Amp It Up!

Frank Slootman

Chairman and CEO at Snowflake

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As the former CEO of both Data Domain and ServiceNow, two successful tech companies in recent years, I am often confronted with questions: what did you guys do? What is the secret sauce? How did you do it? We never thought of ourselves as that different. We certainly didn't think we had stumbled on a silver bullet. Did we just get incredibly lucky twice in a row? With hindsight and reflection, there are observations worth making that may benefit others.

Bottom line: There is room up in organizations to boost performance by amping up the pace and intensity. Considerable slack naturally exists in organizations to perform at much higher levels. The role of leadership is to convert that lingering potential into superlative results. The opportunity is right under our noses but for some reason it does not enter the consciousness. This notion is not limited to business enterprises. We see in professional sports all the time how teams go almost overnight from losing to winning with basically the same roster, but different leadership. Call it what you want, the X factor, whatever, it is real. Anybody can dial into this, but not many do.

It is not easy because you will drive people out of their comfort zones. There will be resistance. Change is hard. Some will vote with their feet. If you want to be popular as a leader, this may not be for you. The role of a leader is to change the status quo, step up the pace, and increase the intensity. Leaders are the energy bunnies and pacemakers of the organization. Some people drain energy from organizations; not leaders, they engulf organizations with energy.

Data Domain and ServiceNow

Data Domain and ServiceNow, the companies we ran between 2003 and 2017, had things in common. They were outliers on performance though they were quite different businesses in different markets and in different eras. They shared the same CEO and a good

portion of the executive and extended management teams. Culturally, they hung together and were like-minded. Therein lies a clue.

Data Domain took in $28M of net capital and 6 years later returned $2.4B to shareholders. Revenue grew from zero to $600M annually. The company went public on Nasdaq in mid 2007. Post-acquisition by EMC in 2009, the business grew to multiple billion dollars in annual revenues a year. It was a storage business with software margins. We joined Data Domain pre-revenue, and it had typical cross-the-chasm challenges. I wrote about that episode in a 2009 book 'Tape Sucks': A Silicon Valley Growth Story.

ServiceNow on the other hand, a San Diego-founded cloud software company, was already on a tear when I joined as CEO in early 2011. The proverbial chasm had been scarcely a speed bump. But, ServiceNow was approaching $100M in revenues with the maturity of a popsicle stand. The operational challenges were epic, but we gradually reigned in the bucking bronco, and hit overdrive on growth. ServiceNow was also bootstrapped with no more than $6.5M in external funding.

Only the second cloud software company, after Salesforce, to hit a billion dollars in revenues, ServiceNow reached two billion dollars in revenue just two years later. High growth at scale that is continuing to this day. ServiceNow went public on the NYSE mid-2012, the stock price has increased tenfold since then, with a market cap exceeding $80B.

Amping It Up

Our companies were built and run for performance, full stop. We were singleminded in our pursuit of goals, and drove our people to become the best version of themselves. For the best people, it was an incredibly liberating experience. Most everybody subscribes to the notion of a so-called 'performance culture', even claim to have one, but few appreciate what that means, what that takes, and what you have to give up. Our companies were all Marine Corps, not much Peace Corps. We did not come in peace. Emerging companies like ours fought giant incumbents for their existence every single day. We were paranoid and felt constantly threatened with our survival. You could not escape the combat mentality at our companies. We were in a shit fight all the time.

Few things drive home a performance culture like the compensation philosophy. In our case, the company had to earn it first, so that the bonus pool could be funded. Each quarter we would fund the pool, depending how well we did that period. Then the process of allocation started. Managers were not allowed to 'peanut-butter' out the money with everybody getting the same share of the pool. We insisted on a bell shaped distribution. We

did not always pay full bonuses and I would personally explain why in our quarterly all hands meetings.

It is not that we worried about bonuses for substandard performers, but that we were under-bonusing our A players. And to pay A players more, managers had to take that money from the other end of the performance spectrum. It allowed us to be informed of who the strong performers were as well as those not in good standing. Each employee had a money conversation each quarter with their manager relating to performance. These were in lieu of written performance reviews. When it came time to separate with a person, it was a lot easier, cheaper and quicker when there was a below-average bonus history.

It's tough for a manager to have performance compensation conversations which each employee every quarter. It's confrontational. Employees have grown up in companies where bonuses are not really earned, they are counted on so much they may as well be part of the base pay. Sure sign of an entitlement culture.

ServiceNow internally advocated employees being drivers, not passengers. Passengers end up in the same place as drivers but they are dead weight. If that was a subtle distinction, there would be work to do. Ask yourself at the end of a work week: did it really, really matter that I was there? At the end of the month? Tough questions many would rather avoid. It is a call to action to make sure you can answer that question to yourself and others with overwhelming conviction. Changes our sense of security, confidence and self-worth.

There are many other dimensions and aspects of a full-on performance culture. But, for the purpose of this discussion, I will outline three vectors that together make up a performance execution framework.

Our companies ran at higher velocity, with higher standards and a narrower focus than most. Going faster, maintaining higher standards and with a narrower aperture. Sounds simple? The question is how you go about amping up your organization. How *much* faster do you run? How *much* higher are your standards? How hard do you focus? It is a performance 'triad' because they amplify each other. The compound effect can be electrifying.

It is breathtaking how slow, substandard and unfocused many companies out there get through the day. And think nothing of it. The lack of energy is palatable. There is performance upside everywhere. As a leader, your opportunity is to reset in each of these dimensions. You do it in every single conversation, meeting, and encounter. You look for and exploit every single opportunity to step up the pace, expect a higher quality outcome, and narrow the plane of attack. Then, you relentlessly follow up and prosecute at every

turn. Yes, it is confrontational. That is pretty much what CEOs do all the time: confront people, issues and situations.

It's not a quick transformation. In fact, it never ends. The shock to the system will be profound, or you are perhaps not taking it far enough. People may squeal but consider that a sign you are bringing it on. A leader can ignite a culture, but the management ranks need to embrace it, or the energy will not reverberate through the org. You can go slow, 'boil the frog' so to speak, but how can we be a fan of slow? Not everybody will come along. The right people will rise to the occasion. Culture sorts like-minded people from the rest of the pack. You will find out who your keepers are, and some who are not.

Increasing velocity

Without leaders driving the tempo in an organization, it will naturally settle into a lethargic pace. If you have ever worked in or with government, you have seen extreme examples of this. There is no urgency about anything, other than quitting time. It's suffocating being in such organizations, as if everybody is swimming in glue.

People get visible pep in their step. They exude energy. Somebody would ask me if he could get back to me about something next week, and I would reply 'how about tomorrow morning? Might be completely unreasonable, did not matter. The point was to change people's sense of urgency. We were always compressing cycle time on everything. Did we sometimes take it too far? Of course we did. You don't know what's possible until you try. Same thing applies in interactions with other stakeholders, especially customers who all have expectations about reasonable response times. It is easy to differentiate yourself by changing cycle times because few bother to do it.

Stepping up the pace doesn't just cause people to do things faster. They start doing things differently. They become more demanding of others. This is precisely what we want in an organization. ServiceNow had a relentless 'get shit done' culture and they were proud of it. The culture enthusiastically embraced those who got things done, and it repelled those who did not.

The pace has to be profound, palatable, breathtaking, order-of-magnitude type change. You want to go 20% faster? It's barely discernible, and you will be back in your old mode before long.

In the world of software, we often sit around tables talking about what we need in the product, and when we could expect to see it. Development teams tend to come back with unacceptable time frames because they are doing things linearly, and are not thinking with

enough urgency. But with pressure applied, somebody all of a sudden figures out how to do things differently, and get things dramatically sooner. Pressure changes things.

Over time an organization settles into a tempo and pace that is theirs and generally understood inside. You don't have to work at it as much anymore as everybody operates at a cadence the organization generally expects. Of course, in high growth companies new people show up all the time and they need to be properly 'indoctrinated'.

It is not a trivial change. Organizations resist going faster than their natural, quite glacial pace. We had some new hires quit in a matter of weeks, confessing they could not handle the pace and intensity at ServiceNow. Too big a shock to their system.

You need an energetic cast that wants to let it rip. These were exactly the people we wanted to attract and retain. You don't drive the pace, you start losing the people who need a fast-paced culture. And the best people do.

Quickening the pace also drives a narrower focus. You simply can't move very fast when you are pushing on too many fronts at the same time. More about this further down.

Raising Standards

When stepping up the pace, inevitably excuses are made about quality. We can't possibly move this fast, *and* maintain quality? We would agree, because we are going to move faster *and raise* quality. It has a compound effect on productivity. It's not defying gravity, it's beating reams of slack out of the system. Until the pressure is on, we don't even know how much better and faster we can be.

One place where we stood out was our commitment to the customer. It was the highest standard of service and support we knew how to apply. There was nothing more important than making customers successful. Customers had to sing our praises, really feel we had their backs. We wanted them to not just like us, they had to *love* us! Our Net Promoter Scores were high, and that was no accident. It is hard to maintain such standards, but our culture had it deeply ingrained.

I enjoyed quoting the late Steve Jobs who had just two classifications: it's either 'insanely great', or it's 'total shit'. There is no middle ground, Steve took it away. Our people easily related to this way of talking. Don't we all want to be insanely great? The words started to creep into daily interactions when people judged somebody else's work to not be 'insanely great'. A polite way of saying that it was total shit.

Another way we would pursue this conversation was asking people whether they *liked* their work, or whether they *loved* it. Like it, yes, love it, no. So, let's resolve to love what we produce, not just like it. Feel strongly, even passionate about what you are producing. It changes things perceptibly. Moving mental boundaries, that is what this is.

Mediocrity is the silent killer. Organizations are *not* getting killed by their C players. Everybody knows who they are, and performance eventually is addressed. The people who kill organizations are your B players. It's the scourge of the enterprise because there are many and they are generally accepted. Often, they are seen as not bad enough to fire, but not good enough to keep. They are the ultimate passengers.

B players need to be pared: they either become A players, or they become C players and get flushed out. You can help by raising standards, by refusing mediocre outcomes. Channel your inner Steve Jobs.

Narrowing The Focus

The fastest way to move a dial is narrow the focus. People naturally resist focus because they can't decide what is important. Therein lies a problem: people can typically tell you after some deliberation what their top three priorities are, but they struggle to decide on just one. They may also be incorrect about their priorities, so there is potential for misallocation of resources. What is too much and what is too little focus? Do you ever even discuss this? Most teams are not focused enough. I rarely encountered a team that employed too narrow an aperture. It goes against our human grain. People like to boil oceans. Just knowing that can be to your advantage.

When you narrow focus, you are increasing the resourcing on the remaining priority. It doesn't have to time-slice and compete any more with a bunch of other stuff. And then things begin to move, stuff is getting done, and we move to the next thing. Many people and organizations are focused a mile wide and an inch deep. It can't be a surprise when they progress at snails pace. Log jams get broken when you sift through the reams of activities and you create fewer and clearer objectives. Do less, at a time. I've often felt that providence moves, too, when you un-clutter priorities. Like an Invisible Hand, all of a sudden things are on the move.

It's not just an effectiveness problem. We need to sort out what is truly important, and what isn't, and when. We procrastinate on that by declaring multiple priorities. Makes us sound thoughtful and comprehensive, but it completely lacks punch and impact. Pointed, critical thinking is rare. I have been in board meetings where CEOs would declare as many

as ten priorities. Reminds us of Mark Twain who wrote us a long letter because he had no time for a short one.

At the company level and as a CEO, I worked to create blinding clarity and singularity of purpose. My job as a CEO was to increase the value of the franchise. That's because I was appointed to work for the investors (which included our employees). I only did things and applied resources that had a compelling line-of-sight relationship with that goal. In tech, value is a function of growth, so we ran our companies for growth, period. It was an easy call when spending proposals came forward that had no discernible relationship with the mission. Investors were obviously in violent agreement.

We compensated the ServiceNow exec team on just one metric. It was unquestionably the purest performance metric for a cloud software company. Our board fought me on this. They were convinced a grown up company had to have a balanced scorecard, arguably the worst idea to ever come out of academia. People say they want focus, but their actions do not bear it out, quite the opposite. Focus is hard once you understand what that means. What are you not going to do?

Similarly, we ran the companies for attracting and retaining talent, regardless of gender, race or ethnic origin. We valued people for their contribution to our goal, not because they had a preferred skin color, gender or ethnic background. Either you are completely focused on and aligned with your goals, or you let in all kinds of noise that dilutes your limited resources. I have nothing against 'diversity and inclusion' as long as it results from our goal-oriented modes of execution. We are not a university or a non-profit, this is a business. You lack focus at the top, it will be much more so at the bottom.

Data Domain and ServiceNow hired you on merit, not because you checked a box. Good people don't want to be hired because they fit a demographic. We made a lot of money for our people, and we delivered more social justice this way than we ever could have, pursuing other people's ideas of that. I also did not make public statements about anything that did not relate directly to what we do. Focus is a discipline. I avoided having high-minded societal ambitions as part of my role. I am not the leader of the free world, just a CEO working to increase the value of the franchise entrusted to him.

Up to this point, I have talked about 'leaders' driving these modes of execution. Leaders are not people with management titles per se. Leaders set standards of performance for others to follow. High performance organizations exhibit leadership coming from all directions, it is not an exclusively top-down phenomenon. Anybody, anytime can decide to be a leader. It is just a different mode of getting up and going to work in the morning.

In recent years, I have advised CEOs and management teams on these topics and many others. They asked, and we told them. We could sometimes hear a pin drop as people internalized these modes of execution. It made them uneasy. There was a mixture of being intrigued but fearing the perceived fall out. Fear is not good counsel.

Casual observation shows that it is hard for leaders to act on this. It struck them as unduly hard-assed and they feared backlash, people walking out the door, and so on. Everybody wants results, but not everybody wants to do what that takes. Still, I am also seeing leaders swarm to this, dramatically amp up their org, produce amazing results and never look back.

Performance-centric thinking like this doesn't trend well with prevailing attitudes. Companies have become more fixated on their employees' NPS scores than their customers'. They coddle their people. They get caught up in things that have nothing to do with their mission. It takes conviction and courage to execute like this. As William Wallace said in 'Braveheart', 'people don't follow title, they follow courage'. You will be immensely popular when good results come in. That's all people want from you anyway.