

**A CEO Conversation 2009 - “Game Changers: Leaders Making A Difference”**

Ed Nusbaum, Chief Executive Officer, [Grant Thornton LLP](#)

Background:

- Ed is CEO for Grant Thornton’s US business, with about 6000 employees. It’s a \$1.2B company. He has more than 30 years with Grant Thornton (GT) & was formerly its national managing for professional services.
- GT has invested heavily in its own technology & in a technology practice since 1999. Technology has become its fastest growing practice.

Ed’s presentation focused on having companies establish & communicate their core values, integrity, & ethics, especially when the economy takes downturn & there’s pressure to compromise values. He noted 5 ways for maintaining good business operations:

1. **Stay focused on your underlying fundamentals & values.** Know & articulate your unique value proposition. Talk about it & adhere to those values, rather than to the trends of the day.
2. **Insist on a consistent culture, from the top down.** A business must have “brutal consistency” in its culture. For instance, GT’s culture prioritizes integrity & involvement. This culture starts at the top & filters to each employee, & it is recognized outside the company. That’s what drives teamwork across many sectors of the firm during times when people want to hunker down in their own individual bunkers.
3. **Provide transparent, honest communications & leadership, internally & externally.** Honesty builds trust & loyalty. Management must reinforce these values to make sure the message gets through. Be a leader, not a follower, including leadership in the community, even when it’s not important in the eyes of your clients, competitors, & investors. Be willing to speak out for what’s right. Focus on key performance indicators for each sector of your business, those that drive the success of your business.
4. **Consider who you work with.** Do business with the right people, with good people. Get into the metaphorical bed with people who will improve your services & reputation. Who do you team with? Who are your clients, employees, vendors, & partners? Do they share & adhere to your? Is not, they may your firm in legal or regulatory trouble, or damage your reputation.
5. **Maintain a strong commitment to the future** - even when things are tough. Look at the current crisis as a long-term opportunity, to be prepared for opportunities that follow it, still focusing on your basic values & culture. Continue to invest – in R&D, in long-term high-quality people, in any areas that take you into the future.

Q&A:

- *What changes do you anticipate in GAPP?*
  - Relaxation of rules on fair-value accounting, with opportunity to reassess the values.
  - More regulation, especially for banks & probably starting with hedge fund industry.
  - 404 internal compliance controls for smaller companies.
  - Increase in consistent global regulation & movement towards international financial regulations & reporting.
- *What’s happening in the international markets?* Economies most tied to US & financial services have been hit hardest, for instance, the UK. China is growing, but more slowly due to ties to US & fewer

purchases by US consumers. Also, China's expanding middle-class is continuing to buy. The situation in India is similar, but related more closely to professional services rather than consumer products. Other nations aren't doing so poorly, for instance, Sweden seems to be holding on well because much of its business & many of its services are government driven. Japan isn't as affected by the global downturn, although their auto industry is having problems.

- *How has Enron's downfall changed accounting & business integrity?* Those failures in early 2000s made a huge change in accounting integrity, which had been driven by growth & revenues. When those problems hit, accounting philosophy changed to that of surviving & being an accounting leader. Companies realize they had to have a tone of integrity from the top, with quality & integrity throughout all services. And accountants learned they needed to help their clients focus on quality.
- *Please share your insight into knowledge management.* Make these knowledge-management investments efficiently & with cost-effectiveness in mind.
  - Rather than leaving proprietary knowledge solely in employees' heads, find ways to include their knowledge in an enterprise system that's available to everyone within the company.
  - Make information easily available for doing research across divisions.
  - Link people-to-people for sharing expertise.

## Entrepreneurial Panel

Don Haile, Venture Partner with Fidelity Ventures, facilitated a question & answer session with Troy Tolle of Digital Chalk & Joe Lee of PetroBeam.

### Troy Tolle, CTO, [Digital Chalk](#)

*Background:* Digital Chalk is a delivery platform for education video programs, including delivering classes to schools, companies, & consumers. Troy is from Waynesville NC & an NC State graduate. He, Tony McCune, & Russ Steinfeld started Digital Chalk September 2006 & had their first release January 2007. They have 14 employees.

1. *How did your company idea evolve into a company?* In 2006, they had a government contract & an angel investor suggested starting a company. Since bringing on investors, they've changed target market by adding a market place. They're still delivering to small universities but also deliver training to individuals & small companies that want on-demand, online educational distribution. Coming up with the core idea wasn't hard; implementing it & taking it to market was the hardest part. What do customers really want?
2. *Tell us about your funding.* Their major angel is the investor who encouraged them to start the company, but they also have funding from friends, family, & credit cards. There's a void for producing high quality content. They get requests for live education but aren't delivering that now. They've looked at venture companies for funding &, through that process, have learned a lot about their focus & their message; they've decided to push the product rather than push the funding. Revenues started flowing in Aug 2008, & they've been growing 20-30% monthly for the past 5 months.
3. *Problems with delivering high-end, high-quality audio & video?* Troy contacted Amazon to find out about their technology & now they can provision to hundreds of users almost instantly. Pricing is per course – Digital Chalk gets a cut of the tuition. Cloud computing has pushed them to the success point.
4. *Marketing?* They've used pay-per-click & other advertising but focused on social networking – twitter, Facebook, others. Regarding Twitter: DC's support teams review all tweets related to Digital Chalk & online education, then they create conversations around those tweets.
5. *How do you get into corporate markets?* Trade shows, training trade shows, mailers & other traditional marketing. Troy prefers free tools, mostly online. Facebook has 175MM users & communication with them becomes 2-way rather than cold-1-way.
6. *How do you build your company culture?* Troy is in Asheville but looked for the 14 best people in the USA, so they're spread across the USA & he's finding that the company culture can be difficult to get transmit effectively. The DC culture is for employees to take care of their personal needs, then get back to work.
7. *If you were starting again, what would you do differently?*
  - a. Run with the idea rather than focusing on having a huge team to get started.
  - b. As for the software itself, DC originally wanted to be a huge platform that did everything. Troy would focus on one core – testing or high-quality video for education. It's been very stressful trying to be everything, a total solution, right out of the gate.
8. *Other advice?*
  - a. Be ready for your great idea to be shot down & changed. It starts with a seed that grows into something, not necessarily what you wrote in your original business plan.
  - b. If you're not having fun, it's not right. Do what you love.

9. *Risk factors for future success?* The changing technology – keeping up with the fast pace of the internet & never being satisfied with what they've done & where the Internet is going.
10. *Are you involved with Google?* Somewhat. They co-sponsored with Google an innovation competition at Appalachian State University & remain in conversations with Google.
11. *What can NC do to help tech business start?* Help western NC – it's a great place to live but needs to be connected to resources. Troy's motto: "Your network is your net worth." Successful businesses need to embrace new businesses throughout NC – open up your networks & help them connect. Be very active & generous with start-ups. DC went to Google & toured Stanford. Success came through a couple of entrepreneurs from Stanford supporting a couple of others who supported others, etc., etc.
12. *How has the economy changed your plans?* Troy is the eternal optimist. DC is still growing & there's a force of creative ideas that seems to take during downtime. They're trying to build the momentum now & just hired 2 people. They watch every dime, while recognizing that being too careful would put them behind the tech curve because technology changes so quickly.
13. *Is any of the stimulus money flowing into Digital Chalk directly or indirectly?* They're not looking at getting any stimulus money directly. There's a huge stimulus for education, so their market, the educators who use their platform, will get the money & DC will reap those benefits.

**Joe Lee, COO, [PetroBeam](#)**

*Background:* PetroBeam was founded in 2005. It's an energy technology company focused on cleaning up the processing of heavy crude oil, making it less expensive & less environmentally invasive. Their process uses electron beam accelerators (large x-ray, proton-therapy delivery machines). PetroBeam is responding to a decreasing supply of refined oil & an increasing demand for that oil. Currently, heavy oil has about 70% of the world's oil resources, about 80% in the western hemisphere, mostly in Canada. They have 13 employees. Joe is from investment banking industry in Atlanta, & from the commercial films & coatings industry.

1. *Why in Raleigh?* PetroBeam relocated to RTP in 2008 because NC State was critical in the company's early stages of development & has excellent expertise. So they moved to RTP for access to technical know-how & resources, cost of living, & the area itself.
2. *Core idea?* The petroleum industry researched these concepts 50 years ago but demand wasn't there to push the costs & technologies. Two of the founders were from Kazakhstan & had been working with electron beam accelerators to process oil when they had breakthrough about 2 years ago.
3. *Strategic investment?* It's been critical for the past 2 years. They expect no significant revenues until 2012 & probably won't be in the black until 2014. So strategic partnerships have been critical. A unique petroleum R&D company invested \$6MM. Funding started with individuals then developed with strategic partners.
4. *Has using venture capital changed your companies business?* Yes, they had to become more articulate about their value proposition & understand it to clarify the message for their market.
5. *Talk about the technology.* This process takes a concentrated source of energy directly to the molecule to make change. Industry has been using accelerators to change petroleum properties for 10-15 years. They're also used widely in sterilizing medical devices, for food pasteurization, for scanning mail for Congress.
6. *Are oil companies interested in your services?* It's a potential funding source. They understand that environmental regulations will get tighter & will require reducing carbon footprint; PetroBeam's product provides a solution. They're also focusing on engineering services firms are key drivers for new tech into petroleum industry.

7. *How are you building your company culture?* They have 2 locations – Raleigh has management & NY has mostly R&D. This results in different personalities & cultures in each location. The critical issues:
  - a. The “out of sight out of mind” mindset between the 2 offices. Management must make sure that R&D understands the corporate culture so we must have personal relationships on a real-time basis.
  - b. Technical concerns: The language differences with 2 founders from Kazakhstan is a bit of a challenge, so they often communicate in writing to make sure the understanding is complete.
8. *If you were starting again, what would you do differently?*
  - a. Investment. Concurrent with using angel investors, they would seek government grants aggressively & early because they found there’s a lot of interest in using electron beam accelerators. Finding the strategic partner was very helpful in their development & would’ve been even better earlier.
  - b. Learning what the customer wants rather than just focusing on the technology itself. They would ask the customers questions.
9. *Other advice?*
  - a. Always be raising capital. Markets can change quickly, making money harder to get.
  - b. Don’t overlook strategic investors. They can help provide access to the markets. PetroBeam partnered with someone in Belgium, who gave them access to capital in other countries & to industry contacts.
10. *Risk factors for future success?* If crude prices remain low, it’ll be difficult for companies to invest in this technology.
11. *Carbon credits?* They’re looking into that as part of their value proposition.
12. *How can NC help tech start-ups?* NC is very welcoming & helpful but needs to find ways to accelerate the ideas coming out of the universities & to increase the velocity of those ideas getting into the market. There will be failures, but the state should open the fire hose of ideas from the university so more “stick.”
13. *How has the economy changed your plans?* It’s hard to go back to their original investors because those investors have also been affected by the economy. Otherwise, macro-factors remain the same, so these opportunities will be available when the market needs them.
14. *Will any of the stimulus money flow into PetroBeam directly or indirectly?* They’re working with one of the national labs & have found opportunities there with the stimulus plan. They’re partnering with folks with who have links into the Department of Energy.

**Jim Goodnight, CEO of SAS**

Jim co-founded SAS in 1976 & now has 11K+ employees. Harvard named him as one of "20th Century's Great American Business Leaders" He has a PhD in statistics. Education is the focus of SAS's company values.

- SAS is trying to find ways to bring technology into today's classroom. He thinks today's generation is bored with traditional education techniques because they're so accustomed to gaming & computer interaction.
- The Learning Technology Initiative is a public-private partnership, a pilot program for high schools across NC to train the teachers. The goal is to create a knowledge-based workforce with a laptop for every student & teacher, broadband connectivity in every school, & funding from general assembly.
  - "SAS Curriculum Pathways" is a NC-based high school curriculum supplemental, training, & testing. With the largest usage in NC & FL, both of which use it for their virtual high schools. Wake County is the largest user. Centennial Campus Middle School is #1 user this year. Curricula include English, science math, & social studies.
- The curriculum isn't designed as complete courses; it's designed for the teacher & student to have very specific help in areas that teachers across the US have said are major problems. The idea is to provide more interaction for the students & make the subject matter more relevant to the students.

**Questions & Answers**

1. *Are any countries using teaching technology better than the USA?* China, Singapore, & Korea. US policy shuts out PhDs from other countries, which moves product development to other countries with more knowledge-based employees.
2. *Does this technology increase the digital divide?* Not if each student is given a laptop. But schools must have WiFi access. At Cary Academy, they download several textbooks to the students' laptops.
3. *Who builds the content?* SAS has 40 people who develop the content, unless it's already available. Experienced, full-time teachers work with the SAS staff to develop the curriculum. And they use the content available around the world.
4. *#1 achievement:* Drop outs rates are down significantly at schools using this curriculum. They're also learning how to use technology. If students are doing better, teachers will be happier & stay longer.
5. *5-year vision?* Expand & develop this curriculum. It's a great starting point to get material to the teachers to use with their students.
6. *What is the role of the state in supporting access to Curriculum Pathways technology?* To be more involved. Many legislatures are in favor of this program, including Gov. Perdue. They've made sure WiFi & routers are installed. Only \$650MM of the stimulus package is for education; compare that to \$17B marked for no-child-left-behind.

**Michael Capps, President & CEO, [Epic Games](#)**

Mike's presentation focused on the idiosyncrasies of managing & motivating elite game developers.

Background:

- Scion and Epic develop video games for adults. Their initial successes were “Unreal” and “Gears of War.”
- Epic is the leader in gaming's engine development tools, which are free with the purchase of Epic's games. Scion, a subsidiary of Epic, began licensing the Unreal development engine in 1996. He called RTP the “world capitol of game engine development.” Austin is another game development hub, but its emphasis is primarily on gaming, while RTP's companies develop applications used in numerous sectors. For instance, Epic game development tools are now used in industries beyond gaming, including: movies, military simulations, & surgical simulations.
- Epic employs about 100 people in the USA & about 300 scattered around the world.

Challenges of running a game company:

1. *Insufficient pop-tarts problem.* (You must treat employees in gaming companies as if they're volunteers.)
  - a. Hundreds of teams use Epic's technology, so Epic's employees could find other jobs easily, possibly for more money. So Epic accepts their idiosyncrasies & tries to provide them whatever keeps them happy & productive, including pop-tarts from a variety of companies.
  - b. The end goal of managing these developers is to get them to work harder, work consistently, & work as a team.
    - i. Epic must create a team with unity of purpose & the willingness to sacrifice – but not to sacrifice their families. They must sacrifice the “enjoyable inefficiencies of work” such as: squabbling, intolerance for failure, territorial behavior, random web browsing, tasks that look like progress but don't help ship games.
  - c. They set a goal of being the best at both games & technology now & in the future. Part of meeting this goal is making the mission *almost* impossible.
2. *Tarydium handcuffs.* (Make the job & environment so good that employees just don't want to leave.)
  - a. At Epic, the handcuffs include:
    - i. Being profitable & giving the profits to current employees.
    - ii. Being a fun place to work.
  - b. Epic has less than 1% voluntary employee loss & only about 1.5% involuntary loss. Having such high retention brings its own challenges, including:
    - i. Some unhappy employees remain due to the handcuffs (can't find places that are more fun to work).
    - ii. Unhappy people are infectious.
  - c. The challenge is to identify weak employees early & find ways to improve their attitudes & results.

- d. They also have to find ways to notice those who're working harder. Since Epic doesn't measure its employees work, this, too, can be a challenge. They've developed an annual 360-degree feedback program that requires about 6 weeks for management to complete for all 100 US employees. Employees are evaluated in 4 categories:
  - i. Attention to detail
  - ii. Communications & teamwork
  - iii. Creativity and problem solving
  - iv. Work ethic.
- 3. *New, better, more.* (Competing successfully with yourself.)
  - a. Epic expects its sequels to exceed previous versions of its games. In addition to the awards & recognition, their games maintain a 93-94% rating from users. With its consistently high achievements, it's difficult to beat its previous records.
  - b. So they focus on "finding the fun" quickly – the fun in the game & in the work itself by:
    - i. Canvassing the team for ideas from the game's users.
    - ii. Meeting with stakeholders for ideas.
    - iii. Making the most important sequel changes first.
  - c. The design process is built on improving their own previous systems.
- 4. *Shaking the jello.* (Every change, good or bad, shakes things up.)
  - a. Epic has the good fortune of having a string of hits, compared to the industry standard of 5-7% being profitable.
  - b. Their successes have been based on last minute "heroic" efforts, so the team is convinced of its "god-like superpowers."
  - c. How does Epic manage its over-achievers?
    - i. They enforce 3 rules for time-in-the-office:
      - 1. Work at least 8 hours/day
      - 2. 1:30 – 5 PM are the core work hours
      - 3. Leave by 2 AM. This is the only rule that's difficult to enforce.
    - ii. They emphasize that developing games is a marathon, not a sprint.
    - iii. They manage employees' extra hours by recognizing that:
      - 1. Crunch time is necessary & is driven by the team's ambition.
      - 2. Some people are upset if they're not crunching.
      - 3. The nature of the way crunch time is handled must be changed each time.
    - iv. Eventually, it *is* a sprint, & Epic managers:
      - 1. Tell employees to leave it *all* on the field.
      - 2. Thank the spouses of their employees.

3. Let the whole team go at the same time. When it's over for one, it's over for everyone.
5. *Cut early, cut often.* (Limit the scope of the project to make it manageable.)
  - a. Every feature, every addition to a game takes away polish time for the other features.
  - b. Good ideas can be used in the next sequel if they're not ready by deadline.
  - c. Every change causes the jello to shake & must settle down before the next change is made.

What makes it *Epic*?

- Culture & tradition
- Lessons handed down through the generations – of products.
- Taking near-impossible challenges
- Keeping employees happy & rewarding productivity.
- **Always have fun!**

**Questions & answers:**

1. *What's your resting heart rate?* 52
2. *How can NC raise its profile as a tech hub?* Tax incentives.
3. *What will the next generation of games look like?* Epic always anticipates the answer to that question, then builds the estimates into their games. At this time, Mike expects a major transition at Intel to make it possible to put massive computing capabilities into game consoles.
4. *What's Epic's hiring process that allows it to be so successful?* Epic has had 12-15 positions open for 6 years & they continue to hire about 12 people annually, with a 600-to-1 hiring ratio for developers. Because they have so many openings, they turn down many projects. But the system works so well that they're afraid to change their policy.
5. *How do you celebrate success at Epic?* The company invests in high-end cars, takes care of as many of its employees' personal needs as possible, and provides fun for the staff. These are critical to the success of the Epic family.