

## Verne Harnish

**Announcer:** Welcome to the Eventual Millionaire podcast – with your host, Jaime Tardy. Real talk and real advice from real millionaires, with a sharp focus on you – the Eventual Millionaire.

**Jaime:** Welcome to Eventual Millionaire. I'm Jaime Tardy and I'm so excited today to have on Verne Harnish from EO – Entrepreneur's Organization. He also wrote the book 'Mastering the Rockefeller Habits' and he's also coming out with a brand new book called 'Scaling Up'. One of the reasons why I'm so excited to have him on is, when I very, very first started this show, someone introduced me to someone else from EO – and EO is Entrepreneur's Organization, it's people that have million dollar-plus businesses – and that is how I started getting guests for this show. Even if he doesn't know it, he was a huge critical component because I knew no one and thought I wasn't going to be able to get anyone to say yes to me. So thank you so much for a) creating the organization and b) being on the show today, Verne. I really appreciate it.

**Verne:** Well, Jaime, EO members love nothing more than just getting the word out, so thank you for helping us on the other side.

**Jaime:** Everyone has been utterly amazing in EO and as everybody has probably heard if they've listened to some of the interviews here, seriously half of the people I interview here are in EO or know people that definitely are. So thank you, again. Why don't you tell us a little bit, because I'm super excited, about your new book, 'Scaling Up'. Give me the reason why it's here now and a little synopsis.

**Verne:** First, it's a significant update to my original book, 12 years ago, 'Mastering the Rockefeller Habits', which was based on what I had talked about to 1,500 CEOs as we had moved through this EO Birthing of Giants program I launched back in 1991. So it's been a dozen years, it needed to be updated with new stories, new tools and new techniques and it's coming out tomorrow.

**Jaime:** Congratulations! I have heard so many people say over and over and over again that 'Mastering the Rockefeller Habits', the book that you created, has been life changing, which is amazing. Now, I know you went through a whole process to try to find that. What was the process you went through to get the original information for that book?

**Verne:** In 1991 I launched this executive program for EO. YPO had a program at Harvard and I figured we needed something similar so I went next door to MIT and it was a process of putting the curriculum together for these EO members with a million dollar-plus business that wanted to become giants. So 'Mastering the Rockefeller Habits' was the culmination of those tools that I and my team had created for that particular program and it was a fortuitous reading of John D Rockefeller's biography, 'Titan', where he talked about some fundamental habits – the same ones you talked about, Jaime, that were critical for him to dominate, which was as wild and crazy industry as the internet is today, 1,000 refineries popped up overnight and then died like the dot-bombs and out of it emerged this kid in his 20s who went on to be the wealthiest guy ever on the planet. So I thought 'Hey, there are some ideas that we can take from there that are still applicable 100 years later,' and that's where the name, 'Mastering the Rockefeller Habits', came from.

**Jaime:** Why don't you give the audience some tips and advice on what these habits are? We might have heard them before but really realizing that this is important and we have to do it, so anyone who's listening right now, make sure you're listening with a new ear, instead of 'Oh, I've heard something like this before.' Can you tell us some of the habits?

**Verne:** The first one really has to do with routines. It's your habits, thus the name of the book, and it's routines that set you free. The particular one that John D Rockefeller talked about and that we encourage is that, in Cleveland, then he started the company, he and his brother and his co-founders would walk to work every morning and they would walk home at night and he realized that the real decisions, the real things that got figured out to dominate the industry were figured out on those walks, so when he moved the company from Cleveland to New York City, even though his inner circle changed, he made sure that they lived near enough to each other, close enough to Standard Oil's new headquarters, that he could continue to walk to work with his team and walk home every day and he structured a daily luncheon with his nine directors and they got this talk time that was critical for them to figure out what to do to run the business. By the way, I think it's interesting that folks say 'You could do that a hundred years ago but what about the 21<sup>st</sup> century?' Well, my good friend Adam Lashinsky, when he wrote the book on Steve Jobs, discovered that Steve had a similar routine – he had lunch almost every day with Jonathan Ive and/or his team. Design, obviously, was the key to Apple's success so he put his time where the focus was in the company so it didn't surprise me that the guy who's built the largest market capital company on the planet today had exactly the same daily routine as John D Rockefeller. Now, we talk about that in terms of this 15 minute daily huddle that has become kind of a standard in the 40,000 companies that we've worked with over the 30 years.

**Jaime:** 40,000 companies? That's ridiculous. When you first started, did you know that it was going to be that big?

**Verne:** Never. In fact, in 'Mastering the Rockefeller Habits' we set an audacious goal to somehow reach 20,000. We thought that was a crazy number but we ended up doubling it.

**Jaime:** That's insane – what do you think made that? We're told that audacious goals are huge things and maybe our brains can't comprehend that but once you got there you just kept going and going instead of just going 'Awesome, this is good.' What do you think made that shift so that you went from zero to 40,000?

**Verne:** I think people miss that their long term goal needs to be literally long term – it needs to be at least ten years out. People may say 'Why?' and the real reason is so that nobody can debate you. You can make up anything for ten years out. If you pick three or five years people might logically determine that you're nuts but in ten years anything can happen. I think that once you've set the goal you've got a real shot of making it. I know this for certain – if you don't set something high, for sure you won't.

**Jaime:** I get e-mails all the time from people who want to be millionaires and most of them have an unrealistic expectation when it comes to the timeframe. Maybe it's not always that unrealistic – there are lots of things that can happen, serendipity and all of that fun stuff, but they're like 'Make me a millionaire in six months,' and you're talking about ten years. What advice do you have for someone for goal setting and really trying to figure out what's reasonable now but huge for later?

**Verne:** Well first off, I want to remind everybody of my favorite quote from the late Steve Jobs. He said 'I'm always amazed at how overnight successes take a hell of a long time.' One of the numbers I've been sharing with audiences, and the research is clear, is that Gazelles, which our companies are named after, these high potential companies in the economy, it takes, on average, 25 years for them to hit their inflection point, whatever that inflection point is. Case in point – Steve started in 1976 and by 2001, on their 25<sup>th</sup> anniversary, the company was just barely alive. They'd had some success along the way but it was on their 25<sup>th</sup> anniversary that they launched the iPod and the real 10x growth that mattered happened since. It's the same with Starbucks – it started in 1971 and, 25 years later, Howard Schultz said 'You know what? I think we've finally figured it out,' went and got a coach, Jim Collins, and the rest is history – their real 10x that matter happened after their 25<sup>th</sup> anniversary. So I'm relaxed – our 25<sup>th</sup> anniversary, for Gazelles, is 2022 and so I know we've got a few more years before we're really going to kick it into gear. EO just celebrated its 25<sup>th</sup> anniversary and we're seeing the same kind of explosive growth past that point. So I think the key is, and Steve said, that's why you have to have passion for what you're doing, because anyone who's going to accomplish anything is going to hit a bunch of walls, a bunch of bumps in the road and anyone who thinks it easy hasn't really been down the road – it's going to take a while.

**Jaime:** Thank you, thank you for saying that. For most people I know, in general, and myself included, looking 25 years out seems so far away but in reality, looking at the data you've mentioned, maybe we should do that. Entrepreneurs seem like an impatient bunch, though.

**Verne:** They are. We see what's happening with AirBNB and Amazon and Facebook but I just spoke opposite Nathan, one of the co-founders of AirBNB, a few months ago here in Barcelona. You look at their story and their first five years were disastrous – they were barely making it; they almost shut the business down three times and it was a couple of the lessons that you referred to that they finally applied themselves and the company took off but it wasn't easy for them either, although it always sounds like an overnight success.

**Jaime:** That's the thing – hearing a success story sounds great. Even just hearing it from you; you can say 'Five years' in two seconds, but you can only imagine what the pain they felt for five years was like. What advice do you have for someone who is maybe slogging through the first five years and maybe not doing so well and wants to see some results soon because they're not sure whether it's worth it?

**Verne:** That's the \$64 question – when to hold them and when to fold them. I think the key is to watch your passion – as long as you're still passionate about what it is that you're trying to accomplish, then stick with it. I hosted the party for Steve Jobs when he had been fired from Apple – we had 1,126 of us in the Bonaventure Hotel; we had Michael Dell there and Mark Cuban and everybody else – he shared his story about launching Apple and then having his baby ripped from him and he said the key thing you've got to do is always follow your heart first, then use your head. So this is a heart business, this is a passion business, and if folks are doing it just to make money, they're probably not going to have the sticktoitiveness they're going to need to push through the pain.

**Jaime:** I've been hearing it more and more recently – I just came back from a Tony Robbins conference and he talked about the exact same thing, having your heart being number one and then having your head following it, but I don't see that happening a lot with people. You tell me – is this a

shift that's going on or is it something that's always been, that we have to pay attention to our hearts over just logic?

**Verne:** I think it's still there. We had our Growth Summit in Vegas last week and one of the guys I hosted was Randy Komisar – the guy from Kleiner Perkins who just did the Nest deal. They invested \$20 million and turned around and sold that thing for \$3.2 billion to Google and made \$800 million for Kleiner. Randy talked specifically to this point from the stage and it was one he made in his famous book 'The Monk and the Riddle' and said if people just have drive, you're always having to push, and that's what eventually wears you out. But if you've got passion then there's this magical magnetism that tends to pull people towards you. So you want pull strategies, not push strategies, and it was his book that was applicable to Silicon Valley, which is where you think people are there just to make money, but he's made thousands of deals and he knows the ones where the entrepreneurs are driven by their hearts first – like the guy who did Nest. Who would think he would get excited about a thermostat, honestly? And he almost missed the deal – Randy himself said 'What's sexy about a thermostat?' But he had a bigger thing he wanted to accomplish and that's playing itself out now that they're a part of Google. So I don't think it's changed.

**Jaime:** Do you think people know already? Do you think, if they're listening to this interview right now, and they either feel it or they don't feel it, or is it something where we can ask questions, like 'Is this really my passion?' What I'm wondering is, if somebody is in that dip – Seth Godin's book 'The Dip' talks about this too – sometimes they don't know if it's just that things are low and therefore their energy is low and their everything is low yet it's still deep in their heart. I just had a conversation with a woman who used to be in EO and she's started a new company and she's like 'I don't know what I should do! It's been two years and it's not as fast as the other company I did that was so much better and faster,' so she was at this point where she was trying to decide whether her heart was in it or not. Do you have any tips on that?

**Verne:** I think, normally, what ends up being the point that gives you the passion is when you've run into an issue where you feel like no one in the world can solve this problem and it's the entrepreneurs who end up solving most of the world's problems, not governments, so often that passion comes from a frustration and I think you need to go with the flow. So passion comes in all kinds of different forms but I do think you know it, you feel it, and if you can't feel it I think you need to trust your gut.

**Jaime:** I love that we're talking about gut and heart over logic and head. I think that stuff is really important and I love seeing it come more into business because before it seemed like it was a little more hardcore and you were supposed to leave that stuff out but, like you said, maybe people just didn't notice.

**Verne:** I want to emphasize a point that you highlight in those three points that you send out when people first sign up and I saw it at MIT – we moved about 60 or 70 entrepreneurs through this program, Birthing of Giants, it was guys and gals that wanted to do something big and I got really good at predicting who was actually going to make it happen because the second piece of that was you've got to have the passion but you have to have this thirst for knowledge, for learning, and I could tell in class those that were the hungriest to learn – they were the ones asking the most pointed questions of whichever speakers we were bringing in, they were taking the notes, they were up afterwards talking to the speaker, many of them would even invite them out to their business for

a day and spend the money to do that and those that were hungriest to learn were the ones that won big. So you've got to take this passion but if you're not then willing to take the passion and say 'Look, I don't have all the answers, I'm going to go out and learn,' that's the one, two punch. I read Mark Cuban's latest book – Mark was an early member of Ace and participant in YEO. He's a kind of crazy, wild entrepreneur but it didn't surprise me in his latest book he talks about the fact that he's always been a reader and I didn't even know that. In fact, he mentions no less than a dozen times the importance of this to the point where, when he got married, he said he had to negotiate and explain to his wife that 'Look, I read three hours a day,' and when you look at his success it's obvious why he is successful – because of this discipline. Warren Buffett reads 500 pages a day. I heard Eric Schmidt, who was running Google at the time, he's now chairman, speak at Michael Milken's conference and Michael said 'Hey, what's the real key to your success and being CEO of this hotshot company?' and he said 'You know what? I shut my Blackberry off for an hour or two every weekend and read a book.' So I think this passion plus learning is a critical formula.

**Jaime:** I love that but it also begs the question – we're in an information overload society so how do we mitigate both that learning and information overload? Because 500 pages a day is amazing but there's only so much you can act on so how do you or the people that you know work within those boundaries?

**Verne:** Mark spoke to this and he said the key is to just get one idea. He reads a book and his goal is very simple – to get one idea that he can act on and realize that the rest of that information is upstairs and you can't have anything come out, creative or otherwise, that didn't go in first. Bill Gates did his Think Weeks, where twice a year, 18 hours a day for seven days straight, he would read 100-120 books, manuscripts, PhD theses and white papers and out of that would come, usually, one big idea. So that's the key – don't get overwhelmed, find the one and act on it.

**Jaime:** So it's about taking the bigger picture and boiling it down into something. It's about action, I'm assuming, too – you must have seen that a thousand times over. Can you tell us a little bit about that? So it's passion and learning for sure but just sitting there and not doing anything with it doesn't help so tell us about action and how that makes a difference.

**Verne:** That's really at the heart of the old book, 'Mastering the Rockefeller Habits', and 'Scaling Up'. At the end of the day it's decisions that equal success and there are four big ones that you have to nail and they're the people, the folks that you choose to do business with, you hire, you partner with, you fundraise from and, number two, the strategy – you live or die based on whether you really nail that and it is different and you're doing something that matters, and obviously that's just words on a piece of paper unless you execute it, and then obviously cash – if you run out of it, it's game over. So people, strategy, execution and cash are the decisions that you need to make and, within that, the key is less is more. The word 'priority' was always meant to make one. In the first book I said 'Hey, pick five things that you're going to focus on today, this week, this quarter, this year, the next three or five years.' Then, as we played with it, we realized three was better than five and, absolutely, today we know what's really critical is the one. When Mark Zuckerberg was getting ready to take Facebook public he had run into a crisis – they had not gotten mobile – so we called together all 10,000 employees under a white tent – 2,000 local, 8,000 around the world – and he said 'Look, we've got to get mobile,' and he stayed on that message for 18 months and when it happened last May, the rest is history. The stock price doubled post that and he got the company

turned around, where Yahoo! still hasn't gone mobile. When Michael Dell, who I've known for many years, took over Dell in 2007 he had a thousand problems but his brilliance is figuring out the one that he needed to focus on the most next. So that's the key – you've got to take it all in, but you as the entrepreneur have to wake up every morning and say 'This is the one thing I'm going to do today, this is the one thing I'm going to do this week and this is the one thing I have to do in the next 12 months.'

**Jaime:** How do we decide on that, though? There are so many options and decision making can be really difficult, especially if you don't know the hardcore one thing to pick.

**Verne:** Well that's where collaboration is critical. The very first routine that I have CEOs put in place is really an idea that Jim Collins put in his book 'Good to Great' called the council. In fact, I've always maintained that the three most important pages ever written in business were pages 114 to 116 in 'Good to Great'. It's the idea that you need some think and talk time. A buddy of mine, Rick Kash started a company with three of his buddies in 1992, grew it through the '90s, took it public in the year 2000, survived the bubble busting, sold for \$403 million in 2003 and then sold that to EMC in 2005 for over \$1 billion. The key, if you asked Rick what was the key, is that he and the three guys that founded the company – and I attended these, saw them first hand – had breakfast every Monday morning for 13 years, even most Monday holidays, at the Bethesda Marriott suites which were across the street from his makeshift offices that eventually became his headquarters and it was during that 7am to 8am breakfast every Monday morning that they got the talk time to talk through 'What is it we're hearing? What are we learning? What do we think we need to do next?' and then, from that collaboration, Rick would decide and move the company forward. So we need a mastermind – that hasn't change since Napoleon Hill wrote about it a hundred years ago and that's how you replicate that inside the company. So it's the first routine we have companies put in place.

**Jaime:** I love that, especially as that was the very first thing I did when I first started my business even though I hadn't read your book, so I love being validated on that. What sort of tips do you have for the right people to go into a group like that? Because I'm sure that matters for what sort of decisions are going to come out on the other side.

**Verne:** That research has been done at Harvard. Ed Roberts did some similar research at MIT, and this is where two co-founders do much better, faster than a single entrepreneur, three do better than two, four do better than three, five do better than four, then you run out of data points and it's the power of an intact team – a team that work together some other place who then leave and start a company day one. Why? You can immediately divvy up all of the work that needs to be done if you're going to move a business forward. In fact, my dear friend Brad Feld, who co-founded Techstars, which is really the new innovative incubator model, they don't allow any solo entrepreneurs in that program. The first requirement is you go find a co-founder so that you can split up the duties. So in that startup team it's best if it's a group who have already worked together in the past and then we're big fans of this top grading methodology of interviewing and selecting who you're then going to partner with and it's summarized well in a little book called 'Who' by Geoff Smart so take a look at that – you've got to learn how to interview and you need to learn how to negotiate. I think they're the two most important skills an entrepreneur should have.

**Jaime:** I love that. Just to go deep into the partnership a little bit, because my board of mentors recently told me that I need a partner and I'm doing this selfishly and asking you, but I have

hesitations because I have many clients who have had business divorces, I've had to mitigate lots of not fun issues with people and so it's a little scary to jump into the partnership. I love the data, and the data doesn't lie, but what's the best way for somebody to find a partner? I know, number one – read that book! But is there a number two and a number three? Finding the right prospect is huge for me, so I've opened the world going 'Okay, I'm open to prospects,' but I'm also kind of critical about it all.

**Verne:** I wrote a special article about it and I talk about it in the new book 'Scaling Up.' The single most important decision most entrepreneurs make is who's going to be this right number two. We all need our own Tim Cook and, you're right, Howard Schultz has messed this up several times in trying to find his replacement or help at Starbucks. In talking to a thousand EO members about this I've concluded that this is the one person that you have to have had quite an extensive working relationship with already. So what do I do with an entrepreneur? I say, okay, take a piece of paper out – we're going to write down 20 people that you've worked with in the past that you think are very talented – that person is probably on that list. Who is it? it's a customer that you've been interacting with for many years, it's a supplier, it's an employee who was with you and has left, made it at some other place and you're able to recruit them back, it's a childhood friend or someone you've been in business with before. I think this is why the Bill Gates/Steve Ballmer thing worked – their relationship went all the way back to Harvard, whereas Howard Schultz would headhunt people in and you would hear about these disaster stories. The minute I brought that up at one of my MIT sessions, someone said 'Wait a second – what about the Google boys? They brought in Eric Schmidt to be their mentor/CEO,' so I went back and looked at that. They were smart – they had put Eric on the board for almost a year, so they had a chance to see if they could fight without killing each other and see if there was alignment of values – and in Google, a year is seven years, like dog years, compared to everybody else. So, at a minimum, test drive – figure out a project that you can do with this person if you think you've got the right person in mind – make sure you date before you get married, I think that's the key.

**Jaime:** That's huge and it's helped me so much so I really, really appreciate it. I know I have to respect your time because you've got a big EO event coming up, which is so exciting. Just in case people don't know about this, tell people what EO is, especially for my audience or people who want to be a millionaire. Explain what that is so that they have a good idea.

**Verne:** As you mentioned, the criteria to get into EO, and there's now almost 11,000 members around the world, is you need to be doing at least \$1 million a year. We picked that back when I launched the organization because that's a critical point – only about 4% of companies make it to that level. But EO has a program called the Accelerator and that is for folks who want to be eventual millionaires and it's a chance for you to get nurtured and mentored and, by the way, at the heart of that program is the Rockefeller habits and our tools so I would encourage people, locally, to get hold of their EO chapter – you can go to EO.org, see if they've got an accelerator program and jump in.

**Jaime:** I love that and I am definitely going to be doing that too. I interviewed the local EO person, Tim, so I'm going to be joining it too, now that I'm closer to an EO chapter – I was in Maine before and it was a two hour drive, so now I'm definitely going to be signing up for that. Thank you so much – I'm going to end with the same last question that I always end with – what's one action listeners can take this week to help move them forward towards their goal of \$1 million?

**Verne:** This is one that I've shamelessly stolen from Marshall Goldsmith. Marshall is probably the top coach to CEOs around the world and it's the importance of having a peer coach. A peer coach is different to a mentor – this is a colleague, a friend, a fellow entrepreneur. For me, it's a dear friend of mine, Sebastian Ross. We all need somebody who will hold us accountable. No one has ever achieved peak performance without a coach and this costs you no money. Here's the very simple routine – it goes back to what Ivy Lee taught John D Rockefeller and Charles Schwab and everyone else as one of the original coaches of these titans and that is Sebastian and I pick five things that we're going to do more of, less of, better of, every day because, again, goals are one thing but only if you change your routines are you going to achieve them. So we pick five and those five are going to make me a better husband, a better father and obviously a better business leader and I have to report to Sebastian every day on whether I did those five things or not and he does the same for me and we meet once a week, usually Friday at 11 o'clock – I'm almost always back in town on a Friday – and we're there to support each other. So the absolutely first decision is to choose a peer coach and then choose these five things that you're going to do and start holding each other accountable and you're going to be amazed – 1% improvement every day, every week, every month and compound interest is your friend.

**Jaime:** I love how support is such a huge thing for you – with mastermind groups, peer coaches, mentors – that's huge, and you're amazingly successful so being able to see you having that support and being amazingly successful is great. Everybody needs to make sure that they write down that action so that they actually do it. It will be pretty easy to find somebody who's in the same boat, especially with the huge endorsement from you. So thank you so much for coming on today, Verne. Where can we find both of your books and more about EO and you?

**Verne:** First, I would encourage your listeners to go to Google.com and search 'peer coach'. Marshall's got a nice one-pager that you can download that gives more background on it and I talk about it in my new book, 'Scaling Up'. You can go to ScalingUp.com, there's a free chapter there you can download called 'The Barriers'. There are three barriers that get in the way of folks getting to that million and beyond so that's free and there's a fun video there that gives you a background on what it is that we talk about. So ScalingUp.com.

**Jaime:** I was going to say, there's a really cool video. I couldn't stop watching it; the artistry on it was just insane. Very good job. Thank you so much for coming on the show today. I ridiculously appreciate you and the organization and everything you've created. Thank you so much for doing what you do. I really appreciate it. I hope you have an awesome day.

**Verne:** You bet, Jaime. Thank you for what you do as well. Take care.

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