



EP283_Charles Fred

Lisa Nichols 00:03

Chromosomes, little strands of nucleic acids and proteins are the fundamental genetic instructions that tell us who we are at birth. Most people are born with 46 chromosomes. But each year in the United States, about 6000 people are born with an extra chromosome, making them a person with Down Syndrome. If you've ever encountered someone with Down Syndrome, you know that they are some of the kindest, most joyful people you will ever meet. They truly have something extra.

My name is Lisa Nichols and I have spent the last 24 years as both the CEO of Technology Partners and as the mother to Ally. Ally has something extra in every sense of the word. I have been blessed to be by her side as she impacts everyone she meets. Through these two important roles as CEO and mother to Ally, I have witnessed countless life lessons that have fundamentally changed the way I look at the world. While you may not have an extra chromosome, every leader has something extra that defines who you are.

Join me as I explore this something extra in leaders from all walks of life and discover how that difference in each of them has made a difference in their companies, their families, their communities, and in themselves. If you'd liked this episode today, please go to Apple Podcasts or wherever you listen and leave us a five-star rating.

I am thrilled to have Charles Fred on the show today. Charles is the co-founder and CEO of TrueSpace. Well, Charles, welcome to this Something Extra Podcast. I've been looking so forward to this time with you. And I told you offline, but it's true. And I'm just gonna say it again. I love what you are doing. I love your story. And we're going to talk a little bit about your story. But I love what you're doing. And I just, I think it's a noble thing that you're doing. So, I can't wait to share it with our listeners.

Charles Fred 02:08

I'm honored to be here. I think that you know, you just told me a few minutes ago, you've been at this for 30 years. And I think we're like 280th or 283rd episode or something. So, all the things that you're doing around endurance are gonna play right into our conversation today. So, I'm excited about it.

Lisa Nichols 02:23

Well, I have to give a shout out to our friend Stacy Since, because if it had not been for Stacey, you and I may not have met. But Stacy is now in Denver, which is where you live in Colorado. And you know, she called St. Louis home for a long time and founded this fabulous co-working space RISE Collaborative hear that a lot of people know about and just did wonderful. Thanks for saying, so we're sad that we lost her. But I'm really glad that she has found your great company. True space to be a part of and, so shout out to Stacy.

Charles Fred 03:00

Yes. And Denver. I'm glad that we could attract her, right? So even though St. Louis is, is a hub, it's nice to know that we can we can attract talent in Denver as well.

Lisa Nichols 03:10

Well, you know, she's gonna definitely be an asset to your organization. And, and she's gonna dig right in, because she's going to, you know. I know she loves what you guys are doing too. But I really, we've got so much to talk about, literally, Charles, I think I've got about 12 pages of notes here. So, we're gonna go, we're gonna, we're gonna try to cram as much in as we can. Because I just want our listeners to learn from you. But before we go into that in depth, I'd love for you to take me back to your childhood. Where did you grow up?

Charles Fred 03:42

I'm, I'm born and raised in the state of Montana. So, I grew up outside of the capital city, the thriving capital city of Helena. And that's where I, my family was, there were third generations on both sides, my mother and father. So, my last name Fred is actually it's pronounced in English, Fred, but it's Swedish. And we were, we were miners that came in and started help, you know, building the west of the United States. So that's where I, that's where I grew up. It was

such an enchanted place, because you could just go play. I still remember, as a kid, the only time I came back in the house, my dad would whistle and we'd be out someplace and we'd come home and those days are a little bit gone. But it was like it was great place. I love the state of Montana, my soul still there, for sure.

Lisa Nichols 04:29

I love that. Well, we did a dude ranch a few years ago as a family, Charles. And our son, our oldest son came back and started researching on the Internet. He's like, we had to buy a ranch. We have to buy a ranch in Montana. I think there's a million people in total maybe a little bit more now but wide-open spaces and it's just beautiful country.

Charles Fred 04:55

You know, a lot of people just don't realize the size of the state of Montana. You know? When we when we look at the contiguous United States, only Texas and California are bigger than Montana. So, it's a big place. Big Sky Country. We call it there and you feel it when you're there. The horizon goes on forever. So yeah, it's a great place to grow up Lewis and Clark. I grew up in Lewis and Clark County, they spent of the entire journey that they had from St. Louis, which is where they started that whole journey to the coast and back. They spent a lot of in Montana. So, it's, there's a lot of history there.

Lisa Nichols 05:29

There is. So far listeners put it on your bucket list. If you've not gone to Montana, go do it. We did the dude ranch. Every morning, we got up and rode horses. They had 100 head of horses. So, we rode horses every day through canyons and through rivers. And it was just delightful. And then in the afternoon, we would fly fish, which was amazing too.

Charles Fred 05:53

Good for you. I'm glad you had a chance to experience it.

Lisa Nichols 05:56

It is wonderful. So, you've already kind of told me what you did you fish and hunt and do all of that when you were a child.

Charles Fred 06:01

You know, when you're born there. I mean, it's, that's, that's not just a sport. That's how we you know, especially hunting in the fall, that's how we ate, you know. I was raised you know, that's, that's the way it works. And so, we weren't really sport hunters or fishermen we did it to eat we ice we stand out on the ice in the winter and catch fish through the ice. Today, I think about how crazy that is. But that was food at the time. And, and today, it's, it's not really something that I do much today just because I don't have the time and the access to it. But it really is a lifestyle and it pulls a lot of people together. It's family connective tissue, for sure.

Lisa Nichols 06:38

Well, let me ask you this, because we're gonna get into this you have founded so many companies? Did you have a fishing company or anything like that when you were a kid? Did you start a little lemonade stand? Or I don't know.

Charles Fred 06:53

I didn't have that. However, for whatever reason, I decided when I was in high school, that I was going to supply people firewood, and I had an old truck that I had. And my first business was literally a firewood company. And oh my gosh, I look back at that. And I think I work so hard for so little in profit, right? So, you, you know, you'd have to cut it and split it and haul it and, and anyway, the profit was wasn't there. But I had this idea that, you know, I somehow be able to make it and so that was my first my first company was a firewood I, I also worked at the gas station and stuff. So, like my generation, as you probably are aware of. We, I started when I was 13 years old working for somebody, just because I was that generation. I'm not saying that's the way it needs to be. But that's, that's my past anyway.

Lisa Nichols 07:43

it is so true. I know Greg, my husband had a little lawn mowing business when he was 11. And he would push his lawn mower as far as he could push his lawn mower, you know, in the neighborhood because he couldn't drive obviously, you could drive his lawn more to people houses. But I can't even tell you how many. It's always an interesting question for me, Charles, because I think it's somewhere in the DNA. I can't even tell you how many people I've had on the guests that have founded companies. And they had a company, whether it was I know one lady had a candy bar company. And so, she would go and buy the candy bars and then sell them for a little bit more at school and T shirts and glowsticks and whatever you could do, right? So, it's so, I always find that really interesting. So, you

know, education wise, you received a BS in Engineering. And then you went on to do postgraduate work at Norton Clap School of Law in the State of Washington. So that's cool. Were you thinking you would be a lawyer?

Charles Fred 08:41

When you think about the places of luck in your life, right? So really, you know, my family didn't have the wherewithal to do a lot of that stuff. So, I was lucky enough to be at Montana State on an athletic scholarship, but also got connected to the Boeing Company. And it steered, it steered me to a place where I could not only get my engineering degree, but I had an employment following, you know, in in 1983, which takes me back away. And then Boeing, of course, helped me get back to law school. I want to be a patent attorney, not like an attorney we have today. And, you know, in the in the middle of all that, of course, I was raising a family I, my wife and I had kids at home. We've been married for 42 years. So, we started early in our lives and but I couldn't see myself being a practicing attorney. I was using it truly even back then to try to figure out how to how to better understand the contracts in business because it really is a legal understanding legal language is a huge advantage as a business person, because otherwise you kind of get outmaneuvered if you, if you don't understand the language. And so, I loved for example, it was it was a great law school because it was mostly professionals. It wasn't early-stage people weren't going to become lawyers for life. And you know, legal writing and contracts were the same after up the entire curricula, so it was, it was great. But no, I, you know, it's, it's not like I don't pretend to be a lawyer. It would be scary if I did, but at least I'm not gonna get outmaneuvered by somebody who knows the language in the contract law.

Lisa Nichols 10:14

Sure. Well, it totally makes sense. You are an engineer. So, you were probably thinking you might invent some things and you get patent law, you needed to know patent law. Well, okay, so we we've never talked about this, but do you know, we also have something in common? So, Greg, and I started our careers at McDonnell Douglas, oh, my gosh, in 1985. I was I was a co-op in 1984 there, when I was still in college, and then they hired us. And then of course, I left before Boeing acquired McDonnell Douglas, but we started in the aviation and aeronautical and you know, it was a wonderful place to start. So, we have that in common.

Charles Fred 10:56

The golden age of engineering, in my opinion. So, it was great, great time. So that's, and by the way, think about the experience, and they let us grow up there a little bit, right? You got to grow up.

Lisa Nichols 11:08

No doubt, no doubt. Well, you know, we always say too, well, Greg was a software engineer and I was an accounting major. So, I was in corporate accounting and internal audit for, for McDonnell Douglas. But as far as software engineers go, Charles, it was so methodical, and so systems oriented, and documentation was a huge thing, right? Everything needed to be documented. I'm so grateful we started that way. It was not at all loosey goosey.

Charles Fred 11:38

The discipline in that totally permeates good business today. And, so those skills, you know, critical thinking, problem solving all the stuff that we got out of that. It's yeah, we were lucky. We were lucky.

Lisa Nichols 11:52

We were so lucky. I cannot I cannot agree with you more. So, I mean, I know you did a few other things you, you worked for, I think, US West, which was one of the seven Baby Bells is that what moved you to Denver by chance?

Charles Fred 12:06

It was. I actually, when I decided to leave the Boeing Company, I knew I was going to be an entrepreneur, but I was on contract to help actually transfer aerospace quality to fiber optics for the Bell System regional company at the time. And it was great because it got me moved. I got my family closer to the Rocky Mountains, which I wanted to do, because we spent eight years in Seattle. So, it was just one again, back, back to luck, I think. So much of my of the points of things like go back to the lucky parts. That was another one where I got a chance to go off and literally lift and place so to speak. My whole my whole my whole life and my career raised our kids here as a result of it.

Lisa Nichols 12:10

That's, that's great. Well, just being at the right place at the right time. Okay, so, I really you moved into international learning systems. And this is kind of what you're doing today. Really educating and that sort of thing. Is that really and you moved there as the president. Is this really what sparked your interest and training in how humans work?

Charles Fred 13:17

I think my interest in how humans work is a great way to look at that. But really looking at careers and professions that were in transition. So, the again, back if I can harken back to the eight years I spent at the Boeing company, we were transitioning Vietnam War era pilots from analog flight decks to digital flight decks at the time. So, it's literally like flying a mechanical instrument to going to actually using a computer to do the same thing. And that transition was huge. So, what came out of that was the simulation world, the simulation business that Boeing sold the Warren Buffett, and I think it was 1987 was really like this eye opener for me. So, from basically, you know, international learning systems all the way to today, that's where I'm at. It's why I'm working with entrepreneurs today, because I think we're in transition. And all the businesses that I've basically built, have had that DNA. And so, it's, it's taking from two it's a change idea of moving a set of skills or skill sets or roles from one place to another. And that's, that's really been the common theme, I guess, across the multiple years I've been doing this now.

Lisa Nichols 14:28

It's fascinating. Well, today, you're the co-founder to space. But you found three other companies before that one with successful exits to Moody, Travelocity, and then your last one you sold to Xerox. You know, can you tell us the quick version of how each of these businesses came about? Just a very quick version?

Charles Fred 14:50

Sure. I think, you know, again, back to luck, I got a chance. In international Learning Systems, for example, I got a chance to kind of go in behind an entrepreneur that was struggling, and, and really understand kind of the, the workflow of a business and how you can actually get it from being stuck to actually breaking, breaking it open a little bit. But the company that we sold to, Moody's Financial was a company called Omega Performance. We built that actually in San Francisco. And we're watching the entire banking industry moving to Charlotte, North Carolina. And the role that was changing was credit specialists. And they were literally changing from standing in front of a credit committee to doing most of this work online at the time, this was the, you know, the Internet was coming on, on for we still had dial-ups back in those days, for those of you that are listening. But by transitioning that, Moody's got pretty excited because we had the credential for a credit specialist in the new age, and that's what we sold to Moody's. They still use it and we still have hundreds of employees there. It's, it's been a like kind of a really fun thing to watch.

The next business that we sold to Travelocity was what was the new form of what we call Learning Content Management. It's actually taking all those things that I did in my previous company, and building it into a content management format. We had, Walmart was a big client of ours, Sun Microsystems was a big client. And what Travelocity ultimately wanted it for it was their call center training. But in addition to that, they were using it across the board for basic, basic training across the world. So again, from-to, going from kind of this old analog way, getting people up to speed to content management.

And then the Xerox business was really the it was our biggest and most important business relative to leaving something of value on the earth. And that is that the invent, the advent of electronic health records. Really stymied the health care profession for providers for doctors and nurses, because you would go from a manila folder, and these massive filing systems to an electronic health record. And we decided to use all that technology that I formatted, mostly from the learning content management system to build simulators that taught physicians how to use workflows in an electronic format. And we had thousands of physicians, tens of thousands, across the country using them, if you were an orthopedic specialist, for example, everything from registration all the way through treatment was a set of workflows, and we'd simulate those on a computer and you'd learn how to use them and if you knew how to use them, and the federal government would pay you \$40,000.

So, that's what Xerox got excited about, I wasn't ready to sell that business that was just the timing was, was just perfect. And in the end of 2011, to do so. And they were taking the they, they took that technology worldwide. They've now sold resold that business to a company in France called Atos. But it's, I sold my businesses, when I got to a point when I knew they were doing well, but somebody else could take it bigger, they could make a bigger, they already had an infrastructure, bigger distribution, especially outside the US. And that's kind of what we've done.

Lisa Nichols 17:58

It's been true in every case. That's cool. I was gonna ask you that. How did you know? You know, Charles said it was time, you know? And was it something a little extra new or just knowing that, hey, what got us here won't get us there and somebody else can take it bigger.

Charles Fred 18:14

Yeah, I think, you know, as I got older, I knew my limitations. I'm not, I'm not actually really good at startup, I'm really good at actually taking a business that now has a set of customers that want what it needs and getting it to a place

where you can you can get full adoption of that. But the big bureaucracy of getting all of those structures in place that I've watched in bigger companies, it's, it's not only not my skill, but it's not my interest. I think there are other people that are better than me. And my value is to go let's go create something new then. And that's where I'm back at truth founding co-founding that with my daughter, Jamee but that's so, that's so I'm kind of back at it even though I'm now, I'm probably running out of runway.

Lisa Nichols 18:54

I don't think so you've got you've still got a lot of runway and you've just got so much knowledge and, and I love it. And the thing is it takes every piece of that right? So, every business that exists existence today, someone saw a gap, someone saw a way to improve or you know, a gap in the market. And that's how those things were formed. And I think that's wisdom, honestly, for you have gotten to a point to know this really is not of interest. And I'm gonna go start something else and let somebody else take it to the next level. So, let me ask you this in, in doing the companies that you had, what did you learn about yourself? You've already just told me one thing that was, you know, you're, you're kind of more interested in when something is a little established. But what did you learn about yourself in terms of leadership? because you had teams? And how did how is your leadership evolved over the years? Would you say, Charles?

Charles Fred 19:56

I'm really glad you have this podcast. Ask because I don't think there's a perfect answer to that question. I think it's this, like continuous evolution, right from what a leader is. I think the first thing I had to come to terms with is there's no positional leadership as an entrepreneur, you don't get a title. And you don't get to sit on the title and have everybody pay homage to you. You have to earn it, and you have to be consistent, and people will follow you or they won't. And if you can't attract top talent, because you're a good leader, that's the first thing that crushes your business, it stymies it from the very beginning. So, if you have an ego that's so sensitive, that you cannot get take feedback and try to lead people and build something that they really want to be part of, you're never gonna get there. So that was like, the first thing I had to go from having a title at these bigger companies to literally being just me, it's I had to, I had to create something with enough vision and, and enough excitement that to inspire top talent to come and work. And so that's kind of the first thing that you have to look at.

But I think the next thing that is it plays right into some of your education, but leadership and like me ship are not the same things. And you have to if you're gonna make change, you have to create change, you have to figure out how to get through the status quo, which is such a powerful force have always been done this way. There's three big competitors, Charles, why would you go build a business doing this. And you have to literally break through that and pull people with you. And when they watch you, they'll follow you. But if you get stuck back in the kind of the things that happened in 1990s, was just this softening of leadership that I want everybody to like me. I want to make sure that I'm a nice person every day and I do all those things. I don't think you're going to create anything that's new. And I think that's the thing I had to come to terms with. You know, this would have been probably 22 years ago, because I struggled with that a little bit. I want people to like me, I want to have, I want to be part of them. I want to have great cultures and all those things that are important. But you got to create something compelling for people to come work with.

And that's the hard thing. And I continue to learn those lessons. And that's why I like to work on stuff, that's hard. I think the harder problems that we've been solving the one I'm solving now with TrueSpace. You know, there's days I wake up and I go, I can't believe I've been doing this for 42 years, and I still have to learn these lessons. I just can't believe that I have to still learn this lesson. And it's because the stuff we're building and you're included in this group, but never been built before. Or you just follow the process and the path is a well-worn. I've literally never been down this path before. And when you're building a new business, you have to come to terms with that.

Lisa Nichols 22:33

For sure. There's so many unknowns. And Greg and I have just, it's been the school of hard knocks, many cases, you know, but that's just.

Charles Fred 22:47

I think that's the key. I think I will talk back when you we the learning side of it, as long as you continuously learn. And you literally look at this, like I didn't just screw it up so bad. I think I learned a whole bunch that I won't do next time.

Lisa Nichols 22:59

That we won't do again, right? No. I completely I'm completely agree with that. Well, let me, let me ask you this. So, let's, let's move into TrueSpace. Because this is where I want to spend the rest of our time. And then I want to talk a little bit about your book. But you co-founded this business with your daughter, Jamee and 2018, I think which she

was the company CMO at the time, and, and I think she was just recently promoted in 2020, right? As the president of that company. I'm sure it's a joy to have built this with her, with your daughter.

Charles Fred 23:35

I can't tell you, you know, I have all my children are in their late 30s. And I have grandkids, you know, a 12-year-old granddaughter. So, I'm kind of in that stage of life. But to be able to work with one of your children that is smarter and better and is watching them evolve in all those things. I don't know if there's a better thing that happened in my life, honestly. So, and I don't take that for granted. At the same time, it's not the easiest thing in the world. Because, you know, there's no consequence to, to our relationship. In other words, that we, we have to come we have to have a different relationship than we'd have with employees. But it's just been it's been fun. I think it gives me a chance to look at transition of what I'm doing. And she can take this forward, and, and she is of course.

We also have, you know, a real push. And I think you knew this from early connection to having at least 50% of our members that TrueSpace be women led businesses. And she leads that charge she is she's the credible representative of that vision and idea that we have behind it. So, it's that's been fun. And you know, we even before we found a TrueSpace, we were doing research for four years with a with a research firm that we had built. So, we've been at this I think she started when she was a teenager working with me in my company. I sold the Xerox and her most prized possession was a key to the office that we had she'd dangle it from her backpack at school and she told everybody she's this is the key to the office. And I knew, I knew early on I love my older I have an older daughter and a younger son, they're phenomenal people and professionals, but they watched what it, what it, what it did to us with the printer didn't want anything to do with it. So, they knew what they wanted to do.

Lisa Nichols 25:17

All of our kids, we've got three kids of our own, Charles, and all of them have had an office at some juncture. All of them have exited out. Wow, we've seen how hard you guys work. But you know, you want your children to, you want them to do things that make them happy and fulfilled. And you know, we never push that on our kids. But they've all, they've all I'll tell you a really funny story. And then we need to take a quick break. So, in the end, nobody come after me for child labor laws, okay? But when Jordan and Paige our two oldest were like 11, and 12, we had them, we were still we still had checks. And we were having them stuff, the checks in the envelopes. And they did that for about two weeks. There were a few other things that we had them doing as well. But they came to us and said, we, we want a raise, we see what some of these people are making and we're making more money. And we're like, well, what value are you bringing me? Have you upskilled yourself? You know, it was so funny, but that we kind of had a little mutiny, mutiny on our hands there. And they said, you know, we're, we're not, we're being underpaid. It was just so funny. But I love, I love those stories and going back and remembering those things. But we do need to take a quick break. And we'll be right back with Charles Fred on this Something Extra Podcast.

AD 26:43

In business, the tendency is to seek out partners who are bigger, faster, stronger. When it comes to IT, you should be looking for smarter, faster, better. That's just a you'll find with the talented technologists at Technology Partners. Our experts develop custom solutions to tackle your most complex challenges, all to simplify your processes in the smartest, most efficient way possible. Time to be swift and nimble starts now. Go to technologypartners.net/solutions and see what's possible.

Lisa Nichols 27:14

So, welcome back, everyone, to the Something Extra Podcast with Charles Fred, we've been having an amazing conversation, and I can't even wait. I'm so excited to get into this next park because I want him to tell the listeners I want him to tell you more about TrueSpace, what they're doing, what their mission is. And then we'll kind of get into a little bit more that tactical piece of the research that they did with Gallup. So, tell us the mission of TrueSpace, Charles?

Charles Fred 27:41

I'll tell you the mission in context of what TrueSpace is, this the name comes from this, imagine for a moment that you were standing next to all the businesses in that country that were past the startup. In other words, they had customers, they had employees, but they weren't scaling yet. That's a distinct space there between they're called TrueSpace. And we came up with that, because startups and scaleups are not connected. There's a very distinct and usually a long-term gap between there. There's 2.1 million of those companies in the United States today. Many of them are stuck. They work very hard to get their business to grow. They've been doing the same thing for many years. We'll talk a little bit more about that here in a few minutes. But that's really what we're trying to do.

So, the big idea that we have the vision, if this was the equivalent to NASA, it's not landing on the moon, the vision of, of NASA is to learn from the universe. We believe that those companies that are between startup and scale up can be the greatest job creators in the world. And just a small movement in those businesses, potentially toward 10 million in revenues, could create really anywhere from 17 to 30 million new jobs. Today, by themselves, they represent 40% of the nation's jobs. If you're driving down the road, at a major freeway, and you look at the cars next to you, and you're commuting to work for four of 10 of them are commuting to work, or potentially at home nowadays. With a business that's between growing and scaling. So that's why this is such an important part. So, we think that our big idea is that we can our big vision is to create about a half a million net new jobs in the next few years. Or excuse me, plus, let's call it the next decade.

But to do that, is basically difficult to do because most of us are pretty skeptical for people coming in and helping you grow. One of the most fascinating things that I've seen here recently, there's 1.1 billion 900 million hits on Google, if you look at people that can help you grow your business. It could be white papers, consultants, whatever, they're helping you. They want to I'm a Business Growth expert. That's their thing, or I'm gonna help you sell more or whatever it is. And the long and the short of it is that 44-year record of looking at the Small Business Administration data and also data that we have with Gallup, that businesses that are stuck, remain stuck for an awful long period of time.

So, so the things that we're going to be able to do at TrueSpace, of course is, I will talk about a little bit about that today is the data that we've presented, because I think it changes how we see the opportunity. So that's what we really want to do, but at the end of the day, if I were to look at the thing I want to leave behind, I want to change the way we speak about these businesses. Because it's pejorative, today, it's negative. The companies that are in TrueSpace are not rapid hypergrowth darling businesses of the investors, they're not unicorns, they're not going to be unicorns, they're not in a position to do that. Four out of five of the companies that get to 10 million in the United States are bootstrapped, 80% of them are bootstrapped.

So, I want change from this rapid, fast Hyper Growth narrative to what we call predictable growth. From our previous conversations, I still want you to hustle, I still want grit, they still want you to work hard, I just want you to do it more predictably. And to do that, we have to see our business with data. And so, we've been on a 10-year journey to figure out what data could I show you, that would take all of the emotion and judgment out of growth, and just say, here's what you're capable of doing. And, and in essence, that's what we do at TrueSpace. So, so we offer a new model of business building, that is what we call predictable. And what it does is, it changes where you spend your time, how you deploy capital, and how you bring on talent, time, capital and talent are the three resources that our data will directly influence in your world. And those of us that are entrepreneurs know that those are the things that we worry the most about. So that's what we're, that's what we're doing. And we've been we did this in a, you know, pretty diligent way.

Lisa Nichols 31:46

And I love it. And I love it. And to your point, what you guys are doing, it's backed by data. And it's backed by lots of research. I went in and downloaded The Five Condition Assessment that you guys put together with Gallup. It is 43 pages or something like that. It's wonderful. There's so much good, good in there. Can you like, you know, we've got a line, that alignment condition, the discipline condition, can you just very briefly touch on each of those, Charles and kind of tell our listeners what I would highly recommend our listeners go download it, if you're interested in this kind of thing. And in seeing about, you know, you already said it's not the hyper growth, its incremental growth, that's really the sustainable for companies. And I love that. But there's some just good stuff in there. Can you explain each of the five conditions very briefly for us?

Charles Fred 32:50

I will. And I'll actually start with the systems that create those so. So, if you're sitting there, if you're listening to us today, which I hope you are, and I hope you hang in there with us a little bit longer. Your human body is, is has 11 systems in it, that we as in the medical professional, and profession, have determined there's a loving system. So we can go learn from the system, digestive, endocrine, nervous, and so forth. But most importantly, so that we can diagnose and treat a system, even though your body is incredibly interconnected, right? Nervous and digestive are tightly connected, and all those things right? So, the 10-year study we've had includes four years of qualitative study. So, we took 150 companies and lived with them for four years. I mean, nothing's, according to Gallup, this is the deepest and broadest qualitative study of businesses between starting and scaling ever done before. So, this isn't survey data. This is me live, you're literally living and watching how you're doing things inside your business for four years. The reason we got Gallup involved is that we wanted mathematic backing. We wanted to look at the data that we looked at qualitatively and to say, mathematically, if we could see what we're seeing, can we prove it? You know, with, with math?

Well, here's what we are proving is that we found 12 systems in every business that exists. Very similar to the 11 systems in the human body. They're there whether you're using them, you know, voluntarily or involuntarily, they're in your business. Focus, for example, is a system. Accountability is a system. Lead generation is a system. Endurance is a system. So, I can take those systems and now with Gallup self mathematically I could diagnose and treat those systems just like your human body. So, the reason we came up with conditions is that the cardiovascular part of your, your, your, your body has basically two systems cardiovascular or circulation is a condition you have to have circulation in order to get oxygen throughout the body. So, we decided to put conditions in to connect the systems to. Alignment is a condition like circulatory condition in your body. And circulatory system has heart and lungs, those are two different systems, right? Well, alignment has three systems, which we call direction, focus. And structure. Structure is actually a system for both capital and leadership.

So, it Gallup did is took all this data that we have, and put it into a format of which we could now go mathematically diagnose the 12 systems. And we put into the conditions that have to exist for those systems to operate, we call that alignment, discipline, predictability, endurance and value creation. And alignment is the effective use of time, capital and talent. Discipline is repeat performance or scale. Predictability is the way you're learning from your business and putting that into the assumptions. Endurance is actually knowing that you have to endure the journey with your stakeholders for a much longer period than you ever thought. And value creation is why you're doing all this in the first place so we can measure whether you're creating value every day or not, are you just working hard, you're just waiting for Saturday, right?

So that's the structure. And it's so unique, because there's no judgment. And it's just like your blood pressures or blood pressure, your ability to have an accountability system in your business is there. And I can measure your capability of using that system to grow predictably. I can measure it mathematically. And that's where you start from a TrueSpace. So, I don't come in and say, hey, you're sort of good sort of bad, let's do this. Let's work on sales, let's work on your vision. We look at this structure in one picture, it's called the shape of your business. And that's we get to see. And the last thing that Gallup did for us is then built a benchmark, a comparative benchmark of your company versus high performing businesses, there are roughly 30 million that use all 12 systems fairly effectively, that have grown at least 25% for the last three years. And you can compare your business to their, their shape to your shape. So, it's like it's, it's we call it seeing your business was science and science of business building is the whole idea. But by doing this, you finally get away from people judging your business, because you also get to see where you're killing it. You get to see where you're really well.

Lisa Nichols 37:00

In some of those systems, I'm sure you are killing it.

Charles Fred 37:03

If you're, absolutely are. I've never seen a company that's, that's passed, that's got a few customers that isn't doing something really well. So, I hope that didn't go too long. But that's the idea. So that's how we do this. That's how that's the method we use.

Lisa Nichols 37:17

Right. I find it so fascinating. And I just the adage that just came in my head was, know thyself, know thyself. And really getting very clear getting clarity, as the entrepreneur as the president, whatever the case might be, because you may have taken over from an entrepreneur, but you're still in that second stage of the business. Just getting clarity about your business and where you are killing it. Where the gaps are, I think is just it's beautiful. It is beautiful, what a gift what a gift you guys are doing for these businesses, Charles. All marching toward that, you know, half a million jobs created, which is going to be awesome.

Charles Fred 38:06

Thank you. Thank you. I think the data if I would have had this, as an entrepreneur, you said this earlier in our conversation, but it would have saved me so much because the trial-and-error process is still necessary. But what if I had a little more intention behind my trials, versus just trying things. The focus data we have on businesses on how they're spending their resources, is mind blowing, because it'll show you if you are not focused in a market where you can stand out and your business that's not into the middle markets, yet you're not past 10 million. Your waste of resources, especially around selling is dramatic, you just can't see it. It's just you can't see it. And you know, we laud, we laud companies with our new CRM systems Salesforce.com and HubSpot. National average is that from qualified lead to close nationally for business-to-business models. This is granted there's a lot of other different models is less than 20%. Let's just say 17 to 20%, close ratio from qualified lead to close. So, strategies come in, we need more leads, Charles, if we had more leads, we'd be great. Let's go raise some capital and get some more leads. Because all you're doing is you're looking at a process that is a system that has 80% waste, if it was a manufacturing system to,

to produce leads, which it sort of is you've got a trash heap out back with 80% of scrap in it. So, the average they are the benchmark we have from, from Gallup's work is that the best performing companies, the threshold, the minimum number is 48%. So, to do that, you have to be in a place where you your offer is in a smaller pond until you get bigger. Otherwise, you're colluding. You're losing so many deals and you need more salespeople and we need more marketing and you need all these things. And if you narrow it, you narrow that focus you actually start seeing a higher win rate and that higher win rate amplifies to the entire firm. So that's what we got. That's what we can see what the data, we can see where you stand there. It's fun.

Lisa Nichols 40:06

Greg always says the data never lies. Data does that lie? It's very black and white, isn't it?

Charles Fred 40:13

I just hate data sometimes, like I just who do I call?

Lisa Nichols 40:18

But you know, I mean, our intuition, sometimes we are doing things with our gut. I tend to be more of an intuitive leader. Greg, being a software engineer is a very analytical leader. But I think you need both. And the data when you do have that data, it's very telling I think, well, let's move into real quickly, before we get into Something Extra. I want to talk about your book. You've got several books, your best-selling author. I bought the 24-hour rule. And I love the subtitle on this. Charles Leading in a Frenetic World. And my goodness, aren't we sometimes frenetic? And, you know, you, you dedicated this I love this. You dedicated to this to your wife, Julie. And I know you guys have been married 42 years. You said she has been, she's a talented Potter. She's been shaping and molding you for over 40 years. And I love that.

Charles Fred 41:20

We met. She's my high school sweetheart, we you know, that's our history. My, my kids would tell you, that's because there are only two people in Montana. So, we default, right? So, I've been really lucky there. Yes, she's, she's, she's still trying to figure out how to put me into a shape that makes sense.

Lisa Nichols 41:36

Shaping and molding you for over 40 years. Well, that's I, Greg and I will celebrate our 40th this coming December. And we were also high school sweethearts. So, we've shaped one another, truly, over the years. But so, I know that you've shaped her as well. So, you talk about in your book, you talk about the stress contagion effect. And tell our listeners about that.

Charles Fred 42:01

When you're a researcher with I think as much when we threw the net out to study companies, the one thing we were studying was turnover. Because turnover, people that were unplanned. In other words, your best employees came into you one day and said, you know, Charles, I just can't work here anymore. That person is just rich with information of what's happening inside the company. So, we naively decided we were going to do the excellent reviews for all the companies we were researching. And we ended up doing almost 2000 of these interviews. And we had the capability of putting those into a natural language processor and looking at themes. So, we could look at the themes, because we recorded the interviews, using the same set of questions. And they kind of defied a little bit of the Gallup data for bigger companies where you leave because of your manager. It's the manager, you know, kind of idea. And I have no doubt in a big company that's it.

But in the companies that we work with, that are less than 10 million. Striving to get there working crazy every day working, you know, probably six and a half or more days a week. People were leaving, because they were stressed out. And this isn't generational. This is across every generation. So, you can't blame it on a millennial generation or something. It's generation plus. And the tone was set at the top of these companies to be nuts. And I think what we're trying to do is follow a little bit of the billionaire world that is all persona based, it's not true. They you know, a built these billionaires read 100 books a year, they run an Ironman, they don't sleep, they do all these things. And we try to follow those things. And what happens is there's a wake effect from us as founders and leaders. And we cannot see it where the lead person or the lead dog running in and we can't see what's happening. So, we're sending, we're up at 2am so we I send you a text or an email, and believe it or not, you respond to it. And the next day in the office, I go, oh man, congratulations, you responded to my email. I'm so proud of you. And that sets this tone in this pace of frenzy and frenetic.

And overtime, what happens to a lot of people or top performers is that they've sacrificed everything, to try to meet that expectation, family, friends, their health, everything has been sacrificed. And the only way out is to leave. Their

only way out. And the entrepreneur when we went back and interviewed those people, they were like, I had no idea. I had no idea. They're stressed out and I but you're setting the pace. So, the contagion effect is because of technology spread. We actually wrote about Mary Mallon, who was Typhoid Mary at the time, you know, this was pre COVID when we did the research, right? But it's like that because you can spread. You can spread that stress. So quick organization. And it's not toxic. It's actually, it's got its own pattern signature. We saw it in the data. It's just people finally to say there's only one way to get away from this and that is I have to go do something else. So stressed out people don't think straight. And that's the other thing we saw.

Lisa Nichols 44:56

And people get sick. I mean stress causes physical illness we have data that proves that too. So, you say that there's really a need for a new model. And you talk about Peter Surge, I think an MIT Professor that may popular the understanding of mental models, the mindset of moving faster, or possibly getting more things done sleeping less, it's not working. So now I want to move into the discipline of the pause. And you even have a story about that where, you know, thank goodness, you paused, right? You made an assumption on something. But tell us about the discipline of the pause. It's not a delay, it's a discipline.

Charles Fred 45:39

It is, it's not asking anybody to delay, it's probably one of the most important disciplines. So, I think the genesis of this is that, you know, it's great speaking with you today, just because of your longevity of family and things. But when my first daughter was born, in 1985, I was pretty young. I was 27 years old, or excuse me, 22 years old when I first was born. So, I started keeping a daily journal of, because I really did, I had no idea what I was doing. And I didn't want to screw it up. And you're in that early stage. And I would write about, you know, that time parenthood lessons and trying to be a good father and all those things. And of course, we ultimately had three kids within the next six years. So, we were pretty busy. And I got to a place where I didn't want to break this habit, because I'd been doing it daily. And you know, those things, those habits like I didn't want, I think I need to write something in my journal today, because I don't want to keep the train going. So, with the exception of about 200 days, when I was under undergoing cancer treatment, I basically have 14,000 pages of notes that have gone that, that period of time.

So, I tell you that because I can go back and look at those pages. And if I were walking them, it'd be, you know, about 12 miles of walking across those pages. There's one thing I could see, every time I tried to control something that I had no control over, and I tried, oh my gosh, I tried. Everything from some relationships to the economy, profitability, my bid all the things that I had some, in some cases, very little control over. The one thing I had total control over was the thing I kept leaving to chance, and that was how I responded or reacted to other people. I have total control over that. Nobody else has control over that but me. So, when I looked back and said, What are the challenges that I created for my people that were working with me and for me, or my family or whatever, it's because I wasn't pausing. I would just literally respond and react. And so, pause is not a delay, it literally is a discipline. Leadership discipline by which, even if it's just five seconds, give yourself a chance to reset before you send off an email, a text or whatever. 24 hours is the best, that's why we use the word 24 Hour Rule because I can't tell you how many times, I've been all stressed. And I've, I've at least put in a decent night's sleep. And I woke up and it wasn't as bad as I thought it was. And I would respond in a totally different way. Because, again, we can't control the weather, the world economy. We, there's so many things we can't control. But we can control that for sure. So, take charge of it, that's the whole idea.

Lisa Nichols 48:11

And I think the two words, the two operative words there are react and respond. They're two different words, right? Because the reacting is immediately reacting to whatever that stressor is, or that conversation, whatever the case may be, but responding, giving yourself that, that 24 hour preferably pause, Charles, allows you to respond and respond in a much better way. But I just think it's so good. Such a great, great little book that you've written here. Well, let me ask you this. This is called Something Extra. What do you believe? Is this something extra that every leader needs?

Charles Fred 48:52

I want to return to the pause. So let me let me expand on a little bit, because I think thank you for bringing up the book. And that was a big part of our research is that we'd find these little discoveries, and that was one of them. But for me, when I talk about the discipline of leadership, as you as you really look at the things that you do as a leader, it is the trial-and-error process, and you have to continuously learn. And so, what pause does for me in this something extra is it allows me to reflect on the person that I'm in about to respond to. And my something extra is, in all those years of journaling. I can tell you this, factually, that when I thought something was awful, given enough time to think about it, it really wasn't that bad. Things are not as bad as we make up in our mind. And we're usually responding and reacting as if this is the worst thing that could ever happen or this person has done something egregious to me or whatever. And the last part of it is it pulls the thought away from you and returns it to them. It gets us out of self-centeredness that we have in this nano second world of technology today. And we wouldn't have people having do

apologize with, you know, Twitter and X anymore. We wouldn't have people always saying, oh, I'm sorry, you know, I shouldn't have said that. All it takes is just a little pause. And we can do it. It's a discipline, you have to build it, you have to practice it. But the rewards are great from a leadership perspective.

Lisa Nichols 50:17

It's powerful. Charles, this has been so much fun. Thank you so much. This was so good. I cannot wait for our listeners to learn from you. And, you know, just makes me want to do a podcast number two with you. A second episode.

Charles Fred 50:35

One thing we should probably talk about in the future at some point in time, whether it's a podcast or not. The other set of the new set of data we have is where you're where entrepreneurs, high performing entrepreneurs spend their time versus low performing entrepreneurs. Because we can scrape it right from your calendar, and I can show you a data without judgment, just data, low performing here, high performing there, so that would be a fun podcast to have.

Lisa Nichols 50:56

I love it. Let's do it. All right. Well, Charles, thanks so much again for your time. Have a great rest of your day.

Charles Fred 50:57

All right, thank you very much.

Announcer 51:02

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