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*Podcast Transcription*  
*Implementing Lean Marketing Systems*



## Are You Qualified to Drive the Boat? Guest was Randy Nelson

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## **Transcription of Interview**

**Joe Dager:** *Welcome everyone. This is Joe Dager, the host of the Business 901 podcast. With me today is Randy Nelson. Randy is a former Nuclear Submarine officer, founder of two multi-million dollar enterprises, and Chairman of the General Shelton Leadership Center Advisory Board in North Carolina. He has created a program to help entrepreneurs acquire the discipline and skills necessary to grow a vibrant company and to lead it successfully. Randy, I would like to welcome you to talk about, I would say, the book that's about this program.*

**Randy Nelson:** Thanks, Joe. Thanks for having me. I look forward to talking to you and Second Decision.

**Joe:** *Can you give me the elevator speech about the book?*

**Randy:** Sure. What I did was I combined two careers. So, I spent nearly seven years in the Navy as a Submarine Officer and I've spent the last 25 as an entrepreneur and the basics are before the Captain allowed me to drive the submarine on his behalf in the Navy, I had to go through a qualification system. I had to get lots of oral and written interviews and examinations. And, once that was finally done, he said, "Okay, you can drive the

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submarine, and I can lead the people on the sub.” For entrepreneurs, it’s a little bit different. We start our company, day 1 with the CEO, no qualifications; no questions asked, we got it. So, what I did is I created the entrepreneur Qual Card. I’m asking the question, “What if you really had to be qualified to run the business that you’ve started and are now leading? Number 1, would you want to and, number 2, you know, would you be qualified?”

**Joe:** *The Approach seems somewhat rigorous, I can see it in the military. But, entrepreneurs are often those undisciplined, round pegs that don’t fit in the square-hole type people. Could they really become disciplined and the learned trait or what is it?*

**Randy:** I’ll go back to the failure statistics, which there are three numbers I want to give you. Fifty percent of businesses fail within five years, and seventy percent fail within ten. The second one is that the entrepreneurial sector has taken a hit. In ’89, 11.6% of every household lead by somebody under 30 had a stake in their own to private enterprise.

That’s down to 3.6% now. And, you know, more businesses are shutting down in the country for the first time ever than are being started up. So, if I take all those statistics and I take your question, I’m not asking them to do anything difficult. What I did was I took the top ten reasons why most businesses fail or underperform and I built the Qual Card around those. So, these aren’t things that will be nice to know. In my mind, these are things that you absolutely have to know the bare basics to be able to run your business.

**Joe:** *If I read the book and go through that Qual Card, am I going to recognize some*

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*strengths, weaknesses, is this kind of an entrepreneur's Myers-Brigg type of program?*

**Randy:** It's a self-awareness journey. What I didn't do on the book is preach. What I did was I outlined what not only I believe but where most businesses fail and where I've watched over the last twenty years entrepreneurs struggle. And, a big question I ask in the book after they see the Qual Card is I want them to choose between one of three roles inside the company. Either, the leader and the leader is the person who says "I want to get qualified. I want to learn. I want to get better." The role player is "I'm not that leader. I just want to do sales. I just want to do marketing." And, the third choice is "I don't like this running this business stuff. I like to create a business, so I want to go back and create more businesses." So, it's really more self-awareness than a rigorous discipline system. Once you know what you need to know and the book really takes the reader from the "I don't know what I don't know" to the "I know what I don't know" status.

**Joe:** *You described a variety of disciplines characteristics that you must have. If you had to single one of them out, is there one that's more important or is all of them equally important?*

**Randy:** I'll say financial, and I'll say it for a couple of reasons. A lot of entrepreneurs love to say "Not my area. I outsource that. I give that to somebody else." But, it's one of the main reasons why companies fail and I'll give you one example. Cash, we all know we need cash, but sixty percent of businesses up to ninety percent of businesses fail because they don't have cash. And, it's not because we're unsuccessful. A lot of businesses just grow themselves out of business. So, what I ask on the Qual Card as an example is "I don't

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want you just to know whether you have the cash today. I want you to know whether you have cash six months from now and I want you to understand the trend of cash because if you're making growth decisions inside your business you should understand whether six months from today those growth decisions are going to keep you in business or put you out.

**Joe:** *And, I think that's a good suggestion because what I see a lot of times is you'll see the entrepreneurs start out, they have a great idea, they'll get some DC funding maybe or some backers or something but they really don't ever find a way to generate cash with their idea.*

**Randy:** Yeah. And, you know, I'll give you a specific example. January 1, 2004, my business heads had \$500,000 in the bank. We were growing. We looked good as a company. My six-month forecast had us at -650,000. Now, we had a line of 700,000 but the problem was we were; I could pretty well forecast we're done. And, not only that but [covenants – 06:22] that the bank had put on me, those I recommend being forecasted because these are, again, I'm not trying to instill, I'm not trying to make anybody a military discipline type of entrepreneur . What I'm trying to do is I'm trying to get them to stay in business and to maximize their potential.

**Joe:** *The Second Decision, maybe is kind of out of place. Maybe it's something you should read before you make the first decision.*

**Randy:** You know, it's great, it's a great point. I got interviewed last week, and here's how

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I answered the question. They said, "Who do you think should read the book?" I thought, "Tell you what, I'm going to answer it two ways. I think the people who need to read the book are the people who are in the middle of building a business. They may not necessarily like what they hear or read in it, but they really need to read it." Some of them when they start to read they'll say "Oh, that's a lot of work, and I'm not sure I want to involve myself in all that." I think the people that will absolutely read it are the people who are about to start because they're soaking up as much knowledge as they can, and they want to know how to build a business. I think the people who are just starting will read it and say "Boy that makes all the sense in the world." The people who are in the middle of the fight, they're going to look at it as a little bit of work because they're not necessarily doing these things right now.

**Joe:** *I think it's interesting that you break it apart into that leader, role player and creator because what I see a lot of entrepreneurs do is when they start out in a company they end up hiring a mirror to themselves, if there's someone like themselves because they just can't get it all done. They just need someone like them, they think. What you're doing is you're setting kind of them in place, they kind of look at those areas that they really need support even if it's just a relationship to be able to talk to. I kind of look at not only about who I am but also whom I need to surround myself with.*

**Randy:** Yeah, and it goes back to the definition of self-awareness which is you've got to become aware where your shortcomings and weaknesses are hurting the company and then understand how to either overcome or compensate for them. This is the difficult part for entrepreneurs is I think to get that self-awareness, that be a little vulnerable because

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we love self-confidence as entrepreneurs, that's what makes us great. With a little vulnerability and understanding, we don't have to know everything, and then it became a little easier to at some point. I've built two businesses from scratch to exit but I have turned both over because it came to a point in the company's operating cycle that I knew I wasn't going to be the best guy in the next five years to run the business. It was becoming a little bit operational and that wasn't my absolute strength and love so I turned over my first business at thirteen years and my second business in 12 years and the person who came into that business was much better than me at that point. That allowed me to go back and start another business.

**Joe:** *In the Lean Startup world, we're always out there trying to find a product-market fit. Everybody's dreaming about the idea and the product, going out and getting funding but I think good VCs don't look at just the product, they look at person and how disciplined the person is behind it.*

**Randy:** Sure and VCs know a lot of studies on who's capable of moving from founder to CEO and some of them do and they'd love for them to do that. I think the fact is my book is almost giving entrepreneurs permission to not be the CEO, they'd never really thought about before. I think people when you start a business you get people all excited about your idea, you build a culture and I think a lot of people think at some point, "Well, I can't step down. This is my baby, and I built it." But, there comes a point when they really are starting to hurt their legacy, not build it.

**Joe:** *One of the things that strikes me in this book, I read the book and it's a lot about who*

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*I am as a person, and whom I need to surround myself with but can I learn some of them things and as you point out that I might not be a great leader, that I might be a role player, can this lead me to areas that I can learn and develop? Does this help my development as an entrepreneur, I guess?*

**Randy:** It does and, you know, I'll give you an example and again financial. Financial scares a lot of entrepreneurs. They don't really want to go there. I make it really simple. I get to a one-page decision sheet that I guarantee if you can visualize a one-page sheet that shows, you know, three or four years worth of history and if all you're doing is comparing numbers side by side seeing which number is good, bad, which are great which are ugly, everybody that I know in the coaching world after I've built and sold my second business, I'm in the coaching world and every single person that I coach, I go through this analysis with them. Every single person says how simple it is once I see it. It's just a question of whether they're willing to go and look at it or not.

**Joe:** *Part that I took from the book though is that I really didn't think I could do it alone and I look at the fact, even using some of the power from the book it's like I need to surround myself with a support structure. When I read the book, what's my next step?*

**Randy:** I think there're two key leadership decisions that every entrepreneur who wants to run their business has to make. And, that is 'who's your number 2', who's your Operations Leader, and number two is 'who's your financial leader'. And, the mistake that a lot of entrepreneurs make and I think again because we have that, we like that, we got lots of self-confidence when we're really excited. We call our financial person the CFO but their

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really not the CFO, they're just kind of handing us a financial statement. So, you need somebody who can give you good financial information, and if they can't analyze it, you've got to have somebody who can help you there and you need a strong operations person. Those two are the key leadership decisions that I think every successful entrepreneur is going to need to make.

**Joe:** *The entrepreneur really should, most of them should not be on the operational side or if I'm a good operations guy, can I hire someone else?*

**Randy:** I'm saying decide where you are. If you're strong operations type, then make sure you've got a visionary that's working with you. Maybe you've got advisors that are helping you. If you're a strong visionary and you're a weak operations person, then you should have a strong operations person in there. Because to grow and scale a company, you've got to have processes, you have to have systems and somebody's got to hold people accountable. And, entrepreneurs are not necessarily the greatest people to do that. We love to create ideas, build culture, do that vision stuff with our company, but we're not necessarily the people who really want to dig in the day to day and hold people accountable.

**Joe:** *Randy, now, I've read the book, and I think you have another program or something that helps that entrepreneur take that next step or to develop these characteristics more. What is it?*

**Randy:** You know, the ultimate program is what I call the QE signature series, and I go

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back to the Navy. When I had to get qualified, I had to go to an expert and when I thought I knew all about the main steam system, as an example, I had to go to somebody who was an expert and they would quiz me on everything until they thought I knew what I was talking about. Then, they'd sign my Qual Card. So, for somebody out there who really wants to do this but they know they can't do it by themselves, the QE signature series is where I take them through each of the aspects of the book and they want to learn, they've committed to learning. But, I'm not going to sign their Qual Card in the book until I feel that they're at the point where they truly know this information. So, in a little bit I'm going to qualify them to run their company just like the Captain qualified me to run his submarine.

**Joe:** *Is that the heart of it, is your naval background?*

**Randy:** The answer is 'yes' but the real heart came in 1999. My business had grown fifty percent a year for ten straight years. I thought I was on top of the world. I get accepted to a program called the Birthing of Giants, which was put on by the Entrepreneur Organization and it was 60 people from around the world that got a chance to spend a week a year at MIT, learning how to become entrepreneurial, leader's education, MBA if you will and I went into that thing so, I'm going to use the word, cocky because I'm fifty percent a year. I think I know just about everything and Day 1 in that program, what I didn't know I didn't know was absolutely shocking. Even for me, who came from a military background, who came from a high discipline, it took somebody really making me self aware of everything that I was lacking and at that point is when I made the decision I've got to, I have a job as the leader to continue to grow, not just tell people what to do. I

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think it was the military but, you know, that was a critical learning point for me. It's when I found out just how little I knew.

**Joe:** *I found myself looking in the book and flipping through it and revisiting the stages, okay, that you promoted in it or that you drew in it. Can you tell me just a little bit about that, that visual aspect of the book, I guess?*

**Randy:** Yeah, in EO, Entrepreneur Organization, we do this thing called the Lifeline. And, again, it's a vulnerability exercise where you're sitting around with people and before people can give you any sort of experience sharing or advice or whatever you're looking for, the person who is looking for the advice has to make themselves vulnerable, which means you got to share a little bit about your life, the good, the bad and the ugly. What I wanted to do inside the book was I wanted people to see, "Yeah, sure, my bio says I've ultimately sold a couple of businesses, and I had the honor of working for General Shelton, but I screwed up a ton." The lifeline shows the vulnerability. It shows the real person and the failure that I made and that I think everybody makes. And, I think that's part of the growing experience is, again, I go back to self-confidence. It's great to have it, we need it but the statistics show that too many of us fail and sometimes it's because we don't really want to reach out and tell people the truth of what's happening. So, the Lifeline is really a 'here's what you got, this is who I am, and this is where I screwed it up'.

**Joe:** *Well, I kind of, you know, we always talk about Lean startup and product market fit and this book is like person market fit maybe or something, isn't it? The reflection that you have during it. If you read a chapter and sit back. What I thought the best part of it was*

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*sitting back at the questions you raised and kind of figuring out where I fit.*

**Randy:** Yeah, because in the end, the Decisions here is for entrepreneurs is my series of books and the Second Decision is all business, the Third Decision, which I'm in the middle of writing right now, brings in your life because all of us we work, we've got lots of work to do but we've got kids, grandkids, spouses, significant others, family and all that stuff's going to come into play and, you know, what I look at is for each of us there're a couple of judgment days that come in our life. And, you know, one is if you're an entrepreneur, if you're going to eventually sell your company, you know, is what you get on the day of the wire because somebody's going to write you an amount of money, and that's going to be a judgment on what the value you've built. You know, the other, if you've got a family is if you've spent your entire life building a company and your kids are now grown and you missed them growing up, it's something else I want to make people aware of just to think about when they decide what they really want.

**Joe:** *That's great advice. If I want to learn more or contact you, what's the best way?*

**Randy:** So, I've got a website, [www.randyhnelson.com](http://www.randyhnelson.com), and the e-mail is rnelson@gold-dolphins.com.

**Joe:** *Is Gold Dolphins your company?*

**Randy:** It is and I'm not Richard Gere. I'm not a pilot, so I don't have those pilot wings. You know, I learned a long time ago I'm never going to be able to be recognized by that.

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But, a submariner, when you get qualified, you wear gold dolphins. So, that's where that comes from.

**Joe:** *Randy, is there anything else you'd like to add to this conversation that maybe I didn't ask?*

**Randy:** I just encourage people to approach this and approach it from a mirror mentality. When you're reading the book, look at yourself and before you start thinking about other people and what they're doing wrong or right, really focus on yourself because I think that to me is the exciting part of what I've seen in the entrepreneurs that I've been around for the last twenty years is we need people to grow as leaders, we need people to grow as role players, and we need people to grow as creators. Getting your right spot and if you don't want to run a business, don't. Go create another great business and that's great for the country, you know, that's great for what we need. It's going to create jobs. But, look at it from a mirror and ask yourself the hard questions. It may not be what you necessarily want to do, but I think it's what all of us need to do.

**Joe:** *I'd like to thank you very much, Randy. I very much appreciate it. This podcast will be available in the Business901 iTunes store and the Business901 blogsite. So, thanks again, Randy.*

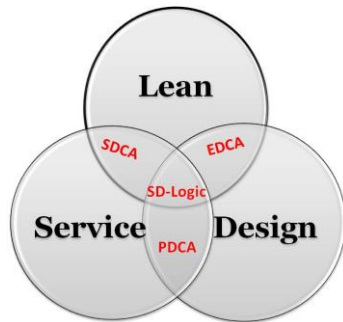
**Randy:** You bet. Thanks for having me.



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Joe Dager is President of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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