CEI 009: Randy Komisar Interview

(about his books)

Opening
Hi there and welcome to episode #9 of Connect Engage Inspire, the Firepole Marketing Podcast with Danny Iny, creator of Firepole Marketing and the bestselling author of Engagement From Scratch. Online entrepreneurs like you tune into this podcast every week to learn how to build and engage an audience that connects with humanity and drives their business to success.

Today’s episode is part of our old favorite’s series, where we republish a really good piece of content that has disappeared into our archives. In this case it is an excellent interview with Danny’s Engagement From Scratch co-author Randy Komisar about his books The Monk And The Riddle and Getting To Plan B. Let’s get on with the show.

Receptionist
Hi this is Randy Komisar’s office.

Danny
Hi this is Danny.

Receptionist
Hi Danny. Hold on just a second.

Danny
Thank you.

Danny
And 5000 BX is your community forum right?

Randy
My call is being recorded. How are you? Thank you for being so flexible.

Danny
No problem. Things have been a little crazy at the office today?

Randy
Oh god! Weather has been bad and so people were missing meetings and were late for meetings. Meetings that we’ve had to try to schedule for a month at a time were on the verge of falling apart. They became priorities and so unfortunately this one suffered, but I’m glad we were able to finally connect.

Danny
Oh it is no problem. I really appreciate you making the time despite all this schedule going crazy.

Randy
No it is my pleasure. I hate being rude.
Danny Thank you. I have got to say I am a really big fan of yours. I read both of your books and I am quite excited about doing this.

Randy Oh that is very kind of you.

Danny I know that your time is very precious. Let’s jump right in. For the benefit of our listeners, Randy Komisar is the author of two really fantastic books. The first is called the Monk And The Riddle, The Art Of Creating a Life While Making A Living and the second which he co-authored with John Mullins that is called Getting To Plan B, Breaking Through To A Better Business Model. Now both of these books are absolutely fantastic and they should be required reading for entrepreneurs. In fact over the last couple of years I have assigned one or both of these books to maybe a dozen clients and they have all thanked me for it.

Randy maybe you could start by telling us what drove you to write? I mean you’ve had a pretty impressive career without needing another one as a bestselling author. What made you want to do it?

Randy You know it is an interesting story Danny. In the middle of the boom in the 1990s here in the valley I had invented this new model of starting companies as a virtual CEO and it was essentially a venture management model. I would apply myself across a portfolio of companies and bring my experience to network, but work to develop the entrepreneurs who were there and not displace them. It was sort of an additive role where I was not the point person, but a partner to the entrepreneur on a daily basis. That model got a lot of traction in Harvard Business School. It came on their radar and as a result they wrote a case study about it and they have used that case study now for over a decade, particularly in their executive education courses, but they used them also in the organizational development courses.

What happened was that one day the Harvard Press was looking for new story ideas and they thought that was an interesting approach to business, one they hadn’t seen before, and they sent one of their editors, Hollis Heimbouch, out to California to meet with me. We met at my cafe at the time where my office was. My office was in a coffee house called [3:31 name] and it was there for eight years. She met me there. She proposed that I think about writing a book and frankly I told her I wasn’t prepared to do that. I wasn’t a writer and I frankly didn’t have an idea.

But I thanked her and went home. That night I thought about it and as I like to do in my career. If you follow my career you realize it only makes sense in the rear-view mirror. I thought about it and thought who is ever going to invite me to write a book again? I went back the next day and
said yes. I will write a book, but it is going to be about nothing. It is going to be about the nuts and bolts of business, the philosophy and emotions of business and not about the heroics of business and she bit. Frankly she was incredibly important to that book and how we got it out because I had no idea where we were going with it. We sort of stumbled through it and my co-author, who was a screenwriter, really helped me a lot with character development in particular. We kind of sort of put one foot in front of the other and came up with The Monk And The Riddle and I am proud of that book.

**Danny**

Well you really should be because as much as I have loved it and as much as I have seen it have a lot of impact for people close to me, I have also seen it mentioned in all kinds of places. This is a book that has had a lot of impact across the board.

**Randy**

It was chosen as one of the top 100 business books of all time two years ago, which was incredibly flattering and humbling to me because when I spoke to receive that award I basically said, I have to admit that this isn’t a business book. It is really more of a philosophy book and never less it has been you know. It sort of crosses over.

**Danny**

A lot of entrepreneurs would argue that there is not such a sharp distinction between business and the rest of life and I think that is what the book gets across really well.

**Randy**

Thank you.

**Danny**

Randy our audience at Firepole Marketing is mostly entrepreneurs and small business owners in the zero to ten employees kind of range, which is a challenging state as you know because every possible kind of resources are consumed, including time. For our listeners who haven’t had the pleasure of reading either of your books yet can you give some guidance as to which would be a better starting point?

**Randy**

I think The Monk And The Riddle people relate to very easily. It crosses over between MBAs and experienced managers and experienced entrepreneurs to people who are just out of school trying to figure out what they want to do next with their lives. It is more about the heart and soul of entrepreneurship and the creative process. It really goes to the root of innovation.

But Getting To Plan B is kind of the book I thought I would never write because when Harvard came to me and asked me to write The Monk And The Riddle or the book that turned out to be The Monk And The Riddle one thing I told them was I didn’t like business books because I found them too prescriptive. In retrospect everything seams really clean in business books. It seems like well it is obvious what you need to do. Why
aren’t I that smart? I thought that was always misleading to entrepreneurs and kind of discouraging to entrepreneurs because it is a messy process.

But Getting To Plan B was something that John Mullins from London School Of Business came to me about. He had an idea about business models and he wanted me to critique it. I actually disagreed with one of his concepts, which was that there was some direct link between business plans and the ultimate success of the company. That turned into a debate and then a collaboration. That book is much more a book that is actionable. It gives you the tools with which to think about entrepreneurship and innovation and apply it to your ideas.

I do think The Monk And The Riddle is much more accessible. I think Getting To Plan B is an action oriented book. When you are ready to start it really helps you take the first steps.

**Danny**

Could you speak a little bit about the business model grid that you introduce at the beginning of Getting To Plan B? I’ve made use of this tool with many clients because there is so much packed into it. Can you tell our listeners about what it is and how it works?

**Randy**

Let me lay out the premise because it is actually a relatively straightforward premise, but on the other hand it is quite unique in its approach to innovation. The debate that John and I had that gave rise to the book was about whether or not business plans that the company started off with turned out to be the path to success for the company. I had argued that there was very little connection between the business plan that the company started off with and the business plan that the company ultimately succeeded with.

And so John and I went back and we did a quick survey of the entrepreneurs and companies that we knew and we came back with some pretty startling information, which was about 95% of the companies that we were working with were operating off of a plan that was different than their first plan and it may have actually been a third or fourth plan. Their plan was constantly iterating based upon what they were really facing in the market once they finally got products and customers.

And so the basic premise of Getting A Plan B is plan A failed. Plan A fails most of the time. As a result how would we think differently about the innovation process? The conventional Silicon Valley approach to starting a business is you build a very well thought out and researched MBAish like business plan and then you execute against it and then you either hit the wall or you succeed.

Well if we know you are going to hit the wall most of the time how do we
avoid wasting the entrepreneurial effort and resources that went into getting there? So we came up with a dashboarding process. The process is one of first of all defining your problems really well and defining your solution in a different and defensible way and having that very crisply defined for you because that is your hypothesis about your business. Then test that against history. Take a look at people who have done similar things in the past. Every idea is derivative of something. What are the things in the past that worked? We call then analogs. What are things in the past that have failed? We call them antilog. Between those two you end up with a subset and that subset is what are the things that we simply don’t know? We simply don’t have enough information about these today about these things that will impact the success of our business. We call those leaps of faith.

We define leaps of faith as one, two or three things at any single point. If you’ve got a dozen things you are not distilling it to your life and death questions. We take our leap of faith questions and we turn them not into a business plan, but into a dashboard. Then the dashboard allows us to sort of go through and for every single leap of faith question determine a hypothesis. What do we think the answer is? This will give us a set of metrics. How are we going to quickly determine whether we are on the right path. Then it gives us a set of responses. How are we going to react to the information once we’ve got it. Some of it is going to be affirming. Some of it is going to be invalidating and some of it is going to prove to be just a red herring.

This process is a rolling process. Once you’ve answered the first set of questions you end up with another set of questions. Always the questions go to the heart of your business. You answer those questions. You drew a matrix of the market place from real customers with real products and experience and then you move on. The interesting thing about that is it ultimately turns into something that looks a lot like a business plan because you end up iterating until the critical questions are revenue generating questions. They are gross margin questions. They are operating expense questions and you now have a business plan informed not by assumptions before your business starts, but informed by empirical information from your real customers and from the market place and from responses from competitors in the market place and now you have something that is useful.

**Danny**

Can you tell us a little more about analogs and antilogs? Where can you find them? And a question that I have particularly when reading the book is how can you tell if they apply to your business? Here is a situation where somebody tried something and it just didn’t work. Is that an antilog or just an interesting bit of trivia? How can I distinguish that?
That is a really good question. I think the first thing to do is embrace the information, both bad and good. If you easily discount it you are starting to disadvantage yourself in this process. So let’s look at this. Let’s take a look at the example I used in the book because everybody knows this well. It is the Apple IPod example. If you were going to create a digital music player in 2000 what would you look at in the market place to give you indications of whether or not this would succeed or fail? The good news is that we already know some of these critical questions that you would have with a digital music player or mobile music player have already been addressed. For instance I don’t have to ask the question in 2000 whether or not people will listen on headphones in a public social environment. The reason I don’t have to ask that question is it was asked and answered by the Sony Walkman 15 years before. There is a good analog about why a digital music player will work.

Now what about antilogs? There were a whole bunch of smaller devices at the time that were failing. It turns out that you could look at those and say nobody wants a digital music player. They are happy with their CDs playing off of Walkman. That market works and I should find another market. But instead Apple looks at this and goes no. There are flaws in those music players. They have poor interfaces. They have very very small storage. You can’t keep a lot of your music there. There are not very navigable, but most importantly they don’t have a lot of content. The CD player and the Walkman had a complete library of CDs now available to them. There was a wealth of music. For the digital players prior to the IPod there was none. So what that leads you to say is I can’t just build a music player. I have to build a music service and so you have to build iTunes in order to correct for the mistake that the existing digital players have in the market place.

By looking at that antilog you don’t simply say to yourself no I’m not going to go into that market. Instead what you say is I need to differentiate myself in some critical ways. What are those critical ways?

So would it be fair to say that in practice all of your assumptions are leaps of faith and the analogs and antilogs are just there to kind of validate your assumptions in the absence of hard data?

We use the term leap of faith as a focusing mechanism. You are right. Every assumption is a question and every assumption should be thought about as a question. I think that is good practice, but leaps of faith is a way of distilling those questions to ones that are life or death. Too many of the resources in early stage ventures are often spent solving problems that are not immediate. I will give you a for instance. It is very common in the internet boom to have companies go out and spend ten million dollars or more building infrastructure to deliver a service that they didn’t
know that somebody wanted.

I had a company come to us, a company I am very proud of today, called Pinger, who is very successful today. They came to us with their first idea. They wanted nine million dollars to test a voice messaging service to compete against the text messaging service that was just beginning to be successful in Europe and was starting to penetrate the United States at the time. We looked at them and said we don’t know if anybody wants a voice messaging service. It seems premature to invest ten million dollars in that. And they came up with a method for spending one million dollars to get enough of a product out to be able to test whether that worked or not. Well guess what? It didn’t. People didn’t want it and if they had spent nine million dollars getting there it would have been one time and out, one swing and out. They would have never been able to correct their course.

Instead what they did was they spent a million dollars, came up with their leaps of faith, measured carefully, reacted to the market place and ultimately after one more pivot they eventually came to their current business model, which is an SMS based model.

Danny
You just used the word pivot. I know it is part of the language from the book, but can you explain what you mean by that?

Randy
A pivot is when you change the direction of your business based upon the facts that you have no ascertained from the market. A pivot for Pinger, for instance, was when they came back with information directly from customers that voice messaging, no matter how elegantly they presented it, was something that the customer was not looking for. It did not solve a problem for them. When they came up with that they took the data they had and they pivoted in the first instance actually to a feature phone service that included voice messaging as well as SMS as well as I-Chat and a variety of other things and they spent another million dollars doing that. By the way the data came back mixed on that, but because they were measuring they pivoted again. What they found was they were measuring constantly and realizing what was successful in that product was SMS, a very simplified, elegant SMS product and right at that moment the Smart Phones were coming out and they came out with a free SMS texting product and that product took off.

They had pivoted twice based upon the information that they were getting from the market place and using the data to discern a better and more promising direction.

Danny
This is a lot like Steve and Garry Blank’s model of customer development.

Randy
It is similar. That is interesting because we get compared a lot and I think...
he has done a terrific job there. His model focuses more on customer development. Our model focuses more on business plan and strategy. And so the idea of having a strategy that you create on the fly empirically through real metrics leading to a model by which your business is going to compete, profit and succeed; that is where we focus. He focuses more on customer development and product as a surrogate for that.

And then of course you look at Eric Ries's work that he does in lean start ups and he looks at it from the product standpoint and getting out the minimum viable product that you can test in the market place with customers and then improve.

**Danny**

You are obviously very familiar with this model, having developed it and you have also had a lot of business experience and a lot of exposure to start ups and new companies. Has this made you more able to kind of feel out when plan A isn’t going to work or do you just know that odds are it’s not, but you don’t know for which company it is or isn’t?

**Randy**

That question turns out to be the sixty-four-million dollar question now a days, which is great. I understand we are going to have to pivot along the way. How do I know when to pivot? There are two responses to that. One is truism, which is whenever you decide to pivot you will wish you’d done it earlier, meaning that the data that ultimately will lead you to pivot is data you already have and that you may be skeptical of, you may feel you need more of, that you are testing and you are doubting, but ultimately when you finally decide to pivot you are going to go back and realize that you knew to pivot some time ago. That is a truism.

The other side of it is there is no way to be certain when the right time to pivot is, but there is a way to use the data to keep you honest. I just finished a meeting just before this phone call where I was sitting with an entrepreneur. I love the entrepreneur and I love the team. I love their product, but they have been putting out products to critical acclaim over and over again, but had difficulty building a robust engaged customer base. They get a lot of adoption and not a lot of usage. So we are looking at a new product set. We are getting on critical acclaim once again and I am looking at them and saying is this the time to pivot or is this not the time to pivot? He can look at me and he will go you know what? Here is the data I’ve got. Here is what I am following. Here is where my hypotheses were. Here is what my dashboard is telling me. I think we should take this to the next level. I don’t know if that is exactly the right decision, but I do know that we’ve at least disciplined the process to make sure that we are not doing it on faith alone, that it is not an emotional decision. We have good reason to believe from the data that this is the
right time to take it to the next level. We may prove to be wrong, but we won’t be as wrong as we would be if we weren’t using a dashboard.

<table>
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<tr>
<th>Danny</th>
<th>Right and you never know for sure whether a specific decision was right, but it is a process that if you apply it to all of your decisions a much larger proportion of them are going to be right. You just can’t pinpoint which ones.</th>
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<td>Randy</td>
<td>That is exactly right Danny.</td>
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<td>Danny</td>
<td>I am sure, especially leading from your last question, you get asked a lot about how people can implement this in practice right? I mean there’s a question of runway that is involved in terms of if I’ve got this is my plan A I am projecting to meet whatever targets I am expecting to meet in the next 12 months. Well if I am expecting to then that is my plan A, but then I have to build a window for three pivots into it. That raises a question. If I’m coming at you as a venture capitalist and I say well my plan calls for a million so I’d like you to give me four to give me that extra space? That is if I am going after venture capital, but if you are the small business starting out of his garage and you’ve got savings to last for six months because he projects he can start making money in four plus two months of a window, how does that affect all these projections and budgeting?</td>
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<td>Randy</td>
<td>I do believe that the entrepreneur should always raise a little more than they think that their plan would require them to take. I think that I have never met an entrepreneur who complained to me about taking additional capital, even if it meant additional delusion. I have met many entrepreneurs who complain to me about running out of money. I do recommend that people take in more capital than they expect to spend. That being said you don’t need four times as much capital. The reason is this is a process. It is not a set of wind sprints. I don’t go from A to B, pivot from B to C. I am constantly gathering information, testing assumptions and getting indications of whether or not I am on the right track. If I have given myself a reasonable period of time, by the end of that I either have a good indication of why somebody should give me more money or more time to move forward or I don’t. I think that the process should be self limiting to some extent. With Pinger for instance, they had money to make the first pivot. The second pivot they needed to raise additional money for and they needed to have good metrics to show that there was reason to believe that this next round of financing would be the successful round of financing. They were able to use this dashboarding process to gather the right amount of information to make their story and validate their story and to reduce the risk for the next series of investors.</td>
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So I do believe number one that you should raise additional money, but this is not a binary process. It is a constant journey of measuring, testing, asking the right questions and alignment and through that you will be gathering information all the time. They will either give you more or less confidence. At the time you run out of capital if you don’t have confidence and you have no reason to have confidence then it is probably a good thing that you stop, find a new direction and move on.

Danny

Well Randy we are coming up on the half hour and I want to be respectful of your time. I also want to make sure that our listeners walk away from this interview with a clear action step that they can take to improve their business model. Other than reading your books of course, which is a great first step, what is the single thing that you would recommend that entrepreneurs could do today? They have heard this interview. They are thinking wow this is great stuff. I’ve got to sit down and apply it. I am clearing three hours this afternoon. What should they do with those three hours?

Randy

I think that the first step in my mind is to make sure that you are asking the right questions of your business. To sit down with a clear eye, not to selling the idea to investors or selling the idea to partners or selling the idea to employees, but to sit down with your own counsel and say what are the things that keep e up at night? What are the leaps of faith in my business? That is number one.

Number two is to figure out the least amount of work that they can do to get real empirical information from the market place, their customers and others, to determine whether or not the answers to those questions are the right answers, to test their assumptions and to do it cheaply and fast. They are not going to get 100% validation, but they should get sufficient indication that they are on the right track or not.

The third thing is I think the entrepreneurs I talk to, I am always surprised at how little grasp of history they have. It is amazing how many of them come in and use the term revolutionary with me. It is amazing how many come in and tell me how there is no competitor and nobody has ever done anything like this before. That is simply not the way innovation occurs. The idea that a light bulb goes off inside somebody’s head and there is a eureka moment has been disproven over and over again in literature. The way that innovation occurs is through synthesis. You need to give credit where credit is due to others who come before you in plowing the way by understanding what they did in their businesses, what is different about their business and your business, what is different about their time and your time, will really give you a great deal of clarity about what the critical hurdles are that you need to address when you wake up tomorrow. I think three hours for most businesses is plenty of time to do
most of the spade work on all three of those.

| Danny | Fantastic! Randy I want to thank you for making the time to do this. It is a real privilege for me and I know that our listeners are going to feel the same way. Are you done for the day or are you wrapping up and heading home? |
| Randy | I am about to run into another meeting, but by the way this has been a real pleasure for me. Your questions are great and I have been to your website. It looks like you have a terrific business here and so I’m real pleased that I was able to participate. |
| Danny | Thank you very much. Well then I guess I am going to wish you a good, smooth and pleasant meeting. |
| Randy | Thank you Danny. |
| Danny | We’re going to wrap up. |
| Randy | Thank you very much. |

**Closing**

Thank you for tuning in. You were just listening to Connect Engage Inspire, the Firepole Marketing Podcast. If you enjoyed the show we’d very much appreciate a rating and review here on I-Tunes and make sure to head over to firepolemarketing.com where you can get free access to top rated marketing books, dozens of reports on engagement and audience building, access to expert Q&A with Danny and a whole lot more. And of course stay tuned for upcoming episodes on marketing, engagement and successful online business.