

PETRA COACH NOTES

EO 2015 KEY EXECUTIVE PROGRAM (KEP)

MIT Endicott House, November 1-3, 2015

The Petra Coach team captured the following notes during the EO 2015 Key Executive Program (KEP) at the MIT Endicott House on November 1-3, 2015. We wanted to share our notes with you to supplement any notes you may have taken during the event. We encourage you to select a few key takeaways to implement in your organization.

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:

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Barrett Ersek

“Break The Bottleneck: X-Factor”

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Executive Summary:

Barrett Ersek challenges business leaders to identify their industry bottlenecks and focus on finding a creative solution so that their business can have an unfair 7-10 times advantage over the competition. This X-Factor strategy is a never-ending process that requires leaders to see problems as opportunities to “...find greater potential from every situation, process, experience and outcome.” Barrett provides five approaches and multiple case studies to find an organization’s X-Factor, including: 1. Eliminating Expense; 2. Remaking the customer buying or usage experience; 3. Overcoming customer’s psychological barriers; 4. Winning hearts and minds; 5. Eliminating negative.

Key Takeaway Quote:

“We must accept problems with ‘gratitude’ because that is where entrepreneurs find their opportunities.”

Notes from Presentation:

Break The Bottleneck

How do you find creative innovation that leads to an unfair 7-10 times competitive advantage over your competition?

Resiliency – We get our teeth knocked in as entrepreneurs. Watching a half million dollars of fertilizer burn down. “We can’t control what happens to us, but we can control our reaction to what happens to us.”

Your ability to get through tough stuff will determine your success.

Brother David Steindl-Rast - Benedictine Monk. He was a teenager in World War II and most of his friends around him died. He was a quarter Jew and living in Austria and served in the Nazi army. He focused every day on something that he was grateful for every day. His life became devoted to gratitude and studying the concept of gratitude and how it applies to spirituality. His vision is that “business can be a positive change agent for the world.” If we could adopt gratitude as a Core Value, it would move the world forward. Religions are belief systems that allow people to find their way through life. “If you can just trust that all days - even bad days - are gifts, then you will remove conflict, stress from your life and replace it with peace, creativity and opportunity. And if you have peace, creativity and opportunity in your heart, then you have heaven on Earth. So everyone has the opportunity to enter heaven.” You only control how you respond.

Entrepreneur’s Optimism – “Pass the hope-ium pipe.”

The innovator sees what could be, not what is. Its about asking the question – “How can I find greater potential from every situation, process, experience and outcome.”

Problems is where entrepreneurs find innovation. We must accept problems with “gratitude” because that is where entrepreneurs find their opportunities.



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“If you don’t like change, you’ll like irrelevance even less.”

X-Factor: Verne Harnish

What's the one thing in your business that if you could change – eliminate that obstacle – would grow your business exponentially.

5 Diagnostic Levers:

Looking for problems in your industry from different points of view.

1. Eliminating Expense
2. Remaking the customer buying or usage experience
3. Overcoming customer's psychological barriers
4. Winnings hearts and minds
5. Eliminating negative

Examples of X-Factor:

- **Blockbuster** – Initially Mom & Pop video stores focused on the amount of profit per video tape. They only kept 2-3 tapes of the top movies. Mom & Pop store couldn't afford to buy more. Wayne Huizenga approached the studios that were more focused on Profit per Title (not individual tape.) They did a revenue share. "If the latest movie is not in stock - it's free." (Note: Wayne Huizenga is the only entrepreneur to build three companies with over a billion dollar in revenue from scratch: Blockbuster, AutoNation and Waste Management.)
- **Redbox** - "Putting DVD's in coke machines." Blockbusters two biggest expenses: rent and labor. That's what Redbox did. They reduced the expenses by a factor of 7-10. "How can I do that?" versus "I can't do that!" Locations were convenient. Rent from any Redbox machine and return it to any machine. Their prices were substantially less than Blockbuster. They disrupted the market.

No such thing as a *sustainable competitive advantage*? You must constantly innovate.

Synthesized Innovation – Look at other industries and look at how they solved it and apply it to your industry.

Example:

- **Fastenal** – Office supplies in a vending machine. They determined what office supplies you wanted/needed and then they filled the machine in YOUR office with those supplies. They were issued cards to the employees and then they could immediately purchase those supplies. They charge more money per item, but it's more convenient and they save you on theft and time.
- **Casella Wines** – "Yellow Tail" wine. When they came into the US, the average liquor store had 123 different types of wine. They looked at the wine market and realized a lot of wines appealed to sophisticated buyers. They had 123 wines already catering to that. They decided to make buying wine easy. A fun, easy to drink, easy to buy wine. They simplified the label. They catered to people that were afraid to buy wine. They made it less confusing.
- **Hyundai** – 2008. The car industry is falling apart. The car companies were looking for bailouts/handouts. GM can't sell cars. The same quarter, Hyundai grew 14% in the worst quarter to sell cars. People were afraid to buy cars, even the people that could afford it. "If you buy a car and you lose a job, we will take the car back and won't hurt your credit." All X-Factors eventually get copied. It only took GM a few months to come out with an alternative. GM said if you buy a Saturn and lose your job, you get to keep the car.
- **Airbnb** – Airbnb valuation was \$24 billion versus Marriott's valuation at \$21 billion. They are providing a solution to the same market as Marriott and it almost costs them nothing to deliver the room/service.



- **Bonobos Guide Shop** – (See HBR article.) The sell men’s clothes online only. The Guide Shop doesn’t sell anything. You simply have an employee there to help you identify the right size for you. And then you order it online from the store and it’s delivered to your home. They have reduced inventory, warehousing, stock, etc... Once you know the right size, you can just shop online. <https://bonobos.com/>
- **Patagonia** – They will fix your existing Patagonia clothes so you don’t have to buy new clothes. If they can’t fix it, they will give it away to charity. They will also re-purchase and re-sell items. “I know it sounds crazy, but every time I have made a decision that is best for the planet, I have made money. Our customers know that – and they want to be part of that environmental commitment.” – Yvon Chouinard
- **Happy Lawn** – “Good times begin with green grass.”
2001 – Custom Care \$2 Million in sales and stalled
Cost per sales - \$275
\$400 in annual revenue/customer
50% gross profit
6 quarters to cover acquisition cost of new client
Created a instant quote solution that used satellite images to quote instantly while on the phone. Immediately grew the business to \$2, 5, 8 and 10 million. Sold that business to Chemlawn.
Barrett is now working on a new business, Holganix.
- **AppleTree Answers** – Call centers. The biggest problem was disengaged employees. “How do I take my turnover rate from 350% to 35%?” (Search on YouTube.com for “AppleTree Dream On.”) He started with great (Herman Miller Aeron) chairs for all the frontline people. Built a concept called “Dream On.” Each employee submitted their dreams and the company would attempt to fulfill the dreams.

The Essential Question – Don’t jump to the solution. Focus on the question. Do you have the right question? Then you can get the entire company focused on that one question. We can put energy and focus. “How can we reduce our cost per sales from \$275 to \$27?” Having your question defined clearly also allows you to expand to people outside your network to answer your question.

X-Factor Workbook Notes:

What is the X-Factor? Breakthrough innovation vs. incremental innovation.

- Business bottleneck versus industry bottleneck. (Not specific to your business.) That’s where we spend most of our time as entrepreneurs.
- An industry bottleneck is where we get massive innovation. This gives you the 7-10 times advantages.
- You still need to work on business bottlenecks, but spend 90 minutes a month on industry bottlenecks. You have to get out of your business and think about the industry.
 - Start by identifying your industry. It sounds easy, but a lot of people aren’t focused on the right thing. Then...
 - Customer Experience – List 5 bottlenecks from the Customer Experience bottleneck? (Think about Blockbuster or Bonobos.) Note: Don’t try to answer the problem, just identify the bottlenecks.
 - Superfluous Expenses – List 5 bottlenecks from the Superfluous Expense perspective? (Think Redbox or Happy Lawn.) Simply look at the 5 highest expenses on your P&L.
 - Customer Risk – List 5 bottlenecks from the Customer Risk perspective? (Think Hyundai)
 - Disengaged Employee – List 5 bottlenecks from the Disengaged Employee perspective? (Think AppleTree Answers)
 - Negative Externality – List 5 bottlenecks from the Negative Externalities perspective? (Think Holganix or Patagonia.)



- Now you have 25 bottlenecks. Narrow it down to the top 5. Now pick one bottleneck and have the entire team work on one bottleneck (don't split it up - it needs to be cross-company for different perspectives.) Ask Why five times to really narrow it down. (Y5 - Ask Why five times...)
 - IMPORTANT: It needs to be a metric-driven question. The essential question has to be metrically driven.
 - Program your Reticular Activator – The part of your subconscious system that keeps you on alert. Write down your essential question on a 3x5 index card and read it five times a day. You need to get your team obsessed about your essential question. If you're obsessed with it and focus on it long enough, you will find a solution.
 - Measure your results with KPI's.
 - Create Consistent Innovation part of your culture. Add the X-factor of your meeting rhythm (Weekly, Quarterly, Annual) CANI - Constant And Never-ending Improvement (CANI Culture)
- **Revolutionize Your Industry!**

Additional Resource:

Recent article published in the Harvard Business Review, "Break Your Industry's Bottlenecks" provided to participants.



Frances Frei

Author of *"Uncommon Service: How to Win by Putting Customers at the Core of Your Business"*
<http://www.amazon.com/Uncommon-Service-Putting-Customers-Business/dp/1422133311/>

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Executive Summary:

Frances Frei delivered an entertaining and informative presentation about a counter-intuitive approach to customer service – you can't be good at everything and you should consciously decide what you're going to be bad at. Frances provided numerous examples of organizations that clearly understood their audience and what features they valued, and more importantly, what features they didn't value. It's with the latter group of features that a company should "choose" to be bad at providing. It provides for a better employee experience (not attempting to be good at too many things) and a better customer experience (by providing the benefits they truly value.) In addition to her challenge to choose where to be bad, she also encourages organization to "manage and train" their customers.

Key Takeaway Quote:

"Excellence is a choice. The key is selecting what can you be 'worst-in-class' at... Being deliberate about your choice of 'worst-in-class' attribute is better than it happening upon it accidentally."

Notes from Presentation:

People that follow their natural instincts end up doing more harm than good. Very well intentioned, energetic people following their instincts doing harm.

When talking to customers around the world, they all want an excellent experience. And employees want to deliver excellent experiences. So why is it so rare that those two things happen. Four things are systematically getting in the way...

Obstacles to Excellence in Customer Service:

#1. Trying To Be Great At An Increasing Number of Things - We get exhausted mediocrity. The desire to be great at too many things holds organizations back. Achievable, sustainable excellence is rarely achieved.

Sustainable Excellence vs Exhausted Mediocrity:

What's missing? *The courage to be bad.*

General Contractors - The subset of the human species that is most deeply comfortable in their own skin. They just don't care what we think about them. Cost, Quality, Speed: Just pick two. *We should all understand the limitations of delivering our product/service.*

Steve Jobs - He stood for 'excellence.' Every ounce of his being. He understood the tradeoffs. If it was best-in-class for weight, it had to have reduced features.

Where are the tradeoffs in our industry? And where are we willing to be bad? It requires a charismatic leader.



Case Study:

Southwest Airlines (see book for detailed reference)

- They completely understand what the customer wants – Attribute Map (Listed in order from Most important to SWA target market to least important to SWA target)
 - Low prices
 - Friendly service
 - Frequent departures
 - On-time arrival
 - Fast transport
 - Convenient airports
 - Extensive network
 - On-board amenities

Best-in-class in things that matter most to customers. Worst in things that matter least to customers.

Walmart

- Attribute Map (Listed in order from Most important to Walmart target market to least important to Walmart target):
 - Low prices
 - Selection across categories
 - Rural convenience
 - Reliable prices
 - Merchandise quality
 - Suburban convenience
 - Selection within categories
 - Sales help
 - Ambiance
- How do you keep customers that are NOT in your target market? By not offering the attributes that your non-target market wants. (“Fancy” person example.)

Excellence is a choice. The key is selecting what can you be “worst-in-class” at... Being deliberate about your choice of “worst-in-class” attribute is better than it happening upon it accidentally.

Regarding price - If you ask a customer if they “Want low prices” they will always say “yes.” Specifically, when you have no other differentiation on other features. If you don’t have the lowest cost structure, you can’t compete on price.

Frances has done this exercise of 10,000 Attribute Charts. The common themes are the following:

- Attribute Map (Listed in order of Most important to Least important):
 - Quality of installation
 - Low price
 - Responsiveness
 - Courteous & professional
 - Proactive and follow-up
- Initially, companies are not differentiated from their competition. To the customer, their choices appear to be the same.



- Warning: Be careful about asking customers what they want? They can't articulate it. They will say one thing and do another...
- Conjoint analysis - in every marketing book. Not well-known. Get people to reveal what they want by offering them A/B packages of choice to find the underlying themes.
[https://en.wikipedia.org/wiki/Conjoint_analysis_\(marketing\)](https://en.wikipedia.org/wiki/Conjoint_analysis_(marketing))
- Decide on what you want to be good at... (what the customer consider important) You have to then decide what to be bad at...
- Wedges are hard to come by. (A wedge is what you're good at compared to the competition.) Avoid being really good at an attribute that customers just don't care about...
- Example: Ikea - 28th most powerful brand in the world. Before Ikea, people would care that furniture would last.
 - Attributes Map:
 - Ability to change (Ikea good at)
 - Fun project (Ikea good at)
 - Independence (Ikea good at)
 - A destination (Ikea good at)
 - Durability (Ikea is bad at)
 - Assembly (Ikea is bad at)
 - Sales Assistance (Ikea is bad at)
 - Location (Ikea is bad at)
 - They did the opposite of what the traditional furniture retailer

Example: **Pizza Hut, KFC and Taco Bell** - At one time, they were all part of PepsiCo and competed against one another. They had a Survival-of-the-fittest mentality. They constantly underperformed. PepsiCo spun them off to another company. Everything stayed the same, but they changed to a shared-services model, as opposed to competing with each other. They started performing outstanding...

Value Creation and Value Capture:

1. Create far more value than we capture
2. Free value creation now – future value capture problems ("We give stuff away for free now. At a later date, someone has to capture that value.")
3. Value capture without value creation – loss of goodwill ("If we have to raise prices without delivering value, they dislike the company.")

Zappos Example:

- Sell shoes online. Built a loyal following.
- Virtuous Cycle:
 - Spending more on service, creates...
 - A better service experience, results...
 - Customers rave about service, permits
 - Spending less on marketing, permits...
 - REPEAT CYCLE
- Target market: Women. They understand that women have a special relationship with shoes. They are obsessed with shoes. They can never have too many shoes. Why? Shoes fit regardless of weight (plus or minus 20 pounds.) Shoes are "loyal" to women. They had to figure out how to get shoes delivered to women in one day. Women talk about their shoe purchases with other women. They are moved to talk about the service to other prospective customers. Basically, Zappos marketing was spent on customer service.



- If you are fighting the competition on advertising/marketing, consider shifting your focus (budget) to a “notable” service experience.

Courage to Champion Employees:

- Level of Operational Complexity versus Time (increasing)
- Level of Sophistication versus Time (fairly flat)
- Operational complexity is outpacing employee sophistication (it’s not the employee’s fault, we’ve layered on more than they can handle)
- It’s our obligation to close this gap, with...
 - Training
 - Reduce focus on being great at everything

Dare...

- To be bad
- To get paid
- To champion employees
- To manage & train customers

“The customer is always right.” – That’s not true. Customers will put us out of business. It’s not malice, it’s just that they don’t have any idea about how their requests impact operations.

We should not take customers the way they are - they impact cost and quality. We should manage and train them. But we have to manage and train them in a way where they like us even more. Will they like us more at the end. The DMV is not a good example.

Example: Starbucks

- We practice how to order the coffee right. We apologize when we don’t get it right.
- Starbucks trained the customers how to order products.
- Why? It was because the baristas were getting overwhelmed. They barista couldn’t remember all the drinks - basically the customer order was telling them how to make their drink. (Compare that to a bartender that has to know all the ingredients in hundreds of drinks.) Starbucks had to train customers how to order the coffee.
- Starbucks published a 22-page book on how to order at Starbucks.
- When you order a drink and don’t get it right, they repeat it back to you in “barista” speak - which is basically their way of training you (and others in earshot).
- Only works in the US.
- 90% of the customers are actively working on getting the drink order right. The other 10% of the customers are basically acting out (civil disobedience.)

Example: Etched-fly in men’s urinal reduced the amount of “poor” aiming.

Leadership definition: “Leadership is about making others better as a result of your presence. And making it last in your absence.” by Frances Frei



Pest Control versus Pest Elimination - People were willing to pay 7-10x more for pest elimination versus pest control. They had to train the customer... "Here's how you prepare your trash if you want pest elimination."

I want what ever you're really good at invites competition. Design your value proposition so that the competition wants to copy it. It will weaken your competition.

Southwest Airlines is just as likely to lose your bags as Delta. But Delta passengers are five times more likely to complain about it on Social Media. They have been trained to understand the value proposition of Southwest Airlines.



Randy Cohen

"How To Build An Amazing Culture And Brand"

by Randy Cohen, Chief Energizing Officer, Ticket City, and author of *"Ticket To The Limit"*

<http://www.amazon.com/Ticket-Limit-Performance-Transform-Adventure-ebook/dp/B0098O5BYO/>

Contact Information:

<http://www.ticketcity.com>

Executive Summary:

Randy Cohen founded Ticket City in 1990 and built it into a successful ticket broker by focusing on building a great culture founded on a non-negotiable set of Core Values. Randy's authentic delivery of his personal journey highlighted the need for the leader to set the example in the organization. His organization hires slowly and fires quickly.

Key Takeaway Quote:

"Core Values are the values that guide your decisions everyday as a leader and an employee."

Notes from Presentation:

Ticket City

"The best of tickets for the best of times." - We make dreams come true.

Ticket City Core Values:

- Respect
- Passion
- Fun
- Innovation
- Integrity
- Relationships

Core Values are the values that guide your decisions everyday as a leader and an employee.

The leader sets the example for the culture. (Story about taking a grandmother to the Olympics opening ceremony.)

Mock Interviews:

Ask and answer questions to determine if the person is a good culture fit for your company.

For example, "If someone is going to write an autobiography about you, what would the title and subtitle be?"

Ticket City Interview Question:

"What would you do with a million dollars?"

Tony Hsieh, "Delivering Happiness"

<http://www.amazon.com/Delivering-Happiness-Profits-Passion-Purpose/dp/0446576220/>



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"If you don't like change, you'll like irrelevance even less."

How to build a great culture:

- Hire the right people - "Hire slowly. Fire fast."
- "If it's right for the customer...if it's right for the company...and you don't mind reading about it tomorrow in the paper, then proceed with doing it."
- Have great benefits for your employee
 - SEP matching
 - Throw a party on their first day. (Jack Daly)
 - Ticket City council made up with a representation of all departments. They make recommendations on what we need to do as a city.
 - Idea Wall – Anyone can post an idea for employee benefits.

Sales Board/Dashboard with live sales

Monthly Meeting - First Tuesday of the month. Management provides updates of what's going on. All employees are required to give shout outs to another employee. Openly embrace failure and support your people. "If you're not making mistakes, you're not doing anything." John Wooden

Branding

- Decide who you are and how you are different
- Know your audience

Summary:

- Tell your story and make it compelling
- Act like a human and treat your customers like humans
- Go big or go home



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Daniel Marcos

“Stages Of Growth Companies”

Daniel Marcos, founder of Gazelles Growth Institute

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Executive Summary:

As the founder of Gazelles Growth Institute, Daniel Marcos is connected with the majority of business thought leaders of our generation and his presentation provided an overview of the top concepts organizations are leveraging today for growth. The heart of his presentation was on the leaders and the skills they need at the different stages of an organization’s growth. He reinforces that a company can only grow as fast as their people and share numerous insights based on his deep coaching experience, particularly with multi-generational organizations. Daniel finished his presentation by sharing his insights from Singularity University and Salim Ismail book about the “Exponential Organizations (ExO).” Daniel makes a passionate argument that leaders and organizations need to understand exponential concepts to succeed in our increasingly complex and rapidly changing world.

Key Takeaway Quote:

“If you want to grow your business by 10X you need to first grow your team by 10X.”

Notes From Presentation:

Stages of Growth Companies

The key decisions you have to take in each stage to scale up your company.

“Are you playing NOT to lose or playing to win?”

If you stop growing, you die. It’s our duty as leadership to grow the company.

Don’t think about the people you have when growing to the next stage - build a functional organizational chart for the size company you are growing to... Then decide who in the current organization fits into the functional organizational chart.

When hiring for the size company you want to be, you will have to over-hire for a period of time. Strategy – Hire them as advisors until you can afford them full-time. A lot of team members have advisors.

Get your number 2 - pay them. You need someone who can run your company.

HR is a function of the CEO position. **HR is a strategic position.**

Service Oriented Functional Organization Chart – Upside down chart. The CEO serves the employees.



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From Entrepreneur to CEO - Stages of the business and role of entrepreneur

Large Business

- Continuous growth
- Industry dominance
- More than 250 employees

Entrepreneur Role:

- Strategic innovator
- Change catalyst
- Chief of culture

Medium-Sized Business

- Accelerated growth
- Industry definition
- 16-250 employees

Entrepreneur Role (must let go of your ego)

4. Communicator
5. Action plan designer
6. Team building
7. Coach

Small Business

- Growth initiation
- 100\$ focused on sales
- 6 to 16 employees

Entrepreneur Role:

- Delegator
- Define direction

Venture

- Business start-up
- Product development
- 1 to 5 employees

Entrepreneur Role:

- Technical
- Administrator
- Entrepreneur

Leadership Definition: “Your role as a leader is not to prevent problems or slow the pace of change. Instead, focus on accelerating your organization’s ability to recognize and resolve problems.” Dr. Ichak Adizex



Four + 1 Decisions:

1. **People (Happiness/Freedom)** - The right employee doing the right things in the right position at the right time. Otherwise you have a People problem.
2. **Strategy (Revenue/Growth)** – If you're not growing at twice the industry average, you have a Strategy problem.
3. **Execution (Profit/Time)** – If you are growing 20-30% and your expense go up at the same pace, you have an execution problem.
4. **Cash (Oxygen/Options)** – Cash gives you oxygen and options. You need six months of your fixed expenses in your bank account. (The same is true for your personal account: house + food + kids' schooling)
5. **Technology (Acceleration/Globalization)** – You want to have hyper growth, you need technology.

Must Read Book from Daniel

“Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it)” by Salim Ismail

<http://www.amazon.com/Exponential-Organizations-organizations-better-cheaper-ebook/dp/B00008ZGC6>

Good to Great:

People + Strategy + Execution

Disciplined People + Disciplined Thinking + Disciplined Action

Doing what you need to do without having to think about it.

First Step in Daniel's Interview Process - I always ask them to do “homework.” Only 20% actually respond. That saves me a lot of time doing interviews. He ask them to do several steps including writing in English/Spanish (Example: The green M&M clause.)

Global Music Industry Turnover - Source RIAA year-end shipment statistics.

New Product “S” Curve - See slide decks.

If you want to grow your business by 10X you need to first grow your team by 10X.

Levels of Management/Training

Top Level Management

- C-Level Executives
- Vice Presidents

Key skills required:

- Strategy
- Budgets/Policies
- People Skills
- Culture



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Middle Level Management

- Departmental Managers

Key skills required:

- Communicator
- Team building
- Hire A Players
- High Sales/Negotiators

Lower Level (operational) Management

- Foreman
- Superintendents

Key skills required:

- Coach
- One-on-one Leadership
- Negotiators

Workers

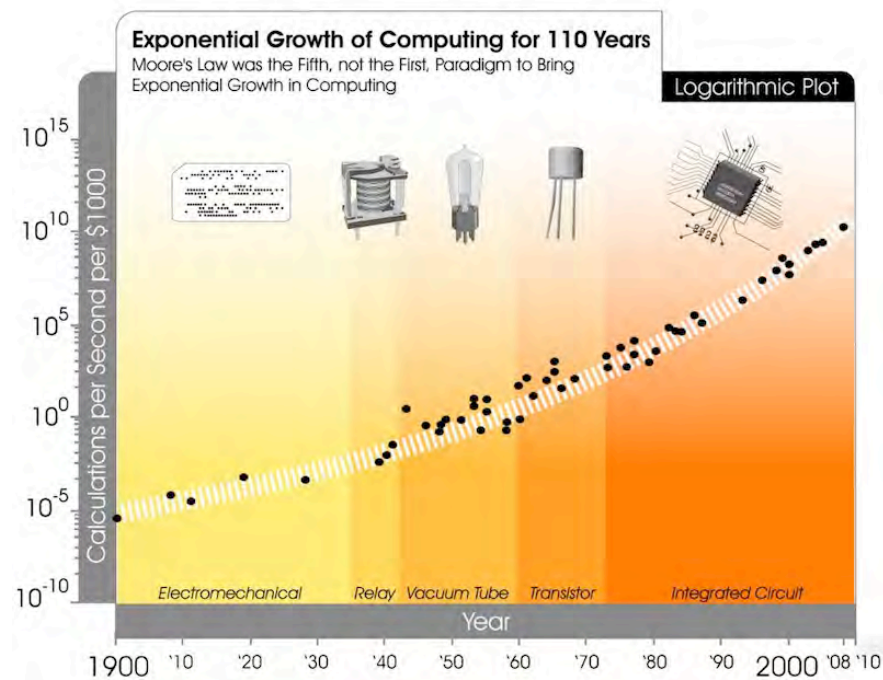
- Frontline employees

Key skills required:

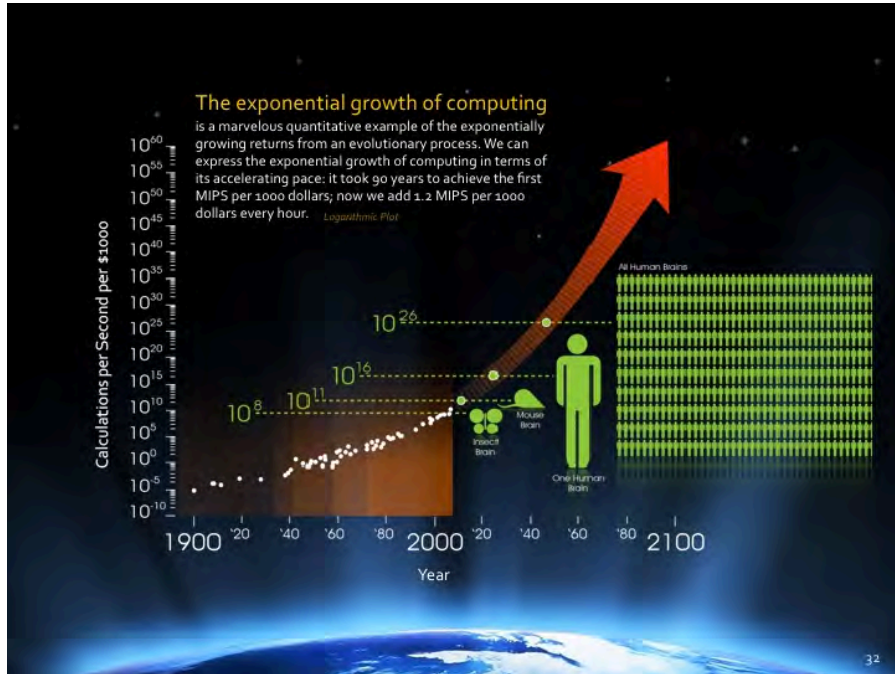
- Vocational
- Productivity
- Goal Setting
- Self-management

Moore's Law – Exponential Growth:

Double the processing capacity every 18 months at the same cost.



Exponential Growth of Computing on a Logarithmic Plot



<http://www.slideshare.net/humanityplus/kurzweil>

Deception of linear vs exponential - It takes about 10 years to cross the linear line. "Knee of curve."

Internet of things - 50B devices connected by 2020.

S.C.A.L.E. – External Attributes of an ExO (Exponential Organization)

S - Staff on Demand (Outsourcing)

C - Community & Crowd (Building community around the programs.)

A - Algorithms (Own the algorithm)

L - Leveraged Assets (Leverage others assets)

E - Engagement (Engage your community)

I.D.E.A.S. - Internal Attributes of an ExO (Exponential Organization)

I - Interface Processes

D - Dashboards

E - Experimentation

A - Autonomy

S - Social Technologies

David Rose – Gust

"Any company designed for success in the 20th century is doomed to failure in the 21st century."



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Simon Cohen

"Searching for Success, Finding Happiness!"

Founder of Henco

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Executive Summary:

Simon Cohen shared a deeply personal and inspirational story about finding happiness after several health scares that forced him to view his business success through a different lens. By removing negativity from his life and focusing on happiness in all situations, he was able to create a better work-life balance and remove the stressors that were creating his health issues. Simon shared insights into how he built the culture and highly-effective teams at his global logistics company – Henco. A primary key to his success was the focus that his integrity, honesty and reputation were key to building the network needed to build a great organization.

Key Takeaway Quotes

"I can't decide when or where I'm going to die. But I can decide to be the happiest man on Earth."

Notes from Presentation:

Do what you're good at? Not what you like. Just because you love it doesn't mean you're good at.

You have to visualize yourself where you want to be:

Mind + Discipline = Reality

"You need to know where you are, in order to know where to go."

Life is about selling. Networking. Good name and reputation.

"Networking is the best thing you can do in life. It's an art. It's better to know 'who' than 'how.'"

"We were buying the future while they were selling the past..."

Survival Instinct – "I can't decide when or where I'm going to die. But I can decide to be the happiest man on Earth."

Henco – Five years in a row, the best logistics company to work for in Mexico. Based on happiness.

Work-Life Balance

Balance, Effectiveness and Results

The day I finish my cycle on earth, I will say, "What an incredible life I've had."



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Focus:

- Sense of life, Where am I going? Why am I here?
- To do things with meaning.
- To be more effective
- Priorities in life
- Balance
- To be a good man and live to be happy
- Don't postpone anything in my life
- People is what's most important.

"If you let go of your fears you will have more space to enjoy your dreams."

Henco's Culture:

- No sales agents
- Based on customer service
- College atmosphere at the office
- Be the best, not the biggest
- Profits are not an objective, they are a consequence

Complementary Teams:

A + E + I + O = U (At least one of each on every team)

- Administrators
- Entrepreneurs
- Integrators
- Operators
- A + E + I + O = U Union

"A leader is not the one working harder or faster, it's like a thumb. The only one that can interact with all of the other fingers."

Together but different - that is a blessing. (Middle-east concept of holding your fingers together.)

Mutual Trust and Respect

- Common vision and values
- Functional structure
- Contribution in decision making
- Mature people

"Listen to your people. They have the answers." We don't always have to have the solutions.

Mutual Trust and Respect

- Live without pretending
- Love without depending
- Listen without defending
- Talk without offending



What is the difference between 'honesty' and 'integrity'?

Honesty

- What I do
- What I say
- My publications

Integrity

- What I am
- What I think
- My private actions

Couple orders a pizza, they open the box and it has \$1,500. This money is not ours. The woman argues to keep it, but the man believes they should give it back. Upon returning the money to the manager of the restaurants, the manager appreciates the man's honesty and offers to put him on the radio to do an interview about honesty. But the man says "I can't do it because the woman I was with in the hotel is not my wife." He is honest, but doesn't have integrity.

Integrity is doing the right thing, even when no one is watching.

Integrity is top to bottom.

Nothing lasts forever, just change

How to control change?

"Our challenge as leaders is to put things together."

Flexibility and Control

New companies = Lots of flexibility, but little control

Old companies = No flexibility, and little control

Excellence = A balance of flexibility and control

The Secret of Success

(Capabilities and Opportunities)

External Positive Energy

divided by

Internal Negative Energy

(Mutual Trust and Respect)

"Success for Simon is a feeling, not a status." It's not about what you have, where you are...it's a sensation.

"Don't let your negative energy drain away your reserves to create positive energy."

Sweet Spot in Life:

What you Are + What you want to be + What you should be = Success



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Favorite quotes:

- "The cost of education is paid once, the cost of ignorance last forever."
- "You always have to keep your feet on the ground, no matter what shoes you're wearing."

"Keep your thoughts positive because your thoughts become your words.
Keep your words positive because your words become your behavior.
Keep your behavior positive because your behavior becomes your habits.
Keep your habits positive because your habits become your values.
Keep your values positive because your values become your destiny."
~Mohandas Karamchand Gandhi

"Because at the end, the team that has the best players...always wins."



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/B00VBHGBGOK/>

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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:

See supplied case study materials on Naked Wine.

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. They 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.



Paul Berman

"Life Balance When?"

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Executive Summary:

Paul Berman shared his deeply personal and emotional journey of experiencing business success while battling family and personal health tragedies. Throughout a seemingly never-ending series of tragic events, Paul was able to identify the critical steps to find life balance and deal with these events. Paul started by truly building a relationship with himself (self-actualization) and then by managing his personal commitments and dreams through the simple use of his calendar. Although basic in concept, Paul's theory is life-changing – use your personal calendar as the tool to hold yourself accountable for personal follow through and accomplishing your dreams. Beautifully summed up at the end of his presentation is the statement, "The secret is getting your 'stuff' on your calendar. Until you put it on your calendar, you will never do it. It doesn't matter if it's small, big, business or family - *get it on the calendar.*

Key Takeaway Quote:

"Your relationship with yourself is the longest one you will ever have."

Notes from Presentation:

PAIN

"This is when life gets real."

Entrepreneurial Survey:

- 80 percent said they work too much
- Two-thirds find it stressful trying to balance their personal life and business

Top 3 Challenges

1. How do I create a positive work culture?
2. How do I manage growth and cash flow?
3. How to become more productive and better at managing work-life balance?

Work-Life Balance Defined:

Work-life balance is a concept including proper priority between "work" and "lifestyle."

"Your relationship with yourself is the longest one you will ever have."

8,760 hours in a year – How many hours do you have blocked out for *you*?

16-Month Calendar

Wouldn't you like to have an additional 4-months?

How to create a 16-month calendar:

1. Start with you. Just you.
2. You and your wife.
3. You and each child.
4. Next business.



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Start building your calendar in July. Have it ready by September 1 (it's complete by Labor Day.)

Get more things on your calendar in the future. The more you plan ahead, the more you have time to prepare for it

Paul's Personal Goal: Section-hike the entire Appalachian Trail. Two weeks in the spring and two weeks in the fall.

Define your "personal what's" and turn them into "when's" so that you can accomplish all those things you've always wanted to do.

The secret is getting your "stuff" on your calendar. Until you put it on your calendar, you will never do it. It doesn't matter if it's small, big, business or family - get it on the calendar.



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Karen Welt Steeves

"Hiring Talented Teams"

Based on Geoff Smart's books:

"Power Score: Your Formula for Leadership Success"

<http://www.amazon.com/Power-Score-Formula-Leadership-Success/dp/0345547357/>

"Who: Solve Your #1 Problem"

<http://www.amazon.com/Who-Geoff-Smart/dp/0345504194/>

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Executive Summary:

Karen Welt Steeves facilitated an insightful and educational conversation about how to hire "A" players for your organization. Based on the Geoff Smart "A" Method of hiring, Karen shared the step-by-step process to build scorecards, identify candidates and conduct effective interviews. According to her research, the typical company hires the wrong person 50% of the time, and the "A" Method for hiring gets the 'right' person 90% of the time. While a laborious process to do the proper scorecard development, talent search and interview process, the deliberate hiring process is less expensive than the typical cost of a mis-hire – 15 times that person salary.

Key Takeaway Quote:

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

Notes from Presentation:

Hiring mistakes cost 15X salary of the person (Direct & Indirect costs).

Hypothetical questions in interviews get you hypothetical answers.

50% of hiring decisions are a mistake.

Most leaders are risk averse, so they are slow to get rid of bad hires.

The ghSMART A Method will get you a 90% accuracy in hiring. (Based on 30 years of research and trial.)

ghSMART A Method:

- Scorecard
- Source
- Select
- Sell

Scorecards:

- Mission (of the company and position)
- Outcomes (From what...to what...by when.)
- Competencies



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Key Takeaway #1:

Outcomes Defined: From what, to what, by when.

Everyone is an A player at something. It's just a matter of finding the right position.

Tests to make sure you have a good Scorecard:

- If they accomplished everything on the Scorecard, would you be really happy?
- Is it too much? Would it take Superman to complete all of the items? You want it to be tough, but not impossible.
- Have you put two different roles in one Scorecard? Be honest.
- What is going to be hardest about this job? That will inform who you are looking for.

Sources for Candidates:

1. Open houses
2. Referrals
3. LinkedIn
4. Monster, InDeed, online, etc.
5. Referral bonus to employees (example: \$5,000 to the referee and referral for up to four years as long as they are both employed. Gives you a built-in mentor, since they want to make sure they stay. It's cheaper than a recruiter.) Typically paid at least 3 months after referral is hired.

Question to gather new referrals: "Who are the most talented people that you know that I should be talking to?"

Screening Interview:

- What are your career goals? Where do you want to be in 10 years from now?
- What are you really good at and what do you like to do? Please give me some examples.
- What are you not good at or not interested in? Please give me some examples.
- Who were your last 5 bosses and how will they each rate your performance when we talk with them (1-10)? Why?

A job description is a description of what you want them to do. A scorecard is the outcomes you expect.

Never take people at their word. If they say, "I'm a creative problem-solver." Then ask for examples. Someone says, "I have a crazy sense of humor..." Then ask them for an example.



The Who Interview – What are your actual accomplishments and how did you do it? What are your actual failures and what happened?

- Start with childhood - Education, what were they like as a kid... You're looking for early patterns of behavior. High and low points of high school, university and graduate school. What were your nicknames growing up? I'm going to go to your house at Thanksgiving, what are the crazy stories your siblings are going to tell me about you? What are the family values that you grew up with?
- Chronological Career Walkthrough - Earliest to latest
 - What were you hired to do?
 - What accomplishments are you most proud of?
 - What were some low points during that job?
 - Who were the people you worked with? Specifically:
 - Bosses: What's your boss's name? How do you spell that? What was it like working with him/her? What will he/she say were your biggest strengths? Areas for improvement?
 - Teams: How would you rate the team you inherited on an A, B, C scale? What changes did you make? Did you hire anybody? Fire anybody? How would you rate the team on an A, B, C scale when you left?
 - Why did you leave that job?
- What are your career goals for the future?

TORC - Threat Of Reference Check

The Candidate has to setup the reference check call. Do not call HR departments.

What should your tone of voice be when doing the Who interview? Friendly. Curious. We aim for "intense curiosity." At the beginning you have to be friendly. You can't put people on the defensive.

Key Takeaway #2:

What? How? Tell me more?

Hiring manager does the Who interview.

What happens if you make a bad hire (in the 10%)?

- Typically, it's a score carding problem? 90% of the time it's the scorecard.
- If it's a cultural fit, it was probably the competencies were wrong.
- Or they were gaming the system.
- Go back over your notes and see where you went long.



Andy Bailey & Rob Simons

“Rockefeller Habits Checklist & Next Steps”

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Executive Summary:

Select and focus on implementing just a few concepts/tools from the Key Executive Program – you can’t do everything at once. It’s more important to implement a process to consistently create priorities and learn from every planning period. Clearly define the desired outcome and then develop a detailed step-by-step plan to reach the outcome and assign individuals to be accountable for following through on activities. Successful companies build a culture based on purpose, alignment and accountability. The number one reason people leave organizations is “lack of appreciation” – something that is free. If you give appreciation, you will get it returned to you. “I appreciate you...”

Key Takeaway Quote:

“Do or do not. There is no try.”

Key Topics:

Implementing a Customer Feedback Loop (Rockefeller Habits Checklist #6):

- The leadership team should adopt a process to have consistent 4Q conversations with end users. 4Q includes:
 - How are things going at your organization?
 - How are things going in your industry?
 - Have you heard from our competition lately? And if so, what did they say?
 - How are we doing as an organization to serve your needs?
- 4Q conversations should be collected and shared at weekly leadership team meetings.
- Implement a Net Promoter Score process
- Collect wins from customers and share with your team on a regular basis
- Create a team responsible for closing feedback (good and bad) from customers

Everyone is aligned with the #1 thing the organization needs to accomplish this quarter to move the company forward (Rockefeller Habits Checklist #2):

- Start by clearly defining the #1 thing through a company planning process (review of past performance, long-term objectives and current situation) then use a democratic process to gain alignment of the #1 thing
- Communicate to the entire team the #1 thing – leadership tends to keep it to themselves
- Use company Themes to communicate, inspire and track progress towards the #1 thing
- The #1 thing does not have to be a direct financial target; it could be a “fun” activity to counterbalance the stress of hitting a target
- Focus on the activities, not the outcome to hit the #1 thing.
- 60% of individual priorities should support the company priorities.
- Leverage an online priority management tool like <http://aligntoday.com>



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Everyone in your organization can state the company's strategy, including BHAG, Core Customer, Brand Promise and Elevator Pitch (Rockefeller Habits Checklist #8):

- First, create teams to clearly define the strategic items (it may take 1-3 quarters per item to completely work through the company strategy.)
- Elevator pitch is one of the easiest and most impactful strategic items to create and communicate. Do role playing with teams and have each member write down and then recite their 30 second elevator pitch.
- If the team members don't know the Brand Promise (unique selling proposition/differentiators), how are they delivering on the Brand Promise? Rackspace example.
- Complete the Rockefeller Habits One Page Strategic Plan to put all strategy, targets and priorities in one place for the entire organization to see.

Appreciation:

- The number one reason people leave organizations is the lack of appreciation.
- Outline for creating a note of appreciation:
 - "I appreciate you because..." (be very specific)
 - "It impacts me..." (explain the personal impact on you)
 - Connect it to a company Core Value
- Present notes of appreciation in person whenever possible. Read to recipient.
- Proper response if you are receiving appreciation is "Thank you."
- Give team members an allocation of note cards per month that must be completed and delivered.
- Human beings can NOT be over appreciated.

See the provided Rockefeller Habits Checklist spreadsheet for a comparative analysis of your team's alignment on the Rockefeller Habits.

