

# Joining the 1%



When you watch this short video, titled [“Less Than 1% Get Funded,”](#) you will see a key issue in the mindset of a lot of businesses. Businesses will come up with an idea and then go out, get a bunch of money, and it will GO BIG.

This mindset leads to 99% of people not getting funded. It takes a lot of grassroots to get you to where funding is the appropriate next step.

I am a firm believer that when you get going in any endeavor, it is important to build a “grassroots approach” to getting started. That means you should work to get your idea together in any way possible, even if that means doing it part-time while the full-time job is paying the bills. Be frugal to not spend unnecessary money before you are getting those first few clients in that bring some revenue. If securing money is necessary, you should start with the friends, family, and credit card route first. Going after the serious venture capital dollars is not an easy endeavor, will be a difficult first start, and is left for that remaining 1%.

So how do we increase the odds of our success to reach the 1%? We must first get our product or service going by building out the offering, getting users, and showing some market acceptance. From there, we can begin to approach companies about additional funding. By using and providing some revenue help, you can then continue to build on this cycle. And in turn, you will slowly increase the odds that you will have success within the venture capital world, as I discussed in my recent blog, [Scaling bounceit!™ by Not Scaling](#).

Currently, I am in the process with my partners at bounceit!® to raise money and take the idea of this social voting mobile app to the next level. This week, we traveled to Columbus, Ohio to meet with a venture capital firm. As we discussed a plan to raise capital, they saw other opportunities for applications of bounceit!®. I am hopeful that this will be a very good arrangement for both parties. I will keep you updated as we progress.

We are at this point of approaching venture capitalist because we have followed the steps mentioned above. We have invested our own money and time, gotten bounceit!® out there, and been receptive to the users' feedback. Our first vertical is approaching campaigns and implementing a ground-level polling analysis. We are taking the next step and talking to businesses that are ready to sign up, and get a plan together to enter next year's political season.

My first two companies were done from a "grassroots approach" and not taking any outside money. The success of the IPS Funds were all grown with one new investor after another. Efficiency was grown from some money I had from IPS, but not from any outside investors. So this side of a startup will be a new experience for me, and we look forward to becoming part of that 1%.

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**[Ask Key Questions for Change](#)**



Looking at your company from a different perspective is sometimes what is needed to make important changes that lead to moving forward. The problem with this is, it is hard to do. How can you put yourself in a perspective that will make decisions that will change everything? Rasmus Ankerson, who we are bringing to speak at the E0 Argentina University in November, has an answer for that.

In a recent [blog post](#), Rasmus discusses how one question can change everything. It is a question that helps to dig out and create some clarity in times of uncertainty and lack of direction. When Intel was evaluating the changes in the sales of memory chips, they were seeing a drop and in 1985 they had a big drop in memory chip sales. Founder Andy Groove was having a discussion with CEO Gordon Moore as they discussed this issue.

As Groove and Moore debated what to do, they discussed that if they messed up, the Board may replace them. So Groove asked Moore what a new CEO would do if they were replaced? Moore, without hesitation, said he would get out of chips and into microprocessors. So Groove said, let's get up and walk out the door and then come back in and do it ourselves! That is exactly what they did, and we all know the story from there.

So when looking for a way to get real with your situation, ask what your successor might do if he was brought in and didn't have the baggage of being stuck with all the decisions and dollars spent previously. Getting out of the quicksand of the past is tough, but maybe looking at it this way and asking this question is a way to do it.

As was discussed a few weeks back, the option of asking the

question, [“what is the job that our customer wants done,”](#) is another way to look at prospects and to open up an untapped white space for opportunities.

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## [What Is Your Job to be Done?](#)

When trying to find opportunities to grow during times you may have hit a lull, or even when you are starting a new company, there is a process that can help get you there.



That is what I found when I started to read the book [Seizing the White Space: Business Model Innovation for Transformative Growth and Renewal](#), by Mark Johnson. Mark will be speaking at the next Fortune Growth Summit in Las Vegas. I was intrigued by him since he is partners with Clayton Christensen, who wrote [The Investors Dilemma](#) and shared a lot of break-through thinking in this book.

I assume that most think like I do, and we think that the cool idea happens when some light bulb goes off and then somebody is off to the races, trying something and seeing if it works. Mark says that you actually can get this innovation with a process that starts with asking, “What is the job to be done?” Other times, it may be when you do customer research and the clients tell you what they want from you. Doing it this way, Mark says, has shown that you are being held back from pursuing the game-changing, transformative, new growth

opportunities.

To ask the question of what job needs to be done, it takes looking at things differently from the natural way that we see from the inside-thinking of our products and company. When you think of it as unmet jobs, you are looking for the things you are not doing now, but things potential customers want done. When we go about this by asking our clients what they need from our products, they usually put out answers like “less expensive,” “easier to use,” “less invasive,” and “more features.” When you think of it in this perspective and also look at it from a typical segment of target markets, it doesn’t usually align with jobs customers might want us to do. Marks says, to be truly more customer-centric, you must stop asking “what do you need?” and start asking “what are you trying to get done?”

He uses a very cool example of this when a company was trying to improve the sales of its milkshake. They initially tried to define the market in terms of the product and then its demographic segments. When they asked the target person what they wanted, they got more of the inside-out answers by supplying categories like thicker, more chocolaty, cheaper or chunkier. They made changes, and then they didn’t get any increase in sales, so they brought in a researcher who watched to determine what the target person was trying to get done when they “hired” a milkshake.

The researcher noted things like, who was with them when they were buying, what time they were there, did they eat there or when they left, and on and on. From the perspective of looking at the job to be done, they determined that buyers hired a milkshake for two different reasons. The buyer was the same for both, a working father. The difference was that in the morning, dad didn’t have time to eat breakfast so he grabs a shake for the daily commute. In the latter part of the day, the dad brings the kids in for an afternoon treat or after meal milkshake. The job to be done is to fill working dad up

in the morning, so the shake needed to be thicker, maybe with chunks of fruit. In the evening, dad with kids wanted them to hurry up, so a not-so-thick, fruit-free shake was better.

This information could not be obtained by asking the customers what they wanted. To do this, the mind-set had to be one of paying close attention to the jobs that customers are having a tough time fulfilling. So when you look around your product or service offering, what are the jobs not being done that your customers need done?

bounceit!™ update: Over the past few weeks, we have been working on some improvements for bounceit!™ that will include a new look and improvements with some of the features. This will be in the Apple store next week. We have also been doing some venture capital presentations and looking to get some money from some angle investors. We have some good press going, as well. Gary Hardin was interviewed on a local TV show in the live segment and an article was out Sunday in the Knoxville News Sentinel. I will have links for you on both of them next week.

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**[Bitter Sweet for Brock Candy](#)**



A few weeks back, I wrote a [blog](#) on the experience I had going to the Volkswagen plant in Chattanooga, TN, with my [E0 Forum](#). Along the way of doing the tour, my forum mate, BJ Miller, met a gentlemen by the name of [Frank Brock](#). Frank happens to be of the Brock Candy Family of Chattanooga, which was founded in 1909. He was friendly to chat with, and when we told him we were an entrepreneur group and asked to spend a few minutes with him, he was very gracious to do so.

Let's first share a little about the Brock Candy Company. Its founder was [William Brock Sr.](#) who, after traveling a lot, settled in Chattanooga. He invested, with some associates, in the Trigg Candy Company, but bought them out in 1909, and named the company after himself. He focused on making penny candies, and sold to his relationships he made as a traveling salesman to his former clients in small country stores.

The company had an interesting history, and went through quite a few challenges over the years that were turning points of the company. Frank pointed out three of them to us, and described how they went through them.

The first challenge was during World War I, a time in which sugar rationing occurred. This hampered the business to get enough sugar to make the amount of candy they needed to keep the business running. To substitute for some of the quantity of the sugar, Brock Candy put peanuts in a candy bar and added a light coating of chocolate. This five cent bar soon became a big seller, and is what is known today as the Baby Ruth bar.

Then, after they were hit hard in the Great Depression, Brock Candy needed capital to continue running its operations. At that time, it wasn't like it is now with so much bureaucracy,

regulations and paperwork. Things were done at that time based on relationships, and with the great relationships that Brock Sr. had, he was able to get the money he needed to keep his business going with a hand shake.

The last challenge was trying to compete as times were changing and the rise of supermarket chains began eliminating the independent rural stores. The company depended on this network of small outlets to sell its candy. Also, the bigger candy companies, like Hershey and Mars, had more of an "in" with the supermarkets, pushing the company to change to survive. They stopped with focus on the penny candies, and went to a more expensive candy. You know them today for Chocolate Covered Cherries, Old-Fashioned Crème Drops, and Gummy Bears, which was a much more profitable outlet for them, and proved popular in the market place.

Brock Candy went on to become a public company in 1993, and after only a year, was taken over by Chicago's Brach to become a private company again. The new company was named Brach and Brock Confections, Inc., and was headquartered at the facility in Chattanooga. The merger put them just under the big boys, like M&M/Mars, Hershey and Nestle in the American candy business. Then in 2003, with \$340 million in sales, they were bought by Barry Callebaut AG, a Zurich based company, to become the world's leader in cocoa and chocolate products.

So I guess sometimes you just don't know what lessons you will find in a friendly face. Thank you, Mr. Brock, for sharing your family history and some tough experiences of an entrepreneur to adapt and survive.

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# Not Scaling – Part 2: Starting Small to Build Big



The big news to share this week on bounceit!™ is that the app went live in the app store, after a long period of creation, and we are starting the process of scaling by not scaling, as was discussed in [last week's blog](#). This week will be focused on getting a small group to use and try it out on all devices to make sure everything is flowing

well. Then, we will move to our local and social media friends to give it a try and to share with others, if they like it. And finally, on to the rest of the world.

Well, sort of to the rest of the world. Some people think big launches matter and they want to create a big event with a lot of hoopla, excitement and media attention. After this happens, then everyone will know about it and you are set to go viral. We thought about this approach a while back and decided against it. Interestingly, Paul thinks that this is not the way to go either. He says founders like to think that they have a great building and everyone who hears about it will want it. Even the best of the viral applications don't start this way. He also says it is part laziness, that with the big launch, the hard work of creation is done and you can sit back and watch your amazing creation take off. This will not happen and will require getting users one at a time.

Another thing that usually doesn't work on the way to scalability, is partnerships. Paul's experience is that they don't work for startups in general, in the form of getting the

big break. They usually take lots of work and don't lead to the scalability that was hoped for in the beginning. That is where you are trying to be scalable. When you get with organizations or other companies to work on building a core group of users in a certain demographic to experience the feedback, then this approach is doing the non-scalable with a few users at a time. We will be doing this with the University of Tennessee and with Regal Cinemas.

We will move in small, non-scalable aspects first, to build a presence with certain groups that we are targeting.

Paul says that what matters is not the big launch or the big partnership, but the ability to delight your customers is the key to getting bigger. Take a handful of people, make them really happy, watch what they do so you can learn, and they will get friends like them taking you further down the road.

So our plan is to go slowly with our initial roll-out to build a core group of users in our local community and test the app with the different ways new people may think about using it, and also to make sure all the software and hardware running the app will handle the pressure of hundreds of pictures and votes, and then thousands.

Bounceit!™ will have announcements locally next week in the press and we will have an article in Nibletz, which has agreed to use bounceit!™ to get feedback on speaker choices for their two big conferences.

This is an exciting time for founders and also a time not to sit back and wait for things to happen. Entrepreneurism is about getting out and creating the success you want!!

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# Scaling bounceit!™ by Not Scaling

Many of us look at the world we live in today and think about an idea we may have that, if launched in our connected world, it would spread and we would become super rich. With the internet and smart phones allowing us to be connected



everywhere, this is not a pipe dream. The right idea, combined with enough money and a strong management team, can push an idea out in the marketplace and accomplish those dreams. It is easier now than it has ever been to launch an idea and make it grow. But of course, the world is not an easy place. It takes a lot of effort to get the flywheel spinning and spitting out cash.

At Efficiency, we are in a position to scale an idea that Gary Hardin and Rick Metzelder brought to us, and we have partnered with them and built an application called bounceit!™. This mobile app is a cross between Instagram and Twitter, with the difference being you can vote on pictures or comments and see a graph that will reflect the up and down feeling of those responding, eliciting emotional feedback. Those sharing will provide information that will allow participants to make decisions based on a collective intelligence. The tag line is very reflective, with opinions shared, decisions made.

Given the type of app that we built and the fact that it will be in the App Store this coming week, we would assume that success would take place on a scalable level. But, Paul Graham from Y Combinator shared a very interesting article called "Do Things That Don't Scale." In it, he says that sitting back and

waiting for your app or web idea to be pushed out and take off in the marketplace is what a lot of entrepreneurs believe they should do, but it is not true. He adds that startups take off because the founders make them take off, and the most common effort that is non-scalable that founders need to do, which is to recruit users manually.

*What did you say Paul? We need to go out and make this happen on our own?*

*Yes! So Gary, Rick and Greg need to be the sales people, leaders and connectors they are and go out and make it happen.*

*So Paul, how do we recruit users manually?*

*Well Greg...you go out and solve your own problems, and then you find the peer group that wants the same problem solved and you invade this group with your offering, one by one. You can also do this by doing an untargeted launch and see which users are most excited about your offering. Pinterest's Ben Silbermann observed that the earliest users were interested in design and went to a conference of design bloggers to get new users and had success there.*

Paul also discusses the power of delighting their customers, but a lot of founders don't put effort into that because they don't see it as scalable. They think one by one won't get them there. However, if you look at the major of compounding and start with 100 users and grow 10% a week (just 10 users the first week), then after a year you have 14,000 users, and after 2 years, 2 million. A lot of time, the founders are engineers and are more interested in building something robust and elegant, and not thinking about the attention to customers like salespeople usually are.

It was nice to hear Paul say this, because this grassroots, non-salable approach was something that I experienced growing my businesses. When I started the mutual fund, it was very grassroots and my goal of 2 million under management first

year was hit on the last day, then 5 million next year and 12 million the year after turned into 650 million at end of year five. The power of compounding!

I have been writing my blog for more than four years now, and something that I am going to start doing is sharing with you my experience with bounceit!™ and give you a sense of what it is like to kick off an app and put it out there in the world and work to scale it using the non-scaling approach. This is my entrepreneurial journey, and I feel it would be interesting to allow others to see the ups and downs of pushing to making something successful. This will be kind of like the reality TV we experience with programs like American Idol. You would experience our progress along the way, as well as our ups and downs, failures and successes! I look forward to sharing this real-life growth story.

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## Business Regret: What's it All About?



If you listen to any of the successful leaders in business out there, you will hear them say over and over that it is about the people. In other words, to have a successful business, you must have the right people and they must be in the right positions, playing to their strengths. Then everything will be good.

Okay, sounds good, so let's go get the right people and

everything else will be great. Then we will not need to keep the wrong people and instead, we will need to grow those that have potential. The problem with all this is that we are talking about people and when we do that, we have a lot of other factors that get in the way. Emotions are the big one, but also best intentions. You want to see the best in people, and you want to help others. These all have an influence in working to get the right team in place.

I have experienced this repeatedly, and have felt it in my gut when I knew I had the wrong person in the wrong seat and, given whatever circumstances, don't make a change right away. I was reminded of this by a recent blog that was written by my friend, Stephen Lynch. Stephen has written a book, [Business Execution for Results](#), that is a great step-by-step for getting the strategic plan, the alignment, the key decisions and the execution all down, so your business is spinning like a top.

The blog he sent me was called ["The #1 Regret of Business Owners."](#) And guess what that one regret is? Hiring mistakes! As we just discussed, it's all about the people. Stephen says that sometimes it is good performers who don't fit into your culture. Other times, it is taking too much time to fix performance issues with someone that fits in, but is not achieving the desired result. Then there are the times we just hire the first person with a pulse to get it out of the way.

There is no perfect way to find people because, as we said, we are dealing with the complexity of humans and boy oh boy, can we be filled with intricacies. At Efficiency, we have had success with process called Topgrading. It has helped us find good people, but sometimes we just have had them in the wrong seats. It may take some learning, as we have experienced, but we finally found two technical project managers that are knocking it out of the park! Thank you Chris and Sarah for great results in getting our projects done and making our clients happy!

Peter Drucker, in his very interesting book, Post-Capitalist Society, tells us why people are so important. The book is all about the societal transformation from capital, land and labor, to a knowledgeable society where individuals are central.

Drucker says, “Knowledge is not impersonal like money. Knowledge does not reside in a book, a database, a software program; they contain only information. Knowledge is always embodied in a person; carried by a person; created, augmented, or improved by a person; applied by a person; taught and passed on by a person; used or misused by a person. The shift to a knowledge society therefore puts the person in the center.”

We can see with this explanation from Drucker how important our people are, and getting the right ones on board and in the right seat is job number one for any leader! Do you have the right people sitting in the right seats?

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## **The Middle Class Revolution**

Running a mutual fund and being in the investment world for more than 20 years got me in the habit of looking to the future and observing the changes that were coming, and what they would mean for new opportunities. This was necessary to look at where to place money for the prospect of generating above-average returns. It also appealed to my entrepreneurial side of filling a gap that existed because of the opportunities that I was seeing. I would sometimes go into overload, thinking about all the things that could be done to take advantage of potential opportunities.

Changes in demographics, technology, and political and social trends have a major impact on what happens next and how we proceed to get there. Check out this video that was sent to me by my E0 friend, Connor Neill, in Barcelona, Spain, called *The New Middle Class Revolution: Facts and Figures*.

Here are some of the interesting demographics and stats to note from the video. For instance, you are in the middle class if you earn \$10 to \$100 a day. The middle class will grow from 1.8 billion people in 2009, to 3.2 billion by 2020, and another 4.9 billion in 2030! Think about how staggering that is for a second. That is 1.4 billion people in a decade moving to middle class, to have a better life, and to have extra money to spend in the process. What are they going to spend it on? I hope they will buy your product or service.

China will become the largest market for automobiles, tourism, and online consumerism. India's airports estimate 150 million travelers in 2013, and a projected 450 million by 2020. I have been in at least seven of them, and they are all under construction to be massive. The India middle class is projected to be 200 million in 2020, and 475 million in 2030, making up the world's largest middle class. This type of growth is also happening in Africa and Latin American, so it is going on everywhere, except in extreme, communist-type economies, like that of North Korea.

This is what capitalism does for people – it creates opportunity for exchange, pulling people up from poverty to higher living standards and to better lives! Who does not want that for our fellow human beings? It is sad that there are those that want to stifle this by pushing some sort of socialist equality on people. I have seen what government-run equality means to people in India, and that is the large majority are equally poor and pathetic. Now, with a more capitalist approach, tens of millions are moving to the middle class. I have seen the changes with my own team over there in



the past nine years.

Looking at these trends, how are you going to put your business in the path of this growth opportunity of so many millions and billions who will soon have extra money to spend? We all have seen the explosion in mobile. All the mobile apps out there give us ease in our lives, in one way or another. That is what I am doing to put myself in the path – building mobile apps. Think of a billion more people with smart phones in the next decade. Does the prospect of them having your mobile app present a growth opportunity for you?

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## Strategy Evolves, Does your Business?



How did your business strategy come about? Was it planned out in advance in the boardroom, or was it done by some type of trial and error? Did you start

out knowing exactly what you were going to become? We started with a plan, but it has evolved into one that has taken time and been filled with trial and error.

Efficiency came about as a company because we had an opportunity to come together and complete a big ERP system for companies that sell copiers to businesses. My partner, April Cox Abboud, was consulting in this space, came upon this opportunity and we started the company around this project. Our intentions were to build it and sell it, over and over, to other dealers and have a winning formula for success.

For many reasons, this didn't happen and we went on to work on Software as a Service (SaaS) products. We have been working on a handful of ideas to get out there, and we have had limited success with one, and not much at all with the others. As I continued to see and read what was happening in the world, we decided to turn into a mobile app development company and help individuals take their ideas to the market, along with helping companies do the same.

We didn't have a certain vertical to go after in the mobile space when we started, but knew that we wanted to have one. As we have worked to build-out mobile apps for some clients, we have now come about an opportunity with one particular client in the industrial cleaning arena. That client wants to partner with us to build mobile apps for their network of other companies. This is a great opportunity to push a success story out to these other companies and fill a need that isn't currently being filled.

I have shared with you all for a while that we have been looking for a vertical in the SaaS, and now in the mobile space, to go after. As trial and error would have it, we have stumbled upon this opportunity. Our friend Rasmus Ankersen, whom I talked about in last week's blog, discussed this in his own blog post back in March, which focused around strategy. When Pfizer was testing a drug to treat high blood pressure in the 1980s, they found it not to be that effective, but the men in the trails didn't want to let go of their samples. Why? Because they were having a better sexual experience and soon the drug Viagra was born.

Jim Collins, in his book Great by Choice, discusses how empirical creativity was used by the companies that excelled over their competitors by 10 times. This basically means that when we talk about strategy, what you start with gives you data that you can work with, and create from there using real world feedback. Through trial and error, it comes about and sometimes ends up being nothing close to what you started out

to accomplish.

I work hard to be open, adjust strategy and apply some creativity to the real world feedback that comes in as we go. How about you?

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## The Best Have a Coach!

One of the things about running a company is we get caught up in the issues that pop up daily. This, at times, blinds us to what is going on out in our business sphere – new technologies, new methods and to future opportunities. In my experience, this happens with everyone and none of us are immune. How to best deal with this is to get a coach and get help envisioning what you *could* achieve, but because of the constraints of our surroundings, we don't.



The best of the best have a coach. Tiger Woods has one, Peyton Manning has one, and even the big business CEOs have one. I have written a [post](#) about the coaches to the business icons before. Why would it not serve us to have one also? At Efficiencie, we are pulling in a coach to help us with sales management. As I shared when I was at the E0 Nerve conference recently, I saw Jack Daly's high octane, intense and funny presentation on sales management. He said, "If you are a small- to mid-size business and you don't have a sales manager, you will stay a small- to mid-sized company, or you will go out of business!"

An option, if you are not ready to make the leap to hiring a sales manager, is to hire a coach that will make sure you have the right processes in place and will coach your sales person or team to help get you to the level of hiring a sales manager. We have been able to get by without a formal sales process, but it does catch up with you. We are putting the position in place to make sure that we are getting what we need to maximize our value proposition and sales team to reach their potential.

I have worked with my personnel success coach, Steve D'Annunzio, for a number of years to have the highest version of who I am showing up more often than not. Steve has helped me with many facets of my life, from my spiritual and personal growth, to my business growth. One of the keys I realized from working with him is that happiness comes from within, not from what you have accumulated, what or where you have been, or what you have done. Steve came to me when I was having great business success and achieving all that I had dreamed of, but I didn't feel a sense of completeness.

I recently received from my dad this quote that says, "Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time," by Thomas A. Edison. I have found that a really good coach can give you the encouragement that, when it all seems bleak and you feel like giving up, will give you the right words and a gentle nudge to move you to get up and put the game face back on and keep going. As I have learned, any success I have had didn't come the first, second, or tenth time. It happened because I didn't stop!

Do you have a coach to help you break out or break down the right things to get you where you want to go?