

Simple Equations For Creating Success

Raymond Aaron Interviews Chip Conley

Intro – Chip Conley

Hello this is Raymond Aaron and welcome to this very exciting issue of the Wealth Creator Source, a series of powerful interviews with world leaders in their field to enhance your ability to understand and profit from the events and changes in the world around us. Why, it's like having the world's smartest self-made millionaires mailed to your door ever single month.

Why bother learning from your own mistakes when you can learn from the mistakes and experiences of the very wise and powerful people that I bring to you every single month? I am so delighted to introduce my guest today. His name is Chip Conley. You may not have heard of him, but you will be moved by his wisdom by the end of this presentation.

He is an award winning entrepreneur, he's a sought after speaker and author, his highly acclaimed book, *Peak: How Great Companies get their Mojo from Maslow* is a best seller and he's the founder and chairman of a very successful Joie de Vivre Hospitality Group of Companies, which is America's second largest boutique hotel chain and the largest boutique hotel chain in California. Chip is a thoughtful, introspective, incredibly insightful man and his approach to business and psychology is unique and profound.

I've gotten to know him recently because we are both members of the Transformational Leadership Council and I was quite moved to find out that he is one the very few people in the world asked to give a TED talk, T-E-D, one of the very few people in the world to have that great honor. If you're not sure what TED is, just Google it and you will see that the most famous, the most introspective, the most powerful, thinking people in the world get asked to do a talk at the TED conference and what's unique is the talk has to be 18 minutes long, and that's it.

Apparently they turn the mic off at eighteen minutes and three seconds. Tony Robins told me that of all the speeches he's ever given in his illustrious career, the TED talk was the toughest he had ever done because he's used to giving ten hour speeches, not eighteen minute ones. Here we have Chip Conley, a TED speaker, an author, a brilliant entrepreneur and an amazing insight to share, which is the exact opposite of what you're imagining right now.

Raymond: Chip, are you on the line?

Chip: I'm here! Wow, that's a mouth full, and Tony Robins is right. You know that if you go longer than 18 minutes they'll not only turn the mic off, but they actually come and take you off stage. So it's pretty serious and you're talking in front of world leaders - Bill Gates, the Google founders. It was very humbling and very exciting at the same time.

Raymond: Well, I'm honored to be speaking to you. One day I will be asked to give a TED talk. It just hasn't happened yet.

Chip: No, it will.

Raymond: The first thing I want to say is that I was really moved when I met you. When I heard who you were, and actually I'm on the committee that actually votes you in to Transformational Leadership Council, so I got the sneak preview of you and I was so eager to meet you. I was really so interested in what you had to say, your way of presenting things, your unique, kind of counter intuitive way of saying things.

Of saying things in kind of the opposite way that people imagine was so compelling and interesting to me. So I'm glad you agreed to share your wisdom with my clients and if you could just give us sketchy background of whom you are and where you came from. Just so we know where this wisdom is coming from.

Chip: I was sketchy. I am a sketchy person. My background is, I grew up in Southern California, came to Northern California to go to Stanford University and then Stanford Business School. I worked for Morgan Stanley in New York, between my first and second year of business school, to get a taste of investment banking, realized that I was looking to be more entrepreneurial and I wanted to make my fortune and my fame and really find my calling in the context of starting my own business.

So rather than going to work for a big investment bank and making a bunch of money right out of business school, I decided to go work for a company that paid me one third as much as Morgan Stanley was going to pay me. So I took a major pay cut to work for a developer, a commercial real estate developer in San Francisco so that I could ultimately learn how to do that myself. About two years after I started working for that firm it was very clear to me that I was not living my calling, I was living my job.

In our lives and our work, we have three kinds of relationships with our work. We either have a job, a career, or a calling and for those of us who spend as much time as we do in our work, to settle for either a job or a career doesn't feel right to me. So I was looking for my calling. I decided to start my own company. I was twenty-six years old.

Raymond: I called it Joie de Vivre, which in Canada that would be a very familiar phrase and name for a company. In America, no one knows what it means. They don't know how to spell it. They don't know how to pronounce it, but for me it reminded me on a daily basis what my mission was. The mission of the company and the mission for myself as well as our employees and customers is to create Joie de Vivre, joy of life for ourselves and others.

And for twenty-five years now that's what I've been doing. I grew the company from buying a little motel in the inner city of San Francisco at age twenty-six, to creating over fifty boutique hotels in that period of time. We currently have thirty-five of those hotels. Many of them we sold over time and in the last few years I've really been taking all of the wisdom and thoughts and the mistakes I've made along the way and turned them into books and my fourth book is now out.

Raymond: And what is it?

Chip: Well, my fourth book is called *Emotional Equations* and it really has tons of depth of what I have experienced the last three or four years in this downturn and how to make emotional intelligence, a subject that we've heard about a lot, but quite often we don't know how to use emotional intelligence. How do you use it, both in our work and in our home lives?

Self Actualization

Raymond: Chip, you're successful with business and wildly successful, but you and your company suffered through two once in a lifetime downturns in the past decade and both times you didn't go to business advisers you went to shrinks. You went to Abraham Maslow and Victor Frankl. That's so unusual! Can you explain who they are, who Maslow and Frankl are and why you turned to them instead of a more traditional business mentor?

Chip: Well, let me say that the first time that we went through a downturn was the dot-com bust. We were the largest Hotel here in the Bay Area at the time, San Francisco Bay Area. And between 1995 and 2000 we tripled in size, but when 2001 came along the dot-com bust was here to stay and then we had 9/11 and we had a bunch of other things that happened that lead to a major downturn, especially in the Bay Area.

Chip: So I initially went to the bookstore looking for a business book and within about five or ten minutes I realized I needed to be in the self-help section of the book store because what I needed was more serious than just some business help. And that's where I got reacquainted with one of Abraham Maslow's books, *Toward a Psychology of Being*. You know, I had taken one psychology class in college, but I remember Maslow.

Maslow's the guy. He was like the good guy. There was like, some bad guys in psychology and there were some good guys. Now, I liked him because he was the guy who looked at best practices in human behavior as opposed to worst practices. In fact, there's a famous quote he said. He said, "If the only tool you have is a hammer, everything starts to look like a nail." You've probably heard that quote before, but you didn't know it was Maslow.

And what Maslow was saying, he was saying that to the psychology profession in saying, why is that we just study people who are in trouble in life or troubled in what's going on with them and we sort of assume everybody is just in trouble. Why don't we study people who are fulfilled and self-actualized in life?

He ended up creating this thing called the Hierarchy of Needs pyramid with five levels on it, with the physiological needs at the bottom and then all the way up to self-actualization at the top. Self-actualization is being all you can be or doing all you can do and he had this basic philosophy that that's what people were aspiring to over the course of their lifetime.

Well, I asked myself the question, "If human beings can aspire to self-actualization, why can't a company do the same?" And that's what we do. We've made the company based on Maslow's Hierarchy of Needs and started looking at how do we create self-actualized employees, customers and investors and ultimately, through a very disastrous downturn we grew in leaps and bounds and became the largest hotel here in California at that point, independent hotel here.

And then I wrote a book called, *Peak: How Great Companies Get Their Mojo from Maslow*. What I learned along the way was that there were all these other companies out there, from Apple to Southwest Airlines, to Whole Foods Markets, Harley Davidson, they all used Maslow in some way in the creation of their company.

Raymond: Really?

Chip: Yes, no one had ever had a conversation about it. In my research, it was a fascinating experience and I'm a CEO of a company while I'm researching and a book and it was great. It was like getting a Ph.D. in Maslow and self-actualization. What's been thrilling is four years later that book became a best seller and it continues to be on fire around the world because think a lot of people in this downturn are looking at ways that they can remake their business model.

But it's not just remaking the business model and just cutting, cutting, cutting, their looking at the most important fact in business is that we're all human and yet most of us don't really have an operating manual for how to actually deal with humans. And so that's what Maslow really helped me with, with the book *Peak*. Most recently, what was going on for me, was that I was not just focusing on what do I do with my organization, but I was actually sort of depressed.

Three years ago when this downturn hit, the recession hit worldwide. They had a global downturn. I was in a place where I just felt like my problem wasn't so much just a business problem, it was really deeply personal. So Victor Frankl wrote a book called *Man's Search for Meaning* about his experience in a concentration camp in the early 1940's. He was a Jewish psychologist who believed that people have a will to meaning in life.

That was his belief before he went into the concentration camp. So he say's god has a sense of humor. God gave him the opportunity to go and experience what it was like to be in the concentration camp and to see if people do have a will to meaning and he came out and he wrote this landmark book, *Man's Search for Meaning*. The first half of the book is about the experience in the concentration camp.

The second half is really a psychology book about why we are fueled in life by meaning and what we can do about that.

Turning Problems Into Equations

Chip: So I was reading this for my own sake because I had five friends commit suicide between 2008 and 2010 and I just was not in a good place myself. And so I ultimately took that book, *Man's Search for Meaning* and I

turned it into an equation and the equation was despair equals suffering minus meaning.

Chip: And the reason I did this was only because I liked the book a lot, but on a daily basis I was going through a bunch of crap and I was essentially like, “I’m not enjoying my life. How can I remember the key points of that book?” And so despair equals suffering minus meaning defines Victor Frankl’s book because in some way suffering is the ever-present thing. If you’re a Buddhist you believe that.

In a concentration camp it’s certainly true, and frankly in a recession. If you’re a CEO who doesn’t want to be a CEO anymore, it can be true also. Meaning is a variable. So suffering is a constant and meaning is variable. The more you put your attention on the meaning, the more despair declines.

So that was what I used for six months to just get through the bad days and then one day I walked into one of our leadership meetings with the top 80 managers in the company. I started the company and we have about 3500 employees today, but the first top 80 managers in the room and all I saw was suffering. And so I threw away my speech and I just said, I want to tell you what I know about suffering and I gave them the equation and they loved it.

They were texting it and tweeting it and they came to the front and a couple of people sort of took me aside and said, “Can you give me an equation for jealousy or how about one for disappointment or even happiness?” And so on the Happiness one I just had to go over to Bhutan, a little country between India and China and study their gross national Happiness index and I came back with a happiness equation and that’s literally how I got on the TED stage, because they heard I had a happiness equation.

And so I introduced that at the TED conference which is, happiness is defined by wanting what you have divided by having what you want and that sounds like a mind twister, but it’s like gratitude divided by gratification. We tend to be happier when we’re in the place of gratitude. When we’re in the place of gratification, the pursuit of gratification is fine as long as you can also have a sense of gratitude.

Otherwise you’ll just be on that classic treadmill of, “It’s never enough.” You’ve got to dose the gratification and the pursuit with gratitude. Otherwise you’re going to be less likely to be happy. So I gave my ted speech and next thing I knew the publisher, Simon and Schuster wanted

me to write a book on emotional equations. That was not very short. I told you a lot more. I hope that helps give a sense of who I am.

Raymond: Happiness is having what you want divided by wanting what you have?

Chip: That's the funny thing. No it's actually opposite of that. Think of the term, wanting what you have. When you want what you have, when you're in the act of having the desire to have what you want you're going to gratify. So the better way to think of it is gratitude divided by gratification or the practicing of gratitude verses the pursuit of gratification.

Now it doesn't mean that we should just sit back and be couch potatoes and just sort of be full of gratitude and not do anything. I'm not that. I'm a type A person. I'm a CEO of a company I started twenty-five years ago. I'm a very ambitious person, but what I've learned over time and what the Bhutanese taught, me based from their gross national happiness and the fact that for forty years this is the country in the world that has been studying the happiness of their citizens and it has made it just as important as GDP as a measuring tool for success for the country.

What it taught me was that if you spend all your time in the gratification or in the pursuit of gratification without giving an equal amount of time to the gratitude you're constantly going to be chasing your tail or at least what they call the hedonic treadmill, the tendency toward speeding and making it faster because there's something else that you want to get next and you don't appreciate what you do have.

It's hard advice for someone like me and maybe Raymond, someone like you to actually take because we are so aggressive about going out and attaining our goals, but if we're constantly in the process of attaining and not appreciating what we've already accomplished and frankly all the benefits and great things we have in our lives, then we'll spend our seventies and eighties looking back and saying you know, "Why didn't I do this and why didn't I do that?"

Raymond: You know Chip, I've been using that for a quite a while and I learned it through my own spiritual path, I didn't have the elegance of your happiness equation. But the way I said it was every time there is a problem, there's a lesson. So when people come to me as a coach and say, "This is terrible! Look what happened to me and he did that to me!" I say, "Wow, that's a big suffering. What's the lesson?"

Raymond: The bigger the suffering, the bigger the lesson so instead of stooping to, “Woe is me.” and focusing on the suffering, let’s get the giant lesson and the bigger the suffering the more we should get a big lesson. And people never like that. They want me to kind of get enrolled into the woe is me aspect, but the more evolved of my friends and clients who actually get it come up with this huge lesson that is so moving for them.

Recently I had shingles and if you have a choice don’t chose shingles. Shingles is a pain so intense that I took a double dose of the strongest pain killer there is and it lasted just a few hours and I’m not allowed to take it more than every four hours I think, but I waited till the second hand clicked onto the fourth hour and I rammed another dose and it’s suppose to last two or three weeks. For me, it lasted eighteen weeks.

It was just horrible, but when it was over I said to myself, “Okay, what lesson did I learn?” Knowing there couldn’t possibly be a lesson because the pain was so intense I just wanted to revel and woe is me and I said, “Oh, I get it. When I checked on Google and found out what the cause of shingles was, it’s worry.” And I said okay, from now on I’m going to be calmer. I’m going to meditate.

I’m going to take a deep breath before things happen. I’m going to excursive. I’m going to take walks with my wife. I’m going to move out into the country and enjoy the changing of the colors of the trees and I did, but I have in my own life, turned that in on myself and got enormous lessons and I’m so grateful because it eliminates all the, “Woe is me.”

Chip: Well, there are a lot of companies out there right now that are living with corporate shingles. And they are living through the worst of times and they’re feeling a lot of pain and, you know there’s a lot to be learned in these times and I’m trying to say that just to make people feel good.

There’s no doubt if you ask people in their sixties and seventies who have been business leaders or organizational leaders, what are some of their most fond memories and some of their greatest lesson they’ve learned quite often they’ll talk about the team that is put together and the emotional, what I call psycho hygiene. Psycho hygiene occurs when people have to actually cleanse themselves together in a very difficult time.

Chip: This is part of the reason why I believe whether it's Frankl or its Maslow, that understanding psychology and understanding the intersection of psychology and business is one of the most valuable tools any leader can have because one of the things that Daniel Goldman has proven in his emotional intelligence work is that leaders are the emotional thermostats for their organization.

This is true in a family too. A mother or father is the emotional thermostat for their family and the kids. This is very true in the context of business, where sixty to seventy percent of the emotional morale of a group comes from their perspective on how they feel about the leader on an emotional level. So these are very important things. When I went to Stanford Business School, they didn't teach me emotions 101. They didn't teach me how to be emotionally intelligent.

They taught me how to read a balance sheet, write a marketing plan or how to create an organizational chart. So over time I think what we're learning is that to be a great leader and to be a successful business person, you need to be, not a super human, you just need to be a super [space] human and understanding your emotions is the first step to being a super human. Chip that is so interesting.

Transformational vs. Transactional

Raymond: I know that companies are what I call, top down. That is the psychology, the temperament, the rudeness, the gentleness, the evolution, whatever of the leader is what permeates down to the ranks and becomes, either what's aspired to or what's accepted. And so that happens in a family, that happens in a company and it brings up an interesting and extremely powerful distinction of transformational verses transactional.

When a leader understands that distinction, it permeates down through the entire company. Tell us about that distinction and tell us about that permeation.

Chip: Let me start by saying they are both important in an organization. Transactional leaders are the people who actually make the trains run on time. They are the ones who help to assure that the basic operations are working to their most effective level, but the problem with transactional leadership in terms of creating emotional resonance or a sense of vision for an organization, is it's very focused on getting things right, less focused on doing the right things.

Chip: So people who are transactional leaders tend to be less inclined to sort of see where we're going as an organization and quite often don't create emotional resonance in the culture. So transformational leadership is really looking at the bigger picture and trying to actually understand the higher needs, not just the transactional needs, but the higher needs of all their key constituencies associated with an organization, whether that's the employees, the customers, the investors, the shareholders, the community or the vendors.

I would say frankly when the United States decided to hire Barak Obama and basically elect him president, I think the United States was looking for a transformational leader at that time. And it turns out now, Hilary Clinton, some people would say, is more of a transactional leader and given the challenges with the white house and the congress in the United States, there could be an argument to say, "God, we need a transactional leader right now just to get things done."

So there's going to be times when, and this is just in the context of politics, but in the context of business, very true that there's times when somebody just needs to go out and get the deal done and that's a transactional leader. But when someone needs to sort of say, "We need to actually look at the vision of where we're going and create something that's going to help people get enthused and inspired by the overall mission."

That's a transformational leader and so I think the best leaders out there know how to toggle between transactional and transformational leader based upon what the needs of the organization are at that particular time.

Raymond: You know what? It reminds me of what my coach Nido taught me. He said, "When my kid's teacher teaches my kid how to count, that's transactional. When my wife and I teach her what counts, that's transformational." And I love the distinction between transactional and transformational. I only learned it recently and now I see my whole life that way.

Taking the Contrarian Approach

Raymond: Actually, based on this transformational concept you did something totally transformational when it came to 9/11. 9/11, everybody hunkered down and kind of hid and retreated and looked around cautiously, wondering

what was going to happen next and you boldly strove forward and did something quite unusual. Tell us about 9/11.

Chip: Well, after 9/11 it was a combination of the dot-com bust and then 9/11 and then it was clear that we were in for a really rough ride and we could have chosen the path of what all of our competitors did, which was to say, “We’re going to major layoffs.” And they did major layoffs and they did sort of rounds of it. They did first round layoffs and six months later the second round.

So what they did was they basically created this pond of fear and the truth is that most organizations are like a pond. You throw a stone in the pond and you get a ripple effect. Well the ripple effect that’s in most organizations, especially today is fear or anxiety. So I decided to do something very different from that. I said I want us to actually have a policy, so we’re just not going to do layoffs.

Now if someone’s not doing their job, there will always be performance layoffs, but we’re not going to do economic layoffs. So we said, “How do we do that? How do we secure, what I call the bottom of the pyramid so the people don’t have fear?” And we did that by saying, “Everybody’s got their jobs and we’re going to annual increases to everybody who’s an hourly worker within our company.”

But what I also then asked my senior people, that’s basically all of the salaried people in the company, agreed to a two and a half year pay freeze and all of the top hundred employees agreed to a to a 10% pay cut. I took a pay freeze for three and a half years. I didn’t know it was going to be three and a half years when I started. I thought it was going to be one year, but it turned out to be three and a half years.

But by doing that, what we did is we helped people get less worried about the money part of the pyramid, what I call it and they were able to focus on the recognition and the meaning part. The meaning part at the highest point is what you want people to get to, but if people feel like their basic needs and the Maslowvian kind of physiological and safety needs are not being met, then it’s hard to move up the pyramid, but once you have your basic needs met you can move up the pyramid.

And that’s what we did and it worked so well that our turnover was one third the industry average, our employee’s satisfaction and our customer satisfaction became world class and we became a quarter billion dollar company as a result.

Raymond: Chip, that's astounding! That's astounding! You took away their worry about money so they could focus on meaning. Just like what you were taught by Victor Frankl, that's brilliant! So you could move up the Maslow ladder. It's one thing to think about it and read about it and say it's really nice and have a sweet note book, but you actually implemented it.

You did that giant risk of implementing it and it works so spectacularly well.

Keeping Your IQ Points

In your book you talk about losing ten to fifteen IQ points when you make decisions in an emotionally reactive state of mind, which is like a fearful or negative state of mind. Since it's even more critical to make good decisions when horrible things are going on around us, how do we stay calm? How do we not lose IQ when we make decisions? Tell us about that.

Chip: I found this fascinating. I found this from a neuroscientist in Southern California named Matt Lieberman at UCL. He is able to show that when people make those decisions from those emotionally reactive places, they lose those IQ points and some of us can't afford to lose many IQ points. It's a little daunting when you don't have that many to start with.

I think that the point is that our brain has the reptilian part of it that was from caveman times and that's the place your brain goes to, that's the place your emotions initially create the reaction from. And what you do by actually labeling the emotion, by saying I feel anxiety right now or feel jealousy right now or I feel regret right now.

Just labeling the emotion takes you to a different part of your brain called the prefrontal cortex that is a more evolved part of the brain, where reason happens. So moving from the reactive part to the reasoning part actually gives you some IQ points back. What I've learned with these emotional equations is that taking it, not just labeling the emotion, but saying I understand that anxiety equals uncertainty times powerlessness.

Chip: So let me explain that for a minute. Anxiety comes from what I don't know, uncertainty and what I can't control, powerlessness. And it's actually not a plus equation, it's a times equation because the two together is combustible. So when you know that, when you know that in fact anxiety is a combination of uncertainty times powerlessness, you can go through a process of what I call the anxiety imbalance sheet.

Chip: Now, let me explain that to you. The anxiety balance sheet has four columns on it. The first column under uncertainty is "What is it that I do know that's a positive, like an asset? What is it that I do know about the thing that's making me anxious?" And then what I don't know would be the second column. So, "What is it that I don't know?" So, "What is it that I do know?" Column one, column two is, "What I don't know?"

Then for powerlessness you'd ask the question, "What is it that I can influence?" So column three is, "What is it that I can influence?" And then column four is, "What is it that I have no capability of influencing or no control over?" Once you do this, what it helps you see is first of all, there's sometimes things in column two, "What is it that I don't know?" that you could actually find out by just asking a question.

For example, you're worried that you're going to lose your job in a month because there is going to be some layoffs potentially. In the category of what I don't know is, "Am I going to lose my job?" So is it possible that you could ask your boss about whether your department is going to have some layoffs and whether you're going to be at risk.

Now, he or she may tell you the truth or not, but at least you would know you were moving yourself in the direction of moving from column two to column one. Because what we want to do is see as many things in column one and column three, what we do know and what we can influence as opposed to column two and column four, but even just the act of putting all of this on paper helps you to understand a little bit more about what is leading to the anxiety.

And I've done this with business leaders all across the US and Canada and many companies now use this anxiety balance sheet as a way of addressing some of the most painful economic times we're going through. So that the fear of anxiety doesn't hold us back, but in fact, it actually gives us some motivation and even some action of what we can do to move forward.

Unreal Expectations

Raymond: You know I loved your book. I've read your book on the emotional equations and on page forty-two I was particularly moved by well, I'm going to let you explain it. But basically what you say here is you give the chapter heading, Chapter 4: Disappointment equals expectations minus reality. Disappointment equals expectations minus reality and the first thing you do is you tell the story that Abraham Lincoln lost every single election he ever entered.

Every single election he ever entered. So he kept reentering more and reentering more at a higher and level, no less. You'd think that he'd learn his lesson and go to a lower level if you lose an election. He went to a higher level each time and he finally, he won one election his entire life.

Chip: I didn't put in there a couple that he did win, but frankly yes, the vast majority. If he was a baseball hitter for some baseball team, he would be probably our last choice coming up to the plate because he would have a very low batting average. What Lincoln did, relative to this equation of disappointment equals expectations minus reality is some of us actually let our expectations get the best of us in the sense that, we get so wrapped up in something and we get so excited.

We get worked up to the place where we have unreal expectations such that reality will never actually live up to that. It's like a classic second date. Remember the first date you had was like, the best date and now the second date was going to somehow be better than the first date and of course it's a disappointment. Remember a week after buying your car? Okay, you have some buyer's remorse.

What happens in life is we are expectation machines. So how do you actually deal with this? How does Lincoln deal with it? How do we deal with it? Well it doesn't mean you just sort of get rid of your expectations and your hopes, but it does mean that you realize, "At what point do I have no influence over the reality anymore or being able to influence reality?" And at that point you actually stunt your expectations.

Chip: One of the studies that's been done by some Dutch researchers, social scientists was they actually looked at people who had healthy perspectives on taking a test on healthy perspective. What they found was that people who had a healthy perspective used their expectations to build themselves up to actually do well on the test, but once they'd taken the test and two weeks later they would actually find the results of the test, between the times they took the test and when they got the results, with each passing day they expected less and less of the results.

They actually thought they were going to do worse. So in essence they get themselves primed up to the point where they take the test and then two weeks later when they find out the results, they have very low expectations and in fact, then they aren't disappointed.

The opposite happens all the time. We get ourselves so psyched out about the test that we start thinking that we're going to do really, really badly even before we've taken the test and therefore, yes the expectations have sort of over sized us to the point where we actually screw it up. Or we do the opposite of that, which is we take the test and now with each passing day until two weeks later when we get the results, we think we've done better and better and better.

So when we get the results we may have done well but we didn't do what we expected to do. There's a fascinating study about Olympic swimmers, Olympic swimmers and Olympic athletes, actually. Olympic athletes who got a bronze medal had a better perspective on their results than those who got a silver medal. Now that's weird.

People who got a silver medal came in second, bronze came in third, but because quite often the silver medalist was expecting to win and come in first and they didn't get first, they actually diminish coming in second. Whereas the third place person you know, if they actually came in fourth they don't get a medal. So they're actually feeling gratitude about actually getting the third place. So third place winners of Olympic medals are usually happier than second place winners. Isn't that weird?

Raymond: There's another reason for that and that is in team sports where you're playing off against another team, the team that comes second got their silver medal by losing and the team that came in third got their bronze by winning.

Chip: That's true. That's true. That's a good point Raymond. I never thought about that, but that's actually a great point.

Raymond: You know, you remind me a lot about another one of my coaches, Dan Sullivan, who talks about a concept called the gap and the gap is a distance between where you are and where you want to be, like perfection. And he says, “Don’t look at the gap, look at your progress. Look at where I’ve come from not how far I’ve missed my mark.”

Which is, I think identical to your equation, disappointment equals expectation minus reality, is that correct?

Chip: Yes, I think that’s very true. I like Dan. I’ve read some of his books and I also believe that it’s a function of how you perceive reality. I once created a resort on the coast of California. It was like a camping resort and it was not a financial success. I’ve had a lot of financial successes in my life and this was not one of them and I learned a lot from it.

So the first couple years after we had to sell it at a very cheap price, I just felt like such a disappointment. I felt like a disappointment to myself. I felt like the experience was a disappointment and over time I saw how many people were still using this place. It was a very innovative concept. We were way ahead of our times. We were sort of pioneers and over time it became very successful.

So my reality, instead of focusing on this disappointment financially of how the deal was I was able to start shifting my reality such that I saw that I created sort of a Bay Area institution that has become really popular with families around this area and it sort of become their go-to place once a year. Once I could actually see that that was what I was able to do, I was able shift my reality in such a way that my reality felt really good.

Expert Action Steps

Raymond: What you’ve done in your books and in this interview, you’ve turned the universe on its end. You say things that are counter intuitive. You say things the exact opposite that people believe and then when they think about it they realize your way is better and I love doing what I do. I can certainly see that you love doing what you do.

Your two books are amazing and what I would like you to do is just, even though we’ve talked about both books, we’ve kind of merged them. So I’m going to just give you a moment to talk about each book so people can think about each book.

- Raymond:** What are the basic premises and the deliverable in each? One is *Peak: How Great Companies get their Mojo from Maslow*. Just give a sentence or two on that one.
- Chip:** Yes, this is a book that is about how to create an organization that is living up to its potential and how as a leader you can actually provide the kind of organizational culture that actually helps people to feel more self-actualized, whether they're an employee or a customer.
- Raymond:** And *Emotional Equations: Simple Truths for Creating Happiness and Success*. Give us your one liner on that.
- Chip:** This is more of a personal book about how to understand the internal weather inside you and what is that collection of emotional building blocks that make up the various emotions you feel, such that you can influence those building blocks and improve your relationship with your emotions. So your emotions can represent the best in you as opposed to your emotions getting the best of you.
- Raymond:** And therefore become a greater leader in your company and in your family and make better decisions with a higher IQ.
- Chip:** Correct, and be happier, that little one too!
- Raymond:** Chip, I just know my clients are deeply moved by you already. What three expert action steps can they take to start implementing the Niagara Falls of ideas that just showered down upon them?
- Chip:** Well, thank you Raymond. First of all, it's been a pleasure joining you on the call. First, I think that one of the fundamental things about business is that we are human and that we forget that and we are given operating manuals for our computers and our cars, but I think Maslow's Hierarchy of Needs is a great operating manual for understanding of a human. So I would suggest that people first go on to Google and study Maslow's Hierarchy of Needs.
- Try to understand, what are the lower needs of the people you work with and what are the higher needs? In my book, *Peak* I'm able to really talk about that in more depth. So understanding Maslow's Hierarchy of Needs and using it as a pair of glasses you were to motivate and influence those around you would be my first step.
- Raymond:** Okay, your second step?

Chip: I guess it would be to start a gratitude journal that will reacquaint you with what should create happiness in your life and remind you of who to thank in your life. Quite often we find as we talked about in the happiness equation earlier in our talk today that we get very wrapped up in what isn't working or what hasn't gotten to its fruition yet or what we haven't gratified ourselves with yet and we forget about what we really can appreciate on a daily basis.

Creating a gratitude journal will not just be a great way to make yourself feel better, but it's a reminder of who there is out there in the world to thank. And the fact is, when you're actually in a state of gratitude with other people it comes back to you.

Raymond: Chip, I don't do a gratitude journal, at least in a written sense, but I do one in a verbal sense. I just wanted to get your comment on it. I play what I call the half sentence game, with my daughters, with some dear friends and definitely with my wife and it goes like this. We create the first half of a sentence and then we go back and forth finishing it.

So the first half of the sentence might be, "What I love most about you..." or "What I enjoyed most about this vacation..." or "What was most interesting to me about this weekend was..." We agree on the first half of the sentence and then we go back and forth finishing it. So, "What I love most about you is how funny you are." And she'll say, "What I love most about you is how you change so many lives." Then we go back and forth and it's just delightful.

Chip: Yes. Imagine if you could do that in the context of work. You put together a leadership team, where you have a leadership team that's actually troubled and everybody is just fighting with each other. What if you use that as an exercise?

Maybe this is another actions step here, as an exercise for people to help to understand that the gratitude that they feel towards others is usually unspoken and while it may feel a little bit forced, the fact that people can actually talk about that gives them gratitude back. So gratitude goes both directions and yet, if you're waiting for everybody else to start doing the gratitude first you may be waiting a long time.

Raymond: Right and I'm the president of my company, I'm the one that has to start it.

Chip: Yes, why not?

Raymond: Number three.

Chip: Well, any time you're feeling fear about something, create an anxiety balancing sheet like I mentioned earlier to remind you how to lessen fear's grip on you. Remember that anxiety equals uncertainty times powerlessness.

The moment you can sort of understand more about what you're feeling uncertain about and how you feel powerlessness around it and what you can do to feel like you know more about it or you can influence it, you'll be able to get out of the grip of anxiety.

Raymond: And what I want to do is I'm going to boldly stride in and create a fourth action step for my listeners and that is go out and buy both of his books, *Peak* and *Emotional Equations*. They're both brilliant. I love them both.

So Chip, I'm going to say goodbye to you in a few seconds and then you're going to leave and then I am then going to go into a quiet room with my listeners and see if I can't summarize the most important things that you've said so they get it in full force from you and then they get it indirectly in summary from me. I am deeply grateful for the wisdom that you have shared with my listeners.

Chip: Thank you Raymond. It's been a pleasure. Thank you so much. I really appreciate it.

Raymond: Thank you Chip.

Impact Statement

Wow. Let me go over the biggest things that I learned. Not everything he said, but the biggest things I learned. I've always known there was a difference between loving what you do and not loving what you do, but I thought there was only a binary distinction. What he taught is there's a threefold distinction.

That is, you can have a job, you can have a career or you can have a calling. A calling, and I know that what I do is a calling for me. I'm a teacher and I love being a teacher. It's not just love it's who I am. If you're not at a calling, if you're a career or job, then do everything you can to be introspective enough to move up towards calling and attaining it as soon as you can.

I love that he wants to create Joie de Vivre as his mission in everything that he does. After graduation he started by not taking the highest salaried job that he could. He started taking the lower salaried jobs so that he could actually learn something, but he realized that wasn't his calling so he switched, bought a motel and now he's up to thirty-five boutique hotels.

And he turned not to a business manager, but to a psychiatrist, Maslow, who is like the psycho good guy. And he teaches the Hierarchy of Needs, where you go from physiological needs at the bottom, like oxygen and water and food and shelter and belonging, right up to self-actualization, being a fully evolved person.

He used the idea of actualization as the model for his business. He wanted to know how to create self-actualized customers and employees and investors and in fact he said that there are certain companies that are just known as just brilliant and dazzling and fascinating and amazing companies.

Southwest Airlines is one, Apple computers is another, Harley Davidson is another and they all have that self-actualized sense of excitement in Joie de Vivre, amongst their employees and investors and customers. He also learned from Victor Frankl and by the way, when I read Victor Frankl's book, *Man's Search for Meaning*, I cried through the entire first half of the book. The first half of the book is about his experiences in the concentration camp. The second half of the book is as an adult, as a psychiatrist explaining his concepts and theories. Please read that book.

What I love is that he took Frankl's and Maslow's idea and created some equations. Despair equals suffering minus meaning. Well, if you're suffering and there's no meaning to it you might as well be in despair, but the more meaning you can make, the bigger is the meaning.

That means you're subtracting bigger and bigger stuff away from suffering and your despair get's less and less and less. Happiness is how much wanting what you have divided by having what you want. In other words, the more wanting what you have, you have, and the less having what you want, that you have, the bigger is the quotient and therefore far greater is the happiness and that's why he was a TED speaker.

Gratitude divided by pursuit of gratification. The bigger is your gratitude and the tinier is your pursuit of gratification, the greater is your happiness. What he said was that leaders are emotional thermostats for their company and their family.

So the more evolved is the leader, the higher income will be not just the leader, but also the entire company and therefore the salaries can afford to be higher.

It's not the business guidance that you need as much as the emotional guidance that you need. He talked to us about a distinction that I love and that is transactional versus transformational and he was very appropriate not to put down transactional because transactional is doing things right. Well, everything is okay about doing things right. Trains need to arrive on time, but transformational is doing the right things.

You might be doing, not the wrong things, but you might be doing somewhat inconsequential things the right way. So transactionally, you're appearing to do the right thing, but it may not be getting you or your company as far as you wanted to go. He talked about the fear and anxiety surrounding 9/11 and he decided to go to Maslow and Victor Frankl for his idea.

And he realized that if his employees were all worried and filled with anxiety and fear, then they couldn't produce the results they wanted. So he announced there would be no layoffs. You cannot get fired unless you're not doing a good job. But he will not fire you based on the macro economic situation.

So suddenly everybody had no worry about money so they could put all their focus on delivering great value and they did and his company grew wildly during the worst of the recession. "Customer satisfaction" he claimed, "became world class." What a transformational leader. He also talked about losing up to fifteen IQ points when you make decisions in a negative reactive environment.

The lesson I learned is if I'm mad about something I will not write upset emails. I'll calm down and then I'll write the email. Maybe I'll type the email, but I certainly won't send it. I'll just save it. Anxiety equals uncertainty times powerlessness and he gave us his anxiety balance sheet in order to help us eliminate or at least significantly reduce our anxiety.

Four columns, what do you know, next, what don't you know, third, what can you influence, fourth, what can't you influence. The first two are of course, about uncertainty. The last two are of course, about powerlessness. What he wants you to do is to have as much in columns one and three, those are the good guy columns versus columns two and four.

The good guy columns, one and three are what do you know and can you influence and the more you realize you know and the more you realize you can influence, the stronger you will feel internally, in your inside and the more anxiety will simply slip away.

Disappointment equals expectations minus reality. The greater is your reality, the less will be your disappointment. How many people say, “Oh, I spent so much money on this outdoor wedding for my daughter and then it rained, how terrible!” Well, as soon as you realize doesn’t care, you realized that your disappointment might as well drop to zero. It’s easy to say of course, unless it’s your daughter’s wedding.

So the lesson isn’t just to learn a lesson intellectually. The lesson from Chip is to actually take it into your soul. Take it into your psyche. Run your company, your business, your family, your life, your employment this way. Don’t just take great notes about it. I begged him to give us three expert action steps and he did.

Number one; use Maslow’s Hierarchy of Needs as your operating manual for your life. Number two; create a gratitude journal for your life and then he challenged me to do a gratitude journal for my company. He says, “Well, if it’s so darn good why don’t you do it in your company? Why don’t you sit down in a group with all of your employees and go back and forth with each one on a topic like that.

“What you did in this company that was most remarkable in the last month is...” or “The idea that you came up with that I most truly appreciated was...” Whoa. Go back and forth and say that to every one of my staff. That’s scary. Oh my gosh, do I have the courage to say yes? Am I going to do that right now?

Oh my gosh, I think I’ll wimp out a bit and say I definitely will discuss it with my director of operations because I don’t want to impose it on her, but maybe I’m just being weak and wimping out. I don’t know, but that’s the biggest step I can make right now and I think Chip would applaud me saying that, “It’s not that you have to be perfect. It’s rather that you have to have progress.

You have to move towards his ideas and go with the greatest speed that you can.” And then I added buy and read, buy and read his two books, which are amazing. One is *Peak*, P-e-a-k and the other is *Emotional Equations*. *Peak* and *Emotional Equations*, by Chip Conley. C-o-n-l-e-y. You’ll be deeply moved, I guarantee it.

That is the end of the interview, but I want to add one more thing. I've been telling you what I like the most and now I want to know what you like the most. Please send me an email. My email is Raymond@wealthcreatorsource.com. Send me an email and tell me what the greatest insight that you got from this interview. Tell me what you learned the most. Tell me what you like the most.

I really want to hear from you. Raymond@wealthcreatorsource.com. I want to remind my listeners that as a subscriber to the Wealth Creator Source, you can go to www.wealthcreatorsource.com and download a printed transcript of this entire interview, A word for word transcript so that you can replay this entire audio and then read it as you a listening. And you can highlight or underline whatever it is that you want to do in order to take notes better.

A lot of our subscribers don't know that we do that and I just want to make sure that you know you can do it not just for the wonderful interview that we're just doing now, but also for all the ones that I've ever done. It's all there for you.

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