

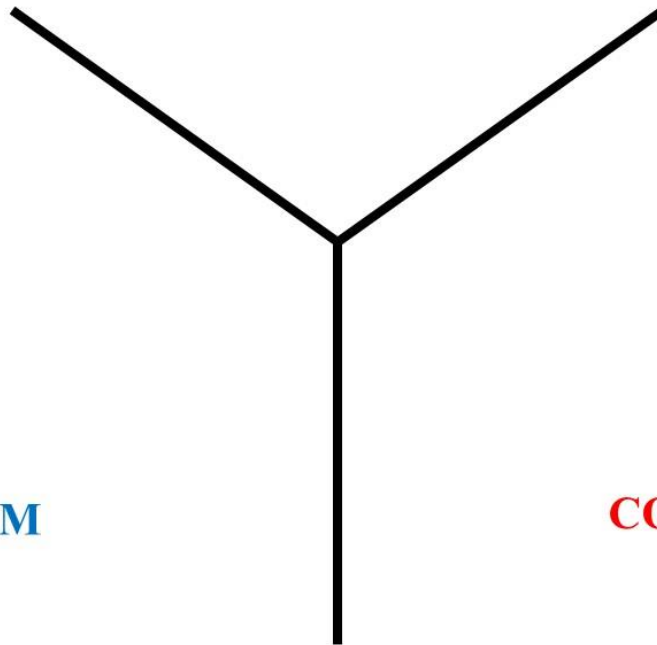
Emails to a Young Entrepreneur

Skip Walter
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SERENITY

WISDOM

COURAGE



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Preface

While mentoring, coaching and teaching thousands of entrepreneurs and aspiring entrepreneurs over the last fifteen years, one thing is clear: entrepreneurs don't understand the game they are playing or the "game board" on which they are playing. I am not surprised. I took forty years to understand the entrepreneurial game.

New entrepreneurs are so focused on their product and working *IN* their business, they forget to work *ON* their business. They never learn that as a founder your "product" is the business.

Emails to a Young Entrepreneur is a journey of discovery to understand the new venture game and to develop and trust your inner guidance system.

I can't guarantee that after reading this book you will completely understand the new venture game. I can guarantee that with this book, with our experiential seminars and working in a new venture, you will learn the game in a very short time. Creating a successful venture doesn't have to be hard or painful. It does take knowing the game.

While researching *Emails to a Young Entrepreneur*, I had lunch with two energetic and excited young entrepreneurs who founded [InCube](#) at Duke University. InCube is a selective social living group where the requirement is that you have to start a new venture. They were proud of being the first Duke undergraduates to start companies. They shared what their companies were about and how much they learned by living with other entrepreneurs.

After they ran out of steam describing their ventures and products and living group, they asked about my first company. I debated whether I should burst their bubble or not. I decided in favor of sharing my own history as a Duke undergraduate starting my first company. I wanted these young entrepreneurs to understand that while not being first, rather they were part of a proud tradition of new ventures sprouting from the Duke ecosystem. The young entrepreneurs' energy immediately waned as they realized they were no longer "the first." As my story unfolded, they quickly re-energized seeing their work as part of a long, proud Duke tradition of new venture creation.

Forty years ago, I co-founded a software company with a set of terrific researchers for medical informatics at Duke University. We created a medical records system that was used by three departments in the Duke Medical Center. We formed a company, [GEMISCH](#), to sell our product to other university medical systems. I quickly figured out that I was the only founder that was interested in the business and the selling of the product. While I knew how to develop a software product, I didn't know anything about building a business, finding investors, or selling our product.

I started asking a lot of questions of anyone that I could find about business in general and starting a company in particular. I received a lot of expert advice with most of it focused on very large businesses. I knew I didn't know what I was doing, but I couldn't find any North Star to guide me. I needed to find someplace where I could learn about

business. Being a part of a respected academic institution, the answers all came back – go get your MBA. Yet, when I looked at the MBA curriculums of business schools in the early 1970s there was nothing to support learning how to start your own company.

After considerable deliberation, I decided to join [Digital Equipment Corporation](#) (DEC) which was our major hardware partner in bringing our software to market. While I could have applied to DEC's Central Engineering Group, I knew that building software wasn't what I needed to learn. I needed to learn how to discover customers, understand their needs, make proposals, sell them a solution, and support their use of our solution. The place to learn what I wanted was by joining DEC as a Software Services Consultant working hand in hand with the sales organization in an office in Charlotte, NC. This career decision would teach me far more about a new venture than any academic program.

Within a year, [John Churin](#) and I came up with the idea for an office automation system, [ALL-IN-1](#) (still in use today after thirty four years of evolution). Over the next five years we grew our idea through customer projects at RJ Reynolds Tobacco and DuPont. Before we knew it we had a \$1 billion a year international business. Every day was an exercise in jumping into situations that I had no idea how to navigate.

The invisible gift I received was the support of five senior executives at DEC who guided me by pointing me to the next step and the next and the next. I just followed the bouncing ball. I did not realize until thirty years later they were providing a rich set of experiences to develop my internal guidance system – my North Star. The innumerable hours on airplanes reading hundreds of business books, taking time to reflect on what was happening, and exposure to luminary consultants like Edgar Schein of MIT aided the making meaning out of the experiences.

With the success of ALL-IN-1, I jumped into my next internal DEC project, PC ALL-IN-1. It was a miserable business failure. The understanding of this failure compared to the spectacular success of ALL-IN-1 showed the importance of viewing each event and interaction as an experiment. The experiments let me constantly update and revise my theory of business and innovation. I discovered that I learned relatively little from success, but a real treasure trove from each failure.

With this experimental mindset, I became a serial entrepreneur and [intrapreneur](#). I chose each opportunity based on what I needed to learn about every aspect of the evolution of a business. I was part of both private and public companies. By joining Primus Knowledge Systems, I experienced going from a private company to a public company through an Initial Public Offering (IPO) at the top of the dot com bubble. My wayward journey led to the founding of Attenex in 2000. An intensive nine years went by quickly as we went from a glimmer of an idea to a successful exit.

After selling Attenex to FTI Consulting in 2008, I came across Jim Clifton's [The Coming Jobs War](#). Clifton asserts that over the next twenty years we need to create 1.5 billion sustainable living wage jobs. Clifton believes that the engine of job growth is

entrepreneurs and small business. The book added a new impetus to my teaching and mentoring. How could I help people who found and run companies reduce the friction – time, attention, and investment dollars – needed for a company to accelerate its growth? I explored what I could do to increase the success rate of new ventures (abysmally low at <1%).

Scaling up my mentoring and coaching of entrepreneurs to accelerate job growth became my new purpose. This book is one of the methods for contributing to the accelerated success of new ventures.

Developing professionally at a Global 1000 company in the early 1980s was a gift that I didn't appreciate until I left DEC and came to Aldus in Seattle. At DEC whenever we had a new management opening we could throw a tennis ball in any direction and hit ten well qualified candidates for that opening. At Aldus, I didn't have a single middle manager whom I would have hired or promoted at DEC. As I dug into why, I realized that somewhere in the 1980s corporations lost the commitment to developing the talent in their organizations. It was one of the first costs eliminated in the race to efficiency.

Today, the good news for entrepreneurs is a much richer new venture ecosystem than ever before. Excellent and experienced authors like [Ash Maurya](#), [Steve Blank](#), [Eric Ries](#), and [Alexander Osterwalder](#) are producing a wide range of books, videos and seminars to engage the entrepreneur. Business schools are investing in entrepreneurial programs. Accelerators, incubators, and shared working spaces are popping up everywhere. [Startup Weekend](#), Startup Lean Machine, and hackathons are providing experiential weekends to get exposed to the life of an entrepreneur and find co-founders. Meetups are exploding in popularity to explore all aspects of the entrepreneurial lifecycle.

Contrary to most entrepreneurs' expectations, an army of consultants, advisors, experienced entrepreneurs, angel investors and subject matter experts are ready to provide help. As you will see when you view Simon Sinek's video on "[How Great Leaders Inspire Action](#)", almost all of this help is about HOW to do things. Each mentor has a prescriptive set of steps ready for any question the entrepreneur could ask.

In forty years of immersing myself in the practice of innovating and new ventures, reading thousands of books, attending hundreds of seminars, and interviewing the masters, I haven't come across any resources that resemble the power of what those five executives did for me at DEC. They were kind enough to never answer any of my questions directly or with a prescription. They patiently listened to my questions (often disguised as ranting and whining) and suggested a customer opportunity to get involved with or a research project to take on or a conference to go present at.

Emails to a Young Entrepreneur is a "paying it forward" of the gift of the DEC executives along with a distillation of the meaning I've made of forty years of innovating experiences through new ventures. The topics are taken from thousands of emails I exchanged while I was learning the art of entrepreneuring and the many thousands I've

exchanged with entrepreneurs and students who seek my counsel. Each topic is followed by exercises for applying the concepts to the entrepreneur's new venture.

Long time colleague, Barney Barnett, summarized a recent conversation with a young entrepreneur – “feeling lost is the new normal.” He reflected that “being lost (not knowing) is a beginning. It necessitates that wherever we are in our journey we stand in the presence of hope.” [David Robinson](#) expanded on this observation in “[Stand with Hope](#)”:

“Do you remember the last time you stood in uncertainty and whispered quietly to yourself, ‘I do not know what to do?’ Did you recognize the moment as a beginning? Why is ‘not knowing’ what to do so frightful? What assumption set requires us at all times to know? Knowing what to do is, at best, an illusion.

‘Not knowing’ is the beginning of learning. Learning has nothing to do with knowing. Learning has to do with exploration. Life has nothing to do with knowing. Life has everything to do with experience and engagement. Every educator, mentor, guide, and leader should listen to Barney's thought.

“What if we understood that being lost was nothing more than a beginning and the gift of ‘not knowing’ was that, for a moment, we might stand silently in the warm presence of hope? What if we understood the role of student to be a long walk in the presence of hope? Can you imagine who we might be as a society (and as individuals) if we understood the need to test for the presence of hope before we run tests for knowing stuff?”

The text and the exercises in the book are aimed at discovering, developing and trusting your inner guidance system for your new venture. Your new venture is a unique creation in its own way and time. Your journey will encounter competing “helpers” disguised as customers, suppliers, mentors, subject matter experts and investors in a tug of war for influence over your path. The rest of us don't know where your path will lead. The speed with which you develop your internal guidance system is directly related to your ability to “experience first and make meaning second.” The exercises that accompany each Email are designed to augment the stories and frameworks of each topic.

Each of us brings several “attentions” to any learning activity. Carlos Casteneda wrote extensively on first and second attention. He drew from [Toltec Wisdom](#):

“Warriors understand that our use of the first attention puts order into a chaotic universe; it creates the world of the tonal. The key is to realize that this order only represents a point of view and is not necessarily the absolute truth. The second attention is when we focus our attention on *what is*, rather than what we were taught about reality. It involves a shift of our assemblage point and state of consciousness into heightened awareness.”

Several of the passages within this book (the Flip comics, and the Kusa-Hibari story) and the exploration of “The Cosmos of the New Venture” through the enneagram structure are aimed at the entrepreneur’s second attention. These passages may not be understood with your first attention. Over time, these passages will make sense to your second attention as you experience your new venture.

The Emails provide relevant topics for the entire life cycle of a new venture. Most of us take several years to go from an idea to an exit. I suggest that no matter what stage you are in or whether you’ve been part of a new venture, read through the entire book as quickly as you can. Then figure out which chapters apply to where you are in your current venture. Re-read that Email and start working through the relevant exercises.

You will notice that only two of Mikhail’s Emails are captured in the book. The absence of the other emails is intentional. At the start of each Email, I summarize in a couple of sentences what was in Mikhail’s Email. The intent is for you to provide your experiences with your own venture as the substance of what Mikhail is writing about. Imagine what your life is like at each of the stages Mikhail is asking questions about. What questions do you have that you would like to bring to your understanding of a particular Email?

Mikhail is a fictional entrepreneur. However, he is a synthesis of three entrepreneurs from the United States and Russia with whom I worked intensely for two years.

To get the most value out of the book read it with the intention of understanding the new venture game you are a participant in and of discovering, developing and trusting your internal guidance system.

Use the Emails and exercises to find your deeper purpose (Why) and discover, develop and trust your North Star.

While the exercises are aimed at developing your inner guidance system, the results of the exercises are valuable for sharing with your founding team, lead customer and investors. Most learning is social so encouraging your stakeholders to engage with you in the exercises and share your insights accelerates your startup and company culture.

I look forward to exchanging Emails with you as you pursue your new venture.

Your first exercise is to send Skip an email about why you are interesting in becoming an entrepreneur or an intrapreneur.

Skip Walter
Email: skip.walter@gmail.com

Forward

The first thing you notice about Skip is that he always carries a Moleskine notebook. It is usually open because he's scribbling a note, capturing an insight, observing an anomaly, or figuring out how to ask a better question. Skip lives to explore the bigger questions and the beautiful questions. He is in this world to learn. We started a company together so I had the good fortune of following him around for a year or so and it wasn't long before I was observing the world through Skip-esque eyes: scribbling notes, capturing patterns and group behavior. For Skip, everything is a learning opportunity and his titanic curiosity is infectious.

It's simple. Skip wants to learn so he can help make a better world. For most people, making a better world is a nice aspiration, something they might post on the refrigerator as a reminder or as a new year's resolution. For Skip, making a better world is an active pursuit. It is a daily mission. It's an imperative. He does not muddle himself with wondering whether or not he is capable of helping humanity walk into a brighter future; he just does it. He engages with ideas, steps into uncertainty as a true explorer should, challenges his perspective and checks his assumptions. In another era he'd sail his ship toward the horizon despite the community's certainty that he would sail off the edge of the earth. For Skip, sailing off the edge is the reason to sail. It is the attraction. He is the consummate entrepreneur, not through aspiration, but because he was born that way. He can't help it. If there is a horizon, Skip must set sail to see what is there.

In a world of goal-setters, people afraid to move until they've plotted a course and prescribed their path, Skip knows that a true entrepreneur only knows the answer to "how do I do it?" at the end of the journey. "How" is something you can only know after the Exit. It is counterintuitive to everything we've been taught or led to believe. An entrepreneur, like an artist, necessarily creates the process while they create the product. It is the opposite of what good MBA students are led to believe. An entrepreneur is in a creative relationship with a moving target, an idea that constantly rolls and transforms, so the entrepreneur must also roll and transform. The expectation of knowing "how" is, in fact, the single greatest obstacle for the entrepreneur to transcend. "How" presumes a prescriptive path and hampers the essential thing: a dynamic relationship with a possible future. "How" inhibits the transformation of an idea. It pretends that the way is already known. It screams, "Don't sail toward the horizon until you know where the edge is!" Asking "how" upfront is the reason most aspiring entrepreneurs fail.

If you expect this book to answer the question, "How?" you will be sorely disappointed. This book will, however, excite your imagination, challenge your assumptions, and flip your perspective. This book will help you ask yourself better questions. It will necessitate a clear relationship with your "Why?" It will help you stay fluid and pivot when you want to give up or seek the safety of fixing your fingers around the neck of a lesser idea. This book will blow open your idea of business so that you might recognize the bigger game that every entrepreneur must play if they want to succeed. It will help you keep walking when you fool yourself into thinking that you've arrived.

The second thing you will discover about Skip is that he loves wine. In a trip that I will always treasure, we drove from Seattle to Sonoma, CA, to do a workshop on strategic networking at the gorgeous Benziger Family Winery. We took our time on the journey, passing through the Willamette Valley while visiting several wineries. At each stop, Skip introduced me to a different aspect of winemaking: the growing and harvesting of grapes. I learned about soil and altitude. I learned about fermentation and blending. I learned about the different philosophies in grape growing and how the grower's philosophy becomes visible in the vines and the taste of the wine. While I thought I was learning about wine, Skip was actually mentoring me. I learned about myself and recognized my greater capacity as a leader and an entrepreneur. Like all great mentors, I did not recognize until late in the trip that Skip was consciously guiding me. The winemaking process was a metaphor. He was helping me see the whole system and not isolated parts. He was guiding me to a bigger picture, a deeper understanding of my capacity as a creator, and an ability to ask a better set of questions. In those few short days I learned more about organizational systems, creating whole systems as a design process, than I learned in a two-year master's degree I'd taken a decade earlier.

A good mentor never tells you how to do anything. A good mentor asks questions without investment in an answer. A good mentor knows the answer is as personal and unique as the student. In many indigenous story traditions, the meaning of a story is never discussed because the elders know the student must engage with the story from their unique point of view. A single story holds as many meanings as there are listeners to the story. The same story is told over and over again and each hearing brings new insight. The question changes as life progresses. The question changes as we gain life experience. There is no investment by the mentor in any single answer. There is no notion of 'expert' or of 'being right.' There is only a great story that opens great questions that bring personal insight. Skip is a great mentor because he understands the role of a mentor. He will not give you pat answers. He will guide you to a well of deep insight. You will find in his *Emails to a Young Entrepreneur* a great mentor.

Finally, when I was training in the theatre, I had a professor that taught us to seek the great artists. "Knock on their door!" he'd say. "You have nothing to lose." Find the great artists and ask them what makes them tick. Ask them to share their passion with you. "People like to talk about themselves and there is no greater gift you can give yourself than to be a good listener to someone who has a great story to tell." If I didn't know Skip already, I'd go knock on his door. I'd ask him to tell me about his life and to share his greatest lessons. He has a great story. This book is what he might say to you if you had the courage to knock on his door. You'll be relieved to know that he is warm and gracious and loves to talk about his passions, share his foibles, and laugh at a life spent sailing toward the edge. Enjoy your time with him. He is a treasure and this book is a gift for anyone who desires to walk the path of the entrepreneur.

[David Robinson](#)

March 1, 2014

Kenosha, Wisconsin

Email from a Young Entrepreneur

Mikhail Rostov mikhail@id
To: Skip Walter

Friday, June 14, 2013 at 12:54 PM

Professor Skip,

As I was sitting in front of my locker staring at the detritus of my three year combined MBA and Master of Design program at the Institute of Design, I was deep in thought when Patrick Whitney stopped and asked me “what’s next for you, Mikhail?”

How did Patrick know that is exactly what was on my mind? For three years, I’ve worked towards the goal of graduating. What’s next? I want to do a startup that builds on the multiple disciplines that I’ve learned – business and human centered design. I even have an idea that I’ve worked on during many of the class projects – a visual interface for organizing work on the new portable tablets that are coming to market.

But I don’t know how to get started.

“Thanks for asking, Patrick,” I shared. “This is the question that’s been plaguing me for months now. I want to do a startup. And I’m going back to Moscow where there isn’t much of an infrastructure or ecosystem for supporting high tech startups. Who can help me when I’m thousands of miles away from all the resources here in the United States?”

Patrick smiled his [Cheshire Cat](#) knowing smile and offered “you should contact one of our favorite serial entrepreneurs, Skip Walter. He taught here for ten years commuting from Seattle once a week. He calls himself a [pracademic](#) (practitioner academic) and enjoys ‘[paying it forward](#)’ with young entrepreneurs.”

Patrick was kind enough to give me your contact information. Skip, I’ve got this great idea for a new productivity tool to help knowledge workers visualize the project workspaces they are collaborating on.

I’ve just finished the three-year combined MBA and MDES program and I am ready to start my own business. Patrick wanted to make sure that I let you know that I am Russian and am headed back to Moscow. He thought maybe this would be something that would catch your interest. He also thought that you would be intrigued by the challenge of working with me remotely. I would be delighted to help you learn about the Russian entrepreneur ecosystem.

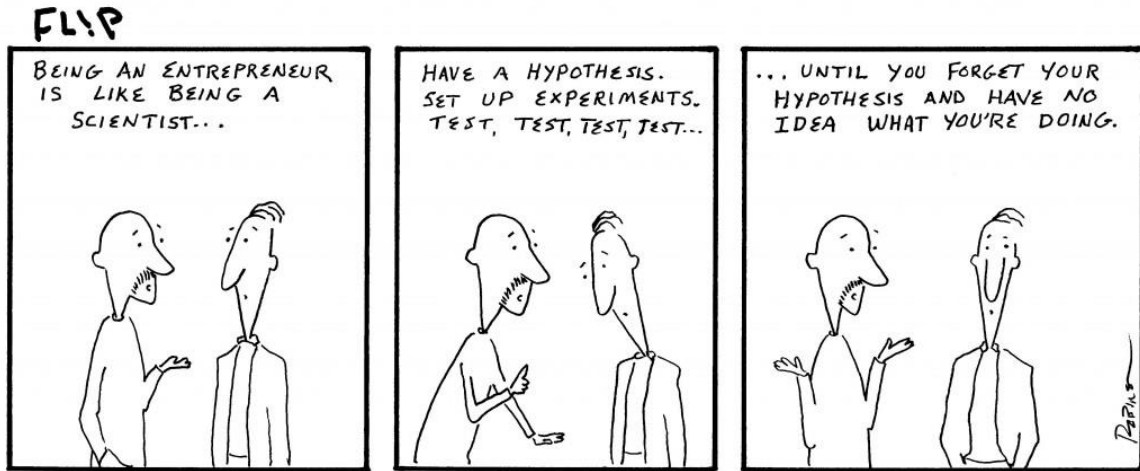
Attached to this email are some of the key artifacts from my final project. These artifacts include the design of the tool and a business plan to start the company. I would really appreciate your taking a look at these documents and offering your thoughts and comments on whether there is a viable product here.

Unfortunately, I am leaving for Moscow tonight, so I won't be able to come to Seattle and meet you in person.

Let me know what you think of my ideas and prototypes and whether you would be interested in helping me bring this prototype to market.

Yours sincerely,
Mikhail Genrich Rostov
Chicago, IL
June 14, 2013

Conceiving



“You are looking outwards, and of all things that is what you must now not do. Nobody can advise and help you, nobody. There is only one single means. Go inside yourself. Discover the motive that bids you write; examine whether it sends its roots down to the deepest places of your heart, confess to yourself whether you would have to die if writing were denied you. This before all: ask yourself in the quietest hour of your night: must I write? Dig down into yourself for a deep answer. And if this should be in the affirmative, if you may meet this solemn question with a strong and simple ‘I must’, then build your life according to this necessity; your life must, right to its most unimportant and insignificant hour, become a token and a witness of this impulse.”

Rilke, Rainer Maria. [*Letters to a Young Poet*](#) (Kindle Locations 167-172). Start Publishing LLC.

Seattle, WA USA, June 20, 2013

Mikhail,

Thank you for your kind Email seeking my thoughts on the quality of your ideas. With great fondness, I remember the joy of immersing myself in the Institute of Design and the wonders of late-night conversations with Patrick about the history and evolution of human centered design. Patrick is the piper of the design world wandering through Global 1000 corporations sharing his message of the power of design to make a real difference in the business world.

Before I share my entrepreneurial experiences, a reflection is appropriate. I've found the regular reading of the entrepreneur's [serenity prayer](#) to be a good practice (the use of God, Lord and other spiritual terms in these emails are in the sense of the Alcoholics Anonymous higher power or power greater than ourselves):

*God grant me the **serenity** to accept my team, my customers, my investors and my suppliers as bringers of opportunity;*

*The **courage** to change my understanding of what the customer truly needs;
and*

*The **wisdom** to know the difference between what is right and what the investors, the board and the bankers want.*

I am not sure I have anything of specific value to you in your journey. Most entrepreneurs ask me very detailed questions like you did in your letter. On my good days, I make sure not to answer those questions. Each startup is its own journey. What I've done or observed in the past may or may not have anything to do with the journey that you are on. Mikhail, only you can know what is right for your new venture.

After forty years of entrepreneuring and [intrapreneuring](#), I realize that for most of my professional life I did not understand the game of business I was playing. I had the core processes backward. I learned that I needed to flip my perspective.

Shortly after we sold Attenex to FTI Consulting two concept shattering events occurred. The first event was sponsored by the Northwest Angel Capital Association and featured Basil Peters sharing his process for [Early Exits](#). As he described all the best practices that you should do as part of planning the venture exit process (getting acquired), I put my head down on the table and damn near cried.

Where was Basil's book, counsel and valuable resources when we were exiting? I quickly understood that Attenex was the poster child of what NOT to do when being acquired. His best practices illustrated why we lost \$35M in value from the initial FTI Consulting offer to our closing valuation six months later.

The second event was a surprise announcement from FTI Consulting, that based on the \$91M acquisition of Attenex, they were launching an IPO of the division that acquired us to raise >\$1B by selling 40% of the division. The FTI founders designed a way to turn a \$91M acquisition expense into raising \$1B of new capital. I was stunned at the innovative creativeness. We did not see it coming. Yet, upon reflection, if I had truly understood my Valuation Capture framework (described in the Exiting Email), the prediction of such a strategic move was embedded in the framework.

I am getting ahead of myself. I wanted to share with you that becoming an entrepreneur is a lifelong learning process. It never stops. The world of commerce is constantly changing. As a young entrepreneur, you need to learn just as fast. What worked yesterday has no guarantee of working tomorrow.

The above is a way of saying I am not qualified to pass judgment on your ideas or business plan or prototypes. Only you can do that. It is your idea and hopefully your passion.

A year ago, my daughter and her husband conceived their first child whom we know as Alice. The biological process of conception, birth, infancy, and parenting is close to this conceiving of an idea for a startup and bringing it into existence. Either by intention or serendipity you conceive of the idea for your new venture. As the idea matures in the womb of your mind, your life changes day by day. Your energies are focused on that idea and you start nurturing it and protecting it. And just as a mother's pregnancy process becomes visible to everyone she encounters, your enthusiasm for your idea will be increasingly visible to those you encounter through your excitement and passionate energy.

In the ideal state, you have a life partner (co-founder) to join you in the nurturing of your idea. With design or luck, you've gotten to know your co-conceiver through your working relationships. Now you prepare for the birthing of your idea. Many budding entrepreneurs take birthing classes (like Steve Blank's Launchpad classes) or find a wise mid-wife for a mentor. This pregnancy time is one of finding the professionals that can help you with the birthing of your conception. You need to find your lawyer, banker, and accountant who will take care of the administrative parts of the birth process.

You start seeking out other entrepreneurs either through your classes or Meetups. Peer learning is so valuable at this point with entrepreneurs who are in the same trimesters of pre-birthing.

The birthing day arrives on its own schedule. This day you formally start your new venture life. And like human births, where because of the size of the head, a baby is born about three months before it is really ready, you will quickly realize that you have jumped into something you weren't prepared for. That's OK. We all have to start somewhere.

Many first time parents ride an emotional roller coaster in those early months caring for their infant. Their lament is “nobody gave me a manual for what a parent is supposed to do!” Where is the manual for a startup mother? While there are thousands of books and an unlimited amount of expert advice, prior to your baby venture arriving in the world you can’t understand a word of it. Now the reality is right in front of you crying constantly – for food, for poopy diapers, for discomfort, for who knows why.

For the terminal analytics among us, the second lament is “this is not going according to my plan.” During the idea pregnancy, you made lots of plans. New venture babies are not like established companies. They require a different way of thinking.

Saras Sarasvathy calls this type of thinking effectual:

“The word ‘effectual’ is the inverse of ‘causal’. In general, in MBA programs across the world, students are taught causal or predictive reasoning – in every functional area of business. Causal rationality begins with a pre-determined goal and a given set of means, and seeks to identify the optimal – fastest, cheapest, most efficient, etc. – alternative to achieve the given goal. The make-vs.-buy decision in production, or choosing the target market with the highest potential return in marketing, or picking a portfolio with the lowest risk in finance, or even hiring the best person for the job in human resources management, are all examples of problems of causal reasoning. A more interesting variation of causal reasoning involves the creation of additional alternatives to achieve the given goal. This form of creative causal reasoning is often used in strategic thinking.

“Effectual reasoning, however, does not begin with a specific goal. Instead, it begins with a given set of means and allows goals to emerge contingently over time from the varied imagination and diverse aspirations of the founders and the people they interact with. While causal thinkers are like great generals seeking to conquer fertile lands (Genghis Khan conquering two thirds of the known world), effectual thinkers are like explorers setting out on voyages into uncharted waters (Columbus discovering the new world). It is important to point out though that the same person can use both causal and effectual reasoning at different times depending on what the circumstances call for. In fact, the best entrepreneurs are capable of both and do use both modes well. But they prefer effectual reasoning over causal reasoning in the early stages of a new venture, and arguably, most entrepreneurs do not transition well into latter stages requiring more causal reasoning. Figure 1 graphically depicts the different forms of reasoning discussed above.”

Figure 1

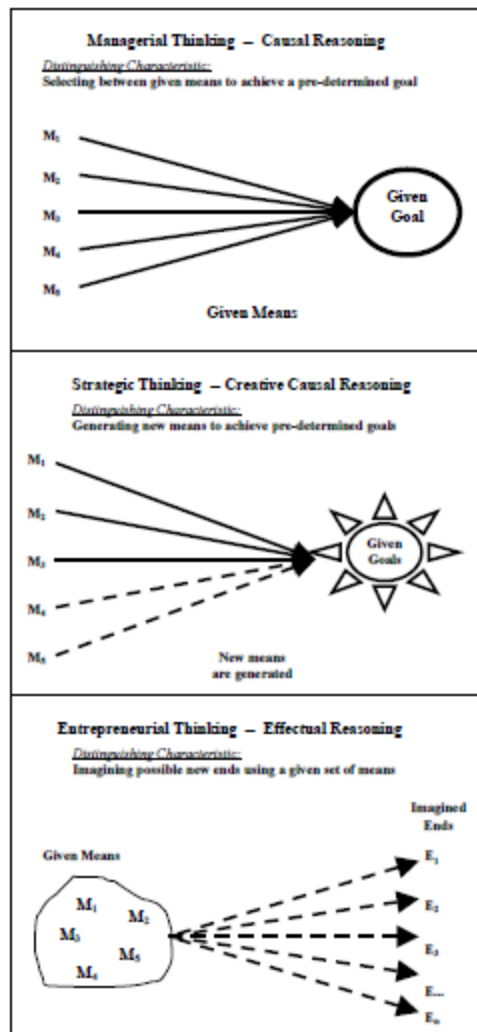


Figure 1 Difference between Causal and Effectual Thinking

From “[What Makes Entrepreneurs Entrepreneurial?](#)” by Saras Sarasvathy of the Darden Graduate School of Business Administration, University of Virginia.

For many entrepreneurs, the strange word “effectual” is a road block to understanding. [David Robinson](#) in his “artist way” translated this for himself:

- Causal thinking – Ready. Aim. Fire.
- Effectual thinking – Fire. Aim. Ready.

Over the years I’ve found that managers in large corporations and academics do not see the distinction between causal and effectual thinking. They see both as being goal directed and miss the fundamental process of the entrepreneur. Another way to see how an entrepreneur thinks is in Figure 2. Through observations in the world or the emergence of an idea for a product and company, the entrepreneur has their great idea. They start

looking at the world as a range of Spaces of Possibility. As they identify potential customers in these spaces of possibility, they look around for what resources they have in their own skills and in their network of relationships. Through several iterations of convergence and divergence, the entrepreneur begins to focus on how their idea can come into being for their discovered target customers. There is no goal for the entrepreneur at the beginning. Rather there is this to and fro between possibilities and resources.

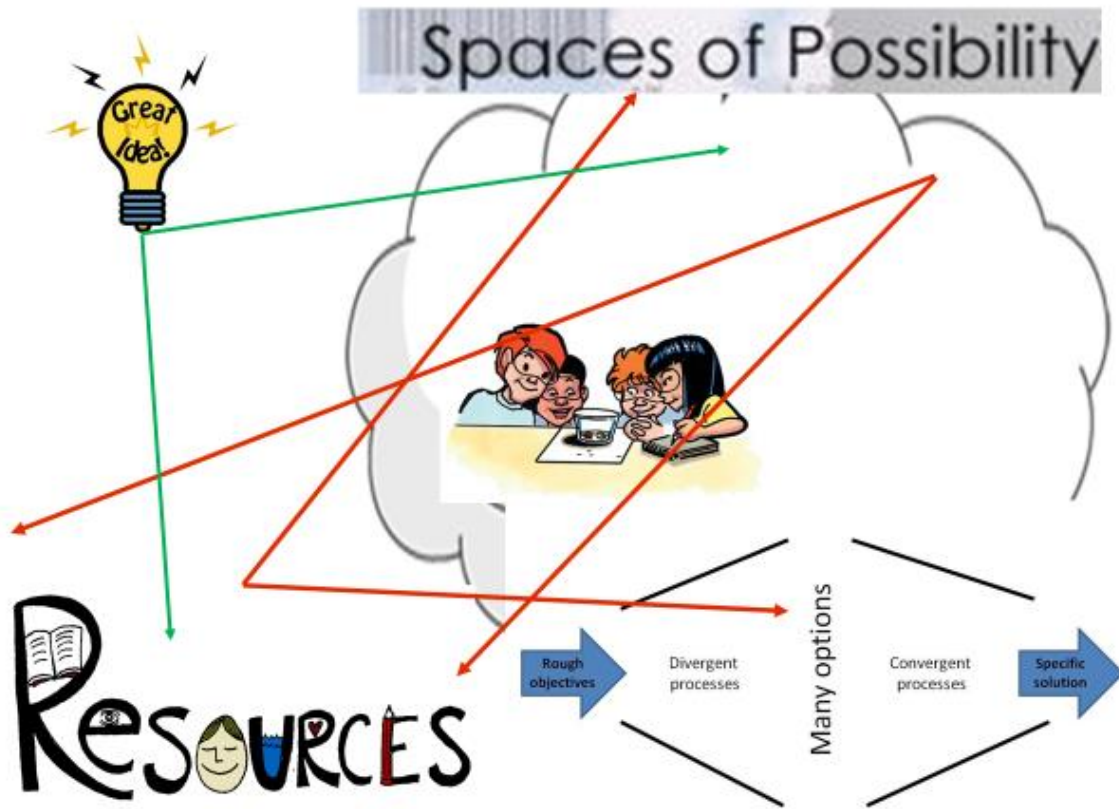
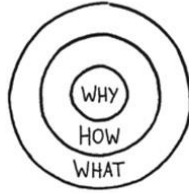


Figure 2 An Entrepreneur's View of the World

Just as one's predisposed plans for what being a mother with a new infant will be like are thrown out the window at the first bout of unstoppable crying, any plan for a new venture rarely survives the first contact with a prospective customer or investor.

You are still at the beginning of your journey. Now is a good time to step back for reflection and revisit your intentions. I recommend starting by watching the TED Video "[How Great Leaders Inspire Action](#)" from [Simon Sinek](#):

THE GOLDEN CIRCLE.



Sinek points out that great leaders start with their personal “why” and their company’s “why.” Sinek flips the perspective of most executives and marketing professionals who proclaim the “how” and “what” of their products. He concludes his video by pointing out that Martin Luther King’s most famous speech didn’t start with “I have a plan,” rather it started with “I have a dream!” Sinek writes:

“There are leaders and there are those who lead. With only 6 percent market share in the United States and about 3 percent worldwide, Apple is not a leading manufacturer of home computers. Yet the company leads the computer industry and is now a leader in other industries as well. Martin Luther King’s experiences were not unique, yet he inspired a nation to change. The Wright brothers were not the strongest contenders in the race to take the first manned, powered flight, but they led us into a new era of aviation and, in doing so, completely changed the world we live in.

“Their goals were not different than anyone else’s, and their systems and processes were easily replicated. Yet the Wright brothers, Apple and Martin Luther King stand out among their peers. They stand apart from the norm and their impact is not easily copied. They are members of a very select group of leaders who do something very, very special. They inspire us.

“Just about every person or organization needs to motivate others to act for some reason or another. Some want to motivate a purchase decision. Others are looking for support or a vote. Still others are keen to motivate the people around them to work harder or smarter or just follow the rules. The ability to motivate people is not, in itself, difficult. It is usually tied to some external factor. Tempting incentives or the threat of punishment will often elicit the behavior we desire. General Motors, for example, so successfully motivated people to buy their products that they sold more cars than any other automaker in the world for over seventy-seven years. Though they were leaders in their industry, they did not lead.

“Great leaders, in contrast, are able to inspire people to act. Those who are able to inspire give people a sense of purpose or belonging that has little to do with any external incentive or benefit to be gained. Those who truly lead are able to create

a following of people who act not because they were swayed, but because they were inspired. For those who are inspired, the motivation to act is deeply personal. They are less likely to be swayed by incentives. Those who are inspired are willing to pay a premium or endure inconvenience, even personal suffering. Those who are able to inspire will create a following of people— supporters, voters, customers, workers— who act for the good of the whole not because they have to, but because they want to...

“What if we could all learn to think, act and communicate like those who inspire? I imagine a world in which the ability to inspire is practiced not just by a chosen few, but by the majority. Studies show that over 80 percent of Americans do not have their dream job. If more knew how to build organizations that inspire, we could live in a world in which that statistic was the reverse— a world in which over 80 percent of people loved their jobs. People who love going to work are more productive and more creative. They go home happier and have happier families. They treat their colleagues and clients and customers better. Inspired employees make for stronger companies and stronger economies. That is why I wrote this book. I hope to inspire others to do the things that inspire them so that together we may build the companies, the economy and a world in which trust and loyalty are the norm and not the exception.”

Sinek, Simon (2009-09-23). [*Start with Why: How Great Leaders Inspire Everyone to Take Action*](#) (Kindle Locations 177-183). Penguin Group US. Kindle Edition.

Get in touch with your essential why and your dream. And in true effectual fashion, the essential why is likely to evolve as you proceed along your effectual learning path. Put on your calendar to revisit your why and your dream at least once a month during the infancy of your conception.

A key part of your intention is making explicit the values that are important to you and your fledgling venture. As individuals we want to stand for something. This exercise is to clarify what are the most important values for you and your new venture’s success. The exercise is taken from [*Managing by Values*](#) by Ken Blanchard and Michael O’Connor.

The most important thing in life is to decide what is most important.

“What should I stand for? What should be the values by which I operate? Look over the list of values below. Circle any values that ‘jump out’ because of their importance to you. Then write your top *three* values, in order of importance, below the list. Feel free to add values if needed.”

Truth	Persistence	Resources
Efficiency	Sincerity	Dependability
Initiative	Fun	Trust
Environmentalism	Relationships	Excellence

Power	Wisdom	Teamwork
Control	Flexibility	Service
Courage	Perspective	Profitability
Competition	Commitment	Freedom
Excitement	Recognition	Friendship
Creativity	Learning	Influence
Happiness	Honesty	Justice
Honor	Originality	Quality
Innovation	Candor	Hard work
Obedience	Prosperity	Responsiveness
Financial growth	Respect	Fulfillment
Community support	Fairness	Purposefulness
Integrity	Order	Strength
Peace	Spirituality	Self-control
Loyalty	Adventure	Cleverness
Clarity	Cooperation	Success
Security	Humor	Stewardship
Love	Collaboration	Support

1. _____
2. _____
3. _____

After selecting the three top values to focus on, we need to bring the values into daily life. Brainstorm ways in which you already bring these values into action or ways in which you would desire to bring these values into action. Sketch an image for each of your selected three values as well as an integrated image that illustrates how you would bring the values into action.

One of the most elegant statements for a partial answer to an essential why and values is taken from DuPont's published corporate vision:

"Our principles are sacred. We will respect nature and living things, work safely, be gracious to one another and our partners, and each day we will leave for home with consciences clear and spirits soaring."

Just as conceiving a child and going through the journey to birthing and parenting is sacred and a soaring experience beyond all others, conceiving a new company is a sacred responsibility. As you invite others to share in your journey and bring your opportunity to customers and investors, they are expecting you to honor your commitments. As Simon Sinek further elaborates in "[Leadership is not a rank, it's a decision](#)," the role of the parent and leader is to create a safe environment for the "baby" to grow and develop in order that she may soar on her own.

Michael Gerber observes many myths surrounding entrepreneurs and the conceiving of their new ventures:

“There is a myth in this country—I call it the E-Myth—which says that small businesses are started by entrepreneurs risking capital to make a profit. This is simply not so. The real reasons people start businesses have little to do with entrepreneurship. In fact, this belief in the Entrepreneurial Myth is the most important factor in the devastating rate of small business failure today. Understanding the E-Myth, and applying that understanding to the creation and development of a small business, can be the secret to any business’s success...

“Then, one day, for no apparent reason, something happened. It might have been the weather, a birthday, or your child’s graduation from high school. It might have been the paycheck you received on a Friday afternoon, or a sideways glance from the boss that just didn’t sit right. It might have been a feeling that your boss didn’t really appreciate your contribution to the success of his business. It could have been anything; it doesn’t matter what. But one day, for apparently no reason, *you were suddenly stricken with an Entrepreneurial Seizure*. And from that day on your life was never to be the same.”

Gerber, Michael E. (2009-03-17). [*The E-Myth Revisited*](#) (pp. 11-12). Harper Collins, Inc.. Kindle Edition.

The way to raise the success of a new venture in Gerber’s experience is for the entrepreneur to spend as much or more time working **ON** the business versus working **IN** the business on the product. The conceiving of the new venture is more than just the product or service the entrepreneur creates. **Conceiving is a commitment.** The commitment is to yourself, to investors, to customers, and to the talent you recruit. As the urgent overwhelms the entrepreneur, it is critical to focus on the commitment to bringing a successful business into the world.

Scott Peck in [*A Different Drum*](#) relates a story he calls “[The Rabbi’s Gift](#)” that gets at the heart of the extraordinary respect that must be a part of all of our sacred commitments and valued relationships, including our relationship with self.

“There is a story, perhaps a myth. Typical of mythic stories, it has many versions. Also typical, the source of the version I am about to tell is obscure. I cannot remember whether I heard or read it, or where or when. Furthermore, I do not even know the distortions I myself have made in it. All I know for certain is that this version came to me with a title. It is called ‘The Rabbi’s Gift.’

“The story concerns a monastery that had fallen upon hard times. Once a great order, as a result of waves of anti-monastic persecution in the seventeenth and eighteenth centuries and the rise of secularism in the nineteenth, all its branch houses were lost and it had become decimated to the extent that there were only five monks left in the decaying mother house: the abbot and four others, all over seventy in age. Clearly it was a dying order.

“In the deep woods surrounding the monastery there was a little hut that a rabbi from a nearby town occasionally used for a hermitage. Through their many years of prayer and contemplation the old monks had become a bit psychic, so they could always sense when the rabbi was in his hermitage. “The rabbi is in the woods, the rabbi is in the woods again,” they would whisper to each other. As he agonized over the imminent death of his order, it occurred to the abbot at one such time to visit the hermitage and ask the rabbi if by some possible chance he could offer any advice that might save the monastery.

“The rabbi welcomed the abbot at his hut. But when the abbot explained the purpose of his visit, the rabbi could only commiserate with him. “I know how it is,” he exclaimed. “The spirit has gone out of the people. It is the same in my town. Almost no one comes to the synagogue anymore.” So the old abbot and the old rabbi wept together. Then they read parts of the Torah and quietly spoke of deep things. The time came when the abbot had to leave. They embraced each other. “It has been a wonderful thing that we should meet after all these years,” the abbot said, “but I have still failed in my purpose for coming here. Is there nothing you can tell me, no piece of advice you can give me that would help me save my dying order?”

“No, I am sorry,” the rabbi responded. “I have no advice to give. The only thing I can tell you is that the Messiah is one of you.”

“When the abbot returned to the monastery his fellow monks gathered around him to ask, “Well, what did the rabbi say?”

“He couldn't help,” the abbot answered. “We just wept and read the Torah together. The only thing he did say, just as I was leaving — it was something cryptic — was that the Messiah is one of us. I don't know what he meant.”

“In the days and weeks and months that followed, the old monks pondered this and wondered whether there was any possible significance to the rabbi's words. The Messiah is one of us? Could he possibly have meant one of us monks here at the monastery? If that's the case, which one? Do you suppose he meant the abbot? Yes, if he meant anyone he probably meant Father Abbot. He has been our leader for more than a generation. On the other hand, he might have meant Brother Thomas. Certainly Brother Thomas is a holy man. Everyone knows that Thomas is a man of light. Certainly he could not have meant Brother Elred! Elred gets crotchety at times. But come to think of it, even though he is a thorn in people's sides, when you look back on it, Elred is virtually always right. Often very right. Maybe the rabbi did mean Brother Elred. But surely not Brother Phillip. Phillip is so passive, a real nobody. But then, almost mysteriously, he has a gift for somehow always being there when you need him. He just magically appears by your side. Maybe Phillip is the Messiah. Of course the rabbi didn't mean me. He couldn't possibly have meant me. I'm just an ordinary person. Yet

supposing he did? Suppose I am the Messiah? O God, not me. I couldn't be that much for You, could I?

“As they contemplated in this manner, the old monks began to treat each other with extraordinary respect on the off chance that one among them might be the Messiah. And on the off, off chance that each monk himself might be the Messiah, they began to treat themselves with extraordinary respect.

“Because the forest in which it was situated was beautiful, it so happened that people still occasionally came to visit the monastery to picnic on its tiny lawn, to wander along some of its paths, even now and then to go into the dilapidated chapel to meditate. As they did so, without even being conscious of it, they sensed this aura of extraordinary respect that now began to surround the five old monks and seemed to radiate out from them and permeate the atmosphere of the place. There was something strangely attractive, even compelling, about it. Hardly knowing why, they began to come back to the monastery more frequently to picnic, to play, to pray. They began to bring their friends to show them this special place. And their friends brought their friends.

“Then it happened that some of the younger men who came to visit the monastery started to talk more and more with the old monks. After a while one asked if he could join them. Then another. And another. So within a few years the monastery had once again become a thriving order and, thanks to the rabbi's gift, a vibrant center of light and spirituality in the realm.”

***I unconditionally accept where you are,
but respect you enough to help you strive for your ideal.***

Mikhail, I started this Email about “Conceiving” with a quote from Rainer Maria Rilke to a young poet about deciding whether he must write. To paraphrase Rilke:

“This before all: ask yourself in the quietest hour of your night: must I **start a company**? Dig down into yourself for a deep answer. And if this should be in the affirmative, if you may meet this solemn question with a strong and simple ‘**I must**’, then build your life according to this necessity...”

Mikhail, thank you again for reaching out to me and trusting me with your sacred commitment of conceiving your new venture. Asking for help is an ongoing commitment to your growth and development. Receiving, synthesizing and integrating received wisdom is core to discovering, developing and trusting your guiding North Star.

Yours in entrepreneuring,
Skip Walter

Applying Conceiving

Starting a new venture is an experiential process as Sarasvathy describes. The good news of the effectual process is that you start with the resources that you have available to you. The bad news is that you become so overwhelmed with the urgent you forget to take time for the important.

The most critical skill to develop as an effectual entrepreneur is to constantly observe the world around you and easily flip perspective. To survive as an adult, we develop habits that tacitly guide our actions. It is those tacit habits that blind us to what is happening in the world. The flipping perspective exercise for applying the concepts in the book is aimed at breaking our hidden patterns of behavior so that we can see the world we inhabit with new eyes. By seeing differently, we can think outside the box and see opportunities that others cannot.

The core process throughout the book is to commit to a daily flip of perspective. The process has four components:

1. Identify a pattern of behavior to break
2. Break it by flipping your perspective
3. Take a photo which represents some part of the flipped perspective
4. Spend 7 to 10 minutes free writing about your flipped perspective

That is all there is to it. Just a few minutes each day spent breaking your tacit patterns.

We'll start with easy patterns to break and flip. With the "Applying" part of each Email, I suggest a theme for what kinds of perspectives to flip. These themes will echo the topic of the Email exchange with Mikhail.

This exercise is inspired by many years of mentoring entrepreneurs and working with graduate students at the intersection of design and business and with the core exercise in [*The Artist's Way at Work*](#). The *Artist's Way* authors describe the importance of their core exercise of writing three morning pages:

"We all suffer ambivalence about our simultaneous desires to be a part of, and apart from, groups, and many of our new tools are designed to explore this ambivalence. We have found that morning pages show us both our connectedness and our individuality.

"As you will soon discover, the inner self has a variety of voices. In doing morning pages, you will experience some of them. You will also learn to discern which voices of this 'self' are best heeded and which best disputed. You will discover many positive forces that might have become silenced over the years, including one we call the Inner Mentor.

"This Inner Mentor, which some of us characterize as an older sage, is not unlike the eldest dragon of [Chen Rong's](#) painting or Star Wars' [Obi-Wan Kenobi](#) in our popular

mythology. Knowledge of this and similar voices will eventually evolve into a guidance system you can depend on. But first you will meet a host of other voices, the voices most of us think of as ‘myself.’

“Realize that in just thinking about doing morning pages, you have already heard one of your inner voices. If you listen carefully, below the resistance you will probably hear the whisper of ‘hope,’ barely audible above the din of your other ‘rational’ voices, that might say, ‘What if this works? Wouldn't it be exciting?’

“Creativity expert Howard Gardner has noted three practices common to many ‘Big C’ creatives:

1. Some type of daily reflection
2. The ability to leverage their strengths
3. A way to reframe failures

“Morning pages and other techniques in this book help you do all of the above.”

Allen, Catherine; Bryan, Mark; Cameron, Julia (2012-12-01). [*Artists Way at Work: Riding the Dragon*](#) (Kindle Locations 381-384). William Morrow.

Start by making a short list of the patterns that you do on a daily basis that you don't think about. Here are some questions to help you get started:

- Do you drive the same way to work each day?
- Do you eat the same foods for breakfast each day?
- Do you do your emails first thing in the morning?
- Are all your emails textual?
- Do you eat lunch with the same people every day?
- Do you read the same newspaper or news source each day?
- Do you exercise the same way every day?
- Who is a colleague or friend or family member you haven't talked with in a long time?

You get the idea. What are your habits or patterns of behavior that you just do and don't think about?

Start with one of the easiest patterns to break like the way you go to work each day. Take a different path to and from work today. Or take a different mode of transportation to work. While you are breaking your pattern, take a photo or video of some aspect of the pattern that you are breaking. Notice what is different while you are breaking the pattern. Are you seeing, hearing or feeling objects or people from a new perspective?

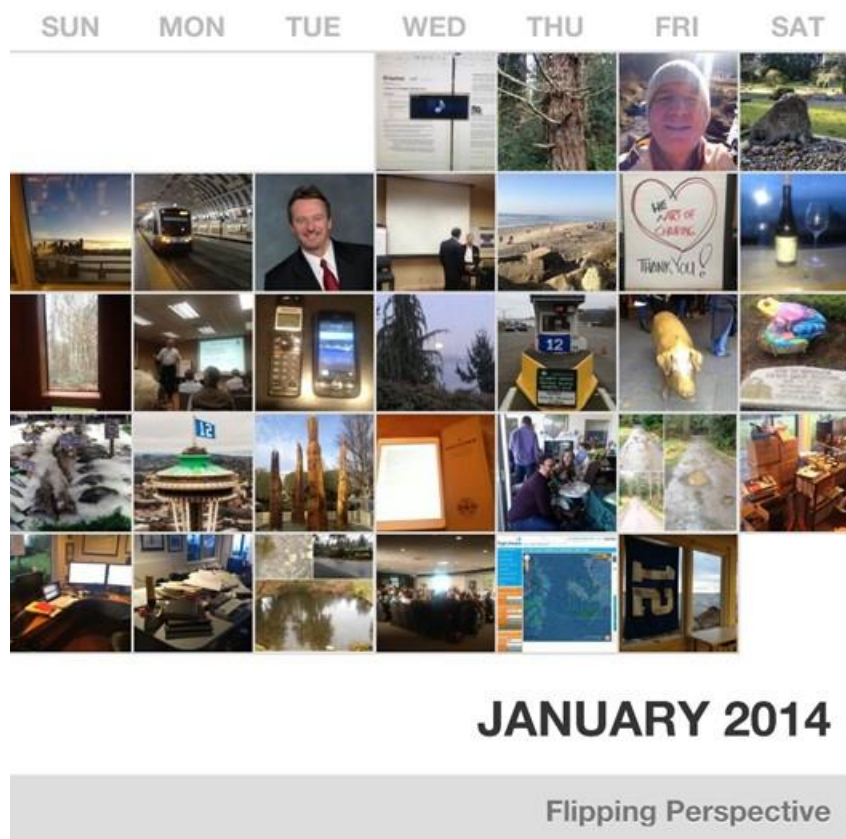
When you get back home or to a quiet place after experiencing the breaking of your pattern, do a free writing exercise as part of making meaning from the pattern break. [Free writing](#) involves:

“... continuous writing, usually for a predetermined period of time (often five to fifteen minutes). The writer writes without regard to spelling, grammar, etc., and makes no corrections. If the writer reaches a point where they can't think of anything to write, they *write* that they can't think of anything, until they find another line of thought. The writer freely strays off topic, letting thoughts lead where they may. At times, a writer may also do a focused freewrite, letting a chosen topic structure their thoughts. Expanding from this topic, the thoughts may stray to make connections and create more abstract views on the topic. This technique helps a writer explore a particular subject before putting ideas into a more basic context.

“Freewriting is often done on a daily basis as a part of the writer's daily routine.”

Using the picture or video that you took during your pattern break, start free writing about the experience. Write for seven (minimum) to ten minutes (maximum). Look at the picture and your writing, and reflect for a moment on what the experience of breaking the pattern means.

I find mobile apps like [Collect](#) or [Google Photos](#) an easy way to capture your flipped perspectives (here is a month of flipped perspectives recorded in Collect):



I keep a daily journal of my flips in perspective. Here are a couple of excerpts from my Flipping Perspective journal:

January 2, 2014

When I can, I like to walk a three-mile trail that is a loop from my house through a combination of roads and woods. I decided that for my flipped perspective today I would walk the route in reverse. I take this hike so for granted and have been doing it for so many years I rarely “see” what is in front of me. Just by reversing the path I see things that I haven’t noticed before. I can no longer walk on autopilot anymore as well. I have to pay attention to where I am stepping. And because I don’t know the path as well I have to look up and see what is around me. It is amazing what a tree that I pass from the other direction looks like from the reverse path. This tree is so gnarly and who knew it had so many trail markers on it. If I had just taken a picture a little differently, I would have seen two blue eyes instead of three. This forest primeval (well not really as Bainbridge Island has been clear cut at least three times) is a brief respite from the houses that surround me on all sides. But for a few minutes I am alone in the Northwest woods in the rainy Puget Sound. Should I walk backwards when I am traversing the trail backwards as well? But then I would see what I see from the regular direction of the path. So maybe another flipped perspective is to walk the path forwards but walking backwards. Maybe in the summertime because the trail is so slippery right now and even walking forward it is difficult with all the tree roots covered up by the leaves of fall now all brown and slippery. I love the way so many of the fir trees in the forest have the dead limbs just sticking out like a witch with unruly hair. So many metaphors are conjured up as I walk this path in reverse. What if I could walk my life in reverse? Would I really be interested in doing that? There is so much that is fun right now as I am writing again and enjoying the two granddaughters that have blessed our life. How can we help them learn the joys of flipping their perspective? How do I pass down the art of seeing and the art of flipping perspective? How many other paths do I need to reverse every day? How many paths have become as ordinary and unconscious as my walking of my woods path? Doing this flipping has also made me realize that I need to expand my horizons and walk many more of the wonderful Parks and Recreation paths on Bainbridge Island. It is just so nice to walk out my front door and not have to get in the car and drive to one of the trailheads. Walking these paths is also difficult right now with the problems with my right knee. I’ve taken walking and even jogging for granted for so many years and now the thought of not being able to walk freely because of the pain in the knee makes me a bit fearful about the future.



January 5, 2014

I always sit at the aft of the Seattle-Bainbridge Island ferry. This practice is about not wanting to be at the front of the boat with the



Type A extroverts who want to rush to get off the boat. I enjoy sitting at the back reading my Kindle books on iPad and sipping my coffee from Commuter Comforts. Yet, the most spectacular view on the ferry is at the front. Clearly, I've gotten too much in the habit of commuting versus flipping my perspective to SEEING. So this morning on the 7:05 as I head to the airport for my trip to a seminar in San Diego I sit up front. It is an interesting winter time of day as the sky is mostly dark black but you can start to see a faint streak of light on the horizon. And today the sky is crystal clear (and a cold 28 degrees). I was treated to an immediate glorious sight as we turned south out of Eagle Harbor – Mt

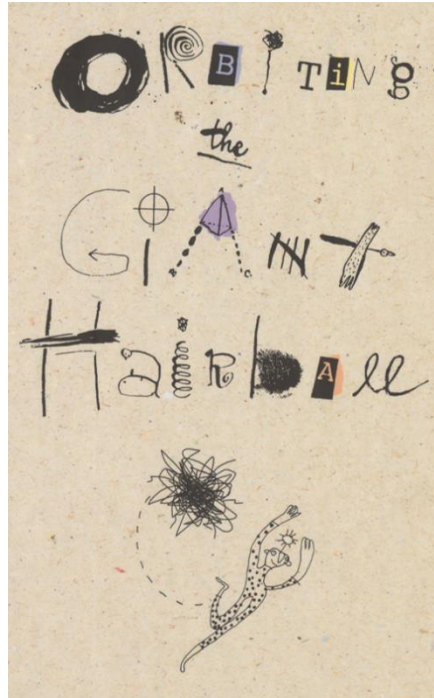
Rainier. I forget that sitting in the very front row, the window serves as a frame to see the world. Here was Rainier framed so beautifully in the Window – a silhouette. Then the ferry made the left hand turn to head to Seattle. The skyline of Seattle is a faint Christmas tree kind of blinking small line on the horizon. I look for a while and see the sky lightening and hoping that there would be a sunrise before I got to the Seattle side. As I looked out my “window frame” I decided it was time to continue reading Rilke’s *Letters to a Young Poet*. I pulled out my iPad and got immersed in Rilke. After about five minutes, I folded the cover back and started chuckling. The whole point of the flipping perspective exercise was to get out of my habits. And here I was back in my habit of reading on the ferry boat, not noticing anything. I put the iPad back in my backpack and enjoyed the sights of getting closer to Seattle and see the silhouettes turn into real buildings as the sun’s early morning light slowly emerged. I took several photos a few minutes apart hoping that I would get the buildings to fill up the height of the frame. Then as I looked at the image that was showing up on my iPhone I saw that the internal lights on the ferry were creating a mirrored effect and I was doing a selfie. So I got two perspectives in one – you can look through the glass at Seattle or you can see the reflection of myself and others in the first couple rows at the front of the ferry. As the ferry turns to the dock, I see another view – the condensation from the window on the outside sloshing back and forth in a mercury silver trickle – back and forth as we turn. Never seen that before.

I recommend doing the flipping perspective for your first week of daily habits that are not related to your new venture. For the first seven days, just do it.

As we progress through each future Email we will work on themes of different patterns to break.

The Cosmos of the New Venture

One of the challenges of the entrepreneur is learning how to make progress even when feeling lost in the shift out of being in expert mode (causal thinking) and into an observing, discovering and exploring mode (effectual thinking). This “lost is the new normal” can feel like [*Orbiting the Giant Hairball*](#):



I find when I am feeling lost that it is because I don't see the bigger picture. J. G. Bennett in [*Enneagram Studies*](#) shares a powerful model of the “cosmos” to help us see the larger context that we are immersed in at any given moment.

“The enneagram is an instrument to help us to achieve triadic perception and mentation. Whereas our ordinary mental processes are linear and sequential, the world in which we live is threefold. According to Gurdjieff, three-foldness is one of the ‘fundamental sacred Cosmic Laws’ and must be studied by anyone who wishes to understand himself and the world in which he lives.

“We find it hard to look at the whole of what is happening in and around us because our thinking is linear, by which I mean thinking along one single line or by association. We miss significant episodes and cannot understand how it is that processes go the way they do. When things go wrong we seldom know where, nor how to put them right. This is not a serious handicap in thinking about processes that are themselves linear, such as most of those in the material world. However it breaks down when we try to think about man and his life, for these are not linear. Man is very complex and his life is always made up of different processes that cannot be separated without falsification. To think about man effectively we must get beyond linear thinking in order to see the inner cohesion. The spiritual world

is totally non-linear and this is why we cannot ordinarily think about it at all. We must therefore find a new way of thinking. In order to change our way of thinking we have first of all to recognize that it is not only a matter of looking along several different lines at once but recognizing that there is structure in what we are looking at. The structure may be imperfect, but if it were not there at all, we could understand nothing.

“To illustrate this, let us take the example of a meal being cooked in our kitchen at Sherborne. The obvious thing is to look at the food and to say that the process of preparing a meal is a process of transforming food. This is quite true, but it is not the whole story for something is also happening in the kitchen itself. The kitchen has to be in a certain state of preparation and things in it are going to change. Its state has to be maintained. It is not enough to have cooks: some have to play the role of kitchen boys and cleaners, whose task it is to maintain the conditions that allow the meal to be cooked. Help is needed in preparing the vegetables or other raw foods. We usually take all this for granted and do not notice its importance because our thoughts are flowing in a single line. We notice only when things go wrong, and then the cook begins to concern himself with the function of the kitchen boy and the kitchen boy begins to concern himself with the cooking process.



Figure 8 The Kitchen as a Cosmos

Figure 3 Enneagram of kitchen work

“Linear thinking will assume that only the cooking process is important and disregard the need to maintain order in the kitchen, the cleanliness of the utensils and the provision of what is required. However the whole process of cooking a meal is not confined even to these quite distinct series of events; the one being the changes that are happening in the kitchen itself and the other the changes that are happening to the food. There is also something happening to the people and it is necessary that this too should be taken into account. When a meal is being cooked, especially when it is on a fairly large scale, which makes these distinctions significant, many people have to be taken into account: the people who are cooking, the kitchen boys, the people who are preparing the table and the

entire community which is going to eat the meal. What is happening to them is also an essential part of the whole process; they have to be able to communicate with one another to understand one another's needs and, if necessary, to change their roles. Those who cook will in turn become those who eat. Again, we can see that this is obviously necessary and we do not attach special importance to it all unless something goes wrong, at which point we may say that there is a "bad relationship" between the cooks and the kitchen boys and so everything is going to pieces, or perhaps people have not taken the trouble to find out what is going to happen with the meal, who can eat what, who will be there or will not be there, so that too much or too little is cooked. Something has gone wrong, but we do not associate this "something has gone wrong" with the cooking of the meal. Now if you look at the preparation of the meal for the house as one whole event, you can see that each of these three processes can be thought about linearly, yet each of them is quite distinct in nature from the others. They do not replace one another. Looking at it in this way, if you ask "Could you cook a meal without a kitchen, without utensils, without fire?" the answer is "No, cooking would cease to be there at all if there were not all these things in some form or other." Even if you are camping in the open air you would still require certain conditions and implements with which to make it possible. It is obvious that you cannot cook without food, as you cannot or would not cook if there were no one to cook for. So food and guests are both independent of one another and also mutually necessary. There is no such event as cooking a meal unless the kitchen, food and guests are present. They are closely interdependent. How one goes will determine how the others go. But how they will affect one another is not at all obvious and in general it is by experience alone that little by little we learn what is required. With experience, it is possible to see that there are different rhythms. The order of the kitchen and its utensils goes in a cycle which completes itself. When everything is properly organized, the kitchen starts clean with all the utensils clean and in their own places and when the meal is finished it is brought back again to its initial condition. It has completed a cycle. Something has happened in the kitchen, but the kitchen has returned to its prime state. With the food something different has happened for the food has changed its nature from being raw to being cooked. It has not returned to its primitive state but instead has been through a variety of irreversible processes."

Bennett, John Godolphin (2012-04-02). [*Enneagram Studies*](#) (pp. 17-18). Bennett Books.

This first Email on Conceiving begins the first point on the core triangle of work for our Cosmos of the New Venture.

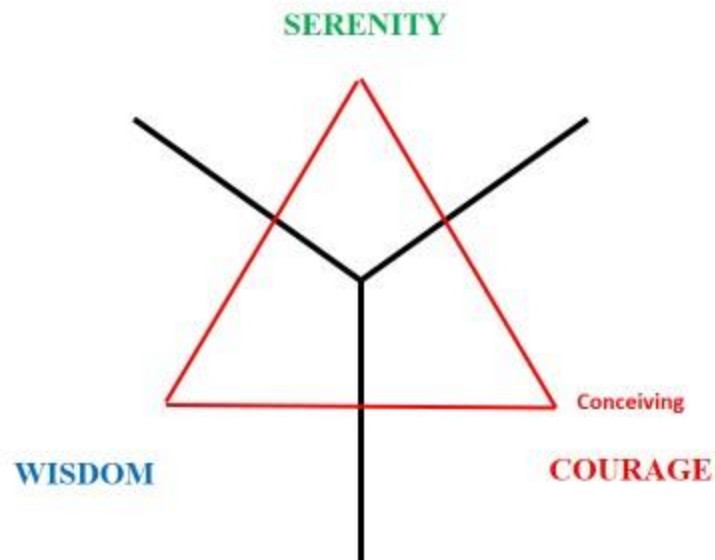
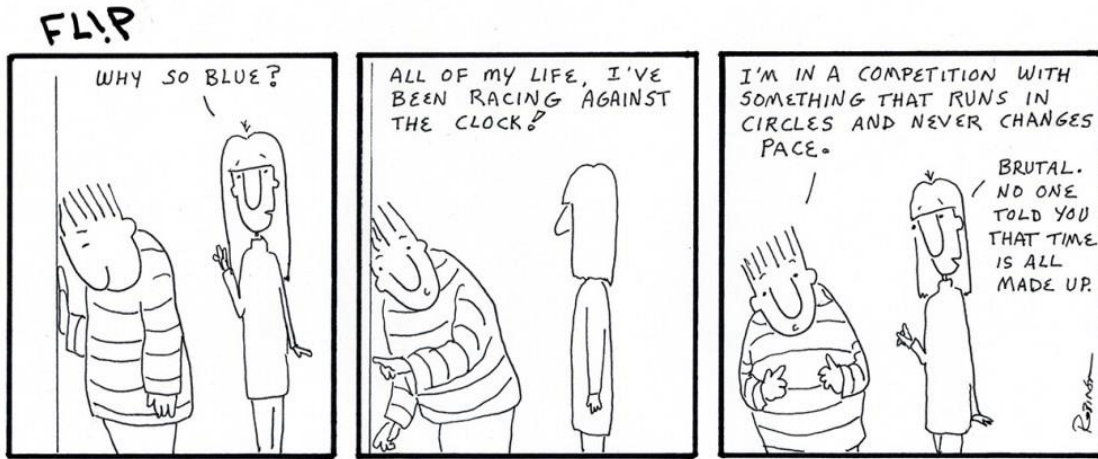


Figure 4 Cosmos of the New Venture: Conceiving

Conceiving sits within the courage cycle described in the Entrepreneur's Prayer of serenity, courage and wisdom. The navigation and interrelationships of the nine terms in the Cosmos of the New Venture meta-model aid the entrepreneur in discovering, developing and trusting your inner guidance system.

Conceiving is COMMITTING.

Flipping Perspective



“When you travel, you experience, in a very practical way, the act of rebirth. You confront completely new situations, the day passes more slowly, and on most journeys you don’t even understand the language the people speak. So you are like a child just out of the womb.

“At the same time, since all things are new, you see only the beauty in them, and you feel happy to be alive. That’s why a religious pilgrimage has always been one of the most objective ways of achieving insight.”

Coelho, Paulo, [The Pilgrimage \(Plus\)](#) (p. 35). HarperCollins.

Orcas Island, Washington USA, July 4, 2013

Mikhail,

Thank you for your kind response to my previous email. I understand that it can be frustrating when someone doesn't respond to specific questions. One of my colleagues, Professor [Ed Lazowska](#), Computer Science Professor at the University of Washington, was kind enough to share his major insight when teaching – “I never answer the question that a student asks. Rather I seek to understand the misunderstanding or lack of relevant experience that is behind the asked question. I still don't answer the question that was asked. Instead I give them an exercise (which usually includes a thinking framework) so that they can discover their own answers in their own context.”

What Ed was pointing out is a dysfunction in the gestalt of teacher and student that often inhibits learning. When the teacher is viewed as the source of all answers learning is stopped. [Sir Ken Robinson](#) through his many books and [TED videos](#) shares the roots of this dysfunction and how we transform dysfunction into vibrancy by shifting from the teacher/student framework to creating rich environments for lifelong learning.

My own mentor, [Russ Ackoff](#), had the gift (or curse) of never answering a single one of my questions. Rather, he would be thoughtful and then ask me a much better question back. Frustrating? Yes, very. Yet, it was just what I needed to more fully develop my skills of synthesis to complement my analytic skills.

I enjoyed the first seven of your flipped perspectives and the thoughtfulness you demonstrated in looking beyond the easy tacit patterns of daily life.

I am delighted that you connected the perspective shift that a new mother goes through with her newborn and the shift from causal thinking to an observing spirit of inquiry (effectual thinking). I want to talk some more about *flipping your perspective* in the context of developing an entrepreneurial and effectual mindset.

My daughter experienced what every new mother does when she arrived home and was confronted with her crying bundle of wonder. She quickly realized that Alice can't tell her what is wrong or what is needed. She shifted from communicating with language to deep observation and listening to the distinction of the meanings of the different cries. She stepped into the first of the essential perspective flips – experience first, make meaning second.

In the beginning, Alice's crying was just noise. There is only the raw experience and a mother's jangled nerves experiencing her newborn in distress. Not having discovered the patterns yet, each cry leads to changing everything – changing the diapers, feeding her, holding her, talking to her – anything and everything to get Alice to stop crying. Slowly

through many sleepless nights and days the patterns and distinctions of the cries become clearer. That cry means Alice is hungry. This cry means that Alice needs her diaper changed. And sometimes the cry is just about Alice exercising her lungs.

Through observation and many small experiments, mother and daughter begin to communicate. The needs are observed and discovered along with the solutions. Yet, the solutions keep changing as the baby rapidly develops. What worked yesterday to calm her isn't working today. Pretty quickly a mom changes from the causal thinking of being able to predict, to effectual thinking of what resources do I have ready to hand? What experiment can I run this moment to figure out how to satisfy Alice's changing needs?

As you learned during your years at the Institute of Design, people are very inarticulate when you ask them what they need or when you talk to them about your cool product idea. They have this disease called MSU (Make Stuff Up). As humans we never want to look or sound stupid, so we MSU. As a result, it is very difficult to find any patterns when we interview and talk to other humans. When we observe humans in their natural environments, they can be very articulate.

The creativity is in finding those natural environments where you can observe humans who have a problem close enough to what you want to solve for. Once you've experienced (observed) the pattern, then you are ready to solve for it. Experiencing first is the foundation of flipping your perspective.

My introduction to this human centered design process occurred on my first visit to the Institute of Design. Instead of having me meet with faculty members, Patrick Whitney had students present their class projects. I was stunned at the breadth and depth of the insights that these first year students generated. It occurred to me that if the students could learn this quickly there were powerful frameworks and ways of thinking that the Institute of Design had learned how to transfer to students.

One of those students twenty years ago was one of your professors, Kim Erwin, author of [Communicating the New](#). As I listened to Kim on her book lecture tour, I remembered her student project research. She wanted to design a completely new way of searching (remember this was twenty years ago before Google existed). She thought about where people had to search and navigate a complex space. She realized that she could observe patrons of the university library, a video store, and the [Field Museum of Natural History](#). Brilliant.

Experience first; make meaning second.

An example of this core flipped perspective occurred at Attenex when we were researching our [next product development opportunity](#):

After we'd gotten cash flow positive at [Attenex](#), we were looking for additional markets. One of the many reasons I was interested in creating [Attenex Patterns](#) was so that I could have a personal version to make meaning out of my 8

TB (terabytes = 1000 gigabytes) of digital objects (text, photos, videos) on my desktop computer. While we knew that we couldn't do a stripped down version of our enterprise level product, we didn't know what the necessary and sufficient features were for a Personal Patterns.

I pulled in my lead architect, Eric Robinson, to spend a month researching and building a personal patterns prototype. Eric was the hacker (architect) and UX designer. I filled the roles of visionary, UX researcher and hustler. We made good progress in three weeks and a part of my hustler role was talking about and demoing the prototype to anyone I could grab (trying to find a lead customer). Everyone nodded and patted us on the proverbial heads and said "that's nice," but there was no energy in the engagements.

We went back to the drawing board and I did a little user research with Marty Smith (one of the lead customers for our [Attenex Structure](#) product), a contracts and [Intellectual Property](#) attorney at Preston Gates. Not really knowing what I was looking for, I asked Marty if I could just sit and observe him working on contracts for a couple of hours.

One of the lessons I learned at the [Institute of Design](#) is that [observing people](#) in the wild (their actual work or living environment) is far better than trying to interview them. People make stuff up (mostly because they don't want to appear stupid) when you interview them and most of the time they don't really understand what they actually do ([tacit knowledge](#)). However, they are incredibly "articulate" when you can just observe them in their natural work habitat.

Marty was working on his third draft of a licensing contract for a very large software company headquartered in our area. There was a lot of client discussion around a patent indemnity clause. He knew that he'd had to rework that clause for a couple of different clients in his previous ten years, but he couldn't remember which clients nor the nature of the modifications.

Marty's primary tools are Microsoft Word and Outlook/Exchange. He organizes his file foldering systems (both on the hard drive and in Outlook Exchange) by client and then by year and then by the company name of who a contract was with. He has one giant hierarchical mess. He could have used a primitive Boolean search engine (but his law firm IT group wouldn't allow such a thing due to corporate security concerns). Even if he'd had a search capability, by searching for "patent indemnity" he would have gotten thousands of hits.

So I watched for thirty minutes as he navigated up and down the folder hierarchy, trying to use the client folder names and the contracting party names to jog his memory for one of the three or four contracts he'd modified in the past. He'd drill down through folder after folder; select a contract; scan through the contract in MS Word to see if there even was a patent indemnity clause; find nothing; and

then go back to the folder hierarchy. No joy. So after thirty minutes, he gave up and went back to crafting a new clause from scratch.

I knew I was seeing something important here, but didn't know quite what. I asked a few business model questions.

Skip: How many times a week does this happen to you where you can't find a clause you are looking for?

Marty: 3-4 times a week.

Skip: How many times a week does it happen to the other 20 IP attorneys in the firm?

Marty: Probably the same amount for each of us. And we never find what we are looking for so we have to draft from scratch. We try for a while, but never find anything.

My back of the envelope business calculation was the extra cost to clients of \$500 per hour * 20 attorneys * 2 hours (search plus redrafting time) * 3 times per week = \$60,000 per year. In this one law firm we had \$60,000 per year of savings for what I was thinking we might price at \$20 per seat. Oops, missed the value equation on this one.

I bounced down the stairs to share my findings with Eric. I described what I'd seen (unfortunately because Marty was doing client legal work I couldn't use [video ethnography](#) to record and analyze his interactions). We realized that the [difference that would make a difference](#) was if Marty could do clause level searching rather than try and guess at a couple of keywords that might be needed.

The insights generated from these few hours of relevant observation resulted in a software prototype which generated exciting enthusiasm for a "Personal Patterns" across a wide range of potential customers.

What I am describing is nicely captured in Warren Berger's [A More Beautiful Question: The Power of Inquiry to Spark Breakthrough Ideas](#). Berger defines a beautiful question as:

"A beautiful question is an ambitious yet actionable question that can begin to shift the way we perceive or think about something—and that might serve as a catalyst to bring about change...

"Through the years, companies from Polaroid (Why do we have to wait for the picture?) to Pixar (Can animation be cuddly?) have started with questions.

However, when it comes to questioning, companies are like people: They start out doing it, then gradually do it less and less. A hierarchy forms, a methodology is established, and rules are set; after that, what is there to question? ...

“Sometimes questioners go out looking for their Why —searching for a question they can work on and answer. The term problem-finding is used to describe this pursuit, and while it may seem odd to go looking for problems, according to the business consultant [Min Basadur](#) - who teaches problem-finding skills to executives at top companies— it’s one of the most important things to do for an established business, large or small . As Basadur notes, if you are able to “find” a problem before others do, and then successfully answer the questions surrounding that problem, you can create a new venture, a new career, a new industry. Here again, as Basadur attests, it applies to life, as well— if you seek out problems in your life before they’re obvious, before they’ve reached a crisis stage, you can catch and address them while they still offer the best opportunities for improvement and reinvention.

“Just asking Why without taking any action may be a source of stimulating thought or conversation, but it is not likely to produce change. In observing how questioners tackle problems, I noticed a pattern in many of the stories:

- Person encounters a situation that is less than ideal; asks Why.
- Person begins to come up with ideas for possible improvements/ solutions—with such ideas usually surfacing in the form of What If possibilities.
- Person takes one of those possibilities and tries to implement it or make it real; this mostly involves figuring out How.”

Along with asking actionable “Why” questions and observing humans in their natural environments, participatory research is a good way to experience first and make meaning second. In participatory research, you do the work that you would otherwise be observing. At Attenex, we would regularly have the software developers and product marketing team do the simulated work of an eDiscovery review attorney. They directly experienced the work and the use of our Attenex Patterns tool. Then in debriefing sessions we “made meaning.” We captured the insights from using the tool in order to understand how we could improve the product and the user experience.

The second major perspective flip for the entrepreneur is to reverse the steps of the normal product development process. Most entrepreneurs start with developing their product first and then look around to see if there might be some customers willing to buy their product. [Steve Blank](#)’s customer discovery process recommends that you do the customer research in parallel with the product development.

The traditional product development process looks something like:

- Develop a product

- Find some early adopter customers
- Find a larger audience (prospects, the early majority of Geoff Moore)
- Discover that your causal mindset, thinking and product are not getting you across the Chasm from the early adopters to the early majority

The use of the traditional product development process creates the chasm that [Geoff Moore](#) describes. Since the entrepreneur is so focused on the product and not on understanding that the economic buying customer is the Early Majority, the first customers reinforce what the entrepreneur already knows. By not building the product for the early majority, the new venture collides into a wall of customer indifference. Most traditional ventures fail at this stage unless they have very understanding investors who can fund the rebuilding of the product to address Early Majority needs.

Technology Adoption Life Cycle: Diagnose and adapt as markets evolve

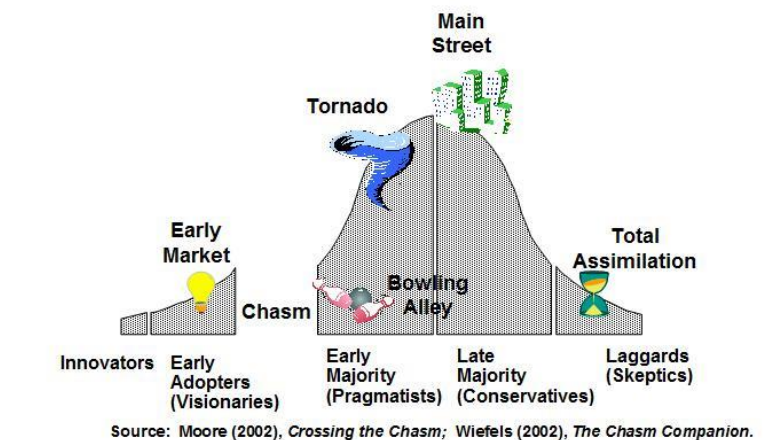
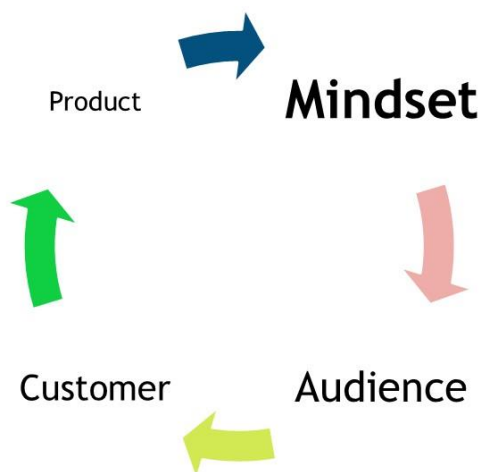


Figure 5 Geoffrey Moore's Technology Adoption Life Cycle

[David Robinson](#) and I realized that the entrepreneur must stand the traditional product development process on its head and reverse the steps. In his book [The Seer](#), David describes the progression through the Nine Recognitions to develop the Entrepreneur's Mindset:

"The tasks (a study, an action, an exercise) will help you develop new patterns of thinking and seeing. To that end, you will also find within the narrative a few related practices. The practices are useful in preparing your mind for the flip to a new way of thinking. This process is like riding a bike: you can read about it and think that you know or you can get on, start pedaling and learn to ride. The practices and tasks will only help if you do them; they can't help if you don't engage with them. To reiterate: perspective shifts are not an intellectual exercise; they are dynamic processes. Shifts in perspective are intuitive, experiential *engagements* made conscious through action and reflection. Effectual entrepreneurs are like artists: engaged in dynamic, fluid creative practices. Get on

the bike and ride. Challenge what you think you know. Open your eyes to possibilities. Allow yourself to make meaning of your experiences *after* you have them. It is, after all, how your brain works so you might as well begin by dropping the illusion that you know something before you encounter it – it's an important skill for an entrepreneur.”



You need to reverse the traditional product development steps to:

- Develop a questioning, observing and inquiring MINDSET (flip your thought process to effectual)
- Find and create the AUDIENCE for your product or service
- Identify which members of the audience will be your paying CUSTOMERS
- Develop the PRODUCT

The next step in the entrepreneur's flipped perspective is creating your audience.

An audience is the superset of the humans that might eventually become customers. I am part of a huge audience of fans who are excited about the 2014 Super Bowl winning Seattle Seahawks football team. I talk about them all the time with my family and friends. Yet, I am not a customer of the Seahawks – I don't purchase tickets to their games nor do I purchase any of their jerseys or clothing. There are millions of us who are in the Seahawks audience and only 100,000 or so who are direct customers buying tickets for a game.

[Linda Holliday](#), CEO of [Citia](#), describes their challenges innovating in the traditional publishing industry by repurposing business books. They did some wonderful work with their reimagined books, but couldn't find any customers. And the publishers didn't help them find customers because publishers have no idea who actually buys their books. They pivoted and realized they needed to find authors who already had a large audience. Their first foray with Snoop Dog led to a very successful relaunch of their technology. It

was very easy for Citia and Snoop Dog to make Snoop Dog's audience aware of the new interactive book.

Your first task as an entrepreneur is to discover or create your natural audience.

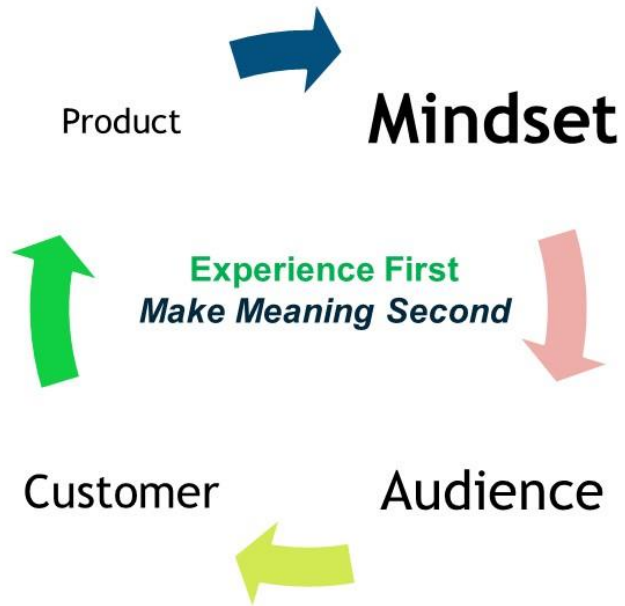
At a recent Meetup on Lean Content, [Kelsye Nelson](#) described her flipped perspective process of creating her company, [Writer.ly](#). Kelsye and her co-founder met at the "Seattle Daylight Writer's Group" Meetup that Kelsye had started to peer encourage other writers. The format of the Meetups is that the group would gather (20 to 100 writers) and write together silently for 45 minutes. At the end of the time, the writers could elect to share their work. Sometimes no one shared and at other times everyone wanted to share.

In the networking sessions that followed, the writers discovered that they had different strengths, weaknesses, likes and dislikes for different parts of the writing and self-publishing process. Pretty soon participants were discovering that somebody really liked to edit others work and another liked to do cover art. They realized that within the group were all of the skills and resources needed to create the online resource exchange for self-publishing authors.

The concept of Writer.ly was born. While they had a built in community to support them, Kelsye needed to build an audience with her limited resources before starting a company. Using her marketing expertise she started a social media Lean Content (content as a process) effort to build her audience. She started posting ten to twenty curated inspirational quotes a day about writing through Twitter and Facebook. About every ten posts she would send out a sign up for her writer.ly mailing list.

Within a few months she had 2000 active readers of her posts and she had her audience to pre-launch Writer.ly where authors can hire out the skills they don't possess. Their product was a simple brokering of talent that required minimal development. As her customer base and revenue stream grew she was able to hire developers to build the real product.

What is important in your journey with your newborn venture is to regularly practice the first two flips:



Yours in entrepreneuring,
Skip Walter

Applying Flipping Perspective

As “human doings” we quickly move our day to day actions to habits or tacit behaviors. Habits are those things we do without thinking about them. Getting good at flipping perspective is the primary way for developing your discovering and inquiring mindset.

With Applying Conceiving, we used the habits of everyday life to flip our perspective.

With Applying Flipping Perspective, we shift our focus to observing your potential audience and customers. Like Kim Erwin did for her class project, where are the similar environments in the physical world that you can observe potential customers. Each day for seven days find ways to observe (not interview – not interviewing is the fundamental flip for this chapter).

As you search for environments to observe customers, also look for places where you might volunteer and perform participatory observation. When I was doing research for a wine ecommerce site, I realized that I didn’t understand how normal consumers went about buying wine. So I volunteered to work in the tasting rooms of several wineries to interact with a wide range of novice to expert wine consumers.

As you look at your product or service, what are the steps a customer follows in your workflow? Experiment with reversing the steps in the process. What do you observe? What are your reflections on the results that occur with flipping the steps?

One of my flips in perspective in writing these Emails is to use Guy Kawasaki’s [*APE: Author, Publisher, Entrepreneur – How to Publish a Book*](#) as my North Star. The primary flip is to see creating a book not as an authoring exercise, but as a new venture. I am creating both the book as an asset and a company as an asset surrounding the book with speaking engagements, workshops, seminars and mobile applications.

As part of my flipping perspective while writing the book, I had these observations:

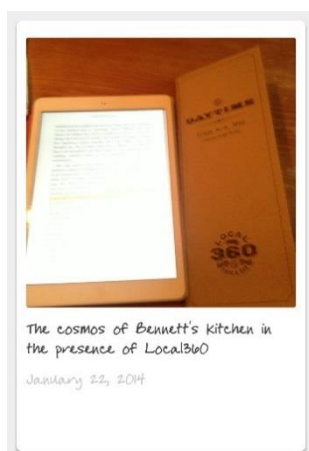
January 1, 2014

I finally kept my butt in the seat long enough to write a full draft of my first book. I can’t believe it. It is done. While talking to David, he shared that he’d been revising *The Seer* by having Kerri read him the chapters of the book. It hit me in an instant that what I need to do is voice record each chapter and then play it back in my own voice. This will be a completely different way to hear what I am writing. Possibly it will help me to understand what my writing voice actually is. This is the method that poets use to hear their poems. I’ve never done “the hearing” with my own poetry. As I experimented with this today, I realized there are two benefits to this



process. Just the exercise of trying to speak all that is written helps me to hear which sentences are most difficult and need rewriting. Then listening to the words in my own voice is really helpful in getting a sense of how it will come across. Oh, if only I had a deep magical voice like [David Whyte](#) when he is telling his stories and reading his poetry and giving us a sense of what was behind the poem that he wrote. I know how much more meaningful the business books I read are when I had a chance to meet and interact with the author. Russ Ackoff was the first author I did this with. I read [Creating the Corporate Future](#) in a made up neutral voice. After meeting Russ, all of his other books were now coming through my head in Russ's inimitable style. Should I go ahead and get serious about these recordings and do an audio version of the book as well as the written version? Certainly, this is a flipped perspective for me – listening to what I write rather than seeing what I write. Maybe I can develop my auditory sense as well as my visual sense. Can this be something I write in a blog post? Can I capture what edits I make after I do the speaking of the chapter so that I can see what patterns are coming from the auditory edit rather than just the visual edit? Reading versus hearing – what are the essential differences in these two modalities. I wonder if Elizabeth has some pointers to our comprehension or response based on whether we hear the same information or read the same information. Could this be another revenue stream which is selling the audio books as well? The juxtaposition of the audio player on the written text is interesting as well. What if we could develop an iPad app like [T.S. Eliot's Wasteland](#) where somebody reads the poem and the color of each line changes as you read through – the experience of hearing and seeing at the same time.

January 22, 2014



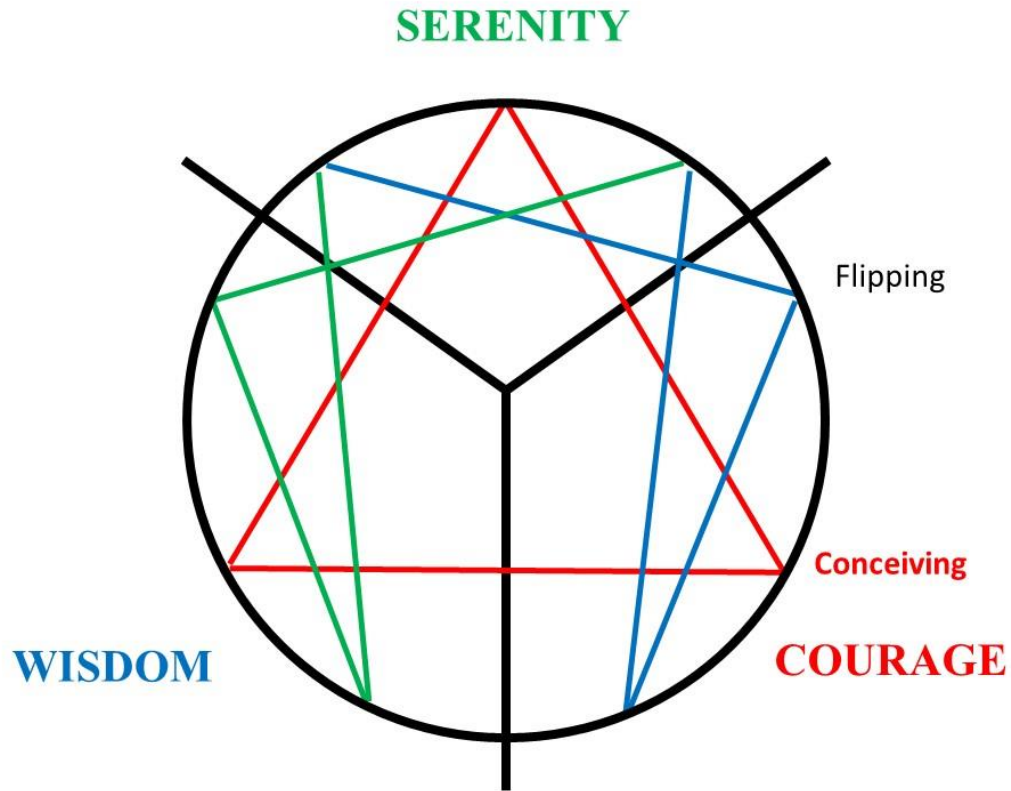
I am in the middle of going back to basics on the experience and meaning of the enneagram. I remember that I have one of the best sources which is Bennett's [Enneagram Studies](#). I sort of read it through quickly 20 years ago when I was sitting in [Charley Krone's](#) monthly consultants' study sessions and as part of the Bennett reading group seminars that Barney Barnett does with the [Benziger Family Winery](#). It was interesting but not enough to pursue really understanding the enneagram as a cosmos. Now that I am playing with the enneagram as the organizing principle for *Emails to a Young Entrepreneur*, I am finding the book a must read. The first chapter is looking at the workings of preparing a meal at a seminar center from the three layered cosmos view of the enneagram. What a great way to exhibit a cosmos in the formation of the meal (the dynamic) with the expertise of the chef in the context of the kitchen and the recipients of the meal. As I read through this chapter while waiting for my lunch

to begin with a colleague at the Local360 restaurant in Seattle, I realize that I am in the midst of an interesting cosmos. The juxtaposition of the Bennett book on my iPad with the menu for the Local360 restaurant while the smells and perpetual motion of the cooks and kitchen boys are just a glance away. What a joy to wake up to the cosmos of my surroundings and see the dynamics of the whole local environment, rather than just the restricted view of the table awaiting my lunch meeting. As I “see” the restaurant in this different light, I reflect on the goal of the Local 360 which is to source all of its food within a fifty mile radius of the restaurant. That goal necessarily restricts the food choices, but makes it easy to select the vegetable pot pie for my lunch. Lost deeply in thought as I await my meeting with Tim, I look up to see Tim and his lovely bride, Sarah. I jump out of my seat to give both big hugs at the unexpected pleasure of being able to interact with the both of them. As the Bennett book is just words on an electronic page until sitting in a kitchen, the meeting with Tim was just an entry in a calendar until Tim and Sarah show up. What if I could view each meeting in the context and cosmos of the enneagram? Would I prepare differently? Would the results be different? Sounds like a new idea for an applying exercise.

These two observations of the process of authoring are expanding my view of what my product is. While I used the recording of my book as a way to better edit the book, I reinforced the importance of having an audio recording of the book as a product for some “readers.” Thinking through the enneagram in context of the startup experience is leading me to ideas for mobile apps to provide a viewing portal into the book. Several reviewers of the book point to the importance of having key parts of the book always available as a mobile app. Should I start with the enneagram and reverse the “Emails” I am sequencing in the book?

The Cosmos of the New Venture

With the Flipping Perspective Email we introduce all of the geometry of the enneagram model of the cosmos of the new venture:

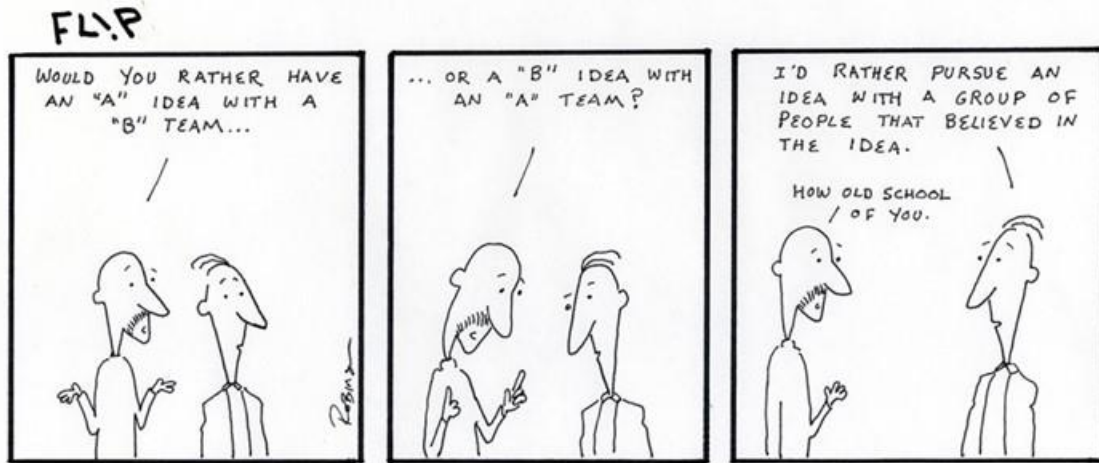


Flipping Perspective is at the heart of all that an observing and inquiring entrepreneur does. Flipping Perspective sits in the Courage cycle as it takes courage to see the world differently. You have to be intentional about stepping away from the habits and “expert mode” of behavior that is required when working for larger companies.

Along with flipping your point of view is reversing the steps in your product and business development and helping your customers reverse their steps to see more productive ways of working.

Flipping Perspective is OBSERVING with a spirit of inquiry.

Finding Talent



“The true path to wisdom can be identified by three things,” said Petrus. “First, it must involve agape, and I’ll tell you more about this later; second, it has to have practical application in your life. Otherwise, wisdom becomes a useless thing and deteriorates, like a sword that is never used.

“And finally, it has to be a path that can be followed by anyone. Like the road you are walking now, the Road to Santiago.”

Coelho, Paulo, [The Pilgrimage \(Plus\)](#) (pp. 27-28). HarperCollins.

Glen Ellen, CA USA, Benziger Family Winery, July 10, 2013

Dear Mikhail,

Thanks for your kind words about how much the flipping perspective exercises helped you to start observing your audience and customers. I am already seeing differences in your observing and discovering mindset as you describe your exercises and insights. I appreciate your sending along what you learned from brainstorming ways to create an audience for your project. As I shared earlier, I am not qualified to judge what is right for you and your path.

While a young mother understands that she is not alone in nurturing the infant and transitioning to being a parent, she realizes there is a lot to the old saying “it takes a village to raise a child.”

It takes a village of partners to raise a new venture.

In your emails, I’ve read a lot about your idea and your background. I haven’t heard anything about your partners in this endeavor and the talent that is surrounding you.

Today, I would like to share the importance of three people in your village that will nurture and help you develop your new venture. The key talent roles that you need to intentionally seek out are – your co-founder, your growth partner customer, and your lead investor. The search for each of these partners is much like the search for your life partner in a marriage. You will be interacting with each of these partners during the intensity of the infancy of your venture as much or more than with your life partner.

As I struggle to understand and share the lessons of my forty years of conceiving and growing new ventures, I am reminded of an hour long presentation on the culture of Japan. We tried to absorb these lessons the first morning of our arrival in Japan as part of a [Total Quality Control Study Mission](#) with twenty manufacturing managers from Digital Equipment Corporation.

[Jean Pearce](#), a columnist for the English language Japan Times, is a diminutive lady who has been in Japan for several decades. Her comments stick with me 25 years later as I attempt to share the culture of entrepreneuring:

“When I first arrived in Japan, I was able to write a full book about the Japanese culture. After a year, I was barely able to write five pages about the culture of Japan. Today, after thirty years of living in Japan, I can’t even write a single definitive sentence about the culture of Japan. The more I experience the Japanese culture, the less able I am to generalize. However, I can share many

examples of differences between America and Japan and hopefully that will help you experience your stay in Japan in a different manner.”

Jean pointed out a difference between East and West through something as simple as eating utensils. Silverware is noisy, clunky and cutting. Chopsticks are quiet and have not been used by others before. They are natural and have sensitivity.

She pulled out a little cage for keeping insects in the house so that one can hear the song of summer. The cage is arranged so that you feed the insect cucumbers or watermelon. I asked her later about these cages and she pointed me to the following short story:

Kusa-Hibari
[Lofcadio Hearn](#)

“His cage is exactly two Japanese inches high and one inch and a half wide: its tiny wooden door, turning upon a pivot, will scarcely admit the tip of my little finger. But he has plenty of room in that cage — room to walk, and jump, and fly, for he is so small that you must look very carefully through the brown-gauze sides of it in order to catch a glimpse of him. I have always to turn the cage round and round, several times, in a good light, before I can discover his whereabouts, and then I usually find him resting in one of the upper corners - clinging, upside down, to his ceiling of gauze.

Imagine a cricket about the size of an ordinary mosquito — with a pair of antennae much longer than his own body, and so fine that you can distinguish them only against the light. Kusa-Hibari, or “Grass-Lark” is the Japanese name of him; and he is worth in the market exactly twelve cents: that is to say, very much more than his weight in gold. Twelve cents for such a gnat-like thing! . . . By day he sleeps or meditates, except while occupied with the slice of fresh egg-plant or cucumber which must be poked into his cage every morning . . .to keep him clean and well fed is somewhat troublesome: could you see him, you would think it absurd to take any pains for the sake of a creature so ridiculously small.

But always at sunset the infinitesimal soul of him awakens: then the room begins to fill with a delicate and ghostly music of indescribable sweetness — a thin, silvery rippling and trilling as of tiniest electric bells. As the darkness deepens, the sound becomes sweeter — sometimes swelling till the whole house seems to vibrate with the elfish resonance — sometimes thinning down into the faintest imaginable thread of a voice. But loud or low, it keeps a penetrating quality that is weird . . . All night the atomy thus sings: he ceases only when the temple bell proclaims the hour of dawn.

Now this tiny song is a song of love — vague love of the unseen and unknown. It is quite impossible that he should ever have seen or known, in this present existence of his. Not even his ancestors, for many generations back, could have known anything of the night-life of the fields, or the amorous value of song.

They were born of eggs hatched in a jar of clay, in the shop of some insect-merchant: and they dwelt thereafter only in cages. But he sings the song of his race as it was sung a myriad years ago, and as faultlessly as if he understood the exact significance of every note. Of course he did not learn the song. It is a song of organic memory — deep, dim memory of other quintillions of lives, when the ghost of him shrilled at night from the dewy grasses of the hills. Then that song brought him love — and death. He has forgotten all about death: but he remembers the love. And therefore he sings now — for the bride that will never come.

So that his longing is unconsciously retrospective: he cries to the dust of the past — he calls to the silence and the gods for the return of time. . . Human lovers do very much the same thing without knowing it. They call their illusion an Ideal: and their Ideal is, after all, a mere shadowing of race-experience, a phantom of organic memory. The living present has very little to do with it. . . Perhaps this atom also has an ideal, or at least the rudiment of an ideal; but, in any event, the tiny desire must utter its plaint in vain.

The fault is not altogether mine. I had been warned that if the creature were mated, he would cease to sing and would speedily die. But, night after night, the plaintive, sweet, unanswered trilling touched me like a reproach — became at last an obsession, an affliction, a torment of conscience; and I tried to buy a female. It was too late in the season; there were no more kusa-hibari for sale, — either males or females. The insect-merchant laughed and said, “He ought to have died about the twentieth day of the ninth month.” (It was already the second day of the tenth month.) But the insect-merchant did not know that I have a good stove in my study, and keep the temperature at above 75 degrees F. Wherefore my grass-lark still sings at the close of the eleventh month, and I hope to keep him alive until the Period of the Greatest Cold. However, the rest of his generation are probably dead: neither for love nor money could I now find him a mate. And were I to set him free in order that he might make the search for himself, he could not possibly live through a single night, even if fortunate enough to escape by day the multitude of his natural enemies in the garden — ants, centipedes, and ghastly earth-spiders.

Last evening — the twenty-ninth of the eleventh month — an odd feeling came to me as I sat at my desk: a sense of emptiness in the room. Then I became aware that my grass-lark was silent, contrary to his wont. I went to the silent cage, and found him lying dead beside a dried-up lump of egg-plant as gray and hard as a stone. Evidently he had not been fed for three or four days; but only the night before his death he had been singing wonderfully -- so that I foolishly imagined him to be more than usually contented. My student, Aki, who loves insects, used to feed him; but Aki had gone into the country for a week's holiday, and the duty of caring for the grass-lark had developed upon Hana, the housemaid. She is not sympathetic, Hana the housemaid. She says that she did not forget the mite —

but there was no more egg-plant. And she had never thought of substituting a slice of onion or of cucumber!. . .I spoke words of reproof to Hana the housemaid, and she dutifully expressed contrition. But the fairy-music had stopped: and the stillness reproaches; and the room is cold, in spite of the stove.

Absurd!. . .I have made a good girl unhappy because of an insect half the size of a barley-grain! The quenching of that infinitesimal life troubled me more than I could have believed possible. . .Of course, the mere habit of thinking about a creature's wants — even the wants of a cricket — may create, by insensible degrees, an imaginative interest, an attachment of which one becomes conscious only when the relation is broken. Besides, I had felt so much, in the hush of the night, the charm of the delicate voice — telling of one minute existence dependent upon my will and selfish pleasure, as upon the favor of a god — telling me also that the atom of ghost in the tiny cage, and the atom of ghost within myself, were forever but one and the same in the deeps of the Vast of being. . . And then to think of the little creature hungering and thirsting, night after night and day after day, while the thoughts of his guardian deity were turned to the weaving of dreams!. . .How bravely, nevertheless, he sang on to the very end — an atrocious end, for he had eaten his own legs!. . .May the gods forgive us all — especially Hana the housemaid!

“Yet, after all, to devour one’s own legs for hunger is not the worst that can happen to a being cursed with the gift of song. There are human crickets who must eat their own hearts in order to sing.”

The cricket owner in the story didn’t understand the partnership he was in with the cricket to receive value from the song of summer. Just as the cricket had to find partners to keep him alive through cold and care and feeding, you will need to find the partners to nurture your business through these early fragile years. You will need to go beyond just the care and feeding to find the partner that can help you to conceive your products and your song of summer.

During my journey of “paying it forward” I have the privilege of meeting so many young entrepreneurs who are wonderfully committed to creating a business and making the world a better place. [Dana Dyskterhuis](#) is one of those special forces I rarely encounter – someone who is doing it AND is able to be reflective about her journey AND is gifted in communicating her story.

Dana was kind enough to describe her journey with her company Fanzo to my MBA class in entrepreneuring.

“I come from Omaha, Nebraska and I moved to Seattle six years ago. I took a job with Qwest Communications which is now CenturyLink. I was in marketing communications and got to work with the Seattle Seahawks. As part of the job I had to deal with a lot of the technical issues surrounding events at CenturyLink Stadium and had to be available 24/7.

“I graduated from a Nebraska college in broadcast journalism and started my professional life as a television news reporter. Then I went to the other side and did PR for an arena in Omaha, a hockey team, and a non-profit – The American Cancer Society.

“I was recruited from my arena job to do PR for this hockey team that was the minor league team for the Calgary Flames. I was really excited. They’d been in town for a year and a half, but there was no buzz about them. No one was going to the games. However, my mom and I were going to the games and were wondering why no one was showing up.

“Then they hired a local president to run the team and he recruited me away. I had one question for him ‘Is the team here to stay?’ He looked me in the eye and said ‘the team is here to stay. You can leave your job and come with us.’

“So I left my job and started doing PR for the team and two months later they left our city. So I said enough. It is time to get out of Omaha, so I started looking at other cities like New York and the Qwest job opened up in Seattle. I’ll go there and retire. My grandma worked all her life for Qwest and I can go to Qwest and the rest of my life will be set.

“I spent a year and a half in my job and then there were layoffs. It was tough.”

“Let me take you back to when I arrived in Seattle. I knew one person. How can I find people? I’m so shy. I wanted to find where all the Nebraska folks hung out. So I looked around for Game Day. Where did all the Huskers go for football game day? I couldn’t find the game day bar. I didn’t know where to go.

“Finally a few months later someone told me that all the Huskers go to Lucky 7 in Kirkland. So I went and it was this sea of red. Kind of a back home feeling. Cool.

“I didn’t think much about it at the time. In subsequent years I continued my PR work and did some consulting for mom and pop shops. I did business development in a startup. I was getting advice from lots of people that if I wanted to stay in Seattle, go join a startup.

“So I did the bus dev job. I thought it was the coolest thing. But then they ran out of money.

“About two years ago, I was noticing a pattern on Twitter and Facebook amongst my friends who were tweeting out all the time things like ‘Hey, I’m going to San Francisco where do I go to watch the game? I’m going to New York where do I go to watch Manchester United?’

“For some reason, I began noticing that this was a problem. So I just started solving the problem. I began building a database of watch sites, designated watch sites for fans. It was a Google Docs spread sheet. I’m not a technical person. The spread sheet was for the Top 20 cities in the United States.

“I just started talking to people about this idea. They’d all say ‘yeah, I have that problem.’ The more people I’d talk to, they would share their version of the problem. I went to Kansas City and I didn’t know where to go.

“I felt I was on to something. Then I was at an event where there were Silicon Valley speakers. It was a motivational startup day event in Bellevue. I got 15 minutes with [Micah Baldwin](#) who started Follow Friday on Twitter. He is a huge presence. He’s an angel investor who had several startups before with both successes and failures.

“I had a couple of other ideas at the time. He went No to the first and second ideas. Ok, so I have this database of watch sites. He went ‘Tell me more.’

“I told him more about the watch sites. He said ‘Pursue that. Go find a technical co-founder.

“Oh my God. How do I do that? What am I doing? I am not a startup person. I’m not a technical person. I was feeling really lost and horrified.

“But I did it. I just started going to events pitching my idea. This is what I’m doing. This is what I need. I did a Startup Weekend event where you build a prototype in a weekend. So we did that with a team.

“Then it was at an event at the Amazon campus on South Lake Union that you could get up and give a 15 second pitch on what you were doing and what you needed. It was in the basement of the TechStars building.

“People were drinking whiskey and eating pizza. It was really casual, but super intimidating to me. There was a line all the way around the room of people wanting to pitch. I wasn’t sure if I wanted to pitch. I was feeling really nervous.

“I had met a couple of people and they were like ‘you gotta do it.’ I was at the very end of the line and not going to pitch. But these folks kept encouraging me.

“Then the speaker said ‘OK, we’re done. Oh, but wait there is one more.’ I went ‘Oh God, OK.’ Then the speaker asked the crowd ‘Should we bring her up, should we bring her up?’

“The crowd yelled ‘Yeah, Pitch! Pitch!’ I went ‘Oh no. Extra pressure.’

“I got up and gave my pitch. I don’t remember what I said. Other than ‘If you want to start this business with me, come find me and we’ll go hook up.’ Then I realized what I said and went ‘No, No, I didn’t mean that.’ How embarrassing. I clarified that right away.

“After the pitch I stood around and talked to people and as luck would have it my co-founder Paul was there. I didn’t know who he was at first. Just this guy who came up to talk. He was interested and asking questions. What’s your business model? What’s your go to market? I had ideas.

“He’s like ‘OK.’ So then I asked ‘and who are you? Please tell me about you.’

“He said ‘I’m the CTO at Smilebox.’ My jaw dropped. I couldn’t believe I was talking to him. I knew their space and I knew that they’d just sold for \$40M. He helped co-found it and he was looking for his next project. And he loves sports.

“I went ‘Oh, this is my guy. I got to get him.’

“I spent the next several months winning him over. That meant meeting his parents, his wife, his children. Just like a family.

“We were hashing everything out. In that time also we created document after document – on competitors, go to market, business model, legal process, all of that. All the grunt work that is really necessary. He left his job at Smilebox to join me full time about a year and a half ago.

“We just started testing the product out in the community. Paul said we can’t build a business off of watch sites. We have to think bigger.”

As I watched Dana, I saw her story come through to the class through her non-verbal skills as much or more than the words she shared. I told her about my experience of her presence. She laughed and reminded me that she worked for a number of years as a TV reporter. One of the challenges of finding the talent for your new venture is practicing empathic or deep listening. [Researchers](#) share that only 7% of communication is in the words that are spoken, with 38% coming from the way the words are said, and 55% from your facial expressions and posture.

Mikhail take some time to deeply observe the full messages through deep listening. I find it worthwhile to watch video of myself giving presentations and when interviewing others to understand how my full palette of communication channels are working (or not).

Each of us experiences the world in many ways based on our personality, learning style, communication style and on and on. We are a product of our life history. Yet, we have to continually communicate with others. Just as Dana was driven to pursue her idea and communicated in many different ways to find her co-founder, a key part of being an

entrepreneur is adjusting your style to others. Being persistent AND flexible is part of the Finding Talent journey.

As Dana shared, finding the key talent AND recruiting them to your venture is a multi-step process where each person gains trust and rapport with the other talent over time. During a weeklong intensive personal development seminar I encountered [Mary Pipher's](#) "I am from ..." poem. The exercise is taken from her book [Writing to Change the World](#).

Mary's "I am from ..." poem is:

I Am From

I am from Avis and Frank, Agnes and Fred, Glessie May and Mark.

From the Ozark Mountains and the high plains of eastern Colorado, from mountain snowmelt and southern creeks with water moccasins.

I am from oatmeal eaters, gizzard eaters, haggis and raccoon eaters.

I am from craziness, darkness, sensuality, and humor.

From intense do-gooders struggling through ranch winters in the 1920s.

I am from "If you can't say anything nice about someone, don't say anything," and "Pretty is as pretty does" and "Shitmuckelty brown" and "Damn it all to hell."

I am from no-dancing-or-drinking Methodists, but cards were okay except on Sunday, and from tent-meeting Holy Rollers, from farmers, soldiers, bootleggers, and teachers.

I am from Schwinn girl's bike, 1950 Mercury two-door, and *West Side Story*. From coyotes, baby field mice, chlorinous swimming pools, Milky Way and harvest moon over Nebraska cornfields.

I am from muddy Platte and Republican, from cottonwood and mulberry, tumbleweed and switchgrass, from Willa Cather, Walt Whitman, and Janis Joplin.

My own sweet dance unfolding against a cast of women in aprons and barefoot men in overalls.

The exercise is to do a free write in the form of "I am from ..." writing as fast as you can for seven minutes.

Mary's instructions are:

“Follow a formula with each line beginning with “I am from...” Writing this kind of poem is a way to experiment with identity issues. The poem must include references to food, places, and religion. Give it a try.”

My free writing variant of the “I am from ...” poem is:

I am from Marge and Harry, Leigh and Pearl, Grace and Edward

I am from the empire state, the rust belt, the old south, live free or die, and the other Washington

I am from a dog's breakfast of European ancestry

I am from loving parents who agreed to argue with each other in whispers

I am from a family where my much younger sister has never known me without my bride Jamie

I am from a farm community where planting cabbage skips and picking black cherries was a summer adventure

I am from an age when I could ride my bicycle all over western New York and my parents never had to worry about the crazies

I am from a travelling salesman father by day and an unschooled medical device inventor by night

I am from a stay at home mom who grew up very rich and whose father lost it all in the great depression

I am from the gift of fifty years of knowing and marrying my childhood sweetheart

I am a non-smoker from a Southern University funded by tobacco fortunes

I am from our deep family rivalry of Blue Devils and Tar Heels

I am from the too much travel of a corporate executive who missed so much of being a dad for three great children – Elizabeth, Maggie and John

I am from the gift of two infant granddaughters and their loving parents who allow me to re-experience what I missed as a travelling dad

I am from constant personal generated challenges like learning to fly, Outward Bound and becoming a university faculty member without an advanced degree

I am from the invisible university of [Ackoff](#), [Goldratt](#), [Christensen](#), and [Alexander](#)

I am from the highest highs and lowest lows of serial entrepreneuring

I am from the gift of fantastic collaborating colleagues who have given me more than I can ever repay

I am from the solitary meditations of hiking Olympic mountain trails

I am from the poetry of mudlucious [E.E. Cummings](#) and the melodious voice of corporate poet [David Whyte](#)

I am from the formation of thousands of books

I am from the biodynamics of fine wine growing

I am from the spiritual traditions of a childhood full of Methodists, Baptists, and Presbyterians and a chosen Catholic adult faith

I am from an unhealthy gene pool of parents and grandparents and aunts and uncles who died at early ages

I am from the gifts of perpetual inquiry and an explorer of the world

I am Skip!

Near the beginning of your journey to rapport with your potential partners, the “I am from” poem is a great way for you to share your past in a unique way and set the tone for how you would like your relationship to evolve.

On my journey of learning how to become a better graduate school teacher, I attended [Harvey Brightman](#)’s Masters Teaching two day seminar in Atlanta. At the start of the seminar Harvey shared “your students are not like you.” Thanks Harvey, tell me something I don’t already know. As he looked at our skeptical faces, he said again “No, your students are really not like you.”

OK, you've got my attention. He then hit me with a curveball "70% of business students are ES (Extravert Sensing) in the [Myers-Briggs](#) profile. And 70% of business faculty are IN (Introvert iNtuitive). The two styles communicate very differently. Most faculty members assume that the students are like them and teach in the same way they like to be taught. The problem is that if you communicate as an IN, then you lose all of the ESs right away. You have to be flexible enough to teach to the ESs, not the INs in the room."

Sensing people process data with their five senses, so the Extraverted Sensing function allows a person to process life through their experiences. It is the ability to be keen to what is seen, smelled, touched, heard and tasted. It is energized by experience and it is able to live "in the moment."

Intuitive people process data through impressions, possibilities and meanings, so the Introverted Intuition function allows a person to have a sense about the future. It is the ability to grasp and get a sense of a pattern or plan. Information that is usually hard to understand and dissect is easily processed through Introverted Intuition

The ESs are the doers and want to get moving. As a general rule, they don't like abstractions. The INs are the visionaries and want to understand the implications of any new topics. The INs are the synthesists.

As Harvey described how to orient teaching materials to better suit the communication and learning styles of the ESs, I remembered [Cathy Davidson](#)'s discussions in [Now You See It](#) that class projects work best when there is maximal difference in the makeup of the student teams.

Armed with Harvey's suggestions and my innovations for forming teams through maximal difference (combine Meyers Briggs, Social Styles Inventory, Tolerance for Ambiguity and demographic information), I launched into the new quarter with a revised set of slide decks and a new way for me to form teams. The class projects that quarter were significantly better than in my previous twenty years of teaching project based courses. I was feeling pretty good about my innovation and shared the process and results with my peer faculty members.

Professor [Jennifer Turns](#) realized that what I'd independently discovered was similar to what [Doug Wilde](#) had researched for fifteen years in the Stanford Engineering School. Doug had fifteen years of research on the success of maximal difference in teams. His metric was on the large difference in the number of national engineering competition prizes his student teams won before and after he used the teamology technique. Doug introduces the impact of melding personalities into teams:

"It has become a generally accepted premise that our world—or at least the technology we use in it— is increasing in complexity. Smart cellphones, touch-screen ATMs, personal robots, labs on a chip— all those things and many more are intended to make our world easier and more fun to negotiate. In general, the easier the devices are for us to use, the more sophisticated they have to be.

“The design of advanced medical devices, autonomous mechanisms, and tomorrow’s technological miracles requires a cumulative knowledge that exceeds a single person’s abilities. So as technology advances, products are increasingly being designed in the commercial world by teams of skilled collaborators. Each team member is chosen to bring a specific range of skills and experience to bear on the mission, and each contributor is essential to a successful outcome.

“But it is not only different types of expertise that people bring to the task. They also have distinct personalities, and different ways of approaching and solving problems. The proper application of those traits can be as important as combined technical knowledge to a team’s success.

“What we are talking about is whether a person is introverted or extraverted, and which mental process one is inclined to use in finding answers to questions: sensing, intuition, thinking, or feeling. Many people may have the initial reaction that some of these characteristics are irrelevant, or perhaps disruptive, to meeting challenges that are primarily technical and scientific.

“Informal studies at Stanford University strongly suggest, however, that all of these personality traits are indeed very relevant to a team’s success. Almost a quarter-century of records of student design teams, mainly in Stanford University’s mechanical engineering design program, indicate that performance improves when a team pays attention to its individual personalities. The basic principle learned, which may apply in corporations as well as universities, is that in the long run teams do better when they are composed of people with the widest possible range of personalities, even though it takes longer for such psychologically diverse teams to achieve smooth communications and good cooperation.

“Before diverse team members can be integrated into a cooperative unit they must not only cultivate an openness to opposing opinions but also recognize the value of exploring a problem from various angles. Sharing personality information about each other facilitates this essential awareness.”

From “[Personalities into Teams](#)” by Doug Wilde.

As you get to know your co-founder and other talent that you recruit, it is more than meshing different skills, it is looking for maximal difference in your thinking and behavioral styles. It is about encouraging and valuing multiple points of view.

Scott Page in [The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies](#) asserts that “diversity trumps ability”:

“Reviewers recognized that *The Difference* explores the pragmatic, bottom-line contributions of diversity. It does so using models and logic, not metaphor. The

book's claims that 'collective ability equals individual ability plus diversity' and that 'diversity trumps ability' are mathematical truths, not feel-good mantras.

"Diversity, as characterized in the book, means differences in how people see, categorize, understand, and go about improving the world. I should hasten to add that the book's emphasis on cognitive diversity and the pragmatic benefits of diversity does not deny other dimensions of diversity. Those exist, and they matter. In fact, identity diversity and cognitive diversity often go hand in hand. Two people belonging to different identity groups, or with different life experiences, also tend to acquire diverse cognitive tools."

As you look for your co-founder and your other launch team members, [Dave McClure](#) at 500 Startups recommends a starting team have members who can fill the roles of [hacker](#), [hustler](#), [designer](#) and [visionary](#). I add another key role which is the lead customer or growth partner.

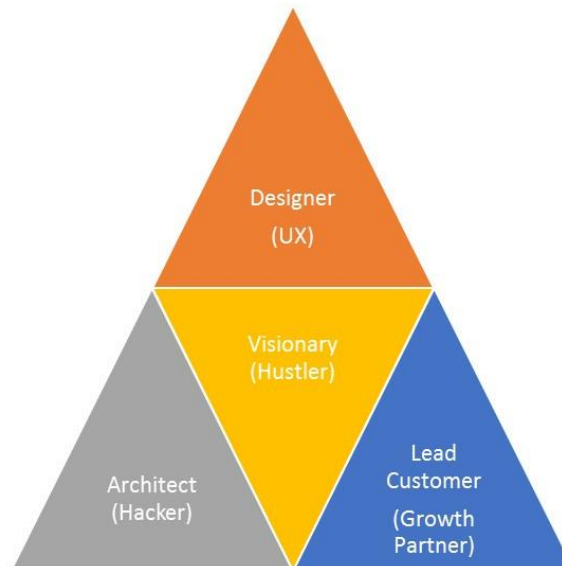


Figure 6 Key roles in the new venture

[Mack Hanan](#) describes the importance of this lead customer and growth partner:

"How can you grow your business?"

"You cannot.

"You can only grow someone else's business. His business growth will be the source of your growth. By growing, he will force growth back upon you because he will want you to grow him again.

The businesses you can grow have a name. They are called your major customers. Their growth must be the objective of your business. The capabilities you require to grow them must be your asset base.

Growth requires a partner. A growth partner is a special kind of customer. He is a customer whose costs you can significantly reduce or whose profitable sales volume you can significantly increase. In one or both of these ways, you can improve his profits. This is the basis for his growth. It is also the basis for his contribution to your own growth. As the two of you grow each other, you will become mutually indispensable.

“If you cannot grow a customer, you cannot partner him. You can continue to do business with him, buying and selling, but the maximized profits of growth will elude both of you. If all your customers are buyers instead of growers, you will be a slow-growth or no-growth business. None of your customers will be growing you because you will not be growing them.”

Read those first three lines again and again.

“How can you grow your business?”

“You cannot.

“You can only grow someone else’s business.”

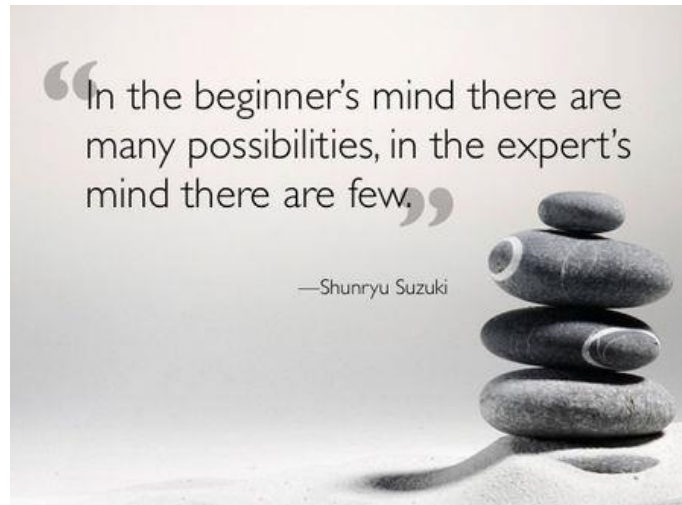
As an entrepreneur, I felt my fortunes were in my hands. Yet, as I reflected on my own experiences and started paying attention to successful businesses, it became obvious that in order to grow I have to grow my customer’s business. It’s not about selling, it’s about growing other businesses.

At Attenex for legal conflict of interest reasons, we were forced to go to market through service provider channel partners. Over the course of five years, we provided marketing and selling expertise to grow our channel partners businesses from a total of \$5M in revenue to >\$300M. One of our growth partners, FTI Consulting, liked our partnering capabilities and product so much that they bought us for \$91M.

The sooner you can locate your lead customer and growth partner the faster your own business will grow.

Most people assume that the [UX person](#) (designer and researcher) can be the customer surrogate. However, I’ve found that it is crucially important to view the lead customer as a member of the team and invite them inside the product development bubble. The key to having the lead customer as a team member is to be able to regularly visit the customer’s work environment. Their work site is where the observation action is.

Let’s look at the four key roles of the ideal product development team:



- Visionary (hustler) – the visionary sees the opportunity and imagines what technology is capable of solving the customer need. In an ideal world, the visionary sees not just a “nice to have” but a “got to have” solution and a business model that makes money quickly. A good visionary will have a big dose of hustler in them – the ability to “engineer exchanges to separate customers from their money (time/attention) willingly by creating, communicating and delivering unique value” (thank you [Dan Turner](#) for this definition). As Dan Pink shows in [To Sell is Human](#), the hustling skills can be learned (and most of us are tacitly already “selling” most of our time).
- Architect – builds the prototype and foundation for the product. While the term of the moment is “hacker,” I prefer someone that can go beyond prototyping and design at scale. They are able to translate the visionary opportunity and designer wireframes or physical prototypes into something that works. An ideal product architect will build at hacker speed and design for scale.
- User Experience Designer – observes customers and translates the observations into human computer interaction designs and thinks more broadly about the full user experience design. The UX researcher needs to exhibit “[beginner mind](#)” and be optimally ignorant while [observing customers](#) “in the wild” and in their natural work habitat. A key role of the UX researcher is to [See Organizations](#).
- Lead Customer – the ideal customer is the manager who has the direct need and the budgetary authority to buy your product or services. They should have the time, expertise and commitment to see the project through. The “got to have” need has to have one or more (preferably all) of the characteristics of increases efficiency, increases effectiveness, increases revenue, and decreases expenses.

It is the responsibility of the Visionary/Hustler to find the lead customer. Visionaries need to go beyond seeing the opportunity and find the customers who can help them create the solution. Once they get the lead customer working with the architect and the UX Designer, the visionary/hustler needs to identify the business model that will not only grow their own business but help the customer grow their business (see [Growth Partners](#)).

To help identify good opportunities, the visionary uses a form of “[backward chaining](#)” by finding workflows that have a clear valued outcome and then working backwards to the starting point. A really good opportunity will have a decision point which leads to high value and/or a high risk outcome. Inserting a product into a high value or high risk workflow allows you the opportunity for value based pricing. The realization that the eDiscovery market was very high risk and high value allowed us to build a value priced solution with [Attenex Patterns](#).

The Lead Investor is the third piece of your “finding talent” pursuit. Many investors have money that they can provide you. Very few investors have what you really need – the combination of experience, connections to influencers, purchasers and other investors, and an ability to provide tough love or what [Vistage](#) calls “carefrontation.”

Just as Dana described her pursuit for her co-founder, you will spend considerable time looking for the right lead investor match.

Marc Allen in [Visionary Business](#) describes his process of finding and working with his lead investor – Bernie.

"Can I help you?" I said.

"I don't know," he said with a smile. He held out his hand. "My name's Bernie."

I shook his hand; his fingers were long and delicate and cool. There was something warm and friendly about the old guy, something that immediately put me at ease.

"I'm Marc."

"Nice little business you've got here."

"Well, it's just a beginning, I hope."

"How long have you been in business?"

"Oh, we've had the office about six months, though we've been working on it for over a year now no, wait, it's been almost two years now." I flushed, a bit embarrassed - where had the time gone?

"I like the way you've furnished the office."

He said it with a smile; I didn't know if he was kidding or not. The office furniture was a hodgepodge of the cheapest stuff we could find at flea markets and garage sales, with a few leftovers from our apartments thrown in. Our front desk was a sheet of plywood with two-by-fours for legs.

"It's low cost," I said.

"That's what I like about it," he said. "I've seen startups that have put all their money into the furniture. I invested in a company a while ago, and the two owners went out and bought Mercedes and custom-built oak desks. I couldn't believe it! They even had custom-built bookcases! I told them they needed to spend their money on their business, not on their furniture. They promised me they'd be fine - and they went bankrupt before the year was out. They didn't invest in the future."

He looked around the office, then spoke with a sudden vehemence.

"As a start-up, you've got to spend wisely. Every bit of capital you've got is precious, and you've got to use it on the things that'll make your company grow. And don't buy a Mercedes until you can easily afford it."

His story piqued my interest. I didn't know what to say; there was a pause that felt awkward to me. He simply looked at me, carefully, with that slight smile of his. I felt as if he were assessing something, but I had no idea what.

"Are you looking for an investor?" He said it casually, giving it no more importance than if he was asking me for the time of day.

"Well ... we could use some capital..."

"Do you have a business plan?"

"Ah ... no, not really. Lots of ideas, and plans of course, but nothing really concrete on paper yet."

He didn't waste time getting down to business. "You need a plan," he said. "I might invest; I might not. You don't know me from Adam I could be a weirdo off the street who's conning you for a free cup of coffee." He said it with his enigmatic smile. He could have been speaking the truth I had no idea.

"But it doesn't matter. If all I do is encourage you to get started on a plan, my little visit here will have been worth your time. You need a solid, well-written business plan before any investor will take you seriously. Every company needs a plan, whether they need investors or not. A business without a plan is like a ship without a course. You just wander around aimlessly, without reaching any destination, because you haven't charted out the course necessary to get anywhere. You haven't even determined your destination.

"Your plan doesn't have to be long and involved; it doesn't have to be complex. But it has to be clear, to you and to anyone else who's interested."

Marc Allen. [*Visionary Business: An Entrepreneur's Guide to Success*](#) (Kindle Locations 92-97).

While you continue to conceive your new venture and flip your perspective, make sure you spend equal efforts on finding the talent you need to nurture your newborn to the infant and toddler stage.

The tendency for young entrepreneurs is to work with people who are just like you. A great startup seeks to maximize the diversity of its team.

Finding talent is VALUING DIFFERENCES.

Yours in entrepreneuring,
Skip Walter

Applying Finding Talent

The art form for finding talent is as simple as telling a good, compelling story about your “Why.” Dana was able to attract her co-founder with a 15 second story. The work in finding talent is the combination of being in the right place with the right story.

The flipping perspective theme for this week of exercises is observing how people in the startup ecosystem introduce themselves in “meetup” like settings.

We live in a time of Meetups. Through signing up at Meetup.com and subscribing to [Startup Digest](#) you are made aware of the many events related to your startup that are occurring weekly in your geography. Many of those Meetups are broadcasting their meeting video over the Internet. Look for meetups that are relevant to your startup. In addition, look for events where startups are doing short investor presentations – like at Angel Investment Forums, MIT Enterprise Forums, university business plan competitions or startup accelerator demo days.

The observational work is to attend seven nights of relevant Meetups, preferably in person. At the beginning of most small to medium sized Meetups each person introduces themselves to facilitate interactions later in the networking sessions.

It is these introductions that you want to pay close attention to. For each meetup, pick one example of an introduction that resonated with you. Make sure to take a photo or two of the Meetup setting and the people that are present for your flipped perspective exercise.

At the end of the seven days, what patterns emerge on what works for these fifteen second introductions? Did these patterns impact how you described yourself over the course of the seven Meetups?

In summary, for seven days:

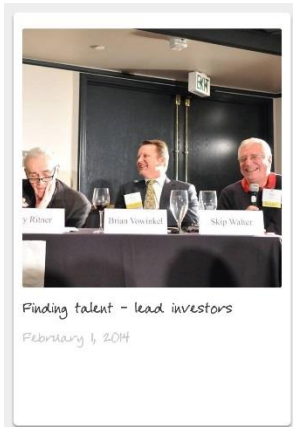
- Attend a “meetup”
- Take photos of the participants in different stages of the Meetup
- Each day select one introduction that resonated with you
- Free write about that introduction

Here are a couple of examples of seeking lead customers and lead investors.

February 1, 2014

After taking a two year break, Cathi Hatch of Zino Society twisted my arm to rejoin Zino as a coach. I agreed and then two days later she asked me if I would be a panelist for the Angels and Demons investment forum coming up. I agreed without knowing what I was getting into. I figured there would be 30-40 people in the audience and the usual mix of high tech companies. When I walked into the room I couldn’t believe the 150 people that were already there. Then I looked at the presenting companies and found that three of them were Cannabis new ventures under Washington State law. What an interesting night

this is turning out to be. Nine companies presented with one not-for-profit and one update from a company that had presented previously. Each of these companies was pitching to find that lead investor that could kickstart their company. The panelists were a range of VCs, super angels, and me. Cathi and her team do a good job of trying to match companies with the investors in the audience through their “green sheets” where

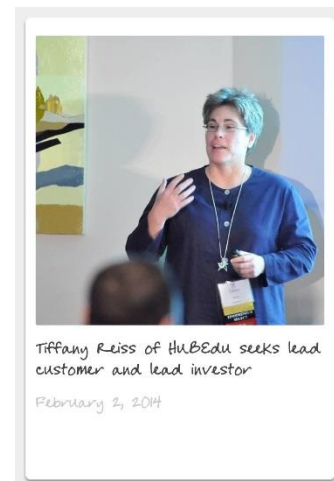


attendees can provide comments on the pitch and check a box for wanting more information, to make connections to customers, or to invest in the startup. The demon in me looked at the one page info sheets from the cannabis companies and started chuckling at the thought “what were they smoking when they came up with this plan?” I figured somebody on the panel would use that to get a chuckle. I was delighted when nobody did and I had the last opportunity to ask the companies a question and used the chuckle line to the delight of the crowd. One of the panelists leaned over to me and shared “clearly a lot of the teams were smoking something when they came up with their plans!” I am glad I am on this side of the presentations as it is really difficult to present in a five minute pitch the essence of

this conceiving of a new venture that the entrepreneur has sweated blood and tears over. Yet, these forums provide an opportunity to get in front of 150 investors at one time instead of the labor intensive activity of first finding an accredited investor and then meeting them one on one. Thankfully there are many forums in strong startup ecosystems like Seattle for an entrepreneur to look for their lead investor.

February 2, 2014

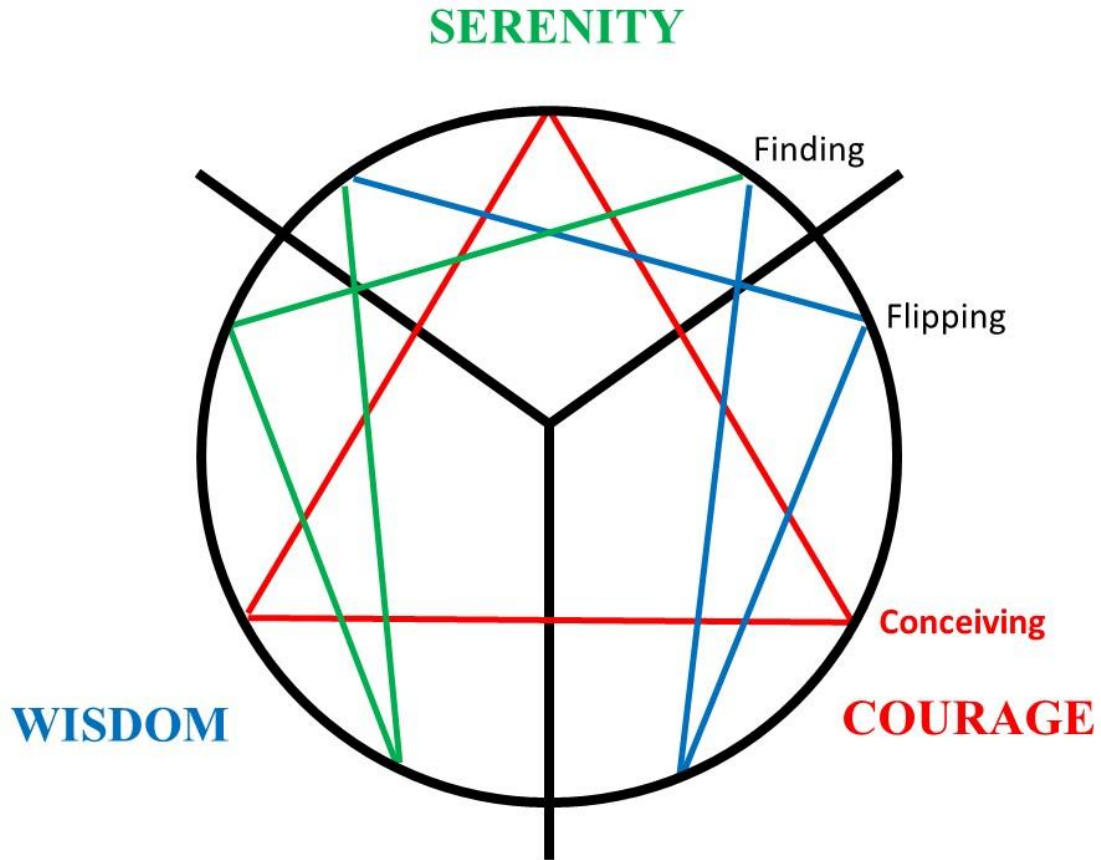
At the Angels and Demons Zino Society event, the only interesting company to me was HUBedu who were pitching their tool for bridging the gap between Facebook and Learning Management Systems. [Tiffany Reiss](#) is the CEO and a professor at several local universities. She clearly has passion about her idea to engage students where they already hangout – in social media. The entrepreneur assassin in me found a lot to dislike. Because I was in expert panelist mode, when Tiffany’s lead developer, [Chris Airola](#), came up to me after the event, I unloaded on him with everything that was wrong with their pitch. Well, my Vistage training didn’t last very long. He withstood my barrage of negatives and then asked if I would meet with the management team. He was interested both in my investor experiences as well as the potential for me to be a lead customer with my teaching at UW and the Institute of Design. I was impressed that he was paying attention and using the forum for double duty – find customers and find investors. Maybe there is hope for this group. I agree to a meeting and make a vow to myself to be more in Vistage “carefrontation” mode when I meet with them. When I got home I sent a collection of background articles on different learning systems and a pointer to [Simon Sinek’s “WHY” video](#). I strongly suggested that



they watch the video and spend time on what their personal and new venture “whys” are. When we got together, we started with their “whys.” As usual even with a heads up and the powerful Sinek video, they shared their “hows.” I pushed back and suggested other variants and they still couldn’t see the difference between their why and Sinek’s example of powerful whys. So I switched gears and went through a few other frameworks like the four developments (product, customer, talent and investor), [Customer Lifetime Value](#) (CLV) and [RFM](#) (Recency. Frequency. Monetization). I then came back to the WHY and Tiffany nailed it. After she shared her new why, Chris immediately saw the difference between their previous how and the new why. The energy in the room exploded and for the next hour, Chris and Tiffany generated more good thoughts about their new venture than for the previous year. As we wound down, they asked me if I would be a customer and try their tool in my upcoming classes. Now that I knew they had a powerful why, I gladly agreed.

The Cosmos of the New Venture

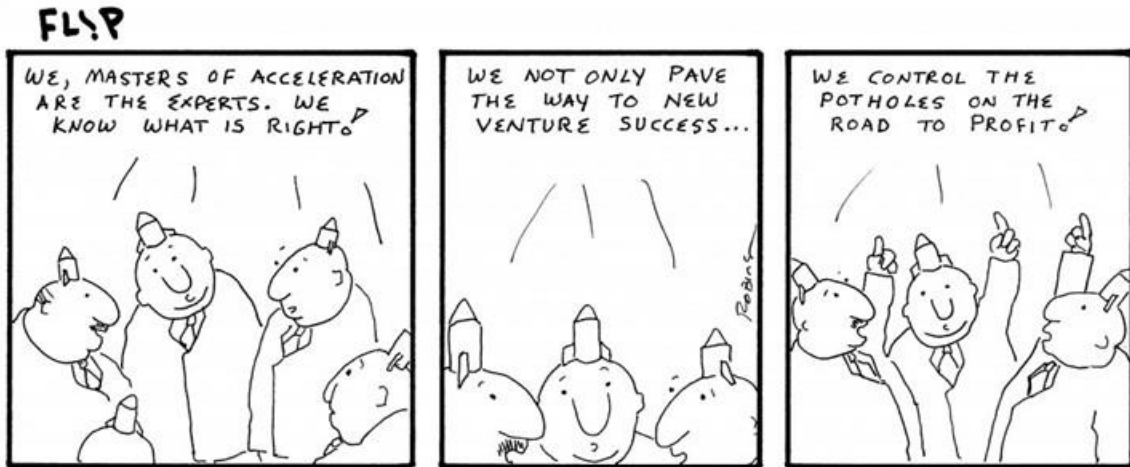
Finding talent is the first of the steps in understanding the context that surrounds the core triangle of work of the entrepreneur. The overwhelming urgency of the new venture leads the entrepreneur to focus only on the core triangle of work. This core work sits in a much larger context. The finding talent is an ongoing process for the new venture. The needs are always changing and expanding and finding the talent, customers and investors is a never ending quest.



Finding talent is the journey to finding the other key players in the cosmos of the new venture – the founding talent, the launch customer and growth partner, and the lead investor. The talent is the village that raises the new venture.

Finding talent is VALUING DIFFERENCES.

Modelling the Business



“Essentially, [all models are wrong](#), but some are useful.”

[George E.P. Box](#)

Dundee, Oregon, USA, Archery Summit Vineyards, July 15, 2013

Dear Mikhail,

I really enjoyed your stories of all that you are doing to find the key talent to raise your infant venture. You have a wonderful sense of humor and way with words. I appreciate your sending me the resumes and LinkedIn profiles of the potential co-founders you are interacting with. I am flattered that you think I might offer some insights as to which one might be best for you. One thing my observing and discovering journey has taught me is that I can know what is right for me, but I can't possibly know what is right for someone else.

When I started my venturing journey forty years ago, as a capable technologist I was focused on the product. All of my creative energies were spent transforming raw technologies into something that was useful for enterprise customers. I was in the "if I build it, customers will come" state of mind. Fortunately, I was surrounded by enough people in very large companies who spent all their mental energies on attracting and acquiring paying customers.

Prior to founding Attenex, there were no technical and business people to help me think through how to do build a new venture with our conceived visual analytics technology. I had to figure out whether there was a product to be built, whether there were any customers who might care, and could we make money selling it. We spent three months prototyping the technology and were delighted to see that we could get 2-3 times productivity increases. As I explored the technology, I realized we could easily boost the productivity to at least ten times.

We discovered a path forward with the prototype iterations in three months. Then I ran into a brick wall at the intersection of extreme productivity and the existing hourly billing business model of the legal industry. Every time we increased the productivity of the tool, we decreased the revenue and profits for our law firm customers. Our unique selling proposition would be: "Buy our product and you will make 1/10 the money you did before using our tool." Even I would laugh me out of the room.

I turned my energies to looking for a business model that would allow our customers to make money. I spent five months digging deeper into the many aspects of legal electronic discovery (eDiscovery), reading every business modelling book I could find, and talking to a wide range of attack finance professionals. With all of this research, I couldn't find a viable business model.

Along the journey I came across [Adrian Slywotzky](#)'s many books on business models, profit models and value migration. My frustrating path of understanding profitability felt much like Steve in the following story from the introduction of [The Art of Profitability](#):

“Steve: *Where to begin?* “I heard your name at a cocktail party. Someone introduced me to a man named Otto Kerner. I told him I had to learn about profitability. And Mr. Kerner told me that if I wanted to learn about profit, I ought to meet you.”

Zhao smiled. Kerner was Zhao’s closest friend. A senior partner at Storm and Fellows, he was the person responsible for connecting Zhao to the firm. At age eighty-five, he still came into the office every day, even if only to spend half the afternoon chatting with Zhao. “I’m old enough to be Zhao’s father,” he liked to say to people at the firm who wondered about Zhao, “But when we talk, Zhao is the teacher and I’m the pupil. That’s why we need him here at Storm and Fellows—he’s my personal continuing education program.”

“An introduction from Otto Kerner is like gold in my book,” Zhao remarked. “But tell me—why?”

Steve was puzzled. “Why what?”

“Why do you have to learn profitability?”

Steve paused. A half dozen reasons were running through his mind. Why, indeed? He was tempted to say a couple of things, but he checked himself, realizing they were platitudes: *Because profit is the lifeblood of any organization . . . because the ultimate purpose of business is to create profits for shareholders . . .* Somehow, he sensed, the clichés he’d repeated in the workplace and even in business classes he was now taking at night, wouldn’t work so well with David Zhao. He experienced an instant of panic, then consciously relaxed the tension that gripped him.

“It has to do with my job,” he finally responded. “I work in strategic planning at Delmore, Inc.” Steve glanced at Zhao, half-hoping for the raised-eyebrow look of respect he usually got when he mentioned the company name. But Zhao’s expression betrayed nothing. Steve went on, “It’s a big company with a great history, of course. And being in the planning department is a good opportunity for me. I get to look closely at all the various industries we’re in, which is almost like getting a business-school education on the job. But as you probably know,” he continued, “the company hasn’t been doing very well lately. Profits are flat, and the stock price has been stagnant for about eighteen months.”

“For two years, actually,” Zhao remarked.

“I guess you’re right,” Steve said. “You must follow the stock.”

“I find Delmore—*interesting* is the right word, I suppose,” said Zhao. “And you’re in strategic planning there. Tell me, Steve,” he asked, “what sort of strategy do you plan?”

Was that an amused glint in Zhao’s eye? “What I do is more like research—studying potential mergers, acquisitions, spin-offs—you know the sort of thing,” he responded, immediately feeling that his answer sounded lame. “But I want to contribute more,” he quickly added. “I want to learn how I can help the company get out of the doldrums. Does that make sense?”

“Why not?” Zhao answered. “But Delmore has been in business since 1904. It has revenues of \$18 billion a year from forty different businesses. Surely the wise men and women who run the firm must know all about how to make profits? Or do you suppose they need Steve Gardner to teach them that?”

Steve reddened and sat for a moment in silence. He was thinking about some of the disturbing things he’d heard and seen around the offices at Delmore in the past six months. About the company-wide strategy conference, originally scheduled for April, that was first rescheduled twice, then postponed indefinitely, with no explanation as to why, causing rumors to swirl in the corridors . . . about the resignations that summer of three members of the executive committee, all within four weeks of one another. . . about the disparaging tone of recent comments by Wall Street analysts about Delmore, and the defensive tone of the company’s public responses. And just this past week, people were whispering that the long-expected layoffs in three divisions would be a lot bigger than anticipated. Life at Delmore was feeling very different than it had when Steve joined the company.

Steve took a deep breath. “I guess I’m not necessarily convinced that the wise men and women at Delmore do know what profitability is all about,” he finally admitted. He looked Zhao in the eye, wondering how Zhao would react.

Zhao merely turned his head slightly to stare more closely at Steve. A long moment passed. “Honesty,” Zhao commented.

“Excuse me?”

“Honesty. I don’t run into it very often.”

Another pause, as Zhao stared through the glass wall, seemingly focused on a helicopter whirring across the water from New Jersey, nearly at a level with his own forty-sixth-floor perch.

Finally, he turned to Steve.

“If you really want to learn about profitability, I’m willing to teach you,” he said. “But there are several conditions. First, we’ll meet most Saturday mornings

between now and next May. Second, every lesson will last exactly one hour. And I'll expect you to spend time between lessons reading and otherwise preparing. Is that acceptable?"

Steve bowed his head slightly. "Yes, it is."

"Are you doing anything other than working at Delmore? Moonlighting, or taking classes somewhere?"

"I *am* taking a night class this fall at NYU—financial management. I thought I'd take one or two courses a semester to help me decide whether to go on for an MBA. That's okay, right?" It had suddenly occurred to Steve that Zhao might consider him over-booked.

"It's fine," Zhao reassured him. "Your preparation time for me will be about four hours per week. I hope that works with your schedule?"

"I think so."

"Good. There's just one more thing. Did Otto tell you that I charge a fee?"

"No. How much is it?"

"A thousand dollars per lesson."

Steve sucked in his breath. Then his shoulders dropped, collapsing in defeat. He looked away, suddenly feeling frustrated and angry. He was tempted to speak his mind—or to simply storm out of the office, slamming the door behind him.

But instead, he simply said, quietly, "I can't afford that."

Zhao laughed, cutting the tension in the room. "Of course you can't," he replied. "You're a student. I'm not asking for the money now. You can pay the fee when you're able to—if you ever are."

Steve didn't know whether to feel relieved, embarrassed, or guilty. He thought about the usual four-digit balance in his bank account. "I might not be able to pay you for five or six years. Maybe longer."

"I know that," Zhao answered, a playful grin now spreading across his face. "Luckily for you, I've decided you're good for it."

Steve's mood turned to puzzlement and mild annoyance. Zhao, he vaguely felt, was being condescending, perhaps toying with him. *What makes Zhao think I'll ever pay him a penny? he thought. Maybe I'll take all his lessons, absorb all his*

ideas, then walk away and never see him again. That's probably what most people would do.

"Do we have a deal?" Zhao asked.

Steve paused. "Yes, it's a deal," he found himself saying. Zhao reached across the desk, and the two men shook hands. And suddenly Steve sensed that he would never simply walk away from Zhao . . . that one day he would pay Zhao his total fee . . . and that Zhao had known all this before Steve himself did.

Zhao smiled as if he understood. "Very well then," he said. "Let's get started."

Slywotzky is my Zhao. As I looked at the many profit models, the answer became very clear. So clear that I wondered how we'd missed it for so long. All we had to do was move from a billable hour model to some form of fixed price billing. Fortunately, our lead customer, [Preston Gates and Ellis](#), had fifteen years of billing information to a wide range of customers. As we evaluated the different variables, charging by the number of Gigabytes (GB) of electronic mail and digital documents that a customer gave us became the foundation of our value based pricing structure.

On average, the law firm was charging \$30,000 per gigabyte (GB = 1000 megabytes) of digital documents processed to do a full lawyer review. The firm realized a profit of about 20%. The cost of the review with the Attenex Patterns software was on average \$10,000 per GB. So the law firm could drop the price to \$20,000 per GB giving the customer a nice incentive to move to the new technology. Even decreasing their prices, the law firm increased their profits from 20% to 50% per GB.

One of the ways you know that you have arrived at a good business model is when there are additional benefits for the customer. One of the challenges with a billable hour model is that the customer and the law firm don't have any idea how much it is going to cost to review a matter. With the new fixed price model, as soon as the customer knew how much digital material they had, they knew how much it was going to cost them to review it. The customer could now budget for each matter which made their finance team much happier.

While the entrepreneurial pundits argue interminably about which is more important – team, market size, product, or go to market strategy, I learned that the hardest component of a new venture is discovering the business model. It doesn't make sense to invest too much in building a product or doing a lot of customer discovery until you can come up with the simplest business model that will work.

If I didn't believe this before I started my post-Attenex startup – Wine Transformations – I certainly believed it in the three years I pursued my passion for fine wine growing. As a wine geek, I was intrigued by biodynamics and the growing of fine wine. After the sale of Attenex, I decided to pursue my wine geek passion by finding a way to create a business in the wine industry.

As I walk the vineyards at [Archery Summit Estate](#) this morning after spending the night in the winery's guest house, I marvel at the interaction of humans and wine grapes. The sun is on the rise and it is going to be a hot day. The grape clusters are looking good. You can tell it was a great spring for these older vines. Brian Doyle in [The Grail: A Year Ambling and Shambling through an Oregon Vineyard in pursuit of the best pinot noir in the whole wide world](#) captures this human and grape vine interaction:

“Grapevines are amazing life forms when you think about it, they plunge their fingers a hundred feet down into the rocky soil, they can live for hundreds of years, they fend off all sorts of insect attacks, and they have been working with human beings for so long, thousands and thousands of years, that you wonder sometimes who cultivates who, you know what I mean? Are people manipulating and taking advantage of grape vines, or are grape vines deftly using human beings to take over the world?”

This trip through the vineyards is a “mourning” journey for me. After three years of research, brainstorming, interviewing, and experimenting, I am unable to find a single business model that can work in the wine industry. As Jim Fetzer shared after fifty years in the wine industry, the only business model he could find that works is to buy some vineyard land, hold onto it for 50 years and sell it. Everything else he's found in the industry is a way to lose money.

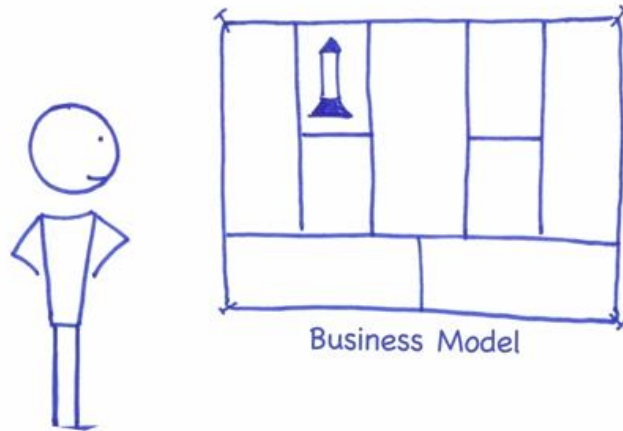
Since I don't have 50 years of life left, that doesn't sound like a good business model. I've learned a lot over these three years of trying to find a business model and I've tasted hundreds of wonderful wines (one side benefit of the fine wine industry). I found 128 ways not to make money in the wine industry. This morning when I realized that I can make more money in a year or two with even a poor idea for a software product than I can in 50 years in the wine industry, it is time for me to move on from my passion.

The good news is that I only had to invest a portion of my time and didn't waste any time or energy on building a product.

Business model thinking early in the new venture is key. How can you sustainably make money in your new venture?

Ash Maurya in his [video promo](#) for his book [Running Lean](#) asserts the mantra of the lean entrepreneuring crowd:

“The true product of a startup is a working business model.”



Maurya goes on to share:

“We live in an age of unparalleled opportunity for innovation. We're building more products than ever before, but most of them fail—not because we can't complete what we set out to build, but because we waste time, money, and effort building the wrong product.”

My treasured mentor, [Russ Ackoff](#) shared a lifetime of wisdom in a short twelve minutes in 1994 in a video “[If Russ Ackoff had Given a TED Talk...](#)” Near the end of the talk he shares:

“Continuous improvement isn't nearly as important as discontinuous improvement. Creativity is a discontinuity. A creative act breaks with the chain that has come before it. It's not continuous. One never becomes a leader by continuously improving – that's imitation of the leader. You never overcome a leader by imitating them and improving slightly. You only become a leader by leapfrogging those ahead of you. That comes about through creativity.

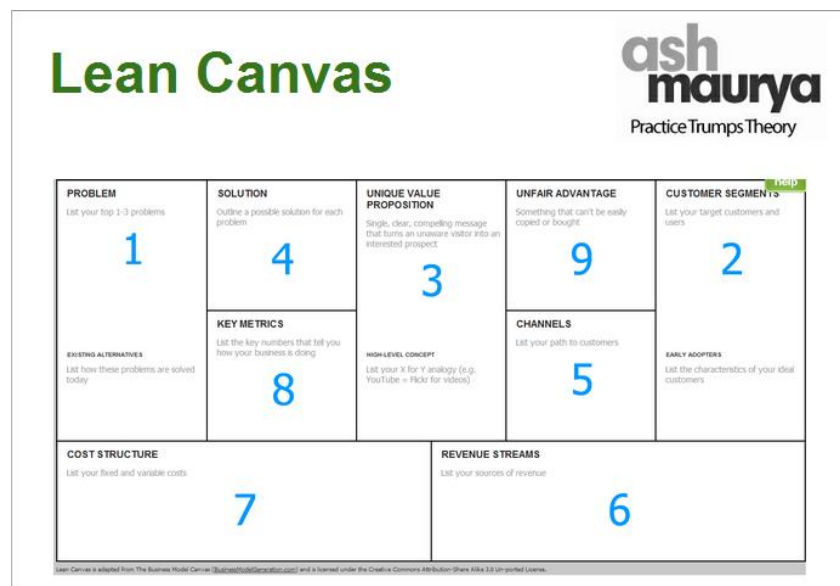
“One final point about that. When we look at the models of quality and we frequently point to the Japanese and what they've done to the automobile. There is no doubt they've improved the quality of the automobile. But it's the wrong kind of quality. Peter Drucker made a very fundamental distinction between doing things right and doing the right thing.

“The Japanese are doing things right, but they are doing the wrong thing. Doing the wrong thing right is not nearly as good as doing the right thing wrong. The automobile is destroying urban life around world. Just visit Mexico City or Santiago or any of those major cities where you find congestion and pollution so bad that children have to be kept home from school. They are not allowed to walk out of doors because the pollution is so intense.

“And then we talk about the quality of the automobiles they are driving. It’s the wrong concept of quality. Quality ought to contain the notion of value, not merely efficiency. That’s a difference between efficiency and effectiveness. Quality ought to be directed at effectiveness. The difference between efficiency and effectiveness is the difference between knowledge and wisdom. Unfortunately we don’t have enough wisdom to go around.

“Until managers take into account the systemic nature of their organizations, most of their efforts to improve their performance are doomed to failure.”

At a recent UX conference a former ID student, [Tania Schlatter](#), author of [Visual Usability: Principles and Practices for Designing Digital Applications](#), shared that twenty years ago she remembered me saying “don’t get stuck in your plans, put a stake in the ground and move forward.” While teaching an entrepreneuring for designers class at ID, I used that principle to move the student teams quickly through Maurya’s [Lean Canvas](#).

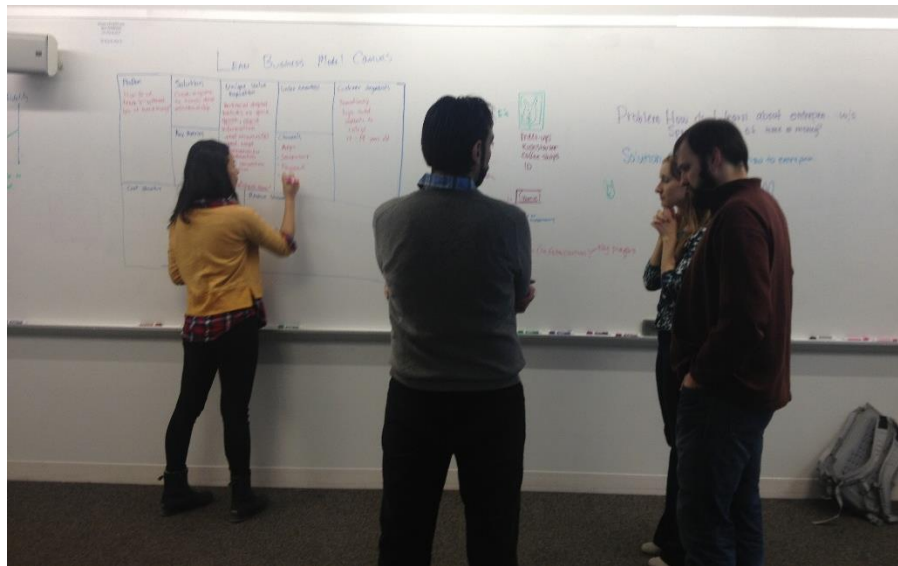


Over the years, I’ve seen most student and professional teams stay stuck on the problem/solution and target customer segment. They will sit around a table and discuss (argue) for hours about the “right” answer with no evidence. A framework like the Lean Canvas is an iterative exercise which you need to quickly move through. In a classroom setting, I have students spend no more than five minutes on a single box of the canvas – put a stake in the ground and then move on. Several things happen by going through the whole canvas in an hour:

1. You realize as you fill in the later boxes, that some of your earlier decisions no longer make any sense.
2. You realize that you don’t have enough information to fill out many of the boxes.

With the first issue, you need to get all the way through the whole canvas and then spend a few minutes finding the logical disconnects. Then you rapidly iterate another pass at the

canvas to resolve the logical disconnects. With the second issue, you design the experiments to go find out the information preferably by going into the field and observing and talking with real customers.



The Lean Canvas is meant as a scratch pad for what you are learning about the customer and how that changes the solution and even the nature of the problem you are trying to solve for. I recommend that entrepreneurs update their Lean Canvas at least once a day until they get to their [Minimum Viable Product](#). Then they should update it at least once a week. It is a quick way to remind yourself to constantly experiment and then record what you've learned.

An entrepreneur understands that no “learning” is business model neutral. If you remember in your ID Master’s Thesis classes with Patrick Whitney, he had you express your yearlong thesis project in multiple media. I wanted to know why he required so many different artifacts for the thesis projects – thesis document, fifteen minute presentation, large poster format, four page brochure and three minute video. Patrick explained that no medium (in the [McLuhan sense](#)) is content neutral. Each time you move content from one media form to another, you are gaining insights into the product (artifact) you are trying to represent and communicate. The primary purpose of having so many media forms is to provide another way for you to acquire insights into what you are designing. The regular process of iterating through the Lean Canvas provides the same kind of opportunity for insight generation.

In a similar way, Adrian Slywotzky suggests that looking for ways to make every part of your business digital generates a wealth of insights. In his book [How Digital is Your Business](#), Slywotzky defines **digital business** as “one in which strategic options have been transformed – and significantly broadened – by the use of digital technologies. . . A digital business uses digital technologies to devise entirely new value propositions for customers and for the company’s own talent; to invent new methods of creating and

capturing profits; and, ultimately, to pursue the true goal of strategic differentiation: *uniqueness*.”

Digital Business Design leads to 10X productivity improvements. Slywotzky states:

“A 10X productivity improvement is more than an incremental growth in efficiency. It is a fundamental change in the way companies do business. It liberates resources to serve customers, leverage talent, grow the business, and help toward achieving strategic leadership.

“Productivity is measured as a ratio of *value created* to *resources used*.

“Why are 10X productivity improvements possible when Digital Business Design is employed? There are several reasons:

1. Most of the time, in most of the economy, atoms are used when bits would bring better results. Bits are cheaper. When bits are used instead of atoms, a lot of big costs go away.
2. Digital options make it possible to collect very valuable types of bits (such as information on what customers really want) *before* committing atoms. The result is that atoms (e.g., inventory or unused factory capacity) are not wasted. Huge costs vanish quickly when bits precede atoms.
3. Digital innovators have developed an entire array of bit engines to collect, process, and distribute bits with extraordinary efficiency. The goal is not just to focus on bits, but to have the tools to manipulate and distribute those bits in smart ways. When a collection of powerful bit engines is exquisitely tuned to the needs of customer, value can be generated at an extraordinary rate.

“That’s why it is extraordinarily important to be constantly asking: What bit engines have we put to work in our company? How can they be improved? What new bit engines will we need to address tomorrow’s business issues?”

Many of the most successful companies use a multi-sided business model. Google gives away their software and applications to the users and uses advertisers to pay for the free users. Users get a free ride as long as they don’t mind seeing advertisements on every web page. This business model is dependent on having lots of users. As a general rule, early stage investors don’t like this model because you have to spend 2-4 times the marketing dollars than for a simpler model. However, if you can get the users to engage daily with your product, this model is very powerful.

You can find all kinds of spread sheets and applications for doing business modelling. What I am talking about in this email is the kind of model you can do on a napkin. It is as simple and as hard as understanding the value of the task the customer is currently doing and how they can make more money (more revenue or reduced costs) by using your

product or service. It means you have to understand your customer's business model and how they make money from their customers.

Yours in entrepreneuring,
Skip Walter

Applying Modelling the Business

Slywotzky in his many books provides a wealth of business and profit models to build upon for your new venture. This week the theme of your flipping perspectives is to imagine your business through the lens of seven different business models. Each day try out a different profit model for your product or service. What would your product or service look like if it were a professional service, or a content business, or a business supported by advertising?

The photos that you include with your free writing for this week can be drawn from products that are primarily based on the profit model you choose or you could sketch a landing page for a social media campaign featuring a teaser for the business model that you want to use.

For seven days, your flipping perspective steps are:

- Identify a different business or profit model for your product
- Take a picture of a product which has a similar business model or sketch a landing page for your product with the new business model
- Free write about your product and the business model and your interactions with customers attracted to that business model

In the [Art of Profitability](#), each lesson looks at a different profit (business) model for Steve's company Delmore. Ash Maurya in [Scaling Lean](#), asserts that there are only three business models to explore:

- Direct
- Multisided
- Marketplaces

Maurya asserts:

“When people bring up business models, they often use a whole bunch of terms such as software as a service (SaaS), enterprise, retail, e-commerce, ad-based, freemium, viral, social, not-for-profit, marketplace, et cetera.

“The reason we end up with dozens of business model descriptors is that we attempt to label the myriad ways that a business model creates, delivers, and captures value. For instance, the difference between SaaS, enterprise, and open-source business models is in how they deliver and capture value. Even within a SaaS business model, one could implement a freemium or trial-based pricing model. Trying to create a list of business model types gets complex pretty fast.

“Instead I'm going to take a different approach. We are going to categorize business model types by the number of actors (or customer segments) in the model. Using this approach, we'll define just three basic business model

archetypes: direct, multisided, and marketplaces. In the next few sections, I'll show you how to start with these archetypes to describe any type of business.

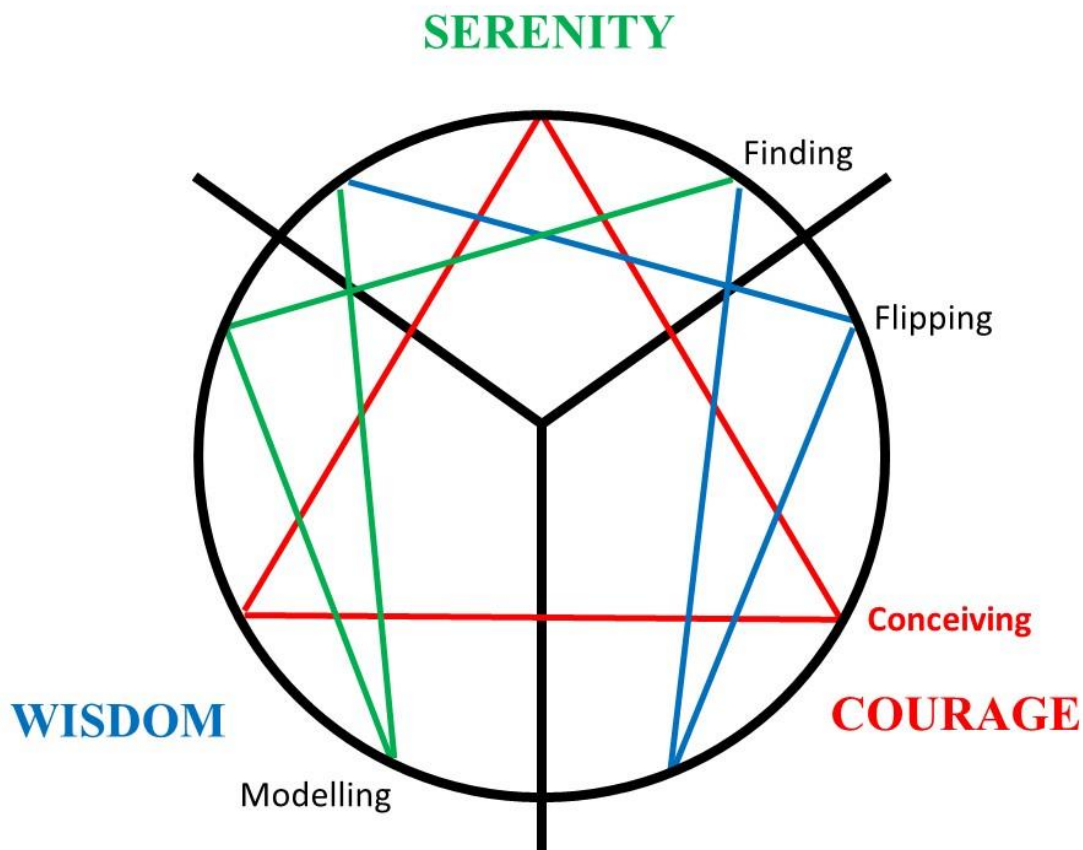
Maurya, Ash. [Scaling Lean](#) (pp. 50-51). Penguin Publishing Group. Kindle Edition.

For your flipping perspective exercise this week, include each of these three models in your free writing.

The Cosmos of the New Venture

The Modelling of the business is the first entry in the Wisdom cycle. A model can be as simple as charging \$500 per hour for professional services or a \$1000 per lesson as Zhao proposed to Steve. It can even be as simple as WhatsApp's model of \$.99 per year for unlimited texting and an assurance that there will be no advertising. Or the model can be as complicated as Google's multi-sided advertising based model which requires Nobel prize winning economists to formulate.

No matter how complex the model, the entrepreneur establishes how they want to relate to the customer, not just the setting of a price. Modelling requires the wisdom of conceiving, experimenting and selecting the model along with relating that to the brand promise and brand experience.



The model is not just a mathematical representation of a transaction. The model is the representation of the relationship between the customer and the company.

Modeling is the EXCHANGING of value.