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Go to Market Strategy & Execution  Revenue Acceleration  Due Diligence  Partnering & Asset Sales

How to Make a Lot of Money

Or (More Accurately)

How To Make More Than You Would Have Otherwise

When she was 9 years old, my daughter asked me how to make the most money.

At last, I thought, an opportunity to reveal the secret of how her American Girl doll (complete with costly accessories) came to be in her possession! My answer, while still being accurate, had to reduce a wide-ranging subject into terms she would understand, even though she's very bright (a father's pride notwithstanding).

My answer: Manage a lot of resources and then deploy them in the way that creates the most value.

 **Resources** *n.* Everything controlled or influenced by the manager or company: people, money, product, reputation, partners, vendors, marketing effort, sales effort, relationships with others who could help, etc.

For those of you who like equations, here it is:

$$\frac{\text{Amount of Resources Managed (Controlled)}}{\% \text{ of Perfect Deployment of Resources}} = \text{Value Created}$$

"Value Created" in this equation means "profit created for the business", which then translates into the amount of money made by the manager of those resources. Essentially, that's it. Regarding the first variable in the equation, my daughter continues:

Q: How can I get to manage a lot of resources?

A: By convincing those who have those resources that you're going to deploy them to create more value than would be created if the resources were managed by some-

one else.

Q: But how can I convince others that I can manage their resources well without them first giving me something to manage?

A: The process is iterative. The more you show that you can manage well, all other things being equal, the more resources you'll be given.

Q: Then how can I ever get started?

A: Show that, whatever you're given to manage (even if it is very little at the beginning), that you manage it well. If, at first, you're not given any resources at all to manage, show that you can manage yourself well.

In many respects, showing that you can manage yourself well is one of the most impressive management feats possible.

For the remainder of this newsletter, I make the very safe assumption that, all other things being equal, the better you demonstrate your ability to manage well, the more you'll be given to manage. As a result, we can concentrate on the part of the equation over which you have the most direct control— how you deploy the resources you manage. Now, back to my daughter's questions.

Q: How can I deploy resources in a way that creates the most value?

A: Be right most of the time.

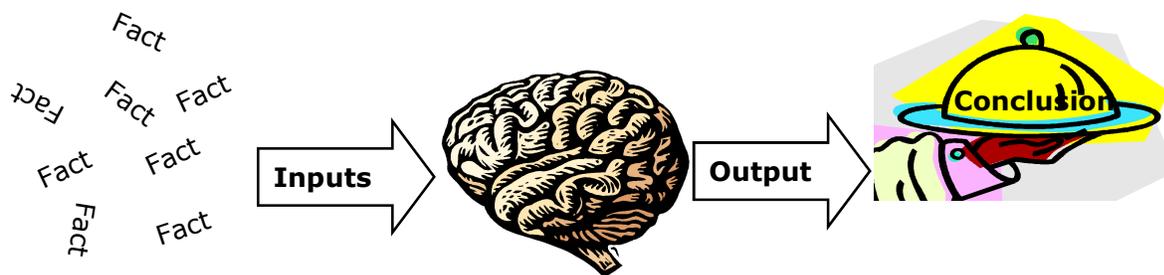
Q: OK. Sounds simple enough. How can I be right most of the time?

My daughter asks good follow up questions. Let's explore the answer further.

The ability to "be right" is based on two parts:

- 1.** Getting the facts right.
- 2.** The methodology you use to process those facts to get the decision right.

Let's talk about the facts first. A good manager is constantly challenging his or her understanding of the facts in order to make certain they are correct. If you have "garbage in" (the "facts" are not right), no matter how good your fact processing methodology, you'll get "garbage out" (the conclusion).



How is it that some managers are worth a salary many times in excess of those he or she manages? A: He or she controls more resources and makes decisions regarding the use of those resources many times better than those he or she manages.



Here's how to verify the validity of your facts: Make certain the people you're asking questions trust you so that they feel safe enough to tell you honestly what they believe. Don't "lead" to get the answers you want. (You're not a prosecuting attorney and you're not selling; you're gathering information, and the information has to be accurate.) Remove bias. Remove emotion. Suspend judgment until you fully understand. Spend a good amount of time listening to people who are telling you answers you don't like. Get the same answer from three people who have different perspectives and / or reasons for giving you a certain answer. Be politely tenacious; if you don't fully understand an answer, be like my daughter; always ask a follow-up question.

As you can see, it is not easy to get the facts right. Most of us tend to put on our "happy ears".

We must avoid this temptation. If we do put on our happy ears, and as a result, we get the facts wrong, irrespective of how great our fact processing methodology, we'll come to the wrong conclusion. And when you then act on this wrong conclusion, you'll demonstrate that you're a bad manager of resources.



Happy Ears *n.* 1.

Choosing to listen to only those parts of answers that we want to hear. 2. Drawing positive conclusions that were not exactly stated but that we interpret to our benefit. 3. Leading the person answering the questions so you can get the answer you want.



I have heard many very smart managers say "I don't know enough about [a particular subject] to have an opinion." In contrast, many bad managers do seem to have an opinion (however ill-informed). Isn't it counter-intuitive that the people who know the least are often the most certain they know the answer? Perhaps. The take away in order to be successful: the really smart people know the limits of their knowledge and how important it is to get good information before coming to a conclusion.

Saying "I don't know" should not be seen as a sign of weakness. Used judiciously, it should be seen as a sign of an under control ego, which should lead to more accurate conclusions. When others hear a manager say that he or she doesn't know enough about a particular subject to draw a conclusion and then sets out to get this knowledge, this gives others more faith in the manager, not less.

Now that we understand how to get our facts straight, we can move on to discuss the methodology you use to process your verified facts into a decision.

Not unlike my daughter, the topic of how to be successful in business is one that's interested me from a very early age.

To come up with an answer, I studied successful people. What attributes did they have that I could also have? Here's what I considered, and my conclusions:

Were successful people smarter than other people?

How smart someone was didn't appear to be determinative. While very few really stupid people were successful (a fool and his money are soon separated), many really smart people weren't that successful, either. All in all, average or slightly above average intelligence seemed to be enough. Given my fifth grade GPA, this was a relief.

Were successful people luckier than other people?

Perhaps, in some instances, luck played a part in one or even two successes, but over time, it appeared that luck tended to even out. In any event, I couldn't figure out a way to be lucky all the time, so just trying to be lucky didn't seem to be a do-able strategy.

Did successful people work harder than other people?

In general, the answer was "yes." The most successful people I knew tended to be among the hardest working. However, although I didn't know any successful lazy people, I did know many hard working people who were not particularly successful. Therefore, to borrow a concept from mathematics, working hard was "necessary but not sufficient".

Did successful people have a different way of looking at the world?

The answer here was definitely "yes"; all the successful people I knew shared a set of disciplines (a methodology) they used to increase their success. The methodology was the key— it was the one thing that activated all the other attributes.

Methodology *n.* Organizing principles, a way of looking at the world, a frame of mind, a way of thinking (both intellectual and emotional), a discipline.

Finally, I had something I could work with. I couldn't change my IQ and I couldn't make myself luckier, but I could work really hard, and I could seek to understand and apply how successful people approached the world.

What I saw was that, more than anything else, successful people shared a methodology. Some people (not many) appeared to come to this methodology naturally. The rest had to learn it and then consistently practice it, until it became integrated into their behavior.

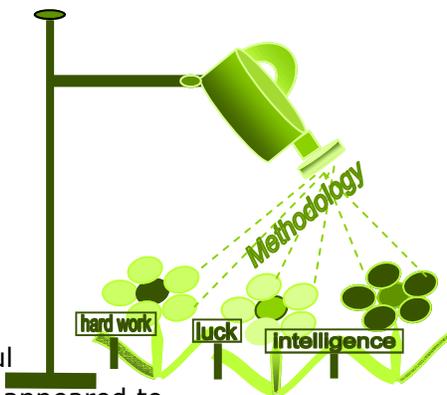
This methodology spans not only getting the "facts" part of the equation, but the "fact processing" part as well. If you get the facts basically correct, are of at least average intelligence, work hard and discipline your thinking and attitude, you'll come to the best decision you're capable of making.

Attributes of the Winning Methodology of Great Managers

- 1.** Great managers provide solutions, not just problems. Anyone can point out a problem or why something does not work. A great manager points out a problem and then provides the solution (what can work).
- 2.** A great manager can always tell you, explicitly and simply, what is the objective. A brilliant thinker with the wrong objective is very unlikely to get to the right solution, because they're answering the wrong question.

A great manager focuses on objectives. A non-manager focuses on other things.
- 3.** A great manager will not be overcome or paralyzed by problems. He or she will find the best plan to be successful.

how to test this: *How to tell the difference between a great manager and others: when you ask the question "what is your objective?", the great manager can answer it, while others will ramble on. The great manager will also be able to tell you why it is the objective and the plan to reach it.*





How could it be that there can be two people, both equally talented, smart, hard working, lucky, etc., but with radically different results? The difference is their methodology; their frame of mind and their discipline (or lack thereof), both emotional and intellectual. The one who better optimizes his or her methodology will be successful, while the other will not.

It's the methodology that makes the difference between being a great manager or being managed by someone else. In the table below, which column best describes you?

Successful Manager	All Others
Knows the objective and can state it simply.	Is fuzzy about the objective; hasn't really thought about it.
Knows the strategy to attain the objective and can communicate it simply.	Because he or she hadn't thought about the objective, the strategy to attain the objective hasn't been thought out.
Concentrates on solutions (i.e., what can work).	Spends time and energy on why things won't work, gossip, complaining, CYA activities, undermining others, and irrelevancies.
Works hard.	Hardly works (at least on the important stuff). Spends time on items not related to successful methodology.
Imposes a methodology to think clearly.	Doesn't impose any methodology that doesn't come naturally, without introspection or work.

In short, the successful manager eliminates spending brain processing cycles and emotional energy on items that doesn't get him or her to the objective.

If you're a manager, the extent to which you do this (your success or failure) gets multiplied by the quantity of resources (including people) under your control.



how to test this:

A great manager is always checking his or her methodology against real world outcomes. How do you check if your methodology needs improvement? Ask yourself, did the methodology come to the right conclusion the last time? Why or why not? The great manager is brutally honest, especially with himself.



I've assumed in this newsletter that the person who adds the most value is the most successful and therefore makes the most money. Within this assumption is the further assumption that perceived value = actual value. In the real world, this equation is mitigated by other factors, both positive and negative. On the negative side, it leaves out hoarding the credit, shedding the blame, etc. On the positive side, it leaves out social connections and "people skills". Of course, all these items play a role in determining ultimate success. The reason I did not describe them in this newsletter is to enable us to construct a simple model first in order to learn the importance of the variables that were described. We'll discuss these other topics in a future newsletter.

The importance of having the proper methodology is illustrated by the following.

Q : Will investors invest in a manager that just came off a big failure?

A : The answer, as in much of life, is "It depends." It depends on if the manager learned from his mistake, or not.

Q : How is this determined?

A : The investors will try to determine why the failure occurred and if it will be repeated. Was the failure a result of a bad fact base and if so, will the manager make the same mistake in the future? If the bad fact base was the result of the manager's hubris or a bad methodology in determining the validity of "the facts", the investor will not give the manager a second chance. If, in contrast, the failure was the result of an understandable belief in bad information, the investor will move on to the second question: Was the failure the result of bad methodology, and if so, has the manager learned to employ a better methodology?

A manager can actually be more valuable than before a failure if, after a failure, the manager learned a better methodology. If, however, the manager has not or cannot learn, he or she will not be entrusted with more resources in the future.

As you can see, errors in methodology are much more serious than errors in facts.

Reason: the correct methodology will tend to get to the right facts, but the manager employing a bad methodology is unlikely to be successful.

To sum up, I created a check list for you to the right.

If you follow this checklist, you'll be well on your way to making the best decisions possible, being the best manager possible, getting more resources to manage, and generating the most value possible.

Great Manager Checklist



Always ask "How can I verify my fact base is correct?", and "How can I improve my methodology?"



Concentrate on solutions, not problems.



Know the objective.



Discipline yourself to think clearly.



Work hard at the things that matter and ignore everything else.

And that, to answer my daughter, is how you'll be successful, and then be able to afford all those ridiculously expensive doll hats and clothes.

In the next issue, we'll discuss people management skills.

About Chuck Bolotin

Chuck founded, funded, operated and sold two companies. The On Target Consultants Process™ he developed, and the success he has achieved applying it has made him an expert in bringing products to market in virtually any vertical market, many times when the target market is not known in advance.

Chuck is available for talks to your organization as well as personalized consulting assignments.

