitasking has now been shown to be ineffective and a hindrance to deep work. Recent research shows that multitasking is nothing more than single-tasking performed by switching from one task to another rapidly. This switching makes real focus almost impossible because attention is divided and diluted. When someone switches their attention to checking email or a quick news update, it can take 10-20 minutes to get the mind to re-focus. This lapse in focus makes it difficult to give deep work the attention it needs.

"The ability to concentrate is a skill that gets valuable things done."

Deep work is "the ability to focus without distraction on a cognitively demanding task. It's a skill that allows you to quickly master complicated information and produce better results in less time." Newport describes how deep work allowed him to not only complete this book but also write several peer reviewed papers during the same year. This kind of focus could only be achieved by single-tasking and getting shallow work under control.

Taming Shallow Work

Getting a handle on shallow work is tough. It takes effort, focus, and practice to break the habits that may have taken years to develop. The book offers some effective strategies for minimizing distractions and getting control of all that wasted time.

- Stop using social media. Deciding which digital tools and applications provide positive benefits requires a very selective approach. Being selective means objectively identifying time wasters and being ruthless in eliminating them.
- Use website blockers to prevent all those attention grabbers from stealing the time needed for deep work. There are also numerous applications that can be used to create more focused workspaces by cleaning up the computer desktop to eliminate distractions.

- Allot specific time slots for those daily time killers like checking email and returning phone calls. By handling day-to-day routines at the same time and in the same amount of time, they become more manageable.
- Schedule every day as tightly as possible to prevent the shallow work from finding it's way into the daily routines. When the important work is scheduled, it simply stands a better chance of being completed efficiently.

"Great creative minds think like artists but work like accountants."

A case study reveals the benefits of identifying and eliminating the damaging distractions that prevent deep work. The Boston Consulting Group conducted their own "deep work" experiment by cutting out nearly all distractions and shallow work. This "no contact day," as they called it, was a commitment by employees not to check emails, respond to phone calls, etc. This focus on deep work instead of shallow work revealed some important and positive points. Employees became more productive and satisfied with their performance because they were able to focus their efforts. Maybe more telling, the company's customers were still happy and oblivious to this change in focus. Without all those day-to-day distractions, work got done quickly and effectively, and no one was any worse for the wear.

Why Deep Work?

Deep work is simply more productive and effective. It's an important element of success that is becoming more and more necessary.

- Deep work creates an environment where complicated concepts can be learned faster. This ability to understand key concepts is critical to working on important tasks.
- The more deep work skills are developed, the better able someone is to produce high-quality results promptly. As the skills of deep work continue to develop, guarding against the distractions of shallow work becomes easier.
- While deep work is becoming more necessary, it is also becoming increasingly rare because of all the distractions that compete for the time available. By protecting the time needed to focus, results are better, and the work is more satisfying.
- Becoming immersed in deep work that requires specific strengths and abilities brings greater meaning to work. There is something deeply satisfying about getting lost in work that is important and requires great focus.

"Instead of scheduling the occasional break from distraction so you can focus, you should instead schedule the occasional break from focus to give in to distraction."

Tools for Deep Work

Learning how to focus on deep work consistently is a process that includes commitment, practice, and a diverse toolbox. Knowing the importance of deep work is one thing, but learning how to develop deep work skills requires different approaches and different ways of thinking.

- The Rhythmic approach to work, scheduling deep work for the same time each day, creates a routine that increases the chances of deep work becoming a habit.
- The bi-modal method is an alternative if the rhythmic method isn't effective. By scheduling only specific days for deep work, the important work still gets done, and the habit continues to develop.
- A third alternative is a journalistic approach, where specific blocks of time are woven in between meetings and other responsibilities. This method requires planning schedules ahead of time and knowing where these windows of time are available.

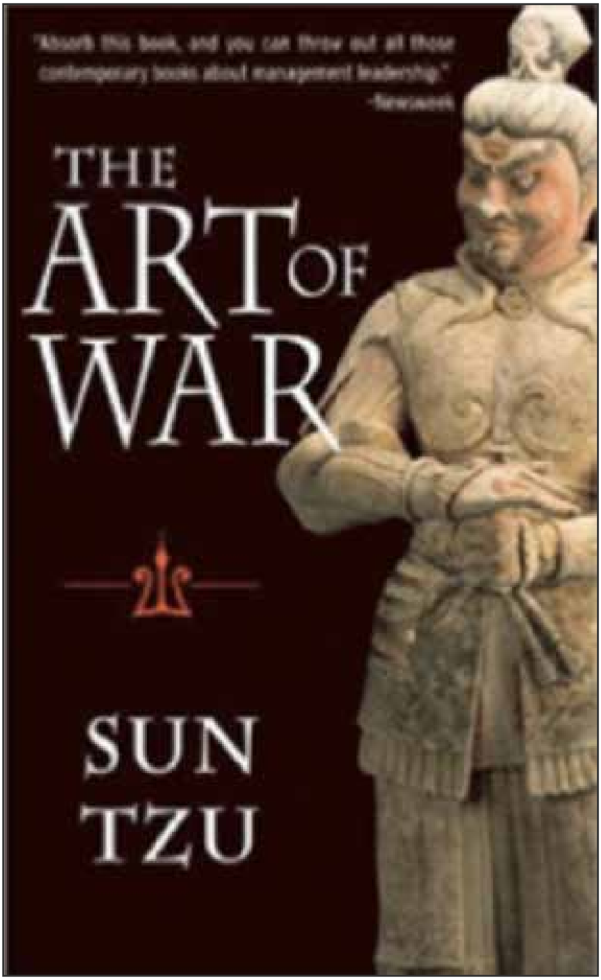
Deep work skills can be developed by using a variety of tools. The key is to be willing to experiment and take different approaches to find the time necessary and develop the right skills. With commitment and practice, these skills can be learned and used to create important work better and faster.

Photo by Tim Schmidbauer on Unsplash

The Art of War

By: **SUN TZU**

The Art of War was written by a Chinese general named Sun Tzu more than 2,500 years ago. Revered for its practical advice on warfare, the lessons here apply to anyone who leads others. Each chapter focuses on a different aspect of war, along with practical advice for leading effectively. Three of the more important elements of success in battle, leadership, strategy, and tactics, are critical for victory.



SUMMARY

Leadership

The first chapters focus on leading effectively, not just in regards to strategy and tactics, but in how to instill confidence and purpose in followers. The focus here is on being strong and confident, but also on caring and being responsible for the well-being of others.

There are five dangerous faults which may affect a general:

I. Recklessness, which leads to destruction.
II. Cowardice, which leads to capture.
III. A hasty temper, which can be provoked by insults.
IV. A delicacy of honor, which is sensitive to shame.
V. Over-solicitude for his men, which exposes him to worry and trouble.

"Regard your soldiers as your children, and they will follow you into the deepest valleys; look upon them as your own beloved sons, and they will stand by you even unto death."

Generals must lead by example, and they must exhibit behaviors and traits that give confidence to their men. When a leader takes unnecessary risks or makes decisions without thinking them through, his recklessness affects everyone in his command and weakens his authority. Soldiers expect their leaders to keep them on the right path to victory and keep them out of danger.

Leaders who are afraid to make decisions allow doubt and fear to take hold in their followers, causing confusion and unrest. Avoiding making decisions is another form of recklessness because doing nothing can be just as dangerous as doing something recklessly. When a general delays making the decision to advance or retreat, that hesitation can mean life or death, defeat or victory.

Leaders who are quick to anger are seen as out of control, unpredictable, and even unstable. If the leader has no self-control, it makes it difficult for his men to take his direction and leadership ability seriously. All leaders need a core of followers who help with strategies, planning, and other aspects of a successful campaign. When this core is afraid to speak out, valuable input and feedback are lost because of the fear of reprimand.

A strong leader should have a sense pride and dignity, in themselves, their men, and their purpose. This pride shouldn't be confused with self-importance. This type of pride is about having pride in the efforts of a campaign and the men who are responsible for making it a success. The strong leader reacts quickly to any external attack, or to any internal dissension among the ranks. This pride serves as the foundation for a cohesive unit.

A good leader cares about his followers but understands that there is a fine line between caring and enabling. When men know that their general cares, they respect him and the overall efforts of what they are trying to accomplish. But when a leader becomes more concerned with the troop's favor than the campaign itself, the results are destructive. Men become complacent, lose their motivation, and their commitment wanes.

Strategy

Once a general or manager learns how to lead, he must learn how to use strategy. In battle, effective strategies require knowing the enemy and what conditions are most likely to be encountered. These strategies must be well-designed to address as many potential obstacles as possible, but they must also be flexible when encountering the unknown.

- Which army is stronger?
- On which side are the officers and men more highly trained?
- Which of the two generals has the most ability?
- In which army is there the greater constancy both in reward and punishment?

"If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

An army must know the strengths and weaknesses of their enemy to have any chance of victory. Understanding if the enemy is stronger or weaker determines how to create a winning strategy. When facing an army of superior strength, tactics and creativity play a big part in minimizing the opponent's advantage. Going head-to-head with a superior army is simply not practical. It takes cunning, extensive preparation, and the ability to change tactics quickly.

When an army is faced with an enemy that possesses superior training and leadership, the strategies of a campaign must reflect that. This is where creativity and alternative methods must be used to dilute the opponent's advantage. An effective general knows how to create sound strategies using proven techniques, but he also knows how to make adjustments and when to deviate from traditional tactics.

Perhaps one of the greatest strengths a general can have is knowing and accepting when they are less capable than an opposing general. Personal pride and the desire to appear invincible can be a weakness if it prevents a general from seeing reality clearly. With an understanding of how they compare to their foe, an effective general can build a strategy that includes elements to negate that disadvantage.

Discipline is necessary for keeping campaigns focused and for instilling a sense of group purpose. Knowing how men are rewarded and punished, and the consistency of the consequences, indicates the level of discipline. If the enemy punishes their men too harshly or inconsistently, there is a good chance those men will be less disciplined in their commitment to the campaign. Of course, the same applies to a general's own troops. Knowing this important factor identifies weaknesses that can be exploited through focused strategy.

"Engage people with what they expect; it is what they are able to discern and confirms their projections. It settles them into predictable patterns of response, occupying their minds while you wait for the extraordinary moment — that which they cannot anticipate."

Tactics

While strategies focus on what to do, tactics focus on how to do it. Even the best of strategies will fail if they can't be implemented with effective methods. Men who follow blindly are certainly loyal, but men who understand the tactics of a strategy are far superior.

- So in war, the way is to avoid what is strong and to strike at what is weak.
- Therefore the good fighter will be terrible in his onset, and prompt in his decision.
- Whoever is first in the field and awaits the coming of the enemy, will be fresh for the fight; whoever is second in the field and has to hasten to battle will arrive exhausted.

Facing a stronger enemy requires understanding where the enemy is weak to increase the chances of victory. No matter how strong, or how well-trained, every army has weaknesses that can be exploited. By attacking these weaknesses, the chances for success are greater, and these successes help create confidence. These attacks minimize the enemy's advantages and can slowly neutralize their strengths.

A general who leads effectively, instilling confidence and purpose in his men, has prepared his troops for swift action. With sound strategies and tactics in place, a general and his men are prepared to attack quickly and ferociously. They are confident in their leader, confident in the strategies, and confident that they have the very best chance of being victorious.

Generals understand the importance of arriving for battle first. When an army can get to the battlefield before their opponent, they have some distinct advantages. They are able to prepare, both physically and psychologically, for the battle to come to them. When the enemy arrives, they are tired from the journey and then must face an opponent who is rested and ready.

"Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances."

Photo by Gabriella Clare Marino on Unsplash

(S80)

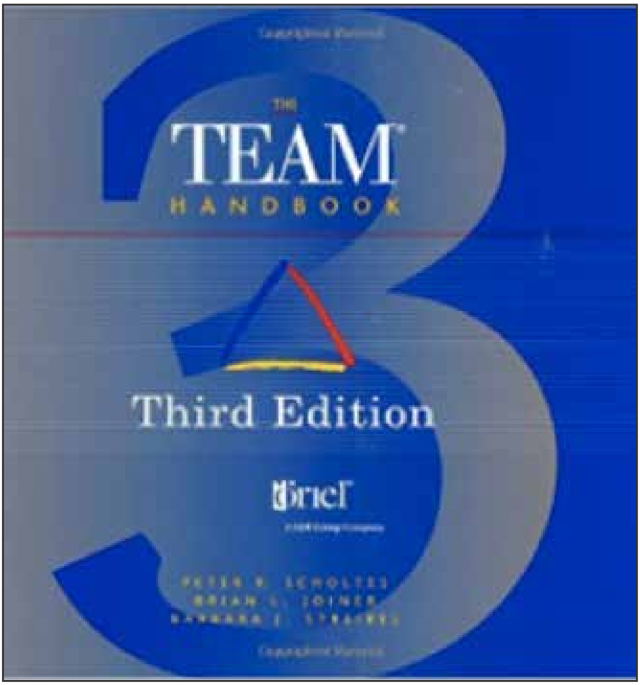
The Team Handbook

By: **PETER R. SCHOLTES, BRIAN L. JOINER, BARBARA J. STREIBEL**

There's really no other way to put it. This book is 'the' handbook for building great teams. There is no fluff, no elaborate theories. Only practical advice proven to work. Managers and leaders already know how important a team can be and they know how hard it is to build a great one. This book has all the tools for building those great teams.

"To succeed, organizations must rely on the knowledge, skills, experience, and perspective of a wide range of people to solve multifaceted problems, make good decisions, and deliver effective solutions. This is where dynamic, productive teams can make the difference."

Full of useful templates and step-by-step guidelines, this a workbook in the best sense of the word. There's lots of white space for notes and plenty of worksheets to help keep everything together. Each area of team development, team management, and team dynamics is covered in great detail.



SUMMARY

To build effective teams, it's important first to determine what kind of team is needed. Depending on whether it's a department team, special task team, or some other type, these teams may be permanent or temporary. A sample of different types of teams provides a good understanding of the differences and how they contribute.

Functional Teams

These types of teams are some of the more traditional and are usually permanent. They may be departmental teams, production teams, or safety teams. Regardless of their department or focus, they are an essential part of the day-to-day operations. These teams can often be self-managing as long as expectations are clear and results are monitored.

Project Teams

These are specialized teams built to address a specific issue or design a specific solution. They are usually temporary and are often made up of members from different areas of the organization. A project team requires clear direction, deadlines, and detailed focus. These teams need strong leadership and a variety of resources.

Virtual Teams

Virtual teams are becoming more and more commonplace. These are teams that are physically located outside the organization. They may be in different cities or even in different countries and use technology to interact. They are usually made up of team members with very specific skills and should require very little supervision.

Overall

The book expands on even more types of teams and how they are designed for particular needs. The extensive detail provided on the types of teams is a good sample of how this book treats just about every aspect of team building and team management. There just doesn't seem to be any aspect of a team that goes unaddressed, from detailed roles to handling conflict.

Some key points in putting a team together include the need for a team leader, coach, and sponsor. Each of these roles has their own responsibilities to make the team effective and the book provides the details for each role. It's recommended that regardless of the type of team, it's best to have five to seven members in addition to the above roles.

Every team needs certain things to be the most productive. Goals, purposes, boundaries, and access to people in-the-know are just a few of the important points that must be in place. There is plenty of practical advice for managing a team including how to have effective discussions and step-by-step modules for problem-solving.

From improving teams to managing specific types of team members, the book breaks down just about every possible obstacle that great teams face. It’s a lot of material and will take time to implement, but the pay-off is finally realizing the full potential of effective teams.

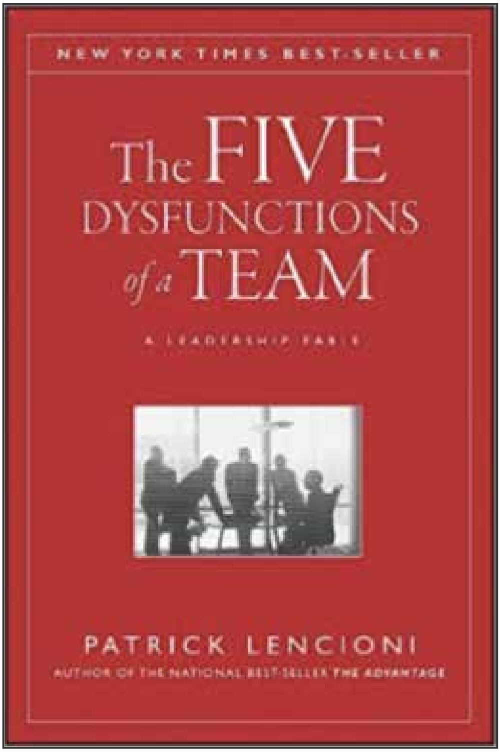
The Five Dysfunctions of a Team

By: **PATRICK LENCIONI**

This book focuses on how team dynamics can make or break a company. Written as a leadership fable, this story follows a leader and his team as they struggle with the dysfunctional behaviors that will probably be familiar to most professionals. The company has great people with talent but just can't compete because morale is low and the team members just can't agree on common goals.

"If you could get all the people in an organization rowing in the same direction, you could dominate any industry, in any market, against any competition, at any time."

The team is unable to make important decisions, and the company is losing the battle for market share. By identifying the five dysfunctions that are disabling the team, the leader eventually eliminates the issues holding everyone back and turns a dysfunctional group into an effective, committed team.



SUMMARY

Absence of Trust

Trust among a team means all the members can show their weaknesses and be vulnerable without fear that they will be judged or ridiculed. Without this trust, it's hard for team members to be open to new ideas and makes it challenging to present their own ideas. Teams without trust are just a groups of people who feel the need to be right and to play it safe.

"Remember teamwork begins by building trust. And the only way to do that is to overcome our need for invulnerability."

Trust requires that team members have faith in each other's intentions and confidence that their vulnerabilities won't be used against them. The way to overcome this distrust is for the leader to encourage shared experiences, open dialogue, and an atmosphere of integrity. The leader must lead by example and allow themselves to be vulnerable first to create a safe environment. With clear expectations and accountability, it is possible for a leader to change the unwanted behaviors.

Fear of Conflict

Trust leads to the ability to use conflict productively. Without this foundation of trust, conflict becomes just another hurdle instead of a healthy way to interact and create. As long as a team fears conflict, it will be difficult to break new ground, gain overall consensus for decisions, and lead to people avoiding any conflict.

"I don't think anyone ever gets completely used to conflict. If it's not a little uncomfortable, then it's not real. The key is to keep doing it anyway."

Leaders must encourage debate and teach people that conflict can be a positive thing. Once a team begins to see that conflict is not something to fear, they will become a healthier, more productive team. Because they have support from their leader and other team members to go beyond their comfort zone, creative conflict will be accepted as a normal part of the team's process.

Lack of Commitment

When teams use productive conflict, it makes it easier for them to commit and buy-in to decisions. Without debate, there is no commitment. People just won't buy into something if they feel that their opinions and thoughts weren't discussed. A lack of commitment will make it impossible to achieve a consensus among a team, leading to disinterest, resentment, and stagnation.

"Commitment is a function of two things: clarity and buy-in."

Leaders can help develop this commitment by encouraging each team member to contribute to every discussion. The leader must promote this open exchange over and over again until it becomes accepted. Once the atmosphere is one of the individuals agreeing to disagree, real progress is not far behind. By reviewing team decisions after every meeting and defining roles and deadlines, the leader can keep the focus on on-going commitment.

Avoidance of Accountability

Without team commitment, team members will always avoid accountability. Team members who commit to an idea or decision do it because they feel that their input matters and they expect to be held accountable. If their input seems unimportant, they feel that they aren't responsible for results. This lack of accountability in the individual will always weaken the accountability of the team.

"People aren't going to hold each other accountable if they haven't clearly bought into the same plan."

The only way to hold each other, and the team, accountable is by measuring progress. The leader must set the foundation by clearly defining standards, expectations, specific tasks, and deadlines. It's up to the leader to make sure every team member understands what is being measured and how important their contribution will be.

Inattention to Results

It there's no accountability, then there is no focus on results. Team members who don't feel accountable will always put their interests ahead of the team's. Until the desired results are agreed upon by the whole team, nothing worthy will ever happen. With accountability in place, the focus on team results happens naturally and creates a tighter bond among team members. The leader makes sure the desired results are clear and that final results are shared and rewarded in a team setting.

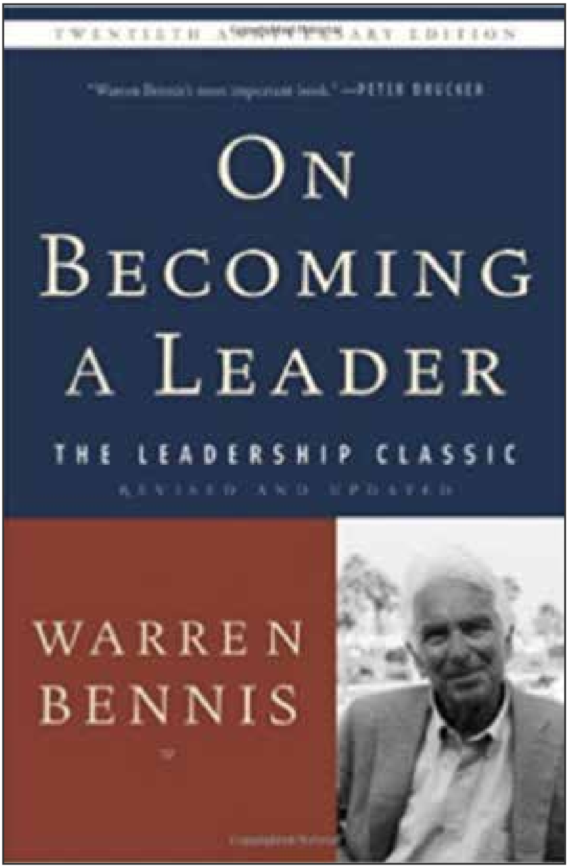
"Our job is to make the results that we need to achieve so clear to everyone in this room that no one would even consider doing something purely to enhance his or her individual status or ego. Because that would diminish our ability to achieve our collective goals. We would all lose."

On Becoming a Leader

By: **WARREN BENNIS**

"Becoming a leader is synonymous with becoming yourself. It's precisely that simple, and it's also that difficult."

Like most good books on leadership, this one makes it clear that developing the skills of a leader is very much about self-development. A leader must know himself and the climate in which he leads. That climate includes circumstances, other people, policies, and a host of other factors. To become a leader, we must understand the rules of the game AND know how to play it.



SUMMARY

Mastering the Context

All situations that require leadership have a specific context that impacts decisions. Many leaders allow the situation itself to have too much influence on their decisions. To lead effectively, a leader must make decisions based on the big picture and not on current circumstances.

Bennis uses the story of Norman Lear, a leader in television production, to make his point. Lear created shows that went against the norm of sitcoms in the 60's. He understood the context and saw an opportunity to do something different instead of staying with the status quo. Lear cites four steps for his process of mastering the context.

- Become self-expressive
- Listen to the inner voice
- Learn from the right mentors
- Give one's self over to a guiding vision

By having faith in his own vision and confidence in his ideas, Lear created cutting-edge sitcoms that featured topics and situations that broke new ground.

Understanding the Basics

There are some basic ingredients for becoming a leader. These are not traits that leaders are born with, but skills that are developed through years of experience and learning. These are the must-haves for effective leaders:

- A guiding vision
- Passion
- Self-knowledge
- Candor
- Maturity
- Trust
- Curiosity
- Daring

Knowing Yourself

We are our own best teachers if we accept the responsibility of educating ourselves. Bennis explains that we are capable of learning just about anything and that learning involves reflecting on our own experiences. A leader who knows his strengths and limitations has the confidence to become a leader.

Knowing the World

Knowing how the world we live in affects our decisions is critical. We learn about the world through our experiences and our mistakes. We learn about the world from mentors, books, and formal education. But it's not just the knowledge we accumulate that helps us; it's the commitment to learning for the sake of learning that helps us understand a world that keeps changing.

Operating on Instinct

At a certain point, leaders must learn to trust their intuition. Whether we call it the "inner voice" or "just a gut feeling," that instinct is the accumulation of knowledge and experience and is worth listening to.

Deploying Yourself: Strike Hard, Try Everything

Leadership skills can't grow stronger unless we put them to the test over and over. Every leader fails. The best leaders learn to use failure as a chance to try a new approach. The point is to accept failure as part of the process and learn to face the situations we fear by learning new skills.

Moving through the Chaos

The true test of a leader is knowing how to lead when everything is falling apart. Leading in chaotic situations requires a leader that is willing to accept change as inevitable. Managing that change requires adaptability, flexibility, and patience, all while keeping the focus on the overall vision.

Getting People on Your Side

The only way to get people to follow is to gain their trust. Bennis outlines four keys for developing that trust:

- Constancy – Leaders stay on course and lead with consistency.
- Congruity – Leaders walk the talk. They lead by example.
- Reliability – Leaders are dependable and ready to lead in any situation.
- Integrity – Leaders remain committed to their vision and are always true to their word.

Organizations can Help or Hinder

To become a leader, the constraints of the organization must not stop a leader from leading. Whether it's bureaucratic red tape from above, or lack of interest or commitment from below, leaders stay the course. They continue to lead with the skills they have learned, believing in their effectiveness.

Forging the Future

Leaders do much more than lead others. They know how to innovate to keep their organization competitive. They promote effective communication at all levels and create strategic alliances. Leaders know how to tie it all together and lead their followers, and their organization, into a brighter future.

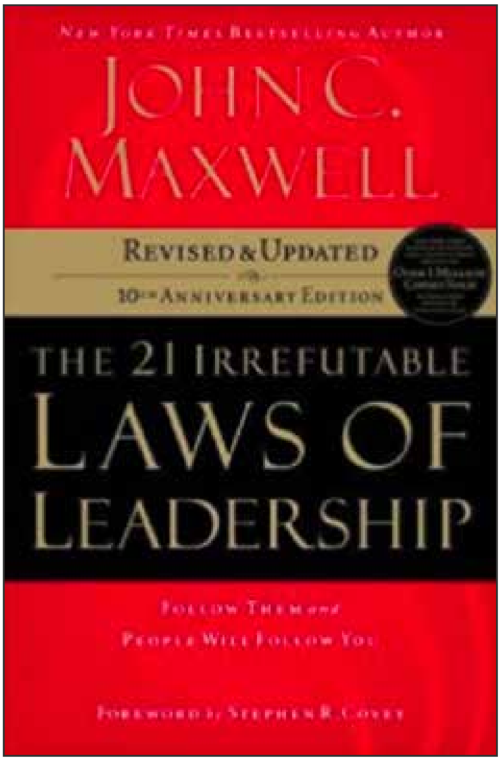
Photo by Donald Janssen on Unsplash

The 21 Irrefutable Laws of Leadership

By: **JOHN C. MAXWELL**

"Many people view leadership the same way they view success, hoping to go as far as they can, to climb the ladder, to achieve the highest position possible for their talent. But contrary to conventional thinking, I believe the bottom line in leadership isn't how far we advance ourselves but how far we advance others. That is achieved by serving others and adding value to their lives."

The quote above sums up the foundation of the 21 laws and the philosophy behind them. Based on 40 years of leadership and the observations of successful leaders in business, politics, sports, and other industries, these principles are the core elements of being a leader. The laws are based on the premise that leadership is not just about a business or organization, but also about self-development and the development of others.



SUMMARY

1. The Law of the Lid

- The ability to lead determines a person's level of effectiveness.
- That level of effectiveness is the "lid" on personal and organizational development.
- The level of the leader always determines the level of the organization and the effectiveness of his followers.

2. The Law of Influence

- Influence determines the effectiveness of a leader.
- Effective leadership is not determined by a title or tenure, but by how much influence the leader has with others.
- The ability to influence others will determine success or failure for the leader and the organization.

3. The Law of Process

- There are no "born leaders."
- Part of the effectiveness of a leader is the time and commitment they put into developing their skills.
- Leadership is a skill that can be learned and developed over time.
- Leaders must be willing to commit to the sometimes long process of learning leadership skills to become an influential leader.

4. The Law of Navigation

- Leaders must be the navigators for their organizations.
- Beginning with a vision, or destination, leaders must plot the course and prepare for any obstacles.
- Leaders keep everything on course to make it easy for followers to know where they are going.

5. The Law of E.F. Hutton

- When a real leader speaks, people listen.
- A leader can be identified by his ability to get others to listen.
- Leadership is only as effective as the followers who are willing to listen to the vision.

6. The Law of Solid Ground

- Effective leaders must lead from a solid foundation.
- Leaders must have the trust of their followers, and this trust can only be developed by exhibiting character, competence, and connection.

7. The Law of Respect

- Most people will willingly follow someone that they respect.
- By showing respect for others, and themselves, leaders position themselves as someone worthy to lead.
- Even with great competence and ability, a leader without respect will never be effective.

"When people respect you as a person, they admire you. When they respect you as a friend, they love you. When they respect you as a leader, they follow you."

8. The Law of Intuition

- Leaders have to know the vision, facts, obstacles, and other elements that affect an organization.
- But they must also learn to rely on intuition to be the most effective.
- Leadership is more art than science, and the ability to read people or a specific situation requires experience and instinct.

9. The Law of Magnetism

- We attract people who are most like us.
- Leaders naturally attract followers who reflect their values and their vision.
- By developing the skills of an effective leader, that leader will find followers who will eventually be leaders themselves.

10. The Law of Connection

- Leaders touch a heart before they ask for a hand.
- People don't care how much a leader knows until they know how much that leader cares.
- Leaders find ways to connect with people before they ask them to follow.

11. The Law of the Inner Circle

- Leaders never lead alone.
- All effective leaders rely on a strong inner circle that shares their vision and values.
- A leader's effectiveness is determined by those closest to him and their ability to influence followers.

12. The Law of Empowerment

- A true leader isn't afraid to give some of the power away.
- The achievements of a leader's followers are determined by the leader's ability to empower them and show their trust in them.
- Leaders have to lead, but they also know that sometimes they just have to get out of the way.

13. The Law of Reproduction

- All organizations need to foster and develop leaders.
- An effective leader mentors others by sharing their knowledge, creating future leaders that will be critical to the growth of the organization.
- Great leaders are also great teachers.

"The bottom line in leadership isn't how far we advance ourselves but how far we advance others."

14. The Law of Buy-In

- People must be committed to a vision or cause to have an impact.
- The only way to get followers to "buy-in" to an idea or vision is to have them first "buy-in" to the leader.
- The influence and passion of the leader will determine the investment people are willing to make.

15. The Law of Victory

- Leaders understand the importance of unity in their followers.
- By developing an atmosphere of teamwork, leaders can create wins for their team as opposed to individual wins.
- When a team wins together, they become more unified and committed to the cause.

16. The Law of the Big Mo

- Leaders create momentum and focus on helping others keep that momentum going.
- It's simply impossible to further a vision or cause without moving forward.
- Leaders know how to get the ball rolling and keep it rolling.

17. The Law of Priorities

- Leaders understand that activity doesn't necessarily result in production.
- Effective leaders have the ability to determine the most important priorities

and know how to help their followers focus on those priorities.

18. The Law of Sacrifice

- Leaders inevitably have to make sacrifices to be a good leader.
- A leader makes sacrifices on the path to leadership and must be willing to sacrifice things to effectively lead.
- Sacrifice is a constant in leadership.

19. The Law of Timing

- Leaders understand that the trust their followers have in them is largely based on the leader's actions.
- A good leader understands that the right choice at the wrong time or the wrong choice at the right time can dilute their influence.
- Effective leaders learn how to develop their "timing" to make the best decisions possible.

20. The Law of Explosive Growth

- Organizations can only grow with effective leadership.
- Leaders understand the importance of not only having followers but also the importance of developing future leaders for continuing growth.

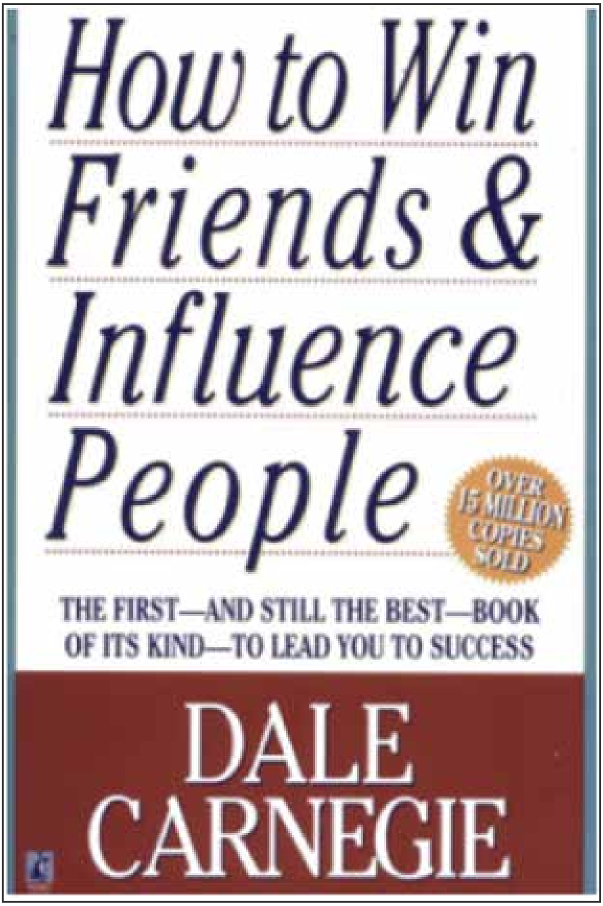
21. The Law of Legacy

- A leader's legacy is measured by the future leaders he develops and how effectively the organization operates without him.
- Leaders understand that the greatest contributions they make are the ones that outlive their reign.

How To Win Friends and Influence People

By: **DALE CARNEGIE**

Written over 80 years ago, this is a book that is as relative today as it was when it was first written. The principles are a broad mix of personal and professional advice based on the psychology of relationships. From making friends to succeeding in business, the principles outlined here serve as a proven guide for anyone who wants to build better relationships and get the most out of them.



SUMMARY

PART ONE: FUNDAMENTAL TECHNIQUES IN HANDLING PEOPLE

Principle 1: Don't criticize, condemn, or complain.

Psychologists have proven that rewarding good behavior increases the chance that the behavior will continue. Criticizing bad habits only leads to resentment and makes effective communication almost impossible. It's important to understand that people are influenced by emotion, pride, and ego.

"Criticism is futile because it puts a person on the defensive and usually makes them strive to justify themselves." — Dale Carnegie

Principle 2: Give honest and sincere appreciation.

The need to be appreciated is one of the most basic of human needs. Everyone wants to feel good about themselves and the effort they put forth. When we take the time to sincerely show someone how much they are appreciated, they feel good about themselves and good about the person showing the appreciation.

Principle 3: Arouse in the other person an eager want.

When we want someone to do something, we must relate the request to what is important to them.

By taking the time to understand what is important to someone and framing our needs with their desires, we make it easy for that person to actually want to do something. When a task is relevant to what they consider important, they have a personal stake in making sure the task is done effectively and efficiently.

PART TWO: SIX WAYS TO MAKE PEOPLE LIKE YOU

Principle 1: Become genuinely interested in other people.

It's human nature to be mostly concerned with ourselves. When we take the time to really look at another person, we can often find things that are of genuine interest. People like people who show interest in them and if that interest is genuine, it creates a strong foundation for a real relationship.

Principle 2: Smile.

The simple act of smiling has a positive effect on the person smiling and anyone who sees them smiling. Smiling just makes everyone feel better! Even smiling when talking on the phone has positive effects because the power of smiling comes through in tone and in words, even when it isn't seen.

Principle 3: Remember that a person's name is to that person the sweetest and most important sound in any language.

A person's name is a very personal and important part of their self-worth. Remembering someone's name makes them feel important; forgetting someone's name makes them feel unimportant. Remembering names, and spelling them correctly, is a skill that will help personal and business relationships.

"The average person is more interested in his or her own name than in all the other names on earth put together." — Dale Carnegie

Principle 4: Be a good listener. Encourage others to talk about themselves.

Good listeners are often seen as good conversationalists. Developing this skill takes practice, but the payoff is worth it. When we listen to someone intently, without interruption, it shows that we find them important and worth our time. A great rule of thumb is to focus on listening 75% of the time and talking 25% of the time.

Principle 5: Talk in terms of the other person's interests.

Learning what topics interest someone and encouraging them to talk about those topics takes being a good listener to a whole new level. It makes them feel important, interesting, and understood. This skill also benefits the listener. The more someone talks about themselves and their interests, the more we can learn about them and further advance the relationship.

Principle 6: Make the other person feel important – and do it sincerely.

Whether it's an acquaintance, or a complete stranger, when we make an effort to acknowledge someone or something positive about them, we make them feel important. When we make someone feel important, we let them know that they matter to us.

PART THREE: HOW TO WIN PEOPLE TO YOUR WAY OF THINKING

Principle 1: The only way to get the best of an argument is to avoid it.

Arguments simply have no positive outcome. Disagreements are inevitable but how we handle those disagreements means the difference between resolution or indifference. Instead of confrontation, listening to understand will often lead to insights that lead to a beneficial resolution.

"A man convinced against his will, is of the same opinion still." — Benjamin Franklin

Principle 2: Show respect for other people's opinions. Never say, "You're wrong."

A great skill for avoiding arguments altogether is a legitimate respect for other people's opinions. When we tell someone that they are just wrong, we are often insulting them without even realizing it. Wrong, or right, everyone is entitled to their opinion. By being open to other's opinions and listening to what they have to say without judgment, we often find common ground for discussion instead of arguing.

Principle 3: If you're wrong, admit it quickly and emphatically.

Being wrong isn't a weakness, it's a part of being human. All too often, people make a simple mistake into a bigger problem because they just can't admit that they are wrong. By admitting a mistake quickly and clearly, we actually show strength of character and the desire to make things right.

Principle 4: Begin in a friendly way.

No matter how right or seemingly justified someone feels about an issue, their goal should never be to simply prove a point. The goal should always be to express an opinion or have a discussion, as opposed to proving who is right. The best way to do this is to use friendly or neutral words and tone instead of just going head-to-head. The results are much more productive, and the relationship stays intact.

Principle 5: Get the other person saying "yes, yes" immediately.

Disagreements are a part of relationships, but when we take the time to find some common ground or something to agree on before jumping right in, we set a positive tone for the conversation. By finding these terms of agreement, we get the other person saying "yes" instead of "no." Whether it's specific points or the outcome itself, getting someone to begin seeing the things that both parties agree on keeps them open and less defensive while a solution is found.

Principle 6: Let the other person do a great deal of talking.

When we let someone do most of the talking, without interruption and while listening intently, we are telling tell that what they have to say is important. By letting someone express themselves completely and encouraging them to share their thoughts, we give them the chance to be heard and understood, which leads to more open and honest relationships.

Principle 7: Let the other person feel that the idea is his or hers.

It's human nature to feel more passionate about our own ideas than the ideas of others. No one likes being told what to do, but everyone likes having their own ideas validated. By asking questions and offering suggestions, it's often possible to help someone come to the desired conclusion as if it were their own. When the idea they are working with comes from themselves, people are much more invested in seeing that idea come to light.

"When dealing with people, remember you are not dealing with creatures of logic, but creatures of emotion." — Dale Carnegie

Principle 8: Try honestly to see things from the other person's point of view.

One of the key skills in effective relationships is the ability to see something from another person's point of view. Not only does this skill make the other person feel important and understood, it often uncovers points that weren't so obvious at first. By understanding why someone has a certain view, the goal becomes more about what is right than about who is right.

Principle 9: Be sympathetic with the other person's ideas and desires.

When we put ourselves in someone else's place, looking at their views from where they stand, we find it easy to have positive interactions instead of an argument or disagreement. Carnegie offers a simple phrase to show that empathy: "I don't blame you one iota for feeling as you do. If I were you, I would undoubtedly feel just as you do." This statement is sincere because it's true and it sets the foundation for a constructive conversation.

Principle 10: Appeal to nobler motives.

By appealing to someone's desire to be moral, ethical, or some other noble value, we can often move them to cooperate or be willing to see a certain point of view by simply framing it differently. When someone can justify their change of heart because of a positive value, they are much more likely to do it.

Principle 11: Dramatize your ideas.

Whether it's presenting an idea with a funny story or an elaborate presentation, ideas need a little drama to get noticed. By presenting ideas in a unique or interesting way, we stand a much better chance of getting that idea accepted.

Principle 12: Throw down a challenge.

People love to compete, and they love winning even more. Even with the most mundane task or idea, a good dose of healthy competition is often enough to get more involvement and more productivity. The "prize" for the challenge isn't even that important. The challenge itself and the competition that results serve as some very motivating rewards.

PART FOUR: BE A LEADER.

Principle 1: Begin with praise and honest appreciation.

The first step in changing someone with our words is to focus on the positive before the negative. By pointing out the strengths of a person, we put them in a positive mindset. When we get to the negatives, they are much easier to hear and more likely to be accepted.

Principle 2: Call attention to people's mistakes indirectly.

Direct criticism causes resentment and puts people on the defensive. By avoiding giving honest praise with a qualifying "but" that leads into a negative observation, we can often make people more receptive. "You ran great today, BUT you would have won if you had run harder." is much different than: "You ran great today, AND if you run harder next time you will probably win!" What a difference a word makes.

Principle 3: Talk about your own mistakes before criticizing the other person.

People are more likely to take criticism better if they feel that the person criticizing them is not afraid of pointing out their own flaws. By creating the common ground that "nobody is perfect," it's much easier for someone to feel that the criticism is being given for their own good.

Principle 4: Ask questions instead of giving direct orders.

No one likes to be told what to do. By asking people to do something directly or indirectly, it makes it easier for them to comply. "Bring me those books." is quite different than "Could you bring me those books, please?" A small change in words has a great impact.

Principle 5: Let the other person save face.

Never criticize or give negative feedback in public. When we deliver negative information, we can be most effective by doing it privately and in a way that keeps the other person's dignity intact. By considering how we would feel if the roles were reversed, we can usually find a positive way to talk about a negative.

Principle 6: Praise the slightest improvement and praise every improvement. Be "hearty in your approbation and lavish in your praise."

By noting even the smallest steps and minor improvements, frequently and sincerely, we increase the chances of continuing improvement. Think of how we typically respond to babies as they learn to walk: lots of praise and lots of forgiveness when they fall down. The same approach works just as well for adults.

Principle 7: Give the other person a fine reputation to live up to.

When we praise someone in public, or praise them for exhibiting desirable traits or actions, it gives that person a certain reputation that they will naturally want to live up to. If we sincerely tell someone that they are great at something often enough, they will begin to believe it themselves and make it a part of their reputation with themselves.

Principle 8: Use encouragement. Make the fault seem easy to correct.

When we minimize faults and encourage improvements, we create a sense of motivation and belief in a person that makes them feel that they can improve easily. When we focus on the faults, we make them seem much more negative than they often are, killing any motivation to improve.

Principle 9: Make the other person happy about doing the thing you suggest.

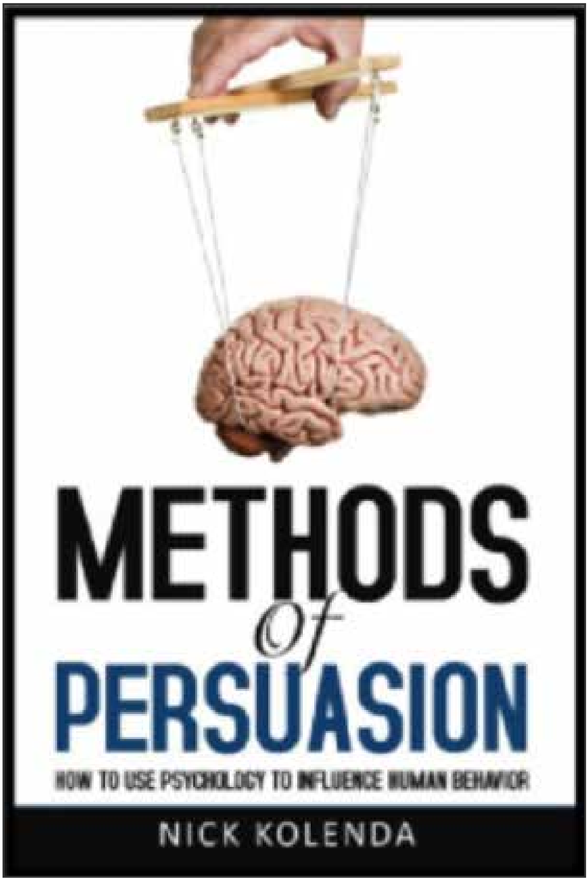
Offering incentives, praise, and authority are all great ways to make a person happy to accept decisions and do what we want them to do. If someone doesn't get a promotion, but we make sure to point out how important their current role is and why their performance made them a candidate in the first place, we soften the blow and minimize the resentment.

Methods of Persuasion

By: **NICK KOLENDA**

Nick Kolenda is an entertainer who "reads minds" for a living. His apparent ability to read minds is a process of persuasion. Using proven methods of psychology to influence his subjects, he can give the appearance of being able to read thoughts. While his displays of "mind reading" are entertaining and a lot of fun, the principles he uses to pull it off are based on sound principles of human nature.

Kolenda has taken these basic tenets of psychology and created a guide for anyone that wants to influence or persuade. These methods may seem manipulative and even a bit deceptive, but their application in the real world can be just as much for the good of others as it can be to manipulate them. Whether these methods are used for good or bad, their effectiveness is undeniable.



SUMMARY

The methods outlined in the book include changing people's perceptions and getting them to "buy-in." From presenting messages in a certain way to using peer pressure, the methods here are all part of a strategy to get others to think and act in a certain way.

Mold their perception

A recent study by the California Institute of Technology illustrates how powerful perception is and how easy it is to mold. By creating a study that measured the relation between perception of quality and price, the group was able to prove that higher priced items are perceived as having more value. Twenty people who had an average knowledge of wine were brought together for a wine tasting. They sampled what they thought were five different brands of wine while being monitored with an MRI. The reality was that there were only three wines.

"If you want people to perceive something more favorably, you should convey high expectations because those expectations will become a lens that will mold their perception."

Two brands of wine were offered twice and were the same price. The $5 bottle of wine was marked with its real price and again with a price tag of $45. The $90 bottle of wine was also marked with its real price and again with a price tag of $10. The results showed that the tasters' brains registered more pleasure when drinking from the higher priced bottles, even though they contained the same wine as the cheap bottles. The results proved that consumer satisfaction can be directly influenced by the expectation of quality whether that quality is real of not.

Elicit congruent attitudes

A congruent attitude simply means an agreement or alignment with a particular idea or product. This alignment with a particular concept can be achieved both in how a message is presented and how others react to that concept. If a company uses a tennis star to deliver their message of how great their tennis gear is, they elicit a congruent attitude because consumers will associate the "messenger's" qualities with the quality of the products.

"When people are free to do as they please, they usually imitate each other." — Eric Hoffer

Similarly, social proof also has a strong influence in aligning attitudes. People typically reflect the actions they see in others to ensure they are behaving "correctly." If everyone else buys a Thunderbolt tennis racket, then it must be good. This line of thinking may be illogical, but it is a very powerful tendency in human nature.

Trigger social pressure

In high school, they called it peer pressure, but when everyone's all grown up, they call it social pressure. No matter what it's called, the influence of groups on individuals is a powerful force in changing behaviors. Everyone has that basic need to be accepted, and they will typically conform to a group's ideas or attitudes usually without even realizing it.

"People can undergo a sudden change of thinking and loyalties under threat of death or intense social pressure…" — Keith Henson

Researchers from Arizona State University discovered that before Billy Graham's televised crusades, his organization had coached thousands of volunteers in certain behaviors. They were instructed on when to come to the stage, when to sing, and when to clap. This appearance of great religious intensity primed the rest of the crowd to behave in similar ways. The infectious atmosphere created a zeal that made the audience ready to accept the message being presented.

Habituate your message

Repetition is one of the easiest, and most powerful, methods of persuasion. By habituating the same message over and over, the power of persuasion takes on a life of its own. Repetition is used so often that its use has become almost invisible on a conscious level. Just listen to any politician or some other influential speaker. They repeat the same message over and over, planting it firmly in the subconscious.

"The power of ads rests more in the repetition of obvious exhortations than in the subtle transmission of values." — Michael Schudson

Psychology studies conducted in the 1970s revealed what has come to be known as the "illusory truth effect." This effect refers to the tendency to believe the information to be correct after repeated exposure. The more someone hears a message, the more believable it is. Psychologists point to the fact that familiarity breeds liking. This familiarity makes a message appear to be truer than if it were being presented for the first time.

Optimize your message

For a message to have maximum effect, it must be optimized. In marketing, optimizing a message simply means personalizing the message based on the preferences of an intended audience. The book outlines the major consumer markets by age and provides traits and tactics for each audience.

- Millennials — ages 15 – 35: This group is immersed in the digital world, and digital media is the best way to get a message to them. Texting, chatting, and instant messaging are their preferred way to communicate. This young consumer group is influenced more by engagement than attempts to convert them.
- Generation Xers — ages 36 – 50: More savvy and skeptical, this group is all too familiar with traditional marketing tactics and prefers a direct approach. They are more concerned with quality and value than the popularity of a product or message. A brief email or voicemail is effective as long as they are to the point.
- Baby Boomers — ages 51 – 69: Baby boomers prefer to engage on a personal level. They value communication skills and relationships. While they are comfortable with digital correspondence, they respond better to phone calls or meeting in person.
- Traditionalists — ages 70 – 88: Traditional values and trust are the hallmarks of this group. Their emphasis is on honesty and being open. They typically like to take their time in making decisions.

Drive their momentum and sustain their compliance

By giving someone incentives and periodic rewards over time, their familiarity with an idea or product is reinforced. This reinforcement keeps the relationship constant. Making it easy for someone to continue using a product or service or to have access to a specific message is another way to keep that momentum going.

Mobile applications use “momentum drivers” by sending reminders or special offers. Application developers understand that to sustain user’s interest, they must engage end users frequently and in innovative ways. The goal is to make the application a part of the end user’s day-to-day routine by creating a subconscious habit. The key to momentum and sustainability is to expose people over and over to the product or message.

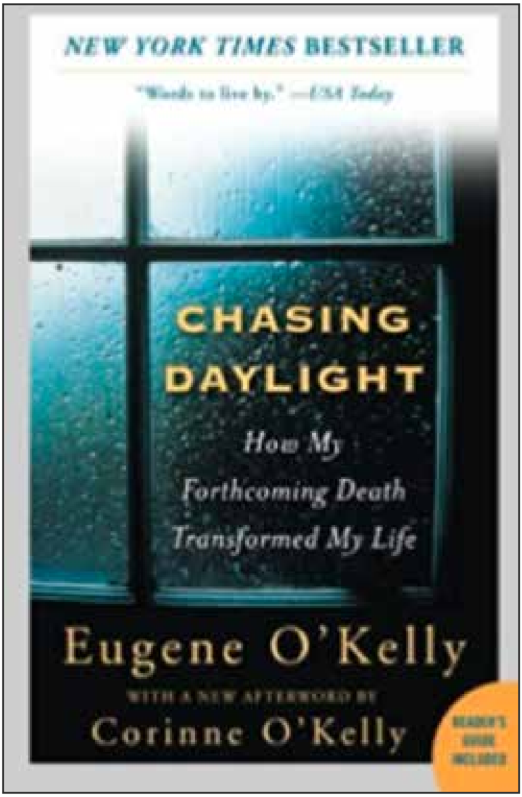
Photo by Daria Durand on Unsplash

Chasing Daylight

By: **EUGENE O'KELLY & CORRINE O'KELLY**

This is a book that will resonate with anyone who is on a fast paced career path. Eugene O'Kelly, the previous CEO and chairman of the large accounting firm, KPMG, was diagnosed with brain cancer at 53. He was given three months to live, and this is the story of his final days and how he chose to live them. He takes readers along for the experience through his downward spiral, from diagnosis to the process of dying. O'Kelly's story recounts the steps he took to simplify his life and how he learned "to be in the present moment, how to live there at least for snippets of time." This is a story of how someone faces death purposefully with retrospection and resolution.

"It's a blessing. It's a curse. It's what you get for saying hello to people. At some point, a good-bye is coming, too. Not just to all the people you love and who love you back, but to the world as well."



SUMMARY

O'Kelly attained his professional success after he landed his dream job as CEO of KPMG. He was happily married to a woman he loved, had a daughter he adored, and seemed to be living a life that many would aspire to for themselves. Yet, when he was told that he only had three months to live, O'Kelly said he "felt blessed."

O'Kelly explains that the diagnosis and the wake-up call of his impending death inspired him to "unwind" his relationships. He saw his situation as a chance to finally take a step back and see his life from a unique perspective. The result of this different view was the realization that he needed closure and completeness in his relationships with family, friends, and colleagues. O'Kelly had been given the gift of knowing how much time he had left on this earth and to self-reflect and focus on the things that mattered most to him.

Once the shock of his unexpected diagnosis had settled in, O'Kelly and his wife, Corinne, put together a plan for living his last three months as fully as possible. The attention to detail and the thoroughness of their approach to death allowed him to fill his remaining time with meaning, substance, and joy. The tears and pain eventually led to acceptance, allowing O'Kelly the rare opportunity to design the end of his life on his terms.

"But if you start to live in the present now, not only do you get to enjoy it (which is huge), but you also prepare yourself for the future, which someday will be your present, breathing in your face."

"As for those considering taking the time someday to plan their final weeks and months, three words of advice," he advises: "Move it up." This sound advice is something that anyone should take to heart because it comes from someone who knows. O'Kelly left his job, took his focus away from the future, and cast away a lifetime of habits. He was determined to create a new perspective and turn his death into a final, meaningful success.

O'Kelly's account of his final days captures the common mortality everyone shares. His unique perspective on the Type A personality reveals the tendency for driven professionals to think they have everything under control. It's only when someone comes face to face with their mortality are they able to see their life clearly, maybe for the first time. This clarity often brings an abrupt change in priorities and focus.

The story reinforces an adage that is all too familiar: People spend so much time building wealth and creating material successes that their personal relationships become secondary. O'Kelly shares his end-of-life revelations in a way that should give anyone their own wake-up call. He writes with emotion and insight about his transformation from fearing death to accepting it. He shares how his renewed focus on the truly important things in his life changed his life for the better while facing the inevitable.

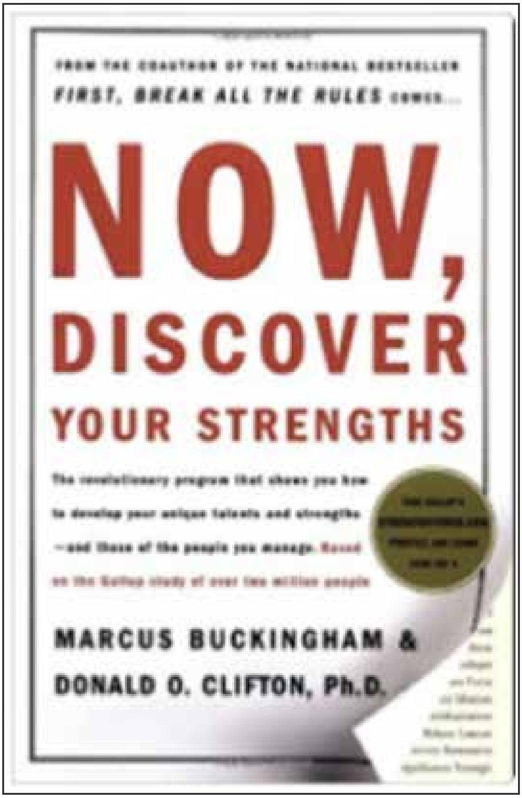
Photo by Patrick Robert Doyle on Unsplash

Now, Discover Your Strengths

By: **MARCUS BUCKINGHAM & DONALD O. CLIFTON**

Many people spend a lot of time worrying about their weaknesses and shortcomings, and a lot of business books focus on that concern. This book takes the opposite approach by showing that many successful people focus on their strengths instead of their weaknesses. They continue to fine-tune their strengths while learning how to manage their weaknesses. This book provides the tools for identifying strengths with self-evaluation and offers ways to manage weaker skills.

"One thing that holds us back is fearing our weaknesses more than having confidence in our strengths."



SUMMARY

Chapter 1: Strong Lives

A great example of how this focus on strengths can create success is the compelling case of Tiger Woods. To most, it would appear that this professional golfer has mastered the game of golf. But closer inspection reveals that he is actually playing to his strengths. Woods is a mediocre player when it comes to getting out of bunkers, but he is a master of putting and driving. By continuously focusing on the skills of putting and driving, and managing his weakness in bunkers, he has developed into one of the greatest players ever.

"At an early age, you started hearing it: It's a virtue to be "well-rounded."... They might as well have said: Become as dull as you possibly can be."

Chapter 2: Strength Building

A skill is something that can be learned. A talent is something that is inborn. Many successful people exhibit specific strengths that are usually a combination of talent and skills. A successful speaker may be born with charisma and a natural stage presence, but it is usually the learned skills of tone, cadence, and the finer points of rhetoric that turn his talent into the strength of public speaking.

Chapter 3: Strengths Finder

The book encourages readers to identify and understand their top five strengths by reviewing their behaviors in various situations. By evaluating the situations where their responses are the most instinctive or natural, they can begin to see some patterns in their behavior. These patterns of "gut reactions" reveal specific strengths. To further develop an understanding of these strengths, the book also offers an extensive list of strengths as a basis for strength finding.

"Our definition of a weakness is anything that gets in the way of excellent performance."

Chapter 4: The Thirty-Four Themes of Strengths Finder

By offering a list of thirty-four detailed strengths, the book provides an effective way to objectively self-evaluate. This exercise helps clarify areas of mastery and identify areas that need work. The resulting information will become the foundation for improving those strengths and managing the weaknesses. While the exercise is designed to keep the focus on strengths, the act of identifying weaknesses often leads to some productive revelations.

Chapter 5: The Questions You're Asking

By using the question and answer session in the book, readers can learn the most effective way to identify specifics in strengths and weaknesses. These questions promote a deeper understanding of how and why certain strengths are well-developed, and others need work. Understanding weaknesses and learning to manage them is as much a part of the equation as identifying strengths. For example, knowing areas of weakness means knowing when to delegate a specific task to someone more capable.

Chapter 6: Managing Strengths

This section is geared towards managers and helps them identify strengths in the people that work for them. By identifying the strengths of these individuals, a manager can capitalize on those strengths in a number of ways. Creating teams where the strengths and weaknesses of team members compliment one another helps build a more balanced and effective team. Understanding the strengths of a particular person leads to a better understanding of how to manage that person.

"The only possible failure would be never managing to find the right role or the right partners to help you realize that strength."

Chapter 7: Building a Strengths-Based Organization

With a good understanding of how focusing on strengths can help individuals improve, it's possible to begin building a strengths-based organization. By identifying the strengths needed in a specific role and understanding the strengths of individuals, it makes it easier to match up the right people with the right job. It takes a lot of work and planning to take this strengths-based approach from the individual level to an organizational level, but it pays off with more effective teams and more successful individuals.

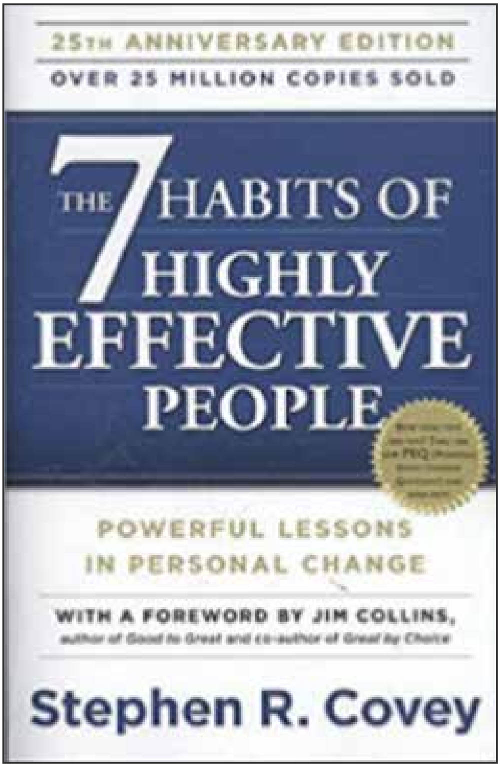
The 7 Habits of Highly Effective People

By: **STEPHEN R. COVEY**

Our effectiveness is a compilation of habits. Our habits are a compilation of knowledge, skill, and desire. This book focuses on how to develop the most effective habits with a character-driven approach as opposed to approaches that are personality-driven and developed from the outside-in. This “inside-out” approach is composed of three stages.

1. **Dependence:** Relying on others for our survival and happiness.
2. **Independence:** Relying on ourselves and making our own decisions.
3. **Interdependence:** Learning to combine independence and dependence to achieve results that aren’t possible independently.

The first three habits focus on self-mastery and moving from dependence to independence. The next three habits focus on collaboration, communication, and moving from independence to interdependence. The seventh habit focuses on maintaining a balanced foundation for effectively using the other habits.



SUMMARY

Habit 1: Be Proactive

This habit teaches that change begins within and how developing a sense of self-awareness gives us more control. Being proactive means taking responsibility for our choices and minimizing the influence of external forces. It means putting an end to being reactive by choosing our own priorities instead.

Habit 2: Begin with the End in Mind

Covey uses the analogy of a funeral to emphasize the foundation of this habit. For developing our own principle-centered character and by understanding the traits we desire, we can imagine what things we would like to hear about ourselves at our own funeral. This exercise helps us determine what values are the most important to us, providing a template for the life we want to live.

Habit 3: Put First Things First

Using the strategies and tools outlined in the third habit, we can identify the key roles in our life and learn how to focus on the most important ones. This means learning how to maintain a balance while keeping the most important values prioritized, so we don't lose sight of our mission.

Habit 4: Think Win/Win

By focusing on agreements and relationships that benefit each party, we learn to take the "win/win" approach. This habit isn't about compromise. It's about committing to deals that are good for everyone using collaboration and understanding or deciding to make "no deal" and walk away. Whether in business or personal life, the benefit of thinking "win/win" is interdependent relationships with no "losers."

Habit 5: Seek First to Understand, Then to Be Understood

Covey considers this habit to be the most important principle for effective interpersonal relationships. This habit teaches us that by listening effectively, without filtering what we hear with our own biases and views, we can understand the other person's view before presenting our own. This understanding creates an atmosphere of empathy and a commitment to resolution.

Habit 6: Synergize

Synergy: When one plus one equals three or more, when the whole is greater than the sum of its parts. This habit teaches that trust and understanding in relationships can help create solutions that are often better and more beneficial than either person's original solution. It's like an even better version of "win/win" that further develops the habit of interdependence.

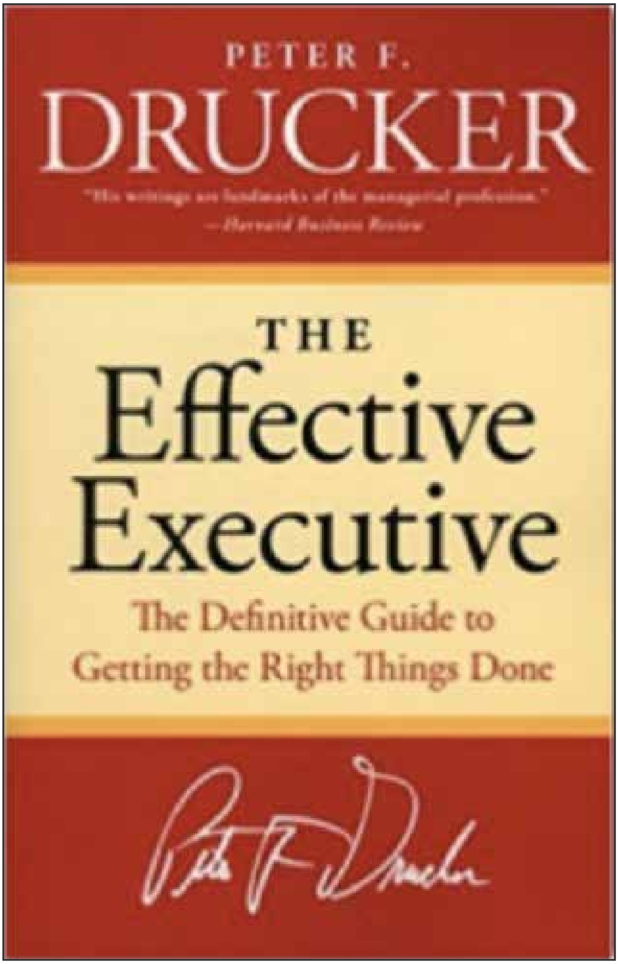
Habit 7: Sharpen the Saw

By taking the time to renew ourselves physically, spiritually, mentally, and socially, we create the foundation for learning and living the other habits. From exercise and eating right to keeping our mind sharp and developing deep, meaningful relationships, we take the time to maintain ourselves from the inside-out.

The Effective Executive

By: **PETER F. DRUCKER**

For executives, the job is not simply to ensure that "things get done;" it's to ensure the right things get done, at the right time, and in the right way. The Effective Executive teaches that the role of leadership in every organization is to set clear objectives, focus their strengths on priorities, and make tough choices about what to do and what not to do in different circumstances. These aren't innate abilities. They are skills that can be learned through study, practice, and experience.



SUMMARY

Effectiveness can be learned

An executive must first be able to effectively manage themselves before they can manage others by making effectiveness a habit. Effectiveness is a skill that is learned by practice. By focusing on what behaviors are effective and using those behaviors consistently, effectiveness becomes a habit. It takes a conscious effort to learn how to be effective, and it requires five basic habits.

- Managing time
- Focusing on contributions and results
- Building on strengths instead of weaknesses
- Setting priorities
- Making effective decisions

Managing Time

Time is the resource that must be managed effectively to be able to build the other habits. Most executives are self-directed. How they use their time is largely up to them and requires a constant awareness of how time is spent. Executives spend a lot of time on planning, reports, meetings, and human resources. The larger the organization, the more time spent in those areas. The best way to get a handle on managing time is by focusing on three key points.

Time-monitoring — By recording the amount of time spent on particular tasks and projects, it becomes easy to see where all that time is going. Day-to-day activities should receive the most attention because of their frequency.

Control time — When executives begin to ask what activities are necessary, what tasks are inefficient, and similar questions, they begin to find chunks of time that are wasted. If done objectively, this process will result in revamping activities or eliminating them altogether.

Consolidate time — Effective executives must learn to plan their time. Between all those meetings and reports are blocks of time. By knowing where these “windows” of time exist, it’s possible to carve out uninterrupted blocks for completing activities.

Contributions and Results

What someone contributes to an organization should be measured by the results. By focusing on contributions and taking responsibility for the results, it becomes easy to see opportunities for self-development. Understanding what contributions are productive and what areas need improvement makes it possible to set high standards and ambitious goals. Analyzing and fine-tuning contributions leads to more effective results.

Building on Strengths

When executives recruit people with particular strengths, they can create a strong foundation for their own effectiveness. The goal here is to focus specifically on the strengths that an organization needs in specific roles and ignoring the weaknesses. By recruiting someone for a particular role that matches their strengths, the weaknesses become irrelevant. Don't focus on problems and limitations; focus on opportunities and abilities. The key is to hire people with exceptional qualities, not generalists.

Setting Priorities

Effective people understand what activities are the most important and have the greatest impact. These priorities are the things that simply must be done. They should be first-up when it comes to time management, and they must have undivided attention. Multitasking sounds great, but completing these important tasks one at a time often produces better results. By combining time, strengths, and resources in focusing on a specific priority, it actually makes efforts more time efficient.

Making Effective Decisions

Executives have the responsibility of making decisions that have a significant impact on the organization and the people who work there. Decisions must be more than just problem-solving to be effective. These decisions must be based on sound principles with an understanding of how they affect the whole organization. Effective executives understand that compromises are a part of the decision-making process and that all decisions require a lot of thought on how that decision will be put into effect. Above all, decisions must be implemented and accepted before they can be effective.

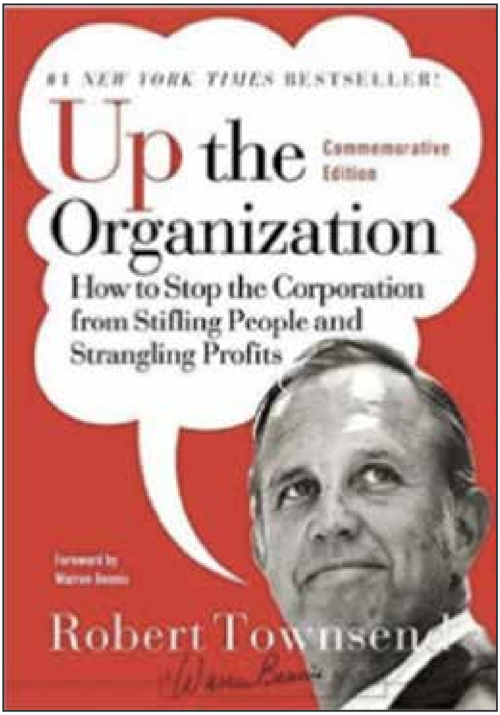
Up The Organization

By: **ROBERT C. TOWNSEND & WARREN BENNIS**

The sub-title of this book sums it up pretty well: How to stop the corporation from stifling people and strangling profits. The ideas here are irreverent, humorous, and most of all, relevant. Creativity. Initiative. Boldness. These are the qualities that most professionals wish their employees and peers possessed. But too often, these same professionals never realize that it is the company or organization itself that stifles these important qualities. This book challenges readers to humanize business by bringing out the best in the people they work with by getting out of their way.

The views here aren't in any particular order because the book is designed to serve as a way to promote thought and to question the traditional workings of business. By opening any page, readers will find useful ideas and thought-provoking observations. A typical view from the author gives a great example of the tone throughout the book. Addressing the traditional perk of upper management and reserved parking places, he says:

"Get rid of it. If you are so bloody important, be the first one at work each morning."



SUMMARY

"Most people in big companies today are administered, not led. They are treated as personnel, not people."

As long as companies treat employees as commodities instead of assets, progressive thinking and creativity will never happen. For employees to feel like they have a purpose, they need a leader who cares. For employees to feel like their contributions are appreciated, they need a leader who is involved and gives feedback. What employees DON'T need is administrators that simply police and regulate.

"If people are coming to work excited. . . if they're making mistakes freely and fearlessly. . . if they're having fun. . . if they're concentrating on doing things rather than preparing reports and going to meetings-then somewhere you have leaders."

Too often, leaders and managers are so afraid to let go of the reigns, even for a moment. They seem to think that controlling people is the same as controlling the business, but it's simply not true. Only when a manager can create an atmosphere of creativity without judgment will employees find enthusiasm in their work. Employees want to work, and they want to contribute. They don't want their manager holding their hand or standing over their shoulder. Sometimes the best thing a leader can do is to just get out of the way.

"Managers must have the discipline not to keep pulling up the flowers to see if their roots are healthy."

If an employee is performing their job well, why go digging? Some managers feel like they have to have to have their hands in everything, even when everything is going well. In the end, an employee's behaviors and results are all that really matters. Why someone does what they do, what they are thinking when they do it, and other underlying factors just aren't important when the results are there.
If it isn't broken, don't try to fix it.

"Top management is supposed to be a tree full of owls-hooting when management heads into the wrong part of the forest. I'm still unpersuaded they even know where the forest is."

Real leaders have to be involved, and they have to understand what their employees deal with on a day-to-day basis. Unfortunately, the higher the level of management or leadership, the more out of touch leaders seem to be. If employees don't have a connection with senior leaders and their vision, how can they be expected to connect with the vision of the company?

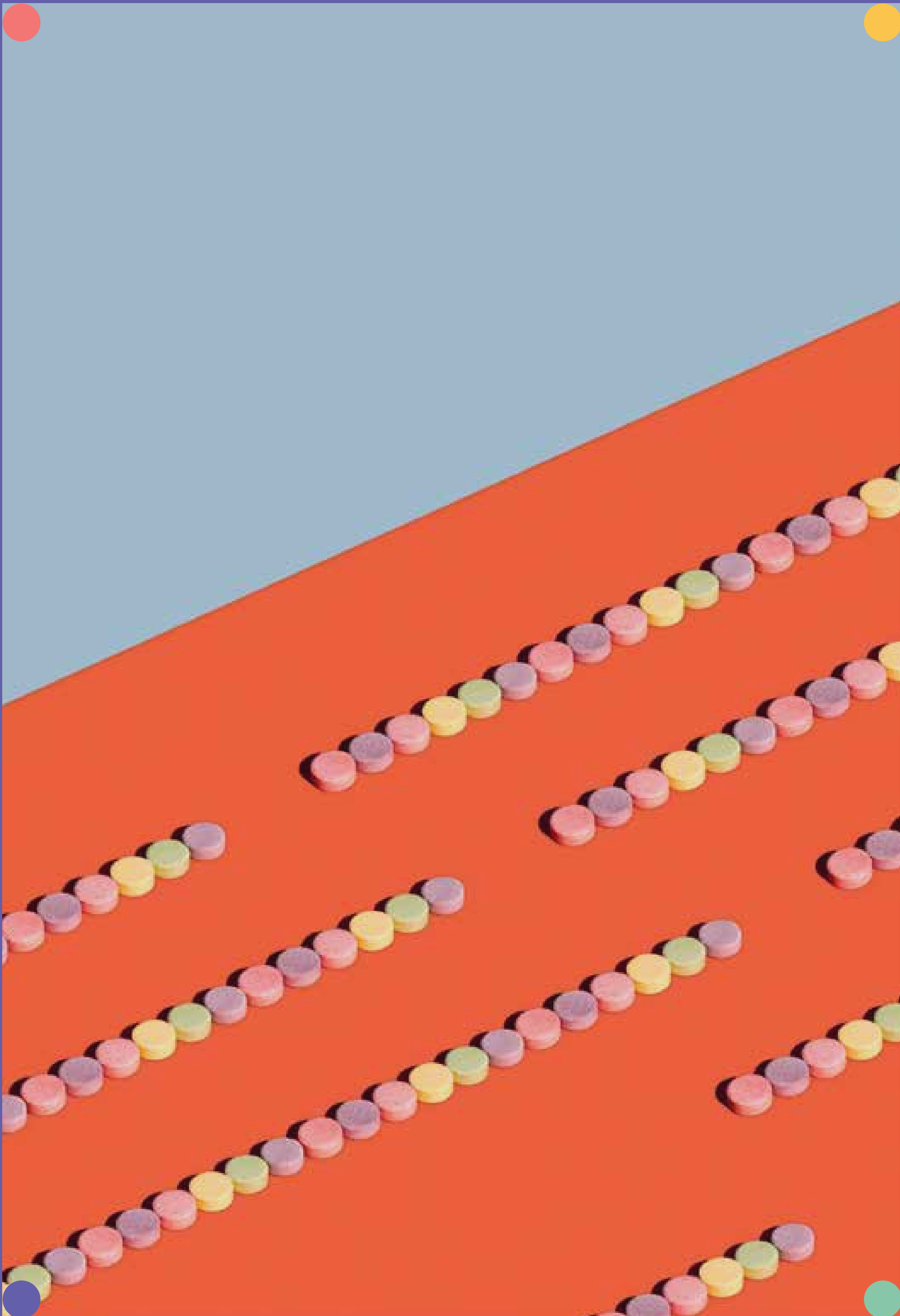


Photo by Jeff Frenette on Unsplash

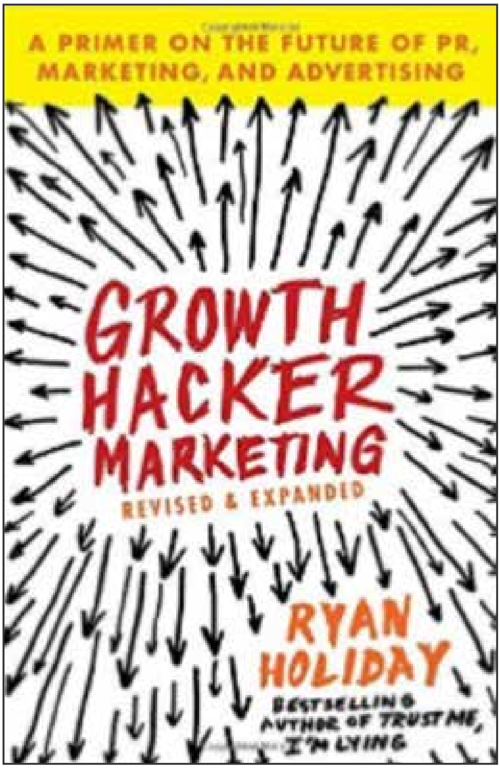
Growth Hacker Marketing

By: **RYAN HOLIDAY**

Growth hacker marketing is a concept that uses a test-and-learn method along with a process of rapid experimentation. By experimenting across marketing channels and applying the results to product development and the campaign structure, companies can quickly identify the most effective channels for marketing. Readers will learn that by experimenting, adapting, and modifying products, their marketing efforts will be more targeted and more successful.

This "hacking" approach has helped companies like Airbnb, Zappos, Uber, and many others bypass the constraints of traditional marketing. By questioning the accepted methods of marketing, these companies opened up a whole new road map to growth. Readers will learn how these businesses rapidly developed a product or service that people wanted, using experimentation and market feedback. They will learn how to create a different perspective of marketing and question common assumptions.

"The end goal of every growth hacker is to build a self-perpetuating marketing machine that reaches millions by itself."



SUMMARY

A “growth hacker” is someone who is focused on growth and uses trial and error methods to find the most effective marketing channels. Readers will learn that popular marketing trends such as “branding” may seem attractive, but they are often time-consuming and often miss the mark. Growth hacking takes a different approach by quickly getting a product or service to market, getting feedback, and modifying the product or the campaign to fit what the market wants. By validating the feedback and moving quickly, “hacking” efforts save time and work and result in a more marketable product or service.

“A growth hacker is someone who has thrown out the playbook of traditional marketing and replaced it with only what is testable, trackable, and scalable. Their tools are e-mails, pay-per-click ads, blogs, and platform APIs instead of commercials, publicity, and money.”

The book teaches readers, step-by-step, how they can become a growth hacker and break out of the traditional marketing cycle.

Step 1: It Begins with Product Market Fit (PMF)

Product market fit is the foundation of a successful growth hacking process. Readers learn that by testing what works, they can design a product that fits the market’s needs. The book outlines the keys to getting the PMF right as quickly as possible.

- Don’t start with the product, start with the press release, creating a market focus instead of a product or company focus.
- Write the FAQ. This seems like putting the cart before the horse, but it serves to keep the focus on the market and helps in defining product design.
- Now build a prototype. Then test it, modify it, test it again, and so on. Readers will learn that this hack-and-test approach can take many rounds of iteration before they find the best product or service to offer.

Step 2: Finding Your Growth Hack (Targeting the Right People)

Readers will learn that the test-and-learn approach applies to product development and in finding the most effective growth hack. Once the product from the PMF efforts is ready, it’s time to take it to market to see what channels will be the most effective. Readers will find these channels by listening to the feedback from the market. Then, they can modify the campaign using the same methods from the first step.

Step 3: Turning 1 into 2 and 2 into 4 – Going Viral

Going viral is the Holy Grail of marketing, and many marketers struggle to understand how to make it happen. Readers will learn here that there are proven methods that take some of the mystery out of this powerful marketing channel. The premise behind going viral is simply that happy customers like to talk. If companies deliver experiences that exceed expectations, it will drive word of mouth and create a viral environment. Readers will learn that this organic process can be accelerated, decreasing the time for a product to take hold. By getting a product in the hands of influencers and taking every opportunity to increase visibility, the chance of going viral increases.

Step 4: Close the Loop: Retention & Optimization

Growth hacking is not a one-and-done process. The book teaches readers that growth depends not only on getting new customers but on keeping customers coming back. Customer retention can also be one of the best ways to acquire new customers because these satisfied customers often introduce others to the product or service. A small increase in retention can create a larger increase in growth and profitability. This is why high-growth brands such as Zappos focus on innovation that creates better experiences and a better return.

"80 percent of marketers are unhappy with their ability to measure marketing return on investment (ROI). Not because the tools aren't good enough, but because they're too good, and marketers see for the first time that their marketing strategies are "often flawed and their spending is inefficient."

The founder of Zappos, Nick Swinmum, provides a simple example of growth hacking in action.

Instead of creating a product or service and then sending it out into the world to see if it worked, he took the test-and-learn approach. Swinmum's idea was to sell shoes online, and he wasn't quite sure if his idea had a market. Like a true "hacker," he decided to test the idea before investing his time and effort.

According to Swinmum, "...went to a couple of stores, took some pictures of the shoes, made a website, put them up and told the shoe store, if I sell anything, I'll come here and pay full price. They said okay, knock yourself out. So I did that, made a couple of sales." This simple step gave Nick the feedback he needed to validate his idea as something worth pursuing. By testing his idea and learning from his little experiment, Swinmum created the foundation for one of the most wildly successful online companies.

The growth hacking lessons readers can learn from the Zappos story is not just that the hacking methods work. It's also that one of the quickest ways to get the growth hacking strategy rolling in the right direction is by finding a way to close the gap between an idea and customer interaction. This is the key to finding the right growth hack. Too often, an idea is put into motion long before any customer interaction occurs. With growth hacking, that interaction happens as early as possible in the process and impacts everything from product development to marketing strategy.

Photo by Marten Bjork on Unsplash

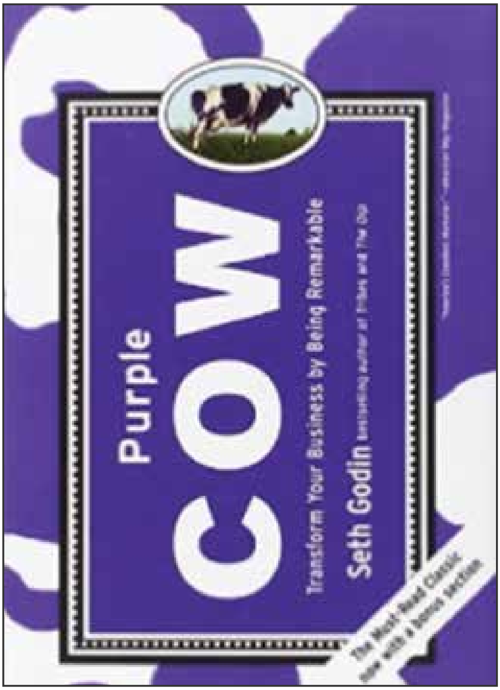
Purple Cow

By: **SETH GODIN**

So what is a purple cow? A purple cow is anything that stands out from the crowd. As the author, Seth Godin puts it, "...picture driving down a country road, with hundreds of cows, scattered across the fields. As you're driving, you notice one cow. One cow standing out from all the rest, for one reason. It has purple spots. Wouldn't that grab your attention?" Once readers understand what a purple cow is, they will see that the complete title of the book, Purple Cow: Transform Your Business By Being Remarkable says it all. Using case studies and personal observations of successful and failed marketing efforts, the book makes a good argument that traditional marketing is dead.

"In almost every market, the boring slot is filled."

The traditional 5 Ps of marketing, product, pricing, promotion, placement, and people, just aren't working anymore. The new "P," Purple Cow, teaches readers that being remarkable is what gets them noticed. Traditional marketing is the Brown Cow, boring and typical. This new approach to marketing is the Purple Cow, exciting and remarkable. Standing out in an overcrowded marketplace is something that all businesses struggle with, and once they learn how to be remarkable, they will never go back to being a Brown Cow.



SUMMARY

What Is Remarkable? — What makes a product or service worthy of remarks is what makes it remarkable. New. Different. Exciting. These are just some of things that make a product stand out. As Godin puts it, "Being safe is risky." By clinging to traditional marketing, most companies may feel safe, but they are at risk. This book teaches that taking the risk to be remarkable is the safest way to succeed. Godin gives some good examples of products and services worth talking about. Sam Adams, Jet Blue, and Starbucks are all remarkable. They are exceptional and worth noticing.

"In a crowded marketplace, fitting in is failing. In a busy marketplace, not standing out is the same as being invisible."

Why Be Remarkable? — Remarkable products and services get noticed. They are worth talking about and sharing. Being remarkable fits right in with the explosion of social media and the changing face of information sharing. Being different gets you noticed. Customers just don't have the time to pay attention to advertising, but they will pay attention to remarkable.

How to Be Remarkable — Purple Cow explains what remarkable means and why businesses need to be remarkable. But it also teaches how to pull it off, with plenty of case studies and stories. Brown Cows focus on the masses. Purple Cows focus on making products and services that Godin calls "idea viruses." Readers will learn that if they create something remarkable aimed at early adopters, or as Godin calls them "sneezers," their product or service will be shared and talked about.

"It is useless to advertise to anyone except interested sneezers with influence."

That means making something that the "right" people notice and share because that Purple Cow is just so awesome! Godin admits that there is no guarantee that a Purple Cow will work because it may not be remarkable enough or it might be too risky. But that's the whole point. It's the unpredictability that makes the Purple Cow work. That's what makes it remarkable.

Photo by Joseph Chan on Unsplash

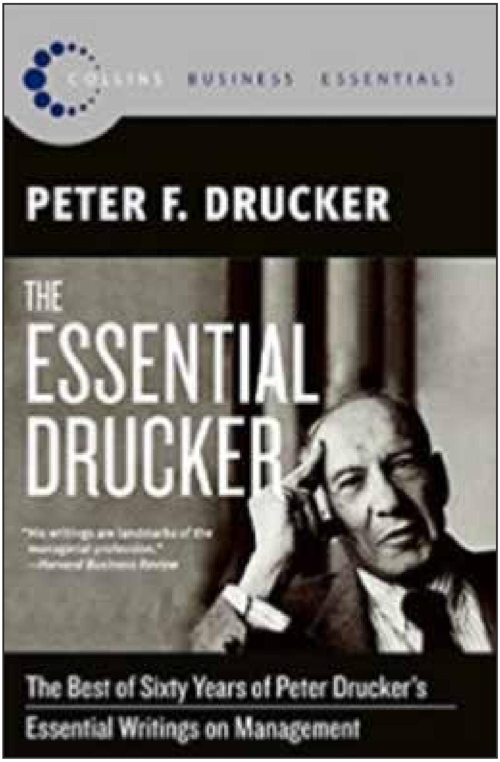
The Essential Drucker

By: **PETER F. DRUCKER**

Most of the traditional management theories practiced today can somehow be tied to Peter Drucker. Many readers will be familiar with his work, and this book is filled with some of the very best of his theories on management. Readers will find that many of these practices are familiar, but by learning or relearning these proven theories and putting them into practice, readers will have a reliable foundation for effective business management.

"Management is doing things right; leadership is doing the right things."

The lessons in this book all revolve around the view that the manager is the foundation of every business and is essential to its success. The theories taught here will give readers an understanding of how to set clear objectives and measures that are proven to work. Readers will learn how to be the most effective in managing the business, managing other managers, and managing subordinates.



SUMMARY

Readers won't find any flash or fluff in this book. No cutting edge technology, no new-age thinking. Only proven practices for running an effective business. Being an essential compilation of decades of work, the book covers a lot of ground from teaching the basics of management to innovation and marketing. But the most valuable lessons here for readers are some of the most basic, but effective, tenets of effective management that are as relative today as they were 40 years ago.

Sales and Marketing

- The purpose of a business is to create and serve a customer.
- The result of a business is a satisfied customer.
- What does the customer want to buy?
- What are the satisfactions that the customer looks for, values and needs?

Many readers will see these points as common knowledge. But by revisiting these familiar themes, and learning why they work and how they are used effectively should be of value to any reader. Professional basketball players certainly know how to play the game, but the best ones practice the fundamentals over and over. Professional business management is no different.

"Every enterprise is a learning and teaching institution. Training and development must be built into it on all levels—training and development that never stop."

Human Resources

- The first sign of decline in an industry is the loss of appeal to qualified, able and ambitious people.
- One does not manage people: the task is to lead people; and the goal is to make productive the specific strengths and knowledge of each individual.
- Workers need motivation; motivation comes from having a "challenge."
- Pick people well: the decisions about people are the most important ones.

A lot of readers will probably think, again, that much of this is common sense, that they have heard similar advice over and over. But that is the point. These basic elements get repeated because they work and because it's a rare business or manager that can honestly say they follow these proven rules of business consistently. This book will get readers back to the basics they may have forgotten, or "forgotten" to use!

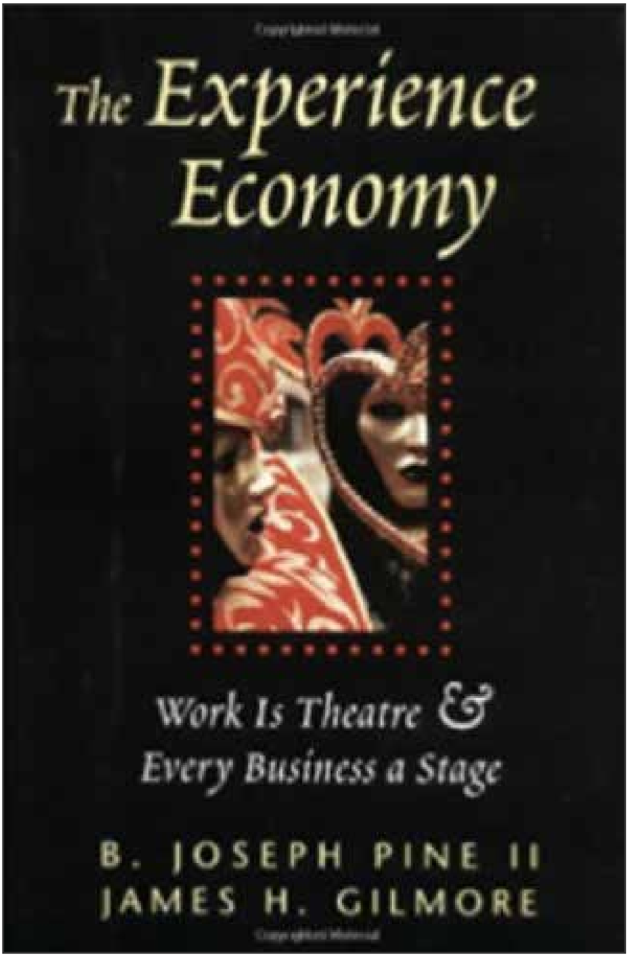
Readers will learn about strategy, individual success, and time management. They will learn effective lessons in communication and leadership. But most of all, readers will learn how to keep things running smoothly, keep employees and customers happy, and what keeps a business on solid ground.

Photo by Adrien Olichon on Unsplash

The Experience Economy

By: **B. JOSEPH PINE II & JAMES H. GILMORE**

By customizing each part of a customer experience, a product or service increases in value. Using key points from theater and stage, the book teaches readers how to make each step in the customer experience a bit like a mini-performance. The Experience Economy is the new state of the business marketing and readers will learn how to turn their product or service into an experience instead of just another commodity.



SUMMARY

The authors describe their concept as "Companies stage meaningful events to engage customers in a memorable and personal way."

The Experience Economy isn't just about adding value; it's about transformation. The example of how the Rawlings company transformed baseball is a good way for readers to understand this game-changing concept. For a company that is the exclusive baseball manufacturer to the Major Leagues, the thought of improving upon a seemingly perfect product seems like a waste of time. But Rawlings realized that most of its customers aren't Major League players, they are people who enjoy baseball and a good game of catch.

By rethinking the simple baseball, and the customers who buy it, Rawlings designed a baseball called the "radar ball." Using simple information technology, they created a baseball with a microchip that digitally shows how fast the ball is thrown after each throw. The result is a fun, inexpensive alternative to costly radar guns. But more importantly, Rawlings found a way to increase social interaction, taking a game of catch to a different level and creating a different experience.

Readers will learn the principles used in successful transformations, such as Rawling's, and learn to create their own product transformations. Using the four tenets of theater, the book teaches readers how theatrical principles apply to the business world to create new and different experiences.

- Platform Theater — The most traditional type of theater, Platform Theater is typically a staged performance with a set script. In the business world, this would work well in presentations and advertising to create a specific experience.
- Street Theater — Think of mimes and jugglers. The script stays the same, but the audience is constantly changing. This type of theater brings the experience of excitement to product launches, public meetings, and any other venue where the goal is to create some buzz.
- Matching Theater — Television shows and movies are shot at different times and in different locations and then edited to form a consistent presentation with a common theme. Successful customer experiences require that same consistency from each department and each person they interact with in a company.
- Improv Theater — Just like an unrehearsed comedy sketch, Improv Theater is all about "winging it" while performing for an interactive audience. Creative meetings, telephone interviews, and other similar situations in business require this quick thinking to keep the customer experience consistent.

In the competitive world of commodities, a good product and good service just don't cut it anymore. Readers of this book will learn how to stand out in a crowded marketplace by focusing on the customer experience and bringing out their inner showmanship.

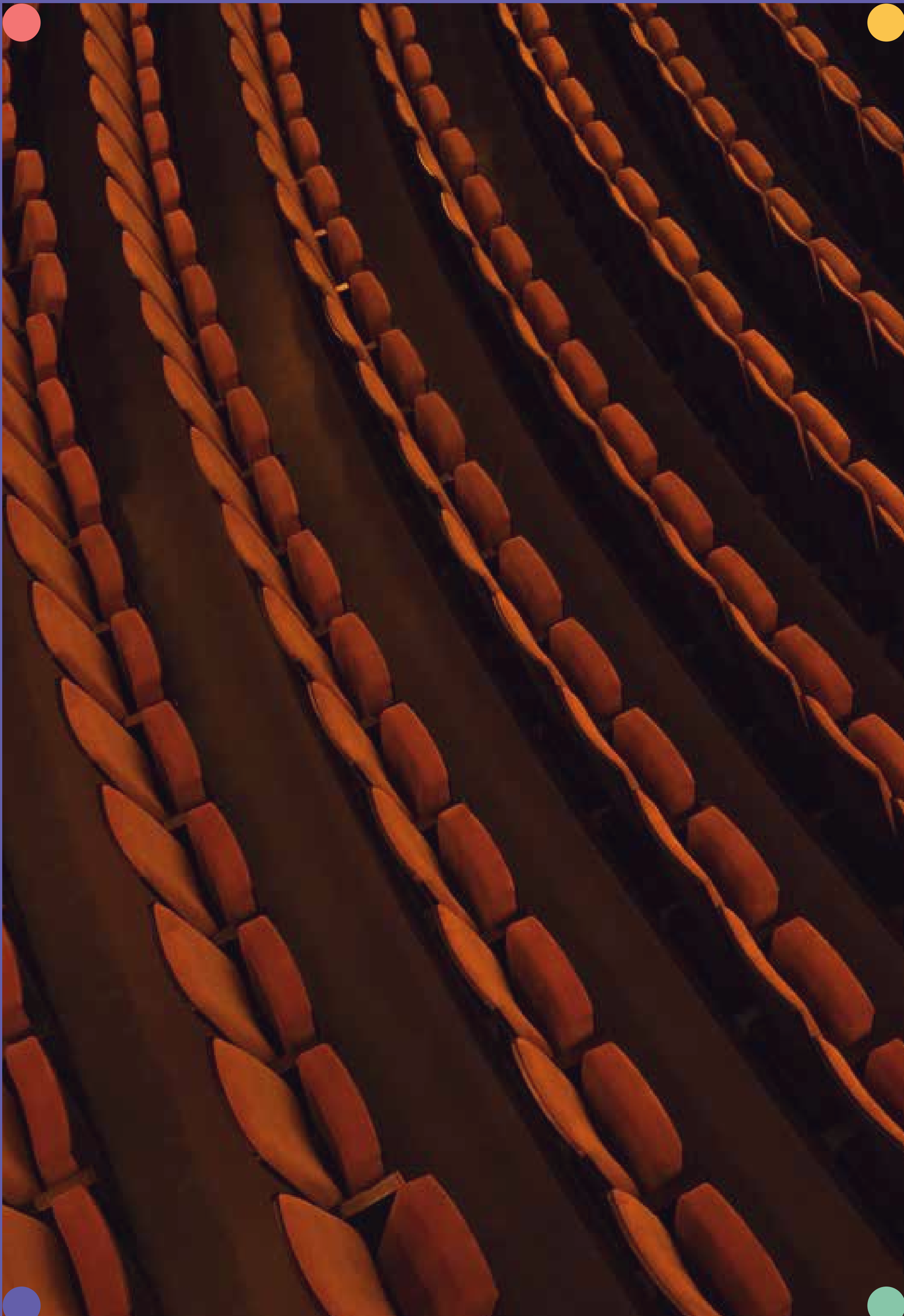
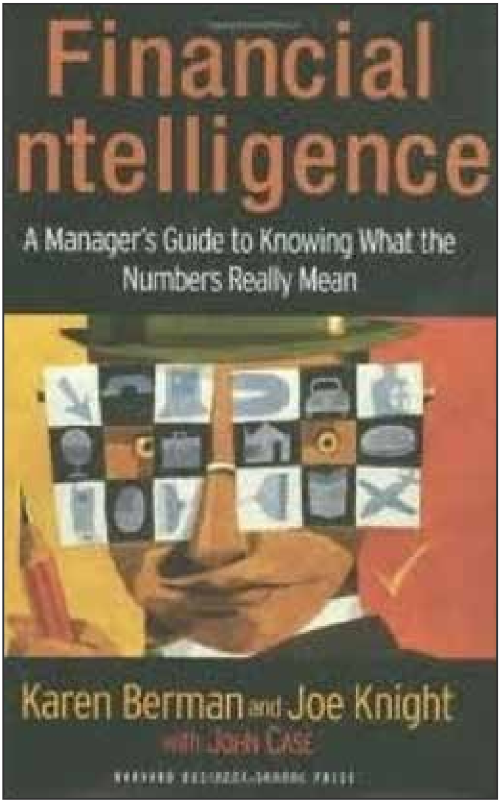


Photo by Dynamic Wang on Unsplash

Financial Intelligence: ... Knowing What the Numbers Really Mean

By: **KAREN BERMAN & JOE KNIGHT**

Financial statements do not always tell the entire story about a company. Accounting methods and financial reporting require an executive to decipher the red tape, look beyond what is on the printed page and make decisions that will affect the bottom line. Financial Intelligence gives non-financial managers the financial knowledge and confidence for their everyday work.



SUMMARY

Accounting and finance, like many other business disciplines, really are as much art as they are science. You might call this the CFO's or the controller's hidden secret, except that it isn't really a secret, it's a widely acknowledged truth that everyone in finance knows. And that is where the trouble begins for many executives and other business professionals who work in the finance sector. In other words, most people forget that nugget of intelligence, and make the mistake of believing that if a number shows up on a financial statement or in a financial report to management, it must be accurate and true.

Finance is the language of business. Whether readers like it or not, the one thing every organization has in common is numbers and how those numbers are tabulated, analyzed, and reported. Readers will quickly learn that financial terms, like language, needs to be taken seriously and communicated effectively. As with any new language, one can't expect to speak it fluently at first. This book teaches the basics to the reader and will guide them to a path to gain confidence with time.

The book captures your attention from the moment you begin to read Chapter One's You Can't Always Trust the Numbers. Headlines throughout the past few decades have told horror stories about corporations that have "tweaked" the books just enough to make it look like they were in the black and doing fine… but in reality they were just one step away from financial disaster. Remember the Enron story? It took years for accountants and prosecutors to sort out all of that ill-fated company's spurious transactions

Companies expect managers to use financial data to allocate resources and run their departments. But many managers can't read a balance sheet, or recognize a liquidity ratio, or even calculate return on investment. Worse, they don't have any idea where the numbers come from or how reliable they really are. This book, will teach the reader how to recognize the good, the bad and the ugly.

Some of the other topics covered in this book include cash management, financial statements, financial reporting, equity, asset allocation and much more.

The authors use language that is straight to the point and easy to understand. With no technical jargon to keep the reader confused. Financial Intelligence also offers practical strategies that will help improve a company's performance. Readers will also find entertaining stories about real companies and they issues and struggles they had to overcome in order to be successful.

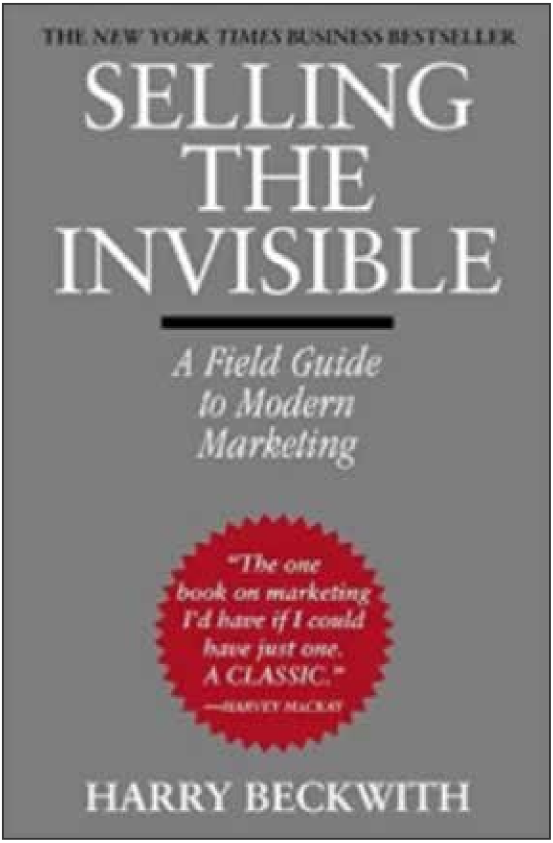
Photo by Annie Spratt on Unsplash

(S96)

Selling the Invisible

By: **HARRY BECKWITH**

Service companies often struggle with marketing efforts because their "product" is not a physical thing. Services are abstract and their effectiveness and value are hard to measure from a customer point of view. Harry Beckwith explains that marketing and selling a service requires a completely different approach than marketing and selling a physical product. Though Selling the Invisible contains "how-to" sections, such as "Quick Fixes", it is more of a "how-to-think-about book." Using entertaining and revealing stories from major corporations and artists to provide examples and drive home key points, Beckwith delivers effective tips and reminders that help service companies begin to think differently and grow their business.



SUMMARY

The approach of learning how to think, as opposed to learning simply what to do, is the foundation of the book and is what makes it so refreshing and effective. Beckwith clearly outlines the foundation for this "how-to-think" approach with specific questions such as "What am I good at?" and specific exercises such as defining a service, understanding prospects, and understanding a customer's buying behavior. While much of the material in the book will not be seen as particularly new or ground-breaking, it's the way the material entices readers to look at these effective marketing elements with a different, creative view, that makes the material so valuable.

While readers will find the traditional marketing elements such as product, promotion, place, and price – the focus of Selling the Invisible is on how customer service and relationships impact sales. From how to use customer complaints to improve a service and better position that service, to more clearly defining a service and the targeted customers, the material Beckwith presents will surely create some "aha" moments, if not a genuine epiphany!

The early chapters of the book, such as "Surveying and Research: Even Your Best Friends Won't Tell You" and "Marketing is Not a Department" focus on learning how to objectively think about the effectiveness of current marketing efforts. From assuming that current service levels are inadequate to realizing that everything a company does is marketing, the emphasis here is to help companies realize what a valuable resource their customers are in better defining, and presenting, the services being offered.

Later chapters such as "Planning: The Eighteen Fallacies", "Anchors, Warts, and American Express: How Prospects Think", and "The More You Say, the Less People Hear: Positioning and Focus" continue the "how-to-think" approach by questioning traditional marketing staples and learning how to find effective alternatives. These chapters help readers better understand how the right thought processes and the right questions often reveal opportunities and issues that may have gone unnoticed with a more traditional marketing approach.

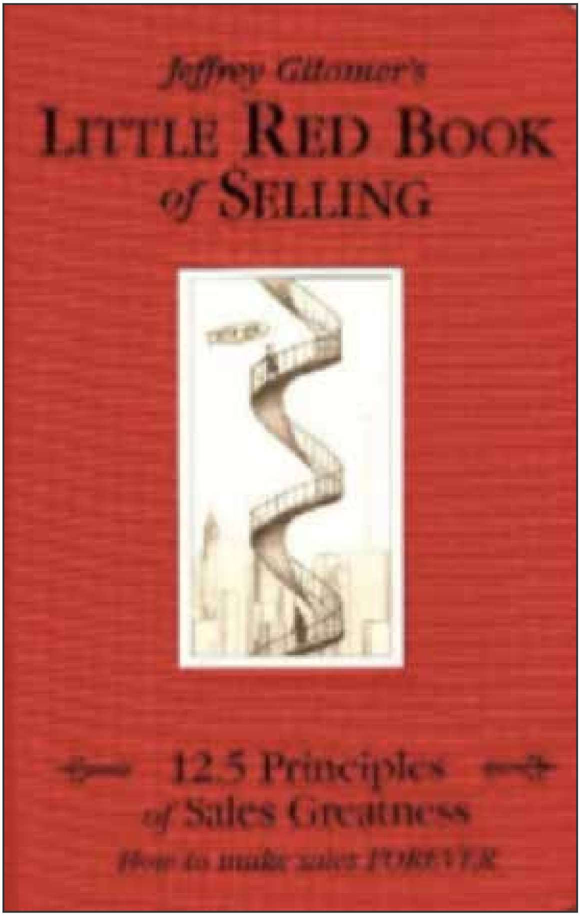
The final chapters in the book focus on the importance of rethinking pricing, branding, selling, and keeping customers happy. These final chapters bring everything together with concrete exercises, many of which challenge conventional marketing techniques, and provide readers with an opportunity to put their new "thinking" skills to work. Because of the fresh, thought-provoking approach to marketing and selling the "invisible," the book will be a valuable resource for any service provider. With an open mind and the desire to put the lessons learned into action, they could transform how their service is marketed and create more value for their customers and more growth for their company.

Photo by Ruslan Bardash on Unsplash

Little Red Book of Selling

By: **JEFFREY GITOMER**

People will only do business with others once they know them, like them, and trust them. They will buy the salesperson first, way before they even consider what it is that they're selling. The Little Red Book of Selling teaches salespeople—or anyone for that matter—how to win the sale by getting their prospects to value "them" before they value the product or service.



SUMMARY

The Little Red Book of Selling is like a pocket-reference guide for the salesperson who wants to learn how to sell their most important product of all—themselves. This book gives the reader 12.5 principles to improve selling themselves. There are at least three principles the author repeats, in one form or another, throughout the book. One principle is being prepared for the sale. Another is about creating value for the customer. The last is about engaging the customer in a way so they'll feel fully convinced that the product or service is for them.

- Prepare to Win or Lose to Someone Else — This section is about knowing the customer as well as the product being sold. Most salespeople tend to meet with the customer and then have them talk about their own business. The author specifies that a salesperson should take the time to do their own preliminary research on their prospects' businesses to learn how to gage what it is that they're selling, so that it better fits their customer needs. The most prepared salesperson wins, the underprepared looks like an amateur.
- It's All About Value, Not Price — Many salespeople have an issue with giving away free time. If a customer is shown that they are valued by the salesperson that takes the proper time to educate them on why their product is worth more than its sales price, then they will create value for the customer. The customer's perceived value and actual price is not the same. The salesperson can also become an influencer in their space to create value. Networking, giving speeches, posting informative videos, and educating others about their product's benefits and advantages will put them at the top of their field.
- Engage Me and Make Me Convince Myself — One of the best ways to establish rapport and get others to talk about themselves is by asking the right, probing questions. Most salespeople tend to rant continuously about their product and their company without taking time to listen to the customer's needs. If the customer is engaged by a salesperson asking the right questions, then they will reveal everything that salesperson needs to know in order to convince them of why their product is the perfect fit.

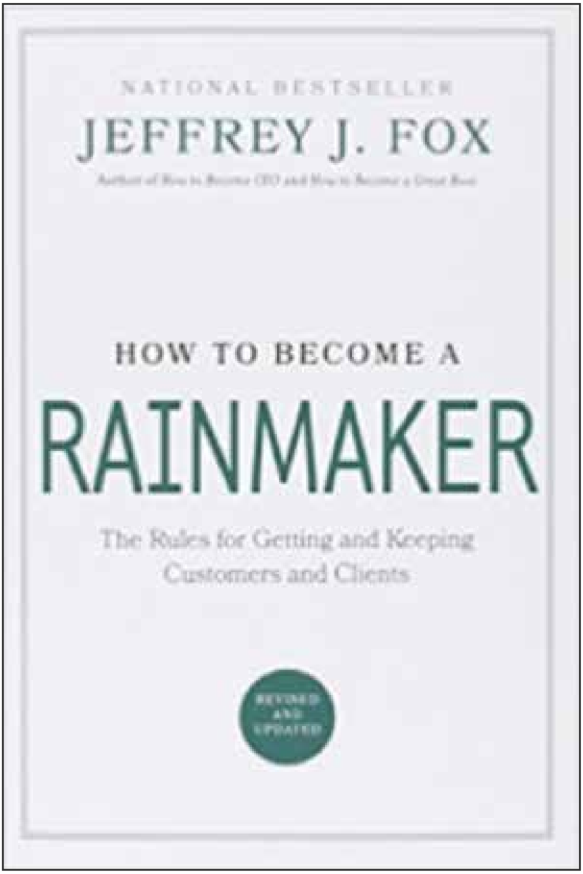
The Little Red Book of Selling digs into the psychology of sales and informs salespeople that they don't really know what the customer wants until they've asked. It's not about the product or its features. It's about how the product can benefit the customer. It isn't until the customer is sold on the fact that the salesperson is even genuinely interested in their needs that the "know, like, and trust" factor takes place. Once that happens, they will be sold. People buy people first and their product or service second.

Photo by Nathan Dumlao on Unsplash

How to Become a Rainmaker

By: **JEFFREY J. FOX**

A rainmaker is anyone who creates revenue for a company, particularly in sales. Jeffrey Fox's How to Become a Rainmaker teaches anyone how to make it rain. With short, to-the-point chapters filled with practical advice and humor, Fox teaches effective selling techniques that are easy to apply immediately. While much of the advice may seem like common sense, the book offers proven techniques that will help new and experienced salespeople improve their sales. From practical planning to professional attire, the focus of each technique is always on the customer and how to keep them happy. Common sense or not, the advice in this book works.



SUMMARY

Common sense isn't always so common and the advice here serves as a reminder of how important the basics really are. Readers appreciate the straightforward approach of the book and often find that they are "guilty" of not using some of the most basic techniques for sales. These reminders help seasoned salespeople get back to proven tactics and create a solid foundation for people new to sales. From planning to sales meetings, the techniques drive home the "customer first" mentality.

Of all the advice in this book, it's the "Rainmaker's Credo" that offers some of the best "common sense" practices to increase sales. These tips alone will help anyone that deals with customers.

- Cherish customers at all times.
- Treat customers as you would your best friend.
- Listen to customers and decipher their needs.
- Make (or give) customers what they need.
- Price your product to its dollarized value.
- Show customers the dollarized value of what they will get.
- Teach customers to want what they need.
- Make your product the way customers want it.
- Get your product to your customers when they want it.
- Give your customers a little extra more than they expect.
- Remind customers of the dollarized value they received.
- Thank each customer sincerely and often.
- Make it easy for customers to pay you so they won't go somewhere else.
- Ask to do it again.

Much of this credo will be familiar to most readers. It's familiar because it works and most readers will find at least one or two of these that they are "guilty" of not using consistently.

These best practices teach readers how to create a great customer experience that leads to sales. Other sections in the book teach readers how to get in front of that customer. For helping sales people stay organized and on track, Fox offers an easy-to-use checklist called the "4 point daily plan." The plan creates a practical way to measure sales progress. The goal of this simple plan is to get 4 points every day. One point is won for getting a referral or lead. Another point is won by getting an appointment with a decision maker. The third point is won by meeting the decision maker and, you guessed it, the fourth point is won by getting a commitment to close the deal. Simple, measurable and effective.

If you want to learn effective selling or get back to the basics of successful selling, How to Become a Rainmaker will get you there and serve as a go-to guide for a successful sales career.

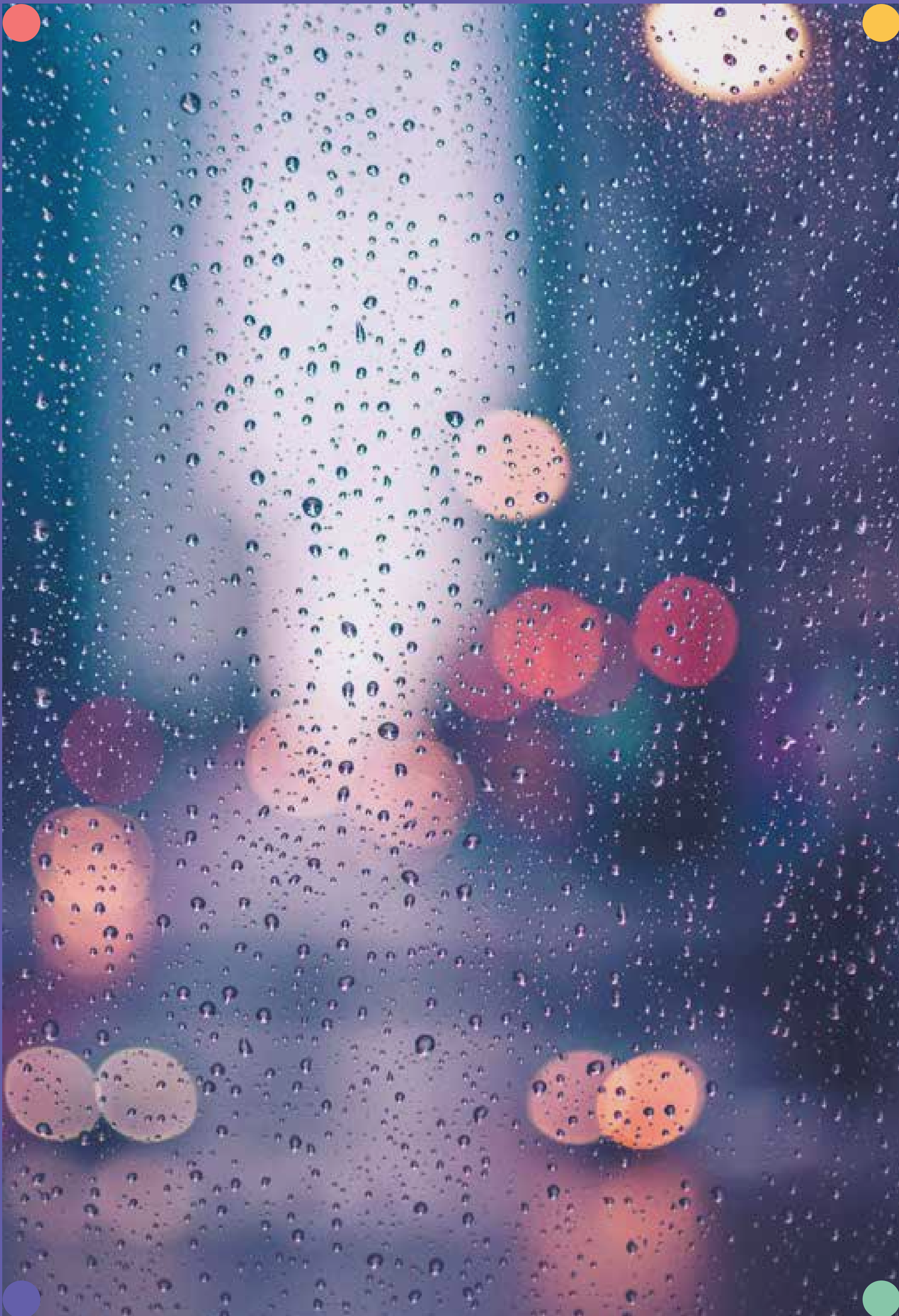


Photo by Max Bender on Unsplash

The Tipping Point

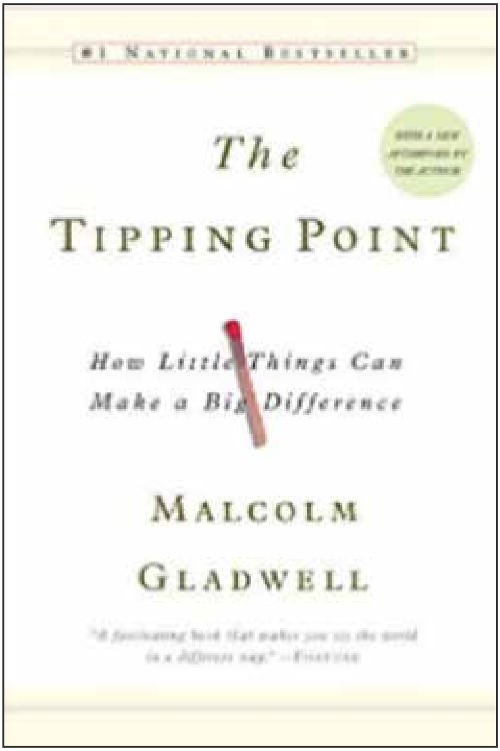
By: **MALCOLM GLADWELL**

The Tipping Point is described by the author as “That magic moment when an idea, trend or social behavior crosses a threshold, tips, and spreads like wildfire.” The book gives the reader some great examples of how trends take off using the analogy of how epidemics spread.

“...ideas and products and messages and behaviors spread just like viruses do.”

The book explains how a product or service’s popularity can spread just like an epidemic of a disease with three principles:

- Contagiousness
- Little causes have big effects
- Change can happen in a single moment



SUMMARY

While the book focuses a lot on this analogy and presents case studies of these social epidemics, the biggest lessons here are about human behavior. Knowing why and how a social epidemic happens gives readers an effective tool for competing in the marketplace. The three rules of epidemics break down the concept for a good understanding of how all this works.

"...the success of any kind of social epidemic is heavily dependent on the involvement of people with a particular and rare set of social gifts."

The Law of the Few — Readers learn here that certain people can jump-start an epidemic.

- Connectors. These are the influential types who are very active in social media and other networks. They spread the word.
- Mavens. These people are the ones who focus on a specific niche. They love being the "know it all," and they love to talk about it.
- Salesmen. These champions of an idea or product have the skill to convince and persuade. They can point out the benefits.

The Law of the Few teaches readers that specific people have the skills to launch a social epidemic. Understanding these skills and finding the people who have them can make all the difference.

"There is a simple way to package information that, under the right circumstances, can make it irresistible. All you have to do is find it."

The Stickiness Factor

Some ideas stick, and some don't. This section explains why. It also explains how to make an idea or product "stickier." Using examples that explain why one idea takes hold while a seemingly similar idea doesn't, readers learn how to make their idea stick and spread.

There is a fine line between having an idea embraced or dismissed. Readers learn here how to tip the scales in their favor and be on the right side of that line. The Stickiness Factor teaches readers that understanding their customers or audience will help them find those sticking points that make their idea take hold.

"The key to getting people to change their behavior, in other words, sometimes lies with the smallest details of their immediate situation."

The Power of Context

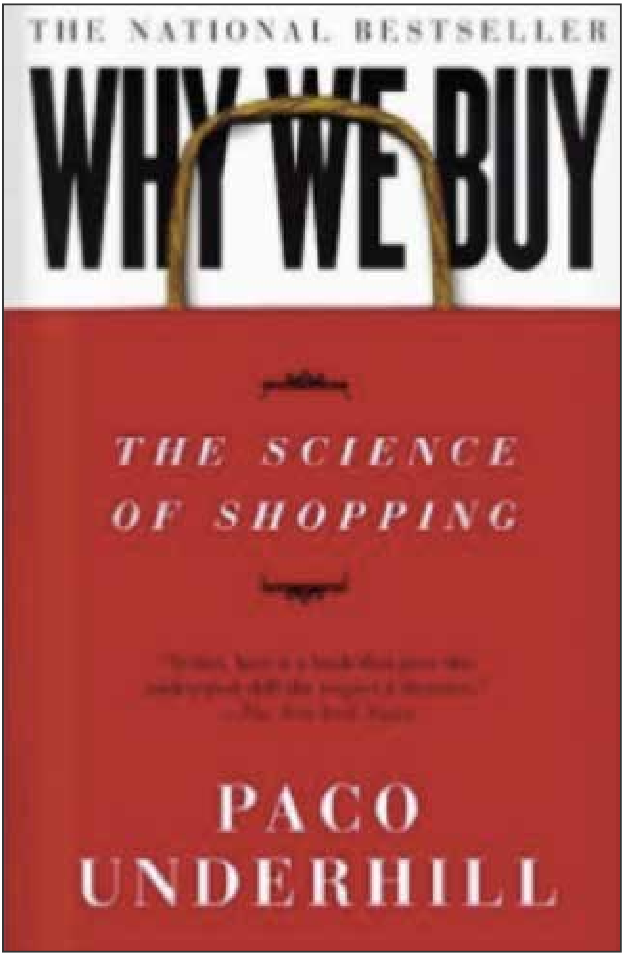
Epidemics depend on the conditions and circumstances of the times and places in which they occur. Certain people are more sensitive to their environment, and that affects their behavior. Readers learn that subtle changes can have a big impact when they happen in the right context. Readers can think of the old adage, “the right place at the right time” and they will understand the foundation of this rule.

While The Power of Context teaches that people’s environment influences their behavior more than anything else, the idea may not be as radical as some readers see it. Especially today, when people have a large number of “peers” with social media and more access to the world around them, it’s pretty easy to make the case for the power of environment and The Power of Context.

Why We Buy

By: **PACO UNDERHILL**

Why We Buy is filled with decades of research into customer behaviors. By watching customers as they move through stores, Underhill has been able to come up with good advice backed by science. Marketers and retailers will find information from merchandising to statistics and learn exactly how customers behave when they shop. Readers will learn how long customers stay in stores and how to increase that amount of time, resulting in more sales. Most of all, they will learn how to use this advice to turn browsers into buyers.



SUMMARY

Filled with research results like "21% of browsers will buy a computer on Saturday at 5 o'clock", Why We Buy explains the psychology of shopping and how to use it to get more sales. The book is laid out in three sections. The first section is about the mechanics of shopping and what customers expect in a store layout. The second section focuses on demographics. The shopping behaviors of men, women, children, and seniors are all different, and this section explains why. Retailers can use this information to make buying easy for each group. The third section is about the dynamics of shopping, from product placement to standing in line.

Mechanics. The longer customers spend in a store, the more likely they are to buy. This section teaches how to keep them in the store longer by creating a comfortable place to shop. Narrow aisles may seem to be making the most of the space available, but the "butt brush" effect, where customers are just too close to be comfortable, says otherwise. Having seating for customers may seem like an extra expense, but Why We Buy proves that having somewhere to sit down keeps customers in the store longer. From the parking lot to the back of the store, the mechanics of shopping tells retailers a lot about how customers feel when they are in a store.

Demographics. People shop in many different ways, and this section teaches what to do about it. Women spend the most time in a store when they are with another woman and the least amount of time when they are with a man. This kind of information gives retailers a chance to see where they can improve for customer groups. Retailers will learn not only how each group shops differently, they will also learn what each group wants. Retailers who understand what their customers want will have an almost foolproof checklist for creating a personalized shopping experience for each customer and increase sales.

Dynamics. Much of this section relates to the other two by teaching retailers how customers see the overall store environment. This section talks about the 'sensual shopper' and teaches retailers how to appeal to as many senses as possible for more sales. Examples like the smell of fresh baked bread sells more bread, provide retailers with an opportunity to find 'sensual' shortcomings and fix them. Waiting in line can ruin an otherwise great shopping experience and this section teaches retailers how to use distractions to make it easier. These, and other practical approaches, teach retailers how to effectively "market" to all five senses.

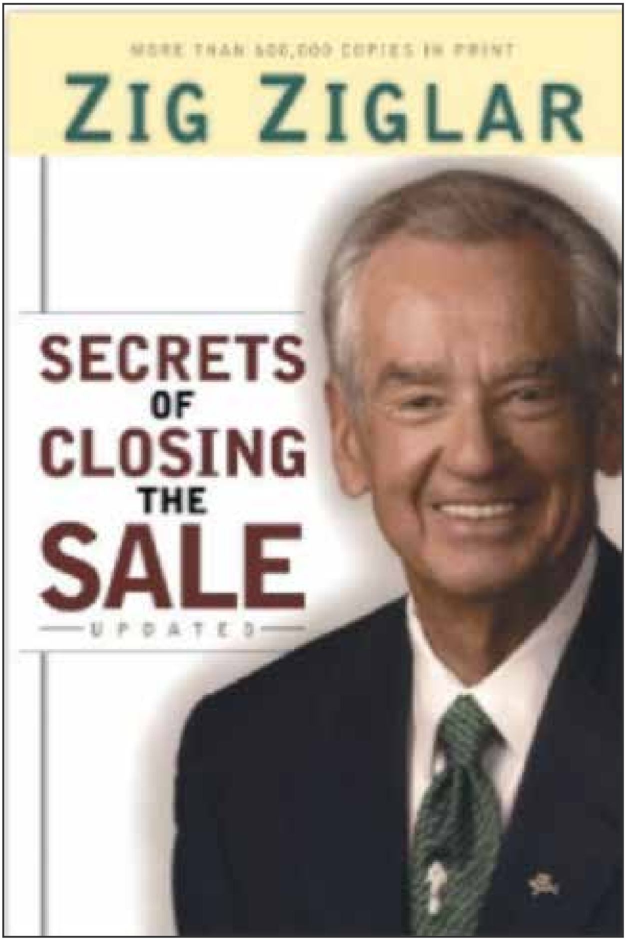
Why We Buy reveals the science of customer behavior, but most of all, it teaches retailers how to make buying as easy as possible for their customers.

Photo by Christopher Vega on Unsplash

Secrets of Closing the Sale

By: **ZIG ZIGLAR**

Knowing how to sell is like possessing one of the rarest commodities on Earth. Most of us just don't realize how persuasive we must be on a daily basis. *Secrets of Closing the Sale explains that "everybody is a salesperson and everything is selling."* We sell our employer on hiring us. We sell our kids on doing well in school and going to college. We even sell ourselves on who we are and what we want to become. How well we carry out the strategies Zig has set before us in his book will ultimately determine how successful we are in getting what we want in life.



SUMMARY

What is selling? What is closing? What is the difference? Selling is when goods or services are proposed in exchange for money. Closing, on the other hand, doesn't happen until the end of this process when you actually "ask" the customer or client for their business. In turn, if you're presenting a product or service to a customer that is not handing you money, you're only selling—not closing. You may have informed and educated the prospect well, but they will not buy what you're selling if you cannot close them.

Most salespeople are unable to close because they do not understand the concept of closing. There are specific steps that need to be followed in order for one to successfully close a sale. The art of selling is psychological. The author demonstrates this in his book by telling a story when he and his wife were going house hunting. She had showed him a house that she fell in love with and could not stop raving about, but it was too expensive for their means. Knowing this, he did not want to view the inside. However, his wife eventually convinced him, as they both agreed that it would only be for show. When they arrived the following day to meet the realtor, he had suddenly realized that he had made a big mistake going there. The house was so beautiful that it created this overwhelming desire in him to purchase it. He then immediately began acting disinterested to protect himself from getting too excited about something he could not afford.

This is the psyche of most customers of whom you want to sell your product or service. Even if they know they truly need what you're offering, they may not yet be ready to buy so they will try to avoid your pitch before you get the chance to sell them. If you can better understand exactly what makes the customer shutdown, then you can better assess the situation when it happens and react accordingly.

There are critical steps in the this process. One of the most crucial steps is believing in the product or service that you are selling. If you don't, the prospect will sense it and will not believe in it either. Believing in your product and keeping a positive mental attitude will go a long way and it makes all the difference in selling. Your attitude will affect the emotions of others. The author says you can educate a person with logic, but you can only move them to make a buying decision by the way they feel.

Secrets of Closing the Sale exposes many great tips like these and more. Closing the sale is essential, as every other step in the selling process, but if any one step is left out or done incorrectly it can lead to an uninformed, dissatisfied customer; or worse yet, no customer at all.

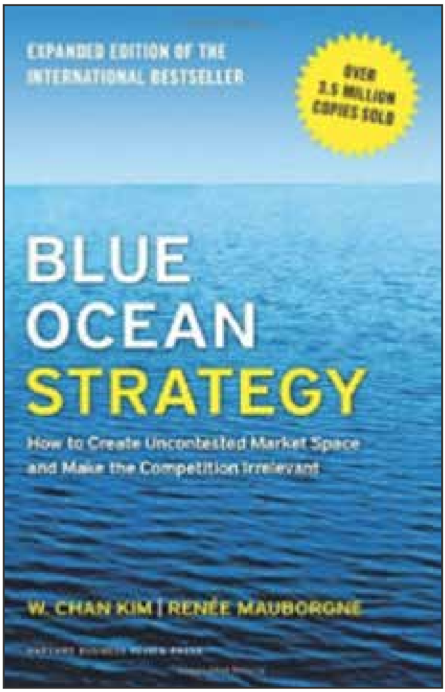
Blue Ocean Strategy

By: **W. CHAN & RENÉE MAUBORGNE**

This book challenges readers to rethink traditional incremental innovation approaches. Typically, head-to-head competition is the norm for increasing market share, but this book teaches readers that there is a better way to compete and win. Based on a study of 150 strategies in 30 industries, the authors make their case for using innovation instead of fighting for position in a competitive market. Readers will learn that strategic success depends on creating a "blue ocean," a market space that is uncrowded and primed for growth, by investing in innovation that brings more value to customers.

"Blue ocean strategy challenges companies to break out of the red ocean of bloody competition by creating uncontested market space that makes the competition irrelevant."

In creating this blue ocean, readers can avoid fighting for incremental competitive advantage and market share in what the authors call "the red ocean." Red oceans are the overcrowded, bloody, cutthroat arenas where companies struggle to stand out and compete amidst shrinking profits. Readers will learn that this approach inhibits value innovation, causes price wars, and limits profit margins, creating a marketplace that prevents sustainable, profitable growth. By creating and capturing their blue ocean, readers can get out of the red ocean and stand out by focusing on innovation that creates a whole new market.



SUMMARY

The blue ocean strategy is based on the alignment of the three strategy positions of value, profit, and people. Readers will find that this approach of value innovation, a process where a company introduces new technologies designed to achieve both product differentiation and low costs, is far more effective than merely pursuing innovation for its own sake. By creating a demand, rather than competing for limited demand, companies can stop fighting a fight they have little chance of winning.

> *"Value innovation requires companies to orient the whole system toward achieving a leap in value for both buyers and themselves."*

The systematic approach of the blue ocean strategy is founded on principles that can create a great leap in value that can make competitors irrelevant. The principles are comprehensive, easy to learn, and easy to implement for a new start-up or an existing business that wants to push the boundaries in a red ocean within their industry. Blue ocean strategy provides a clear four-step process to help readers redesign their market.

Step 1 — Reconstruct the market boundaries. This step involves rethinking assumptions about the size and scope of a particular market. By understanding where the competition is operating and what they offer, readers can find opportunities to create a blue ocean for their business. A prime example of this type of thinking is the consistent growth of the grocery chain Aldi in Australia. By challenging the assumption that they had to compete directly with their established competitors, Aldi found their niche by offering about half of the lines of products that were typically offered. This value innovation approach resulted in the chain opening an average of 30 new stores annually.

Step 2 — Focus on the big picture, not the numbers. By using a strategy canvas, a central diagnostic tool and an action framework developed by the authors for building a compelling blue ocean strategy, readers can determine the demand of a particular niche. It graphically represents, in one simple picture, the current strategies and potential prospects for a company.

Step 3 — Reach beyond existing demand. By focusing on non-customers and why they aren't a customer yet, readers can begin to figure out what innovations would result in more value and a broader market. By challenging the assumptions of demand in their industry, companies can begin to discover ways to create demand with value innovation.

Step 4 — Get the strategic sequence right. Building a blue ocean strategy includes four keys:

- Buyer utility, the extent to which customers can see the value and ease-of-use of a product, is the foundation for creating a product or service that is unique in the marketplace.
- The pricing structure must target large consumer groups. By appealing to the largest customer base with pricing that is seen as a value, readers can differentiate

themselves and access a larger market.

- Costs of production must be low enough to ensure a healthy profit consistently. By focusing on reducing waste and increasing efficiency, the bottom line becomes healthier.
- Adoption, implementing practices that minimize customer effort and frustration, is critical in making it easy for customers to buy. By reducing or eliminating obstacles for customers, readers will find that customers are much more inclined to try a product or service.

"What are the alternative industries to your industry? Why do customers trade across them? By focusing on the key factors that lead buyers to trade across alternative industries and eliminating or reducing everything else, you can create a blue ocean of new market space."

Case Study

Cirque du Soleil, the largest theatrical producer in the world, uses circus styles from all over the world to present themes and storylines in their performances. Cirque's performances have been seen by more than 150 million people in over 300 cities since their creation twenty years ago, and their success can be attributed to creating a blue ocean. The circus industry had been steadily declining over the last few decades, and Cirque knew that it couldn't succeed by offering the traditional circus experience. Instead, they intentionally designed their performances to appeal to a completely different audience. Their target audience is adults who can, and will, pay higher prices for a unique entertainment experience.

By understanding the current state of the circus industry and rethinking the traditional circus customer, Cirque was able to create a demand for a different experience, effectively eliminating traditional competition in the industry. Using the principles of the blue ocean strategy, they were able to reinvent the circus experience and create a whole new market in a declining industry. By refusing to compete in the existing red ocean, Cirque found a profitable niche and a unique product that put them in a position of market dominance.

Key Takeaways

- Don't try to outperform competitors
- Create a new marketplace to make competitors obsolete
- Creating value innovation is the key to creating a blue ocean strategy
- Value innovation must include differentiation and cost control elements

Readers who adopt the blue ocean strategies in their own companies will find ways to finally get out of the cycle of traditional competition. They will learn how to innovate their products and services in ways that create broader demand and unique marketplaces by focusing on what customers want and making it easy for them to get it.

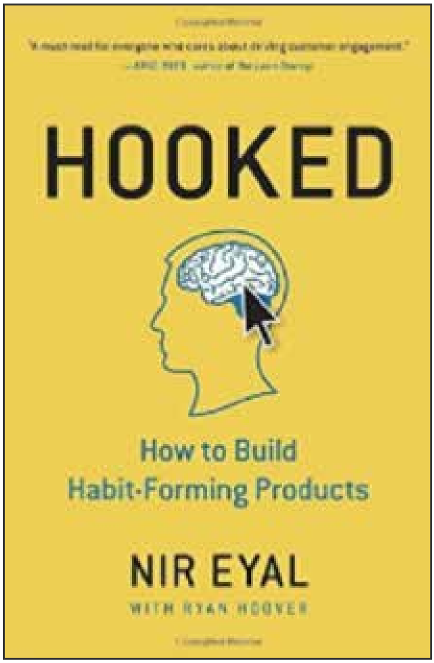
Hooked

By: **NIR EVAL**

"Hooked" is the result of the author's years of research and practical experience with consumer habits and psychology. The overall theme of the book is to teach readers how customers behave and how to influence their habits with a product. The principles taught here will benefit designers, marketers, start-up founders, and anyone else who wants to learn how to create a product that customers just can't stop using.

"79 percent of smartphone owners check their device within 15 minutes of waking up every morning."

Readers will learn why some products capture customer's imaginations and attention, while others just never get off the ground. Using proven techniques, the Hook Model is all about learning how to engage customers by creating a product that creates a habit. Readers will find case studies of how the four-step process helps to create a product that "hooks" customers. The result is a product that doesn't rely on complicated and expensive marketing but rather relies on the innate tendencies for people to form habits.



The practices outlined in the book will give readers the tools to test consumer habits, influence those habits, and, ultimately, nurture those habits. The goal is to create consistent use of a product that is self-sustaining. By using "hook cycles," these products are designed to bring users back over and over, creating a habit that becomes automatic, frequent, and permanent.

SUMMARY

This book gives readers real-world insights into creating and nurturing user habits that become almost autonomous. Readers will learn how to design and build products that customers love. The book gives examples of successfully "hooking" customers that are behind many well-known products such as Twitter, Pinterest, and Instagram. Readers will learn that by creating a product that is designed to be addictive, they can use some of the most basic tendencies of human behavior to make a product a habit.

"Reducing the thinking required to take the next action increases the likelihood of the desired behavior occurring unconsciously."

The author describes a habit as "Behaviors done with little or no conscious thought." Readers will find practical guidelines for creating these types of behaviors within the "habit zone." The "habit zone" is the place where customers form an attachment to a product without really thinking about it. By using the strategies of the Hooked Model, readers will learn step-by-step how to "hook" a customer.

Four Steps

The strategies outlined in the model follow four specific steps:

- Trigger — Readers will learn that a trigger is something that prompts a user to use a product consistently. External triggers are things like emails or texts. Internal triggers are things like checking Instagram habitually.
- Action — The key here is to increase the desired actions by making the product as easy to use as possible. At the same time, the design of the product must include incentives to increase a user's motivation to use the product again.
- Variable Reward — By varying the incentives and their frequency, readers will learn that the rewards associated with an action keep users in a sort of constant expectation. Research has proven that when people are expecting a reward, the levels of dopamine increase. Increased levels of dopamine simply make people feel good, and this good feeling must be repeated to keep users "hooked."
- Investment — Readers will learn that this step is all about getting the user involved. Whether it's referring a friend, being introduced to new features, or being asked to provide feedback, creating a greater investment from the user keeps the habit alive.

"Instead of relying on expensive marketing, habit-forming companies link their services to the users' daily routines and emotions."

Any company that builds strong user habits will see a direct impact on the bottom line. The key benefits of creating this habitual consumption include customer loyalty, pricing flexibility, growth through networks, and a solid competitive advantage. The results of using these principles successfully are not only increased revenue but also more consistent revenue.

The author teaches readers why this model works and how to use the model to create a product that is irresistible to users and creates the desired habits. By asking specific questions provided by the author, readers can learn how to create a product that has a high level of user interest.

- What habits does your product want to create?
- What problems does your product solve?
- How do users currently solve their problem and why is a better solution necessary?
- How often do you want users to use your product?
- What specific behavior do you want to turn into a habit?

By using these types of questions, readers can systematically learn how to design the right kind of product for creating habitual use.

"The Hook Model is designed to connect the user's problem with the designer's solution frequently enough to form a habit. It is a framework for building products that solve user needs through long-term engagement."

Case Study

YouVersion's wildly popular Bible App, is a perfect example of the Hooked Model in action. Readers have only to consider the numbers to see the impact of the app's design.

- 200 million. The number of times the app has been downloaded
- 244 million. The number of verses shared
- 36 billion. The number of chapters read using the app
- 112 times per second. How often the app is opened

With 12 versions of the Bible App in 900 languages, the app is designed to appeal to a world market. Using triggers, such as reminders for a daily reading plan and other notifications, with popular apps like Facebook and Twitter, the app is designed to constantly and consistently remind users to open the app.

The app is also intentionally designed for ease of use. In its earlier versions, it was only available as a website. Once the company created the mobile version, they quickly saw how much easier it was for users to take the desired **actions**.

The **variable rewards** range from the user's natural tendency to feel good about sharing their beliefs to being able to pull up verses of scripture to deal with the problems of daily life. These rewards are based on extensive data that YouVersion has compiled about its target users and includes incentives that appeal to the religious and social aspects.

Each time a user shares the app, shares a verse, creates a bookmark or highlights a verse, they are increasing their investment in Bible. Maybe the ultimate investment, users find that even their religious leaders use the app to upload their sermons so users can follow along.

"We often think the Internet enables you to do new things ... But people just want to do the same things they've always done."

Just as it was intended, the Bible App is a habit-forming product that has created an impressive fan base. Using consumer psychology, massive amounts of data, and the power of social technology, The Bible App has "hooked" millions of users by using the Hooked Model. Readers will find that by studying the principles outlined in the book and case studies such as Bible they will be able to understand how to build a product that users just can't put down.

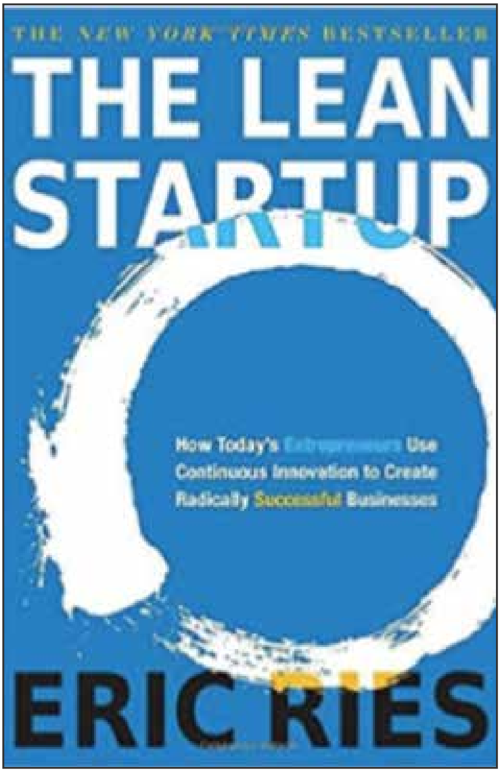

Photo by Priyanka Singh on Unsplash

The Lean Startup

By: **ERIC RIES**

New business ventures are both exciting and risky. New ventures are risky as the main idea may or may not work, yet the chances of success are much greater if there is a recipe for testing and validating said idea early on. Readers of this book will learn scientific approaches to building and managing a startup and how to get a product to market faster. The lessons in this book teach the fundamentals of product viability from organizing for fast learning to validating what works.

Readers learn the value of testing a product every step of the way to eliminate the wasted time and money that are associated with typical startups. Lessons here include the importance of getting customer feedback to create a product that appeals to customers before the product is launched. Readers will learn what to measure, how to measure it, and how to use valuable customer feedback to design a better product. The methods taught here showcase how to drive a startup, how to steer, when to turn, and when to persevere. All designed to grow a business as fast as possible, as lean as possible.



"A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."

SUMMARY

The structure for using these methods of a lean startup is laid out in three phases: vision, steer, accelerate.

Vision

Most entrepreneurs have at least some sort of vision or goal in mind when launching a new venture. They use various strategies or business plans to reach that goal. Readers will learn here that one of the most important lessons is to avoid strategies based on untested theories. Testing theories means breaking down the larger vision into smaller pieces and finding the weakest elements. Readers will learn that experimenting while building a strategy is a better plan than waiting to release the "perfect" product to later find out there's no market for it. The result of testing while designing is a product that has been refined based on feedback. The final product will have a better chance of success as it will solve direct customer needs. Readers will learn that by using this method, they will have a product that has a built-in audience before it's even launched. A clear, validated vision has the best chance of succeeding.

Steer

Once a vision is validated and under way, readers learn how to steer their plan for the greatest likelihood of success. Using the "build-measure-learn" feedback loop, readers will learn how to know when to turn (a.k.a: "pivot") and when to keep going. The first part of this feedback loop involves creating a minimum viable product (MVP) based on what the book calls "leap-of-faith-assumptions." The second part is getting feedback as quickly as possible from the market. The third part is to use that feedback to learn how to make the product more viable. The goal here is to minimize the amount of time, money, and energy spent in getting the right product to market. By getting a product in front of customers as quickly as possible, perfect or not, a startup will be able to fine-tune their product and their strategy. Readers will learn that by measuring the results of their initial offering, they will know if they are on the right track. If not, then they will need to pivot their focus. If they are on the right track, they persevere and use the feedback to customize the product based on what customers want or need.

Accelerate

In keeping with the premise of a lean and fast startup, once a vision is being steered in the right direction, it's time to hit the gas. Readers will learn that this phase is designed to keep things moving while improving along the way. They will learn how to us the "small batch approach" to get through the feedback loop quickly. They will learn production methods like the "just-in-time" method that keeps innovation and design efforts efficient and effective. Readers will learn how to find the right growth strategy for sustainable growth and how to keep the focus on moving forward. Other lessons in this section teach readers how to keep accelerating safely by building an adaptive organization that can regulate its own growth, at its own pace. Readers will also learn how to create an innovative environment that generates new startups as a part of the company's normal course of business.

"The only way to win is to learn faster than anyone else."

Five Principles

Underlying these three phases are five principles that are the keys to a successful lean startup.

I. **Entrepreneurs are Everywhere**. This principle teaches readers that the entrepreneurial spirit is not just reserved for startups. It can be found in small companies, as well as large corporations. It can be found in new companies and established companies. A programmer in a big company who creates a more efficient solution is just as much an entrepreneur as a programmer creating a new app in his basement.

II. **Entrepreneurship is Management**. Readers learn here that the perception of being an entrepreneur is much different than that of being a manager. But this book teaches that entrepreneurship and management can be synonymous. The lesson here is that a startup is basically an organization that needs to be managed.

III. **Build-Measure-Learn**. This principle is all about creating a product that people want. Startups by their very nature are creating something new. Readers will learn the importance of getting that product into the market, seeing how people respond, and learning what works and what doesn't.

IV. **Validated Learning**. This section teaches readers to validate all the results of the build-measure-learn process to be sure they are learning the right lessons. The key here is learning how to determine what feedback is valid before applying it to product design or a change in strategy.

V. **Innovation Accounting**. The lesson readers will learn with this principle is simple. Holding entrepreneurs accountable for their outcomes throughout the startup process is the best way to measure progress. Using checkpoints or milestones to measure results is the surest way to know if a startup is headed in the right direction.

"What if we found ourselves building something that nobody wanted? In that case what did it matter if we did it on time and on budget?"

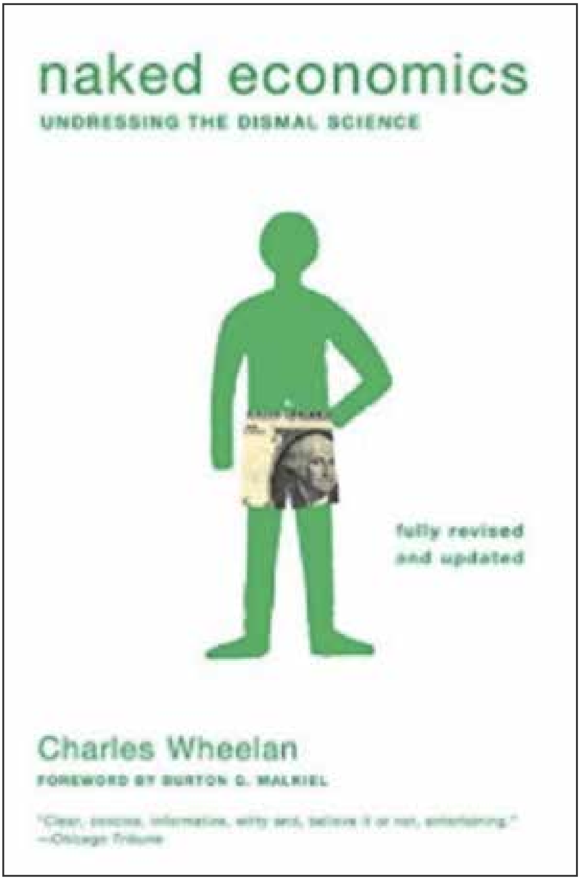
Overall

Learning the Lean Startup methods enables readers to begin building a proven structure that works not only with startups but with any type of business at any stage. It's not about throwing something out there and seeing if it sticks or necessarily about saving money or time. It's a process with methods that are proven to help build a viable product with a waiting market.

Naked Economics

By: **CHARLES WHEELAN**

Economics can be intimidating to the person who is not well-versed in business and mathematics. This book caters to the "layman" by breaking down the meaning of the terminology used in the subject, along with the psychology of how the free market works. The author expresses why he believes capitalism is superior to communism and other government-controlled markets, as well. This book will help its readers better understand how the economy operates on an aggregate level.



SUMMARY

Naked Economics is broken down into many subjects that explain how each aspect of the economy affects the other. Wheelan is a firm believer in Keynes Economics—that the markets should work themselves out—and why he feels the government should not intervene. He informs the reader of why people such as Bill Gates are rich and how they continue to get richer. He clarifies how the Federal Reserve works and why it is needed. There are no supply and demand, mathematical, or other graphs inserted into this read; only clear, concise, and comprehensible language that anyone can understand.

When any government is too involved in the free market, it becomes not so free. The government is already the taxer of the income of corporations and its individual citizens. Additionally, if they become allowed to control how businesses make their money, as well, then that would be called communism. This type of system does not work because it is not progressive enough for a growing economy. The market must be competitive for it to thrive and meet the supply of demand. But some argue that it is an unfair system, rigged only for the few to survive.

The wealthy people of capitalist nations are said to have an advantage over their counterparts. They possess something called "Human Capital." This means that they are more valued in the community because of their skillsets and professional network. People like Bill Gates will always be able to own companies and find jobs because of their skills. That does not necessarily mean that the skills they possess are any better than the next person with separate skills. It just means that they possess more human capital, which makes them more value to society. Certain skills are valued over others, making the demand for people who possess those skills greater.

The Federal Reserve was created to help control inflation and deflation in the economy. It does this by regulating the interest rates of borrowed money, which alters the amount of capital that flows throughout the economy. Economic growth is stimulated when interest rates are lowered because corporations are more incentivized to borrow money for investment purposes when the money is cheaper. Alternatively, when prices rise too high, too fast, The Fed will raise interest rates to offset borrowing and slow the rising inflation costs.

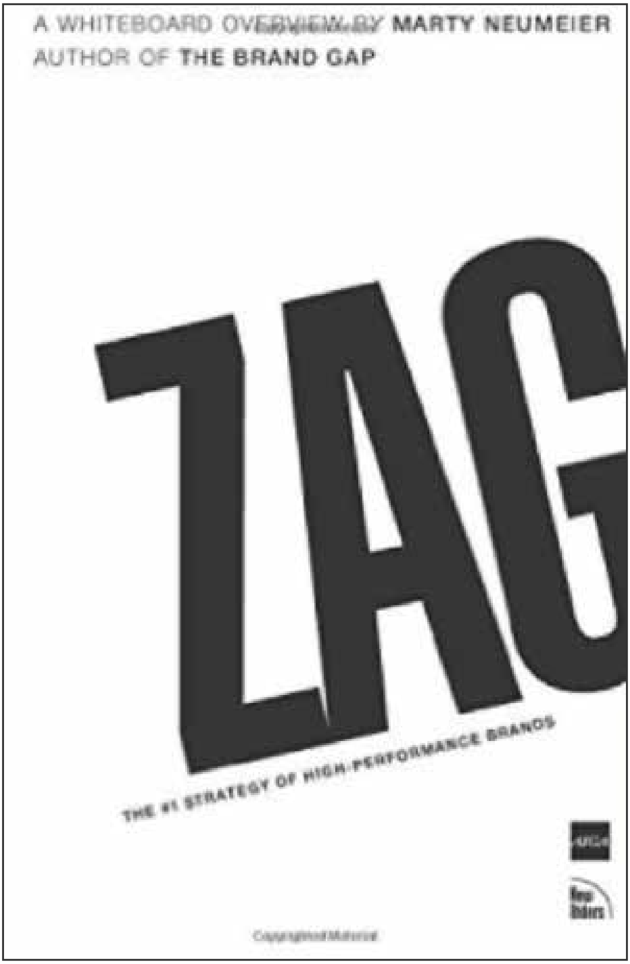
Naked Economics deciphers the boring and dull, classroom-lectured information to provide a better, more entertaining explanation of the workings of the economy. Readers will learn the benefits and defects of capitalism and why it is preferred in developed countries over all other markets. They will end this book with a deeper understanding of how the effects of the free market influence everyone in a society.

Photo by Annie Spratt on Unsplash

Zag

By: **MARTY NEUMEIER**

Zag delivers an interesting and unique approach about the authors' view on branding and marketing. Marty Neumeier has created what should be considered required reading by anyone in business that is serious about wanting to succeed. This short, but powerful, book will teach the reader how to be "radically different" and stand out among the cluttered marketplace that exists today.



SUMMARY

Zag offers a brand marketing model that includes four unique elements: Focus, Difference, Trend and Communications. As a "whiteboard book," the information is presented in easy to understand ideas. The author realizes the importance of using pictures and illustrations to drive home the points he is trying to convey in each of the short chapters.

Neumeier has developed 17 Checkpoints that any business can use as a way to gauge just how well developed and differentiated their brand can be. The 17 Checkpoints include:

1. **Origin** — Do you know who your business is? And can you say with confidence where your business has the most credibility?
2. **Purpose** — You should be prepared to say what your purpose is in 12 words or less!
3. **Vision** — Do you know and understand what your brand vision is? Be prepared to paint a clear picture of the future of your business.
4. **Riding Waves** — Do you know what current or future wave your business is riding? Take some time to list the trends that will power your success, and study each carefully to make sure they match your business.
5. **Your Brandscape** — Who are your top competitors, and how do they rank?
6. **The Only ___ That ___** — Brainstorm and decide what makes your business the "best and only" one to fulfill the promise or deliver the best experience? Complete the sentence: Our brand is the only ___ that ______.
7. **Add or Subtract** — Less really is more. Know when to add, and when to subtract.
8. **Find Brand Loyalists** — Who is in your brand community? How can you find ways for them to contribute and benefit your brand?
9. **Identify Enemy** — Who's your brand's enemy? Which competitor can you paint as the bad guy while you're the hero?
10. **The Name Game** — Make sure the name you choose is unique, easy to spell and pronounce.
11. **Truelines and Taglines** — Can you easily explain yourself? Your "truelines" tells why your brand is compelling, while your "taglines" can be used with customers to help them choose your business.
12. **Spreading the Word** — Are you effectively spreading the word to your customer base? Here is where "interesting and unique" ideas are used to be successful.
13. **Engage to Win** — How can your customer engage with you? How can you make it a "win-win" for everyone involved?
14. **Map Customer Experience** — Are you offering your customer the best experience on the planet? One that they will talk about because of the positive journey that took place?
15. **Earn Loyalty** — Everyone wants a loyal customer, so be prepared to deliver everything they are looking for. Loyal customers are your best investment!

16. Extend Brand Success — Do everything in your power to reinforce the meaning and value of your brand, and success will be your reward.

17. Protect Brand Portfolio — Protect it at all costs. Be wary of the Four Cs: Contagion, Confusion, Contradiction and Complexity.

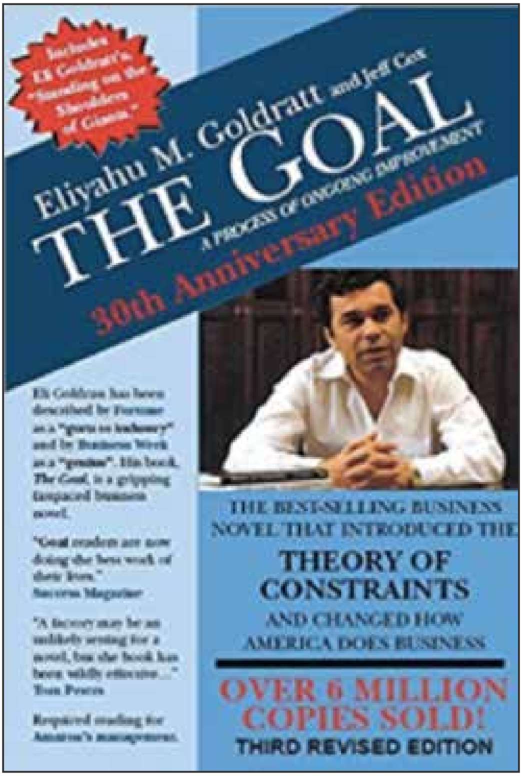
Zag will get your creative ideas churning, and will inspire you to be the best.

The Goal

By: **ELIYAHU M. GOLDRATT & JEFF COX**

"So this is the goal: To make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow."

That's a goal anyone in business would love to achieve, and this book will teach readers how to get there. The Goal uses simple reasoning as a tool to teach the Theory of Constraints (TOC) by presenting the theories in the form of a novel. The TOC, a methodology created by the author, is the underlying foundation of the story. TOC can be described simply: finding constraints and managing them. Readers will learn how bottlenecks like slow deliveries, long cycle times, and loosely controlled operations can be systematically identified and corrected by using the right tools.



SUMMARY

Readers will learn that managing constraints, or bottlenecks, is crucial to an overall operation because these constraints affect every part of the business. The TOC method will teach readers how to find these bottlenecks and how to correct them by using key questions within the five-step process.

- Identify the constraints
- Determine how to exploit that constraints
- Subordinate everything else to exploit the constraints
- Elevate the system's constraints
- If a constraint is broken during any of the previous steps, start back at the first step again

A constraint is any limiting factor that prevents an organization from reaching their goals, even when everything else is working right. Readers will learn that if the five steps are followed in order, finding and correcting these constraints is achievable. In simpler terms, this book teaches readers how to find out what needs to be changed, what to change it to, and how to get it done.

The lessons here are woven into a story about a production-based company and the new manager. The main character, Alex, approaches his new position armed with all the conventional management techniques and gets to work. Readers will probably be familiar with this scenario. Alex's first goal is to improve efficiency. He works on cost-effective purchasing, quality control, customer satisfaction, and all those other things that traditional business management dictates. But all those theories and all that work didn't create any additional profit.

In a style similar to other business books using narrative to present their ideas, such as The One-Minute Manager, Alex is fortunate enough to run across Jonah, an amiable management guru. Jonah teaches Alex all about TOC and how it can help create more profit by learning how to find the bottlenecks in different departments and fixing them. Jonah teaches Alex how to align the overall organization for achieving the goal of more profit.

"What you have learned is that the capacity of the plant is equal to the capacity of its bottlenecks," says Jonah."

Readers will learn how to work with three key operational measurements to achieve this alignment and increase the bottom line.

- Throughput: This term describes the rate at which an organization generates money through sales after expenses.
- Inventory: This measurement includes not only products or stock, it includes all investments spent for equipment, property, and anything else necessary to the business.

- Operating Expense: This is described in the book as “all the money the system spends in order to turn inventory into throughput.” Readers will learn that fixed costs like leases and payroll happen whether throughput increases or decreases.

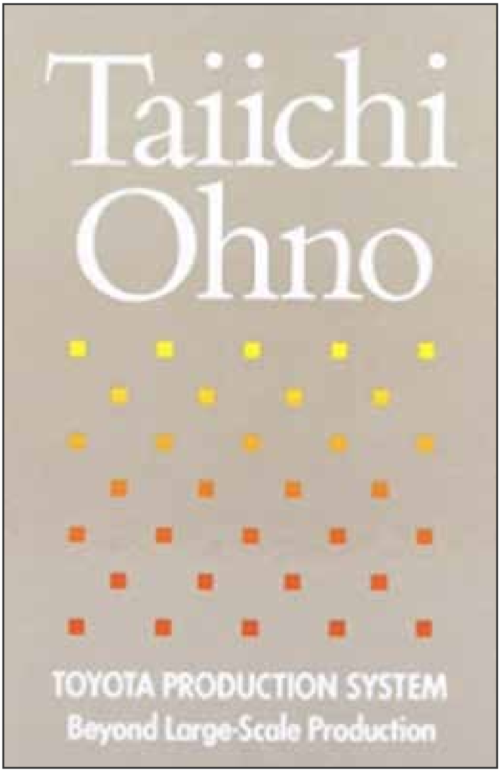
The key takeaways for readers are that by learning these principles and using them in their own organization, they can focus on eliminating the practices that slow things down. The results readers can expect from this approach include improved productivity, lower inventory costs, a better overall work environment, and smoother transitions from manufacturing to delivery.

Toyota Production System

By: **TAIICHI OHNO**

Taiichi Ohno, the inventor of the Toyota Production System and author of the book by the same name, offers readers lessons in thinking. Readers will learn more about the thought processes than the actual production steps, but that is the point. By learning how to think and analyze, readers will be able to design more efficient processes specific to their product or service. This "lean" thinking is all about eliminating waste and streamlining procedures from the manufacturing phase to the purchasing phase.

"All we are doing is looking at the timeline, from the moment the customer gives us an order to the point when we collect the cash. And we are reducing the time line by reducing the non-value adding wastes."



SUMMARY

The Toyota Production System (TPS) is a combination of themes, attitudes, and specific techniques. Readers will learn that the success of this type of system depends on how deeply engrained this combination is in a company's culture. TPS is not about quick fixes, handy tips, or any of the other offerings of many business models that just scratch the surface. The system is more of a "workstyle" choice that must be adopted throughout a company and requires a deep commitment to reap the full benefits.

The TPS has been a catalyst for similar systems from "Just in Time Manufacturing" to "Demand Flow Technology." "Lean Manufacturing," coined by James Womack, seems to be one of the more well-known versions and it captures the essence of these systems: Lean processes. The book teaches readers that the underlying theme of the TPS and other "lean" systems is all about cutting out the procedures and processes that don't contribute to the end goal. When used correctly, the TPS reduces wasted effort and time by improving material handling, inventory, quality, scheduling, and customer satisfaction. The payoff of using this type of system is well documented in the bottom lines of businesses that have adopted these strategies.

"The Toyota style is not to create results by working hard. It is a system that says there is no limit to people's creativity. People don't go to Toyota to 'work' they go there to 'think'."

The overall theme of TPS is the elimination of waste. Inventory, idle equipment, materials, time, and other elements of manufacturing typically include a lot of waste that can be eliminated. By identifying this waste in each step of the manufacturing process, readers will often find problems they simply weren't aware existed. A couple of examples in areas that most readers will be familiar with reflect the impact of waste that is at the root of the TPS.

- **Inventory**. Inventory can be one of the biggest areas for waste. It eats up capital, becomes obsolete, and takes up space and labor just sitting there. By minimizing the amount of inventory, companies can minimize much of the waste. Readers will learn that inventory is a factor as well as a reflection of the effectiveness of the overall manufacturing process.

- **People**. TPS emphasizes the importance of having all employees participate in the system for it to be effective. Readers will learn that to function at the highest levels, people and technology must be integrated in a way where each compliments the other. This synergy of people and machines is structured to exploit the strengths and minimize the limitations of each component. By combining these elements and aligning them towards the same goals, waste is decreased, and efficiency is greater.

“The key to the Toyota Way and what makes Toyota stand out is not any of the individual elements...But what is important is having all the elements together as a system. It must be practiced every day in a very consistent manner, not in spurts.”

Any business that wants to become a lean organization can learn the thought process behind the TPS and increase profits by incorporating it into their company culture. By learning how to identify waste and eliminating it, and by keeping the system solidly in place, readers can see positive results whether they are building cars or building widgets.

(S109)

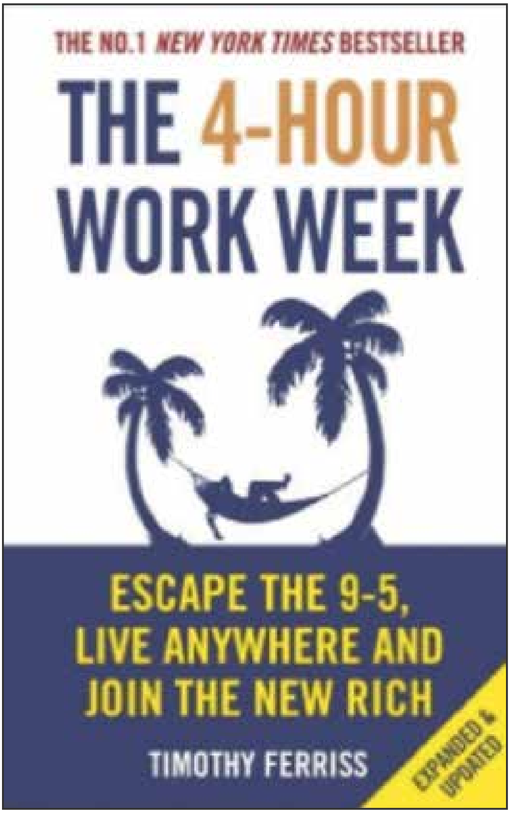
The 4-Hour Work Week

By: **TIMOTHY FERRISS**

The book is all about how to change the way readers look at how they live and work and why they should challenge old assumptions.

"If you are insecure, guess what? The rest of the world is, too. Do not overestimate the competition and underestimate yourself. You are better than you think."

The author writes from a unique vantage point. He created a life and a career he chose out of consistently questioning the traditional assumptions about life and work. He writes in detail about his challenges, failures, and successes candidly and readers can see in detail his transformation using this new life view. His emphasis is on viewing time and mobility as the ultimate currency. It's not about how much money can be made; it's about how having the time and the freedom to live a good life without being broke is possible.



SUMMARY

"The question you should be asking isn't, "What do I want?" or "What are my goals?" but "What would excite me?"

The framework for the book is built with the acronym "DEAL," providing a step-by-step plan for readers to learn how to take back control of their lives.

- Definition: Replace self-defeating assumptions.
- Elimination: Forget time management; learn to ignore the unimportant.
- Automation: Learn to put cash flow on autopilot.
- Liberation: Create freedom of location.

Definition

The first few chapters help readers redefine what is possible by thinking differently. Readers learn that being financially rich and being able to live like a millionaire are quite different. Money combined with the value of time and mobility takes on a whole new value. It isn't the money that is so important; it's the ability to live life on our own terms.

Thinking differently means questioning accepted methods and ideas. The book gives readers ten ways that old assumptions are wrong.

- Retirement is worst-case scenario insurance.
- Interest and energy are cyclical.
- Less is not laziness.
- The timing is never right.
- Ask for forgiveness, not permission.
- Emphasize strengths, don't fix weaknesses.
- Things in excess become their opposite.
- Money alone is not the solution.
- Relative income is more important than absolute income.
- Distress is bad, eustress is good.

"What we fear doing most is usually what we most need to do."

Readers won't be surprised to see that fear is one of the biggest obstacles to changing their life and the book talks about this throughout. By acknowledging that fear and recognizing the very worst outcome, readers can map out steps to recover if the worst does happen. On the flip side, the same approach should be taken with the potential benefit also.

Elimination

This is all about how to get rid of obstacles. Readers will find that once they define what they want to do with their time, they have to learn how to free up the time to do it. One lesson taught here is that by using the Pareto principle, time management becomes less of a factor. The Pareto principle states that 80% of results come from 20% of actions and readers will learn how to make the best of that 20% in this section. The goal of elimination is to free up time, from working remotely to working more productively.

This may be hard to swallow for many readers, but elimination also includes limiting or even eliminating things like reading or watching the news. The book recommends taking five days off from television and web surfing and other time wasters. By removing obstacles that don't contribute to the ultimate goal, readers will find that they have much more time than they thought possible.

"By working only when you are most effective, life is both more productive and more enjoyable. It's the perfect example of having your cake and eating it, too."

Readers will find even more time to live the life they want by stopping interruptions and refusing to waste time. The book outlines three major categories:

- Time wasters. Readers will learn how to eliminate all the wasted time that goes into unimportant emails, phone calls, and meetings.
- Time consumers. These are all the things that just have to be done. Customer service, reports, and other necessary tasks can be batched together creating a single interruption instead of multiple ones.
- Empowerment failures. The lesson learned here is to establish clear guidelines up front for delegates to avoid having to stop and approve decisions.

Automation

Successfully defining the life they want to live and eliminating obstacles, readers are ready to put some automation in place to make things easier. While many of the lessons here are about creating a product and starting a business, they apply to most business situations. Readers will learn the importance of building systems to replace themselves if they want to break free. From hiring a virtual assistant to handle less important tasks to learning what can be delegated, readers will find ways to automate much of their work.

"Being able to quit things that don't work is integral to being a winner"

Once the automation is put into motion, the challenge for readers will be to remove themselves from the equation as much as possible. By being able to teach a task and then outsource or delegate it, readers will find that they may not be so busy after all. More automation equals more time.

Liberation

The fourth step readers will learn is how to liberate themselves from the traditional office environment. The book outlines five steps to convince the boss that working remotely is a good idea. Pulling this one off is possible and will free up big chunks of time to live more and work less.

- Increase investment. Readers will learn how to get their employer to invest in them to increase the cost of losing them.
- Prove increased output off-site. The book teaches specific steps to find the opportunities to show that remote work can be more productive.
- Show the business benefit. By presenting the remote work as a business benefit instead of a personal one, readers will be able to better convince their employer.
- Propose a trial period. Starting small, with maybe a day or two to test out the idea, readers will find that their idea will go over better.
- Expand remote time. Assuming all goes well, the lesson here is to slowly increase the remote time to make it more acceptable and, eventually, a permanent solution.

“The goal is not to simply eliminate the bad, which does nothing more than leave you with a vacuum, but to pursue and experience the best in the world.”

The book finishes up with advice and guidelines for readers on how to eventually eliminate their job altogether by changing how they view their work and life balance. Readers will ultimately learn that the goal of having time and freedom to live the life they choose has a specific game-plan that has been proven to work.

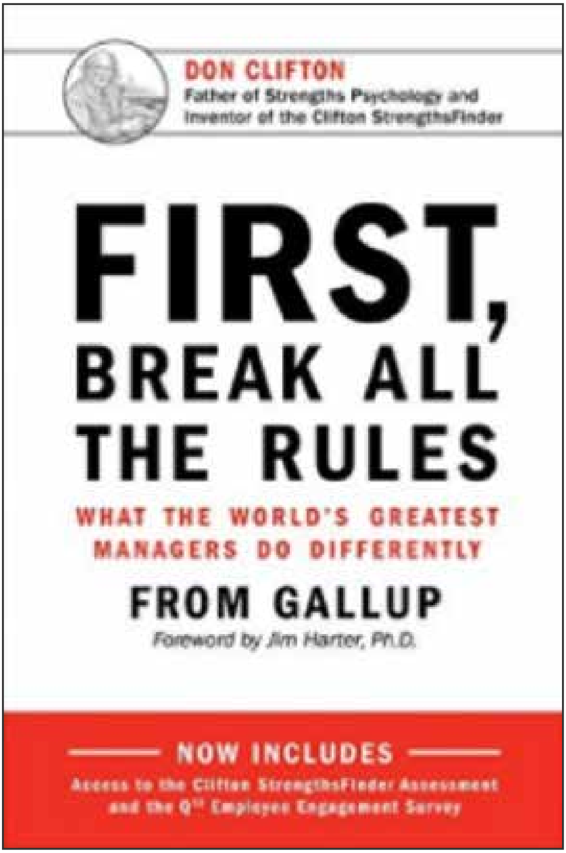
Photo by Sigmund on Unsplash

First, Break All the Rules

By: **MARCUS BUCKINGHAM & CURT COFFMAN**

By breaking the rules of traditional management, readers will be able to see things differently and find innovative ways to manage. Based on interviews with 80,000 managers in 400 companies, the lessons taught here show that the best managers are the ones who break from the conventional methods of management.

Readers will learn how effective their current management style is by using the list of twelve questions in the book to assess where they stand. By learning, and using, the four keys to unlocking employee's potential, readers will begin to understand how misguided the old rules of business really are and learn how to get more from their employees.



SUMMARY

The four keys for breaking the rules teach readers that effective managers focus on talent, outcomes, developing strengths, and finding the right fit.

"Talent is the multiplier. The more energy and attention you invest in it, the greater the yield. The time you spend with your best is, quite simply, your most productive time."

The first key is to select employees based on talent above other factors. Readers learn here that talent is not as special as they may have thought, but simply a recurring pattern that is effective. The lessons of the first key teach readers that their job is to help each employee make the most of their talents, why talent can't be created, and that every role requires talent. Once a manager adopts this foundation of hiring for talent, the easier it will be to use the rest of the keys.

"In most cases, no matter what it is, if you measure it and reward it, people will try to excel at it."

The second key is to define the right outcomes. This key teaches readers that management is not about direct control; it's about remote control. By defining what the end result should be, readers will find that they don't have to waste time trying to control the steps along the way. Define the outcome and get out of the way. Readers will learn that their time is better spent on enhancing employee performance and keeping the focus on the goal. The result will be employees who take responsibility and become more self-reliant.

"...the manager creates performance in each employee by speeding up the reaction between the employee's talent and the company's goals, and between the employee's talent and the customer's needs."

The third key to better management is to focus on strengths and forget about "fixing" employees. This break from traditional management rules teaches that a better way is to focus on employee's strengths and manage their weaknesses. In the end, the goal is to help employees make the most of the talent that is already there and make sure they are in a job that best uses those talents. With this focus in place, managing the weaknesses will be that much easier.

"The talented employee may join a company because of its charismatic leaders, its generous benefits, and its world-class training programs, but how long that employee stays and how productive he is while he is there is determined by his relationship with his immediate supervisor."

The fourth key teaches that great managers must find the right role for an employee's talents. Readers will find that this key is more complex than it might seem. The conventional wisdom is that promotions are just part of the system, and are often seen as inevitable. But most readers will be familiar with the unfortunate trend to promote employees until they reach their level of incompetence.

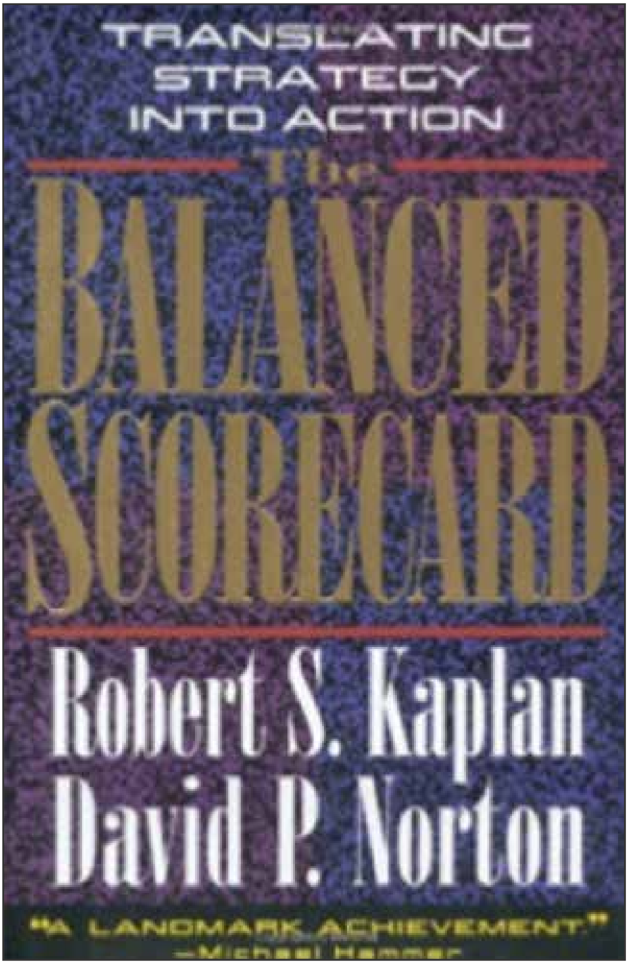
By rethinking how raises and other forms of reward are structured, readers will learn that it is possible to keep an employee in a role where they are most talented. The lure of climbing the corporate ladder will lose some of its appeal when employees know they can achieve more prestige and earn more money by continuing to excel in a position that fits their talents best.

(S111)

The Balanced Scorecard

By: **ROBERT S. KAPLAN & DAVID P. NORTON**

The Balanced Scorecard believes that business leaders often times fail to connect the necessary strategy with the appropriate action or tactic. The book covers how a company's vision and strategy can be translated into a coherent set of performance measures. The authors believe that when a company has a "balanced scorecard" it is easier to complete goals and continue on the journey to success.



SUMMARY

The Balanced Scorecard translates a company's vision and strategy into a coherent set of performance measures. Throughout the book, the authors illustrate the innovative measurement practices from many companies. The bulk of the comprehensive use of the Balanced Scorecard technique is exemplified through case studies of companies that were followed closely for over three years. The case studies include companies such as: Rockwater, Metro Bank, Pioneer Petroleum, National Insurance and Kenyon Stores.

Companies must first learn how to build the scorecard, and then also understand how to make it work for everyone involved. The book cover four basic perspectives:

- **Financial Perspective** — This is measured by the return on the investment and the economic value that is added
- **Customer Perspective** — This covers customer satisfaction, retention, market and account share
- **Internal Perspective** — This is where the company will measure response time, quality control, costs and new product launches
- **Learning and Growth Perspective** — This area focuses on employee satisfaction and information system availability

Chapter Three covers in detail how the Financial Perspective should operate. The reader is encouraged to link their financial objectives to the strategic planning of the business. The scorecard should tell the story of the strategy, starting with the long-term financial objectives, and linking them to the sequence of actions that must be taken with financial processes, customers, internal processes, and finally, employees and systems to deliver the desired long-run economic performance.

Chapter Four covers the Customer Perspective, and the reader is challenged to really discover who their customers are, and where they fall in the market sector the company has chosen to compete. In order to obtain and sustain a Balanced Scorecard in the Customer Perspective area, managers and executives must go beyond the usual methods of trying to satisfy and delight customers. This is where many companies fail in trying to be "everything for everyone," which in most cases, translates into being "nothing for anyone." It is crucial for managers to identify the market segments in their existing and potential customer populations and then focus on what it takes to win them over, and keep them as long term customers.

The Balanced Scorecard contains a wealth of information that will benefit senior leadership and their teams. Once everyone has embraced the concept and ideas behind having a Balanced Scorecard, a company will be on the fast track to fulfill their mission statement and enjoy success.

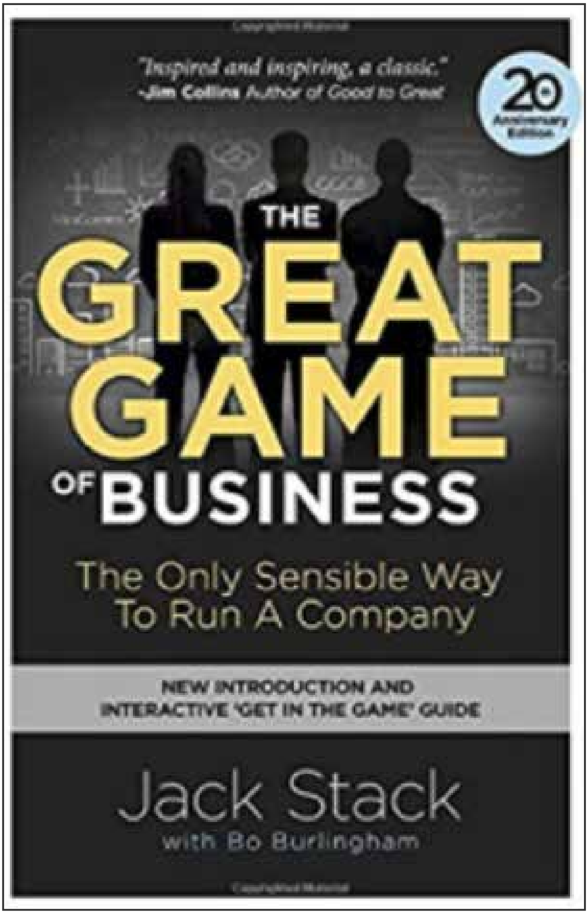
Photo by Riccardo Ginevri on Unsplash

(S112)

The Great Game of Business

By: **JACK STACK & BO BURLINGHAM**

The laws of business this book teaches are basic, common sense rules that most readers will have heard either from a boss or maybe even a parent! The laws apply not only to business managers but to anyone that cares about running an honest and fair organization. These laws are relevant from the bottom of an organization to the top



SUMMARY

The First Law:

“You get what you give”

Hard work pays off. By rewarding employees in a way that is equivalent to what they put into their job, they will be happier and more productive. They will also feel like they are part of a team and an important part of a company’s success.

The Second Law:

“It’s easy to stop one guy, but it’s pretty hard to stop 100”

This law emphasizes the power of teamwork. Readers will learn how the power of a group cooperating towards a common goal is so much greater than individual contributions. This law also reflects the benefits of the first law by building a team atmosphere with happy employees.

The Third Law:

“What goes around comes around”

By understanding this age-old law, readers can begin to create a work environment where everyone is more aware of the impact they have. Whether it’s through words or actions, everything an employee expresses has consequences. Make sure they are good ones.

The Fourth Law:

“You do what you gotta do”

As the author states, the fourth law is all about “taking the hill.” It teaches the lesson that by creating an atmosphere of not only getting things done, but also an atmosphere of looking at things in creative ways. Moving forward in the midst of challenges or mistakes, and simply doing what has to be done to reach a goal is a mindset that reveals potential and provides empowerment.

The Fifth Law:

“You gotta wanna”

If someone doesn’t want to do something, they won’t do it. Nothing new there, but readers can find practical advice for motivating employees to “wanna.” To make people want to do something, you have to show them how their stake in the game is valuable and important and convince them that their contributions will be good for them and the organization.

The Sixth Law:

"You can sometimes fool the fans, but you can never fool the players"

Just like anyone reading this book, the people on the inside always know more about the state of things than the people on the outside. The sixth law means that even when things are in turmoil within an organization, everyone needs to have their game face on. Employees know all about the strengths and weakness of a company, but the customer should only know the strengths.

The Seventh Law:

"When you raise the bottom, the top rises"

This one is all about understanding how important each role is within a company, even the seemingly small ones. Readers will learn that by recognizing the efforts of the lowest employees, they can elevate the entire organization. Happy, confident employees make for happy, confident bosses.

The Eighth Law:

"When people set their own targets, they usually hit them"

This law ties right into the fifth law. It's hard for a person to set a goal and then say they don't "wanna." It's all about getting an employee to buy in by creating a climate where employees set their own targets based on a clear outcome. Most readers already know the time and energy it takes to micro-manage, so stepping back and letting employees take the reigns for a bit may be a welcome change.

The Ninth Law:

"If nobody pays attention, people stop caring"

The ninth law teaches readers a very basic law of human nature and how it relates to business. Acknowledging and recognizing how each and every employee contributes to a company is one of the best ways to let employees know that they matter. If the boss doesn't pay attention to the efforts of an employee, then that's the same as not paying attention to the employee. If the boss doesn't care, then why should the employee?

The Tenth Law:

"As they say in Missouri: 'Shit rolls downhill." By which we mean change begins at the top"

The power in most organizations is at the top, so any real change must come from there. But readers will learn that change may come from the top, but it begins with honest feedback from the field and from other managers. If the person at the top cares about creating a healthy, profitable work environment, then it's up to the rest of the organization to make sure the concerns and issues reach the top.

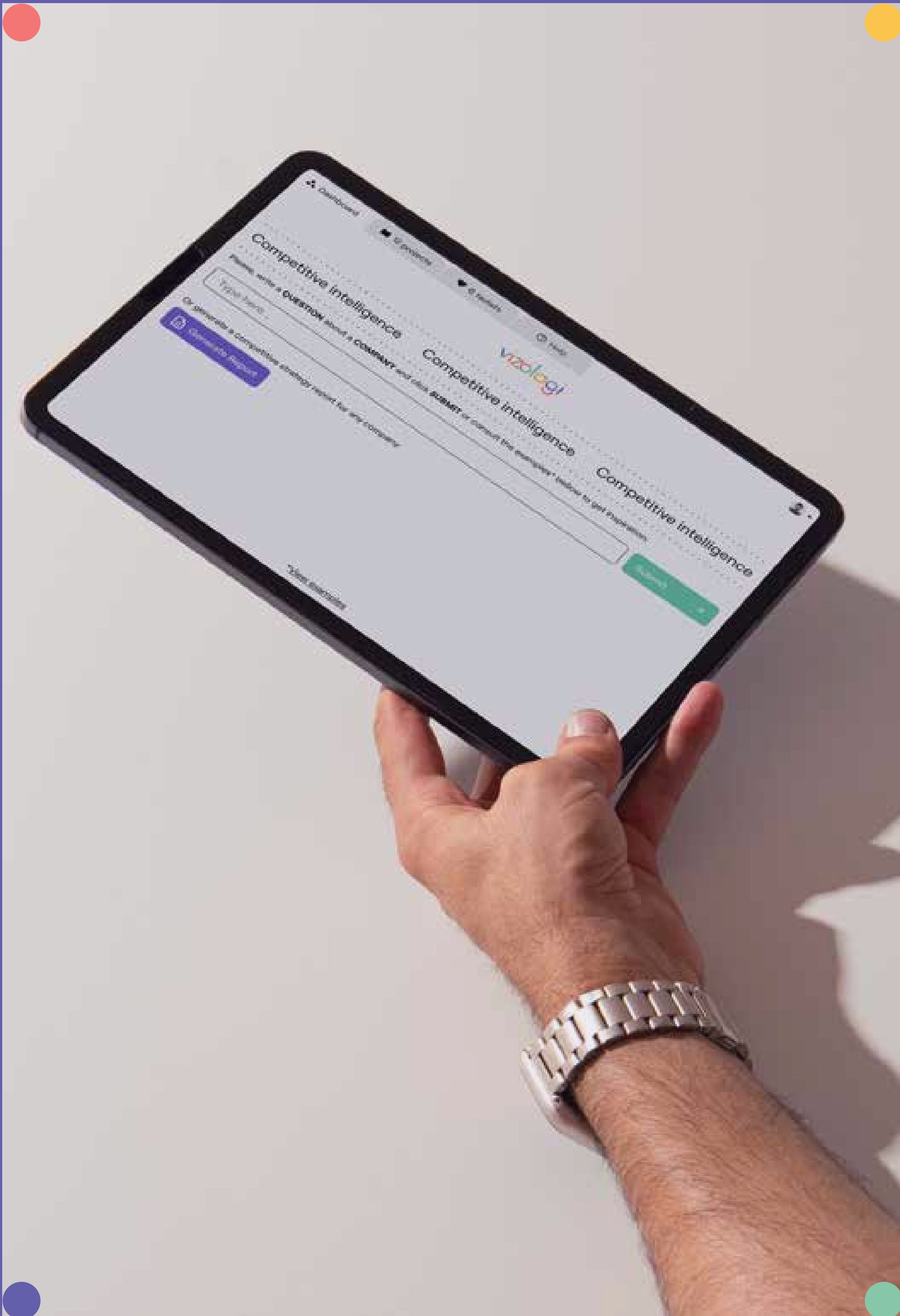
The Ultimate Higher Law:

"When you appeal to the highest level of thinking, you get the highest level of performance."

This really makes 11 laws, but this one is important. Readers will understand this law best by reading what the author has to say in his own words:

"I don't want people just to do a job. I want them to have a purpose in what the Hell they're doing. I want them to be going somewhere. I want them to be excited about getting up in the morning, to look forward to what they're going to do that day."

That means treating employees with respect. It means respecting their efforts, their intelligence, and their creativity. This is the essence of all the laws and readers who take these lessons to heart and start using these principles will see a new and better culture arise in their own organization.



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