

[SQUEAKING]

[RUSTLING]

[CLICKING]

JOE HADZIMA: Part 2 tonight is called "The Blues-Print for Innovation." I have never seen this presentation before. You've seen Bob Jones before, and we see a guitar here. And I'm just going to turn it over to Bob and figure out what's going on. Bob?

[APPLAUSE]

BOB JONES: Well, that's a hell of an introduction, isn't it? Thanks, Joe. I want to go off--

JOE HADZIMA: He needs no introduction.

BOB JONES: I want to go off-script just for a moment because I've been thinking about this remarkable course that you are finishing up tonight. And somehow, you've ended up with a bunch of speakers, all of whom are volunteers. None of them are academics.

Everybody's had professional experience. A fair number of them are pretty accomplished. And all of them do what they do for free. And that's pretty remarkable. And you could say, well, yeah, it's a team effort, and it's a collaborative group thing.

But the fact is, there's one person without whom none of this would happen. And he's been doing it for free for 37 consecutive years. And that's astonishing. And I would love to have you join me in giving Joe Hadzima a big round of applause.

[APPLAUSE]

JOE HADZIMA: I don't know how I managed to keep them coming back for free, but I'm in awe of them. So thank you, Bob.

BOB JONES: You keep promising to double our pay, and that would be the answer, I guess. And just to elaborate, just for a moment longer, I do have friends who say, Bob, every year, you make yourself crazy in the second half of January because you work much too hard preparing these little talks that don't last all that long. Why do you do it?

And part of it, of course, is that it's frankly a privilege to be involved on our program of this kind of quality. Second is that in a perverse way, it's fun. And third, frankly, it's because of you guys. It's really gratifying to work with an audience of this quality. So I'm glad to be here.

[APPLAUSE]

Well, thanks. OK, do we have any musicians in the room? What's your instrument?

AUDIENCE: Violin.

BOB JONES: What's your first instrument?

AUDIENCE: Piano.

BOB JONES: What is?

AUDIENCE: Sorry, piano.

BOB JONES: Piano. Jazz, classical?

AUDIENCE: Classical.

BOB JONES: Classical. OK, what about you?

AUDIENCE: Also piano.

BOB JONES: Also piano. Classical, jazz, rock, blues, boogie-woogie?

AUDIENCE: Classical.

BOB JONES: Classical. OK. And yourself?

AUDIENCE: The triangle.

BOB JONES: The triangle. [LAUGHS] Awesome. Well, if you go to Boston Symphony Orchestra, there's a guy there playing the triangle. It's not to be underestimated.

Do any of what a blues jam is? OK, let me describe this for you. There are places out there that set these things up. Sometimes it's once a week. Sometimes it's once a month.

And they provide a backline of amplifiers, a drum set, PA system for people to sing through, and they just open the doors. And random musicians wander in, frequently having never seen anybody else in the room before. And there's a sign-up sheet.

And so you write down alto sax, or you write down piano. Or you write down drums, or you might write down guitar and vocals. And the coordinator of all this is charged with putting an ensemble up on stage that makes sense. So you don't want three drummers and nobody who sings.

So they put an ensemble up on stage. You get three songs, maybe four, and then you're off the stage. And so you're playing with people frequently that you've never seen before, often playing songs that you've never heard before. And it's a bit of a high-wire act.

And I do these every now and then. And what happens is everybody ends up on stage, and we're all introducing themselves. I'm Bob. I'm Charlie, et cetera.

Who sings? OK, well then we're going to do your songs. What songs do you know?

And so there's a quick talk-through. Well, it's a 12-bar blues. It's an A. It goes to a quick 4. It's about here. I'll bring in the first four bars.

You guys come in. Measure 5 on the forecourt. Everybody all right with that? Yep. OK. We count it in. And more often than not, it's a complete trainwreck. But every now and then, it's magic.

And it occurred to me one evening that this is actually a remarkably good model for pulling a startup together and doing innovation. You can tell a lot about your fellow musicians within about 60 seconds of playing, because you've got the guy who's got a great attitude, but he's only been playing for about two years. And he really isn't very good. He will be good, but he isn't that evening.

You've got the guy who's been playing for 20 years, but he's never been out of his bedroom. And he's just overwhelmingly excited by the fact that for the next couple of minutes, he's going to play three songs. And he has no idea when to not play.

And so it's like trying to have a conversation with someone who just won't shut up. And then you have the guy who all of his friends have said, you are a smoking guitar player. Every note you play is wonderful. And so they end up thinking, well, everything everybody else is doing is that boring stuff that comes between my solos.

And if you're lucky, on the nights when it's magic, you have people who know what they ought to be doing, and they know that if it's your solo, my job is to support your solo and in fact, if I can, to make you look good. So I might bring it down. I might bring it back up. Pure and powerful, I might even stop, 2, 3, back in. My job is to back you up. You, I hope, will return the favor.

And there was one evening. It was in February, place in Acton called the Acton Jazz Cafe-- really sophisticated bunch of musicians. And they would have blues jams on the occasional Thursday nights. And I ended up one evening out there fronting a 10-piece band, which I thought, oh, this is just going to be awful. Two guitar players, two keyboard players, piano, and a Hammond organ, bass player, drummer, three horn players, and a harmonica player, blues harp.

And I thought, oh my God. I don't even want to get up on the stage. This is going to be terrible. And the sax player that was standing next to me was wearing shorts in February. And I thought, OK.

Turned out that he had just come in from a tour with Bonnie Raitt. The keyboard player had spent some time backing up BB King. I thought, might have come to the wrong. It was spectacular, spectacular.

So the horn players all had of hidden communication thing going, and they were pulling together three-part horn lines like so. So I'd say I'm tore down. (SINGING) I'm almost level with the ground. And they'd be, doop, be boop, be, doop. Yes, I'm tore down.

And they'd had these signals. You take the top. You take the middle. I'll take the low line. It's its three-part harmonies-- just spectacular. And it compensated for the times I've been there when nobody on stage knew how to count to 4.

So after doing a few of these things, I thought, this is really a pretty good model for the world of startups because every now and then, it's magic. And most of the time, it's a train wreck. And I thought I ought to be able to give a talk on this.

And you will recall Thursday evening, I said, most people can't remember more than three things. And you should think about what three things you want them to remember. Well, I got three things-- structure, collaboration, and know your customer.

So what you're going to get out of this-- and I'm going to elaborate-- how to identify the bad structures that will kill a good idea, why you need collaborators and how to pick the right ones, and how to change your focus. And again, I think this is a great metaphor for innovation. They both require a blend of discipline, creativity, and risk-taking. And I'm going to try and illustrate some of that.

Oh, my background-- I started four startups with doctors out of Harvard Med School. I took a break from entrepreneurship and was CEO of a publicly traded company, which was a turnaround. I've had a couple normal jobs. I've worked with a lot of high-growth entrepreneurs. I went to a couple of schools. I wrote a book.

I actually do have two issued patents. So I can lay some claim to understanding innovation. I play a lot of music, and I've been known to volunteer in homeless shelters. In fact, two weeks from Saturday, Valentine's Day, I will be at the Pine Street Inn for Women playing non-violent music, sitting in the corner while they have a Valentine's Day celebration.

OK, I promised illustrations. But first, there are people who think that inspiration and innovation, et cetera, these are things that are like divine. And maybe, but I think it's a skill set. I think you can learn how to do this, and you may not have developed it yet. Like the guy on stage I knew would get there, but he hadn't had time yet.

While you are learning how to do it, you will make mistakes. But be of good cheer. The more you do it, the better you'll get at it. Oops. So make your plans, allowing for a few mistakes. We customarily refer to those as pivots because that's much gentler on the ear than to say, well, I really screwed that up. I got to change it.

All right. Let me tell you a little bit about Nancy. I was in a band in Chicago. It was three men, two women. All five of us sang. And we were doing a lot of that stuff that your mom danced around in the kitchen to when you were a kid.

[PLAYING NOTES]

(SINGING) Sweet dreams are made of this-- that stuff.

And Nancy's background as a classically trained piano player was really well suited to what we were doing. And she had perfect pitch, which means-- I mean, this is very rare. Some people think it's genetic, but you'd hit a note and say, Nancy, what's that? And she'd say it's an E flat, which it was, by the way, and hugely helpful in unraveling harmony parts and so forth.

But one day, we ended up booking a gig that required us to play a half a dozen blues tunes, and nobody in the band except me knew any blues. And I didn't know much. I wasn't very good at it either, but we got together. And she said, well, teach me blues. And I thought, well, this.

[PLAYING MUSIC]

Or maybe.

[PLAYING MUSIC]

Now let's do something straightforward. Like maybe this BB King tune. Every day I have the blues. So I walked her through it-- just three chords. Here's the pattern. Here's the groove. And she said, all right, well, I got it.

So sing a verse and let's do it. And I said, well, (SINGING) nobody loves me. Nobody seems to care. Nobody loves me. Nobody seems to care. Bad luck, in trouble. You know I had my share.

And I said, all right, play a solo. She said, what? I said, this is your turn. Play a solo. She said, what do I play? I said, I don't know. Make something up.

She said, wait, stop. Where's the sheet music? I said, Nancy, it's the blues. There isn't any sheet music. I mean, you know these three chords. Presumably, you know the scales.

So we've something through those scales that fits the tune. She said, uh-uh. I said, well, that's what you got to do. She said, do you do that? I said, poorly, but yes. She said, show me. 1, 2, 3.

[PLAYING MUSIC]

She said, you just made that up? Wasn't very good, but yes. She said, if you were to play another solo, would you play the same thing? I said, well, I don't even remember what I just played, so no. She said, you'd play something different? I said, well, I got to. Yeah. She said, show me. 1, 2, 3.

[PLAYING MUSIC]

[APPLAUSE]

Thank you. She said, all right, smart ass. I guess you better teach me how to improvise.

So I said, OK, well, there's three pillars of innovation. And the first one is you've got to totally understand the structure. So, Nancy, there's a measure in A, measure in D, back to A, A7, et cetera. I walked her through the structure.

Well, let's put that into corporate terms for a moment. Because this is often overlooked in the marketplace, and the results are usually fatal.

There was a time some years ago when Campbell's Soup was accused of selling overly salty products to poor people. And they were offended by this and decided, nope. We're going to make some stuff that promotes consumer health. And they spent a lot of money and a lot of R&D efforts putting together meal combinations that would improve your health. And they even ran clinical trials.

People who followed their meal program lowered blood pressure, lower cholesterol, et cetera. It worked. It turns out, of course, that to provide these products, you should buy them in the refrigerated sections of the stores. And Campbell's Soup is in the middle of the store where all the dry goods are. And what Campbell didn't realize at the time was there's a whole different supply chain.

You refrigerate it where you make it. You put it in a truck that's refrigerated. You ship it across the country and keep it refrigerated. It goes in a different door at the distribution center so that it stays refrigerated, et cetera. Well, they hadn't thought of that.

And it also turns out that in supermarket chains Stop & Shop, the person who buys the refrigerated stuff is totally different from the person who buys the dry goods in the middle of the store. And they had no contacts with those people, who would say, well, we see your stuff, but we don't know you. And we have a delivery window from between 10:00 AM and 11:00 AM on Tuesdays, and we have no idea whether or not you can make that.

So the net of this was they didn't know how to deliver it, and they didn't know who would buy it. And the end result was it failed because they did not understand the structure. That's externally viewed-- structure in the marketplace. PS I'm not being disrespectful.

That was one of many mistakes I made in the story I told you. Our first night together was regain. We were trying to sell it in retail pharmacies, and we had been selling it in hospitals. I didn't know anybody in retail pharmacies-- so very easy but it's fatal.

So the takeaway for you as founders is to understand the entire chain of steps that run from, gee, I'm having an idea all the way to, oh, look, the wire transfer cleared. And you don't have to know that right away, but you have to get there. So that includes manufacturing.

How are you going to make it? How are you going to get it to some place that's going to sell it? How are you going to tell the world about it?

Who's going to sell it? How do you bill it? How do you collect your money, all that stuff? Understand the structure.

Now, Joe and I, and maybe some of you, have had experiences working with very large consumer packaged goods companies, Fortune 50, many, many billions. And in at least one of them, the CEO said one day, all of our innovation is coming from people like you. Feisty little startups-- you go out there and fail without our fingerprints on it. when you get it debugged, we'll buy it from you. And he said, that's not good enough. In two years, I want at least 50% of our innovation to be done internally.

The problem was, if you were one of these innovators, they'd greet you with high hopes, and then they would say, you're going to coordinate. Your liaison will be with the director of new products or whatever, who had been there for 37 years and was totally trained-- some would say brainwashed-- in the old ways of doing it, which were all designed to lower the risk.

So they have all these stage-gate review processes. You got to get approvals everywhere from people who'd say, gee, I don't know. It's not 100% right. It's an innovation.

Now, I'm deeply uncomfortable here. Oh, financial hurdles? Well, if the product won't do \$150 million in annual revenues within two years domestically and \$500 million annually internationally, then it's not worth our while. Well, you just strangled the innovation process. The net really didn't work. My experiences were frustrating. Your experiences were frustrating. If you do it, beware.

And sometimes people say, well, can we do it internally? Can we bring in people like you to help us do it? And I had one of those. It was a health care insurer. Think-- I don't know-- UnitedHealth or Blue Cross Blue Shield, those guys, one of the really big ones who got it in their head. We need innovative new products.

And we've put together a group that's going to do that. And Bob, we'd like to find out if you have any interest in that. I said, well, I might. I love the idea of not being broke all the time. You guys have capital, and you have reach and distribution and all that. So who's on your team?

Well, we've got this guy who's got a PhD in biomedical engineering, and we have these people who've done a lot of work in finance. And we have these people who are deeply engaged in insurance and putting together packaging. I said, OK, sounds smart. Have any of them ever created a new product? Have they ever done any innovation? No.

Remember what I said about it being a skill set? They never developed that said, well, OK, we're not dead yet. Do you have a boss? Do you report to somebody? Oh, yes. We just brought in a very smart person from McKinsey, the big consulting firm. I said really? So let's see. She's poised, polished, articulate, smart, analytically talented. Yes. Yes, all of those things.

Has she ever created a new product? No. She ever done packaging promotion? Ever done a marketing plan? Ever been involved with sales? No. OK, well, she's not acquired the skill set. No thank you. So my decision-- but if you run into an opportunity like this, ask those penetrating questions.

Oh, here's a little sidebar story for you. I got a call about 3 o'clock in the afternoon. It was maybe two years ago. Hi, Bob. We're wondering if you're free for dinner this evening at the faculty club at MIT. I said maybe. What's up?

They said, well, we've got a group here from Russia. They've been here for a week or two. They came over to study entrepreneurship, and we're having a final dinner this evening. And there's an opening, one of the tables.

I thought, all right, I know how that works. Somebody canceled, and you guys just figured you'd lower your standards and bring in anybody to come sit at the table because I'll eat anything. And he said, well, I said yeah, let's do it. So I ended up in the faculty club-- lovely views, Charles River, Boston at night-- awesome. Two of us from MIT and 8 people who are part of this Russian cohort.

And I said, well, how was your visit? How has it been? We're so excited. We learned all about how to calculate customer acquisition costs and how to calculate customer lifetime value and all this stuff about innovation. Can't wait to get back home and start doing this innovation. I said, well, that sounds great.

You do realize, of course, that most of us don't get it right the first time, and there's usually a failure or two somewhere along the way. And how do you feel about failure? And you would have thought that I reached into my briefcase and pulled out a live rattlesnake and put it in the middle of the table. Oh, no, no, no, no, no, we don't do failure. Well, then you don't do innovation.

There is an example that's a classic in the literature of somebody who did it right, and that was Lockheed Martin Aircraft. This was around 1940. Now, you probably know that it takes years to make a jet airplane. In fact, if it's Air Force One, it's what? Eight years and counting or something now, right. It takes a long time.

But the Air Force said, I think there might be a war coming, and we need a jet fighter immediately. What Lockheed did was say, OK, we're going to pick a few talented engineers, and we're going to move them out of the building and put them in a separate building. The separate building was right next door to a company that made a lot of plastic parts, and it had been a bourbon brewery. The combination of those men, it just smelled absolutely God-awful.

And every day these few engineers, because it was walled off for most people, would go into this place, and they dubbed it the Skunk Works. But 143 days later, the Lockheed Shooting Star was flying-- first jet airplane used by our Air Force in World War 2. They broke every imaginable speed record. The tradition continues, and the term Skunk Works is now trademarked by Lockheed.

So the magic-- a group within an organization with a lot of autonomy, unhampered by bureaucracy. So my point number one is the structure is an unmitigated and non-negotiable part of innovation. Understand the structure. So far, so good?

So understand the backgrounds, the habits, and the mindsets of your corporate structure if you're contemplating doing innovation within a corporate framework. And if the mold that they pour these ideas into won't support innovation, have the good judgment to say, no, or let's break the mold. OK, that's pillar number one.

Pillar number 2 is pick the right collaborators because your team is everything. I have a musical anecdote. It was placed in the town of Salem called Salem Beer Works.

We ended up in there one evening, and it really wasn't the kind of place that we should have been playing in because it was brightly lit. It was loud, and if we looked at the audience, we'd have a table of four stylish women sitting over here and a table with four guys who had baseball caps on backwards over here. And they weren't interested in the music. What they were interested in was, how are we going to introduce ourselves to those ladies?

So we played what we play, did our arrangements, did our harmonies. We'd finish a tune, and it would be like we were in a cemetery or something. There was not a hint of applause.

And somewhere near the end of the set, we were approaching break time. I said, guys, this is stupid. Let's just jam and have a little fun.

I said, well, what do you want to do? I said to the bass player, well, why don't you play something like.

[PLAYING MUSIC]

And I'll--

[PLAYING MUSIC]

And the other guitar player was a good player. I said, Tim, I'll just back you up. Play something. So he did. And in the midst of his noodlings, he landed on this godawful note-- so something like

[PLAYING NOTES]

And he got this. Oh my God, look on his face. And as it happened, I knew that note was a flat 5.

I quit backing him up and just stepped right in and said--

[PLAYING MUSIC]

And he said, oh, well.

[PLAYING MUSIC]

And I said, OK.

[PLAYING MUSIC]

So he said, well, how about--

[PLAYING MUSIC]

So I told the bass player and the drummer, stop. Let's push our luck a little bit. I don't know how much stuff this guy knows, but how about--

[PLAYING MUSIC]

And he said, Beatles? Whoa, let me think. OK.

[PLAYING MUSIC]

At this point, I noticed the room had gotten quiet, that all these people, these guys who were telling lies to the women, had gone quiet. And I said, all right, let's push our luck.

[PLAYING MUSIC]

And he was all over it. He said yeah.

[PLAYING MUSIC]

And I said, well, all right, Santana.

[PLAYING MUSIC]

Right there.

Well, anyway, we went on for a little while, getting kind of silly, and eventually I said, all right. To the bass player and the drummer, I said, last chord-- I'll bring it in, big ending. And I said.

[PLAYING MUSIC]

And we finished our set, and for the first time that evening, we got round of applause.

[APPLAUSE]

Thank you. So what just happened? We turned the mistake into innovation. So our mistake led to-- go ahead.

AUDIENCE: You fed off of the environment and adapted to the moment.

BOB JONES: Well, I saved his bacon because he was sitting there thinking, oh God, I have truly stepped in it. Now what? And instead, I turned it into a feature rather than a bug. Go ahead, sir.

AUDIENCE: I was going to say it feels like you've worked together to do that. It's the constant feeding off of what the other person was doing, and allowing that person to make decisions that are ones that you don't control. So there was a bit of trust there.

BOB JONES: I had no idea what he was going to play, and I returned the favor by playing stuff that he totally did not expect. And so it was a bit of a high-wire act, but it was, in fact, a dialogue. You're quite right. And it was a conversation where neither of us knew the script, and I abandoned the whole rhythmic structure and just said, I'm going to start quoting classic tunes with a screw-up at the end and challenged him to come back with a response. And we accidentally captured an audience that had previously been completely disinterested.

So suddenly, what had turned out to be just another gig turned out to be fun. And I would love your insights. I will argue that we were collaborating. What made us good collaborators, Tim and I?

Tim, the other guitar player, and I absolutely had that thing going, and the audience picked up on it. So what made us good collaborators? Behind you, Eric. Yes, sir.

AUDIENCE: You guys both spoke the same language.

BOB JONES: Yep, we both spoke the same language. What else?

AUDIENCE: Everyone raised the bar to next level.

BOB JONES: Everyone-- say that again.

AUDIENCE: Raised the bar to the next level.

BOB JONES: Ah, we all kind of elevated our game a little bit? Yep. Were we rookies?

Had Tim and I only each been playing two years? We each had a library of stuff that we knew that we could draw on. So we had what, in a corporate context, you would call domain expertise.

Neither of us was checking our phone bill at the time. We were 100% immersed. That's absolutely right. Thank you.

So more important than the fact that we knew our music was that we were able to play and listen at the same time. And the analogies to the kinds of collaborators you will be working with, I hope, is obvious.

We are also not afraid to take chances. We stepped way out onto the thin ice. And in fact, that's exactly how he made that calamitous mistake at the beginning was he went too far, and he fell on his face. And I rescued him and turned it into something that was fun.

We also didn't quit after the first mistake, but we rolled with it and turned it into something pretty good. And a quick corporate example-- there was a team out there that was charged with making a better glue.

And they were unhappy with what they came up with because the glue would last a long time, but it wasn't very strong. It would come apart and stick it, come apart. And one of their collaborators said, why don't we call it Post-It Notes? So what they were unhappy with, and they were about to quit, turned into a gazillion-dollar business.

And then finally, as collaborators, at least one of us stepped up and said, all right, enough already. Let's stop. It's time for a break. Yes, OK. Which brings us to you. Enough about me. Let's talk about you.

I think you guys are going to end up-- I hope you will end up-- collaborating. You will want to pick your collaborator. Because as Martinez said in the talk that just preceded me, this is a favorite mistake of founders to try and go it alone. So you're going to want people to collaborate with you. What will you look for?

Let's not talk about co-founders and equity and all of those complicated things. Let's just say this is not a ballpoint pen. This is a magic wand. I wave my magic wand, and you can have your pick of people to work with you, and they'll work for free just to free yourself from the constraints. What would you look for in a collaborator or a team of collaborators? Yes, sir. Eric.

AUDIENCE: Thank you.

BOB JONES: You had your hand up. Yes. OK. I have accidentally called on people who did not have their hand up. They break out in hives. It's not pleasant.

AUDIENCE: The most important thing I look for is trust.

BOB JONES: Trust-- tell us more about that.

AUDIENCE: The ability to understand that the other people will execute the things that he needs to execute, without figuring out if he will make it, or he will not make it on time. If he's facing an issue, he will tell you. When you are making mistakes, he will tell you. And it's like a relationship-- a really important trust relationship.

BOB JONES: Well, I think that's an incredibly important point. Do you guys agree? Would you care to comment? Yep. OK.

Trust usually goes hand in hand with respect. And one of the things Marina told us was that in her teams, they argued all the time. But they stayed together, and they made a better product. So the trust and respect is essential. What else?

It's not that simple. I might trust my childhood friend, but my childhood friend isn't any good. My kid brother at one point really wanted to work in a startup that I had going.

And I loved my brother, but I knew that I'd have to fire him, and I couldn't do that. So I trusted him. But he was not the right person to bring on as a collaborator. Your thoughts, sir?

AUDIENCE: I think I would look for people that have an expertise in my weaknesses.

BOB JONES: Has an expertise in your weaknesses? Well, I think that's very important. But if you're like many founders I know, you firmly believe that you're good at everything and don't have any weaknesses. So now what?

AUDIENCE: Be persistent.

BOB JONES: Be persistent. Yes, very important. Don't give up when you hit a sour note. Keep rolling.

I've actually had to fire some people who had a proper skill set, but as soon as they walked into the room, everybody went silent. They just didn't want to be with them. So that's subtle, but it's important. Oh, we have one more. Go ahead.

AUDIENCE: Thank you. Dedication.

BOB JONES: Dedication. In poker, that's table stakes. That gets you a seat at the table. And it is an indispensable requirement. I think you want collaborators who complement your strengths. And I think a good way to diagnose that is you could probably say, well, I know I'm brilliant and modest, and I could probably do all of these things.

But at the end of the week, if I look at the list of things that needed to be done, what are the ones I just somehow didn't do? Do the financial summaries or figure out how to put in a performance appraisal program for my employees who ask me really awkward questions like, where do you see me in five years? Think, what? So maybe the question isn't what am I not good at. It's what is it that I just don't seem to get done.

And if you can find collaborators who say, I'm all over it, I love it. I'll take it. You won't have to worry about it. Hire them. You trust them, which you guys have said-- absolutely imperative.

And that takes a couple of sides. Sometimes imposter syndrome hits you, and you think, I am the village idiot. I am the dumbest person God ever made because you just missed the deadline or whatever. And if somebody on your team comes up and says, knock it off. We're doing pretty well, and this is going to work out. Cheer up.

You don't want to feel like, well, they're just trying to give you a big wet kiss. You want to feel like, no, I trust this person. They are of sound judgment.

Similarly, sometimes they have to pull you aside as the headstrong CEO and say, look, you're going right down a rabbit hole here, and you're going to end up in Neverland. And don't do it. And you have to be willing to listen to that. So I will argue that's some of what you want in your collaborators.

And then finally-- and Ms. Hatzopoulos referred to this as well-- you're actually judged by your results, not on how frenetically you work or what great plans you put together. You have to get stuff done, and you want collaborators with whom somehow you get stuff done. That's not phrased in a lofty manner, but it's imperative. If two of you can operate like a team of 4, book it. Take them.

OK, so those are two of the three pillars of innovation. Understand the structure. Pick the right collaborators. The third-- read your audience. Know your customers. Understand their problems.

Well, let me give a couple of examples. One is musical. I will spare you the guitar for this. There's a club in Maynard that's actually really attractive, and a lot of my musician friends wanted to get their bands booked in there. And I was lazy or busy or something. I did not charge at that target, but I checked in with my friends, colleagues, and said, well, how'd it go?

They said, nothing, absolutely. Just did not pay any attention to us at all. I said, well, what did you tell him? I told him we were a great band. We all play well. We sing well. Our horn section is killer.

How do you react? He just wants to make money. I thought, well, OK, then, let's try a different route. So I contacted him-- and this was only because I'd already talk to my friends and realized I was about to make the same mistake they did. I'm not claiming precedence here or anything, but he said, well, tell me about your band.

I said, we pull in a great crowd of really nice people who are economically well-off. They come early. They stay all night. They buy all of your high-priced drinks. They tip generously and they love us. Translation-- more money.

And furthermore, we're really easy to get along with. We're professional. We're punctual. We're not loud. Translation-- no headache. He said, how's April 22nd? And we're playing there April 22. True story.

OK, because I read the audience with a little help from my friends who failed. And I said, OK, if he cares about money and less headache. If your memory is really good, you will remember that my first talk with you guys on Tuesday of last week, I said, here are the two key points for marketing. Find out what your customers want. Give it to them.

OK, here's a more corporate example. A few years ago, we had developed a product for weight loss. It was a nutrition bar. It would help you lose weight. And the science was good.

I mean, all the docs were solidly behind it. And I thought, well, OK, but I want to test it. We were about to get distribution in CVS.

There's a mall in Springfield, Massachusetts. It's horseshoe-shaped. And CVS is in the end of the mall. And there's stores all up and down the mall-- Sephora and all this stuff.

I set up on a table, the likes of which we often have in this room, right here outside the CVS and put my stuff on a table. And I spent pretty much a week in Springfield, Massachusetts, about a month. People would walk up to the table and say, what have you got?

I'd say, well, I'm interested in what they have to say. I said, this thing's made with low-glycemic carbohydrates, and it prevents hyperinsulinemia. And they'd say, well, OK. Thank you. Have a good day.

And I'm kind of slow. It took about a day before I figured out this isn't working. So the next day, people would walk up and say, what do you got? And I said, well, this will help you lose weight without ever being hungry.

And they said, oh my God, where do I get it? Said, well, don't you want to know how it works? No. How much is it going to cost me to find out if it works for me? I think it cost you \$10 for a pack. Where do I get it? Aisle 7. What was the difference? Oop, who said that?

Oh my God. Janice, stop sitting in the balcony, for God's sake. You're wearing a poor man out.

AUDIENCE: You knew your audience at that point because Springfield and what they were actually looking for.

BOB JONES: I didn't know them right away, because I certainly blew off a day telling him what I thought they needed to know. But you're quite right. Day two, I told them what I thought they wanted to know and benefits. So thank you. You're right. One more story.

When I took over this company that I've mentioned that was publicly traded Hong Kong exchange, made tofu and soy milk, and a big deal in Hong Kong. But the US division had lost money for a long time. It needed some fixing. And among other things, I asked the marketing team and the sales team, you guys ever eat tofu? They'd say no. Ooh.

And I'd say, so you're selling a product that you've never sampled yourself? They said, well, that's right. I said, OK, do we have an 800 number? No. OK. We're putting in an 800 number. I'm hiring somebody who will answer the phone, and I'm going to talk to her at least once a week to find out what people are saying. And I did better than that, actually. I would answer the phone myself.

We had 250 employees. I would answer the phone myself for about a half hour each week. Thanks for calling. This is Bob. How can I help you? They didn't need to know I was the CEO.

It was really interesting. So I'd show up, and I'd say, Kathy, go take your lunch break. I'm going to hold your phone down for half an hour or so. OK, great.

And maybe the third time I did this, hi, Bob, this is Mabel. I'm calling you from Meridian, Mississippi. How are you? I said, well, Mabel, I'm having a pretty good day. Thank you for calling. How are you?

Well, I got me a big glass of sweet tea. And I'm sitting here on my porch with my big old dog, and I'm doing pretty good. So, Mabel, I want your life. So what can I do to help you have an even better day?

OK, sidebar. You probably know this, but tofu looks like a rectangular brick that some would say it's like cottage cheese. Some would say it's like library paste. But it's this rectangular white block packed in a container with water. So it doesn't dry out, et cetera.

And Mabel said, well, I bought my first tofu last week, a couple days ago, actually, I drank the water. Now what do I do? Well, I was so astonished that it took me two or three minutes to say, well, Mabel, why did you buy your first tofu?

She said, well my husband, Elmer, he got his annual physical a couple days ago. And the doc pulled me aside and said, Mabel, you're going to be a widow in about a year if you don't change Elmer's diet, because all that stuff he's eating is going to kill him.

And I thought, well, he loves this lasagna with all this ricotta cheese. I thought maybe if I put tofu in there, it would be like, not as bad for him or something. And I thought, oh my God. It's a healthy Asian diet-- Meatless Monday. And I mean, there's just stuff we could do with this.

And I started thinking about it, and I started talking to people who prepared tofu. And I came to the conclusion that it was like chicken. You never just take a piece of chicken and throw it in the oven. You baste it, or you infuse it. Or you season it somehow or other. Tofu is the same way.

So we found an executive chef at a hot hotel chain in Philadelphia, Rittenhouse Square if you know the city-- used to be a football player, quit playing football, gained a bunch of weight, didn't like that, decided he needed to modify his diet, started coming up with great recipes for tofu.

We put him to work. We ended up doing a demonstration. Ended up in Walmart. Because I listened when Mabel called us. OK. OK.

So the three takeaways for every innovator-- sorry, there are a couple of takeaways here. You might think you're selling a product. You might be building a business in hopes of selling a service. I'm here to tell you that if you're going to get paid, you're going to solve somebody's problem.

People pay you to solve their problem. They don't buy your product. They don't buy your service.

They buy the solution that you provide to their problem. And by the way, you want people who will cheerfully pay you to solve their problem. Even better than that, by the way, is if they will tell 1,000 of their closest friends about you and act like your sales force.

So the trick for you is to solve a problem profitably for a large enough audience that you will be able to build a company. Yes, sir. We need a microphone. Sorry, Eric. Go ahead.

AUDIENCE: Bob, one follow-up. You may have not been able to have that source of inspiration if you didn't take time and be on the phone and take the calls of inbound and speak to customers. How do you create that mechanism to have your ear to the market as a founder, when you're doing all the different things that you may be doing so that you always have an ear to what the customer needs?

BOB JONES: Well, I'm at risk of getting metaphysical with you here, but I graduated from this institute like you did. It was master's program, but I got trained in all the bad habits that you were being trained in. The answer is everything.

Here's how we solve this third-order polynomial or whatever it is. And I went out and failed a bunch of stuff. And I don't like failing any more than you like failing. So this was troubling.

So I dug in and said, well, what am I doing wrong? And of course, that was a long list, but at the top of the list was not doing what you just asked about. And that story I told you my first night with you about Regain, where the company was kind of relying on me to succeed with this so we could do our IPO.

That message has been burned into my bones. I made something that worked, and they needed it. But they didn't want it. And I had failed to assess the opportunity along that axis. Do they want it?

And Mabel called us out of the blue because she had bought this thing. And I was so stunned by the I drank the water. Now what do I do? I kind of lost my composure for a minute or two before my more recent experiences kicked in, and I said, well, why?

This was a grassroots. We didn't promote it, any of that stuff. She bought it. So what was at the core of this? It is something that's worth reminding yourself of all the time.

Creating a new product is seductive. You get really excited about applying what you know to solving a problem that most of the time hasn't been solved before. It's very exciting. And you go right down the rabbit hole, and you lose all your friends and your family and max out your credit cards. And terrible things happen. And it doesn't occur to you that somebody's got to buy it.

And so if you want to go from being a technical wizard to being the leader of a successful organization, ask yourself, am I solving a problem profitably for enough people that I can build a business? Does that make sense? It's kind of a long-winded answer. I apologize. But OK.

I put this slide up once before and said it was the most important slide in the talk I gave. I'm going to put it up again for that reason. As you start looking at where you might go with your idea, segmenting the market according to motivation, not according to economic capability or anything else.

Mabel was not economically advantaged, but she was motivated because she didn't want to be a widow. So she was feeling the pain right then.

Mabel probably had some friends whose husbands were also on the watch list. They were worried. We might be able to reach them. Maybe Mabel would tell them about us.

And then there's another group that says, yeah, I ought to pay attention to my health. I'll do that next week. Now I'm going to have a hot fudge sundae.

And then there's all these huge numbers of people down here that you shouldn't bother pursuing at all. It's a graveyard. You cannot afford to reach them, and you do not have the time to persuade them that what you're doing has merit. So start at the top. OK, I'm sorry for repeating this from a week ago, but I really do think it's an incredibly important lesson.

OK, so the point-- figure out who's going to find your offering to be important and unique. That's your audience. Figure out how to find them. Solve their problem. Take their order.

All right. Now I know that you all are quantitatively sophisticated. And I have said in my headline three pillars of innovation. And there's something wrong with that slide.

Joe answered this in his first talk, which is oh yeah, by the way, find some good luck. I can't help you with that. But it doesn't hurt.

All right. We have some time tonight, as opposed to several of the other presentations. It's your turn. Do you have any questions or comments?

Think about it a little bit because many of you said on our first night that you are actually thinking about making a career out of entrepreneurship. And I offered three words. Don't do it. And you're still here.

So we didn't scare you away-- so structure, collaboration, know your customers. Do we have any comments or questions about any of this? Zoe.

AUDIENCE: I have a question about pricing with the customer. So how do I find out if I know a customer has a problem, how much it costs to solve that problem if I know how to price my service to them? And really, how big the problem is-- a lot of people don't want to tell you how big their problem is. So those are two different parts of the question.

BOB JONES: I hate questions like this. All right. Thank you. So the question was around pricing. How do you figure out how much you can charge for this? The first time I tried this, I said, how do you feel about \$3 a bar? And they said, fine. Completely worthless answer. Classic mistake.

And I don't know if I have a really reliable answer for this, but I can tell you what I do, which is invest some time. I hear you. I'm pretty sure I understand your problem. What are the consequences of that problem for you?

Well, I'm worried that my little eight-year-old is going to die in her sleep. That's pretty serious. I'm worried that my husband, Elmer, who's overweight, got high blood pressure, got elevated cholesterol, has a lousy diet, and he's going to leave me a widow in 12 months. OK, now I kind of understand the consequences.

We worry about data security because if our stuff got hacked and 10,000 of our customers' personal identification things, banking information were all on the internet, that would be really bad. We worry about that.

Follow-on question is usually, well, how are you addressing it now? Well, we're doing these things. And I assume that those solutions are not free. Oh, no. Oh my God. And I've had people say, oh, Christ, we've had three agencies in the last year. Each one of them charges more than \$300,000. And in every case, we did not move the needle.

So this is not a perfunctory conversation. You might remember that night before last, I said, one of the key qualities is to stop all the selling.

Ignore those people who tell you always be closing and listen. Develop a little bit of empathy. But what came out of that was Jesus. You spent a million bucks in this past year on this. That's helpful.

And then I often follow up with, well, if we could do these things for you, what would you expect to pay for something like that? Or maybe help me out. I'm going to call on one of your competitors tomorrow. What do you think they would pay me for this?

So we're trying to extract guidelines. And you may recall my conversation with you about the diabetes product. I said, where would you expect to buy it, and what would you expect to pay? And those folks who said supermarket said \$0.49, and those people who said pharmacies said \$1 and a quarter. Same product. All right.

So ask them in a word. That's one. You have a question, sir?

AUDIENCE: Is there another way to say it?

BOB JONES: Use the microphone, please.

AUDIENCE: Is another way to say it? Ask in the best scenario possible, how much would this be worth to you?

BOB JONES: Yes. Yes, I think that works as well. I think you have to be a little careful because people start putting their hands over their wallet when you say, how much would this be worth to you because they know what the follow-on question would be, which is, well, would you like three of them or four of them? I can do that.

So thank you. All right. Anybody else with questions or comments? Max in the back. Joe, you want to take care of this? Eric's looking kind of tired over here.

AUDIENCE: I think we've heard a lot over the course of this class, and today in particular, about building a culture and building a team and how important that is. And I think, as some of us are embarking on solo journeys or early on in this journeys, it's an intimidating task to think that anyone would want to join us. So curious about your thoughts around that and how to cultivate that early team and start building a culture early before you've lost the opportunity to do that.

BOB JONES: Max, that's an incredibly good question, and I don't want to let you off the hook quite yet. What do you think is the method that most people use to start talking, start those conversations?

AUDIENCE: What's the method they used to start those conversations? About finding a partner or finding culture?

BOB JONES: Yeah, I'm considering starting a-- I am in fact, starting a company, and I am looking for collaborators. How do you think I, or most people like me, begin those conversations?

AUDIENCE: I think it's talking to as many people as possible.

BOB JONES: Yes, but what do we say? Not what should we say. What do you think people most frequently say?

AUDIENCE: I think it depends on the nature of the conversation. But you're selling yourself as a partner, and you're selling the idea both at the same time.

BOB JONES: That's not what I have encountered. I think that's what you ought to do. But what I have encountered is people say, oh my God, I have the coolest technology you have ever seen.

I can bring dead people back to life. I can make the grayest sky blue. I can make it rain whenever I want it to. I can build a castle from a single grain of sand. I can make a ship sail on dry land.

[LAUGHTER]

But I think what makes more sense is you want people who are united in their interest in the problem. So I am terribly concerned about all of the people in the world who do not have access to potable water. And I am looking for a talented team of people to join me in addressing that problem. Does that make sense?

AUDIENCE: It does. I like that reframe a little bit because you're coming nested within that, which I think lends itself to the second part of that question is a culture is distilling similar shared values. You hope that that commonality around the problem facilitates that. But that's still an assumption that needs to be tested.

BOB JONES: Well, that at least binds us together while we're disagreeing. Yeah, right. Because I think it should be pink. And you think it should be green. And we get pretty heated about that.

And after a while, we think, yeah, but we still want to solve the problem of potable water. So let's go get a beer and set it aside. And we'll pick a color tomorrow. Yeah, right.

So I think this is a really good question is, how do you get about the business of building a team? And if I can synthesize what we just said with, it would be helpful to get along with them.

Forgive me for being colloquial, but I want to dance with people who want to dance with me. And then if I got a list of people who want to dance with me, I can start the filtration process. Do you have the chops?

So you know your stuff. Are you willing to do the stuff that somehow I just don't seem to get around to doing? I mean, I know I'm wonderful at everything, but there is the stuff.

So thank you for a very good question. You have something as well?

AUDIENCE: I mean, at this point, it feels more like a follow-up because my question--

BOB JONES: That's acceptable. Go ahead.

AUDIENCE: My question had been about--

BOB JONES: Before he stole it?

AUDIENCE: Yeah, before he stole it. Well, before you answered it before I asked it. As someone who might have that same issue of thinking they're great at everything and needing a little bit more of that assistance in getting other people who will do the things I just don't get to, there's this question of what it is to find those people, not just where because I think that's driven by that mission. You find people who are excited about the same thing as you, but it's more the if we're already saying the issue is your blind spots are difficult for you to see, what is it for you to pick people who cover the blind spots that you're not knowing to look at?

BOB JONES: I can tell you what I do. I won't tell you it's the right thing to do. But again, I have learned the value of listening. So I often ask things like, tell me what you have done in your last couple of jobs. What do you actually do?

Tell me about your typical day or week and tell me which parts of that you did. Because it was an obligation. And which parts of it just really lit your fire?

If there was a day when you worked a Saturday because you were just really fired up to get this done, what was it you were doing? If you found yourself there at 10:00 or 11:00 at night, and not because anybody told you to be there, but because you had sunk your teeth into something that was really meaty and you didn't want to let it go, what were you doing? And out of that, you get a sense of profile.

What kind of music do you like to play? When you're left alone, what kind of music do you like to play? Well, I'm terrible at that kind of music. I can't play saxophone. I need somebody who can play saxophone.

So I find that to be helpful. It's a good question. I hope the answer is useful to you. OK, got one more? Go ahead.

AUDIENCE: Yes. How have you sharpened over time your skill to decide when to pursue one idea or one venture, and when to pivot even in the same venture?

BOB JONES: Well, in the early days. I would pursue the things that I was most excited about. These days, I'm more cynical, and I follow the money. That's not to say that I look to make a ton of money, but the first question that I believe every prospective entrepreneur ought to ask is, how will I make money? Because your business will fail if you don't answer that question.

I mean, that's pretty linear. But it doesn't matter how wonderful and how great your idea is or your technology. Your technology may well succeed. Your business will fail. And the next person who uses the technology will succeed with it, which is heartbreaking. But how will I make-- add one more word-- enough money? How will I make enough money that the business does not run out of gas?

And if I am triaging ideas, then I look for the ones that rise to the top, that pyramid again. How can I start a company that will solve a problem profitably for enough people that I don't have to go out begging for funds?

We have one more down here, and then I'm going to start to wrap it up, because I promised Joe that I would finish on time tonight. Hold the mic like this, please, sir. We're not picking you up. Nope, you've got it. But point it toward you like that. Yes, sir. Thank you.

AUDIENCE: Following up on the point you made, how do you make money? Even better-- how do you make money from day one?

BOB JONES: That's a magic trick.

AUDIENCE: If you can make money from day one, if you find something that's pressing enough that you can make money from day one, even if it's a token money, or you ask the customer, I need this much to get started. I'm willing to give up my early profits in order to give to you near my cost. Just give me some good referrals afterward.

BOB JONES: Well, I like that because, among other things-- thank you. It's proof in the market that somebody besides you thinks this is a good idea. You could help me if you'd like because I am out talking to people who book speakers in corporate conferences, et cetera. I probably told you this joke before, but what are the two words that audiences most like to hear from a speaker? In conclusion.

So in conclusion, the Blues-Print for Innovation is master the structure.

[PLAYING MUSIC]

Pick the right collaborators because your team is everything. And pick your audience. Solve a problem. Build a nice business.

[PLAYING MUSIC]

Thank you very much.

[APPLAUSE]

Thank you.