Emails to a Young Entrepreneur

Skip Walter

SERENITY

WISDOM COURAGE

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 Fl!p 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   Friday, June 14, 2013 at 12:54 PM
To: Skip Walter

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

FLIP

Panel 1	Panel 2	Panel 3
BEING AN ENTREPRENEUR IS LIKE BEING A SCIENTIST...	HAVE A HYPOTHESIS. SET UP EXPERIMENTS. TEST, TEST, TEST, TEST...	...UNTIL YOU FORGET YOUR HYPOTHESIS AND HAVE NO IDEA WHAT YOU'RE DOING.
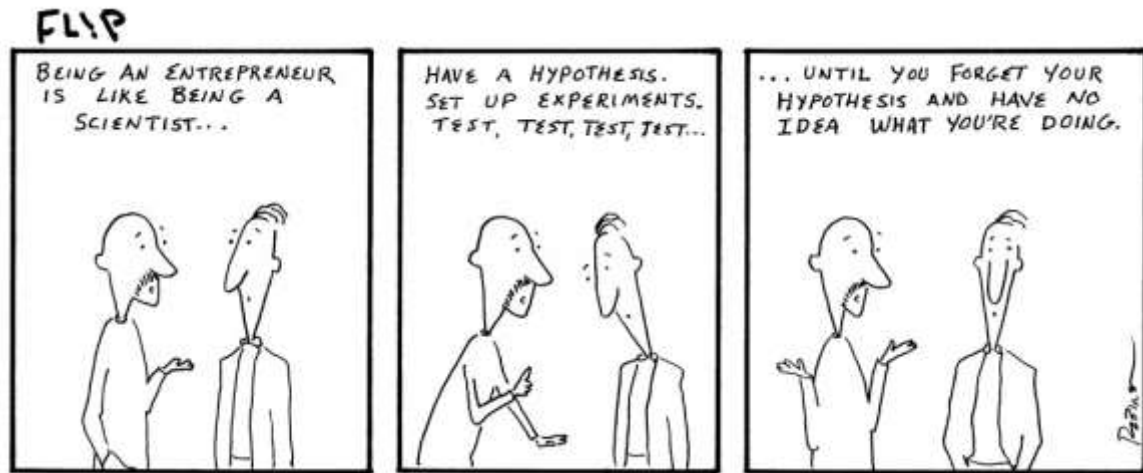
"You are looking outwards, and of all things that is what you must now not do. Nobody can advise and help you, nobody. There is only one single means. Go inside yourself. Discover the motive that bids you write; examine whether it sends its roots down to the deepest places of your heart, confess to yourself 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.

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 pied 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."
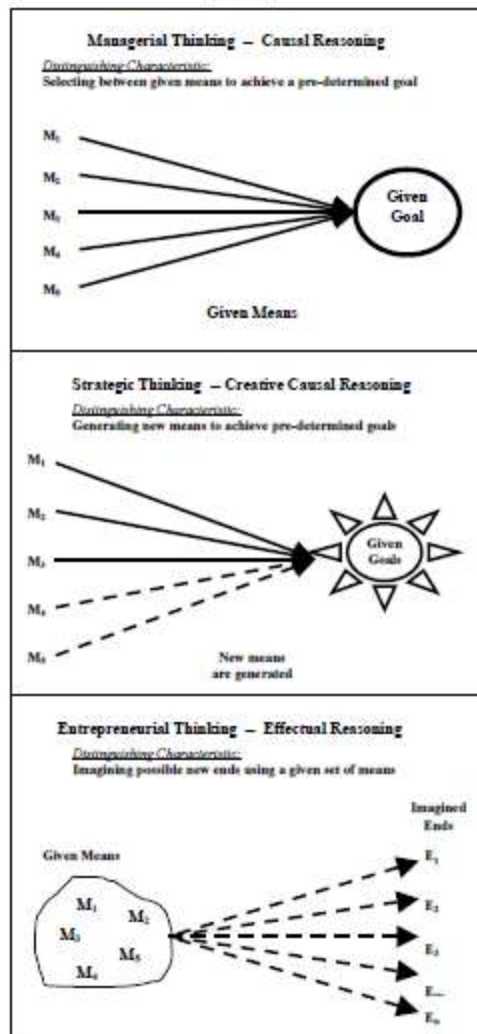
Figure 1

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.
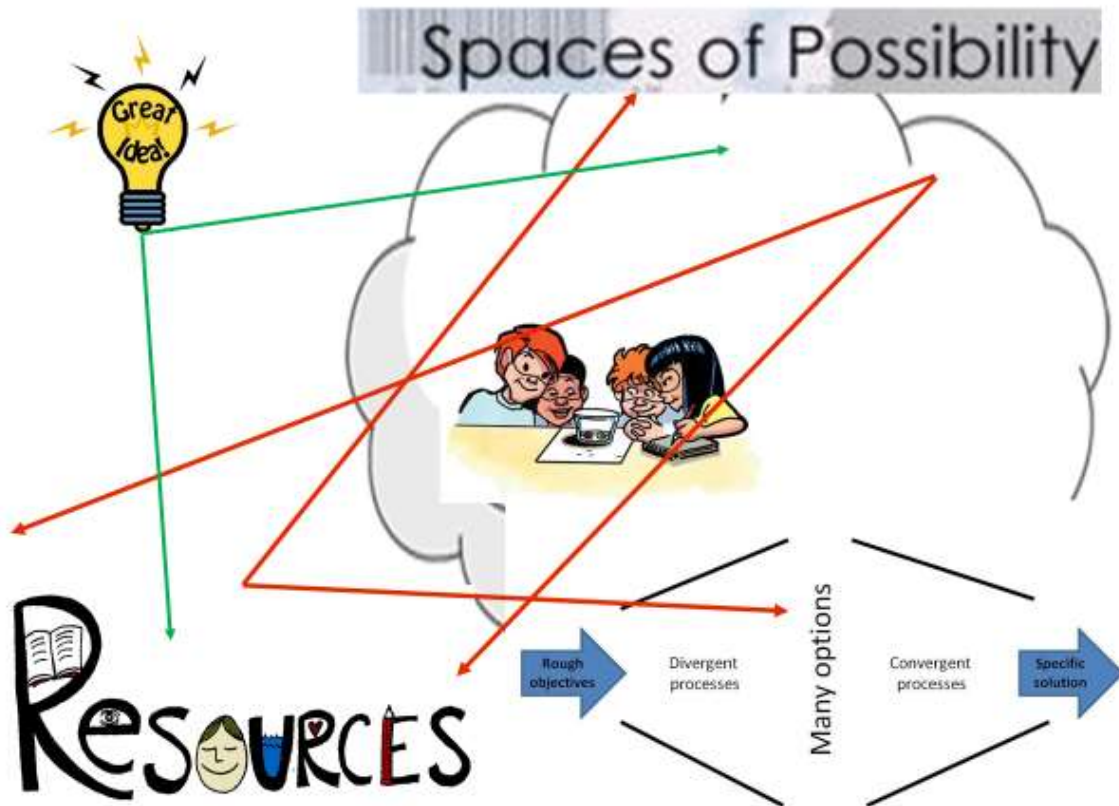
Figure 2 An Entrepreneur's View of the World

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.
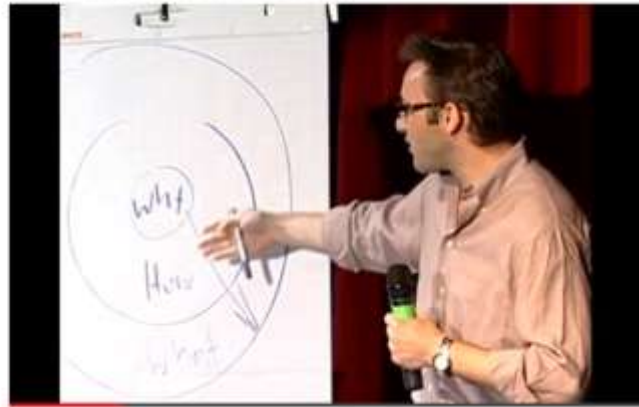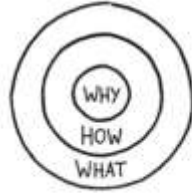
Sinek points out that great leaders start with their personal "why" and their company's "why." Sinek flips the perspective of most executives and marketing professionals who proclaim the "how" and "what" of their products. He concludes his video by pointing out that Martin Luther King's most famous speech 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 *The 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):

JANUARY 2014

Flipping Perspective

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

January 2, 2014

walking my trail backwards
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.
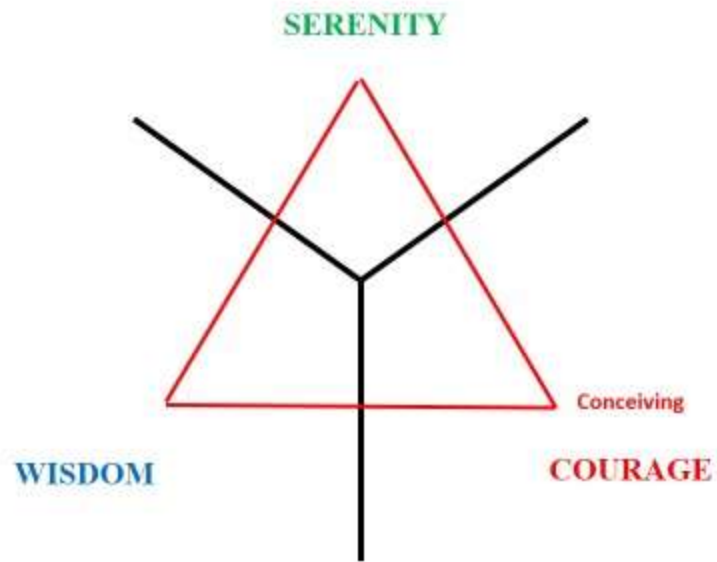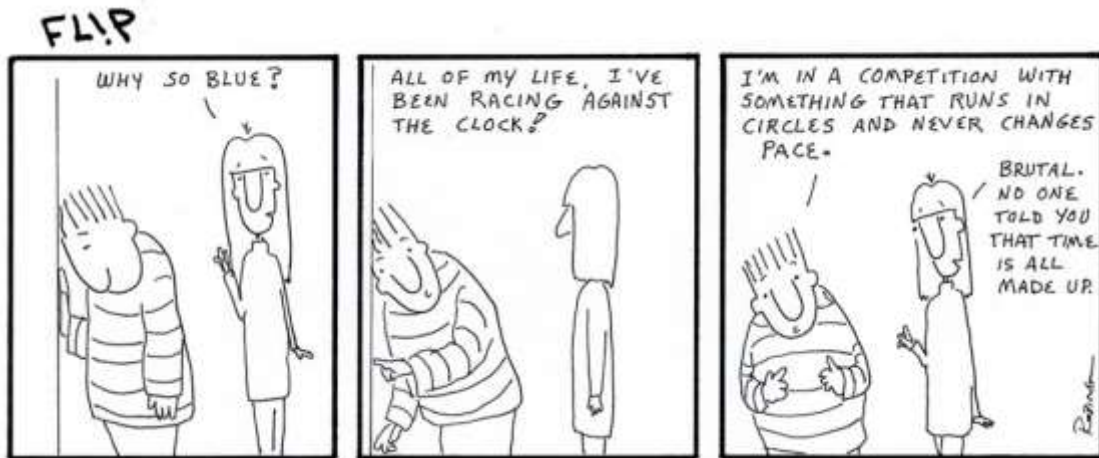
Figure 4 Cosmos of the New Venture: Conceiving

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

FLIP

Panel 1: WHY SO BLUE?

Panel 2: ALL OF MY LIFE, I'VE BEEN RACING AGAINST THE CLOCK?

Panel 3: I'M IN A COMPETITION WITH SOMETHING THAT RUNS IN CIRCLES AND NEVER CHANGES PACE. / BRUTAL. NO ONE TOLD YOU THAT TIME IS ALL MADE UP.

"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.
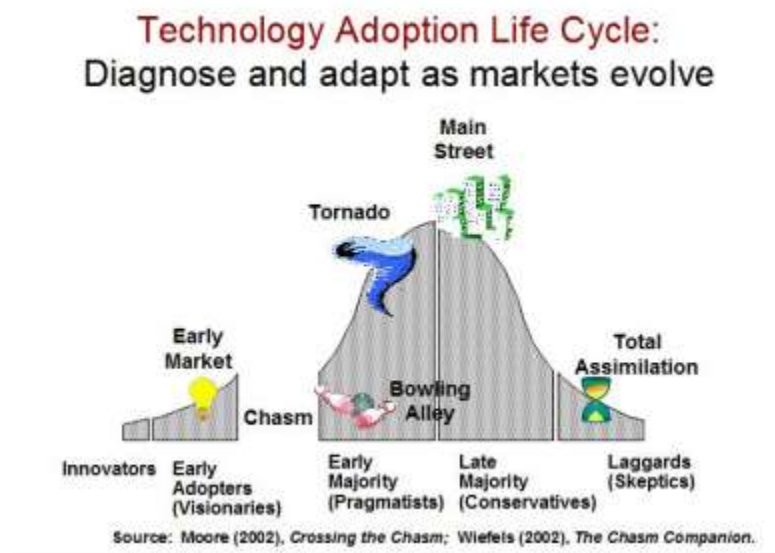

Figure 5 Geoffrey Moore's Technology Adoption Life Cycle

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:

Product **Mindset**

Experience First
Make Meaning Second

Customer Audience

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

Reviewing my book by reading aloud

January 1, 2014

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

The cosmos of Bennett's kitchen in the presence of Local360
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:

SERENITY

Flipping

Conceiving

WISDOM
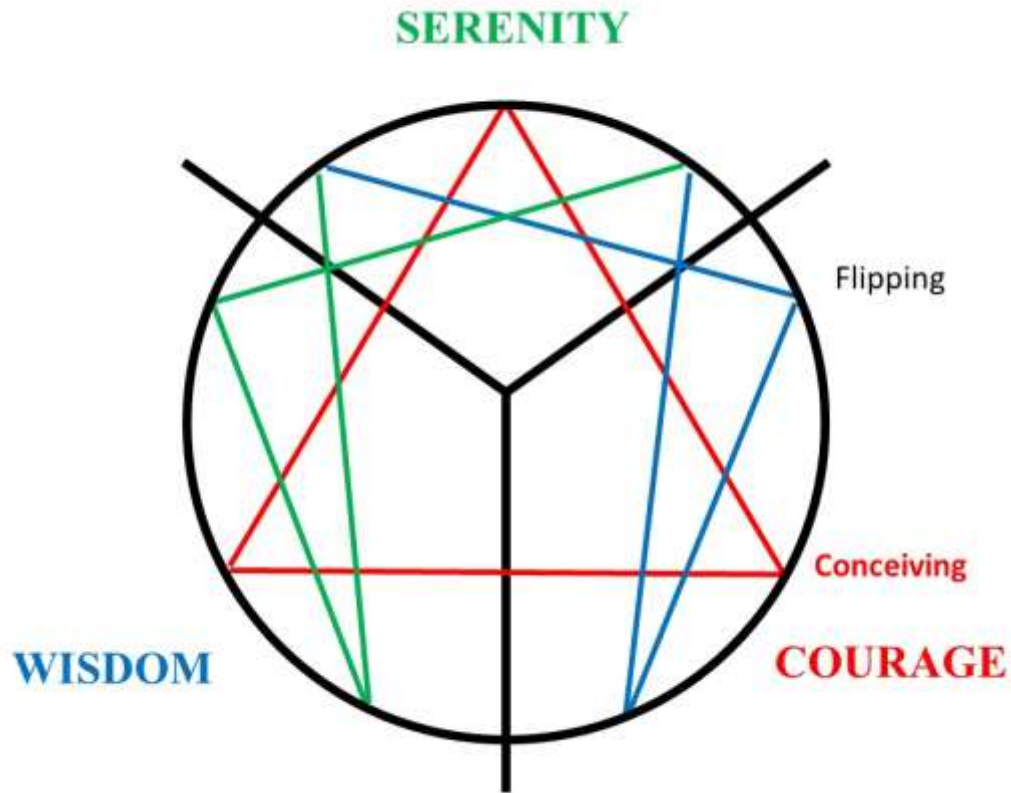
COURAGE

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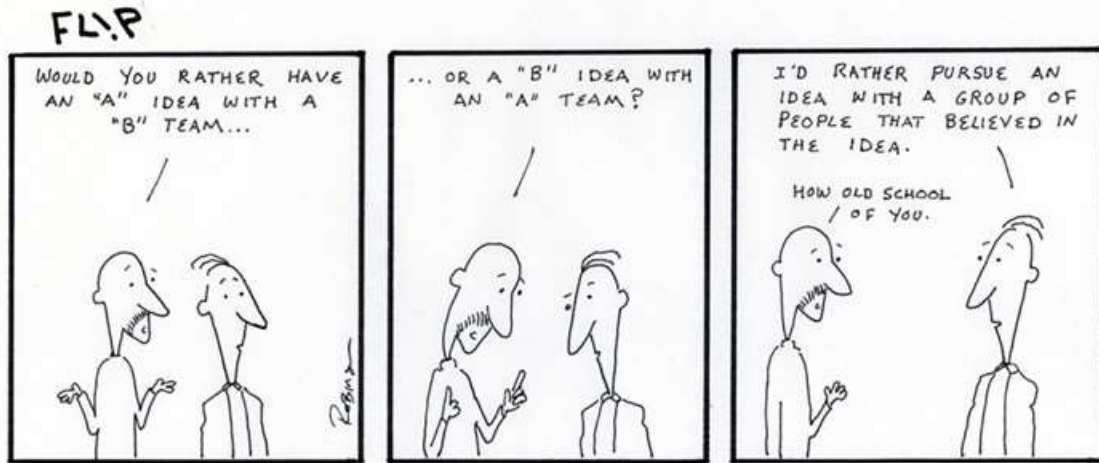
"The true path to wisdom can be identified by three things," said Petrus. "First, it must involve agape, and I'll tell you more about this later; second, it has to have practical application in your life. Otherwise, wisdom becomes a useless thing and deteriorates, like a sword that is never used.

"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.

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

entreprenuer 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.

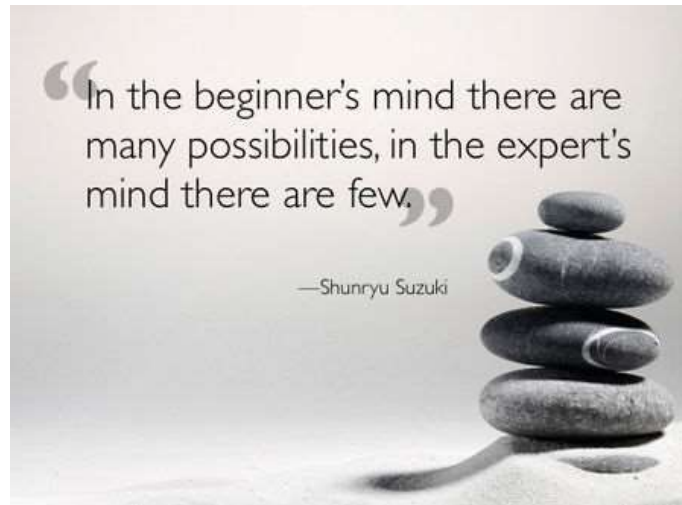"You can only grow someone else's business."

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:

> "In the beginner's mind there are many possibilities, in the expert's mind there are few."
>
> —Shunryu Suzuki

- 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

Finding talent – lead investors
February 2, 2014

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

Tiffany Reiss of HuBEdu seeks lead customer and lead investor
February 2, 2014

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.
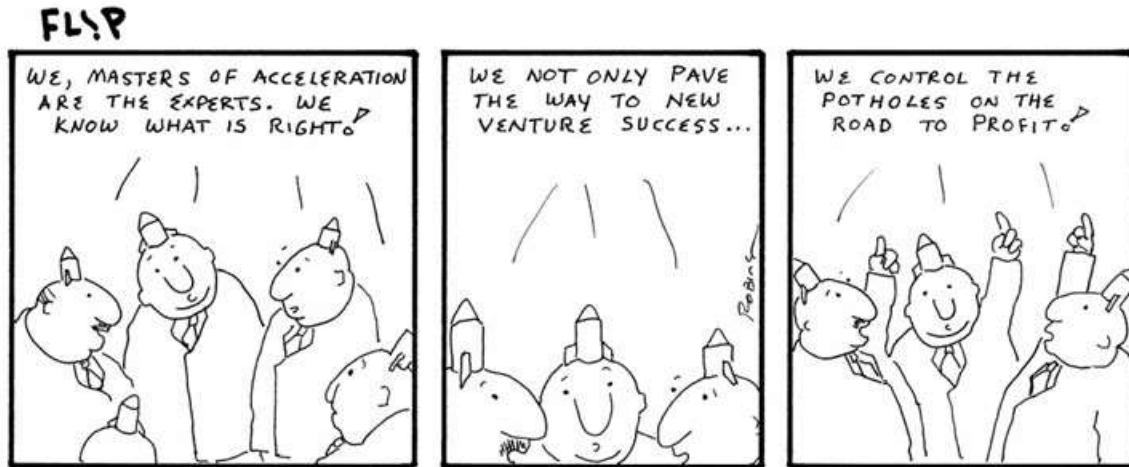

The Cosmos of the New Venture

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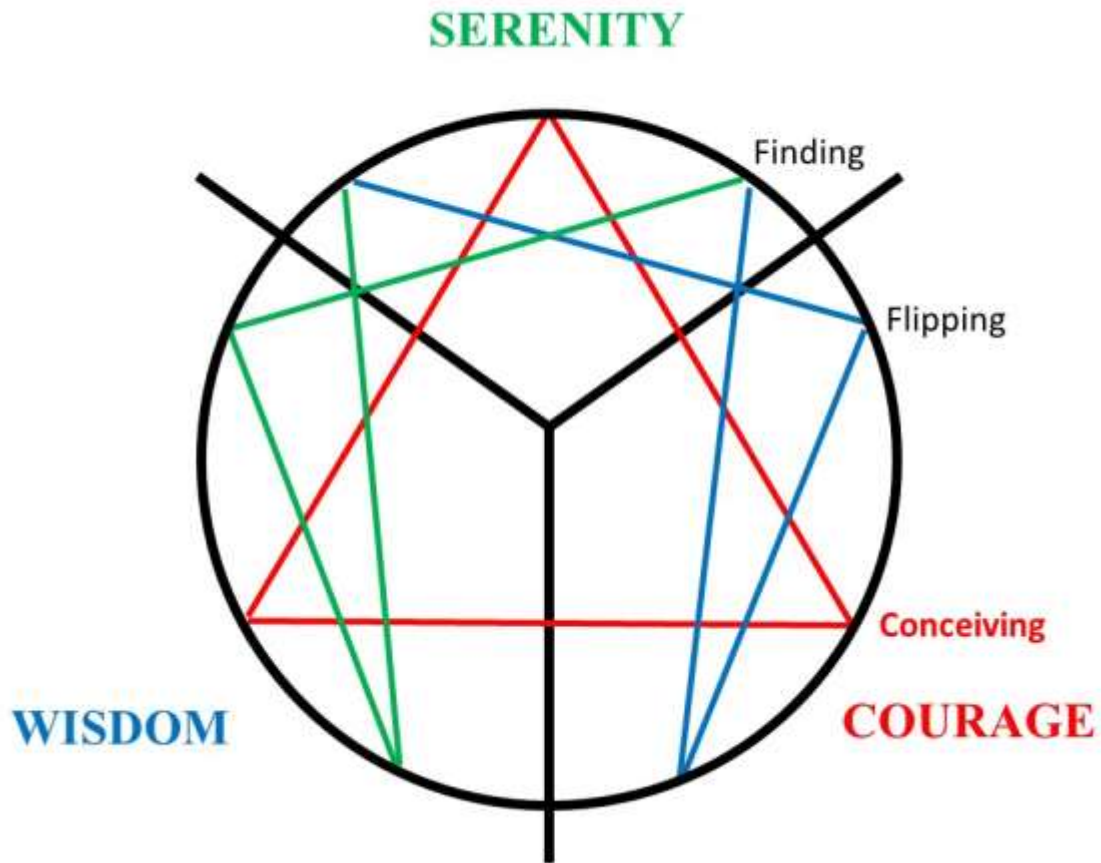
Finding talent is the journey to finding the other key players in the cosmos of the new venture – the founding talent, the launch customer and growth partner, and the lead investor. The talent is the village that raises the new venture.

Finding talent is VALUING DIFFERENCES.

Modelling the Business

FLYP

| WE, MASTERS OF ACCELERATION ARE THE EXPERTS. WE KNOW WHAT IS RIGHT♪ | WE NOT ONLY PAVE THE WAY TO NEW VENTURE SUCCESS... | WE CONTROL THE POTHOLES ON THE ROAD TO PROFIT♪ |

"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 then 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:

<div align="center">

"The true product of a startup is a working business model."

</div>

Business Model
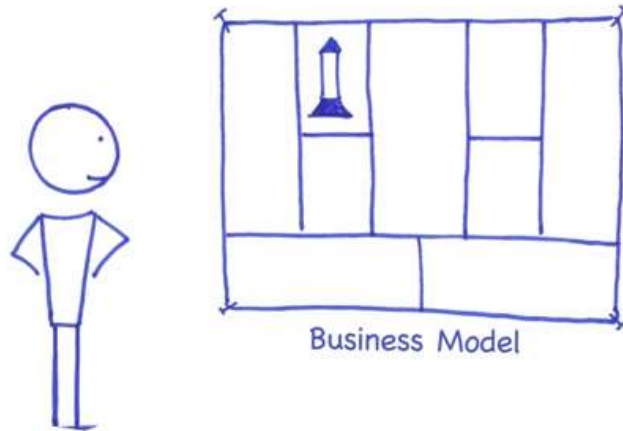
Maurya goes on to share:

> "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 the 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.
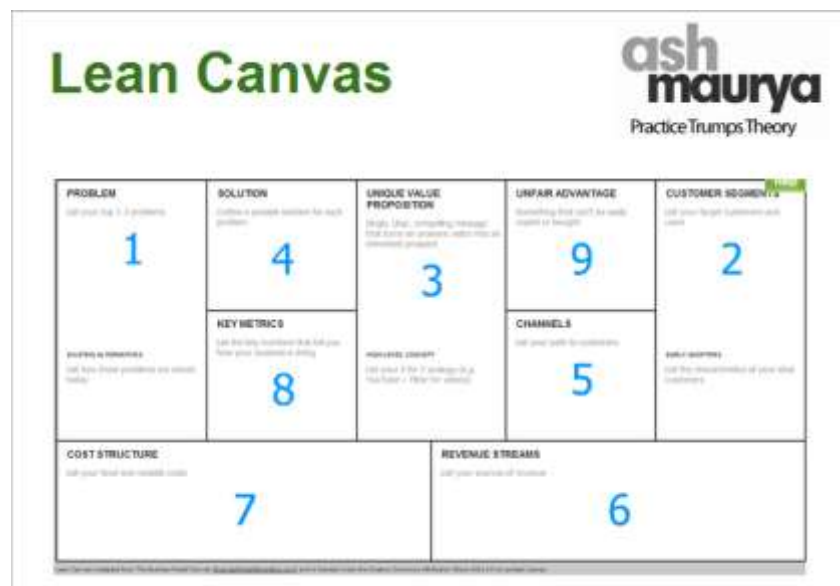
Over the years, I've seen most student and professional teams stay stuck on the problem/solution and target customer segment. They will sit around a table and discuss (argue) for hours about the "right" answer with no evidence. A framework like the Lean Canvas is an iterative exercise which you need 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 your 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.
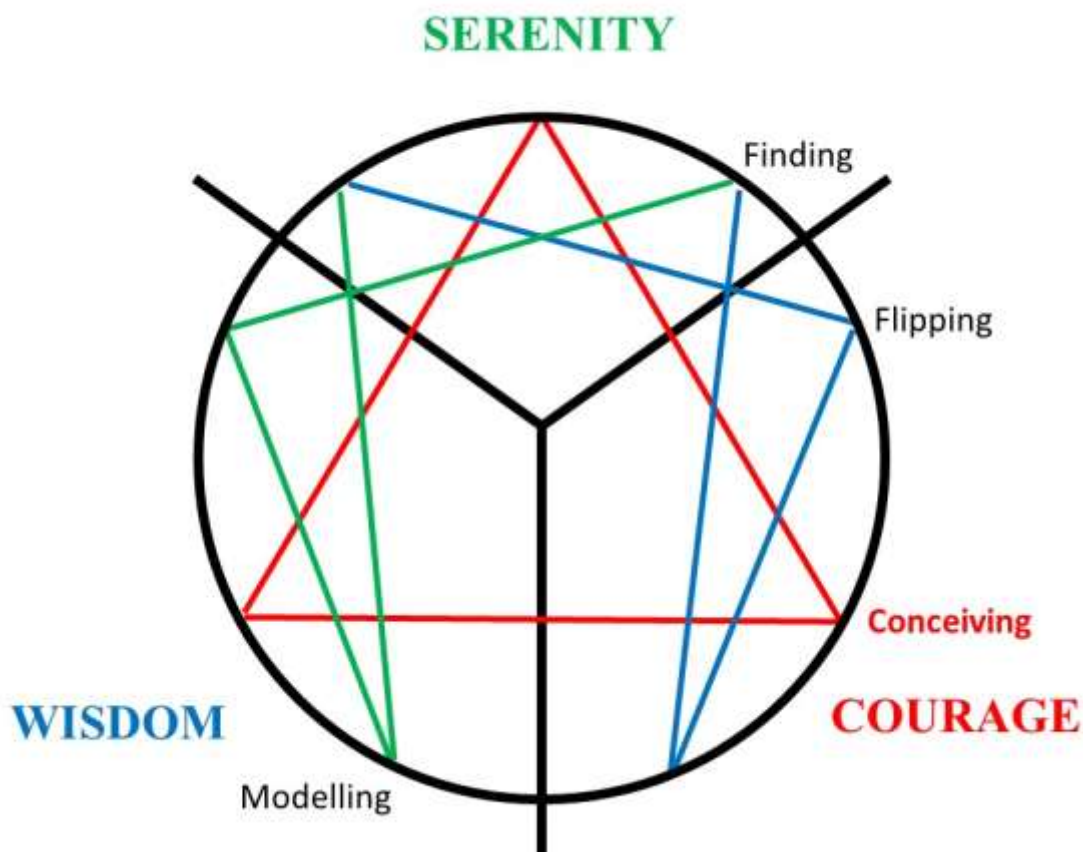
The model is not just a mathematical representation of a transaction. The model is the representation of the relationship between the customer and the company.

Modeling is the EXCHANGING of value.

Designing for Humans

WIRED: What innovation do you think is changing the most lives in the developing world?

MELINDA GATES: Human-centered design. Meeting people where they are and really taking their needs and feedback into account. When you let people participate in the design process, you find that they often have ingenious ideas about what would really help them. And it's not a onetime thing; it's an iterative process.

Palo Alto, California USA, Stanford University Campus, July 23, 2013

Dear Mikhail,

I am enjoying the journey of discovery that you are on. It is obvious to me that you are developing your entrepreneurial mind. I appreciate your sending me such detailed spread sheets of your business model and the many ways that you are thinking through your new venture. As a mere observer of markets I am ill prepared to wade through your models and provide advice on which is the *best* one for your venture. *Best* is such a causal and expert mode way of thinking. Modelling of your business is just one of the ways of making sense of the world that you are trying to observe.

It is easy to get lost in spread sheets when one is modelling. When immersed in numbers it is easy to forget who we are designing for – humans. Today, I'd like to shine the light on human centered design while I sit here underneath Hoover Tower on the Stanford campus surrounded by the whispers of Silicon Valley technologists past and future.

I love the mantras that designers use to start their day:

> We designers, who art in employment
> Hallowed be thy Studio name
> Thy clients will come
> Thy briefs will be done
> On time as it is on budget
> Give us this day more glorious ideas
> And forgive us our inferior ones
> As we forgive those who practice bad typography
> And lead us not into complaint
> (over long hours and low pay)
> But deliver us that Black Pencil
> For thine is the Studio, the Mac, and Adobe
> For ever and ever
> Amen

As a product designer it is so easy to fall into the trap of designing for ourselves. We think that if we have a problem then the rest of the world does as well. The trap is to go talk about our ideas to our friends who humor us and say "what a great idea." The challenge as an entrepreneur is to see what really matters to enough people to create a sustainable business. We have to go out and see and observe and experience the world of our potential customers.

Experience first; make meaning second.

Research studies on adult learning make clear that the best way to learn is to experience directly. Instead of telling me how to pick up a baseball bat and strike a pitched ball, show me how to do it. Then let me quickly try it myself. Learning accelerates if there is an experienced coach operating from a rich framework of how very different individuals can master striking the ball. The coach operating from a mental image of how that person's physique and skills could best accomplish the task can then give pointers on how to best move from one's current capabilities to the ideal.

David Kolb is one of the leading researchers on adult learning. A summary of the Kolb model is:

> "Much of our traditional learning experience has led us to believe that we learn best by listening to experts. It has been found, however, that learning that results in increased self-awareness, changed behavior, and the acquisition of new skills must actively engage the individual in the learning process. In particular, adults have been found to learn more effectively by doing or experiencing.

> "Kolb described this learning process as a four-phase cycle in which the learner: (1) does something concrete or has a specific experience which provides a basis for (2) the learner's observation and reflection on the experience and their own response to it. These observations are then (3) assimilated into a conceptual framework or related to other concepts in the learner's past experience and knowledge from which implications for action can be derived; and (4) tested and applied in different situations.

> "The adult learner assimilates useful information into their personal "experience bank" against which future learning events will be compared and to which new concepts will be related. Unless what is learned can be applied to actual work or life situations the learning will not be effective or long lasting.

> "People responsible for designing learning events should keep these phases in mind as they develop ways to help the learner understand and be able to use the new knowledge and/or skill."
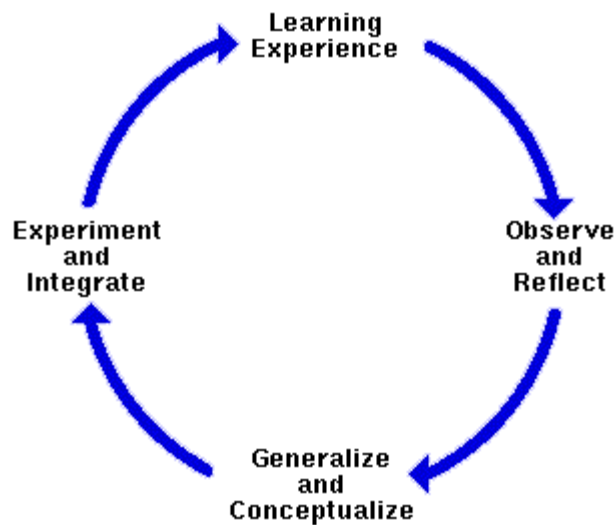
Source: David A. Kolb. *Experiential Learning. New York: Prentice-Hall, 1984.*

Recent cognitive science research is showing that not only is experiencing a better way to learn, but also how that experience is gained. My cognitive psychologist daughter, Elizabeth, makes this research concrete by illustrating how to learn to climb a rock wall:

Monkey see lets monkey do

"What's the most important muscle for climbing?" my instructor asked for the fifth time. "Your brain," we dutifully chanted in unison, still a bit skeptical. Yeah, yeah, your brain is important, but our instructor's splayed limbs demonstrated that he certainly wasn't hurting for other muscles. Meanwhile on the ground, my forearms were burning after one climb up the eight meter wall. (Though in my defense, it was the one with the crazy incline). Still only a beginner, I drool at the nutters on the Banff mountain climbing films and wonder at whether I'll ever get up the nerve to tap in my own pro, or go on a multi-pitch climb.

"A springboard diver in my past life, I recently caught the climbing bug, and would much rather be trying to crimp my fingers around some miniscule hold than actually working on my dissertation. To alleviate my guilt, I decided to look for links between this thrilling sport and my journal article reading. During my grad student day-job, I study the human visual system. Unfortunately, I can't tell you why sunsets are so breathtaking, or why you can be looking directly at your keys and still not see them. However, I can tell you a little bit about how it is that we translate a visual image into an action. More importantly, the scientific community at large is starting to understand how it is that just by viewing expert performances, we can subsequently improve our initial athletic attempts.

"Back in 1995, a couple of researchers noticed that the same brain areas active when a monkey reached for a grape were also active when the monkey saw another person reach for the grape. Hmmm, that's interesting – what you do and what you see are linked at a fundamental neural level. Subsequent experiments found that individual cells in the front parts of the brain seemed to represent complex actions (e.g. reaching, grabbing) no matter whether it was the monkey that moved, or a nearby person who reached for the reward while the monkey simply watched. Furthermore, the cells had preferences for different actions – some brain cells were interested in reaching, some in tearing, while still others preferred bashing or poking. A couple of years ago, another group of researchers found that human brains are activated differently when watching someone else perform movements that they can also do (say, ballet dancers watching ballet performances), versus when watching people performing movement sequences at which they're not expert (say, a rock climber watching a ballerina). Hmm, that's interesting – so what you can do influences how you see.

"I've always maintained that I dove better during the years that I was "second-fiddle" on the team. Those years at practice I had the pleasure of watching my expert teammates nail dive after dizzying dive, while I struggled to keep up with the number of flips and twists. Lucky me though – as I had the visual reinforcement of their excellence, my brain learned to pattern my own movements from theirs, allowing me to improve by leaps and bounds (excuse the pun). In climbing, one of the most important things any beginner can do to improve her performance is to spend hours watching the pros (or really anyone a decimal-rating or two better). Someone actually studied this for his dissertation already and found that beginner climbers shown a video of an expert climbing a route did better on that route themselves than those shown a video of a novice climber. So, what you see influences what you can then do. At some level this is old news – of course you should watch experts – only a scientist would find something miraculous in any of this. However, the fact that we know that the exact same brain areas are engaged in observing as well as producing motions will allow us to better train athletes, mentally as well as physically.

"In many athletic programs (no matter the specific sport), video technology has taken over practice, allowing athletes to see their performances immediately after they're executed. My former diving coach would TiVo each practice – allowing us to dive, watch what we just did, and then hop back up and try to improve on it. This helped for some aspects of the dive; for example, I never would believe that my feet came apart during twisters unless I saw it on tape! However, some of the recent research suggests that, while watching yourself is good and all, it's watching folks better than you that will have the beneficial impact on your brain circuits.

"One last kicker – another set of studies investigating mental imagery found that simply imagining moving one's finger increased muscle strength in that particular finger. Extrapolating from this suggests that just thinking about yourself

ascending that route may actually help you develop the strength to do it. So all those athletic loons that you see staring up at the chalk marks on the wall, making small movements here and there as they decide on foot placement, are really teaching their brain what to expect on the way up. In short, much of the neuropsych research suggests that the best time to train your brain is while you're resting your muscles. Stare at the wall. Really scrutinize your fellow climbers (well, the good ones, anyway). Of course, any decent athlete knows all of this at an instinctual level already. But hey – you've now got a great excuse to hang out and watch the experts for an extra hour as your muscles recuperate… Of course to see if you've learned anything, you've got to get out there and actually climb it."

One of the first things I learned in my ten years of studying and teaching at the Institute of Design (ID) of the Illinois Institute of Technology, is that humans are very inarticulate at describing how they perform some complex behavior or what they might need in order to improve it. It's one of the many reasons why interviews or focus groups rarely lead to powerful insights that lead to successful product designs. At ID, students are taught to observe, observe, observe. They quickly learn that humans are extremely articulate in their actions and behaviors. You just have to observer them.

A core technology in observing people is the use of video ethnography. That's a big social science phrase for simply video recording people in the context of their actual work so that you can study, deconstruct, and share the results with others. This technique is a staple of athletic teams trying to improve the performance of beginners all the way to professionals. Yet, it is little used in business where it proves to be even more valuable.

My introduction to the power of video ethnography was on my first visit to ID. Over my forty years of building and managing software product development, I've searched for a way to design a product right the first time. I've looked in hundreds of places for that magic elixir. I've been frustrated with all the usability professionals who tell me my product sucks after I build it, but have nothing to say when I start to design the product.

In 1992 while visiting the Institute of Design, my views on designing were transformed by a five minute video from a student class project. Sitting in a miserable concrete walled classroom on the 13th floor of a non-descript research building overlooking some of the worst slums of South Chicago, I could barely hear the nervous student introducing his project over the obnoxious noises of the exposed air conditioning system. His research had something to do with improving the ability of the business traveler to work in a hotel room. As someone who travels 150,000 air miles a year and spends >50 nights per year in hotel rooms, he had my attention. I wasn't sure he could meet my expectations or that he could shed any light on a frustrating environment.

The student created a relatively simple task for a male and female pair of business colleagues. The pair had to create a business report in a hotel room, and then type the results into their laptop PC. In the process they had to confer with other employees over the phone to get information for the report. The student would videotape their activities in the hotel room for later analysis.

The first several minutes of the videotape showed the awkward dance of the professional colleagues trying to find a work surface that would accommodate their needs, while avoiding the cultural taboos associated with the only work surface available – the bed. The pair searched in vain for something that would work and yet the bed remained the only place that is large enough, was convenient to the phone, the power outlets and the available light. The pair tacitly acknowledges that the bed is the only viable place and they start to lay their papers and computers on the bed. They then realize that there is no comfortable place to sit. The single chair in the room is too high for the bed surface. Yet, it hurts to kneel on the floor and it is awkward to sit on the bed without disturbing the papers and computers. Throughout all of this trial and error, the male and female are trying not to invade each other's personal space so that they don't cross the line into intimacy.

After five minutes of trying to work, the pair throws their hands up and quits the exercise. They cannot get work done in that environment. I was amazed at how completely the five minute video transformed my experience as a business traveler from unnamed frustration with a hotel room as a work environment to being able to clearly articulate my frustrations. And in that moment, a solution space opened up for tens of ways to transform the business traveler's hotel working experience. No interviews were needed. No audio was even present on the videotape. Just watching the interactions said it all.

The student showed some interviews with business travelers that provided no insights on either the problems or the solutions as a counterpoint to the power of user observation. Even though we might be experienced business travelers, we are not usually conscious about what bothers us.

The video was generated by a Master's student as part of his first seven week course on user observation. Over the years one of my first tests of a method or process is how quickly can a student pick up a process or a technique? I have seen many techniques where the inventor or teacher could reliably perform great work, but none of their students could master the technique. Here was a process that was both powerful and could be mastered quickly. Not only did video ethnography help the researcher discover insights, but it also aids the communication of the problem and the insights to stakeholders.

Performing user research is relatively easy. In its simplest form it is just finding an appropriate place to observe users and then make notes on a pad of paper. In its most complex form, it is being able to have video cameras and recorders in place so that a team of researchers which typically include anthropologists and social scientists can extensively review the interactions captured for deep analysis with formal methods.

Examples of the professional use of these techniques come from McDonalds, Amoco, and Personal Health Connections. About ten years ago, McDonalds was interested in understanding why Taco Bell locations were up to 50% more profitable per store than were similarly located McDonalds stores. The Doblin Group was engaged to research

this topic and was able to instrument several McDonalds locations and a few Taco Bell locations with several cameras. After viewing hundreds of hours of videotapes and generating several insights and hypotheses as to what was going on, one of the anthropologists came up with a curious difference. At Taco Bell, the store was laid out such that all of the servers spent most of their time either face on to the customers or sideways to the customers. While at McDonalds, servers spent greater than 85% of their time with their back to the customer. Doblin Group coined this observation "Backs and Butts". If you recall the last several times you visited a McDonalds, the backs and butts of the servers tend to be quite large and unattractive.

So with this insight and hypothesis, the Doblin Group set out to test this notion in a few remodeled McDonalds. Almost overnight the revenues and profits increased in these locations to levels higher than what Taco Bell was seeing and considerably higher than stores laid out in a traditional McDonalds style. The good news is that the researchers proved their case. The bad news was that McDonalds' management was not ready to depart from their tradition of "this is the way we design our stores."

Doblin Group was commissioned by Amoco to figure out ways to make their retail locations more profitable. Gasoline is sold pretty much the same by all oil companies and the gross profit margins are pretty much the same. Amoco asked if there was a way to dramatically improve profitability by observing the ways that users buy gas. While Doblin did a systematic overview of the retail operations and came up with a system of innovations that is breathtaking in its scope and inventiveness, it was the interaction at the gas pump that captured my imagination.

Similar to the McDonald's video ethnography studies, Doblin Group fitted a gas station with cameras from just about every angle. One of the things they noted was the dance that users went through to figure out how much gas they were putting into the car. Users were contorting themselves in all kinds of ways to keep their eye on the pump handle and the gas flowing into the car as well as try to eye how much money was cranking away on the pump display. The Doblin folks called this the "gas pump watusi" after a dance step popular at the time. The solution was pretty straightforward – move the gauges to the gas pump handle itself. Similarly, the social scientists observed that after filling the car, most consumers made a trip to the rest room to wash off their hands. So Doblin designers located wash stands at every gasoline island.

Based on a wide range of observations and insights, Amoco built four service stations to these specifications in Indianapolis, IN. Immediately these stations generated several times the revenues and profits of similarly located Amoco and competitor service stations. The bad news was that Amoco underwent a reorganization and subsequent sale and the innovations were never brought to life on a wide scale.

At Personal Health Connections (PHC), user observation was accomplished with several subjects who agreed to help us understand the processes of dieting and weight management. A simple camera study and weekly interview process were carried out over three weeks. The patterns of change fell into three very distinct categories: planners,

trackers, and storytellers. Planners took a top down approach to losing weight. They established a goal and developed activities that would help them lose weight and then monitored their results daily. Trackers were just the opposite. They took a bottom up approach which started with the monitoring of their daily weight and activities. Based on tracking what they actually did, they slowly started to generate some goals that would fit their activity pattern.

The third category of users was the story teller. They wanted their information presented to them in the form of stories and all of their goal setting and tracking was done in the form of telling stories. Each activity had a cast of characters, action, a plot, and an ending. We quickly realized that the design of the website had to accommodate all three user types and that one design probably wouldn't work for all three. If you look at many of the best web sites today you will see functionality that appeals to each of these types of users. What we did at PHC was to have a quick diagnostic in our first interactions with a user to let us understand which type they were and then we accommodated their need with an appropriate user interface.

The hardest of these types to accommodate is the story teller. It is relatively easy to present information to the user in the form of stories, but much more difficult to take what appears to be unstructured text and make sense of it. The emerging world of natural language processing and sentiment analysis promises to make much better user experiences for the story teller.

With computer based products one of the challenges is not to confuse user observation with usability. Both are important but they are different. User observation is about situating a user's actions in the context of their daily life and understanding the Whole Process that is required to meet their intent or goals. The observations ground themselves in a structure of observation, contention (does the observation lead to a positive or negative consequence), and what user value or values are supported or not by the users actions. Usability tends to be focused more narrowly on how the computer program functions match the users understanding and expectations. The big ideas that will lead us to find 10X productivity improvements come from user observation.

As I reflect on my 45 years of product development, the pattern that continually repeats is the more successful products result from early user observation and research. For many startups the need for their product arose out of the frustrations of the founders with existing ways of doing things or by observing some frustrated user segment trying to accomplish some task that they had the insight to do better, faster and cheaper.

Making meaning of the above stories we see four stages to designing for humans.
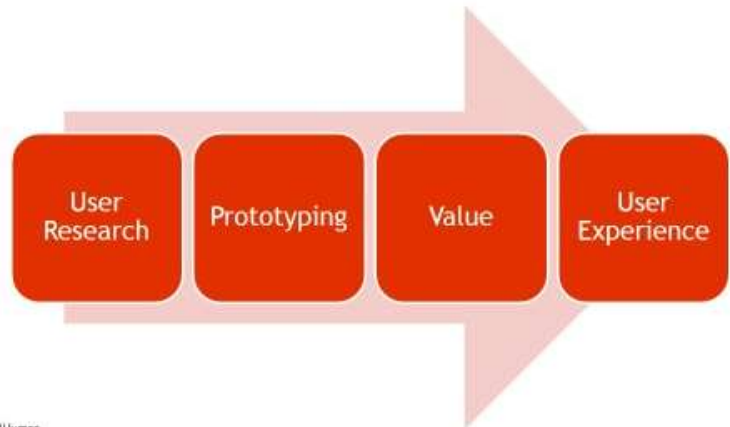
The first and most important is the user research which is primarily user observation. From the user observation, rapid prototypes are produced starting with [low fidelity prototypes](#) and then moving to higher fidelity prototypes. The third step in this process plays on the two meanings of value – monetizing the product and supporting human values. The last step is to improve the user experience of the product.

For pedagogical purposes I introduce the four steps as a directed sequential process. In practice it is more like orbiting a giant hairball of observations and insights until you achieve a "got to have" product and user experience.
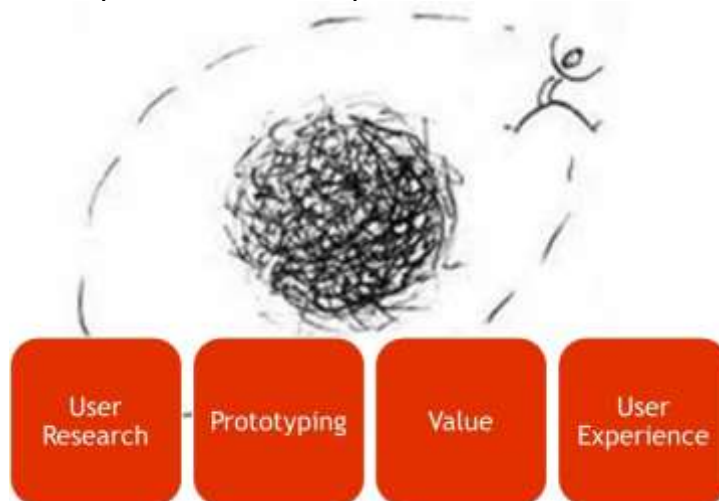
Adrian Slywotzky in *[Demand: Creating What People Love Before They Know They Want It](#)* describes this process as designing for the six pillars of demand.
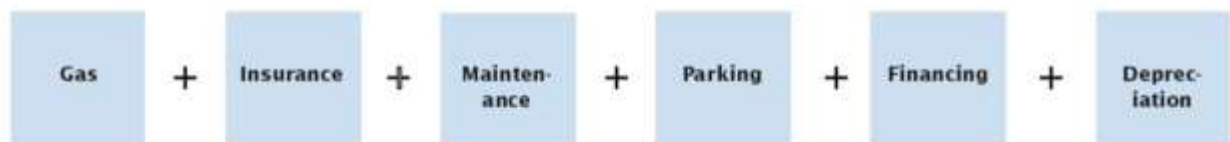
The Slywotzky six steps to generating demand are:

1. Fix the Hassle Map – map the hassles of the customer journey and figure out how to fix them
2. Make it magnetic – create and capture the emotional space in your market
3. Build a complete backstory – demand creators connect all the dots needed to fix the hassle map of the customer journey
4. Find the triggers – the obstacles to demand are inertia, skepticism, habit and indifference. Find the triggers that move the fence sitters to customers
5. Build a steep trajectory – how fast can the demand creator get better. Continue to improve technical features and improve emotional engagement
6. De-average – one size does not fit all. Find cost efficient and effective ways to create product variations.

Slywotzky describes an example of the human centered design process through the Zip Car business evolution. The Zip car team did a great job of understanding the hassles involved with city driving:

The solution they came up with appealed to the city dwellers who had an occasional need for a car:

The City Driving Hassle Map After Zipcar

Through survey after survey, the Zipcar target demographic excitedly said they would use the service. Yet, very few did. After burning through $10s of millions of investment money, the CEO was replaced. The new CEO went back to basics to observe the hassles in using the Zipcar solution. While philosophically customers SAID they would buy the service, there was one hassle they wouldn't get past that emerged from close observation – having to walk a long distance to find a car. The key insight is that a Zipcar had to be within a five minute walk of the consumer.

Once the Zipcars were available in high density in the city center their business took off. Zipcar is a great example of supporting human values and through observation eliminating all the hassles of the occasional use of a car in the city.

As an effectual entrepreneur and a product creator it is easy to lose sight of the basis of any business – designing for a human being. The good folks at IDEO capture the key aspects of the human centered design process:

Like a [Rubik's cube](link) the human centered designer understands that a good design must be desirable, possible and viable. The IDEO [toolkit](link) is a great place to start understanding the best practices for human centered design.

Yours in entrepreneuring,
Skip Walter

Applying Designing for Humans

One of my favorite experiential seminars was learning [Global Business Network](#)'s [Scenario Planning](#). After generating a scenario plan for a health care organization, the exercise was to envision the health care organization as if Disney designed it or McDonald's or Nordstroms. Looking at our design through these different lenses helped us to see both the current health care organization and our designs in new ways.

The theme for this week's flipping perspective exercise is to imagine your product or service as it would be designed by some of your most favorite and least favorite brands. Since most of us have some experience of Disney and an airline company, I urge entrepreneurs to think about their product design through the lens of those two organizations. You can do a little photo manipulation by having an image of your conceived product with the logo from the organization you are designing in context.

For seven days, your flipping perspective exercise is:

- Identify a brand each day that is one of your most favorite or least favorite brands – alternate days
- Create a combined image of your product and the logo of the brand you selected
- Free write about how your product would perform if designed by your selected brand and write about the experience of humans interacting with your product.

The Cosmos of the New Venture

Designing is the second leg of the core triangle of work of the entrepreneur. In the cosmos sense, we mean designing in the largest sense of the word. Designing is the human centered design user research which generates insights and the iterating through the many prototypes to figure out the minimum viable product (not minimally viable product). After using human centered designing, then the agile or lean process works to build your product and get it into your customer partners' hands.
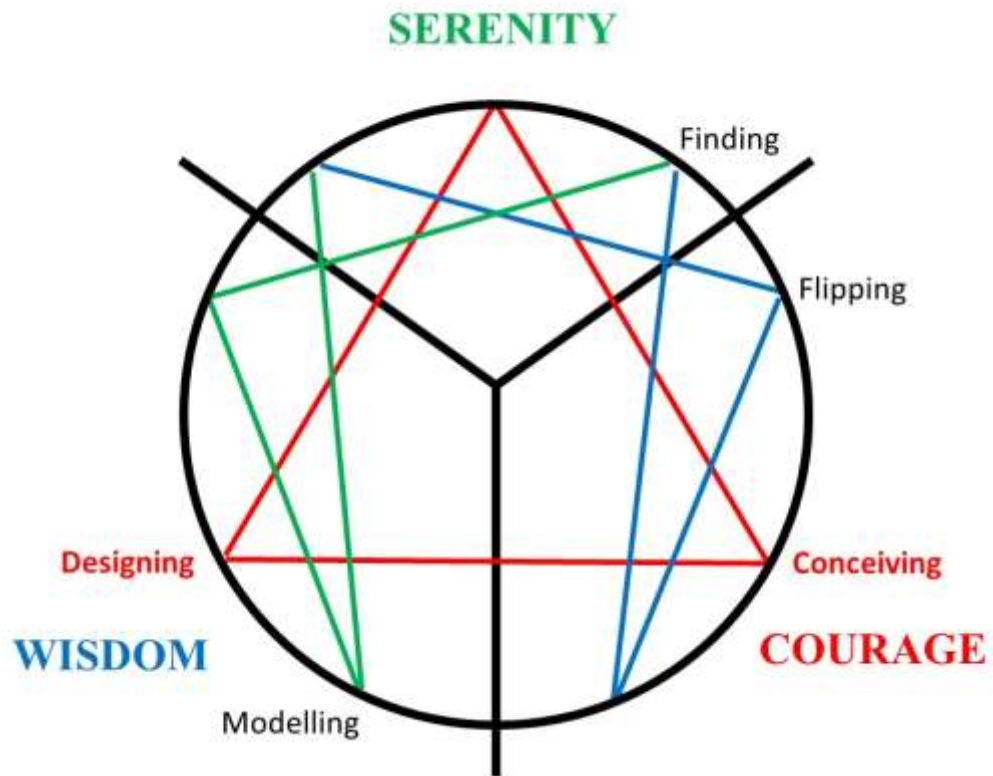
Designing for humans is OBSERVING, PROTOTYPING and ITERATING.

Asking for Help

1**. Restlessness**: You realize that you need to change your life, either because it's boring or because it's painful.

2. **The search**: The decision to change. The search begins through books, courses, meetings.

3. **Disappointment**: Looking for the right path. You become aware of your teachers' problems and faults. However many strands of philosophy or religion you follow, however many secret societies you join, there are always the same underlying problems: vanity and a desire for power.

7. **The teacher**: The most dangerous moment. Teachers are merely people with experience. Each path is different and individual, but, at this point, it risks being sullied and becoming a collective path.

8. **The signs**: You leave your teacher when the path reveals itself – through signs. Through those signs, God is teaching you what you need to know.

Coelho, Paulo, *The Book of Manuals* (Kindle Locations 369-370). Sant Jordi Asociados.

Bainbridge Island, Washington USA July 30, 2013

Dear Mikhail,

Thanks so much for your kind letter. While I am unable to answer your questions on which of your new product designs is better, I am able to see a new energy and thoughtfulness in your designs that weren't there when we started our journey.

With your gift of studying with the design masters at the [Institute of Design,](#) you already have a good sense of what it takes to give and receive help. Sometimes that help was hard to take, yet you thrived in that environment. As a continuation of that process, you asked Patrick for help and he pointed you in my direction.

A year ago I attended a David Whyte "[Poetry in the Woods](#)" workshop. One of the exercises was to break into groups of four and share reflections on "the art of asking a beautiful question." I quickly shared that my mentor, Russ Ackoff, was the master of asking great questions and how much I strive to ask better and better questions. My exercise partner stopped me cold with "David asked us to reflect on beautiful questions, not great questions." I was stunned at how I had mis-heard such an important exercise. Then, I really was stumped when I couldn't quickly come up with a beautiful question.

> "Human beings cannot quite believe the depth, drama and even the disappearances involved in even the average human life. Each one of us grows almost against our will into a steadily unfolding story where the horizon gets broader and more mysterious, the understanding of loss and mortality more keen, the sense of time more fleeting and the understanding of our own mistakes and omissions more apparent. In the midst of this deepening we have to make a life that makes sense: there is no other life than the one that involves this constant beckoning, this invitation to the fiercer aspects of existence."

> "Through the insights of poetry, this weekend we will look at the fruitful discipline of first finding, then asking, ever keener and more beautiful questions; questions that do not produce easy answers but which help us to re-imagine ourselves, our world and our part in it, and most especially, questions which work to reshape our identities, helping us to become larger, more generous, more courageous; equal to the increasingly fierce invitations extended to us as we grow and mature."

> [SOLACE: The Art of Asking the Beautiful Question](#) – David Whyte

What are the beautiful questions that you are asking of yourself, your team members, your customers, and your mentors?

This exercise seems so easy and is such an enchanting one – what is your beautiful question? Yet, I struggle with what is the difference between a great question and a beautiful question. After a year of channeling my favorite mentors and asking dozens of my colleagues I still haven't found a good example of a beautiful question. David Whyte is his wonderful way stays quiet about actual examples. Recently, I came across *A More Beautiful Question* which has a complete architecture of beautiful questions.

There is something in the gestalt of the student teacher relationship that makes it easier to receive and give help. Yet, we seem to forget that lesson when we move into the professional world of masquerading experts. Most of my life is spent giving help to others and "paying it forward." Yet, I still find it difficult to ask for help.

One of the more painful situations where I was unprepared and had to ask others for help occurred on an Outward Bound (OB) trip to the wild rivers and mountains of Maine. These notes are from my journal "Experiential Learning – Management Development the Outward Bound Way."

> The campfire is started and it's time for the evening ritual of experience sharing. I don't even remember what the question was. I just don't feel up to participating. I listen though. I'm observing. There is something missing. People seem strained a bit, the real selves aren't coming through. I withdraw even farther. I don't volunteer. Susan won't let me get away with it. She looks over and says "Would you please share your valuable insights with us or are you too good for us?"

> I spout something back. It's acceptable and I pass. But I really want to stand up and shout "what's happening here?" Where is the real human that I know lies within each of you? Why are we just going through the motions? But I don't. Not enough time to get comfortable that I can let the confronting me out in this setting. So I hunker down behind Fortress Self.

> As we finish the group sharing, Bob W. who is Susan's boss and will be accompanying us on our hike up Mt. Katahdin tomorrow gives us a preview of what we are in for. He briefly describes some of the perils of climbing above tree line and what equipment and clothing we will need for the hike tomorrow. Now he tells me. All the stuff he recommends that I brought but didn't think I would need for the hike are now thirty miles away in Dennis's car. This list gives me something to worry about. What if a storm strikes and I don't have all my wool clothes to withstand it? I will be a burden to the group. A whole bunch of thoughts are creeping in that haven't been part of the OB experience.

> I'm beginning to understand. WHAT IF I BECOME **A** BURDEN TO THE GROUP? I'm starting to touch on something. It's getting to the heart of me. What if I actually needed the group? I don't like where these thoughts are going. I've always been on the other side. The group has needed me all my life. As father, as a manager at work, others have been dependent on me. I've been the foundation. Now it might be switched. I might be a burden. I don't like it. Shut these thoughts

down quickly. I jump up and head to bed. Better to think about them in more of a fetal position hunkered down in the sleeping bag.

Dan, Beth, and I are in the same tent tonight. Dan wants to talk, but I want to be left alone with my thoughts. Some feelings I haven't much explored before. I think I'm getting a glimpse of how Jamie must feel now. She keeps talking about being a burden and so dependent on me. She expressed concern that she can't just go out and get the kind of job that will allow her to keep the same standard of living. I haven't been at all sensitive to those concerns. Here I am in a situation that is real easy to get out of, with a team that will be disbanded in two days, and the potential for being a burden preys on me.

What's triggered all this? Something simple really. I've left my wool hat behind in the car. If a storm should catch us on the mountaintop, then it will be one of the most important pieces of equipment since most of our body heat is lost through our head. I don't have mine. I'm either going to have to make the trip without one and hope there is no storm, or admit my lack of planning and **ask** someone who is not making the ascent if I can borrow their hat. I don't like either of these choices.

Sleep comes slowly. I am all wound up. I toss and turn all night. The unconscious is real active this night.

I'm awake long before the o'dark thirty wakeup call.

I'm real quiet this morning. I'm still trying to find every excuse that I can or alternative that I can for a wool cap. Nothing is in my bag that can come even remotely close. Well, what are my options? The only person who is not going to be hiking today is Susan. Everyone else will need their wool caps. Damn. She is the last person that I want to ask right now. I start rationalizing that not all of us would be stuck up on top of the mountain, so the odds are really with me. As usual I procrastinate and delay the decision as long as possible.

Well we were off. I had to make the decision now. Swallowing my pride I asked Susan if I could borrow her wool cap. I lamely explained how I'd left my stuff back at the car because the weather was so nice. She was very reluctant as the cap was very special. It was given to her by one of her sons, Nicholas, and obviously she had quite an attachment to it. It helped remind her of him when she was away from home on the OB trips. Now I really felt crappy. I was about to walk off, and then she said "Sure. Take it, but please take care of it."

I quickly tucked the cap away in my jacket pocket out of harm's way, and started up the mountain. I had made the right decision and wouldn't be a burden, but boy it hurt. I can't imagine how it must feel to think of yourself as a burden to someone else day in and day out. It's so subtle and acts over such a long period of time, that you don't notice how draining it is. But worse, those of us who are

apparently shouldering the burden are so incredibly insensitive. Which one of us in the end is more burdened?

While Susan has accompanied us up the trail this far, it is now time for her to go back down. She has a trick knee which does not hold up well when hiking. She is clearly disappointed and a little teary eyed. I wonder why and then realize that she's had to face a much more serious version of what I was doing this morning. She doesn't want to become a burden either. Her knee could give out at any time and then we would all struggle for the rest of the day trying to get her down off of the mountain. As a result she had to ask her boss, Bob W, to take part of his weekend to help her with her responsibility. She will now have to sit and wait while her charges are scattered all over Baxter State Park.

I can see my attitude towards Susan changing, but not enough to say anything right now.

Dana Dyksterhuis describes her hard work in remembering to ask for help:

"In the process of starting a venture, there is a lot. It's brutal. So you give up your life. There are a lot of sleepless nights. I used to sleep like a baby, but not anymore. You are building something from the ground up and it's not easy.

"When I spoke with the Women 2.0 group in Seattle, they had five pieces of advice for entrepreneurs and one of them was "Keep Going". Especially in our case you want to give up, you get nervous. If I hadn't met Paul that night, I wouldn't be standing here and Fanzo wouldn't exist. If I hadn't given that 15 second pitch and made a jerk out of myself, I wouldn't be here. Just do it. Just totally go for it no matter how nervous and scared you are.

"The second one was 'Ask for help.' I got this from a software development bootcamp that the McCarthys put on at UW Bothell. One of their core protocols is '[Ask for Help'](Ask for Help) – the act that catalyzes connection and shared vision.' What they taught us was that no matter what you are stuck on – ask for help. It sounds so easy, but it is incredibly difficult. We all think that we can do it. We can do everything. We got this. No problem.

"If you ask for help, you can get results faster.

"A specific example of asking for help occurred early on. Sometimes it is even personal. Paul is like a brother to me, even though we just met. Another one of my pieces of advice at Women 2.0 was "get raw." It involves making yourself completely vulnerable.

"We had a situation and my gut was like 'this is all wrong.' I didn't want to overreact. I wanted to absorb it and not react period. I wanted to find out more. I

reached out to Paul a couple of hours after the situation occurred. I need to ask for your help. I need a gut check. What are your thoughts?

"He was like 'I feel the same.' That could have been a situation that got really ugly or I never would have confronted. It would have just festered and gotten really ugly. I went to him right away. I need your help, Paul. It was something with Fanzo. It could have been devastating. We could have just let it slide.

"Other times it is just things like I am not an analytical person, I'm a creative. I can do buzz and I can do a little math. I can put basic charts together, but there are so many times in Powerpoint slide decks that we have to do for investors that I'm just stuck. I can't do it. So I ask "Can you help me?" Boom, they help. Oh that was easy. Why didn't I ask for this an hour ago?

"Asking for help can go from the very basic stuff to deeply personal stuff."

The complete list of advice at the Women 2.0 event was:

- Keep going
- Ask for help
- Trust your gut
- Get raw
- Tell your story
- Forget the haters

Dana expanded on what she shared in my entrepreneuring class:

> "Tell your story and be truthful. I love how one of my mentors, Micah Baldwin, has been writing about how you don't have to talk about how awesome things are and how you're "Killin' it!" if that's not how you're feeling. In fact, we can relate more to each other when we get vulnerable and more times than not, get the help we need as a result. Yes, it can be incredibly scary but the most beautiful stories are those that touch you because people got raw. Vulnerability translates into stronger, closer relationships. Try it."

The Myth of Helping

In the Kauffman study on the "Making of a Successful Entrepreneur" most of the factors they studied were assessed by entrepreneurs as being extremely or very important. However, one factor stood out as being not important at all. The figure below shows the responses to how entrepreneurs rated advice from their investors.

Figure 17:
Importance of Advice/Assistance Provided by
Company Investors (all responses)
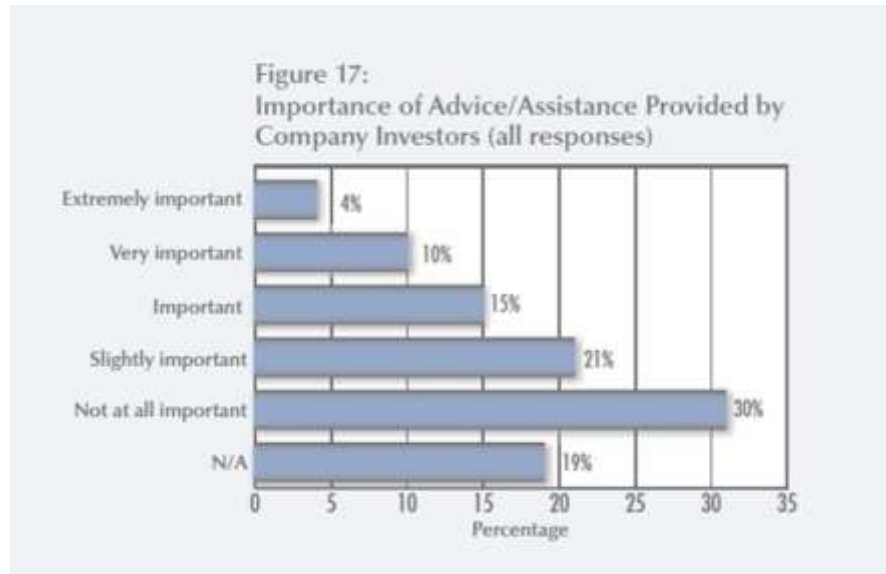
My immediate response was surprise. Then I started laughing as I remembered my own reaction to advice from all of our investors and the consulting experts that were forced upon me by our investors. I would always act courteously and listen politely to their advice – and then I would ignore them completely. I wanted the investors' money but didn't value the advice. Neither the investors nor the experts KNEW MY BUSINESS. And I was not about to spend my most precious resource – time – educating them at my expense about my business.

The major observation of my 9MileLabs video ethnography research along with observations at Microsoft and Citrix accelerators is that little communication is occurring - between mentors and entrepreneurs – in either direction.

> "Communication is the results that you get, not the words that you speak." – John Grinder

Before teaching a graduate school class at UW, or mentoring an entrepreneur, or giving a workshop, I take a few minutes to repeat the above advice as a simple mantra. It is a reminder to focus on those I am interacting with and not on what I want to say.

> "People need what they need, not what I happen to be best at." – Author Unknown

Almost every teaching or mentoring interaction starts with me wanting to give my best, forgetting that may not be what the "student" needs. On my best days, I chuckle and back off and remember to do a little human centered design – deeply listening and observing.

Early in the video ethnography study with the nine companies in the 9Mile Labs accelerator Cohort I, this key issue of mentor/entrepreneur communication (or lack thereof) emerged as a research focus. Yet, there was something about this theme that was important and elusive.

From an unexpected place, [The Chronicle of Higher Education](#), came an important insight in a blog post "Mentoring is a Fantasy":

> "Towards the end of grad school, I learned a key lesson about academia. I was discussing a draft of a dissertation chapter with my second reader. Although not my adviser, her work was critical for the arguments that I was building about psychological trauma and technology. Toward the end of the conversation, she said something to the effect of, "You know, this chapter could really use more Heidegger." Inside, my heart sunk a bit. "Great," I thought, "more to read. And from an author whose work I don't really know." But I dutifully wrote, "More Heidegger," in the margin of a page, and after the meeting, I checked out a copy of [The Question Concerning Technology](#).
>
> "I read Heidegger and tried to understand how his views on technology fit into his and my larger projects. It wasn't especially easy going. And perhaps in the third day of thinking about Heidegger, I had an epiphany that was perhaps closer to [dasein](#) than technology. As I came to see it, her comments were not so much about the dissertation that I was writing so much as they were about what the dissertation would be if she were writing it. Her comments were built on her wide knowledge of continental philosophy and the fact that she really could have deployed Heidegger effectively in the argument. But it wasn't reflective of the reality of what I was going to be able to produce at this point in my career. I dropped Heidegger from all but a half sentence in my introduction, and my reader never brought it up again.
>
> "The key lesson that I learned in this interaction is that mentoring is a fantasy, understood in the psychoanalytic sense. When mentors interact with us, their advice frequently comes from a place that reflects what they would do in our situations more than what we can do, given our own specific reality. My adviser had a fantasy version of my dissertation in her head that I simply couldn't produce. (Her version might very well have been the better version, but that didn't have much to do with what I was going to write.)
>
> "Importantly, this moment helped me realize not just my mentors' unrealistic expectations of me but also to see that I often had fantastical expectations of my advisers. The frustration that I felt when I turned in a draft of my first chapter and didn't have comments within two weeks had everything to do with how I thought the relationship would and should work. Recognizing my expectations as the fantasies they in fact were allowed me to let go of some of what had been hardest for me in the process of writing my dissertation."

With this insight, we started seeing how little impact the many forms of mentoring were having on the progress of the nine start-up companies. 9Mile Labs had an innovative plan for [incorporating mentors](#) into their B2B accelerator:

"We've picked the best entrepreneurial, technical, and business minds from the Pacific Northwest and beyond to mentor and coach the 9Mile startups in the program. These mentors aren't just brilliant, they're also driven to help propel our startups to the next level."

The 9Mile Labs partners went further by having several matching processes to link the right mentors with the appropriate start-ups. They even provided financial compensation for the matched mentors. However, the hidden assumption was that the mentors knew how to work with the entrepreneurs and vice versa.

The mentors made recommendations based on how they would do the work, but the entrepreneurs neither knew how to receive the information or what help to ask for in a timely fashion. The entrepreneurs were doing the same thing that I did in my serial entrepreneurial past – do you have some money to invest in my company then I will appear to pay attention to you? If you don't have money to invest in my company, I will mostly be polite and then completely ignore any advice.

Brant Cooper, author of The Lean Entrepreneur, echoes these observations in "Mentoring Start-ups is Hard: Five Ways to be a Better Mentor." His five keys to successful mentoring are:

1. Teach, Don't Tell
2. Focus Your Advice
3. Challenge Assumptions
4. Beware of Being a Domain Expert
5. Teach Entrepreneurs how to be Good Mentees

David Robinson, in his book The Seer simplifies the most important part of being a good mentor – provide experience first and make meaning second:

"Effectual entrepreneurs operate from a different mindset than most people; they see through different eyes. This book is intended to shift your mindset so you might see through entrepreneurial eyes. Shifting a mindset is a process, not an intellectual exercise. A dynamic process requires an engagement with the day-to-day experiences of life and, therefore, requires two universal and necessary tools:

1. A Reflective Practice. Processes of self-knowledge are tricky because you are both the subject of the study and the studier. You are attempting to raise your conscious awareness of patterns of thinking and acting. You are sitting on the mountain so you can't see it. A reflective practice is necessary to see the mountain upon which you sit. In *The Artist's Way* this practice was called morning pages. In some processes it is called journaling. In others it goes by the name of reflective writing or free writing. Whatever you wish to call it or however you want to do it, it is an essential tool in opening your eyes to existing patterns and entrenched beliefs. Reflective writing is the best way for you to talk

to yourself, to get beyond the moat of what you think you know and discover the deeper story structure driving your actions.

2. Pattern Breaking. In order to release your grip on what you think you know, to shake up your comfort and control, you need to break habits and patterns and break them intentionally. And, it is better if you have fun doing it. This is the equivalent of the artist's date. Sometimes this is called stirring the pot, breaking habits, or giving your self a gift. Regardless of the name it is necessary to challenge your assumptions if you want to open your mind and your eyes to new ways of seeing. Breaking patterns will help surface essential bits to write about in your reflective practice. It's a feedback loop.

"The form of your reflective practice and pattern breaking is less important than the consistency of doing it. Give yourself time to reflect every day so that you may uncover your daily patterns of thinking and seeing. Use the tools, devices, and practices introduced in the book to consciously break your patterns. See what happens. Write about it."

Experience first; make meaning second.

Yet, there is a foundational issue with mentoring – what is the evidence of credibility of the mentor such that the entrepreneur is interested in listening in the first place. Further, the evidence must be directly and immediately relevant to the entrepreneur. I didn't understand this until spending time with Paul D'Antilio (currently COO of GroupTie) when he became CEO of Future Point Systems. He invited me in to share my thoughts on the visual analytics marketplace and what he should do as a CEO.

After fidgeting for an hour while I pontificated on the market and what he should do (violating my mantras above), Paul blurted out "Why should I listen to you? What have you done that makes you an expert? How do I know that Attenex was really successful?"

I was stunned. I thought I'd just been brilliant and enormously helpful and came face to face with Paul "hearing" nothing because of my lack of credibility. I was stuck because I knew that I couldn't share that the announcement of Attenex being sold to FTI Consulting for $91M was still a month away.

We chatted for a while longer and then I left. I made a note to send Paul the Attenex acquisition announcement. When the deal closed, I sent Paul the press release and he called immediately and said "Now I'm ready to listen."

Mentoring and being a mentee is indeed hard work. Yet, when the magic happens, there is nothing more rewarding for a mentor than seeing a mentee push forward. For a mentee, there is the gift of knowing that they have a trusted colleague they can turn to whenever needed.

"Communication is the results that you get, not the words that you speak."

Ed Schein's *Helping: How to Offer, Give and Receive Help* describes the challenge of giving and receiving help:

> "The most common version of unhelpful help that I have experienced as both helper and client concerns the computer. When I call the help line I often don't even understand the diagnostic questions that the helper asks me in order to determine what help I need. When my computer coach tells me the several steps I need to take to solve the problem, I don't know how to interrupt to say, "Wait, I don't understand the first step."

> "On the other hand, another computer coach I hired asked me what my personal goals were in learning to use the computer, elicited my desire to use it primarily for writing, and then showed me all the programs and tools that would make writing easier. That felt great. Yet when my wife asks me for help with the computer, I routinely fall into the same trap of telling her what I would do, which turns out to be more than she can handle, and we both end up frustrated."

Schein provides the following principles for helping:

1. Effective help occurs when both giver and receiver are ready.
2. Effective help occurs when the helping relationship is perceived to be equitable.
3. Effective help occurs when the helper is in the proper helping role.
4. Everything you say or do is an intervention that determines the future of the relationship.
5. Effective helping starts with pure inquiry.
6. It is the client who owns the problem.
7. You never have all the answers.

A Final Word

> "What I have tried to do in this short book is to reframe many social processes as variations of "helping." These include building trust, cooperation, collaboration, teamwork, leadership, and change management. In doing so, I have come to recognize that helping is at the heart of all social life, whether we are talking about ants, birds, or humans. It would seem then that if we can be more effective as helpers, it will improve life for all of us."

While Schein's principles are more difficult for the giver, in the end it is more gratifying. I have to remember that the goal is not getting the receiver to take my advice exactly, otherwise they would just be a robot. Rather, the goal is to help both giver and receiver think more deeply about the issues at hand. My way of reminding myself is to remember what epitaph I'd like to have on my tombstone – "He made me think!"

Mikhail, Patrick pointed you in my direction to offer some help. With each email I try my best to follow Schein's framework. Your gift to me is sharing your journey to becoming an effectual entrepreneur.

Yours in entrepreneuring,
Skip Walter

Applying Asking for Help

The theme for the next seven days of flipping perspective is to catch yourself both asking for help and giving help. Seek out opportunities to ask for help ahead of reaching any form of small or large crisis. Be genuine about asking others either inside or outside your new venture about how you might help them with one of their current issues.
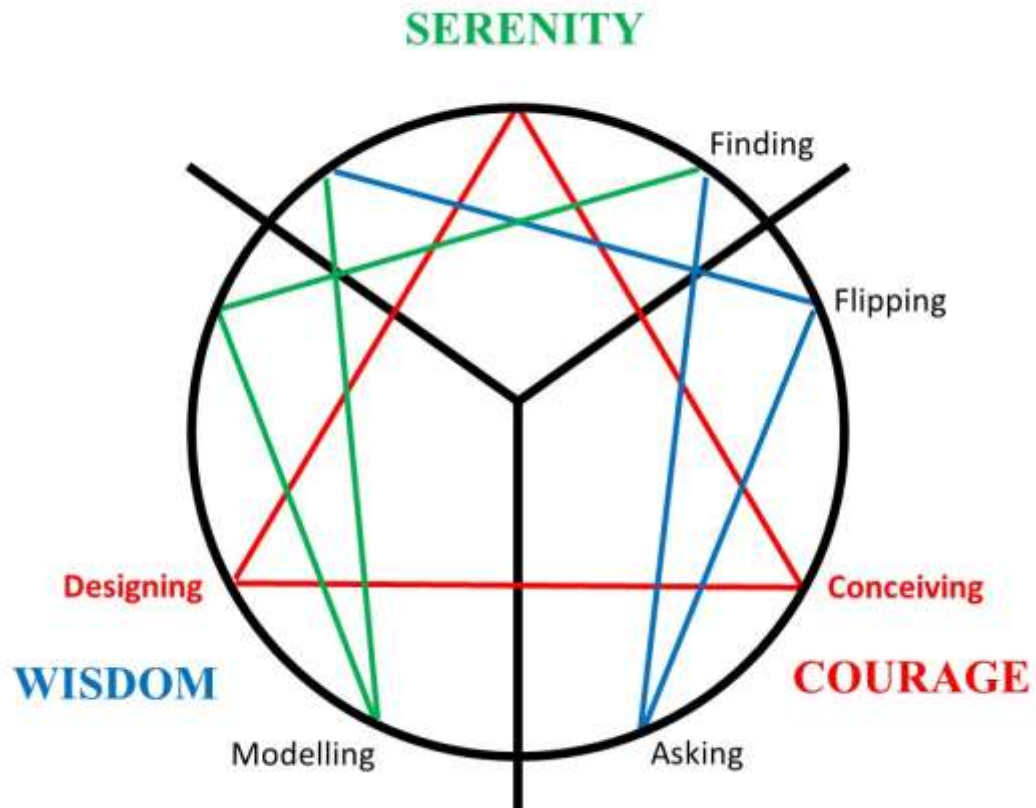
For the next seven days, the flipping perspective activity is:

- Identify an opportunity to either ask for help or give it – alternate between the two
- Capture an image of the helping environment
- Free write on both the specifics of the helping situation (either receiving or giving) and make sure to capture what you saw, heard and felt.
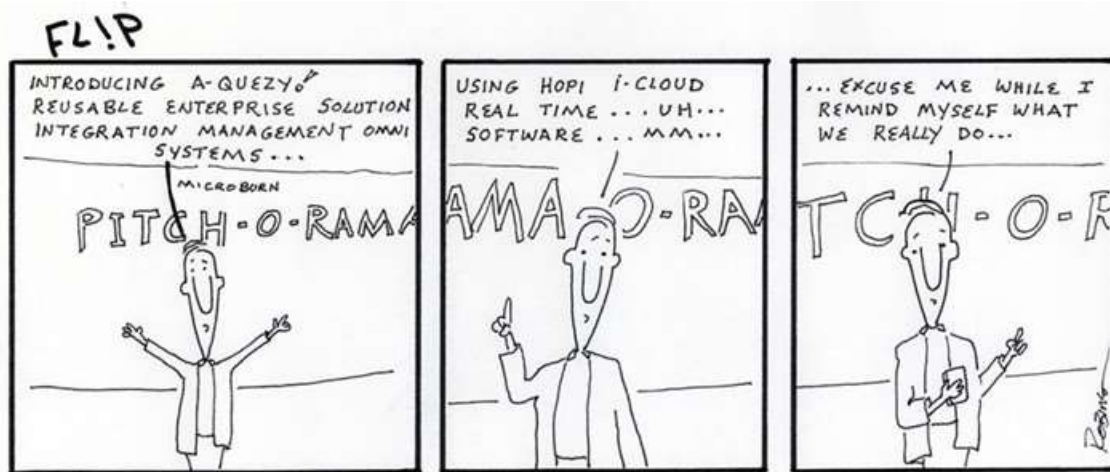
The Cosmos of the New Venture

Asking for help is one of the most courageous acts that any human can perform. The act of asking for help places you in a position of vulnerability. In a new venture where there are so few "knowns" and little place for experts and there is a premium on effectual thinking, the entrepreneur needs a well-developed capability for asking. The entrepreneur needs to instill this value in all the members of the new venture. Along with Flipping Perspective, Asking for help draws the community in to help the new venture succeed.

Less obvious is that the currency for asking for help is to be generous in giving help. The non-obvious role of Asking is that it develops community.

Asking for help is about OVERCOMING fear.

Bringing Opportunity

FL!P

Panel 1: INTRODUCING A-QUEZY° REUSABLE ENTERPRISE SOLUTION INTEGRATION MANAGEMENT OMNI SYSTEMS... MICROBORN — PITCH·O·RAMA

Panel 2: USING HOPI i-CLOUD REAL TIME...UH...SOFTWARE...MM...

Panel 3: ...EXCUSE ME WHILE I REMIND MYSELF WHAT WE REALLY DO...

"**Embrace change as the bringer of opportunity**. You should not fear change. You should fear lack of change, for change is the bringer of opportunity and it is through exploiting opportunity that you grow and develop as a person."

Life Coaching Insights.

Dear Mikhail,

I really enjoyed the many stories of your asking for help in your last Email. I appreciate hearing the many insights and wisdom you received as you opened yourself to asking others for help. I especially enjoyed your reaching out to help others so that you could experience both sides of the helping relationship.

One of my biggest struggles as an effectual entrepreneur is remembering that I am a bringer of opportunity when I talk with customers, investors, and talent I am recruiting. It is so easy for me to fall into the trap of asking for a handout. Or worse, I feel like a used car salesman.

Most of us when we enter a selling situation treat it as the buyer doing us a favor by buying what we have to offer. It puts the seller immediately into the one down position. The interaction changes when you realize that you are doing the buyer a favor by bringing them an opportunity. The nature of who has the power changes dramatically just by this flipped perspective.

As an effectual entrepreneur, understanding the opportunities that the buyer is interested in that intersects with the opportunity that I am uniquely qualified to bring the buyer is my goal. My father called this warm armpit selling. That is, he couldn't bring his customers an opportunity unless they were able to "roll up their sleeves" and sweat together over the customer's challenge. He needed to get to know his customer's business. He could only do that by working together with the buyers in the same physical space, preferably in their factories.

Dan Pink in his book *To Sell is Human* shares some research on this dance of opportunity bringing:

> "At the epicenter of the entertainment business is the pitch. Television and movie executives take meetings with writers and other creative types, who pitch them ideas for the next blockbuster film or hit TV series. Motion pictures themselves offer a glimpse of these sessions. "It's Out of Africa meets Pretty Woman," promises an eager writer in the Hollywood satire The Player. "It's like The Gods Must Be Crazy except the Coke bottle is an actress!" But what really goes on behind those studio walls is often a mystery, which is why two business school professors decided to helicopter behind the lines for a closer look.
>
> Kimberly Elsbach of the University of California, Davis, and Roderick Kramer of Stanford University spent five years in the thick of the Hollywood pitch process. They sat in on dozens of pitch meetings, analyzed transcripts of pitching sessions,

and interviewed screenwriters, agents, and producers. The award-winning study they wrote for the [Academy of Management Journal](#) offers excellent guidance even for those of us on the living room side of the streaming video.

Their central finding was that the success of a pitch depends as much on the catcher as on the pitcher. In particular, Elsbach and Kramer discovered that beneath this elaborate ritual were two processes. In the first, the catcher (i.e., the executive) used a variety of physical and behavioral cues to quickly assess the pitcher's (i.e., the writer's) creativity. The catchers took passion, wit, and quirkiness as positive cues— and slickness, trying too hard, and offering lots of different ideas as negative ones. If the catcher categorized the pitcher as "uncreative" in the first few minutes, the meeting was essentially over even if it had not actually ended.

But for pitchers, landing in the creative category wasn't enough, because a second process was at work. In the most successful pitches, the pitcher didn't push her idea on the catcher until she extracted a yes. Instead, she invited in her counterpart as a collaborator. The more the executives— often derided by their supposedly more artistic counterparts as "suits"— were able to contribute, the better the idea often became, and the more likely it was to be green-lighted. The most valuable sessions were those in which the catcher "becomes so fully engaged by a pitcher that the process resembles a mutual collaboration," the researchers found. "Once the catcher feels like a creative collaborator, the odds of rejection diminish," Elsbach says. Some of the study's subjects had their own way of describing these dynamics. One Oscar-winning producer told the professors, "At a certain point the writer needs to pull back as the creator of the story. And let [the executive] project what he needs onto your idea that makes the story whole for him." However, "in an unsuccessful pitch," another producer explained, "the person just doesn't yield or doesn't listen well."

"The lesson here is critical: The purpose of a pitch isn't necessarily to move others immediately to adopt your idea. The purpose is to offer something so compelling that it begins a conversation, brings the other person in as a participant, and eventually arrives at an outcome that appeals to both of you. In a world where buyers have ample information and an array of choices, the pitch is often the first word, but it's rarely the last."

Pink, Daniel H. *To Sell Is Human: The Surprising Truth About Moving Others* (pp. 157-158). Riverhead Hardcover. Kindle Edition.

The art form of warm armpit selling is being passionate about the opportunity you are bringing and then collaborating with the "catcher" to create a joint opportunity.

Watching a friend with her delightful "terrible two" daughter reminded me of a different form of this collaboration that my wife became expert at in raising our three children. The "terrible twos" were not a fun time for me at the Walter house. My answer to every

request was "No." My friend changed the frame for the "terrible twos" stage by offering a meaningful choice rather than dictating a way forward. Instead of "put on your coat" she would ask "Which would you rather wear – the red coat or the blue sweater?" Who knew it could be that easy. Just flip your perspective to inviting the child to participate in the decision process.

I first understood this bringing of opportunity mindset in 1980 while we were selling the idea of an office automation system to RJ Reynolds Tobacco (RJR). They were looking for a way to replace their aging paper tape Telex systems that were cumbersome to use and expensive to operate. As RJR was expanding the number of office and manufacturing sites, the speed with which they could move information was increasingly important. We did a half day analysis and realized that our preliminary design would nicely match their needs since this was primarily an electronic mail application. Then the client gave us a rude awakening. They liked our ideas but IBM had agreed to give them a systems analyst and a corporate telecommunications consultant for a month to analyze their needs. We knew we could not match that offer but got the customer to agree to give us a chance to bid on the results of the IBM system analysis.

A month later we got called back in and given a copy of the IBM analysis. My spirits soared. All the IBM folks had done was draw a few illustrations and copy some brochures. I knew that we could do better in a few short hours. We recently installed one of our new word processors so we could turn out nice looking proposals in short order. I asked if we could come back the next afternoon with the analysis and proposal that we had been working on for the last month (a small white lie, but the work that we would do that evening would look like several months work compared to the IBM analysis). The client agreed and we hurried back from Winston-Salem to Charlotte, NC. I phoned ahead to my colleague, John Churin, to clean up the architecture diagrams that we created.

Drawing on our previous design work we created a twenty page analysis with several diagrams and a three page consulting contract to design their system for real, for a mere $50,000. We took the proposal back the next afternoon and the customer was most impressed. They never expected DEC to upstage IBM, and to do a free analysis in the process. The customer agreed to our proposal and the next day sent us the approved purchase order. This was a first for our region, getting a paid project just to do a specification. We were off and running.

While John and I were the primary consultants on the project, having real customer dollars allowed us to bring our opportunity to the rest of our organization by tapping into expertise around the country that we didn't have. Under the guise of project reviews we received great guidance and critiques of the completeness of our designs. We went back with a 100 page specification and a twenty page proposal for the next phase of the project. The customer was impressed, but then gave us the bad news that RJR was

reorganizing and that this project was cancelled. While disappointed, we now had a very complete specification that we'd been paid for. We had received real customer dollars without requiring DEC to invest. Now we could bring this opportunity to other large enterprises.

Bringing opportunities to customers or investors is a bit like the bespoke tailor story that Larry Keeley shared with you in your Institute of Design Introduction to Design Planning. In the Himalyas when a family decides it needs clothing, they hire a bespoke tailor who lives with them for a month. The tailor watches the activities of the family and then custom crafts clothing to "fit" the needs of each family member. The story nicely fits what a human centered designer should do.

The bespoke tailor metaphor also fits what you as a "bringer of opportunity" need to do – understand the needs of your customer and then work with them to tailor the opportunity to fit their needs.

Much as a good parent comes to understand the unique capabilities of each child and adjusts their environment, books, toys, and experiences to pursue their opportunities, you need to bring the right opportunity at the right time for your customers, investors and talent.

As you mentioned several times in your previous letters, a lot of the advice you are getting comes in the form of "tell more stories." I heard that advice for so many years and mostly ignored it because I knew I wasn't an English major in college nor had I ever focused on generating narratives. Finally somebody pointed me to Steve Denning's notion of a springboard story.

Steve explains that

> ". . . a springboard story enables a leap in understanding by the audience so as to grasp how an organization or community or complex system may change.
>
> "A springboard story has an impact not so much through transferring large amounts of information but through catalyzing understanding. It enables listeners to visualize from a story in one context what is involved in a large-scale transformation in an analogous context."

Steve gives an example of how he experienced the power of a springboard story:

> "The origin of my interest in organizational storytelling was simple: nothing else worked. As a manager in the World Bank in 1996, I had been trying to communicate the idea of knowledge management and to get people to understand and to implement it. At that time in that organization, knowledge management was a strange and generally incomprehensible idea. I used the traditional methods of communicating with no success. I gave people reasons why the idea was important but they didn't listen. I showed them charts and they just looked dazed.

In my desperation, I was willing to try anything and eventually I stumbled on the power of a story, such as the following:

"*In June 1995, a health worker in a tiny town in Zambia logged on to the website for the Center for Disease Control in Atlanta Georgia and got the answer to a question on how to treat malaria.*

"This was June 1995, not June 2001. This was not the capital of Zambia but a tiny place six hundred kilometers away. This was not a rich country: this was Zambia, one of the poorest countries in the world. But the most important part of this picture for us in the World Bank is this: the World Bank isn't in the picture. The World Bank doesn't have its know-how accessible to all the millions of people who made decisions about poverty. But just imagine if it had. Think what an organization it could become.

"In 1996 in the World Bank, this story had helped galvanize staff and managers to imagine a different kind of future for the organization and to set about implementing it. Once knowledge management became an official corporate strategy later that year, I continued to use similar stories to reinforce and continue the change. The efforts were successful: by 2000, the World Bank was bench marked as a world leader in knowledge management."

Buried in the springboard story discussion above is the springboard question – what would the World Bank organization be if we had our knowhow accessible to millions? I call this the *springboard bringer of opportunity question*.

Following our near success with RJ Reynolds, we brought our office automation opportunity to DuPont. The DuPont sales rep and I went to lunch with Ray Cairns, CIO for the Textile Division, and we talked about the history of our efforts and the capabilities of our ideas. He was an active questioner and probed far and wide about where we'd been and where we expected to go. He knew that we were developing this capability in conjunction with our customers and then would move it into DEC's central engineering.

Our unique offer to Ray was they would have an unlimited use license for the first version of the software within DuPont. Then, if they liked the tools, they would have to buy licenses for the next version of the product. This offer allowed them to amortize the cost of the project over quite a few hardware systems which made the costs appealing to their financial analysts. We appeared to be giving up quite a bit of future software revenue, but we were betting that we would have a new version of the product well before they were ready to deploy the software across a lot of systems. This offer was win-win for both corporations.

I relaxed and felt quite good that the decision maker would decide in our favor. Little did I know what I was in for in the formal meeting with Ray and his twelve direct reports. We had professional 35mm slides to present our story and product ideas. At the end of the 30 minute overview presentation, Ray asked several warm up questions and then hit

me with the question that rocked my world: "how has this product helped impact Digital's bottom line, either positively or negatively?" He knew from our lunch conversation that the product didn't even exist, so that it couldn't have much of an impact. I knew he wasn't a stupid man. What was going on here?

In a flash of desperate panic brilliance, it came to me that he wasn't really asking about DEC; he was using me as a convenient foil to get critical education across to his management team. I mumbled a few things about our unique approach to developing application software in conjunction with a customer. Then, I turned the question around (the springboard bringer of opportunity question) to the DuPont management team and asked them how they thought this product might affect DEC's bottom line? It is much easier to speculate about the cause and effect in someone else's organization when you are at a level of optimal ignorance than to do speculation about your own organization.

What ensued was a great one hour conversation with Ray's technology executives about the implications of such a product and technology on a large, complex organizational system like a Fortune 50 company.

After the meeting, we were awarded the order and we now had the funding to take the ideas of our specification and our demonstration into a full blown product. The learning for me in this meeting was quite revealing. Our way of approaching the selling of our ideas to individual contributors and middle managers was the more traditional features and benefits – what [Simon Sinek](#) refers to as the ["What" and "How](#)." Ray made clear that at a certain level of management, the rules change and the offer must move from features and benefits to higher order implications. In this case, we had to show what effect our product would have on both the revenue side of DuPont and the expense side of DuPont. In order to answer that kind of question you have to move from the product under study to the system under study. In particular you have to look at the interactions of an entity with its environment.

We were really rolling now. I'd evolved from presenting lots of facts and features to understanding how to bring opportunity through the springboard story and the springboard bringer of opportunity question.

Yet, I still didn't understand how to systemically bring about opportunity in a large meaningful way. David Stone, DEC's European Software Services VP, showed me the real power of combining an exciting opportunity pitch with a large group collaboration to generate business results.

I was asked to speak at the DEC European Software Services Meeting in Majorca, Spain, in 1980 to describe what we were doing in the U.S. with Office Automation. I gave an overview of the product and the kinds of customer solutions we were generating AND the revenue we were creating. This got the European managers attention as they were going through a revenue shortfall at the time. The immediate set of questions I got was about translating the product into each European language. It was an "oh, of course" type of question for me, but was unheard of in products of the early 1980s where the user

interfaces were hardwired into the software code. I shared that it should be no problem. If you want to change the interfaces, just change the forms using the standard VMS tools. All of the messages that we present on the screen are forms so it was easy for a systems analyst to just go ahead and change them. And we've adhered to all the VMS coding conventions so all the National Replacement character sets should work.

It was like I ignited a bomb. Everyone came out of their seats and started throwing a hundred questions at me. Seizing the moment, David Stone called a half hour break so that the attendees could get their questions answered informally and allow the country groups to caucus on what my presentation and the ALL-IN-1 product might mean for their business. He then called the group back to order and gave them a challenge. Based on what they heard, did they think they could make up any part of the $100 million revenue bookings shortfall Europe was projected to have for the year?

He first asked each country manager group to gather together and develop a straw plan for using the ALL-IN-1 product to address the revenue shortfall. In the process, the groups were to identify any issues, questions or concerns that they had and they could pose those to me in their group presentations. Each group went off and spent ninety minutes discussing the opportunity. Then each of the ten country groups made their reports and identified their issues. As each group reported, I went through my large library of 35mm slides to find the slides that addressed each issue or question. I got David to stall for a few minutes after the last group so I could arrange the slides in some semblance of presentation order.

I then stood up and gave a "custom" presentation addressing all of their issues. The European country managers were really excited. Until that moment I had not realized the power of a "custom" presentation to go along with our easily customizable product. The group correctly sensed that this product was quite real and could be readily adapted for each country's unique business needs. In the past, Europe had to take a one size fits all set of products that were English language and US culture centric. Long delays would occur to get even minimal localization done for each country. Now they'd found a product that could be introduced simultaneously throughout Europe in each natural language at the same time as the US introduction.

David asked the country groups to take this new information and come back with a "committed" forecast of how much of the revenue shortfall they could make up with this product. The groups quickly formed and in 15 minutes came back with their commitments. The commitments totaled $120 million. David scaled the numbers back to total $100 million to mitigate the exuberance factor. I was blown away and now fearful for my life. I wondered what would happen if they all woke up and decided they'd been railroaded into a commitment in the bliss of the moment. I figured they'd shoot the messenger – me.

The group then started to work on the marketing program to make their commitments happen. Using the natural creative competitiveness of the countries, David broke them

into their country units to develop logos for the $100 million in 100 days campaign. Then he organized cross-functional and multi-country groups to develop:

- the twenty page newsletter that would go out to all sales and software personnel in Europe,
- the training program for sales and software personnel,
- the localization teams to translate ALL-IN-1 into each country's natural language,
- other applications that could be combined with ALL-IN-1 in each geography.

By the end of the four day meeting, the Europeans now had a major new product that was their own, a marketing program that they could roll out, and a new found respect by their sales peers. I was asked to stay over another week to train the software consultants who would be doing the translations. I asked that each country supply a software consultant to come work with our development team for a month at a time to make the US developers aware of multi-cultural needs. Within the month, the European teams had ALL-IN-1 translated into 10 different languages and cultures. Within the 100 days they'd exceeded their goals and in fact did $120 million of additional business.

In David Stone, I saw and appreciated a master at management leadership and motivation. For the next year I spent as much time in Europe as I could to learn about changing the behavior of a large organization. I asked David how he knew that my presentation would set off so much useful energy. He laughed and said that he had no idea that it would. "What I do is schedule an agenda that has as much informational diversity as possible running the gamut from product information, service information, corporate strategy, engineering strategy, organizational behavior change stuff, and management education. I never know which of these topics will cause an energy hit with these 150 managers, but I'm confident that one of them will. When energy resonates between the audience and the speaker then I go into action. You are good at creating energy with a powerful product vision. I know how to move energy into actionable business results. Business action is what I'm really good at."

The bringer of opportunity contrasts with the solver of problems approach to selling. The solver of problems approach is summarized in the Blame Frame for addressing customer problems:

- What is the problem?
- How did it get this way?
- Who caused it?
- What are you going to do about it?

As you hear those questions, does your personal energy expand or contract? For most of us, our energy contracts.

The bringer of opportunity works hard to focus on Outcome Frame questions to increase our own energy and our "buyers" energy:

- What are we trying to create?
- How will we know we created it?
- What resources do we have to get started now?
- What other opportunities does this lead to?

How can you think outside of traditional approaches to bring your opportunity to all of the customers, investors and audience members you are touching?

Yours in entrepreneuring,
Skip Walter

Applying Bringing Opportunity

Some of the best professionals at bringing opportunity are those in the advertising profession. In a very short period of time – thirty seconds – they must convey the nature of their product and the opportunity it brings to the buyer. The good advertisers will do this through some form of story telling.

The flipping perspectives theme for this week is to look at TV ads or their Youtube equivalents and identify the opportunities the advertisers are bringing to you. You can start with the [Super Bowl ads](#) and select ads from the best of and the worst of.

For seven days, the flipping perspective exercises with the bringing opportunity theme process are:

- Select an ad and watch it – preferably several times.
- Capture a screen shot of a frame of the ad that speaks opportunity to you
- Free write on the way that the advertising company is using the ad to bring you an opportunity. Reflect in your free writing on what you felt, heard, and saw
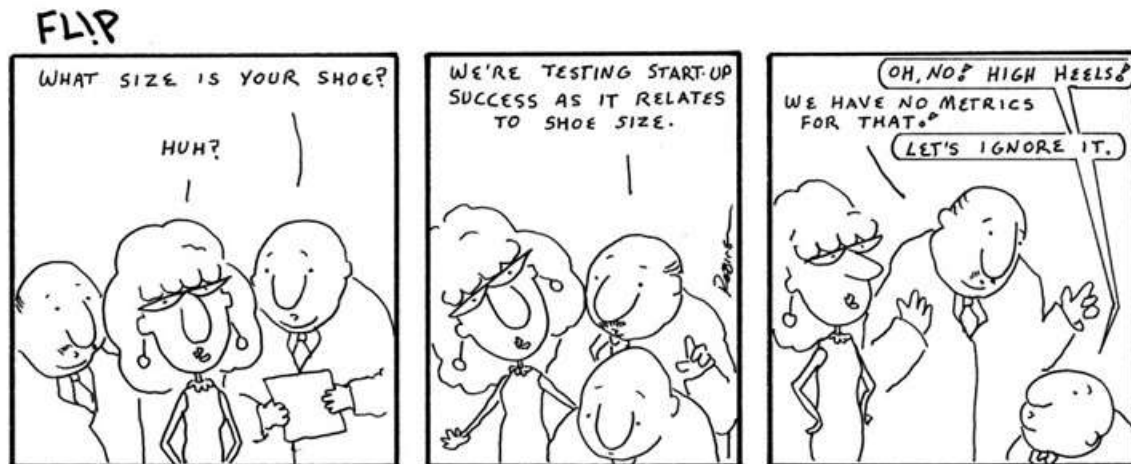
The Cosmos of the New Venture

Bringing completes the core triangle of work of the entrepreneur. The product is conceived, and then designed, and then brought to the customers, investors and talent.
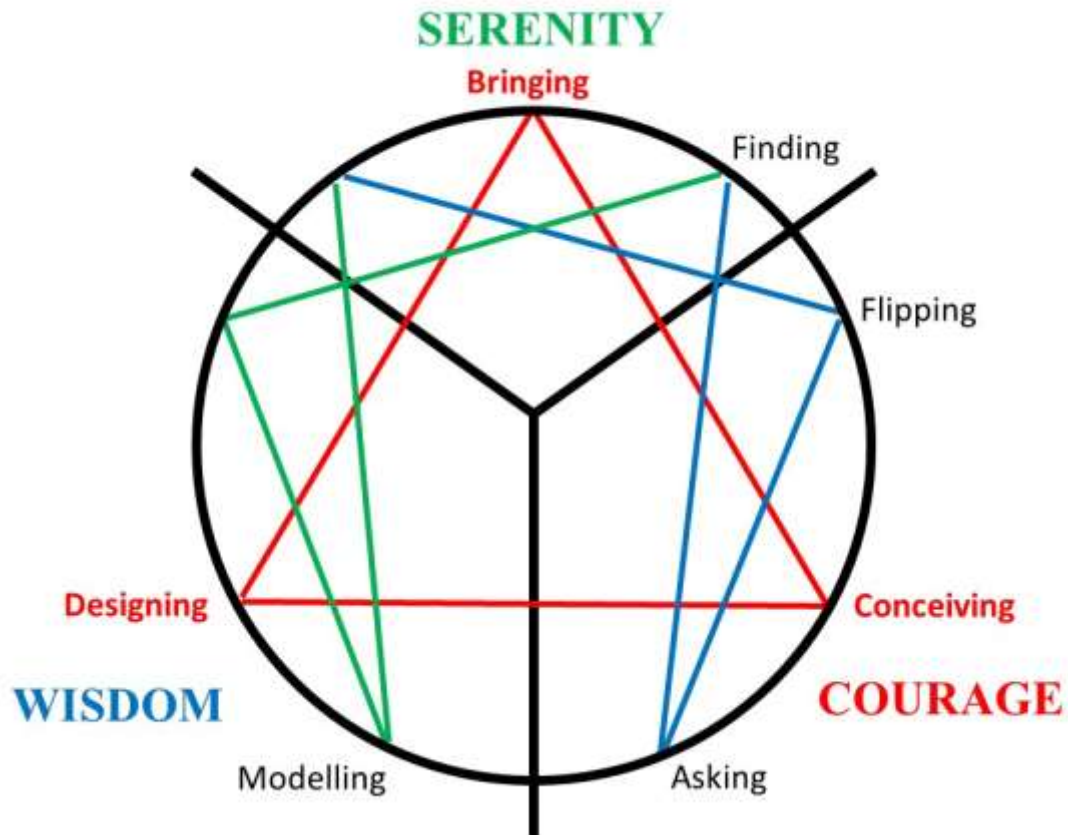
Bringing opportunity is about PITCHING and CATCHING.

Bringing opportunity is as much about knowing how your opportunity will be caught by the customer as it is by sharing stories (pitches) of the opportunity you bring. Bringing opportunity is about you doing the customer a favor, not having the mindset of the customer doing you a favor.

Measuring the Path Forward

FLIP

WHAT SIZE IS YOUR SHOE? HUH?	WE'RE TESTING START-UP SUCCESS AS IT RELATES TO SHOE SIZE.	OH, NO! HIGH HEELS! WE HAVE NO METRICS FOR THAT. LET'S IGNORE IT.

"A parable: A man was examining the construction of a cathedral. He asked a stone mason what he was doing chipping the stones and the mason replied, "I am making stones." He asked a stone carver what he was doing. "I am carving a gargoyle." And so it went, each person said in detail what they were doing. Finally he came to an old woman who was sweeping the ground. She said "I am helping build a cathedral."

"Most of the time each person is immersed in the details of one special part of the whole and does not think of how what they are doing relates to the larger picture."

"Would you tell me, please, which way I ought to go from here?"
"That depends a good deal on where you want to get to."
"I don't much care where –"
"Then it doesn't matter which way you go."
— Lewis Carroll, *Alice in Wonderland*

Dear Mikhail,

I am enjoying the opportunity of touring Washington and Oregon wine country with friends. It is a warm joy to wander through the vineyards of ripening grapes and imagine the stories that will emerge as the grapes ripen into wine in the cellar and then go to the many tables of their consumers.

I enjoyed reading through the fruits of your opportunity bringing in your latest email. I am not qualified to judge which is the best opportunity. I am glad you were able to notice the difference in energy levels when you use the Bringer of Opportunity Frame versus the blame or problem frame. I particularly liked the number of experiments and the results that you got with your social media "about" exercises.

Now we need to discuss metrics.

One of the gifts of watching our daughters go through their pregnancies and through the raising of our two granddaughters (Alice and Hazel) is seeing how child rearing changes with each generation. Through the dimness of time I can barely remember anything other than being exhausted in the months following the births of our three children. And my wife was far more exhausted than I was.

With the advent of the ever-present mobile phone, not only are our granddaughters part of the most photographed and videoed generation ever (sometimes I think they believe all adults have an iPhone sewn to their hands), they are also the most data recorded generation. Whenever our granddaughters eat, poop, sleep, cry or do their next "first" there is an entry in one of the mobile apps.

These miraculous devices also instantly connect our daughters to their social networks of new parents, many of whom are also awake and connected all hours of the day. As all of this data goes to the cloud and serves as an augmented life logging source for researchers (and advertisers) in the future, I can't wait to see what patterns they unlock.

Since most of the products we build today, whether software or physical, have embedded usage information, we have mountains more data available to us to understand how a product is used. Yet, what is most important is to figure out is what is most important to measure.

Adrian Slywotzky in *How Digital is Your Business?* identifies three imperatives for capturing information about your customers in order to:

1. Move from guessing what customers want to knowing their needs;

2. Move from getting information in lag time to getting it in real time;
3. Move from burdening talent with low-value work to gaining high talent leverage.

These three imperatives should guide your observations while you are doing your user research as we talked about in the "designing" email. A key part of your observations should be identifying the metric that will drive your product and business evolution.

Metric Based Development

When we started Attenex, we picked two legal markets to serve – the legal contract drafting market (Attenex Structure) and the litigation market (Attenex Patterns). Both products were guided by Slywotzky's third imperative – moving from burdening talent with low-value work to gaining high talent leverage.

Attenex Patterns used visual analytics to increase the productivity of legal document review by at least ten times. The formal definition of visual analytics is the use of interactive information representations to shape and control an analytic reasoning process. Sean McNee summarizes the visual analytics process in this diagram:
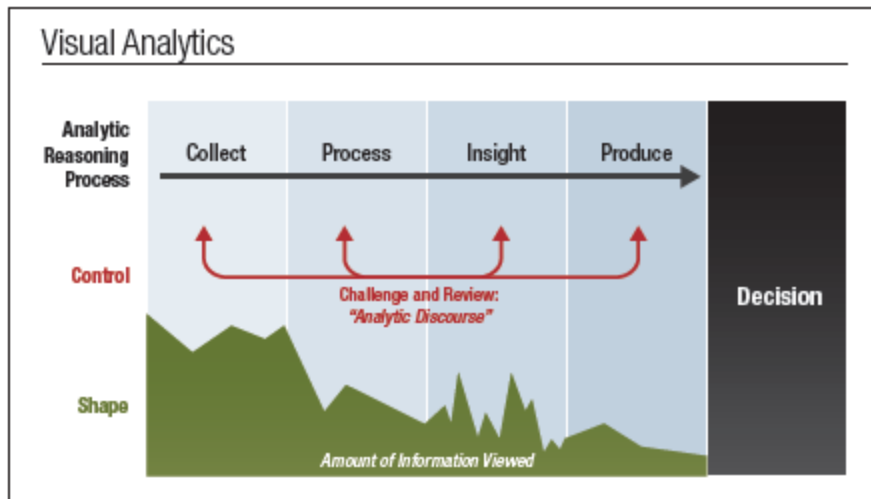
Figure 3: Visual analytics, shape and control chart

Early in the product development process we realized that our key metric for Attenex Patterns was how many "document decisions per hour" a lawyer could make with our software versus our competitors tools. We went beyond the eye candy of most visualizations to Deming's mantra to understand and control our process. Document decisions were the end result of the eDiscovery process.

With the document decisions per hour metric we could quickly test any new features we wanted to add to the product. Every time we added a new feature we would see how many document decisions per hour occurred. If we increased the document decisions per hour then the feature stayed in. If we decreased document decisions per hour, the feature was pulled out.

In the first five years of Attenex Patterns product development we developed at least 350 different prototypes. About 40% of the feature innovations improved our "document decisions per hour" and stayed in the product. The rest of the features were removed.

Rapid Prototyping
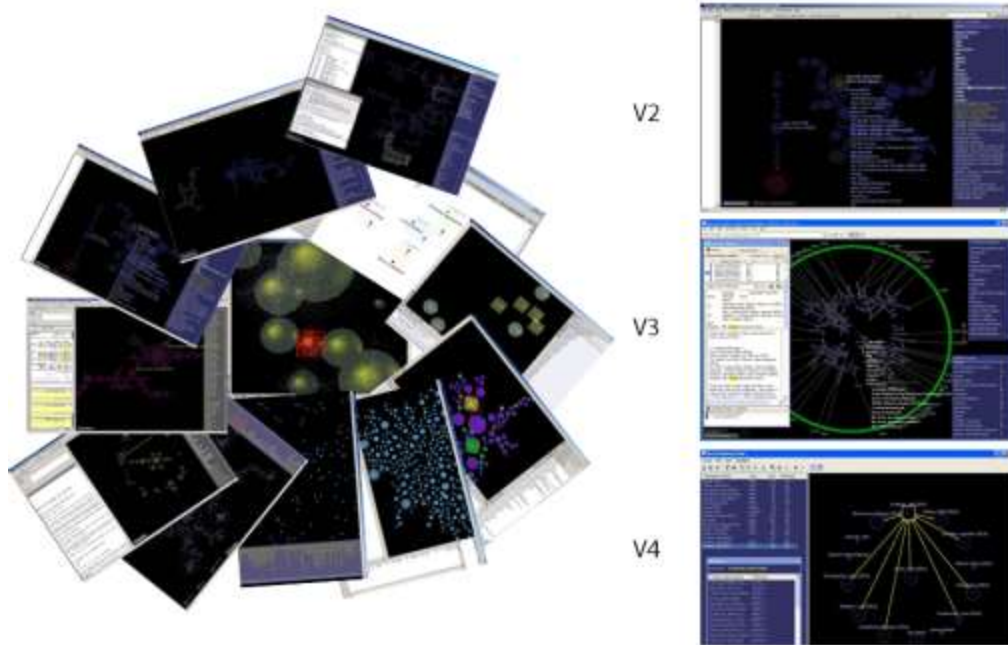
In the above diagram you see fifteen of the prototypes we quickly iterated through. At the very center of the prototypes on the left you can see our first 3D interface. As good technologists we felt having three dimensional views would be great (like PNNL's IN-SPIRE had suggested). We observed that lawyers (and most humans) cannot understand abstract 3D unstructured document spaces. So we shifted to representing multiple variables in a two dimensional interface. This interface worked great and with Patterns V2 we launched the product publicly and regularly achieved >10X productivity improvement over our competitors linear review tools saving our customers millions of dollars per litigation matter.
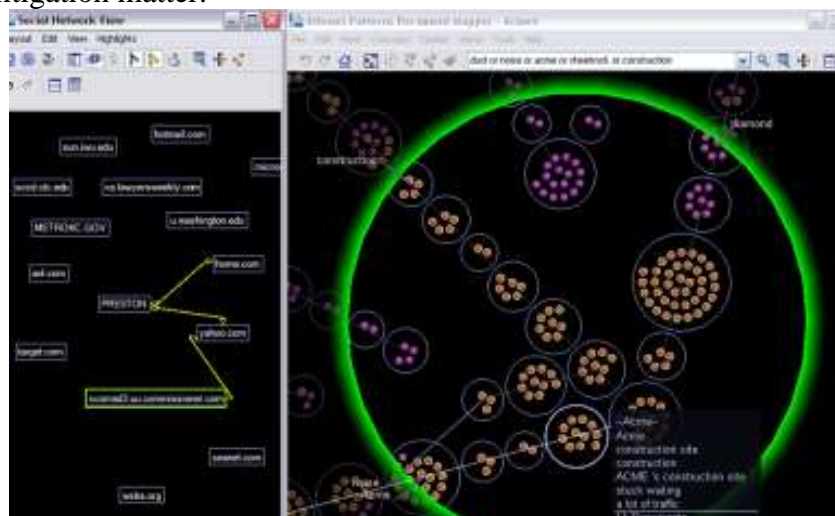
After 300 prototype iterations, we released V5 of Attenex Patterns. Each dot represents a separate document in the right hand semantic network window. On the left hand pane we have the organization side of the email address in a social network view for the same set of emails. An email address provides both the identity of the individual and their linkage to their organization. Both types of social networks are available for viewing. Each of the two window panes has referential integrity. In this case, I've clicked on the linkages between Preston.com and Yahoo.com (the yellow arcs in the left pane). In the right hand pane, all of the emails that were exchanged between Preston and Yahoo are highlighted in yellow. As I roll over each cluster of documents I can see the topics and subject lines of those email addresses to quickly see what the communications were about. In this case the discussions were around Acme Construction.

Xbox Controller Interface

At the urging of Andy Cargile, one of my favorite students from the Institute of Design, we tried an Xbox Controller to navigate and "shoot" the documents to categorize them. We'd returned full circle to my 1968 midnight vision of shooting documents like I shot spaceships playing Spacewar. Our production tests showed that we would get an additional 1X performance improvement over baseline (advancing us to 11X productivity).

Try to imagine us going to New York City's largest conservative law firms and selling them on their lawyers using a game controller to improve the productivity of their review. This feature was the only productivity improvement we had to pull out of the product. Playing computer games just doesn't fit with the culture of Big Law.

With the rapid advances in our human centered design and metrics driven process, we demonstrated that we could create value for all of the participants in our electronic discovery value chain. Over the course of five years, we dramatically reduced the cost of reviewing 300GB of documents.

Value Creation

- 2001: 200 attorneys
  1 year, **$18M**
- 2003: 100 attorneys,
  3 weeks, **$6M**
- 2006: 65 attorneys,
  2 days, **$2M**

With the improvements in our technology we were able to achieve large gains for our end customers – the Fortune 1000 corporations involved in high stakes litigation. Prior to our product, 300GB of material (if printed out in bankers boxes they would occupy an entire Sears Tower) took 200 attorneys a year to review.

My favorite example of the product power was the high profile Board of Directors investigation in 2006 where the lead law firm partner realized on the Friday before a Monday morning Congressional Committee appearance that they were going to have to go through all 300 Gigabytes of material, not just the small sample they'd reviewed previously.

The law firm hurriedly called in 65 attorneys from associates to senior and retired partners to spend the next two days reviewing all 300GB of emails. Most of these lawyers had never seen our software prior to this emergency. They learned the product, did the review and printed the responsive documents to make a midnight Sunday plane from the Bay Area back to Washington, DC. What an improvement from 200 attorneys working for a year to review the same amount of material.

The astute among you will be asking the question, why is this a great business if you've done such a great job decreasing the costs for your end customers?

And the answer is – the amount of electronic information to review expands faster than the rate at which we increase productivity. What a nice business ecosystem to be in. Last year the industry had its first Petabyte case – that would be 3,000 Sears Towers full of banker's boxes.

While we were quite excited about the ability of metrics to drive our product development for Attenex Patterns, we could never find a metric to guide the development of Attenex Structure. We had very early sales success with Attenex Structure with Microsoft, 3M and Fair Isaac. Even with all our instrumentation in the product and our testing of prototypes, we could not find a metric that would let us know if a new

prototype helped or hurt a user's productivity. Without a metric, we could neither improve the product nor could we easily sell the product by having evidence to back our productivity claims.

Productivity is often equated with do it faster. Attenex prioritized its research and development efforts to find and solve those problems where we could achieve at least ten times productivity increases. Productivity is a complex interaction of "better, faster, cheaper" with ever increasing quality (six sigma) and improved business relationships (customer, supplier, partner). To improve productivity it is important to have key metrics that are measurable and can be made visible for all parties. We wanted to ensure that each feature that we added to our products improved the overall measures of productivity for our users, purchasers and influencers. Productivity increases would include the balancing of machine improvements and user level improvements that often times are non-obvious. For example should we spend more machine time on identifying near-duplicates (reducing our throughput) in order to reduce the amount of documents that an attorney has to look at (decreased human labor)? Identifying key metrics and then making it painless to track the metrics and identify patterns is the focus of measuring your way forward.

The major types of productivity improvements can be classified as:

- Faster
    - Reduced cycle time – the overall number of days, weeks or months it takes to complete a project from beginning to end
    - Reduced process time – the total number of hours consumed in producing the end work product
    - Reduced learning time – the amount of time a user requires to achieve proficiency in a particular area
- Better
- Cheaper
- Increased quality
- Improved relationship quality with customers, suppliers and influencers
- Risk Management
- Increased Reward

Recently, I worked with [Daniel Kornev](#) of Zet Universe to help him gain insights into his target market and what metrics might guide his product development. Daniel described his product as a file organization tool for visual thinkers. Visual folks often get frustrated with the lists of lists that Microsoft Windows and Macintosh OS folder based file systems present and our search tools generate. As I listened to Daniel talk about the customer interviews, he mentioned several times that with Zet Universe users could quickly move from one project to another.
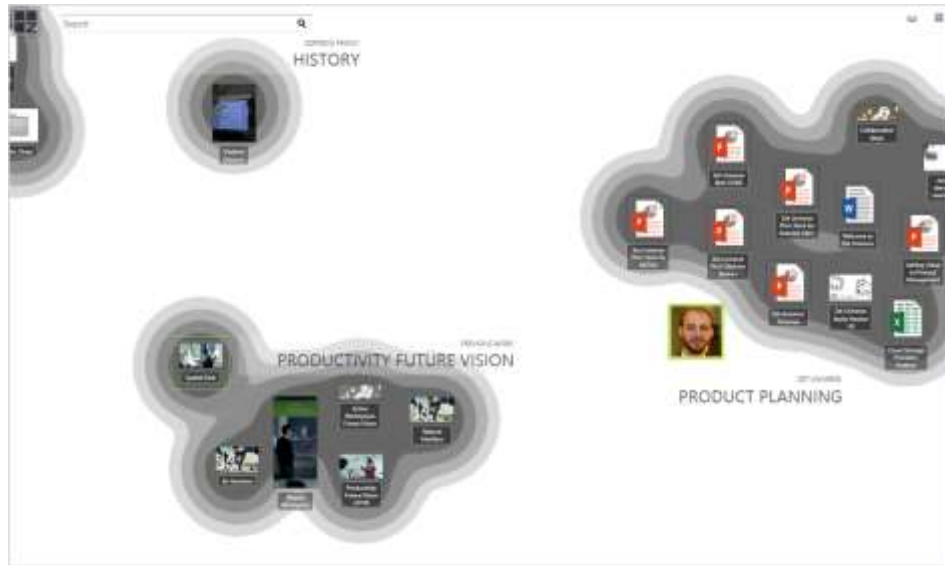
I repeated what I'd just heard. "Daniel, listen to what you are saying. I heard you say that you're not looking for visual thinkers. You are looking for knowledge workers who work on multiple projects during the course of the day and have to switch between those projects quite often. Is that your target market? If so, you also have your key metrics – time to switch between projects (close one down and open up all the files associated with another project). It's the switching time that you are dramatically reducing. This metric will also keep your development focused on what features to add. You can do the same thing that we did with Attenex Patterns."

I can't wait to see how Daniel moves forward with his metric insight.

As more of your product is digital and you instrument your product, you are ready to move to key metrics for measuring your marketing and selling initiatives. John Wannamaker shared "Half the money I spend on advertising is wasted; the trouble is I don't know which half." With the advent of digital marketing and social media it is getting easier to test which activities matter to your target customers.

Ash Maurya with his Leanstack product for testing your marketing activities illustrates this problem nicely with these images:

We all want to be this guy, Iron Man, with his kickass dashboards and tools.
But the second picture, is in fact, what our reality really looks like...

What you wanted   *The reality*

With all of the tools that we have today it is easy to get lost in the minutia. Along with the metrics, you also want to remember why you wandered into the swamp of metrics – to generate insights that will allow you to provide extraordinary value to your customers.

Padraig at Red Kite Prayer shares a story of how paying attention to minutia can detract from your overall goals:

> "I used to have a cyclocomputer, a not very fancy one. It told me how slow I was going. It gave me my average lack of speed, my top slowness and the paltry total distance I'd covered. I hated it.
>
> Of course when I first affixed its magnet and wired its sensor, I was excited. So this is what 25mph feels like. So that's how far it is from my house to the end of my second water bottle. All this new information was fascinating. I used it to formulate boasts to friends about how much further I was riding than they were and how much faster I had climbed this hill or descended that one. I used it to measure my progress from the chilly beginnings of spring to the stiff breezes of leaf strewn autumn. And on some level, I just accepted that this was part of the equipment, part of the way you rode a bike.
>
> Last summer, Wired told me about the boom in personal metrics measurement. Suddenly this trend that cycling has been following for years was spreading and "booming." People loved and felt inspired by statistics. And with the proliferation of devices from Garmin and others that would quantify your work in dozens of different ways and allow you to make bar charts and graphs and multicolored pie representations of your everyday grind, who could blame them?
>
> Why generate sweat when you can generate stats?
>
> One day, about two years after I'd purchased my first such device, I was struggling into a headwind up a false flat staring down at its digital readout. 14.1

mph. Grunt. Groan. 14.2 mph. Muttered curses. 14.3 mph. Pain. Strain. Incredulity. 14.1 mph. Back and forth like this for a few minutes, all the time with my head down, all the time bouncing between 14.1 and 14.3 mph, in other words, working hard for no real gain with my head down and a growing frustration.

At some point, I had a revelation. I reached down, unplugged the computer and slid it forward out of its bracket, depositing it in a jersey pocket, before lifting my head, seeing both the forest AND the trees and riding off on my merry, if deeply fatigued, way.

I realized in that moment that I had, at some point over the preceding years, ceased to ride my bicycle. I had begun to ride my computer, and, in the end, it had ended up riding me. I had stopped collecting experiences on my bike and resorted only to collecting statistics. Perhaps worst of all, I had stopped seeing where I was going. I was the computer. The computer was me.

Computers don't ride bicycles. They compute.

It was shocking to me how much more I enjoyed riding once I stopped measuring my rides. I became more aware of my form and position on the bike. I live in a beautiful part of the country, and I began to see it. I got faster, if not in actual digital terms, then certainly in my heart, because I felt faster. I swore then to reaffix my computer only after deep and careful thought about what doing so would get me.

"A Zen master once said, "When you are drinking tea, only drink tea," and, for me, this applies to the bicycle as well. When I am riding my bike, I try only to ride my bike. I don't concern myself with speed, fitness or progress. Those things are elusive. They come and go. When I ride, I become fit. I progress. I go fast. Except when I ride myself right out of fitness, speed and progress. The form dips and swerves. The consequences of my riding change and shift, but the riding is always there.

"For me, measurement started as a curious and entertaining diversion, but ended as an obstacle. Somewhere along the fault line of the pro-hobbyist divide, technology and science have interceded. Those who wish to race, if not professionally, then certainly as the pros do, have followed them down the statistical path. It is, perhaps, a hobby within the hobby, neither bad nor good, but simply another thing you can do with your bicycle.

"I've left it far behind now. Occasionally I wonder exactly how fast I'm going, but the thought passes. I'm going fast enough."

One way I've found to re-focus the product marketing and development teams is to periodically ask them to improve the performance of the product or of our marketing activities by at least 10X. I learned this lesson many years ago while working on ALL-

IN-1. When I asked the software developers to improve performance by 10% I would get improvements ranging from -10% to +3%. I never came close to a meaningful improvement.

Then one day out of utter frustration I asked for 10X performance. Within two weeks the team had improved performance by 500%. I couldn't believe it. What changed? As we did an after action review, we realized that by asking for a 10% improvement the developers just made minor changes. When asked for 10X performance, the developers knew they had to think differently about the opportunity. They had to think outside the box.

I was delighted to find that this technique also works for marketing.

Yours in entrepreneuring,
Skip Walter

Applying Measuring

The theme for this week of flipping perspective is to find different ways to measure how your product benefits your customer ([influencer, purchaser, user](#)). For seven days, the flipping perspective process is:

- Select something that you could measure about your product in use by a customer
- Take a photo that captures the essence of that interaction
- Free write on how you would capture the measurements and how measuring this aspect of the interaction could improve the customer's experience with your product

The Cosmos of the New Venture

Measuring is in the wisdom cycle. There are thousands of things that can be measured in the product and in the interactions with customers. Thousands of analytic software tools exist to help you measure things. The wisdom is to figure out which one or two things to measure that will drive your product forward and will drive your customer acquisition forward.
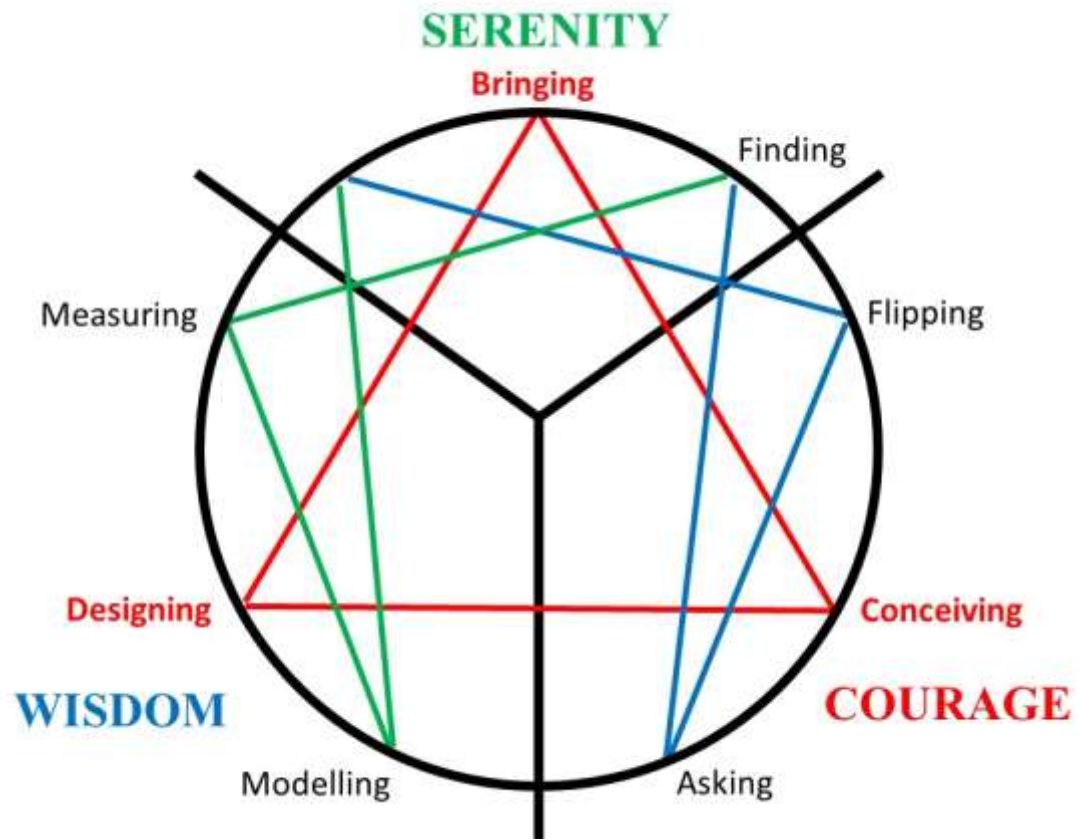
Measuring is KNOWING.
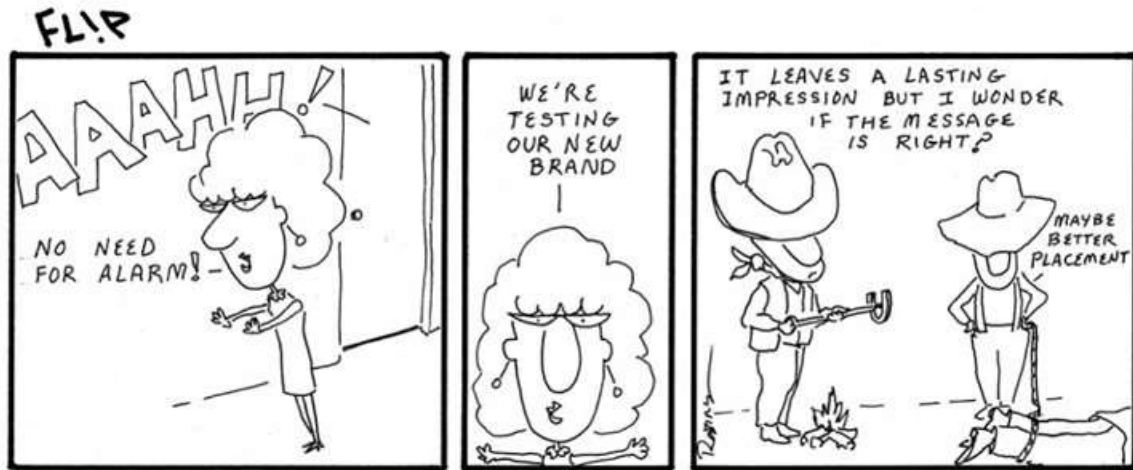
Branding

"People often assume the brand is the logo or symbol—and there's no doubt that if that's done well, it can give you a flavor for who the company is, whether they're contemporary or traditional, and so forth. But I really see the brand as more than that logo or mark—it's the totality of the way in which the company talks to its public."
Kit Hinrichs

[Bumpass Hell](#), Lassen Volcanic National Park, California, USA August 15, 2013

Dear Mikhail,

Your email reached me while I am enjoying a "Ring of Fire" high at Bumpass Hell in Lassen Volcanic National Park. I can't believe that it is mid-August and we are having to hike through two feet of snow in places.

I understand the difficulty of finding metrics for your products and services in your new venture. I've had to discontinue product development on several products that we couldn't find good metrics for. I suspect you have found some good metrics, but only you can sort out which ones matter for guiding your future product development.

Shortly before we started merger discussions between Aldus and Adobe, we were interviewing for a new Director of Marketing Communication. As an executive I was asked to interview some of the candidates. Near the end of the process, [Katherine James Schuitemaker](#) showed up in my office in the middle of a typically frantic day. Knowing that there were several of my managers waiting for meetings, I thought I could gain back a little time by doing a perfunctory interview. Little did I know I was about to meet one of the finest collaborating colleagues of my life.

In my previous 25 years of management, I worked with a wide range of corporate marketing and agency talent. While marketing is not my area of expertise, I was rarely impressed with marketing folks. As a result, I did not have a skills template for a good marketing person, let alone a Director of Marketing. All I knew is that marketing folks had these outlandishly large budgets which they always spent – to little effect.

Running down my stock list of interview questions, I asked Katherine "what is your philosophy and understanding of branding?" I expected some lametard answer about designing cool logos (my feeble understanding of branding). Instead I got an education that started with "Branding is everything!" expressed with every energetic fiber in Katherine's being.

Whoa! I had to challenge that. "Excuse me, but product is everything. Marketing is just the gloss and expensive budget that is spent without any controls. What do you mean branding is everything."

Talk about waving a red flag in front of a charging bull. Katherine launched.

> "Branding is everything. What you build as a product is just one component of the brand. The brand is the essence of everything Aldus needs to do as a company. Brand is the promise that is made to every customer. Brand is the experience that every customer has with every aspect of the product. From the first minute that

the customer becomes aware of Aldus, to the out of box experience, to the trial of the product, to learning to use the product, to calling customer support when they have a problem, to receiving and installing product updates, to how you help the customer tell their friends about how wonderful your product is – branding is everything."

I was having a hard time taking notes with the fire hose of passion that Katherine unleashed.

To slow Katherine down, I asked for an example.

Katherine explained to me her conception of branding by telling the story of her work in promoting the HP LaserJet. While doing scores of buyer and user interviews, she kept hearing the customers say "I love my LaserJet." It took her a while to realize that the customers might actually mean they really had an emotional relationship with an object instead of a person.

When the customers were asked specifically about using a verb like "love", they just laughed and said "of course, we don't really mean that we love it in that sense." Yet, customer after customer kept saying those words. So Katherine and her team decided to try out some print and TV advertisements using exactly that theme.

Long before I met Katherine and to this day, I remember those ads with enterprise customers talking about how they loved their HP Laserjet. I remember a business manager sitting at his desk in white shirt and tie enthusiastically sharing "I love my LaserJet." I thought it was the dumbest ad. Yet, what have I done since seeing those ads? I have only bought HP LaserJets – for twenty plus years. Those ads that Katherine generated increased LaserJet sales by over ten times to billions of dollars per year.

Katherine used those insights as a core part of her Value Exchange Relationship process. Some of the questions that she asks (in oh so many ways) are:

Relationship Support Over Time
If I "marry" this, what will my life look like?

- How do I fold in my *"legacy" elements*?
- How will this connect to my *support web*?
- Will this relationship *stay fresh*?
- Will this relationship *anticipate my needs* & provide for them?
- Will this require *more & more* or *less & less of me*?
- What *future benefits* can I anticipate?
- How will my *investment be protected* over time?
- *Can I count on you* for something this important?

Katherine took the customer research and turned it into the core of how she has helped countless companies since – people are in deep relationship with the objects of their life in a very similar manner to how they are in relationship with other people.

[Reeves](#) and [Nass](#) in the [*Media Equation: How People Treat Computers, Television, and New Media Like Real People and Places*](#) performed a wide range of detailed, scientific studies to amplify what Katherine found through her research. Despite countless denials, the research subjects treated the new media and objects of the information age as if they were dealing with people. Yet, this research has not really made it into the design of objects and software.

As I reflected on the "brand is everything" assertion, I started paying attention to my favorite brands and started deconstructing them with Katherine's point of view. The first powerful experience that came to mind is the occasional experiences over fifty years attending the Masters Golf Tournament.

While the world has changed in myriad ways since my first visit to the Augusta, Georgia slice of heaven, the experience of the Masters is as magical today as it was when I attended my first Masters in 1967 with my father. The beauty of the hundreds of Pantone shades of green come to life with the interspersing of the multi-hued azaleas providing the backdrop for the world's best golfers.

In 1967 we walked the 18 holes of the course and rested after the long climb up the fairway of the 8th hole. We noticed a little white ball come bouncing onto the green with no golfers in sight. As if drawn by a magnet the ball went straight for the hole and dropped in. There were only 20 of us standing around the green to witness Bruce Devlin's double eagle (only the second recorded at the Masters). Cool.

As we continued around the course, I didn't want to leave the bank below the sixth hole where all the University of Georgia coeds were sun bathing on this warm spring day. Dad dragged me away to the food tent where we filled up with $.50 pimento cheese sandwiches and $.75 beer. This beautiful course flows with great looking women and inexpensive food. Can I come back every year, Dad?

Fifty years later, the golf holes are different to accommodate the changes in golf equipment and the skills of Tiger Woods, but the experience represents the best of the old South. The azaleas and coeds are still spring time beautiful and the food a tasty and amazing bargain (sandwich $1.50 and beer $3).

In spite of several generations of Augusta National managers and professional golfers and a wide range of external criticism for not accepting people of color and women as members, the organization has grown the brand, evolved their membership rules, and increased the number of tickets (from 40,000 to 150,000 for the four day tournament) while still keeping the brand, brand promise and brand experience the same.

Figure 7 Skip celebrating Phil Mickelson's First Masters Victory

An important part of the Masters tradition and experience is that no cameras or phones or electronic equipment are allowed on the property. The "patrons" are here to focus on great golf and masterful golfers and enjoy being a guest of the Masters golf club members. There are no distractions. A special part of the event is that you can only track the scores from the scoreboards and follow the loud cheers or groans when a golfer does something great or poor somewhere on the course. The cheers tell you that something happened but you have to wait for the score to be updated on the manual scoreboards to understand what just occurred. We have to use our imagination to create the remote experiences on the course. Returning to a simpler time of pure imagination is part of the charm.

At the core of the Masters experience is recreating the values of Bobby Jones, the last great amateur golfer, who designed the Augusta National course and established so many of the traditions. The club members strive to have each patron be transported to the world of Bobby Jones each April. No matter who you are and how famous or rich you are, you are still just a patron. In the photo above, I was just a few feet away from another one of my sports heroes – Jeff Gordon of NASCAR fame. Like the rest of us, Jeff sat in his fold up green Masters chair. For the five hours we all watched the golfers finish their final round at the 18th green in 2004, Jeff was just one of us patrons. Not a single patron bothered Jeff for an autograph. We are all special during those four days.

How do they do that?

Clues to how the Masters achieves their brand promise and brand experience can be found in the Email on Conceiving – being clear about their "why" and their values.

While one of our family tragedy stories is of the year that we lost our Masters tickets by failing to renew them, I married into the Keleher family and their two annual Masters tickets. Once Jamie's parents got older they would give the tickets to one of their children to go to the Masters. So every six years we got to visit Augusta National again. Not knowing how many times we might continue to visit due to Grandma Barb's poor health, during our last visit we took our three kids so that they could each have a day to experience the Masters. And not a single member of my family is a golfer. The Masters experience transcends sports.

I love the Masters.

I love the Masters so much it was important to pass the Masters experience of my father and Jamie's father to our three children – three generations of Masters experience. Different years, different interests, and different attitudes and the depth of the Masters brand, promise and experience transcends all.

Sound familiar – I love my HP Laserjet printers.

If I marry the Masters golf tournament, what will my life look? Looking back, my life is filled with fifty years of deep memories – both of being at the event eight times and watching the tournament on TV the rest of the time. Watching the Masters on TV is different than watching any other event as I've been to the actual golf course. I've experienced the dramatic undulations of the greens and the unfathomable distance and hazards of Amen Corner.

Katherine went on to share the fundamental questions that an entrepreneur needs to think through when creating your brand. Your brand is your company. Your brand is what you stand for. Your brand is your relationship with all your stakeholders.

The Fundamental Questions

- *Who* are we designing these offerings for?
- *How will we reach them*?
- *With what* product/service/relationship offering?
- That delivers *what advantage* over current solutions?
- To create what *net benefit* to the customer's value system?
- Via what *currency of exchange*?
- ...and what kind of *relationships*
- will be *supported by what*, now & in the future?

From the very start of your "branding is everything" journey, these are the core questions. None of us gets these "right" at the beginning. You are only guaranteed to get them wrong if you aren't deeply explicit about the answers at each stage of your journey.

As Katherine worked her clients through the Value Exchange Relationships, she realized that the 4Ps which are a cornerstone of brand thinking were changing. The traditional 4Ps of the industrial age were shifting with the advent of the information age and the Internet.

The Four P's of the Information Age

Purchases are increasingly made without direct "product experience"

Industrial Age	Information Age
• **Product** = what you bought	• **Product** = information
• **Place** = where you bought it (channels of distribution)	• **Place** = where the information is found
• **Promotion** = what got you to buy NOW	• **Promotion** = how the "place" is found
• **Price** = how much $ you paid for the product	• **Price** = what the customer is willing to endure to get the information

Working with Katherine at a couple of new ventures, we realized that with the advent of social media the 4Ps were shifting again:

The Four P's of the Social Networking Age

Purchases are increasingly made without direct "product experience"

Purchases are increasingly made with a little help from my friends.

Information Age

- **Product** = *information*
- **Place** = *where the information is found*
- **Promotion** = *how the "place" is found*
- **Price** = *what the customer is willing to endure to get the information*

Social Networking Age

- **Product** = *connections*
- **Place** = *where my friends gather (MySpace, Facebook ...)*
- **Promotion** = *what I'm driven and compelled to share which leads to reputation score*
- **Price** = *what I have to do to access and create authentic experiences*

The other starting point for thinking about your branding is the Positioning and Value Proposition that Geoff Moore describes in *Crossing the Chasm*. The elements of the positioning statement are:

- For *(target customer)*
- who *(statement of need or opportunity)*
- the *(product or company name)*
- is a *(product or company category)*
- that *(statement of key benefit / compelling reason to buy)* .
- Unlike *(primary "competitive" alternative)* ,
- our product *(statement of primary differentiation)*.

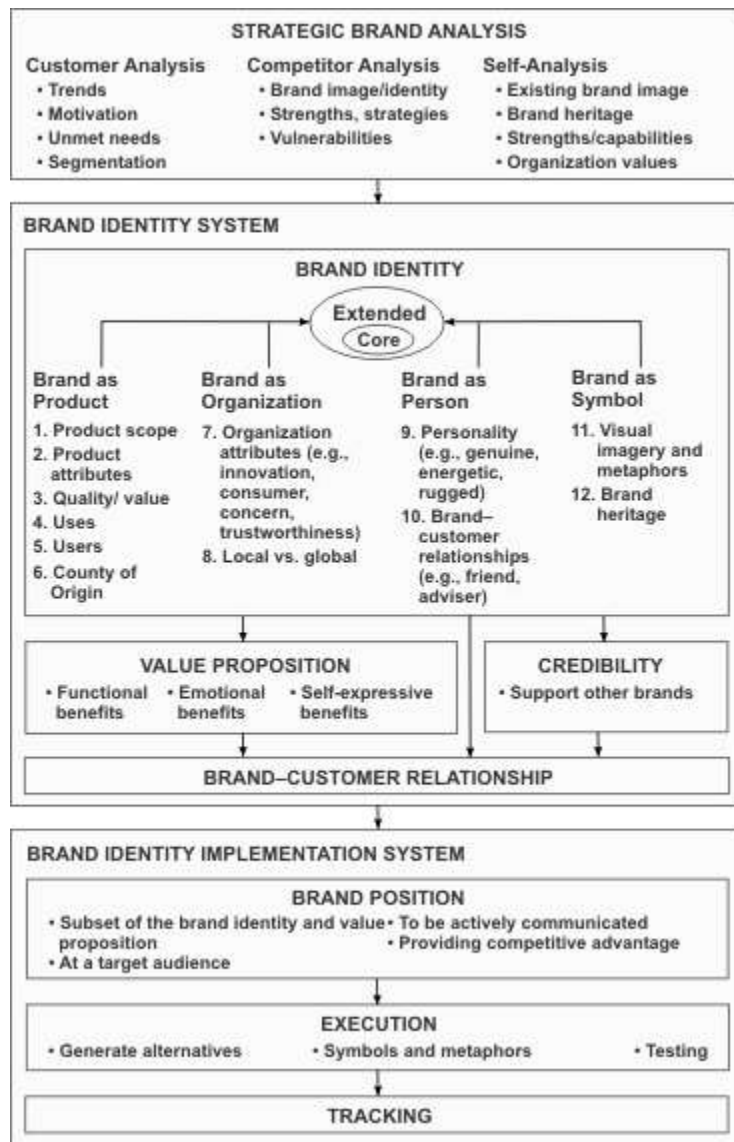An example of the positioning statement from the early PC days when Windows 3.0 released was:

> **"For** PC users **who** want the advantages of a Macintosh-style graphical user interface, Microsoft Windows 3.0 **is an** industry-standard operating environment **that** provides the ease of use and consistency of a Mac on a PC platform. **Unlike** other attempts to implement this type of interface, **Windows 3.0** is supported by every major PC application software package."

A more recent example of a positioning statement is the Google search engine:

> **"For** web users **who** want an easy way to find the right information fast, Google **is a** simple yet highly discerning search engine **that** turns content on the web's 1.3 billion sites into just what you wanted to find. **Unlike** other search engines,

> ***Google*** <u>delivers only the most relevant results in less than a second, without the delay and distraction of downloading a page full of advertising or useless links</u>."

David Aaker is a prolific author on the many aspects of branding. His Brand Identity Planning model is a deep and formal look at branding.

STRATEGIC BRAND ANALYSIS

Customer Analysis	Competitor Analysis	Self-Analysis
• Trends	• Brand image/identity	• Existing brand image
• Motivation	• Strengths, strategies	• Brand heritage
• Unmet needs	• Vulnerabilities	• Strengths/capabilities
• Segmentation		• Organization values

BRAND IDENTITY SYSTEM

BRAND IDENTITY

Extended
Core

Brand as Product	Brand as Organization	Brand as Person	Brand as Symbol
1. Product scope	7. Organization attributes (e.g., innovation, consumer, concern, trustworthiness)	9. Personality (e.g., genuine, energetic, rugged)	11. Visual imagery and metaphors
2. Product attributes			12. Brand heritage
3. Quality/ value		10. Brand–customer relationships (e.g., friend, adviser)	
4. Uses	8. Local vs. global		
5. Users			
6. County of Origin			

VALUE PROPOSITION
• Functional benefits   • Emotional benefits   • Self-expressive benefits

CREDIBILITY
• Support other brands

BRAND–CUSTOMER RELATIONSHIP

BRAND IDENTITY IMPLEMENTATION SYSTEM

BRAND POSITION
• Subset of the brand identity and value proposition
• At a target audience
• To be actively communicated
• Providing competitive advantage

EXECUTION
• Generate alternatives   • Symbols and metaphors   • Testing

TRACKING

In a blog post Aaker shares his Top 10 Brand precepts:

> "Out of my five brand books, what precepts stand out as one of the top ten? Which are most critical "to do" tasks for someone charged with creating or

managing a business? What do you need to know to excel at building a brand? Here is my top ten list:

1. Treat brands as assets. Acceptance of the concept that brands are assets and have equity really changes not only branding and marketing but also business strategy. No longer is branding a subset of marketing to be managed as a communication problem. It becomes strategic, both reflecting and enabling the business strategy. Importantly, a brand is more than image and awareness—it also includes the size, the engagement, and the loyalty level of the customer base. That means that brand strategy needs to be developed in tandem with the business strategy, both need to be clear on the target market, the value proposition, and the investment priorities over time.

2. Show the strategic pay off of brand-building. Part of the challenge of getting brands accepted as strategic is to demonstrate that they pay off. Unlike tactical marketing which can demonstrate short-term results, the long-term effects of brand building are difficult to demonstrate. One way is to observe the success of a business strategy and show how dependent that strategy was on brand assets. Another is to use surrogates for long-term impact such as measures of customer loyalty. But it is reassuring to know that, on average, brand building does pay-off. I have conducted four studies with Professor Bob Jacobson of the University of Washington which explored the relationship between brand building and financial returns. Our study of brand equity and stock return is typical. A well-known fact in finance is that there is a strong relationship between earnings changes and stock prices. We found that the impact of building a brand on stock return was nearly as great as earnings, actually 70% as much effect.

3. Recognize the richness of brands - go beyond the three-word phrase. Brand building starts with determining the aspirational associations, what associations should come to mind when the brand is cued. In general, this set should be from six to twelve associations. Of this set, two to four should be identified as the most important and the most able to drive effective marketing programs, and the most likely to resonate with customers. In the brand identity model, they are termed the core identity elements. There may be a unifying concept termed the brand essence that provides an umbrella summary of the brand's thrust but in some cases, it just gets in the way.

4. Get beyond functional benefits. There is a tendency to focus on attributes and functional benefits because they are assumed to be what customers are buying and because market research is often functionally focused. The fact is--customers are not logical and functional benefits rarely provide a basis for sustainable differentiation or a deep customer relationship. Look instead toward emotional and self-expressive benefits. Thus, a customer can feel safe in a Volvo, excited in a BMW, energetic with Coca-Cola around, or warm when receiving a Hallmark card. A person can be cool by buying clothes at Zara, successful by driving a Lexus, creative by using Apple, a nurturing mother by preparing Quaker Oats hot cereal, frugal and unpretentious by shopping at Kmart, or adventurous and active by owning REI camping equipment. Consider also brand personality. Should the brand be confident, competent, fun, warm, or energetic, or some combination of these? Sometimes a brand is best expressed through a personality.

5. Consider organizational associations. While most offerings struggle to be differentiated, an organization will have people, programs, values, strategies, and heritage that will almost always be unique. Further, the organizational characteristics can be meaningful to customers. They can provide credibility with respect to the offering by demonstrating or suggesting that the firm has the capability and will to deliver on its promise. Consider the visible commitment of Zappos.com to Wow! Service. Further, organizational values and programs can provide a basis for a relationship. The SalesForce.com policy of providing one percent of their product, time, and sales to public service. For some, that policy reflects shared values that lead to a respect-driven relationship that goes beyond products.

6. Look to role models. Knowing aspirational associations is a crucial first step, but how to get there is a practical issue. Looking at role models that can be adapted or leveraged nearly always provides useful insights. Suppose a brand aspired to be considered warm and friendly. Find other brands that have succeeded in doing so, including brands in disparate industries. How did they get that reputation? Can anything they did be adapted? Or look within your own firm. What people or programs best exemplify those characteristics to customers? Can their efforts be expanded or extended to other parts of the organization?

7. Understand the brand relationship spectrum. Brand portfolios can be so messy and dysfunctional that a firm's new product process is paralyzed because there is no concept of which brand to use on a new offering. Customers may be so confused that they can't even buy. The brand relationship spectrum can help create clarity, leverage, and synergy in the portfolio. The idea is that a master brand may work for a new offering if its associations are consistent and helpful and will be reinforced by the new role. However, there are times in which the master brand will be inconsistent or confining and the new offering requires some separation. The spectrum suggests that a sub-brand will generate some separation, an endorsed brand more, and a separate brand the most. The challenge is to find the right degree of separation and to create brands that can perform these roles.

8. Look for branded differentiators. It is difficult to create differentiation especially involving functional benefits because a competitor will quickly copy or appear to copy or otherwise neutralize the advantage. Unless you brand it. A competitor cannot copy the brand. If the innovation is branded and the brand established, the competitor's task of creating and communicating an enhancement will be formidable. When Westin created a superior bed and sleeping experience and branded it the Heavenly Bed, they changed the way that many looked at the hotel experience and the branded differentiator made it difficult for imitators to get traction.

9. Use branded energizers. We now know that brands across the globe have declined in terms of perceived quality, loyalty, and visibility over the last decade. The exceptions, those brands that have energy, have resisted the decline and still drive financial results. Energy may be the most important imperative for brand builders. The best form of energy, innovative new products, is not available on a regular basis for most firms and not available at all if you your offering is an unexciting one like hot dogs or life insurance. In that case, an option is to find

some branded program or person, a branded energizer, and attach your brand to it. Avon's Walk for Breast Cancer is an example of a program that added energy for a brand that could never achieve it with products.

10. Win the brand relevance battle. The way to gain market position, often the only way, is to develop offerings so innovative that they create new categories or subcategories making competitors irrelevant. The goal is to encourage the customer to select a new category or subcategory for which your brand is the only one with credibility and visibility. In virtually every industry, an analysis will show that market positions are very stable in the absence of such innovation. Relevance is also a threat to the leading brands who must be concerned with having customers — who respect and maybe love their brand — decide that they no longer want to buy what the firm is making, its brand has become irrelevant."

Apple is recognized as one of the best brands for user experience and innovation. Most authors at some point use Apple as an example, usually in breathless admiration. Once you have established a valued brand, each day is an exercise in increasing the value of the brand. And when the brand experience fails miserably, it is beyond jolting to the customer.

Apple is not without its faults. While the Apple iTunes and Apps Stores are fantastic business drivers, the application software "sucks beyond multiple levels of suckiness" (a phrase coined by [Dean Dan Turner](), UW marketing professor to describe his brand experience with BMWs).

A couple of months ago I dropped my iPad and cracked a corner of the retina display. I knew that Apple was going to be releasing a new iPad in November 2013. As the release date showed up, I didn't have the time to order and pickup my iPad before I left on a trip to the east coast. I figured I'd just buy one while I was visiting my brother in Columbia, MD.

I arrived at the store 15 minutes before opening and was one of the first to gain the attention of one of the sales people. They had the 32GB white iPad that I wanted and the salesperson brought it out. I handed him my credit card and was delighted to be through in just a few minutes with the delightful Apple in store experience.

The dreaded words "Sorry, sir your credit card is denied" hit me like a hard slap to the face. How could that be? I just used it. OK, "try this one" as I handed him another credit card.

"That one is denied to, sir."

Then the Apple genius asked me "you're not from around here are you?"

"No. As a matter of fact, I'm travelling here from Seattle."

"In that case, none of your credit cards will work. Apple has an arrangement with all the credit card companies to declare any transactions that are more than 50 miles from your home invalid due to fraud concerns. Apple is one of the biggest targets for fraudulent credit cards."

I was livid. I hate Apple today.

What should be an exciting purchase day to get my new iPad that I've waited months for was turning into "I really hate Apple today" experience.

I asked the clerk (he was way below a sales person at this point) if we could do it manually. So we found one of my credit cards that would allow us to call and verify the transaction the old fashioned way. I was surprised that the Apple store had an old fashioned credit card mechanical swiping machine. I waited very impatiently while the clerk took 20 minutes to fill out the paper receipt, called the credit card company to verify that I was who I said I was, and then completed the transaction manually. What should have been a 5 minute transaction took 30 extra minutes. The only way I kept my sanity was to take photos of the manual process in the ultra-hip innovative Apple store.

Figure 8Manual capture of my credit card

As I remind myself of my love/hate relationship with Apple, I remember my colleague David Robinson sharing that to better design a brand or brand experience, it is helpful to start by designing the negative experience. How would Apple design the store experience if they wanted to negatively affect their "brand is everything"?

The airline and air travel industry is one of the best examples of how to make dealing with a brand a miserable experience. I sometimes think there is a group of airline industry marketing executives who gather each month in collaboration with the TSA to make air travel as miserable as possible. At least we no longer have smoking on flights.

Vijay Kumar in his *101 Design Methods* describes the Compelling Experience Map:

The Compelling Experiences Map also has six attributes, according to Doblin, that make any experience compelling:
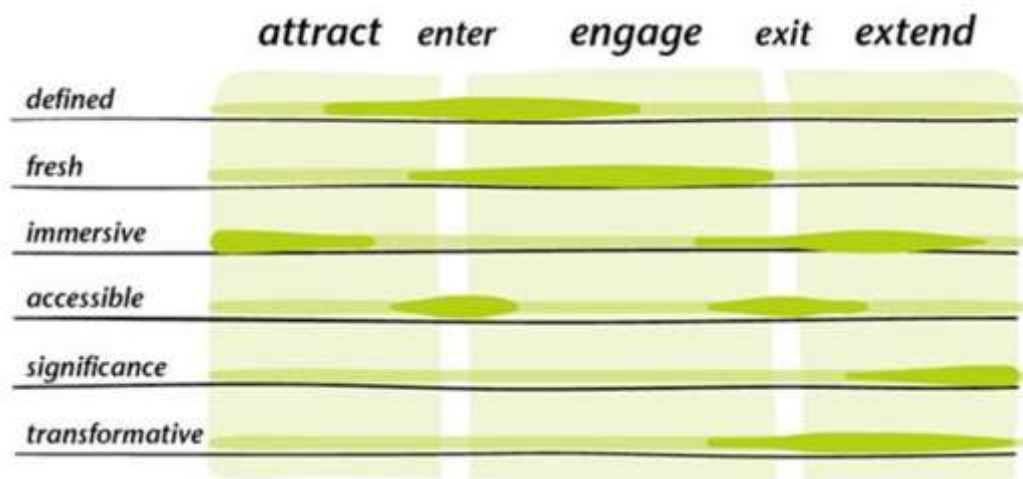
Defined—Can you describe it? Is it bounded?

Fresh—Is it novel? Does it startle, amuse, amaze?

Immersive—Can you feel it? Can you lose yourself in it?

Accessible—Can you try it? Can you get it to do what you want?

Significant—Does it make sense? Does it make you remember, connect, think, grow?

Transformative—Do you feel different? Do you have something to show for it?

In many ways, this micro brand experience design method provides a road map for how to think about designing the brand, brand promise, and brand experiences you want to provide your customers. The "brand is everything" is a collection of designed experiences where your employees and customers are key participants.

A few months ago I participated in a Nordstrom's Innovation Bootcamp. I was excited by the excellence of the workshop and the compelling experience design the facilitators employed. I was surprised by how large the Nordstrom's technology group had become as their online business expanded. I noticed that there were quite a few Amazon and Google executives now at Nordstrom. What was going on?

When I think of Nordstrom's I think of the store experience I came to know twenty years ago shortly after we moved to Bainbridge Island.

> I hate buying clothes, particularly business suits. But I have added a lot of weight, so it is time to get a new business suit. But still I delay. Then, Greg Kent, a neighbor who is the Men's Department Manager at the Seattle Nordstrom's, talked me into at least trying his store. "It'll be painless. I promise."

I went the next day. We started with the basics, a blue suit and a blue blazer. In twenty minutes they were selected, tried on, fitted by a tailor, and I was ready to go. "What time next week should I pick these up?" I asked.

Greg laughed and said, "I'll stop by your house and deliver them tonight on my way home." I think my jaw must have hit the floor. Each month Greg lets me know what's on sale that I might like. Nordstrom now has a customer for life.

Yet, there are things that I value and buy quite a bit of — books, wine and software. I spend several thousands of dollars a year on each. Most of this money is spent with a few stores or companies (Eagle Harbor Books, Cayuse Winery, Microsoft, Frys). As far as I can tell, none of them knows or cares that I exist. None of them knows me except through the occasional mailing list trying to get me to buy something. None of them bothers to communicate with me as a unique individual. None of them comes close to the Nordstrom model of perfecting customer service — one customer at a time.

As I listened to the Nordstrom Bootcamp participants, I realized that Nordstrom was no longer competing with other retail stores. As a large eCommerce retailer, they were now competing with Amazon. How does their in store brand, brand promise and brand experience translate to the web? How does Greg Kent translate online?

The Nordstrom Bootcamp was a great reminder that even when you have mastered brand, brand promise and brand experience, the world changes.

I love my HP Laserjet.

I love the Masters Golf Tournament.

I love Nordstrom.

I mostly love Apple.

Yours in entrepreneuring,
Skip Walter

Applying Branding

The theme of this week's flipping perspectives is to observe other brands and your brand with deep feeling – love or hate.

For seven days, alternate between well-known brands and different ways you might brand your company and products.

- Select a brand to focus on – during the week select both brands you love and hate and ways that you might brand your own product
- If a known brand, capture an image from the branding work of the company you selected. If your own brand, capture or sketch an image of your brand experiment
- Free write about the emotions you feel with your selected brand or brand experiment and identify ways those feelings affect your brand experience.

The Cosmos of the New Venture

Branding is part of the serenity cycle as it captures the ease with which company, talent and customers interact with each other. Branding is about the serenity of a promise and the serenity of lifetime of great brand experiences.

Branding is LOVING.

Exiting

FLIP

| THERE ARE TWO TYPES OF CHALLENGES. | ORDINARY CHALLENGES LIKE FINDING A MATCHING SOCK ... | OR EXTRAORDINARY CHALLENGES LIKE DOING SOMETHING THAT MATTERS. |
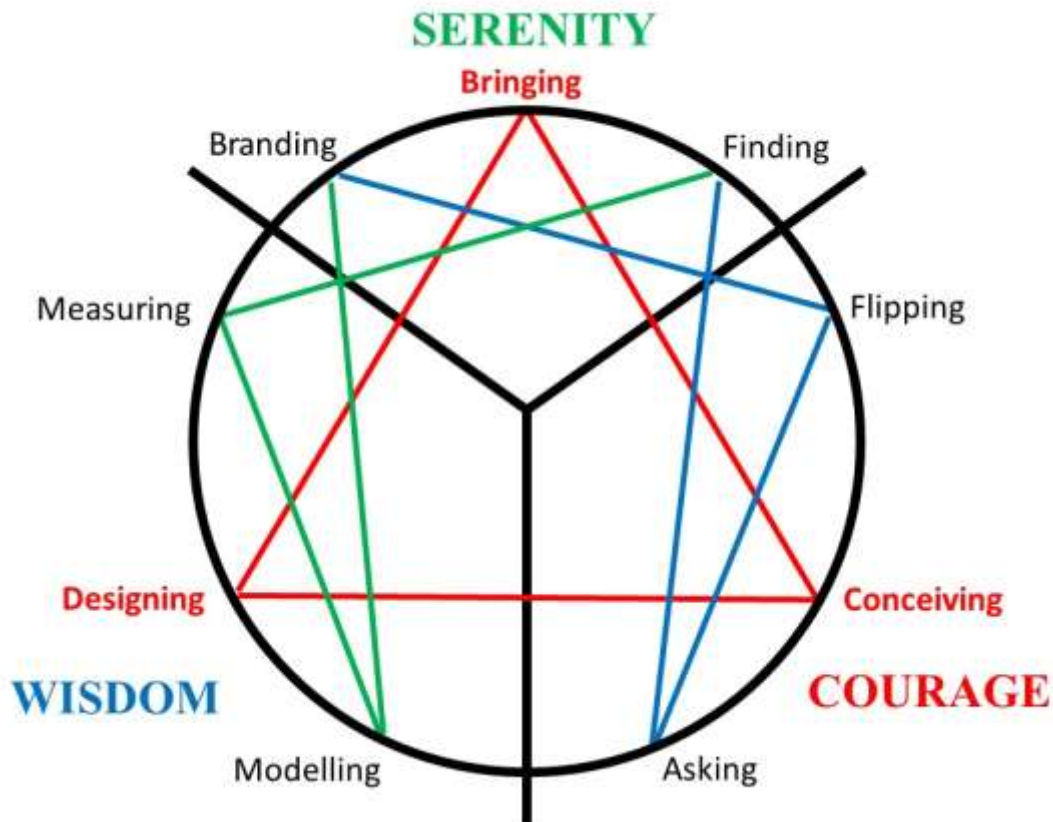
"**Intention**. A man's intention is not a thought or an object or a desire, but what makes him go forwards even when everyone is telling him he will be defeated or that his chosen course of action makes no sense. Having a clear intention helps the warrior to be invulnerable, to behave like a shaman, capable of walking through walls and touching the infinite.

"**The choice of path**. Nothing in this world is given to us as a gift. The most important lessons are always learned with great effort and difficulty. With this in mind, the warrior-hunter never despairs or wastes his time blaming others, because he knows that whatever he does, he bears sole responsibility for his choices. A warrior cannot complain or have regrets: his life is a constant struggle, and the challenges he meets are neither good nor bad, they are merely challenges."

Carlos Castaneda and the Sacred Lineage – a selection based on texts by Carlos Casteneda, 1925 – 1998.

Dear Mikhail,

Every year or so I must make a pilgrimage to Vancouver to listen to Basil Peters explain his *Early Exits* approach to new ventures. It reminds me of Covey's second habit – "Begin with the End in Mind."

I really enjoyed reading the results of your exercises for exploring "branding is everything." I really appreciate your taking these exercises to heart and am humbled by the insights that you are generating for your new venture. I am unable to select the best brand or logo or brand promise or set of experiences for your new venture. Only you can do that selection.

As I mentioned in my first email, in my forty years of innovating by creating new ventures, I did not understand what game I was playing. I didn't understand the game board or the rules or even what the goal of the game was. Like a new mother I made the decision to conceive a new venture (well, many new ventures as it would turn out), but I didn't know what the end game was. I didn't understand the game of parenting a new venture. It was like I was doing a jig saw puzzle with no picture on the cover of the box to guide my putting the pieces together.

I went through the typical progression of an entrepreneur. My first focus was on the product idea. The business focus was on the cost side – how much money would I need to create the product. The next focus was on finding customers – how much money would it cost me to get to market and generate revenue. Once we had customer and revenue traction the focus shifted to becoming cash flow positive. By the time I got through these stages I was like an exhausted parent trying to move from parenting that sweet infant to surviving an out of control teenager.

By the time you get to the cash flow positive state you have raised external capital and you now have a board of directors to deal with along with your employees, customers, suppliers, investors, competitors and influencers. There aren't enough hours in the day to

deal with the urgent, let alone the important. All of the stakeholders want large portions of your time.

At this point you start to think about exiting – either a personal exit from the company by turning it over to "professional managers" or a company exit (IPO or acquisition). In your more reflective moments you reflect on the joy that you had in conceiving the idea for the company and the peace of the gestation time. Most of us gather hundreds of ideas for the next thing that we would like to conceive. These are our day dreams.

The professional part of you tries to keep in mind what is best for the company. Should you add a new product line? Should you expand into services? Should you find a new set of partners? All of these questions swirl around you. You start seeking counsel from your board members, investors, bankers, and consultants. Yet all of these third parties have some other agenda and you don't know how to absorb all of their advice.

More importantly you realize that you don't have a way to think about the advice that you are getting or a framework to represent the options.

Seven years into the successful expansion of Attenex, I felt I was missing something basic. In spite of all the reading that I do on ways to think about business and strategic networking with the best business minds I could find, I still didn't have a way to reconcile all of the wisdom I was encountering.

Twenty years ago I encountered the Intellectual Capital approach to valuing a company along with Ijiri's Triple Entry Accounting to capture the momentum of a company. I also liked the scenario planning matrix and methods of the Global Business Network. But I couldn't synthesize these frameworks into something that would help me think through the next evolution of Attenex.

One night I awoke with a start and sat bolt upright in bed. Fortunately, I sleep with a yellow pad and a pen next to my bed and I quickly sketched what became the following matrix:

FACTOR¹⁰ˣ   Intellectual Capital
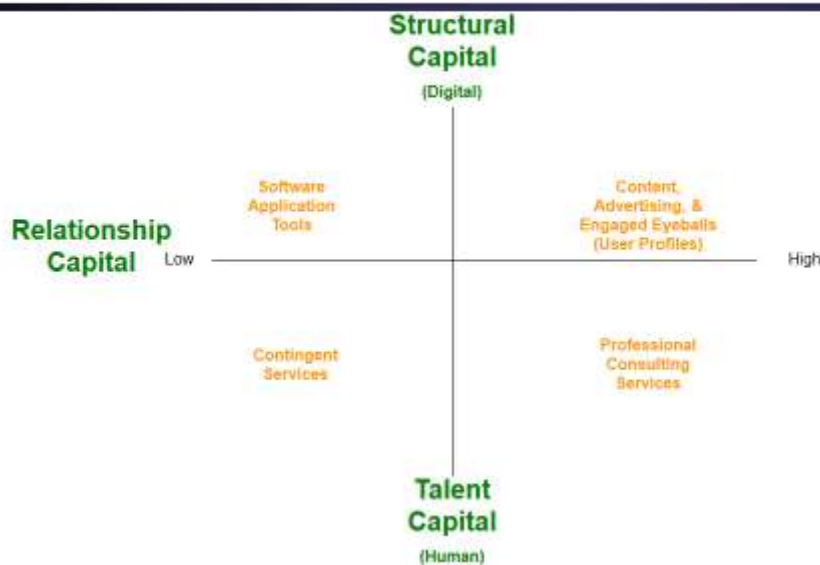
I'd finally reconciled the key components of Intellectual Capital with the product and services options we had for moving Attenex forward. Intellectual Capital is a framework and method for answering why the valuation of knowledge based companies (Google, Microsoft, CitiCorp, KPMG, McKinsey) were so much higher than their book value. Sveiby, Edvinsson, and Stewart had written extensively on the topic and asserted that traditional financial methods don't measure key contributors to Intellectual Capital – the delta between traditional financial measures and stock market valuation. These authors describe the three types of intellectual capital:

- Human Capital (Talent) – the talent base of employees skills that includes measures like the ratio of talent with advanced degrees to workers with high school education.
- Structural Capital – the non-human storehouses of information that reside within the facilities of a company. These include the knowledge that resides in information systems and file cabinets.
- Relationship Capital – the knowledge embedded in the business social networks (customers, suppliers, influencers) along with strategic networks.

The artificial number representing these three abstractions is typically captured in a spread sheet cell within traditional financial statements called "goodwill." It is unmeasured and unmanaged. In a knowledge based company, these three forms of intellectual capital are the primary assets.

In the 2x2 matrix above, the vertical axis illustrates the spectrum of Talent Capital (what resides in employees' heads) to Structural Capital (what remains in the company when employees go home at night). The horizontal axis represents a spectrum of Relationship

Capital from low to high. Mass produced products (like hardware or software) typically have low relationship capital as they are more of the form "one size fits all." On the high side of relationship capital the product or service is highly customized to the needs of the customer in order for it to be useful.

The top half of the matrix represents those products that can be mass produced and are mostly in digital form. The bottom half of the matrix is for the services arena and is mostly provided by human beings. From a product/service standpoint three of the quadrants were pretty easy to identify – software, contingent services and professional services.

What should be in the upper right quadrant? That question occupied most of the rest of the early morning. Finally, it hit me that the upper right quadrant is the realm of content. Content is mass produced, particularly digital content. However, in order for content to be useful it has to be somehow tailored to the individual consumer. The big breakthrough of the last twenty years is the search engine (Google, Yahoo, Bing). The search engine is the customizer of the mass content to my unique needs. The search engine is the vehicle for creating high relationship value. By profiling the users of content (and the content itself), search engine companies achieve high relationship capital with their consumers. The content is even more valuable the more often the user accesses the tool so another aspect of the upper right quadrant is how sticky the content site is.

A way to understand this framework (2x2 matrix below) is to place some existing companies on the matrix. Try placing the following companies – Microsoft, Google, Facebook, KPMG, Twitter, and Kelly Services. The most valuable companies are the ones that are able to monetize their content through advertising with a very large number of engaged users (millions to billions).
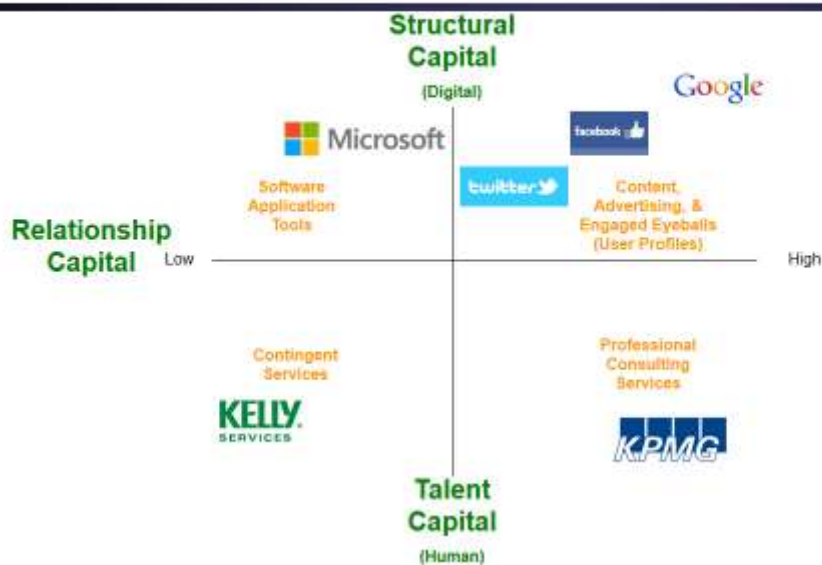
After using the framework to position existing companies, I took a quick look at the eDiscovery market that we were a part of. I identified the following products and services:

- Contingent Services – the part time lawyers and paralegals (often hundreds at a time) that review documents and are hired by the project, not permanently.
- Professional Services – the partners and associates at the law firms hired for a given matter, the project managers in all the companies associated with collecting, processing and reviewing the matter.
- Software – all the software tools that are used to process a matter like Attenex Patterns, FTI Ringtail, Summation, and Relativity.
- Content – the client's private and confidential data like email and the publicly available data like case law, case summaries, and lawyer databases.

The matrix worked. I could represent any product in our market space. Now I needed to add some numbers to the matrix to see if I could quantify the relative value of each quadrant.

FACTOR10x Intellectual Capital

Structural Capital (Digital)

4-6X
$1 – 15M
EBITDA: 60%
Time: 1–2 years
Software Application Tools

1 – 20X+
$1 – 10M
EBITDA: >60%
Time: 1 – 2 years
Content, Advertising, & Engaged Eyeballs (User Profiles)

Relationship Capital Low ——————————————— High

Contingent Services
1-2X
$1 – 3M
EBIDTA: 50% year 2
Time: < 1 year (time to profitability)

Professional Consulting Services
1X
$3-4M
EBIDTA: 15% forever
Time: < 1 year

Talent Capital (Human)

I started with some estimates of what the valuation multiple (company valuation divided by revenue) for companies in each quadrant. The software quadrant had valuation multiples ranging between 4-6X meaning that if a company was generating $30M in revenue it could expect an acquisition price of $120M - $180M. Professional Services firms typically have a low multiple like 1X. Depending on the business they are in, Contingent Services businesses can have multiples that range from 1-2X.

Again, the real surprise was the Content Quadrant – the multiples ranged from 1X to much greater than 20X. No wonder Google was valued so highly.

The numbers in the matrix quadrants represent from top to bottom:

- Valuation Multiple
- Amount of investment money needed to get to cash flow positive
- Earnings before interest, taxes, depreciation and amortization (EBITDA) as a percentage of revenue
- Time frame to go from idea to cash flow positive

Over the previous six months, I'd advocated that the going forward strategy for Attenex should be to develop a review services and hosting business (Contingent Services). I watched our service provider partners generate >$300M in services business based on our software tool. If we had been able to have a services business (since we were owned by a law firm we couldn't), we could be generating $300M in revenue. However a services business is a lot harder to manage than a software business.

Armed with this framework, it was obvious we should go into the Content Quadrant. Yet we couldn't in the eDiscovery space. Our key content was very private and confidential and belonged to our customers. The public content that is in the space like case law and case data is primarily owned and distributed by the duopoly of Lexis Nexis and Thompson Reuters. And those businesses were closer to the 1X level because the content didn't lend itself to advertising, nor did the users want to have their searches profiled.

Several times during our business evolution I looked at the potential of the patent marketplace. Now I had the framework to see that the patent market was the next place to move strategically. Our Attenex Patterns software could be used without any extra development. We just needed to ingest the free and publicly available patent database. Through a variety of value adding means we could do valuable unobtrusive professional advertising to increase the valuation multiple. If we invested a little bit of resources, we could add the missing database in this space – product data. Combining the USPTO database, the SEC financial database of S1 and 10K reports, and our proprietary product database, we should be able to get to a 10X multiple of revenue within a year.

Within a few short hours (after ten years of unconscious incubation), I had a framework for representing the state of a company, and I had a game board to think through the strategic options for our company.

As I presented the framework to colleagues, we realized that the matrix also provided a way to think through the process of evolving our company.
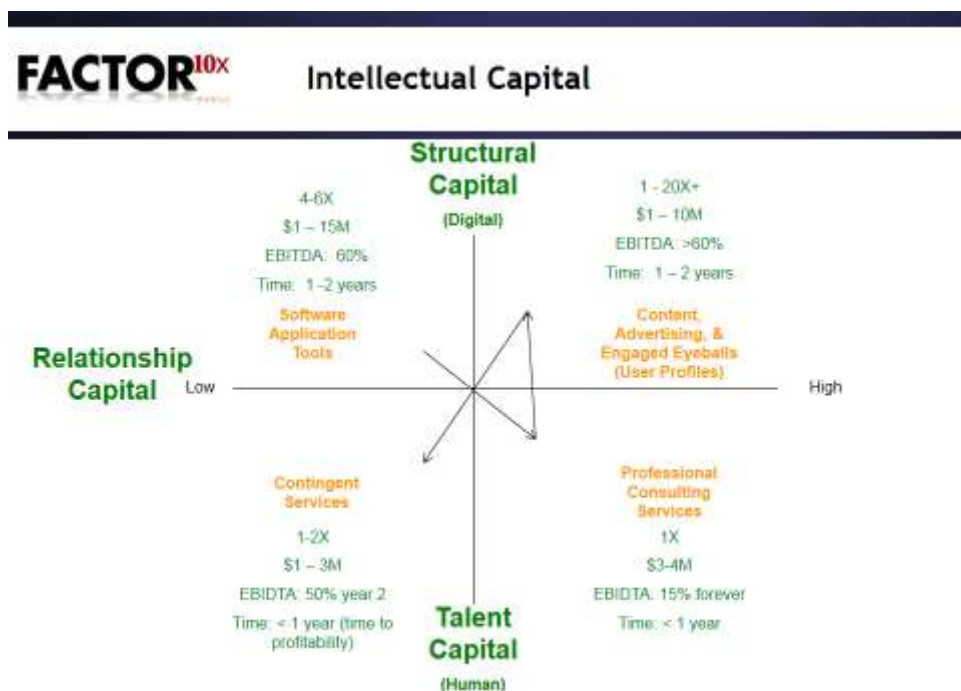
Remembering Shields Strategy, I shared the path through the four quadrants with my colleagues as a starting point. Jack Shields, Executive Vice President of Sales and

Services for Digital Equipment had one simple strategy – take every expense item and figure out how to turn it into a revenue generating business. Using this precept, we realized our quickest way (at almost no cost) to get to the content quadrant was to hire a few patent experts and sell a few professional services projects to generate the content that would be valuable. We didn't even have to look very hard for the customers as 20% of the litigation our product was used for was patent litigation.

Then we could generalize the content and analysis techniques from the professional services projects to be the basis of our missing "product database" which is a key to determining patent infringement. That would allow us to move to the higher multiples of the content quadrant. To keep the different databases updated and normalized, we would hire contingent labor (probably offshore) to add value to our content.

The arrows in the above matrix indicate this movement from the software quadrant to professional services to the content quadrant to contingent services. We'd taken an R&D cost and turned it into professional services revenue and then by moving to the content quadrant we could dramatically increase our company valuation. And we'd get lots more users of our product.

As we worked through this process, I saw that we'd moved from understanding how to think about intellectual capital and how it affects valuation, to a way to think about corporate strategy to developing the levers for how to increase valuation. With the valuation capture framework, we had a way to prioritize new products and product features. We could estimate which new products and new features would lead to higher valuations.

At every opportunity I started sharing what I now call the Valuation Capture framework to entrepreneurs. You can imagine my disappointment at the lack of understanding and the eye rolling that entrepreneurs showed towards my brilliance. The only folks that sort of "got it" were serial entrepreneurs who'd actually gone through an exit. These are also the only folks who deeply understand Saras Sarasvathy's effectual entrepreneuring framework. Like most adult learning, if you haven't experienced it, it is hard to make meaning. Once again, I ran right into the challenge of "experience first; make meaning second."

In one of these sessions, I bemoaned the problem with Christine Martell, CEO of VisualsSpeaks. Once she understood what I was presenting she asked if she could play with the design of the diagram. In a couple of days, she shared with me the visualization below:

Valuation Capture
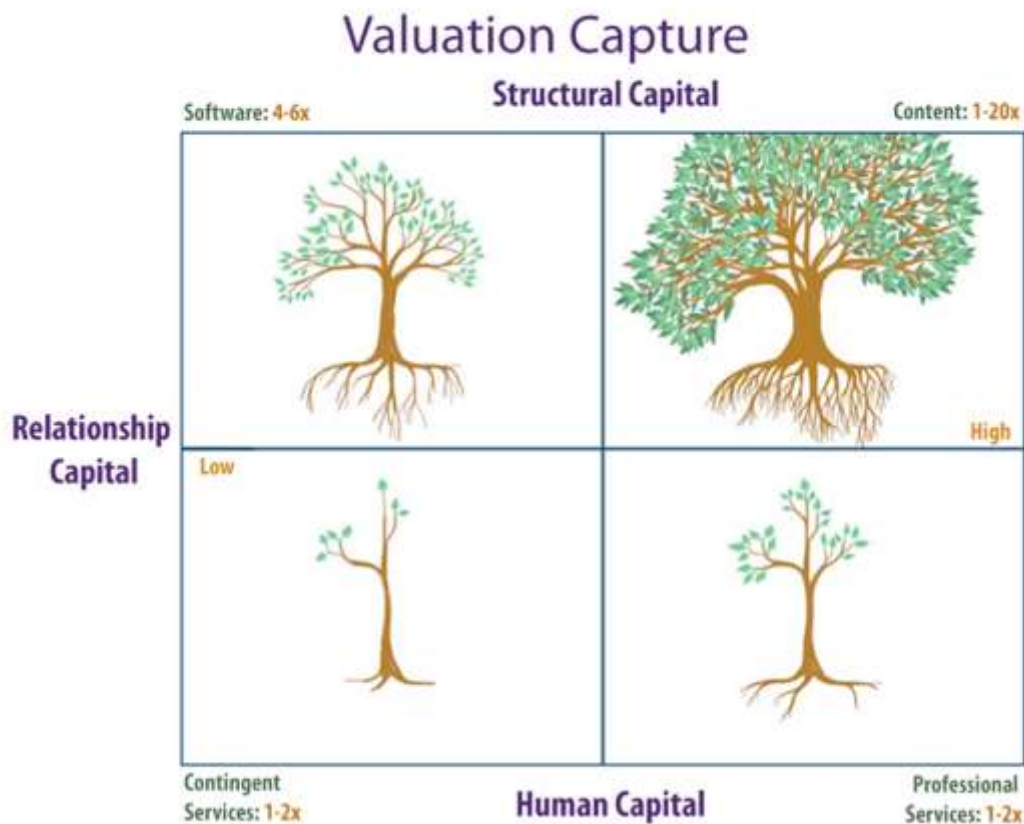
I couldn't believe the difference a well-designed diagram made. Instead of belaboring the topic for an hour to entrepreneurs, they take one look at the diagram and go – "Oh, we should be in the upper right quadrant shouldn't we? So how do we get there?"

Bingo. The right question.

Where this 2x2 matrix was very helpful was in understanding what FTI was really using its acquisition of Attenex for, when it announced a $1B IPO of 40% of its technology division one month after our acquisition was completed. They were moving themselves from the 1X lower right quadrant (their professional services business) to the 4-6X upper left quadrant (software development). They were going to turn a $90M acquisition into a $1B IPO in two months (creating something like a $2-3B overall valuation). What a game changer. However, the larger economy went against them and they had to pull the IPO when the stock market crashed in October 2008. I just wish I had thought to use this matrix as a prediction device rather than an understanding device.

Mikhail,

Being the astute entrepreneur I've gotten to know over the last several months, I know you've already realized that you have to start now to work on your Valuation Capture. You can't wait until it is time to exit. By then it is too late.

Begin with the end in mind.

Starting at the end of the new venture process – the exit – is what I'd missed for forty years. During the new venture journey the concept of valuation is often present, particularly when you are doing an investment round. You have to deal with concepts like pre-money and post-money valuation. However, these are just simple arithmetic formulas that are devoid of any real understanding.

Through all these years of intrapreneuring and entrepreneuring, I had failed to recognize what game I was playing – the valuation game. Nobody ever shared with me how I could increase my valuation (other than generating more revenue) and that some product efforts are much more valuable in the end game than others.

Begin with the end in mind.

Mikhail, I've enjoyed the opportunity to participate in your journey of discovery as to what you are conceiving and the business that you are creating. Thank you for the gift of your questions, your responses to the exercises, and your patience in letting me share some of the concepts I've discovered on my journey of effectual entrepreneuring.

I am going to be "off the grid" for quite a while so this will be our last email.

My fondest hope is that during our shared journey you've discovered, developed, and are trusting your inner entrepreneur North Star.

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.

As I've done for you, the best gift you can give me is to take your acquired wisdom and "pay it forward" to a young entrepreneur.

Yours in entrepreneuring,
Skip Walter

Applying Exiting

The theme for the flipping perspective this week is to look at large and small recent startup exits and understand their exit value from a flipping perspective view.

- Select an exit that is documented in the press (Instagram, Whatsapp …)
- Capture an image of the founders or their products

- Free write on what the factors were in their receiving the valuation they did. What can you do to enhance your valuation in a similar manner to the exit under study?

The Cosmos of the New Venture

The beauty of the enneagram is that it is a recursive model. Exiting is the 10th step in a nine step system. It begins the cycle again. By exiting, your company is bringer of opportunity to another group of investors.
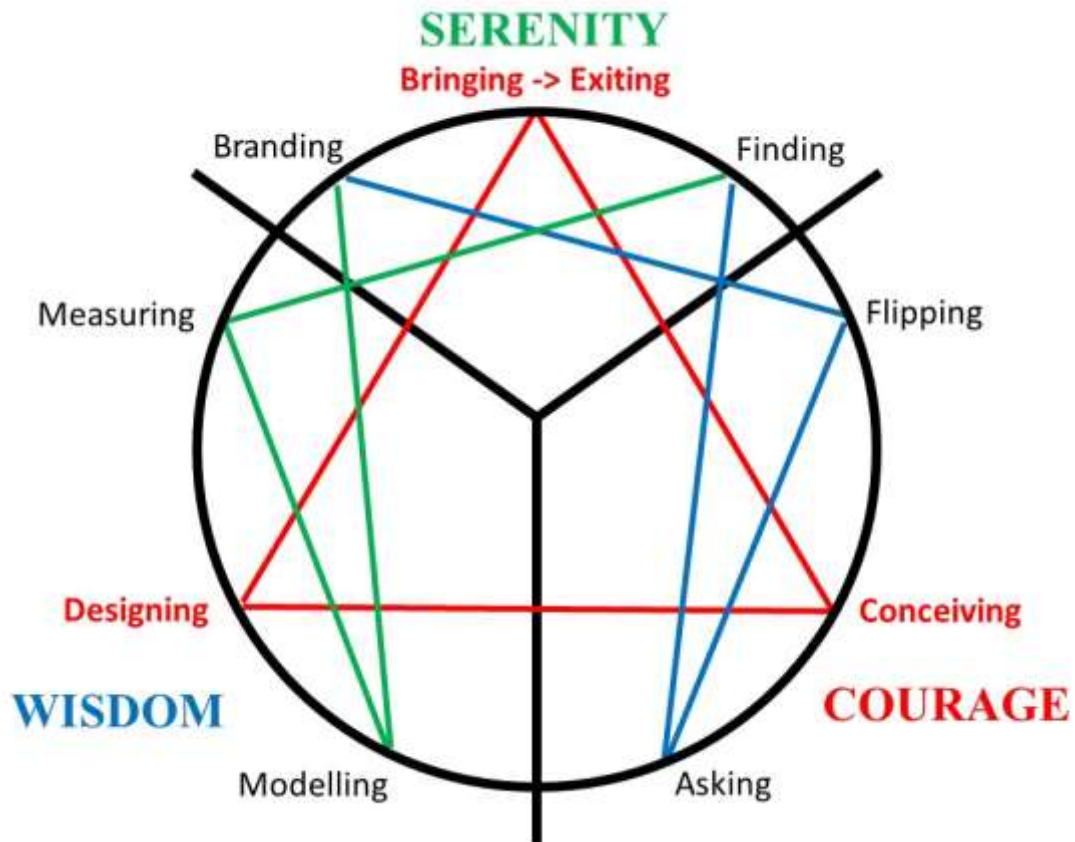
Exiting is CAPTURING your rightful valuation.

Paying it Forward – Email from Mikhail

From: Mikhail Rostov   Friday, May 4, 2014 at 12:54 PM
To: Skip Walter

Dear Entrepreneur Skip,

The last year was a whirlwind. I hope you saw the good news that we sold our company recently. We really appreciate your guidance throughout our entrepreneurial journey. In the end game, your deep wisdom on Valuation Capture and your strong recommendation to really understand Basil Peters *Early Exits* was invaluable for deciding to sell the company now at 10X of our revenue.

I really appreciated the many ways you used the flipping perspective exercise. Whenever I found myself feeling lost, I would do the exercise with the theme of what was bothering me.

I want to share one of the many letters that I've received since the sale of our company was announced.

> Dear Mikhail,
>
> I was excited to see that you recently sold your company after just a year. I am impressed with your quick success. How did you do it?
>
> I would love to learn how you accomplished your rapid path from idea to exit. I've got a great idea for a new patent analytics tool that builds on the work of the Russian patent examiner, Genrich Altshuller, who developed TRIZ, the theory of inventive problem solving.
>
> Can you be my mentor for becoming an entrepreneur to build my product and make it a success in the market?
>
> Sincerely,
>
> Boris Polyakovsky

I've met with Boris and several of the other entrepreneurs who've reached out to me. I find myself either sharing the steps (our formula) we went through with our startup or worse – acting like an Entrepreneur Assassin – by disparaging their incredibly naïve business and product plans.

How were you able to be patient with me and never disparage my ideas?

Everybody wants to know my secret. They kind of roll their eyes when I share that I needed to discover, develop and trust my inner guidance system – my inner entrepreneur North Star.

I need to go back and re-read your emails but this time from the point of view of a mentor paying it forward rather than an entrepreneur. Is it OK if I pass on your emails to Boris and other young Russian entrepreneurs?

Yours in entrepreneuring,

Mikhail

The Cosmos of the New Venture

While performing ethnographic research at a Seattle B2B startup accelerator, I agreed with the managing partners to just research and not to mentor any of the nine companies. I wanted to have a baseline of how an accelerator works before introducing interventions to test different approaches to accelerating the development of a new venture.

One of the companies wouldn't let me get away with being a passive ethnographic researcher. They went to my [LinkedIn profile](#) and found my blog and confronted me "you were introduced to the nine companies as simply a UW professor doing research. We all dismissed you as a useless academic and then we found out that you are an accomplished serial entrepreneur. Can you help us get some funding and find the talent we need to accelerate our product development?"

As much as I wanted to stay neutral, I was fascinated that one company actually did some research on who they were encountering within the accelerator. Over several ferry rides to Bainbridge Island and many engaging evenings at [The Pub](#), I agreed to help them. I liked their product and their approach. They were the only company that valued design with one of the co-founders being a very accomplished designer.

I introduced two of the co-founders to three of Seattle's Super-Angels and a VC. Of the $750K the team raised during their six-month tenure at the accelerator, $700K came from three of the four introductions. The team did a super job of bringing their opportunity to these investors and gaining early interest. Yet, the team had no idea what the "selling" process and documentation (term sheets, investment documents) and strategy for closing the investors were.

Over several more beers at The Pub, I shared that with investors it is all about "warm armpit" face to face selling. Emails and phone calls don't cut it. It took a lot of pestering on my part to keep them engaged with the investors.

Over time it became clear that the founders didn't understand how networks work and what trust relationships mean. Their focus was on the core triangle of Conceiving, Designing, and Bringing. After a lot of prompting they didn't see the behind the scenes context that was guiding the investors to part with their resources of money and time. They never figured out that three of the four investors knew each other from their formative years at Salomon Brothers. They didn't understand that by connecting these four investors with the team, that the investors were trusting our previous relationships and that if I recommended this company (the only one out of the nine) that I thought the company was pretty good. In the small world of the entrepreneurial ecosystem a recommendation from a trusted advisor is of great value.

The founders also never saw the many interactions behind the scenes of the ways that the investors "checked out" the company and the founders. The founders still believe that the

money they received was because they did such a good job pitching their product and company. Similarly, the founders didn't see that the same kind of network effect was in play with selling to their enterprise customers. The co-founders couldn't "see" the many reputations of respected professionals that went into their customers actually purchasing.

The Cosmos of a New Venture is a way to prompt the entrepreneur to look beyond the core triangle of work – Conceiving, Designing and Bringing. The core triangle is the daily work. However, it is the surrounding context that enables the "meal" to be served and the consumer satisfied with the experience.

Throughout the *Emails*, I build a meta-model of the new venture cosmos similar to Bennett's description of the enneagram of the three fold way of a cook in a kitchen preparing a meal. The Cosmos of the New Venture is a model of both energy flow and the multiple layers of context in any human activity.

With all the emphasis on "lean" and formulaic approaches to a new venture and successful entrepreneurs trumpeting "do it the way I did it," the entrepreneur loses sight of a new venture being about marshalling and managing energy in a threefold context.
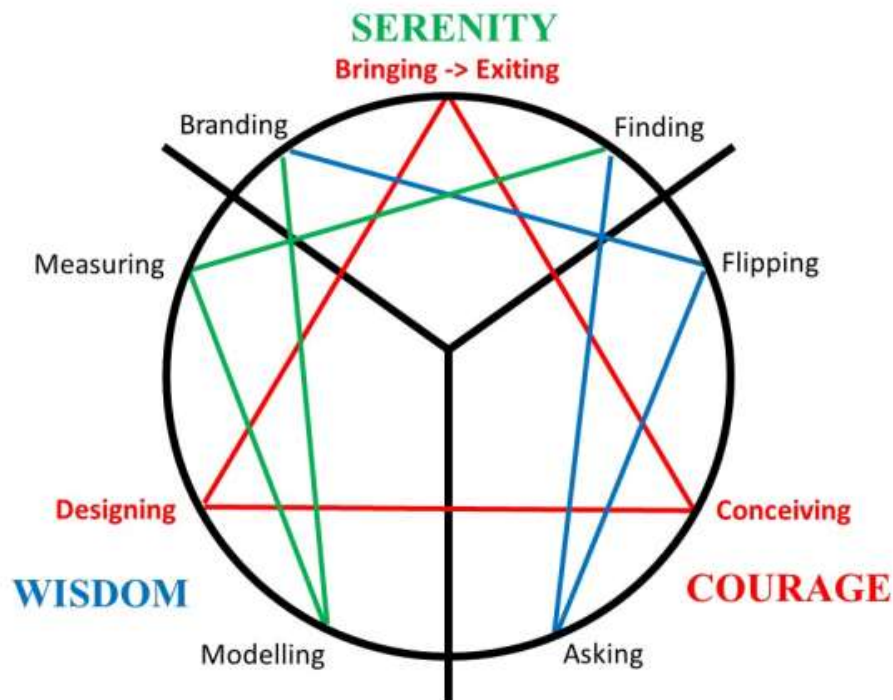
All models are false; however, some are useful.

The short definitions of each of the points on the enneagram are;

- Conceiving is COMMITTING.
- Flipping Perspective is OBSERVING with a spirit of inquiry.

- Finding talent is VALUING DIFFERENCES.
- Modeling is the EXCHANGING of value.
- Designing for humans is OBSERVING, PROTOTYPING and ITERATING.
- Asking for help is about OVERCOMING fear.
- Bringing opportunity is about PITCHING and CATCHING.
- Measuring is KNOWING.
- Branding is LOVING.
- Exiting is CAPTURING your rightful valuation.

The challenge of sharing any system, framework or model is that the mode of explaining it, whether in writing or speaking or in Socratic conversation, is inherently linear. Yet, there is nothing linear about the effectual entrepreneuring process. The nine-term system of the Enneagram is a way to explore the many interactions of the nine elements of The Cosmos of the New Venture.

The more astute among you realize that there are ten elements to our system with Exiting. In the Bennett explanations of the Enneagram model, Exiting is the start of the next cycle up. Exiting is the bringing not of an opportunity (product or service) to a customer, but of the business itself to another set of investors or acquirers. The cycle repeats at a higher level of organization.

Let's look at the new venture cosmos in a similar fashion to how Bennett looked at the cooking of food in a kitchen. The entrepreneur becomes our "cook" who takes the raw materials (food) to **conceive** the opportunity she wants to **bring** to her customers (guests) by d**esigning** the product offering. In today's digital connected world, physical products and digital products are produced and distributed in much the same way as Chris Anderson describes in *Makers: The New Industrial Revolution*. The major resource for the transformation is the intellect of the talent inside the organization (kitchen). The kitchen is the "place" that is created by the resources of the investors. It may be a physical place or increasingly a virtual place in the cloud.

As the entrepreneur visionary conceives the core triangle of work, first in mind and then in practice, it is time for the entrepreneur to FIND the talent and work a process to flip the perspectives of the talent, customer and investors. An effectual entrepreneur starts this process by asking for help and graciously receiving the help that passes the muster of their inner guidance system. This next triangle surrounding the core work is the Finding, Asking and Flipping acquiring of resources to "cook" the meal (product).

As soon as the entrepreneur envisions these two triangles, the conceiving goes to the branding thinking. How will the entrepreneur help the customer experience the love and caring that goes into providing the consumer with the both a promise and a fantastic brand experience. What will the entrepreneur "stand for" to their customers? What can the customers trust the entrepreneur to provide?

Pretty soon the mind of the entrepreneur flows to how to model the experience and the Geoff Moore Whole Product that surrounds the generic product that they are delivering. What can the entrepreneur do to enhance the presentation of the cooked meal with table

cloths, flowers on the table, and the good silverware and china? Is there an appropriate wine in the right [Riedel glass](#) to compliment the food? As Moore and [Ted Levitt](#) pointed out, customers aren't just buying a particular product like Microsoft Word, they are trying to produce a good looking resume or business plan. As the focus shifts to a model of the whole experience, the business mind cuts in to make sure there is a profit model that works for their "meal" so they can stay in business.

As the business mind chimes in, the entrepreneur begins to think about how to measure how their product is going to help the well-being of their customers (guests). The entrepreneur wants to know how they are doing so they can improve their product for the next encounter with the customer.

The cycle is complete as we move back to Finding the additional talent, customers and investors to help us continue to grow the business and most importantly grow our customers' businesses. The threefold way of the Cosmos of the New Venture is continuously working. The challenge is how aware and how intentional the entrepreneur is about the cycle to anticipate and avoid breakdowns in the energy flow.

The threefold processes of the Cosmos of the New Venture are:

- The raw materials (primarily the intellect and will of the talent)
- The product (conceiving, designing, bringing)
- The customer (receiving a loving and engaging experience)

Joining the Entrepreneurial Pilgrimage

Like the discussion with the young entrepreneurs at Duke's InCube, all of us who become entrepreneurs are joining the long tradition of the entrepreneurial pilgrimage. A key part of a pilgrimage is seeing the world with new eyes. Keri Smith in her wonderfully eclectic *How to be an Explorer of the World* lays out our path:

YOU ARE AN EXPLORER.

YOUR MISSION IS TO DOCUMENT AND OBSERVE THE WORLD AROUND YOU AS IF YOU'VE NEVER SEEN IT BEFORE. TAKE NOTES. COLLECT THINGS YOU FIND ON YOUR TRAVELS. DOCUMENT YOUR FINDINGS. NOTICE PATTERNS. COPY. TRACE. FOCUS ON ONE THING AT A TIME. RECORD WHAT YOU ARE DRAWN TO.
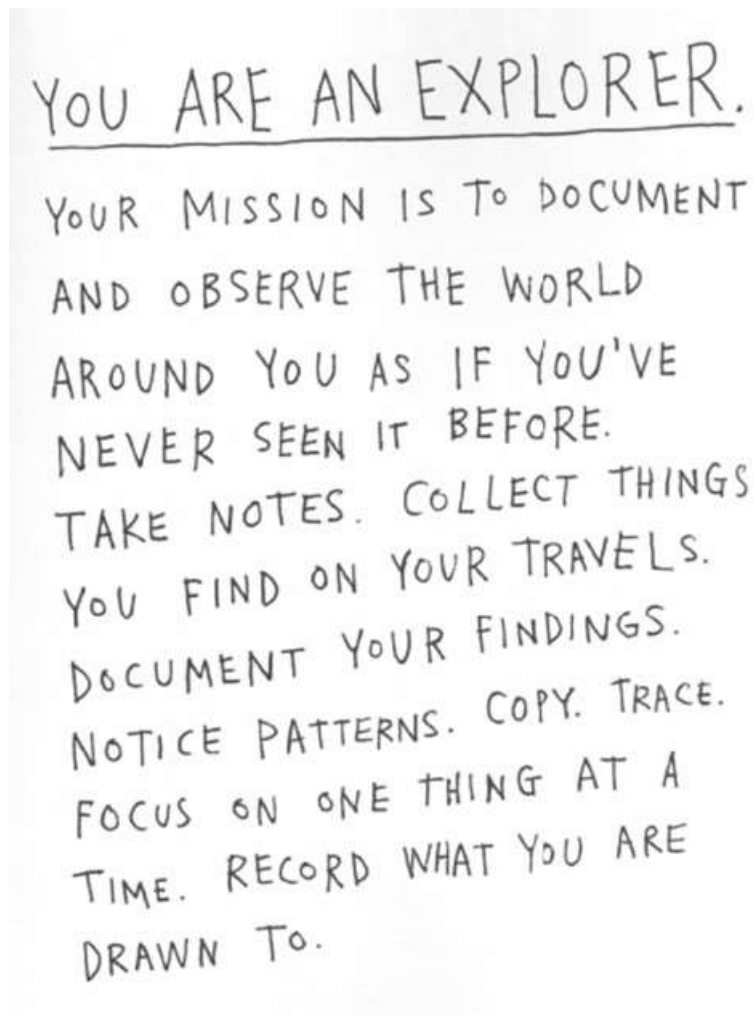
As I reflect on the emails that I've exchanged with thousands of Mikhails and graduate students, I am reminded of David Whyte's book of poetry *Pilgrim*:

> "In his seventh volume of poetry, David Whyte looks at the great questions of human life through the eyes of the pilgrim: someone passing through relatively quickly, someone dependent on friendship, hospitality and help from friends and strangers alike, someone for whom the nature of the destination changes step by step as it approaches, and someone who is subject to the vagaries of wind and weather along the way."

CAMINO

The way forward, the way between things,
the way already walked before you,
the path disappearing and re-appearing even
as the ground gave way beneath you,
the grief apparent only in the moment
of forgetting, then the river, the mountain,
the lifting song of the Sky Lark inviting
you over the rain filled pass when your legs
had given up, and after,
it would be dark and the half-lit villages
in evening light; other people's homes
glimpsed through lighted windows
and inside, other people's lives; your own home
you had left crowding your memory
as you looked to see a child playing
or a mother moving from one side of a room to another, your eyes wet
with the keen cold of Navarre.

But your loss brought you here to walk
under one name and one name only,
and to find the guise under which all loss can live;
remember, you were given that name every day
along the way, remember, you were greeted as such,
and you needed no other name, other people
seemed to know you even before you gave up
being a shadow on the road and came into the light,
even before you sat down with them,
broke bread and drank wine,
wiped the wind-tears from your eyes:
pilgrim they called you again. Pilgrim.

I was reminded of the connection between "Camino" and the effectual entrepreneuring path when I encountered Ann Patchett's *What Now?* at my favorite brain candy blog "Brain Pickings."

> "Echoing Steve Jobs, who in his own fantastic commencement address famously cautioned that "you can't connect the dots looking forward; you can only connect them looking backwards," Patchett urges these new graduates to be sure to return at some point – this, she argues, would let them reflect on the series of small choices which, as William James put it a century ago, "[spin] our own fates, good or evil, and never to be undone." Patchett writes:
>
> > *"Coming back is the thing that enables you to see how all the dots in your life are connected, how one decision leads you to another, how one twist*

of fate, good or bad, brings you to a door that later takes you to another door, which aided by several detours – long hallways and unforeseen stairwells – eventually puts you in the place you are now. Every choice lays down a trail of bread crumbs, so that when you look behind you there appears to be a very clear path that points straight to the place where you now stand. But when you look ahead there isn't a bread crumb in sight – there are just a few shrubs, a bunch of trees, a handful of skittish woodland creatures. You glance from left to right and find no indication of which way you're supposed to go. And so you stand there, sniffing at the wind, looking for directional clues in the growth patterns of moss, and you think, What now?"

Other excerpts from *What Now?:*

"Nothing at all is very much out of fashion these days, as are stillness, silence, and studied consideration. Studied consideration is hard to come by with those little iPod buds stuffed in your ears and the cell phone competing with the Internet. Perhaps we avoid the quiet because we're afraid that the answer to What now? will turn out to be I don't know.

"It took me a long time of pulling racks of scorching hot glasses out of the dishwasher, the clouds of steam smoothing everything around me into a perfect field of gray, to understand that writing a novel and living a life are very much the same thing. The secret is finding the balance between going out to get what you want and being open to the thing that actually winds up coming your way.

"There's a time in our lives when we all crave the answers. It seems terrifying not to know what's coming next. But there is another time, a better time, when we see our lives as a series of choices, and What now? represents our excitement and our future, the very vitality of life. It's up to you to choose a life that will keep expanding. It takes discipline to remain curious; it takes work to be open to the world—but oh my friends, what noble and glorious work it is."

Many moons ago I encountered Paulo Coehlo's *Pilgrimage: A Contemporary Quest for Ancient Wisdom.* The novel describes a journey on the Camino in Spain. I inhaled this book as I realized it was the backstory behind Cursillo. Majorcan priests created the Cursillo three day process because they were not able to walk the Camino with the young men from their villages during the war years of World War II.

The very start of the book captured me:

"'AND NOW, BEFORE THE SACRED COUNTENANCE OF RAM, you must touch with your hands the Word of Life and acquire such power as you need to become a witness to that Word throughout the world.'

The Master raised high my new sword, still sheathed in its scabbard. The flames of the bonfire crackled—a good omen, indicating that the ritual should continue. I knelt and, with my bare hands, began to dig into the earth.

"It was the night of January 2, 1986, and we were in Itatiaia, high on one of the peaks in the Serra do Mar, close to the formation known as the Agulhas Negras (Black Needles) in Brazil. My Master and I were accompanied by my wife, one of my disciples, a local guide, and a representative of the great fraternity that is comprised of esoteric orders from all over the world—the fraternity known as "the Tradition." The five of us—and the guide, who had been told what was to happen—were participating in my ordination as a Master of the Order of RAM.

"I finished digging a smooth, elongated hole in the dirt. With great solemnity, I placed my hands on the earth and spoke the ritual words. My wife drew near and handed me the sword I had used for more than ten years; it had been a great help to me during hundreds of magical operations. I placed it in the hole I had dug, covered it with dirt, and smoothed the surface. As I did so, I thought of the many tests I had endured, of all I had learned, and of the strange phenomena I had been able to invoke simply because I had had that ancient and friendly sword with me. Now it was to be devoured by the earth, the iron of its blade and the wood of its hilt returning to nourish the source from which its power had come.

"The Master approached me and placed my new sword on the earth that now covered the grave of my ancient one. All of us spread our arms wide, and the Master, invoking his power, created a strange light that surrounded us; it did not illuminate, but it was clearly visible, and it caused the figures of those who were there to take on a color that was different from the yellowish tinge cast by the fire. Then, drawing his own sword, he touched it to my shoulders and my forehead as he said, "By the power and the love of RAM, I anoint you Master and Knight of the Order, now and for all the days of your life. R for rigor, A for adoration, and M for mercy; R for regnum, A for agnus, and M for mundi. Let not your sword remain for long in its scabbard, lest it rust. And when you draw your sword, it must never be replaced without having performed an act of goodness, opened a new path, or tasted the blood of an enemy."

"With the point of his sword, he lightly cut my forehead. From then on, I was no longer required to remain silent. No longer did I have to hide my capabilities nor maintain secrecy regarding the marvels I had learned to accomplish on the road of the Tradition. From that moment on, I was a Magus.

"I reached out to take my new sword of indestructible steel and wood, with its black and red hilt and black scabbard. But as my hands touched the scabbard and as I prepared to pick it up, the Master came forward and stepped on my fingers with all his might. I screamed and let go of the sword.

"I looked at him, astonished. The strange light had disappeared, and his face had taken on a phantasmagoric appearance, heightened by the flames of the bonfire.

"He returned my gaze coldly, called to my wife, and gave her the sword, speaking a few words that I could not hear. Turning to me, he said, "Take away your hand; it had deceived you. The road of the Tradition is not for the chosen few. It is everyone's road. And the power that you think you have is worthless, because it is a power that is shared by all. You should have refused the sword. If you had done so, it would have been given to you, because you would have shown that your heart was pure. But just as I feared, at the supreme moment you stumbled and fell. Because of your avidity, you will now have to seek again for your sword. And because of your pride, you will have to seek it among simple people. Because of your fascination with miracles, you will have to struggle to recapture what was about to be given to you so generously."

"The world seemed to fall away from me. I knelt there unable to think about anything. Once I had returned my old sword to the earth, I could not retrieve it. And since the new one had not been given to me, I now had to begin my quest for it all over again, powerless and defenseless. On the day of my Celestial Ordination, my Master's violence had brought me back to earth."

The Pilgrimage continues with the author's search for his sword along the Camino with Petrus, his new mentor. The author's journey is one of overcoming obstacle after obstacle set before him by Petrus to provide the transformation so sought after. Near the end of the book, the story reaches a climax as the protagonist finally transforms his yearning:

"I awoke feeling more optimistic and took to the Road early. According to my calculations, that afternoon I would reach Galicia, the region where Santiago de Compestela was located. It was all uphill, and I had to exert myself for almost four hours to keep to the pace I had set for myself. Every time I reached the crest of a hill I hoped that it would mark the point of descent. But this never seemed to happen, and I had to give up any hope of moving along more rapidly. In the distance I could see mountains that were even higher, and I realized that sooner or later I was going to have to cross them. My physical exertions, meanwhile, had made it impossible to think much, and I began to feel more friendly toward myself.

"Come on now, after all, how can you take seriously anyone who leaves everything behind to look for a sword?" I asked myself. What would it really mean to my life if I couldn't find it? I had learned the RAM practices, I had gotten to know my messenger, fought with the dog, and seen my death, I told myself, trying to convince myself that the Road to Santiago was what was important to me. The sword was only an outcome. I would like to find it, but I would like even more to know what to do with it. Because I would have to use it in some practical way, just as I used the exercises Petrus had taught me.

"I stopped short. The thought that up until then had been only nascent exploded into clarity. Everything became clear, and a tide of agape washed over me. I wished with all my heart that Petrus were there so that I could tell him what he had been waiting to hear from me. It was the only thing that he had really wanted me to understand, the crowning accomplishment of all the hours he had devoted to teaching me as we walked the Strange Road to Santiago: it was the secret of my sword!

"And the secret of my sword, like the secret of any conquest we make in our lives, was the simplest thing in the world: it was what I should do with the sword.

"I had never thought in these terms. Throughout our time on the Strange Road to Santiago, the only thing I had wanted to know was where it was hidden. I had never asked myself why I wanted to find it or what I needed it for. All of my efforts had been bent on reward; I had not understood that when we want something, we have to have a clear purpose in mind for the thing that we want. The only reason for seeking a reward is to know what to do with that reward. And this was the secret of my sword."

In [The Alchemist](#), Coehlo discusses the obstacles to obtaining the courage to reach our own dream:

"All I know is that, like Santiago the shepherd boy, we all need to be aware of our personal calling. What is a personal calling? It is God's blessing, it is the path that God chose for you here on Earth. Whenever we do something that fills us with enthusiasm, we are following our legend. However, we don't all have the courage to confront our own dream.

Why?

"There are four obstacles. First: we are told from childhood onward that everything we want to do is impossible. We grow up with this idea, and as the years accumulate, so too do the layers of prejudice, fear, and guilt. There comes a time when our personal calling is so deeply buried in our soul as to be invisible. But it's still there.

"If we have the courage to disinter dream, we are then faced by the second obstacle: love. We know what we want to do, but are afraid of hurting those around us by abandoning everything in order to pursue our dream. We do not realize that love is just a further impetus, not something that will prevent us going forward. We do not realize that those who genuinely wish us well want us to be happy and are prepared to accompany us on that journey.

"Once we have accepted that love is a stimulus, we come up against the third obstacle: fear of the defeats we will meet on the path. We who fight for our

dream, suffer far more when it doesn't work out, because we cannot fall back on the old excuse: "Oh, well, I didn't really want it anyway." We do want it and know that we have staked everything on it and that the path of the personal calling is no easier than any other path, except that our whole heart is in this journey. Then, we warriors of light must be prepared to have patience in difficult times and to know that the Universe is conspiring in our favor, even though we may not understand how."

Coelho, Paulo (2009-10-13). *The Alchemist* - 10th Anniversary Edition. Harper Collins, Inc.

One of my favorite quotes that sheds light on the process of lifelong learning comes from Carlos Casteneda:

Overcoming Life's Fears

"When a man starts to learn, he is never clear about his objectives. His purpose is faulty; his intent is vague. He hopes for rewards that will never materialize for he knows nothing of the hardships of learning.

"He slowly begins to learn – bit by bit at first, then in big chunks. And his thoughts soon clash. What he learns is never what he pictured, or imagined, and so he begins to be afraid. Learning is never what one expects. Every step of learning is a new task, and the fear the man is experiencing begins to mount mercilessly, unyieldingly. His purpose becomes a battlefield.

"And thus he has stumbled upon the first of his natural enemies: *Fear!*

"And thus he has encountered his second enemy: *Clarity!* That clarity of mind, which is so hard to obtain dispels fear, but also blinds.

"But he has also come across his third enemy: *Power!* Power is the strongest of all enemies. And naturally the easiest thing to do is to give in; after all, the man is truly invincible. He commands; he begins by taking calculated risks, and ends in making rules, because he is a master.

"The man will be, by then, at the end of his journey of learning, and almost without warning he will come upon the last of his enemies: *Old Age!* This enemy is the cruelest of all, the one he won't be able to defeat completely, but only fight away."

- Carlos Casteneda, *[The Teachings of Don Juan: A Yaqui Way of Knowledge](#)*, p. 83-87.

As you finish your journey through *Emails to a Young Entrepreneur*, David Whyte helps us finish the entrepreneurial pilgrimage:

FINISTERRE

The road in the end taking the path the sun had taken,
into the western sea, and the moon rising behind you
as you stood where ground turned to ocean: no way
to your future now but the way your shadow could take,
walking before you across water, going where shadows go,
no way to make sense of a world that wouldn't let you pass
except to call an end to the way you had come,
to take out each frayed letter you brought
and light their illumined corners, and to read
them as they drifted through the western light;
to empty your bags; to sort this and to leave that;
to promise what you needed to promise all along,
and to abandon the shoes that had brought you here
right at the water's edge, not because you had given up
but because now, you would find a different way to tread,
and because, through it all, part of you could still walk on,
no matter how, over the waves.

- David Whyte

Acknowledgements

professionals could hear the sounds at the same time. He wouldn't take no for an answer from his superiors who told him to focus on selling. When the company saw the evidence of demand from Dad's customers, they finally agreed to produce the product. It quickly became a hot selling product. I was only ten years old at the time and got my first experience of the whole product development cycle from user research to product launch and go to market.

This book would never have happened if it weren't for the relentless encouragement of David Robinson. Only a few times in my life has someone entered my life from left field and turned into such an incredible collaborator that the course of my life changed. When the student is ready, the master will appear. David is the master I desperately needed to reorient my approach to teaching and mentoring and thinking from one of the purely intellectual to a focus on direct experience. For too much of my life, I lived purely in my head and tried to pass knowledge along that way. In a hundred different ways, David showed me a different path – using movement and experiential exercises to do the heavy lifting.

I learned so much about the author, publisher, and entrepreneur path explained by Guy Kawasaki by participating in David's journey to produce *The Seer*. I marveled at his ability to keep his butt in the chair and turn chapters and revisions out in a couple of days. The conversations surrounding the book that moved back and forth between the book and our teaching and consulting were ever joyful. David returned the favor through his early reading, discussions, carefrontation, and support for my writing *Emails to a Young Entrepreneur.* Thank you David.

The Email on branding and the concept of branding as love are my special tribute to the colleague who hit me upside the head to understand what marketing and branding are really about. Thank you Katherine for tolerating my ignorance and skepticism as you guided me to glimpse how to think like a marketer. Katherine is my go to person for all things marketing. She takes all the book learning I've waded through and artfully demonstrates the practices. Her greatest gift was helping me discover, develop and trust my inner guidance system. Katherine I affirm you for being such a force of nature, a valued colleague and a trusted friend for these twenty years.

At the beginning of my first foray with a Silicon Valley startup in 1990, I encountered Barney Barnett. Barney was a member of our kitchen cabinet at Focus Systems along with Gordon Bell (now at Microsoft). I was enthralled with the quality of the questions that Barney asked of our executive team. His probing helped us clarify our why and our strategy. I began to suspect that Barney was a Sufi Master in disguise. One late evening over a glass of fine wine, we looked at each other and almost said simultaneously "I'll show you my sword, if you'll show me yours." We both laughed and our developmental paths intertwined ever since. Barney introduced me to the biodynamics of fine wine growing through Domaine de Clarke and the Benziger Family Winery. Barney's patient guidance of my learning about wine has transferred in many ways to the journey of guiding young entrepreneurs. The living metaphor of biodynamics transfers to the foundations of how I think and make meaning of the new venture ecosystem. He

constantly reminds me that the role of the vineyard manager is not to grow grapes but to develop the best soil possible. He keeps me from losing sight of what you don't see.

While developing the outline and architecture for *Emails to a Young Entrepreneur*, a long time colleague, Bill Knight, founded his coming Percognate. Bill was my CTO at Attenex and a senior leader at FTI Consulting after the acquisition. After leaving FTI, Bill would come by every couple of weeks to share his progress and seek my thoughts and advice about how he should proceed. I knew I needed to write this book when Bill asked me one day how we went to market and sold the Attenex Patterns product. Even though Bill sat in the office next to me for much of the Attenex journey, his jaw dropped at the depth of thought and strategy we put into marketing and sales. I realized that I'd never written about that part of the journey (thank you again Katherine, that was mostly your work). So much of what found its way into the Emails to Mikhail, started with a conversation with Bill. I am so excited about the rapid rate of progress Bill and his team have made in 18 months. Thank you Bill for taking time out of your impossible demands to read through and comment on an early draft of Emails.

The five executives at Digital Equipment who saw something in my youthful energy and passion for innovation that turns into meaningful revenue were a gift beyond ever being able to repay.

- Gerry Bryant, the regional VP for Software Services, was the first executive to believe in what John Churin and I could do in the office automation market. His sponsorship, friendship, and guidance meant so much when we were clueless for how to proceed.
- Don Busiek, Executive VP for Software Services, was smart enough to turn me loose on his worldwide organization. I thank Don for throwing me into so many sink or swim situations where I mostly swam. He would introduce me as "Skip Walter – he makes me think." I loved it. Later, Don let me know it wasn't a compliment. All the rest of his direct reports answered his questions directly. I would ask him a question to help him think through the problem more strategically. Don tolerated it.
- David Creed, Senior VP for US Software Services, made me think. I found his simple questions like "who is our customer?" to be some of the hardest questions I ever had to answer.
- David Stone, Senior VP for European Software Services, developed my abilities to go from a good idea to making it happen at scale. David had a wonderful gift of thinking strategically and then translating those strategic thoughts into action, mostly profitable actions.
- Jack Shields, Executive VP for Worldwide Sales and Services, showed me the power of having one simple business rule – find every cost in the organization and figure out how to turn it into a revenue center. Shield's Law has guided my observations of business processes ever since.

The analogy of conceiving of a new venture like the conceiving of a child and the parenting that ensues is an outgrowth of observing the daily life of Alice and Alice. For

the purposes of simplicity or narrative, I've synthesized the experiences of our daughters and granddaughters into the life of Elizabeth and Alice.

To those colleagues who've put up with my irrationality while pursuing my inner entrepreneurial muse – GEMISCH (Ed Hammond, Bill Stead), ALL-IN-1 at DEC (John Churin, Steve Forgey, Ken Mayer, Marilyn Elrod) Katherine James Schuitemaker (Aldus, Attenex, Conenza), Institute of Design (Patrick Whitney, Larry Keeley, John Heskett, Eli Blevis), Attenex (Eric Robinson, Dan Gallivan, Bill Knight, Marty Smith, Gerry Johnson, Martha Dawson, David McDonald), and UW (Jan Spyridakis, David Socha, Jennfier Turns, Alan Wood).

To the members of my visible and invisible university, I owe more than I can ever give back. Thanks to Russ Ackoff, Eli Goldratt, Adrian Slywotzky, Chris Alexander, Geoff Moore, Tom Stewart, Robert Fritz, Harold Nelson, Erik Stolterman, Stan Davis, Edward Tufte, Steve Blank, Eric Ries, and Ash Maurya.

A special thank you to Jim Clifton of the Gallup Organization for writing *The Coming Jobs War.* I took Jim's challenge of trying to figure out how to create 1.5 billion living wage jobs throughout the world as my North Star for the next ten years of professional life. Since new ventures are the key driver of new job growth, everything I can do to reduce the friction of starting a venture and increasing the success rate helps achieve the overarching goal of sustainable job growth.

To the hundreds of graduate students and thousands of entrepreneurs I've had the pleasure of interacting with, you've provided me with a wealth of insights into the challenges and many different ways of starting and succeeding with a new venture.

Thank you to my "village" of mentors for everything that you have contributed to understanding the joys of starting a venture, creating new jobs, bringing opportunities to customers and investors, and generally living the innovative life.

Skip Walter
Bainbridge Island, WA
March 3, 2014

About the Author

I am a naturally curious person who loves to read, who is an addicted lifelong learner, who loves to get distracted on the Internet (thank you [Cathy Davidson](#) for researching the value of this activity), who loves to find interesting topics and new insights, and finds great joy in sharing the discoveries with others. Over the years, I find myself entering "On the Way to Somewhere Else" as the subject for many emails to colleagues, family and friends that are the fruits of my distractions.

I have over 45 years of experience in executive management, executive coaching, software engineering, product development, high technology mergers and acquisitions, organizational development, joint venture development, designing, architecting, producing, and delivering software solutions for the legal industry, publishing industry, health care industry, multi-national Fortune 500 companies, high technology startups and wineries. Along the way I was the Vice President of Engineering for Aldus (now Adobe) Corporation known for PageMaker software and the Father of ALL-IN-1, Digital Equipment Corporation's $1 billion per year integrated enterprise office automation system.

A lifetime of study and executive management experience led to the founding of Attenex where we achieved a cash flow positive state within three years. Attenex was sold to FTI Consulting in 2008 for $91M. In the process of being a serial entrepreneur, I raised more than $25 M in new venture funding for software companies in the office automation, medical, and legal industries. The products we designed, created, and developed are used by over five million customers. As part of my commitment to ["pay it forward"](#) to all of those who so graciously mentored me in my management juvenile period, I taught strategic design and product design planning at the Institute of Design (ID) of the Illinois Institute of technology for ten years and was a member of the ID Board of Overseers for two years. I was selected for the Dean's Advisory Council for the School of Informatics at Indiana University in 2005 serving for two years. Currently, I serve as the Chairperson for the External Advisory Board for the Human Centered Design and Engineering Department at the University of Washington.

Resources and References

Throughout the book, I included links to many different resources for the young entrepreneur. Fifty years ago, there was a dearth of startup literature. Today there is a rich educational ecosystem for anyone thinking about taking the leap of discovery into entrepreneuring. This section provides resources that I have found helpful. These resources are books, articles, websites, educational experiences and videos. The best of the expertise comes from those who have created both successful and unsuccessful startups. I find that over the years I learn relatively little from my successes. Each failure provides a PhD in learning why.

I am particularly delighted that there is a growing literature for the Institute of Design insights, methods and processes. This literature was only available to students like Mikhail that could afford to take two to three years of courses and move to Chicago, IL. I highly recommend the books from Vijay Kumar, Larry Keeley, Kim Erwin and John Heskett. These four and many others at the Institute of Design changed my thinking about how to get a product market fit for a V1 product.

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[Startup Weekend](): Learn, Network, Startup