



LEAGUE OF EXTRAORDINARY MINDS Panel 4 – Interview

The Business Building Triple Play: The Three Key Levers That'll Multiply Any Small Business from the Inside Out

Panel Experts (in order):

Michael Gerber
Brad Smart
Bo Burlingham
Lou Adler
Kerry Patterson
Marilyn Tam
Eric Flamholtz

Welcome everybody, this is Jay Abraham. I'm here with Rich Schefren. Hi Rich.

Rich: Hi Jay.

Jay: And this is the next section of the League of Extraordinary Minds. For those of you participating for the first time today is going to be a very fast-paced and a very stimulating session. The panel we've chosen for the topic we're going to announce now is going to really provoke your mind as an entrepreneur with some really stimulating activities.

The topic of this day's panel is the "business building triple play: the three key levers as in leverage (upside leverage) that'll multiply any small business from the inside out." So we're talking about leveraging your business, leveraging your activities, leveraging everything in it.

Okay, let me start by introducing the panelists and we're going to introduce them and Rich and I will take turns and then we're going to go right into the questions because we have a lot of ground to cover and always less time than we want to use. So, let me start right now.

The first panelist is Bo Burlingham. Bo is a renowned author of a couple of books, "Small Giants: Companies that Choose to be Great Instead of Big" and "The Great Game of Business" are his two distinctions. He's also the former Editor in Chief of Inc. Magazine. Now he's the roving editor. Rich?

Rich: Sure. The next one is Brad Smart and – Dr. Brad Smart – and he's really the world's number one expert on hiring. He wrote a book called, "Topgrading" which actually is the number one book on hiring of all books on hiring bar none. He's worked with hundreds if not thousands of small companies and he's also really changed the corporate landscape of big corporations like Honeywell, Johnson & Johnson, Quaker Oats, American Heart Association and he was a key



consultant that worked hand-in-hand with Jack Welch in really taking the concepts that he developed and how do you get a workforce that is the absolute best. He brought that into GE and the success is legendary. He will tell us today about how to get the best people on your team which is so integral to an entrepreneur. The better your team members, the less you have to do yourself. So, I will hand it back off to you Jay.

Jay: Thanks. Our next expert panelist – Dr. Eric Flamholtz. He is a distinguished professor at UCLA who specializes in organizational behavior and human resource management. He’s written numerous books. The one that’s probably the most current is called “Growing Pains: Transitioning from an Entrepreneurship to Professionally Managed Firm.” He’s had a clientele to die for, people you know, Tommy Bahama, Power Bar, Starbucks, Wolfgang Puck. He’s going to bring a context of moving from struggling entrepreneurship to really disciplined management of your growing enterprise. Rich?

Rich: Sure. Next person – expert – is Kerry Patterson. Kerry was a professor at Bingham Young University Marriott School of Management. He’s cofounded two companies. The one that’s really interesting to Jay and I is a company called Vital Smarts – which is him and his colleagues – they work with a lot of different corporations. They’ve also written some seminal books that have really changed the landscape of business. One was called “Influencer: The Power to Change Anything.” The other was a series. One was called “Crucial Conversations: Tools for Talking when the Stakes are High” and a follow-up book to that, “Crucial Confrontations: Tools for Resolving Broken Promises, Violated Expectations and Bad Behaviors.” Both of those, especially the latter two, so vital to being an effective entrepreneur – to being able to say what it is that needs to be said in a way that gets people heading in the right direction. He’s going to share that knowledge with us today and I’m excited about it. Jay?

Jay: Our next expert panelist and this is really going to hit home for a lot of you listening because you haven’t necessarily either been able or been clearly aware of the huge opportunity. His name is Lou Adler and he is a specialist in one of the most overlooked and undervalued but important areas of leverage in the business. He wrote the book, “Hire with your Head.” He’s all about recruiting extraordinary people to help the business grow through that leverage and he’s going to really share with us all kinds of perspectives on how to recruit, hire attract and harness extraordinary superstars as your business starts really growing so that you can really make the most of it. He’s going give you context really, really fresh and probably something you’ve never thought of at this depth before.

Jay: This next panelist is a very interesting woman. Her name is Marilyn Tam and she’s got a bio to die for. She was the CEO of Aveda, the cosmetics leader. She was the President of Reebok Apparel. She was Senior Vice President of Nike. She’s a Director of SCORE and she wrote a very provocative book which is pretty self explanatory, “How to Use what you’ve got to get what you Want.” And, she’s going to give us some pretty straight forward perspective.



Rich: Alright and the last expert that we have on this panel is someone that both Jay and myself greatly admire. He's had more of an impact on the thinking, actions, transactions of the entrepreneurial market probably than anyone else that I know of. His name is Michael Gerber and anybody who is an entrepreneur should recognize that name. He is the author of the E-Myth books. He's the founder of E-Myth Enterprise and he's personally interacted with about 70,000 small businesses where he's impacted the entrepreneurial thinking to really fix what's wrong with small business. So, I'm sure he's going to have some very valuable insights for all of us on this panel and back to you Jay.

Jay: Thank you Rich. Let's start with question one and it's a pretty simple one. **Take three minutes right now to express or articulate what it is that you do or teach and why it makes such an important differences to the growing small business and their future.**

What do you think about that, Michael?

Michael: The fact of the matter is that all businesses are broken businesses. They don't work. They don't work to do what in fact they were supposed to minimally do let alone to do what they could have actually aspired to do. So, my job since I've started this calling of mine, this oddity of mine, this obsession of mine is to teach business owners, call them entrepreneurs, call them whatever you like, how to go to work on their company not just in their company. Rather than creating a job for themselves to be the chief cook and bottle washer, how to truly invent a company that works - how to become, what I now call, a Master of Business Design which is the name for a degree that I'm creating rather than the Master of Business Administration. So, If one becomes a master of business design, one is truly creating what I think of in terms of an entrepreneurial invention which is a true product of an imagineers or entrepreneur's imagination. So this invention is manifested in the form of a system – that's the company. Each component of which is also a system and each system is interlocking and integrated with all of the other systems in the company – the financial systems, the management systems, the operational systems, the production systems, the marketing systems, the selling systems, the client fulfillment systems, so to speak.

So, the entrepreneur is the chief dreamer of this thing that he/she is there to invent. Unfortunately, very few small business owners or very few business owners at all truly understand the role of what I call the chief dreamer who is in fact there to have a dream, to have a vision, to have a purpose and to have a mission. That dream leads to that vision, leads to that purpose and is fulfilled by that mission as a system. The system like McDonalds is a system, like Michael Dell's Corporation is a system, like Wal-Mart is a system, like every great company that has ever done what great companies do is a system, is the invention of the entrepreneur, is the conception of the entrepreneur and it is designed in best cases to produce a transformational result in the world on behalf of its most important customer which obviously, as you know, is someone that very few business owners are familiar with.



Jay: Brad, on to you.

Brad: In a nut shell, what I've tried to do for the past 30 years is cherry pick the best ideas from anywhere, best ideas not just to hire or promote "okay" people but truly outstanding at every salary level. That can be entry level which is really super important for every entrepreneur as well as your key individuals, professionals, and managers. Kind of stay within this three minute timeframe, let me just say what I've researched to be the three most common mistakes people all over the world make when hiring and that small businesses, large businesses, they all seem to make the three mistakes. See if the listeners might relate to these. Here are the three mistakes and then later we'll get into what the Topgrading solutions are.

One mistake is to screen people from resumes. We all know that resumes are deceptive, they are incomplete and heck, they all look great.

Mistake number two: The most common approach to interviewing is to conduct what are called behavior or competency interviews. Asking people—Rich, can you give me an example of a time when you were an effective team player? Rich, can you give me an example of a time when you weren't so well organized. Well, everybody knows these questions are coming and everybody can fake those questions. So they're just not that effective.

The third typical hiring mistake is to rely on the references provided by candidates. You ask for references, they say sure, here they are but a lot of times they are not the bosses you'd like to talk with or key coworkers, they are the next door neighbor, insurance agent, priest, golfing buddy or whatever. They're practically worthless. The research that we've done over the years just keeps getting reinforced. Entrepreneurs that I've been in front of in the past few months estimated that only about 25 percent of the people they hire turn out to be the really high performers, the stars, the A-players they hope for, expected and figured they paid for.

Another 50 percent are okay but really disappointing, not as good as others who were out there but I just didn't get them because my selection methods aren't good enough and that horrible 25 percent of C-players who just suck the energy out of the organization.

Rich: Great answer.

Jay: Good, very interesting. Bo, thank you very much for joining us.

Bo: Well thank you for inviting me Jay.

I think my perspective is a little different from that of the other panelists. I'm not a professor. I'm not a consultant. I'm a journalist. My role is to and what I've been doing for the last 26 years at Inc. and through the books that you've mentioned is



really to go out and try and find entrepreneurs in many cases, visionary entrepreneurs. The people who really have something substantive to say and to make sure that their knowledge, their insights, their teaching is available to other entrepreneurs. I believe that the greatest management innovations that have happened in the last 30 years have happened amongst small to midsized companies. I think that is where – it has happened in the field. It happened in these companies themselves with people experimenting and coming up with new ways of running companies, doing things differently to achieve better performance and I think that the people who I write for which is, in fact, those people are entrepreneurs themselves have a great deal to learn from these people and my job is to make that knowledge accessible to them.

Jay: Lou, how about your take?

Lou: I could see there was a business process for hiring top talent. Just like there is a business process for producing parts, a business process for designing some technology or some component or some thing. I had a business process for accounting, business process for sales and marketing; there was no business process for hiring. After a while, I realized there was a business process. Every time I looked at it after, let's say, 30, 40, 50 placements (this is now in the mid 80s), I realized that four conditions always existed when a top person got hired. Most of my clients were both midsized companies, small companies at the VP director level and some large companies. I was irrespective of the position. Number one was probably the most important. If you wanted to hire a good person you had to have a good job. It wasn't a job description. It wasn't a list of skills, duties, experiences in academics, it was a list of what the person needed to do to be successful, build a team, design a product, launch a new market, whatever it is, it was a list of things the person needed to do. That was number one. Without that, you couldn't hire any good people.

Number two, good people don't look for work nor accept jobs the same way average people do. Unfortunately, too many companies today have what I call— let's find candidates to fill jobs; let's not find great people for career opportunities. Fundamentally, how do you find good people? What do you offer them? How do you get to look at this as a career opportunity not a money deal? Too many people focus on the money in finding candidates in a transaction. Good people don't make decisions that way. The third part was interviewing. I found most of my clients and I work with for about 12 years, all I did was work with tech and YPO sized companies. Most managers aren't very good at assessing competency. Now, let me say this...that is true for managers of big companies so I just made the point that there is no difference. So I early very quickly learned that I had to become a better interviewer than my clients and I did.

I came up with two core questions that accurately assess candidate competency. Basically they focus on can I find a person that is motivated to do this work? Is this person competent and motivated? Competency was easy, motivation was hard. So that was the third piece. A great interview that was easy to learn. The fourth piece is the close. How do you get a person to think about your job as a



career opportunity? That starts out when you write that job ad. When you say what does the person need to do to be successful, you put it in the messaging in the sourcing. You capture in the interviewing process and when you get to the end of the process, it's not a surprise the person looks at that job and says, yes, that's a career opportunity that I want. It's not about the money but the money has to be competitive, it's about a long-term career. It's a system and you got to do all of those four things at the same time or in parallel. Great job, great sourcing, great interviewing, great recruiting, you put them all together in a business process; you're going to hire top people on a consistent basis.

Jay: Kerry, what's your perspective?

Kerry: Well, you know we sort of back into this. We were hired as consultants. I'd come out of Stanford University as a researcher. They wanted us to help us improve their numbers in one way or another. And as I spent time as sort of an ambulant anthropologist walking around and looking at the organization, I quickly learned that they were very poorly suited to hold conversations where opinions varied, emotions ran strong and they just sort of fell apart on a routine basis. So we decided that we would start developing skills in these companies where they could talk under high-stake circumstances.

That seemed to turn the corner with most companies. They were trained as engineers, they were trained as musicians, whatever their expertise they had, they brought. They just weren't trained as human beings to communicate under high-stakes conditions. The ability to do so separates the best from the rest. We conducted another 20 studies off and on over almost 30 years and found routinely that the people who are most valued in an organization, the same skills you'd want as an entrepreneur, were picked by their peers as being influential and as you watched them in action, they knew how to hold a crucial conversation.

In any case, as an entrepreneur it's particularly important that you are able to bring people together and work through differences because during the early stages you don't have a lot of similarities. You don't have procedures, you don't have protocol, and you don't have norms. You're establishing all of that and that means different opinions, hostile environment and you've got to get good at dealing with that.

Jay: Okay Marilyn, your turn.

Marilyn: For small business, you have so many rows. So clarity of purpose and mission is so important, because it helps you focus on the things that are most meaningful for the development and growth of your company. For me, having gone through both as a business entrepreneur with my own small businesses, as well as running large corporations like Nike, Reebok, and Aveda and also being on the board of SCORE, the small business administration's arm to working with small businesses especially in the starting level, I really have the ability to look at the different sides.



But more than that, it's my ability on how I can work with you to understand what your company mission is about and how you take that understanding to marketing, servicing and satisfying your customer. I think really that's the interplay between my background and information and a small businesses' growth and development.

Jay: Eric, what do you think?

Eric: What I'm trying to do is to help people beat the odds and basically be successful at different stages by understanding that the personal challenges the entrepreneur will face, the team challenges and also the organizational challenges. There are some very specific deliverables or outputs of the consulting and the research that I've done. One is a framework for building successful organizations which identifies the six key drivers of successful organizational growth. That framework I call "the pyramid of organizational development." It has been empirically tested and shown that if you manage these six key variables individually and holistically as a system, you not only have a higher probability of success but it also has direct impact on financial performance. Those variables are the markets that you choose to compete in, the product and services you offer, the resources you have and how you manage them, your operational systems, your management systems and a culture. Those are the six key factors. The second thing we found is we've identified seven definable stages of growth which are measurable and operational in terms of revenues. Basically, there are seven stages of growth that all companies will have to go through and you can predict where they are relatively in terms of their revenues. At each stage of growth, one of more of those other six factors that I mentioned is going to be critical. It identifies for people, it kind of gives them an organizational roadmap and says okay if you're a \$1M company and you're going toward \$10M, here are your challenges. If you're \$10M and you're going to \$25M, here are your challenges and so on.

The first challenge is of course proof of concept in a new venture. You have to have a concept that's valid. This is what many of the dot-com's failed to understand. If you don't have a market, you don't have a product, you don't have a business. But if once you have that in stage-one and you're roughly a million dollars, now your next challenge in stage-two is what I would call operational – resources and operational systems so it is the beginning of the scale-up process. Now you have to begin to acquire the human capital, the financial capital and the space and technology that you need to grow and then of course the day-to-day operational systems. When you're at \$10M, now your challenge is the management systems of the company; the planning system, the organizational structure, the management development and the performance management system. If you're fortunate enough to hit \$100M, your next challenge is to effectively manage the corporate culture. So those are two frameworks: The pyramid of organizational development and the stages of growth.



The third framework which is related is a byproduct of the other two is if you fail to build the infrastructure of the company sufficient to match the size of your company in terms of revenues, then you're going to experience some classic growing pains which we've identified based on our research and validated. Those growing pains are going to be an indication they're problems in and of themselves but they are an early warning signal that something has gone wrong.

Jay: Outstanding. Let me give you the next question. **What's the single most important change you think entrepreneurs should make immediately to take fullest advantage of what you know, what you're going to share and what you researched and discovered that's going to help their business grow, thrive and really sustain.**

Jay: Michael, what's your take on that?

Michael: Growth is not really the important issue that everybody thinks it is. If they could stop thinking about growth and the question is what would they be thinking about instead. I'm essentially saying growth is a natural function of what you're there to do. Transformation of the world is the focus. Transformation of the world can only be achieved through a highly original model for the business that is solely designed for the purpose for which it was created. Then the question is... what is the supreme purpose of my company? What does it mean? What's the meaning of this? Why is that meaning the critical focus of every single person working in that company in management, in operating tasks? In other words, what drives the passion of our company and what do we do to share that passion with everyone we come into contact with? What we do has got to be important. Growth is not important if what we do isn't important. Growth is obscene if what we do isn't important. Growth is a waste of an adult person's conversational time. So, effectively, I'm simply saying that the meaning of your company is the most important issue.

Jay: Right on point. Brad, what do you think?

Brad: The single most important change for entrepreneurs to make just really has to do with talent. To put talent right up there as important as anything else they do, marketing, product, and so forth.

Someone told me about 25 years ago how they had assembled such a powerful team and I asked what was the key; give me the secret, give me the secrets and here is what it is. The guy said and by-the-way I didn't really believe this completely at first. I didn't think it would work, the guy said right up front with a the very first exposure to any candidate for selection and then I repeat this... what he repeated, I say to the candidates you will eventually have to arrange for personal reference calls with bosses you've had in the past eight or ten years. Okay, it's not right now but eventually before a job offer is made I'd ask you to arrange for those reference calls with your bosses, is that okay? Well, flash forward, every one of those companies that you've mentioned and hundreds if not thousands of entrepreneurs have used this, I know it works. There is no



question about it. I didn't think it would work because you know most companies have policies that prohibit their managers from taking reference calls. But, the cool thing is (there are three cool things) one is C-players drop out right away. They say...What! You want me to arrange for reference calls with bosses. They're thinking oh, my gosh. I can't get my former bosses to talk and I wouldn't want them to talk to this perspective employer anyway because they'd probably say negative things about me.

But, the higher performers, the A-players say sure, I can get my former bosses to talk. They want you to talk to them because they'll probably sing my praises. So it is really a powerful selection tool just in and of itself. That's it. Let candidates know in order to eventually get a job offer; they will have to arrange for personal reference calls with the bosses. It's really powerful. It works everywhere, C-players drop out and the A-players are enthusiastic and of course, eventually you ask them to do that and that's part of the process.

Jay: That makes really logical sense. Bo, what do you think?

Bo: Well, if we're talking about entrepreneurs who have employees and I presume that is mainly what we're talking about, the biggest change that they can make without question is to create what I refer to as a business of business people. In other words, most businesses out there are maybe one, two, three business people and then there are a bunch of employees who are sort of waiting to get direction. The companies that truly excel in good times and bad are those that where everybody in the business is in fact a business person and knows exactly what's going on, how the company makes money, what needs to happen for that company to be successful, how they contribute to the result and how everybody else is counting on them to contribute to the result.

Business can be a tremendous, great, exciting adventure but it's only a great, tremendous, exciting adventure if you know what's going on. Otherwise, it's sort of like watching a game being played that you don't really understand the rules to. Once everybody understand, I mean, you know I like to think that business is essentially a sport; it's a game and the ones who win are those who know how to play the game. They know what the rules are. They get the information they need to follow the action and keep score and they have a stake in the outcome. Those that do - when you are able to get everybody playing the same game, you're going to have a very strong team.

Jay: Lou, give us your perspective.

Lou: Irrespective of what it is, you as a manager, you as an entrepreneur have to understand what drives that person to decide both to look at and accept an offer. Then you have to look at your advertising copy which is the individual posting. It doesn't necessarily matter where you put it although it's not insignificant but those words better match exactly to what that call center person wanted, what that sales manager wanted, what that engineering director wanted. If they don't, the probability of you mixing and match the right people is going to be



problematic. That's where I see everybody has it. If you look at most advertising today, it is a bunch of skills, duties and responsibilities. I absolutely guarantee not one top person is thinking about that, well I can't wait to get another job where I can get another six months of experience in the same thing that I'm doing today. It is idiotic if you look at and consider consumer marketing principles and apply them to hiring top talent. So understand why a top person in any job is interesting in taking that offer and then make sure your advertising maps to that and then during the interviewing process you reinforce it.

Make sure your website reinforces that. It would have to be tailored to the type of job, the level of the person and those issues but nonetheless, it is really not much profoundly different than marketing 101 and marketing 102. Map to your clients needs and offer those benefits and sell the benefits, don't sell the skills.

Jay: Okay, Kerry, give us the crucial answer.

Kerry: Most people who end up being entrepreneurs are really problem solvers who care passionately about a particular topic and now they have this company and they are getting funding and whatnot. They need to expand their view of who they are. They have to see themselves as a leader and particularly as an individual who is skilled at holding crucial conversations and crucial confrontations. They understand three things – if you watch the best entrepreneurs. 1. The debate, which is a traditional response to differences of opinion, debate bypasses healthy dialog. We don't get the best information out in the open; we don't make decisions based upon the best information. We then don't act with unity and commitment. Debate yields debate and leads to a downward spiral and rarely works. 2. Avoiding the problem, which is the other end of the continuum – you have violence which is debate and silence at the other end – makes matters worse. I had a guy tell me one time, going silent in the conversation and thinking it will make matters better is a little bit like taking some rancid cottage cheese off the shelf and saying, oh, this looks horrible. Let me set it back and see in three days it gets better. It doesn't get better. 3. The third thing is they understand that the investment taken in improving their conversation skills and implementing them at work is time well invested. You save so much on the back end if you invest in the front end honing your skills as a leader who can communicate and work through tough differences. You are not just an inventor, you're not just a blue skyer; you now have a group of people and you've got to bring that group together and work through differences. That's the hat that you have to wear.

Jay: Marilyn, give us your perspective.

Marilyn: That's so funny to ask. This is a question that gets asked a lot by different businesses from large corporations to small. Which is, what's the most important change I could make to really make my business flourish? I tell them the same thing regardless of size of business. You need to come to work with a fresh mind every day. So, ask yourself regularly, how can I and my team do this better? What do my customers really want? How am I communicating with my



internal/external team, associates, clients and vendors? Am I mentally and practically tracking on my own and company's goals and missions? The old saying, it's easy when you wrestling alligators to forget the reason why you are there is to clean the swamp. I think that sometimes we do that quite often.

Jay: Eric, what do you think?

Eric: I'm going to modify that to three rather than one because I think they're related. I think it is a reasonable question. So if I had to pick one of the three it would be – you're familiar with real estate that three things are important and that is – location, location, location. In entrepreneurial business there are three things that are important – planning, planning and planning. I don't mean forecasting. Planning requires data of various kinds and also one of the key things that you have to plan for is the change in the organizational culture. If I had to pick one I would have to go with strategic planning but really the other two would be having database decisions as opposed to opinion based decisions and also to focus on the culture and the cultural changes as the company grows. The more rapidly you're growing the more the culture is going to change and possibly get to store it. I hope that helps.

Jay: That's a great visual. Question three and we like – Rich and I like to use the rule of threes because sometimes it's really helpful for the listener, but **if you can, can you give us three important lessons or two or four or distinctions that our entrepreneurs need to know and appreciate in order to use what you know to maximum advantage?**

Jay: What do you think about that Michael?

Michael: McDonald's is the perfect model of the most successful small business in the world not simply because it has over 28,000 stores, not simply because it's done the impossible, not simply because it's in almost any country you would ever walk into – turnkey, absolutely perfectly exquisitely turnkey – that is it is able to scale – it is replicable so the presumption is that your dream, your vision, your purpose and your mission.

First of all of course, innovation, second of course, quantification, and third of course orchestration. And that means that you're creating a better way to do something that is absolutely essential for some specific human being on this earth to be able to access for their life to be transformed.

Mohammad Unis did that with his extraordinary bank, Grameen Bank, in providing micro-lending a system that it never existed before he invented it that has enabled him to transform the lives of women most specifically who didn't have, couldn't have, impossible to get any means, shape or form of creating a living. Couldn't support themselves and couldn't support their kids. So he provided the absolutely essential ingredient to make that happen and nothing more than that other than the social system that it's attached to. That's the innovation.



Quantification - measuring the impact of that innovation to make certain that in fact it is an innovation and not simply a change. I'm not talking about change. I'm talking about improvement, continuous improvement, continuously and the quantification of that. What are the numbers? You two guys, I know, believe in the numbers. Because you know if you don't have the numbers, if you don't know that in fact, this particular offer produced six percent more than the offer preceding it you wouldn't know what your next step would be. So you need to have the ability to quantify the impact.

Orchestration is that critical, absolutely essential thing that great companies do which simply says this is how we do it here. This is how we do it here is a system. It is not up to John. It is not up to Mary. It is not up to Judy. It is not up to Jimmy. It's a system that all of our people can use that makes us capable of delivering our promise absolutely, clearly and perfectly if that's at all possible in our world, as best as it can possible ever be done and that's what the whole ballgame is.

Jay: Okay, Brad, give us your take.

Brad: So I'm going to tell you something that sounds a little bureaucratic but explain it just enough that I think you all will get it. The magic of "Topgrading" what has permitted so many companies to document improving their hiring success from 25 to 90 percent is the "Topgrading" interview is a very thorough interview. Essentially, the simplified version is you ask starting with the very first full-time job the candidate has and you come forward chronologically covering every single job and you ask what were your successes in that job and how did you achieve them? What were your failures? What are any other key decisions or relationships? What would bosses say about you and keep in mind we might ask you to arrange for reference calls with those bosses. What would they say were your strengths, your weaker points, and your overall performance? Of course why did you leave? By asking those key questions and a few other but those key questions in a chronological interview starting with the first full-time job and coming forward to the present, there is some magic in that that isn't completely obvious. You might say why would I be interested in what the guy/gal did 15 years ago? Here is the answer. When you ask about what happened very early in their career, you learn about the person today. When you learn how this acorn evolved into the oak tree, you learn what the person can do today across literally dozens of competencies.

If you want other that is related to that, and that is – now this sounds like overkill but it really isn't. Let me just give you the story. I was talking to Jack Welch a couple months ago. We were both consulting with a couple of companies. He said Brad, what was probably the most important we did at GE with respect to Topgrading? I said, Jack, you know you said that GE had kind of stalled out with about 50 percent success. You've gone from about 25 to 50 percent success, how can we get higher? I said, Jack, in our workshops, we use two interviewers; the tandem Topgrading interview. This'll work.



I reminded him, I said Jack, you didn't hesitate one second, you approved it, flash forward 15 years, all those years you've been over 90 percent successful – the people who follow you GE. The head of human resources at GE retired last year and he said there are about 95 percent successful. Wow, to go from 50 percent to 90 percent success picking people and the answer is (not just a chronicle interview which is really important) but a tandem, two interviewers, two A-players, a tag-team. Two heads are a hundred times better than one.

Jay: Bo, what's your perspective?

Bo: I would say that number one is that you need to understand that numbers run a business. People often think that the CEO or the leader runs the business but it is actually the numbers that run the business. If you want that business to be a successful you really need to understand what those numbers are, what they mean, how to use them. I think of business as a living thing. It's an organism that has needs of its own.

Number two: would have to do with what I think of as creative paranoia. That is, the habit—if you're talking about the long-term success of a business, you really need to get into the habit of asking what if. I mean it's one thing to make plans but you know the old joke that if you want to make God laugh tell him what your plans are. The truth is that everything can go wrong, anything can go wrong; we've just seen a lot of things go wrong in the recent past. If you look at the companies that are doing well, there are two things. (1) They're very flexible but the ones that are doing best and are able to adapt and change to their circumstance but the ones that are doing best are those that have prepared in advance. In other words, they have thought about what could happen and they have contingency plans and trap doors and the ability to respond quickly because - and that really comes from this creative paranoia.

I would say the third thing that people need to understand that you can often make more money by knowing what to say no to than by knowing what to say yes to. You have to be very clear about where you want to wind up. As Harold Geneen, the late CEO of IT&T, he wrote a great book called "Managing". It was a best seller, I don't know, 40, 50 years ago but it is absolutely relevant today. He said, "You read a book from the beginning to the end but you build a business from the end to the beginning". That means thinking out – thinking where you want to wind up first in your life and how business is going to take you there and then coming up with a plan for getting to that goal. Once you are clear about that, the reason that is so important is because it helps you understand that there are lots of things you're not going to do because it doesn't fit in with your vision of where you're going to go.

Jay: Alright, Lou, on to you.

Lou: This is one piece of tactical advice, everybody listening to this, you must follow right now. Take your list of traditional job descriptions that list skills, duties,



responsibilities and experiences and throw them into the trashcan. They will prevent you from ever hiring a top person. Prevent it - they're just useless.

In the substitute that is ask yourself what does a top person need to do to be successful in this job? What would this person need to do to ace the performance review? What does this person have to accomplish that I think I've hired a great person and it will be lists of skills and tasks. It might be design a new circuit to do this, upgrade my facilities or build a marketing team. If they've to build a marketing team to increase revenue by 50 percent then ask yourself what do they need to do first? They have to figure out the problem. What do they have to do second? They have to put a plan together. What do I got to do third? They've got to rebuild the team. What do they have to do fourth? They've got to put a territory plan together. Whatever it is lay out what they need to do successful. Then when you ask candidates a question say...what have you done in this area? Give me some example of what you've accomplished in each of these areas and spend the whole hour interviewing that way.

At the end of it, you'll know if the person can accomplish that task if that person is competent and motivated. That's how you really start figuring it out but you've got to define success and then find people that are motivated and competent to do it. And it's very - let me tell you, competency is easy to figure out, motivation you really have to dig deep so it is not a short term effort.

Jay: Kerry, what do you think?

Kerry: Okay, now, when you bring up the notion of maximizing performance, I've talked a little bit about the front end as how do we come up with the good ideas. Sooner or later you make assignments. Healthy organizations then deliver on their assignments or they talk to people in an effective way what they don't deliver. That means that they have to be able to do three things to hold people accountable. One is they have to make sure they know how to talk about the right thing. Someone lets you down. It often reflects four or five different problem. One, they didn't deliver on time. Two, they said they were going to call you if they ran into a problem; they didn't call you. Three, they seem to be taking pleasure in it, you know.

I mean, there's often several layers to this onion, and as you look at effective problems solvers and effective entrepreneurs, they select the right problem. If you think about it, we use CPR as our metaphor. Content: What is the content of the problem? Oh, it was late. What is the pattern? This is the fourth time this has happened in a row. That's a new problem now. Now you have to talk about the pattern because it wasn't just they didn't deliver on time but they now have failed to follow through on their agreement. Third would be – the R would be the Relationship, CPR – content, pattern, relationship. Relationship means here's the implications to our relationship. That may be the thing you want to talk about. So the first issue in holding people accountable is talk about the right thing. Think about content, pattern and relationship. Pick the thing that matters the most to you and chat about that. Skill number two is you need to be able to



make it motivating. When people aren't motivated, we often think if we give them a rah rah speech – We have this vision of charisma being at the heart of entrepreneurial behavior. Rarely is it. It's the capacity to explain the natural consequences associated with people's existing behavior that sets the best apart from the rest. You make activity motivated my thing. You know what? Here is what happened when you didn't follow through on this particular agreement. Whoa! It caused that problem to the customer? Yeah. Oh, now I know. Make it motivating by explaining natural consequences. Don't use your power. Don't stand up and thump your chest and say care about customers. Explain behaviors and outcomes. Skill number three is to make it easy.

Jay: Marilyn, on to you.

Marilyn: Again, the most profound things are often times the most simple. I have just three vital points for everybody to remember. To realize that when you go into any operation, any business, anything you do really is to realize a past, a present and a future to each issue. Often times, what you're either focusing on the past, that is what really happened already or what may happen in the future. We forget the only thing we can do is affect change in this moment. Dwelling in the past, aside from understanding how and what...how things came into being is really worthless. It doesn't do you any good. Or fearing or worrying about what's going to happen in the future is equally futile. The only thing we can change is now. So once we figure out what happened to the past, have some idea of the potentials for the future, we have to focus our energies and attention into the now so that we can really make change. The only time we can make a difference which is at this moment.

Jay: Eric, please tell us your thoughts.

Eric: Well, one is to focus. Entrepreneurs tend to – first of all, this is a concept that a colleague of mine originated and I've kind of adopted. It's his belief that about 80 to 90 percent of entrepreneurs have ADD. That's Attention Deficient Disorder. That's obviously a limitation, but it can also be a strength. It is a strength in the sense the nature of the way their mind works; it jumps all over the place. They have lots and lots of ideas. So, the problem is one of bringing a certain amount of discipline and focus because if you try to go off in a whole bunch of directions, you're going to dilute your effort and get little done. So, number one – a strategy for the entrepreneur is to pick something and to focus on it and really keep focusing on it and avoid the temptation of going in a number of directions. I know the people who have done that were very successful and the people that haven't done that have been in trouble. Some people that I've coached to do that, they've actually – they've learned it. So, I think it would be a tremendous advantage if you can do that. The second thing is qualitative rather than quantitative. I believe in measurement. I'm very comfortable with measurement, but basically, the entrepreneur needs to understand even though his/her DNA is not going to change; they're going to have to transform themselves at least three times over the course of their career. In the first stage they're going to be the super-doer. They're going to be basically doing virtually everything in the



business and doing what they need to do to get it up and running. In the second stage they're going to need to develop managerial skills, day-to-day management skills to supervise people, train people, develop people, coach people, give feedback and so on. The third stage is they're going to have to become true leaders as the organization grows in size.

You mentioned my book, "Growing Pains". I have another book that came out last year. It is called, "Leading Strategic Change". In that book I articulate a concept called, "the leadership molecule". To me, one of the great myths about business and business leadership is that the myth of the single heroic leader. There are many examples of people like Lee Iacocca and his generation and Steve Jobs but when you look more closely at the companies that have been hyper successful like Starbucks, for example, and others, there's usually a core leadership team. And I call that "the leadership molecule". That core leadership team are performing four major tasks and have four major skills among them. One is vision, another one is culture, a third one is operations and the fourth one is systems. Now, an individual entrepreneur may have all those capabilities and skills but basically as the company grows and the faster it grows they're going to be spread thin. They're going to need to compliment their skills just the same way in basketball. You have now the whole situation in the NBA finals. You have Kobe Bryant but he couldn't win a national championship without an equivalent of a Shaquille O'Neal. Now he finally has some of the supporting players around him. The same thing is true in business. You can have a very strong entrepreneur and is greatly skilled, but they're not going really take the company to the highest levels unless they have that supporting team around them.

Jay: Those are great answers, thank you. Rich?

Rich: Yeah, great answers. Okay, so question four. **What do you consistently see as some of those common factors that transform a small business into a growing, thriving, well-oiled kind of machine?**

Rich: What's your answer, Michael?

Michael: It's very, very critical to understand that if this doesn't happen in the owner, it will never happen in the business. That transformation is a sudden realization that they have been thinking far too small. Understand that most people who start a company of their own start a small business. But that's not just a kind of business, that's a state of mind. They start a small business to create a job for themselves and effectively to become their own boss so they don't have to work for another boss. And the process, now they're working for a lunatic. So now they are working for a lunatic thinking small and thinking small is a very, very important component of my mindset because unless you understand that, the small, the quality of small, the capability of small is critical if you're going to grow at all.



That is, you have to go to work on your company to build your, what I call, franchise prototype of your company so that it can be scaled. In order to do that and before doing that, the founder, the chief dreamer truly has to care more about creating a stunning transformational impact upon his customer, upon his people, upon the world than he cares about himself, about money, about fame, about his ego. He's has to stop thinking from a self-centric perspective and truly begin to adopt another centric perspective. That means this is not about me. I'm creating a company for me. I'm not doing what I love. I'm loving what I do which is to invent the perfect realization for somebody who's in pain, somebody whose life isn't working. Somebody whose life isn't giving himself or herself what in fact they truly could or would wish to have that my company is going to do that for them. And he works continuously to achieve that result and teaches his people how to think and behave like that in everything they do inside and outside the company. In short, he sees his company as a school. So this is a very critical part of my next new book called "The Most Successful Small Business in the World." It's one of the principles and that is that the business is a school and the school teaches its people how to grow themselves while they're growing the company and having grown the company and having grown themselves, expanding their reach from becoming masters as technicians, masters as managers but also masters as entrepreneurs that every single person in the company should be on a path, on a path to grow.

Rich: Brad, what's your answer?

Brad: The key, the key to success initially and then growth is get the right people in the right jobs at the right time. So, considering people as strategic assets rather than just expenses is absolutely important. I put it right at the top of the list. I know entrepreneurs think that way because I mentioned at the beginning of this interview the thousands of small business owners I've been in front of in the past few months, I put it right at the top of the list. So I'd say that was really important. Something else which is tied into what this program is all about is learning. Entrepreneurs want to keep learning, learning, learning. I think that's really key and a third principle would be being receptive to critical feedback. To be open, adaptable, and willing to make yourself nude in front of others like participants in this program or YPO or EO or Gazelles or any of those programs where business owners interact with others and they share their story and then they take criticism.

Rich: Bo, share your perspective.

Bo: You know it all starts with the leaders. In some cases that's the founders. In some cases that's the CEOs and in some cases it's a whole group of people. I think that the first characteristic that I think is critically important when I look at the really successful companies is that, number one, they have leaders who know they are, what they want out of business and why.

Number two, I think it's very important to have leaders who are absolutely passionate about what the company does who believe that what this company is



doing is vitally important and who have a higher purpose for doing what they do. Having that higher purpose, there needs to be something – it's got to matter in a larger sense and that really comes out of the entrepreneur. That is what becomes inspiring to all the people whether it is your employees, or your customers or so forth, it's that idea that you're striving for something that really matters, that really makes a difference. Number three, I will say it's important to have leaders who understand that the customer comes second. The employees come first. Now, this is not because they don't care about customer service. Obviously, any successful company has to have – any really successful company has to have extraordinary customer service. But, once a company gets above a certain size, it's no longer the CEO or the top executives who have those relationships with the customers or the suppliers. It's the employees.

I mean, Herb Kelleher was always asked what was the secret of Southwest Airlines? Why was it able to become more valuable than the other top seven airlines combined? He said well, it's our culture. When he was asked what was the secret of their culture he said it's caring for our employees in the totality of their lives, caring for our people in the totality of their lives. In other words, not just as employees but as human beings. So I'd say that would be the third characteristic. The fourth really goes back to the point that I made to begin with is that you need leaders who understand that business people will out-perform a business of employees every day of the week. Therefore, they need to create an organization that is filled with people who know how their businesses make money and how it builds value and who understand the rules, get the information they need to follow the action and keep score and who have a stake in the outcome.

Finally, I will say that increasingly I see – this is a bit of a trend, I think now – increasingly I see companies with leaders who understand that to achieve maximum success they almost need to make customers part of the organization. The customers actually are integrated into the basic workings of the company in the product development design and so forth. They really strive to develop very close, personal, one-on-one relationships with their customers.

Rich: Lou, what's your answer?

Lou: They've got to put a manpower plan together. I need to hire three new engineers for next year. Hey, we're opening up a territory; we're going to launch our product we've got to do some kind of planning. Hey, we're going to open up the east coast territory; okay we need four people to do that. That's not rocket science. How am I going to find those people? Now, that might be a bit of an issue but the idea that they are always reacting, I think that's because they haven't prioritized the need to hire good people.

Now, let's assume that they do have and when you do that, I tell you, you don't have a lot of weapons to use when you're in a reactive mode. All you can do is post the boring ad on Monster and hunt and pray. There's a heck of a lot more tools out there though that can get them in the game; LinkedIn, for example, for



one. If that was the only tool they had I believe that would be the only tool they'd need. Maybe a couple of niche boards if they're looking for software developers but you put LinkedIn and a board together, that's pretty much what – you have a heck of a lot of tools right there that can find people quickly. I think that's one of the things that profoundly changed. It is now easy to find good people.

In 1992, I remember a food company, a nice sized company about \$100M, it was part of a tech group, needed a director of quality. Boy, I'm telling you that was hard to find. We had to go through directories, phonebooks, call people up, network, it takes let's see, literally weeks, 40, 80, 120, 200 hours to find four or five good candidates. That same search today, I'd have the person - if we had an interview in the next half hour I'd find somebody in 30 minutes.

Rich: Your turn Kerry.

Kerry: We're seeing that entrepreneurs are very good at recognizing their limitations and taking preemptive action. They know when they are going to have a problem, they see those problems coming. If it's funding, they know that it is going to funding related. If it is marketing and they don't have marketing, they know it's going to be marketing related. Then they watch for the signs that that problem is coming up and they catch it quickly and they act quickly. The second one is they understand that they are running teams of specialists. Up the street from me is a famous company – or there was one – that had all the best sort of software code people in the world. They created word processing programs and didn't have an appreciation for other teams of specialists. They didn't bring marketing people in; they didn't bring the right kind of accounting in. Savvy entrepreneurs say, okay, I know this area, and they go find another group of specialists who can help us market and another group who can deliver, and another group who can produce and they find very different people from very different cultures and they find a way to get them to collaborate. In order to make that happen, of course, that search skill would be the capacity to be a master of communication. They keep people informed as changes occur. They don't just see themselves as a decision maker running around and holding meetings. They then stop and say, who needs to know about this? They're very, very good at keeping everybody on board as changes occur because one thing entrepreneurs are doing all the time is changing things.

Rich: Marilyn, your turn.

Marilyn: The common denominators of small businesses that grow into successful, flourishing ones are three things. 1. Everybody has a clear understanding of the mission of the company and why it is doing what it is doing and they stay committed to it. 2. There is a continued focus of improving both internal and external communications so there's free flow of communication and understanding of why and what everybody's doing and there's also ongoing research and awareness of the world and how it impacts both the business and the customer's needs. So those three things. If we understand them and follow them through, you've got something that's going to grow and flourish.



Rich: Eric, what's your take?

Eric: That's exactly what I've been studying for to find out. And I've tried to package it, if you will; in other words to make it a step by step process. The concept I use is one of a pyramid of organizational development. There's a business foundation. So the businesses that do it, they're not just a one-trick pony.

Starbucks, for example, their initial growth was based upon coffee but then they got frappuccino. You have to be able to have in effect – identify a market and basically come up with a product that will satisfy that market and then basically you have to get the resources necessary to begin to scale it up and then to build the operational systems that are required. Then you need to build the management systems and then you need to manage the culture. Usually, those six pieces, I call them strategic building blocks, need to be done by the time an organization is about \$100M in revenue. You're always managing all six but you're doing them in more depth. So for a company to make the transition from sort of a hot product and a good opportunity, a flash in the pan, to a sustainable business it has to understand that it takes more than just a product and a market. It takes really the infrastructure of the business to be built. It's like an oil well. Someone goes out and are shoveling in their backyard and they hit something an oil gusher comes out, well they don't really have a business. What they have is an oil strike. If they convert that to a business they've to be out and find oil repeatedly.

Jay: That was great. Next question. **I'm going to ask this question but I'm going to spin it a little bit because if you can help us, not just us Rich and I, but us listeners identify some of the – not just the personality but the attitudinal and the operational distinctions between the entrepreneurs that never seem to really go anywhere and the ones that really have the wherewithal to see themselves as this evolving, growing, thriving enterprise.**

Jay: Over to you Michael.

Michael: So you might say that the differences, the key differences in people who are ready to play that game is they're ready to actually ready to go into a dreaming room, as I call it, with a blank piece of paper and beginners mind and to pursue the impossible. They're absolutely committed to putting themselves in an environment where everything they know is put into question. They're absolutely critically determined to be challenged at every step of the ladder, every step along the way so that they can either validate what they believe in a way that makes sense or they can absolutely trash it completely.

As I do Dreaming Rooms with people who are “want to be” entrepreneurs even believe that they have been, believe that they are and confront them, confront their obsession with holding on for dear life to what they believe to be true to begin to discover they have never even begun to see the possibilities and the



impossible of the world that exists around them. Once we begin to do that, astonishing things occur.

So, it's the desire to be astonished, the desire to be impassioned, the desire to be awake, to be present, to be absolutely clearly present to the possibilities that have existed around me all the time and to be absolutely in pursuit of them like the Holy Grail. That's what the great guys do.

Jay: On to you Bo.

Bo: When I look at the entrepreneurs who do build great companies whether they be very large companies or smaller great companies, I see qualities like vision, curiosity, a thirst for knowledge, a hunger for personal growth, imagination, an ability to think differently, a kind of restlessness. They tend to be people who are easily bored and they thrive amid problems. They enjoy solving problems. They really get engaged intellectually and emotionally with the challenges of the business and they're constantly learning. They constantly are trying to learn more. They read a lot. They listen a lot. That is really the key.

When you look at those people, there is a different factor that comes into play. Probably the most important one is adaptability, the ability to change roles because your roles and the role that you play in a business do change as a company grows. Finally what I would say is that above all with all these people if you're going to go into business, the number one most important characteristic to have is resilience because everybody who goes into business makes tons of mistakes but that is how you learn, there is nothing you can do that is going to prevent you from making those mistakes but those mistakes are going to be what teaches you how to be successful.

Jay: Lou, what do you think?

Lou: I'm going to make a couple of generic statements that are probably not true as I ponder it but I would say those people who are technically competent, truly technical wizards, and were strong willed and built a small company were very difficult to get through what I call a transition point.

And it really has to do with attitudes, experience, education, and background. If the person worked at a bigger company and came onboard to the smaller company, I think they have a better shot at it. If a person took it for a different – from a financial value perspective not from a technical capacity perspective I think they have the capability to do it. I don't want to say that is universal in terms of how I've diagramed success but I would say what is universal is there are plateaus and it takes a different set of people, systems and processes to move through those plateaus.

Jay: Kerry, it's your take now.



Kerry: We actually have conducted a couple of studies looking at the differences and we have found three vital behaviors that help them develop these multi-million dollar organizations. One of them would be that they use their own experience. I think this is the easiest one. Seventy one percent of the entrepreneurs start their ventures from a problem that they solved. They have looked at something either on their own in a company. No one cared about it; they went out and fixed it. But because they know and care about that, they bring two elements forward. One of course is the expertise that no one else has, and two, the passion that goes along with that. Those two pieces help them through the dog days of development.

The second one is they take action quickly. This is a hard one because many people actually develop their ideas while working in sort of rigid bureaucracies that move in slow motion. The people who step from those bring those habits with them. Even though they've got a clever idea, they impose this historical structure of hierarchy and rules and signatures and whatnot, and they're slow to action. And that'll kill you. You cannot carry the culture of a big corporation into your new venture. You have to be able to take action quickly, quick decisions and move. Now, the other thing about taking action quickly is they learn how to conduct a mini-experiment. Let's try this particular method of communicating with our customer or problem solving and then check within a week to see how it is working and then make changes. Once again, in a big company they often will spend three months studying it, five months putting together the plan. They execute it for a year and then they say how did it work? Small companies will do these in an almost day to week basis, so they take quick action and do mini-studies.

Jay: Those are great.

And the final thing is you will find that with an entrepreneurial company it's either about hustle or monopoly. If you have proprietary advantage, if you are the only one in, and that's a great news story because monopolies - if you have a monopoly and people want it, you can make monopolistic profits. Those are the kind of people who really succeed immediately. In the long run, by the way, those people suffer because there is nothing like monopoly to cover up all the problems within the organization because you're making excessive profits. But we will set that aside for a later discussion. If you don't have monopolistic characteristics, then you have to be either first to market, quickest, get out, hustle. If you are not the only one, you've got to be the fastest one.

Jay: Marilyn, you're up.

Marilyn: Really, it's so funny because you use the word mind, because that's really where the difference comes in between an entrepreneur and a business that grows and one that just stays stagnant or even decrease in size, it is all in their mind. What I mean by that is in their perspectives and attitudes. It really almost has very little to do how hard they work because most small businesses, if you are an owner of a small business, you're working really hard. So, that's really not it. Of course,



luck plays a part in the equation, but mostly luck is there when you are prepared. So what's the difference? What am I talking about perspective and attitude? We're talking about the understanding and the perspective of the consumer's needs and what are these really serving? Who and why? Why are they doing what they are doing? Talking about this business owner. Are they selling a particular product? Are they looking for really understanding the want behind the need. So that's what, I think, any good business that's going to thrive is understanding the want behind the need of whatever they are providing.

And the other one is in the entrepreneur's attitude. If the attitude is of openness and eagerness to really improve and understanding why they are serving who they are and they are not waiting for the market to change before you react, you being proactive and looking at how to improve and serve the needs better and the wants better. That's the ones that are going to prosper and thrive.

Jay: Eric, give us your perspective.

Eric: One of them is the ability to learn and grow. I'm here at UCLA and an icon at UCLA is John Wooden, the UCLA basketball coach who retired. And basically he has a thing he says which is "It is what you learn after you know it all that counts the most." Being exposed to entrepreneurs who are willing to learn and grow and do not assume that they know it all. You get some who are sufficiently insecure that they try to put on the impression they know everything. Whereas others are willing to admit that they don't know everything and what that trade does, it does two things. One, if they make a mistake they're willing to admit it and they move on. Secondly, it enables them to attract people around them who are as strong or stronger than they are with certain things. A good example is Howard Schultz. Howard is a bright guy, very charismatic, very entrepreneurial risk taker but one of the key things that he did was to attract a team of people around him who were as equally strong to what he was but stronger in certain respects and able to handle that. I think the ability to learn and grow and the ability to not be threatened by other strong people. I know other people who have handicapped themselves in their career by needing to be the strongest person in the room. We wrote a book called, "The Inner Game of Management" dealing with the psychological factors that explain leadership. One of the dysfunctional factors we called it the "Pigmy Syndrome"; someone who surrounds him/herself with weaker people so that they can control them and not be threatened. When you do that, you're the strongest person in the room and you're not threatened but at the same time, you can't get any stronger than you are because you are the strongest link in the chain and everyone else, by definition, has some kind of handicap.

Jay: That's a great answer, thank you. Rich?

Rich: Okay, next question. Question six. **What would you say are some of the common habits of transformational entrepreneurs?** Michael?



Michael: Understand that I wasn't always just about to become 73. At one point I was 69. That is already too old for most of the people listening to this. So what in the world happened? Well, a lot happened but what happened was I suddenly came to realization that I wasn't being an entrepreneur and I hadn't been an entrepreneur for years in my company called "E-Myth Worldwide". I'd been doing it, doing it, doing it, doing it, busy, busy, busy, busy, of course I was working on it but I kept on working on it and on it and on it and on it and on it, the very same thing, I wasn't completely reinventing it.

So I was suddenly finding myself in this place. I'm getting older and something is missing. I couldn't put my finger on it. Then I had a conversation with my mother who at that time was 93, I believe. A conversation with my mother, I know this sounds terribly whatever but literally was having a conversation with my mother. I was complaining about nothing working and nothings working and she looked at me like I was an absolute raving lunatic. She says to me, "Michael, first of all understand what you're going through everybody goes through. Unfortunately, most people go through this very young and it doesn't have any impact on them. Fortunately you're still going through this at 69 years old. The reality is what you're suddenly discovering is that you need to do something new. You are here to create something in the world.

I realized the most important thing I could do is to address the one thing that I wasn't addressing with all of those broken businesses and that was what is your dream, what is your vision, what is your purpose, what is your mission which happened to be the product of the Dreaming Room not what I thought prior to doing the Dreaming Room. I said I'm going to create a Dreaming Room; literally that is how it came out. I'm going to create a Dreaming Room. My wife said, what's that? I said, I haven't a clue but is what happens to an entrepreneur. An entrepreneur dreams and dreaming is different than the way people talk about it.

Without a dream, without a vision, without a purpose, without a mission, a company can only do what the founder of that company called them a small business owner does which is a plumber does plumbing, an electrician does electricianing and this guy does that and an accountant does that and a consultant does this and a software guy does that and everybody creates a company around what they already know how to do but nobody imagines something greater than what they know how to do. Nobody looks at the world through truly awakened entrepreneurial eyes and is when it came to me that this is a revolution. In fact, if this could occur and it can occur and it will occur, god help me, if this occurs, the world is transformed.

Rich: Brad, your turn.

Brad: One of the common habits is to keep that talent bar high. As an entrepreneur growing a company, as that company grows it naturally outgrows some people. Someone who is an A-player becomes a B-player, maybe a C-player, to constantly hold that talent bar high is very difficult frankly but it is really crucial.



That's the Topgrading mindset that I would wish on the people that I was playing golf with yesterday and everyone who is listening in, I hope you learn enough to develop that mindset with the confidence that yes, you do not have to work 80 hours a week carrying weaker people. You can pack your team with high performers at every salary level so that they can contribute to your growth and success. They can anticipate problems rather than cause problems so you can have some balance in life as a little frosting on the cake.

I'd answer that, I guess, with one more. It is a common sense suggestion that I just haven't mentioned yet. It is one of those other 12 techniques and that is this: for every entrepreneur, every small business owner listening in, the best way to recruit is to recruit from your network. We've interview thousands of people including just 26 billionaires in the past year. They all say they hire their best people through references from their best people, referrals from their best people. I would encourage every entrepreneur to literally make a list of 20 to 40 people that they've known, worked with over the years, or people who just know a lot of really sharp people. Stay in touch with them, whether it is through the social media or email or picking up a phone call, people you might hire in the future. Keep those relationships going because when you can hire people you already know to have been high performers, boy you're a way ahead of the game rather than running ads and hiring recruiters and so forth.

Rich: Bo, what's your answer?

Bo: I would say that number one you're talking about passionate people. They are people who have – they may express their passion in many different ways. Some of them you may have a hard time – it may not show on the surface but if you spend any time with them and you get below the surface, you realize that they have a higher purpose for doing what they're doing.

Number two, this harkens back to something that I said before when I look at these people they have tremendous self-knowledge. They know who they are. They know what they're looking for. That is critical. They're not delusional. They are where they are because it is where they want to be and not because somebody else thinks or because there is some other reason that they are there. Thirdly, I would say and it comes back to a point that I made earlier, is that the transformational entrepreneur is invariably a curious person. They read a lot. They think a lot. They listen a lot.

Finally, this is perhaps one of the most important ones, they have the ability to learn from their mistakes which means looking at their mistakes and taking responsibility for their mistakes even when there may be other excuses easily available. When something goes wrong, seriously wrong, they ask themselves did I do something. What did I do to contribute to this? They grow as a result.

Rich: What's your perspective, Lou?



Lou: I would suspect that most of these entrepreneurs, once they get past – hey, I have enough money to do what I want to do and I have a nice lifestyle, then things change. Then their behavior, their attitude, what their personal success is. If it is to be the best toolmaker, to be the best java developer, to be the best company that does this then that becomes very restrictive. If that person has a need that is very esteem oriented – this is my founding, I found it, it's my baby and I want it, then that is going to be different than somebody who says my achievement is to take this company and take it to the next level. The reason I say that from my recruiting experiences when I talk to people I try to find out where they are on that Maslow curve. I hope the search assignment that I have for them maps to that next level as opposed to...what's the money, what's the title, what's the location. If they will look at this as a career, what is important to you? Where have you been successful? What kind of work do you like to do most? Wouldn't it make sense to talk a little bit at the job I've got at least maps to that. The idea is most people when you get them in a moment they're going to tell you what's the money, what's the salary, what's the title but when you get them to think about it long term that is not what they make the decision on, they make the decision on this is a career opportunity.

I think you have to understand that person's vision and that person's capacity to think beyond where this company is today. I think most entrepreneurs don't think beyond it. That is not their fault. That's not the way they were trained. You bring somebody in from a different company that has a different perspective, they have a different viewpoint. On the other hand, mixing those two cultures is where I happen. My goal was in many cases--the assignment I had was to bring people in to bring that company to another level. Quite frankly, it wasn't a success overnight. That is why I stopped working with small companies. There was just that one on one personal issues the founder and this new person to come to. It was like two bulls in a china shop and both of them saw the world differently. There were certainly a lot of different perspectives on who was right and who was wrong. The truth is both were right and both were wrong. It was just a different perspective.

Rich: You're turn Kerry.

Kerry: Hewlett-Packard became one of the best companies in America because both Hewlett and Packard, once they had sort of gone through the patent process, had a dream of how they would work together. Each of them had a cubicle at a time when everyone had big fancy corner offices. They wanted to be more egalitarian and quick moving. They wanted people to honor science and idea and not necessarily bow to the historical hierarchy. They had a clear understanding of what day to day work would look like. They would bring people together once a day in an informal session where they would have juice and fruits and whatnot because they quickly learned that multiple people with different ideas, if they didn't run into each other casually once in a while, they would miss opportunities to build off of each other. They had a vision of what interaction would look like. They knew how they would treat problems. They knew how to treat individuals



who were in stress. They had a complete and total vision of the corporation of the future and how they wanted it to be.

Rich: Marilyn, what's your answer?

Marilyn: Transformational entrepreneurs. When I saw the term, I thought very interesting. What do they really mean by that? When I thought about that and I find a common denominator of all transformational entrepreneurs, they are people who think about the big picture. What I mean by that is, is that they are not just thinking about their own businesses, but they're thinking about how their business connects to the whole. What I mean by that is that they are passionate not only about their business, their customers, the community, but also the world. They can tell that whatever they do in their little sphere, connects with the bigger sphere of the world and when they realize that their company is integrated in the social and environmental concerns of the whole world, they can know how then to thrive in the 21st Century.

Rich: Eric, you're turn.

Eric: They are able to listen to the ideas of other people and benefit from them. It is similar to the answer I gave you before. They're able to be comfortable to attracting people around them that can help them both in terms of employees and also advisors; their ability to I think listen but not just blindly follow. I think that they listen with some skepticism but at the end of the day they are willing to admit that they don't know everything and they're willing to get the best wisdom they can. I think that's one thing. Another thing that is important is the ability to strike the balance between the need for control and controlling everything and also the other propensity, the ADD propensity of going off in multiple directions; to strike a balance so that they can focus enough to really accomplish something in the area and not be seduced by extraneous opportunities. You have to have the discipline to turn down opportunities that are opportunities but they may not be essential to what you're doing. So, they have a strategic focus.

Jay: Excellent. Last question and we hope this will be a really wonderful sort of a springboard for you to really take over. We tried to create questions that give a reasonable track for the different experts that we're interviewing in this panel, but we don't purport to have the depth of your current thinking, research and we obviously didn't ask every relevant question we could. **So, based on all that, what is the one question that we didn't ask you that we really should have knowing what you know and what you could share? Why was that a great question and had we asked it what would your answer be?**

Over to you Michael.

Michael: I'm talking about the really essential questions we each and every one of us stop asking if we ever did ask about what's the meaning of life.



I'm saying there is no time for anything else. I'm saying that doesn't mean you ought not to get rich at what you do, that's not the point. We've all made more than enough money. The question is when do we stop thinking about that and truly begin to focus in the way that you and I and we could focus that could transform the world, literally, not figuratively, not hopefully or idealistically like some chump kid, I'm saying truly transform the world like I'm suggesting what Mohammad Unis has done and is doing.

Rich: Brad, where do you fall on this?

Brad: You know for 30 years I was just the interviewer and occasionally ran workshops but now I'm building a company and I'm following all the advice that I've given to others over the years. So I guess the question is how can the people listening in learn more about Topgrading? I don't want to sell anybody anything.

If you eventually get into this mindset and want to learn more about Topgrading, you'll find out how you can buy videos or go to workshops and so forth. But there's an e-Book that I put together. It's a 50 page e-Book that elaborates on all the points that I've made plus a few other points here. It's very easy reading with a lot of facing pages or quotes by Jim Collins and others. It goes into more than just the three or four points I've made. People are free to download it. They just go to www.smarttopgrading.com and you see right on the home page there how you can sign up for Topgrading tips and then you can immediately download the e-Book which is called, "Avoid Costly Mis-hires".

Yeah, we call the virtual bench which is the network and you picture a sports team. Oh my gosh, the center just got injured but the coach doesn't say, hey anybody up in the stands want to come in and play center? Although, that would probably work but I'm not sure that would be very effective. The idea is, of course, there are people on the bench who can come in and a virtual bench is having in mind all those people who are in one of two categories. One, they're sharp people, you've worked with them in the past who could come off the bench and join the team or they are connectors. They're just people who know a lot of people, who might go to work for you and they have that high talent standard. So you have that virtual bench that's nurtured by you and you encourage every one of your sharp people in your company to develop their virtual bench and your point is an excellent one, hey, the A-players want to be around other A-players. They know the company is going to grow and be more successful on account of it. They know that their time is going to be more productive with sharp people around rather than having to sweep up after mis-hires. It works to everybody's advantage to do that.

Rich: Bo, what's your answer?

Bo: I would say the one question that you might have asked and it would have been a good question is why is all this important? Why does it matter? Why should we care? I mean, obviously, we care about ourselves and we care about our



own success but in a broader sense, why should any of us care about this – about people who are brave enough to start and build business?

I learned a lot from the founder of Inc., a guy named Bernie Goldhirsh who was a wonderful fellow. He'd grown-up in disadvantage circumstances in Brooklyn, New York but he was very bright. He managed to work his way into MIT (Massachusetts Institute of Technology). When he got out of MIT, he decided that what he really wanted to do with his life was to sail and teach other people to sail. He developed this passion for it while he was in college. He went down to the Caribbean where he hired himself out as a hand and he taught other people how to sail. At a certain point he decided that he had to do something more with that and he decided to start a newsletter for people who loved sailing. He called it "Sail" Well, Sail was very successful. It took off and it went from being a newsletter to being the first 4-color, glossy, mass market magazine for sailors. Up to that point, there had been magazines for sailors and motor boaters but "Sail" was the first one that was really just for sailors.

Suddenly, Bernie found himself in business. He never really intended to get into business but there he was and he had all these issues that he was struggling to deal with and understand how to deal with them. He would look at the major business publications, "Business Week", and "Fortune" and "Forbes" and "The Wall Street Journal" and they had nothing for him. He needed information about how to hire people, how to fire people, how to deal with your banker, how to deal with your accountant, how to deal with yourself, and there was nothing there. He decided there must be other people like him around so he started Inc. Magazine.

He used to tell us that when we wrote for the readers of the Inc. Magazine, we should think of them as artists using both sides of their brain. In other words, we weren't just writing for the numbers person. We were also writing for someone with a soul of an artist whose means of expression happened to be business. These were people who were creating the world that we live in. What they were doing would have profound effects on the communities that we live in, the quality of the lives that we lead, the values we live by. And that was really – it's important, I think, for entrepreneurs to realize and to understand that that is the role that they play. It is critical to the success of our society.

Jay: That was a great answer. This has been a great interview and I really appreciate it on behalf of all the listeners. If people want to get a hold of you, how would they do it?

Bo: Well, they can write to me. I have a website. It's called www.smallgiantsbook.com. If you write to bo@smallgiantsbook.com it will come to me. I'm working with some other people actually to form a Small Giants Community. If anybody's interested in that, they can go to www.smallgiantscommunity.com and sign up. That's just in the process of being formed right now.

Rich: Lou, you're up.



Lou: I would say if I put the perspective of a small business person's hat on, how will talent help me manage my company for success in the short-term and what do they have to do in building a team for the long-term. That to me for this group and this audience listening to this interview seems to be very appropriate.

I believe that most entrepreneurs are focused too inward, on themselves, on their company and not on their people. That prevents them from hiring the best. I have met some entrepreneurs who really do understand the importance of building a team.

I would say maybe 50 percent of their activities should be on helping their people get better. If they have managers and directors, 75 percent of their effort should be on helping the managers and the team get better not on stuff that they want to do individually.

So, those that accomplish it and believe it and pull it off will be successful. Those that don't will be fighting it for the rest of their careers. I think that's the issues. How do you grab hold of the idea that we want to hire the best people which is a strategic goal, what do they have to do to pull it off? It's not tactics it's both emotional, it's strategy and it's tactics and the emotional piece is hey you've got to get into that. That's probably the hardest. The strategy is not insignificant but you can figure it out. I want talent. I want to bring people in, I have to understand it and what do I do. Then you got to execute the tactics. But I think if you don't get the emotional part right the rest of it is going to fall apart. I think that is the issue is grab hold of the idea that hiring a great person is critical to your company's success; make it a business process but most important of all, you the entrepreneur or owner of your company decide that it's critical to your success. If you do it you get there; if you don't do it you won't get there.

Jay: Lou, if anyone is eager, I don't know if you have a website with anything or resource relevance to the people we're talking to but if you do by all means tell them how to reach you.

Lou: Sure, no, I would say we definitely do. If you go to www.adlerconcepts.com, A-D-L-E-R C-O-N-C-E-P-T-S.com - adlerconcepts.com - a host of things we do, a lot of articles. We have a database of about 400 articles on all these topics.

Rich: Kerry, you're up.

Kerry: I think that it would be nice to consider one final question which would be, how do you succeed during an economic recession or a downturn in the economy?

The first one would be, and this actually goes to crucial conversations, the capacity to bring people together and have healthy dialog. When changes occur and funding runs short or you have to do cuts – you thought you were going to be growing at a certain speed, now all of a sudden maybe rather than three new



products coming out, two. You've got to be able to sit down and have healthy dialog or crucial conversations about how to let that unfold.

We did a study and over two thirds of the people we studied said in existing companies that they knew with a certainty that when they sat down and discussed what product lines would they be diminishing, what departments would be cutting back, that they would do it in sort of bureaucratic and mindless ways. They would do 10 percent across the board and other stupid things like that when what should be happening is you need to sit down and get your best people and have open discussions about what makes sense. Dialog will be that resolution to how we are going to make those cuts as we have to make those.

As the leader, the second thing you want to do is you want publicly sacrifice a sacred cow. When the leader says to everybody, these are tough times and we're cutting in certain ways, they're all going to look to see whether or not the leader continues to drive the big fancy car or whatever he might do to demonstrate that while we are asking you to use both ends of your pencil and they're spending \$100,000 on a pet project, it never flies. Sacrifice a core value to demonstrate that you care about the downturn in the economy and you yourself are not going to go forward with this project. Everyone knew that you cared a lot about, but you realize that it needs to be cut. Sacrifice sacred cows. That's the way you breathe life into value. The final one would be is to always support decisions that favor timeliness over perfection. Do not let the perfect be the enemy of the good. In addition to bringing people together and having honest dialog, making sure that you yourself are making sacrifices. Make sure that you move quickly over moving perfectly. You can make corrections later. Don't sit around. You won't be able to afford it, not doing a downturn.

Jay: If somebody wishes to have a more direct contact with you or your organization, what would they do, please?

Kerry: The easiest way is to go to www.crucialconversations.com and there you'll see an array of products and services that we provide.

Rich: Marilyn, what's your perspective?

Marilyn: You know, I thought about this because it's such a wonderful thing to.....in some ways, all the different clients I work with, whether they are CEOs of fortune 100 Companies or when I teach at Universities to the new budding entrepreneurs, you know, graduate students who come to me, ask the same thing. Ultimately, what everybody wants is fulfillment, satisfaction and somehow of aligning their work with their life mission. So what we're talking about is why do you want your business to be more profitable and successful? Will that make you happy and at peace? Are you doing what gives you fulfillment? Does your work align with your life passion? If you can answer these questions and they come out with an answer that is congruent with what you do, I feel like then not only are you going to be successful, you're also going to be happy and at peace. Not only you, everybody around you, your family, your friends, your business and your



customers will all be aligned and flourishing. So it's a connection of all of yourself to the bigger whole.

Rich: Eric, last question.

Eric: Well I think you did an excellent job of asking good questions and no one can ask all the questions that are relevant but the one question that you might add to your toolkit here is: are there any not so obvious factors that really can make a huge difference in terms of success of an entrepreneurial company? And my answer would be yes, based upon my experience which is now 35 years or so of experience both in terms of consulting with companies in research and writing and analyzing things. The thing that is coming to me is perhaps the most important secret ingredient is the ability to articulate and manage a corporate culture that is a functional culture and not to allow a dysfunctional culture to grow up in an unintended way.

I had a student in a class, an MBA class last quarter at UCLA and we were talking about strategic planning and we got into that discussion and then he got up and said in a very colorful way, he said my boss says that corporate culture eats strategic planning for lunch. I said there's a lot that I can agree with in that. That's not to dismiss strategic planning as being important but I had to pick the one thing that is of overriding importance over the long-run in building a company, it would be corporate culture which are the core values of the organization. We have found from our research that those values need to be articulated in four areas. One is the way you treat your customers. A second set of values is the way you treat your people. The third are the standards of performance and standards of accountability and the fourth is values towards openness to innovation and change.

There are others but those are four areas in which values must be articulated. If you take a close look at companies like a Starbucks, for example, you'll see Howard Schultz has been asked a question: "What's the secret to Starbucks success"? Because after all, this was coffee and after all coffee has been around a while and it's a commodity product even if you use a higher quality coffee bean. He said when people ask him that question he tells them not what they expect to hear but what he really believes which is all about Starbucks's people and the culture of the company. The real secret sauce at Starbucks and the secret ingredient is the culture and I absolutely agree with that. If you look at Howard Behars book, Howard was a co-manager of Starbucks in the years. He wrote a book called, "It's Not the Coffee". Basically, the implication is the same. It's the culture of the company that was the real secret to Starbucks's success. I think when you look very closely at companies, you see that the rise of companies to greatness is because of their culture and their fall is because of their culture, arrogance, complacency, a variety of other factors.

Jay: You've been great but before we stop, I want to know if anyone has the interest, desire to connect more with you, is there a way they can do that?



Eric: Well, we have a - yes, we have a website, my firm. It's www.mgtsystems.com. M-G-T-S-Y-S-T-E-M-S.com/

Jay: We're now to the really fun part that Rich and I like. This is where we examine what just transpired, the answers that just came out of the mouths of all the panelists and we interpret and expound or expand or really introduce our own perspectives. We're going to begin right now. For the next approximate 20-30 minutes, you're going to hear Rich and my take on what you just heard translated over to our hopeful understanding of who you are, where you are, what you need and let's get it going. Rich, why don't you go first?

Rich: Okay, so let's first talk about, Jay, the entrepreneur's role. There were a lot of comments about that. So, I like what Michael Gerber had to say wherein he said that you know, the entrepreneur is really the chief dreamer and that it starts with a dream that translates into a vision that then leads to a purpose that's fulfilled by a mission that gets translated into a system. You dream about the difference that you want to make in the world and the lives of your customers and clients. You take that dream and then you turn it into a vision of the company that you need to create in order to actually accomplish that dream. Now with that you have your purpose built in and then you create the mission of fulfilling that purpose and then you work on building the systems in your company that anyone and everyone can then deliver on that purpose and the promise that you ultimately make about the difference that you're going to make in your client's lives. I thought that was profound so Jay off to you.

Jay: And I agree. I was taken – not necessarily not with what you said – but I was taken very personally by something Kerry Patterson said and I'm probably not going to it justice – I'll paraphrase. He talked about entrepreneurs who are – really we are all problem-solvers who care passionately, passionately about a particular topic or subject and we have to see ourselves as leaders. And I was taught early in my life that our role in business is to solve problems for people in businesses, often times problems they don't even know they have or they've never recognized the implications and the severity of and the more and the more complex problems you solve, the more you are rewarded. And I was also taught so he confirmed it – that you got to be the leader – you got to be the ultimate most trusted advisor. You've got to have an understanding of the problem, you have to be able to articulate. You've got to be able to take me, the perspective buyer, on a journey to a better outcome and you've got to have my trust. And I think that is integral in your marketing, your selling, your positioning and your perception of the role you and your business/product service really play in the marketplace. Rich?

Rich: Yeah and I would just add to that Jay that it's not only a leader of the marketplace, it's also the leader of your company which I think a lot of entrepreneurs have a hard time making that leap, but if they don't they end up having to do everything themselves. Let me go on to Bo Burlingham. He had these four points and really it was the third one that really resonated most with me, but I'll share all four. One was that you need to understand the numbers of



your business, which I think that hopefully is obvious. Two – you have to be creatively paranoid that you have to keep asking what if and then consider the different possibilities of your marketplace. And then the fourth one – I’m going to skip the third one because that’s the one I want to just focus on for a second was that you have to be very clear where you want to wind up. In other words, you know where you personally want to wind up, then figure out where the company needs to be for you to wind up where you want to be and then you plan out how your company is going to get there so you get what you want.

But the third point that he had to say was what to say no to. That it’s more important as far as getting to where you want to be to know what you need to say no to than what you need to say yes to. As entrepreneurs, especially online since that’s primarily my perspective, there are all these options. But if you try and explore all of them you’re going to diminish your results to the point of nil and so what you really have to do is laser-focus on the few things that matter most and do those things and say no to many of the opportunities that come by. And the one last point I’d like to make about that Jay is the more successful you are, the more opportunities get put in front of you. So, if you find it difficult to say no to opportunities now, understand that that problem is only going to get more and more difficult the more that you say no and the more successful you get. So it’s really a muscle that has to be built throughout the growth of your business, to be able to say no to the opportunities in front of you when you have a better opportunity that you’re already working on. I’ll pass it back to you Jay.

Jay: And that was excellent – really good. I’m going to talk about something that came out of the discussion from Eric Flamholtz and I’m going to amend it a little bit because he talked about the analogy in real estate its location, location, location. In business its planning, planning, planning and highly disciplined focus and picking one thing and focusing on it and staying really on point. And I agree with all of that and he talked the temptation of going in a number of directions and I agree with that, however, I would amend it or expound it and say my observation of small-medium sized entrepreneurs and particularly a lot of start-ups is that they think about it and think about, but they don’t bring themselves to progressively and sequentially doing it. So as you’re planning, planning and planning, you got to plan the steps to take and then you’ve got to have the timeline to take them and the motivation to act on them and the progression to keep doing it and doing it and doing it and doing it.

I’m impacted by something I think I’ve talked about in other sessions where there was a guy we had at one of our programs and shamefully can’t remember his name but he was a former Navy Seals head who got into the management field and he analogized everything to it’s all about targets, weapons and movement. You’ve got to have the sequence of targets. You’ve got to knock down one after another after another to get to your ultimate target. You’ve got to know the right effect to really knock it down – the right way to move that action to its maximum outcome and my summary here is you do have to plan. You’ve got to plan each step. But, you have to execute. You have to initiate. You’ve got to sustain the process continuously and repetitively and it doesn’t always work the first time so



you've got to course correct, but I do agree you've got to be highly disciplined, totally focused, pick the most important and the most essential action or issue and don't just think about and plan it, but act on it. Rich?

Rich: Yeah and I would just add to that Jay one thing. And that is that it's not so much even in my perspective at least, it's not the – and I think it was Eisenhower that said this once. That value isn't in the plan. The value is actually in the thought that goes into the planning. That the more planning that you do with Jay's caveat about taking action. The more planning to more actually you're thinking about your business and what it needs to do and as long as it's followed by action you're always well-served by spending that time because a lot of people don't think about it.

The next point that I wanted to bring up was, you know Lou Adler's point about really getting clarity about talent and how talent will help you in the short run and then also how most entrepreneurs are not focused enough outward on the people in their company and in acquiring talent. So they end up doing too much themselves and they end up getting stuck. You've got to grab onto the idea of you want to hire the best possible people and then spend an inordinate amount of your time on helping those people get better in your business and helping them get done what needs to get done and a little bit less time on doing it all yourself. And I'll pass it back to you Jay.

Jay: I'm going to talk about something Michael Gerber said because I like it a lot and again these are close to home so maybe I'm a little selfish because they resonate with various perspectives that my mentors taught me years ago. But, he talked about we have to stop thinking from a self-centric perspective and truly begin to adopt an outward or different centric. If our goal in business which it has to be in my opinion, is to transform the buyer, the client, the prospect and make their lives better, richer, happier, safer, more possibility oriented – if our goal in business is to transform our people and make them the very finest, best, most evolved they can be so that they will serve the client and thus serve the enterprise – if our goal is to help our vendors have the best relationship so they will look to us above everybody else, we can't be self consumed with how much am I going to make and how successful am I going to be, we have to be looking at how we can solve the problems, the challenges, the desires of everybody else because ultimately that's how we'll get what we want. Rich?

Rich: I agree 100%. It goes back to what Dale Carnegie said. If you want to be interesting you've got to be interested.

Alright, so next I would – Bo Burlingham – he rattled a bunch of qualities that entrepreneurs who really built great companies have. I want to focus it on two of them, but let me just give you litany first.

Vision
Curiosity
A thirst for knowledge



A hunger for personal growth
Imagination
An ability to think differently
A kind of restlessness

Those were some of the ones that he went over. The two that I just want to really highlight are adaptability and resilience. Adaptability – the ability to change roles as your business grows and also adaptability in changing your plans when the market is telling you something different. Resilience – the ability to bounce back – that in growing a business there are always going to be setbacks. I think Brian Tracy once said that you know you're going to be inundated with problems as someone who grows a business and every three weeks you get a reprieve from a problem because you have to deal with a crisis. Very much in business is about overcoming obstacles and setups and resilience is so key to that equation. Jay?

Jay: That's great. Thank you. I'm going to talk about a couple of the vital behaviors that Kerry Patterson shared with the companies that have grown to multi-million dollar status from start-ups. Probably the most interesting one to me is the founders, the leaders, the entrepreneurial heads, you listening – they use their own experiences. When they start a venture it's because they've already struggled with a problem and figured out a solution. They have expertise that had channeled into an area that very few other people have and they have a passion and a purpose and a sense of possibility that other people don't equal or really exceed. They are superior in those three things – passion, possibility and purpose. And finally, and this is really close to home because it's redundant of what I said earlier – they take action quickly. They are decisive. They don't equivocate. They don't contemplate. That is not to say they don't plan, but when they're planning is done – when they have evaluated the situation – when they have carefully considered the viability and the scope of most meaningful and most practical options, they take action quickly and continuously which I think is what a lot of small and medium entrepreneurs become paralyzed and don't do. Rich?

Rich: I agree. Alright, so the last one I think that we should point out on this part of the entrepreneurial process or entrepreneurial roles is something that Eric Flamoholtz shared, but I'm really familiar with it also because I've read Eric's books. It's about really that there are successive stages that a business goes through and with those stages the entrepreneurs themselves, their role in the business completely changes and that you've got to be prepared for those changes and you've got to make those changes or your business is going to plateau.

So stage one is where you the entrepreneur are the super doer. You're doing everything. You're getting it all done because you don't have that many options. But stage two, as your business grows, as you get things done and you bring more people in, you have to develop the managerial skills to supervise people – to train people – to develop people – to coach people – to give feedback and on



and on so that you really start to empower the people not by advocating responsibility but by investing in them and helping them do the job that you once did.

And then lastly, stage three is then you're going to have to leave that managerial role to really have the leader role where you really are the person that pinpoints the direction – what needs to happen in order to achieve that direction and then work with your managers to get the company your business to that place. So, each stage is a very different job really for the entrepreneur. If your business is growing and you don't make that shift, the business will plateau and you don't want that to happen. Back to you Jay. Why don't we switch directions now and go – because there was a continual emphasis primarily because we had two great experts in this area, but a few other people chimed in as well about really getting top talent on board.

Jay: That's good – let's switch because I like that. So the first think I'm going to say about hiring top talent and I'll take some excerpts and some perspectives and some interpretations from Brad Smart. Most small start-up medium level – not necessarily medium sized but medium level meaning they've been around a while – businesses don't grow because they don't recognize that the foundation of great growth is people who are greater in what they do or as great in what they do but usually greater than you. I would suspect before I even get into this I'd give a little bit of an exercise.

If you want to do something really humbling go out into the world – retail – wholesale – wherever you want to go whatever you deal and look at the little companies, little providers – look at the big ones. Look at the growth ones – look at the stagnant ones. Look at the struggling ones – look at the prosperous ones. Then look at the people within the organization and you're going to see a decisive difference between the quality, the competency, the ones that are small, stagnant – if they have anybody, they're going to be very, very – they aren't going to be top people. Let's not be denigrating. If they're the growth company, the leading company – they're going to have the greatest people. The people are going to be incredible and you as an entrepreneur if you want your business to thrive and grow, you cannot do it alone. I know a lot of the businesses appeal to the fact that you can do it from your home in your underwear but that's really not where true growth comes from. True growth comes from bringing on people who would sell in support of you so that you don't have to worry about the day-to-day. They do it better and his points were first of all, you want to get the right people in the right jobs at the right time. Growth requires the most precious commodity - the most precious asset – Great Human Capital. Number two – you do not have to work 80 hours a week. You can get other people who are skilled to support you. You can pay them fairly because they relieve you of things that are keeping you from growing. You should be the strategist and you should basically be able to do what you do greatest that's most important. Number three – the people that are going to contribute to your growth and success are the ones that have the highest capability and performance level, not the least. You need to be able to find people who can also help you anticipate the problems and the



challenges and the issues that you're going to be experiencing and can help you overcome them or avoid them. And he believes the best way to recruit is to recruit through your relationships – through your network – through your vendors – through your contacts. The sales people know who's got the best people. The vendors know who's got the best people. The industry knows who's got the best people. You may not know and you've got to basically shift your paradigm in my opinion. Rich?

Rich: I agree 100% and so I guess the takeaway there Jay is to put on some pants, don't work in your underpants and get some people on board.

Jay: Yes, that's right.

Rich: Alright, so the next one that I wanted to kind of highlight here was what Lou Adler said. I'll give you the summary first of it. Great job – great sourcing – great interviewing – great recruiting...if you put them all together you've got a business process to go hire top people on a consistent basis. He broke that down into four different requirements basically for a process that consistently gets great people. He said one - probably the most important is that if you want to hire a good person, you have to have a good job. That means a list of what the person needs to do, to get done, to have done to be successful. In other words, what is it that this person - how would you judge that you made a great hire. What would this person have to do and be very clear about those things up front. Number two is good people look for career opportunities, not just for a transaction. While you certainly have to be competitive in your compensation, what really great people are looking for is growth and the opportunity to become bigger in the position. Number three is to interview based on determining if that person is competent and motivated and you can do that – and I'm sure we'll get to that a little later by some of the suggestions he made – but you interview based on that good job description that is not the typical job description, but really the results that you're after. And then lastly, in the interview process, that you actually close the person. You don't hire them yet but you close them. You make the sale because great people have lots of options, but you make the sale that this is actually a great career move for them. You end the interview with that so that when you call and decide which person you want for whatever position you're hiring for, they're eager to take it because you've done the selling up front that this is a great job. And I will pass it back to you Jay with that.

Jay: That's great. This goes back – you can't convey that it's a great position, a great company, a great future unless that's truly what you wish and what you're committed to and what you're externally focused on. Remember we talked about Michael Gerber talking about internal, external focus. Well, you've got to be focused on their best interest. But I also like – I mean most people when their interviewing don't spend enough time asking a lot of questions or checking their background and not just checking, but you want to be able to talk to their past employer or employers and you want to know a lot of things. You don't just want to know did they come to work on time. Did they fulfill the job? You want get deep and granule. You want to know what do they do different than other people



who've worked with you? How would you describe their mindset? How would you describe their work? How would you describe their view and their interaction with the client? Or tell me about their skill sets. Tell me about the way – you want to know as much as you can and you want to ask very meaningful and deep questions. Sometimes that's not the easiest thing for you to do if you've never grown your business because you don't know even where to begin. So what you might want to do is go to some companies out there that are successful – certainly more successful than you are – not just in your industry, but anywhere – and go to the owner and ask him what questions do you ask? You've got great people, how do you hire? What do look for and just listen to a lot of different perspectives and distill down what might be the optimal one for you. Rich?

Rich: Right and I was going to say something else. Let me just follow-up on what you said Jay because I think it's – there was a point that Brad really wanted to get across and I want to make sure that people understand it. It's not only important to do what you just said, it's important that before the interview process that the person that you're interviewing – the candidate for the job – knows that you're going to be talking to their bosses and that that's a prerequisite for making an offer so that they know that when they're telling you what they did at each job, when they're telling you about their accomplishments, when they're telling you about their strengths – that there's going to be an opportunity for you to confirm or to realize that that's not the truth because they know that they're going to have to provide you before they get the job with their direct bosses in each of these positions that they've had so that there's this enforcement of honesty in the actual interview - which in a lot of cases needs to be in place because most people unfortunately tend to exaggerate in their resumes and in an interview that goes unchecked.

With that stated, I just wanted to also add another comment that Lou Adler made which I found to be very much the case. I've used this advice and I think Jay and I both know people who have taken this advice and really played it up. And that is that don't advertise your positions in your company the way everybody else advertises – about the skill sets that are required – the duties – the responsibilities because that's not how a top person thinks. Look at the way consumer marketing – direct response style marketing – that we all do and we all have knowledge of and use those same principles to advertise the position, the opportunity. Because when you do that you'll attract a better candidate. Instead of telling what you want, tell them what's in it for them and you'll get a better candidate response. Jay?

Jay: That's good. I'm going to go to – I think we've probably done enough on this. I think we should probably move now to the stage of business growth – sort of looking at the passages. Are you ripe for that Rich?

Rich: Sure. I am ripe for that.

Jay: Okay, so let's start looking at the stages of business growth and the process. It's the same thing we're talking about but it's another dimension. I like what Eric



Flamholtz talked about. First of all, you're never going to go from a really neat product to a sustaining great business unless you have an infrastructure. An infrastructure means people, it means functions, it means technology, it means capacity, it means customer service, it means the kind of stuff that most one-person or few-persons bands have never really thought about. You think about because if you've ever worked for anyone else, they had that and if it was a successful business you left, they had that and you've got to start systematically thinking about that. Basically, you're going to be successful at different stages you've got to basically understand there's personal challenges that you'll face and the team challenges you're going to have go through as you expand. And, he talks about the six factors: The market you choose to compete in; the products and services you offer; the resources you have how you manage or optimize them. He talks about the operational systems you have or you create; the management systems to manage all the people and the performance; and the culture you establish and the mindsets you install. And I think these are not daunting, these are exciting because those of you listening who are small – you have a great advantage over some of the bigger companies right now that are maybe struggling or atrophying. You've got to canvas. You can create the most wonderful picture of your future and all you have to do is systematically recognize how much more is possible in the options you have. I don't want to get too esoteric. Rich?

Rich: Yeah, I know and I would agree 100% and with all those things that you just mentioned Jay, what's inherent in all of them is overhead. The truth is that if you don't have and the desire to have no overhead or very little overhead, you also at the same time stunt your growth to an incredible level and so there is a right amount of overhead in every specific stage and you have to gauge that correctly.

Just two points that I wanted to bring up on this topic that both of them by Lou Adler. One was that most entrepreneurs are always reacting and they're always in need of hiring a good person yesterday and that you really need to put a manpower plan together – really kind of knowing at what stage who you're going to need. When are you going to need a fulltime marketer on board? When are you going to have to have if you're doing a lot of online marketing, when are you going to have to have a content developer for your blog and stuff like that? Things that you won't be doing anymore because you'll be out growing the business, etc. So, you need to have a manpower plan and it's something that many entrepreneurs never take the time to create and because they suffer greatly and they're always in a reactionary mode and always really sacrificing the quality of the hire based on the pressing needs because they haven't through well enough in advance.

The second part is something that is unpleasant to talk about, but I think in our role, Jay and I's role, we would be doing you a disservice if we didn't bring it up. And that is that in general the people that you start out with in business are not the people that you end up with and that there are going be plateaus in every business growth's stages and that often times, it takes a very different set of people to move you out of one plateau and go to the next level. I meant as the



entrepreneur and as the owner of a business whose committed to the growth of that business, sometimes you're going to have to make some very unpopular choices about saying goodbye to certain people and saying hello to new people that you can move to the business to the next level. You need to do that as your responsibility as the owner to the business and your responsibility to all the other employees that don't need to leave because your compromising your own business' health when you don't make those difficult decisions of who do you need to – who do you need to go to the next level. And I've had experiences in my own business where I've had to say goodbye to people that helped me go from one million to four million because I was on my way to seven million and until said goodbye to them, we were never going to get there. They were too controlling, too, etc. and it's a very hard thing to do. But, if you're invested in your business – you put it all on the line in your business – it's something you have to do. So, Jay, should we move on to the next topic?

Jay: Yeah and I think only in respect for the timeline, we're going to do the rest. There's two more categories we'll try to address, but I think you and I are going to have very sinewy on these or we're going to basically probably go too long for the betterment of everyone, so let's discipline ourselves. We're going to be really fast and tight, but we're going to give some really pithy but very, very powerful and profoundly compressed comment on each one of these, okay?

Rich: Sure.

Jay: Business improvement – Rich, why don't you start?

Rich: Okay, if it's okay, I'd like to take the first two points because they resonate so deeply with me. The first one was what Michael Gerber said where growth is not really the important issue that everybody thinks it is – growth is a natural function of what you're there to do - that the meaning of your company is the most important. What has got – that's what's got to be important because growth is not important if what you're doing isn't important. I just love that quote. I mean, at the bottom – at the end of the road, if you're business isn't doing something great then what difference does it make how much of it it's doing. I believe that whole heartedly.

The other point was that - what Bo Burlingham talked about. As far as creating a business of business people and that really required five different components. Everybody that works in your company and I think it's reflective of Bo's book that he wrote, "The Great Game of Business" with whoever he co-authored that with. Here were the five points that people needed to know. Everybody in your company needs to know exactly what's going on, how the company makes money, what needs to happen for the company to be successful, how they contribute to that end result and how everyone else is counting on them to contribute to that result. What are they counting on them for to make it to that result? And I think the concept of having a business full of business people as opposed to an entrepreneur surrounded by employees is an obvious distinction



that can make a world of difference. I think that's really the main points that I have to say about the topic Jay.

Jay: I'm only – I think I can summarize almost my whole points. I'm going to incorporate what Marilyn Tam, Michael Gerber said and I'm going to put a spin on it. And they basically said you've got to understand what your mission is, you have to understand what your focus is on internal and external, but you got to know the numbers. You got to know how you're performing and you've got to basically know what kind of system is in place to improve it and you've got to be constantly committed to innovation. I'm going to use a quote that someone told me years ago and it was taken from Peter Drucker and it's a terrible paraphrase because his was more eloquent, but if you're not committed to constantly making your current marketing, your current product, your current business obsolete, you can rest assured that your competitors will do it to you. So you mine as well do it to yourself. Innovation requires you to constant – there's this integration in business. You've got to be able to integrate optimization with innovation. And optimization is very simply getting the maximum results from every effort, every activity, every opportunity, every dollar, every piece of human capital, resource, every relationship, everything. Innovation is making everything you do obsolete because you keep coming up with better, more powerful, more valuable – and the key to innovation is not the benefit to you. It's give you the advantage of bringing greater benefit to the marketplace. And the marketplace is certainly first and foremost the buyer, but it's also your team, your vendors, everybody. And you have to think in terms of that. I think that's a big concept. Rich, do you want to come up with one more and then we'll go to another category?

Rich: Sure. Yeah, you know what – well, I would just – the last thing I would say and it's about culture and I think it was Eric Flamholtz that talked about the culture of the business and you know it just reminded me – I had dinner one night with Tony Shay, the founder of Zappos and the first company he created – I think he sold it to Microsoft for 300 or 400 million dollars and when he explained why he sold it, it was because he and his partners never thought culture was that important until the company grew so big, they didn't want to work there anymore, so they ended up selling it to Microsoft for 400 million dollars, not really a story that ends poorly. Then they went and created Zappos and I think they just sold Zappos to Amazon for a hell of a lot more than that. Here was what Eric had to share about really the culture of your business and what values are part of that culture that are so important and he listed four of them:

The way you treat your customers; What's the culture like;

What's okay and what's not okay and what do you strive for.

The way you treat your people. How far do you go to help your

employees help your team really be the best that they can be.

Standards of performance and standards of accountability.

Openness to change; openness to innovation.

Those four critical components of a culture are vitally important to the growth of your business. Jay?



- Jay: Let's talk real quickly about being a better entrepreneur. I think we should just probably do a couple of quick comments on that and we should probably do a wrap now.
- Rich: Do you want me to take the first one?
- Jay: Yeah, why don't you take one that's really – an insight that's really meaningful here.
- Rich: Well I think that the first one for me is really what Kerry Patterson was talking about. Really, he has written these two books on this topic, "Crucial Confrontations" and "Crucial Conversations" and really what that's all about is that holding the people in your business accountable, having those difficult conversations that you would prefer to postpone to procrastinate on, but these are really the conversations that really drive your company. He gave us a great metaphor – a CPR – which is look at every problem, every accountability problem, every difficult conversation that needs to be had with an employee about accountability and look at it from a perspective of three different sides: 1. Content. What is the problem? Was the person late? Are they not getting their job done? What's the content of the problem? What's the pattern? Is this the first time their doing it or has this been a consistent pattern of underperformance over a period of time. And then relationship – what does that mean with your relationship with them? And you look at those three critical components and then you pick only – you pick the one that matters most and you focus your conversation on that. Have they damaged the relationship? Is there a pattern here that needs to be corrected or is the problem specific enough that you just want to address that specifically? And I thought that Kerry really did an excellent job of kind of giving you an overview of how to have those difficult conversations in a very short period of time. Jay?
- Jay: I'm going incorporate, because I'm worried that we're going to run out of time here. So, I'm going to go – to two and I'm going to try to do them together. I liked something else Kerry said, but I also like something Eric Flamholtz said and talked about – Eric talked about being able to be comfortable attracting people around you that can help you. And I think better people, skilled people, advisors so that you really have a broader scope of performance leverage. But then Kerry said you've got to be very good at recognizing people's limitations, respectfully, and taking preemptive action when those happen and you got to be able to see signs of problems or of let's say divergence from the plan and catch it quickly and act on it decisively. And I think those two go together and I think we have time probably for one more.
- Rich: You know what, I'm done Jay. I think that we did a great job really wrapping it up so why don't you close it out and we'll say goodbye to everyone.
- Jay: Well, I mean, it's very important to Rich and I when we put together these panels and when we sort of field them with the brightest most appropriate expert minds



that we can possibly identify for the purpose and that we ask them questions we think have enormous importance and impact for somebody in your situation, that you recognize that no matter where you are right now, it's not necessarily where you're going to be tomorrow. Because there's an adage in business called Grow or Die, nothing as you know stays static whether it's your body, your mind, your business, your relationships. Whether its relationships with the market, or relationships with your loved ones and Rich and I are enormously and completely committed to your best interest.

We believe each and every person who's a member of this organization of the League has a right to be the finest, most prosperous, the most respected, the most fast growing, the most impactful, the most high performing business, product, service, organization in the sector or the segment you're after. We want you to know that we believe that because we know it is possible for you. All we ask is that you trust us enough to reflect carefully on the ideas that were shared in this, the previous and all the future interview sessions we'll do for the years to come and that you trust yourself to act on what you've heard because we have brought together some of the most profound minds – some of the most trusted advisors – some really rich talent and we've tried to compress and really laser-focus you on different elements of the business, prosperity, success growth puzzle and now we ask you to just use it. We brought you to the water, please drink. Rich?

Rich: I would just say that I think that we did an excellent job of delivering on the promise of this call – that the first three panels were more about growing from the outside in using marketing as a vehicle for growing your business. This is growing your business from the inside out. What is necessary from the inside of your company and the inside of your business to take your business not only to the next level, but to successive levels beyond that. So I'm really proud of this call and I think that like Jay said, there's great actionable information in here. Please use it. That's the biggest reward that you can do for Jay and I is to take the information that we've worked relentlessly to get you and do something with it and share the results with us so that we can be proud of the effort that we put into this on your behalf. And so with that said, I'm done Jay, I've got nothing else.

Jay: Thank you Rich. I thought your interpretations were excellent today and I hope that this moves everyone listening to a high plain of action, transaction and execution. Thank you all.

Rich: Bye.

Jay: Bye.

(END)