

# PETRA COACH CONFERENCE NOTES

## FORTUNE GROWTH SUMMIT

October 20-21, 2015

The Petra Coach team captured the following notes during the FORTUNE Growth Summit in Dallas on October 20-21, 2015. While written notes cannot replace the experience or value of hearing a speaker in person, we wanted to share these ideas to inspire and inform you with concepts from the current business thought leaders. We encourage you to ask any of the Petra Coach team members if you have questions or comments about the notes below. Please contact us at [info@petracoach.com](mailto:info@petracoach.com) or at (888) 330-1020. We also invite you and your executive team to attend the **FORTUNE Leadership Summit in Atlanta from May 24-25, 2016**.

The notes from each speaker include a short executive summary, a key takeaway quote, and the notes captured during the presentation with important concepts highlighted. Whenever possible, links to websites, videos, books and online presentations were included in the copy. Notes are included from the following speakers:

**Ron Kaufman**  
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Entrepreneur, owner of the Dallas Mavericks and member of the “Shark Tank” ..... Page 27



# Ron Kaufman

Author of “Uplifting Service: The Proven Path to Delighting Your Customers, Colleagues, and Everyone Else You Meet”  
<http://www.amazon.com/Uplifting-Service-Delighting-Customers-Colleagues-ebook/dp/B00817LIR8>

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To find articles by Ron Kaufman, go to [www.UpYourService.com/blog](http://www.UpYourService.com/blog)

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## Executive Summary:

Ron is a very polished and entertaining speaker that provides the foundation for building a great service culture in any organization. Ron is best known for working with Singapore Airlines to build an incredible service experience in a commoditized industry. The foundation starts with defining ‘service’ - “To take action to create value for someone else.” While it sounds basic, Ron’s definition puts the focus on understanding the “someone else” in order to understand what they “value,” so an “action” can be taken to create that value. Ron’s Six Levels of Service provide a benchmark for an organization looking to grade or build a service culture. The key tool for identifying specific areas in an organization to improve customer service is by understanding the “Perception Points” a customer has with your organization. Ron’s book is ideal for organizations that have a priority or initiative to improve their customer experience. It is especially good for retail organizations.

## Key Takeaway Quote:

“Service is taking action to create value for someone else.”

## Notes from Presentation:

**Service is the thing that makes us human, it connects us.**

Human beings are service-based. Military service. Religious service.

Singapore at one time was a low-cost manufacturing country. They realized that the future was in service and changed the country to be a center for financial and business services.

Singapore Airlines - Known for service, not price. Fly the same routes as everyone else, but the planes are more full and they charge more - they make more aircraft. All airlines have access to the same physical aircraft. They fly in and out of the same airports. They fly the same routes. Basically, a commoditized service offering. They make more money than everyone else, because they focus on service. Ron has worked with them for years...

A culture of service that is so strong that it is embraced by other companies.

Cesar Ritz (Ritz Carlton), John Nordstrom (Nordstroms), Walt Disney (Disney), Steve Jobs (Apple), Jeff Bezos (Amazon), Tony Hsieh (Zappos), Howard Schultz (Starbucks) - All of these entrepreneurs are committed to a great customer experience.



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## What is Service?

- You can measure revenue, profit, etc... How do you define service? It's critical that everyone on your team is using the same definition.
- Ron Kaufman's definition of service – "Service is taking *action* to create *value* for someone else."

What is Service Excellence? Service Culture. And how are they related?

## How do you build a Service Culture?

1. Actionable Service Education – Teaching people about service
2. Service Leadership - Protect the culture, give shelter to people
3. Building Blocks - Specific areas of activity that are connected to each other.
4. Don't use the terms "training"? For example, "customer service training." You train someone what to do in a certain situation where it's absolutely critical. You educate someone how to think to make decisions in situations that haven't been reviewed - apply principles in different situation.

"Service is taking action to create value for someone else." What's the most important part of that definition?

- STEP 1 - The most important thing is understanding the "someone else"...
- STEP 2 - So you can understand what they "value"...
- STEP 3 - So you can determine the "action" that will create that value.

## The Six Levels of Service

1. **CRIMINAL** – Not breaking the law. You simply broke a promise. (e.g. 'I'll call you back this afternoon' and you never call.)
2. **BASIC** - The bare minimum. (e.g. A taxi cab that smells bad, is dirty and the drive smells bad. That's just basic. They get you to the location, but that's just basic.)
3. **EXPECTED** – Industry standards. The usual. (e.g. You tell the cab driver where you're going. You expect them to know where it is. They don't always know.)
4. **DESIRED** – (e.g. The taxi driver pauses at the beginning of the ride and says, 'Are you comfortable? Do you want me to turn on the air?')
5. **SURPRISING** – Something unexpected that they like. Not something that you wanted (that would be a desired item.) A surprise is something that you value, that you didn't think about. In other words, they understood you enough to deliver something you value.
6. **UNBELIEVABLE!** – This is not the standard for your company, you'd go bankrupt. But you want people to be aware of it and think about, so that occasionally, you say 'We have an opportunity to do something unbelievable...'

## The Six Levels of Service: Criminal, Basic, Expected, Desired, Surprising, Unbelievable!

Where is "excellence on The Six Levels of Service"? Excellence is a moving target. Excellence is taking the next step up!

## Service Excellence

- "Service Excellence is taking the next step up to create more value for someone else."
- A service excellence culture exists when everyone puts this to work every day.
- We believe service culture is a sustainable advantage.



### Four Different Categories of Value:

1. **Primary Product** (e.g. Good product, great product, mediocre product)
2. **Delivery System** (e.g. Pizza Hut delivery. Amazon is all about delivery, not products.)
3. **Service Mindset** (e.g. Body language. Image. Singapore Airlines)
4. **Ongoing Relationship** (e.g. Are you just selling me something? Or are we building a long-term relationship? Citibank.)

The Big Picture is delivering value in all four categories.

### Takeaways:

1. "I don't compete on price. I compete on the experience my customer receives." Ron Kaufman
2. Meeting a customer's expectations is no longer a competitive differentiator, it's table stakes.

### When and where can you take a new action to create more value?

Service Transactions and Perceptions Points:

- See
- Hear
- Touch
- Smell
- Taste

Every perception point is a moment of truth.

### Perception points can be in

- Products
- Packaging
- Delivery
- Writing (manuals, emails)
- Person (body language, eye contact)
- Telephone (tone of voice, responsiveness)
- Websites
- Mobile devices
- Social Networks (we don't even control - what other people say about us that creates a perception.)

Singapore Airport – Designing a customer experience.

Madison Wisconsin Airport Experience – After the security area, a sign "Recombobulation Area."

Shanghai Airport – The luggage carts are lined up next to baggage claim for each person to quickly grab.

#CafeLux on Instagram. Example of creating an experience without spending more money.

Perceptions Points in a Service Transaction - Worksheet

Get the key 35 slides of Ron Kaufman's presentation by sending an email to [slides@upyourservice.com](mailto:slides@upyourservice.com)



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## Follow-up Actions Steps

### Improving Service Performance

1. Service is taking action to create value for someone else. Teach this definition to every member of your team.
2. Make a list of everyone you serve including your customers, colleagues, and others in your community.
3. Ask those you serve to evaluate your current performance on The Six Levels of Service
4. Identify which categories in “The Big Picture” offer the biggest opportunity for you to increase value.
5. Identify specific Perception Points where you can step up to improve.
6. Recognize incidents or patterns of “Blame, Shame, and Excuses”.

### Building a Strong and Sustainable Service Culture

- Make a powerful declaration to your team about the priority and importance of service. (Only do this when you are prepared to continue with the following steps.)
- Provide actionable service education for every member of your team.
- Measure what really matters. Track the number of new ideas and new actions to improve both internal and external service.
- Download the Service Culture Assessment and review the 12 Building Blocks of Service Culture. Rate the effectiveness of your current activities in each Building Block.
- Identify “quick wins” opportunities in selected Building Blocks. Take action within 30 days.
- Identify high-importance, long-term Building Blocks needing improvement. Implement a plan to make these improvements within 12 months.
- Benchmark best practices in other service organizations outside your industry. Invite other service organizations to visit and benchmark you.



# Adele Revella

Author of "Buyer Personas: How to Gain Insight Into Your Customer's Expectations, Align Your Marketing Strategies, And Win More Business"

<http://www.amazon.com/Buyer-Personas-Customers-Expectations-Strategies-ebook/dp/B00QQMV5WI>

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## Executive Summary:

Adele Revella presented a new approach to building out customer profiles based on digging deeper into their persona to understand what they want, when they want it, and why they want it. The traditional model of looking at customer profiles is only focused on demographic details. By digging deeper, organizations can tailor their products and services to deliver more value. And they can create more focused marketing strategies to convert prospects to sales. Adele's book is ideal for organizations that are building strong sales and/or marketing offerings.

## Key Takeaway Quote:

"To get real insights from your customers you need to go beyond surveys. Talk to your customers."

## Notes from Presentation:

How Discovering the insights into why consumers buy your product or service.

Amazon – Started with only selling books. Then they figured out how to apply the decision-making to all products.

Challenging the standard Persona model - Name, Title, Age, Family, Company, Revenue, Role, Goals & Challenges, and Industry News Preferences. (Google it and you'll find a lot of options.) More important to know "what, when and why?" About your buyers INSTEAD of "Who"?

"Sales & Marketing Plays" are the intersection of "What buyers want to hear" and "What we have to say."

## The challenge?

Sales persuades one buyer at a time

We need to persuade markets full of buyers

## Five Rings of Buying Insight:

- **Priority Initiatives** – Drivers for decision to solve the problem.
- **Success Factors** – How buyers define success
- **Perceived Barriers** – What obstacles must we overcome
- **Buyer's Journey** – Which attributes will they evaluate
- **Decision Criteria** – How do decisions get made



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### Do you have insight into your buyers' decision?

1. Listen to your buyers' stories. "Take me back to a day when you first started looking for a solution...what happened?"
2. Keep probing for insight. The buyers first answer is the one you already know.

Caterpillar Case Study – They started with three buyer personas that didn't help.... They were able to break it down to one group that knows all the specs they want, they don't want fluff, just facts and specs. Another persona needs to be walked through the process to explain the options that are available.

"When the options are few, we can be happy with what we close since we are confident that it is the best possible choice for us. When the options are practically infinite, though, we believe that the perfect choice for us must be out there somewhere and that it's our responsibility to find it." Sheen Iyengar, *The Art of Choosing*

Buyers are looking for useful information – "If I cover up the logo, these all look alike. I know that one of these is a better fit for us and it's too hard to figure that out."

Buyers generally know the benefits – "I'm seeing a lot of obvious benefits, but nothing that speaks to my concerns about achieving them."

### Next steps:

- Document what you know about each of the five insights into your buyers' expectations
- Identify a plan to interview recent buyers to discover the missing insights
- Segment your target audience(s) based on differences in your buyers' expectations
- Evaluate your sales and marketing plays to ensure a flow of useful information
- Continuously improve

"To get real insights from your customers you need to go beyond surveys. Talk to your customers."

"Conduct interviews until you find a pattern"

### Take inventory of your buyer knowledge:

1. **Priority Initiative:** What causes buyers to decide that it is time to invest in a solution like yours?
2. **Success Factors:** What do your buyers expect to be different once they make this investment?
3. **Perceived Barriers:** What concerns prevent buyers from believing that it is possible to achieve these goals? Why would buyers perceive that another company or approach is better suited to their needs?
4. **Decision Criteria:** Which attributes of your product, solution, service or company do your buyers focus on as they weigh the merits of your solution vs. all other approaches?
5. **Buyer's Journey:** What resources do your buyers trust as they weigh their options? Which buyers are involved at each stage of the buying decision, and what is their impact on the decision to include or exclude you from consideration?

### IMPORTANT:

If you think you are missing key insights into your customers buying decision, set aside time to interview people who have recently made a similar buying decision.



**Align your marketing and sales strategy with your buyers' expectations.**

- Do different segments of the market have different answers to these questions? If yes, document those differences and use these answers to decide which segments you will pursue.
- Develop a messaging strategy that addresses each of the expectations in the Priority Initiative, Success Factors, Perceived Barriers, and Decision Criteria insights.
- Prioritize the marketing investments that align with your Buyer's Journey.
- Build sales plays and marketing assets that communicate your core message.





# Andrew Davis

Author of *"Brandscaping: Unleashing the Power of Partnerships"*

<http://www.amazon.com/Brandscaping-Unleashing-Partnerships-Andrew-Davis-ebook/dp/B0094KJNF0>

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## Executive Summary:

Andrew Davis delivered engaging and entertaining presentation about how to rethink your sales "funnel" by creating unique partnerships with other brands that share your customer base. The foundation of his concept is based on the dramatic changes in how consumers engage in brands – it's now Google centric in many cases. Andrew provided numerous case studies that showed a strategic brand partnership can be a win-win for both brands. Any organization looking to grow sales should read Andrew's book and build an internal team to identify partnership opportunities with other brands.

## Key Takeaway Quote:

"Content builds relationships. Relationships build trust. Trust drives revenue."

## Notes from Presentation:

### No Brand Is An Island

Challenging the traditional model of the marketing funnel. Awareness, Interest, Desire, Conviction, Purchase  
The original funnel framework was invented in 1898.

The New World View – We previously believed our business was the center of the universe. Today, Google is the center of the universe. How do you get closer to the center of your clients' universe?

Google is the comfort food of search.

### The New Buying Process:

- Moment of Inspiration
- Trigger
- Initial Consideration Set
- Active Evaluation – 57% of B2B consumers make a decision before contacting a supplier, 72% of retail consumers make a decision before contacting a supplier
- Moment of Purchase (Commitment)
- Loyalty Loop (Subscription - Everyone has a loyalty loop. Not everyone leverages it.)



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**Brandscape** - Partner with like-minded brands to create content that increases demand or drives revenue.

Key question – “Who has your next customer as your current customer?”

**Brandscape Example: Converse shoe company.**

1. What drives shoe sales?
2. A celebrity is photographed wearing a Chuck Taylor.
3. They had 37MM fans on their email list.
4. They built a recording studio where anybody could record for two days for free with free equipment and engineers, but Converse had the right to share their music with their 37MM fans.
5. Guitar Center was the partner – They supplied the equipment. Shared the stories of the bands from a music perspective.
6. Band + Converse + Guitar Center = Success. They are all leveraging the content. A win-win-win situation.

Your email list is your most under leveraged marketing asset. Everyone has an email list.

**Content builds relationships. Relationships build trust. Trust drives revenue.**

Who is your duet partner? Ask yourself... Who has your next customer as their current customer?

Who has your next customer as their current customer?

**4 Secrets To Creating Brandscapes That Drive Revenue:**

- **Get Rich. Target A Niche.** – Fractal Marketing. A fractal is a generally, “A touch or fragmented geometric shape that can be split into parts, each of which is a reduced-size copy of the whole”, a property called self-similarity Explore Your Niches - Find a node and commit. What if we stopped trying to be everything to everyone.
- **Turn Your Marketing Expenses Into Assets** – Example: FoldFactory.com has a 60 second YouTube.com video of the Fold Of The Week. 90% of her business comes from people that have subscribed to her video. She never talks about her templates. She partnered with the US Post Office - created videos on how to maximize folded material that is mail-friendly. She’s paid by the US Post Office to do this... Also partnered with Sappi Fine Paper - total ROI is \$500,000/year. List five things your audience care about every day - not directly related to your product or service. Could you provide insight into addressing those things.
- **Partner With Your Perceived Competition** – Example DCVelocity (website for distribution center managers.) Created a 30 minute show called “Move It” to highlight the latest innovations in conveyors, distribution centers, etc... Sponsored by 7 brands that supply the parts to make distribution centers. Find a Niche, Insight Into What they Care About, Find 5 partners targeting the same audience - Fine one piece of insight, send it to one customer, one prospect and one partner.
- **Exploit Content Holes** – Example: SciFi Network was \$4.99/month just for that channel. He placed a video of his fish tank when the FCC said you can’t post the SciFi channel. When he finally put the SciFi on, people complained that they were missing their FishTV channel. It ended up driving over \$3M in revenue. Other example, Lauren Luke and Sephora. Celebrity makeup videos. Now worth \$100MM brand. What is your content hole that you could exploit



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### **Three Keys To Partnership Success:**

1. Confidence to invest in the content of others and the belief that their audience, no matter how small, is valuable.
2. Humility to believe that your customers care about more than just your products and services.
3. Willingness to pool your resources and share your audience with other brands.

### **Three Ways to Uncover New Partnership Opportunities**

- Imagine your product or service is listed on Amazon's marketplace. Make a list of what other products, services, and brands would appear in the "Customers Also Bought" section.
- Leverage Google Trends, the most underutilized marketing and sales tool in the world. (Google.com/trends). Look at the demand curve for your product or service category and look for who and what increases demand.
- Build an Influence Pyramid. Who are the digital influencers creating content in your market? Who are the consumers they serve? Ask yourself what you could do to help those influencers be more successful?

### **Three ways to maintain and expand your current partnerships:**

1. Call one existing partner each week and ask them how you can help them sell more products or services?
2. Consume your partner's online content, interact with their audience, and encourage interaction and engagement by sharing their best digital assets with your audience.
3. Remember, everyone has an audience, invite your staff to think about new long-term partnerships by looking for other products and services your existing customers embrace. Keep a list and reach out to one new potential partner each month.



# Kip Tindell

*Author of "Uncontainable: How Passion, Commitment, and Conscious Capitalism Built a Business Where Everyone Thrives"*

<http://www.amazon.com/Uncontainable-Commitment-Conscious-Capitalism-Business-ebook/dp/B001829QBG/>

## Contact Information:

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## Executive Summary:

Kip Tindell, the founder of The Container Store, believes that finding great people and taking care of them is the key to business success. Starting with great employees makes a better experience for the customers, which in turn creates a return for the shareholders. Kip reiterated the same message found in the book "Uncontainable" that every organization has to have a set of non-negotiable, core values that drive the company. At The Container Store, the seven Foundation Principles guide all key decisions. Kip believes firmly in Conscious Capitalism and has been actively involved in spreading the message that "Business is not a zero sum game."

## Key Takeaway Quote:

"Business is not a zero sum game."

## Notes From Verne Harnish's Interview With Kip Tindell:

*When will The Container Store expand internationally?*

Been talking about it for 20 years. But we're still having so much success opening in cities like Indianapolis.

*What's the secret of finding good people?*

It helps to have Fortune magazine telling people what a great company you are. If you take better care of an employee than anybody else, then the customers will be better off and then the shareholders will benefit. Conscious Capitalism is the key.

*It's easy to say you want to have a great place, but how do you do it?*

It's not all about pay. We pay 50=100% above average. We don't want to pay mediocre people more, we want to pay great people more. 1=3. One great person equals to three good people. Great people like to work with other great people. The employee wins. The customer wins. The other employees win the most. The best thing about a great place to work is knowing that they get to work with other great people. Only 15% of the workforce is actively engaged. People don't want to be lazy and go to work and goof off - they want to do great things and go home at the end of the day feeling like they did something great.

If you're lucky enough to be someone's employer, you should make an environment for them to have a great place, the best way to do that is hiring great people. Number two priority is having transparent and open communication. Human beings thrive when they know they are getting all the information, and feel isolated when they're left out of the communication.

Nothing gets rid of bad activities than transparency and communication.



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*How do you get people excited about retail sales?*

I passionately believe that retail is one of the most rewarding, creative industries. We want more people to go into retail. Build the culture where people are fiercely proud. We have less than 10% turnover. Most retail employees don't even last a year, on average. We train fanatically. We don't want our employees to not know the products on the shelf. We do 284 hours of training, on average for our employees. The rest of the retail industry averages 8 hours of training.

The Foundation Principles were based on my own core beliefs and philosophies.

*Tell about the Man in the Desert Selling Process?*

People don't want to be pushy sales people. Man in the desert comes into a store. Give him water. No, it's more than that. Maybe they want Gatorade. Maybe new shoes. Maybe they need to call home and say they're okay. Or they need a new shirt. We sell solutions, not products. You need people who really care about their customers.

Houston Store - The turning point when they introduced the Foundation Principles. The store was so busy when it opened, they were hiring just about anybody that walked in...that caused a complete misalignment and poor experience. The solution was to introduce the Foundation Principles:

- 1 Great Person = 3 Good People
- Communication IS Leadership
- Fill the other guy's basket to the brim. Making money then becomes an easy proposition.
- The Best Selection, Service & Price
- Intuition does not come to an unprepared mind. You need to train before it happens.
- Man in the Desert Selling
- Air of Excitement!

*Tell us about the purchase of ELFA?*

They were put on the auction block, but they were one of our most valuable products. They were one-third the size of us, but we were able to figure out how to buy them. We didn't have the highest bid, but the rank-and-file employees wanted to be sold to The Container Store.

I love dealing with the vendors. At The Container Store, you can't distinguish the difference between employees and vendors. We have decades long relationships with vendors.

*Tell us about Conscious Capitalism?*

Business is not a zero sum game. The synergies between vendors and employees are key.

Take the big publicly traded programs, the Conscious Capitalism companies have exceeded the non-Conscious Capitalism companies by 1400% over 10 years. The research also shows that conscious capitalism companies investment returns are 1025% over the past 10 years, compared to only 122% for the S&P 500 and 316% for the companies profiled in the bestselling book "Good to Great."

The universe conspires to assist you. My favorite movie is a "Wonderful Life." The entire town is working to make the business owner win.



Stanley Marcus (Neiman Marcus) - He lived in Dallas with me. He was quality and innovation. Very unique for Dallas, Texas. He came to the store the first month it was open and loved it. One of the greatest store he'd ever seen. So he started meeting with us and encouraging us. He was very generous with his time and praise. We've all had a teacher or coach that gave us self-confidence and/or tough love.

CostCo is a Conscious Capitalism company.

Every battle I'm fighting someone else has battled before. Seek those people and ask what they did.

Going public and still being a Conscious Capitalism company - Whole Foods has done it. Investors are impatient. People are too interested in the quarter - it's not Quarterly Capitalism. When I did the IPO roadshow, I was not looking forward to hearing the questions about the Conscious Capitalism, but it turned out to be what everyone wanted to learn about. It's not the wage that matters; it's the percentage of payroll to revenue. That's the key.

Nothing better in the world than having as many employees as possible owns a piece of the business. 14% of our IPO was friends, family and employees.

*How do you scale culture?*

The Foundation Principles are the key.

*How do you transition into the 1=3 pay model?*

It depends on your ability to believe that you can get a 1=3 people. Then it's so easy for these people to do that productivity.

When interviewing someone for a serious position and see how people treat the waiter. If they don't treat the waiter well, they won't fit our culture.

Employee first culture - It comes back to Foundation Principles and training. It's family love. The leaders of the store have nurtured the employees to be like family. They teach and train each other. They have to give maximum effort or they get pushed out. Employees only give all their productivity if they really love the culture, supervisors and company.

*What's next?*

We're growing at about 12% retail space per year. We're very happy with our current position. Our new stores are producing 20% EBIDTA.

Kip has had a successful relationship with his spouse and he recommends working together your spouse in your business. We used to have family farms. We still love what we do and it doesn't feel like work when you love it.

Rolling out a new product to all stores, the TCS Closets. It's a complementary design to Elfa. It's the greatest thing we've ever designed. The average ticket price is \$10,000. We love creating the world's best sweater box, so imagine how we feel about creating the world's best closet system.



# John Mullins

**Author of, "The Customer-Funded Business: Start, Finance, or Grow Your Company with Your Customers' Cash"**

<http://www.amazon.com/Customer-Funded-Business-Finance-Customers-Hardcover/dp/B00VBHGGOK/>

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## Executive Summary:

John Mullins presented a solid case that having too much capital in the early stages of a business is actually detrimental to the long-term success of the organization. John's suggested approach is to create a sales/business approach that uses your customer's cash to build the company. This directly and indirectly also puts the focus on delivering a product/service that creates value for the customer and is profitable for the seller. John presented five different business models along with case studies that provided a way to finance the growth of the business without outside capital. John's book is ideal for any startup organization and or company that needs to increase cash flow.

## Key Takeaway Quotes

"The vast majorities of fast-growing businesses never raise venture capital nor write business plans, either."

## Notes from Presentation:

### Who Needs Investors?

**Case study:** Ryzex - Barcode/Mobile Wireless/RFID supplier. Built a business by cornering the market on last year's model of barcoding equipment. He bought it on the cheap because it wasn't the newest model. In the financial downturn, people stopped buying equipment, so he had to focus on cash. That became the focus of the company - cash. Overdraft of \$3MM in his bank. People that were still buying wanted discounts. He offered that in return for advanced pay. Also changed service plans from monthly in the rears to annual payment in advance. Because of his focus, they went from a \$6MM deficit in cash to a \$6MM positive cash position in 17 months.

Fred Wilson of Union Square Ventures, "The amount of money that start-ups raise in their Seed and Series A rounds is inversely correlated to success." More money in the beginning means less likely to succeed.

- Too much money makes entrepreneurs sloppy, stupid
- Plan A for any new idea rarely works. But the investor wants the entrepreneur to flawlessly implement it anyway.

So should you get your cash from your customer, not an investor.

**Fact:** The vast majorities of fast-growing businesses never raise venture capital nor write business plans, either. Raising capital too early is a dangerous practice for both the owner and the investor.



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### **Drawbacks of Raising Capital:**

- Distraction - Takes the entrepreneurs eye off the ball, now, and later, too
- Higher risk = lower stake for the founder.
- And the baggage that comes with it in the shareholder's agreement

**US Venture Funds Return:** The best-performed US Venture Fund is 700%/year, but most of the funds returned close to 0%. 25% of the funds returned negative returns. Some funds even lost all of their money. Only 15% of the funds delivered more than a 15% return.

### **The Customer-Funded Business:**

- **Matchmaker Models**
  - Example: Brian Chesky & Joe Gebbia, founders of Airbnb in 2007. They had a local conference coming to town and the hotels filled up. So they setup a system to have people sleep at their place for a small fee. The expanded to other bloggers. Ultimately, they were able to pay their rent. The breakthrough was a gimmick of selling "Obama-O's" at the democratic convention. That got them \$30,000, but more importantly, they got an interview on CNN where they talked about their Airbnb concept. Now they have over a million properties.
- **Pay-in-Advance Models**
  - Example: Vinay Gupta, owner of Via, in 2006. Tickets were purchased through travel agents. They weren't available online (yet.) He setup 175 travel agents with a realtime system for purchasing tickets, but they had to prepay a \$5,000 deposit for tickets. \$850,000 to start the business. Later they expanded to rail tickets and more travel agents. In 2014, they hit \$500 million in revenue.
- **Subscription Models**
  - Example: Krishnan Ganesh, founder of TutorVista in 2005. Cartoon - "No. You may not outwork your homework to India." He connected Indian math teachers/tutors with students using an online video connection. He started with \$25/hour but that didn't work very well. So he moved to \$100/month for all-you-can-consume. Renewal rates were over 50% a month. Sequoia Capital invested in the business...ultimately got sold to Pearson for \$200 million.
- **Scarcity-Based Models**
  - Example: Jacques-Antoine Granjon - founder of Vente-privee in France in 2001. French apparel makers occasionally make mistakes. They sold these in underground markets so it didn't impact the primary retail markets. They took closeout items from manufacturers, they made a video of the fashions on attractive models, and then run the video for ONLY three days. Customers paid upfront, but they paid the manufacturers in 60 days. Ultimately, the manufacturers just started making more of the closeout items, and the flash sales became just another sales channel. Many competitors in this space, but nobody has been able to make a profit and exit.
- **Service-to-Product Models**
  - Example: Balder Olrik, Calus Moseholm - In 2003, started Goviral video production company. Advertising agencies in the early days had a challenge making PPC advertising work. They focused on videos that went viral. Clients paid upfront and they guaranteed the number of impressions. YouTube also launched in 2005, it made online videos cool. In 2006 they got on stage at the Cannes Lion Festival - the entire European advertising industry meets there. They became the experts. In 2010, AOL bought the business for \$100MM.





### These Examples Share Three Attributes in Common:

- Negative working capital – love thy float. Use the float to grow the business.
- They require essentially no external capital to get started. (Not necessarily zero, but minimal)
- When they did raise capital to grow once the concept was proven, there was an eager queue of angels or VC's lined up at their door.

*Which of these five models might be put to work in your business today?*

### Final Observations on Business Plans:

If your business plan includes the statement, "We believe that..." actually means "We've been so busy writing this plan, that we haven't had time to collect any real data from the market place to validate our concept...so we hope and pray..."

"The customer is not just king. He can be your VC, too." Bernie Auyang, Angel Investor and Entrepreneur in Shanghai.

### Alternatives to Investor-Funded. The Customer-Funded Business:

- **Matchmaker model:** What would it take for us to bring buyers and sellers together in our market and industry without our ever touching or taking ownership of what's bought and sold? How might we get our current competitors to play ball?
- **Pay in advance model:** For what reasons might it be in our customers' interest to pay us faster, in advance of delivery, than they pay us now? How can we convince them to do so? What's in it for them?
- **Subscription model:** For which of the product lines (or services) we now sell would it be in our customers' interest to buy on a subscription basis instead of repetitively, as they do now? How can we convince them to do so? What's in it for them? How might we make (and enhance) the transition?
- **Scarcity model:** For which of the product lines (or services) we now sell could we limit the supply and pricing in order to create urgency to buy?
- **Service-to-product model:** If we're in a service business, which of the lines of business that we now deliver as a service could we 'bottle' or 'package' and deliver without any material level of human support?
- **All five models:** For what reasons might it be in our most important suppliers' interest to allow us to pay them slower than we do now? How can we convince them? What's in it for them?

From the above, select the one or two approaches that appear most likely to be workable. Run a test - yes, an experiment- to offer the new proposition to a few customers (or for bullet-point 6, a few suppliers) and see whether they bite.



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# Jeff Sutherland

Author of *“Scrum: The Art of Doing Twice the Work in Half the Time”*

<http://www.amazon.com/Scrum-Doing-Twice-Work-Half/dp/038534645X/>

## Contact Information:

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## Executive Summary:

Jeff Sutherland is one of the key thought leaders behind the “Agile” movement that has dramatically changed the software development field by completely re-thinking the approach to project management. The key concept is that the traditional “waterfall” project management approach is ineffective and any single delay would massively delay the entire schedule. The Agile approach breaks project management into smaller, manageable time periods (“iterations”) and creates clear focus on the goals and expectations (“stories”) for each “sprint.” The ultimate success of the Agile approach is a 39% success rate versus an 11% success rate for traditional waterfall projects. The Agile approach is now moving beyond software development and being used for everything from building fighter jets to education. The overall Agile approach has a lot of similarities to the execution approach of Rockefeller Habits. Any organization that does project management should read Jeff’s book and incorporate the Scrum concepts into their organization.

## Key Takeaway Quote:

“The #1 problem for most organizations is lack of a single, clear, ordered backlog of products and projects.”

## Additional Key Takeaway Quote:

“Harvard has done a ton of research on the ideal team size. The answer is 4.6 – so the ideal size of a team should be 4-5 people.”

## Notes from Presentation:

### #1 Corporate Problem – No Clear Backlog

- The #1 problem for most organizations is lack of a single, clear, ordered backlog of products and projects.
  - This leads to confusion, wheel spinning, and demotivated employees with results in missed dates, excuses and finger pointing.
  - Fixing this problem can quickly double the production of an organization and double the revenue per production unit.
  - From an investors point of view, increasing business value deliver of the same organization by 400% this year needs to be the CEO’s top priority
- We have solution to this problem. It is called Scrum Product Ownership.
  - Acceptance Tests;
  - Every team has a clear, ordered backlog every spring so they know exactly what they need to do and in what order
  - Teams are stable. No teams are raided for people to start new projects. Backlog flows to the stable teams.



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## Learning from Leaders

- **General Douglas MacArthur** – “The shadows are lengthening for me. The twilight is here... But I want you to know that when I cross the river, my last conscious thoughts will be of the Corps, and the Corps, and the Corps.”
- **Dwight D. Eisenhower** – “Plans are worthless, Planning is everything.” They knew on D-Day that as soon as teams hit the beach, they’d have to self-organize, self-manage, and modify the plan based on conditions.

## “Medical Uses of Statistics” by John Bailar

- Cells, People, Teams, and Organizations Change in Small Increments
- Jeff’s story... Problem: 300 clinical papers about cancers. Explain to me why all the charts and graphs are different, I’ll get you a Ph.D. Cancer derives from a single cell that has gone off track. If you can model the human cell and map how it evolves into a cancer cell, and then show how that becomes a tumor, which leads to patients entering the clinic. Then all of the cell information to all the cases. The problem, nobody agrees on what causes cancer. The program that needed to solve the problem was heavily computational. So Jeff worked on Systems Architecture: Massively Parallel computer. Led to a job offer with a bank to implement more systems...

## Traditional Projects: 89% Failure Rate.

1. Used Gantt charts with a massively dependent schedule of activities. Invented in 1910. Used by the Army in World War I.
2. Any one delay would massively delay the entire schedule
3. Jeff tackled this by asking for the worst performing project team. He had a vision how to fix it.

**Landing the Project** - Every week, we are going to “land the project.” Make small adjustments along the way. Like landing an aircraft. Added the Turndown Chart and banned the use of Gantt charts.

Robots example - Remove the database and decentralize the capabilities of the robot.

**The importance of Architecture** - Jeff is an expert on evolutionary biology. Punctuated equilibrium, bottom, consists of morphological stability and rare bursts of evolutionary change.

## State Machine Mutations: How Things Really Work

- “Darwin’s Dangerous Idea” by Daniel C Dennett
- “All complex systems evolve through a series of stable states.” Herbert Simon, “The Sciences of the Artificial.”

## Organizational Architecture: 3 Constraints

- Conway’s Law – Organizations which design systems...are constrained to produce designs which are copies of the communication structures of these organizations
- Brook’s Law – Adding people to a late project makes it later
- Drucker’s “Cockoo Effect” – Any innovation in a corporation will stimulate the corporate immune system to create antibodies that destroy it.

“Harvard has done a ton of research on the ideal team size. The answer is 4.6. So the ideal size of a team should be 4-5 people.”



## #2 Corporate Problem – No Continuously Deployable Stable States

- The #2 problem for most organizations is lack of ability to quickly deliver product in short iterations
  - The most critical factor is fully integrated system build time and associated testing. If this takes months or weeks and can be reduced to days or hours, production of the organization can increase by an order of magnitude.
- We have an Agile solution for this. It is called:
  - Continuous Integration
  - Automated Acceptance Test Driven Development
  - Continuous Deployment
- Acceptance Tests:
  - Incremental fully integrated builds can be done multiple times per day
  - Automated acceptance test are run with every build
  - Teams have a potentially shippable increment of code at the end of a sprint (or more often)

### Fractal Organization: Optimal Team Size = 4.6

“If there was a Nobel Prize for management, and if there was any justice in the world, I believe the prize would be awarded, among others, to Jeff Sutherland, Ken Schwaber and Mike Cohn for the contributions to the invention of Scrum.” Steve Denning, Forbes April 29, 2011.

### Your structure is your strategy!

Highly recommends the book, “Team of Teams” by General Stanley McChrystal

<http://www.amazon.com/Team-Teams-Rules-Engagement-Complex/dp/1591847486/>

### Three Organizational Charts:

- Command
- Command of Teams
- Team of Teams

## #3 Corporate Problem - Organizational Debt

- The #3 problem for most organizations is organizational debt. The structure of the organization creates so many dependencies in the product that production is crippled.
  - Symptoms are missing delivery dates and unhappy customers.
  - We have a solution for this. It is called Scrum@Scale.
- Acceptance Tests:
  - There is an Enterprise Action Team that is removing organizational impediments on a weekly basis.
  - Scrum Inc. provides training, consulting and coaching to fix these problems.

### Characteristics of Great Teams

- Transcendent Goals
- Autonomy
- Cross-Fertilization

Agile = Lean + Customer Collaboration

“Agile Competitors and Virtual Organizations”

“Toyota Production System” Taiichi Ohno



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Agile competition goes beyond lean manufacturing by permitting the customer, jointly with the vendor or provider, to determine what the product will be.

For agile competitors, the ability to individualize products comes at little or no increase in manufacturing costs. It does, however exact a cost: It requires major changes in organization, management philosophy and operations.

#### **Leadership needs to change:**

- Eliminate waste
- Understand value stream analysis
- Implement single piece continuous flow

#### **Agile Manifesto**

- **Individuals and interactions:** self-organization and motivation are important, as are interactions like co-location and pair programming.
- **Working software:** working software is more useful and welcome than just presenting documents to clients in meetings.
- **Customer collaboration:** requirements cannot be fully collected at the beginning of the software development cycle, therefore continuous customer or stakeholder involvement is very important.
- **Responding to change:** agile methods are focused on quick responses to change and continuous development.

#### **Scrum in Complex Systems Deliveries**

F-35 is a classic Waterfall project. Late 9 out of 10 times.

#### **Agile Leadership:**

- Sales, Marketing Finance
- Manufacture
- Technology, Software
- Families and Weddings
- Education
- Agriculture
- Government
- Space

#### **Changing The World of Education:**

- Higher grades
- Faster learning
- More fun
- Leadership development
- Perfect for handicapped
- Motivated students
- Self-discipline



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### **Eduscrum - Scrum for education**

- **Transparency** – With Eduscrum every student knows how and why they have to do something, they know the importance for themselves and for the team. Because of this, students will work harder and learn more.
- **Motivating** - With Eduscrum students are motivated when they work together. They work autonomously within plain framework.
- **Enjoyable** - With Eduscrum cooperating teams will function optimally. Students enjoy the and will turn into increasingly better team platers who are valued for their qualities.

Scrum can be used for anything, including weddings.

MicroEnterprise Lending to the Poor - Giving back to Nobel Laureate Grameen Bank in Uganda

### **Agile Success Rates 2011-2015**

39% Success Rate of Agile vs 11% Success Rate for Waterfalls

Scrum - Team Assessment reports through Scrum, Inc.

Scrum allows you to measure the velocity of the project and predict when the projectile be completed.

One of the first things they do is get rid of time sheets and measure what got produced that can be sold.

### **Schroedinger's Buffer**

- First, stabilize the teams and that resulted in a 700% productivity increase.
- Second, create a plan for dealing with interruptions, added significantly more productivity

Latest research from Carnegie Mellon, having a plan for dealing with interruptions, they will be 49% more productive.

### **Deploy Aggressive Scrum**

Bicycle analogy - The faster you go, the more resistance you get! (That's the scrum master. They have to peddle hard and set the pace.)

Scrum is used in over 150 countries.



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# David Rendall

Author of *"The Freak Factor: Discovering Uniqueness by Flaunting Weakness"*

<http://www.amazon.com/Freak-Factor-Discovering-Uniqueness-Flaunting/dp/1599326698/>

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## Executive Summary:

David had one of the most entertaining presentations of the entire conference with numerous stories about his own "freak" stories because he is exceptionally tall. From these experiences, David is on a mission to inspire others to see their weaknesses as the key to their strengths; without one, you can't have the other. His primary message is his mantra, "What makes us weird also makes us wonderful. What makes us weak also makes us strong." David's message is applicable to individuals and organizations. David ends with his seven steps to identify the "freak" inside of you.

## Key Takeaway Quote:

*"What makes us weird also makes us wonderful. What makes us weak also makes us strong."*

## Notes from Presentation:

Consider the following words and definitions:

- **Maverick** – An independent individual who does NOT go along with the group.
- **Nonconformist** – A person who does not behave the way most people behave
- **Iconoclast**
- **Deviant**
- **Abnormal** - Different from what is average or normal.
- **Unorthodox**
- **Extraordinary**
- **Exceptional**

**Freak** – A person that is markedly unusual or abnormal. A person who is obsessed with something.

"Deviance will always generate external pressures to conform. If you perform beyond the norms, the system will adjust and try to make you normal." Robert Quinn

What makes us weird also make us awful.

What makes us weak also makes us wrong.

"Many highly talented, brilliant, creative people think they're not – because the thing they were good at at school wasn't valued or was actually stigmatized." Sir Ken Robinson.



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### **Think Differently. Act Differently.**

Awakening - Everything we've learned about weakness is wrong.

"Excellence is a form of deviance. The way to achieve and maintain excellence is to deviate from the norm. You become excellent because you are doing things that normal people do not want to do." Robert Quinn

### **David's Thesis:**

What makes us weird also makes us wonderful.

What makes us weak also makes us strong.

Negativity Bias - We tend to see everything wrong in a situation instead of what is right. Example, we see the stain on someone's shirt, but we don't see that 98% of the shirt is stain-free.

We are led to truth by our weaknesses.

Acceptance - Strengths are weaknesses in disguise.

Do opposites attract? Or are they just acting out what they've always been told about what's norm? Lucy - Get out and be more active. Al - Settle down and start a family.

### **Framing and Reframing. Example of how words can change...**

Easy going - Irresponsible

Adventurous - Dangerous

Spontaneous - Impulsive

Structured - Inflexible

Responsible - Controlling

Cautious - Fearful

**Example: Height.** It can be a great thing. We vote for tall people. We pay them more. Their IQ's are higher. But on an airplane...

You have to accept the advantages of height and the disadvantages.

Every characteristic is a strength and a weakness at the same time.

Can't we change? We're taught that we can be anything we want to be? That's not true.

A good analogy - every medicine has side effects. If you want the benefits of the medicine, you have to deal with the side effects.

"Strong people always have strong weaknesses too. Where there are peaks, there are valleys." Peter Drucker

Example: Walmart vs. Target (price vs quality - if you "fix" one, you will undo their strengths.) Kmart - they tried to be Target and Walmart, and went bankrupt.



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“Uncommon Service” by Anne Morriss and Frances Frei, "Striving for all-around excellence leads directly to mediocrity." <http://www.amazon.com/Uncommon-Service-Putting-Customers-Business/dp/1422133311/>

“Every limit as beginning as well as an ending.” George Eliot

**Examples of Strengths from Weaknesses:**

- Richard Branson, “Strangely, I think my dyslexia has helped me.”
- Paul Orfalea “I think everyone should have dyslexia.”

Amplification: Exaggerate weaknesses instead of fixing them.

Jimmy Kimmel example.

Fikes tagline “Proudly Obsessed with the Dirty Details.” EO Seattle member

“There is no great genius without a touch of madness.” Seneca

How could you amplify your weakness?

Alignment - Don’t try to fit in. Find the right fit.

Specialisterne - Passion for details. They hire autistic people because they’re hyper-sensitive to details.

Match the person to the place. Example: Michael Phelps

Avoidance – to be the best at some things we have to be the worst in other things.

True differentiation is rarely a function of well-roundedness. Example: Arm wrestler story.

Another example: A tall person could play basketball, but they could never be a jockey.

Speed reading example: Took slow readers (100 words a minute) and gave them a course to increase their reading to 50 words a minute. They also took good readers (300 words a minute) and the same course increased their reading to 3,000 words a minute.

“Excellent requires underperforming on the things your customers value least, so you can over-deliver on the dimensions they value most.” by “Uncommon Service” by Anne Morriss and Frances Frei

We do less. We do not have a mini-bar but we have a hip bar. “Alt Hotel” marketing.

“Decide what trade-offs you will make – where you will do things badly, even very badly, in the service of great.” by “Uncommon Service” by Anne Morriss and Frances Frei

Affiliation - Partner with people that are strong where you are weak.

The people we need the most are the people we like the least. They really irritate you.



“Organizations exist to make people’s strengths effective and their weaknesses irrelevant.” Peter Drucker

Who is strong? Where are you weak?

“What You Got Here Won’t Get You There”, Marshall Goldsmith  
Totally disagreed with everything in the book.

What would you write in your memo? Prepare people to know your strengths and weaknesses. Be clear with people up front.

The Leaning Tower of Pisa was built in 1183. It was leaning since they built it. Mussolini tried to straighten it. The lean is what makes it valuable. It is important to keep the current tilt, due to the vital role that this element played in promoting the tourism industry of Pisa.

“We do not believe in ourselves until someone reveals that deep inside us something is valuable, worth listening to, worthy of our trust, sacred to our touch.” E.E. Cummings.

What makes us weird also makes us wonderful.

What makes us weak also makes us strong.

## THE FREAK FACTOR OUTLINE

1. **AWARENESS** - Weaknesses are important clues to our strengths.

“We are led to truth by our weaknesses as well as our strengths.” -Parker Palmer, Let Your Life Speak

2. **ACCEPTANCE** - Apparent weaknesses are strengths in disguise.

“Strong people always have strong weaknesses too. Where there are peaks, there are valleys.” -Peter Drucker

3. **APPRECIATION** - We succeed because of our weaknesses, not in spite of them.

“Every limit is a beginning as well as an ending.” -George Eliot

4. **AMPLIFICATION** - Exaggerate weaknesses, instead of eliminating them.

“Whatever the public criticizes in you, cultivate. It is you.” -Jean Cocteau

5. **ALIGNMENT** - Don’t force yourself to it in. Find the right fit.

“Every individual has a place to till in the world and is important in some respect.” -Nathaniel Hawthorne

6. **AVOIDANCE** - If you want to be the best, you have to be the worst.

“To fulfill some commitments, others must be excluded.” -Chris Guillebeau, The Art of Non-Conformity

7. **AFFILIATION** - Partner with people who are strong where you are weak.

“To succeed, you must delegate everything, except that which is your genius work.” -Fabienne Frederickson



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# Mark Cuban

Author of *"How to Win at the Sport of Business: If I Can Do It, You Can Do It"*

<http://www.amazon.com/How-Win-Sport-Business-Can/dp/1626810915/>

## Contact Information:

Download and use the app Cyber Dust. Mark's address is Mcuban (doesn't guarantee he's going to respond.)

## Executive Summary:

The Fortune Growth Summit ended at American Airlines Arena with a short presentation, Q&A and giant "selfie" photo with Mark Cuban. While not a prepared presentation with slides, Mark shared his early experiences in business, his key takeaways from running an NBA team, and his numerous investments and opportunities from "Shark Tank." Mark focused his message on knowing yourself (individual and/or organization). He emphasized the importance of knowing your strengths and weaknesses. And similar to John Mullins presentation earlier in the day, Mark encouraged startups and early stage companies to NOT take too much outside capital; it only distracts the entrepreneur and puts too much focus on profitability for the investor.

## Key Takeaway Quote:

*"Sales cures all."*

## Notes from Presentation:

Term used in professional sports that Mark applies to business...

**KYP** - Know Your Personnel

**KYC** - Know Your Customer

**KYP** - Know Your Prospect

## Business Plans

What business are you in?

NBA - Not about basketball. About creating memories from a great experience. The business of creating moments. Now how does that apply to your customers?

MicroSolutions – Mark's first company. I had to remind the staff all the time: Profitability. Productivity.

Entrepreneurs are good at lying to ourselves. We are all in. So you have to take a step back and be self-aware. KYP and KYC. How are you going to solve their problems?

## Am I self-aware?

What is it about you that makes you different? What's your competitive advantage?

Better. Cheaper. Faster. Best. What does that really mean?

Be brutally honest with yourself.

Who's the most important person you have to know? You.



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*Write a personal plan instead of a business plan. What are you good at? And what are you bad at?*

Know what you can do and can't do.

As you grow, you can't do everything.

If you have a strong foundation, it's easier to grow.

“Sales cures all.”

Do you know any busy that grew without sales at some point?

Use Sales as a metric for growth.

You can control “effort.” How many hours and where. How much of your time is focused on sales.

Ultimately the owner is responsible for sales.

The value of being nice.

Nice pays. Any bad experience is on social media in 10 min.

Every touch point in your company must be nice.

## **Q&A**

HourlyNerd.com - Grads from top schools that are not in the workforce but they need income. On demand economy.

Biggest mistake - Ongoing mistake is thinking I'm smart. It's a bad habit to think I know the answer. Check your hole card 15 times.

The best part of SharkTank is when people come up with their kids and they share that their kids have learned about business because of SharkTank.

I have invested in 71 companies from SharkTank.

I don't do many phone calls with my direct reports. Weekly reports with bad news first because I expect good news. If you don't disclose the bad news, you're gone.

Email management – Cyber Dust. App. “Mcuban”

The longer the backstory, the worse the investment. If you get into a long personal story to sell your investment, Cuban is turned off.

Key traits for an entrepreneur: Be curious. And always continue learning.



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Experience at Univ. of Indiana - I learned how to learn. Curiosity. Entrepreneurship class – “The Gospel of Wealth” by Andrew Carnegie. Modified by Mark to include pay your taxes. <http://www.amazon.com/Gospel-Wealth-Little-Books-Wisdom/dp/1557094713/>

Trust is key to transfer responsibility to others.

Don't follow your dreams. Follow your effort. Read as much as you can.

VC money. If you raise too much money, you have to spend it. It's stupid. It kills the future. Crazy money raised is not an accomplishment. Best equity in the world is sweat equity.

Franchise. Multiple units open, operating and are profitable. It had to be more than an idea. Must know how to be profitable.

